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**SYNERGISING
ENERGIES**



SYNERGISING ENERGIES

Apical strongly believes in developing synergies through partnerships with our key stakeholders. Similar to an oil palm tree flourishing and bearing fruit because of the contribution of its many parts, we work closely with our network of customers, suppliers, regulatory agencies and others stakeholders within our value chain. This synergy allows us to exponentially scale the impact beyond what Apical can achieve on our own. Our cover represents our interconnectedness and how we remain committed, united by the common purpose of achieving a fruitful and sustainable future for the palm oil industry, environment and society. Building on the importance of our network of partnerships and leveraging on digital innovation, each node represents an important intersection of paths as we journey to deliver scalable and sustainable impact.



You can find this report and additional information about **Apical Group** on our corporate website.

INSIDE THIS REPORT

| | | |
|-----------|---|----|
| 1 | About this Report | 02 |
| 2 | President's Statement | 04 |
| 3 | Report Review: Proforest | 06 |
| 4 | About Apical Group..... | 08 |
| 5 | Our Approach to Sustainability | 15 |
| 6 | Our Sustainability Milestones..... | 36 |
| 7 | Working with Suppliers and Smallholders | 46 |
| 8 | Environmental Management | 62 |
| 9 | Labour Relations..... | 70 |
| 10 | Community Livelihood..... | 78 |
| 11 | Our Customers and Consumers..... | 86 |
| | GRI Standards Index..... | 93 |
| | Glossary of Terms | |



"WE LOOK TO LEVERAGE THE POTENTIAL OF PARTNERSHIPS TO CREATE SYNERGIES FOR BETTER ALIGNMENT AND STRONGER COLLABORATIONS ON SUSTAINABILITY"

| | | |
|-----------|---|----|
| 6 | Our Sustainability Milestones..... | 36 |
| 7 | Working with Suppliers and Smallholders | 46 |
| 8 | Environmental Management | 62 |
| 9 | Labour Relations..... | 70 |
| 10 | Community Livelihood..... | 78 |
| 11 | Our Customers and Consumers..... | 86 |
| | GRI Standards Index..... | 93 |
| | Glossary of Terms | |

ABOUT THIS REPORT



APICAL'S COMMITMENT TO SUSTAINABILITY REPORTING

102-1, 102-51, 102-52

Apical Group (Apical) is committed to communicating our progress towards implementing our sustainability commitments, outlined in our Sustainability Policy, on an annual basis. This is the third year we follow the disclosures set out by the Global Reporting Initiative (GRI) Standards, as the basis of our annual reporting.

Every year, we aim to improve on the relevance and quality of our disclosures. To ensure we keep managing and reporting on the issues that are most important to our business and our stakeholders, we have conducted a materiality review and refreshed our list of material issues. The content of this report reflects the outcome of this review, with details on the process found on page 21.

With this report, we hope to provide a transparent account of our sustainability performance and progress towards our commitments. We also aim to communicate our plans going forward to further drive sustainability across our value chain and continue to create value for all our stakeholders.

BOUNDARY AND SCOPE

102-45, 102-46, 102-49, 102-50

This report contains information for FY2018, from all our business operations and production facilities, including the following sites:



5
REFINERIES



3
BIODIESEL
PLANTS



1
KERNEL
CRUSHING



1
OLEOCHEMICALS
PLANT

Complimentary to this report is our Sustainability Progress Dashboard on our website, which is regularly updated and available to users at all times. Our Dashboard includes updates on our goals, activities and progress. Please visit www.sustainability.apicalgroup.com to view this information.

ABOUT THIS REPORT

REPORTING FRAMEWORK

102-54

This report has been prepared in accordance with the GRI Standards: Core option. The GRI Standards set out the principles and disclosures that organisations can use to report their economic, environmental and social performance. We have applied the GRI reporting principles for defining report content, including:

- **Stakeholder Inclusiveness:** responding to stakeholders' reasonable expectations and interests;
- **Sustainability Context:** presenting the company's performance in the wider context of sustainability;
- **Materiality:** focusing on aspects that

reflect the greatest impacts, and those that are most important to our business and stakeholders; and

- **Completeness:** including information of material aspects and their boundaries for the reflection of significant environmental, social and governance factors so as to enable stakeholders to assess the company's performance.

For a full list of disclosures referenced in this report, please visit our GRI Standards Index table on page 93.

We have also sought to apply to principles of report quality, including accuracy, balance, clarity, comparability, reliability and timelessness, as set out by the GRI Standards.

DATA AND EXTERNAL ASSURANCE

102-56

Apical applies a standardised approach to data collection and analysis across all our operations. Once collected, all data is verified internally to ensure accuracy before being used for any internal or external reporting. In particular, we take extra precaution in verifying data that is published or used for audit reports such as Roundtable on Sustainable Palm Oil (RSPO) and International Sustainability and Carbon Certification (ISCC). Any ambiguity on the data will be internally scrutinised and verified to ensure integrity.

POINT OF CONTACT

102-53

We value your opinion as part of our continuous effort to improve and meet stakeholders' expectations. We welcome your views, comments and feedback on any aspect of our approach to sustainability or reporting, which may be directed to:

Director of Sustainability for Apical Group
bremen_yong@apicalgroup.com



PRESIDENT'S STATEMENT

102-14

Dear Stakeholders,

It is with great pleasure that I welcome you to Apical Group's 2018 Sustainability Report. This is our third annual sustainability report, which seeks to provide our stakeholders with a transparent account of our current priorities, key achievements and challenges in implementing sustainable practices across the value chain of our palm oil business.



At Apical, we recognise the importance palm oil continues to play in meeting growing global demand for vegetable oils. Palm oil remains the most feasible option for consumer products due to its unique properties and yield per hectare ratio which is the highest among all vegetable oils. Yet, it remains one of the most contested commodities, with legacy issues such as deforestation and land conflicts that still need to be addressed.

We believe that to be a sustainable palm oil producer, business growth needs to balance the needs of socio-economic development and



PT Sari Dumai Sejati refinery at sunrise

environmental protection. This is something the industry has struggled with over the years but has come a long way to address.

In September 2014, a number of palm oil producing companies committed to the New York Declaration on Forests, announced at the United Nations Climate Summit held in New York that year. That marked a significant year for the sector and in line with this, Apical adopted No Deforestation, No Peat and No Exploitation (NDPE) commitments since 2014, which are anchored in our [Sustainability Policy](#). This policy serves as our compass towards responsible and sustainable practices. Since then, we have worked exclusively with our suppliers to get them on board. This process was initially slow but has accelerated over the last two years with persistent engagements. With 2020 just around the corner, and the deadline for the NDPE commitments approaching, Apical's focus continues to be

on achieving full traceability to plantation and bringing our suppliers along our sustainability journey. In particular, we look to leverage the potential of partnerships to create synergies for better alignment and stronger collaborations on sustainability. We are also increasingly exploring the use of new technologies to facilitate and spearhead some of our efforts.

In 2018, we maintained 100% traceability to our supplying mills and progressed traceability to plantation to 75.8% (up from 50% in 2017). We are also particularly excited to have been one of the founding members of SUSTAIN (Sustainability Assurance & Innovation Alliance) an alliance comprising a group of companies committed to responsible sourcing. SUSTAIN uses blockchain technology to encourage industry-level collaboration and wide adoption of a common platform as a practical solution to drive supply chain transformation and improve market access for palm oil products.

PRESIDENT'S STATEMENT

An ongoing challenge we face is the unwillingness of some suppliers to share information on FFB sources. We see blockchain as an important way to address this, by providing a single source of truth to record.

We have also continued to make significant headway in our supplier engagement efforts through our Anchor Programmes. In 2018, we conducted eight Priority Supplier Engagement Programme (PSEP) visits and three workshops in Jambi, Balikpapan, and Jakarta as part of our Shared Value Programme (SVP), engaging with 150 commercial and sustainability representatives from 75 supplier companies. We are encouraged by the outcomes of these engagements, with suppliers positively embarking on meaningful sustainability efforts. We continue to see the value in helping our suppliers understand the "why" by explaining the ethical and commercial value towards adopting sustainable practices.

We are delighted to share some of our success stories in the section on [Working with Suppliers and Smallholders](#).

Moving forward, we aim to strengthen our Sustainability Policy and our reporting on supplier compliance with the policy. We are looking into implementing a comprehensive monitoring system and framework to report on supplier progress on social and environmental issues.

Within our own operations, we continue to minimise our environmental impact through our Kaizen Projects. We completed a two-year waste reduction project at our bio-oils refinery resulting in 2-4% of waste generated reduction and implemented zero wastewater initiatives at four of our refineries. Next year, we will be setting group level 2020 and 2030 targets for water, waste and carbon reduction.

This year, recognising the unique role we play in helping to promote sustainable development, we have undertaken a prioritisation exercise to identify the SDGs we believe we have the biggest opportunity to support and advance. Through the exercise, we have identified six priority SDGs which will inform our future initiatives aimed at creating long-term positive value for Apical and the society. More details on how we currently and aim to contribute towards those goals can be found on page 26.

Looking ahead, 2019 represents a defining year for the sector, one that will determine the real progress we have made. We will continue to work towards our 2020 commitments, focussing largely on rolling out SUSTAIN, and inviting more players to join and collaborate.

The political landscape remains challenging, with the European Union's (EU) verdict that palm oil is not be eligible to count toward the EU's renewable transport

targets for national governments. We perceive these political developments as an opportunity for the whole sector to step up our efforts and demonstrate that palm oil production, socio-economic development and environmental conservation can go hand-in-hand. Moreover, with the successful implementation of the B20 biodiesel programme in Indonesia, we remain optimistic that the Indonesian Government has the ambition to achieve a higher target of B30. This is an important development as we believe sustainably produced palm oil should play a role in sustainable energy provision.

We see Apical as having a unique role to play in advancing transformation and are committed to leverage our position as an influencer by continuing to collaborate and engage with key stakeholders. Much more needs to be done and in line with one of our core values, Continuous Improvement, we are committed to constantly build upon progress made. We would like to thank everyone who has helped us on this journey so far and we look forward to building on these efforts in the coming years.

Yours sincerely,



DATU' YEO HOW
President

REPORT REVIEW: DAEMETER CONSULTING

Apical's 2018 Sustainability Report further demonstrates its commitment to transparency and communication of progress toward implementing its sustainability policies.



This report builds upon previous ones, and complements an expanding breadth and depth of information made available via Apical's on-line dashboard platform, providing a rich, overall picture of operations wide progress.

In this year's report, Apical describes how its activities and programs contribute to the UN Sustainable Development Goals, offering a useful model

for others in linking private sector contributions to global pursuit of the SDGs. Apical has chosen to focus on six of the 17 SDGs deemed most relevant to its operations and reports separately on specific programs and activities pursued to advance these SDGs.

The report also offers a useful description of Apical's corporate governance over implementing its policy, as well as the staffing and organizational structure behind this. A notable example is Apical's dedicated Sustainability Teams in all five hubs where the majority of its supplies originate, providing engagement resources on the ground for where they are most needed to interface with suppliers and other local partners.

As one of the world's largest buyers, processors and traders of palm oil and its derivatives, Apical has continued making investments in time, resources and creativity commensurate with its size. It remains wholly reliant on third party suppliers of raw materials (>600 suppliers), placing supply chain traceability and third party engagement efforts at the heart of its approach to policy implementation.

As part of these efforts, Apical has strengthened and further defined its flagship programs for engagement with suppliers,

organized under its four-part Anchor Programs, comprising: Mill Prioritisation Process (MPP); Priority Supplier Engagement Programme (PSEP); Traceability Outreach Programme (TOP); and Shared Value Programme (SVP). Apical's Anchor Programs are described fully in the report, and offer a structured process for engagement informed by risk assessment and supported by tools, workshops, and user-friendly guidance materials to build supplier capacity for closing out compliance gaps and laying foundations for continuous progress.

An especially useful case study illustrating effectiveness of the program is provided in the report (see page 53), adding real-life color to the program. As of end 2018, Apical had engaged 40 suppliers on the ground for policy compliance support, and in 2018 alone engaged with 51 mills through TOP to advance traceability. Together with Daemeter and Proforest, Apical conducted three SVP workshops in Jambi, Balikpapan and Jakarta in 2018, engaging with 150 procurement and sustainability representatives from 75 of its 600 supplier companies. Taken together, these supplier engagement efforts represent meaningful progress in strengthening the capacity of its suppliers to become more sustainable.

REPORT REVIEW: DAEMETER CONSULTING

Apical's commitment to partnership as a pathway for change at scale is described in the report, and should be commended. This includes active participation in both international efforts such as Tropical Forest Alliance (TFA) 2020, as well as all of the major certification platforms, including ISCC, RSPO, MSPO and ISPO. Here, Apical actively supports efforts to tailor and strengthen certification to align with its policy commitments.

Apical partners on the ground with international groups, such as Earthworm Foundation, as well as local NGOs such as Setara Jambi in Sumatra, mobilizing expertise to advance a shared agenda. A creative example of Apical leveraging technical expertise in a partnership setting is its leadership of the SUSTAIN initiative (Sustainability Assurance & Innovation Alliance), launched in 2018. SUSTAIN is an alliance of palm oil producers, processors, consumer goods manufacturers, not-for-profits and technology providers collaborating on the development of innovative technologies for achieving supply chain transparency.

An area where Apical has made truly exceptional progress concerns traceability to plantation (TTP). Through continued strengthening of its

Traceability Outreach Program (TOP), Apical reports supply chain wide TTP of 75.8%. This level of TTP is a nearly 25% improvement over last year, and is a remarkable achievement bearing in mind the size and geographic spread of its supply chain. To place this in context, of the 70 palm oil traders and producers evaluated by ZSL's SPOTT (updated November 2018), only two companies had achieved TTP levels higher than 75% for supplier mills. This achievement also creates an opportunity for Apical to define a new level of excellence in TTP by, for example, extending their current traceability baseline further up the supply chain from agent (under current definitions) back to the individual producer, or group of producers, where risk justifies this investment.

Apical's 2018 report should be well received, and we commend the activities and efforts reported described. We highlight three areas recommended for expanded reporting in 2019 and beyond. First, Apical should continue to refine and publish measurable and time-bound targets and KPIs that enable robust tracking of progress in Apical's own operations and especially that of its suppliers.

Second, Apical's palm oil sourcing policy pledges to "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." Moving forward, Apical could strengthen its reporting on supplier compliance with its policy, describing more fully how significant efforts made to improve supplier awareness and capacity translates to impact. Reporting, for example, on the percent of suppliers with time-bound action plans in place and the status of implementation progress will provide further clarity on supplier compliance.

Third, building upon Apical's supplier capacity building and awareness raising efforts, we encourage Apical to implement a comprehensive social performance assessment framework to track and report supplier progress on social issues related to labour, worker health and safety, gender, livelihoods, land rights, and indigenous rights.

We commend Apical for the wide range of activities undertaken during 2018 and reported here. We look forward to future progress reporting next year.

GARY PAOLI, PhD
Co-founder & Director
Daemeter Consulting

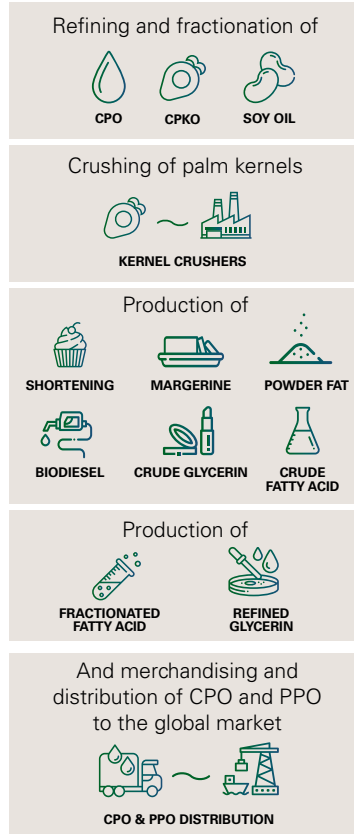
ABOUT APICAL GROUP

OVERVIEW OF APICAL GROUP 102-2, 102-3, 102-5, 102-6

Apical is one of the largest exporters of refined palm oil in Indonesia. The company owns and controls an extensive palm oil downstream value chain from sourcing/aggregation to distribution, and is engaged in the refining, processing, and trading of palm oil for both domestic use and international export.

Headquartered in Singapore, Apical is managed by RGE Pte Ltd, which also manages other world-class resource-based manufacturing companies, delivering quality end-products to businesses and millions of people around the world.

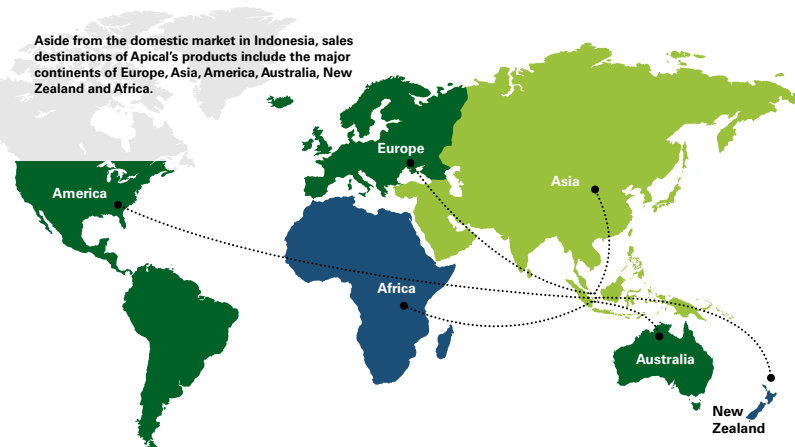
Apical handles the downstream business of palm oil production. This includes the:



Apical's major products are various forms of PPO (Processed Palm Oil) and PPKO (Processed Palm Kernel Oil), as well as RBDSBO (Refined Soy Bean Oil) all of which can be further processed into value added products. The types of customers we serve include palm oil traders, biofuel manufacturers and consumer goods manufacturers. Aside from the domestic market in Indonesia, sales destinations of Apical's products include the major continents of Europe, Asia, America, Australia, New Zealand and Africa.

For more details on our products and brands, please see the section on [Customers and Consumers](#).

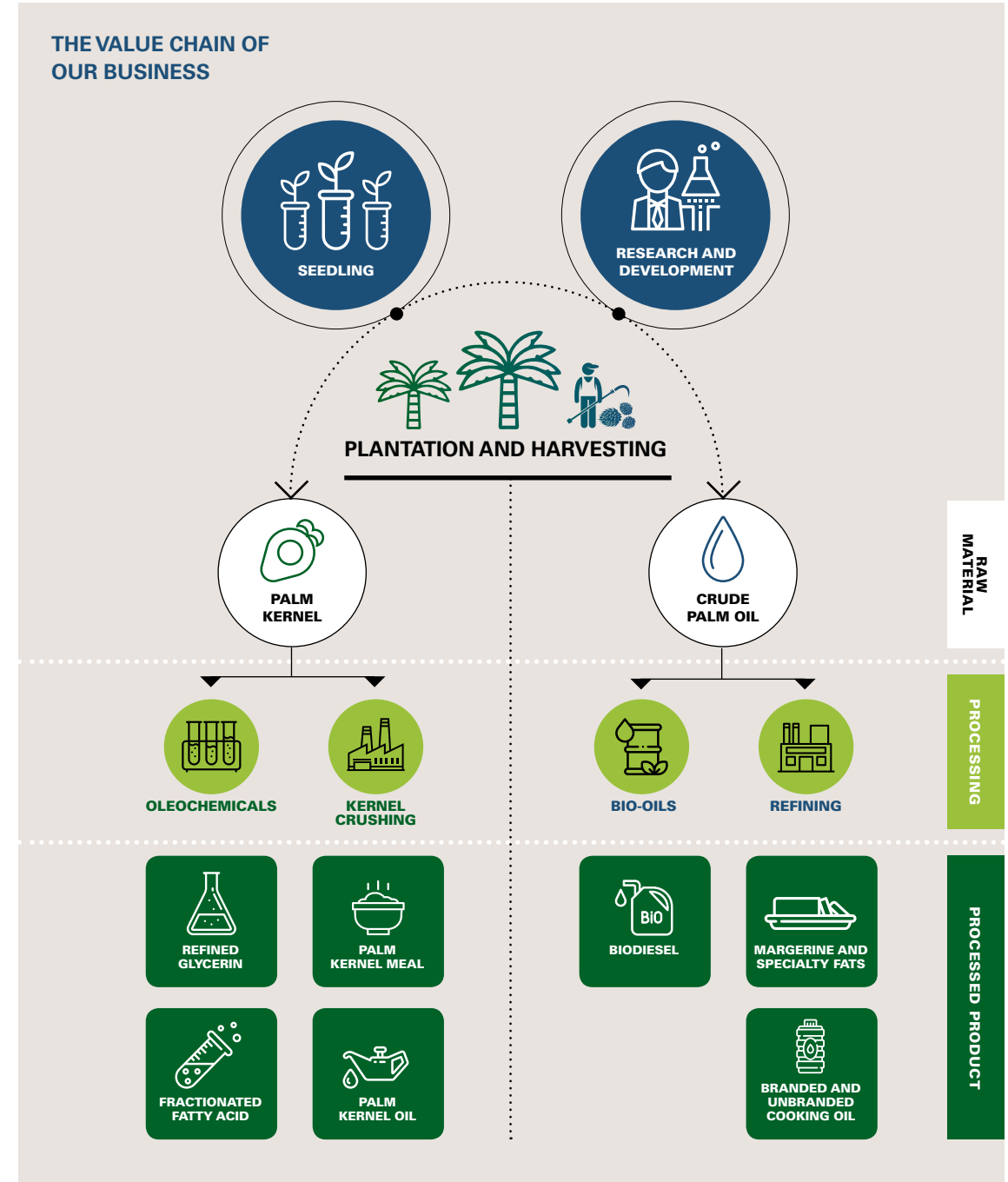
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Entrance of PT Sari Dumai Sejati refinery

ABOUT APICAL GROUP

THE VALUE CHAIN OF OUR BUSINESS



RAW MATERIAL

PROCESSING

PROCESSED PRODUCT

ABOUT APICAL GROUP



 **5 refineries**

 **1 kernel crushing plant**

 **3 biodiesel plants**

 **1 oleochemicals plant**



ABOUT APICAL GROUP



BIODIESEL PLANTS:

- 4 PT Cemerlang Energi Perkasa**
2018 Production: **231,430 MT**
Sumatra, Indonesia

BIODIESEL PLANTS:

- 6 PT Kutai Refinery Nusantara**
2018 Production: **162,306 MT**
Kalimantan, Indonesia

KERNEL CRUSHING PLANT:

- 4 PT Sari Dumai Sejati**
2018 Production: **462,917 MT**
Sumatra, Indonesia

OLEOCHEMICALS PLANT:

- 4 PT Apical Kao Chemicals**
2018 Production: **120,000 MT**
Sumatra, Indonesia



TOTAL VOLUME
OF ALL PALM OIL AND OIL
PALM PRODUCTS HANDLED/
TRADED/ PROCESSED IN 2018
7.3
MILLION MT



View of Kutai Refinery Nusantara in East Kalimantan, Indonesia from the sea

In June 2018, Apical Group acquired PT Kutai Refinery Nusantara (PT KRN) in East Kalimantan, Indonesia. KRN is a strategic acquisition that will reinforce Apical Group's value proposition as a key participant with an extensive palm oil business value chain. A member of the RSPO, PT KRN's assets includes a 4,000 MT per day refinery that was running at 3,000 MT per day for CPO and 1,000 MT per day for biodiesel as of end 2018.

