

Asia Pacific Rayon (APR) Sustainability Policy

Updated August 2022

APR is a leading producer of viscose rayon committed to the continuous improvement of the sustainability, transparency and efficiency of our operations.

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, no new development on forested peatland, and the conservation and restoration of forest areas, among a range of commitments.²

In 2021, APR launched APR2030, a ten-year sustainability agenda, covering our commitments and targets aligned with the United Nations Sustainable Development Goals. This ambitious initiative maps our plans to promote positive impacts by delivering on four main commitments: becoming climate and nature positive; ensuring clean and closed-loop manufacturing; accelerating circularity; and promoting inclusive prosperity.

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, gender equality 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 Indonesian Government's Industry 4.0 roadmap. Our viscose-rayon is authentically Indonesian, generates employment opportunities and promotes the use of sustainable raw materials that are from 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 High Conservation Value and High Carbon Stock Assessment practices, which include a recognition of Intact Forest Landscapes (IFL) and ancient and endangered forests.³

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.

We further encourage our fiber suppliers to advance science-based conservation efforts in critical forests, including Canadian and Russian Boreal Forests, Coastal Temperate Rainforests, the Amazon, West Africa and the Leuser ecosystem in Indonesia.

In addition to the principles of our Pulp Sourcing Policy, APR prohibits the sourcing of dissolving pulp produced from the following unacceptable sources:

- Uncertified or illegally harvested and traded wood
- Wood from high conservation value forests³
- Wood from remaining intact endangered species habitats
- Wood harvested in violation of traditional and civil rights
- Genetically modified organisms

Sourcing and Supply chain transparency

APR is committed to transparency and have established a robust upstream blockchain-enabled full traceability system to track the entire dissolving wood pulp supply chain back to certified mills, plantations and nurseries (where applicable) of origin. The mapping of our pulp supply chain enables us to work with our dissolving pulp suppliers, customers and stakeholders to manage any supply chain sourcing risk.

Closing the Loop on Clean Manufacturing

Our operational performance is benchmarked against industry best practice guidelines, described in our Clean Manufacturing Policy, that include the requirements set out in the EU guidance document on Industry-specific Best Available Technologies (BAT).

APR will continue to utilise energy produced from 100 per cent renewable and cleaner sources⁴ in our mill operations and aims to recover up to 95 per cent of Carbon Disulphide (CS₂) used in operations. Additional targets outlined in our APR2030 sustainability agenda 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 are in line with industry-leading practices. Performance against these targets will be reported on APR's sustainability report and dashboard.

Supporting Innovation and Circularity

APR recognises the growth opportunities from increasing the use of next generation or alternative fiber solutions at a commercially viable scale. APR and APR's parent company invests significantly into next-generation textile fibre research and innovations through partnerships. We will continue to pursue initiatives that increase the extent of recycling of textile waste into renewable fibres in order to promote circularity in the textile and apparel industry.

⁴ Calculated by means of Energy mass balance

Pulp Sourcing Policy

updated August 2022

APR is committed to sourcing sustainable dissolving wood pulp, a key material used in viscose production. This policy became effective June 1, 2018, and was updated in June 2022.

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

100% certified dissolving pulp

- All dissolving wood pulp sources are from certified areas, participating in credible forest certification programs, in particular the Programme for the Endorsement of Forest Certification (PEFC™) and Forest Stewardship Council® (FSC®)
- 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 areas³
- Our suppliers commit to no new development on forested peatland
- Our suppliers support relevant conservation in critical forests

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 at work as defined through the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights and outlined in our Human Rights Policy⁵
- Implement an open, consultative and timely grievance and conflict resolution mechanism
- 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 science based and time bound programs to promote continuous improvement in the reduction in 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.

⁵ <https://www.aprayon.com/en/sustainability/sustainability-policy/>

Clean Manufacturing Policy

Updated August 2022

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 industry best practice guidelines including 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 Zero discharge of Hazardous Chemicals (ZDHC⁶) Foundation's *Roadmap to Zero Programme*. We plan to implement the ZDHC man-made cellulosic fibre (MMCF) Guidelines, composed of the ZDHC MMCF Interim Wastewater, Interim Air Emissions, and Responsible Fibre Production. .

Our a roadmap for conforming to the criteria set out in EU BAT for the production of viscose staple fibre forms part of our APR2030 sustainability strategy.

Decarbonisation

Climate change is the defining global challenge of the 21st century. Economies, ecosystems, and communities are already experiencing the impacts of climate-related risks. Our science based decarbonisation strategy solidifies our action to combat climate change. We are identifying and implementing opportunities to optimise efficiencies and reduce our energy requirements while also increase the share of renewable sources in our energy balance. We are committed to having a positive impact on climate and nature and we will implement actions to achieve our targets outlined in our APR2030 sustainability strategy.

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 implementing stringent targets outlined in our APR2030 sustainability strategy.

Energy Consumption

Energy management is a crucial aspect of sustainable production of Viscose Staple Fibre (VSF). Energy used by APR is generated from renewable and cleaner sources and we continuously strive to improve energy efficiency. We are committed to minimising our production footprint of our mill.

Chemical Recovery

The APR mill is equipped with a carbon disulphide 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 in line with ZDHC man-made cellulosic fibre (MMCF) Responsible fibre manufacturing guidelines, which form part of our APR2030 sustainability strategy.

⁶ 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.

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 ZDHC for man-made cellulosic fibres (MMCF) guidelines as well as EU BAT Polymer BREF, which form part of our APR2030 sustainability strategy.