



AFI TRANSPARENCY STATEMENT: ANTI MODERN SLAVERY

At AFI, we respect human rights and have zero tolerance for any form of modern slavery. We recognise, however, that no supply chain is entirely free from such risks. It is therefore our responsibility to understand these risks and to work collaboratively with our suppliers, contractors, partners, and customers to identify, manage, and mitigate them.

Acacia Forest Industries Sdn Bhd (AFI) is a plantation forestry company that was formed as a Joint Venture company in 2003 between Sabah Forestry Development Authority (SAFODA), a Sabah Government department set up for plantation forestry development projects in Sabah, and a private company, now known as Hijauan Bengkoka Plantations Sdn Bhd (HBP). The AFI management team is led by the General Manager, who reports directly to the AFI Board. AFI is involved in plantation forestry on Government Gazette land in the Bengkoka peninsular in North East Borneo. AFI is operated as a sustainable and responsible plantation forestry company planting fast-growing tropical hardwoods of predominantly Eucalyptus species for sale into the Saw Log and Chip Log markets. It replants every tree that is harvested and will continue to do so until 2060.

We believe that the logs we sell should only be used in ways that add value to society and are not harmful to the environment. For us, this means selling exclusively to responsible customers who share our values and ideals. We are committed to ensuring that our customers have confidence in the products they purchase from us, knowing they are responsibly grown and harvested through our certification process. This approach allows us to build closer, more meaningful relationships with a smaller group of suppliers and contractors, providing greater visibility over our supply chain and enabling us to work closely with them to ensure they meet our ethical and sustainability standards.

As a plantation forestry company, we sell our log products to Malaysian and regional markets, where customers convert them into products for the global market. In managing and growing the trees that produce these log products, many suppliers provide materials or services not for resale. Additionally, contractors assist us in planting and maintaining our forests and transforming mature trees into logs for sale to our customers. At this time, we source goods and services not for resale from key suppliers. We have contractors helping us grow our trees and are involved in harvesting, transporting, and shipping our logs to market.

Our commitment to respecting human rights is integrated into our long-term sustainable growth plan. This includes the following targets designed to promote and respect human rights and address modern slavery risks:

- Ensure that all goods suppliers comply with our ethical and environmental standards. To uphold these standards, all suppliers are required to complete a questionnaire demonstrating their commitment to respecting and promoting human rights.
- Ensure that all contractors comply with our ethical and environmental standards. To achieve this, all contractors are required to complete training on these standards and undergo regular audits.



Our **Human Rights Policy** sets out our commitment to respect human rights, in line with international agreements and guidelines, including: ILO Convention N.87 Freedom of Association and Protection of the Right to Organise, ILO Convention N.98 The Right to Organise and Collective Bargaining, Malaysian Criteria and Indicators for Sustainable Forest Management (MC&I SFM) Standard: Principle 4 Community Relations and Worker's Right.

AFI is implementing an **Integrity Pact** with its contractors and suppliers. This Pact defines the ethical standards and human rights commitments required by the company, in alignment with the International Labour Organization (ILO) Fundamental Conventions on workers' rights. Compliance with these standards is monitored through a structured ethical audit process (see Audit Processes).

AFI's **Whistle-blower Policy** provides a confidential mechanism for employees, contractors, and suppliers to report any concerns related to modern slavery and any other human rights violations. All reports submitted to the General Manager responsible for managing AFI are thoroughly investigated and appropriately followed up, with the outcomes reported to the Board of Directors.

To date, no reports relating to modern slavery or human rights violations have been received through our whistle-blower process or any other reporting channels. AFI requires all suppliers and contractors to establish and maintain mechanisms that enable workers to communicate openly and raise grievances with management without fear of reprisal, intimidation, or harassment. This requirement is incorporated into all contractor agreements. As part of our ethical audit process, AFI verifies that contractors have effective grievance mechanisms in place (see Audit Processes).

Malaysia has enacted the [**Anti-Trafficking in Persons and Anti-Smuggling of Migrants Act 2007 \(Act 670\)**](#) and the [**Penal Code \(Act 574\)**](#), which includes provisions on kidnapping, abduction, slavery, and forced labour (Sections 357–374). The Government of Malaysia has also pledged its commitment to eradicating forced labour, human rights, and human trafficking at the **72nd United Nations General Assembly** in New York. Furthermore, Malaysia implemented the **National Action Plan on Anti-Trafficking in Persons (2016–2020)** and ratified the **ASEAN Convention Against Trafficking in Persons, Especially Women and Children (ACTIP)** in 2015.

