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APICAL GROUP SUSTAINABILITY REPORT 2016

IMPROVING  
LIVES





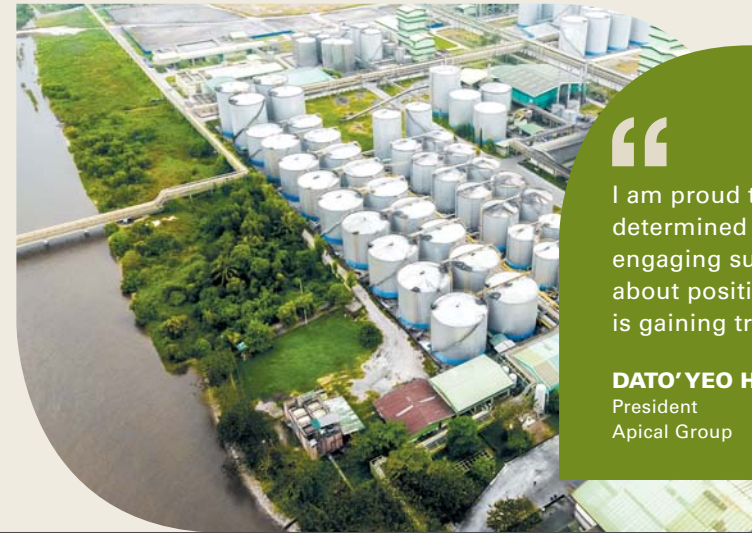
## IMPROVING LIVES

Sustainability, transparency and care is at the heart of it all. Through the creation of responsible marketplaces, healthy environment and communities, Apical will continue to integrate sustainability into our business right across our value chain, from cultivation to production to consumption.



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

# INSIDE THIS REPORT



I am proud that Apical's determined effort in engaging suppliers to bring about positive changes, is gaining traction.



**DATO' YEO HOW**  
President  
Apical Group

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## 01

# ABOUT THIS REPORT



## APICAL'S COMMITMENT TO DISCLOSURE

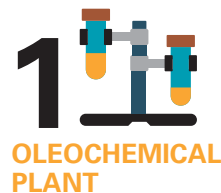
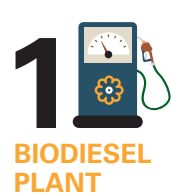
Apical Group (Apical) has been communicating the progress of policy implementation including the social and environmental developments as well as initiatives since the launch of our Sustainability Policy in 2014 through a yearly Sustainability Progress Report. In our first Sustainability Report, we decided to take on a more comprehensive stance by aligning the content against the Global Reporting Initiative (GRI) Standards.

By producing a GRI-referenced report, Apical has stepped up our commitment to disclosure and accountability when it comes to sustainability. This report seeks to demonstrate the company's progress and performance of our sustainability journey against our commitments in an open, transparent and timely manner.

We continue to drive positive social and economic impact for all our stakeholders, especially smallholders and communities, by sourcing responsibly, partnering equitably and creating shared value for all.

## BOUNDARIES AND SCOPE

This report contains information pertaining to FY2016. It describes Apical's environmental, social and economic performance covering our business operations and production facilities in Indonesia, which consist of the following:



Unless otherwise stated, this report excludes the company's activities outside of Indonesia.

Complimentary to this report is the Sustainability Progress Dashboard on our website, which is available at all times to users who wish to be regularly updated on our goals, roadmap, activities, progress and more. Please visit [www.sustainability.apicalgroup.com](http://www.sustainability.apicalgroup.com) to view the information.

## REPORTING STANDARDS

In an effort to align with international best practice, and recognising where we are on our journey, Apical has chosen to produce a GRI-referenced report. For a full list of disclosures referenced in this report, please visit our [website](#). We hope to continue using the GRI Standards and we are currently working toward setting strategic goals that are aligned to the UN Sustainable Development Goals (SDG) while evolving our approach to reporting in future years.

In this report, we have applied the GRI reporting principles for defining report content.

- **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.



We have not sought independent external assurance of the information contained in this report but will consider doing so in the next report.

## POINT OF CONTACT

Feedback from our stakeholders is a vital part of our continued growth and improvement. We welcome your views, comments and feedback, which may be directed to:

**Bremen Yong,**  
Head of Sustainability for Apical Group  
[Bremen\\_yong@apicalgroup.com](mailto:Bremen_yong@apicalgroup.com)



## 02

## PRESIDENT'S STATEMENT



Dear Stakeholders,

I am pleased to present our **FIRST SUSTAINABILITY REPORT** written with reference to GRI Standards. At Apical Group, we are committed to putting sustainability at the heart of our business. Our vision is to be a leading, sustainable and integrated edible oils player globally.

**DATO' YEO HOW**  
President  
Apical Group

In 2014, we launched our sustainability policy. The following year, we published our first progress report to provide an update on the implementation of the policy. This year's report presents our continued commitment and seeks to transparently disclose our sustainability performance and achievements, the challenges we still face and our ongoing efforts to address them.

Founded in 2006, Apical is guided by the 5Cs that our founder Mr Sukanto Tanoto embedded within his businesses philosophy: operating in a manner that is good for the Community, good for the Country, good for the Climate, good for the Customer, then only will it be good for the Company. For us, sustainability is not a buzzword but about investing in the long term success of our business and the palm oil sector as a whole. We seek to create healthy marketplaces, healthy environments and healthy communities.

In 2015, the United Nations launched the Sustainable Development Goals (UN SDGs), a sustainable development roadmap that invites both the public and private sectors to achieve 17 Global Goals by 2030. Apical Group is fully committed to supporting the efforts to achieve the Global Goals. We are currently working towards setting strategic objectives in relation to these goals.

#### INDUSTRY TRENDS AND OUTLOOK

Despite oil palm's overwhelming yield advantage over other oilseed crops and its pivotal role in socio-economic development and poverty eradication, the sector continues to be embroiled in debates over deforestation, biodiversity loss, greenhouse gas (GHG) emissions and social conflicts. It is essential that leading industry players take leadership in addressing these issues.

We recognise that we cannot achieve our sustainability ambitions on our own. To this end, we seek active engagement and sustained collaboration with our business partners such as our suppliers. Together, we can enable economic growth and improve the quality of lives, especially for local communities and smallholders, while protecting the environment.

The mid-term outlook for palm oil continues to be positive. Global consumption of palm oil has accelerated given its natural advantage, versatility of use and long shelf life. As global demand continues to grow, it is the responsibility of all stakeholders to collectively work towards addressing the challenges and to ensure that transparency, accountability and fairness govern the entire supply chain.

This commitment to sustainability is a critical component of our decision matrix. When we invested in a bio-diesel production plant in Spain, we ensured that it had a robust environmentally-friendly regime in place. Whether they are our key markets in Europe or in Asia, our business growth model is built upon responsibly-sourced certified oil.



#### TRACEABILITY AND SUPPLIER ENGAGEMENT

Apical actively engages our upstream suppliers to help transform them to become more sustainable. Since 2016, our key focus has been the traceability and sustainability of our supply chains. I am proud that through determination and hard work, Apical has achieved 100 percent traceability to mills in 2015 and has maintained this achievement in 2016. Our next step is to seek traceability to the plantation level. This is an ongoing process as some of the commercial mills we source from buy from aggregators, adding complexity to the upstream supply chain that we alone cannot resolve.

In 2016, we intensified our campaign for greater transparency and sustainability in our supply chain. Through our Shared Value Programme (SVP), we equipped our suppliers with the knowledge of our policy, good practices and tools (for implementation and monitoring), helping them gain a competitive edge in meeting global requirements in sustainable palm oil. We are now strengthening our approach to engage our suppliers towards conserving high carbon stock (HCS) and high conservation value (HCV) forests, as well as preventing new planting on peat areas regardless of depth. Through Shared Value Program and Priority Suppliers Engagement Program visits, we have communicated the importance of protecting HCV and HCS areas and provided training for selected suppliers.

## 02

PRESIDENT'S  
STATEMENT

Fire monitoring tower at Buatan Estate, Asian Agri

We have formed strategic partnerships with organisations such as The Forest Trust (TFT), to help drive supply chain transformation for sustainability policy compliance. TFT and other non-governmental organisations such as IDH, Yayasan SETARA Jambi and Serikat Petani Kelapa Sawit (SPKS) have also been invited as speakers in various workshops organised for our sustainability team and supply partners.

Apical has in place a fully dedicated team focused on supplier engagement through day-to-day interaction, training, monitoring activities and providing various support services. This approach has not only resulted in enhanced yield for our suppliers but has also reduced the pressure to clear more land through burning.

We also wish to be a driver of positive socio-economic change to local and indigenous communities. We are committed to including more independent farmers and smallholders into our supply chain by helping them meet global sustainability standards. We are also taking additional measures to respect and recognise the rights of indigenous and local communities to give or withhold their Free, Prior and Informed Consent (FPIC) to the utilisation of lands to which they have legal, communal or customary rights. We are pleased to report that in 2016, there were no incidents involving the rights of the local people and indigenous peoples. We will continue to minimise the likelihood of conflicts taking place and monitor any publicly reported grievances against our suppliers through our internal Grievance Alerts System.

### CARE FOR EMPLOYEES AND ENVIRONMENT

Apical believes that our greatest assets are our people. We actively contribute to the socio-economic development of local communities in Indonesia by hiring locally and through various community development programmes discussed in this report.

We also believe in taking care of our own staff and constantly look after their health, safety and well-being. We provide numerous training and development opportunities to enhance our workers' skills and enable them to perform their various tasks better and safer. To uphold fundamental human rights, we comply with all the laws that apply to the locations in which we operate, respecting freedom of association, fair wages, just working hours, enforcing non-discrimination and a zero tolerance for child or forced labour.

We are also committed to make our operations more efficient and more environmentally friendly by reducing our GHG emissions and water consumption, as well as responsibly managing our refinery waste.

### LOOKING AHEAD

Sustainability is a long-term commitment for Apical. With new issues constantly emerging, we cannot be complacent. We look forward to the near future where Apical is able to produce fully traceable and sustainable palm oil for the global market with the support of our business partners.

As we continue to track and review the progress and effectiveness of our efforts in implementing our Sustainability Policy, this report and the future ones will be vital tools to communicate our performance and provide a starting point for our engagement with you, our valued stakeholders. It is my sincere hope that as you read through this report, you will not only gain a better understanding of our business but also share our commitment and conviction towards building a strong and sustainable business.

Yours sincerely,

**DATO' YEO HOW**  
President  
Apical Group





# REPORT REVIEW: PROFOREST



Apical's 2016 Sustainability Report communicates its progress in implementing policy commitments that it set out in 2014, through the launch of its Sustainability Policy. The 2016 report focuses on Apical's progress in key areas including traceability, grievance management, compliance to standards, environmental protection, labour and human rights, and customer-centric focus.

As the report is Apical's first attempt at a GRI-referenced report, it is noted that there is no overarching theme focusing on a particular area of concern, but in general its disclosures aim to provide the reader of an understanding of Apical's set of challenges in implementing its policy. The materiality matrix referred to in this report lists 9 out of 17 indicators as material in nature – providing detailed information on these indicators is a challenge, especially considering that all of Apical's suppliers are third parties.

Apical is in an important position to influence change in the wider industry landscape for palm oil, as it operates as a refining business and does not own mills and plantations. Apical sources from numerous mills throughout Indonesia, where each mill has a different set of challenges in terms of scale, structure, and sourcing. Asian Agri as one of Apical's major suppliers has its own sustainability policy that is implemented in its mills and plantations. Apical is taking on a degree of accountability for the actions of its upstream suppliers over which they have varying levels of leverage and can more actively influence these suppliers towards complying with their sustainability commitments.

Apical has reported full traceability to mills and is embarking on an ambitious plan to implement traceability to plantation with assistance from CORE (Consortium of Resource Experts)<sup>1</sup> starting in 2017. An essential part of maintaining full mill traceability is the implementation of a robust supplier due diligence process that collates information on a supplier's existing practices and determines avenues for improvement through engagement and collaboration. Apical has conducted engagement visits to 21 of their major palm oil suppliers in 2016 – we look forward to details on how these visits have transformed or improved the suppliers' sustainability compliance in future.

Recognising that traceability is a key step towards enabling positive change, the implementation of policy commitments should also include effectively resolving any grievances or issues that may occur in the supply chain. Apical has implemented a grievance management system including a whistle-blowing channel and an alerts system that covers all potential suppliers, whether currently in Apical's supply chain or not. This is a good, albeit

resource-intensive, mechanism through which Apical is able to identify possible policy violations by its suppliers on a group level. It is recommended that case studies of grievance management are included in future reporting.

In implementing its policy commitments related to environmental and social compliance, Apical has reported widely on its own refining operations. In its own operations, it is clear that Apical has implemented concrete actions on labour and human rights, but has yet to fully roll-out improvements on environmental indicators. As there is already reporting on greenhouse gas emissions, waste management, and water consumption, a more detailed plan to manage emissions and effluents may need to be drawn up.

As Apical continues to work with its suppliers on improving practices, more information on suppliers' practices relating to labour, community, smallholders, and social grievances will need to be collected. It is heartening that case studies of community empowerment and raising of living standards have been included in this year's report. It would be good to see more examples from third-party suppliers in future reporting.

Subsequent reports should include objective tracking of labour indicators within the operations of third-party suppliers and greater oversight of suppliers' labour practices. As the use of contract labour is under increased scrutiny, additional information on safeguards against the exploitation of labour and guidelines on ensuring contractors are fully compliant with Apical's labour policies are areas on which greater disclosure is needed.

Apical has clearly sought to increase its positive contribution to the local communities in areas where its refining

operations are, through the employment of local villagers and the provision of wages exceeding the minimum legislated. There are clear safeguards against the use of child labour and respect for freedom of association is upheld.

Apical has highlighted work with smallholders through capacity-building for suppliers and pilot projects on a single mill thus far on strategies to improve production methods, living standards, and access to education and health for small farmers. Additional disclosure on these smallholder programmes and data on outcomes in future reports is welcome.

