



First Resources Limited

Policy on Sustainable Palm Oil

Progress report 2
- January to June 2016

Introduction

First Resources first published its [Policy on Sustainable Palm Oil](#) (policy) on 1 July 2015. This report is our second progress update on the implementation of the policy.

In the last six months, our efforts continue to be focused on HCS verifications, HCV protection and socialisation of our policy to employees and external suppliers. In addition, due to the fire and haze crisis experienced in 2015, more attention was directed at ensuring the Group has a robust integrated fire management system.

Socialisation of Policy

We continue to focus on ensuring that our employees, primarily plantation staff such as field managers and field assistants, understand our sustainability policies. This is critical as chain-of-command gaps have been identified as a high risk factor for non-compliance on the ground. For better internal controls, it has also become a

procedure for the regional operations teams to provide regular updates to the corporate sustainability team on development plans, hotspots and fire incidents and incidents of conflict with local communities.

Besides internal socialisation, we have extended the engagement to our crude palm oil (CPO) and fresh fruit bunches (FFB) suppliers. We have distributed a copy of our policy and have requested for their acknowledgement. Several meetings were also held in Riau to communicate our sustainability policies and strategies to our FFB suppliers – both traders and independent growers. By engaging our suppliers, we have a better understanding of their business operations which would help us develop a more robust traceability framework that can eventually be complied with.

For the rest of 2016, we plan to deepen our suppliers' engagement by having more one-on-one meetings with our key suppliers.

Integrated Sustainability Management Structure

To better integrate our sustainability workplan into our core operations, we now include sustainability agenda into our operational management meetings where senior management gather to discuss strategic operational issues, performance and challenges. From 2016, sustainability-related key performance indicators (KPI) will also be incorporated into the KPIs of the operations team in order to align interests and goals.

In March 2016, a materiality workshop was conducted to determine key issues that should be discussed and highlighted in our sustainability report. The workshop involved senior management from different departments, with the aim that the topics discussed - sustainability trends, challenges, targets, and stakeholders' concerns, are understood horizontally across the organization. (For more details on our targets and timeline, please visit our website to download a copy of our latest sustainability report.)

Fire Management and Monitoring

The widespread fires and prolonged haze that occurred in 2015 have increased both government and public's concerns about the environmental impact of plantation operations and the fire management capabilities of plantation companies. While we have been adhering to our zero burning policy, these concerns made us thoroughly review and make improvements to our fire prevention and management capabilities.

Additional efforts were directed towards:

- collecting and analysing fire and hotspot data.
- analysing causes of fire and exploring ways to prevent fires.
- preparing the firefighting team through adequate training.

- equipping the firefighting team with sufficient resources and equipment for fire crisis.
- reviewing the effectiveness of our fire prevention and management programme so that we can holistically address the problems of unwanted fires.



Collectively the group has assigned around 1,800 firefighters in our operations to ensure fires are handled rapidly and adequately. During the period, a total 183 employees were trained by Manggala Agni and other authorised trainers from local authorities. The trained workers were also assigned to their respective estates to share and impart their training to other workers in the field.



So far, weather in our operations has been conducive with good rainfall. In spite of favourable weather conditions, there still were incidents of hotspots and fires detected in or around the vicinity of our operations.

These hotspots have been properly investigated and addressed.



Given the vast operating areas of our plantations and the complexity of varying land rights in Indonesia, it is not uncommon to have communities living inside or within close proximity to our concession areas. Without full control over our concession areas, it remains a challenge for us to completely eradicate fires from within our concession areas. It remains our aim to ensure early detection and rapid response to fires, as smaller fires are cheaper and easier to put under control. Our long term target is to ensure that fires do not originate from our concession areas.

High Carbon Stock (HCS) Forests

In our last report, we highlighted that we have mapped out potential HCS areas across the Group's concessions through a desktop assessment in accordance with the HCS Approach methodology. These potential HCS areas have been placed on a self-moratorium from further land clearance. With the help of a third party HCS consultant, we have also completed ground assessments for two of our concessions covering close to 22,000 hectares of land bank.



