

FIRST

RESOURCES

Established in 1992

Listed on SGX since 2007

Launched Policy on Sustainable Palm Oil in 2015



CONTENTS

02

CEO's Message

04

Targets and Progress

06

Our Approach to Sustainability

14

Productivity

17

Conservation and Forest
Management

23

Reducing Greenhouse
Gas Emissions

25

Water and Waste Management

28

Chemicals and Pesticides Usage

30

Community

34

Suppliers and Smallholders

38

Working Conditions

44

Customers

46

About this Report

47

GRI Content Index

54

Glossary of Terms



CEO'S MESSAGE



Dear Stakeholders,

It is my pleasure to present First Resources' 2018 Sustainability Report. This is our fifth report communicating the company's commitment, approach and progress towards sustainable business practices.

WHAT SUSTAINABILITY MEANS AT FIRST RESOURCES

As we continue to grow and evolve as a company, sustainability and our responsibilities to our many stakeholders remain core to our business and the decisions we make every day. More than ever, we acknowledge that we live in a world of real constraints. Sustainability for us means looking beyond a narrow financial viewpoint, to understanding the interconnections between how we create and sustain value, and the changing social and environmental context in which we operate.

As one of the leading palm oil producers in the region, we are committed to growing our business in a way that benefits society and protects the environment. This means balancing the sometimes contrasting needs of our stakeholders, which is not always simple.

However, in order to advance on this journey, we are committed to understanding the needs of our stakeholders and evolving our approach accordingly by engaging and collaborating with them constructively.

LOOKING BACK, CHALLENGES AND PERFORMANCE IN 2018

The year under review represented a challenging one for the industry as a whole and our business. Market conditions for palm oil commodities were less favourable in 2018, with the price for crude palm oil (CPO) reaching its lowest level in a decade during the year. The Group's financial performance was inevitably affected and we saw lower profitability despite higher production volumes. Coupled with low prices, supply for CPO exceeded demand, sending a clear signal to producers like us to slow down expansion. We have taken the opportunity to focus on enhancing the productivity of our operations.

In 2018, we replanted approximately 1,000 hectares of our old oil palm trees, with about half of the planting materials coming from our own seed production unit. We have invested in research and development over the last ten years with the aim of developing planting materials that deliver higher yield and better resistance to diseases and extreme weather fluctuations. We estimate that these enhanced planting materials will yield more than 20% higher in comparison to the existing ones and we are excited by the overall increase in productivity that we can achieve as we continue to carry out our replanting programme over the next decade.

Our conservation and forest management efforts remain a high priority. No new developments have taken place on the approximately 20,000 hectares (or 20%) of our existing land bank identified as conservation areas. Furthermore, we have taken steps to engage the community beyond our operations on conservation, in line with our own commitments. In 2018, we worked with local conservation agencies to bring High Conservation Value (HCV) education programmes to local schools. We see this as an important step towards bringing the communities where we operate on our sustainability journey with us, by promoting understanding and appreciation of sustainability in the next generation.

On the social side, we took onboard the results of a labour and human rights pilot audit that was conducted in 2017 and made important headway in improving the working conditions of our workers. Crucial to this agenda is ensuring that the managers of our estates are adequately informed and trained on workers' rights. Therefore, we introduced a socialisation and engagement programme that focuses on labour rights for both the local management team as well as our workers, and we plan to roll this across the organisation.

With approximately 10% of our fresh fruit bunches (FFB) coming from third-party suppliers, we are also pleased to report progress in obtaining data required for tracing FFB to plantations. Taken together with the FFB supplies from our nucleus and plasma plantations, 98% of the FFB processed at our mills was traceable to estates in 2018. We are now very close to reaching our target of processing 100% traceable FFB by 2020 for our own mills. However, traceability is just the starting point. Following on from traceability, how we engage, monitor and support our suppliers to adopt sustainable practices in line with our policies is what will have the greatest impact.

Widespread fires from illegal slash-and-burn land clearing practices are still of concern to many stakeholders, especially as 2019 is expected to be a year characterised by drier weather conditions. With new approaches towards fire prevention, the industry has seen vast improvements from the 2015 catastrophic forest fires causing the haze that blanketed much of Southeast Asia. However this issue has not gone away completely and there is a lot more work to be done to engage communities on fire prevention. 2019 will serve as a more challenging test for First Resources, as well as the wider industry, to evaluate the effectiveness of our fire prevention and management efforts.

LOOKING AHEAD, OUR PRIORITIES GOING INTO 2019

Despite the challenging market conditions expected of 2019, First Resources remains steadfast on our commitments made in our Policy on Sustainable Palm Oil, now in its third year of implementation. Looking ahead, we have set targets for our sustainability ambition in 2019 (see page 4), in order to ensure that we continue to invest and make progress on our journey.

In particular, I am enthusiastic about the exciting prospects that technology offers in transforming the industry. Although still at an early stage of development and adoption, technology is becoming increasingly affordable and accessible, and offers unique opportunities to tackle some of the sustainability challenges we face. For example, blockchain technology is being explored to streamline the traceability process, in addition to improving accuracy and timeliness of information from our suppliers. The industry has also embarked on the use of near real-time satellite imagery and data to help monitor various aspects of plantation operations – from early detection of forest fires, to the health of the trees and infrastructure conditions. These advancements will promote precision agriculture, enhancing our productivity and supporting our sustainability commitments. After all, one of the biggest challenges the agriculture sector faces is increasing production via enhanced productivity and not from hectareage growth.

On behalf of First Resources, I would like to take the opportunity to share my sincere appreciation to our valued stakeholders who have supported and collaborated with us on our efforts. As we continue to address the challenges facing our business with our stakeholders, we remain heartened by the opportunities that a more sustainable palm oil industry presents. This report is an important exercise in transparency and accountability for First Resources. We hope you find it valuable.

Ciliandra Fangiono
Chief Executive Officer
First Resources Limited

TARGETS AND PROGRESS

Material Issue	Key Commitments	2018 Progress	Future Targets
Community investment	<ul style="list-style-type: none"> Invest in the communities we operate in to drive positive socio-economic impact 	<ul style="list-style-type: none"> Allocated IDR 3 billion to support the education of children Repaired 85 kilometres (km) of roads and bridges Invested in water infrastructure benefitting over 246 families 	<ul style="list-style-type: none"> Continue to invest in community development programmes centred on education, healthcare and infrastructure (ongoing)
Conservation and management of High Conservation Value (HCV) areas	<ul style="list-style-type: none"> No development on HCV areas 	<ul style="list-style-type: none"> Continued to set aside HCV areas for conservation (a cumulative total of 4,543 hectares identified as of 2018) 	<ul style="list-style-type: none"> Ensure no development on HCV areas (ongoing)
Fire prevention and management	<ul style="list-style-type: none"> No burning for new plantings and replantings 	<ul style="list-style-type: none"> Trained 169 community members from 10 villages in fire prevention and management 	<ul style="list-style-type: none"> Reach out to another nine villages on fire prevention and management in 2019 Reduce the number of fire incidents which occurred in 2018
Labour conditions and human rights	<ul style="list-style-type: none"> Respect the human and workplace rights of all our employees, including contract and temporary workers 	<ul style="list-style-type: none"> Followed up on recommended actions that surfaced from a 2017 labour and human rights pilot audit 	<ul style="list-style-type: none"> Conduct another labour and human rights assessment in 2019
Occupational health and safety	<ul style="list-style-type: none"> Achieve zero fatalities 	<ul style="list-style-type: none"> Two fatalities in 2018 	<ul style="list-style-type: none"> Achieve zero fatalities (ongoing)
Peatland management	<ul style="list-style-type: none"> No development on peatland of any depth Implement best management practices for existing plantations on peat 	<ul style="list-style-type: none"> Continued to set aside peatland from development (since July 2015) Completed canal blocking at three estates and implemented other water management measures in accordance with directives from the Environmental and Forestry Ministry 	<ul style="list-style-type: none"> Ensure no development on peatland (ongoing) Complete canal blocking at another estate by 2019
Productivity	<ul style="list-style-type: none"> Continue to focus on yield improvements at our plantations 	<ul style="list-style-type: none"> Increased our nucleus FFB yield from 18.2 to 18.9 tonnes per hectare 	<ul style="list-style-type: none"> Increase nucleus FFB yield in 2019
Protection of High Carbon Stock (HCS) forests	<ul style="list-style-type: none"> No development on HCS forests 	<ul style="list-style-type: none"> Continued to set aside HCS forests from development (HCS assessments have been completed for all our development bank as of 2017) 	<ul style="list-style-type: none"> Ensure no development on HCS forests (ongoing) Roll out an engagement programme in 2019 with local communities to create awareness on and obtain their support for HCS conservations

Material Issue	Key Commitments	2018 Progress	Future Targets
Regulatory compliance	<ul style="list-style-type: none"> Maintain zero incidences of non-compliance with regulations 	<ul style="list-style-type: none"> Zero incidences of non-compliance with regulations reported in 2018 	<ul style="list-style-type: none"> Maintain zero incidences of non-compliance with regulations (ongoing)
Rights of indigenous and local communities	<ul style="list-style-type: none"> No development without Free, Prior and Informed Consent (FPIC) 	<ul style="list-style-type: none"> One land conflict lodged via the Roundtable on Sustainable Palm Oil (RSPO) grievance mechanism in 2018 which was eventually withdrawn after clarifications 	<ul style="list-style-type: none"> Continue to ensure all new developments follow the process of FPIC (ongoing)
Smallholder inclusiveness	<ul style="list-style-type: none"> Support smallholders by sharing sustainable best practices, providing technical assistance and including them in the Group's supply chain 	<ul style="list-style-type: none"> Partnered and supported more than 15,000 smallholders on 30,713 hectares of plasma oil palm plantations (an increase over 2018) 	<ul style="list-style-type: none"> Increase the plasma plantation area and the number of smallholders being supported in 2019 Organise smallholder engagement workshops in 2019 to explain the Group's sustainability policy and offer sustainability support
Stakeholder engagement	<ul style="list-style-type: none"> Maintain constructive and regular engagement with relevant stakeholders 	<ul style="list-style-type: none"> Engaged with relevant stakeholders on key topics and concerns 	<ul style="list-style-type: none"> Continue to address key stakeholder concerns and maintain constructive and regular engagement (ongoing)
Supply chain traceability and transparency	<ul style="list-style-type: none"> Establish a traceable and transparent palm oil supply chain 	<ul style="list-style-type: none"> Maintained 100% traceability to the mills (achieved since 2017) Achieved 98% traceability to plantation for First Resources' mills in 2018 Published a full list of our CPO and PK suppliers on our website 	<ul style="list-style-type: none"> Maintain 100% traceability to the mills (ongoing) Obtain 100% traceability to plantations for First Resources' mills by 2020 Improve the traceability disclosures on our website in 2019
Sustainability certification	<ul style="list-style-type: none"> Achieve 100% RSPO certification by 2024 Achieve 100% ISPO certification by 2020 	<ul style="list-style-type: none"> Achieved 10% RSPO certification as of 2018 Achieved 49% ISPO certification as of 2018 	<ul style="list-style-type: none"> Obtain RSPO certifications for another two mills in 2019 Obtain ISPO certifications for another three plantations in 2019
Other: Pest management and chemical usage	<ul style="list-style-type: none"> Adopt agronomic best practices in pest management and stopping the use of paraquat by 2019 	<ul style="list-style-type: none"> Gradually reduced the use of paraquat in 2018 	<ul style="list-style-type: none"> Completely phase out the use of paraquat by 2019

OUR APPROACH TO SUSTAINABILITY

As an agricultural business, sustainability is integral to First Resources' operations. We understand that our long-term success relies on the ongoing health of the environment we depend on, as well as the well-being of the stakeholders we interact with.

The principle of sustainability is implicit within the core values that guide our decision-making and behaviour at every level.



LOYALTY

We are committed to growing our business and fulfilling our obligations to our stakeholders, including our employees, business partners, customers and shareholders.



INTEGRITY

We are guided by strong corporate governance and good business ethics to build a foundation of trust, reliability and honesty.



DILIGENCE

We are focused on delivering results and achieving our goals while maintaining high standards throughout our operations.



PERSISTENCE

We have a can-do attitude in facing challenges and we seek to achieve industry best practices in our operations.



CARE

We value relationships and we seek to establish long-term partnerships with our people, customers, suppliers and the communities we operate in.

OUR POLICY ON SUSTAINABLE PALM OIL

We strive to ensure that our operations create sustainable development by taking into account the needs of our stakeholders and maintaining the highest social and environmental standards. In 2015, we launched our [Policy on Sustainable Palm Oil](#), which codifies commitments to "No Deforestation, No Peat and No Exploitation", also referred to as our NDPE policy.

Our policy statement includes the following commitments:

Environmental management

- No development on High Carbon Stock (HCS) forests, High Conservation Value (HCV) or peat areas.
- Adopt agronomic best practices to minimise our environmental impact, which includes soil, waste and pest management.
- Develop plans to progressively reduce greenhouse gas (GHG) emissions in our operations.
- Observe a strict zero-burning policy in new developments and replanting areas.

Community engagement and development

- Respect the rights of indigenous and local communities to give or withhold their Free, Prior and Informed Consent (FPIC) for the utilisation of land.
- Resolve conflicts in an open, transparent and consultative manner.
- Drive positive socio-economic impacts for people and communities through job creation and investments in plasma projects and community development programmes.

Employee relations and workplace

- Respect the workplace rights of all our employees, including contract and casual workers.
- Prohibit the use of forced, trafficked or child labour, and any discrimination, harassment or abuse of our employees.
- Provide a safe and healthy workplace environment for all our employees.

Traceable and transparent supply chain

- Suspend sourcing from suppliers found to be engaged in the development of HCS, HCV or peat areas, in the use of fires during land preparations or in the exploitation of local communities, and who do not take immediate remedial actions.
- Maintain constant engagement with suppliers with the aim of developing a responsible supply chain.
- Establish a traceable and transparent palm oil supply chain.

IMPLEMENTING OUR POLICY ON SUSTAINABLE PALM OIL

Our Policy on Sustainable Palm Oil communicates the social and environmental standards we expect to be upheld across our operations, including our subsidiaries and associated companies, as well as our third-party suppliers.

We remain mindful of our ongoing task to translate our policy commitments into action on the ground. As a key player in the Indonesian palm oil sector, we recognise that achieving a more sustainable business requires looking beyond our own operations where we have direct control and collaborating with our suppliers and business partners to achieve our commitments.

We engage and train all relevant employees on the policy and provide additional support on social and environmental issues for key areas of the business. We socialise the policy with all our suppliers, through our supplier onboarding process, one-on-one meetings or group sessions to help them understand our commitments and the importance of aligning their practices with our requirements. To date, feedback from participating suppliers has generally been supportive and constructive. For more on our engagement with our suppliers, please see the section on [Suppliers and Smallholders](#).

We also work with our customers to improve our practices. In 2018, we focused on addressing the findings and recommendations from mill verification visits that were conducted by our customers in 2017. These verification visits included a review of our mills' legal compliance, environmental practices, traceability of fresh fruit bunches (FFB) and crude palm oil (CPO), labour practices (including health and safety policies), grievance and whistleblowing mechanisms, as well as plasma and community development programmes. While these assessments resulted in generally positive reports on our operations, it also highlighted areas where we could improve on. We continue to use the findings and recommendations resulting from such assessments to review our management practices and ensure that we are adopting a culture of continuous improvement.