As a partner to Apical in implementing their sustainability policy, it is clear that Apical is on track with its mission to improve and elevate sustainable practices within its supply chain. A positive way forward is to develop a reporting mechanism on Apical's material issues to include third-party suppliers with key performance indicators (KPIs) to enable monitoring of deliverables, beyond traceability. Developing this tracking mechanism would also enable prioritisation of focus, and enable Apical to leverage its resources to greater effect. In view of the complexity of conditions in its supply base, it is commendable that Apical has arrived at this level of disclosure on the material issues in line with its policy commitments.

**MR SURIN SUKSUWAN**  
Proforest Southeast Asia Regional Director

<sup>1</sup> Proforest and Daemeter Consulting

## 04

# ABOUT APICAL GROUP



## COMPANY'S OVERVIEW AND HISTORY

Apical Group is one of the largest exporters of refined palm oil in Indonesia. The company owns and controls an extensive spectrum of the palm oil business value chain from sourcing 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 Group manages a group of companies with palm oil operations spreading from sourcing to distribution and is engaged in the refining, processing and trading of palm oil for both domestic use and international export. It consists of three refineries and processing operations in Indonesia; Asianagro Agungjaya Marunda, Jakarta; Sari Dumai Sejati, and Asianagro Agungjaya Tanjung Balai in Sumatra. While Apical was established in 2006, our beginnings can be traced back to our business consolidation exercise in 1989 when Asian Agri acquired a palm oil refinery in Tanjung Balai, Sumatra.

Today, Apical operates independently and manages all these refineries, while Asian Agri remains a reliable and long-term supplier of crude palm oil, palm kernel, and crude palm kernel oil to our refineries.

On 5 July 2016, Apical successfully acquired Bio-Oils, a leading Spanish biodiesel company. The acquisition strengthens Apical's foothold in the growing EU biodiesel market. With

increasing demand for palm oil in biofuel production in Southern Europe, Apical expects to be a key participant in the growing market.

Our business model is built on four core strengths:

1. Having a reliable, traceable, and broad Crude Palm Oil (CPO) sourcing network in Indonesia;
2. Integrating primary and secondary refinery assets that are efficient and strategically located in Indonesia and China;
3. Managing efficient logistics channels to deliver quality products to a well-diversified clientele; and
4. Driving sustainability throughout business operations; including risk-based assessment for supply bases, mapping and a prioritisation approach to sieve out any illegal sources, and engaging suppliers proactively for capacity building and progressive transformation in our supply chain.

Apical has invested in its own logistical infrastructure to deliver CPO and processed palm oil (PPO) to a range of buyers comprising international trading houses and local industries. The business model gives the Group the advantages of quality control, the inculcation of sustainability, thus driving efficiency and synergy at every step of the supply chain to create value to stakeholders.

# VISION and VALUES

Apical's vision is to be a **leading, sustainable** and **global integrated edible oils player**. To fulfil this vision, we are guided by the following set of core values:



### COMPLEMENTARY TEAM

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



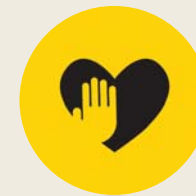
### OWNERSHIP

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



# 04 ABOUT APICAL GROUP



Bird's-eye view of Asianagro Agungjaya Marunda



Management team and employees at AAJ Marunda

## CORPORATE GOVERNANCE AND BOARD OF DIRECTORS

The Apical's Board of Directors (BoD) is the highest governing body in driving the group's long-term business direction towards sustainable growth, as guided by the 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 Head of Sustainability and various business heads, ensures sustainability is integrated into the various roles within business and functional units. The Board of Directors and President are members of the Apical's Grievance Committee, and are supported by Grievance Secretariat consisting of members from cross-functional units including Trading, Sustainability, and Sourcing divisions.

## CORPORATE PHILOSOPHY

Apical adopts the same approach as our founder's 5Cs philosophy: operating in a manner that is good for the Country, good for the Community, good for the Climate, good for the Customer and good for the Company. We believe that a company can only be successful if it is a responsible corporate citizen.

## SCALE OF THE ORGANIZATION



### APICAL REFINERIES:

- 1 Asianagro Agungjaya Marunda
- 2 Sari Dumai Sejati
- 3 Asianagro Agungjaya Tanjung Balai

Apical handles the downstream business that includes raw material sourcing; distribution of CPO and PPO; fractionation and refining of CPO, Crude Palm Kernel Oil (CPKO); processing (palm kernel crushing, production of shortening, margarine, biodiesel etc.); merchandising and trading of palm oil and its products.

Apical employs a total of 1,416 employees across its operations. Total facilities owned are four refineries (three in Indonesia, one in China) with a total capacity of 3.70 million metric tonnes, a biodiesel plant, a fat splitting plant and a crushing plant in Indonesia.





# 04 ABOUT APICAL GROUP



Night view at the Sari Dumai Sejati Refinery, Lubuk Gaung, Dumai

The primary processing plants and storage tanks are located near raw material sources in Indonesia. The secondary manufacturing facilities are situated close to the industrial zones of cities for quick access to large customer base. Sari Dumai Sejati (SDS) is Apical's main refinery at Lubuk Gaung, Dumai and it operates in a bonded zone. This offers the benefits of quick documentation processing, efficient berthing and timely vessel delivery from a one kilometre long private jetty. The AAJ Marunda processing plant near Tanjung Priok container terminal facilitates on-time delivery and shipment exports resulting in logistical efficiencies.

Apical supplies quality edible oils to leading companies worldwide that use them in the production of consumer brands. The use of CPO, apart from industrial applications such as lubricants and biodiesel, can be processed for edible matters such as cooking oil, margarine, shortening, ice-cream and instant noodles. CPO is also used in the manufacture of household products such as soaps and detergents, shampoo and fabric softeners.

Our major products are the following: CPO, various forms of PPO and PKO, as well as refined coconut oil (RBDCNO), all of which can be processed into value-added products.



Aside from the domestic market in Indonesia, sales destinations of Apical products include Europe, Asia, America, Australia, New Zealand and Africa. The types of customers we serve include palm oil traders, biofuel manufacturers, food manufacturers and consumer goods manufacturers.

Our constant engagement with global brands and leading trading houses helps us ensure that our policies and practices—including meeting their sustainability requirements—continue to be relevant and effective.

## OUR PRIMARY BRANDS AND PRODUCTS



### CRUDE OILS AND PROCESSED OILS

- CPO** (Crude Palm Oil)
- CPKO** (Crude Palm Kernel Oil)
- HPS** (Hydro Palm Stearine)
- RBDCNO** (Refined Bleached Deodorized Coconut Oil)
- RBDPKO** (Refined Bleached Deodorized Hydro Kernel Oil)
- PKFAD** (Kernel Fatty Acid)
- CFAD** (Coconut Fatty Acid)
- CBS** (Cocoa Butter Substitute)
- RBDHCNO** (Refined Bleached Deodorized Hydro Coconut Oil)
- RBDHPO** (Refined Bleached Deodorized Hydro Palm Oil)
- RBDHPKO** (Refined Bleached Deodorized Hydro Kernel Oil)
- RBDHPKL** (Refined Bleached Deodorized Hydro Kernel Olein)
- RBDHPKS** (Refined Bleached Deodorized Hydro Kernel Stearine)
- CPL** (Crude Palm Olein)
- CPS** (Crude Palm Stearin)
- RBDPL** (Refined Bleached Deodorized Refined Palm Olein)
- RBDPS** (Refined Bleached Deodorized Refined Palm Stearin)
- PFAD** (Palm Fatty Acid Distillate)
- PME** (Palm Methyl Ester)



### FINISHED PRODUCTS

#### VITAS

- Margarine
  - Gold Margarine
  - Supreme Margarine
  - Cake Margarine
- Shortening
  - Gold Whipping Fat
  - Supreme Shortening
  - Gold Cream Shortening
- Apikote
- Butter Oil Substitute
- Gold Confectionary Fat
- Gold Coating Fat
- Apichoc Cocoa Butter Substitute

#### BAKERIA

- Cream Margarine
- Pan Release Agent

#### MEDALIA

- Margarine
- Table Margarine
- Shortening
- Baker's Fat
- RBD Coconut Oil

#### OTHER BRANDS AND PRODUCTS

- FRYBEST Frying Fat
- SUPERFRY Frying Fat
- CAMAR Cooking Oil, Frying Oil
- HARUMAS Cooking Oil, Frying Oil
- MARIGOLD Butter Oil Substitute
- OPTIMA 100 Rumen Protected Feed Fat
- OPTIMA 200 Rumen Protected Feed Fat (Flavour Enriched)
- OPTIMA 300 Feed Fat for Mono-Gastrics (Lecithinized)



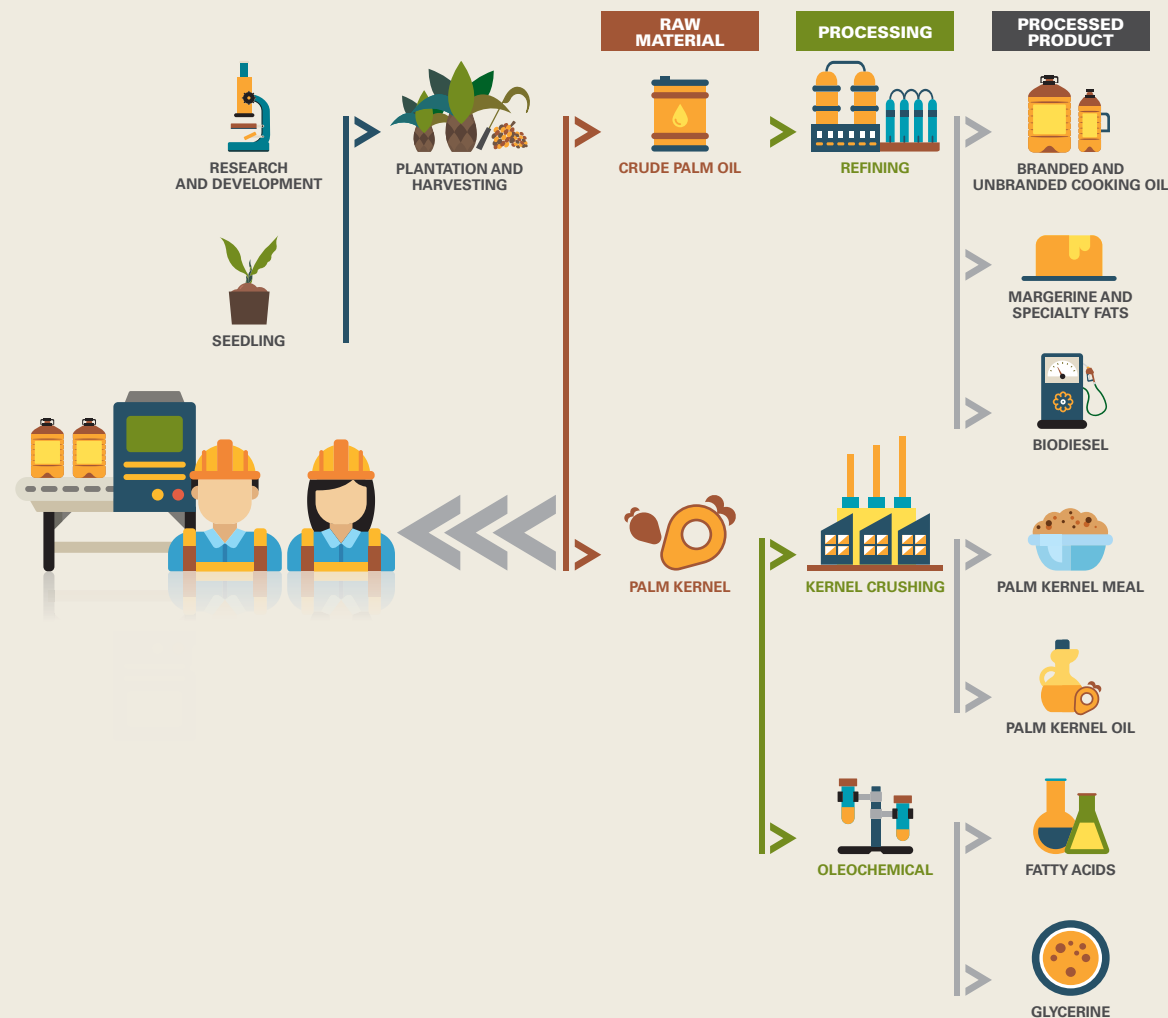
Consumer products by AAJ Marunda Refinery

# 04 ABOUT APICAL GROUP

## VALUE CHAIN

Apical operates an extensive logistics network and provides customers with an end-to-end solution, covering the time the raw materials are sourced and processed in our refineries to the time it reaches the final consumer. A reliable and extensive sourcing network at the upstream enables us to better control our quality and enhances our ability and commitment to traceable and sustainable crude oil supplied to our refineries.

Going downstream in our value chain, we partner with local, international and multinational brand owners and retailers to help them optimise the flow of inventory and information to reduce cost and improve service level. Our ability to sense and respond successfully to changes enables a sustainable and profitable operation. Our people work closely with both internal and external stakeholders to anticipate their needs, and develop solutions to meet their expectations.



We have come to realise through many levels of support and engagement with our network of suppliers that the journey to improve our supply chain with greater sustainability standards is indeed a long one. With senior management commitment and guided by a comprehensive sustainability framework, we have found 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.

We are developing a method for traceability to our FFB suppliers with our partner The Forest Trust (TFT). We have achieved full traceability to all our tier one suppliers, palm oil mills, who supply us with CPO and PK. More than 250 independent mills in Sumatra and Kalimantan are contracted as suppliers. Our target is to achieve full traceability to FFB suppliers by 2020. This is covered in more detail in subsequent chapters.