ABOUT APICAL GROUP

APICAL KEY MILESTONES

Apical

Apical is incorporated to manage all the palm oil downstream assets of RGE Pte Ltd

Total refining capacity of 0.95 million metric tonnes per annum

2006



Launched new refinery in Nanjing, China

Launched new palm kernel crushing plant in Dumai, Indonesia

Completed Phase II expansion of refinery in Dumai, Indonesia

Total refining capacity of 1.66 million metric tonnes per annum

2007



Completed expansion of processing plants in Marunda, Indonesia

Attained Roundtable on Sustainable Palm Oil membership

2011

PT Sari Dumai Sejati obtained International Sustainability and Carbon Certification (ISCC) certification

2010

Launched new biodiesel plant in Dumai, Indonesia



2008

Joined Business Council for Sustainable Development Singapore as founding member

Completed Phase III refinery expansion in Dumai, Indonesia

Total refining capacity of 2.34 million metric tonnes per annum



2012

ABOUT APICAL GROUP

Successfully closed an acquisition of leading Spanish biodiesel company Bio-Oils on July 5, 2016



2016

Total refining capacity of 3.70 million metric tonnes per annum



2013

Established a joint venture (JV) company with Kao Corporation for manufacturing fatty acids. PT Apical Kao Chemicals will manufacture fatty acid products with an approximate capacity of 120,000 metric tonnes per annum once operation commences in 2019.



Established two more JVs with Pakistan-based Mujahid Group and MM Group of Companies respectively, making inroads into South Asia. The JV with Mujahid Group focuses on ex-tank sales of palm oil products locally and is already operational. The JV with MM Group of Companies is for oil refining, seed crushing, packing and tank terminals. Based in Port Qasim, Karachi, the new plant is expected to be fully operational by June 2019.

2017

Acquired PT Kutai Refinery Nusantara (PT KRN) in East Kalimantan, Indonesia on June 20, 2018.

2018



Farmer at work plucking FFB



Aerial view of Kutai Refinery Nusantara

ABOUT APICAL GROUP

VISION & VALUES 102-16

TO BE A LEADING, SUSTAINABLE, GLOBAL INTEGRATED PALM OIL PLAYER

To fulfil this vision, we are guided by the following set of **core values**:

TOPIC

TEAM OWNERSHIP PEOPLE INTEGRITY CUSTOMER CONTINUOUS



COMPLEMENTARY TEAM

We are aligned by our common purpose and work together as a **complementary team**



OWNERSHIP

We take **ownership** to achieve outstanding results and seek value at all times



PEOPLE

We develop our **people** to grow with us



INTEGRITY

We act with **integrity** at all times



CUSTOMER

We understand our **customers** and deliver best value to them



CONTINUOUS IMPROVEMENT

We act with zero complacency and always strive for **continuous improvement**

OUR APPROACH TO SUSTAINABILITY

As one of the largest exporters of palm oil in Indonesia, we have placed sustainability strategically at the core of our business, impacting the extensive spectrum of our value chain – from cultivation, to processing, distribution and consumption.

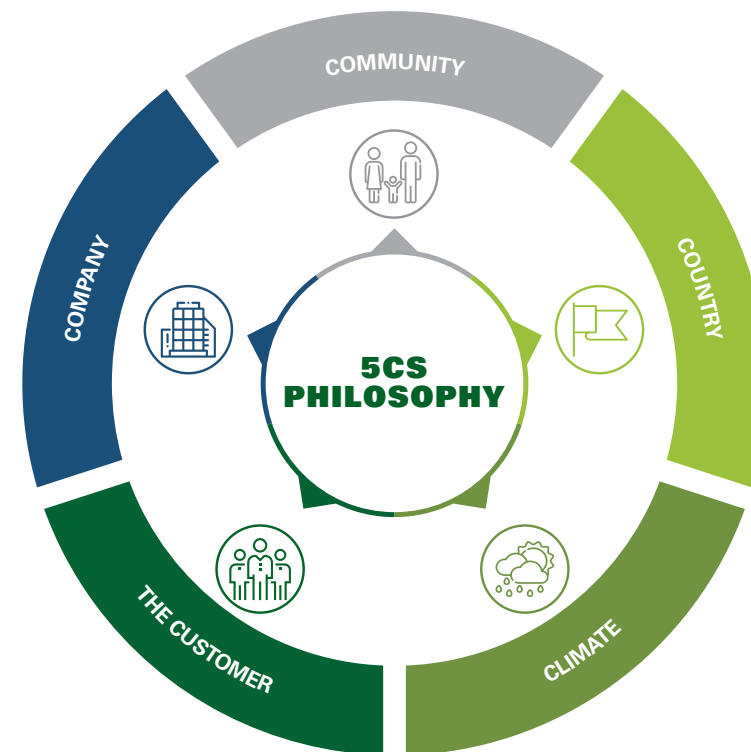
As a responsible company, we believe it makes good business sense to utilise our core competencies to protect

the environment, improve the lives of people and bring about a positive transformation in our supply chain.

To fulfil our purpose of improving lives by developing resources sustainably, Apical's approach is guided by our founder Sukanto Tanoto's 5Cs philosophy or operating in a manner that is good for the community, county, climate, customer and company.

APICAL'S SUSTAINABILITY POLICY
103-2, 102-11

Our Sustainability Policy, first published in September 2014, serves as our roadmap to guide the group's efforts towards becoming a sustainable global processor and trader of palm oil. We recognise the importance of aligning with leading practices and effectively promoting compliance with our standards within our supply chain. In 2020, we will be collaborating with industry experts to review and update our policy, ensuring that it remains relevant and takes into account emerging trends within our sector.



Children in the community of our operations

OUR APPROACH TO SUSTAINABILITY

APICAL'S SUSTAINABILITY POLICY

Apical will build a traceable and transparent palm oil supply chain that is committed to:



1
The protection of high conservation value (HCV) areas and high carbon stock (HCS) areas

2
The protection of peat regardless of depth

3
Driving positive socioeconomic impact for people and communities

This commitment extends to all of Apical's subsidiaries and to the refineries that we own and manage. We will work to ensure that our employees and business partners comply with the above commitments, local laws and regulations. We will source our supplies only through networks that are transparent and traceable, ensuring that the palm oil we purchase, process and sell,

is in-line with the policy. We will use our best endeavours, including our resources, to assist smallholders adopt sustainable practices and to facilitate their inclusion in the supply chain.

If suppliers are found in breach of this policy, Apical will work with them on a corrective action plan containing detailed measures

and timelines to ensure that practices are improved. If suppliers refuse to comply or do not demonstrate efforts to implement corrective action, we will take additional measures and in some cases, suspend our business relationship with them until we can see significant improvements.

Details of our policy commitments can be found on [Apical's website](#).

OUR APPROACH TO SUSTAINABILITY



Over the last three years, we have been working with consultancy organisations including Earthworm Foundation (previously The Forest Trust, TFT), Setara Jambi, and Proforest & Daemeter (CORE), and embarked on numerous partnerships to implement our policy commitments.

Our approach is focused on bringing our supply chain with us on our sustainability journey, starting by tracing the provenance of our raw materials and working toward positive engagement with suppliers,

including smallholders. Our Anchor Programmes are a series of engagement initiatives aimed at driving positive impacts in our supply chain and meeting our sustainability goals.

Within our direct control, we are also focused on minimising our direct environmental footprint, enhancing the livelihoods of our communities, providing fair and decent employment opportunities, as well as meeting the needs of our customers.

To ensure effective implementation of our policy, we

have established systems and procedures to ensure the proper governance and management of our sustainability agenda. This includes, commitment from the top with a dedicated sustainability team, strong ethical standards and a robust grievance procedure. We also regularly engage our stakeholders and review our material sustainability issues and practices to ensure that they are aligned with best practice and remain relevant to the business and our stakeholders' needs.

OUR APPROACH TO SUSTAINABILITY

CORPORATE GOVERNANCE 102-16, 102-18, 102-19, 102-20, 103-2

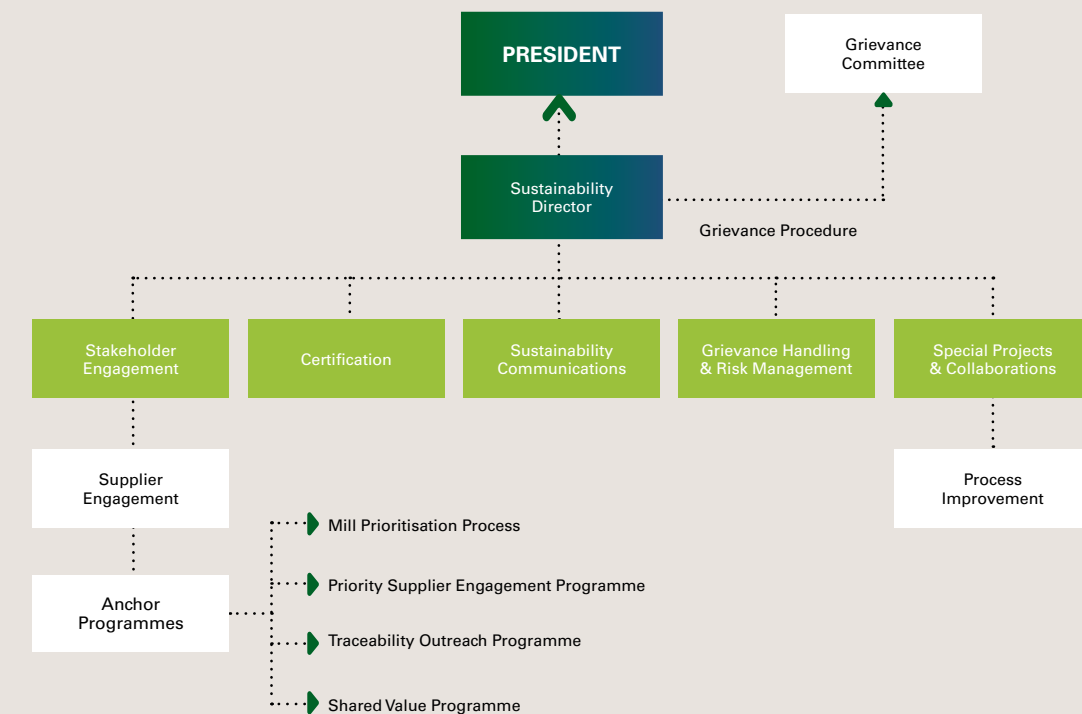
Our commitment to sustainability stems right from the top. The Apical Board of Directors (BoD) is the highest governing body in driving the group's long-term business direction towards sustainable growth, as guided by our founder's 5Cs philosophy. The BoD and President, supported by a senior management team, are tasked with strategic and operational implementation;

embedding the company's core values, driving key initiatives, making investment and divestment decisions, and risk management. The President, supported by the Director of Sustainability and various business heads, ensures sustainability is integrated into the various roles within business and functional units.

We also have dedicated Sustainability teams based in Kuala Lumpur, Pekanbaru, Medan, and Dumai. The Sustainability teams are

tasked with implementing and monitoring our commitments through constructive stakeholder engagement and collaboration. In addition to this team, there is a dedicated Social, Security and Licensing (SSL) department in each of the refineries that we own to handle social and licensing matters according to national regulations and our group's Sustainability Policy. The team also looks after Corporate Social Responsibility (CSR) programmes to support better livelihoods in local communities.

SUSTAINABILITY GOVERNANCE



OUR APPROACH TO SUSTAINABILITY

ETHICS AND COMPLIANCE 102-16, 102-17, 103-2, 103-3, 205-3, 419-1

Apical is committed to conducting all business activities with integrity and in accordance with strict legal and ethical standards. All employees and members of the BoD must adhere to the RGE Global Code of Conduct (RGE Code) which embodies the Group's commitment in upholding ethical and professional business practices, as well as complying with applicable legal requirements. The RGE Code guides our daily business conduct by providing a framework for how we should behave in line with our values to achieve sustainable business practices and maintain a strong reputation.

Everyone at Apical has a responsibility to report on illegal, irregular, dangerous or unethical practices or actions which contravene the RGE Code and related key documents, without the risk of reprisal. As a first point of contact, employees should get in touch with their reporting manager or Human Resources representative. For more severe cases of misconduct, employees are encouraged to contact the Internal Audit Confidential Hotline.

There were no cases of breach of the RGE Code reported in 2018, including no cases of corruption.



Apical's Sustainability team and our supplier PT Fortius in discussion with Suban village leaders to understand local community developments

GRIEVANCE PROCEDURE 102-17, 103-3

To ensure that our practices are carried out in line with our policies, we have set up a robust grievance handling process for all stakeholders to raise concerns related to our business or suppliers, and ensure these are dealt with in a transparent and accountable manner. The grievance process is managed and implemented by the Grievance Steering Committee (GSC), Grievance Secretariat, Stakeholder Engagement Team and Verification Team.

The Apical Grievance Procedure covers all activities related to the management of stakeholders' concerns including: Recording grievances; relevant stakeholders; verifying claims; recommending remedial actions; rectifying confirmed claims; reporting the results and actions on the ground; reviewing business relations

with suppliers; and delivering responses to stakeholders whilst monitoring and managing follow-up actions.

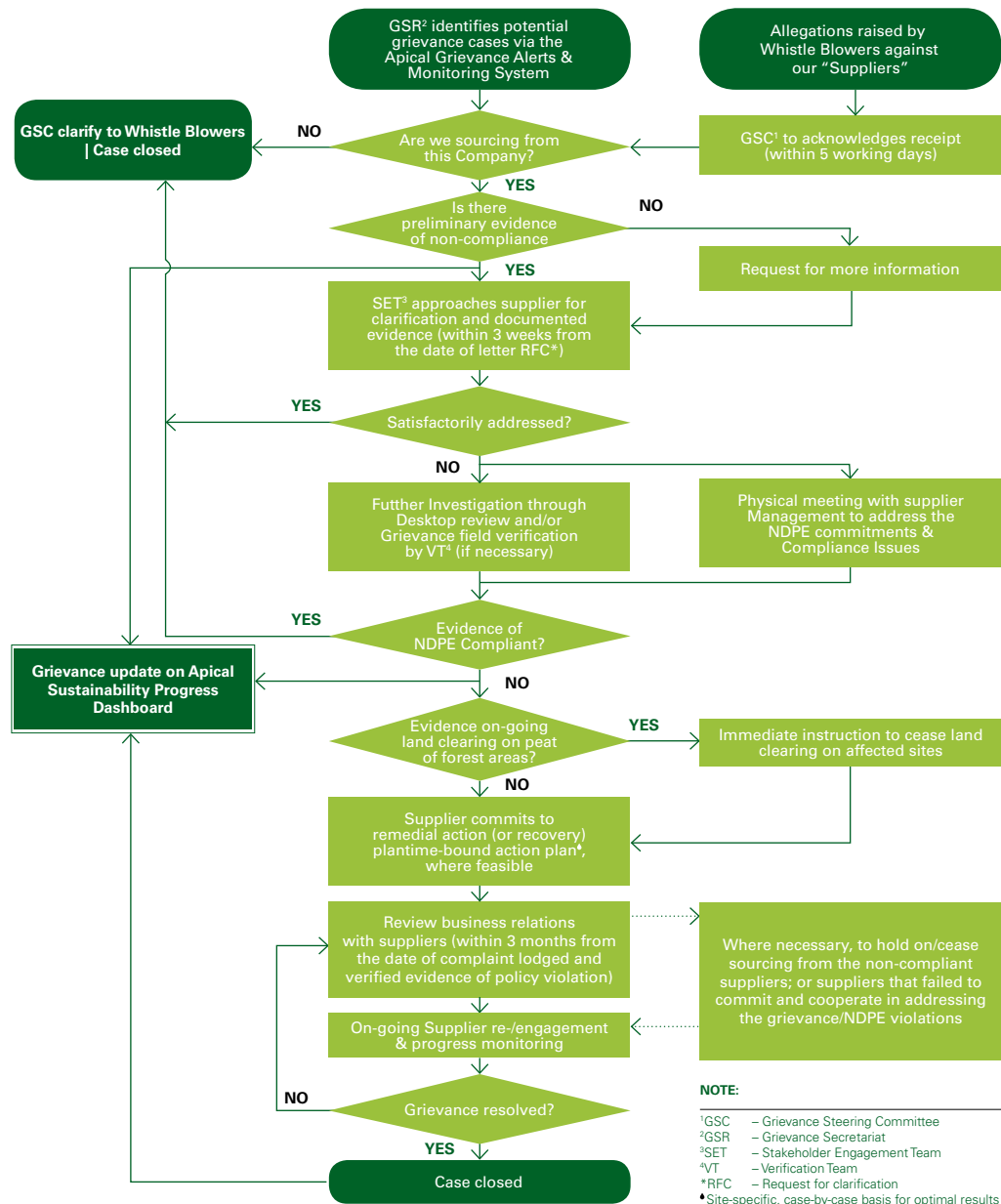
Our grievance process includes a whistleblowing channel and a Grievance Alert System that delivers prompt notifications on matters of concern raised against Apical or our suppliers. The process of dealing with a grievance is illustrated on the flow diagram below and further details can be found online on the Apical Grievance Procedure page on our [progress dashboard](#).

In 2018, there were no grievances raised in relation to Apical's facilities, however 14 grievances were raised related to our suppliers.

For more information, please refer to the section on [Working with Suppliers and Smallholders](#). A list of grievances raised can be found on our [website](#).

OUR APPROACH TO SUSTAINABILITY

APICAL GRIEVANCE PROCESS FLOW (SUS/SOP/GRV/d.d.09.04.2019)



OUR APPROACH TO SUSTAINABILITY

DEFINING OUR MATERIAL SUSTAINABILITY ISSUES 102-46, 102-47

To ensure we are addressing and reporting on the

sustainability issues that are most important to our stakeholders and our business, Apical commissioned an independent sustainability consulting firm Corporate

Citizenship, to undertake a review of our most material issues. Our materiality review process comprised the following stages:



Conducting a benchmarking exercise and desktop research to identify emerging and any new issues that may have risen since Apical's previous materiality assessment.



Conducting an internal and external stakeholder survey to prioritise and rank the short-list of material issues.



Conducting interviews with a selection of internal and external stakeholders to gather additional context and insights into issues that are facing the industry and Apical.



Consolidating the information gathered and analysing the results to produce a preliminary list of material issues prioritised by internal and external perspectives.



Facilitating a working session with key persons from Apical to review, test and validate the final list of material issues.

Our materiality table presents the sustainability issues that are of high and moderate importance based on our assessment. High priority are issues of high relevance to the business, with high

impact on society and the environment. They form the focus of our sustainability efforts and communication. Moderate priority are issues of ongoing importance to Apical and of medium concern

to stakeholders. We actively manage and report on these issues as appropriate. The table also demonstrates whether an issue has gone up or down in priority since our last assessment in 2016.

