

**RESPONSES TO QUESTIONS RECEIVED FOR THE ANNUAL GENERAL MEETING 2022**

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The following questions were received from shareholders of First Resources Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) for the Company’s Annual General Meeting on 28 April 2022. Accordingly, please find below the responses from the Company.

**Question 1**

**What is the general outlook of the agribusiness industry in 2022 and beyond? What are the challenges and opportunities encounter by First Resources? Given the frequent changes in policy by the Indonesian Government, how does First Resources intend to move forward?**

**The Company’s Response:**

We believe that the global crude palm oil (“CPO”) supply has entered a new phase – ongoing below-trend investment in supply for sustainability and other concerns, will manifest in lower supply growth going forward, with or without factoring in weather shocks. It is foreseeable that demand growth will outstrip supply growth in the future and we expect to see strong CPO prices over the longer term. With our favourable plantation maturity profile, we believe that First Resources is well-positioned to capitalise on such long-term trends. First Resources has and will keep the focus on striving for continued improvements in agricultural yields and operations amid uncertainties in the COVID-19 situation, climate change, government policies and the general macro environment at large.

Changes in the Indonesian government policies is an inherent part of the palm oil business that impact all players operating in the industry, but First Resources has demonstrated over the years that it is able to navigate them well with the following key mitigations:-

**(a) Lean cost of production**

The Group’s cash of production has largely remained unchanged in the last decade, with each tonne of nucleus CPO on an ex-mill basis costing us US\$250 to produce in FY2021. This is a reflection of the Group’s continued focus on yield and cost whilst striving to be on the low end of the industry cost curve as a defence against market price volatility and changes in the export tax structure.

**(b) Well-positioned as an integrated player**

Under the progressive export levy structure announced in December 2020, the export of processed products attracts relatively lower export levies as compared to CPO. Being integrated, the Group is well-positioned to manoeuvre and make changes to its product mix to capture the incremental margins, resulting in more competitiveness compared to the pure plantation players.

Lastly, even though the new export levy structure can be punitive to Indonesian palm oil producers, part of the export levies collected are being utilised to fund the local biodiesel mandate in Indonesia, which is supportive to the overall palm oil demand-supply dynamics and impacts palm oil prices positively in the long run.

## **Question 2**

**Does First Resources intend to reward shareholders through higher dividend in the future? Perhaps, by acquiring other smaller estate holders or diversifying into other agri-related business, First Resources may be able to increase future recurring income for stakeholders. Alternatively, through periodic improvement in ESG achievement, First Resources may raise value to its business operations. What is the management view on this matter?**

### **The Company's Response:**

As an acknowledgement of our evolution to a more mature and free cashflow generative business and to thank shareholders for your support, our dividend policy was revised last year to distribute up to 50% of the Group's underlying net profit annually, an increase from the 30% previously. The proposed final ordinary dividend of 5.10 Singapore cents per share in respect of the financial year ended 31 December 2021 brings the full-year ordinary dividend to 6.35 Singapore cents per share, which represents 50% of underlying net profit and the highest paid by the Group in a financial year since listing. Because of our low leverage and strong recurring cashflow generation, we believe that such dividend policy will allow us to balance between reinvesting for growth and distribution to shareholders.

In terms of potential acquisitions or diversifications, First Resources is open to considering opportunities that can value-add to our existing palm oil value chain.

On the ESG front, while we acknowledge that ESG is an on-going work-in-progress, we feel that First Resources have so far kept pace with industry best practices for sustainability.

First Resources officially launched our Sustainability Policy and declared our commitment to No Peat, No Deforestation and No Exploitation (popularly known as "NDPE") in 2015. Over the years, we have achieved steady progress to improve on our efforts, culminating in some notable results including the launch of a Sustainable Supply Chain Framework, which enabled us to achieve 100% traceability to mills in 2017 and 100% traceability to plantations for our own mills in 2020.

On the certification front, after a hiatus from onsite audits due to COVID-19 travel restrictions, we received an additional RSPO certification for one of our mills integrated with plantations in February this year and are eager to regain our momentum and accelerate our sustainability initiatives for the rest of the year. Please refer to our sustainability report for more detailed information about the Group's sustainability progress and targets for 2022.

BY ORDER OF THE BOARD  
FIRST RESOURCES LIMITED

Chester Leong  
Company Secretary  
22 April 2022