## 05

# OUR APPROACH TO SUSTAINABILITY



Being a market leader in agricultural palm oil trade, we shoulder the responsibility of conducting business in an ethical and transparent manner. We have placed sustainability at the core of our business strategy, impacting the extensive spectrum of our value chain -- from cultivation to consumption.

As millions of people worldwide consume palm oil in one way or another, it only makes good business sense to utilise the oil's natural advantage to advance responsible and positive development for all stakeholders.



## THE IMPORTANCE OF PALM OIL:

Palm oil is a highly versatile vegetable oil with numerous and varied uses. Oil palm is grown mainly in the equatorial belt where abundant sunshine and regular rainfall contribute to oil palm having, by far, the highest oil yield per hectare of cultivated land compared to other agro-based oil feedstock. Therefore, oil palm cultivation plays an important role in ensuring that the growing demand for edible oil can be met through more efficient use of land. Due to its natural advantage, oil palm cultivation is an attractive investment for large corporations and also plays a significant role in the social and economic development of the countries in which it is cultivated. It also presents opportunities for improving the livelihoods of smallholders in local communities.

## OUR SUSTAINABILITY POLICY

Apical released its Sustainability Policy in September 2014. The policy serves the emerging needs and future requirements of the Group in its pursuit of becoming a global and sustainable processor and trader of palm oil. We saw the importance of aligning the Group with leading practices and therefore engaged with The Forest Trust (TFT) to help us deploy and implement the policy in the field.



## APICAL 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 socio-economy 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, are 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, temporarily suspend our business relationship with them until we can see significant positive improvements.

Details of our policy commitments can be found on Apical's website:

<http://www.sustainability.apicalgroup.com/wp-content/uploads/2016/09/apical-sustainability-policy.pdf>

# 05 OUR APPROACH TO SUSTAINABILITY

## MANAGING SUSTAINABILITY IN OUR BUSINESS

Our commitment to upholding our policy and principles stems right from the top with senior management's full endorsement and support of Apical's environmental and social initiatives. We have a Sustainability Department with dedicated personnel based in our key offices in Kuala Lumpur, Medan and Pekanbaru. The sustainability team is tasked with implementing and monitoring the commitments and their corresponding activities.

In addition to this team, there is a dedicated Social, Security and Licensing (SSL) department in each of Apical-owned refineries to handle social matters in accordance to our corporate social responsibility (CSR) programs.

## DEFINING OUR MATERIAL SUSTAINABILITY ISSUES

To better understand the sustainability issues that affect our business and where we have a significant impact on society and the environment, Apical has applied the four GRI principles in defining our report content. Following a systematic approach and cross-functional team effort, we were able to assess our material issues.



### Identification of material aspects and topic boundaries of reporting

Apical identified a long list of potential sustainability issues based on industry trends and stakeholder feedback. With this list, we designed and distributed a materiality survey to internal and external stakeholders. Participants were asked to rank each issue using a Likert Scale (rating from 1 to 5) in order to prioritise social, environmental, governance and economic factors that are most important to our stakeholders and business.

Out of 34 stakeholders approached, we received 18 completed surveys that served as relatively balanced representation of the defined group of external stakeholders. The survey findings were analysed, validated and classified into material, moderate and low priority topics to produce a materiality matrix.



Material Issue	Description	Priority
Fire prevention and management	Work with farmers and communities to prevent and suppress forest fires, especially in carbon-rich peat lands.	Material
Free Prior Informed Consent (FPIC) for indigenous and local communities	Respect 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.	Material
Human rights, including child labour	Prevent the risk of forced, bonded or child labour occurring in the supply chain or workforce.	Material
Livelihood & empowerment	Contribute to local communities in terms of jobs, income opportunities, education and skills, and the development of shared infrastructure.	Material
Protection of environment and biodiversity areas	Work to protect ecologically sensitive habitats, reduce habitat loss and maintain plant and animal regional species diversity.	Material
Smallholder development	Support the socio-economic development and welfare of smallholders that form part of our supply chain.	Material
Stakeholder engagement, including grievance handling	Have constructive engagement with suppliers for policy compliance and traceability to ensure that raw materials are sourced and managed responsibly.  Ensure relevant stakeholders are aware of the grievance mechanisms to register complaints and supply chain issues.	Material
Sustainability standards and policy compliance	Ensure that the environmental impacts of our business operations are upheld by externally-recognised standards (such as RSPO).	Material
Traceability	Work with suppliers and industry partners to ensure the traceability of raw materials.	Material



# 05 OUR APPROACH TO SUSTAINABILITY

Material Issue	Description	Priority
Governance, ethics and integrity	Have in place governance structures, management practices and risk management systems that uphold the successful running of Apical. The alignment of the business strategy with our approach to managing sustainability can help govern the elements that are subject to significant stakeholder scrutiny.	Moderate
Product quality & safety	Ensure goods brought to market do not cause harm to the user and that they comply with laws and regulations.	Moderate
Wages and benefits	Observe fair wages in accordance to national laws.	Moderate
Waste management	Ensure the safe and sustainable disposal of waste.	Moderate
Worker health, safety and well-being	Ensure that the company's workers and contractors are afforded safe, suitable and sanitary work facilities and are provided with the protective equipment and training necessary to perform their tasks safely.	Moderate
Emission reductions	Management and reduction of GHG emissions and maximisation of energy efficiency.	Emerging issue
Innovation	Continuous innovation is key to meeting customers' stringent quality requirements for oils and fats. Proximity to end-users also enables us to react to market changes in the shortest time possible.	Emerging issue
Water management	The use of best practice management systems to minimise water pollution and maximise water efficiency in our operations.	Emerging issue

**KEY**

- Material** : These are issues with high impact on society and the environment, and of high concern to stakeholders. They form the focus of our sustainability efforts and communication.
- Moderate** : These are issues of ongoing importance to Apical and of medium concern to stakeholders. We actively manage and report on these issues as appropriate.
- Emerging Issues** : These are issues that are of relatively lesser importance, but still relevant to both Apical and its stakeholders.

**STAKEHOLDER ENGAGEMENT**

Apical is committed to maintaining active and open communication with its network of stakeholders. We aim to build long-term relationships to help us manage emerging issues and identify opportunities for collaboration and innovation in the industry. We proactively encourage dialogue to listen to what our stakeholders have to say and respond to their concerns appropriately.

**Identifying our key stakeholder groups**

Our stakeholder network ranges from people we engage regularly through our operations to those who influence our activities externally. Based on their knowledge, relevance, and impacts (social and environmental) to Apical, we identified the groups below as fundamental to our continuing business success.



## 05

OUR  
APPROACH  
TO SUSTAINABILITY

### A KEY FOCUS IN OUR ENGAGEMENT: SUPPLIERS

Apical recognises the importance of establishing a tailored approach to communicating with our broad range of stakeholders. Thus far, we have prioritised suppliers to get them on board with our sustainability commitments. For our suppliers, we conduct regional workshops that spur discussions on incorporating sustainability and traceability as part of their quality management system. Visiting suppliers directly gives us further opportunities to encourage and support them in embracing best practices to meet our sustainability commitments and requirements. Priority in engagement is given to long-term suppliers or those who sell us large quantities of raw materials. However, smaller suppliers who are willing to adopt more responsible practices will be given equal priority in joining our sustainable supply chain as well.



Mr. Syafrianto Silalahi, Head of Administration from Buatan Estate, Asian Agri

The engagement process also involves a visit to the mills and estates to identify improvements needed according to market standards or our specific requirements. We note changes in practices and further actions for improvement in individual supplier reports. We also prepare an overall report that outlines general findings from all supplier visits. This aims to depict the actual supply chain scenario and to determine the strategies that are needed to address the remaining issues that appear to be beyond suppliers' abilities.

As of 2016, we engaged with 21 of our major palm oil suppliers through assessment visits to their mills and plantations. The findings and recommendations for improvement from these visits have been communicated to Apical's senior management. More information on our engagement activities with suppliers can be found in the section of Working with Suppliers and Smallholders.



Products loading points at AAJ Marunda refinery

### CERTIFICATION AND MEMBERSHIP

We recognise that many of the sustainability challenges facing our industry are too complex for any one company to tackle alone. We continue to play an active role in certification and membership organisations, such as the Roundtable on Sustainable Palm Oil (RSPO), the International Sustainability and Carbon Certification (ISCC) and

the Indonesian Sustainable Palm Oil (ISPO). We leverage on membership of these organisations to strengthen our management systems and ensure we procure our raw materials from sources that operate in accordance with global standards. Certification is further discussed in the Customers section of this report.



# 06 OUR SUSTAINABILITY MILESTONES & COMMITMENT TO FUTURE TARGETS

- Apical Group's subsidiary, AAAOF Pte Ltd became member of ISCC

2010

- AAAOF Pte Ltd became member of RSPO
- SDS CET Storage Dumai certified to ISCC

2011

- SDS Refinery Dumai and CEP Biodiesel Plant Dumai certified to ISCC and RSPO
- AAJ Marunda certified to RSPO

2012

- Apical Group became signatory to Sustainable Palm Oil Manifesto (SPOM)
- Apical established Sustainable Palm Oil Policy Statement and implementation timeline
- AAAOF Pte Ltd obtained RSPO eTrace/UTZ for the RSPOTrader (no physical handling) license
- AAAOF Pte Ltd became founding member of Business Council for Sustainable Development (BCSD)

2014

- Commenced joint project with TFT
- Selection of priority mills for field visits through Mill Prioritization Process (MPP) by TFT and first visit at priority supplying mill located in Riau

2015

- Achieved full traceability to the palm oil supplying mills of all refineries under Apical Group in Indonesia
- Conducted the first Apical Sustainability Policy Socialization Workshop for Medan-based suppliers
- Conducted six Priority Supplier Engagement Program (PSEP) visits at our selected SDS's suppliers in Sumatra.
- Launched the Apical Sustainability Progress Dashboard as a main communication channel with our stakeholders
- Published our Grievance Procedure as a channel for our stakeholders' to voice their concerns
- Launched Sourcing Policy

2016

- Published our first Sustainability Progress Report (2015).
- Conducted a Sustainability Policy Socialisation Workshop for Jambi-based suppliers
- Conducted an elevated inaugural Apical Shared Value Program Workshop for our Indonesian suppliers in Pekanbaru
- Conducted 21 PSEP visits at SDS's suppliers in Sumatra
- Maintained full traceability to the supplying mills
- Achieved 27% traceability to plantation

## Our Commitments and Progress at a glance

Sustainability Issue	Goals	Progress/ Achievements In 2016	Future Commitments
Sustainability standards and policy compliance	Implement our policy within our own operations and communicate it effectively to our suppliers	<p>Strengthened the collaborative partnership with The Forest Trust (TFT) to fast track our journey towards fulfilling our commitments.</p> <p>Developed a new set of standard operating procedures (SOP) that embed our policy commitments into our operations.</p> <p>Conducted Priority Supplier Engagement Program (PSEP) visits and Shared Value Workshop to actively cascade the Apical Sustainability Policy to our suppliers based in Sumatra.</p> <p>Conducted pre-screening and desktop analysis before commencing trading activities with new suppliers in order to minimise potential risks of violating the Apical Sustainability Policy.</p>	<p>Achieve internal capacity building through training by our consultant and other recognised external expert practitioners on HCS, HCV, FPIC, participatory mapping, social conflict management and other related topics.</p> <p>Extend PSEP visits and conduct Workshop for AAJ Marunda's supply chain in Kalimantan in order socialise the Apical Sustainability Policy and encourage/support suppliers to be operating in-line with our Policy.</p>
Fire prevention and management	Enforce our "zero-burn" policy in all operations and actively engage in initiatives of fire and haze mitigation	<p>Developed a practical guide on "Prevention, early detection and control of open-burning in oil palm plantations" which was published on the Apical Sustainability Dashboard.</p> <p>Pre-screened potential new suppliers to ensure there was no history of open burning and the availability of effective system and procedure to prevent the possibility of accidental fire.</p>	<p>Continue to engage with our suppliers on fire prevention efforts, collaborating with neighbouring companies, relevant governmental bodies and local communities for the purpose of fire prevention training.</p>





# 06 OUR SUSTAINABILITY MILESTONES & COMMITMENT TO FUTURE TARGETS

Sustainability Issue	Goals	Progress/Achievements In 2016	Future Commitments
Free, Prior and Informed Consent (FPIC) for indigenous and local communities	Work closely with local communities to create mutually beneficial relationships and to bring about positive socio-economic development	No incidents involving the rights of the local people and indigenous peoples took place in 2016.  A guideline on FPIC has been developed and publicly published on the Apical Sustainability Dashboard.	Work with suppliers to continue practicing FPIC before developing into new areas that are considered communities' legal and customary rights.  Continue to train our suppliers on the importance of engaging with accredited consultants and government departments to carry out Social and Environment Impact Assessments (SEIA) prior to any new development and expansion that may affect surrounding local communities and the environment.
Protection of environment and biodiversity areas	No new development on peat and adopt protection measures on developed peat areas  No deforestation throughout our supply chain	Communicated the importance of protecting HCV and HCS areas to our stakeholders and provided training for selected suppliers through our Shared Value Program (SVP) and PSEP visits.	Continue to provide training to suppliers on practical methods to reduce GHG emissions in their operations.  Continue practising our zero-tolerance on suppliers resorting to the practice of open burning, especially in estates planted on peat area.

