



Sustainable Business

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Cover Rationale



Sustainable Business Today for a Better Tomorrow

Sustainability is something we see as essential to be embedded in the way we think, act and run our business. By doing our part to implement responsible practices, both within our operations and our supply chain, we are not only ensuring the long-term success of our business, we are also helping to build a more sustainable world for future generations. This is in line with our founder Sukanto Tanoto's philosophy that we must do what is good for the community, country, climate and customer, only then will it be good for the company.



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About This Report

102-1, 102-52, 102-54



PT Sari Dumai Sejati at sunrise



Apical Group (Apical) is committed to communicating our progress towards implementing our sustainability commitments, outlined in our Sustainability Policy, on an annual basis.

This is the fourth year we are following the disclosures set out by the Global Reporting Initiative (GRI) Standards, which form the basis of our annual reporting. The report has been prepared in accordance with the GRI Standards: Core option. For a full list of disclosures referenced in this report, please refer to the [GRI Content Index](#).

About This Report

Boundary and Scope

102-45, 102-46, 102-49, 102-50, 103-1

This report contains information for FY2019, focusing on our operations in Indonesia which includes four refineries, two bio-diesel plants, one kernel crushing plant and one oleochemical plant.

With this report, we hope to provide a transparent account of our sustainability performance and progress towards our commitments. Complimentary to this report is our [Sustainability Progress Dashboard](#) on our website, which is regularly updated and always available to users.

5 Refineries

3 Biodiesel Plants

1 Kernel Crushing Plant

1 Oleochemical Plant

External Assurance

102-56

To provide our readers with greater confidence on the information and data provided in this report, Apical has engaged Control Union to provide independent limited assurance for selected key environmental, social and governance disclosures in this report. Please refer to pages 60 - 61 for the assurance statement and scope of data assured.

Point of Contact

102-53

We value your opinion as part of our continuous effort to improve and meet stakeholder expectations. Your comments and feedback on any aspect of our approach to sustainability or reporting may be directed to:

Bremen Yong,

Director of Sustainability for Apical Group

bremen_yong@apicalgroup.com



President's Statement

102-14



Dear Stakeholders,

Welcome to Apical's 2019 Sustainability Report. This is our fourth report where we aim to provide our stakeholders with an update of our sustainability progress and plans for the future.

At Apical, we believe that the integration of sustainability is key to the success of our business and we are committed to ensuring that sustainable practices are adopted across our supply chain, from cultivation to consumption.

Our Achievements in 2019

Looking back at 2019, we are pleased with the progress we made towards our sustainability commitment. We maintained 100% traceability to mills as well as achieved 95.1% traceability to plantation for three of our refineries. Our Traceability Outreach Programme (TOP) has been instrumental in helping us achieve this by supporting the suppliers of our refineries to collect and manage the traceability data of their FFB suppliers. With this progress, we are confident we will be able to meet our target to have a fully traceable supply chain to plantation by 2020.

Apart from our TOP, we continued to engage with our suppliers, especially those which have been identified as high priority, on the adoption of sustainable practices. This is done through our Priority Supplier Engagement Programme (PSEP) and Shared Value Programme (SVP). To support our suppliers on identifying gaps against our No Deforestation, No Peat and No Exploitation (NDPE) commitments, we rolled out our Suppliers Self-Assessment (SFA) tool.

We also work with our partners Setara Jambi and CORE on the Responsible Sourcing from Smallholder (RSS) programme by SHARP and have assisted 220 farmers in adopting best practices in sustainable and responsible production.

Within our own operations, we continue to implement the concept of "Kaizen", or continuous improvement projects, as part of our aim to reduce our impacts on the environment and use resources responsibly. For example, our KRN refinery improved its coal boiler efficiency from 185kg/tonne of steam to 165kg/tonne of steam. This not only improves our cost efficiency, but also reduces waste as well as greenhouse gas emissions.

Protecting the health and safety of our employees remains a priority for Apical. I am proud to share that there have been no work-related fatalities in the last four years. We continue to spare no effort on improving our management systems to manage risks better, and further reduce the number of workplace accidents in the coming years.

We continued to contribute to our focus United Nations Sustainable Development Goals (UN SDGs), including the improvement of the livelihood of local communities through employment opportunities and smallholder programmes. We also provide training programmes which will help provide alternative livelihoods for local villagers. For example, our SDS Refinery in Lubuk Gaung, Dumai implemented the *Kelompok Usaha Bersama* programme, teaching residents skills on goat farming, as well as onion and chilli growing. We also implemented the *Rumah Pintar Project* where women are trained to be entrepreneurs by turning their hobby of baking breads and cakes into a source of revenue to contribute to the family income.



Apical has developed a new strategy in 2019 to further promote sustainable business throughout our operations and supply chain by 2025.

To combat and build community resilience against the impacts of climate change, Apical joined forces with youth organisations and local non-governmental organisations (NGOs) in Dumai to plant 1,000 mangrove seeds as part of a government initiative. The aim is to help protect shorelines, absorb carbon and filter air pollutants near industrial areas.

Addressing the COVID-19 Situation

At the time of writing this, impacts of COVID-19 continue to touch every corner of the globe, with our top priority has been to ensure our workers stay safe and healthy, through the provision of personal protective equipment (PPE), special working arrangements and safe distancing measures. This ensures continuity of our day-to-day operations while safeguarding the well-being of employees. In the community, we have been contributing PPE to our brave healthcare workers as well as food supplies to help them carry out their duties in a safer manner.

The Road Ahead

While we would like to be in a position of meeting our traceability target by early 2020, Apical remains steadfast in achieving our goals and being a leading supplier of sustainable and traceable palm oil products. 2020 will be pivotal year for the palm oil industry, serving both as a checkpoint on progress against NDPE commitments and developing plans for the next decade. Apical has developed a new strategy in 2019 to further promote sustainable business throughout our operations and supply chain by 2025. We are also in the midst of updating our sustainability policy, ensuring our commitments remain relevant and reflect the right priorities going forward.

President's Statement

The trust of our customers is something that I am proud to say we continue to maintain, allowing us to increase our market share. I strongly believe that our unique value, despite managing a basic commodity, comes from our drive to meet our customers' requirements on sustainability, product safety and quality, and reliability.

While the business challenge of demand persists, I am positive on the future of palm oil, which remains the most productive vegetable oil available in the market. The rollout of the Indonesian government's B30 initiative in 2020 will also help to drive demand for biofuel blend.

As we continue to expand our business and look to double our refining capacity, more measures will be put in place to ensure that we source from suppliers who can comply with our requirements. While we used to work with plasma smallholders in the past, we are now also working with our customer to engage independent smallholders. Although there was a challenge initially in getting smallholders on board, our hope is to continue to educate them on the benefits of adopting sustainable practices, including financial gains from premium oil prices.

The COVID-19 pandemic has accelerated the need for businesses to focus on sustainable practices and resilience. Achieving our sustainability goals is something we remain fully committed to, more so than ever. We also acknowledge that we cannot do it alone and look forward to continuing our collaborations with stakeholders. At Apical, we thank you for joining us on this journey and wish all our stakeholders a safe and healthy year ahead.

Yours sincerely,
DATO' YEO HOW
President

Special Feature: Apical Contributes to the Fight Against COVID-19



Alvin Yulitias Sandy, Head of SSL Apical Dumai, on behalf of our refinery PT Sari Dumai Sejati (PT SDS) hands over 1,000 PPE suits, 10,000 masks, 10,000 gloves and 50 medical goggles to the Mayor of Dumai, H. Zulkifli U.S for the fight against COVID-19.

Although it is beyond the scope of this 2019 report, it is important to address the current unprecedented health and economic crisis at the time of printing this report. Apical's contributions towards the community impacted by Corona Virus Disease (COVID-19) will be shared further in next year's report.

As of 28 July 2020, the number of confirmed COVID-19 cases have reached over 16 million, with more than 600,000 deaths. Apical has joined the fight against Covid-19 by providing healthcare workers and volunteers in Indonesia with medical items such as personal protective equipment (PPE), face masks, goggles as well as food supplies comprising of milk, sugar and coffee.

Alvin Yulitias Sandy, Head of SSL Apical Dumai, on behalf of our refinery PT Sari Dumai Sejati (PT SDS) contributed 1,000 PPE suits, 10,000 masks, 10,000 gloves and 50 medical goggles to the Mayor of Dumai, H. Zulkifli U.S in April for the Dumai General Hospital to support healthcare workers.

"We hope that our courageous healthcare workers at the frontline can continue to carry out their duties with greater peace of mind, by being adequately equipped to protect themselves from the risk of Covid-19 transmission in the course of duty," Alvin Yulitias Sandy, Head of SSL Apical Dumai said.

PT SDS has also raised banners and posters to quickly raise awareness on Covid-19 amongst the local community. The team here helped build a COVID-19 checkpoint to break the chain of infection locally with volunteers stationed at entry points to take body temperature using a thermal-gun. By the time this article was written, Dumai has been included in the New Normal Program initiated by the government where people return to work and school with health precautions.

As Apical continues to support healthcare workers and the community, our employees remain a priority. Informative posters and advisories are displayed at various parts of our operations to remind staff of safe and responsible practices. Apical has implemented business continuity plans which include special work arrangements, responsible practices and social distancing measures to ensure business continuity while safeguarding the health and well-being of our employees.

About Apical Group

102-16



Our 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

About Apical Group

OVERVIEW OF APICAL GROUP

102-2, 102-3, 102-5, 102-6, 102-9

Apical Group is one the largest exporters of palm oil in Indonesia and manages the downstream business of palm oil production. This includes sourcing, refining, processing, manufacturing, trading and the distribution of palm oil and its products for the domestic and international markets. Our business model leverages on an extensive network and world-class logistical infrastructure to deliver quality Crude Palm Oil (CPO) and Processed Palm Oil (PPO). Other major products include Crude Palm Kernel Oil (CPKO) and Processed Palm Kernel Oil (PPKO).

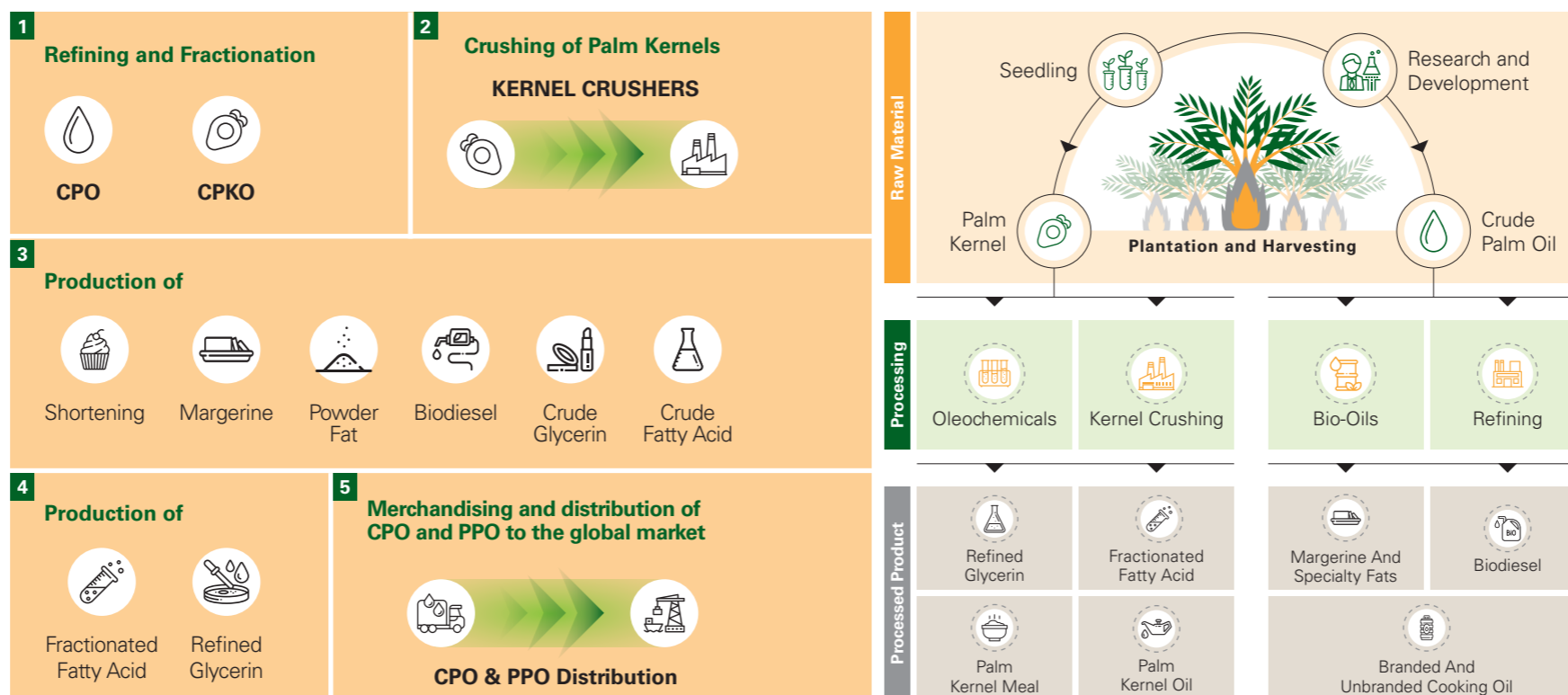
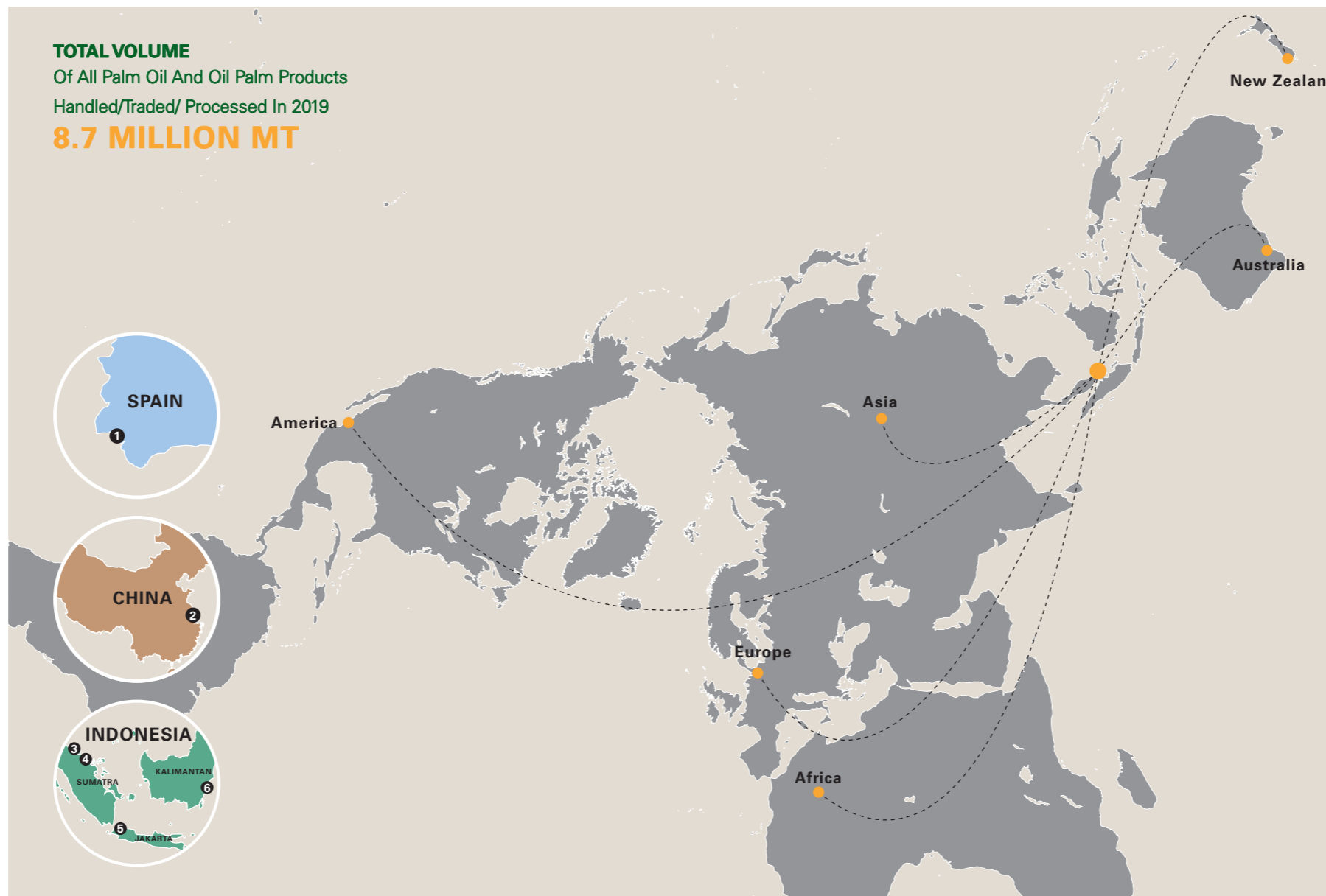
Incorporated in 2006 and headquartered in Singapore, Apical now owns and operates 10 processing facilities worldwide - 5 refineries, 3 biodiesel plants, 1 kernel crushing plant and 1 oleo chemical plant. Our operations include the refining and fractionation of CPO and CPKO; crushing of palm kernels; the production of shortening, margarine, powder fat, biodiesel, crude and refined glycerin, as well as crude and fractionated fatty acid.