OUR APPROACH TO SUSTAINABILITY

103-1

| 2018 Material Issues | Priority | Changes in Priority |
|--|----------|---------------------|
| Emissions reduction: Managing and reducing GHG emissions and maximising of energy efficiency | High | ↑ |
| Grievance handling: Ensuring that proper grievance handling mechanisms are in place | High | = |
| Product quality and safety: Ensuring goods brought to market do not cause harm to the user and that they comply with laws and regulation | High | ↑ |
| Protection of forests and biodiversity: Working with our suppliers to prevent deforestation and ensure the protection of biodiversity, HCS, HCV and peatland areas | High | = |
| Rights of indigenous and local communities: Respecting community rights by freely informing communities of licences, government and company policies regarding land development, as well as ensuring FPIC and compliance with local and national laws on land offers | High | = |
| Supplier engagement, including smallholder development: Having constructive engagement with suppliers for policy compliance and traceability, and supporting the socio-economic development and welfare of smallholders that form part of our supply chain | High | = |
| Traceability: Working with suppliers and industry partners to ensure the traceability of raw materials | High | = |
| Worker's health, safety and well-being: Ensuring that the company's workers and contractors are provided with safe, suitable and sanitary work facilities, and are provided with personal protective equipment and training necessary to perform their tasks safely | High | ↑ |
| Climate action: Working with the community and stakeholders to build our resilience and strengthen our commitment to mitigate the effects of climate change | Moderate | NEW |
| Community livelihood & empowerment: Contributing to local communities in terms of jobs, income opportunities, education and skills, and the development of shared infrastructure | Moderate | ↓ |

OUR APPROACH TO SUSTAINABILITY

| 2018 Material Issues | Priority | Changes in Priority |
|---|----------|---------------------|
| Employee wages and benefits: Providing fair wages and benefits to employees | Moderate | = |
| Equal rights and opportunities: Providing equal rights and opportunity to all employees, and ensuring the workplace is free of discrimination | Moderate | NEW |
| Fire prevention and management: Working with farmers and communities to prevent and suppress forest fires, especially in carbon-rich peatland | Moderate | ↓ |
| Governance and business ethics: Conducting our business activities ethically and in accordance with the highest governance standards | Moderate | = |
| Human rights, including child labour: Preventing the risk of forced, bonded or child labour occurring in the supply chain or workforce, and promoting freedom of association and trade membership | Moderate | ↓ |
| Innovation: Innovating and leveraging technology to enhance sustainability, traceability and business processes | Moderate | = |
| Sustainability standards and certifications: Ensuring that our sustainability performance is upheld by externally recognised certifications and standards (such as RSPO) | Moderate | ↓ |
| Training and development: Supporting training and providing employees with development opportunities | Moderate | NEW |
| Waste management: Ensuring safe and sustainable management and disposal of waste | Moderate | = |
| Water management: Minimising water pollution and maximising water efficiency in our operations through the use of best practice management systems | Moderate | = |

OUR APPROACH TO SUSTAINABILITY

THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UN SDGs)



In September 2015, 193 countries came together to adopt the 2030 Agenda for Sustainable Development. The agenda, consisting of 17 Sustainable Development Goals (SDGs) underpinned by 169 underlying targets, is a common framework for governments, businesses and civil society to connect their actions with global priorities and assess progress.

Apical is committed to joining this global movement and supporting the realisation of these goals. In 2019, we conducted a prioritisation exercise to determine which SDGs and underlying targets we can have the biggest opportunity to support and advance.

The exercise involved three main stages:

1. Desktop research to identify relevant SDGs in line with Indonesia's national priorities, industry expectations, and company relevance.
2. Interviews with internal and external stakeholders

to gather perspectives on Apical's most significant touchpoints with the SDGs and identify future opportunities.

3. A working session with key internal stakeholders to review, test, and validate the findings.



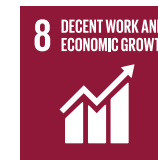
Apical team discussing UNSDG priorities and potential collaborations with the management of Goodhope

OUR APPROACH TO SUSTAINABILITY

As a result of the exercise, six SDGs were prioritised for Apical to focus on. **Affordable and Clean Energy (SDG7), Decent Work and Economic Growth (SDG8), Responsible Consumption and Production (SDG12), and Life on Land (SDG15)** were identified as Core Goals or those that have the strongest alignment with the company's operations and our sustainability commitments. **No Poverty (SDG1) and Zero Hunger (SDG2)** were identified as a Catalytic Goals, where Apical sees an opportunity to further support the surrounding communities.

APICAL'S PRIORITISED SDGS

Core Goals



Catalytic Goals



Having identified our priority goals, the next step for Apical will be to develop action plans and relevant indicators around supporting the goals.

Apical recognises that all 17 SDGs are interconnected and may therefore support other goals either through activities that contribute to our prioritised goals or whenever opportunities arise. We also acknowledge that no single company can achieve these goals alone and as such, we will continue to work in Partnership for the Goals SDG17 with other organisations and intuitions that share our ambitions.



Surrounding landscape at Goodhope's mill that was cultivated from empty fruit bunch composting

OUR APPROACH TO SUSTAINABILITY

SDG 1: No Poverty



Indonesia's 2017 **Voluntary National Reviews (VNR)** highlights that the country has made significant progress over the past 10 years to alleviate poverty. However, the absolute number of people living in poverty is still significant and how to further reduce poverty remains a challenge.

The palm oil industry provides significant economic benefits to producing countries like Indonesia, lifting millions of people out of poverty. At Apical, we are committed to helping reduce the proportion of people living in poverty by providing job opportunities with a range of benefits (see page 72), as well as facilitating the inclusion of smallholders within our supply chain (see page 57-59). We also invest in a variety of community programmes, some of which provide access to basic services (see page 79-85).

Apical is also committed to respecting the rights of indigenous and local communities by ensuring that our suppliers undertake the necessary impact assessments and implement FPIC procedures where required (see page 78-79).

Relevant SDG Targets:

1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions

1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance



Kindergarten children of Asian Agri's PT Inti Indosawit Subur accessing clean water

SDG 2: Zero Hunger



With the global population estimated to reach 10 billion people by 2050, in a context of limited land and finite resources, ensuring sustainable food production systems is critical. This is further exacerbated by the impacts of climate change on agricultural productivity.

With the demand for palm oil for both, food and non-food products alike, set to increase, there is a need to ensure that production is sustainable. Through our Anchor Programmes, we work with our suppliers to promote sustainable and resilient farming practices which help them to increase yield and earn better incomes. This also helps their inclusion in supply chains (see page 51-59).

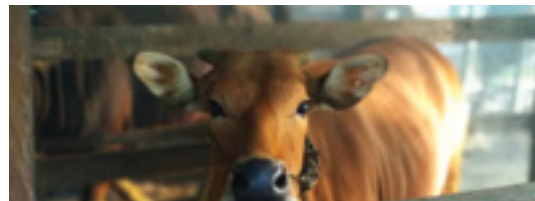
Apical also contributes towards enhancing food security for the communities where we operate. We support local subsistence farmers to increase their productivity, which contributes to an increase in food supply for themselves and their families. Through increased productivity, they are also able to sell any surplus to the wider community, whereby they can earn extra income to better provide for their family (see page 57-59).

Relevant SDG Targets:

2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations including infants, to safe, nutritious and sufficient food all year round

2.3 By 2030, double the agricultural productivity and the incomes of small-scale food producers, particularly women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets, and opportunities for value addition and non-farm employment

2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters, and that progressively improve land and soil quality



Cattle provided for alternative livelihood income at Riau, Indonesia

OUR APPROACH TO SUSTAINABILITY

SDG 7: Affordable and Clean Energy



With the impacts of climate change getting more severe, there is an urgent need for business and society to transition to cleaner sources of energy and increase energy efficiency. As the need for reliable, affordable and sustainable energy sources continues to rise, we believe that biofuels have a role to play in meeting global energy demands.

Apical produces biodiesel through the processing of palm oil at our facilities in Indonesia, which serves the 20% national biodiesel blending mandate, and in Spain where biodiesel is supplied into Europe. We also supply palm oil to biofuel customers.

There are also several technologies that enable the conversion of palm oil waste and residues into second-generation renewable biofuels, which we are working towards incorporating.

We are also providing guidance to our supplying mills on collecting GHG emissions data and encouraging them to adopt GHG mitigation measures.

Relevant Underlying Targets:

- 7.2 Increase substantially the share of renewable energy in the global energy mix by 2030
- 7.3 double the global rate of improvement in energy efficiency by 2030



Employee at PT Inti Indosawit Subur biogas power plant in Buatun, Riau

SDG 8: Decent Work and Economic Growth



The palm oil industry provides employment opportunities in Indonesia, especially within rural communities. To ensure that the impact of workers within our operations and supply chain remains positive, Apical is committed to providing decent work opportunities, respecting human and labour rights, and maintaining a safe working environment (see the section on [Labour Practices](#)).

We are also looking to adopt technology innovations to increase productivity within our operations. In 2017, Apical commenced the development of the Apical Sustainability Assurance System (ASAS). This digitalisation initiative is aimed at enhancing our palm oil supply chain management system to better manage suppliers' data and automate processes (see page 91).

Relevant Underlying Targets:

- 8.7 Take immediate and effective measures to secure the prohibition and elimination of the worst forms of child labour, eradicate forced labour, and by 2025 end child labour in all its forms including recruitment and use of child soldiers
- 8.8 Protect labour rights and promote safe and secure working environments of all workers, including migrant workers, particularly women migrants, and those in precarious employment



Employee of Apical at work in SDS

OUR APPROACH TO SUSTAINABILITY

SDG12: Responsible Production and Consumption



To protect our environment and conserve natural resources, it is imperative that businesses adopt responsible production and consumption practices. This involves using resources efficiently as well as ensuring there is no harm done to human health or the environment.

We implemented zero waste and wastewater programmes to drive innovation within our operations and contribute towards a circular economy. Where discharges are necessary, we ensure that we comply with the relevant local regulations and standards (see page 65-68).

To provide our customers and consumers with the confidence that our products are made from palm oil that have been responsibly sourced, we have developed a sourcing policy which Apical and its suppliers are required to adhere to and implement. Through our traceability and engagement programmes, we also work with our suppliers on adopting best practices (see the section on [Working with Suppliers and Smallholders](#)).

Relevant SDG Targets:

- 12.2 By 2030, achieve sustainable management and efficient use of natural resources
- 12.4 By 2020, achieve environmentally sound management of chemicals and all wastes throughout their life cycle in accordance with agreed international frameworks and significantly reduce their release to air, water and soil to minimize their adverse impacts on human health and the environment
- 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse
- 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle



SDG15: Life on Land



We recognise the impacts which palm oil production can have on tropical forests. These forests not only host a variety of biodiversity and support the livelihoods of indigenous communities, they also help to mitigate the impacts of climate change.

Apical is committed to protecting forest areas with high carbon stock (HCS) and high conservation value (HCV). This commitment is realised through our Anchor Programmes and working with our suppliers on implementing our Sustainability Policy (see page 62-65).

To protect endangered species listed under the IUCN Red List and Indonesia's National Law of Protected Species, we provide training to suppliers to raise awareness on protected species and provide guidance where risks are identified during our assessments (see page 67).

We have also published practical guidelines on fire prevention and detection to guide our suppliers on taking precautionary measures to prevent the occurrence of forest fires as well as proper management in the event of an incident (see page 65).

Relevant SDG Targets:

- 15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests, and substantially increase afforestation and reforestation globally



OUR APPROACH TO SUSTAINABILITY

STAKEHOLDER ENGAGEMENT

102-21, 102-40, 102-42, 102-43, 102-44

Many of the sustainability challenges facing our industry are too complex for any one company to tackle alone. Recognising our limitations as a private company, we place great importance in engaging with our key stakeholders to build mutual understanding of the issues that are pertinent and forming long-term relationships based on trust and a willingness to collaborate.

Our key stakeholders have been identified based on their knowledge, relevance, and impacts (social and environmental) to Apical.

| Stakeholder Group | |
|-------------------|--|
| | Employees |
| | Local Communities |
| | Palm oil suppliers, including smallholders |
| | Customers |
| | NGOs |
| | Banks |
| | Industry groups, trade associations and certification bodies |
| | Governments |



Apical's Sustainability team conducting a Priority Supplier Engagement (PSEP) session with a supplier

OUR APPROACH TO SUSTAINABILITY

We engage with our stakeholders through various channels. We always strive to promote two-way dialogue whereby we rely on our stakeholders to voice concerns and share ideas in order for us to learn and gather feedback on how we, as a company and industry, can improve practices. We also strive to influence our stakeholders to adopt better practices in the areas we feel we can contribute. Our major stakeholder engagement efforts for 2018 are summarised below.



| Stakeholder Groups | Engagement Method & Frequency | Topics & Concerns Raised | Apical's response |
|-----------------------|--|---|---|
| Customers & Consumers | <ul style="list-style-type: none"> One-on-one communication (periodic) Conference calls (regularly) Sustainability Report (annually) Presentations and meetings (ad-hoc) Apical Website (ad-hoc) Apical Sustainability Dashboard (ad-hoc) Survey (periodically) Materiality assessment (every 2-3 years) Consumer Focus Group Discussions | <ul style="list-style-type: none"> Apical's sustainability commitments, initiatives and progress to achieve policy commitments Traceability update and customer data requirements Grievances on Apical's operations and/or suppliers Partnerships and collaborations on joint community/conservation projects Service improvements for customers | <ul style="list-style-type: none"> Engaged with at least 15 major customers mainly on requests for traceability information, inquiries on grievance matters related to our supply chain and information on our sustainability initiatives. Customers now have a better understanding of our sustainability progress, challenges and achievements. Embarked on new partnerships including SUSTAIN. |

OUR APPROACH TO SUSTAINABILITY

| Stakeholder Groups | Engagement Method & Frequency | Topics & Concerns Raised | Apical's response |
|--------------------------------|---|--|---|
| Banks & financial institutions | <ul style="list-style-type: none"> E-mail updates (regularly) One-on-one meetings (periodic) Sustainability Report (annually) Apical Website (ad-hoc) Apical Sustainability Dashboard (ad-hoc) Survey (periodically) Materiality assessment (every 2-3 years) Site visits (ad-hoc) | <ul style="list-style-type: none"> Apical's sustainability commitments, initiatives and progress Apical's financial performance | <ul style="list-style-type: none"> Hosted Netherlands-based ABN Amro bankers in 2018 in Riau, showing them around our facilities. Provided updates on our company performance and plans for the future. Shared information on our sustainability policy, commitments, programmes and its progress. |
| Civil Society Groups | <ul style="list-style-type: none"> One-on-one meetings (regularly) Sustainability Report (annually) Apical Website (ad-hoc) Apical Sustainability Dashboard (ad-hoc) Survey (periodically) Materiality assessment (every 2-3 years) Multi-stakeholder forums (regularly) Site visits (ad-hoc) | <ul style="list-style-type: none"> Apical's Sustainability commitments, initiatives and progress Update on NDPE commitments (especially 'No exploitation') Improvements in transparency Traceability updates Grievances on Apical's operations and/or suppliers Partnerships and collaborations on joint community/conservation projects | <ul style="list-style-type: none"> Collaborated with various NGOs, including WWF, to halt deforestation and identify illegal suppliers in the Riau province. Partnered with Yayasan Setara Jambi to increase traceability and strengthen smallholders engagement in Jambi and Riau provinces. Hosted Rainforest Foundation Norway on plantation site visits in Jambi to provide deeper understanding on our sustainability initiatives and smallholder programmes. Provided updates on grievances |

OUR APPROACH TO SUSTAINABILITY

| Stakeholder Groups | Engagement Method & Frequency | Topics & Concerns Raised | Apical's response |
|--|---|---|---|
| Industry groups, trade associations and certification bodies | <ul style="list-style-type: none"> One-on-one Meetings (regularly) Multi-stakeholder forums (regularly) Sustainability Report (annually) Apical Website (ad-hoc) Apical Sustainability Dashboard (ongoing) Survey (periodically) Materiality assessment (every 2-3 years) Multi-stakeholder forums and events (regularly) | <ul style="list-style-type: none"> Opportunities for collaboration on landscape level initiatives Palm oil certification Traceability verification | <ul style="list-style-type: none"> Presented on SUSTAIN at Japan Sustainable Palm Oil Conference (JaSPOC 2018) Presented on SUSTAIN at Enterprise Singapore's Sustainability Forum Participated in all certification updates and new requirements such as RSPO and ISCC Provided feedback on policy revision to the RSPO Principles & Criteria (P&C) Review Task Force Took part in the consultation group for the Indonesian Sustainable Palm Oil (ISPO) organised by KEHATI (The Indonesian Biodiversity Foundation) |
| Employees | <ul style="list-style-type: none"> Annual appraisals and PRP Townhall meetings (annually) Major festivals celebrations (annually) | <ul style="list-style-type: none"> Workplace Health and Safety procedures Training and development opportunities | <ul style="list-style-type: none"> Committed to zero workplace incidents in all our refineries Spearheading the Center of Excellence for training center based in Dumai, Riau |

OUR APPROACH TO SUSTAINABILITY

| Stakeholder Groups | Engagement Method & Frequency | Topics & Concerns Raised | Apical's response |
|--------------------|---|---|--|
| | <ul style="list-style-type: none"> HR training programmes (ongoing) Apical Website (ad hoc) Apical Sustainability Dashboard (ongoing) Materiality assessment (every 2-3 years) | <ul style="list-style-type: none"> Communication of Sustainability Policy and initiatives in responsible palm oil Strategic direction of the business Awareness of company policies including Code of Conduct and TOPICC core values | <ul style="list-style-type: none"> Continued to communicate our Sustainability Policy to employees internally through presentations |
| | <ul style="list-style-type: none"> Dialogue with community groups and representatives facilitated by our dedicated SSL team (regularly) Outreach programmes to improve livelihood (annually) Apical's grievance mechanism to understand and address community concerns including FPIC and environmental conservation (ongoing) Complaint handling, grievance procedures and conflict resolution engagement (ad hoc) Surveys (periodically) | <ul style="list-style-type: none"> Address community concerns including Free, Prior and Informed Consent (FPIC) Providing benefits to the local community such as better infrastructure and access to employment opportunities Fire prevention | <ul style="list-style-type: none"> Prioritised employment opportunities to local communities Conducted Social and Environment Impact Assessments (SEIA) and ensured better communication on FPIC Increased in community investments and programmes to improve infrastructure and basic needs Prevention of fire outbreak with Free Fire Village Programmes |

OUR APPROACH TO SUSTAINABILITY

| Stakeholder Groups | Engagement Method & Frequency | Topics & Concerns Raised | Apical's response |
|-----------------------------------|---|---|---|
| Governments and regulatory bodies | <ul style="list-style-type: none"> One-on-one meetings (ad hoc) Multi-stakeholder forums and events (regularly) Consultations (regularly) Apical Website (ad hoc) Apical Sustainability Dashboard (ongoing) Materiality assessment (every 2 years) Field visits (regularly) Survey (periodically) | <ul style="list-style-type: none"> Compliance with government policies and regulations Communication around Apical's policies and actions in responsible palm oil Alignment of Apical's initiatives with government policies especially in HCV/HCS areas and smallholder development | <ul style="list-style-type: none"> Provided up-to-date documentation on compliance for Apical and our suppliers Discussions with the Coordinating Ministry of Economic Affairs on supply chain transparency and traceability Updated the Ministry on SUSTAIN initiative |
| Suppliers including smallholders | <ul style="list-style-type: none"> Anchor Programmes One-on-one communication (ongoing) Apical Website (ad-hoc) Sustainability Report (annually) Apical Sustainability Dashboard (ongoing) Materiality assessment (every 2-3 years) Survey (periodically) | <ul style="list-style-type: none"> Information on compliance with Apical's Sustainability Policy and standards including traceability requirements Clarification on grievances lodged Risk assessments of supply chains Gaps in traceability data collection Supplier screening and monitoring | <ul style="list-style-type: none"> Capacity building to ensure suppliers implement sustainability best practices in line with Apical's Sustainability Policy Enhanced fire prevention measures through the Fire Free Village Programme and increased the understanding on the importance of environmental conservation Continued supplier engagement through our Anchor Programmes |

OUR APPROACH TO SUSTAINABILITY



Members of SUSTAIN at its launch in Singapore

PARTNERSHIPS, MEMBERSHIPS AND CERTIFICATION

102-12, 102-13

As part of our stakeholder engagement efforts, we are also constantly looking for new partnerships to help us achieve our goals, as well as participating in relevant industry membership and certification schemes.

Since November 2017, Apical has been a partner of the Tropical Forest Alliance 2020 (TFA 2020). TFA 2020 is a global public-private partnership that brings together governments, private sector, and civil society organisations to reduce deforestation associated with the sourcing of commodities. Apical is utilising TFA2020 as a platform to exchange

knowledge, expertise and best practice on forest and ecosystem conservation.

In September 2018, Apical initiated SUSTAIN (Sustainability Assurance & Innovation Alliance) together with a group of companies comprising oil palm growers, palm oil processors, consumer goods manufacturers, not-for-profit organisations and technology leaders.

SUSTAIN has the common goal to improve traceability of palm oil production, through the use of blockchain technology, and push forth the implementation of NDPE policies across complex supply chains. For more information on SUSTAIN, please refer to the section on [Working with Suppliers and Smallholders](#).

We continue to play an active role in certification and membership organisations, such as the Roundtable on Sustainable Palm Oil (RSPO) – including the RSPO P&C Review Taskforce and the RSPO Indonesia National Interpretation Working Group, the International Sustainability and Carbon Certification (ISCC), and the Indonesian Sustainable Palm Oil (ISPO).

We contribute to standard revision at industry level and at the same time, we leverage on the membership of these organisations to keep ourselves abreast with emerging trends and new standards. Certification is further discussed in the section on [Customers and Consumers](#).