Sustainability Issue	Goals	Progress/Achievements In 2016	Future Commitments
Transformation of supply chain	Engage suppliers and bring about transformation through the Aggregator Refinery Transformation (ART) plans	Developed relevant SVP sessions to equip our suppliers with the knowledge to help them gain a competitive edge in meeting the global requirements of sustainable palm oil.  Conducted two SVP Workshops for our Indonesian suppliers located in Jambi and Pekanbaru.  Conducted 21 PSEP visits at our priority SDS's suppliers in Riau, Jambi and North Sumatra	Continue to identify high priority suppliers through Mill Prioritization Process (MPP) and gradually transform the visited suppliers through the ART approach.  Provide reports on findings with recommendations with each entity visited and encourage them to develop corrective action plans and take a positive approach towards continuous improvement with our support.  Continue to directly engage with suppliers through site visits to understand the issues faced by suppliers and communities so that practical solutions can be found.
Stakeholder engagement, including grievance handling	Robust and responsive system to handle grievances and conflicts	Apical developed the Apical Grievance Procedure to provide guidelines for the transparent and accountable handling of grievances related to the sustainability practices within our supply chain.  Developed our internal Grievance Alerts System to monitor any publicly reported grievance against our suppliers and provide prompt support to resolve the issue.	Continue to minimise the likelihood of conflicts taking place through prompt, proactive and direct engagement with relevant stakeholders.  Work in a fair and transparent manner to resolve any verifiable complaint and conflict with all parties involved through the Apical Grievance Procedure.





# 06 OUR SUSTAINABILITY MILESTONES & COMMITMENT TO FUTURE TARGETS

Sustainability Issue	Goals	Progress/Achievements In 2016	Future Commitments
Traceability	Achieve full traceability to palm oil mills. Achieve traceability to plantations.	Continued to realise 100% traceability to supplying mills. Reported Traceability Declaration Documents (TDD) of supplying mills to the Apical Sustainability Dashboard at quarterly basis. Developed the Action Plan to Build Full Fresh Fruit Bunch (FFB) Traceability. Achieved 27% traceability to plantations. Developed Traceability Outreach Program (TOP) to intensify our effort in achieving our target of full traceability to plantation through engagement with suppliers.	Achieve 100% traceability to plantation by 2020.
Smallholder development	Initiated the Rurality Project to improve livelihoods and agricultural practices of local communities and smallholders.	Initiated the Rurality Project, with TFT, at one of our supplying mills in Riau. The project is currently under diagnosis stage, where the project team is identifying problems affecting the livelihood of the smallholders.	Develop possible improvements that can be done to improve the socio-economic conditions and livelihoods of smallholders as part of the Rurality Project.

“RSPO was established as a multi stakeholder initiative to give players within the palm oil supply chain a way to play an active role in transforming markets to make sustainable palm oil the norm. Together with other RSPO processors and/or traders members, Apical plays a strategic role in ensuring that the sourcing of sustainable palm oil products from plantation to customer is increased. RSPO appreciates the overall sustainability progress of Apical where we trust this will result in a greater uptake of RSPO Certified Sustainable Palm Oil.”

**MS. TIUR RUMONDANG**  
RSPO Country Director, Indonesia Operations



# 07 WORKING WITH SUPPLIERS AND SMALLHOLDERS




Our commitment to sustainability extends throughout our supply chain. We believe our sustainability goals must not be achieved in isolation. All stakeholders, particularly our suppliers who are closest to many of the material social and environmental issues in our value chain, must be involved in order for collective efforts to be effective and meaningful.

In 2016, our sustainability efforts were focused on pro-active engagement with our suppliers through field visits and face-to-face meetings, support and the necessary guidance for corrective actions, and making progress towards a fully traceable supply chain. We also continued our work on the development of smallholders, ensuring we have adequate grievance mechanisms in place and due diligence in the selection of suppliers.

## ENSURING TRACEABILITY OF OUR PALM OIL

Supply chain traceability is an important issue for our customers and the consumers of palm oil products. It is fundamental to the confidence of our stakeholders in responsible and sustainable sourcing for the products we produce. It is also crucial to the reliability and quality of our supply. However, the palm oil industry in Indonesia is complex, with many stakeholders involved. The effort it takes to map our supply chain down to the individual farmer producing FFB is enormous.

Apical subscribes to Traceability Working Group's (TWG) definition of traceability, and the following data as part of our requirements to establish FFB traceability by 2020:

Category of FFB Supplier	Data Required for FFB Traceability
 <b>Estate</b> (> 25ha)	<ul style="list-style-type: none"> <li>Estate name</li> <li>Parent company name</li> <li>Certification status</li> <li>% of overall FFB tonnage to mill</li> <li>A GPS coordinates as a representative source location</li> <li>Planted hectarage</li> <li>Total concession area</li> <li>FFB volume</li> </ul>
 <b>Koperasi/Associated/Scheme/Group</b>	<ul style="list-style-type: none"> <li>Number of smallholders</li> <li>% of overall FFB tonnage to mill</li> <li>Overall FFB volume</li> <li>A GPS coordinates as a representative source location</li> <li>Planted hectarage</li> </ul>
 <b>Dealer</b>	<ul style="list-style-type: none"> <li>Dealer names (and/or dealer unique ID)</li> <li>% of overall FFB tonnage to mill</li> <li>Overall FFB volume</li> <li>GPS coordinates of first-tier dealers (office/ramp)</li> <li>Number of smallholders</li> <li>Village/ sub-district of smallholders</li> </ul>

# 07 WORKING WITH SUPPLIERS AND SMALLHOLDERS



Palm oil dispatching point at PT. Mitrasari Prima palm oil mill

**ACHIEVED FULL TRACEABILITY TO THE SUPPLYING MILL IN 2015. THIS REMAINED THE CASE IN 2016.**

Our traceability efforts are categorised into two levels, namely traceability to mill and FFB suppliers (e.g. plantations).

Our first step towards attaining traceability has been to achieve full traceability to the mill in 2015. This remained the case in 2016. Our mapping is based on gathering and verifying information about mills supplying to our refineries. In order to be traceable, the suppliers need to provide correct information of GPS coordinates that show where the mills are located, name of company and mill and specific address. This information is then further verified by The Forest Trust (TFT).

Apical does not own any upstream assets or facilities such as plantations and mills. Instead, we rely on 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.

More than 250 independent mills in Sumatra and Kalimantan have been contracted as suppliers. Our supply chain map, available on our website, can be used to access supply chain information about all of our facilities.

### ABOUT ASIAN AGRICULTURE

Asian Agri is one of the largest Crude Palm Oil suppliers to our refineries, contributing towards more than 20% of the annual crude palm oil that we process.

Asian Agri-owned mills have been fully ISCC certified since 2015 and they are committed to a certifying all of their mills and plantations based on the Principles and Criteria of RSPO and ISPO. So far, approximately 635,000 MT of CPO have been certified, including mills, plantations



Distribution of supply chain in Indonesia

= CPO  
 = PK

and smallholders, making Asian Agri one of the largest certified manufacturers in Indonesia. In addition to certification, Asian Agri is aiming to achieve 100% FFB traceability by 2017.

Asian Agri also plays a vital role in the socio-economic development of local communities by partnering with more than 30,000 plasma smallholders, covering a total of 60,000 hectares of land - one of the largest in Indonesia. Asian Agri works with plasma smallholders to ensure that high sustainability standards are applied. Today, plasma smallholders play a significant role by contributing up to 25% of Asian Agri's total output. By producing 184,000 MT of RSPO and ISCC

certified CPO a year, plasma smallholders supplying to Asian Agri are one of the largest certified plasma producers in Indonesia.

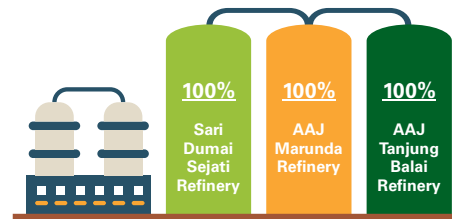
Independent smallholders are also important partners for Asian Agri to implement its sustainability commitments. They are contributing about 25% of the total production, involving approximately 30,000 independent smallholders. The Amanah Association, Asian Agri's independent smallholder association in Riau, has received RSPO certification in 2013, it was also the first independent smallholders group to be RSPO certified in Indonesia.



## 07

# WORKING WITH SUPPLIERS AND SMALLHOLDERS

## MILL TRACEABILITY



Focusing on the mill as an initial step has provided a good indicator of the approximate location of its suppliers. Still, traceability to FFB suppliers is far more complex—there are thousands of dealers and independent smallholders in Indonesia, which means more stakeholders are involved in supplying to us the necessary data. Our network of FFB suppliers come from three main sources:

- **Estate**  
>25 Ha
- **Smallholders**  
(Koperasi/Schemed/Group SH)
- **Dealers**

Another challenge to overcome is suppliers' concern about data confidentiality so as to protect their commercial interests. Addressing their needs for confidentiality and profitability, we have taken proactive steps in building close and healthy relationships with suppliers. We strive to instil a positive and cooperative spirit within our priority suppliers during contact points such as workshops, meetings and field visits. We are prepared to sign a non-disclosure agreement in certain cases.

## APICAL HAS A TARGET TO BUILD FULL FFB TRACEABILITY BY 2020 INVOLVING THE PROGRESSIVE STAGES OF IMPLEMENTATION AND MONITORING

In our next level of traceability to FFB supply sources, we have developed a method with TFT and initiated our Traceability Outreach Program (TOP), targeting all suppliers, especially in Riau, Jambi, North Sumatra and Kalimantan. In order to achieve our 2020 target, we are following a stepwise approach to progressively build traceability to FFB sources. Concurrently, issues associated with the FFB suppliers will be identified and engagement through field assessment will be carried out when necessary.

In 2017, Apical plans to extend our collaboration with suppliers to put in place traceable supply sheds for full disclosure and greater transparency. More details on our approach can be found on Apical's Sustainability Progress Dashboard.



## BUILDING CAPACITY THROUGH OUR SHARED VALUE PROGRAM (SVP): THE BUSINESS CASE FOR SUSTAINABLE PALM OIL

Traceability is only a starting point in ensuring our supply chain is more sustainable. Once we have identified and mapped our suppliers, engagement and capacity building is crucial to ensure that they are meeting the commitments and standards for responsible and sustainable sourcing that we have set.

One of our flagship initiatives for engaging suppliers and driving sustainable change is our Shared Value Program (SVP). Delivered in partnership with our consultants – TFT, Proforest and Daemeter – we run workshops for suppliers focused on building their capacity to adopt more sustainable practices. The workshops includes topics such as market trends in sustainability and traceability and the implications to the palm oil industry. They also include case studies in traceability and engagement with smallholders as well as practical knowledge on sustainability and good practices to aid implementation and monitoring.

Since the commencement of the project with TFT in 2015, we conducted four SVP workshops for our Indonesian suppliers. In 2016, conducted another two SVP workshops for our suppliers based in Jambi and Pekanbaru. Participants comprised business owners, commercial heads, and officers in the sustainability fraternity.

## ENGAGEMENT THROUGH FIELD VISITS

Apical has established a Priority Supplier Engagement Program (PSEP) to engage and support suppliers based on long-term business relations, and a risk-based approach using the TFT's Mill Prioritization Process (MPP). Conducting field visits to prioritised suppliers allows us to have personal interaction and effective communication. The deeper engagement through these visits facilitates a better understanding of our suppliers, provides new insights into the limitations of traceability, and helps to identify hidden gaps for improvement.

Areas that we focus during the engagement visits include but are not limited to the following:

- Legal Compliance
- Environmental Impact Management
- Respect for Human Rights, No Exploitation of People and Local Communities
- Creation of Shared Values
- Traceability

In 2016, with the help of our consulting partners, Apical conducted 21 PSEP visits at mills, plantations and their main FFB suppliers that include plasma farmers, independent smallholders and dealers/agents. Having found such personal visits to be highly effective, we will continue to engage with our suppliers in a similar capacity and closely monitor their implementation of best practices.

## APICAL CONDUCTED

# 21 MILLS VISITED

PRIORITY SUPPLIER MILL VISITED UP TO 2016



## 07

## WORKING WITH SUPPLIERS AND SMALLHOLDERS



Management personnel of PT. Mitrasari Prima

## SUPPLIER ENGAGEMENT FOR TRACEABILITY

The sourcing of FFB has to be in line with local and international standards and as such, engagement visits to PT. Mitrasari Prima (PT. MSP) mill and its FFB suppliers were carried out in 2016. The management of PT. MSP and the Head of Administration benefited from these informative sessions, learning about the concept of sustainability and the importance of traceability, beyond profitability.

**“This has not only benefited our business, but also improved our company’s image and acceptance by the surrounding community as a sustainable and responsible company. The company is also able to minimise the risk of violating the government regulations,”** they commented.

## COMMITMENT TO ZERO BURNING AND SMALLHOLDER DEVELOPMENT

Countries in Southeast Asia particularly Indonesia, Malaysia and Singapore are typically affected by the transboundary air pollution (commonly referred to as the haze) that is associated with the burning of forests to clear land for agriculture. The regional haze that occurred during the period of August to November in 2015 was the worst in history, exacerbated by the El Niño climate cycle.

The primary cause of the fire and haze was attributed to the illegal slash-and-burn method used by some independent smallholders for land clearing, particularly on peat areas in the Riau province and Kalimantan. These fires had spread uncontrollably to neighbouring plantations with negative impacts on natural habitats as well as the health and safety of wildlife and people.

The palm oil industry as a whole typically faces similar challenges in getting smallholders to adopt more progressive and sustainable cultivation methods of FFB. As a vital part of managing our supply chain, Apical is committed to ensuring that our network of smallholders receives guidance to get on the right track.



Harvesting activity at PT. Mitrasari Prima

In 2016, planning began for the Rurality Project. The project aims to improve suppliers’ livelihoods and agricultural practices through training and access to better facilities. Supported by funding from other TFT members, this initiative aims to create small-scale but compelling examples of change, which could act as a catalyst for bigger transformations to take place and be adopted across a larger scale supply chain network.