“Neste believes in stakeholder engagement, including the engagement with our raw material suppliers. As First Resources has been one of our suppliers for many years and we have built a good relationship between the companies, we invited First Resources in December 2017 to help us trial our renewed sustainability auditing system. A comprehensive trial audit was conducted at one of First Resources' mills, together with our implementation partner. We are thankful for First Resources' spirit of cooperation and their commitment to continuously improve their practices including their supply chain. We would also like to commend their commitment towards increasing transparency. In 2018, we invited the First Resources' team to share their audit experiences with other participants at our annual supplier workshop, which is an event we organise annually for our suppliers. Such dialogue and sharing amongst growers benefit the oil palm sustainability progress of all participants and the industry as a whole.”

**Adrian Suharto, Head, Stakeholder Engagement,
Neste Singapore Pte Ltd**

MONITORING AND GRIEVANCE PROCEDURE

We have also set up a robust system to ensure that practices and performance related to our policies can be monitored and reported. We have two distinct mechanisms for reporting concerns or complaints: our whistleblowing procedure and our grievance procedure. Both mechanisms are open to external and internal stakeholders.

Whistleblowing Procedure

Our whistleblowing procedure is designed to ensure that employees and business partners have a safe, anonymous and straightforward channel to alert us to concerns, non-compliances or grievances. The system makes use of easy-access tools, including anonymous complaints boxes in estates, SMS, phone and email services. Complaints raised through these channels are generally handled locally but can be escalated to the Audit Committee where material. First Resources does not tolerate nor condone any actions taken against any employee in retaliation for raising a compliance or integrity issue. The Company may institute disciplinary action against any party found to have taken such retaliatory action against whistleblowers.

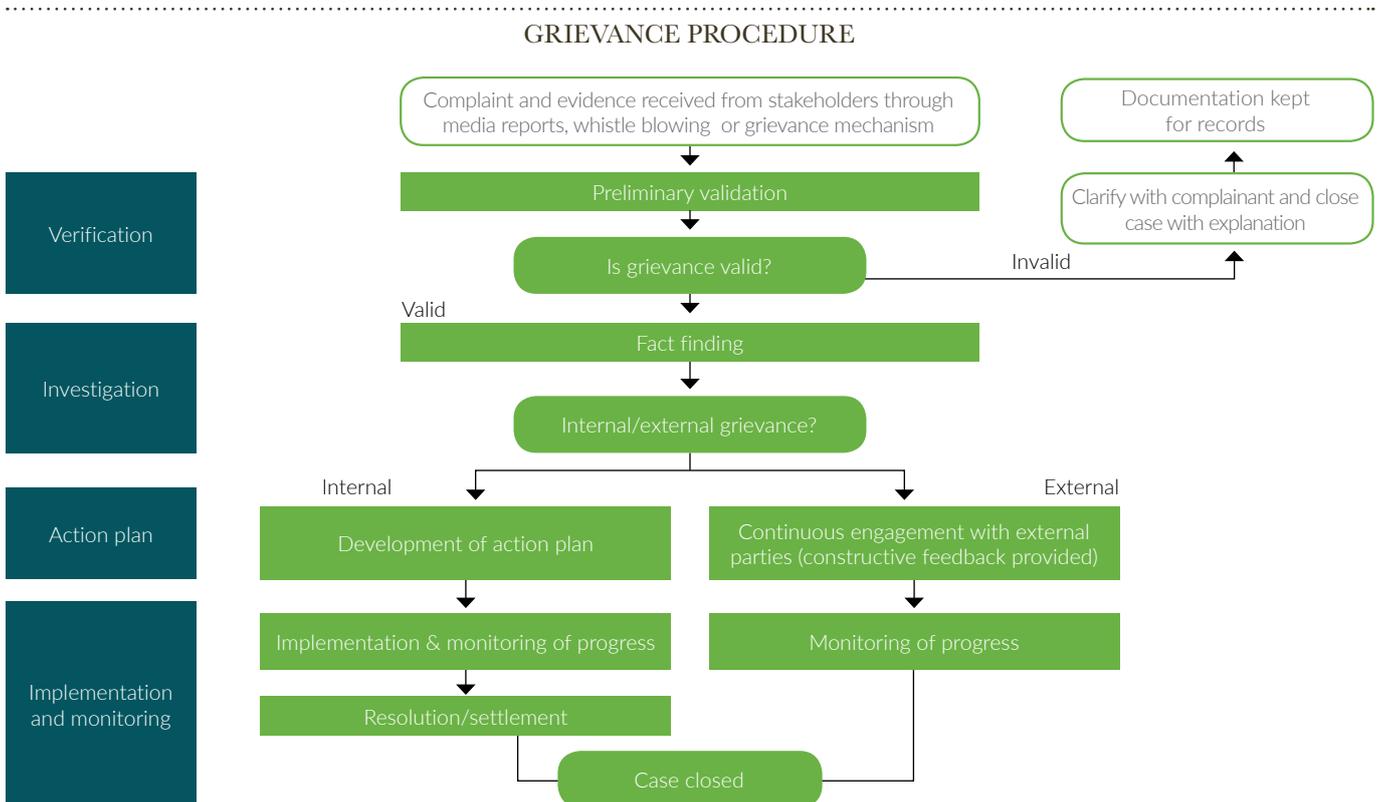
Anyone wishing to make a whistleblowing report may refer to the details on our [website](#).

Grievance Procedure

We also have a grievance procedure in place for stakeholders to register sustainability-related concerns, particularly with regard to our Policy on Sustainable Palm Oil, such as those related to deforestation, land disputes, human rights or general labour issues.

Our philosophy is to work collaboratively and constructively with all our stakeholders. We want stakeholders to engage us directly with their concerns, so that these can be investigated and addressed through remediation, if necessary, as quickly as possible. In this regard, we appreciate and welcome stakeholders, including non-governmental organisations (NGOs), to engage positively with us and help us to address gaps in our operations.

Our grievance list consists of cases that have been brought to our attention through media reports, stakeholder feedback, buyers' grievance mechanism, our own grievance procedure and the Roundtable on Sustainable Palm Oil (RSPO). We aim to communicate transparently on grievances and complaints that have been raised as well as report our progress towards resolving them. Our grievance list is updated regularly and available on our [website](#).



GOVERNANCE OF SUSTAINABILITY

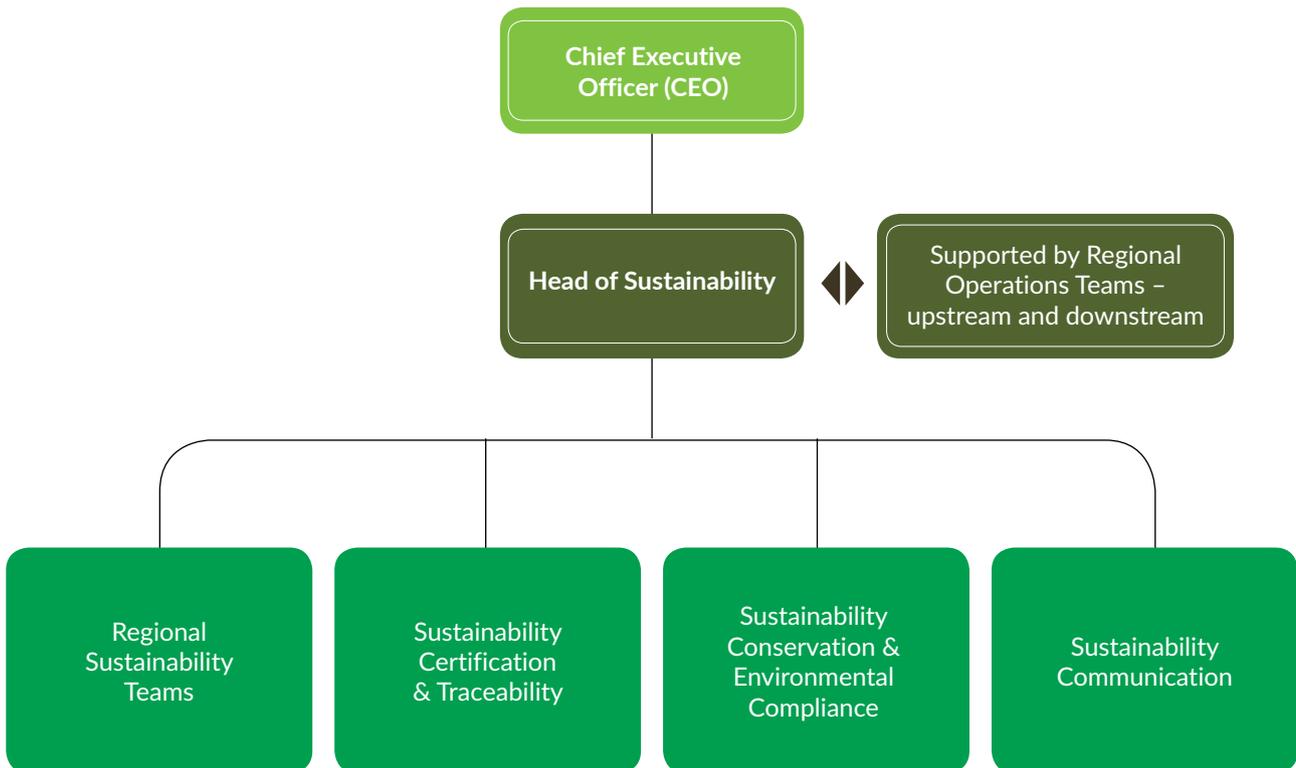
We are committed to maintaining the highest standards of corporate governance at First Resources. This is crucial for the effective implementation of our sustainability policies and ensuring we are improving on our performance on an ongoing basis.

The Board, led by the Chairman, has oversight of sustainability matters and receives regular updates on important sustainability issues. Sustainability topics are further discussed and addressed in quarterly senior management meetings where representatives from all key areas of our operations are present.

Responsibility for the day-to-day implementation of sustainability is delegated to our Head of Sustainability, who reports directly to the CEO and is supported by a team of skilled experts from across our business.

We have integrated sustainability throughout our management systems, including the key performance indicators of relevant senior executives and other employees with functional responsibility at an operational level. Operational teams are required to provide regular cross-departmental updates on key issues – including hotspots and fire incidents, the status of land clearing, and any incidents of conflict with local communities – to the regional and corporate sustainability teams.

SUSTAINABILITY GOVERNANCE STRUCTURE



MATERIALITY

We use the principle of materiality to ensure that we are focused on managing and reporting our performance against the issues that matter most to our stakeholders and that are of greatest significance to our business.

To prioritise which issues are material, we gathered information from a variety of internal and external sources, which our senior management team reviewed and validated during a materiality workshop.

Building on our previous assessments, this year we have further refined our understanding of our material issues working with Corporate Citizenship, a consulting firm specialising in corporate sustainability, to conduct a benchmarking exercise of our material issues against industry peers and global best practice, as well as desk research into sustainability trends for the palm oil sector. As a result, we have developed a more concise list of issues with clear definitions and boundaries presented in the table below. The final list of material issues is always signed off by our CEO on behalf of the Board of Directors.

	List of issues	Description	Boundary
Material issues	Community investment	Empowering and increasing the livelihoods of local communities.	
	Conservation and management of High Conservation Value (HCV) areas	Identifying, conserving and managing areas of land with high biological, ecological, social or cultural value.	
	Fire prevention and management	Preventing the occurrence and responding swiftly to forest fires linked to our operations.	
	Labour conditions and human rights	Promoting fair and favourable working conditions and respecting human rights.	
	Occupational health and safety	Preventing any work-related fatalities, injuries and illnesses by promoting a safe and healthy work environment.	
	Peatland management	Conserving, managing and rehabilitating peatland.	
	Productivity	Enhancing productivity through research and development that target increased yield and extraction rates.	
	Protection of High Carbon Stock (HCS) forests	Identifying and protecting forests that hold large stores of carbon.	
	Regulatory compliance	Ensuring compliance with all relevant regulations.	
	Rights of indigenous and local communities	Respecting the rights of indigenous and local communities.	

	List of issues	Description	Boundary
Material issues	Smallholder inclusiveness	Engaging with smallholder suppliers to ensure compliance with our sustainability policy and promoting the sustainable development of smallholders.	
	Stakeholder engagement	Maintaining constructive and regular engagement with relevant stakeholders, including community groups, non-governmental organisations (NGOs), business partners, industry groups and local government.	
	Supply chain traceability and transparency	Achieving full traceability of the source of crude palm oil (CPO) and palm kernel (PK) to mill and fresh fruit bunches (FFB) to plantation.	
	Sustainability certification	Obtaining relevant sustainability certifications linked to the sector.	
Issues of ongoing importance	Business conduct and corruption	Ensuring business activities are conducted with integrity, free from corruption.	
	Employee management and retention	Managing our current and future workforce by retaining and providing development opportunities for our employees.	
	Greenhouse gas (GHG) emissions	Reducing GHG emissions from our operations.	
	Pest management and chemical usage	Responsibly managing the use of pesticides, fertilisers and other chemicals to avoid contamination of land and water.	
	Waste management	Reducing the amount of waste generated, increasing waste reused/ recycled and ensuring proper treatment and disposal of hazardous waste.	
	Water and effluents	Reducing water consumption and managing effluents responsibly.	

Key:



- **Material issues** have significant influence on our own decisions, actions and performance and are most important to our stakeholders. Therefore, we place greater emphasis on these issues in our management approach and sustainability reporting.
- **Issues of ongoing importance** are relatively lower in significance, but still considered relevant. While we place less emphasis on these, we manage and report on them as relevant to our business and stakeholders.

STAKEHOLDER ENGAGEMENT

Engaging our stakeholders to better understand their interests and concerns is a fundamental part of our approach to sustainability. We aim to take an inclusive approach and work constructively with all our key stakeholders by ensuring that we maintain an open dialogue.

We have identified our key stakeholder groups through an internal mapping exercise based on our impacts on them and their importance to the success and continuity of our business. We then tailored our method of engagement for each of these groups. Our approach to stakeholder engagement is reviewed and enhanced regularly to ensure that it remains effective. The table below summarises our stakeholder engagement efforts in 2018.