OUR SUSTAINABILITY MILESTONES

OUR SUSTAINABILITY MILESTONES



2018

- Partnerships**
- Apical initiated **SUSTAIN (Sustainability Assurance & Innovation Alliance)** together with a group of companies committed to responsible sourcing

- Internal**
- Apical implemented Phase I of the **Apical Sustainability Assurance System (ASAS)** for improvement on internal traceability data management

2017

- Partnerships**
- Apical joined the **Tropical Forest Alliance (TFA) 2020**

- Internal**
- Apical engaged The Forest Trust (TFT, now known as Earthworm Foundation), Proforest and Daemeter as strategic implementation partners for our Sustainability Policy

- Apical begun developing an internal palm oil traceability digitalisation project to ensure accurate and transparent palm oil traceability data for buyers (ASAS)

- Apical introduced a pre-sourcing screening process for Apical's new suppliers
- Published first **GRI-referenced Sustainability Report (SR2016)**

2016

- Internal**
- Partnered with Proforest and Daemeter to determine an effective approach to determine traceability data within our supply chain through **Traceability Outreach Program (TOP)**
 - Inaugurated the **Apical Shared Value Programme (SVP) Workshop** for our Indonesian suppliers in Pekanbaru

2015

- Internal**
- Apical commenced a Supply Chain Transformation partnership with TFT (now known as Earthworm Foundation) to implement Apical's Sustainability Policy
 - Apical launched the **Apical Palm Oil Sourcing Policy**
 - Apical achieved 100% traceability to the palm oil supplying mills
 - Apical conducted first **Sustainability Policy Socialisation Workshop** for suppliers based in Medan
 - Launched Apical's Sustainability Anchor Programmes
 - Apical launched the **Apical Sustainability Progress Dashboard** as the main communication portal with our stakeholders
 - Published the **Apical Grievance Procedure**

2014

- Partnerships**
- AAAOF Pte Ltd became a founding member of the **Business Council for Sustainable Development (BCSD)**

- Internal**
- Established the **Apical Sustainability Policy** with our "No Deforestation, No Peat, No Exploitation" (NDPE) commitments
 - Became a signatory to the **Sustainable Palm Oil Manifesto (SPOM)**

2012

- Internal**
- Sari Dumai Sejati Refinery and Cemerlang Energi Perkasa (CEP) Biodiesel Plant in Dumai were certified by ISCC and RSPO
 - AAJ Marunda refinery was certified by RSPO

2011

- Partnerships**
- Apical, through AAAOF Pte Ltd, became a member of the **Roundtable for Sustainable Palm Oil (RSPO)**



- Internal**
- SDS Central Export Terminal (CET) storage facility in Dumai was certified by ISCC

2010



- Partnerships**
- Apical Group's subsidiary, AAAOF Pte Ltd, receives certification by the **International Sustainability and Carbon Certification (ISCC)**

OUR SUSTAINABILITY MILESTONES


OUR COMMITMENTS AND PROGRESS AT A GLANCE

| Sustainability Issues | Goals | Progress/Achievement in 2018 | Future Commitments |
|--|--|---|---|
|  <p>Emissions reduction</p> | <ul style="list-style-type: none"> Progressively reduce our GHG emissions | <ul style="list-style-type: none"> Received ISCC certification for SDS and KRN in accordance with requirements on emissions reduction | <ul style="list-style-type: none"> Further increase energy efficiency within our operations through our Kaizen projects Engage our suppliers on reducing their GHG emissions Establish a baseline and set a group level 2020 and 2030 emissions reduction target for our operations |
|  <p>Grievance handling</p> | <ul style="list-style-type: none"> Maintain a robust and responsive system to handle grievances and conflicts | <ul style="list-style-type: none"> Updated Supplier Engagement Protocol & Grievance Process to include clear timelines for engagement process, immediate stop of land development on conserved forests / peatland and review of business relations with suppliers that violate our policy Excluded four suppliers from our supply chain due to failure to commit to a time-bound corrective action plan | <ul style="list-style-type: none"> Strengthen internal monitoring on potential grievance within our supply chain and proactively address or resolve all potential issues. We plan to do this through regular desktop assessment and monitoring of all suppliers on a group level using Apical's Supplier Screening Protocol and GFW Pro to receive notifications of forest cover loss at a landscape level |


OUR SUSTAINABILITY MILESTONES

| Sustainability Issues | Goals | Progress/Achievement in 2018 | Future Commitments |
|--|---|---|--|
|  <p>Product quality and safety</p> | <ul style="list-style-type: none"> Achieve the highest standard of product quality and safety | <ul style="list-style-type: none"> Obtained the Foundation Food Safety System Certification (FSSC) 22000 ver 4.1 for end products produced by our AAJ Marunda refinery No incidence of non-compliance with regulations concerning the health and safety impacts of our products | <ul style="list-style-type: none"> Further leverage on technology, Kaizen and a continuous improvement mind set for product, process and quality advancement as well as achieve zero defects and right first-time capability Implement Laboratory Information Management System (LIMS) and Plant Information Management System (PIMS) which will enable detailed analysis of process and quality data for process efficiency and product quality improvement |
|  <p>Protection of forests and biodiversity</p> | <ul style="list-style-type: none"> No deforestation throughout our supply chain No new development on peat and maintain proper management of developed peat areas | <ul style="list-style-type: none"> Initiated a pilot project to work with our suppliers located near protected areas to monitor any issues that pose supply chain risks for Apical and other buyers Helped PT FWP, a supplying mill located near protected forests, to achieve an FFB traceability of 67.7% to source within just five months through our Traceability Outreach Programme (TOP) | <ul style="list-style-type: none"> Work with suppliers and civil society groups through a formal partnership in identifying and excluding illegal FFB from any protected forests or high biodiversity areas |




OUR SUSTAINABILITY MILESTONES

| Sustainability Issues | Goals | Progress/Achievement in 2018 | Future Commitments |
|--|--|---|--|
|  <p>Rights of indigenous and local communities</p> | <ul style="list-style-type: none"> Ensure that the rights of indigenous and local communities are respected throughout our supply chain | <ul style="list-style-type: none"> Implemented PSEP with suppliers to assess and recommend good practices in protecting the rights of indigenous and local people Conducted three SVP workshops in Jambi, Balikpapan and Jakarta which covered social issues and promote FPIC to suppliers. This was supported by sustainability consultants CORE and Earthworm No grievances raised in 2018 involving the rights of the indigenous peoples at our sites or related to our suppliers. However, through our internal monitoring system and supplier screening we identified one case on social related matters which we have engaged suppliers to resolve | <ul style="list-style-type: none"> Strengthen the policy on social requirements within our supply chain |




OUR SUSTAINABILITY MILESTONES

| Sustainability Issues | Goals | Progress/Achievement in 2018 | Future Commitments |
|--|--|---|--|
|  <p>Supplier Engagement, including smallholder development</p> | <ul style="list-style-type: none"> Engage suppliers constructively to progress traceability efforts and ensure policy compliance Support the socio-economic development and welfare of smallholders that form part of our supply chain | <ul style="list-style-type: none"> Conducted 8 Priority Supplier Engagement Programme (PSEP) visits Conducted three workshops in Jambi, Balikpapan, and Jakarta as part of our Shared Value Programme (SVP), and engaged with 150 commercial and sustainability representatives from 75 supplier companies Implemented the Responsible Sourcing from Smallholders (RSS) Programme to mitigate risks within our supply chains and support the needs of smallholders and enable them to improve their production and livelihoods Produced the Responsible Smallholder Manual (RSM) as a guideline for suppliers | <ul style="list-style-type: none"> Continue to roll out SVP and PSEP to effectively create positive change among our suppliers and solidify our business relationships Continue with the Transformation Phase of the RURALITY project. Conclude the RSS Programme |



OUR SUSTAINABILITY MILESTONES

| Sustainability Issues | Goals | Progress/Achievement in 2018 | Future Commitments |
|--|--|--|--|
|  <p>Traceability</p> | <ul style="list-style-type: none"> Maintain full traceability to palm oil mills Achieve traceability to plantations by 2020 | <ul style="list-style-type: none"> Maintained 100% traceability to the supplying mills Achieved 75.8% traceability to plantation Apical formed SUSTAIN alliance with a few of our key customers and suppliers. Read more about SUSTAIN on page 48 | <ul style="list-style-type: none"> Achieve 100% traceability to plantations by 2020 Invite collaborations among companies through SUSTAIN to increase transparency of palm oil supply chains |
|  <p>Worker's health, safety and well-being</p> | <ul style="list-style-type: none"> Promote workers' well-being Aim for zero workplace accidents | <ul style="list-style-type: none"> Maintained zero fatalities since 2016 and achieved zero high-consequence work-related injuries in 2018. Work-related injuries reduced by 56% compared to the previous year | <ul style="list-style-type: none"> Develop a new system for recording health and safety data by integrating data from the refineries |
|  <p>Community livelihood and empowerment</p> | <ul style="list-style-type: none"> Work closely with local communities to create mutually beneficial relationships and to bring about positive socio-economic development | <ul style="list-style-type: none"> Continued to support local communities by investing in a wide range of programmes aimed at enhancing livelihoods | <ul style="list-style-type: none"> Strengthen our sustainability policy to promote better community livelihood Empower communities through more programmes and investments that build on Apical's prioritised SDGs |





OUR SUSTAINABILITY MILESTONES

| Sustainability Issues | Goals | Progress/Achievement in 2018 | Future Commitments |
|--|---|---|---|
|  <p>Employee wages and benefits</p> | <ul style="list-style-type: none"> Reward employees for their service and contribution to the company in the form of fair wages and other benefits | <ul style="list-style-type: none"> All employees of Apical received wages that are above the minimum requirements set by the local and provincial authorities in Indonesia | <ul style="list-style-type: none"> Apical is committed to comply with the minimum wage regulations in each country where we operate in |
|  <p>Fire prevention and management</p> | <ul style="list-style-type: none"> Enforce our "zero-burn" policy in all operations and actively engage in initiatives of fire and haze mitigation | <ul style="list-style-type: none"> Continued to evaluate new suppliers on potential risks of fire incidences adjacent to the mills, as well as assess their level of preparation in case of a fire incidence No reported fire incidence related to our supply chain in 2018 | <ul style="list-style-type: none"> Continue to assess suppliers' risk to fire incidences and engage them on fire prevention efforts |
|  <p>Governance and business ethics</p> | <ul style="list-style-type: none"> Adopt the highest standard of governance and business ethics | <ul style="list-style-type: none"> No incidences of corruption reported Continued to comply with Core Values | <ul style="list-style-type: none"> Reinforce TOPICC amongst employees through townhalls and employee training |

OUR SUSTAINABILITY MILESTONES

| Sustainability Issues | Goals | Progress/Achievement in 2018 | Future Commitments |
|--|---|--|---|
|  <p>Human rights, including child labour</p> | <ul style="list-style-type: none"> Uphold and respect fundamental human rights No child labour within our operations | <ul style="list-style-type: none"> Implemented PSEP with suppliers to assess and recommend good practices in human rights Held three SVP workshops which included sessions on social issues and promotion of human rights to suppliers. This was supported by sustainability consultants CORE and Earthworm No reported cases or incidents of abuse or discrimination in 2018 within our operations | <ul style="list-style-type: none"> Promote the RSPO P&C 2018 including Fundamental ILO Conventions and Free and Fair Labour Principles |
|  <p>Innovation</p> | <ul style="list-style-type: none"> Adopt innovative technologies to increase efficiency and improve sustainability performance | <ul style="list-style-type: none"> Completed the development phase of the Apical Sustainability Assurance System (ASAS) and initiated the User Acceptance Testing Phase to improve the timeliness and accuracy of traceability information for our customers | <ul style="list-style-type: none"> Implement the Apical Sustainability Assurance System (ASAS) and Collaborate with peers and innovate business processes through SUSTAIN |

OUR SUSTAINABILITY MILESTONES

| Sustainability Issues | Goals | Progress/Achievement in 2018 | Future Commitments |
|---|--|--|---|
|  <p>Sustainability standards and certifications</p> | <ul style="list-style-type: none"> Implement our policy within our own operations and communicate it effectively to our suppliers Ensure that our sustainability performance is upheld by externally recognised certifications and standards | <ul style="list-style-type: none"> Obtained RSPO Supply Chain Certification for KRN Obtained new ISO certification for SDS | <ul style="list-style-type: none"> Collaborate with industry experts to review and update our policy in 2020 to ensure it remains relevant and takes into account emerging trends within our sector Process and fully handle only RSPO palm oil by 2025 |
|  <p>Training and development</p> | <ul style="list-style-type: none"> Ensure our employees have the necessary skills to carry out their work | <ul style="list-style-type: none"> Provided in-house training programmes for employees covering technical knowledge and soft skills | <ul style="list-style-type: none"> Conduct a training needs analyses and provide employees with the necessary skills and knowledge relevant to the current and future trends to support business development |
|  <p>Waste management</p> | <ul style="list-style-type: none"> Reduce waste generation and increase recycling | <ul style="list-style-type: none"> Completed a two-year waste reduction project at our bio-oils refinery resulting in 2-4% of waste generated reduction | <ul style="list-style-type: none"> Continue to adopt waste management best practice To set a clear target for emission reduction in our operations on a group level by 2020 and 2030 |
|  <p>Water management</p> | <ul style="list-style-type: none"> Minimise the use of water within our operations | <ul style="list-style-type: none"> Implemented zero wastewater initiatives at four of our refineries | <ul style="list-style-type: none"> Achieve a water intensity target of 0.17m³/MT CPO processed Set a group level 2020 and 2030 water reduction targets for our operations |

WORKING WITH SUPPLIERS AND SMALLHOLDERS

102-9, 204-1

Our commitment to sustainability extends throughout our supply chain. We believe that our sustainability goals cannot be achieved in isolation and require the collaboration of all stakeholders. Suppliers, in particular, hold the key to transforming the industry and ensuring palm oil is produced sustainably. Apical's role is to support this transformation.

Most of our direct procurement comprises CPO, CPKO and PK for our refineries located in Indonesia, where we have more than 600 direct suppliers. All (100%) of our procurement for our Indonesian operations originates from domestic suppliers. For China, we spent 43 percent on procurement from local suppliers and 10 percent for our Spanish operations. Local suppliers are defined as those based locally in the same region.

Fresh fruit bunches (FFB), the raw materials for the production of CPO and PK, come from oil palm plantations which include third-party commercial estates, independent and associated smallholder farmers. There are about two million smallholders producing over 40 percent of oil FFB supply in Indonesia, and therefore make up a significant part of the palm oil value chain. Dealers or brokers who also buy FFB from a variety of sources



Apical's Director of Sustainability meeting with village heads to foster good long-term relationships

also form part of the supply chain. As such, the fragmented nature of the upstream segment of our supply chain represents one of our main sustainability risks.

APICAL'S SOURCING POLICY 103-2, 103-3, 308-1, 414-1

Apical's palm oil [Sourcing Policy](#) was developed in 2015 to help us deliver our Sustainability Policy's commitment to build a

traceable and transparent palm oil supply chain, ensuring the following:

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

WORKING WITH SUPPLIERS AND SMALLHOLDERS

Apical will only procure from suppliers who agree to comply with our policy through a written declaration. Our strict supplier onboarding process includes the screening of 100% of our palm oil suppliers prior to entering the supply chain. We require the potential supplier to acknowledge the Apical Sustainability Policy and provide basic information on their supply chain for us to perform risk analysis based on geospatial indicators and nonspatial indicators. This is to ensure new suppliers are taking steps to comply with our Sustainability Policy. Following that, all new suppliers are assessed for risks and those identified as higher-risk are prioritised for engagement.

Suppliers who are found in violation of our Sustainability and/or Sourcing Policy will be handled through our grievance procedures detailed below.

TRACEABILITY OF OUR PALM OIL

103-2, 103-3

Supply chain traceability is fundamental to producing sustainable palm oil, as it lays the groundwork for compliance with our Sustainability Policy. Traceability is essential for ensuring the reliability and quality of our raw materials, as well as providing the level of transparency that is expected by our customers to guarantee that our products come from sustainable sources.

However, the palm oil industry in Indonesia is complex. The biggest challenge is the large number of players involved from the moment palm fruit is picked to when it reaches the mills where it is processed into oil. The effort it takes to map our supply chain down to origins of raw materials is enormous, but

we believe it is necessary. A reliable and extensive sourcing network upstream enhances our ability to trace the origin of raw materials supplied to our refineries as CPO, and to monitor sustainability practices. With the commitment of senior management, we have found that an effective way forward is to involve and engage with key decision makers from diverse groups of stakeholders: plantation owners and smallholders, government authorities, non-governmental organisations (NGOs), civic groups and activists. This is why in 2018, Apical supported the formation and joined a new alliance known as SUSTAIN (Sustainability Assurance & Innovation Alliance).



Sustainability team members showing smallholders how to use a GPS tracker to determine geolocation to improve supplier monitoring processes

WORKING WITH SUPPLIERS AND SMALLHOLDERS

SUSTAIN (Sustainability Assurance & Innovation Alliance)

What is SUSTAIN?

In 2013, sustainability gained traction amongst the palm oil sector, with many major South East Asian players embracing NDPE policies. However, unsustainable practices continue to prevail within the industry.

SUSTAIN was established in 2018 as an alliance of oil palm growers, palm oil processors, consumer goods manufacturers, not-for-profit organisations and technology providers with the common goal to improve the traceability of palm oil production and push forth the implementation of NDPE policies across complex supply chains.

How does it work?

SUSTAIN is establishing a common blockchain-based platform for palm oil in order to help address landscape-level sustainability issues. The platform uses an open access system with downloadable tools pioneered which can be used by a wide range of users to establish traceability, monitor policy compliance, efficiently trade FFBs, obtain best practice

guides, and access innovative ESG-linked micro-financing. SAP Leonardo, the innovation platform supporting new technologies such as Machine Learning, Artificial Intelligence and Blockchain, will be used as the platform for SUSTAIN.

Who has joined the partnership?

The nature of the alliance and its members helps to create synergies among the top brass of palm oil.

Companies that have formalised their partnership in SUSTAIN include well-established industry leaders such as Asian Agri, Neste and KAO corporation. CORE, comprising Proforest and Daemeter, joined as the facilitation team, and SAP as the technology partner.

What is next for SUSTAIN?

The next steps for SUSTAIN involves forming a working group and visiting one of Apical's suppliers with the aim of fully understanding the complexity of supply chain structures. The information gathered aims to set the foundation for developing

a mobile application, which will be used by supply chain members to input daily transactions from which to gather traceability information. Later in 2019, SUSTAIN will conduct user acceptance tests and user adoption simulations once the application is ready.

Simultaneously, SUSTAIN's IT team is working on its blockchain function to identify transactional data that are considered confidential and explore functionalities to allow users to have direct control of the transparency of their data.

The collaboration has generated significant interest among additional stakeholders including national government ministries in South East Asia that promote sustainability and environmental management among others. SUSTAIN is welcoming additional companies to join and collaboratively work towards a transparent and sustainable palm oil supply chain.

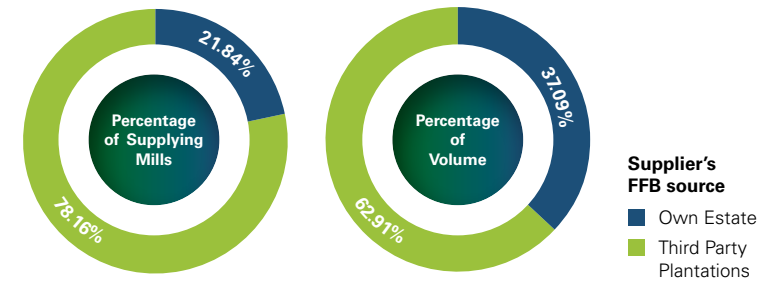
WORKING WITH SUPPLIERS AND SMALLHOLDERS

Traceability to Mill

We do not own any upstream assets or facilities such as plantations and mills. Instead, we rely on more than 600 third-party supplying mills in Indonesia, including those owned by our major long-term supplier Asian Agri, to provide us with raw materials such as CPO, CPKO, and PK. A majority of our supplying mills are located within the provinces of Riau, North Sumatera, Jambi, and Kalimantan.

Apical began gathering and verifying information about the mills supplying to our refineries in 2015 and has generally maintained 100% traceability to the mill since then. In order to be recognised as traceable, suppliers need to provide correct information on the GPS coordinates of the mill's location, the name of the company and mill, and specific address. This information is then further verified by CORE using an updated master database.

All our refineries source 100% of our palm oil products directly from supplying mills, not through intermediaries, agents and/or other refiners. The first pie chart on the right shows the percentage of our third-party supplier mills that source from their own plantations and third-party plantations. The second pie chart shows the percentage of total volume of palm oil that comes from their own plantations and third-party plantations.



Our supply chain map provides information on third-party mills which supply our refineries,

kernel crusher, oleochemicals and biodiesel plants, and is available on our [website](#).



Aerial view of PT Agro Indomas' Bumi Jaya mill, a subsidiary of our supplier Goodhope in Balikpapan, Kalimantan

WORKING WITH SUPPLIERS AND SMALLHOLDERS







Traceability to Plantation

Achieving full traceability to mill has been an important first step to get an indication of the approximate location of their FFB suppliers. This is because plantations need to be in close proximity to mills since FFB needs to be processed within 24 hours of harvest in order

to maximise the quantity and quality of oil extracted. Still, traceability to plantation is very complex, due to the thousands of dealers and independent smallholders involved, and the highly dynamic relationships between FFB traders and mills.

Our network of FFB suppliers comes from three main sources:

estates (usually owned by mills), smallholders (often linked to mills) and dealers (who buy FFB from a wide variety of sources). Apical subscribes to the Sustainable Landscape Working Group's (SLWG) working definition of traceability, which requires the following data as part of our requirements to establish traceability:

| FFB Sources | | Estimated percentage of palm oil supplied to our refineries* | Data Required for FFB Traceability |
|---|---|---|--|
| Estate (>25 ha) |  | 38.38%  | <ul style="list-style-type: none"> Estate name Parent company name Certification status % of overall FFB tonnage to mill A GPS coordinates as a representative source location Planted hectareage Total concession area FFB volume |
| Smallholders (Organised as cooperatives, groups or linked to mills) |  | 19.68%  | <ul style="list-style-type: none"> Number of smallholders % of overall FFB tonnage to mill Overall FFB volume A GPS coordinates as a representative source location Planted hectareage |
| Dealers (sourced from independent smallholders) |  | 41.94%  | <ul style="list-style-type: none"> Dealer names (and/or dealer unique ID) % of overall FFB tonnage to mill Overall FFB volume GPS coordinates of first-tier dealers (office/ramp) Number of smallholders Village/sub-district of smallholders |

* Based on the 75.8% traceability data

WORKING WITH SUPPLIERS AND SMALLHOLDERS

Another challenge to achieving 100% TTP is suppliers' concern about data confidentiality to protect their commercial interests. Addressing their needs for data privacy, we have taken proactive steps in building close relationships with suppliers. We strive to instil a positive and cooperative spirit within our priority suppliers, using workshops, meetings and field visits. We are prepared to sign a non-disclosure agreement in certain cases.

