

**RESPONSES TO QUESTIONS RECEIVED FOR THE ANNUAL GENERAL MEETING
2020**

The following questions were received from the Securities Investors Association (Singapore) (“SIAS”) and the shareholders of First Resources Limited (the “Company”, and together with its subsidiaries, the “Group”) for the Company’s Annual General Meeting on 1 June 2020. Accordingly, please find below the responses from the Company.

Question 1

As noted in the message to shareholders, one of the key contributors that supported the palm oil industry was Indonesia’s B20 biodiesel mandate. A successful transition to the B30 mandate which mandates the use of 30% palm-based biofuel will further boost the industry. There has been mention that palm oil export levy in Indonesia might be increased by \$5/mt to \$55/mt in 2020 to support the B30 mandate.

In 2019, the group added 1,188 hectares of oil palms in the form of organic new plantings and it aims to replant approximately 3,000 hectares in 2020. The group would also commence the construction of its 18th mill and a new seafront integrated processing complex in the East Kalimantan in FY2020. The total estimated capital expenditure for FY2020 is US\$110 million.

- (i) **Given the pandemic, coupled with the slump in crude oil prices and the uncertainty of the B20/B30 mandate (especially when the palm oil/gasoil spread (commonly known as POGO) continues to widen), how is management finetuning the pace of its new planting, replanting and its capital investments?**

The Company’s Response:

There will be no change to our replanting target for FY2020 as it forms part of the Group’s long-term plan to rejuvenate our plantation age profile. Any delay will cause detrimental effects in the longer term, as the weighted average age of trees continue to rise and productivity decline.

Similarly, the timeline for the construction of our 18th mill remains unchanged, as the installed milling capacity is required to cater for the expected growth in FFB production as the surrounding plantations mature. This is of strategic importance and should not be delayed.

The Group has not planned for any significant new plantings for FY2020 and the capital investment for the new processing complex in East Kalimantan will be postponed by a year.

- (ii) **Can management help shareholders understand the strategic value of the new integrated processing complex in the East Kalimantan province?**

The Company's Response:

We have plantations in the East Kalimantan province which are still young and whose yields will start to increase as they mature. To cater for the resultant growth in FFB production, we have been constructing new CPO mills from which the CPO produced can then be further processed into intermediate or finished products at the new integrated processing complex.

As mentioned in (i) above, our capital investment plans for this new integrated processing complex has been postponed by a year.

Question 2

The group has two executive directors, namely Mr Ciliandra Fangiono (first appointed to the board on 18 April 2007) and Mr Fang Zhixiang (Sigih Fangiono) (first appointed to the board on 1 November 2014).

Mr Ciliandra Fangiono is an executive director and the chief executive officer. Based on the director's profile on page 19, Mr Fangiono plays a key role in charting the group's strategic directions.

In the Corporate Governance report, the company stated that the board sets the strategic direction of the group (page 25) and that the CEO drives the business strategies of the company as set by the board and manages the day-to-day business operations together with the other executive officers of the company (page 30).

Mr Fang Zhixiang (Sigih Fangiono), as executive director and deputy chief executive officer, is jointly responsible for the day-to-day management of the group. Mr Fang Zhixiang focuses on the management of plantations and palm oil mills and he manages the group's corporate affairs.

- (i) **Would the board provide shareholders with greater clarity on the roles and responsibilities of the two executive directors? Specifically, how different are the roles? Is there significant overlap?**

In FY2019, the two executive directors received 39-40% in variable bonus. In fact, since FY2016, the two executive directors have received the same bonus, as follows:

- FY2016: 38%**
- FY2017: 40%**
- FY2018: 44%**
- FY2019: 39%, 40%**

The Company's Response:

The CEO has primary ownership over finance, treasury, marketing, risk management, downstream operations and investor relations. He also oversees and manages the day-to-day business operations of the Group jointly with the Deputy CEO, who focuses on the management of plantations and palm oil mills and also manages the Group's corporate affairs involving human resources and governmental relationships. In addition, there are also certain responsibilities that are shared between the CEO and Deputy CEO, including sustainability, information technology and corporate communications.

- (ii) Would the board/remuneration committee (“RC”) help shareholders understand the quantitative and qualitative/financial and non-financial key performance indicators used to assess the two executive directors?**

The Company’s Response:

The key performance indicators used to assess the two executive directors include both quantitative and qualitative factors, set out and weighted based on their respective roles and responsibilities. Quantitative factors include financial targets like profitability, cost of production and realisation of capital investment plans as well as operational targets like production volumes and yields. Qualitative factors include effectiveness of risk management and communications with stakeholders, as well as employee development and retention. At the same time, there are some key performance indicators which encompass a combination of quantitative and qualitative factors. These include adherence to sustainability standards and efficiencies from operational process improvements.

