

## **SUPPLIER CODE OF CONDUCT**

### **INTRODUCTION**

KLK Oleo is committed to ensuring that its products are produced in a sustainable manner. This is realised through continuous balanced assessment of its suppliers and development of its operations while simultaneously conserving and improving the natural environment, and uplifting the socio-economic conditions of its employees and local communities.

To work with KLK Oleo, all suppliers should respect the principles of this Code and adopt practices within their operations and supply chains that are consistent with it.

### **SCOPE OF CODE**

- This Code and any amendments made to it are applicable to KLK Oleo and its subsidiaries, if applicable
- The principles stated in this Code are subject to amendments from time to time.
- This Code is published on 1<sup>st</sup> July, 2017.

### **REGULATIONS AND COMPLIANCE**

- Suppliers to comply with applicable national and/or local laws as well as relevant regulations and standards especially those related, but not limited, to labour, health and safety, natural environment and local communities.
- Suppliers to ensure that all operations comply with the UN Declaration on Human Rights, UN Declaration on the Rights of Indigenous Peoples, Food and Agriculture Organization's Voluntary Guidelines on the Responsible Governance of Tenure and the United Nations Guiding Principles on Business and Human Rights or applicable national laws.
- This Code may require additional compliance in countries where legal provision falls below the principles outlined.

## **SUPPLIER CODE OF CONDUCT**

### **1. Environment**

#### **➤ No Deforestation**

1.1.1. Suppliers ensure that there is no new development in areas classified as :

- High Carbon Stock ("HCS") as defined in HCS Approach<sup>1</sup>
- Primary forest, or any area required to maintain or enhance one or more High Conservation Values<sup>2</sup> (HCVs).

1.1.2. Suppliers commit to zero burning policy for all new plantings, re-plantings or other development work.

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<sup>1</sup> <http://highcarbonstock.org/>

<sup>2</sup> <https://www.hcvnetwork.org/about-hcvf/the-six-high-conservation-values>

➤ **Protection of Peat Areas**

- 1.2.1. There will be no new development on peat areas, regardless of depth.
  - 1.2.2. Suppliers will apply Best Management Practices (BMP)<sup>3</sup> on existing peat land plantations. In areas that are found to be unsuitable for replanting, options including environmentally friendly alternative uses or peat restoration to be adopted.
- An assessment of all polluting activities is recommended to be conducted, including gaseous emissions, particulate/soot emissions and effluent.

**2. Respect and Recognize the Rights of All Employees**

Suppliers commit to ensuring that the rights of all employees, including contract, temporary and migrant workers, are respected and up according to local, national and ratified international laws and that international best practices are adopted where legal frameworks are not yet in place.

**2.1. Respect and Support the Universal Declaration of Human Rights**

- 2.1.1. Suppliers recognize the inherent dignity of the individual and supports the Universal Declaration of Human Rights by the United Nations.
- 2.1.2. Suppliers adopt policies that are consistent with the spirit and intent of the ILO Declaration on Fundamental Principles and Rights at Work, where applicable to business.
- 2.1.3. Suppliers respect, support and uphold fundamental human rights, and ensure equal opportunities and treatments in the work place (especially for migrant workers). All decisions relating to hiring, remuneration, access to training, promotion, termination or retirement will be made based on business needs, job requirements and individual qualifications and without regard to race, religion or gender. Reproductive rights in line with the country's laws will also be respected.
- 2.1.4. Suppliers do not condone any form of harassment and violence among its employees.

**2.2. Ethical Recruitment**

- 2.2.1. Suppliers will ensure that no fees or costs have been charged, directly or indirectly, in whole or in part, to job-seekers and workers for their services, directly related to recruitment for temporary or permanent job placement, including when using the services of Private Recruitment or Employment Agency or performing recruitment activities directly.
- 2.2.2. Suppliers must allow workers to maintain control over their identity documents, and do not withhold any of their property, identification cards, passports or other travel documents without prior consent.
- 2.2.3. Suppliers provide employees in writing, in a language that they understand, a description of their duties, rate of pay, working hours, leave, and any other benefits of employment.

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<sup>3</sup> Guide : RSPO manual on BMPs for Existing Oil Palm Cultivation on Peat

### **2.3. No Forced or Bonded Labour**

- 2.3.1. Suppliers will not knowingly employ or support the use of forced or bonded labour or human trafficking and shall take appropriate measures to prevent the use of such labour in connection with their operations.
- 2.3.2. Suppliers will not restrict workers' freedom of movement during their free time.

### **2.4. No Child Labour**

- 2.4.1. Suppliers will not knowingly employ or support the use of child labour. Remedial actions with appropriate follow up actions shall be employed if any child labour case is uncovered to protect the welfare of the child.
- 2.4.2. Suppliers will not employ any worker under the age of 18. There shall be documentary evidence or legitimate means of affirming each employee's date of birth or age that minimum age requirements are met.

### **2.5. Occupational Safety and Health**

Suppliers strive to provide a safe and healthy workplace environment and take effective steps to protect employees from exposure to potential occupational safety and health hazards that are likely to pose an immediate risk of permanent injury, illness or death.

