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

Legend:

- **Contact Grievance Raiser (GR)**
- **Action**
- **Process**
- **Contradictory Evidence**

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* 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

*** 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

*** Third parties engaged as observers or mediators will be experts in the respective areas of non-compliance
KLK Sustainability Policy – Non-Compliance Protocol

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:
- **Contact Grievance Raiser (GR)**
- **Action**
- **Process**
- **Engage with Supplier**
- **Controlled Purchase Plan**

- Thank and notify Grievance Raiser that grievance has been accepted
- Log incident into Grievance List and periodic updates on status to be made until case is closed
- Grievance Raiser to provide additional information and evidence for KLK to bring forth to Supplier
- Grievance Raiser to suggest solutions, if applicable

- **Thank Grievance Raiser for submission and explain to them why grievance is not legit (eg. not part of supplier chain). Evidence where relevant will be provided**
- **Mark case closed**

- **Notify** Supplier that a grievance has been filed (breach on No Deforestation, No Peat and No Exploitation Policy – NDPE)
- **Activate Controlled Purchase Plan**
- Engage with Supplier’s senior management to explain basis of decision to activate the controlled purchase plan
- Work together with Supplier to develop an action plan to achieve compliance with NDPE
- Grievance Raiser will be informed of solution and seek input, if any

- **Supplier publish action plan**
- **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**

- **Inform** Grievance Raiser on the results of verification exercise and case has been resolved
- KLK resumes purchase plan with supplier

- **Mark case closed**

- Update grievance progress into Grievance List on KLK website
- Continue to monitor compliance

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** Controlled Purchase Plan – KLK will fulfil 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
  - 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

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