We have set a target to achieve 100% FFB traceability by 2020. To get there, we have developed a methodology with Earthworm Foundation and initiated our Traceability Outreach Programme (TOP), targeting all suppliers, especially in Riau, Jambi, North Sumatra and Kalimantan.

Last year, we also partnered with Proforest, Daemeter, GeoTraceability and Yayasan Setara Jambi (Setara Jambi) on two traceability pilot projects in Riau and Jambi provinces.



Using a mobile application developed by our technical partners to collect data makes the process more efficient. With these efforts and as of end of 2018, we have been able to trace 75.8% of FFB sources to plantations, an increase from 51.6% in the previous year.

ENGAGEMENT THROUGH OUR ANCHOR PROGRAMMES

103-2, 103-3, 308-2, 414-2

Traceability is only the starting point towards building a sustainable palm oil supply chain. By identifying and mapping our suppliers all the way to the plantation level, it becomes possible for us to identify which suppliers we prioritise to work with to help ensure sustainable practices are employed.

Following this, our main tasks are to expand engagement and capacity building to ensure that suppliers are meeting the commitments and standards set out in our Sustainability Policy. The way we do this is through four core initiatives that form part of our Anchor Programmes – Apical's flagship approach to supplier engagement. These include Mill Prioritisation Process (MPP); Priority Supplier Engagement Programme (PSEP); Traceability Outreach Programme (TOP); and Shared Value Programme (SVP).

Mill Prioritisation Process (MPP)

MPP is a risk-based assessment to identify priority mills for deeper engagement. The process involves analysing geospatial and non-spatial parameters to identify potential sustainability risks associated with the supplying mills.

Geospatial parameters identify risks linked to fire, deforestation, protected areas, and peatlands within a 50km radius of a supplying mill.

WORKING WITH SUPPLIERS AND SMALLHOLDERS

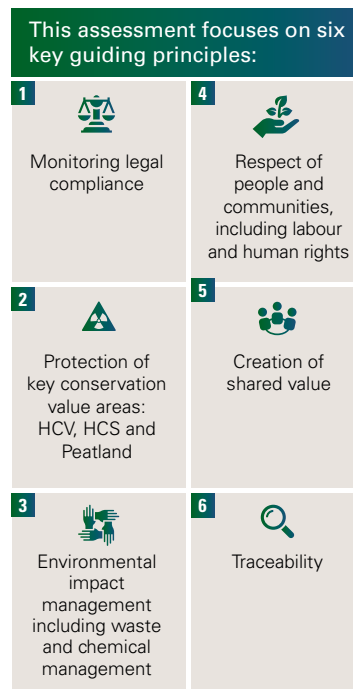
Non-spatial parameters focus on identifying issues related to communities, smallholders, and ongoing grievances that may occur in a mill's FFB supply chain, based on publicly reported information from sources such as the media and external reports. High-impact suppliers that have long-term business relations with Apical are also prioritised for engagement.

Currently, 18% of suppliers in Apical's supply chain are categorised as high priority. The remaining 82% are categorised as medium to low priority. High priority suppliers are further engaged through our other programmes.

Priority Supplier Engagement Programme (PSEP)

PSEP takes our high-risk suppliers, prioritised through the MPP, and assesses their level of compliance with our Sustainability Policy and other industry standards.

Conducting field visits to prioritised suppliers allows us to have personal interaction and more effective communication. The deeper engagement through these visits facilitates a better understanding of our suppliers, provides new insights into their practices, and helps to identify gaps for improvement.



The most common social issues identified include land conflicts resulting from the lack of Free Prior Informed Consent (FPIC) between the company and communities and the absence of clear land boundaries being defined.

From an environmental perspective, most issues are centred around water and air pollution from the milling process. Deforestation and biodiversity issues are also identified and linked to mill operations. We are working together with our suppliers by providing detailed guidance on developing Standard



POME land application in process to be used as a natural fertiliser by our supplier, Buatan II mill's management

WORKING WITH SUPPLIERS AND SMALLHOLDERS

Operating Procedures (SOPs) and sustainability management systems. Continuing to find such in-person visits to be highly effective, we will maintain this level of engagement with our suppliers and closely monitor their implementation of best practice.

Since 2015, we have conducted 40 PSEP visits, eight of which took place in 2018. The PSEP is a continuous process. While our aim is to visit all the identified potential high-risk mills, we have a minimum target of visiting 10 of these mills annually.

Traceability Outreach Programme (TOP)

TOP is designed to provide knowledge and simplified solutions for the suppliers of our refineries on how to collect and manage the traceability data of their FFB suppliers. In 2018, 51 supplying mills were engaged through the TOP. This programme also has the ambition to verify and incorporate the data collected to build an interactive mapping platform to assist suppliers in identifying and managing landscape level issues based on the location of their FFB source.

Shared Value Programme (SVP)

The final component of our Anchor Programme for engaging suppliers and building their capacity to adopt more sustainable practices is our SVP. In partnership with Earthworm Foundation, Proforest and Daemeter, we deliver workshops for suppliers on a selection of topics that take into account regional issues specific to the location of suppliers.

The SVP covers the latest market trends and how international certifications such as RSPO and ISCC can be beneficial. Participants gain insights into the importance of palm oil traceability and responsible sourcing. They are also updated on Indonesia's regulations on peat, mill operations and plantations, and High Conservation Value (HCV) and High Carbon Stock

(HCS) requirements. Industry subject matter experts from RSPO, Earthworm Foundation, Proforest, Daemeter, ISPO and Setara Jambi have previously shared practical knowledge and experience on these topics. Aside from presentations by industry experts and partners, this programme promotes active discussions whereby suppliers take ownership of some of the solutions. We conducted three SVP workshops in Jambi, Balikpapan and Jakarta in 2018 and engaged with 150 procurement and sustainability representatives from 75 supplier companies.

Since the launch of SVP in 2015, we have conducted nine workshops, engaging 450 personnel from 150-200 companies in Jakarta, Pekanbaru, and Medan. Going forward, we aim to conduct at least two workshops annually at different provinces in Indonesia.



Participants of Apical's Shared Value Programme held in Jakarta in December 2018

WORKING WITH SUPPLIERS AND SMALLHOLDERS

WORKING WITH SUPPLIERS AND SMALLHOLDERS

📄 CASE STUDY: TRANSFORMING OUR SUPPLY CHAIN THROUGH ENGAGEMENT AND CAPACITY BUILDING

BACKGROUND

Goodhope Asia Holdings Ltd (Goodhope) has been a key supplier of CPO since 2011. While Goodhope has been committed to sustainability since the early days and had good systems in place, our assessment found that there were some gaps that needed to be addressed to manage supply chain risks more effectively.

Goodhope faced challenges relating to a complaint against its subsidiary PT Nabire Baru, Papua Province, Indonesia. The complaint lodged in April 2016 raised issues relating to deforestation and local community rights.

At Apical, we believe that working with our suppliers is key to ensuring a more sustainable palm oil industry. While we ceased contracting with Goodhope from 2016 to 2018, we worked collaboratively with the company during this period to help improve their sustainability practices through three different engagement programmes:

1. STRATEGIC ENGAGEMENT PROGRAMME (STEP)

In April 2017, Apical worked with Goodhope at a group level through STEP, a customised engagement initiative developed to support Goodhope in strengthening its sustainability standards. As a result of Goodhope's openness to capacity building and receiving support from Apical, this initiative led to the company strengthening sustainability-related Standard Operating Procedures (SOPs) as well as training of sustainability officers and managers on HCV, HCS, traceability and FPIC.

Through this initiative, Apical also provided guidance on mechanisms and methodologies for collecting GPS coordinates and data that is vital for FFB suppliers' location mapping. Specialised training on Geographic Information System (GIS) was given to ensure FFB suppliers were mapped out accurately and potential risks such as links to deforestation were minimised.



Apical's Sustainability team members in discussion with the management of Goodhope at its Bumijaya mill in Balikpapan, East Kalimantan

2. SHARED VALUE PROGRAMME (SVP)

Apical reached out to Goodhope to join the SVP in 2017. The purpose of SVP is to extend industry knowledge in sustainability best practices, share current trends and expectations in the buyer's market and develop fresh ideas for improving existing practices and documentation gaps.

Through knowledge sharing, Goodhope learned how to improve its environmental management systems as well as its human and labour rights approach.

A key focus of this programme was to support Goodhope strengthen its NDPE policy to ensure it aligns with stakeholders' expectations.

3. PRIORITY SUPPLIER ENGAGEMENT PROGRAMME (PSEP)

In November 2017, Apical's team conducted its first PSEP at one of Goodhope's mills to assess areas for improvements on the ground. The mill had already achieved certifications in ISO19001, ISO14001, OHSAS 18001 and ISPO and had implemented best practices around peatland management. Through the visits, gaps were identified and recommendations made to strengthen its supply chain monitoring.

OUTCOMES

- Goodhope committed to a time-bound action plan in 2017 which included:
- Updating its sustainability policy (published in May 2017);
 - Releasing a moratorium on land clearing and new plantings;
 - Engaging qualified third-parties to conduct HCS and HCV assessments;
 - Undergoing a legal review of plantation permits by an independent party;
 - Performing a detailed soil survey to ensure no peatland development;
 - Addressing social issues through engagements with the community and working with the Dispute Settlement Facility of the RSPO; and
 - Joining Apical's Traceability Outreach Programme (TOP) to achieve full traceability to plantation.

WORKING WITH SUPPLIERS AND SMALLHOLDERS

In 2018, Goodhope partnered with Daemeter, who is also Apical's implementation partner, to ensure accurate data on traceability is collected and mapped out. This now includes all third-party suppliers and uses a digital application platform called Cadasta 2.0. Traceability to plantation for Goodhope is now 77%, since it was first implemented in 2017.

Within a span of less than a year, Goodhope was able to

improve on its sustainability management through capacity building and close collaborations with its industry partners, including Apical. Goodhope's commitment to sustainability and willingness to engage was crucial in allowing the company to undergo this transformation.

In January 2019, the RSPO Complaint Panel dismissed the complaint filed against a Goodhope subsidiary lodged in 2016.

Apical resumed commercial relations with Goodhope in early 2019 and hopes to continue working with the company on implementing sustainability best practices, meeting local regulations as well as stakeholder expectations.

Currently, Goodhope provides monthly progress updates to various stakeholders including Apical.



Early morning view of Bumi Jaya mill, a subsidiary of our supplier Goodhope in Balikpapan, Kalimantan

WORKING WITH SUPPLIERS AND SMALLHOLDERS

SUPPORTING SMALLHOLDERS 103-2, 103-3

Apical continues to work with Setara Jambi and CORE to pilot the Responsible Sourcing from Smallholder (RSS) programme, developed by SHARP, a multi-stakeholder partnership at one of our key supplying mill, PT Teguhkarsa Wanalestari (PT TKWL).

After identifying participating smallholders interested to join the programme, Setara Jambi designed a tailored training program to address the problems they face. This makes the trainings more relevant and thus more effective.

To date, a total of 148 farmers have been participating in the

programme. The RSS team has conducted needs and risks analysis of the participating smallholders and formulated relevant action plans to assist the smallholders in sustainable and responsible production. As activities continue into 2019, we will be reported on RSS more extensively in our next report.

The trainings were designed to improve smallholders' production output and enhance livelihoods, emphasising the following components:

- | | | | | |
|--|-------------------------|--|---|--|
| 1 | 2 | 3 | 4 | 5 |
| Identification and selection of good seedlings | FFB grading and quality | Utilising empty fruit bunches (EFB) as organic fertiliser to improve yield and reduce use of chemical fertiliser | Field visits on good agricultural practices | Training to address gaps and implement good practice |



Plasma Manager of Asian Agri's Buatan 1 mill with the plasma smallholders

WORKING WITH SUPPLIERS AND SMALLHOLDERS

CASE STUDY: RURALITY PROJECT

RURALITY is an initiative launched in partnership with Johnson & Johnson and Earthworm Foundation in early 2015 to drive innovation at the smallholder farmer level. The initiative aims to empower farmers to create and own the mechanisms that will ultimately strengthen their resilience and improve their livelihoods. Apical plays a supporting role in this project.

In February 2016, together with Earthworm Foundation, Apical began collaborating on a RURALITY programme which builds on Asian Agri's existing smallholders programme, extending the scope to support independent smallholders linked to Apical's supply chain. For this, Apical selected PT Surya Bratasena Plantation (PT SBP)/Sei Nilo Mill, and the smallholders supplying it, as a pilot.

In 2018, we completed the first phase of RURALITY, the Scoping Phase, where we spent time in the field to speak with PT SBP, traders and



A female villager working at a local oil palm nursery

farmers to determine the need for a RURALITY programme. RURALITY does not believe in one size fits all solutions and every situation has to be approached as unique, with cultural, social and economic circumstances taken into account.

The next phase we pursued under RURALITY is the Rural Dynamics Diagnostic (RDD). RDD is an in-depth assessment of farmers' technical, physical, social, and

economic environment. It is a key phase of RURALITY with the objectives of understanding the farmers' situation and challenges on the ground, identifying other stakeholders to involve, building trust and designing transformation strategies collaboratively with farmers tailored for their specific needs.

The final phase of RURALITY is the Transformation phase,

WORKING WITH SUPPLIERS AND SMALLHOLDERS



in which the action plan identified during the RDD is implemented. RURALITY supported the setting up and formalisation of a farmers' group to run livestock operations. From the initial 17 cattle, when the group was established in April 2018, the number of cattle increased to 38 by end of 2018. This helps boost farmers' incomes and

enhance their livelihoods. RURALITY also assisted farmers in applying to the government's replanting support programme which will ultimately help increase their yield and boost their income.

In 2019, RURALITY will intensify engagements with the local government particularly with the office of

Indonesian Oil Palm Estate Fund (BPDPKS) which reviews and approves replanting grant applications. In addition, farmers who will start their replanting process will receive, with RURALITY's support, training on horticulture, cattle farming, good agriculture practices for oil palm nursery management, and environmental management.



A farmer and his cattle under the RURALITY programme

WORKING WITH SUPPLIERS AND SMALLHOLDERS

HANDLING GRIEVANCES AGAINST SUPPLIERS

103-3

Addressing grievances raised by our external stakeholders is a fundamental part of being a responsible business. Any stakeholder that suspects issues against one of our suppliers can raise their concerns through the Apical Grievance Procedure outlined in the section on [Our Approach to Sustainability](#).

The approach we take involves clarifying any alleged violations against our sustainability policy within a stipulated period. For confirmed violations, suppliers are required to provide a concrete corrective action plan with clear timelines.

Failure to respond and commit towards remedial action would trigger suspension of contracts until progress has been made or the issue has been resolved. Apical reserves the right to cease transactions with suppliers who have repeatedly violated our commitments. This is not our preferred course of action, but it is sometimes necessary.

In 2018, there were 14 grievances raised against our suppliers. Eight of these related to the clearing of forests and peatland areas, while the remaining six related to sourcing illegal FFB.



Apical's Sustainability team members speak to a smallholder in East Kalimantan, Indonesia

In line with our grievance procedure, Apical immediately engaged with the implicated suppliers. In 2018, Apical temporarily suspended business relationships with a total of four suppliers that were found to be

in violation of our Sustainability Policy and did not demonstrate a willingness to take remedial actions. A full list of our grievances, their status and progress toward resolution is published on our [website](#).



WORKING WITH SUPPLIERS AND SMALLHOLDERS

📅 CASE STUDY: SUSPENDING BUSINESS RELATIONSHIPS



In October 2018, Apical started the grievance process upon receiving a monthly report from Mighty Earth which alleged that one of our suppliers, who we will not name in this report, was involved in the clearance of peat forest in Central Kalimantan province. Apical was not sourcing directly from its implicated mill but sourced from another mill belonging to the group.

For initial verification, Apical requested the company to provide clarification and conducted a desktop analysis to verify the allegations. As the

clarification we received did not fully address the issue, Apical then requested for a meeting with the company. The outcome of Apical's desktop analysis also showed ambiguity on the land status, where further assessments were needed to inform our decision on whether we would continue to trade with this particular supplier.

In December 2018, through a discussion with the company's management team, Apical recommended a list of follow-up actions for the company to take. The company responded that it was unwilling to commit

to the recommended actions citing business reasons but were willing to further engage in addressing the allegations. Throughout this period, the company continued to be implicated in the clearing of peatland in subsequent Mighty Earth reports.

The company's failure to commit to addressing the issues as well as on-going land clearing led to Apical's decision to cease sourcing from the entire group altogether in early January 2019, three months after the first clearing of peatland was highlighted.

ENVIRONMENTAL MANAGEMENT

At Apical, we believe that environmental protection and conservation is key to ensuring palm oil production is sustainable.

As a company that handles the downstream aspects of the palm oil value chain, we are committed to ensuring that our raw materials come from legal and responsible sources. We are also focused on managing the risks of climate change and minimising the environmental impacts from our operations.

COMPLIANCE WITH APICAL'S SUSTAINABILITY POLICY

307-1

Apical's Sustainability Policy outlines our commitment to ensuring sustainable practices are adopted across our entire value chain of palm oil production, from cultivation, processing, delivery and end use. These practices include the protection of areas of high conservation value (HCV) and high carbon stocks (HCS), the protection and management of peat, strict enforcement of our zero-burn policy and reduction of GHG emissions.

Our policy extends to all our subsidiaries and refineries that

we own and manage. We also work with relevant stakeholders including our suppliers to ensure compliance with both our policy commitments as well as local laws and regulations.

There were no significant fines and non-monetary sanctions for non-compliance with environmental regulations in 2018.

WORKING WITH SUPPLIERS ON ENVIRONMENTAL CONSERVATION

103-2, 103-3, 304-2

PROTECTING FORESTS AND BIODIVERSITY

We recognise that the palm oil business is reliant on land availability for oil palm plantations and that there are serious risks of deforestation and biodiversity loss if proper monitoring and control mechanisms are not in place. We are therefore working with our suppliers to meet local, international and our own sustainability standards to ensure areas of HCV, HCS and peatland are protected.

We do not knowingly source from suppliers associated with deforestation of protected areas. Apical currently assesses all new mills that enter our supply chain for potential risks, based on the Earthworm Foundation's

MPP process. This includes carrying out spatial analysis on risk of deforestation and encroachment. High-risk mills are identified and prioritised for further ground assessments through the Priority Supplier Engagement Programme (PSEP). New suppliers who are introduced into our supply chain will also have to provide a reference number to our sourcing team as evidence that the necessary environmental impact assessments (AMDAL) have been conducted.

During the PSEP visits, our team will help to identify, manage and monitor significant biological, ecological, social or cultural values through the HCV Approach and geospatial analysis. We work with our suppliers to adopt a credible HCS identification procedure by subscribing to the HCS Approach based on field trials and scientific recommendations. The HCS Approach is also designed to ensure that land use rights and the livelihoods of local communities are respected and secured. HCV and HCS training are also incorporated in our Shared Value Programme (SVP) workshops.

Apical will work with suppliers found in breach of our policy through a corrective action plan. If suppliers refuse to comply or fail to implement

ENVIRONMENTAL MANAGEMENT



corrective action plans, we will take additional measures and if deemed necessary, review our business relationship.

As an RSPO member, we are also committed to protecting endangered species listed under the IUCN Red List and Indonesia's National Law of Protected Species. Through our SVP, we provide training to smallholders and suppliers to raise awareness on protected species on these lists. For suppliers who are found to have inadequate systems on protecting endangered species, Apical will provide guidance and recommendations.

The section on [Working with](#)

Suppliers and Smallholders

provides details on our supplier selection and screening processes, as well as our supplier engagement programmes.

PROTECTING AND MANAGING PEATLAND AREAS

Apical is committed to ensuring we do not contribute to new developments on peatland areas with 65% or more organic soil, regardless of the depth. Through regular supplier engagement and customised workshops, we encourage our suppliers to adopt best management practices on peat in pre-existing plantations. This includes effective water

management to maximise oil palm yield and minimise GHG emissions in existing peat estates. We also provide guidance on proper water management and monitoring plans, ensuring that water table depth is maintained at appropriate levels. For areas where existing peat is unsuitable for replanting, we collaborate with stakeholders and community experts to explore options for long-term restoration or alternative use.

Phase II of the SUSTAIN initiative will involve monitoring traceable palm oil suppliers for policy compliance in areas including HCV, HCS and peatland.

ENVIRONMENTAL MANAGEMENT

CASE STUDY: PROTECTING FORESTS BY WORKING WITH OUR SUPPLIERS ON TRACEABILITY



In August 2018, Apical initiated a pilot project to work with our suppliers located in Tanjung Jabung Barat, Jambi. The aim of the project was to monitor any issues that pose supply chain risks for us and other buyers. PT Fortius Wajo Perkebunan (PT FWP), one of Apical's supplying mills providing around 0.06% of our 2018 CPO, was the first supplier to accept this partnership. PT FWP is located in close proximity to Bukit Batabuh Tiger Corridor (BTTC). The implementation of traceability is therefore of high significance and special attention is required to ensure FFB supply is not linked to deforestation, encroachment or illegal land clearing.