Stakeholder groups	Engagement method and frequency	Topics and concerns raised	First Resources' response to those topics/concerns
Communities	<ul style="list-style-type: none"> Meetings with Community Development Officers (periodic) 	<ul style="list-style-type: none"> Better village infrastructure Access to employment opportunities Participation in plasma programme Social conflict and Free, Prior and Informed Consent (FPIC) concerns 	<ul style="list-style-type: none"> Increase community investment Prioritise employment opportunities to local communities Ensure appropriate plasma allocation for plantation development Conduct Social and Environment Impact Assessments and ensure better communication during FPIC process
Customers	<ul style="list-style-type: none"> One-on-one communication (periodic) Website (regularly) Annual Report (yearly) Sustainability Report (yearly) 	<ul style="list-style-type: none"> First Resources' sustainability commitments, initiatives and progress Customers' traceability requirements Grievances lodged by stakeholders on First Resources' operations or suppliers 	<ul style="list-style-type: none"> Provide regular updates on our sustainability policy and its implementation progress Provide traceability data of our supplying mills Investigate, address and clarify grievances lodged as per our grievance mechanism
Employees	<ul style="list-style-type: none"> Internal company portal (regularly) Internal company meetings (twice a year) Performance review (twice a year) 	<ul style="list-style-type: none"> First Resources' operational and financial performance Personal and career development Health and safety 	<ul style="list-style-type: none"> Keep employees updated on company news, performance and policies Ensure health and safety procedures and equipment are adequate Increase amount and adequacy of training and development

Stakeholder groups	Engagement method and frequency	Topics and concerns raised	First Resources' response to those topics/concerns
Shareholders	<ul style="list-style-type: none"> Annual General Meeting (yearly) Website (regularly) SGXNET (periodic) Annual Report (yearly) Sustainability Report (yearly) One-on-one communication (as required) Conferences/Non-Deal Roadshows (periodic) 	<ul style="list-style-type: none"> First Resources' operational and financial performance First Resources' sustainability commitments, initiatives and progress 	<ul style="list-style-type: none"> Provide updates on Company's performance and plans Provide updates on our sustainability policy and its implementation progress
Banks and financial institutions	<ul style="list-style-type: none"> Website (regularly) SGXNET (periodic) Annual Report (yearly) Sustainability Report (yearly) One-on-one communication (periodic) 	<ul style="list-style-type: none"> First Resources' financial performance First Resources' sustainability commitments, initiatives and progress 	<ul style="list-style-type: none"> Provide updates on Company's performance and plans Provide updates on our sustainability policy and its implementation progress
Non-governmental organisations (NGOs)	<ul style="list-style-type: none"> One-on-one communication (as required) Website (regularly) Annual Report (yearly) Sustainability Report (yearly) 	<ul style="list-style-type: none"> First Resources' sustainability commitments, initiatives and progress Grievances lodged by stakeholders on First Resources' operations or suppliers 	<ul style="list-style-type: none"> Provide updates on our sustainability policy and its implementation progress Investigate and respond to grievances as per our grievance mechanism
Suppliers	<ul style="list-style-type: none"> One-on-one communication (periodic) Group sessions (periodic) 	<ul style="list-style-type: none"> Compliance with First Resources' sustainability standards including our traceability requirements Clarification of grievances lodged on suppliers' operations 	<ul style="list-style-type: none"> Explain First Resources' sustainability policy and our expectations of supplier compliance Verify clarifications made and respond to grievances as per our grievance mechanism
Regulatory bodies (including government)	<ul style="list-style-type: none"> One-on-one communication (as required) Reporting mechanisms (as required) Multi-stakeholder forums (as required) 	<ul style="list-style-type: none"> Company's compliance with applicable regulation/legislation 	<ul style="list-style-type: none"> Ensure documentation of company's compliance

MEMBERSHIP ASSOCIATIONS

- Roundtable on Sustainable Palm Oil (RSPO)
- Indonesian Palm Oil Association (GAPKI)
- Association of Indonesian Biodiesel Producers (APROBI)

EXTERNAL INITIATIVES

- The RSPO Principles and Criteria (P&C)
- High Carbon Stock (HCS) Approach
- United Nations Guiding Principles on Business and Human Rights
- International Sustainability & Carbon Certification (ISCC)

PRODUCTIVITY



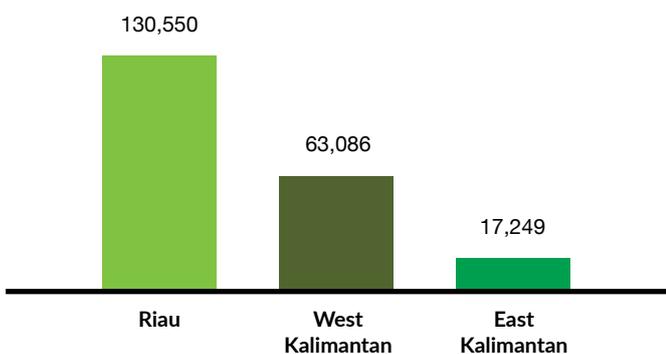
Palm oil is the most versatile of all vegetable oils and is widely used in both food and non-food products around the world. The production of palm oil is a key part of the Indonesian economy and supports millions of livelihoods. However, growing demand coupled with increasing environmental concerns means that to continue to be viable, more sustainable production is required.

At First Resources, we are committed to sustainable palm oil production by investing in long-term solutions that will create both economic and social benefits, while minimising damage to the environment.

PLANTED LAND AREA

First Resources is one of Indonesia's leading palm oil producers, operating in the Indonesian provinces of Riau, West Kalimantan and East Kalimantan. Our own plantations cover 180,172 hectares, and we operate smallholder plasma schemes on another 30,713 hectares.

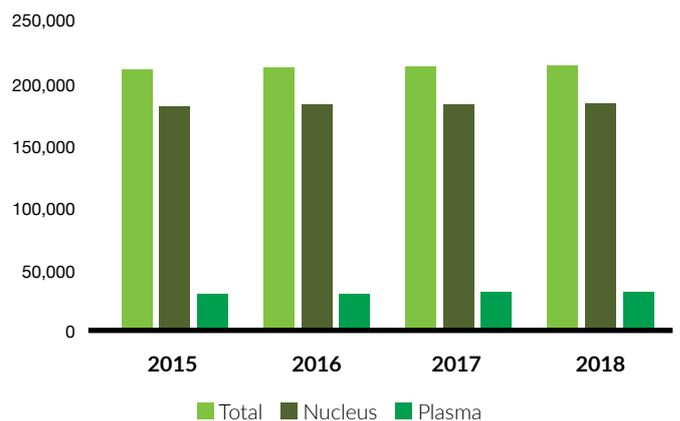
OIL PALM PLANTED AREA BY LOCATION IN 2018 (hectares)



Note: The figures include both nucleus and plasma planted areas

As we focus on productivity and yield improvement, we are relying less on new plantings to drive growth. As a result, relatively few new plantings took place in 2018 - 884 hectares of oil palms were added, compared to 1,310 hectares in 2017. These were all conducted in line with our extensive High Carbon Stock (HCS), High Conservation Value (HCV), peat assessments and Free, Prior and Informed Consent (FPIC) processes.

OIL PALM PLANTED AREA (hectares)



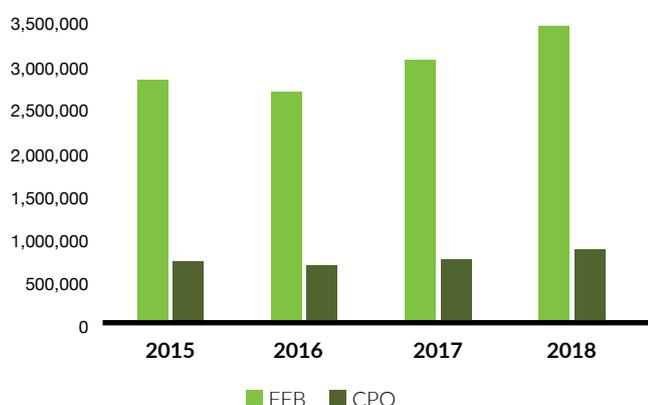
Overall, First Resources has a young plantation age profile, with more than 38% of our plantations either in their young or immature ages. Our most mature plantations are located in Riau and they produced approximately 73% of our fresh fruit bunches (FFB). In West Kalimantan, our plantations are young and contributed around 22% of the total FFB in 2018. Our latest developments are in East Kalimantan, with primarily new plantings which contributed around 5% of our FFB.



PRODUCTION

In 2018, the Group produced approximately 3.4 million tonnes of FFB (from both nucleus and plasma estates). Our total crude palm oil (CPO) production was 823,679 tonnes.

FFB AND CPO PRODUCTION
(tonnes)



YIELDS AND EXTRACTION RATES

As an agricultural business, we continuously seek to improve our yields and extraction rates, which are dependent on a combination of complex factors – including weather and climatic conditions, pests, soil types, as well as agricultural practices such as fertilisation and harvesting efficiency. We seek to employ best practices in sustainable agriculture to combat these factors and improve our overall productivity.

In 2018, our nucleus FFB yields increased to 18.9 tonnes per hectare, due to the better maturity profile of our plantations, as more trees entered their prime producing ages. We have also seen the CPO extraction rate at our mills improve from 22.2% in 2017 to 22.9% in 2018 for the same reason.

Our nucleus plantations have historically delivered better yields than our plasma smallholder plantations. We continue to provide support and share best management practices with our smallholders to help them increase productivity. For more information on our engagement with smallholder farmers, please see the section on [Suppliers and Smallholders](#).

FFB YIELDS AND EXTRACTION RATES

	2015	2016	2017	2018
Nucleus FFB yield (tonnes/hectare)	19.8	17.3	18.2	18.9
Smallholder FFB yield (tonnes/hectare)	13.8	13.5	13.6	12.8
CPO extraction rate (%)	22.7	22.5	22.2	22.9
Palm Kernel (PK) extraction rate (%)	5.4	5.4	5.4	5.2



RESEARCH AND DEVELOPMENT

First Resources has three dedicated research and development facilities across our operations – the First Resources Research Centre based in Riau and two newer research stations in West Kalimantan and East Kalimantan. These centres focus on innovation in yield improvement, the mitigation of environmental impacts and crop management.

We have invested in several breeding programmes aimed at developing higher-yielding seeds for future planting and replanting. One of our key projects involves the use of advanced biotechnology, where we are collaborating with a university partner to research molecular/DNA marker-assisted oil palm breeding selection. The benefit of using molecular/DNA markers over conventional breeding procedures is that breeders can screen many more plants at a very early stage, which can save several years of laborious work in the development of new crop varieties. This is particularly useful for crops like oil palm, where it takes three or more years for a fruit phenotype to become fully apparent.

Our breeding programme also aims to develop more resilient planting materials that can better cope with diseases such as Ganoderma, as well as dry weather conditions, as we foresee greater weather fluctuations in the future as a result of climate change. Another area of focus is to develop seed varieties that produce shorter and more compact palms. This will help to increase workers' harvesting productivity and also enable larger palm density per hectare.

The use of such higher yield planting materials reduces the pressure for land expansion. Through our replanting programme, we will gradually renew our plantations with high-yielding seeds and increase our overall productivity. In 2018, we replanted about 1,000 hectares of our old oil palm trees, with approximately half of the planting materials coming from our own seed production unit. The yield estimate from these enhanced planting materials is more than 20% higher than the existing planting material we have been using on the field.

“Molecular technology is a tool to enrich the data of breeding material using genetic potential data of the existing APM (Advance Planting Material) and wild germplasm as well. It will be helpful for the breeder in deciding the appropriate strategy for more accurate and shorter time of selection of high yielding planting material”.

Prof. Chew Fook Tim, PhD, Associate Professor, National University of Singapore

CONSERVATION AND FOREST MANAGEMENT



Tropical forests are vital for maintaining a healthy ecosystem and Indonesia, where we operate, houses one of the world's richest biodiversity. We acknowledge that the activities of land clearing may contribute to the loss of biodiversity as well as the release of stored carbon. As a sustainable palm oil company, we recognise our role in conserving and managing forests. Our conservation priorities consist of protecting High Conservation Value (HCV) areas, including riparian zones, as well as High Carbon Stock (HCS) forests and peatland.

HCV AREAS AND ENDANGERED SPECIES

Identifying HCV Areas

In line with our Policy on Sustainable Palm Oil, First Resources does not develop on HCV areas, including riparian zones. As part of our commitment to the RSPO Principles and Criteria (P&C) and the New Planting Procedures (NPP), all new developments are subjected to third-party HCV assessments undertaken by an expert approved under the HCV Assessor Licensing Scheme. These assessments cover habitat quality, soil conditions, peat presence, river quality, and community cultural identity. Results from the HCV assessments are available on the [RSPO website](#).

As at end of 2018, the group has identified a cumulative total of 4,543 hectares of HCV areas which will be excluded from our palm plantations development plans. For HCV areas identified within our concessions, a HCV management and monitoring plan will be developed and implemented. Through HCV assessments, rare and endangered species were identified within our concessions and the surrounding areas. For our full list of threatened species under Indonesia's National Law of Protected Species (Indonesian Government Regulation No. 92 of 2018) or on the IUCN Red List, please see our [website](#).

Protecting HCV Areas and Endangered Species

We have a strict policy against the hunting, injuring, possessing, and killing of rare and endangered wildlife within our plantations. Any infringement of this policy results in disciplinary measures, including termination of employment.

Besides deterrent measures, we also take a proactive approach to ensure these species are protected, including placing signboards at strategic spots to highlight HCV areas, with daily patrols monitoring these areas. HCV awareness programmes are also introduced at our estates to educate workers and local communities about the importance of biodiversity conservation and the restrictions imposed on HCV areas.

In 2018, we partnered with Balai Konservasi Sumber Daya Alam (BKSDA) and a local conservation non-governmental organisation (NGO) to conduct HCV education programmes in local schools, with the endorsement of village officials. Initial surveys conducted during these education programmes revealed that many students do not have an adequate level of understanding of endangered species and their protected status, such as orangutans. These programmes aimed to address this by teaching the students the importance of biodiversity, types of protected species, how to treat them and the penalties for abuse. Surveys done at the end of these programmes usually show an increased level of knowledge, which attests to the effectiveness of these initiatives.



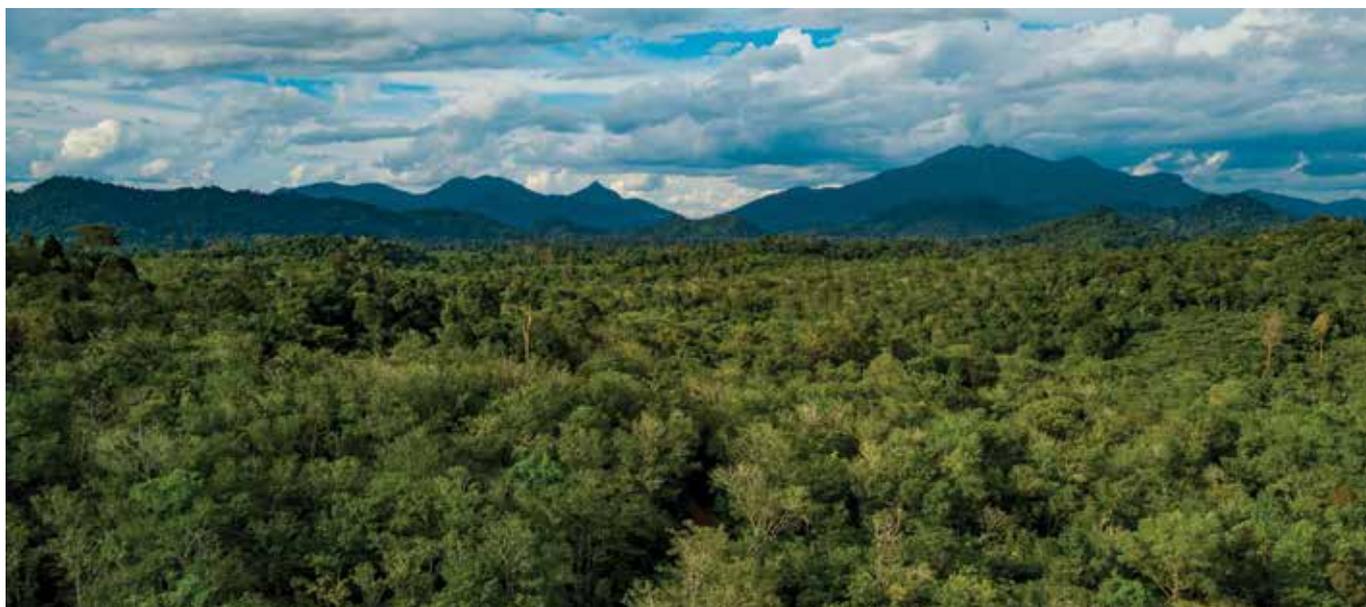
At West Kalimantan, we have also formed conservation taskforces at two of our concessions, where the presence of orangutans has been identified, to monitor the conditions of their HCV areas more closely. Through our ongoing partnership with a local conservation NGO, the taskforces have been equipped and trained to undertake manual HCV monitoring, the handling of orangutans and other wildlife species, and the use of conservation software tools. In addition, cameras have been installed to provide 24-hours surveillance. The teams record their observations on local wildlife species regularly and the results are subsequently shared with our local partner to gather feedback for improvements. Joint surveys were also conducted to study the feasibility of building corridors to connect HCV areas within a concession. In addition, these taskforces have a partnership with BKSDA who will provide assistance for orangutan rescue when necessary.