A major mill in Riau Province, Sumatra was selected for the pilot project. The Rurality Project will be implemented in three phases:

- 1 Scoping Visit**  
 This field assessment aims to gather information on smallholders who are interested in the project and takes note of their concerns and expectations. This activity is useful for the documentation and analysis of challenges in running the project.
- 2 Rurality Dynamics Diagnosis**  
 The main objective is to address the key challenges and key performance indicators or KPIs to measure the project’s transformational impact. A team, typically an agronomist and a social specialist, go to the field to meet with smallholders and to build trust. They gather information on the stakeholder mapping, community dynamics, cultivation practices, living conditions, infrastructure, and access to education and health services.
- 3 Transformation & Monitoring**  
 This phase is carried out through the implementation of a participatory action plan that focuses on strategies to improve resilience. These include areas such as profitability and production, enhancing environmental and social stewardship, and fostering the developmental needs of farmers.

We plan to report on the progress of our pilot project in Sumatra in the coming year. We will explore opportunities to upscale smallholder programs and share learning with mills and smallholder suppliers.



# 07

## WORKING WITH SUPPLIERS AND SMALLHOLDERS



Socialization of Apical Sustainability Policy to suppliers through regional Apical Shared Value Program

### GRIEVANCE MANAGEMENT

Where there are concerns, complaints or instances of grievance against any of our third party suppliers, Apical takes all of these seriously. We adopt a proactive stance in grievance handling with open and transparent mechanisms through direct stakeholder engagement and regular monitoring of our supplier dealings. We have constructive dialogues with grievance raisers and relevant stakeholders for dispute resolutions. Such issue settlement is conducted in an open and transparent manner with direct stakeholder engagement for progressive improvement that is, where possible, tied to a time-bound action plan.

We have strengthened our grievance process to include a whistleblowing channel and a Grievance Alert System that delivers prompt notifications on matters of concern raised against our suppliers. Simultaneously we use the TFT Grievance Tracking mechanism for supplier monitoring and policy compliance. This integrated approach is not just transparent but also aimed at achieving due diligence, and prompt action.

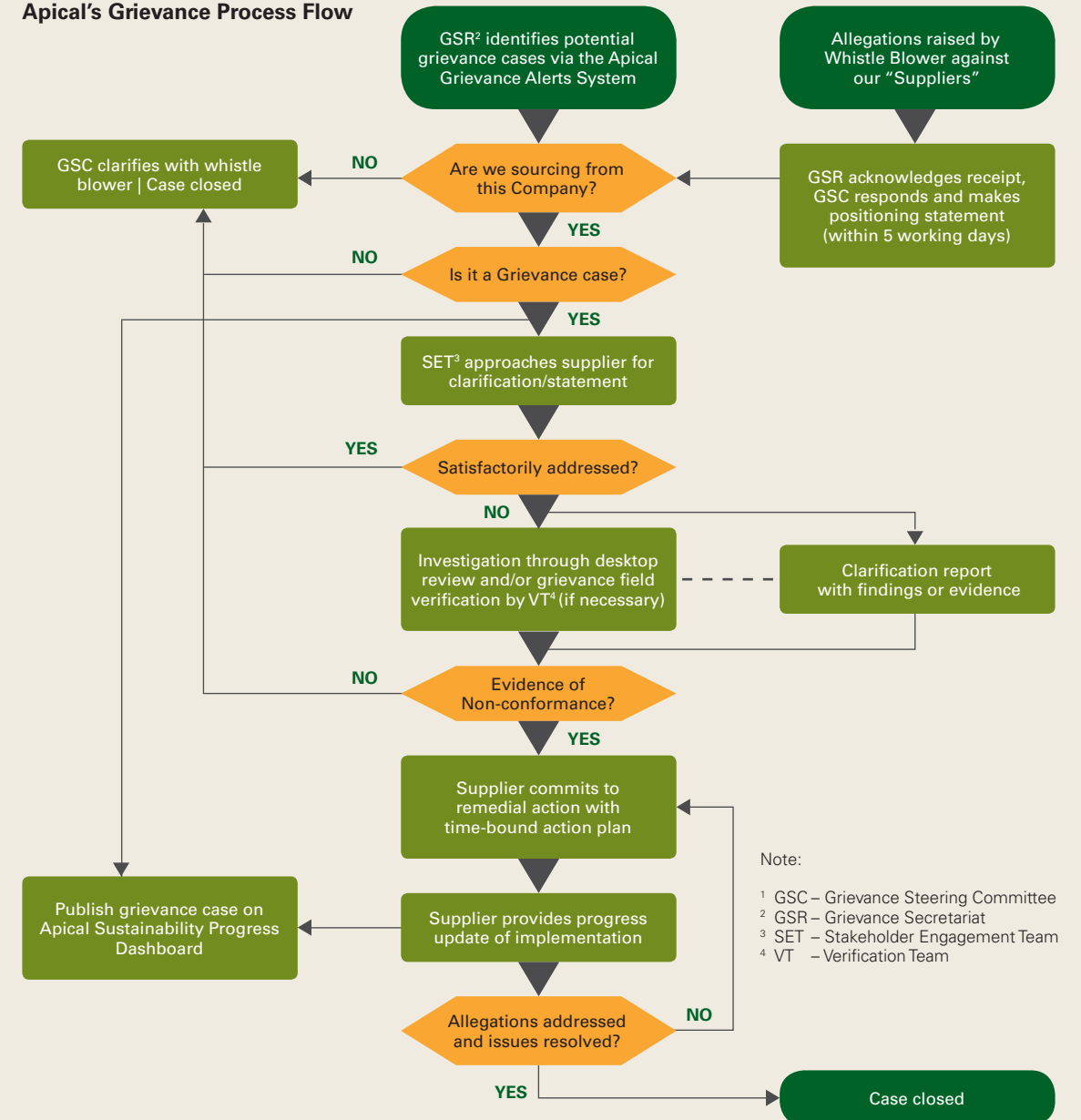
The process of dealing with an issue raised against a supplier is to clarify the alleged violations within a stipulated period of time. For proven violations, suppliers are required to provide concrete and corrective action plan with clear timelines. Failure to respond and commit towards remedial action would trigger suspension of contracts until progress has been made or the issue has been resolved. Apical will cease transactions with suppliers who have repeatedly violated our commitments.



Meeting with a supplier during an engagement visit

The diagram below illustrates the process involved in whistle blowing and grievance management.

### Illustration of Apical's Grievance Process Flow



A full list of our grievances and their status is published on our website. <http://www.sustainability.apicalgroup.com/grievances/>

## 07

## WORKING WITH SUPPLIERS AND SMALLHOLDERS



Mulching by using empty fruit bunches at Muara Bulian Estate, Asian Agri

## SUPPLIER SELECTION AND SCREENING

Apical has developed a process for selecting and screening suppliers prior to commencing any sourcing from a mill. This approach begins with requiring the supplier to acknowledge and sign on to Apical's Sustainability Policy and provide information on its operations and FFB supply base to Apical.

The information on a mill's supply base will be used to conduct risk analysis based on geospatial indicators and non-spatial indicators. Geospatial analysis refers to indicators including fire hotspots, forested areas, reserve areas, peatlands, and other environmental risks within a 50km radius of a supplying mill. Non-spatial analysis focuses on indicators related to communities, smallholders, and ongoing grievances that may occur in a mill's supply base.

Apical seeks to build engagement and influence positive change towards sustainable practices for all its suppliers. Having knowledge on geospatial risks and non-spatial risks on a supplier enables us to chart an effective engagement strategy to implement our policy commitments with collaboration from suppliers. Prior to entering the supply chain, Apical will require the potential supplier to provide basic information of its supply base and acknowledge the Apical Sustainability Policy. On top of that, the potential supplier will be going through internal risk analysis where the supplier will be screened for its potential risks based on spatial and non-spatial analysis. Spatial analysis involves a series of critical environmental parameters while non-spatial analysis consists of publicly available information related to the supplier.

With this information, we are able to chart an effective engagement strategy for policy compliance in our supply chain. Further down the road, we also assess suppliers' performance throughout their contract with Apical. Through our supplier engagement program, we develop remedial action plans for any areas or improvement identified.

## ENVIRONMENTAL MANAGEMENT

## 08

## SUSTAINABILITY STANDARDS AND POLICY COMPLIANCE

We believe that palm oil production and environmental conservation can go hand in hand. Although Apical only handles the downstream aspects of the palm oil value chain, we work with our upstream suppliers to ensure that our raw materials are from legal and responsible sources.

We are highly committed to getting our suppliers of raw materials to become responsible themselves. In particular, we focus on our suppliers of FFB, which are either large plantation owners or independent smallholders, and are located in many areas within the Riau, Jambi and North Sumatra and some of other provinces in Indonesia.

By launching Apical's Sustainability Policy in September 2014, we signalled our intention of being a responsible player in the palm oil marketplace. This document states our commitments to ensure sustainability in the entire value chain, from cultivation to consumption. Our policy extends to all our subsidiaries and refineries that we own and manage, regardless of what is at stake. We also work with relevant stakeholders to encourage the adoption of these commitments by our direct suppliers to ensure that the palm oil we purchase, process and sell, are in line with the policy.



Integrated pest management by rearing barn owls at Muara Bulian Estate, Asian Agri

## PROTECTION OF ENVIRONMENT AND BIODIVERSITY AREAS

Apical is aware that our business is reliant on land availability for oil palm plantations and that there are risks of deforestation and biodiversity loss if proper monitoring and control mechanisms are not in place. As such we are working with our suppliers to meet local and international sustainability standards to protect the environment.

We developed the Apical Sustainability Policy with the central aim of building a traceable and transparent palm oil supply chain founded on the principle of no deforestation of HCV and HCS areas. Apical will continue to engage our suppliers proactively to ensure that they adopt the same standards in their businesses.



# 08

## ENVIRONMENTAL MANAGEMENT

We have also deployed the policy to suppliers for their adherence. The section “Working with Supplier and Smallholders” gives details on our supplier selection and screening processes.

Apical has assessed our entire network of supplying mills for environmental-related risks. Where gaps are identified, these are addressed by direct engagement with our suppliers to influence positive mindsets on the sustainable cultivation of FFB. Currently, priority for supplier engagement visits is given to long-term business partners that contribute high volumes of

palm oil to Apical and/or are adjacent to any protected areas and peatland. Our aim is to eventually engage the rest of our suppliers as well. During our field visits, we make inquiries into our suppliers’ future plans for new developments and advise them to conduct relevant assessments before proceeding with any new plantations.

Macaque in the HCV area of Muara Bulian Estate, Asian Agri



### Protecting HCV areas

Apical has communicated the importance of HCV areas to our stakeholders and will continue to do so. Where necessary, we will provide training for selected suppliers to prevent any land clearance of HCV areas.

We do not intentionally source from deforested areas and seek to prevent any FFB harvested from deforested lands from entering our supply chain. Through the geospatial risk analysis carried out on our supplying mills, we have found that about 10% of these mills are located adjacent to HCV and/or forested areas. We have engaged these mills through site visits and technical workshops where we sought to inform the mills of risks associated with their supply chains and help implement control measures to prevent sourcing of FFB from areas with high biodiversity and HCV.

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



### The HCS Approach



We will work to ensure our suppliers adopt a credible HCS identification procedure (HCS Approach) based on field trials and scientific recommendations. The HCS Approach is a scientific process to identify forests that hold or have the potential to hold a high amount of carbon and should thus be protected or restored, and distinguished from areas of degraded forests with lower carbon stocks. The HCS Approach is also designed to ensure that land use rights and the livelihoods of local communities are respected and secured.

### Peatland protection



Oil palm planting on peatland has significant adverse environmental impacts, mainly resulting in excessive carbon emissions due to oxidation caused by the drainage of peat. Apical is working with our suppliers and conducting regional socialisation workshops to prevent further new development on peatland and adopt best management practices, especially on water management in the existing peat estates.

In terms of new plantations, we strictly enforce a commitment to no development on areas of peatland that is defined as organic soils with 65% or more organic matters, regardless of the depth of peat.

For existing plantations that were developed on peatland prior to our policy, we are working with our suppliers to share knowledge and provide guidance on best management practices. This is to prevent the release of high levels of carbon emissions by ensuring that the land is kept wet and that the water table depth is maintained at appropriate levels. For example, the use of subsidence poles at about one per 500 ha is considered good practice to monitor peat subsidence. A peat plantation with optimal water level (50-70 cm from peat surface) should have a subsidence of less than 3cm per annum.

For a peat block that has become undrainable due to excessive subsidence, we recommend it to be converted to a conservation area. A guideline on “Drainability Study Prior to Replanting on Peat” has also been uploaded onto our online Sustainability Dashboard for sharing with our suppliers.

## 08

ENVIRONMENTAL  
MANAGEMENT

Emergency Response Team at the fire monitoring tower at Buatun Estate, Asian Agri

### FIRE PREVENTION AND MANAGEMENT

The regional haze that occurred during the El Niño period from August to November 2015 was the worst in history and had affected large parts of Indonesia, Malaysia and Singapore.

The primary root cause of the haze was identified as independent smallholders practicing the illegal slash-and-burn method for land clearing. These occurred particularly in Riau province and Kalimantan, which then spread to neighbouring areas.

Apical took the initiative to upload a practical guideline onto our online Sustainability Dashboard on "Prevention, early detection and control of open-burning in oil palm plantations" to guide our suppliers in taking precautionary actions and preventive steps against future accidental burning.



Zero burning method in replanting of oil palm at Buatun Estate, Asian Agri

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. They had been 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 with community infrastructure.

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

## RIAU

### CASE STUDY:

## TOWARDS FIRE-FREE VILLAGES THROUGH PREVENTION

### BACKGROUND

The Riau provincial government has deep concerns about the social and environmental damage related to illegal open burning and is firmly committed to eradicating this practice with the help of agency forces such as the Department of Food Crops, Horticulture and Plantation of Riau Province, forestry department, disaster management body and other technical units, and with the coordination of the police and the armed forces.

A multi-stakeholder partnership was believed to be the best way in helping communities to take matters into their own hands even though this approach would take much time and effort. An important aspect of triggering the behavioural shift required was to include businesses as part of the solution. Farmers and planters became the main business actors for change as they themselves have become victims of large fires, experiencing setbacks in community well-being, decreases or losses in crop productivity, and land degradation.