Apical also engages in product development and sales of palm oil derivatives and consumer products. Bakeria, Camas, Frybest, Medalia and Vitas are some of Apical's brands. Our products are sold across Europe, Asia, America, Australia, New Zealand and Africa.

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



TOTAL VOLUME
Of All Palm Oil And Oil Palm Products
Handled/Traded/ Processed In 2019
8.7 MILLION MT



Scale of Operations
102-4, 102-7

Supported by a workforce of:
2,115 employees
We operate the following facilities:

5 refineries

PT Asianagro Agungjaya Tanjung Balai
2019 Production: 90,415 MT
Sumatra, Indonesia

PT Kutai Refinery Nusantara
2019 Production: 1,024, 733 MT
Kalimantan, Indonesia
RSPO & ISCC EU

PT Sari Dumai Sejati
2019 Production: 3,343,310 MT
Sumatra, Indonesia
RSPO & ISCC EU

Exelic Food Technology Co. Ltd
2019 Production: 100,705 MT
Nanjing, China

PT Asianagro Agungjaya Marunda
2019 Production: 784,101 MT
Jakarta, Indonesia
RSPO & ISCC EU

3 biodiesel plants

Bio-Oils La Rabida
2019 Production: 289,954 MT
Huelva, Spain
ISCC EU

PT Kutai Refinery Nusantara
2019 Production: 305,521 MT
Kalimantan, Indonesia

PT Cemerlang Energi Perkasa
2019 Production: 391, 565 MT
Sumatra, Indonesia

1 palm kernel crushing

PT Sari Dumai Sejati
2019 Production: 779, 881 MT
Sumatra, Indonesia
RSPO & ISCC EU

1 fats splitting plant (oleo JV)

PT Apical KAO Chemicals
2019 Production: 31,336 MT
Sumatra, Indonesia

We serve a range of customers:

- Palm oil traders
- Biofuel manufacturers
- Consumer goods manufacturers

Our Approach to Sustainability

102-11



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Apical’s’ approach to sustainability is guided by our 5Cs business philosophy of doing what is good for the community, country, climate, customer and company. We have therefore continued to place sustainability strategically at the core of our business.

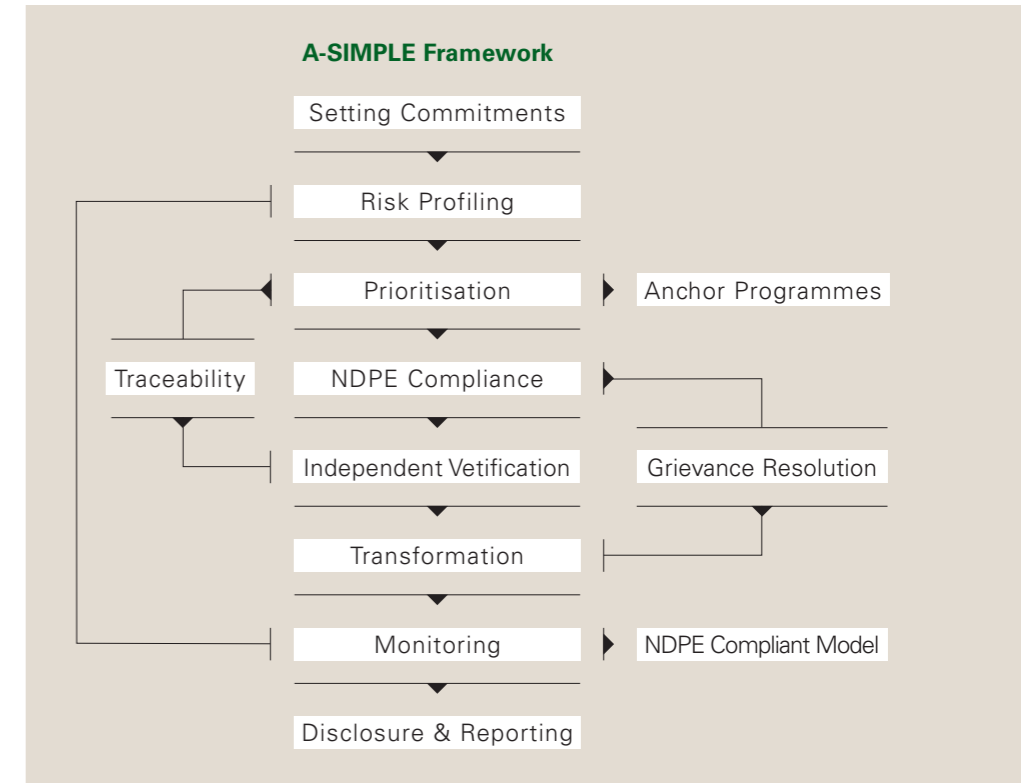
We are focused on minimising our negative impact on the environment, improving the lives of the communities where we operate, providing fair and decent employment opportunities and meeting the needs of our customers. We also seek to bring about a positive transformation in our supply chain. Through this approach, we are not only building our resilience to risks facing the business, we are also leveraging on our ability to support sustainable development where we operate.

In 2019, we developed a new strategy with a mission to promote sustainable business practices throughout our operations and supply chain by 2025. With this, we elevate sustainability as a strategic driver of business growth as well as our risk management efforts. With this report, we hope to provide a transparent account of our sustainability performance and progress towards our commitments.

Our Approach to Sustainability

Apical Sustainability Implementation Framework (A-SIMPLE Framework)

To ensure the effective implementation of our policy, especially around bringing suppliers on our journey, we have developed the Apical Sustainability Implementation Framework (A-SIMPLE Framework) which includes seven key steps:



Corporate Governance 102-16, 102-18, 102-19, 102-20, 103-2, 103-3

At Apical Group, our commitment to sustainability stems right from the top. The Apical Board of Directors (BoD) is the highest governing body in driving the group’s direction towards sustainable growth. 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. Sustainability topics are discussed at Board meetings which are held quarterly. The President, supported by the Director of Sustainability and various business heads, ensures sustainability is integrated into the various roles within business and functional units.

We also have dedicated Sustainability teams based in Kuala Lumpur, Pekanbaru, Medan, and Dumai. The Sustainability teams are tasked with implementing and monitoring our commitments through constructive stakeholder engagement and collaboration. In addition to these teams, there is a dedicated Social, Security and Licensing (SSL) department in each of the refineries that we own, to handle social and licensing matters according to national regulations and our Sustainability Policy. The team also looks after Corporate Social Responsibility (CSR) programmes to support better livelihoods in local communities. The various teams and the Sustainability Director meet at least once a month to review performance on sustainability commitments and identify areas of improvement.

To be delivered through five strategic focuses including:

-  **Traceability and transparency**
-  **Policy compliance and implementation framework**
-  **Stakeholder relations and grievance management**
-  **Multi-stakeholder platforms and collaborations**
-  **Delivering on our core sustainable development goals (SDGs)**

Each strategic focus is supported by a number of programmes. Progress is monitored through selected key performance indicators (KPIs) and targets. For more details on our targets, please see the section on [Our Progress and Future Commitments](#).

We also regularly review our material sustainability topics to ensure they remain relevant to the business and our stakeholders. Details of our materiality assessment where we engaged both key internal and external stakeholders and a list of material topics identified can be found in the [Appendix](#) of this report.

Apical’s Sustainability Policy 103-2

Apical’s Sustainability Policy, which was published in September 2014, serves as our roadmap in guiding the group’s efforts towards becoming a sustainable global processor

and trader of palm oil. It outlines our commitments to ensuring sustainable practices are adopted across the entire value chain of our palm oil production, from cultivation to processing and delivery to end users.

Apical’s Sustainability Policy

Apical seeks to 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

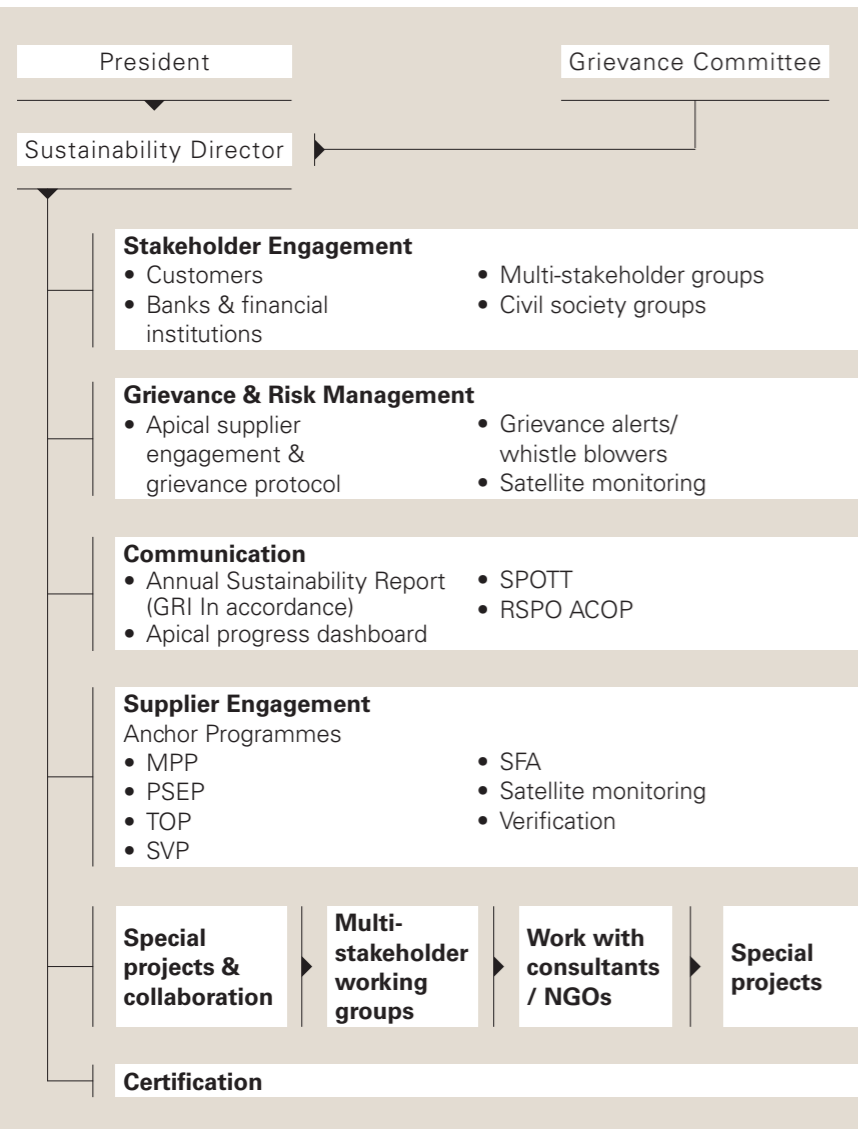
This commitment extends to all of Apical’s subsidiaries and to the refineries that we own and manage. As a downstream player in the palm oil industry, the realisation of these commitments also requires our suppliers to be on board. Our Sourcing Policy, developed in 2015, ensures that we only source from suppliers who agree to comply with our Sustainability Policy.

Details of our policy commitments and sourcing strategy can be found on Apical’s [website](#).

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This commitment extends to all of Apical’s subsidiaries and to the refineries that we own and manage.

At the time of developing this report, we are reviewing and updating our policy in collaboration with industry experts, ensuring that it remains relevant and takes into consideration emerging trends within our sector.

Our Approach to Sustainability



Ethics and Compliance

102-16, 102-17, 103-2, 103-3, 205-3, 419-1

Apical is committed to conducting all business activities with integrity and in accordance with strict legal and ethical standards. All members of the BoD and employees must adhere to the RGE Global Code of Conduct (RGE Code) which is disseminated as part of our new hire orientation process. The RGE Code guides our daily business conduct by providing a framework for how we should behave in line with our values to achieve sustainable business practices and maintain a strong reputation.

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

In 2019, there were no cases of breach of the RGE Code, including corruption. There were also no significant fines and non-monetary sanctions for non-compliance with laws and regulations in the environmental, social and economic area.

Apical complies with the various tax systems that the Group operates in (Indonesia, Singapore, Malaysia, Spain, China etc). The Group conducts monthly tax reviews to ensure all key tax positions such as transfer pricing, cross border transactions, tax compliance and tax planning decisions are taken. Key decision making for tax matters are undertaken collectively between the Group & corporate office tax team to ensure checks and balances.

Grievance Procedure

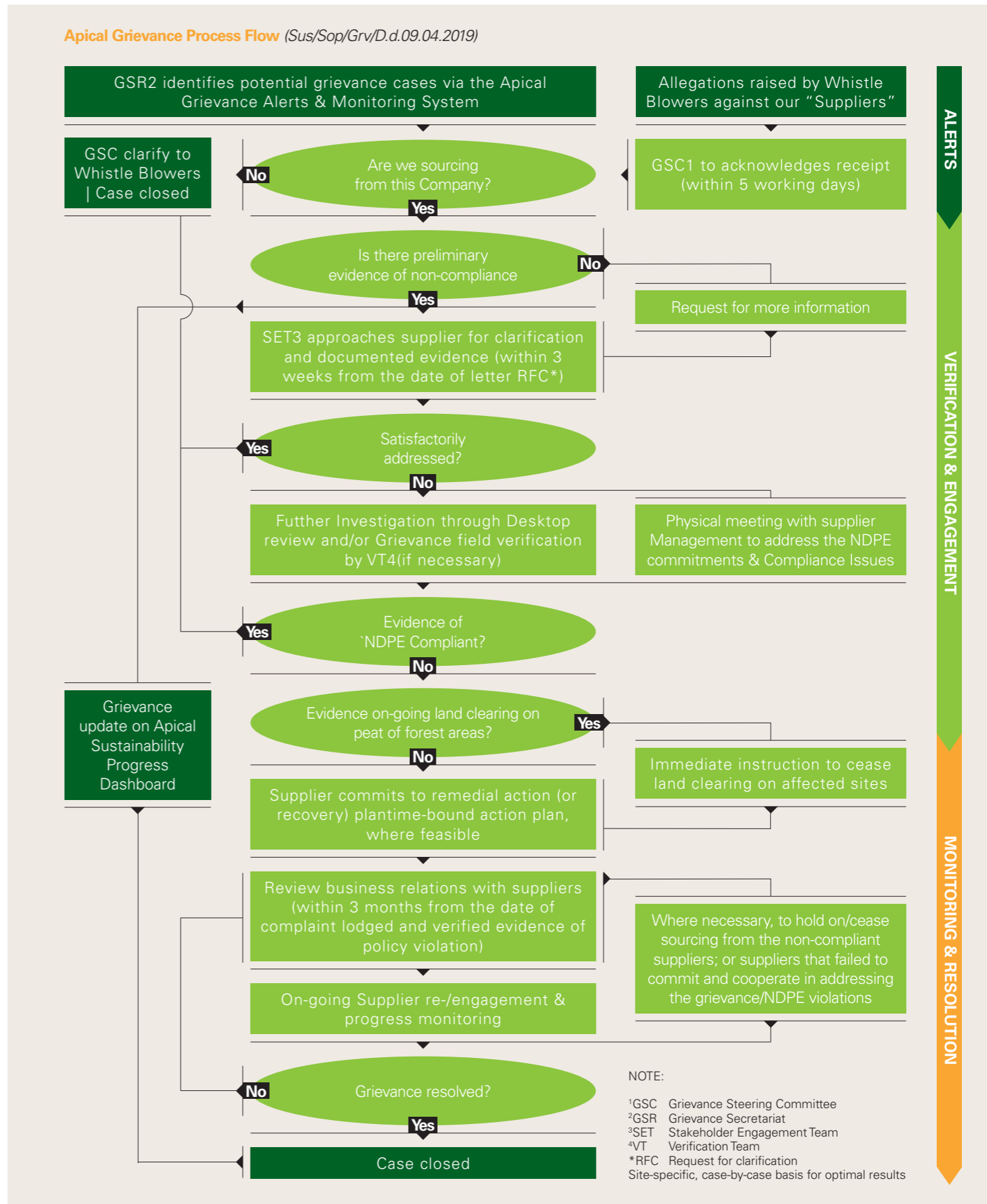
102-17, 103-3

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

The Apical Grievance Procedure covers all activities related to the management of stakeholders' concerns. Our grievance process includes a whistleblowing channel and a Grievance Alert System that delivers prompt notifications on matters raised against Apical or our suppliers. The process of dealing with a grievance is illustrated on the flow diagram on the following page with further details available [online](#).

In 2019, there were 22 grievances raised against our suppliers. These are in our grievance tracker available on our website. These grievances are related to the clearing of forest and peatland areas. Apart from grievances tracked at group-level, each refinery also has their own grievance management process. Grievances handled at the operational level are not covered in this report.

Our Approach to Sustainability



Our Approach to Sustainability

Partnership, Memberships and Certification 102-12, 102-13

Achieving our sustainability goals requires collaboration with not just our key stakeholders but also across industries and peer companies. As such, we are constantly looking for new partnerships, as well as participating in relevant industry membership and certification schemes.

