Apical Group Sustainability Policy

Apical Group (hereafter referred to as 'Apical') is steadfast in our commitment to build a transparent, traceable and sustainable palm oil supply chain. The first Apical Group Sustainability Policy was launched in 2014. Since then, we have spearheaded and implemented various activities and programmes encompassing Traceability, Supplier & Smallholder Engagement, Compliance and Certifications, Grievance Management, and Landscape-level Collaboration, to drive supply chain transformation and sustainable palm oil production in our operations and supply chain. Progress has been reported publicly in our yearly Sustainability Reports and on our Progress Dashboard.

To further reinforce Apical's sustainability commitments, the Apical2030 Sustainability Framework was launched in 2022. Apical2030 outlines 10 time-bound targets across four strategic pillars – Transformative Partnership, Climate Action, Green Innovation, and Inclusive Progress – that are closely aligned with our groups' 5Cs[1] business philosophy, Environmental Social and Governance (ESG) goals and nine prioritised United Nations Sustainable Development Goals (UNSDGs).

This Sustainability Policy update builds upon our 2014 commitments and incorporates the latest targets and developments to reflect Apical's vision to be the most reliable integrated processor of sustainable vegetable oil and value-added downstream products. This Policy is complemented by our Human Rights Policy and both policies shall be read alongside the Policy Glossary which contain definitions of key terms.

Through the implementation of this Policy, Apical aims to achieve sustainable and inclusive growth as well as to prevent, mitigate and manage actual and potential adverse social and environmental impacts throughout our supply chain.

Governance

The Apical Board of Directors (BoD) is the highest governing body responsible for driving our sustainability strategy and performance towards inclusive and sustainable growth. The BoD, led by the President and supported by the senior management team including the Chief Sustainability Officer, is tasked with shaping the strategic direction of the business; embedding the company's core values to drive key initiatives; and supporting supply chain transformation and risk management through transformative partnership.

We have dedicated Sustainability teams based in Kuala Lumpur, Malaysia; and Pekanbaru, Dumai, Medan, Jakarta and Balikpapan in Indonesia, tasked with implementing, monitoring and achieving our commitments through constructive stakeholder engagement and collaboration.

---

[1] 5C's business philosophy of doing what is good for the Community, Country, Climate, and Customer, and only then will they be good for the Company.

Scope

This Policy applies to all of Apical's operations worldwide. It covers our own operations, joint ventures, subsidiaries and direct and indirect suppliers in our palm oil supply chain. Our suppliers are required to comply with the commitments of this Policy and our Human Rights Policy across their operations as part of the terms and conditions of our commercial arrangement. This also includes a commitment to abide by ethical business conduct through our Code of Procurement Ethics (COPE).

Key Commitments

This Sustainability Policy reflects our commitment to sustainable palm oil development that delivers positive outcomes to the environment, human rights, and livelihoods.

i. We reinforce our commitment to No Deforestation, No Peat, and No Exploitation (NDPE) by setting mandatory requirements for suppliers to adhere to NDPE practices through engagement with stakeholders, as well as sharing key learnings from implementing NDPE programmes within our operations and collaboration with key supply chain actors. We are committed to having our supply chains free from deforestation and peat development since December 2015 and aim to achieve a supply chain which is independently verified as 100% NDPE-compliant by December 2025.

ii. We shall follow and uphold key international human rights standards in our operations and supply chains, as detailed in our Human Rights Policy.

iii. We commit to respecting the rights of Indigenous Peoples and Local Communities (IP and LCs) to grant or withhold Free, Prior and Informed Consent (FPIC) for development activities that affect their lands, livelihoods, and environment.

iv. We are committed to supporting inclusivity of smallholders as an integral part of our supply chain and will take the necessary measures through dedicated programmes for the sustainable management of their farms, good agricultural practices, and improved livelihoods.

v. We shall adhere to all applicable national and international laws and regulations in our business. Where there are discrepancies between national and international laws, Apical shall adhere to the national law of the respective country and progress steadily towards the highest applicable standards.

vi. Apical will continue to monitor and ensure that our policies, systems, and processes are robust and in line with emerging international sustainability legislations related to environment, social and governance. This includes strengthening our policies and implementation to align with upcoming and relevant regulations such as the European Union Deforestation Regulation (EUDR) and Corporate Sustainability Due Diligence Directive (CSDDD), as well as supporting suppliers to meet the requirements of these new regulations.

vii. We shall also strengthen our due diligence processes to prevent, mitigate and address environmental and human rights risks in our own operations and supply chain.

Environmental Protection and Combatting Climate Change

1. Deforestation and conversion of forests and peatlands
Apical is committed to sourcing palm oil that is free from conversion or deforestation of high conservation value (HCV) areas and high carbon stock (HCS) forests as well as no new developments on peatland of any depth.

We are committed to the management, protection, and monitoring of HCV areas and HCS forests, as defined by the HCV Network and HCS Approach (HCSA). Apical encourages the adoption of integrated HCV/HCS approach/toolkits[2] for our suppliers including HCSA Social Requirements and Implementation Guidance, across their entire operations and to obtain FPIC[3] from IP and LCs for any new and existing oil palm development activities.