- (iii) How did the RC measure and assess the performance of the executive directors? Are directors assessed on an individual basis?**

The Company’s Response:

The executive directors are assessed on an individual basis based on the key performance indicators for their respective areas of responsibilities. Even though the weightage of the various key performance indicators are different for the CEO and Deputy CEO, the overall financial and operational performance of the Group had the biggest weightage and thus resulted in similar percentage of variable bonus for the two executive directors.

Question 3

The group’s sustainability policy and the sustainability reports can be found on its website at <http://www.first-resources.com/sustainability.php?pc=policy>

- (i) How does the board/management monitor the group’s adherence to the environmental policies, such as no development on high carbon stock/high conservation value area, no new development on peat areas and a strict zero-burning policy?**

The Company’s Response:

Our Policy on Sustainable Palm Oil introduced in July 2015 encompasses the Group’s commitments to environmental management, including no development on High Carbon Stock forests, High Conservation Value areas and peat areas as well as a strict zero-burning policy. To monitor the Group’s adherence to our sustainability policies, we have integrated sustainability throughout our management systems, including the key performance indicators (KPIs) of relevant senior executives and employees with functional responsibility at an operational level. Sustainability is also one of the key topics tabled at quarterly management meetings. In addition, we have a grievance procedure whereby external parties can submit sustainability-related grievances and the progress of grievance resolution is transparently communicated via our corporate website.

Our Board oversees the identification, management and monitoring of material sustainability risks as part of the Group’s risk management process. As part of the risk management exercise, key sustainability risks are included in the risk register, together with the corresponding internal controls and action plans in place to manage

or mitigate those risks. The risk register is maintained and reviewed by management on a regular basis, and the overall findings and recommendations from the risk assessment exercise, including evaluation of the effectiveness of controls by Internal Audit, are reported to the Audit Committee annually. The CEO also regularly updates the Board on any significant developments and matters relating to sustainability issues and risks affecting the Group.

Annually, the Company publishes a sustainability report which communicates the Group's commitment, approach and progress on the sustainability front.

The group currently manages over 210,000 hectares across the Riau, East Kalimantan and West Kalimantan provinces in Indonesia. As of May 2020, the group has received Roundtable on Sustainable Palm Oil ("RSPO") certifications for three of its subsidiaries covering three mills and more than 27,000 hectares of plantations located in the province of Riau. The group has committed to RSPO certifications for the rest of the mills and plantations by 2024.

(ii) Would the board be re-evaluating the pace of its certification? Currently, just 1/8 of the group's hectareage has received the RSPO certification.

The Company's Response:

Our commitment to achieving RSPO certifications for all our mills and plantations by 2024 is a target that has been agreed with RSPO, being five years from our first certification obtained in 2018. Our RSPO certification process was halted in 2019 due to a previous grievance case that was re-opened. The case has since been resolved in February 2020 and we have proceeded to secure RSPO certification for another mill in the same month, bringing to a total of three mills and more than 27,000 hectares of plantations certified.

Under our certification roadmap, we remain committed to achieving our target of having all our mills and plantations RSPO certified by 2024. For this year, we were planning to certify another five of our mills, integrated with plantations. However, the certification process has since been halted with the onset of the COVID-19 pandemic as no site audits are allowed to be carried out.

We are continuing to work on and monitor the progress of our RSPO certifications and will keep shareholders updated of any subsequent developments.

(iii) For the plantations that are yet to be certified, how close are they in meeting the seven principles and 42 criteria in the RSPO certification programme?

The Company's Response:

The Group's sustainability policies have been guided by the principles and criteria set out by RSPO. These sustainability policies are integrated into our management systems and the Group's standard operating procedures, which are implemented across all our operating units and subsidiaries, regardless of certification status. However, during the RSPO audit process, audit findings may result in additional documentation and/or improvements in processes and infrastructure to be implemented before the individual operating units are awarded RSPO certifications.

Question 4
Impact of COVID-19

(i) How has COVID-19 affected the business?

The Company's Response:

COVID-19 has affected demand in major markets like China and India, impacting CPO prices which have fallen considerably from its peak in January this year. On the other hand, with palm oil being a staple used in dining establishments and food processing industries, a recovery in demand can also be expected when lockdown measures ease globally.

(ii) Has the pandemic affected the operation and utilisation of factories and plantations?

The Company's Response:

The Group's plantations, mills and processing plants in Indonesia have remained in full operation during this period.

(iii) Have there been any cases of COVID-19 reported among employees?

The Company's Response:

There were two cases of COVID-19 infection in one of our regional offices, both of whom have been discharged and are recuperating well at home. Staff in the same office have been tested and cleared of COVID-19 and the office premises sanitised. Split-team work arrangements have also been implemented wherein two alternate teams are deployed to work in office or at home at different work schedules.

(iv) Does the Company have any problem fulfilling long-term contracts due to COVID-19?

The Company's Response:

The Company does not have any long-term sale or purchase contracts currently.

BY ORDER OF THE BOARD
FIRST RESOURCES LIMITED

Tan Lay Hong
Company Secretary
27 May 2020