Since November 2017, Apical has been a partner of the Tropical Forest Alliance 2020 (TFA 2020). TFA 2020 is a global public-private partnership that brings together governments, private sector, and civil society organisations to exchange knowledge, expertise and best practice on forest and ecosystem conservation.

In September 2018, Apical initiated SUSTAIN (Sustainability Assurance & Innovation Alliance) together with a group of companies comprising oil palm growers, palm oil processors, consumer goods manufacturers, not-for-profit organisations and technology leaders. SUSTAIN was founded with the aim to improve traceability of palm oil production, through the use of blockchain technology, and push forth the implementation of NDPE policies across complex supply chains. For more information on SUSTAIN, please refer to the section on [Working with Suppliers and Smallholders](#).

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

We also contribute to standard revision at industry level and at the same time, we leverage on the membership of these organisations to keep ourselves abreast with emerging trends and new standards.

Supporting the United Nations Sustainability Development Goals (UN SDGs)

Apical is committed to supporting the UN SDGs, introduced in 2015 as a common framework for governments, businesses and society to build a better world by 2030. In 2019, we conducted a prioritisation exercise to identify the SDGs which we are able to best support and advance, leveraging on our capabilities and reach. From the exercise, six SDGs were prioritised for Apical to focus on. These SDGs were further segmented into core and catalytic goals. Core goals are those that have the strongest alignment with the company's operations and sustainability commitments while catalytic goals are those where Apical sees as an opportunity to support the communities where we operate.



While we have identified six priority goals to focus on, we recognise that all 17 SDGs are interconnected and we may indirectly support the other goals through our activities. Partnerships and collaborations are crucial to achieving the SDGs, which is why we will also continue to explore opportunities to support Goal 17: Partnership for the Goals.



Our Approach to Sustainability

SDG 2: Zero Hunger



Based on a study conducted by the Asian Development Bank and the International Food Research Institute, 22 million people in Indonesia suffered from chronic hunger between 2016 and 2018². Agriculture plays an important

role not just in contributing to the country's economy while bringing other social benefits, but also in ensuring food security. Additional efforts such as making food systems more efficient can help reduce hunger and provide households with better income.

At Apical, we are committed to strengthening the food security of local communities. In collaboration with the local government, we support the communities where we operate to boost farming productivity and effectiveness through training and investment (see page 40). With increased productivity and diversification of crops farmed, these farmers will not only be able to provide food for their families, they will also be able to sell any surplus to earn extra income, improving their livelihoods.

² Policies to Support Investment Requirements of Indonesia's Food and Agriculture During 2020-2045, <https://www.adb.org/publications/indonesia-food-agriculture-development-2020-2045>



Relevant SDG Targets:

- 2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations including infants, to safe, nutritious and sufficient food all year round
- 2.3 By 2030, double the agricultural productivity and the incomes of small-scale food producers, particularly women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets, and opportunities for value addition and non-farm employment

SDG 1: No Poverty



Indonesia has made great progress in poverty reduction, cutting the poverty rate by more than half since 1999, to 9.4% in 2019¹. However, the absolute number of people living in poverty is still significant, which means poverty alleviation remains a major focus for the country.

The palm oil industry provides significant economic benefits to producing countries like Indonesia, lifting millions out of poverty. At Apical, we provide job opportunities to people from the community, with wages that at least meet or are above the minimum requirements (see page 35). We also work with communities to help them develop new skills such as vegetable and goat farming, sewing and cake making, allowing them to diversify their source of income (see page 39).

To support community development and mobility, we implemented infrastructure improvement projects such as the building of concrete roads (see page 40).

¹ <https://www.worldbank.org/en/country/indonesia/overview>



Relevant SDG Targets:

- 1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions
- 1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance

Our Approach to Sustainability

SDG 7: Affordable and Clean Energy



In order to mitigate the effects of climate change and support the transition to a low-carbon economy, there is a need to prioritise energy efficiency as well as explore alternative sources of energy which are reliable, affordable and sustainable. With the increasing global energy demand, we believe that sustainably produced biofuels will be a part of the solution.

To reduce fossil fuel imports, the Indonesian government successfully implemented the use of B20 in 2018, a fuel blend with a bio-content of 20%. Apical worked with the government on this implementation by participating in focus group discussions. Apical is a member of the Independent Power Producers Association (EBTKE) tasked to manage, evaluate and develop new specifications of biodiesel. Based on these specifications, we will then prepare samples for testing. We will continue to collaborate with the government with the B30 mandate (fuel blend with a bio-content of 30%) kicking off in 2020.

Within our own operations, we are constantly looking for ways to reduce our electricity consumption and improve our energy efficiency, while encouraging our suppliers to do the same (see pages 31 to 32).



Relevant SDG Targets:

- 7.2 Increase substantially the share of renewable energy in the global energy mix by 2030
- 7.3 Double the global rate of improvement in energy efficiency by 2030 markets, and opportunities for value addition and non-farm employment

Our Approach to Sustainability

SDG 8: Decent Work and Economic Growth



Apical is committed to providing decent work opportunities, respecting human and labour rights, and maintaining a safe work environment (see pages 34 - 37). We also work closely with our suppliers through our Anchor programmes to ensure positive labour practices within our supply chain (see pages 26 - 29).



Relevant SDG Targets:

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

SDG 12: Responsible Production and Consumption



With increased demand for already constrained natural resources, it is imperative that the needs of society is met within the ecological limits of the planet.

At Apical, we are committed to sourcing responsibly from suppliers who comply with our Sustainability Policy. This is achieved through our traceability programme where we aim to map our suppliers down to plantation level. We also engage with suppliers through our Anchor programmes to facilitate the adoption of more sustainable practices (see pages 26 - 29).

Within our operations, we implement continuous improvement or "Kaizen" projects to reduce the amount of waste generated, reuse wastewater and waste where possible, as well as other efficiency projects (see pages 31 - 33).



Relevant SDG Targets:

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

SDG 15: Life on Land



In addition to mitigating the impacts of climate change, forests are critical habitats for biodiversity and support the livelihoods of indigenous communities. Apical recognises the impact the palm oil industry can have on forests and are therefore committed to their protection and conservation.

As a downstream palm oil producer, Apical engages with our suppliers through our Anchor Programmes to protect forest areas with high carbon stock (HCS) and high conservation value (HCV).

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

Starting in 2019, Apical has teamed up with local stakeholders to plant mangrove seeds as part of the Mangrove Growing Programme initiated by the government (see pages 31) for shore protection and air purification.



Relevant SDG Targets:

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

Our Sustainability Milestones



Bio Oils La Rabida located in Huelva, Spain



MILESTONES

This section features our milestones as a sustainable business. All our activities are guided by our founder Sukanto Tanoto's philosophy that everything we do must be good for the community, country, climate and customers, only then will it be good for the company.

2019

- Achieved **95% traceability to plantation** and maintained **100% traceability to palm oil supplying mills**
- Introduced Supplier Self-Assessment (SFA)
- Use of Global Forest Watch (GFW) Pro and Global Land Analysis Discovery (GLAD) alerts for risk assessment and monitoring within our supply chain
- Participated in **Zoology Society London's (ZSL)'s Sustainable Palm Oil Transparency Toolkit (SPOTT)** assessment and achieved a score of **72%** (Green) and ranked #11 out of 90 palm oil producers and traders
- Committed to **six core SDGs** (1, 2, 7, 8, 12 and 15)
- Published our **2018 report in accordance with the Global Reporting Index (GRI) Core option**
- Partnered with suppliers on **United Nations Sustainable Development Goals (UNSDG)** pilot projects
- Partnered with suppliers on **Responsible Smallholder Sourcing (RSS)** pilot projects

2018

- Implemented Phase I of the **Apical Sustainability Assurance System (ASAS)** to improve internal traceability data management
- Strengthened **in-house supply chain monitoring capacity** through satellite imagery and use of Global Forest Watch (GFW) Pro, GLAD deforestation alerts system and GIS applications
- Co-developed a **Responsible Smallholder Sourcing Manual (RSM)** with Proforest
- Published our **sustainability report in accordance with GRI: Core option (SR2017)**
- Initiated the **Sustainability Assurance & Innovation Alliance (SUSTAIN)** together with a group of companies with the aim of leveraging on blockchain technology to build traceability through collaboration

2017

- Engaged Earthworm Foundation (formerly TFT), Proforest, and Daemeter as **strategic implementation partners** for our Sustainability Policy
- Developed an internal palm oil traceability digitalisation project, **Apical Sustainability Assurance System (ASAS)** to ensure accurate and transparent palm oil traceability data for buyers
- Introduced a **New Supplier Screening (NSS)** process for Apical's new suppliers
- Published our **first sustainability report in reference with the GRI Standards**
- Joined the **Tropical Forest Alliance (TFA) 2020**
- Joined the **RSPO P&C Review Taskforce** to contribute to the policy revision of the RSPO Principles & Criteria 2018

2016

- Launched **Priority Supplier Engagement Program (PSEP)** to drive supply chain transformation through risk-based approach in supplier engagement for independent verification and support suppliers through capacity building
- Launched **Traceability Outreach Program (TOP)** to work with suppliers on traceability data collection
- Inaugurated the **Apical Shared Value Programme (SVP) Workshop** for our Indonesian suppliers in Pekanbaru
- **Partnered with Proforest and Daemeter** to determine an effective approach to determine traceability data within our supply chain through Five-year Strategy in Traceability.

2015

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

2014

- Established the **Apical Sustainability Policy** with our "No Deforestation, No Peat, No Exploitation" (NDPE) commitments
- Apical Group became a signatory to the **Sustainable Palm Oil Manifesto (SPOM)**
- AAAOF Pte Ltd became a founding member of the **Business Council for Sustainable Development (BCSD)**

Our Sustainability Milestones

2012

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



2011

- SDS Central Export Terminal (CET) storage facility in Dumai was **certified by ISCC**
- Apical, through AAAOF Pte Ltd, became a member of the **Roundtable for Sustainable Palm Oil (RSPO)**

2010

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



Exelc Food Technology Co Ltd at Nanjing China

Our Sustainability Milestones

Our Commitments and Progress at a Glance

103-2, 103-3

Sustainability Issues	Commitment(s)	Progress/Achievement in 2019	Future Targets
Emissions reduction	<ul style="list-style-type: none"> Progressively reduce our GHG emissions Increase energy efficiency within our operations through our Kaizen projects 	<ul style="list-style-type: none"> Improved coal boiler efficiency at our KRN refinery 	<ul style="list-style-type: none"> Establish an emissions baseline for our operations in 2020 Continue to engage our suppliers on reducing their GHG emissions
Grievance handling	<ul style="list-style-type: none"> Maintain a robust and responsive system to handle grievances and conflicts 	<ul style="list-style-type: none"> Updated our Grievance Process to include requirements for suspended suppliers to comply with for re-inclusion in the supply chain 22 grievances relating to clearing of forest and peatland areas were raised against our suppliers in 2019, of which 8 have been resolved and closed 10% of our supplying mills were implicated in grievance issues, of which 3% has been resolved and 3% were suspended due to failure to commit to a time-bound corrective action plan 	<ul style="list-style-type: none"> Strengthen internal monitoring on potential grievances within our supply chain and proactively address or resolve all potential issues
Product quality and safety	<ul style="list-style-type: none"> Achieve the highest standard of product quality and safety Leverage on technology by finetuning production processes to further enhance product quality and safety Implement laboratory information management system (LIMS) and plant information system (PIMS) 	<ul style="list-style-type: none"> No incidences of non-compliance with regulations concerning the health and safety impacts of our products Launched PIMS at most of our plants (Processing, desalination, utility and power) 	<ul style="list-style-type: none"> Maintain zero incidences of non-compliance with regulations concerning the health and safety of our products Implement laboratory information management system (LIMS)
Protection of forests and biodiversity	<ul style="list-style-type: none"> No deforestation throughout our supply chain No new development on peat and maintain proper management of developed peat areas by our suppliers 	<ul style="list-style-type: none"> Introduced the Supplier Self-Assessment (SFA) programme to identify gaps in our suppliers' performance against NDPE commitments as set out in our Sustainability Policy 	<ul style="list-style-type: none"> Continue to work with our suppliers to ensure no deforestation within our supply chain Continue to work with our suppliers to ensure no new development on peat, as well as proper management of developed peat areas

Our Sustainability Milestones

Sustainability Issues	Commitment(s)	Progress/Achievement in 2019	Future Targets
Rights of indigenous and local communities	<ul style="list-style-type: none"> Ensure that the rights of indigenous and local communities are respected throughout our supply chain Strengthen the social requirements for our supply chain in our policy 	<ul style="list-style-type: none"> Updating of Apical's Sustainability Policy is under way No incidents involving the rights of indigenous peoples at our sites or related to our suppliers 	<ul style="list-style-type: none"> Strengthen the social requirements for our supply chain in our policy
Supplier engagement including smallholder development	<ul style="list-style-type: none"> Engage suppliers constructively to progress traceability efforts and ensure policy compliance Support the socio-economic development and welfare of smallholders that form part of our supply chain 	<ul style="list-style-type: none"> Conducted six Priority Supplier Engagement Programme (PSEP) visits in Medan and Jakarta as part of our Shared Value Programme (SVP) with a total of 90 participants from 54 mills Engaged with 349 mills as part of our Traceability Outreach Programme (TOP) Continued to work with Setara Jambi and CORE on the Responsible Sourcing from Smallholder (RSS) programme at two of our mills, training a total of 220 farmers 	<ul style="list-style-type: none"> Continue to engage suppliers through our Anchor Programmes, including SVP and PSEP
Traceability	<ul style="list-style-type: none"> Maintain full traceability to palm oil mills Achieve 100% traceability to plantations by 2020 	<ul style="list-style-type: none"> Maintained 100% traceability to the supplying mills Achieved 95% traceability to plantation for three of our refineries 	<ul style="list-style-type: none"> Maintain full traceability to palm oil mills Achieve 100% traceability to plantations by 2020
Worker's health, safety and well-being	<ul style="list-style-type: none"> Promote workers' well-being Aim for zero workplace accidents 	<ul style="list-style-type: none"> Maintained zero fatalities since 2016 	<ul style="list-style-type: none"> Maintain zero work-related fatalities
Climate action	<ul style="list-style-type: none"> Work with the community and stakeholders to build our resilience and strengthen our commitment to mitigate the effects of climate change 	<ul style="list-style-type: none"> Supported a government-led initiative to plant Mangrove trees in Dumai to protect shorelines, absorb carbon and filter air pollutants near industrial areas 	<ul style="list-style-type: none"> Continue to explore opportunities to build business and community resilience against the impacts of climate change

Our Sustainability Milestones

Sustainability Issues	Commitment(s)	Progress/Achievement in 2019	Future Targets
Community livelihood and empowerment	<ul style="list-style-type: none"> Work closely with local communities to create mutually beneficial relationships and to bring about positive socio-economic development Empower communities through more programmes and investments that contribute to Apical's prioritised SDGs 	<ul style="list-style-type: none"> Conducted skills training programmes to help local communities diversify their source of income (e.g. goat farming, onion and chilli growing) Initiated the Rumah Pintar project to train women to be entrepreneurs Invested in infrastructure projects (e.g. road repair and maintenance at our KRN refinery) 	<ul style="list-style-type: none"> Continue to invest in community infrastructure Continue to run community programmes (e.g. helping villages diversify their sources of income)
Employee wages and benefits	<ul style="list-style-type: none"> Reward employees for their service and contribution to the company in the form of fair wages and other benefits 	<ul style="list-style-type: none"> All employees of Apical received wages that are equal to or above the minimum requirements set by the local and provincial authorities in Indonesia 	<ul style="list-style-type: none"> Continue to comply with the minimum wage regulations in each country where we operate in
Equal rights & opportunities	<ul style="list-style-type: none"> Provide equal rights and opportunity to all employees free of discrimination 	<ul style="list-style-type: none"> There was no incidence of discrimination reported in 2019 	<ul style="list-style-type: none"> Continue to provide equal rights and opportunities to all employees free of discrimination
Fire prevention and management	<ul style="list-style-type: none"> Enforce our "zero-burn" policy across our supply chain and actively engage in initiatives of fire and haze mitigation 	<ul style="list-style-type: none"> Continued to evaluate new suppliers on potential risks of fire incidences adjacent to the mills, as well as assess their level of preparedness in case of a fire incidence Supported our key supplier Asian Agri on their FFVP to engage 16 villages to raise awareness on fire prevention and management 	<ul style="list-style-type: none"> Continue to assess suppliers' risk to fire incidences and engage them on fire prevention efforts
Governance and business ethics	<ul style="list-style-type: none"> Adopt the highest standard of governance and business ethics Reinforce our core values TOPICC amongst employees through townhalls and employee training 	<ul style="list-style-type: none"> No incidences of corruption reported Embedded TOPICC in our People Manager Workshop 	<ul style="list-style-type: none"> Continue to embed TOPICC in our People Manager Workshops in 2020

Our Sustainability Milestones

Sustainability Issues	Commitment(s)	Progress/Achievement in 2019	Future Targets
Human rights, including child labour	<ul style="list-style-type: none"> Uphold and respect fundamental human rights No child labour within our operations Promote the RSPO P&C 2018 including Fundamental ILO Conventions and Free and Fair Labour Principles 	<ul style="list-style-type: none"> No reported cases or incidents of abuse or discrimination in 2019 within our operations Promoted RSPO P&C during our stakeholder engagements (e.g. during our Shared Value Programme in Jakarta) 	<ul style="list-style-type: none"> Strengthen the social requirements for our supply chain in our policy
Innovation	<ul style="list-style-type: none"> Adopt innovative technologies to increase efficiency and improve sustainability performance 	<ul style="list-style-type: none"> Continued with the User Acceptance Testing Phase of the Apical Sustainability Assurance System (ASAS) 	<ul style="list-style-type: none"> Implement the Apical Sustainability Assurance System (ASAS) Continue collaborating with peers and innovate business processes through SUSTAIN
Sustainability standards and certifications	<ul style="list-style-type: none"> Implement our policy within our own operations and communicate it effectively to our suppliers Ensure that our sustainability performance is upheld by externally recognised certifications and standards 	<ul style="list-style-type: none"> Updating of our Sustainability Policy is underway 3% of our palm oil and oil palm products processed are RSPO certified 	<ul style="list-style-type: none"> Continue to maintain RSPO or ISCC certification for certified refineries
Training and development	<ul style="list-style-type: none"> Ensure our employees have the necessary skills to carry out their work 	<ul style="list-style-type: none"> Provided in-house training programmes for employees covering technical knowledge and soft skills 	<ul style="list-style-type: none"> Set up an Assessment Centre to help employees assess and map their soft skills and competencies to prepare them for career development and progression
Waste management	<ul style="list-style-type: none"> Reduce waste generated and increase recycling 	<ul style="list-style-type: none"> Commenced utilising spent bleaching earth for boiler fuel mix at our Marunda refinery 	<ul style="list-style-type: none"> Continue to adopt best practice in waste management
Water management	<ul style="list-style-type: none"> Minimise the use of water within our operations 	<ul style="list-style-type: none"> Continued to recycle wastewater generated during operational usage 	<ul style="list-style-type: none"> Continue to look for opportunities to reduce the use of water Review and revise our water intensity target in 2020

Working with Suppliers

103-1, 103-2, 103-3, 102-9, 204-1



Apical is committed to influencing and supporting our suppliers through meaningful engagements, with the aim of building a sustainable as well as a fully traceable and transparent network.