### APPROACHES

A practical solution was introduced in May 2016 by Asian Agri through the Fire Free Village Program (FFVP), in collaboration with the mentioned departments. With the backing of the Governor of Riau, the FFVP aimed to educate members of selected villages and independent smallholders on fire prevention, guided by the vision of achieving zero fire-related incidences in 2016. Training was provided along with the supply of necessary firefighting equipment.

Prevention is better than cure – this adage was well appreciated by members of the FFVP. "Prevention of initial fire is very important, because we must take initial preventive action, instead of putting out fires once it happens," Rahman Pasaribu said, a team leader of Lubuk Ogong Village.

Another team leader, Abu Kasim from Lalang Kabung Village, believes in encouraging his farming community not to burn for land clearing. "For me, the fire is very dangerous for the village as it may burn the local community crops and land," he said.

The Riau authorities put in place several measures to tackle illegal open burning. Targeted villages that were problematic with land and forest fires over the years came under the FFVP to become such agents of change. The villages involved in the FFVP are now well equipped to deal with fire prevention. "Currently the village has fire engines, hoes, fire-fighting equipment, machetes, buckets and transportation," Rahman Pasaribu said.

New mechanisms were introduced such as surveys and on-ground surveillance by the department officials, who also instituted social activities to foster a caring community.





## 08

ENVIRONMENTAL  
MANAGEMENT

## OUTCOMES

The combined efforts of stakeholders resulted in significant positive impacts – in the selected villages, not a single land or forest fire incidence was reported in 2016. This is a precursor to better land management in the surrounding plantations with close cooperation among palm oil stakeholders.

“We hope that all the companies located in the area around the Fire Free Village will do the same thing as Asian Agri did, and if necessary, they need to collaborate and work together,” said Ir. H. Ferry HC. Ernaputra, M.Si, division head with the Department of Food Crops, Horticulture and Plantation of Riau Province.

With a sharp reduction in land and forest fires around the villages of the Riau province, people saw remarkable improvements to their safety and health. Moreover, they were reassured seeing that their crops were being protected, which meant livelihoods could be sustained.

Villagers were also shown appreciation for their cooperation. Business partners in the FFVP provided funds that could be used for investing in infrastructure projects. In 2016, Asian Agri awarded Lubuk Ogong Village IDR100 million (about USD 7,500) for this purpose.

Although the villages stand to receive some financial benefits by adopting environmentally-friendly land cultivation practices, they realise that the highest advantage gained were safety, security, and land and nature protection. “We hope that this program can run long term, and not only for short term,” Mr. Rahman Pasaribu concluded.

The FFVP has been effective in influencing other villages prone to fires as well to also take preventive and security measures, for example, allowing road access for the transport of fire extinguishers. Subsequently, they too experienced fewer fires in 2016.

Apical intends to continue to lend support to farmers and smallholders to ensure that forests and wildlife are protected in the preservation of HCV and HCS areas, and peat land.



Fire Prevention Team at Buatan Estate, Asian Agri

## MANAGING OUR OPERATIONAL FOOTPRINT

We are committed to minimising the negative impact of our operations on the environment. We have established control systems and a regular monitoring regime in place, allowing us to comply with the benchmarks set by local regulation.

Water  
management

We are committed to the efficient use of water in our refineries. At our Sari Dumai Sejati (SDS) Refinery, water is obtained from the sea water treated by the refinery's desalination plant to service factory operations. At our Asianagro Agungjaya Marunda Refinery (AAJ Marunda), water is supplied by the local utility company. Water usage takes place as and when it is required so that water wastage at both facilities is minimal. Water consumption is also metered. The average sea water withdrawn is 300 m<sup>3</sup>/ day for processing 2000 Mt of CPO (2014-2016), which eventually goes to a wastewater treatment plant set up in refinery.

The treated wastewater from the refining process will be fully utilised by recycling it for cooling tower, fire hydrant, or domestic purposes such as cleaning. The refineries utilise micro bacterial and Activated Sludge Process in the treatment of effluent water and use chemicals such as coagulant, flocculant, caustic soda, bioxide and nutrients to ensure that the effluent water is within the permissible quality.

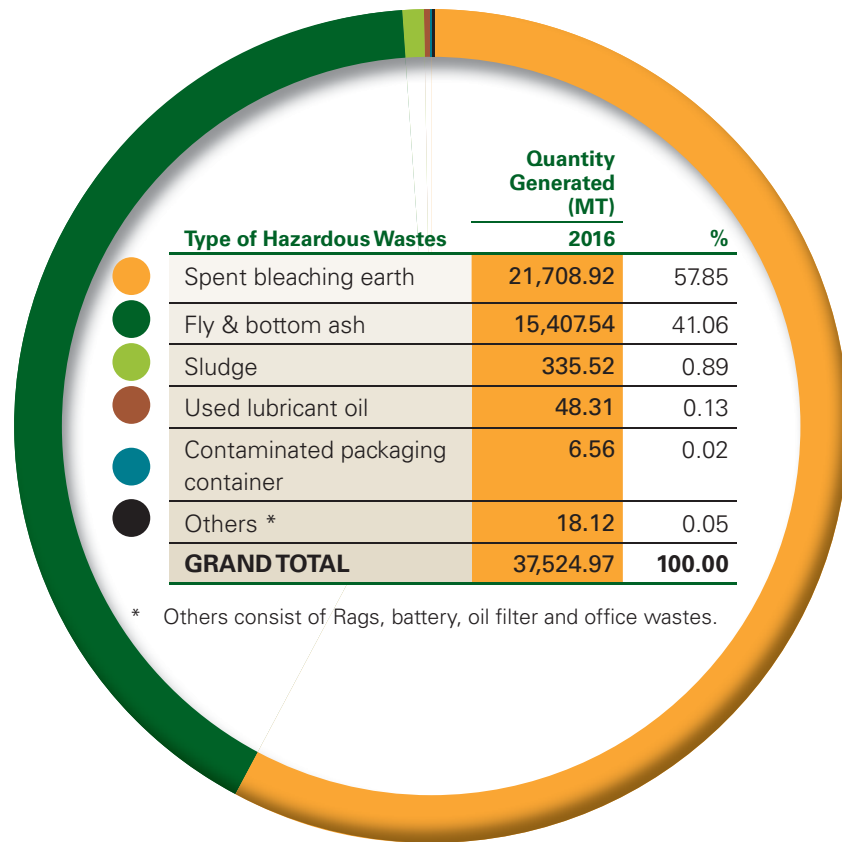
Waste  
management

Our refineries have procedures to manage hazardous wastes such as fly ash (a light form of coal ash), bottom ash (the heavier portion of coal ash) as well as spent earth (solid waste material generated as part of the bleaching aspect of the oil refining process). A trained person in-charge is responsible for handling waste disposal in the refineries according to our Standard Operating Procedures. Key responsibilities include monitoring, keeping an inventory, and ensuring waste is disposed on time. Waste is collected by a licensed contractor who has the appropriate transport and disposal permit.

# 08

## ENVIRONMENTAL MANAGEMENT

### Wastes generated from Apical refineries in 2016



More than 98% of the waste generated from palm oil refining process consist of spent bleaching earth and fly & bottom ash. Spent bleaching earth generated from the degumming and bleaching processes of crude palm oil while fly & bottom ash are wastes produced from coal combustion process that are driven out of the boiler. All the wastes generated from palm oil refining process are handled according to our standard operating procedure which including storing in secured area and disposal by licensed waste management company at specific interval.

In addition, SDS has an ongoing Kaizen project for improved productivity and efficiency that is targeted at zero oil spillage. They also have a dedicated emergency response team and regular training to prevent and deal with accidental oil spillage.

### GHG emissions

#### GHG emissions in 2016

Sari Dumai Sejati	%
Electricity generated from power plant	71.47
Fossil fuel usage for boiler	21.13
Chemical usage *	5.23
Electricity generated from diesel	1.29
Effluent treatment	0.87
	100.00

\* Chemical usage consists of bleaching earth and phosphoric acid.

Cemerlang Energi Perkasa (Biofuel production plant)	%
Electricity generated from power plant	95.19
Effluent treatment	4.01
Chemical usage *	0.79
Electricity generated from diesel	0.01
	100.00

\* Chemical usage consists of methanol, sodium methyl, caustic soda, hydrochloric acid and citric acid.

More than 90% of the GHG emissions from our refinery and biofuel production plant are from electricity generation through power plant and usage of fossil fuel for starting up the boiler. GHG emissions from other sources such as chemical usage and effluent treatment contributed only about 5 to 7% of the total GHG emissions.

Apical has participated in the Programme for Pollution Control, Evaluation and Rating (PROPER), the Indonesian Ministry of Environment's national public environmental disclosure initiative at annual basis. The programme assesses the following aspects of environmental performance:

- 1) Environmental Management System
- 2) Resources Conservation and Reuse, Recycle, and Recovery of Wastes (3R)
- 3) CSR: Community Development
- 4) Water and Sea Water Pollution
- 5) Air Pollution
- 6) Hazardous Waste Management
- 7) Implementation of EIA

PROPER publicly discloses results of the assessment using a five-colour grading scale. In 2015 and 2016, our Sari Dumai Sejati and AAJ Marunda refineries received a Blue Rating in the PROPER assessment.



#### REQUIREMENT



The facility has made virtually no pollution control effort



The facility has made some pollution control effort, but failed to meet legal standards and had insufficient reporting



The facility has met legal standards and has demonstrated frequent reporting



The facility's pollution is significantly below legally required standards and it has conducted food equipment maintenance, reporting, and environmental work



The facility has met international standards of environmental excellence

Rating:





## 09

# LABOUR RELATIONS

The palm oil industry provides vast employment opportunities for people in Indonesia, particularly within rural communities. To ensure that the impact of employment in the sector is positive, Apical is committed to maintaining a productive and engaged workforce through fair, ethical, and favourable relations with our workers. These include employees, suppliers and smallholder farmers who are independent or part of the Indonesian plasma scheme.



Employees of Sari Dumai Sejati refinery



**DRIVING POSITIVE  
IMPACT TO  
LOCAL COMMUNITIES  
THROUGH EMPLOYMENT  
OPPORTUNITIES**

The community of Karya Mukti Village in Riau found their socio-economic conditions improving with the presence of Asian Agri group of businesses. Fifteen percent of mill employees come from the village, a figure that is likely to increase over time. The people have also benefited from the mill's CSR activities that include providing clean water sources and road maintenance. "We would like to thank Asian Agri for giving all their assistance and cooperation to Koperasi Unit Desa. We hope the company can offer more CSR to this village and provide educational assistance to the villagers where the education level is quite low," said Dasmin, the village head.

## HUMAN RIGHTS

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 freedom of association, fair wages, working hours, non-discrimination, child and forced, bonded or illegal labour.



### Freedom of association and trade union membership

Freedom of association includes the right of all workers to form or become members of labour union 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. As such, all employees are entitled to practise freedom of association and to be covered by collective bargaining agreements in the workplace. As of 2016, 56% of our workers have joined trade unions.



### Child labour

With regard to the recruitment of workers, Apical complies with the minimum age employment standard in the country. In Indonesia, one of the recruitment criteria specifies that applicants must not be under 18 years of age. Child labour is not permitted and Apical is not tolerant towards any occurrence in our operations. As standard procedure, all job applicants must produce identity cards as proof of their age.

At Apical refineries Sari Dumai Sejati (SDS) and Asianagro Agungjaya Marunda (AAJ Marunda), there exists a policy to ensure that the plant is child-free. No children are allowed to enter those premises.

Apart from our own operational units, 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 in our operations or at any of our suppliers by conducting field visits, Shared Valued Workshops to socialise Apical Sustainability Policy, and through engagement meetings.

# 09 LABOUR RELATIONS



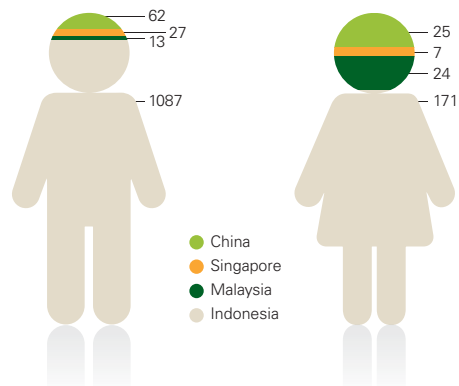
## Empowering women and local communities

Economic avenues are present through the industry. Where appropriate to the needs of our work, priority for employment opportunities is given to the surrounding community. In general, such opportunities exist depending on the competence of ready labour in the immediate area.

According to the latest data, 70% of our workforce consists of local people. The gap between the skills available from the local community and the needs of the company, however, is quite large because the factory is highly driven by technology. This results in a demand for workers who have certain basic understanding of the technology deployed. Where there are skills gaps, we provide continuous training programs such as the Driving License Program (DLP) for workers. We also frequently bring in external trainers to expose our workers to related industries so that they can be even better embrace to new skills.

Apical believes in hiring with no discrimination, including gender, and therefore provides equal opportunities for men and women. The hiring decision is based primarily on the job nature and requirement, the role that needs to be fulfilled, and the right competency level for a particular position.

### Employee Breakdown as of FY2016



### Total Employees by Employee Category

No. of Employees	Male	Female
Worker (Non-Staff)	858	112
Non-Executive	223	87
Junior Management	37	12
Middle Management	52	15
Senior Management	19	1

## PROVIDING OPPORTUNITIES TO INDONESIAN FARMERS IN ADJACENT VILLAGES



Local villager working at the oil palm nursery

### BACKGROUND

In Indonesia, certain traditional agricultural crops have been replaced with oil palm. The community of Segati Village faced low income and hardship with the sourcing and trade of rubber, rattan and forest produce. Believing that their prospects would improve with palm oil plantation, the people embraced change but not without some initial resistance.