Apical will work with suppliers and other stakeholders to ensure all peatlands controlled by our suppliers are protected from new plantation development. We will ensure peatlands are managed in line with Best Management Practices for Management and Rehabilitation of Peatlands developed by Roundtable on Sustainable Palm Oil (RSPO) or as defined by peatland experts.

We will adhere to a responsible approach in implementing our NDPE commitments in accordance with our Sourcing Policy. For identified forest conversion and peat development in our suppliers' operations after the cut-off date of Dec 2015, we shall engage our suppliers to implement corrective, preventive actions and remedial plans. We require all suppliers to remediate environmental harm caused by violations after the cut-off date using best practice guidance[4] or other recommended restoration and remediation guidance.

We will adopt an inclusive approach to support local communities and smallholders in their compliance with national regulations, sustainable management practices and efforts to minimise environmental impacts, as well as improve and sustain their livelihoods.

Apical also commits to enforcing a "zero-burn" Policy, whether it is for new plantings, replanting, or other developments, and actively engage with suppliers in initiatives of fire and haze mitigation.

We shall also comply with requirements of international sustainability regulations/legislation and industry certification standards on deforestation and conversion of forests and peatlands.

---

[2] https://highcarbonstock.org/toolkit/
https://highcarbonstock.org/indigenous-community-rights/social-requirements-toolkit/
[3] Refer to RSPO FPIC Guidance and other international best practices
[4] https://highcarbonstock.org/toolkit/restoration-remediation-guidance/

2. ***Biodiversity conservation and protection***

Apical is committed to:

i. Participating actively in landscape and multi-stakeholder initiatives that are supporting the management, monitoring, and/or enhancement of biodiversity and ecosystem resilience in our supply chain.

ii. Protecting and enhancing biodiversity and ecosystem resilience in the landscape and supply chain.

iii. Partnering with suppliers to protect and/or conserve 150,000 hectares of forest and peatland by 2030.

iv. Supporting the non-use of pesticides in compliance with national legal requirements and the latest RSPO standards.

3. ***Climate action and commitment towards net zero***

Apical is committed to combatting climate change and to implement practices that reduce our green-house gas emissions (GHG) in line with the 1.5°C global warming target, as set out in the Paris Agreement.

Our Climate Action targets are as follows:

i. Reduce 50% GHG of our operations GHG emission intensity against 2020[5] baseline by 2030.

ii. Derive 38% of total energy use in our operations from renewable and clean energy sources.

iii. Improve water use intensity in our operations by 30% through circular solutions.

iv. Collaborate with suppliers to promote clean energy through 20 biogas plants.

v. Achieve net zero by 2050[6].

Apical's Sustainability Implementation Framework will illustrate the measures that we will undertake to achieve our Climate Action targets.

Respect of Human Rights

At Apical, we firmly believe that we have a responsibility to respect fundamental human rights in our conduct of business across our global operations and supply chain, in line with the UN Guiding Principles on Business and Human Rights (UNGPs). The Apical Group Human Rights Policy details our commitments to respecting all internationally recognised human rights.

---

[5] The frameworks adopted for the GHG emission calculations will be based on ISO 14064-1 and GHG Protocol

[6] Refers to Scope 1, Scope 2 and Scope 3 GHG emissions

Smallholder Support and Community Livelihoods

Smallholders are a fundamental part of our business. As such, we shall continuously build an inclusive and sustainable smallholder supply chain while progressing towards our sustainability targets. We commit to supporting smallholders to evolve towards meeting best agricultural and environmental practices, to improve productivity, and to improve livelihoods. Therefore, we commit to:

i.   Support independent smallholders in achieving RSPO certification through collaborative partnerships, capacity building, and training in conjunction with our supplying mills.

ii. Establish Sustainable Living Villages (SLV) focused on four key priorities:

    a. Community – enhancing livelihood resilience.

    b. Ecosystem – forest protection and preservation.

    c. Supply Chain – driving supply chain transformation.

    d. Partnerships – collaboration with local government and relevant stakeholders.

We will support smallholders' transformation through landscape collaboration such as the Production, Protection, and Inclusion (PPI) Compact initiatives.

Responsible supply chains and partnerships

Achieving our goal of sustainable supply chains requires strong collective and collaborative efforts among all stakeholders in our supply chain.

In striving towards Apical2030 sustainability roadmap targets, we aim to strengthen our engagement with suppliers through collaborative efforts to achieve a 100% independently verified NDPE-compliant supply chain by December 2025.

We recognise that building a solid relationship with our suppliers is essential to the creation of a transparent and sustainable supply chain. As part of our on-boarding process for new suppliers, we will require that all suppliers commit to this updated Sustainability Policy. We screen all our suppliers prior to their inclusion in our supply chain. Those that have been classified as high-risk will be prioritised for engagement and will need to meet minimum requirements for suppliers before becoming a new supplier. We consistently engage our suppliers through tailored Anchor Programmes[7] and initiatives to ensure Policy compliance, promote traceability and facilitate the adoption of sustainable practices.