As a processor and trader of palm oil, our suppliers are crucial to the continuity of our business and present risks if sustainable practices are not adopted. Apical is therefore committed to influencing and supporting our suppliers through meaningful engagements, with the aim of building a sustainable as well as a fully traceable and transparent network. This will also allow our suppliers to access the global market where demand for responsibly made products are increasing.

465

direct suppliers in Indonesia

100%

of our procurement spend for our Indonesian operations is on domestic suppliers

32% and 10%

of our procurement spend is on local suppliers for our China and Spanish operations respectively

Note: Local suppliers are defined as those based locally in the same region as our facilities



Training to the smallholders at Teguh Karsa Wana Lestari



Suppliers will also need to provide basic information on their supply chain for us to perform a risk analysis based on geospatial indicators and non-spatial indicators.

Fresh fruit bunches (FFB), the raw material for the production of crude palm oil (CPO) and palm kernel (PK), come from oil palm plantations which are managed third-party commercial estates, independent and associated smallholder farmers. Dealers or brokers who buy FFB from a variety of sources also form part of the supply chain.

Apical's Sourcing Policy

308-1, 414-1

Apical's Sourcing Policy was developed in 2015 to support our Sustainability Policy's commitment to build a traceable and transparent supply chain, ensuring the following:

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

Apical will only procure from suppliers who agree to comply with our policy through a written declaration. These suppliers will also need to provide basic information on their supply chain for us to perform a risk analysis based on geospatial indicators and non-spatial indicators.

Our strict supplier onboarding process includes the screening of 100% of our palm oil suppliers in Indonesia prior to their inclusion into our supply chain. Those which are identified as higher risk will be prioritised for engagement. Suppliers who are found in violation of our Sustainability and/or Sourcing Policy will be handled through our grievance procedure.

Traceability of Our Palm Oil

103-2, 103-3

The palm oil supply chain is a complex one. With the large number of players involved, achieving full traceability for all our products down to their origin is an enormous undertaking but one that is necessary. Through traceability, we are able to identify and engage with at-risk suppliers to improve their practices or cease working with them if they do not comply with our requirements.

In 2018, Apical supported the formation of the Sustainability Assurance & Innovation Alliance (SUSTAIN) and joined as a pioneer member. SUSTAIN includes oil palm growers, palm oil processors, consumer goods manufacturers, not-for-profit organisations and technology who came together with the common goal to improve the traceability of palm oil production and push forth the implementation of NDPE policies across supply chains.

In 2019, SUSTAIN conducted a pilot traceability programme with one of our suppliers located in the Batanghari Regency of Jambi, Indonesia. The mill was chosen as it was highly supportive of the traceability concept and keen to implement it as well. This pilot project, conducted as part of a User Acceptance Testing (UAT) and change management, involved data collection using an application and is still on-going with the aim to complete in 2020. Outcomes of this pilot programme will be shared in our next sustainability report.

Working with Suppliers

Traceability to Mill

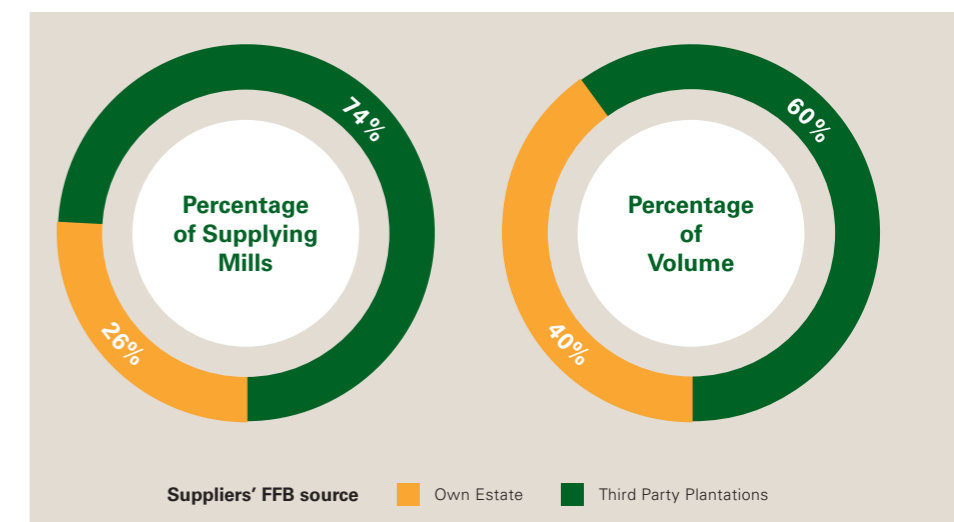
As we do not own any upstream assets or facilities such as plantations and mills, we rely on third party supplying mills to provide us with raw materials such as CPO, CPKO, and PK. One of our major long-term supplier is Asian-Agri. A majority of our supplying mills are located within the provinces of Riau, North Sumatera, Jambi, and Kalimantan.

100%

traceability to mill maintained since 2015



To be recognised as traceable, suppliers need to provide correct information on the GPS coordinates of the mill's location, the name of the company and mill, and specific address. This information is then further verified by our sustainability consultants CORE (Proforest & Daemeter), using an updated master database. All our refineries source 100% of our palm oil products directly from supplying mills, not through intermediaries, agents and other refiners.



The names and coordinates of all supplying third-party mills are published on our Traceability Declaration Document (TDD) which is updated quarterly and can be assessed on our [website](#).

Working with Suppliers

Traceability to Plantation (TTP)

Mills are usually in close proximity with supplying plantations as FFB needs to be processed within 24 hours of harvest, in order to maximise the quantity and quality of oil extracted. As such, achieving traceability to a mill will provide an indication of the approximate location of their FFB suppliers. However, traceability to plantation remains challenging due to the thousands of dealers and independent smallholders involved, and the highly dynamic relationships between FFB traders and mills.

95.1%* TTP as at end 2019

*For three of our refineries (AAJ Marunda, KRN and SDS)

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

FFB Sources	Estimated percentage of palm oil supplied to our refineries*	Data Required for FFB Traceability
Estate (>25 ha)	55.50%	<ul style="list-style-type: none"> Estate name Parent company name Certification status % of overall FFB tonnage to mill A GPS coordinate a representative source location Planted hectareage Total concession area FFB volume
Smallholders (Organised as cooperatives, groups or linked to mills)	13.06%	<ul style="list-style-type: none"> Number of smallholders % of overall FFB tonnage to mill Overall FFB volume A GPS coordinate as a representative source location Planted hectareage
Dealers (sourced from independent smallholders)	31.44%	<ul style="list-style-type: none"> Dealer names (and/or dealer unique ID) % of overall FFB tonnage to mill Overall FFB volume GPS coordinates of first-tier dealers (office/ramp) Number of smallholders Village/sub-district of smallholders

* Based on the 95.1% traceability data.

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

Target to achieve
100% TTP by 2020

To achieve our traceability to plantation target, we have developed a methodology and a five-year strategic plan with CORE and initiated our Traceability Outreach Programme (TOP), targeting all suppliers, especially in Riau, Jambi, North Sumatra and Kalimantan.

In 2018, we ran a pilot project with CORE and GeoTraceability to support a supplying mill, PT Teguh Karsa Wamalestari (PTTKWL), on traceability including identifying FFB supply geolocations and monitoring FFBs received by the system. As a result, PT TWKL achieved 100% traceability to plantation in 2019.

Another traceability to plantation project was completed at Tesso Nillo with Setara Jambi for our suppliers PT Fortius Wajo Perkebunan and PT Sawit Mas Nusantara. Both suppliers remain committed to removing any illegal FFB source within their supply chain. Three of our suppliers PT Gemilang Sawit Lestari, PT Makmur Andalan Sawit and PT Persada Alam Jaya have also implemented traceability to plantation on their own accord, two of which have since achieved 100% traceability to plantation.



Apical's Sustainability team members train smallholders on how to use a GPS tracker to determine geolocation

Engagement Through Our Anchor Programmes

103-2, 103-3, 308-2, 409-1, 414-2

While traceability allows us to identify and map our suppliers all the way up to plantation level, prioritisation and engagement with suppliers is crucial to ensure that the commitments and standards set out in our Sustainability Policy are met. This is achieved through our flagship Anchor Programmes including the Mill Prioritisation Process (MPP); Priority Supplier Engagement Programme (PSEP); Traceability Programme (PSEP); Traceability Outreach Programme (TOP); Shared Value Programme (SVP); and the Strategic Engagement Programme (STEP). In 2019, we also introduced the Supplier Self-Assessment (SFA) tool.



Mill Prioritisation Process (MPP)

The MPP is a risk-based approach used to identify priority mills for deeper engagement. The process involves analysing geospatial and non-spatial parameters to identify potential sustainability risks associated with the supplying mills. Geospatial parameters identify risks linked to fire, deforestation, protected areas, and peatlands within a 50km radius of a supplying mill.

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

Working with Suppliers



Supply chain traceability is fundamental to producing sustainable palm oil, as it lays the groundwork for compliance with our Sustainability Policy.

All of our suppliers are assessed under the MPP. Risk levels are updated yearly based on the parameters of the MPP. As at 31 December 2019, 33 supplying mills were identified as having significant potential environmental and social impacts including deforestation, development on peatland, FFB sourcing from protected areas, violation of human rights, illegal burning and worker exploitation. These mills were prioritised for engagement through our PSEP.

This assessment focuses on six key guiding principles:

<p>Monitoring legal compliance</p>	<p>Protection of key conservation value areas: HCV, HCS and peatland</p>	<p>Environmental impact management including waste and chemical management</p>
<p>Respect of people and communities, including labour and human rights</p>	<p>Creation of shared value</p>	<p>Traceability</p>

Working with Suppliers

Priority Supplier Engagement Programme (PSEP)

The PSEP assesses our high-risk suppliers, prioritised through the MPP, on their level of compliance with our Sustainability Policy and other industry standards. The assessment focuses on six key guiding principles.

For suppliers in the PSEP, we will conduct field visits which allows us to have personal interaction and more effective communication. Such deeper engagements facilitates a better understanding of our suppliers, provides new insights into their practices, and helps to identify gaps for improvement.

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

From an environmental perspective, most issues are centred around water and air pollution from the milling process. Deforestation and biodiversity issues are also identified and linked to mill operations. Through our engagements, we provide detailed guidance on developing Standard Operating Procedures (SOPs) and sustainability management systems. After the PSEP visits, we continue to maintain a proactive relationship with these suppliers to ensure that action plans have been implemented and provide further assistance where required.

45 mills visited for PSEP

since 2015 to improve compliance with our policy requirements

Since 2015, we have conducted visits to 45 mills, six of which took place in 2019. The PSEP is an ongoing process and while we aim to visit all the identified potential high-risk mills, our target is a minimum of 10 mills annually. Through our MPP and PSEP, we are able to minimise risks associated with our supply chain.



Apical team members meet with suppliers on-site during a PSEP visit

Traceability Outreach Programme (TOP)

Launched in 2017, the TOP is designed to provide knowledge and simplified solutions for the suppliers of our refineries on how to collect and manage the traceability data of their FFB suppliers. This programme takes an “outside-in” approach where suppliers are seen as co-contributors of solutions to make the industry more traceable.

349
supplying mills were engaged through TOP in 2019

This programme also has the ambition to verify and incorporate the data collected to build an interactive mapping platform to assist suppliers identify and manage landscape level issues based on the

location of their FFB source. The success of the TOP programme has resulted in our achievement of 95.1% traceability to plantation for three of our refineries in 2019, well on track to meet our 100% target by the end of 2020.



Apical's suppliers who attended our SVP workshop in Medan in 2019

Shared Value Programme (SVP)

In partnership with Earthworm Foundation, Proforest and Daemeter, we deliver workshops through our SVP for our priority suppliers on a selection of topics that take into account regional issues specific to the location of suppliers.

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

Industry subject matter experts from RSPO, Earthworm Foundation, Proforest, Daemeter, ISPO and Setara Jambi have previously shared practical knowledge and experience on these topics. Aside from presentations by industry experts and partners, this programme promotes active discussions whereby suppliers take ownership of some of the solutions. We conducted two SVP workshops in Medan and Jakarta in 2019 and engaged with 90 participants from 54 mills.

Since the launch of SVP in 2015, we have conducted 11 workshops, engaging 473 participants from 150-200 companies in Jakarta, Pekanbaru, and Medan. We remain committed to conducting at least two workshops annually at different provinces in Indonesia.

We introduced a Responsible Sourcing Manual (RSM) to our participants which aims to translate Apical's Sustainability Policy into tangible and practical steps for implementation. The manual was published in 2018 and distributed to all our suppliers.



Apical was awarded Best Supply Chain by Sustainable Business Awards Indonesia in 2019



Apical wins at the Indonesian Sustainable Business Awards

Apical Group was announced as the winner of the Best Supply Chain award at the 2019 Sustainable Business Awards (SBA) held in Jakarta, Indonesia. The win was based on policies and guidelines Apical has in place, such as the Responsible Sourcing Manual and the company's role in shaping the palm oil industry, through the co-development of SUSTAIN. This is the first year Apical has participated in the SBA, which is in its eight-year running.

“We are grateful to be acknowledged and honoured to receive this award by Global Initiatives. This reinforces what we have been doing towards achieving transparent and sustainable supply chain networks within our business and across the palm oil industry. The road to sustainability must be one of growth and collaboration. Only this way can businesses generate commercial value in a sustainable way and share the success with other industry players.” – Dato Yeo How, Apical Group President.

Suppliers Self-Assessment (SFA)

A key component of the Apical Sustainability Policy is our commitment to NDPE which also applies to our suppliers. To ensure that NDPE practices are in place and risks within our supply chain are identified, Apical has developed the SFA tool to help our suppliers assess their own operations' compliance with the requirements.

In 2019, we conducted a trial with some of our big and medium suppliers, as well as suppliers who only operate mills to test the usability of the tool. After the one-month trial and based on feedback obtained, we rolled out the SFA for all our suppliers who are required to fill up a questionnaire to identify gaps in practices against our Sustainability Policy commitments and areas of support needed to close those gaps. Where gaps are identified, we will then engage these suppliers through our PSEP and SVP programmes.

Strategic Engagement Programme (STEP)

A customised initiative known as STEP was developed in 2017 to support non-compliant suppliers in strengthening their sustainability standards. Through this initiative, Apical engages with these suppliers' top management to commit on an action plan in order to achieve compliance with our Sustainability Policy. Suppliers selected for this programme are based on importance to Apical's operations and grievances raised.

Working with Suppliers

Case Study:

Support for Transformation Programme (SFT) with PT Mitra Sari Prima (PT MSP)

Apical, together with Earthworm Foundation, completed the SFT programme with PT MSP in August 2019. The two-year programme was introduced to help PT MSP implement sustainable practices. Key achievements by PT MSP include:

- Developing a sustainability policy in February 2018 which covered areas including no exploitation and worker discrimination, human rights, and no deforestation and burning.
- Developing sustainability-related procedures including legal compliance, environmental management, waste management, management and monitoring of high-conservation areas, recruitment, conflict resolution, and FPIC.
- Identifying HCV and HCS areas within PT MSP's concessions, including biodiversity and vegetation and rehabilitation of riparian zones along Dayung River.
- Attending trainings on the concept of traceability and designating responsibility for traceability. In addition, PT MSP have also conducted a traceability mapping to identify sources of FFB.