In East Kalimantan, we continued our partnership with the Research and Technology Development Agency of the Ministry of Environment and Forestry, with the aim of optimising the potential of the Lemboneh forest, which has been set aside as a HCV area. Detailed studies were conducted by the research agency in 2015 to analyse the conditions of flora and fauna at the forest, and its wider environmental and social impacts. A post-study recommendation was to explore the development of this HCV area into a conservation and environmental education forest, for the purpose of educating the wider community on the importance of conservation. In late 2018, the agency provided training to both our staff and some local villagers so that they can be adequately equipped to educate the wider public on the forest and its ecological value.

Rehabilitating HCV Areas

Rehabilitation projects are being implemented to restore degraded HCV areas back to their prior conditions. Restoration work commenced in the second half of 2016 in one of the identified HCV areas at PT Limpah Sejahtera, which was damaged by fires in 2015. Due to uncondusive weather conditions, planting progress in 2018 had been relatively slow. Extremely hot temperatures last year also caused 85 hectares of HCV area within this concession to be further damaged by forest fires. We are putting in place further measures to mitigate risks of future fires at these areas. For more details of these efforts, please see the section on [Fire Prevention](#).

To monitor the condition of our HCV areas, we began to track the number, stratum, and species of flora and fauna in selected HCV plots and assign a corresponding biodiversity index. The index will be reviewed yearly to assess if our HCV management and monitoring efforts have been appropriate or requires further improvement.



HCS FORESTS

Identifying HCS Forests

As part of our commitment to halt deforestation and retain carbon stores, we no longer develop HCS forests as defined by the HCS Approach Steering Group and continue to implement our broad-based land use planning procedure. All new development areas are required to undergo HCS assessments carried out by third-party HCS experts. In 2018, our staff received additional HCS training from Proforest, in partnership with one of our buyers, to ensure effective implementation of the HCS Approach.

A total of 15 HCS assessments covering all 110,000 hectares of our development bank have been carried out since the introduction of our Policy on Sustainable Palm Oil in 2015. These assessments took more than two years to complete as extensive work was required for ground truthing, patch analysis and initial consultations with local communities. We have also conducted Rapid Biodiversity Analysis (RBA) for seven of the concessions where follow-up analyses were necessary. These analyses helped to fine-tune the contours of our HCS areas.

Approximately 20,000 hectares, or about 20% of our existing development land bank are now identified as conservation areas. These are areas with potential HCS, HCV or peat content, and have therefore been carved out from the Group's development plans, in accordance with our policy.

Protecting Forests

Our ongoing forest protection efforts are mainly focused on ensuring internal compliance in relation to these key conservation areas. Internal control procedures are in place to mitigate the risks of accidental non-compliance. We are also using satellite imagery, updated monthly, to detect land clearing activities on the ground. Based on our observations and ground checks, most cases of deforestation or degradation were carried out by local communities clearing land to support their livelihood and subsistence farming.

Not all communities are aware and supportive of the HCS concept, and we see this as the biggest obstacle to the successful conservation of the HCS areas that the Group has set aside from development. We plan to roll out an engagement programme in 2019 with local communities to create awareness on and obtain their support for HCS conservations.



PEAT MANAGEMENT

Since the introduction of our Policy on Sustainable Palm Oil in 2015, and in line with our “No Deforestation, No Peat and No Exploitation” (NDPE) commitment, we will not carry out any new plantings on peatland at any depth. Our specialised peat taskforce, established as part of our fire prevention and management strategy for peatland, focuses on conducting detailed peat surveys and assessments in our estates. The taskforce is led by our research and development department and supported by our agronomy and sustainability department. The taskforce has undergone training conducted by experienced personnel, to ensure that they are equipped with the necessary skills and are up to date on best practices. The results from the peat surveys are being used for our land use planning and to enhance our water management plans in peat plantations.

For our existing plantations on peat, we implement best management practices such as ensuring groundwater levels are maintained at optimal levels to prevent subsidence and the release of carbon dioxide. To monitor water tables, we have installed piezometers and automatic dataloggers to record data every 12 hours. To regulate and manage water levels, we have blocked canals and built water gates at selected estates. In 2018, canal blocking was completed at three estates in accordance with the guidelines of the Environmental and Forestry Ministry. We are preparing to complete canal blocking at another estate in 2019.

Peatland protection, management and rehabilitation are key topics in the sustainability debate and initiatives led by the Indonesian Government. In recent years, the government has stepped up its efforts to protect carbon-rich peatlands and ensure that best peatland management practices are put in place. In 2018, new directives have been issued by the Environmental and Forestry Ministry, to provide guidelines for water management of existing peat plantations. Where required, we have been working with the Ministry to ensure and report on the compliance of our estates.



FIRE PREVENTION

At First Resources, we follow a strict Zero Burning policy for land clearing in all new developments and future replanting. This policy is also socialised with our suppliers who are made aware that any deliberate breach may result in an immediate termination of contract.

Launched in 2016, our Integrated Fire Management (IFM) programme comprises in-depth workplan for fire prevention, preparedness, response and recovery. Both our corporate headquarters and regional operations teams are heavily involved in the implementation of the workplan. The process involves the identification of high-risk and high-priority areas, as well as the nearest water sources at all our locations. We then implement appropriate measures on the ground such as standard operating procedures (SOPs), mobilisation plans, equipment, training, assessments and reviews to ensure that we are equipped internally to detect fires early and provide rapid emergency response in the event of a fire incident.

We have more than 1,500 firefighters assigned within our operations to ensure fires are handled swiftly and adequately. In 2018, we provided refresher trainings to a third of these firefighters through a series of programmes conducted across our estates in Riau, West Kalimantan and East Kalimantan.

Given the complexity of varying land rights in Indonesia, it is not uncommon that communities live in or within proximity to our concession areas. Fire incidents within these areas are mainly caused by illegal burning activities, carried out by communities who engage in small-scale farming. As part of our IFM programme, we have been engaging local communities, with the cooperation of the relevant authorities, to raise awareness about fire risks and prevention, as well as including them in our fire training sessions, where they learn about fire management practices.

In 2018, we trained 169 community members from 10 villages in fire prevention and management, where the members are taught common fire hazards and the use of simple equipment such as water pump or fire extinguishers. We also supported local government initiatives in Bengkalis, Riau Province, by providing assistance on farming programmes and helping to block the drainage of canals to ensure peatlands are kept moist during the dry season. Through our cooperation with the military, we have completed two canal blockings in Dompas village, which covers 200 hectares of community land. We have also provided aid for cassava cultivation and fishing lodge for villagers who are members of the government's fire-free community programme.

Such measures and initiatives have enabled us to successfully reduce the incidence of fires over the past several years. Where fires have occurred, we have managed to reduce their spread and impact.

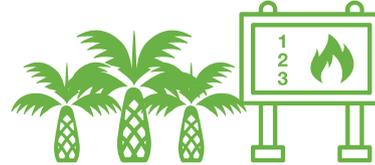
NUMBER OF FIRE INCIDENTS AND AREA AFFECTED IN INDONESIA IN 2018

Number of fires and affected areas	Riau	East Kalimantan	West Kalimantan
No. of fires within estates	0	1	67
Affected planted areas within estates (hectares)	0.0	0.0	150.8
Affected unplanted areas within estate (hectares)	0.0	2.0	197.3

Note: Data as per reported to RSPO

Going forward, we plan to increase our engagement with communities on fire prevention, especially in areas where fire incidents were high in 2018. Our 2019 workplan includes reaching out to another nine villages. Internally, we aim to improve our water management by completing the canal blocking in another estate. We are also testing the use of Unmanned Aerial Vehicle (UAV) for hotspot verification and fire incident assessment, particularly in areas where limited access is granted to our employees. We will also continue to train our employees and regularly maintain our fire-fighting equipment. Our aim for 2019 is to reduce the amount of fire incidents which occurred in 2018, which is a challenging target as we expect to experience drier weather in 2019.

FIRE MANAGEMENT AND MONITORING EFFORTS



A

We create Fire Danger Indices for risk assessments. Fire risk levels are clearly and prominently displayed in fire prone areas during the hot and dry season to remind workers to be vigilant.



B

We make use of satellite monitoring by overlapping hotspots captured by the satellite with our concession maps to keep track of the situation on the ground.



C

Once hotspots are detected, on-the-ground verification is carried out, including checks for the presence of smoke from watch towers and sending fire-fighting teams to the area.



D

In the case of a fire breakout, the firefighting team will be mobilised immediately and a police report will be made for an investigation to be carried out.

REDUCING GREENHOUSE GAS EMISSIONS

At First Resources, we recognise that climate change can have an impact not only on the natural environment and vulnerable communities, but also on our business as a palm oil company. Having a proper mitigation strategy in place is essential to ensure that we do our part in protecting our planet. We also need to ensure we have adaptation plans in place to maintain our ability to operate as we transition to a low-carbon economy. In line with our Policy on Sustainable Palm Oil, we are dedicated to developing plans that will progressively reduce our Greenhouse Gas (GHG) emissions.

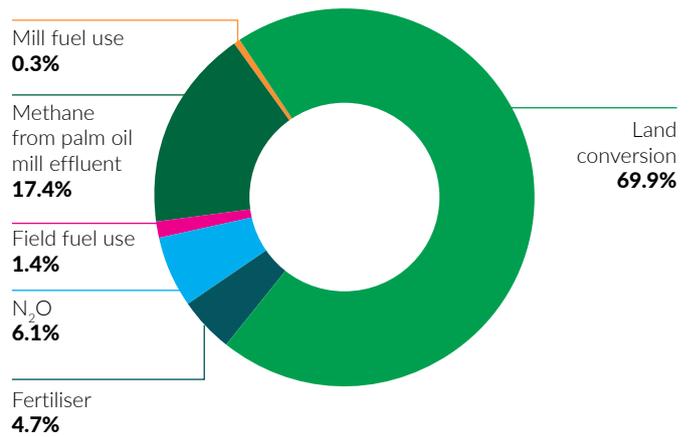
MEASURING OUR FOOTPRINT

Our GHG emissions are measured using the RSPO PalmGHG calculator. The PalmGHG tool calculates net GHG emissions by totalling the emissions from land clearing, crop production and crop processing. GHG emissions, which are prevented through sequestration of carbon in standing crop and in any conservation areas, are subtracted from the total emissions.

We have been calculating the GHG emissions for all our mills since 2016, using the data gathered as a baseline to monitor our emissions reduction progress. We have continued to map emissions for our palm oil operations throughout 2018 using the RSPO PalmGHG calculator 3.0.1. The RSPO has rolled out PalmGHG calculator version 4 in December 2018 and we will be using the newer version from 2019. The data in the tables and charts below represent only the mills that have been audited and certified by the RSPO certification bodies.

Net GHG emissions intensity at PT Meridan Sejati Surya Plantation (PT MSSP) is significantly lower than at PT Arindo Trisejahtera (PT ATS) due to the methane capture facility installed at PT MSSP in 2016. First Resources does not purchase any electricity from the grid for PT ATS and PT MSSP.

GHG EMISSIONS BY SOURCE IN 2018



Note: The above figures include data from two mills, PT ATS and PT MSSP and covers Scope 1 emissions only.

NET GHG EMISSIONS INTENSITY
(tonnes of CO₂e/tonne of CPO produced)

Plantation with palm oil mill	2015 (PalmGHG 2.1.1)	2016 (PalmGHG 3.0.1)	2017 (PalmGHG 3.0.1)	2018 (PalmGHG 3.0.1)
PT Arindo Trisejahtera (PT ATS)	1.27	1.29	1.22	1.21
PT Meridan Sejati Surya Plantation (PT MSSP)	1.11	0.64	0.59	0.52

Note: The emissions intensity ratio figures above include Scope 1 emissions only.

EMISSIONS REDUCTION FROM LAND USE CHANGE

One of the biggest contributors of GHG emissions in the production of palm oil comes from land use change, particularly through the clearance of peatland and forest areas. Therefore, conservation of peatlands and HCS forests is essential to protect carbon stores and avoid the release of GHG. As part of our “No Deforestation, No Peat and No Exploitation” (NDPE) commitment, we do not undertake any new developments on peat areas at any depth and areas identified as HCS using the HCS Approach. We believe that this will help reduce our Group’s overall emissions significantly over the long term.

For our existing plantations on peat, we implement best practices such as ensuring groundwater levels are maintained at optimal levels to prevent subsidence and the release of carbon dioxide. To ensure the effectiveness of our peat management strategy, we are monitoring peat subsidence and ground water level in sampling locations, as well as verifying our existing soil maps.