We partnered with Setara Jambi, our local implementation partner, to conduct field verification visits and collect data on traceability and mechanisms around FPIC, HCV and HCS. Our findings were consistent with the information shared by PT FWP on current practices. PT FWP showed awareness of the supply chain risk faced in relation to the sourcing of illegal FFB from protected forest areas and demonstrated that it already had its own responsible sourcing policy in place.

We did identify that PT FWP still lacked clear visibility on the origin of FFBs through dealers, agents and farmers. There were also areas for

improvement identified especially in enhancing the mill's traceability system to plantation and implementing due-diligence processes when selecting suppliers.

TRACEABILITY OUTREACH PROGRAMME

Together with PT FWP, we set the goal to achieve full traceability to FFB sources by end of 2019. Apical, along with Setara Jambi began collecting traceability data from the mill to FFB growers, including smallholder groups and first-tier dealers that supplied to PT FWP. The process involves field visits to smallholders to record coordinate points, consolidating the coordinate points of all smallholder sources and overlaying them for the mapping process.

Within just five months, we had traced 67.7% of FFB to the source, putting us on track to achieve our target of mapping out their entire FFB supply chain. We communicated this information to PT FWP's management to highlight high risk FFB sources and improve the mill's risk management system.

SDG Target 15.2



Employee housing complex at PT Fortius in Jambi, Indonesia

ENVIRONMENTAL MANAGEMENT

FIRE PREVENTION AND MANAGEMENT

103-2, 103-3

In addition to haze, which affects the region including large parts of Indonesia, Malaysia and Singapore, forest fires also emit carbon dioxide and other greenhouse gases which contribute to climate change. One of the main causes of forest fires has been linked to the illegal slash-and-burn method for land clearing. To manage these risks, Apical continues to assess and engage its suppliers on fire prevention and management.

Apical has published practical guidelines on our online Sustainability Dashboard on "Prevention, early detection and control of open burning in oil palm plantations" to guide our suppliers toward taking precautionary actions against future accidental burning.

As part of our assessment of new suppliers, we evaluate the potential risks of fire incidences adjacent to the mill. We also assess their level of preparation in case of a fire incidence during our PSEP visits. Within our own refineries, we require health and safety managers to organise regular fire prevention trainings.

Our key supplier Asian Agri initiated a Fire Free Village Program (FFVP) in May 2016 to build awareness and educate selected villages and groups of independent smallholders on fire prevention and management. They were also equipped with the necessary firefighting equipment and training. In recognition of their efforts and to serve as positive behavioural reinforcement, villages achieving the fire free target were awarded up to IDR 100 million in fire-fighting and monitoring equipment, as well as community infrastructure.

Apical will continue to engage with our suppliers on fire prevention efforts, collaborating with neighbouring companies, relevant governmental bodies and the local communities for the purposes of training in fire prevention.

MANAGING OUR OWN ENVIRONMENTAL FOOTPRINT

Our efforts towards promoting environmental conservation within our upstream supply chain are complemented by our actions to minimise the operational footprint of our refineries. We have established control systems and regular monitoring processes, allowing us to comply with the local regulation and the standards set by our Sustainability Policy.

WATER MANAGEMENT

103-2, 103-3

Apical is committed to the efficient use of water within our operations. This involves looking at our processes to identify opportunities to reduce our water consumption, as well as reusing wastewater where possible.

At our CPO Export Terminal (CET) as well as PT Sari Dumai Sejati (SDS) and PT Asianagro Agungjaya Tanjung Balai (AAJTB) refineries, seawater is treated by the refineries' desalination plant to service factory operations. At our AAJ Marunda and Bio-Oils refineries, water is supplied and metered by the local utility company while at PT Kutai Refinery Nusantara (KRN), water is sourced from underground wells and natural ponds, both of which are rain fed. Apical does not consume water from water stressed areas.

Our current water intensity target is 0.17 m³/MT CPO processed. Going forward, we will continue to strive to reduce water consumption within our refineries through continuous improvement initiatives such as implementing the Kaizen Project, a set of initiatives to improve operational efficiency. We also plan to set a group level 2020 and 2030 water consumption reduction targets for our operations.

ENVIRONMENTAL MANAGEMENT

WATER CONSUMPTION AND INTENSITY BY SOURCE

303-5

| Refinery | Source of water | m ³ of water consumed | | m ³ of water per tonne of CPO processed | |
|-------------|--------------------------|----------------------------------|---------|--|------|
| | | 2017 | 2018 | 2017 | 2018 |
| SDS & CEP | Seawater | 484,518 | 583,853 | 0.51 | 0.24 |
| AAJTB | Seawater | NA | 102,000 | NA | 1.09 |
| KRN | Underground water & pond | NA | 510,776 | NA | 0.38 |
| AAJ Marunda | Municipal water | 281,292 | 292,425 | 0.45 | 0.31 |
| Bio-Oils | Municipal water | 73,603 | 272,344 | 0.30 | 0.48 |

Four of our refineries (SDS, AAJ Marunda, AAJTB, and KRN) have implemented a zero-wastewater initiative where wastewater is treated and reused for the cooling towers, fire hydrants, or domestic purposes such as cleaning.

six months as a precaution to ensure that there are no negative impacts from our operations on the water quality. This is a local legal requirement regardless if wastewater has been discharged or not.

We have also implemented Kaizen projects at our SDS refinery which resulted in 625 m³ of raw water saved in 2018. Some of these projects include condensate recovery for reuse and reducing the Chemical Oxygen Demand of the treated wastewater.

In the event that wastewater discharge is required in the future, we will ensure that the quality of the effluent water is within the permissible quality. Our refineries utilise microorganisms and activated sludge process in the treatment of effluent water as well as chemicals such as coagulants, flocculants, caustic soda, bioxide and nutrients. We also engage an independent laboratory to conduct monthly tests, in addition to monitoring the quality of the water from the river 50 m upstream and downstream every



Goodhope employee managing water supply at Bumi Jaya mill

ENVIRONMENTAL MANAGEMENT

WASTE MANAGEMENT

103-2, 103-3, 306-3

Solid waste generated from palm oil refining process consists of spent bleaching earth, fly ash and bottom ash. We have trained personnel responsible for handling waste disposal in each refinery according to our standard operating procedures, which are developed based on regulatory requirements such as the Ministry of Environment's

Decree on Waste Handling and Management.

Key responsibilities of these trained personnel include monitoring, keeping an inventory, and ensuring waste is disposed on time. Hazardous waste is collected by a licensed contractor who has the appropriate transport and disposal permit.

In 2016, we initiated a waste reduction programme at our

Bio-Oils refinery. The programme resulted in a two to four percent reduction in waste generated including sludge, contaminated absorbent materials, fats from wastewater, and general waste. We have also implemented a recycling programme through the provision of containers to recycle materials such as glass, paper, and wood. We currently have plans in 2019 to not only reduce the amount of waste generated but also perform waste recovery at our Bio-Oils refinery.



Apical employees speak next to the wastewater treatment plant in KRN

ENVIRONMENTAL MANAGEMENT

TOTAL HAZARDOUS WASTE GENERATED AND DISPOSAL METHOD

306-2

| Types of Hazardous Wastes (MT) | 2016 | 2017 | 2018 |
|--|-----------------|-----------------|-----------------|
| Spent bleaching earth | 31,557.5 | 28,432.6 | 44,161.7 |
| Fly and bottom ash | 20,852.0 | 22,428.5 | 27,691.0 |
| Sludge from wastewater treatment plant | 585.4 | 334.6 | 1,592.0 |
| Laboratory waste / Spent nickel catalyst | 15.4 | 24.2 | 18.2 |
| Contamination packing container | 7.9 | 9.3 | 45.7 |
| Used oil | 49.7 | 17.7 | 12.2 |
| Others (used batteries, debris, filters, cartridges, etc.) | 18.5 | 17.6 | 51.5 |
| Total waste | 53,086.5 | 51,264.6 | 73,572.2 |
| Annual production (MT oil processed) | 3,560,258 | 5,810,600 | 7,292,027 |
| Total waste / MT oil processed | 0.015 | 0.009 | 0.010 |

Note: All hazardous wastes are disposed through licensed collectors
 2018 figures included Excelic, AAJ Marunda, AAJTB, KRN, SDS, CEP and Bio-Oils
 2017 figures included SDS, CEP, Marunda, and Bio-Oils
 2016 figures included SDS, CEP and Marunda

Apical has dedicated emergency response teams at our refineries and provide regular training to prevent and deal with accidental oil spillage. As of 2018, we have maintained zero spillage.

GHG EMISSIONS

103-2, 103-3

The risks from climate change can have both an impact on our business and the communities where we operate. It is therefore imperative that we do our part in reducing our GHG emissions as

well as implementing adaptation plans to ensure our ability to operate as we transition into a low-carbon economy. As part of our Sustainability Policy commitments, we seek to progressively reduce our GHG emissions where feasible.

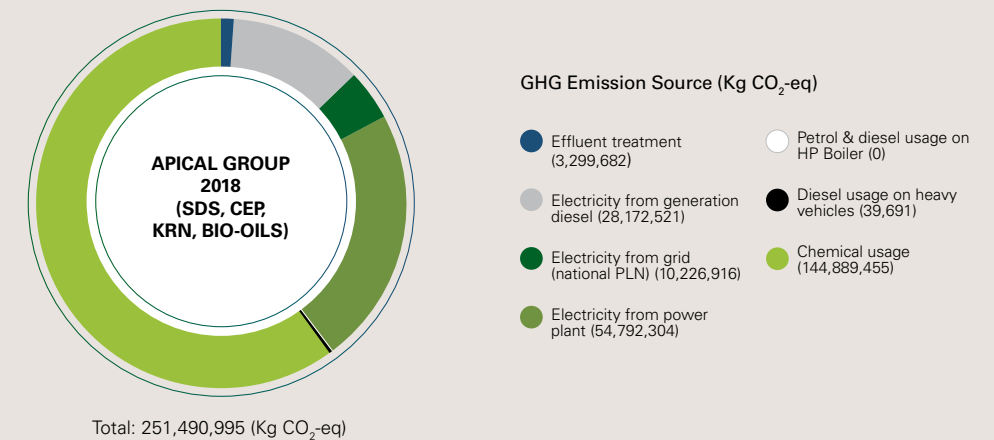
Through our Kaizen Project, we aim to increase energy efficiency within our operations, thus reducing GHG emissions as well as achieving cost reduction. Apart from our own operations, we also support our suppliers on

reducing their GHG emissions. This is mainly through educating them on the process and benefits of getting the ISCC certification for their operations. We have plans to begin reporting on GHG emissions for AAJTB and AAJ Marunda in the near future.

Going forward, Apical will be establishing a baseline and setting a group level 2020 and 2030 emissions reduction target for our operations.

ENVIRONMENTAL MANAGEMENT

EMISSIONS BY SOURCE (Kg CO₂-eq)



Note: *GHG emissions were calculated based on the ISCC Emission 205 methodology.
 *GHG for Excelic, AAJTB and AAJ Marunda is not available. This data is currently being monitored and will be reported in future.
 *Apical only acquired KRN in 2018. Thus, GHG data for KRN is available only for 2018.

SCOPE 1 AND 2 GHG EMISSIONS

305-1, 305-2, 305-3

| GHG Emissions | 2016 | 2017 | 2018 |
|--|--------------------|--------------------|--------------------|
| GHG Scope 1 Emissions (kg CO ₂ e) | 226,777,883 | 166,600,076 | 231,193,653 |
| GHG Scope 2 Emissions (kg CO ₂ e) | 8,136,697 | 8,682,592 | 10,226,916 |
| Total GHG Emissions (kg CO₂e) | 234,914,580 | 175,282,668 | 241,420,569 |
| Production (MT oil processed) | 4,085,256 | 4,791,171 | 5,297,277 |
| GHG Scope 1 Emissions Intensity (kg CO ₂ /MT CPO) | 55.51 | 34.77 | 43.64 |
| GHG Scope 2 Emissions Intensity (kg CO ₂ /MT CPO) | 1.99 | 1.81 | 1.93 |
| Total Emissions Intensity (kg CO₂/MT CPO) | 57.50 | 36.58 | 45.57 |

Note: Apical only acquired KRN in 2018. Thus, GHG data for KRN is available only for 2018.

LABOUR RELATIONS

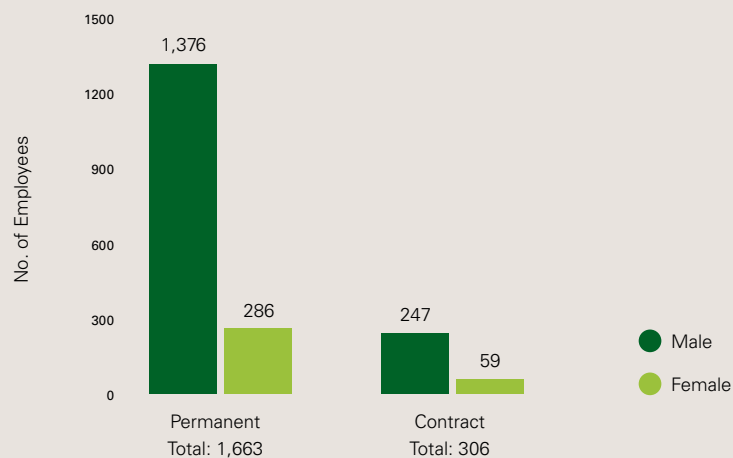
The palm oil industry provides vast employment opportunities for people in Indonesia, particularly within rural communities. We directly employ 1,969 employees across our offices and plants, 1,663 of which are permanent employees and 306 of which are contract workers. To ensure that the impact of employment in the sector is positive, Apical is committed to promoting decent work opportunities, respecting human and labour rights as well as maintaining a safe working environment for employees. This commitment extends to our own employees as well as to suppliers and smallholder farmers who are independent or part of the Indonesian plasma scheme.



Employee at AAJ Marunda office

NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT, BY GENDER

102-8



Note: Information on the breakdown of our employees is gathered through SAP data.

LABOUR RELATIONS

TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT, BY REGION

102-8

| | Indonesia | Spain | China | Malaysia | Singapore |
|--------------|--------------|-----------|-----------|-----------|-----------|
| | | | | | |
| Permanent | 1,409 | 85 | 49 | 71 | 49 |
| Contract | 252 | 9 | 41 | 3 | 1 |
| Total | 1,661 | 94 | 90 | 74 | 50 |

Note: Information on the breakdown of our employees is gathered through SAP data.

HUMAN RIGHTS

103-2, 103-3, 409-1

As stated in the Apical Sustainability Policy, we are guided by the principles of the Universal Declaration of Human Rights and as such, we strive to uphold and respect fundamental human rights. We comply with all the laws that apply to the

locations in which we operate and cover issues such as non-discrimination, fair wages, freedom of association, working hours, child, forced, bonded or illegal labour.

Diversity and Equal Opportunities

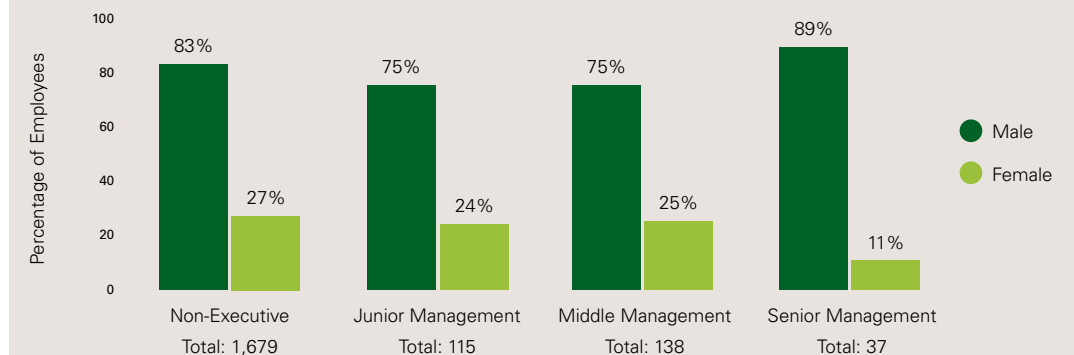
406-1

Apical believes in promoting an inclusive and diverse workplace

that is free from harassment and discrimination on the basis of age, race, gender identity, sexual orientation, religion, family or marital status. We offer job opportunities based on experience and skills and reward employees based on merit. There were no incidences of discrimination reported in 2018.

PERCENTAGE OF EMPLOYEES PER EMPLOYEE CATEGORY BY GENDER

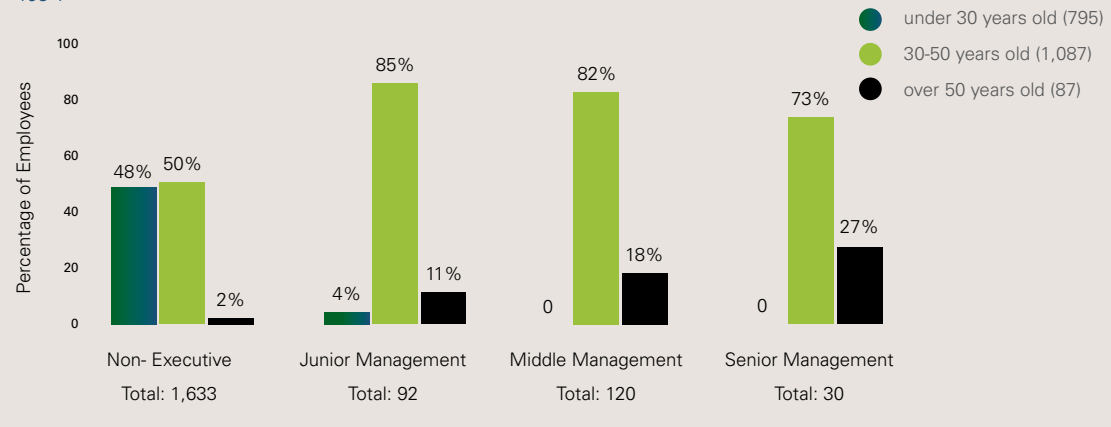
405-1



LABOUR RELATIONS

PERCENTAGE OF EMPLOYEES PER EMPLOYEE CATEGORY BY AGE

405-1



Fair Wages and Employee Benefits

103-2, 103-3, 401-2

It is important for employees to be rewarded for their service and contribution to the company in the form of fair wages and

other benefits. All employees of Apical receive wages that are above the minimum requirements set by the local and provincial authorities in Indonesia. Minimum wages are set according to the cost of living, factoring in the prices

of local goods and services, as well as general living expenses. From Riau to Jakarta and North Sumatra where Apical operates, employee wages are typically higher than the minimum wage set by the provincial government.

RATIOS OF LOWEST MONTHLY WAGES IN EACH REGION BY GENDER COMPARED TO LOCAL MINIMUM WAGE

202-1

| Region | Apical lowest monthly wage – Male (IDR) | Apical's lowest monthly wage – Female (IDR) | Monthly legal minimum wage (IDR) | Ratio (Legal minimum wage:Lowest male wage) | Ratio (Legal minimum wage:Lowest female wage) |
|-----------|---|---|----------------------------------|---|---|
| Dumai | 2,886,655 | 2,886,655 | 2,886,655 | 1:1 | 1:1 |
| Marunda | 3,840,000 | 3,840,500 | 3,830,438 | 1:1.002496 | 1:1.002627 |
| Tg Balai | 2,408,000 | 2,423,000 | 2,407,733 | 1:1.000111 | 1:1.006341 |
| Bagendang | 2,575,000 | 2,575,000 | 2,554,685 | 1:1.007952 | 1:1.007952 |
| Padang | 2,140,000 | 2,120,000 | 2,119,067 | 1:1.009878 | 1:1.000044 |
| Medan | 2,780,000 | 2,750,000 | 2,749,075 | 1:1.009878 | 1:1.000336 |

LABOUR RELATIONS

Moreover, all employees receive a range of additional benefits that include private medical insurance, with optical and dental care, and life insurance. In Indonesia, all workers also receive housing facilities and home leave tickets. Apical also gives monthly rewards in the form of daily groceries, such as cooking oil, to employees who achieve a good attendance record. Permanent employees in Indonesia are also eligible for our Motorcycle Ownership Programme (MOP) which provides subsidised loans for the purchase of a motorcycle.

Freedom of Association and Trade Membership

102-41, 407-1

Freedom of association includes the right of all workers to form or become members of labour unions on their free will, and the right for collective bargaining. In Indonesia, this is mandated by Law and Regulation No. 21/200 on Trade/Labour Unions and is in line with the International Labour Organization Convention No. 98 on the freedom of organisation and collective bargaining.

Child Labour

408-1

We do not permit nor tolerate any form of child labour in our operations and we comply



In 2018, 63.2% of employees at Apical were covered by collective bargaining agreements.

with the legal minimum age of working when recruiting workers. In Indonesia, employees must not be under 18 years of age. As standard

procedure, all job applicants must provide identity cards as proof of their age before joining our workforce. As part of our policy, we prohibit children from entering our plants. We also provide school transportation to ensure children have access to education. Apart from our own operations, we engage our direct suppliers by informing them of Apical's policy against child labour and ensuring this commitment is upheld. Apical takes the initiative to assess, identify and analyse potential risks of child labour occurring at any of our suppliers by conducting field visits, Shared Value Programme (SVP) workshops to socialise Apical's Sustainability Policy, and through engagement meetings.



Employees leaving work at AAJ Marunda on bus transportation provided by Apical

LABOUR RELATIONS

TRAINING AND DEVELOPMENT 103-2, 103-3

In line with our group's core values, Apical provides employees with personal development opportunities through training that is relevant to their scope of work as well as meets the needs of our evolving business. These enhance their knowledge and skills, which then enable them to perform better at their various tasks. The channels to do this are through formal and informal training, either on the

job or via a dedicated training organised by management. The various trainings provide employees with business, technical and managerial skills to help them achieve key performance indicators (KPIs) set by the company. Such training ensures employees contribute towards better operations, product quality, and services in line with Apical's position as one of the leading palm oil processors and traders in the industry.



