

Asia Pacific Rayon (APR) Sustainability Policy

Updated September 2020

APR is a leading producer of viscose rayon committed to the continuous improvement of the sustainability, transparency and efficiency of our operations. We have one of the largest viscose rayon production facilities in the world, with an installed capacity of 240,000 tonnes per annum. Our unique co-location alongside the operations of our sister company, APRIL, in Pangkalan Kerinci, Riau Province, Indonesia, enables the full integration of renewable dissolving wood pulp with the production of APR's viscose staple fibre.

APR's Sustainability Policy is guided by the Royal Golden Eagle (RGE) Group's 5Cs principle where all our actions must be good for the community, country, climate and customers, and only then will they be good for the company. We also adhere to RGE's Forestry, Fibre, Pulp and Paper Sustainability Framework.¹ Further, this policy builds on APRIL's Sustainable Forest Management Policy 2.0 (SFMP) which commits to no deforestation, responsible peatland management and no new development on peatland, and to actively protect high conservation value (HCV) or high carbon stock (HCS) forest areas, among a range of commitments.²

What matters to us?

Our People, Communities and Country

APR is committed to the development of our people, prioritising skills development and training, while focussing on employee well-being and diversity. With close to two-thirds of our employees under the age of 35, talent development and investments in mentoring and skills development are a key focus.

Community empowerment is a fundamental part of our social license to operate. APR cares about the communities around our operations and commits to improving community well-being by focusing on employment opportunities, income generation, and community health and quality education for children.

APR is in a unique position to support the growth of Indonesia's textile sector as part of the Government's Industry 4.0 roadmap. Our viscose-rayon generates thousands of employment opportunities and promotes the use of sustainable raw materials made in Riau and across Indonesia.

Committing to No Deforestation and the Protection of Intact Forest Landscapes

APR commits to sourcing from suppliers who have a demonstrated commitments to no deforestation and to the adoption of HCV/HCSA practices which include recognition of Intact Forest Landscapes (IFL) and ancient and endangered forests.³

Closing the Loop on Clean Manufacturing

¹ <https://www.rgei.com/files/RGE-Sustainability-Framework-v1.2-English.pdf>

² https://www.aprilasia.com/images/pdf_files/april-sfmp2-3-june-2015.pdf

³ The commitment to protect identified HCV and HCS areas encompasses ancient and endangered forests as defined by HCV 1. Species Diversity, 2. Landscape Level Ecosystems and 3. Ecosystems and Habitats.

Our operational performance is benchmarked against the requirements set out in the EU guidance document on Industry-specific Best Available Technologies (EU-BAT).

APR strives to utilise energy produced from 100 per cent renewable resources in our mill operations and aims to recover greater than 90 per cent of the carbon disulfide (CS₂) used in operations.⁴ Additional targets on the reduction of GHG emissions, chemical recovery, efficiency in the utilisation of clean water, quality of effluent, and the reduction in solid waste produced will be in line with industry-leading practices. Performance against these targets will be reported on APR's sustainability dashboard.

Supporting Innovation and Circularity

APR recognises the opportunities in alternative feedstock and particularly the recycling of textile and agricultural waste into renewable fibres. In October 2019, RGE announced plans to invest US\$200 million over the next ten years into innovations and research on close looped technologies and next-generation cellulosic textile fibre. This investment will support the development of alternative textile fibre solutions for industrial-scale commercial production as we pursue increased circularity.

Pulp Sourcing Policy

(This policy became effective June 1, 2018, and was updated in September 2020.)

APR is committed to sourcing sustainable dissolving wood pulp, a key material used in viscose production.

The following principles guide APR's dissolving wood pulp sourcing practices:

100% certified dissolving pulp

- All dissolving wood pulp sources are from certified areas, following internationally recognised certification standards.
- All dissolving wood pulp sources are from areas managed in compliance with applicable laws and regulations and include third party legal verification.

Sustainable forest management

- All dissolving wood pulp sources are from plantation forests managed under global sustainable forest management standards, including the commitment to actively protect high conservation value (HCV) or high carbon stock (HCS) forest areas.
- Our suppliers commit to no new development on peatland
- Our suppliers actively protect and manage conservation and restoration areas in their areas of operation.

Recognising the legal and traditional rights of indigenous communities and workers

- Respect the rights of indigenous peoples and communities to give or withhold their Free, Prior and Informed Consent (FPIC) to operate on lands where they hold legal, communal or customary rights
- Respect workers' rights as defined through the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at work
- Implement an open, consultative and timely grievance and conflict resolution mechanism

⁴ Calculated by means of Energy mass balance

- Apply zero tolerance of the use of violence, intimidation, bribery and fraud
- Promote gender equality, diversity inclusion and employment access for women
- Contribute to improving the social and economic well-being of local communities

Adoption of GHG emissions reduction targets

- Implement programs to promote continuous improvement in the reduction of greenhouse gas emissions in dissolving wood pulp mills

In support of this policy, APR will work with sourcing partners to report on progress in line with these principles. For any identified and proven non-compliance, we will engage with our suppliers and develop a time-bound action plan to remedy any issue. The termination of supply contracts will be considered as a last recourse if any of our sourcing partners demonstrate an unwillingness to engage in the process of corrective actions and improvements to address identified non-conformance.

Clean Manufacturing Policy

Updated September 2020

Clean manufacturing has been a priority since APR began its operations. We have worked continuously to improve every aspect of our recovery process as we progress towards closed-loop production. We benchmark our performance against the European Union Best Available Technologies (EU BAT) and focus on the continuous improvement of our operations and process engineering to ensure we perform in the top quartile of existing industry standards.

Clean Manufacturing is a critical part of our license to operate. APR is committed to the ZDHC⁵ Foundation's *Roadmap to Zero Programme*. We plan to implement the ZDHC MMCF Guidelines, composed of the ZDHC MMCF Interim Wastewater Guidelines, ZDHC MMCF Interim Air Emissions Guidelines, and the ZDHC MMCF Responsible Fibre Production Guidelines.

In addition, we have published a roadmap laying out the timelines for conforming to the emissions and consumption levels set out in EU BAT for the production of viscose staple fibre. The roadmap (add hyperlink) is found on APR's sustainability dashboard.

Water Consumption

Water is a key aspect in the sustainable production of Viscose Staple Fibre (VSF). We have set strict targets based on industry standards and commit to further improving our water footprint by establishing more stringent goals from 2020 onwards.

Energy Consumption

Energy management is a crucial aspect of sustainable production of Viscose Staple Fibre (VSF). The majority of the energy used by APR is generated from renewable resources and we continuously strive to improve energy efficiency. We are committed to minimising our production footprint and are currently in the process of assessing the carbon footprint of our mill.

⁵ ZDHC stands for Zero Discharge of Hazardous Chemicals. The ZDHC Foundation oversees implementation of the Roadmap to Zero Programme and is a global multi-stakeholder initiative within the fashion and footwear industry.

Chemical Recovery

The APR mill is equipped with a carbon disulfide (CS₂) recovery plant enabling a total sulphur recovery system through condensation, absorption recovery, and a desulphurisation treatment of tail gases. We are committed to close loop manufacturing and a total Sulphur recovery rate of greater than 90% from 2020 onwards.

Emissions

We are committed to the zero discharge of hazardous substances and are monitoring our wastewater and air quality continuously. As a contributing member of the ZDHC, we will further improve our mill performance in line with the new guidelines being developed by the ZDHC for man-made cellulosic fibres (MMCF) as well as EU BAT guidelines.