Through the collaboration of all parties involved, including Apical and Earthworm Foundation to develop solutions, the action plans were eventually implemented successfully.

“Through this programme, PT MSP received free consultation and guidance from Apical especially during the field visit to ensure that activities are implemented according to the plan. In phases, we have achieved many things in sustainability especially in developing a sustainability policy in 2018” – Ramilli, Head of Administration at PT MSP.

Working with Suppliers

Handling Grievances Against Suppliers 103-3

Identifying issues within our supply chain is a collaborative process and we welcome stakeholders to raise their concerns through the [Apical Grievance Procedure](#) outlined in the section on [Our Approach to Sustainability](#).

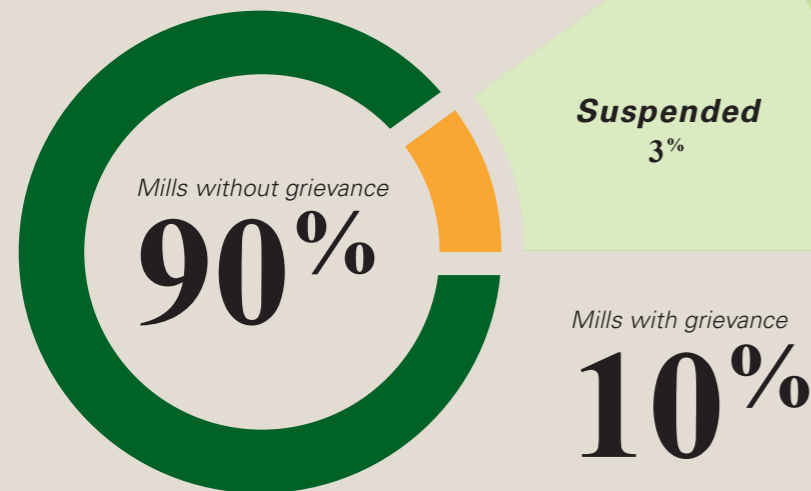
In 2019, we updated our Grievance Process and Supplier Engagement protocol to better support the implementation of our NDPE commitments. Suppliers suspended from 1st January 2019 onwards are required to provide clear evidence of compliance with our NDPE commitments and grievance resolution for re-inclusion into our supply chain. For suppliers where evidence of deforestation has been identified, we will review our transactions with them on a case-by-case basis depending on the nature and significance of the impacts.

In 2019, there were 22 grievances raised against our suppliers relating to clearing of forests and peatland. These represented 10% of our supplying mills which were flagged in grievance issues. A full list of our grievances, their status and progress toward resolution is published on our [website](#).



Grievance Management

A total of 10% of our supplying mills have been implicated in grievance issues as published in our grievance tracker.



Working with Suppliers

Q&A with Our Suppliers

To better understand how our Anchor Programmes are benefitting our suppliers and areas we can improve on going forward, we conducted a short interview with four of our suppliers: PT Astra Agro Lestari Tbk (PT Astro), Bumitama Gunajaya Agro (BGA), PT Produk Sawitindo Jambi (PT PSJ) and PT Dwiwira Lestari Jaya (PT DLJ) on our TOP, PSEP and SVP programmes.

TOP

1. What are some of the challenges your mill(s) faced in trying to obtain and manage traceability data?

PT Astro: A variety of direct suppliers along with smallholders makes traceability very complex. This requires careful analysis and data organisation.

BGA: Not all FFB suppliers are farmers. Many of them are collectors who do not always get FFB from the same farmer, which makes mapping difficult.

2. How has Apical's TOP helped to address some of these challenges?

PT Astro: Apical's TOP has helped in establishing deeper relations with our direct suppliers and smallholders, allowing us to gain their trust for them to share their opinion with us.

BGA: Apical provided awareness sessions and training through the TOP which helped our smallholders to be more open-minded with regards to adopting sustainable practices.

3. Do you see any potential opportunities for collaborations between your mill, Apical, and other companies you are working with?

PT Astro: Collaborations between mills are always a possibility. Astra Agro is always open to the idea of sharing our experience with both our suppliers and buyers in the hopes of creating a more sustainable palm oil industry.

BGA: Opportunities for collaboration include organising trainings, traceability programmes and providing assistance in sustainable palm oil certification for independent smallholders.

PSEP

4. What are some of the challenges your mill faced in trying to comply with Apical's Sustainability policy and other industry standards?

PT PSJ: Instilling the importance of sustainability so that our stakeholders can operate and adhere to sustainability policies and standards.

PT DLJ: Fulfillment of traceability data from our suppliers especially on tracking the origins of FFB when the suppliers are FFB agents.

5. What are some of the key improvements you observed as a result of being part of this programme?

PT PSJ: The ability to obtain more accurate data from suppliers which helps to ensure those suppliers are not at risk of deforestation, peatland utilisation and labour exploitation.

PT DLJ: Traceability aspects to track origin of FFB supply from independent smallholders and FFB agents.

6. Are there any aspects of the programme you think can be improved?

PT PSJ: Provide better assistance after the programme is completed so that suppliers can better implement and comply with the outstanding actions.

PT DLJ: More guidance on traceability aspects, biodiversity and community development.

SVP

7. How has Apical's SVP helped to address some of your challenges on sustainability?

PT Astro: Apical shared several case studies related to NDPE and its implementation challenges during the workshop. The case study regarding HCV/HCS was particularly useful.

PT PSJ: The sharing of experience from Apical through regular training and seminars has helped suppliers to obtain sustainable palm oil certifications, fulfill traceability to plantation, and the drafting of guidelines for the implementation of sustainability policies.

8. What are some of the key improvements your mill observed as a result of being part of Apical's SVP?

PT Astro: We have established a baseline which we can use to evaluate and improve existing programmes.

BGA: Increased positive impacts of landscape conservation and greater promotion of sustainability.

9. Going forward, how do you think Apical can further support your company to better manage your sustainability challenges/adopt more sustainable practices?

PT Astro: Continue routine communications within the context of sustainability which has proven to be mutually beneficial.

PT DLJ: Through partnership and sharing knowledge on implementing traceability, smallholder support and other sustainability practices.

Environmental Management

103-1, 307-1



As Apical does not own any plantations or mills, our direct environmental impacts are mainly from the operation of our processing facilities. Internally, we have established control systems and conduct regular monitoring to ensure that we comply with the local laws and regulations.

Apart from reducing our own negative environmental impact on the environment, we also recognise our role in supporting the transformation of the palm oil supply chain into a truly sustainable one. We are therefore committed to working with our suppliers to ensure that they adopt responsible practices. In 2019, we had no significant fines and non-monetary sanctions for non-compliance with environmental regulations.

Working With Suppliers on Environmental Conservation

Protecting Forests and Biodiversity

103-1, 103-2, 103-3, 304-2

The palm oil business is reliant on land availability for oil palm plantations. There are serious risks of deforestation and biodiversity loss if proper monitoring and control mechanisms are not in place. As part of our commitment to ensuring High Conservation Values (HCV), High Carbon Stock (HCS) and peatlands are protected, we work with suppliers to meet the local, international and our own sustainability standards. We do not knowingly source from suppliers associated with deforestation of protected areas.



A buffer zone is a strip of 'natural' land along a riverbank left intact, free from pesticides or fertilisers in order to conserve freshwater and land-based ecosystems

Apical assesses all new mills that are introduced into our supply chain for potential risks, including deforestation and encroachment, based on our Mill Prioritisation Process (MPP). These suppliers will also have to provide relevant environmental legal documents. We then prioritise mills which are identified as high-risk for further ground assessments through our Priority Supplier Engagement Programme (PSEP).

During our PSEP visits, we work with our suppliers to identify, manage and monitor significant biological, ecological, social or cultural values through the HCV Approach and geospatial analysis. We also work with our suppliers to adopt a credible HCS identification procedure by subscribing to the HCS Approach based on field trials and scientific recommendations.

In 2019, we introduced the Suppliers Self-Assessment (SFA) to help our suppliers assess their own operations' compliance with our commitments to No Deforestation, No Peat and No Exploitation (NDPE).

Apical will engage with suppliers found in breach of our policy through a corrective action plan. Should these suppliers fail to comply or implement corrective action plans, we will take additional measures, and if deemed necessary, review our business relationship.

As an RSPO member, we are committed to controlling any illegal or inappropriate hunting of all species across all our operations, including rare or threatened species listed under the IUCN Red List and Indonesia's National Law of Protected Species. Only hunting by local communities for subsistence that does not cause a decline in the population of local species is allowed. These requirements also apply to our suppliers.

Case Study:

Climate Action - Restoring Mangroves



Mangrove forests are home to many species of fish and also help protect shorelines from land erosion, waves and floods which may be caused by climate change. Apart from their protective function, mangroves are also effective at absorbing carbon.

In February 2019, the Indonesian government initiated the Mangrove Growing Programme in Dumai, to protect shorelines, absorb carbon and filter air pollutants near industrial areas. The annual programme will see Apical getting together with local stakeholders including youth organisations and local NGOs to plant mangrove seeds purchased by Apical. In 2019, 1,000 mangrove seeds were planted in Dumai.



Apical employees and local representatives in Dumai plant the mangrove seeds together

Environmental Management



Fire monitoring tower at Buatan Estate, Asian Agri

Protecting and Managing Peatland Areas

Apical is committed to ensuring we do not contribute to new developments on peatland areas with 65% or more organic soil, regardless of the depth. For suppliers with peat in pre-existing plantations, we conduct regular engagements and workshops to ensure best management practices are adopted. This includes effective water management to maximise oil palm yield and minimise greenhouse gas (GHG) emissions in existing peat estates. We also provide guidance on proper water management and monitoring plans, ensuring that water table depth is maintained at appropriate levels. For areas where existing peat is unsuitable for replanting, we collaborate with stakeholders and community experts to explore options for long-term restoration or alternative use.

Fire Prevention and Management

103-1, 103-2, 103-3

In addition to causing transboundary haze, forest and land fires release carbon dioxide and other GHGs which contribute to climate change. One of the main causes of forest fires has been linked to illegal slash-and-burn techniques used to clear land for agriculture purposes.

At Apical, we are committed to the strict enforcement of a "zero burn policy" which applies to all our suppliers. We published practical guidelines on our [online Sustainability Dashboard](#) on "Prevention, early detection and control of open burning in oil palm plantations" to help our suppliers prevent open-burning and actions to take should a fire incident be detected or reported.

As part of our screening of new suppliers, we conduct spatial and non-spatial risk assessments. We also use our MPP scoring methodology for further analysis and identify high-risk suppliers, where we will conduct PSEP visits. Within our own refineries, we require health and safety managers to organise regular fire prevention trainings.

In 2019, we supported our key supplier Asian Agri on their flagship Fire Free Village Programme (FFVP) to engage with 16 villages, covering about 300,000 hectares in Riau and Jambi. The purpose was to raise awareness on fire prevention and management.

Going forward, Apical will continue to look for opportunities to collaborate with suppliers, neighbouring companies, relevant governmental bodies and local communities on fire prevention.

Environmental Management

Managing Our Environmental Footprint

GHG Emissions

103-1, 103-2, 103-3

The impacts of climate change such as extreme weather events poses a threat to our business and the communities where we operate. We are therefore committed to doing our part in reducing our GHG emissions and building business resilience as we transition to a low-carbon economy.

We aim to increase energy efficiency within our operations through our “Kaizen”, or continuous improvement projects, thus reducing GHG emissions as well as achieving cost reductions. For example, our KRN refinery improved its coal boiler efficiency from 185kg/ton of steam to 165kg/ton of steam. Apart from cost efficiency, this also reduces the amount of waste ash produced. The increase in Scope 1 and 2 GHG emissions in 2019 is due to the inclusion of our AAJ Marunda refinery.

We also support our suppliers on reducing their GHG emissions. This is mainly through educating them on the process and benefits of obtaining the International Sustainability & Carbon Certification (ISCC) for their operations.

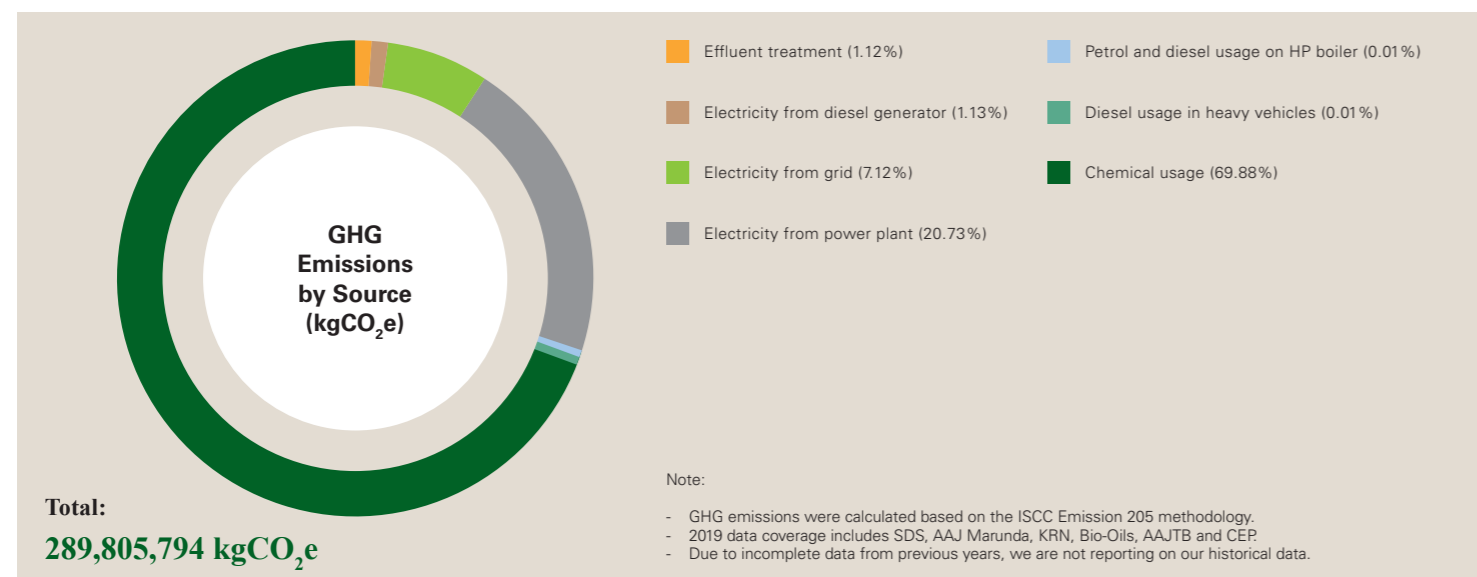
Going forward, Apical will be establishing a baseline and setting a group-level 2020 emissions reduction target for our operations.

Energy Consumption (GJ)

103-1, 103-2, 103-3

Energy Consumption	Quantity in GJ
Fuel Consumption from Non-Renewable Sources	3,196,963
Fuel Consumption from Renewable Sources	0
Electricity Purchased	217,245
Total Energy Consumption	3,414,208

Note:
 - Data coverage includes SDS, KRN, AAJ Marunda, AAJTB and Excelic.
 - Conversion factors are obtained from Biograce V 4d, 2014, Ecoinvent 3.3, ISCC 205 V 3.0.
 - Diesel constitutes to 98% of our total fuel consumption from non-renewable sources. We are currently collecting data on steam/heating purchased and will disclose the information in our next sustainability report.



Environmental Management

GHG Emissions and Emissions Intensity

305-1, 305-2

GHG Emissions	2019
Scope 1 Emissions (kgCO ₂ e)	359,169,064
Scope 2 Emissions (kgCO ₂ e)	31,349,697
Production (MT of oil processed)	5,386,248
Scope 1 Emissions Intensity (kgCO ₂ e/MT of oil processed)	67
Scope 2 Emissions Intensity (kgCO ₂ e/MT of oil processed)	6
Total Emissions Intensity (kgCO₂e/MT of oil processed)	73

Note:
 - GHG emissions are based on the operational control approach.
 - 2019 data coverage includes SDS, AAJ Marunda, KRN, Bio-oils, AAJTB and CEP.
 - Due to incomplete data from previous years, we are not reporting on our historical data.

Water Management

103-2, 103-3, 303-5, 306-1

Apical is committed to identifying opportunities to improve our water efficiency, reduce our freshwater consumption, and reuse wastewater where possible. Water used for our operations is withdrawn from various sources including the sea, rivers and municipal supply. Impacts to water sources such as discharge quality and whether they are water-stressed are evaluated as part of our environmental impact assessment before the development of our refineries. Apical does not withdraw water from water stressed areas.

