KLK Sustainability Policy Non-Compliance Protocol

KLK is committed to ensuring that its products are produced in a sustainable manner. This is realised through balanced assessment of its suppliers and development of its operations continually. The commitments include conserving and improving the natural environment, protecting high carbon stock forests, High Conservation Value Areas, peatlands, uplifting the socio-economic conditions, respecting the human rights of its employees and local communities. All suppliers should respect the principles stipulated in the latest version of KLK Sustainability Policy and Supplier Code of Conduct and adopt practices within their operations and supply chains that are consistent with it.

KLK shall not knowingly source from suppliers who refuse to comply with its Sustainability Policy and Supplier Code of Conduct. Should any incident be uncovered or grievance brought directly to our attention which may involve either our own operations, our suppliers directly or indirectly at a group level, we will take action according to the following steps*:

**GRIEVANCE AGAINST KLK GROUP**

* KLK will also make references to the United Nations Guiding Principles on Business and Human Rights as guidance to align to best practices in managing grievances of non-compliances
** Grievance raised by stakeholders such as CSOs, buyers, workers and communities
*** Third parties engaged as observers or mediators will be experts in the respective areas of non-compliance
**GRIEVANCE AGAINST THIRD PARTY SUPPLIERS**

Incidents uncovered through KLK’s own diligence and monitoring; and reports from stakeholders e.g. CSOs*, buyers, workers and communities

Validation of supplier status with procurement team (whether they are in KLK’s supply chain or not)

Legend:

- Supplier implement an immediate group-wide moratorium on land clearing (for NDPE violation)
- Supplier publish NDPE Policy or commit to comply with KLK Suppliers Code of Conduct
- Supplier publish a time bound action plan to address all relevant grievance issues including a commitment to develop a Recovery Plan*** for all non-compliant deforestation and peatland development with a cut-off date of 31 December 2015
- Implementation of action plan
- Monitoring of progress of implementation
- Conduct field verification (including third party observer, if necessary***) to ensure action plan being implemented
- Summary of field verification results to be made publicly available

Types of grievances:

- Critical NDPE violation
  - In cases of severe human rights abuse, human trafficking, forced labour or imminent endangerment of human life, including threats, intimidation and violence against environmental, human rights and land defenders, workers, communities, community spokespeople and grievance raisers;
  - Clearing of HCV areas and HCS forests prior to conducting HCSA assessment and obtaining Free, Prior and Informed Consent from communities;
  - Refusal to end drainage and degradation of peatlands, regardless of depth, for new plantings, roads or any forms of development; or
  - Refusal to a mutually agreed resolution process for unresolved human rights abuses
- Repeated failure - Supplier consistently does not follow implementation of remedial action over a 60-day period
- Repeated refusal to engage - Supplier shows no intention to engage within a 60-day period
- Withdrawal or termination of RSPO membership - Supplier has had its RSPO membership withdrawn

** For suppliers who are RSPO members, if the deforestation or peat development area is entirely included in a Remediation and Compensation case, approval of the Remediation and Compensation Plan is considered as equivalent as Recovery Plan

*CSOs refers to Civil Society Organisations. Non-State, not-for-profit, voluntary entities formed by people in the social sphere. CSOs can include community-based organisations as well as non-governmental organisations (NGOs). CSOs do not include business or for-profit associations

** Controlled Purchase Plan – KLK will fulfill and meet existing commitments and no new contract will be entered into until such a time after action plan of affected supplier is published. KLK will immediately issue Stop Purchase Order and engage the Supplier’s senior management, if any of the following zero tolerance issues are breached:

- Critical NDPE violation
- Supplier show no intention to engage within a 60-day period
- Refusal to a mutually agreed resolution process for unresolved human rights abuses

***Third parties engaged as observers or mediators will be experts in the respective areas of non-compliance