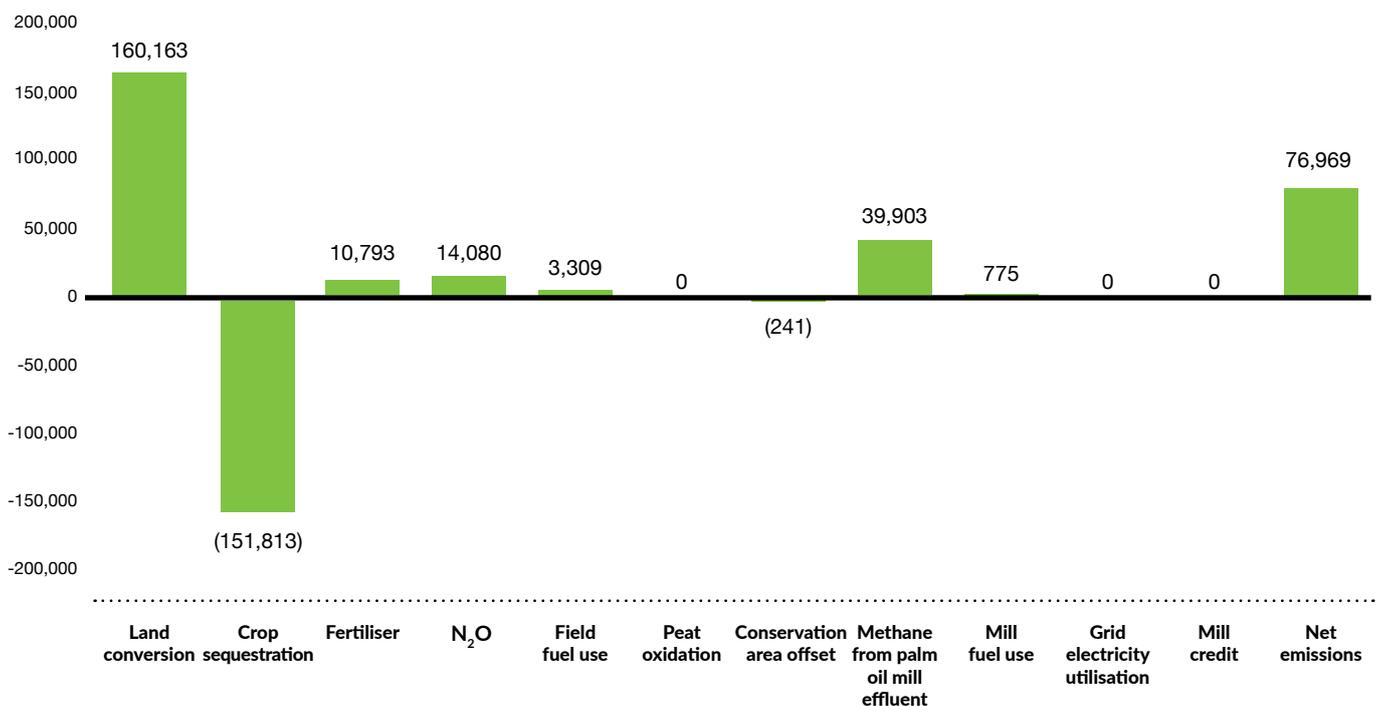
For more details on our approach to conserving High Carbon Stock (HCS) forests and peatland management, please see the section on [Conservation and Forest Management](#).

REDUCING EMISSIONS THROUGH METHANE CAPTURE

Our second largest source of GHG emissions comes from palm oil mill effluent (POME) which is wastewater discharged from processing of fresh fruit bunches (FFB). If left untreated, POME emits methane, a potent GHG. As part of our GHG emission reduction plans, we have been establishing methane capture facilities which help flares or converts the biogas to alternative sources of electricity for our operations.

As at end of 2018, we have methane capture facilities installed at three of our mills. The estimated reduction in GHG emissions for each facility is approximately 0.51 tonne of CO₂e for each tonne of crude palm oil (CPO) produced, based on the International Sustainability Carbon Certification (ISCC) calculation methodology. In 2018, these facilities helped the Group to prevent the emissions of approximately 84,000 tonnes of CO₂e. We have commissioned the construction of two more methane capture facilities which are scheduled to be completed by mid-2019.

EMISSION SOURCES AND SINKS IN 2018
(tonnes of CO₂e/year)



Note: The above figures include data from two mills, PT ATS and PT MSSP. All emissions are Scope 1 except grid electricity utilisation, which is classified under Scope 2.

WATER AND WASTE MANAGEMENT

The sustainable use of natural resources for production processes is instrumental to safeguarding the health of our planet. As an agribusiness, water is crucial not only for the maintenance of our crops but also in other areas of our operations such as the well-being of our workers and to generate steam for processing. We adopt best water management practices to ensure the efficient use of water, to prevent pollution of waterways and to minimise disruption of water supply in our operations. We are also committed to the efficient use of other resources and aim to reuse, recover and recycle the waste produced by our operations.

WATER USAGE

As our plantations are 100% rain-fed, our mills account for the majority of our water use in our palm oil operations, drawing water supplies in order to process fresh fruit bunches (FFB). In addition to mill usage, we also draw some water for nursery irrigation and household use. In 2018, our mills used an average of 0.82 cubic metres of water per tonne of FFB processed. Daily water consumption is recorded using flowmeters.

Going forward, we aim to continue maintaining our mills' water usage levels below 1.0 cubic metre of water per tonne of FFB processed.

All the water used for our milling operations is withdrawn from rivers and we do not use groundwater. In 2018, to reduce the amount of water withdrawn from rivers, we recycled 1,155,900 cubic metres of wastewater from our milling process for use in turbine cooling and as condensate for water dilution.

WASTE MANAGEMENT

The main waste products from milling processes include organic solid plantation waste such as empty fruit bunches (EFB), fibres, shells and palm oil mill effluent (POME), which are predominantly reused, recovered and recycled. EFB is applied as mulch to conserve moisture, improve soil fertility, and reduce weed growth. Fibres and shells are used to generate power in our palm mills and refineries for our boilers. Tree trunks and fronds are left in the plantations to decompose naturally, acting as organic fertilisers. We will continue to ensure that the bulk of our organic waste generated is reused and recycled. Non-hazardous waste generated downstream is disposed through municipal landfills or incinerators.

Hazardous Waste

We have in place an operational procedure for the handling of hazardous waste which also covers leakage handling. Hazardous waste generated from our operations include pesticide packaging, expired pesticides, used batteries, used lubricants and filters, empty paint cans, printer cartridges, and needles from health clinics. All hazardous waste is segregated, labelled and stored within secure, fire resistant temporary storage facilities that are equipped with spillage containment kits, alarms, firefighting equipment and first aid kits. These facilities are inspected weekly. Hazardous waste is collected by licensed third-parties for proper disposal in accordance with national legislations and international best practices.

WATER CONSUMPTION BY MILLS

	2015	2016	2017	2018
Total water consumption (cubic metres)	3,330,984	2,631,198	2,520,863	3,005,415
Water consumption intensity (cubic metres per tonne of FFB processed)	1.11	0.94	0.80	0.82



Effluents Management

To minimise effluent discharge, POME generated is repurposed as organic fertiliser which reduces our need for commercial fertilisers. For such land application, the biological oxygen demand (BOD) level is kept below the legal threshold of 5,000 milligrams per litre.

For one of our mills where its effluents are released to the sea, we ensure that adequate treatment processes are in place to keep BOD levels well below the legal threshold of 100 milligrams per litre, with average levels of 5.1 milligrams per litre monitored in 2018.

QUANTITY OF ORGANIC WASTE GENERATED BY MILLS AND DISPOSAL METHOD

Type of Waste	2015	2016	2017	2018	Disposal method
	Quantity	Quantity	Quantity	Quantity	
EFB (tonnes)	497,900	456,903	499,402	578,571	Reused as organic fertiliser or as fuel
POME (cubic metres)	2,063,379	2,033,233	2,164,176	2,457,816	Reused as organic fertiliser or discharged to the sea
Kernel shells (tonnes)	101,674	117,756	126,376	139,321	Reused as fuel
Fibres (tonnes)	387,128	362,231	393,799	464,132	Reused as fuel

BOD LEVELS BY REGION AND DISCHARGE DESTINATION
(milligrams/litre)

	Regulation Standard	2015	2016	2017	2018
BOD levels - Sea discharge	100	14.0	5.8	7.9	5.1
BOD levels - Land application					
Riau	5,000	1,672	831	910	791
West Kalimantan	5,000	2,363	2,479	1,854	1,772
East Kalimantan	5,000	-	-	-	1,084

CHEMICAL OXYGEN DEMAND (COD) LEVELS BY REGION AND DISCHARGE DESTINATION
(milligrams/litre)

	Regulation Standard	2015	2016	2017	2018
COD levels - Sea discharge	350	78.0	24.2	28.7	49.8
COD levels - Land application					
Riau	10,000	4,860	2,692	2,643	2,544
West Kalimantan	None	11,591	8,527	5,531	7,207
East Kalimantan	None	-	-	-	2,084

Programme for Pollution Control, Evaluation and Rating (PROPER)

First Resources participates annually in the Programme for Pollution Control, Evaluation and Rating (PROPER), a national public environmental reporting initiative by the Indonesian Ministry of Environment. The objective of this initiative is to promote industrial compliance with pollution control regulations, facilitate and enforce the adoption of practices contributing to cleaner technologies, and ensuring a better environmental management system. The programme uses a colour-coded rating: gold; green; blue; red; and black. The gold rating is awarded for excellent performance while the black rating represents poor performance. Areas for assessment include: air and water pollution control; hazardous waste management, environmental management system, implementation of environmental impact assessments (EIA), community development and, conservation of resources. Between 2017 and 2018, eight of our mills were assessed under PROPER and all eight mills received the Blue rating.

Rating categories

Gold	Excellent: For businesses/activities that have successfully displayed environmental management effort and achieved excellent results.
Green	Good: For businesses/activities that have displayed environmental management effort and achieved results better than those required by regulation.
Blue	Adequate: For businesses/activities that have displayed environmental management effort, and have achieved the minimum standard required by regulation.
Red	Poor: For businesses/activities that have displayed environmental management effort, but have achieved only parts of the minimum standard required by regulation.
Black	Very Poor: For businesses/activities that do not display significant environmental management effort.

CHEMICALS AND PESTICIDES USAGE

Chemicals are used to protect crops from pests and diseases, as well as to ensure the maintenance of high yields. Lack of management on the usage of these chemicals may pose a risk to workers and the environment. We have thus implemented an integrated pest management strategy and only use synthetic pesticides as a last resort. As part of our Policy on Sustainable Palm Oil, we are also committed to adopting agronomic best practices to minimise our environmental impact.

OUR APPROACH TO PEST MANAGEMENT

Our integrated pest management strategy includes a combination of biological controls and good agricultural practices. Barn owls are used in our plantations to control the rat population. We currently have breeding projects in Riau and Kalimantan to increase the barn owl populations in our young estates. We also plant crops which attract predators of palm leaf-eating pests such as bagworms and caterpillars and use other biological agents such as Cordyceps and Trichoderma fungus. Where pesticides are used, we ensure they are registered with and permitted by the Ministry of Agriculture in Indonesia. With the exception of specific urgent situations, we do not use class 1A or 1B pesticides as categorised by the World Health Organization (WHO). We use some pesticides in the form of pre-formulated mixtures. In these instances, the final classification that we adopt is based on the classification set by the manufacturer for the actual formulation as per WHO's guidelines.

In 2018, there was a spike in the amount of pesticides used per hectare as we were gradually reducing the use of paraquat. Its substitute required us to use a larger volume to achieve the same control effect.

To reduce the use of chemicals, we aim to increase the contribution of biological control methods and develop planting materials that are more tolerant to Ganoderma, a major pathogen.

Paraquat Phase-out

To address concerns from stakeholders on the high toxicity levels and the potential of misusing paraquat, we have started with trials on alternative pesticides which have shown promising results. We have gradually reduced the use of paraquat in 2018 and will completely phase out its use by 2019. In the meantime, we continue to ensure that adequate safety measures are in place to prevent any accidents or long-term damage taking place from paraquat use.

AMOUNT OF PESTICIDES APPLIED
(kilograms or litres/hectare)

Pesticides	kilograms/hectare				litres/hectare			
	2015	2016	2017	2018	2015	2016	2017	2018
Fungicide	0.002	0.001	0.001	0.006	-	-	-	0.002
Herbicide	2.405	2.237	2.110	2.491	2.312	2.074	2.010	2.284
Insecticide	0.177	0.520	0.255	0.135	0.096	0.037	0.033	0.068
Rodenticide	0.366	0.179	0.149	0.269	-	-	-	-
Total	2.949	2.937	2.515	2.902	2.408	2.112	2.043	2.355

Note: Figures are presented in kilograms/hectare or litres/hectare depending on the form of pesticide applied.



CHEMICAL AND FERTILISER USAGE

The use of chemicals and fertilisers in the field varies depending on total new plantings as well as the total hectareage of mature plantations, with younger plantings requiring a higher input of nutrients.

While there is currently a higher level of inorganic fertiliser application on our younger planting profile, an overall reduction is observed for plantations with a more mature profile. We expect our chemical usage for crop protection and maintenance to diminish as our younger plantations reach maturity. We have also put in place procedures and guidelines to prevent the use of fertilisers during periods of heavy rain and there should be adequate intervals between applications.

We aim to use organic fertilisers derived from waste products to the maximum extent possible. The majority (95%) of our palm oil mill effluent (POME) and empty fruit bunches (EFB) are currently reused as organic fertilisers in the field. Going forward, we aim to continue improving on fertiliser use by conducting site specific assessments on manuring programme and encouraging the implementation of the “4 Rights” in manuring (right source, right dosage, right time, and right place).

Workers who handle chemicals within our operations are required to undergo regular trainings which are conducted by field staff, research and development staff, learning centre and also by the vendor of the chemicals. The training scope includes handling of packaging, making chemical solutions from concentrate, using the applicator and evaluating the success rate of application. We also ensure that adequate personal protective equipment (PPE) are provided on site.

USAGE OF INORGANIC FERTILISERS

	2015	2016	2017	2018
Inorganic fertiliser (tonnes/hectare)	0.90	0.90	0.90	0.90
Inorganic fertiliser (tonnes)	159,777	170,279	156,119	174,825

USAGE OF ORGANIC FERTILISERS

	2015	2016	2017	2018
EFB (tonnes)	496,324	384,288	449,497	507,669
POME (cubic metres)	2,039,305	1,929,636	2,057,817	2,345,497

COMMUNITY

The palm oil sector in Indonesia has been instrumental in lifting rural communities out of poverty through the creation of jobs and the provision of important infrastructure. We do recognise that land acquisitions and the development of new plantations create change for local communities and may undermine local indigenous rights and livelihoods.

First Resources is committed to maintaining positive relations with the communities where we operate. This involves upholding the rights of indigenous and local populations through constructive engagement. It also involves contributing to the socio-economic development of our neighbouring communities through community investment programmes.

COMMUNITY ENGAGEMENT

We conduct social impact assessments in all new areas that we plan to develop. This enables us to understand the potential impact of our operations on communities. The results of these assessments guide us in our engagement with communities and our planning and implementation of programmes to help mitigate the negative changes that may result from our operations.

As part of our Policy on Sustainable Palm Oil, we have made the commitment to respect the rights of indigenous and local communities to give or withhold their Free, Prior and Informed Consent (FPIC) for the utilisation of land to which they hold legal or customary rights. Should a conflict or grievance arise, we ensure that these are resolved with local communities through an open, transparent and consultative manner.





Land Compensation

Land rights and compensation are critical aspects of our interaction with local communities and indigenous groups. Processes to settle these matters are extremely complex in Indonesia, guided by multi-layered national and provincial laws and procedures. Customary and indigenous land claims may be undefined and conflicting with the current legal context.

Upon being granted a location permit for a new development, First Resources' approach to land compensation firstly involves identifying the local community and conducting socialisation before commencing any operations. The socialisation process usually covers various key aspects designed to inform the communities about:

1. The company's permit granted by the government
2. The government's and company's land compensation policies
3. The development plans
4. Land valuation approaches
5. The process for verifying land ownership and the requirements of proof of ownership
6. Procedures for land measurements and compensations

Following socialisation and the completion of due diligence, compensation is made to communities who have accepted the company's offer for their land. All land transfers are documented and witnessed by members of the local government and community leaders.