Water Consumption and Intensity

Processing Facility	Source of water	m ³ of water consumed			m ³ of water consumed per tonne of oil processed		
		2017	2018	2019	2017	2018	2019
SDS	Seawater	484,518	583,853	2,105,685	0.51	0.24	0.46
AAJTB	Seawater	NA	102,000	94,837	NA	1.09	1.09
KRN	Underground water / pond (rain fed)	NA	510,776	569,236	NA	0.38	0.59
Marunda	Municipal water	281,292	292,425	360,010	0.45	0.31	0.51
Excelic	Municipal supply	34,327	43,646	53,000	1.19	0.9	0.53
Bio-Oils	Municipal water	73,603	272,344	297,792	0.30	0.48	0.96

Note:
 - Data for water consumption are obtained from flowmeters.
 - The increase in water consumption in 2019 for SDS is mainly due to the expansion of data coverage which now includes the whole complex where previously we only reported water consumed by the refinery. The whole complex consists of the refinery, CEP, Apical KAO Chemicals, Kernel Crushing Plant and offices.

Environmental Management

We practise zero wastewater discharge at four of our refineries. This includes AAJTB, KRN, AAJ Marunda, and Bio-oils. Wastewater at these sites as well as SDS is treated and reused for our cooling towers, fire hydrants, or domestic purposes such as cleaning. Our refineries utilise microorganisms and activated sludge process in the treatment of effluent water as well as chemicals such as coagulants, flocculants, caustic soda, bioxide and nutrients.

The water quality of the discharge location can be negatively impacted if the wastewater is not treated. Therefore, where wastewater discharge is necessary, we will ensure that the quality of the effluent water meets the local regulatory standards. We also monitor the quality of water from the rivers where some of our refineries are located next to, to ensure that there are no negative impacts from our operations.

Water Discharge by Quality and Destination (2019)

Processing Facility	Quantity (Megalitres)	Discharge Destination	Regulation Standard		BOD (mg/L)	COD (mg/L)
			BOD (mg/L)	COD (mg/L)		
SDS	245.6	Sea	75	150	37	72
AAJTB	0.49	Recycle	NA	NA	<30	<30
KRN	78.48	Recycle	NA	NA	NA	146
Marunda	65.85	Recycle	NA	NA	30	100
Excelic	41,234	River	20	100	<20	<100
Bio-Oils	211.5	Recycle	NA	NA	NA	NA

Note:
- Only Total Organic Carbon (TOC) is measured for Bio-Oils' discharge.

Waste Management

103-2, 103-3, 306-2,306-3

Apical aims to reduce, reuse and recycle waste generated from our operations where possible. All hazardous waste generated is stored at warehouses and disposed of by licensed contractors who have the appropriate transport and disposal permit.

In 2019, the AAJ Marunda refinery commenced utilising spent bleaching earth generated for boiler fuel, reducing the amount of coal required.

Apical has dedicated emergency response teams at our refineries and provide regular training to prevent and deal with accidental oil spillage. We have maintained zero spills since 2018.

Total hazardous waste generated and disposal method

306-2

Waste and Disposal Method	Amount Generated (tonnes)
	2019
Total hazardous waste	93,012.10
Reuse/recycling	59,796.64
Recovery	-
Incineration	10.09
Landfill	33,205.38
Total non-hazardous waste	9,183.86
Reuse/recycling	130.37
Recovery	5,554.52
Incineration	-
Landfill	3,498.97
Annual production (MT oil processed)	5,386,248
Total hazardous waste / MT oil processed	0.02
Total non-hazardous waste / MT oil processed	0.002

Note:
All hazardous wastes are disposed through licensed collectors
- 2019 data coverage includes SDS, KRN, AAJ Marunda, Excelic, Bio Oils, AAJTB.
- Due to incomplete data from previous years, we are not reporting on our historical data.

Labour and Human Rights

Fair wages and benefits

103-2, 103-3, 401-2

All employees receive wages that are above the minimum level as required by local and provincial regulations. 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.

All our employees, both permanent and contract basis, receive a range of benefits that include private medical insurance, with optical and dental care, and life insurance.

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



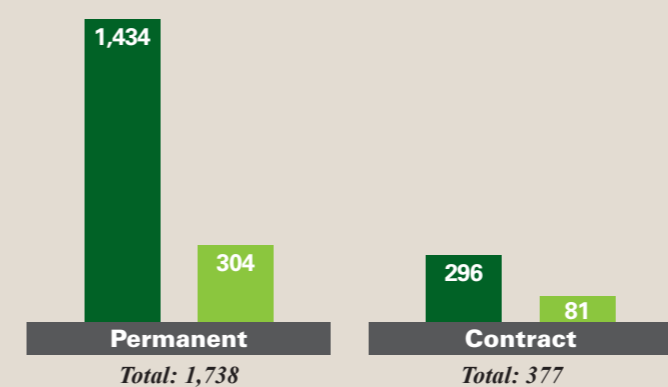
Labour Relations

103-1

The success of Apical's palm oil operations depends on the 2,115 people we employ across our offices and plants.

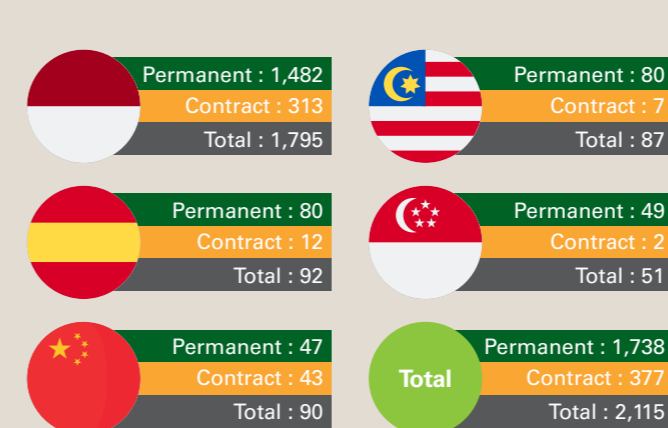
We are committed to not only providing decent and fair work opportunities, respecting labour and human rights but also ensuring the safety, well-being and development of our employees. This commitment also extends to the suppliers and smallholder farmers who are part of our value chain.

Number of Employees by Employment Contract by Gender



Note:
- Data coverage includes our offices and facilities in Singapore, Malaysia, Indonesia, China and Spain.

Number of Employees by Employment Contract, by Region



Note:
- Apical does not have any part-time employees and there are no significant variations in the numbers reported above.

Labour Relations

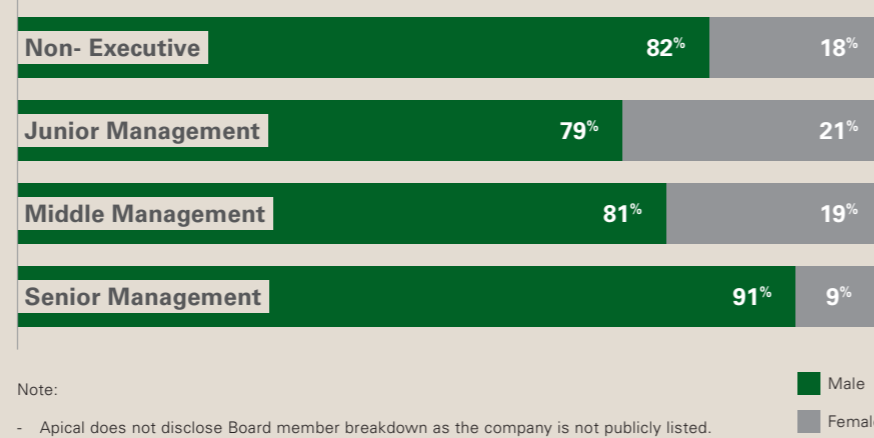
Ratios of Lowest Monthly Wages in Each Region by Gender Compared to Local Minimum Wage 202-1

Region	Monthly legal minimum wage (IDR)	Apical's lowest monthly wage - Male (IDR)	Apical's lowest monthly wage - Female (IDR)	Ratio (Legal minimum wage: Lowest male wage)	Ratio (Legal minimum wage: Lowest female wage)
Dumai	3,383,834	3,383,834	3,383,834	1:1	1:1
Marunda	4,267,349	4,522,146	4,525,646	1:1.06	1:1.06
Tg Balai	2,822,425	2,822,425	2,853,000	1:1	1:1.01
Bagendang	2,991,946	3,012,646	3,022,646	1:1.01	1:1.01
Padang	2,484,041	2,500,000	2,500,000	1:1.01	1:1.01
Medan	3,222,556	3,222,556	3,222,556	1:1	1:1
Balik Papan	3,069,315	3,069,315	3,069,315	1:1	1:1

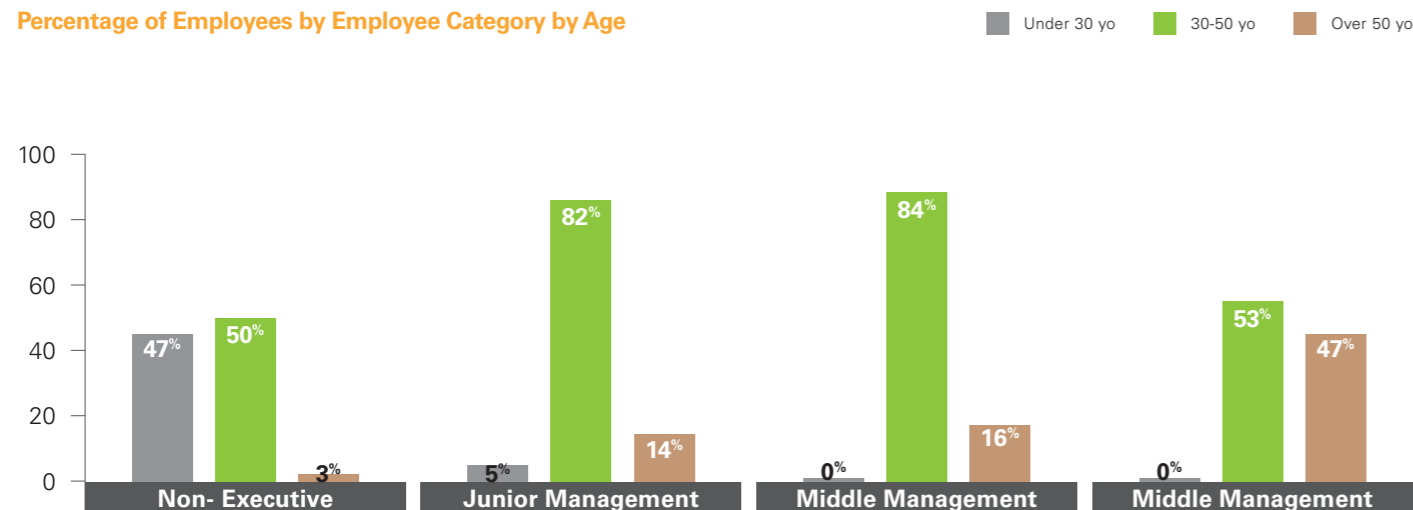
Diversity and Equal Opportunities 103-2, 103-3, 405-1, 406-1

Apical is committed to promoting an inclusive and diverse workplace that is free from harassment and discrimination based on age, race, gender identity, sexual orientation, religion, family or marital status. We hire based on experience and skills, and reward employees based on merit. There was no incidence of discrimination reported in 2019.

Percentage of Employees by Employee Category by Gender



Percentage of Employees by Employee Category by Age



Note:
- Apical does not disclose Board member breakdown as the company is not publicly listed.

Labour Relations

Training and Development 103-1, 103-2, 103-3, 404-1, 404-2

Apical supports the personal and professional development of our employees through training that enhances their skills and knowledge as well as meets the evolving needs of our business. This includes both on-the-job and dedicated training programmes, that are tailored to their level of experience and functional expertise. All our new hires also go through an on-boarding and orientation programme that includes foundational training on the company's core values and code of conduct.

Technical trainings cover topics like food safety (e.g. GMP, HACCP), industry standards (e.g. (RSPO, ISPS Code), etc. One of our key technical training programmes is the Driving Licence Process (DLP), a comprehensive and structured technical training process that provides operations and maintenance personnel in production with the knowledge, professional competence, and experience that are needed to be able to perform their jobs at a world-class level.

Our training programmes seek to equip Apical employees with not only technical but also business and managerial skills. For example, at our SDS refinery, training workshops such as People Manager Workshop, Basic Supervisory Management, Developing Positive Mental Attitude, Train the Trainer and Seven Habits of Highly Effective People were conducted. E-learning modules were also rolled out at SDS and KRN refineries with the Workday Learning online platform to better engage employees in learning.

Apical also set up an Assessment Centre in 2019, to help employees assess and map their soft skills and competencies in order to prepare them for career development and progression. Each employee will set up their own Individual Development Plan (IDP) which is tailored to improve his or her competencies.

Freedom of Association and Trade Membership 102-41, 407-1

102-41, 407-1

All our employees have the rights to exercise freedom of association and collective bargaining by forming or becoming members of labour unions on their free will. 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.

In 2019, 71.5% of our employees were covered by collective bargaining agreements.

Child Labour 103-2, 103-3, 408-1

103-2, 103-3, 408-1

We neither permit nor tolerate any form of child labour in our operations and we comply with the legal minimum age of 18 years old when recruiting in Indonesia. All job applicants must provide identity cards as proof of their age before joining our workforce.

Apart from our own operations, we ensure our direct suppliers are aware of and abide by Apical's policy against child labour through our supplier engagement and assessment process. See the section on [Working with Suppliers](#) for more details.



Employees at PT Sari Dumai Sejati refinery

Labour Relations

Average Hours of Training per Year per Employee by Gender and Employee Category

Gender	Non-Executive	Junior Management	Middle Management	Senior Management
Facilities in Indonesia				
Male	17.25	20.32	23.45	8.29
Female	15.89	16.08	23.13	0
Excelic Refinery (China)				
Male	19.67	11.27	20.43	13.00
Female	24.50	14.62	18.33	0

Health, Safety and Well-being

103-1, 103-2, 103-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7

The health and safety of our employees is a top priority for us. We have implemented an Occupational Health and Safety (OHS) management system, based on the Indonesian national regulation No. 50 Year (2012), which covers all our workers, activities and workplaces, to minimise risks and ensure a safe and healthy workplace.

Apical conducts Hazard Identification, Risk Assessment and Risk Control (HIRARC) for all our refineries and processing plants in Indonesia annually and as needed. Licensed personnel are appointed to conduct these assessments, for example, in Indonesia, it will be those who have undergone the nationally recognised Occupational Health and Safety Expert Training course. The results of HIRARC are used to identify measures to minimise potential risks from taking place in the workplace.

We ensure the safety and protection of our workers by providing appropriate Personal Protective Equipment (PPE) for the activities they are undertaking. Only authorised personnel who are certified to be physically fit are allowed to operate machinery and harmful chemicals within our facilities. All employees in Indonesia undergo a safety briefing upon joining as well as Occupational Health and Safety (OHS) training, including first aid, firefighting, and others. H&S information is also communicated to workers using several channels, such as regular safety talks, notice board bulletins and even messaging platforms like WhatsApp.

We also set up a Health & Safety (H&S) Committee in every refinery in Indonesia with oversight of the implementation of the OHS management system. The committees consist of representatives from the different operating units and are made up of management and employees. The committees meet once a month and are tasked with responsibilities that include reviewing the

current status of workplace H&S, gathering feedback on H&S concerns from employees and disseminating latest H&S information to the employees. Our OHS management system is continuously being improved through regular feedback from the committees.

Workers are encouraged to report work-related hazards and hazardous situations to the unit representative member of the H&S committee, who will bring it up at the H&S committee meeting for discussion. Should a work-related incident occur, it will be investigated by a dedicated H&S Officer in every plant who is tasked with ensuring OHS procedures are implemented and comply with regulations. Depending on the severity of the incident, the H&S Officer may call for a meeting with the committee to discuss it within 24 hours and develop measures to mitigate and prevent similar incidents in future. Workers are also given a stop-work authority should they encounter a situation which they perceive as unsafe.

In our supply chain, OHS risks are prevented and mitigated through our engagement with our suppliers to ensure they meet Apical's OHS standards. For more information, see the section on [Working with Suppliers](#).

There was no employee or contractor fatality as a result of work-related injury in the last four years. Where fatality or injury occurs that is not work-related, such as due to pre-existing health conditions, Apical will seek to support the employee's family wherever it can. In 2019, one of our employees at our Bio-Oils refinery in Spain suffered a non-work related stroke and Apical provided close support to his wife during the hospitalisation period and after his passing, on funeral services, insurance administration and benefit payments.

Labour Relations



Hazards that pose a risk of high-consequence injury include faulty equipment and tripping hazards. These hazards have been determined through our risk assessment process.

Hazards that pose a risk of high-consequence injury include faulty equipment and tripping hazards. These hazards have been determined through our risk assessment. In 2019, high consequence injuries were due to faulty equipment and our workers not following our standard operating procedures. Measures have been taken to reduce the risk of these hazards including fixing the faulty equipment and reiterating to our workers the importance of following the standard operating procedures.

High-consequence work-related injuries

	2019		2018		2017	
	Number	Rate per 1 mil hours worked	Number	Rate per 1 mil hours worked	Number	Rate per 1 mil hours worked
Employees	4	1.00	0	0	0	0
Contractors	1	0.46	0	0	2	0.21

Note:

- As per GRI 403-9, high-consequence work-related injuries are work-related injury that results in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months (excluding fatalities).