Management trainees undergoing a briefing on the types of beneficial plants in oil palm plantations

As part of Apical's future expansion plans, we will set up a Centre of Excellence and training centre for our current and future employees. As we prepare the future talent pipeline for all our new refineries in Indonesia and abroad, we will leverage on the technical subject matter expertise currently residing at the location of our largest refinery, Sari Dumai Sejati.

AVERAGE HOURS OF TRAINING BY EMPLOYEE CATEGORY AND GENDER 404-1

| Gender | Male | Female |
|--------------------------|------|--------|
| Non-Executive | 7.20 | 3.33 |
| Junior Management | 8.20 | 1.44 |
| Middle Management | 3.19 | 3.72 |
| Senior Management | 2.19 | 1.33 |



Employees at KRN enjoying a meal at the cafeteria

LABOUR RELATIONS

HEALTH, SAFETY AND WELLBEING 103-2, 103-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7

Apical takes the health and safety of our employees seriously. In line with legal requirements, we have implemented an Occupational Health and Safety (OHS) management system, based on the Indonesian national regulation No. 50 Year (2012), which covers all our workers and aims to minimise risks ensuring a safe and healthy workplace.

We have dedicated a Health & Safety (H&S) Committee in every refinery with oversight over the implementation of the OHS management system. The committees consist of representatives from the different operating units and is made up of management and employees. The committees meet once a month and are tasked with responsibilities that include reviewing the current status of workplace H&S, gathering feedback on H&S concerns from employees and disseminating latest H&S information to the employees. Our OHS system is continuously being improved through regular feedback from the committees.



As part of our OHS management system, Apical conducts Hazard Identification, Risk Assessment and Risk Control (HIRARC) reviews for all our processing plants. To ensure the quality of these assessments, HIRARC reviews are conducted once a year by every operating unit guided by the refinery's qualified H&S Officer. The assessments receive final approval from the refinery heads. The results of HIRARC are used to identify measures to minimise potential risks from taking place in the workplace.

In our supply chain, OHS risks are prevented and mitigated through our engagement with our suppliers to ensure they meet Apical's OHS standards.

For more information, see the section on [Working with Suppliers and Smallholders](#).

To ensure the protection of our workers, we provide them with Personal Protective Equipment (PPE). All our plants have a dedicated H&S Officer who is tasked with ensuring OHS procedures, including the use of PPE, are implemented and comply with regulations. We strictly prohibit unfit and unauthorised personnel to operate machinery and harmful chemicals within our facilities. Workers are encouraged to report any work-related hazards to the unit representative member of the H&S committee.

LABOUR RELATIONS

The unit representative will bring it up at the H&S committee meeting for discussion.

Should a work-related incident occur, these are investigated by the H&S Officer. The investigation process involves visiting to the incident site and conducting interviews with those affected as well as other employees present during the incident. Depending on the severity of the incident, the H&S Officer may call for a meeting with the committee to discuss it within 24 hours and develop

measures to mitigate and prevent similar incidents in future. The number and rates of work-related injuries are included in the table on the following page. There were no employee or contractor fatalities in the last three years.

New workers are given specialised training on how to protect themselves from exposure to hazardous work. H&S information is communicated to workers using several channels. For example, information board, posters and

banners with details on H&S are placed around the refineries. We also hold regular H&S meetings, class briefings on specific topics and safety talks that serve as a regular reminder on common workplace H&S measures. Employees are also trained to handle H&S emergencies should they arise, using disaster scenarios via desktop simulations or drills. Some examples of scenarios include fire, accidents at the jetty, oil spills and civil unrest.



Fire fighting training at PT Inti Indosawit Subur's Buatan I mill in Riau

LABOUR RELATIONS

WORK-RELATED INJURIES

403-9

High-consequence work-related injuries

| | 2016 | | 2017 | | 2018 | |
|--------------------|--------|-----------------------------------|--------|-----------------------------------|--------|-----------------------------------|
| | Number | Rate (per 1,000,000 hours worked) | Number | Rate (per 1,000,000 hours worked) | Number | Rate (per 1,000,000 hours worked) |
| Employees | 1 | 0.23 | 0 | 0.00 | 0 | 0 |
| Contractors | 0 | 0.00 | 2 | 0.21 | 0 | 0 |

Recordable work-related injuries injuries*

| | 2016 | | 2017 | | 2018 | |
|--------------------|--------|-----------------------------------|--------|-----------------------------------|--------|-----------------------------------|
| | Number | Rate (per 1,000,000 hours worked) | Number | Rate (per 1,000,000 hours worked) | Number | Rate (per 1,000,000 hours worked) |
| Employees | 17 | 3.83 | 7 | 1.77 | 12 | 2.80 |
| Contractors | 13 | 1.95 | 32 | 3.43 | 11 | 2.07 |

*Work-related injury or ill health that results in any of the following: death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness; or significant injury or ill health diagnosed by a physician or other licensed healthcare professional, even if it does not result in death, days away from work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness.

To enhance our monitoring and reporting process for workplace related accidents, Apical is currently developing a new system for recording health and safety data by integrating data from the refineries. This will be implemented in phases starting 2019, following the analysis of current available data.

To promote the well-being of our employees, we facilitate medical check-ups and provide clinics along with the Badan

Penyelenggara Jaminan Sosial (BPJS) Insurance Scheme for our employees in Indonesia. Our employees in Spain and China are also entitled to similar medical coverage. We also encourage our employees to practice healthy lifestyles for general well-being.

COMMUNITY LIVELIHOOD

413-2

The palm oil industry brings about significant economic benefits to producing countries like Indonesia. The sector has been critical in lifting millions of people out of poverty by providing vast employment opportunities to rural communities, helping them to secure better incomes and livelihoods. The presence of palm oil operations has also provided communities access to basic infrastructure and services such as healthcare and education for children.

At the same time, we recognise that palm oil operations may adversely impact local communities' rights, in particular indigenous people, giving rise to social conflicts. As such, we are committed to maintaining positive relations with indigenous and local communities, by respecting their rights as well as promoting better livelihoods through community investment activities.

RESPECTING THE RIGHTS OF INDIGENOUS AND LOCAL COMMUNITIES

411-1

Apical does not manage any plantations and as such, our downstream developments are not likely to have a direct impact on indigenous rights as our refineries are all located in designated industrial zones



Children of Sekolah Dasar Negeri (SDN) 001 Lubuk Gaung, Dumai in class

which have been subjected to an Environmental and Social Impact Assessment (ESIA).

On the other hand, we recognise that our upstream suppliers must ensure that all the necessary assessments, including ESIA, HCV and Land Tenure Studies (LTS) are carried out to determine whether indigenous people will be affected by a proposed development. In cases where new developments

will affect their lands, Free, Prior and Informed Consent (FPIC) procedures must be implemented.

Through FPIC, indigenous people and affected groups are able to give or withhold their consent to a proposed development that may affect the lands they customarily own, occupy or otherwise use. They are also able to negotiate the conditions under which a new project will be designed and implemented.

COMMUNITY LIVELIHOOD

WHAT IS FPIC?

| FREE: | PRIOR: | INFORMED: | CONSENT: |
|---|---|--|--|
| A self-directed process by those affected to voluntarily give consent without coercion, intimidation or manipulation. | Consent is sought sufficiently in advance of any activities commencing of being authorised. | Indigenous group being impacted receive satisfactory information on the key points of the project. | The decision is made collectively by the right holders and reached through a customary decision-making process of the communities. |

For our suppliers, Apical developed detailed guidelines on implementing and monitoring FPIC procedures which are available on our [website](#).

In 2018, there were no incidents involving the rights of the indigenous peoples at our sites or related to our suppliers.

CONFLICT RESOLUTION

103-2, 103-3

At the forefront of our approach to handling social conflicts, we first aim to minimise the likelihood of cases arising through proactive and direct engagement with relevant stakeholders. Should a conflict arise, we strive to work in a fair and transparent manner to resolve any verifiable conflict with all parties involved through the Apical's Grievance Procedure. This procedure

is managed by a grievance verification team, who gathers the necessary information from all relevant parties before conducting field investigations to reach a resolution.

More information on the Apical Grievance Procedure can be found in the section on [Our Approach to Sustainability](#). The description of grievance related cases and the follow-up actions taken are logged and published on [Apical's Sustainability Progress Dashboard](#).

EMPOWERING COMMUNITIES

103-2, 103-3

Apical has an important role to play in empowering the communities in which we operate and promoting socio-economic development. The

main ways in which we do this are twofold. We prioritise the recruitment of local residents for employment. This in turn helps them secure a stable source of income and provides them with additional benefits which improves their standards of living. See the section on [Labour Relations](#) for more information.

We also work closely with mills and smallholders to improve sustainability standards in the supply chain. This helps to boost their income by ensuring they adopt more sustainable practices and by facilitating their inclusion in the palm oil supply chain. For example, we have assisted many smallholders in our supply chain to obtain RSPO and ISCC certification. See the section on [Working with Suppliers and Smallholders](#) for more information.

COMMUNITY LIVELIHOOD

COMMUNITY INVESTMENT 203-1

Apical also invests in a wide range of programmes aimed at enhancing livelihoods. These are based on the needs of local communities, identified through active dialogue and engagement.

For example, our SDS Refinery at Lubuk Gaung, Dumai has implemented several programmes for the local communities which include building roads and bridges, refurbishing mosques, repairing primary school facilities, and providing scholarships for outstanding students. Other programmes seek to boost alternative livelihoods such as the establishment of catfish farms. In 2018, some additional activities were initiated by SDS. These include planting of mangroves along the seashore in partnership with the local Environment Office, providing funding for the local forest fire fighter team, and providing electricity poles for the local area.

In our AAJ Marunda Refinery, our Social, Security and Licensing (SSL) team has initiated community-based activities such as the provision of free cooking oil, food and nutritional products for toddlers



and babies and cattle for the local community during the Eid-al-Adha festivities.

Our team there also facilitated a blood donor drive in collaboration with PMI Jakarta Utara (Red Cross Society North Jakarta) to promote good health and well-being of the city's residents.



As for the newest addition to our operations, KRN Refinery,

Apical has focused on improving the local infrastructure, trans-border accessibility and road safety through road maintenance and sprinkling activities and funding local governmental agencies in support of improving infrastructure.

COMMUNITY LIVELIHOOD

FEATURE STORY:

THE EVOLUTION OF DUMAI: A 20-YEAR JOURNEY



The landmark Agung Al Manan mosque in Dumai



Inaugurated as a city (also known as kotamadya) on 20 April 1999, Dumai is a city in the Riau province on the island of Sumatra, Indonesia. At its inception, the city only consisted of three districts with about 20 small villages, an overall population of just over 15,000 people and its administrative base (kotif) located in Bengkalis Regency.

Since then, the population has expanded rapidly and the city spans over 2,039.35 km² with more than 316,000 inhabitants recorded in 2014. A majority of Dumai's population consists of ethnic Malays, while many people of Minang, Batak, Bugis, Jawa and Sunda ethnicity also reside here among each other.

Located about 188 km from Pekanbaru, the capital of the Riau province, Dumai developed from a small fishing settlement on the east coast to become the second largest city in Riau.

The small town of Dumai has seen an extraordinary boom in development over the last two decades. Apical explores the changes and its impacts on residents living here.



COMMUNITY LIVELIHOOD

INTO THE HEART OF DUMAI

The city is divided into seven districts (also known as kecamatan), each consisting of about four to five smaller villages (also known as kelurahan). The seven districts are Bukit Kapur, Dumai Barat, Dumai Timur, Medang Kampai, Sungai Sembilan, Dumai Kota and Dumai Selatan.

Dumai has one domestic airport, the Pinang Kampai Airport which has evolved into an important transport and trade centre, both regionally and internationally. Today, there are four strategic industrial areas here: Kawasan Industri Pelintung, Terpadu Dock, Bukit Kapur and Lubuk Gaung.



Dumai town centre

This city is rich in resources such as petroleum and its vast land has the potential of producing many natural resources from agricultural and agro-industries. Some of the major sources of livelihood here are the farming of rice, crops, vegetables and tropical fruits like banana, pineapple, durian, mango and rambutan. It is also popular for palm oil plantations and cattle farming due to its rich soil and for its farmed freshwater fish.

Salmah Lubis, is a 56 year old sugarcane juice seller who has resided in this city for more than 40 years and currently lives in Bumi Ayu, South Dumai. Salmah observes that the city has changed significantly especially in the infrastructure. According to her,

“ THE ROAD CONDITIONS HAVE REALLY IMPROVED AND WE HAVE MANY MORE ROADS BEING CONSTRUCTED COMPARED TO BACK THEN. EVERYTHING IS MORE ACCESSIBLE AND THERE ARE ALSO MANY MORE JOB OPPORTUNITIES THESE DAYS. ”



Ibu Salmah Lubis

COMMUNITY LIVELIHOOD

Another long-time resident of Dumai is 61 year-old father of six Wandri Rasyidin. After a period of working in Malaysia 30 years ago, he chose to return and live in Dumai. Wandri states,

“ THIS CITY HAS TRANSFORMED TREMENDOUSLY OVER THE PAST 20 YEARS ESPECIALLY IN ITS ECONOMICAL LANDSCAPE. HOWEVER, I STILL BELIEVE THERE ARE PLENTY MORE OPPORTUNITIES WAITING TO BE EXPLORED AND DEVELOPED IN THE ECONOMY AND HUMAN CAPITAL. ”



Locals dressed in traditional attire about to take part in a kite-flying competition during a cultural festival in Dumai

This city is overflowing in tradition and colourful cultural events which take place almost every weekend. Some of the popular activities here include kite and top spinning competitions where participants are required to wear the local traditional attire in order to preserve their diverse culture.

AN ERA OF TRANSFORMATION

Apical's largest refinery, PT Sari Dumai Sejati (SDS), is based in Lubuk Gaung, an industrial area in the Sungai Sembilan district. Lubuk Gaung is known as a major port for crude palm oil due to its suitable wind, waves, tides and current among other things. The port has a total capacity of 160,000 tonnes and ships that moor and unload here are high capacity tank vessels sized between 5,000 to 15,000 DWT.

In 2006, Apical began operations with SDS refinery which produced a total refining capacity of 0.98 million metric tonnes in its first year of operation. One year on, it had completed Phase II of refinery expansion, launched its palm kernel crushing plant and increased production to 1.66 million metric tonnes in 2007.



Pak Wandri

COMMUNITY LIVELIHOOD

In 2008, Apical launched its first biodiesel plant in Dumai. In 2012, Phase III expansion of the SDS refinery was completed and in 2013, it produced a total refining capacity of 3.70 million metric tonnes per annum.

Around the same period, various other companies began operations here and Dumai began to attract major operators and businesses from palm oil to other industries. The rapid expansion and increase in production meant a boom in the local economy of Dumai. Job opportunities were higher than ever, entrepreneurial ventures were at a peak and standard of living increased steadily over these few years. In addition, new roads were being built at every turn and new infrastructure made available to Dumai residents, including access to basic facilities such as clean water and supply of electricity.

SDS in particular, realised early on the importance of developing the society in which it operated in. It created a dedicated Social, Security and Licensing (SSL) team to handle licensing and social matters which focused on corporate social responsibility programmes to improve the livelihoods of local communities.

Some of its significant contributions included the construction of a 10.5 km road from Purnama to its refinery area back in 2007. The new road offered new accessibility to locals and opportunities for entrepreneurial activities as villagers began selling food and essentials along the road.

Ibu Ruslina heads a group of farmers from the Rukun Tetangga (RT) 6 neighbourhood. According to her,



Ibu Ruslina

“SDS HAS CONTRIBUTED QUITE A LOT TO THE LOCAL COMMUNITIES HERE ESPECIALLY RT 5, 6, 7 AND 8. IT HAS HELPED MANY LOCALS EARN ADDITIONAL INCOME THAN WHAT WAS POSSIBLE BEFORE WITH THE VARIOUS INFRASTRUCTURE AND PROJECTS IT HAS FUNDED. IN RT 6 AND 7, SDS PROVIDED WELLS FOR ACCESS TO CLEAN WATER AND ALSO BUILT LOCAL CATFISH PONDS FOR ALTERNATIVE SOURCES OF INCOME. IN RT 6, SDS PROVIDED US WITH 10 GOATS UNDER A GOAT-REARING PROJECT AS WELL AS PROVIDED SEWING CLASSES FOR WOMEN. THESE NEW SKILLS HAVE OPENED DOORS FOR MANY VILLAGERS TO DEVELOP THEIR INCOME SOURCES. ”

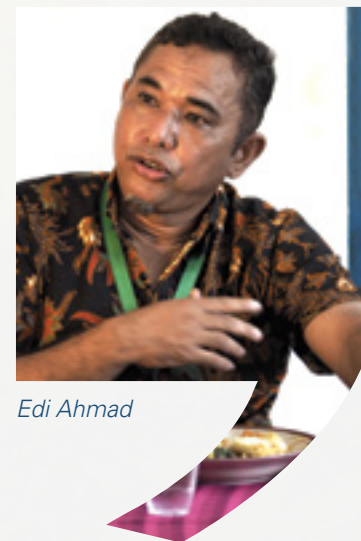
SDS’s SSL team monitors the progress of these livelihood programmes to ensure their longevity. The batch of 10 goats provided to RT 6 have already produced eight kids within the year 2018. The additional income and purchasing power for food,

COMMUNITY LIVELIHOOD

groceries and other items has driven up the demand for these products and opened more doors for local entrepreneurship development.

Undeniably, despite the major boost in Dumai’s economy and higher living standards of people, there are still areas that need focus on such as healthcare facilities, public transportation and education for skilled employment. SSL Officer at SDS since 2012, Edi Ahmad has insights into the needs of locals and the community here.

“ WE ARE CONSTANTLY IN COMMUNICATION WITH THE LOCAL NEIGHBOURHOOD AN DISTRICT REPRESENTATIVES TO FIND OUT AREAS THAT ARE IN DIRE NEED OF SUPPORT. WE ALSO ENGAGE CLOSELY WITH LOCAL REGULATORY AGENCIES FOR OPPORTUNITIES TO PARTNER AND DEVELOP SOLUTIONS THAT SUPPORT THE COMMUNITY HERE. ”



Edi Ahmad

Since 2006, SDS has been distributing free cooking oil to local communities in RT 6, 7, 8 and 9 (known as the ‘Ring One’ community) on an annual basis. In 2018 alone, 680 households received free CAMARI cooking oil amounting to 1,220 litres. Priority is given to poor families in Ring One identified through the Community Head. In addition to this, SDS also gives these families basic food such as rice and sugar and cash to buy meat. In 2018, 115 member of the community have benefitted from this.

On an environmental level, there are also some benefits to locals as many businesses here are exposed to global action on climate change and conservation. In 2018, SDS planted 1,000 mangrove seeds along 500 meters of the seashore, a joint effort with the local Environment Office. Mangrove forests in Dumai are among its distinct attractions and makes Dumai a potential ecotourism destination for nature lovers. About 3 km away from the city centre, there is a children’s library built by Pencinta Alam Bahri Bakau (a local mangrove conservation society) nestled very uniquely within a 20 hectare mangrove forest, to encourage reading and learning within nature’s calm and beauty.

Ultimately, the city of Dumai has changed tremendously over the past 20 years. As it continues to develop, expand and grow in various facets, it is highly crucial for businesses and companies like SDS to ensure its responsibility in production and consumption of resources.

Measures need to be in place to achieve industry level certification for safety and best practices management in operations and continuous research conducted on its impacts to society. This is to ensure there is a system of checks and balances, ensuring agreement amongst all relevant stakeholders; this is important to ensure longevity and sustainability in all its undertakings.

OUR CUSTOMERS AND CONSUMERS

102-6

We recognise customers as our key partners to business growth. It is therefore important for Apical to work closely with them to meet their market needs and requirements for high-quality, traceable and sustainable palm oil.

Our broad customer base includes traders, wholesalers, retailers and other businesses in the FMCG industry, many of which are globally-recognised consumer brands. We supply them with a range of quality edible oils, including CPO, CPKO to various forms of PPO, PPKO and Refined Soy Bean Oil (RBDSBO), all of which can be further processed into value-added products.

Our promise to customers includes supplying high quality and safe products that meet their needs through fair pricing and efficient distribution. Through our traceability approach and engagement with suppliers, we also strive to ensure that sustainable practices are adopted within our upstream supply chain. Apical proactively provides updates on sustainability progress and grievances through regular communications with our buyers.



ENSURING PRODUCT QUALITY AND SAFETY

103-2, 103-3, 416-2

Through continuous innovation and improvements, as well as ensuring that our refineries are operating in line with the relevant global standards, Apical is able to meet the food manufacturer's stringent quality and safety requirements for oils and fats.

Apical appoints independent third-party accredited certification bodies to validate and verify the standard of our products regularly. Our palm oil products are GMP+ and HACCP

certified for food safety. Products from our Indonesian refineries are also Halal and KOSHER certified. We also adhere to the Palm Oil Refiners Association of Malaysia's (PORAM) standards for PPO and can tailor our product specifications to suit customer requirements.

In 2018, we obtained the Foundation Food Safety System Certification (FSSC) 22000 ver 4.1 for end products produced by our AAJ Marunda refinery. THE FSSC 22000 focuses on the Food Safety Management System of an organisation and is recognised for meeting the highest standards globally.

OUR CUSTOMERS AND CONSUMERS



All of the products from our Indonesian refineries are in compliance with the Indonesian National Standard (SNI) for product quality. Our bio-oils production facility in Spain is also certified to the Sustainability of Biofuels and Bioliquids standards.