### SOLUTIONS

The village committee of Segati Village saw the potential of trading FFB with oil palm cultivation and directed their residents to make the switch. This meant change, which was new and thus difficult for some to adjust to. With the set up of palm oil milling companies PT. Mitrasari Prima, Apical third party supplier in supply chain within the village area, FFB could be processed quicker instead of days of waiting for transportation.

Any grief over the mills operations is also quickly addressed due to the close relationship between the management of the mills and the village committee. "As of now, social turmoil does not exist in our village. There was one incident where the villagers alerted the mill management on effluent leakage and the management responded quickly to this," said Sofyan, the Segati Village chief. The rights and entitlement of employees are also fulfilled, according to employee Syaiful, who noted that no one under the age of 18 worked in the mills.

### OUTCOMES

The mill management rolled out various benefit schemes. Housing, water, electricity and other facilities in addition to wages provided for the social welfare needs of employees and families. "Our hope is to have better quality housing, and I'm sure the company will respond to this. Another is to increase the number of housing," said Darman, a security officer with PT Mitrasari Prima for two years. Segati Village has also been the recipient of the mills' corporate social responsibility programs. The local mosque received a new fence, thanks to the support of the mills.



# 09 LABOUR RELATIONS

## FAIR WAGES AND EMPLOYEE BENEFITS

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

	Riau (SDS)	Jakarta (AAJ Marunda)	North Sumatra (AAJ Tanjung Balai)
Provincial government minimum wages	2.095.000	3.100.000	1.811.875
Apical minimum wages	2.453.000	3.255.000	2.047.000
% above minimum wages	17.9%	5%	12.98%

Moreover, employees receive a range of additional benefits that include private medical insurance for inpatient treatment and reimbursement for outpatient health consultation. To motivate employee in keeping healthy and fit, Apical gives monthly rewards in the form of daily groceries such as cooking oil to employees who achieve good attendance record.



### CASE STUDY:

## FAMILY SPIRIT

Mr. Syaiful had been working as an FFB farmer in his parent's Segati Village estate before joining PT. Mitrasari Prima (MSP), Apical's third party supplier. Having worked at the plant for two years as an FFB sorting employee, he has witnessed how the company's management takes care of employee welfare by providing for the family's economic needs.

**“The management here is very concerned with the interests of employees. The rights and entitlement to the employees are always fulfilled,”**

Mr. Syaiful Said.

He vouches that there are no underage workers in the company as the management has set the minimum age of employment at 18 years.

**“Here we work as a family, and have the same purpose,”** he said, thanking

Mr. Putra, Mr. Melki and Mr. Mex from the PT. Mitrasari Prima management for their support.



### CASE STUDY:

## ROOF ABOVE THE HEAD

Mr. Darman has been employed to look after the security needs of PT. MSP. He and his family have benefited from the residential and environmental facilities provided by the company such as free housing, electricity and potable water on tap. Having worked for the company for two years, Mr. Darman is satisfied with the way communication between staff and management is handled: comments or grievances on employee needs in terms of housing facilities or building maintenance are expressed either through direct conversation with the division leader or by letter submissions through the suggestion box.

**“The problem solving period is two days maximum. If the issue is not too complicated, it can be done on the same day itself. In general, the company responds well to the complaints,”** he said.

Does he have further expectations? “Our hope is to have better quality housing, and I'm sure the company will respond to this. Another request is to increase the number of housing,” Mr. Darman said.



Safety & health training at Sari Dumai Sejati refinery

## TRAINING AND DEVELOPMENT

Apical provides employees with numerous training and development opportunities. 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 at Apical's partner premises.

One of the main centre of learning at our upstream supply chain (suppliers) is the APRIL Asian Agri Learning Institute (AAALI), formerly known as the Buatan Training Centre which was founded in 2002. This centre provides the foundation for the strengthening of human resources through regular and custom programs. These aim to educate and train agricultural-based workers such as oil palm planters and foresters.

There are four regular educational programs at Asian Agri as follows:

- Estate Assistant Training (EAT), on estate management;
- Mill Assistant Training (MAT), on managing palm oil mill such as processing and workshop;
- Traction Assistant Training (TAT), on how to manage FFB transportation equipment, fertiliser and heavy equipment in the plantation; and
- Administration Assistant Training (AAT), on administration and management.

## 09

LABOUR  
RELATIONS

Training on emergency response at Sari Dumai Sejati refinery

AAALI provides participants with business, technical and managerial information to help them achieve key performance indicator (KPI) targets set by the company. Training on operations aims to increase participants' knowledge about the entire transportation process of FFB, manpower resources management, road and bridge maintenance, and more. Such training has effectively reduced breakdown time and allowed for smooth processes in the factory by ensuring that transportation and heavy equipment are available and operated without glitches. Trained employees contribute towards better operations and proper budget monitoring, enabling business units to manage funds optimally for the benefit of the company.

Custom programs provide yearly skills upgrade to boost employees' technical knowledge and soft skills according to current needs. At the foreman level, they are coached on self-development for better behavioural qualities and leadership

function. Workforce clinics are also held to conduct evaluation on high performers along with coaching, which can be a rewarding experience at the personal and professional level.

AAALI has become an integral part of human resource development, instilling within staff the traits of self-discipline, effective communications with management and co-workers, and good time management.

#### HEALTH, SAFETY AND WELLBEING

Apical takes the health and safety of our employees seriously. As such, both our Health, Safety and Environment (HSE) team and Risk Management team proactively assess and work out procedures, policies and mitigation measures so as to minimise the risk of incidences at the workplace.

The Risk Management function reports to the board of Risk Management Committee three times a year during which the major risks affecting the businesses are presented and the mitigation measures are reviewed. The examples of risks covered concern the operational, financial and trading aspects of the company. At the business unit level, the individual Risk Registers are monitored by the management to ensure that all corrective actions are implemented on a timely basis.

Crisis risks are monitored by executing various disaster scenarios via desktop simulations or drills at the respective business units. Some examples of scenarios include fire, accident at the jetty, oil spill and civil unrest.

We provide training regularly to raise employee awareness of health and safety.

In 2016, 26 percent of management level (managers and above), 62 percent of employees and 37 percent of workers attended human rights related training sessions.



Cadet training at APRIL Asian Agri Learning Institute

 THE  
TOTAL TIME  
SPENT ON  
TRAINING  
OF APICAL  
EMPLOYEES  
IN 2016 WAS  
**2,501 hours.**

Floor supervisors ensure that employees wear suitable personal protective equipment (PPE) and that they follow established procedures and work instructions during the work hours accordingly. We strictly prohibit unfit and unauthorised personnel to operate machinery and harmful chemicals within our operating units.

In the last two years, there were a total of seven Lost Time Injury (LTIs) throughout Apical's plants. We also regret that there were three fatalities in 2015 at the SDS facility. Following reviews investigations of each case, Apical has put in place extra precautionary measures to prevent re-occurrence of such incidences. There were no fatalities in 2016.

In addition, to promote the wellbeing of our employees, we facilitate medical check-ups and provide clinical facilities and services along with the Badan Penyelenggara Jaminan Sosial (BPJS) insurance scheme for peace of mind due to the comprehensive health and medical coverage offered. We also encourage our employees to practise healthy lifestyles for general well-being.



## 10

# COMMUNITY LIVELIHOOD

## COMMUNITY ENGAGEMENT

The palm oil industry brings about significant socio-economic benefits to the communities in Indonesia. Primarily it presents new sources of income through job and trading opportunities, thus helping to create employment, alleviate poverty and empower people to secure better livelihoods for themselves. At the same time, we recognise that the development of our industry may adversely impact local communities, in particular indigenous people, giving rise to conflicts. As such, we are committed to respecting the rights of local and indigenous communities as well as promoting better livelihoods.



Unloading FFB at PT. Mitrasari Prima Palm Oil Mill



Employees housing complex at PT. Mitrasari Prima

## RESPECTING THE RIGHT TO FREE, PRIOR AND INFORMED CONSENT (FPIC) FOR INDIGENOUS PEOPLES AND LOCAL COMMUNITIES

Based on our sustainability commitments, Apical fully recognises and respects the rights of indigenous and local communities to give or withhold their Free, Prior and Informed Consent (FPIC) to the utilisation of lands to which they hold legal, communal or customary rights. We also ensure that a transparent and legal land allocation process is in place to prevent any land-related grievances or conflicts.

We strictly follow national laws and regulations where we operate. As such, prior to any new development and expansion that may affect surrounding local communities and the environment, Apical will engage with accredited consultants and government departments to carry out Social and Environment Impact Assessments (SEIA) or AMDAL (Analisis Mengenai Dampak Lingkungan). This is applicable in Indonesia and aims to evaluate potential impacts from land-based development. During this stage, any adverse feedback from communities and negative impact to the environment are taken on board for further assessment.

In 2016, there were no incidents involving the rights of the indigenous peoples at our refineries, which operate on designated industrial zones authorised by the local government. Apical's policy is to discontinue sourcing palm oil from supplying companies that have been reported to be errant repeatedly and refused to take remedial actions.



Community in PT. Mitrasari Prima

## CONFLICT RESOLUTION

At the forefront of our approach to handling community conflicts, we first aim to minimise the likelihood of cases arising through proactive and direct engagement with relevant stakeholders. Still, should a conflict arise, we strive to work in a fair and transparent manner to resolve any verifiable complaint and conflict with all parties involved. Apical's grievance mechanism has been in place through the establishment of a Grievance Procedure and the formation of a grievance verification team. These ensure that all grievances and conflicts are dealt with and handled in a transparent and accountable manner. This team gathers the necessary information from all relevant parties before conducting field investigation with the aim of seeking resolution and compliance with our sustainability policy. The description of grievance related cases and the follow up actions taken are logged and published on Apical's Sustainability Progress Dashboard.

## EMPOWERING COMMUNITIES

Apical prioritises the recruitment of local residents for employment as it is our primary focus to empower the communities in which we operate and improve their living standards. In addition, as a responsible company, Apical has broad engagement with adjacent villages to fulfil its role in the development of local communities. For example, our SDS Refinery at Lubuk Gaung, Dumai has several CSR programs for the local communities such as road and bridge construction, refurbishment of the mosque, repair of burnt primary school facilities, and scholarship for outstanding students. Other programs seek to boost alternative livelihoods such as the establishment of catfish farms. These CSR programs arose out of communication between the management of SDS and the local communities, and are customised according to people's expectations and needs. Through these programs, Apical and our key supplier Asian Agri seek to remain relevant as socially responsible corporate organisations.





**PROVIDING  
ADDITIONAL SOURCES  
OF INCOME DURING  
THE REPLANTING  
OF OIL PALMS  
THROUGH FISH FARMING**

**BACKGROUND**

Oil palm farmers are dependent on the income from their crops to sustain their livelihoods. However, when the oil palms have reached economic life-span at around 25-30 years, farmers typically face decreasing yield of FFB. Replanting is then needed to restore crop yields again. Farmers could expect peak yield anytime between six to twelve years from the time of replanting. In the meantime, the first few years from replanting is considered a less or non-productive phase, which presents a loss of income. This holds farmers back from replanting, which in the long run reduces yield. To encourage farmers to proceed with replanting oil palms, a solution for an alternative income during this transition period was proposed – fish farming.



Alternate source of income for smallholder at Buatan Estate, Asian Agri

**SOLUTIONS**

In 2015, Asian Agri introduced fish farming to its network of oil palm plasma growers in Jabang Tutuka.

The local governing body played an active role in developing such opportunities for its people and they collaborated with businesses as well. Partnering companies, including Asian Agri, financed training and equipment such as tarp-lined pools and ponds, pellet machinery and more. Farmers could also turn to such supporting companies for easier access to business loans compared to banks and financial institutions. Should difficulties arise, these were brought to the attention of these companies, which then gave further technical or marketing input.

Techniques that were taught on fish farming were aimed at maintaining environmental, health and safety standards according to local regulations. This was important for the fish farmers to minimise negative impacts to the environment while maximising profits.

**OUTCOMES**

With financial support, training and the provision of supplies, farmers found that fish farming was a lucrative business. The local people liked eating fish, which then resulted in a high demand at wet markets. Partnering companies even helped with the fish distribution to local markets situated further away.

Despite this promising venture, a few areas needed attention. "Currently the question is how to improve the marketing position and how to increase the selling volume of these fish," Bpk Eko said, a plasma farmer who joined the Jabang Tutuka fish farm.

The farming of fish presents an additional income avenue for plasma farmers especially during the replanting season of oil palms. This alternative way of farming helps feed themselves and their families while providing the village with added food source.

Apical supports such socio-economic development projects led by Asian Agri, its major partner in the supply chain.



Livelihood improvement program initiated by Sari Dumai Sejati for the villagers





## PLASMA SCHEME PARTNERSHIPS IMPROVE FARMERS' LIVING STANDARDS



### BACKGROUND

Agriculture in Indonesia provides many economic benefits, particularly employment. In the palm oil sector, however, a large part of plantations are owned by small or independent land owners with poor access to infrastructure, training and capital finance. Palm oil farmers in this category have reported low and inconsistent income.



Employee housing complex at PT. Mitrasari Prima

### SOLUTIONS

The Indonesian government initiated the Plasma Program to ensure that smallholders could manage their plantations well by leveraging on relationships with palm oil corporations. The program is mutually beneficial to both farmers and palm oil corporations. Plasma farmers benefit from training and education in oil palm cultivation which increases their yield and therefore income and welfare. Plantation companies are able to enjoy a stable supply of fresh fruit bunches FFB.

Apical's major supplier Asian Agri maintains partnerships via a plasma scheme model with about 30,000 smallholders that have approximately 60,000 hectares of palm oil plantations in Sumatra's Jambi and Riau Provinces.

### OUTCOMES

Families of plasma communities have reported that such partnerships have improved their lives in a number of ways. Many of them have since been able to afford better housing and attain higher education for their children.