- 2.5.1. Suppliers provide accident insurance for all workers covering medical treatment for work-related illness and injury; and compensation for work-related illness and injury causing death or permanent disability.
- 2.5.2. Suppliers provide to their employees :
  - Appropriate personal protective equipment, such as hearing protective device, which fit the employee correctly, are compatible to job requirements and do not prejudice the health of the employee
  - Reasonable access to potable drinking water and sanitary facilities
  - Adequate lighting and ventilation
  - Fire safety, emergency preparedness and response for occupational injury and illness
  - Personal protective clothing to every person employed on any operation that involves danger of fire
  - Industrial hygiene
- 2.5.3. Every designated supplier facility to obtain fire certificate. Every facility to have firefighting appliances and provide safety provisions in case of fire.
- 2.5.4. Suppliers provide training to all employees on all aspects of occupational health and safety including accident and emergency procedures in the facility. Records of training shall be maintained.

## **2.6. Freedom of Association and Right to Collective Bargaining**

Suppliers recognize and respect the right of employees to form and join trade unions of their choice subject to the provisions of relevant national legislation and to bargain collectively.

## **2.7. Wages**

2.7.1. Suppliers do not deduct any part of its employee's wages unless provided for by law.

2.7.2. Suppliers to compensate all workers with a wage equal to or exceeding the legal minimum wage and overtime rates aligned to the local/national standards and legal requirements.

Suppliers maintain records of wages for all workers.

2.7.3. Suppliers pay wages at regular intervals and inform employees about the method of its calculation.

## **2.8. Working Hours**

2.8.1. Suppliers ensure that working hours comply with national legislation including overtime hours (which are on a voluntary basis), and that workers have at least one rest day each week. In the absence of applicable law, working hours should not exceed 60 hours per week, including overtime.

2.8.2. Suppliers will maintain records of working hours for all workers.

## **3. Respect Land Tenure Rights**

Suppliers respect legal land tenure rights, and recognize duties and responsibilities associated with tenure rights, such as respect for the long-term protection and sustainable use of land and national resources. This is done in compliance with the national obligations, constitutions, local laws and regulations of the countries where they are operating.

## **4. Respect the Rights of Indigenous and Local Communities**

4.1. Suppliers respect, uphold and recognize the rights of indigenous and local communities, to give or withhold their free, prior and informed consent ("FPIC") to operations on lands to which they hold legal, communal or customary rights.

4.2. Suppliers commit to ensuring compliance by way of FPIC prior to commencing any new operations. It will engage relevant stakeholders when undertaking such FPIC processes to ensure that such processes are properly implemented.

## **5. Anti-Corruption**

5.1. Suppliers shall conduct their business in a fair and ethical manner.

- They will not engage in or tolerate any form of corruption, bribery, extortion or fraud.
- They will not offer any gifts or other benefits to employees that could improperly influence them and create a conflict of interest.

## **6. Traceability**

6.1. KLK Oleo will endeavour to put in place a traceable palm oil supply chain. All oleochemical products produced by KLK Oleo are mapped to the Palm Oil Mill (“POM”) level, and if possible, up to the plantation level.

6.2. Suppliers should provide their palm sourcing origin information for the palm products that they supply to KLK Oleo, at least up to the POM level.

6.3. Suppliers should update their palm sourcing origin information as when required by KLK Oleo.

6.4. While it remains a challenge to fully trace the palm sources supplied by all third party suppliers, KLK Oleo will continue to engage with all third party suppliers to further improve and enhance our traceability mechanism.

## **COMPLIANCE WITH CODE**

Suppliers shall take the commitments in this Code seriously and should continuously to engage with its suppliers, contractors or trading partners to ensure compliance. In cases of chronic non-compliance or serious violations, KLK Oleo will take appropriate action including their removal from the Group’s supply chain.

## **IMPLEMENTATION TIMELINE**

We expect all our existing suppliers to be fully compliant with the provisions of this Code by 31<sup>st</sup> December, 2020.

New suppliers will be assessed and their compliance to this code checked during induction.

Non-compliance to any provision of this code will be recorded and the supplier will be given a timeframe of six months from the date of induction to comply with this code. The supplier can also be asked to submit a detailed action plan and timeline to ensure the above is implemented, as and when requested.

### **ENFORCEMENT**

KLK Oleo understands that failing to strongly and unequivocally enforce this code will lead to poor implementation.

Therefore, the implementation of the provisions of this code by suppliers will be followed by strict enforcement on the part of KLK Oleo.

KLK Oleo has established clear assessment procedures to determine their supplier's performance against this Code. This risk based assessment will include suppliers to regularly report on the implementation of the provisions of this Code through declarations, and will also include document verification procedures and regular audit checks.

With continuous non-compliance, the most powerful sanction KLK Oleo has available is to cease doing business with a supplier. KLK Oleo reserves the right to disengage from any supplier based on their performance against this Code.

### **SUPPLIERS ENGAGEMENT**

KLK Oleo understands that suppliers might face difficulties in implementing some or all of the above stated principles. Therefore, KLK Oleo aims to hold regular engagement sessions with its suppliers in order to achieve compliance to this Code, understand suppliers' concerns on the same and work towards resolving them.

### **ANALYSIS AND REVIEW**

KLK Oleo understands the need to constantly review the effectiveness of provisions of this code and implementation practice. KLK Oleo will conduct constant analysis of the implementation process and will engage fully with all stakeholders in a constant review and improvement process. KLK Oleo's aim is to constantly improve implementation.

As new information and knowledge comes to light, either through experience or through other's research or experience, KLK OLEO will adjust and improve this code of conduct in ways that are consistent with its goal of protecting forests, peatlands, local communities and human rights.