In the last six months, we have continued with further HCS ground assessment work. Our consultants are in the midst of completing the HCS assessment which includes ground truthing, patch analysis as well as initial consultation with the local communities for six more concessions located in East and West Kalimantan, covering a total of 66,000 hectares.

We plan to commence ground assessment at two other concessions in the next few months.

High Conservation Value Areas

During the period, we have formed a specialised conservation task force at one of our estates in West Kalimantan. The aim of the taskforce is to better monitor the condition of the HCV areas at our estate and discourage illegal activities such as illegal logging, encroachment and hunting at our HCV areas. With the assistance of a local NGO and local conservation agency (BKSDA), the taskforce was also trained to detect, monitor and manage the presence of wildlife in the HCV area or at our operational areas. So far, we have been pleased with the results from the taskforce, and we are currently reviewing our requirements for other HCV areas and will allocate resources to form similar task forces where necessary.

In our previous report, we highlighted that part of our HCV areas was damaged by fire during the prolonged dry season in 2015 due to encroachment by local communities. Due to heavy rainfall in the first few months of the year, we were unable to carry out reforestation work. When the weather is more conducive, we will start planting different tree species as part of our rehabilitation efforts.



Peat

In our policy, the Group has committed not to develop plantations on peat of any depth. Peat areas identified in our concessions are carved out from new development plans.

The drying of peat land increases subsistence and makes it vulnerable to fires. Peatland fires are difficult to extinguish. Specialised equipment is required to put out fires effectively on peat areas.



As part of fire prevention, we strive to ensure good hydrology systems at our existing plantations on peat by maintaining high water table levels. This reduces the risks of fire ignitions and the spread of fires during dry weather conditions.

Transparency and Grievance Procedure

Since the launch of our new sustainability policy, we have been actively engaging stakeholders, including NGOs, buyers and industry peers to keep ourselves abreast with developments in the industry.

During our discussions, it came to our attention that stakeholders were not able to easily retrieve clarifications from the company that addresses complaints or red flags that have been raised by other stakeholders in the public domain. In response to the feedback, we have adopted a more proactive and systematic approach in our stakeholder communication where we now summarise and provide clarifications on individual concern or complaint on our operations, in which we have been made aware of either through media reports, the RSPO complaints mechanism or directly through our own grievance procedure. The aim is to provide factual and transparent information to all our stakeholders, regardless of whether the Group has fallen short and needed to address the gaps, or the concerns are unsubstantiated. These summarised case briefs are available on the [Sustainability section](#) of our website.

Our grievance procedure was set up in 3Q 2015 as part of our policy implementation. Given the complexity of sustainability issues, we are cognizant that there will be risks of policy breaches, especially those involving communities and land rights. By tapping on the wider network and ground intelligence of civil society groups and our external stakeholders, the grievance procedure is an effective tool in helping us monitor our operations and that of our suppliers.

During the period, there were no new grievances filed on our operations or those of our third party suppliers and associated companies.

We are also pleased to update that a NGO, LinkAR-Borneo, who had raised a complaint to the RSPO on one of our subsidiaries, have been satisfied with the clarifications provided and follow-up actions implemented by the subsidiary. As a result, Link-AR Borneo withdrew its complaint from the RSPO who subsequently closed the case in June 2016. We now have one outstanding RSPO complaint and we hope to resolve that in the near horizon.

Supply Chain and Traceability

Due to lower productivity of our Riau estates caused by the prolonged dry weather in 2015, we increased our third party purchases of CPO feedstock for our Pelintung plant for the production of palm-based biodiesel. Some of these new suppliers have yet to submit us the details we require for our traceability purposes. As a result, we managed to achieve 87% traceability of our CPO to the mills, as compared to 100% traceability in 2015. We will continue to engage our suppliers to work towards 100% traceability.

During the period, approximately 91% of the FFB processed in our 13 mills were supplied from our own plantations, inclusive of our plasma (schemed smallholders) plantations and are therefore fully traceable. The remaining FFB intakes are from third parties, namely independent growers including smallholders, small medium sized enterprises and FFB aggregating traders. We have started engaging some of these external FFB suppliers to have a better understanding of their supply chain.

	Traceability to Mill	Traceability to Plantation
2015	100%	91%
Jan – Jun 2016	87%	79%