We are committed to ensuring that all new developments follow the principles of FPIC, with the ultimate aim of zero land conflicts surfacing in the future.

Conflict Resolution

Our priority is to avoid conflicts, with or amongst local communities, from occurring in the first place. When conflicts do arise, we endeavour to have a responsible and peaceful resolution process.

Land disputes involving rightful land ownership are amongst the most common form of conflicts that we come across. Our grievance procedure, detailed in [Our Approach to Sustainability](#) section of this report, allows stakeholders to raise grievances. We are committed to resolving conflicts in a responsive manner and through a process that is fair and transparent.

In 2018, there was a land conflict case which was lodged with the Roundtable on Sustainable Palm Oil (RSPO). We have clarified with the non-governmental organisation (NGO), who represented the villager, that the land claimed by the villager is not within our concession. Following a process of due diligence and verification, the NGO accepted our clarification and withdrew the complaint from the RSPO. More information on the case is available on the [RSPO website](#).

Further details of key issues and concerns raised by stakeholders along with clarifications or actions taken by the Group to address land conflict issues within our operations are listed in our grievance list which can be accessed from our [website](#).



COMMUNITY INVESTMENT

Our licence to operate depends on maintaining good relations with our communities which form a large proportion of our employees' and suppliers' base. Many of the locations where we operate are located in isolated areas that lack basic infrastructure and services.

Our Policy on Sustainable Palm Oil includes a commitment to drive positive socio-economic impact for the people and communities we touch, through job creation, investments in plasma projects and community development programmes centred on education, healthcare and infrastructure (including access to clean water).

Our Community Development Officers (CDOs) are the main liaison between our company and community members. CDOs engage with local residents on a regular basis to build relationships and understand community members' ambitions, concerns and needs. The CDO's typical tasks include collecting data on living conditions and population numbers, brainstorming new development ideas with community members, designing and proposing new programmes to regional managers and sustainability coordinators, and implementing local projects. CDOs also act as ambassadors, engaging with local government agencies to present and explain First Resources' operational activities, environmental initiatives and social programmes.

Education

First Resources recognises that education is fundamental for community growth and well-being. We are therefore working to increase access to quality formal education for both the current and future generations of school-age children in our communities. We currently manage 38 schools located within our plantation estates. These include 13 kindergartens, 19 elementary schools, four junior high schools and two preschools. These institutions employ more than 250 teachers and educate more than 2,500 students. The educational practices adopted are similar to those at schools managed by the local government. The Group contributes to the schools' facilities and teaching aids, such as furniture, computers, electricity generators and books.

All children of employees working on our estates are provided with free education at our schools. Scholarships were awarded to high-scoring children from less privileged families, having been selected by local education authorities. To motivate teachers that work with our communities, and encourage a higher standard of teaching, we offer them additional incentives, such as supplementary income.

In 2018, we allocated and invested almost IDR3 billion to support the education of children, which we believe is key to future community growth.

In addition to awarding scholarships, the Group has established an internship programme that is run in collaboration with more than 30 Indonesian universities. The programme offers students an opportunity to apply what they have learned, expand their knowledge and benefit from valuable on-the-job experience. In 2018, we have taken in 296 interns, consisting of students from various universities and high schools.



Infrastructure

As well as enabling us to run our own operational activities more efficiently, better infrastructure enables local communities, including farmers, cooperatives, associations, businesses and local government, to have better access to healthcare facilities, educational facilities and markets. We consult local village leaders on which infrastructure projects to support.

Accessibility to roads, better road conditions and connecting bridges will improve the mobility of rural communities and support local economies. The roads servicing our operating areas – which we share with local communities – are maintained to minimise disruption to our operations as well as to maintain strong links to the main transport network. In 2018, most of our infrastructure projects were conducted in our development areas at East Kalimantan and West Kalimantan, where we repaired 85 kilometres of roads and bridges.

Healthcare

We have built more than 32 health clinics on our estates. These are staffed with qualified medical professionals, including at least one doctor and two nurses in each facility. The primary purpose of the clinics is to service our employees and their families, but they are also open to local community members. The operating hours of our clinics are longer than those of the health posts managed by local government. Medical services such as immunisations for polio, measles and tuberculosis are available to communities upon request.

We have also established health-related community programmes to improve the well-being of local residents and increase their awareness about the benefits of healthy living. Carried out in cooperation with local health authorities, the “Be Healthy with First Resources” programme includes treatments and advice for children, pregnant women and the elderly, as well as the coordination of blood donation drives.

Access to Clean Water

Infrastructure for delivering clean and potable water is severely lacking in some of the communities located near our operations. We have therefore made assisting villages with this basic need a priority within the scope of our community investment programme. Our efforts include the provision of clean water, new piping and water tanks, as well as the construction of new water wells for villages to ensure constant water flow. This initiative reached three villages and benefitted over 246 families in 2018.

SUPPLIERS AND SMALLHOLDERS

Our commitment to producing sustainable palm oil extends beyond our own operations and requires developing a sustainable supply chain that is aligned to our values. We are working towards a fully traceable and transparent supply chain in order to prioritise engagement with our suppliers and bring them onboard our sustainability journey.

OUR SUPPLY CHAIN

Most of our procurement comprises crude palm oil (CPO) and palm kernel (PK) for our processing plants. These raw materials are sourced from First Resources-owned mills and third-party mills in Indonesia. Fresh fruit bunches (FFB), the feedstock

for the mills, are in turn supplied by our own nucleus estates, third-party estates, thousands of individual farmers (plasma and independent), as well as dealers who buy from farmers.

Aside from CPO and PK, we procure several other products and services to run our business. For our upstream operations, these include fertilisers, materials, spare parts, fuel and tires.

In 2017, we developed our Sustainable Supply Chain Framework, a multi-pronged strategy comprising supply chain traceability; supplier engagement; supplier assessment; and stakeholder collaboration.

FIRST RESOURCES SUSTAINABLE SUPPLY CHAIN FRAMEWORK





SUPPLY CHAIN TRACEABILITY

One of our key commitments in our Policy on Sustainable Palm Oil is to ensure our oil and refined products can be traced to their origin – initially to the palm oil mill but ultimately to the plantation.

Our commercial team works closely with our sustainability team to achieve our Group's traceability targets through active engagement with suppliers.

Traceability to mills

For CPO to be fully traceable, First Resources requires the company name, parent company name, mill name, mill address and geographical coordinates. Where any part of this information is incomplete, CPO volumes from that particular supplier is treated as "untraceable", which does not mean that we do not know the source but that they do not fulfil the criteria for what we consider traceable.

In 2018, 100% of the CPO processed by our refineries was traceable to mills. We purchased approximately 7% of our CPO feedstock from external suppliers and we managed to obtain all the necessary data to achieve 100% traceability to mills.

In addition, we have published a full list of our CPO and PK suppliers on our website. We believe this will increase transparency and help us mitigate the risk of policy non-compliance in our supply chain.

Traceability to plantations

Of all the FFB processed in our mills in 2018, 90% came from our own plantations and plasma schemes, while the remaining 10% was sourced from third-party suppliers. These include independent smallholders, medium-sized outgrowers and neighbouring plantation companies. FFB is also purchased from local traders who collect the fruits from the surrounding area and sell them to the most convenient mill. In 2018, we made progress on obtaining data required for tracing FFB sourced from third parties to plantations. Taken together with the FFB supplies from our nucleus and plasma plantations, 98% of the FFB processed at our mills was traceable to estates. We have shared our estate and plasma maps with the RSPO.

Going forward, we aim to achieve 100% traceability to the plantation for First Resources-owned mills by 2020.

SUPPLIERS AND SMALLHOLDERS



SUPPLIER ENGAGEMENT

First Resources endeavours to communicate our sustainability policy to our suppliers with the aim of developing a supply chain network that embodies the Group's sustainability goals and practices.

Traceability provides us with the essential foundations to identify and focus our supplier engagements on the key players in our supply chain. One-on-one meetings and group sessions were held to communicate our sustainability policies and expectations, and to help suppliers understand the importance of aligning their practices with our requirements. To date, feedback from participating suppliers has been generally supportive and constructive.

Through constant dialogue with our suppliers, especially smallholders, we hope to build a relationship of mutual trust so that they feel confident in sharing information about the challenges they face in meeting new sustainability standards. A strong rapport with suppliers will strengthen our ability to support them in their sustainability efforts without compromising on our policies.

SUPPLIER ASSESSMENT

Building on our traceability information and supplier engagement, we then assess our suppliers to ensure their practices are in line with our Policy on Sustainable Palm Oil.

Suppliers found to be non-compliant will be given the opportunity to propose corrective actions within a certain timeline. In line with our policy, we will suspend sourcing from non-compliant suppliers found to be engaged in the development of High Carbon Stock (HCS), High Conservation Value (HCV) or peat areas, in the use of fires during land preparations or in the exploitation of local communities, and who do not take immediate remedial actions. In 2018, we have not found any suppliers in breach of our policy requirements.

All our new suppliers are also screened using social and environmental criteria during our supplier onboarding process before we begin our trading relationship.

STAKEHOLDER COLLABORATION

We acknowledge that getting suppliers on board is not a task we can undertake on our own and we rely heavily on stakeholder collaboration. External stakeholders may hold better monitoring tools and intelligence to detect potential errant or non-compliant suppliers. We depend on them to have these highlighted to us through our grievance procedure, so that we can conduct the follow-up engagement and assessment. For example, non-governmental organisation (NGO) Mighty Earth sends us monthly reports of their deforestation detection, and we look through these to see if any of the highlighted companies are in our supply chain and require us to undertake follow-up actions.

SUPPORTING SMALLHOLDERS

Palm oil operations are labour intensive, and new developments are often in rural areas that may otherwise offer few opportunities for local communities. As such, commercial oil palm cultivation can be a driver for socio-economic development and poverty alleviation, and we are committed to leading community growth in areas where we are operationally present.

Through the FPIC process, which is carried out before any new development, we are able to identify communities that are interested in partnering with us to develop plantations. We work with indigenous and local communities through various plasma scheme partnerships. In some of these schemes, the company assists plasma smallholders to develop and manage their plots until the trees reach a productive age, after which the plots are then handed back to the smallholders for management. In other partnership schemes, the company assumes responsibility for developing and managing the plasma plots on behalf of these smallholders, even after maturity.

Plasma smallholders profit by selling their harvests to the company at government-determined prices. These partnerships provide a sustainable income for thousands of smallholders, and this in turn directly impacts local economic growth and living standards. By the end of 2018, we had partnered and supported more than 15,000 smallholders on 30,713 hectares of oil palm plantations, representing 15% of the total plantation area managed by First Resources.

In addition to implementing best practices at our own nucleus estates, we are also committed to raising the sustainability standards of our plasma farmers, as smallholders account for more than 40% of Indonesia's palm oil production. Without adequate support programmes in place, smallholders may not be able to cope with risks of price volatility, lower yields and other farming issues, which will ultimately impact us and our customers. Our field officers provide technical assistance such as access to quality seed stock and advise on fertiliser and pesticide procurement and usage. They also share new farming technologies, offer assistance with land titling and coordinate transportation of FFB to palm oil mills.

WORKING CONDITIONS

The palm oil sector in Indonesia provides large employment opportunities, especially within rural communities. With more than 19,000 permanent employees across our operations, we are committed to being a responsible employer and investing to ensure we offer rewarding employment opportunities. This means promoting fair and favourable working conditions, respecting human rights, providing development opportunities for our employees and ensuring a safe working environment.

OUR WORKFORCE

We directly employ 23,586 employees across our offices, plantations, mills and processing plants, 19,555 of which are permanent employees and 4,031 are contract employees.

To maintain efficient operations, some of our workers, such as seasonal workers, security guards and those needed for special construction projects, are sourced through third-party contractors. This occurs mostly in Riau due to the close proximity of town workers who are more inclined to undertake part-time work.

NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT BY GENDER

	2015		2016		2017		2018	
	Permanent	Contract	Permanent	Contract	Permanent	Contract	Permanent	Contract
Male	13,323	2,289	12,138	2,243	13,540	3,417	16,588	3,616
Female	1,622	440	1,301	198	1,229	232	2,992	415

NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT BY REGION

	2015		2016		2017		2018	
	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary
Jakarta	162	-	159	-	176	-	194	-
Riau	8,186	1,325	7,229	1,660	7,350	2,717	7,841	2,646
West Kalimantan	5,411	895	5,027	300	5,695	566	8,048	1,091
East Kalimantan	1,161	509	995	481	1,520	366	3,472	294
Singapore	25	-	29	-	28	-	25	-

LABOUR AND HUMAN RIGHTS

Labour and human rights issues in the palm oil industry, especially in supply chains, are of increasing concern and remain an industry-wide challenge. In response, we are renewing our focus on our own labour practices and reviewing them to ensure they are robust and fit for purpose in the current labour environment.

A pilot audit was done in Riau by Neste in December 2017. The audit included thorough field observations of workers performing their work duties, workers' living conditions, estate's amenities, examination of workers' documents such as pay slips, letters and work agreements, as well as one-on-one interviews with the workers in the field.

In 2018, the audit results were made available where areas of risk were identified. We followed up on these risk areas and made the required improvements. An example was a finding that inadequate training was being provided to the managers on the estate on workers' rights. This was followed up with a socialisation and engagement programme focusing on labour rights for both the local management team as well as our workers. It was also found that not all children living on the estate attend school, which increases the risk of the children being asked by their parents to help out in the plantation. We have followed up by emphasising to our workers the importance of providing education to their younger generation and encouraging them to make use of the free education and transportation made available to their children. Some items are still work in progress, especially in areas where it involves a third-party agent (for casual workers) and areas where it takes time to change a cultural preference and practice.

Fair Wages and Employee Benefits

The minimum wage in Indonesia differs from province to province as it is set by provincial and district authorities. First Resources follows the minimum wage agreements and all new guidelines or revisions to the existing agreements according to Regulation (Peraturan Pemerintah) No. 78 year 2015. Hence, First Resources has made the salary structure such that the lowest wage paid is at least the respective minimum wage (in-line with the regulation). In 2018, the wages paid to our workers met at least the provincial's minimum wage requirements.

LOWEST MONTHLY WAGE TO LEGAL MINIMUM WAGE BY REGION IN 2018

	Monthly legal minimum wage (IDR)	First Resources lowest monthly wage (IDR)	Ratio (for males and females)
Riau	2,617,484	2,617,484	1:1
West Kalimantan - Sanggau	2,145,310	2,145,310	1:1
West Kalimantan - Ketapang	2,562,000	2,562,000	1:1
East Kalimantan - Kubar	2,793,000	2,793,000	1:1

We keep records of all salaries and money paid to employees and contractors. Payment records are acknowledged by workers, and clarification is provided to ensure that payment calculations are understood.

We also provide additional benefits to our employees, and the benefits received by permanent employees differ from those received by contract employees. First Resources pays an annual bonus to all permanent employees according to individual performance and the Group's performance. Permanent employees are also provided with insurance coverage.