In addition to certifications, we have various programmes in place to further ensure the quality and safety of our products. This includes GMP refreshment training for all employees, biannual internal audits, and inhouse training by credible external providers on implementing international standards. In an effort to strengthen our standard operating procedure for product

quality control, our Excelic refinery has also developed procedures on Prevention and Management of Food Fraud and Management and Control of Allergens.

There were no incidents of non-compliance with regulations concerning the health and safety impacts of our products in 2018

Going forward, Apical will be investing in a pilot plant in our Sari Dumai Sejati (SDS) refinery which will be used to study process optimisation for improvement of process efficiency and product quality. As part of Apical's effort towards digital manufacturing, we will implement Laboratory Information Management System

(LIMS) and Plant Information Management System (PIMS) which will enable detailed analysis of process and quality data for process efficiency and product quality improvement. The outcome of this pilot will be shared upon its completion and will determine if it will be implemented in other refineries.

For our Excelic plant, we plan to implement the HACCP Food Safety Plan as well as the food safety self-examination system. We are also exploring the development of more special oil products with higher added value to enhance the competitiveness of our products.



Night view of Bio-Oils refinery in La Rabida, Spain

OUR CUSTOMERS AND CONSUMERS

PROTECTING CONSUMER HEALTH

During the refining process, high temperatures are applied to achieve desired quality and safety specifications. This results in the production of co-contaminants 3-monochloropropane-1,2-diol or 3-chloropropane-1,2-diol (3-MCPD) and glycidyl esters (GE) in refined oils and fats. There has been growing health concerns related to these substances which prompted the European Food Standards



Lab tests at AAJ Marunda



Warehouse at AAJ Marunda

Authority (EFSA) to issue a report in 2016 warning about the health consequences of products. In 2018, the EFSA has revised the acceptable levels of 3-MCPD and GE.

Multiple departments including Operations, Quality Control, and Engineering have been working together to understand the characteristics of these substances and how to minimise them to a negligible level. As processing temperature is one of the key factors that promotes the

formation of these substances, our team has successfully improved the process by lowering the temperature and lengthening the retention time to achieve the required levels of 3-MCPD and GE.

Apical adopts the latest technology in analytical science for the testing of oil and fats in products, including the detection of trace elements. This includes the use of gas chromatograph, head space gas chromatograph, ICP-AES and trace elemental analyser.

OUR CUSTOMERS AND CONSUMERS

SUSTAINABLE PALM OIL THROUGH CERTIFICATION

102-12, 103-2, 103-3

As part of our commitment to promote traceable and sustainable palm oil production, and to meet the growing demand from our customers for certified products, we continue to participate in various industry schemes. These include adopting the standards set by the Roundtable on Sustainable Palm Oil (RSPO), Indonesian Sustainable Palm Oil (ISPO) and the International Sustainability and Carbon Certification (ISCC) in our operations (refineries, kernel crushing plant, biodiesel plant, and oleochemicals plant).

We have gone beyond that by engaging our suppliers vigorously through the Shared Value Programme (SVP) and Priority Supplier Engagement Programme (PSEP). Moreover, we have formed a dedicated Supplier Engagement Team (SET) to forge greater FFB traceability and production of sustainable palm oil through globally recognised certification schemes. Technical support in the form of relevant guidance and implementation manuals is provided to help suppliers to kick-start their certification initiative.

We also engage with our global customers such as Unilever, Nestle, Bunge, Cargill and Kao Corporation for beneficial collaborations and shared knowledge on the latest development in the sustainability requirements of the market. This leads to continuous improvements and innovations in our sustainability journey.



Suppliers interacting at PT Inti Indosawit Subur's Buatan I mill in Riau

OUR CUSTOMERS AND CONSUMERS

ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO)



Apical became an RSPO member under the category of palm oil processor and trader on 11 August 2011. Our refineries have obtained RSPO Supply Chain Certification since 2012. As an RSPO certified company and one committed to transparency in its business operations, we have been reporting our sustainability efforts through RSPO Annual Communications of Progress (ACOP) since 2014. We have also committed to process and fully handle only RSPO palm oil by 2025 and achieve RSPO certification for all our processing facilities by 2020.

INDONESIAN SUSTAINABLE PALM OIL (ISPO)



We support the ISPO launched by the Indonesian Ministry of Agriculture in 2011 to create a single national standard for sustainable practices in the palm oil sector. The scheme aims to drive the competitiveness of Indonesian palm oil in the international market and helps Indonesia meet its commitment to ensure legal compliance as well as address other social and environmental issues.

INTERNATIONAL SUSTAINABILITY AND CARBON CERTIFICATION (ISCC)



ISCC has been established as the first certification system for sustainable biomass and biofuels. Apical Group has been adhering to its principles continuously since 2010 to meet customers demand in supplying low GHG materials for their productions.

VOLUME OF CERTIFIED RAW MATERIALS SOURCED

| Certification | Certified Raw Material Sourced | Volume (MT) | |
|---------------|--------------------------------|-------------|-----------|
| | | 2017 | 2018 |
| RSPO | CPO | 57,090 | 177,456 |
| | PKO | | |
| ISCC | CPO | 987,655 | 560,498 |
| Non-certified | CPO | 4,664,246 | 5,597,708 |
| | PKO | | |

OUR CUSTOMERS AND CONSUMERS

LEVERAGING TECHNOLOGY TO MEET CUSTOMER NEEDS

103-2, 103-3

Many of our key buyers are purchasing only sustainable, certified or traceable palm oil. It is therefore important for our business to ensure that we have robust traceability and sustainability information readily available for our customers.

To ensure the timeliness and accuracy of traceability information, Apical embarked on developing the Apical Sustainability Assurance System (ASAS) at the end of 2017. The ASAS is an internal digitalisation initiative aimed at enhancing our palm oil supply chain management system to better manage suppliers' data.

The ASAS will enable us to monitor, track, manage and report CPO and CPKO traceability and sustainability information in a timely manner and with the highest level of accuracy and detail. It will also introduce a dashboard and reporting tools for key users to improve the system's overall workflow and increase productivity.



Expected to be completed at the end of 2019, this system will address key challenges around the complexity, resources and time required to collect accurate data by standardising data for customers and suppliers, integrating information from multiple sources and IT processes, eliminating manual compilation, facilitating verification and reporting. In 2018, we completed the development phase of ASAS, which included planning, configuration, testing, training, transition and reviews. We are currently in the User Acceptance Testing phase.

Our Excelic refinery in China has also developed an Electronic Traceability System to maintain product traceability. This traceability system is sponsored by the Food and Medicine Monitoring Bureau of Jiang Su Province. Users of the system must key in related information for all material and finished products.

OUR CUSTOMERS AND CONSUMERS

CUSTOMER TESTIMONIAL



Denny Turino
Palm Sustainability Manager
LDC Palm Sustainability

Apical, LDC and other responsible players in the palm industry are important participants in the fight against deforestation, working to influence farming communities to adopt sustainable practices, while helping to ensure decent incomes for their families. This is an important challenge, as we act to reduce poverty and climate change, and to protect the environment and natural habitats.

LDC strongly supports the Apical sustainability policy of No Deforestation, No Peat and No Exploitation, and commends Apical's efforts to implement these throughout its third party mills and plantations.

Apical, like LDC, is also working with several strategic partners to train smallholders in best agricultural practices with a goal to achieve certification. Poverty, low yields, aging trees and poor farming practices drive smallholders deforestation. Capacity building to improve smallholders yields and hence their livelihoods is a

critical step to help eliminate deforestation in the palm supply chain.

A missing element in the palm supply chain is adequate preferential financing to incentivize the preservation of high conservation value (HCV)/ high carbon stock (HCS) forest. LDC, together with Apical and other responsible players, will continue to seek support from the banking and finance community to meet this challenge.

LDC congratulates Apical on the publication of its third sustainability report, and on the Company's ongoing efforts to promote transparency in the palm value chain.

GRI STANDARDS INDEX

This report has been prepared in accordance with the GRI Standards: Core option. The table below presents our GRI content index, which specifies each of the GRI Standards used in the report with a reference where the information can be found. Where we were not able to meet the GRI Standards reporting requirements, we have included in the table the reason for omission.

| Disclosure Number | Disclosure Title | Reference/Reasons for Omission (if applicable) |
|-------------------------------|--|--|
| General Disclosures | | |
| Organizational Profile | | |
| 102-1 | Name of the organisation | Apical Group Ltd. |
| 102-2 | Activities, brands, products, and services | 8 |
| 102-3 | Location of headquarters | 8 |
| 102-4 | Location of operations | 10-11 |
| 102-5 | Ownership and legal form | 8 |
| 102-6 | Markets served | 8, 86 |
| 102-7 | Scale of the organisation | 10-11 Omission: We are not a publicly listed company and therefore do not report on net sales and total capitalisation. |
| 102-8 | Information on employees and other workers | 70-71 |
| 102-9 | Supply chain | 46 |
| 102-10 | Significant changes to the organisation and its supply chain | 10-11 |
| 102-11 | Precautionary Principle or Approach | 15 |
| 102-12 | External initiatives | 35, 89 |
| 102-13 | Membership of associations | 35 |
| Strategy | | |
| 102-14 | Statement from senior decision-maker | 4-5 |
| Ethics and integrity | | |
| 102-16 | Values, principles, standards, and norms of behaviours | 14, 18-19 |
| 102-17 | Mechanisms for advice and concerns about ethics. | 19 |
| Governance | | |
| 102-18 | Governance structure | 18 |
| 102-19 | Delegating authority | 18 |
| 102-20 | Executive-level responsibility for economic, environmental, ad social topics | 18 |
| 102-21 | Consulting stakeholders on economic, environmental, and social topics | 29-34 |

GRI STANDARDS INDEX

| Disclosure Number | Disclosure Title | Reference/Reasons for Omission (if applicable) |
|---|--|--|
| General Disclosures | | |
| Stakeholder engagement | | |
| 102-40 | List of stakeholder groups | 29 |
| 102-41 | Collective bargaining agreements | 73 |
| 102-42 | Identifying and selecting stakeholders | 29 |
| 102-43 | Approach to stakeholder engagement | 30-34 |
| 102-44 | Key topics and concerns raised | 30-34 |
| Reporting practice | | |
| 102-45 | Entities included in the consolidated financial statements | 2 |
| 102-46 | Defining report content and topic Boundaries | 2, 21 |
| 102-47 | List of Material topics | 22-23 |
| 102-48 | Reinstatement of information | No information or data was reinstated |
| 102-49 | Changes in reporting | There were no changes in reporting |
| 102-50 | Reporting period | 2 |
| 102-51 | Date of most recent report | 2018 |
| 102-52 | Reporting cycle | 2 |
| 102-53 | Contact point for questions regarding the report | 3 |
| 102-54 | Claims of reporting in accordance with the GRI Standards | 3 |
| 102-55 | GRI content index | 93-98 |
| 102-56 | External assurance | 3 |
| Our Approach to Sustainability | | |
| Governance and Business Ethics | | |
| 103-1 | Explanation of the material topic and its Boundary | 23 |
| 103-2 | The management approach and its components | 18-19 |
| 103-3 | Evaluation of the management approach | 19 |
| 205-3 | Confirmed incidents of corruption and actions taken | 19 |
| 307-1 | Non-compliance with environmental laws and regulations | 62 |
| Working with Suppliers and Smallholders | | |
| Supplier engagement, including smallholder development | | |
| 103-1 | Explanation of the material topic and its Boundary | 22 |
| 103-2 | The management approach and its components | 46-47, 51-53, 57 |

GRI STANDARDS INDEX

| Disclosure Number | Disclosure Title | Reference/Reasons for Omission (if applicable) |
|---|---|--|
| Working with Suppliers and Smallholders | | |
| Supplier engagement, including smallholder development | | |
| 103-3 | Evaluation of the management approach | 46-47, 51-53, 57 |
| 204-1 | Proportion of spending on local suppliers | 46 |
| 308-1 | New suppliers that were screened using environmental criteria | 46-47 |
| 308-2 | Negative environmental impacts in the supply chain and actions taken | 51-53 |
| 414-1 | New suppliers that were screened using social criteria | 46-47 |
| 414-2 | Negative social impacts in the supply chain and actions taken | 51-53 |
| Traceability | | |
| 103-1 | Explanation of the material topic and its Boundary | 22 |
| 103-2 | The management approach and its components | 47-51 |
| 103-3 | Evaluation of the management approach | 47-51 |
| Environmental Management | | |
| Emission reductions | | |
| 103-1 | Explanation of the material topic and its Boundary | 22 |
| 103-2 | The management approach and its components | 68-69 |
| 103-3 | Evaluation of the management approach | 68-69 |
| 305-1 | Direct (Scope 1) GHG emissions | 69 |
| 305-2 | Energy indirect (Scope 2) GHG emissions | 69 |
| 305-4 | GHG emissions intensity | 69 |
| Protection of forests and biodiversity areas | | |
| 103-1 | Explanation of the material topic and its Boundary | 22 |
| 103-2 | The management approach and its components | 62-64 |
| 103-3 | Evaluation of the management approach | 62-64 |
| 304-2 | Significant impacts of activities, products, and services on biodiversity | 62-64 |
| Climate action | | |
| 103-1 | Explanation of the material topic and its Boundary | 22 |
| 103-2 | The management approach and its components | 65, 68-69 |
| 103-3 | Evaluation of the management approach | 65, 68-69 |

GRI STANDARDS INDEX

| Disclosure Number | Disclosure Title | Reference/Reasons for Omission (if applicable) |
|---|---|--|
| Environmental Management | | |
| Fire prevention and management | | |
| 103-1 | Explanation of the material topic and its Boundary | 23 |
| 103-2 | The management approach and its components | 65 |
| 103-3 | Evaluation of the management approach | 65 |
| Waste management | | |
| 103-1 | Explanation of the material topic and its Boundary | 23 |
| 103-2 | The management approach and its components | 67-68 |
| 103-3 | Evaluation of the management approach | 67-68 |
| 306-2 | Waste by type and disposal method | 68 |
| Water management | | |
| 103-1 | Explanation of the material topic and its Boundary | 23 |
| 103-2 | The management approach and its components | 65-66 |
| 103-3 | Evaluation of the management approach | 65-66 |
| 303-5 | Water consumption | 66 |
| Labour Relations | | |
| Worker health, safety and well-being | | |
| 103-1 | Explanation of the material topic and its Boundary | 22 |
| 103-2 | The management approach and its components | 75-77 |
| 103-3 | Evaluation of the management approach | 75-77 |
| 403-1 | Occupational health and safety management system | 75-77 |
| 403-2 | Hazard identification, risk assessment, and incident investigation | 75-77 |
| 403-3 | Occupational health services | 75-77 |
| 403-4 | Worker participation, consultation, and communication on occupational health and safety | 75-77 |
| 403-5 | Worker training on occupational health and safety | 75-77 |
| 403-6 | Promotion of worker health | 75-77 |
| 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 75-77 |
| 403-9 | Work-related injuries | 77 |

GRI STANDARDS INDEX

| Disclosure Number | Disclosure Title | Reference/Reasons for Omission (if applicable) |
|---|--|--|
| Labour Relations | | |
| Employee wages and benefits | | |
| 103-1 | Explanation of the material topic and its Boundary | 23 |
| 103-2 | The management approach and its components | 72 |
| 103-3 | Evaluation of the management approach | 72 |
| 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage | 72 |
| 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 72 |
| Equal rights & opportunities | | |
| 103-1 | Explanation of the material topic and its Boundary | 23 |
| 103-2 | The management approach and its components | 71-72 |
| 103-3 | Evaluation of the management approach | 71 |
| 405-1 | Diversity of governance bodies and employees | 71 |
| 406-1 | Incidents of discrimination and corrective actions taken | 71 |
| Human rights, including child labour | | |
| 103-1 | Explanation of the material topic and its Boundary | 23 |
| 103-2 | The management approach and its components | 71-73 |
| 103-3 | Evaluation of the management approach | 71-73 |
| 407-1 | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | 73 |
| 408-1 | Operations and suppliers at significant risk for incidents of child labour | 73 |
| 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor | 71 |
| Training and development | | |
| 103-1 | Explanation of the material topic and its Boundary | 23 |
| 103-2 | The management approach and its components | 74 |
| 103-3 | Evaluation of the management approach | 74 |
| 404-1 | Average hours of training per year per employee | 74 |
| Community Livelihood | | |
| Grievance handling | | |
| 103-1 | Explanation of the material topic and its Boundary | 22 |
| 103-2 | The management approach and its components | 79 |
| 103-3 | Evaluation of the management approach | 79 |

GRI STANDARDS INDEX

| Disclosure Number | Disclosure Title | Reference/Reasons for Omission (if applicable) |
|--|---|--|
| Community Livelihood | | |
| Rights of indigenous and local communities | | |
| 103-1 | Explanation of the material topic and its Boundary | 22 |
| 103-2 | The management approach and its components | 78-79 |
| 103-3 | Evaluation of the management approach | 78-79 |
| 411-1 | Incidents of violations involving rights of indigenous peoples | 79 |
| Community livelihood and empowerment | | |
| 103-1 | Explanation of the material topic and its Boundary | 22 |
| 103-2 | The management approach and its components | 78-79 |
| 103-3 | Evaluation of the management approach | 78-79 |
| 203-1 | Infrastructure investments and services supported | 80 |
| 413-2 | Operations with significant actual and potential negative impacts on local communities | 78 |
| Our Customers and Consumers | | |
| Product quality and safety | | |
| 103-1 | Explanation of the material topic and its Boundary | 22 |
| 103-2 | The management approach and its components | 86-88 |
| 103-3 | Evaluation of the management approach | 86-88 |
| 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | 87 |
| Innovation | | |
| 103-1 | Explanation of the material topic and its Boundary | 23 |
| 103-2 | The management approach and its components | 35, 48, 86, 91 |
| 103-3 | Evaluation of the management approach | 35, 48, 86, 91 |
| Sustainability standards and certifications | | |
| 103-1 | Explanation of the material topic and its Boundary | 23 |
| 103-2 | The management approach and its components | 89-90 |
| 103-3 | Evaluation of the management approach | 89-90 |

GLOSSARY OF TERMS

| | | | |
|--------|---|---------|--|
| AAALI | - APRIL-Asian Agri Learning Institute | NDPE | - No Deforestation, No Peat and No Exploitation |
| AAJ | - PT Asianagro Agungjaya | NGOs | - Non-governmental organisations |
| AAJTB | - PT Asianagro Agungjaya Tanjung Balai | OHS | - Occupational Health and Safety |
| AAT | - Administration Assistant Training | PIMS | - Plant Information Management System |
| AMDAL | - Analisis Mengenai Dampak Lingkungan | PKO | - Palm Kernel Oil |
| ART | - Aggregator Refinery Transformation | PORAM | - Palm Oil Refiners Association of Malaysia's |
| ASAS | - Apical Sustainability Assurance System | PPE | - Personal Protective Equipment |
| BCSD | - Business Council for Sustainable Development | PPKO | - Processed Palm Kernel Oil |
| BoD | - Apical's Board of Directors | PPO | - Processed Palm Oil |
| BPDPKS | - Indonesian Oil Palm Estate Fund | PSEP | - Priority Supplier Engagement Programme |
| BPJS | - Badan Penyelenggara Jaminan Sosial | PT FWP | - PT Fortius Wajo Perkebunan |
| BTTT | - Bukit Batabuh Tiger Corridor | PT KRN | - PT Kutai Refinery Nusantara |
| CORE | - Consortium of Resource Experts | PT SBP | - PT Surya Bratasena Plantation |
| CPKO | - Crude Palm Kernel Oil | PTTKWL | - PT Teguhkarsa Wanalestari |
| CPO | - Crude Palm Oil | RBD | - Refined Bleached Deodorized |
| DLP | - Driving License Programme | RBDCNO | - Refined Bleached Deodorized Coconut Oil |
| EFB | - Empty Fruit Bunches | RBDSBO | - Refined Soy Bean Oil |
| EFSA | - European Food Standards Authority | RDD | - Rural Dynamic Diagnostic |
| EIA | - Environmental Impact Assessments | RSM | - Responsible Smallholder Manual |
| EU | - European Union | RSPO | - Roundtable on Sustainable Palm Oil |
| FFB | - Fresh Fruit Bunches | RSS | - Responsible Sourcing from Smallholders Programme |
| FFVP | - Fire Free Village Programme | SDGs | - Sustainable Development Goals |
| FPIC | - Free, Prior, and Informed consent | SDS | - PT Sari Dumai Sejati |
| FSSC | - Foundation Food Safety System Certification | SEIA | - Social and Environmental Impact Assessments |
| GHG | - Greenhouse Gas | SLWG | - Sustainable Landscape Working Group |
| GIS | - Geographic Information System | SOPs | - Standard Operating Procedures |
| GRI | - Global Reporting Initiative | SPOM | - Sustainable Palm Oil Manifesto |
| GSC | - Grievance Steering Committee | SSL | - Social, Security and Licensing |
| H&S | - Health & Safety | SUSTAIN | - Sustainability Assurance & Innovation Alliance |
| HCS | - High Carbon Stock | SVP | - Shared Value Programme |
| HCV | - High Conservation Value | TAT | - Traction Assistant Training |
| HIRARC | - Hazard Identification, Risk Assessment and Risk Control | TDD | - Traceability Declaration Documents |
| ISCC | - International Sustainability and Carbon Certification | TFA | - Tropical Forest Alliance |
| ISPO | - Indonesian Sustainable Palm Oil System | TOP | - Traceability Outreach Programme |
| LIMS | - Laboratory Information Management System | TWG | - Traceability Working Group |
| LTI | - Lost Time Injury | UN | - United Nations |
| LTS | - Land Tenure Studies | | |
| MPP | - Mill Prioritisation Process | | |
| MSP | - PT Mitrasari Prima | | |