

## APICAL PALM OIL SOURCING POLICY

### 1. Introduction

Apical Group Ltd is one of the largest processors of palm oil/ palm kernel oil and exporters of palm oil products in Indonesia. It has an extensive palm oil business value chain from sourcing to distribution. It is engaged in the refining, processing and trading of palm oil and its products for both domestic use and international export.

Apical's operations in Indonesia comprise of three refineries, one biodiesel plant, one oleochemical plant and a kernel crushing plant. It also owns a small refinery in China.

It is important that our customers and consumers have the confidence that our products are made from palm oil that has been responsibly sourced from traceable and transparent supply chains that respect the environment and local communities.

Likewise, it is important that we work together with our valued suppliers to ensure that their produce enjoy wide acceptance and have unrestricted global market access.

This sourcing policy has been completed pursuant to the Apical Sustainability Policy (September 2014) to build a traceable and transparent palm oil supply chain committed to:

- No deforestation of high conservation value (HCV) lands and high carbon stock (HCS) areas;
- Protection of new peat areas, regardless of depth;
- Drive positive socio-economy impact for people and local communities.

For more detail information on our Sustainability Policy, please refer to <http://www.apicalgroup.com/sustainability>

### 2. Scope

This Policy covers all the internal and external operations within the Apical supply chain including refineries, palm oil mills, kernel crushing plants, plantations and smallholders.

### 3. Sourcing Strategy

Apical has committed in its Sustainability Policy to source palm oil supplies through a transparent network, traceable to the mills from which they come from.

Our sourcing strategy will focus on developing long-term relationships and understanding with all our suppliers. This Sourcing Policy will be implemented through:-

- Engaging our suppliers to ensure they are in compliance with our Sustainability and Sourcing Policy.
- Maintaining and updating our traceability database to the supplying mills and plantations.
- Ensuring that the company's supplies come from legal sources and prevent encroachment on protected areas (natural forests/ HCS areas, national parks, etc) in compliance with applicable legal requirements.

Apical is conscious of its role in the palm oil supply chain and will act responsibly and proactively to ensure that the palm oil we process and trade is sustainably sourced. We will not knowingly purchase through traders or from mills selling palm oil from sources which are non-compliance to our policies.

New Apical suppliers are first screened and pre-qualified based on their company profiles and possession of proper licenses/permits to meet legal compliances. They also need to fill up a questionnaire on their sustainability status and traceability database.

For existing suppliers that have supplied for > 6 months, they have to fill up their detail mill and FFB traceability database.

We will require our suppliers to comply with our Sustainability and Sourcing Policy as part of the terms and conditions in our trading contracts with them.

Apical require our suppliers to comply with RSPO P&C and take immediate remedial action to correct any violation. They need to respect and recognize the rights of indigenous and local communities to give or withhold their Free, Prior and Informed Consent (FPIC) to the utilization of lands to which they hold legal, communal or customary rights.

They should recognize the Universal Declaration of Human Rights and promote equal rights to all workers. Human trafficking and child labor are strictly prohibited in all our operations.

Other requirements by the RSPO P&C such as progressive reduction of GHG emissions and efficient use of water & energy are also part of our requirements.

Bringing about this transformation across our entire supply chain is a major undertaking. We will support our suppliers technically to achieve policy compliance, via time-bound action plans, as quickly as possible and expect to complete implementation progressively by 2020.

Regardless of remedial action and subject to any legal requirement, as a last resort, we reserve the option to cease to do business with serious repeat violators of our Sustainability and Sourcing Policy.

We will work in a fair and transparent manner to resolve verifiable complaints and conflicts with all parties. We will develop a transparent grievance procedure to ensure that all grievances and conflicts are dealt and handled in an accountable manner.

There is a growing demand for traceable palm oil to known and certified sources and Apical intends to meet this as a core element of our growth strategy.

### **Sourcing from smallholders**

To facilitate the increase of sustainable certification of smallholders, Apical will work with our suppliers with direct control of FFB sources, to ensure inclusivity of smallholders through engagement. We will advise and support our smallholders on the use of best management practices to enhance their productivity.

To prevent the inflow of illegal FFB into the supply chains, our suppliers will need to request independent smallholders and third-party palm oil suppliers to provide legal documents of their FFB sources.