We aim to house all our plantation and mill employees and their families in a safe and healthy living environment on our estates. Besides housing and sanitation, our workers have access to other amenities such as running water, electricity, medical care, sports and recreational facilities, and places of worship. Educational facilities for employees' children, such as kindergartens and primary schools, day care centres and school buses are also provided. We have identified 17 areas of needs for workers living on estates, and through our programme "17 Kehidupan Pondok", we are making improvements to these areas so that our employees can enjoy a better quality of life.



Equal Opportunities

We are committed to offering job opportunities based on competence, skills and experience – regardless of ethnicity, race, religion, or gender. We treat all employees equally and reward them fairly based on merit.

Due to the manual nature of oil palm cultivation and processing, most of our plantation and mill workers are men. Male workers are typically assigned heavier physical tasks, for example harvesting and carrying fresh fruit bunches (FFB) to trucks for transportation. Women are typically assigned tasks including weeding, fertilising and the collection of loose fruits that have fallen to the ground.

PERMANENT WORKFORCE DIVERSITY BY GENDER

	2015		2016		2017		2018	
	Male	Female	Male	Female	Male	Female	Male	Female
Board	7	1	7	1	7	1	6	1
Senior Management	44	3	43	3	39	3	38	3
Middle Management	204	21	180	22	175	20	177	26
Workers	13,075	1,598	11,915	1,276	13,326	1,206	16,373	2,963

PERMANENT WORKFORCE DIVERSITY BY AGE GROUP IN 2018

	<30 years old	30-50 years old	>50 years old
Board	0	4	3
Senior Management	-	22	19
Middle Management	8	165	30
Workers	7,459	11,298	579



Freedom of Association and Collective Bargaining

We support the freedom of all our employees to form unions as a channel to communicate their expectations and aspirations. Our labour union is part of the KSPSI (the Workers' Union Confederation).

Each subsidiary and its labour union representatives have agreed upon a Collective Labour Agreement that aims to protect employees' and employers' rights and obligations. All our employees are protected by the Collective Labour Agreement, which covers industrial relations, working hours, remuneration, out-of-post assignments and transfers, social security and welfare, occupational health and safety, and employment termination.

We hold focus group discussions and meetings together with labour unions at least once a year. These dialogues enable us to take into consideration the aspirations of our employees and solicit their suggestions, input and criticism.

Employees are also able to convey their aspirations through the human resources department. The Group communicates all changes related to employment via emails, circulars, or its internal portal.

Forced or Compulsory and Child Labour

In accordance with national labour laws and regulations, the Group does not tolerate forced or bonded labour, or the employment of under-aged children.

For our plantation and mill operations, we ensure that employees are never subject to the unlawful withholding of wages, identification cards, passports or other travel documents without their consent. Where we have outsourced our manpower needs to external agencies, we have briefed these middlemen of our policies and practices. We will cease working with agencies found to be in breach.

Our recruitment policies, work practices and procedures ensure that all employees are above 18 years of age, and that they understand their rights and obligations. We actively monitor that children do not assist their parents on our estates, as this practice is common in many parts of Indonesia. Constant reminders are sent to all workers and warnings are issued to those who violate our policies.



TRAINING AND DEVELOPMENT

We enhance our performance in the long term by recruiting, developing and retaining talented people. This is why we continuously invest to improve our staff development programmes and strengthen our human capital.

Every year, the First Resources Learning Centre assesses the training needs of our employees. Training is prioritised in line with the Group's business and operational requirements. We have established regular training programmes that include field assistant training, mill assistant training, administration assistant training, and foreman training. Non-regular training programmes are also provided on topics such as harvesting management, fertilising management, e-plantation systems, seven tools management, problem solving and decision-making. Training is provided by First Resources' coaches and specialist vendors, while continual on-the-job training and mentorships are provided by managers and supervisors.

AVERAGE TRAINING HOURS PER PERMANENT EMPLOYEE, BY EMPLOYEE CATEGORY

	2015	2016	2017	2018
Senior Management	3.2	-	13.3	8.0
Middle Management	10.3	0.6	19.0	30.1
Workers	17.9	17.6	31.1	19.2

Our Learning Centre also runs graduate training programmes, for field assistants, palm oil mill assistants and administration assistants. Spanning five to six months, these programmes cover the technical, managerial and interactive skills required to work in First Resources' estates and palm oil mills. As part of our recruitment drive, we have formed partnerships with universities in Java and Sumatra to provide internships for undergraduates and vocational school students. Our internship programme exposes students to administrative duties, plantation activities and palm oil mill operations.

As part of our efforts to retain and develop high potential employees as future leaders of the company, First Resources has implemented a career path system to offer different progression tracks. This is to ensure that all employees have the opportunity to develop at a pace that is suitable for them and employees with higher ambitions and performance can progress faster.

Through a more structured career progression path, employees' competencies are better developed and career planning within a vertical career path is facilitated. However, this does not limit the career scope of an employee as horizontal career paths between departments can also take place. This approach is expected to help us maintain a highly competent, motivated and engaged workforce.

HEALTH AND SAFETY

We are committed to providing a safe working environment for all our employees, as well as promoting a healthy lifestyle.

We have medical teams in every operational area to support the health of our employees and their families. Our medical teams conduct routine check-ups and deliver various health programmes that aim to increase awareness about the benefits of a healthy lifestyle. These include healthy living tips, health education, and counselling related to chronic diseases.

We have implemented an Occupational Health and Safety (OHS) Management System across our estates. The OHS Management System complies with local regulations, including hazard identification and prevention, risk assessment and management, programme evaluation and continuous management system improvement.

Prevention of Accidents and Fatalities

Our Health & Safety Committees, which comprise management and staff representatives, are responsible for identifying and evaluating potential hazards, recommending corrective actions, following up on implemented recommendations, providing employees with education and training, and developing a grievance mechanism.

Health and safety topics are discussed with employees during daily morning meetings. In addition, we have OHS manuals and procedures, working instructions, emergency response drills and other activities to ensure all employees are aware of the health and safety risks related to their jobs. OHS considerations are also incorporated into the Collective Labour Agreement with the workers' union. These include provisions for equipping estate workers with personal protective equipment (PPE) and the establishment of Health & Safety Committees.

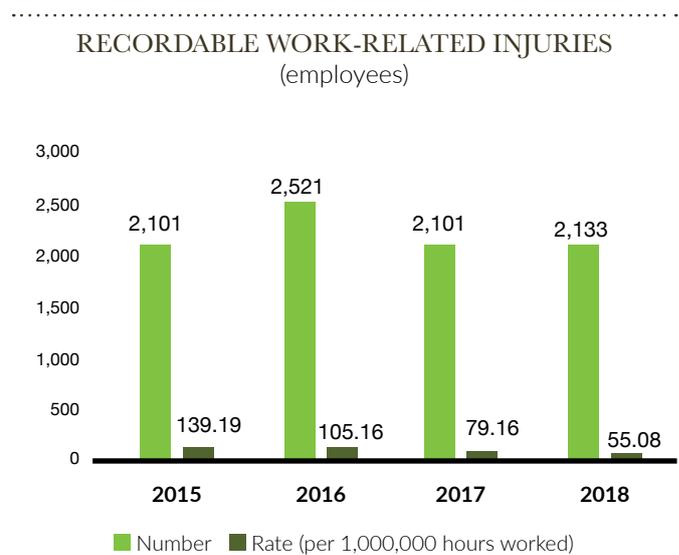
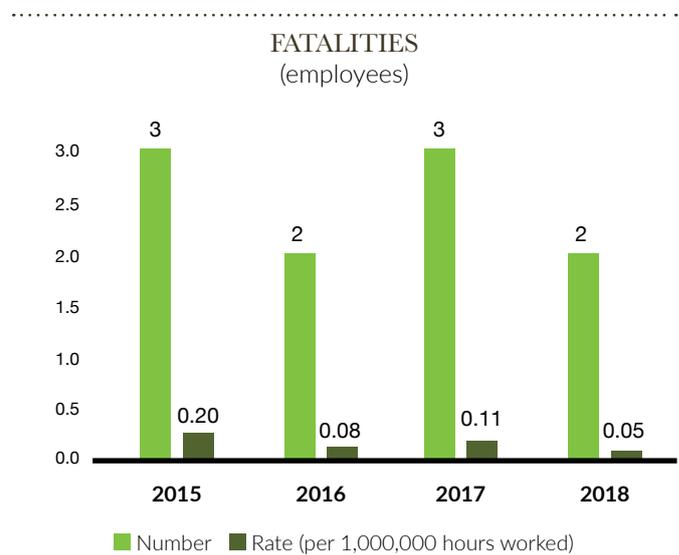
In addition, we maintain an Emergency Response Team on standby to attend to any immediate health and safety-related crisis.

We aim to reduce accidents, injuries and fatalities in our operations. All work-related accidents are recorded and evaluated. Recommendations are then implemented to prevent the reoccurrence of similar incidents.

The main hazards in plantations include falling sharp fronds and bunches during the harvesting process, and sharp fronds on the ground. These are associated with relatively short-term injuries such as cuts and thorn-pricks. To minimise the risk of injury, all harvesters are provided with safety helmets, gloves and boots.

Hazards in palm oil mills include overhead sling conveyors, slippery floors, hot steam and loud noises. Workers are regularly reminded to be vigilant and are briefed during daily shift meetings on any potential health and safety issues (e.g. risk of fires).

We are pleased to record a significant reduction in the rate of recordable injury over the past four years due to the socialisation of safety practices. Although we make every effort to ensure the safety of our employees, we regret to report that there were two fatalities in our operations in 2018. Both of these were caused by traffic accidents, one in West Kalimantan and one in Riau. We are reviewing the actions required to prevent the occurrence of such fatal accidents in the future.



CUSTOMERS

Customers of First Resources comprise primarily traders, palm oil refiners, and renewable energy producers. We sell our products in both local and export markets. For our export sales, we mainly sell them on Free on Board (FOB) basis to our customers who then ship the products globally, the biggest markets being India, China and Europe. It is therefore essential that we work closely with our customers to meet their varying needs and respond to the growing market demand for traceable and sustainable palm oil.

PROTECTING CONSUMER HEALTH

While First Resources does not produce consumer brands, we are committed to safeguarding consumer health. We have therefore put in place relevant certification systems to ensure that our processing plants achieve and adhere to best practices for product quality and safety standards. Our kernel crushing plant has been certified to Hazard Analysis and Critical Control Points (HACCP), and good manufacturing practices (GMP)+B2 standards. In 2018, we had successful surveillance audits for these certifications, ensuring that the systems are effectively maintained. In 2019, we plan to certify both our refineries to HACCP and GMP as well.

SUSTAINABILITY CERTIFICATIONS

Obtaining relevant industry sustainability certifications helps us to demonstrate our commitment to adopting best practices and standards for responsible production, as well as to meet the growing market demand for sustainable palm oil. As such, we continue to participate in various industry schemes including the Roundtable on Sustainable Palm Oil (RSPO), Indonesia Sustainable Palm Oil (ISPO), International Sustainability Carbon Certification (ISCC) and HVO Verification.

Roundtable on Sustainable Palm Oil (RSPO)

The RSPO is the leading global sustainability standard in palm oil production and was developed as a partnership between private sector stakeholders along the palm oil value chain and civil society organisations. First Resources has been a member of the RSPO since 2008.

We received our first RSPO certification in May 2018, followed by a second one in November 2018. These certifications are for two of our mills located in Riau. We are currently working towards obtaining certifications for all of First Resource’s mills by 2024, with audits planned for three mills located in Riau in 2019.



Indonesia Sustainable Palm Oil (ISPO)

The ISPO is a government-led effort to create a system for sustainable palm oil production and certification. Its aims are to enhance Indonesia’s competitiveness in the global palm oil market and reduce greenhouse gas (GHG) emissions from Indonesian oil palm plantations and operations. ISPO is a mandatory certification scheme regulated by the Indonesian Ministry of Agriculture.

As at 31 December 2018, nine of our estates have achieved ISPO certification and an additional estate has completed audits. We aim to achieve full ISPO certification for all our business units by 2020.



International Sustainability Carbon Certification (ISCC)

The ISCC is a globally leading certification scheme with the objective to contribute to the implementation of environmentally, socially and economically sustainable production and use of biomass in global supply chains. Its sustainability requirements include ecological aspects such as protection of high carbon stock (HCS) areas, social aspects such as safe working conditions, compliance with laws and international treaties, monitoring of GHG emissions, and good management practices.

In 2018, we have successfully renewed all our ISCC certifications and obtained new certification for another of our estate. As at 31 December 2018, 51,020 hectares of our nucleus plantations are certified under the ISCC scheme – 28% of our total nucleus plantation area. In addition, six of the Group’s 15 palm oil mills and both our processing and bulking units are ISCC certified. We are thus able to provide customers with a fully traceable product under the ISCC scheme.

HVO Verification

The HVO Verification Scheme is a sustainability verification system designed to verify biofuel’s compliance with the sustainability criteria embedded in the European Union Renewable Energy Directive (EU RED). It covers all raw materials for hydrotreated vegetable oil (HVO) products, defines traceability and sets GHG emissions goals. It also sets clear criteria for waste and residue materials. The HVO system development has been led by Neste, a big producer of renewable diesel and one of our customers. We started this certification in 2017 to fulfil our customer’s needs. Now, both our refineries are HVO certified.

CERTIFICATION STATUS

	2015	2016	2017	2018
RSPO	-	-	-	10%
ISPO	43%	43%	43%	49%

Note: The above reflects the Group’s certified nucleus area as percentage of total nucleus area

ABOUT THIS REPORT

The contents of this report have been determined based on ongoing stakeholder dialogue and a review of sustainability issues that are critical to First Resources. It should be read in conjunction with First Resources' Annual Report and website, as some information will be accessible through those channels. The reporting exercise allows us to take stock of our progress on these sustainability issues and is an important facet of our accountability to stakeholders. It forms part of a broader two-way dialogue with our stakeholders that seeks to build mutual understanding and respect.

SCOPE OF THE REPORT

This report covers the operations of First Resources in Indonesia and Singapore. We produce a sustainability report on an annual basis and the content of this report focuses primarily on activities carried out within the financial year ending 31 December 2018. Where applicable, data from previous financial years has been included for comparison.

In 2018, we updated our material sustainability issues as described on page 10. There have been no restatements of information and there are no other significant changes in the scope of our reporting from previous reports. The publication date of our last sustainability report was 18 May 2018.

REPORTING FRAMEWORK

First Resources produces its sustainability report in line with the Singapore Exchange's (SGX) Sustainability Reporting Guide and Rule. We have chosen to reference the Global Reporting Initiative (GRI) Standards as our reporting framework. This report has been prepared to be in accordance with GRI Standards – Core option. This includes adhering to the following GRI principles for defining report content:

- Stakeholder Inclusiveness
- Sustainability Context
- Materiality
- Completeness

DATA AND ASSURANCE

We have not engaged a third party in the assurance of our sustainability report this year. However, we believe that the in-depth assessments we have undertaken in material areas such as High Carbon Stock (HCS), High Conservation Value (HCV) and Free, Prior and Informed Consent (FPIC), as well as documentation on the Roundtable on Sustainable Palm Oil (RSPO) website on our complaints handling, provide strong independent verification of our performance. Furthermore, all of the data included in this report has been subject to rigorous review as part of our internal processes.