AFI is currently certified under the Malaysian Criteria and Indicators for Sustainable Forest Management (MC&I SFM) standard and is subject to annual surveillance audits conducted by an MTCC-accredited certification body. In addition, AFI undergoes yearly audits by the Sabah Forestry Department to maintain compliance with the Malaysian Timber Legality Assurance System (TLAS) certification requirements.

AFI recognises that the most significant human rights and modern slavery risks lie within its supply chain. To address these risks, AFI conducts monthly audits of its forestry contractors and biennial audits of its external suppliers. These audits are carried out using comprehensive checklists that incorporate AFI's ethical standards and human rights commitments, as outlined earlier. While all contractors have received training on AFI's policies and procedures, regular audits are undertaken to ensure ongoing compliance. In addition, AFI is subject to annual third-party audits under the Malaysian Timber Certification Scheme (MTCS) and the Malaysian



Timber Legality Assurance System (TLAS), reinforcing its commitment to ethical, transparent, and responsible business practices.

AFI requires all suppliers and contractors to take prompt action to address any identified non-conformances and to uphold the welfare of their workers. The effectiveness of their performance is monitored through AFI's audit programme, which tracks the number and nature of non-conformances identified, as well as the corrective actions implemented to resolve them (see Effectiveness of Measures: Contractor Audit Results).

The Bongkol Forestry Office has conducted, and will continue to conduct, workshops for contractors focused on human rights and ethical standards. As part of AFI's comprehensive community engagement strategy, the Company actively engages with key community leaders and stakeholders within the gazetted areas under its jurisdiction. Furthermore, AFI provides support to community organizations, educational institutions, and employee committees to deepen understanding of local challenges and to facilitate the promotion of workers' rights and the sustainable development of the communities in which it operates.

AFI utilises a web-based Event Management System, People Tray, to record and manage the results of all audits. The system operates under active management oversight to ensure that all reported events are accurately documented, root causes are correctly identified, and adequate controls are established to mitigate or prevent recurrence. Historical event data and management's risk assessments are analysed to identify potential risks across the business. Any risks classified as extreme are reported to the AFI Board at each board meeting, along with the actions management has taken to reduce, mitigate, or eliminate these risks.

While AFI's internal controls and practices are robust, the company recognises that its extensive network of suppliers and contractors necessitates a risk-based approach to preventing human rights issues, including those related to health and safety within its supply chains.

AFI is committed to strengthening ethical standards across its supply chain through active contractor engagement and the implementation of ethical audits (see *Audit Processes*). The effectiveness of the audit programme is monitored through a structured grading system that assesses contractor performance and tracks the identification and resolution of non-conformances. AFI's long-term objective is to support contractors in achieving performance levels consistent with internationally recognised standards. The majority of identified non-conformances relate to health and safety matters, including the use of personal protective equipment (PPE), fire safety measures such as the provision of fire extinguishers, and hygiene or housekeeping practices within remote forestry camps.

AFI is committed to building greater awareness of human rights and ethical sourcing among its employees, particularly those responsible for conducting human rights audits and those involved in the procurement of goods and services on behalf of the company. It is essential that AFI's procurement and operations teams can identify potential warning signs of human rights risks and understand how their decisions and actions may affect workers within the supply chain. For example, employees are encouraged to set realistic operational targets to prevent excessive working hours. All AFI employees and contractors have received training on upholding and



protecting human rights as part of the company's ongoing commitment to ethical and responsible business practices.

Through our Contractor Development Project, AFI will continue to identify risks and conduct audits aimed at addressing and preventing potential modern slavery and human rights abuses. Over the coming year, our key priorities will be to:

- Expand the Contractor Development Programme and conduct follow-up ethical audits across all contractors to ensure continuous improvement and compliance with AFI's moral and human rights standards;
- Further develop and implement comprehensive human rights and ethical standards training programmes for all employees to strengthen awareness and accountability across the organisation;

John Mervyn Baxter
General Manager

Executive Officer

28 October 2025