---

[7] Among these Anchor Programmes that have been initiated since 2016 are the Mill Prioritisation Process (MPP), Priority Supplier Engagement Programme (PSEP), Traceability Outreach Programme (TOP), Shared Value Programme (SVP), and Apical will publish an implementation plan with clear actions and verifiable time bound targets for this Sustainability Policy. The new plan will be implemented along the Apical Sustainability (A-SIMPLE) framework, which was launched in 2020 as a key mechanism for Apical operations and suppliers to implement sustainable, responsible, and NDPE-compliant practices that reduce supply chain risk and are transparent, and we will formulate new frameworks where needed. Suppliers Self-Assessment (SFA) and Collaborative Action Remote Engagement (CARE).

We will continue to regularly publish our mill lists and the progress of our verified NDPE Implementation Reporting Framework (NDPE IRF) [8] supplier profiles. We commit to having our traceability to mill and plantation verified by independent third parties in accordance with our Traceability Verification Guidance or other industry or regulatory requirements. We require all our suppliers to be fully traceable to the fresh fruit bunch (FFB) production area within one year of having a business relationship with us. We aim to have 100% supplier engagement for independent verification of traceability data by 2025.

We commit to having our own operations fully certified under RSPO/ISCC[9] where applicable. We will also promote RSPO and/or ISPO[10] and ISCC standard certification within our supply chain and provide support for our suppliers in achieving certification where possible. We will contribute to the development and implementation of the highest standards of sustainable palm oil practices through our active engagement in initiatives that are relevant to our business such as RSPO, the Palm Oil Collaboration Group (POCG), ISCC and other relevant platforms. We will also contribute to multi-stakeholder and landscape initiatives that bring together suppliers, peers, and local actors for the shared benefit of the environment, workers, communities, and smallholders.

Implementation, monitoring and reporting

The deforestation risk in our supply chain is monitored through our internal Geographic Information System (GIS) and external credible third-party satellite monitoring service providers. Apical has been using the Global Analysis and Discovery (GLAD) alerts and Global Forest Watch (GFW) Pro since 2019, to improve transparency within our supply chain, and to better detect and monitor deforestation.

Apical is venturing into digitalisation to collate real time traceability and sustainability information from our suppliers to serve customer requirements and in compliance with national and international legislative requirements.

To ensure consistent updates on our suppliers' risk profile, Apical will continue to utilise the NDPE Implementation Reporting Framework (NDPE-IRF and/or relevant disclosure and reporting platforms in delivering our NDPE commitments. We will conduct annual independent third-party verification of our suppliers NDPE compliance and NDPE-IRF results, as well as provide annual updates on our website. By doing so, stakeholders can assess the credibility of our claims on NDPE sustainability progress.

The progress of the implementation of this Policy shall be regularly reported in our online Sustainability Progress Dashboard, annual Sustainability Reports, Sustainability Policy Transparency Toolkit (SPOTT), Carbon Disclosure Project and other relevant verification mechanisms.

---

[8] A reporting tool that allows companies to systematically analyse and track the NDPE progress of their supply base.
[9] The International Sustainability & Carbon Certification (ISCC)
[10] Indonesian Sustainable Palm Oil

Apical requires adherence to NDPE practices and reserves the right to suspend or terminate sourcing from non-compliant suppliers when all efforts to promote positive change have been exhausted. Suppliers that are found to have violated prohibitions on deforestation or new development on peatlands after the cut-off date of December 2015 are required to have recovery plans in place to remediate environmental harm. Apical will update the relevant policies and procedures that outline the expectations for remediation in case of NDPE non-compliance, the suspension criteria, and future re-engagement of affected suppliers.

Apical's Sustainability Implementation Framework will illustrate our approach and action plans to implement our Policy commitments.

Grievance Management
Apical commits to protecting internal and external rights-holders and stakeholders to raise grievances on our business operations and supply chain. We place importance on providing effective remedy when there have been adverse environmental and human rights impacts on people and require the same from our suppliers.

Apical commits to the implementation of an effective grievance mechanism that aligns with the UNGPs, to resolve grievances and we require the same of our suppliers.

Apical has established a grievance procedure for any stakeholder to raise concerns related to our business or suppliers. This includes a grievance mechanism [11], which responds to grievances in a timely manner and protects the rights to anonymity and confidentiality of the complainant or other rights-holders. We have zero tolerance for retaliation, use of threats, harassment, intimidation, violence, or reprisal against any party who reports a concern or a complaint or participates in an investigation.

Apical shall investigate and engage the relevant stakeholders involved in the grievance (social and environmental) and develop an action plan for resolution/remedial actions. For transparency, we report our grievances in our grievance tracker, which is regularly updated.

Our grievance mechanism will be periodically reviewed and evaluated for effectiveness of its management and processes.