With the intervention of such corporate partners, a new world has opened up for local agricultural farmers. "I was a rice paddy farmer but the harvested crops could only sustain us for eight months. I had to resort to getting an extra job as village secretary. But after joining the plasma program with Asian Agri in 1992, we planted oil palms, which now provides for us very well economically," said Muhammad Jamaluddin, a plasma farmer who migrated from Cianjur Regency, West Java Province.

Apart from training and skills upskilling, farmers are given funding to help with the replanting program. Getting high yield oil palm seeds from the partnership with corporations also meant getting FFB much sooner, "after approximately 2.5 years" according to Jamaluddin.

Another farmer, Nasrun from Kerinci Kanan Village, shared that his family had moved from basic to higher living standards, and he could now afford his children's college education. "In the plasma operational activities, the company helped us a lot during replanting period, such as construction of terraces, crop fertilisation, and socialisation of the good land clearing exercise by using the excavator to avoid land burning." The lots of Nasrun and many other members have received ISPO, RSPO and ISCC certification, increasing the value of their products.

"The FFB production yield is much higher at plasma plots under the guidance of Asian Agri compared to our own managed oil palm cultivation plots," he added.

Agreeing, Haji Armedi from Kerinci Kanan Village said, "The advantage of certification is clear as farmers are continuously being trained about the upkeep of palm oil plantation, fertilisers and any other matters about palm oil, plus get external training."

Seeing that the plasma scheme has benefited local communities in more ways than one, Asian Agri has a target of building mutually beneficial relationships with 60,000 independent smallholders by the year 2020.

## 10

COMMUNITY  
LIVELIHOOD

## FOSTERING THE SPIRIT OF LEARNING IN LOCAL COMMUNITIES

### BACKGROUND

Villagers in distant places often encounter difficulties in accessing learning centres, especially children. They tend to be disadvantaged if their families lack transport to send them to established schools in the district.

Palm oil communities in a certain Indonesian district found it challenging to send their children to the elementary school situated just two kilometres away. The school bus often broke down, leaving students stranded and missing classes for up to a week while repairs were being done.

In another district, a rundown school saw declining number of students. In these two instances, children were not able to get proper elementary education.

### SOLUTIONS

Employers and partnering corporations such as Asian Agri saw the potential to enhance learning opportunities. As part of its corporate social responsibility (CSR) program, Asian Agri typically supports education and therefore established a new elementary school – the Sekolah Dasar Permata Agri in Muara Bulian Estate in Riau province. With funding from Asian Agri, education is delivered free by local teachers who are paid honorarium.

Headmaster Natalie Sembiring of Permata Agri elementary school acknowledged the CSR contribution in improving access to education. “Asian Agri, helped quite a lot. Initially the library was empty and we got help in the form of bookshelves. The company also provided health and sports facilities as well as a science laboratory.”



Oil palm training program by Asian Agri for students at SMA Negeri 11 Batanghari school

Over at Sungai Sembilan, Dumai in the early 2000s, the MTs Nurul Islam Lubuk Gaung, was falling into disrepair with leaky roofs and broken ceilings. As it was a private school with limited budget, it could only embark on renovations with external funding. PT Sari Dumai Sejati (SDS) stepped in to assist with funding from Tanoto Foundation. Renovations finally began in December 2015.

With Tanoto Foundation’s help, renovation of MTs school and construction of its dormitory at RT07 was completed with a total cost of IDR 800 million. In addition to this ‘hardware’ improvement, ‘software’ needs were met by improving teachers’ skills in six schools.



Childcare center at Muara Bulian Estate, Asian Agri

### OUTCOMES

With both local schools looking good and equipped with educational facilities, the number of students attending increased. “Up to now, there are 173 children studying in this elementary school, from Grade I to Grade VI, and they are the combination of children from Asian Agri employees and local villages,” said Sembiring.

A similar response took place at MTS Nurul Islam. After getting financial assistance from Tanoto Foundation via PT. SDS, the school saw a 50 percent increase in admission rate from the previous year. The school has since won several awards.

Although there are more areas in schooling that need attention, headmaster M. Fathan is most appreciative of the support received, which has motivated teachers and students to excel further. “Our hope is to receive continuous assistance for teacher training – this is very useful for reviving – the teacher’s passion and motivation for teaching, and the spirit of learning in the child,” M. Fathan smiled.



## 11

# CUSTOMERS AND CONSUMERS

We recognise customers as our key partners to business growth. It is therefore important for Apical to work closely with them to jointly meet their market needs and global requirements in supplying sustainable palm oil and products.

Apical believes in ethical business practices, sustainable and quality products as the key to long-term customers relations. Most of our globally-recognised customers have adopted stringent standards in sustainability, which are also met through the Apical Sustainability Policy and sourcing processes. These provide us with a solid ground to deliver traceability and sustainability requirements in social, legal and environment contexts, going beyond the fundamental needs of product safety and highest quality requirements.

Apical supplies customers with a range of products, from Crude Palm Oil (CPO), Crude Palm Kernel Oil (CPKO) to various forms of Processed Palm Oil (PPO), Processed Palm Kernel Oil (PPKO) and Refined Soy Bean Oil (RBDSBO), all of which can be further processed into value added products.

For example, CPO is a versatile vegetable oil with a variety of edible and industrial applications such as cooking oil, margarine, shortening, ice-cream, bakery fats, instant noodles, chocolate and coatings, sugar confectionary, soaps and detergents, shampoo, fabric softeners, emulsifiers, fatty alcohols, plasticisers, resin, surface-active agents, lubricants and biodiesel. As such, our customers incorporate our materials into their products, many of which are globally-recognised consumer brands.



Quality control laboratory at AAJ Marunda refinery

## ENSURING PRODUCT QUALITY AND SAFETY

Our customers rely on Apical to supply high quality and safe palm oil products. Through continuous innovation and improvements, Apical is able to meet the food manufacturer's stringent quality requirements for oils and fats.

We appoint independent third party accredited certification bodies to validate and verify the standard of our products regularly. Our palm oil products are HACCP certified for food safety, and Halal and KOSHER certified. We also adhere to PORAM or Palm Oil Refiners Association of Malaysia standards for PPO and can tailor our product specifications to suit customer requirements.

The proximity to end-users also enables Apical to react to market changes in the shortest time possible. For example, our Sari Dumai Sejati Refinery sources its raw materials from within Sumatra, processed through state-of-the-art facilities to ensure optimised resources and GHG emission reduction throughout its processes. Its integrated operations allow for greater efficiency in response to changes in market requirements. Our AAJ Marunda processing plant is located near Tanjung Priok container terminal, which facilitates on-time delivery and export of our shipments. The efficient logistics result in cost savings for Apical and its customers.

## SUSTAINABLE PALM OIL THROUGH CERTIFICATION

As part of our commitment to promote traceable and sustainable palm oil production, and in our efforts to meet the growing demand from our customers for certification, we continue to participate in various industry schemes, including the RSPO and ISCC certification schemes in our operations (refineries, kernel crushing plant, biodiesel plant and oleochemical plant). We have gone beyond that by engaging our suppliers vigorously through the Shared Value Program and Priority Supplier Engagement Program (PSEP). Moreover, we have formed a dedicated Supplier Engagement team to forge greater FFB traceability and production of sustainable palm oil through globally-recognised certification schemes.

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.



Product quality testing lab at AAJ Marunda refinery

## 11

## 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.

**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 in its palm oil produce 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 since 2010 and continuously to meet customers demand in supplying low GHG materials for their productions.



As of December 2016, 26.5% of our raw materials come from RSPO certified source, 19.3% come from ISPO certified source, and 27.8% come from ISCC certified source. We are determined to improve these figures in the years ahead based on our commitment to be a leading responsible palm oil supplier.

**KAO TESTIMONIAL**

Enriching lives, in harmony with nature.

As a member of the Roundtable on Sustainable Palm Oil (RSPO), KAO is committed to ensuring our operations adhere to the RSPO Standards and in line with industry best practice. The Kao Sustainability Statement guides our business towards responsible and sustainable practices by focusing on the three key areas of Conservation, Community and Culture.

With the firm belief that quality products can only be produced using the best raw materials sourced from responsible and sustainable sources, we continue to encourage and support our major suppliers in their sustainability journey through our Guidelines for Sustainable Procurement of Raw Materials and Guidelines for Suppliers Assessment.

We work closely with responsible producers, such as Apical who share similar values and commitments, to enable us to produce the best products and services for our valued customers.

As a reliable supplier of raw materials, we reached another milestone in 2016 with business partner Apical, by establishing PT Apical Kao Chemicals, a joint venture company for manufacturing fatty acids.

KAO has also started to actively explore with Apical to ensure palm oil traceability by planning to conduct site visits to Apical's refinery and its supply chain as part of the quality assurance practice. This exercise will also serve as a platform to learn and advance together towards sustainable and responsible palm oil sourcing.

We respect Apical's contributions in continuing exploring practical methodology for traceability to FFB sources and concurrently expect them to strive further in palm oil traceability up to their FFB suppliers.

We hope that Apical will continue to invest in the long term sustainability of the industry and we look forward to future collaborations.



**MR HIDEKI TANAKA**  
Executive Officer/ Senior Vice President,  
Global Procurement, Kao Corporation



## 11

CUSTOMERS AND  
CONSUMERS

## NESTE

## TESTIMONIAL



The palm oil industry certainly looks different today from what it was 10 years ago. Ten years ago, the discussion on certification and sustainability was relatively new and unknown; this was a challenge which also Nestlé was facing at the time. We are glad we approached leading suppliers such as Apical, who were willing to join us in the journey.

Today, Nestlé would like to congratulate Apical for their first ever GRI-based Sustainability Report. This is a significant achievement!

The Apical team has continuously demonstrated that they can adapt to changing regulatory and market requirements. They have always been open for new ideas and joint efforts in continuous improvements.



**MR ADRIAN SUHARTO**  
Head of Stakeholder Engagement,  
Nestlé

However, the sustainability journey does not end with certification and reporting. There are challenges that remaining, such as the need to further reduce greenhouse gas emissions throughout the supply chain, to gain even stronger respect for human and labour rights, and to develop traceability of palm oil derivatives to the point of origin, to name a few.

These challenges cannot be solved by Apical or Nestlé alone. Solving these challenges requires a shared goal and collaboration from every player connected to the palm oil industry. We at Nestlé are committed to such transformative collaborative efforts with Apical and other players aiming at moving the whole industry forward.

GLOSSARY OF  
TERMS

<b>AAALI</b>	– APRILAsian Agri Learning Institute	<b>PME</b>	– Palm Methyl Ester
<b>AAT</b>	– Administration Assistant Training	<b>PPE</b>	– Personal Protective Equipment
<b>AAJ</b>	– Asianagro Agungjaya	<b>PPO</b>	– Processed Palm Oil
<b>AMDAL</b>	– Analisis Mengenai Dampak Lingkungan	<b>PSEP</b>	– Priority Supplier Engagement Program
<b>ART</b>	– Aggregator Refinery Transformation	<b>RBDCNO</b>	– Refined Bleached Deodorized Coconut Oil
<b>BCSD</b>	– Business Council for Sustainable Development	<b>RBDHCNO</b>	– Refined Bleached Deodorized Hydro Coconut Oil
<b>BoD</b>	– Apical's Board of Directors	<b>RBDHPKL</b>	– Refined Bleached Deodorized Hydro Kernel Olein
<b>BPJS</b>	– Badan Penyelenggara Jaminan Sosial	<b>RBDHPKO</b>	– Refined Bleached Deodorized Hydro Kernel Oil
<b>CBS</b>	– Cocoa Butter Substitute	<b>RBDHPKS</b>	– Refined Bleached Deodorized Hydro Kernel Stearine
<b>CFAD</b>	– Coconut Fatty Acid	<b>RBDHPO</b>	– Refined Bleached Deodorized Hydro Palm Oil
<b>CPKO</b>	– Crude Palm Kernel Oil	<b>RBDPKO</b>	– Refined Bleached Deodorized Kernel Oil
<b>CPL</b>	– Crude Palm Olein	<b>RBDPL</b>	– Refined Bleached Deodorized Refined Palm Olein
<b>CPO</b>	– Crude Palm Oil	<b>RBDPS</b>	– Refined Bleached Deodorized Refined Palm Stearin
<b>CPS</b>	– Crude Palm Stearin	<b>RSPO</b>	– Roundtable on Sustainable Palm Oil
<b>DLP</b>	– Driving License Program	<b>SDS</b>	– PT Sari Dumai Sejati
<b>EAT</b>	– Estate Assistant Training	<b>SEIA</b>	– Social and Environment Impact Assessments
<b>FFB</b>	– Fresh Fruit Bunch	<b>SOP</b>	– Standard Operating Procedures
<b>FFVP</b>	– Fire Free Village Program	<b>SPOM</b>	– Sustainable Palm Oil Manifesto
<b>FPIC</b>	– Free, Prior, and Informed Consent	<b>SVP</b>	– Shared Value Program
<b>GHG</b>	– Greenhouse Gas	<b>TAT</b>	– Traction Assistant Training
<b>GRI</b>	– Global Reporting Initiative	<b>TDD</b>	– Traceability Declaration Documents
<b>HCS</b>	– High Carbon Stock	<b>TFT</b>	– The Forest Trust
<b>HCV</b>	– High Conservation Value	<b>TOP</b>	– Traceability Outreach Program
<b>HPS</b>	– Hydro Palm Stearine	<b>TWG</b>	– Traceability Working Group
<b>ISCC</b>	– International Sustainability and Carbon Certification	<b>UN SDGs</b>	– United Nations Sustainable Development Goals
<b>ISPO</b>	– Indonesian Sustainable Palm Oil System		
<b>LTI</b>	– Lost Time Injury		
<b>MAT</b>	– Mill Assistant Training		
<b>MPP</b>	– Mill Prioritization Process		
<b>MSP</b>	– PT Mitrasari Prima		
<b>PFAD</b>	– Palm Fatty Acid Distillate		
<b>PKFAD</b>	– Kernel Fatty Acid		
<b>PKO</b>	– Palm Kernel Oil		