Recordable work-related injuries

	2019		2018		2017	
	Number	Rate per 1 mil hours worked	Number	Rate per 1 mil hours worked	Number	Rate per 1 mil hours worked
Employees	7	1.75	12	2.80	7	1.77
Contractors	12	5.48	11	2.07	32	3.43

Note:

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

We also provide access to healthcare services through employee medical insurance as well as through the clinics of Badan Penyelenggara Jaminan Sosial (BPJS) Insurance Scheme, a mandatory scheme by law for our employees in Indonesia. These clinics, which are located near our operations, can be accessed by our workers during and after working hours. Employees in Spain and China are entitled to similar medical coverage. All employees also go through a health screening prior to joining the company, and annually thereafter.



Labour Relations



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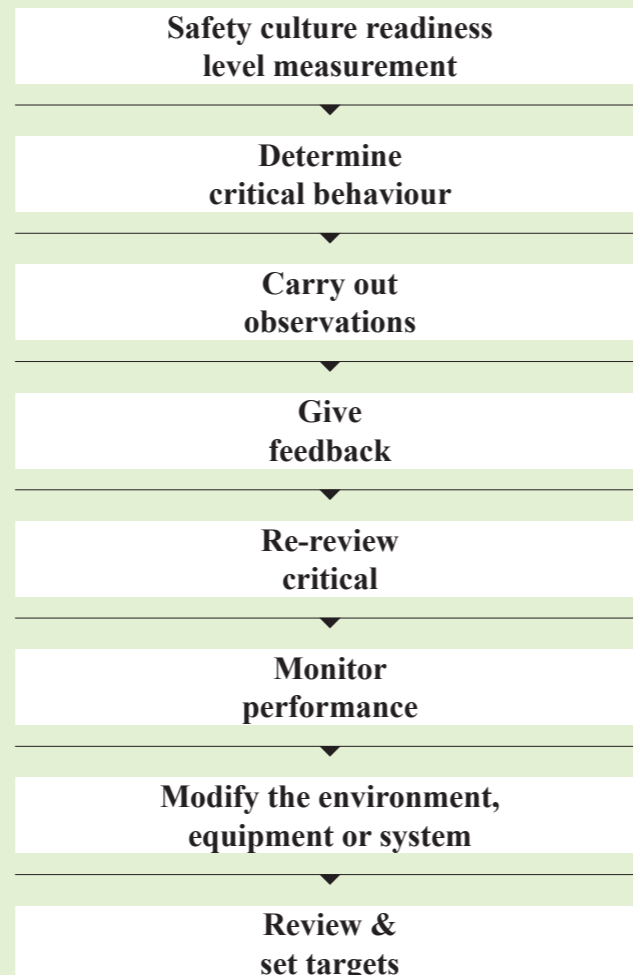


Behaviour-Based Safety Initiative at PT KRN

To improve our safety performance and proactively prevent accidents, we will be introducing a Behaviour-Based Safety (BBS) initiative in 2020 at our KRN refinery in Indonesia. This initiative uses a behavioural approach, through a process of observation, feedback and safety corrective action. BBS aims to change the mindsets, habits and behaviours of workers so that unsafe behaviour does not occur. BBS applies the principle of the Antecedent Behaviour Consequence (ABC) model.

ABC analysis helps identify ways to change behaviour, by mapping antecedents and the resulting consequences of a certain unsafe or risky behaviour. By changing the antecedent or consequence, it is hoped that the probability of the behaviour happening can be minimised.

All workers will go through a Safety Behaviour Training based on the critical safety behaviours established through the ABC process.



Respecting the Rights of Indigenous and Local Communities 411-1, 413-2

Apical's refineries are all located in designated industrial zones, with no indigenous communities in the surrounding areas. As such, our operations are not likely to have a direct impact on indigenous rights. That said, we ensure that our upstream suppliers carry out the necessary assessments to determine whether indigenous people in Indonesia will be affected by a proposed development. In cases where new developments will affect their lands, Free, Prior and Informed Consent (FPIC) procedures must be implemented. Apical developed detailed guidelines on implementing and monitoring FPIC procedures which are available on our website.

Community Livelihood

103-1



The production of palm oil significantly contributes to the economic growth and alleviation of rural poverty of producing countries like Indonesia.

Millions of Indonesians live indirectly off palm oil production. It has helped them secure better incomes and livelihoods, and the presence of palm oil operations has also enhanced basic infrastructure and access to services such as healthcare and education for the communities.

Nevertheless, palm oil operations may give rise to social conflicts and have potentially adverse consequences on the livelihoods and well-being of local and indigenous communities. We recognise the need to take active measures to maintain positive relations with these communities, by respecting their rights as well as enhancing livelihoods through community investment activities.

Free:

A self-directed process by those affected to voluntarily give consent without coercion, intimidation or manipulation.

Prior:

Consent is sought sufficiently in advance of any activities commencing or being authorised.

Informed:

Indigenous group being impacted receive satisfactory information on the key points of the project.

Consent:

The decision is made collectively by the right holders and reached through a customary decision-making process of the communities.



Community Livelihood

Where the acquisition of land by Apical is necessary from local communities in Indonesia, we ensure it is in line with our project needs and the government's spatial planning guidelines, purchased directly from people with official land titles at fair market valuation, and most importantly without any coercion. We will always share information to local communities and governments on the impact of the development itself, which is also reflected in our environment impact analysis or Analisis Mengenai Dampak Lingkungan (AMDAL) documents.

While we proactively minimise the occurrence of social conflicts, should incidents arise, we seek to resolve them in a fair and transparent manner through Apical's Grievance Procedure with all relevant parties. More information on our Grievance Procedure can be found in the section on [Our Approach to Sustainability](#).

In 2019, there were no incidents involving the rights of the indigenous peoples at our sites or related to our suppliers.

Empowering Communities 103-2, 103-3

Apical is keenly aware of the role we play in the socio-economic progress of the communities in which we operate and has always taken it seriously, supporting them through income and skills-enhancing initiatives.

Supporting Livelihoods

We prioritise the recruitment of people from the local communities for our operations. This helps them secure a stable source of income and provides them with additional benefits which improves their standards of living. See the section on [Labour Relations](#) for more information.

To help diversify their sources of income, we also conducted skills training programmes that can provide alternative livelihoods. For example, our SDS refinery in Lubuk Gaung, Dumai implemented the Kelompok Usaha Bersama programme teaching skills on goat farming, onion and chilli growing to residents. Together with a field facilitator from the local agriculture

department, we introduced how to grow onion on peatland, and taught the local farmers how to grow chilli more effectively. The goat farming programme that started in 2018 was also successful in getting more people to farm goats, from 10 to now 40 goats, and still growing. The SDS refinery will continue to run the programme in 2020.

In addition, we paid special attention to empowering the women community through the Rumah Pintar Project, where women are trained to be entrepreneurs by turning their hobby of baking breads and cakes into a source of income to contribute to the family livelihood. Currently there are 25 households participating in this programme and one of the beneficiaries has been actively selling her products through social media.

Supporting Smallholders

Smallholders account for a significant proportion of palm oil production in Indonesia. At the same time, they are most in need of support to improve their production output and adopt sustainable practices to boost incomes.

Apical is working with Setara Jambi and CORE on the Responsible Sourcing from Smallholder (RSS) programme. The RSS programme is developed by SHARP, a multi-stakeholder partnership at one of our key supplying mills, PT Teguh Karsa Wana Lestari (PT TKWL) in Siak Regency, Riau. The programme has been piloted at both PT TKWL and another mill PT Asia Sawit Lestari in Batanghari Regency, Jambi, providing training to a total of 220 farmers to assist them in adopting best practices in sustainable and responsible production.

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

1 Identification and selection of good seedlings

2 FFB grading and quality

3 Utilising empty fruit bunches (EFB) as organic fertiliser to improve yield and reduce use of chemical fertiliser

4 Field visits on good agricultural practices

5 Training to address gaps and implement good practice



Community Investment 203-1

Apical also invests in a range of programmes to improve the well-being and living standards of the local communities where we operate. These are developed through active dialogue and engagement with the communities to identify what they most need, including provision of basic infrastructure and access to key services like healthcare and education.

At our KRN refinery in Balikpapan, there has been significant investments for infrastructure development such as a road repair and maintenance programme, which has benefited the community by improving their only road access to the city, enhancing distribution and travel networks. We also provided clean water during the dry season.

KRN participated in the Health Programme, which aims to provide a clean and healthy environment for the students in the schools around the refinery. For example, KRN staff helped to install dust covers around the school as well as plant bamboo trees at the school perimeter to reduce the amount of dust going into the school area. KRN also sponsored healthy screenings and health snacks and milk for the students. For their contribution to the schools in Balikpapan, KRN received a school care award from the Kota Balikpapan Education Office.

In addition, Apical wanted to go beyond physical needs to take care of the mental and spiritual well-being of the residents. We organised a pilgrimage programme to Mecca Saudi Arabia as well as Imam sessions during the Islamic holiday. We also launched a

Community Livelihood

programme aimed at the prevention of drug abuse, for which we received an award from the Balikpapan Narcotics Agency (BNN) in 2019.

At SDS refinery, several programmes were implemented in infrastructure and service enhancement, such as roads and bridge maintenance, building a 300m concrete road, renovation of the Al-Huda mosque and cleaning up of waterways to improve water quality and flow.

In 2020, our KRN refinery will continue to invest in the community through road infrastructure maintenance, providing training to villagers on raising livestock and other farming practices. To support education within the community, KRN will also be providing students with school supplies, health checks and scholarships.

Case Study:



Boosting Livelihoods with Community Farming

Our refineries are generally located in resource-rich trade centres which have transformed economically over the past decades. Cities like Balikpapan, where our KRN refinery is situated, is sometimes known as the 'Oil City' with its plentiful resources and a seaport gateway to the East Kalimantan province. However, there are local village communities whose livelihoods remain dependent on the farming of crops, vegetables and fruit for income and sustenance.

It is with these communities in mind that Apical introduced farming programmes as part of our corporate social responsibility (CSR) efforts, with the aim to empower small farmers by improving agricultural productivity and livelihoods. This initiative also seeks to diversify the income source of local smallholders supplying fresh fruit bunches so they can farm on unused plantation areas.

Our KRN refinery implemented a community vegetable farming programme in 2019. The programme sought to boost farming productivity and effectiveness by training the local people so they can increase their yields and incomes. Apical worked with the local government to facilitate and financially support this programme, with the pioneer run of this programme benefiting at least 10 local farmers.

At SDS refinery in Dumai, we worked with the local agricultural authority to introduce the farming of onion crops on peatland as well as more productive farming methods for chili to the local communities. These initiatives benefited 35 local farmers. In addition, new deep wells are dug to mitigate water shortages in dry season. It is anticipated that they can start growing for their own needs by June 2020.

These programmes were planned with the participation of the local communities and the progressed monitored by the local Social, Security and Licensing (SSL) teams to ensure longevity.



One of the community vegetable farming programme implemented by KRN refinery

Our Customers and Consumers

102-2, 102-6



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Our broad customer base includes palm oil traders, biofuel manufacturers, retailers, wholesalers, consumer goods manufacturers and other businesses in the fast-moving consumer goods (FMCG) industry.

We supply them with a range of quality edible oils, from crude palm oil (CPO), and crude palm kernel oil (CPKO) to various forms of processed palm oil (PPO), processed palm kernel oil (PPKO), all of which can be further processed into value-added products. Aside from the domestic market in Indonesia, sales destinations of Apical's products include the major continents of Europe, Asia, America, Australia, New Zealand and Africa.

As key partners to our business growth, we work closely with our customers to meet their market needs and requirements for high-quality, safe, traceable and sustainable palm oil. Apical proactively provides updates on sustainability progress and grievances through regular communications with our buyers.

Ensuring Product Quality and Safety

103-1, 103-2, 103-3, 416-2

To meet the food manufacturers' stringent quality and safety requirements for oil and fats, Apical undertakes continuous improvement measures and operates in line with relevant global standards.

Apical appoints independent third-party accredited certification bodies to validate and verify the standard of our products regularly. Our palm oil products are GMP+ and HACCP certified for food safety. Products from our Indonesian refineries are also Halal and kosher certified. We also adhere to the Palm Oil Refiners Association of Malaysia's (PORAM) standards for PPO and can tailor our product specifications to suit customer requirements. End products from our AAJ Marunda refinery are also Foundation Food Safety System Certification (FSSC) 22000 ver 4.1 certified. THE FSSC 22000 focuses on the Food Safety Management System of an organisation and is recognised for meeting the highest standards globally.

All of the products from our Indonesian refineries are in compliance with the Indonesian National Standard (SNI) for product quality.

Apart from certifications, we have various programmes in place to further ensure the quality and safety of our products. This includes GMP refreshment training for all employees, biannual internal audits, and in-house training by credible external providers on implementing international standards. Our Excelic refinery has

also implemented standard operating procedures to prevent and manage food fraud, and manage and control allergens.

There were no incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of our products in 2019.

Protecting Consumer Health

103-2, 103-3

As part of the refining process, high temperatures are applied to achieve desired quality and safety specifications. This results in the production of co-contaminants 3-monochloropropane-1,2-diol or 3-chloropropane-1,2-diol (3-MCPD) and glycidyl esters (GE) in refined oils and fats. With growing health concerns related to these substances, the European Union (EU) has set maximum levels for GE while the European Food Standards Authority (EFSA) has set a tolerable daily intake for 3-MCPD.

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

In 2019, our SDS refinery commissioned a CPO washing plant, which together with modified process control, will reduce the level of 3-MCPD and GE in refined products. This will help us to meet the requirements set by the EU and EFSA.

Sustainable Palm Oil Through Certification

102-12, 103-1, 103-2, 103-3

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

Our Customers and Consumers



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Apical adopts the latest technology in analytical science for the testing of oil and fats in products, including the detection of trace elements.

In addition to certifying our own operations, we also socialise the importance of certification to our suppliers and support them on their journey. Our Supplier Engagement Team (SET) was set up to drive greater FFB traceability and production of sustainable palm oil through globally recognised certification schemes such as RSPO and ISCC. Technical support in the form of relevant guidance and implementation manuals are provided to help suppliers to kick-start their certification initiative.

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

Our Customers and Consumers

Roundtable on Sustainable Palm Oil (RSPO)

Apical became an RSPO member under the category of palm oil processor and trader on 11 August 2011. Our refineries in Indonesia have obtained RSPO Supply Chain Certification since 2012. As an RSPO certified company and one committed to transparency in its business operations, we have been reporting our sustainability efforts through RSPO Annual Communications of Progress (ACOP) since 2014. We have also committed to process and fully handle only RSPO palm oil by 2025 and achieve RSPO certification for all our processing facilities by 2020. As of 2019, three of our refineries are RSPO certified.

Indonesian Sustainable Palm Oil (ISPO)

We support the ISPO launched by the Indonesian Ministry of Agriculture in 2011 to create a single national standard for sustainable practices in the palm oil sector. The scheme aims to drive the competitiveness of Indonesian palm oil in the international market and helps Indonesia meet its commitment to ensure legal compliance as well as address other social and environmental issues. The checklist used during our Priority Supplier Engagement Programme (PSEP) is based on the ISPO Standard for mills.

International Sustainability and Carbon Certification (ISCC)

ISCC has been established as the first certification system for sustainable biomass and biofuels. Apical has been adhering to its principles continuously since 2010 to meet customers demand in supplying low GHG materials for their production. As of 2019, four of our refineries are ISCC certified.

Volume of Certified Raw Materials Sources

Certification	Certified Raw Material Sourced	Volume (MT)		
		2017	2018	2019
RSPO	CPO, PKO	57,090	177,456	191,937
ISCC	CPO	987,655	560,498	717,706
Non-certified	CPO, PKO	4,664,246	5,597,708	7,049,972

Note:

- Refer to section on Scale of Operations for certifications obtained by each of our facilities.

In 2019, 3% of our palm oil and oil palm products processed are RSPO certified.

Leveraging Technology To Meet Customer Needs

103-1, 103-2, 103-3

Many of our key buyers only purchase palm oil which are traceable or certified as sustainable. We therefore seek to ensure that robust traceability and sustainability information are made available for our customers.

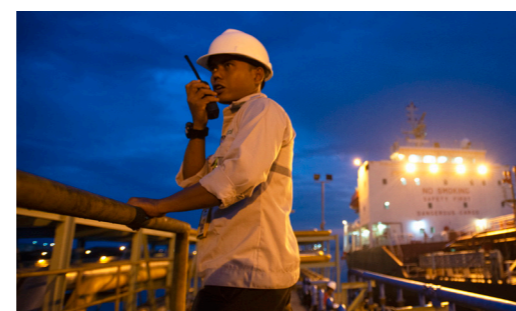
To ensure the timeliness and accuracy of traceability information, Apical embarked on developing the Apical Sustainability Assurance System (ASAS) at the end of 2017. The ASAS is an internal digitalisation initiative aimed at enhancing our palm oil supply chain management system to better manage suppliers'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

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

In 2018, we completed the development phase of ASAS, which included planning, configuration, testing, training, transition and reviews. In 2019, we initiated the User Acceptance Testing phase for the system which is due to be completed in 2020. Upon completion, the system will address key challenges around the complexity, resources and time required to collect accurate data by standardising data for customers and suppliers, integrating information from multiple sources and IT processes, eliminating manual compilation, facilitating verification and reporting.