CONTACT

We welcome feedback from all our stakeholders. If you have questions or comments on this report, or on our sustainability performance in general, please contact us:

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GRI CONTENT INDEX

We follow the guidelines and requirements of the Global Reporting Initiative (GRI) Standards, which set out the principles and standard disclosures that organisations can use to report their economic, environmental, and social performance and impacts. This report has been prepared in accordance with the GRI Standards: Core option.

Our GRI Content Index specifies each of the GRI Standards used and lists all disclosures included in this sustainability report, annual report and website. Where information is not available, reasons for omissions are stated.

Disclosure Number	Disclosure	Page reference/Reasons for omissions
GENERAL DISCLOSURES		
ORGANISATIONAL PROFILE		
102-1	Name of the organisation	2
102-2	Activities, brands, products, and services	Annual Report 3
102-3	Location of headquarters	Annual Report 24
102-4	Location of operations	Annual Report 4-5
102-5	Ownership and legal form	Annual Report 58, 143
102-6	Markets served	44, Annual Report 3
102-7	Scale of the organisation	38, Annual Report 4-5, 10
102-8	Information on employees and other workers	38
102-9	Supply chain	34
102-10	Significant changes to the organisation and its supply chain	There were no significant changes to the organisation and its supply chain within the reporting year.
102-11	Precautionary principle or approach	First Resources does not explicitly refer to the precautionary principle or approach in its risk management principles. Please see our approach to materiality on page 10 and risk management on page 34 of Annual Report.
102-12	External initiatives	13
102-13	Membership of associations	13
STRATEGY		
102-14	Statement from senior decision-maker	2-3
102-15	Key impacts, risks, and opportunities	2-3, 10-11
ETHICS AND INTEGRITY		
102-16	Values, principles, standards, and norms of behaviour	6
102-17	Mechanisms for advice and concerns about ethics	8
GOVERNANCE		
102-18	Governance structure	9
102-19	Delegating authority	9

102-20	Executive-level responsibility for economic, environmental, and social topics	9
102-21	Consulting stakeholders on economic, environmental, and social topics	9, 12-13
102-22	Composition of the highest governance body and its committees	Annual Report 24, 26
102-23	Chair of the highest governance body	Annual Report 24, 26
102-24	Nominating and selecting the highest governance body	Annual Report 27-30
102-26	Role of highest governance body in setting purpose, values, and strategy	9
102-28	Evaluating the highest governance body's performance	Annual Report 30-31
102-32	Highest governance body's role in sustainability reporting	9-10
102-35	Remuneration policies	Annual Report 31-33
102-36	Process for determining remuneration	Annual Report 31-33
102-37	Stakeholders' involvement in remuneration	Annual Report 31-33
STAKEHOLDER ENGAGEMENT		
102-40	List of stakeholder groups	12-13
102-41	Collective bargaining agreements	41
102-42	Identifying and selecting stakeholders	12-13
102-43	Approach to stakeholder engagement	12-13
102-44	Key topics and concerns raised	12-13
REPORTING PRACTICE		
102-45	Entities included in the consolidated financial statements	46
102-46	Defining report content and topic Boundaries	10-11
102-47	List of material topics	10-11
102-48	Restatements of information	46
102-49	Changes in reporting	10, 46
102-50	Reporting period	46
102-51	Date of most recent report	46
102-52	Reporting cycle	46
102-53	Contact point for questions regarding the report	46
102-54	Claims of reporting in accordance with the GRI Standards	46
102-55	GRI content index	47-53
102-56	External assurance	46

MATERIAL ISSUES		
ECONOMIC		
PRODUCTIVITY		
103-1	Explanation of the material topic and its Boundary	10, 14
103-2	The management approach and its components	14-16
103-3	Evaluation of the management approach	14-16
COMMUNITY INVESTMENT		
103-1	Explanation of the material topic and its Boundary	10, 30
103-2	The management approach and its components	32-33
103-3	Evaluation of the management approach	32-33
201-1	Direct economic value generated and distributed	32, Annual Report 49-57
203-1	Infrastructure investments and services supported	32-33
203-2	Significant indirect economic impacts	32-33
BUSINESS CONDUCT AND CORRUPTION		
103-1	Explanation of the material topic and its Boundary	11
103-2	The management approach and its components	Annual Report 39
103-3	Evaluation of the management approach	Annual Report 39
205-2	Communication and training about anti-corruption policies and procedures	Annual Report 39
ENVIRONMENT		
CONSERVATION AND MANAGEMENT OF HIGH CONSERVATION VALUE (HCV) AREAS		
103-1	Explanation of the material topic and its Boundary	10, 17
103-2	The management approach and its components	17-18
103-3	Evaluation of the management approach	17-18
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	17-18
304-2	Significant impacts of activities, products, and services on biodiversity	17-18
304-3	Habitats protected or restored	17-18
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	First Resources' website

PEATLAND MANAGEMENT		
103-1	Explanation of the material topic and its Boundary	10, 17
103-2	The management approach and its components	20
103-3	Evaluation of the management approach	20
PROTECTION OF HIGH CARBON STOCK (HCS) FORESTS		
103-1	Explanation of the material topic and its Boundary	10, 17
103-2	The management approach and its components	19
103-3	Evaluation of the management approach	19
FIRE PREVENTION AND MANAGEMENT		
103-1	Explanation of the material topic and its Boundary	10, 17
103-2	The management approach and its components	21-22
103-3	Evaluation of the management approach	21-22
GREENHOUSE GAS (GHG) EMISSIONS		
103-1	Explanation of the material topic and its Boundary	10, 23
103-2	The management approach and its components	23-24
103-3	Evaluation of the management approach	23-24
305-1	Direct (Scope 1) GHG emissions	24
305-2	Energy indirect (Scope 2) GHG emissions	24
305-4	GHG emissions intensity	23
305-5	Reduction of GHG emissions	24
PEST MANAGEMENT AND CHEMICAL USAGE		
103-1	Explanation of the material topic and its Boundary	10, 28
103-2	The management approach and its components	28-29
103-3	Evaluation of the management approach	28-29
WASTE MANAGEMENT		
103-1	Explanation of the material topic and its Boundary	10, 25
103-2	The management approach and its components	25-27
103-3	Evaluation of the management approach	25-27
306-2	Waste by type and disposal method	26

WATER AND EFFLUENTS		
103-1	Explanation of the material topic and its Boundary	10, 25
103-2	The management approach and its components	25-27
103-3	Evaluation of the management approach	25-27
303-5	Water consumption	25
306-1	Water discharge by quality and destination	27
306-3	Significant Spills	There were no significant spills within the reporting year.
SOCIAL		
EMPLOYEE MANAGEMENT AND RETENTION		
103-1	Explanation of the material topic and its Boundary	10, 38
103-2	The management approach and its components	38-42
103-3	Evaluation of the management approach	38-42
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	39
404-1	Average hours of training per year per employee	42
404-2	Programs for upgrading employee skills and transition assistance programs	42
LABOUR CONDITIONS AND HUMAN RIGHTS		
103-1	Explanation of the material topic and its Boundary	10, 38
103-2	The management approach and its components	39-41
103-3	Evaluation of the management approach	39-41
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	39
408-1	Operations and suppliers at significant risk for incidents of child labour	41
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	41
412-1	Operations that have been subject to human rights reviews and impact assessments	39
OCCUPATIONAL HEALTH AND SAFETY		
103-1	Explanation of the material topic and its Boundary	10, 43
103-2	The management approach and its components	43
103-3	Evaluation of the management approach	43
403-1	Occupational health and safety management system	43

403-2	Hazard identification, risk assessment, and incident investigation	43
403-3	Occupational health services	43
403-4	Worker participation, consultation, and communication on occupational health and safety	43
403-5	Worker training on occupational health and safety	43
403-6	Promotion of worker health	43
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	43
403-9	Work-related injuries	43
REGULATORY COMPLIANCE		
103-1	Explanation of the material topic and its Boundary	10
103-2	The management approach and its components	Annual Report 34-36
103-3	Evaluation of the management approach	Annual Report 34-36
419-1	Non-compliance with laws and regulations in the social and economic area	5
STAKEHOLDER ENGAGEMENT		
103-1	Explanation of the material topic and its Boundary	10, 12-13
103-2	The management approach and its components	12-13
103-3	Evaluation of the management approach	12-13
SMALLHOLDER INCLUSIVENESS		
103-1	Explanation of the material topic and its Boundary	10, 37
103-2	The management approach and its components	37
103-3	Evaluation of the management approach	37
RIGHTS OF INDIGENOUS AND LOCAL COMMUNITIES		
103-1	Explanation of the material topic and its Boundary	10, 30
103-2	The management approach and its components	30-31
103-3	Evaluation of the management approach	30-31
411-1	Incidents of violations involving rights of indigenous peoples	31
413-1	Operations with local community engagement, impact assessments, and development programs	30-31
413-2	Operations with significant actual and potential negative impacts on local communities	30-31

SUPPLY CHAIN TRACEABILITY AND TRANSPARENCY		
103-1	Explanation of the material topic and its Boundary	10, 34
103-2	The management approach and its components	34-37
103-3	Evaluation of the management approach	34-37
308-1	New suppliers that were screened using environmental criteria	36
308-2	Negative environmental impacts in the supply chain and actions taken	36-37
414-1	New suppliers that were screened using social criteria	36
414-2	Negative social impacts in the supply chain and actions taken	36
SUSTAINABILITY CERTIFICATION		
103-1	Explanation of the material topic and its Boundary	10, 44
103-2	The management approach and its components	44-45
103-3	Evaluation of the management approach	44-45

GLOSSARY OF TERMS

Balai Konservasi Sumber Daya Alam (BKSDA)	The Natural Resources Conservation Centre, an implementation unit under the Directorate General of Forest Protection and Nature Conservation of the Ministry of Forestry of the Republic of Indonesia tasked to manage conservation areas.
Biodiversity	The diversity (number and variety of species) of plant and animal life within a region.
Biological Oxygen Demand (BOD)	The amount of oxygen used when organic matter undergoes decomposition by micro-organisms. Testing for BOD is done to assess the amount of organic matter in water.
Carbon Dioxide Equivalents (CO₂e)	Carbon dioxide equivalent provides a universal standard of measurement against which the impacts of releasing (or avoiding the release of) different greenhouse gases can be evaluated.
Chemical Oxygen Demand (COD)	A measure of the capacity of water to consume oxygen during the decomposition of organic matter and oxidation of inorganic chemicals.
Crude palm oil (CPO)	Palm fruit oil extracted from the fruit's flesh.
Deoxyribonucleic acid (DNA)	Hereditary material in humans and almost all other organisms.
Effluents	Water discharged from one source into a separate body of water, such as mill process water.
Extraction rate	The amount of oil extracted from oil palm fruit at a mill. Crude palm oil (CPO) is extracted from the flesh; palm kernel oil (PKO) from the nut.
Empty fruit bunch (EFB)	The remaining plant matter once the oil palm fruitlets have been removed.
Fresh fruit bunch (FFB)	Bunch harvested from the oil palm tree. The weight of the fruit bunch ranges between 10kg to 40kg depending on the size and age.
Free, Prior and Informed Consent (FPIC)	Principle that a community has a right to give or withhold its consent to proposed projects that may affect the lands they customarily own, occupy or use.
Greenhouse Gas (GHG)	A gas that has the property of absorbing and emitting infrared radiation, creating a greenhouse effect.
Global Reporting Initiative (GRI)	A multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators.
High Conservation Values (HCVs)	HCVs are biological, ecological, social or cultural values which are outstandingly significant or critically important at the national, regional or global level.
High Carbon Stock (HCS) Approach	A practical methodology for distinguishing forest areas that should be protected from degraded lands that may be developed. It is a sequence of processes and assessments undertaken within two overarching modules: a social requirements module, which focuses on respecting communities' rights to their lands; and an integration module, which includes the FPIC and HCV processes.
HVO Verification	A sustainability verification system designed to verify biofuel's compliance with the sustainability criteria embedded in the European Union Renewable Energy Directive (EU RED).
Integrated Fire Management (IFM)	An in-depth workplan for fire prevention, preparedness, response and recovery.
Indonesian Palm Oil Association (GAPKI)	An organisation of oil palm growers and palm oil producers in Indonesia.
Indonesia Sustainable Palm Oil (ISPO)	Mandatory national sustainable palm oil standard.
International Sustainability and Carbon Certificate (ISCC)	A global biomass and bioenergy certification scheme.

IUCN Red List	Based in Switzerland, the International Union for Conservation of Nature and Natural Resources (also known as The World Conservation Union) is an organisation involved in the preservation of natural resources. IUCN publishes the Red Data Book, which lists the endangered species of every nation.
Non-governmental organisation (NGO)	Used in this report to refer to grassroots and campaigning organisations focused on environmental or social issues.
Nucleus plantation	Plantations owned by the group.
New Planting Procedures (NPP)	A set of assessments and verification activities developed by RSPO to be conducted by growers and certification bodies prior to a new oil palm development, in order to help guide responsible planting.
PalmGHG Calculator	The PalmGHG Calculator is a tool developed by the RSPO Greenhouse Gas Working Group 2 to allow palm oil producers to estimate and monitor their net greenhouse gas emissions. The Calculator also enables palm oil producers to identify crucial areas in their production chain, thereby guiding emission reduction opportunities.
Palm oil mill effluent (POME)	By-product of processed fresh fruit bunch (FFB).
Peat	Peat is an accumulation of partially decayed vegetation matter. Peat forms in wetlands or peatlands, variously called bogs, moors, muskegs, pocosins, mires, and peat swamp forests.
Palm kernel (PK)	Edible seed of the palm fruit.
Plasma schemes	A programme initiated by the Indonesian government to encourage the development of smallholders' plantations with the assistance and cooperation of plantation companies (the nucleus) which assist and support the surrounding community plantations (the plasma).
Personal protective equipment (PPE)	Equipment that protects users from health and safety risks at work.
Programme for Pollution Control, Evaluation and Rating (PROPER)	A national public environmental reporting initiative by the Indonesian Ministry of Environment to promote industrial compliance with pollution control regulations, facilitate and enforce the adoption of practices contributing to cleaner technologies, and ensuring a better environmental management system.
Rapid Biodiversity Analysis (RBA)	A rapid assessment to evaluate the state of a region's biodiversity and the health of its ecosystems.
Roundtable on Sustainable Palm Oil (RSPO)	A multi-stakeholder organisation based in Kuala Lumpur, Malaysia. The organisation has developed a certification scheme for sustainable palm oil.
RSPO Principles and Criteria (P&C)	A set of stringent standards for sustainable palm oil production, which RSPO members must comply with.
Stakeholders	Any group or individual who are affected by or can affect a company's operations.
Standard operating procedures (SOPs)	A set of step-by-step instructions developed to help workers carry out complex routine operations.
Sustainability	A term expressing a long-term balance between social, economic and environmental objectives. Often linked to sustainable development, which is defined as "development that meets the need of current generations without compromising the needs of future generations".
Unmanned Aerial Vehicle (UAV)	An aircraft that is guided autonomously, by remote control, or both.
World Health Organisation (WHO) Class 1A and 1B	Classification of hazardous level of active ingredients in pesticides according to the World Health Organisation. 1A is extremely hazardous and 1B is highly hazardous.



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