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

In 2019, we successfully launched the Plant Information Management System (PIMS) covering most of our plants including processing, utility, desalination and power. Apart from enhancing our cyber security, the PIMS system will also be used for data analysis to improve productivity and process efficiency.



Appendix: Materiality and Stakeholder Engagement



We conducted a review of our most material sustainability issues in 2018, to ensure we are addressing and reporting on the issues that are most important to our stakeholders and our business.

Materiality Assessment

102-46, 102-47, 102-49, 103-1

We conducted a review of our most material sustainability issues in 2019, to ensure we are addressing and reporting on the issues that are most important to our stakeholders and our business. The process involved gathering quantitative and qualitative feedback from key internal and external stakeholders. External stakeholder groups engaged include suppliers, customers, non-governmental organisations (NGOs), banks and others.

Our materiality review process comprised the following stages:

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

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

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

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

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

The 20 material issues from the review remain relevant in 2019.

Material issues	Priority
Emissions reduction: Managing and reducing GHG emissions and maximising of energy efficiency	High
Grievance handling: Ensuring that proper grievance handling and mechanisms are in place	High
Product quality and safety: Ensure goods brought to market do not cause harm to the user and that they comply with laws and regulation	High
Protection of forests and biodiversity: Working with our suppliers to prevent deforestation and protection of biodiversity, HCS, HCV and peatland areas	High
Rights of indigenous and local communities: Respecting community rights by freely informing communities of licences, government and company policies regarding land development, as well as ensuring FPIC and compliance with local and national laws on land offers	High
Supplier engagement, including smallholder development: Having constructive engagement with suppliers for policy compliance and traceability, and supporting the socio-economic development and welfare of smallholders that form part of our supply chain	High
Traceability: Working with suppliers and industry partners to ensure the traceability of raw materials	High
Workers' health, safety and well-being: Ensuring that the company's workers and contractors are provided with safe, suitable and sanitary work facilities, and are provided with protective equipment and training necessary to perform their tasks safely	High
Climate action: Working with the community and stakeholders to build our resilience and strengthen our commitment to mitigate the effects of climate change	Moderate
Community livelihood & empowerment: Contributing to local communities in terms of jobs, income opportunities, education and skills, and the development of shared infrastructure	Moderate
Employee wages and benefits: Providing fair wages and benefits to employees	Moderate
Equal rights & opportunities: Providing equal rights and opportunity to all employees free of discrimination	Moderate
Fire prevention and management: Working with farmers and communities to prevent and suppress forest fires, especially in carbon-rich peat lands	Moderate
Governance and business ethics: Conducting our business activities ethically and in accordance with the highest governance standards	Moderate
Human rights, including child labour: Preventing the risk of forced, bonded or child labour occurring in the supply chain or workforce and promoting freedom of association and trade membership	Moderate
Innovation: Innovating and leveraging technology to enhance sustainability, traceability and business processes	Moderate
Sustainability standards and certifications: Ensuring that our sustainability performance is upheld by externally recognised certifications and standards (such as RSPO)	Moderate
Training and development: Supporting employee training and providing development opportunities	Moderate
Waste management: Ensuring safe and sustainable management and disposal of waste	Moderate
Water management: Minimising water pollution and maximising water efficiency in our operations through the use of best practice management systems	Moderate

Note:
 - High priority issues: Issues that are of high relevance to the business and high impact on society and the environment. They form the focus of our sustainability efforts and communication.
 - Moderate priority issues: Issues that are of ongoing importance to Apical and are of medium concern to stakeholders. We actively manage and report on these issues as appropriate.

Appendix: Materiality and Stakeholder Engagement



We engage with our stakeholders through various channels, promoting a two-way dialogue that enable us to learn and gather feedback on how we, as a company and industry, can improve.

Stakeholder Engagement

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

The sustainability challenges facing our industry are often complex and multi-faceted. It is of great importance to us that we engage our key stakeholders to build a mutual understanding of the issues that are pertinent and form long-term relationships based on trust and a willingness to collaborate.

We engage with our stakeholders through various channels, promoting a two-way dialogue that enable us to learn and gather feedback on how we, as a company and industry, can improve. We also strive to influence our stakeholders towards better practices, where possible.

Our key stakeholders have been identified based on their knowledge, relevance and impacts to Apical. Our major stakeholder engagement efforts for 2019 are summarised in the table below.

Stakeholder Groups	Engagement Method & Frequency	Topics & Concerns Raised	Apical's response
Customers & Consumers	<ul style="list-style-type: none"> One-on-one communication (periodic) Conference calls (regularly) Sustainability Report (annually) Presentations and meetings (ad-hoc) Apical Website (ad-hoc) Apical Sustainability Dashboard (ad-hoc) Survey (periodically) Materiality assessment (every 2-3 years) Consumer Focus Group Discussions 	<ul style="list-style-type: none"> Apical's sustainability commitments, initiatives and progress to achieve policy commitments Traceability update and customer data requirements Grievances on Apical's operations and/or suppliers Partnerships and collaborations on joint community/ conservation projects Service improvements for customers 	<ul style="list-style-type: none"> Engaged with at least 15 major customers mainly on requests for traceability information, inquiries on grievance matters related to our supply chain and information on our sustainability initiatives. Customers now have a better understanding of our sustainability progress, challenges and achievements Embarked on new partnerships including SUSTAIN
Banks & financial institutions	<ul style="list-style-type: none"> E-mail updates (regularly) One-on-one meetings (periodic) Sustainability Report (annually) Apical Website (ad-hoc) Apical Sustainability Dashboard (ad-hoc) Survey (periodically) Materiality assessment (every 2-3 years) Site visits (ad-hoc) 	<ul style="list-style-type: none"> Apical's sustainability commitments, initiatives and progress Apical's financial performance 	<ul style="list-style-type: none"> Hosted Netherlands based ABN Amro bankers in 2018 in Riau, showing them around our facilities. Provided updates on our company performance and plans for the future Shared information on our sustainability policy, commitments, programmes and its progress

Appendix: Materiality and Stakeholder Engagement

Stakeholder Groups	Engagement Method & Frequency	Topics & Concerns Raised	Apical's response
Civil Society Groups	<ul style="list-style-type: none"> One-on-one meetings (regularly) Sustainability Report (annually) Apical Website (ad-hoc) Apical Sustainability Dashboard (ad-hoc) Survey (periodically) Materiality assessment (every 2-3 years) Multi-stakeholder forums (regularly) Site visits (ad-hoc) 	<ul style="list-style-type: none"> Apical's Sustainability commitments, initiatives and progress Update on NDPE commitments (especially 'No exploitation') Improvements in transparency Traceability updates Grievances on Apical's operations and/or suppliers Partnerships and collaborations on joint community/ conservation projects 	<ul style="list-style-type: none"> Collaborated with various NGOs, including WWF, to halt deforestation and identify illegal suppliers in the Riau province Partnered with Yayasan Setara Jambi to increase traceability and strengthen smallholders engagement in Jambi and Riau provinces Hosted Founder of 2030 Secretariat in Riau to provide deeper understanding on our sustainability initiatives and smallholder programmes Engaged with NGOs on the resolution of grievance cases
Industry groups, trade associations and certification bodies	<ul style="list-style-type: none"> One-on-one Meetings (regularly) Multi-stakeholder forums (regularly) Sustainability Report (annually) Apical Website (ad-hoc) Apical Sustainability Dashboard (ongoing) Survey (periodically) Materiality assessment (every 2-3 years) Multi-stakeholder forums and events (regularly) 	<ul style="list-style-type: none"> Opportunities for collaboration on landscape level initiatives Palm oil certification Traceability verification 	<ul style="list-style-type: none"> Presented on SUSTAIN at Japan Sustainable Palm Oil Conference (JaSPOC 2018) Presented on SUSTAIN at Enterprise Singapore's Sustainability Forum Participated in all certification updates and new requirements such as RSPO and ISCC Provided feedback on policy revision to the RSPO Principles & Criteria (P&C) Review Task Force Took part in the consultation group for the Indonesian Sustainable Palm Oil (ISPO) organised by KEHATI (The Indonesian Biodiversity Foundation)
Employees	<ul style="list-style-type: none"> Annual appraisals and PRP Townhall meetings (annually) Major festivals celebrations (annually) HR training programmes (ongoing) Apical Website (ad hoc) Apical Sustainability Dashboard (ongoing) Materiality assessment (every 2-3 years) 	<ul style="list-style-type: none"> Workplace Health and Safety procedures Training and development opportunities Communication of Sustainability policy and initiatives in responsible palm oil Strategic direction of the business Awareness of company Policies including Code of Conduct and TOPICC core values 	<ul style="list-style-type: none"> Continued to communicate our Sustainability Policy to employees internally through presentations

Appendix: Materiality and Stakeholder Engagement

Stakeholder Groups	Engagement Method & Frequency	Topics & Concerns Raised	Apical's response
Local community	<ul style="list-style-type: none"> Dialogue with community groups and representatives facilitated by our dedicated SSL team (regularly) Outreach programmes to improve livelihood (annually) Apical's grievance mechanism to understand and address community concerns including FPIC and environmental conservation (ongoing) Complaint handling, grievance procedures and conflict resolution engagement (ad hoc) Surveys (periodically) 	<ul style="list-style-type: none"> Address community concerns including Free, Prior and Informed Consent (FPIC) Ensure palm oil brings benefits to the local community such as better infrastructure, access to employment opportunities Fire prevention 	<ul style="list-style-type: none"> Prioritised employment opportunities to local communities Conducted Social and Environment Impact Assessments and ensured better communication on FPIC Increase in community investments and programmes to improve well-being, infrastructure and basic needs Prevention of fire outbreak with Free Fire Village Programmes
Governments and regulatory bodies	<ul style="list-style-type: none"> One-on-one meetings (ad hoc) Multi-stakeholder forums and events (regularly) Consultations (regularly) Apical Website (ad hoc) Apical Sustainability Dashboard (ongoing) Materiality assessment (every 2 years) Field visits (regularly) Survey (periodically) 	<ul style="list-style-type: none"> Compliance with government policies and regulations Communication around Apical's policies and actions in responsible palm oil Alignment of Apical's initiatives with government policies especially in HCV/HCS areas and smallholder development 	<ul style="list-style-type: none"> Provided up-to-date with documentation on compliance for Apical and our suppliers Discussion with the Coordinating Ministry of Economic Affairs on supply chain transparency and traceability Updated Ministry on SUSTAIN initiative
Suppliers including smallholders	<ul style="list-style-type: none"> Anchor Programmes One-on-one communication (ongoing) Apical Website (ad-hoc) Sustainability Report (annually) Apical Sustainability Dashboard (ongoing) Materiality assessment (every 2-3 years) Survey (periodically) 	<ul style="list-style-type: none"> Information on compliance with Apical's Sustainability Policy and standards including traceability requirements Clarification on grievances lodged on supplier's operations Risk assessments of supply chains Gaps in traceability data collection Supplier screening and monitoring 	<ul style="list-style-type: none"> Capacity building to ensure suppliers implement sustainability best practices within operations and ensure responsible production, in line with Apical's Sustainability Policy Enhanced fire prevention measures through the Fire Free Village Programme and increased the understanding on the importance of environmental conservation Continued supplier engagement through our Anchor Programmes

GRI Standards Index



This report has been prepared in accordance with the GRI Standards: Core option.

GRI Standards Index

102-55

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

GRI Standard	GRI Disclosure Number	GRI Disclosure Title	Page references/ Reasons for omission
General Disclosures			
Organisational Profile			
GRI 102: General Disclosures 2016	102-1	Name of the organisation	2
	102-2	Activities, brands, products, and services	8-9, Website: https://www.apicalgrup.com/our-business/products/
	102-3	Location of headquarters	8
	102-4	Location of operations	8-9
	102-5	Ownership and legal form	8, Apical Group Ltd is managed by RGE Pte Ltd
	102-6	Markets served	8, 46
	102-7	Scale of the organisation	9, We do not report on net sales and total capitalisation as we are not a publicly listed company
	102-8	Information on employees and other workers	37
	102-9	Supply chain	8, 24
	102-10	Significant changes to the organisation and its supply chain	There were no significant changes to the organisation and supply chain in 2019.
	102-11	Precautionary Principle or approach	10
	102-12	External initiatives	14
	102-13	Membership of associations	14
	Strategy		
102-14	Statement from senior decision-maker	4-5	
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviour	7	
102-17	Mechanisms for advice and concerns about ethics	12-13	
Governance			
102-18	Governance structure	11-12	
102-19	Delegating authority	11-12	
102-20	Executive-level responsibility for economic, environmental, and social topics	11-12	
102-21	Consulting stakeholders on economic, environmental, and social topics	51	

GRI Standard	GRI Disclosure Number	GRI Disclosure Title	Page references/ Reasons for omission	
General Disclosures				
Stakeholder Engagement				
GRI 102: General Disclosures 2016	102-40	List of stakeholder groups engaged	51-53	
	102-41	Collective bargaining agreements	39	
	102-42	Identifying and selecting stakeholders	51	
	102-43	Approach to stakeholder engagement	51-53	
	102-44	Key topics and concerns raised	51-53	
	Reporting Practice			
	102-45	Entities included in the consolidated financial statements	2	
	102-46	Defining report content and topic Boundaries	2, 49-50	
	102-47	List of material topics	49-50	
	102-48	Restatements of information	No information was restated	
102-49	Changes in reporting	There were no changes in reporting for FY2019		
102-50	Reporting period	2		
102-51	Date of most recent report	6 September 2020		
102-52	Reporting cycle	2		
102-53	Contact point for questions regarding the report	3		
102-54	Claims of reporting in accordance with the GRI Standards	2		
102-55	GRI content index	54-59		
102-56	External assurance	3, 60-61		

GRI Standards Index

GRI Standard	GRI Disclosure Number	GRI Disclosure Title	Page references/ Reasons for omission
Material Issues			
Our Approach to Sustainability			
Governance and Business Ethics			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	2, 49-51
	103-2	The management approach and its components	11-13, 22
	103-3	Evaluation of the management approach	11-13
GRI 205: Anti-Corruption 2016	205-3	Confirmed incidents of corruption and actions taken	12
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	32
Grievance Handling			
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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	2, 24, 49-51
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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	2, 24, 49-51
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GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	35
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	403-6	Promotion of worker health	40
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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	2, 49-51
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GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	45
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INDEPENDENT ASSURANCE STATEMENT

Control Union was commissioned by Apical Group to conduct an independent assurance of Apical Sustainability Report 2019.

The information in the Sustainability Report is the exclusive responsibility of Apical group. Control Union was not involved in the preparation of any material included in this document.

The responsibility of Control Union is to express an opinion concerning the information including graphs, tables and statements included in the report, within the assurance scope mentioned below, with the purpose to inform all the interested parties. This Assurance Statement applies to the related information included within the scope of work described below and within the boundaries specified in the Report.

Assurance Scope

The sustainability report was developed using the Global Reporting Initiative (GRI) standards. The assurance process involves verification of the following aspects:

Inclusivity:

Engagement with stakeholders in the report development process and their involvement in organizational decision making

Apical has a complete stakeholder engagement process that aims to obtain insight into sustainability expectations across its different business operations. The results are incorporated into the organization's strategy and target setting and serve as an important input as to how issues are prioritized at the highest organizational level.

Apical has continued to seek feedback on its Sustainability report from an external stakeholder panel. The publication of their full statement demonstrates the willingness of the organization to respond to stakeholder input and adds to the transparency of the Report.

Materiality:

Identification of issues in the report that are relevant and significant to the organization's stakeholders, the presence of and the extent to which these material issues are disclosed in the report.

Apical's materiality topics were selected based on surveys conducted on their 2018 materiality issues to ensure that those issues were still important and relevant for their stakeholders in 2019. We found that the management approach for priority issues was well embedded within the business and feeds into the founder's philosophy of doing what is good for the community, country, climate, customer and company.

Responsiveness:

Acting on stakeholder issues and provision of feedback through decisions, actions, performance and communication

Apical engages with their stakeholders through various channels (conference calls, presentations, one-on-one) and this ensures a two-way dialogue between both parties. In this way Apical is able to directly address the concerns of stakeholders by explaining their sustainability practices to them particularly



traceability in their supply chain and informing them of new sustainability initiatives. Apical has embarked on new partnerships in response to concerns from stakeholders to address service improvements for their customers.

Level of Assurance

The level of Assurance is used to determine the depth of detail that an assurance provider uses to identify if there are material errors, omissions or misstatements. The level of assurance for this report is moderate.

Methodology

- Review of the text of the report (pre-assurance research)
- Review of internal and external documentary evidence produced by Apical
- Review of approach to data collection at company level
- Audit of data presented in the Report including a detailed review of a sample of data
- Review of a selection of internal performance documents
- On-site visits to the head office
- Interviews with the divisions responsible for CSR and the person in charge of producing the Report at the head office

Conclusions

Based on our moderate assurance process, nothing has come to our attention that causes us to believe that the scope (subject matter) as detailed above and presented in the report is not presented fairly in accordance with the criteria.

Hence, our work confirms that the information included in the sustainability report is reliable and objective, and is presented clearly and understandably.

Prakhar Goel
Program Manager
28 August 2020

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