



CONTROLLED PURCHASE PROTOCOL



Introduction to Controlled Purchase Protocol



Musim Mas is dedicated to bringing and supporting improvement in the oil palm industry. Our group-wide Sustainability Policy, issued in 2014, brought together our core values, including explicit No Deforestation, No Peat, No Exploitation (NDPE) commitments.

Supplier engagement and stakeholder collaboration are the fundamental elements of creating responsible supply chains and contributing to sustainable landscapes.

Musim Mas and its suppliers aim at building long-lasting relationships. The buying and selling of palm oil is the most concrete expression of these relationships, and is crucial for the implementation of our NDPE commitments. We engage actively with all our suppliers, and promote open exchanges to continuously improve our and their respective practices. We stand by suppliers, who demonstrate willingness to contribute to a sustainable oil palm industry.

If suppliers are proven to have committed egregious violations of our policies and commitments, or fail to deliver on agreed improvements, they will be subject to “cessation of business”.

The Controlled Purchase Protocol is a comprehensive process supporting the resolution of grievances by linking business and grievance resolutions. It applies after grievances have been assessed and confirmed to violate our policies. For non-critical grievances, the Controlled Purchase Protocol (CPP) provides

an opportunity to our suppliers to work towards addressing a grievance, while maintaining their business relationship with Musim Mas. For any grievance, we expect our suppliers to adhere to the three fundamental principles outlined below. Failure to abide by the principles of the CPP (see below), will lead to cessation of business. For grievances which have led to a cessation of business, the CPP links progress towards the resolution of a grievance with the resumption of business. The resumption of business is linked to progress milestones (see [page 8](#)).

The CPP was initially established in 2015 and is now formalised and adjusted to our approach for managing violations related to cases of **deforestation**, development on **peat** and all forms of **exploitation**.

All suppliers with new grievances will undergo the CPP.

The CPP is guided by the following principles:

- **Willingness to engage:** The supplier shows an intent to engage and a willingness to further understand and address the root cause(s) of the grievance.
- **Positivity to act:** The supplier allocates adequate resources towards addressing the grievance, and can demonstrate the highest management commitment.
- **Demonstrating progress:** The supplier provides progress reports against the agreed milestones and criteria.

Approach to supplier engagement

The CPP links the management of grievances with how we conduct business with our suppliers. Our approach encompasses three main workstreams (please refer to Diagram 1):

1. Supplier engagement: Continuous monitoring of suppliers is essential for ensuring overall group-level progress towards our NDPE policy compliance and that major violations are not taking place within our supply chains. There are various mechanisms that we use for this workstream including the use of a deforestation monitoring platform, supplier roadmaps for monitoring progress with our priority suppliers and data collected through self-assessment tools and verified internally. We provide support to our suppliers through regular meetings, workshops and the drafting/reviewing of critical documents.

2. Grievance management: Our grievance procedure (see [page 4](#)) outlines our process for receiving, logging and verifying all grievances raised against us or our suppliers. Once a grievance is verified as factual, the supplier will undergo our CPP process, while the grievance is being addressed. For a specific critical grievance (see below), the supplier is subject to a cessation of business until they meet defined milestones and business will resume.

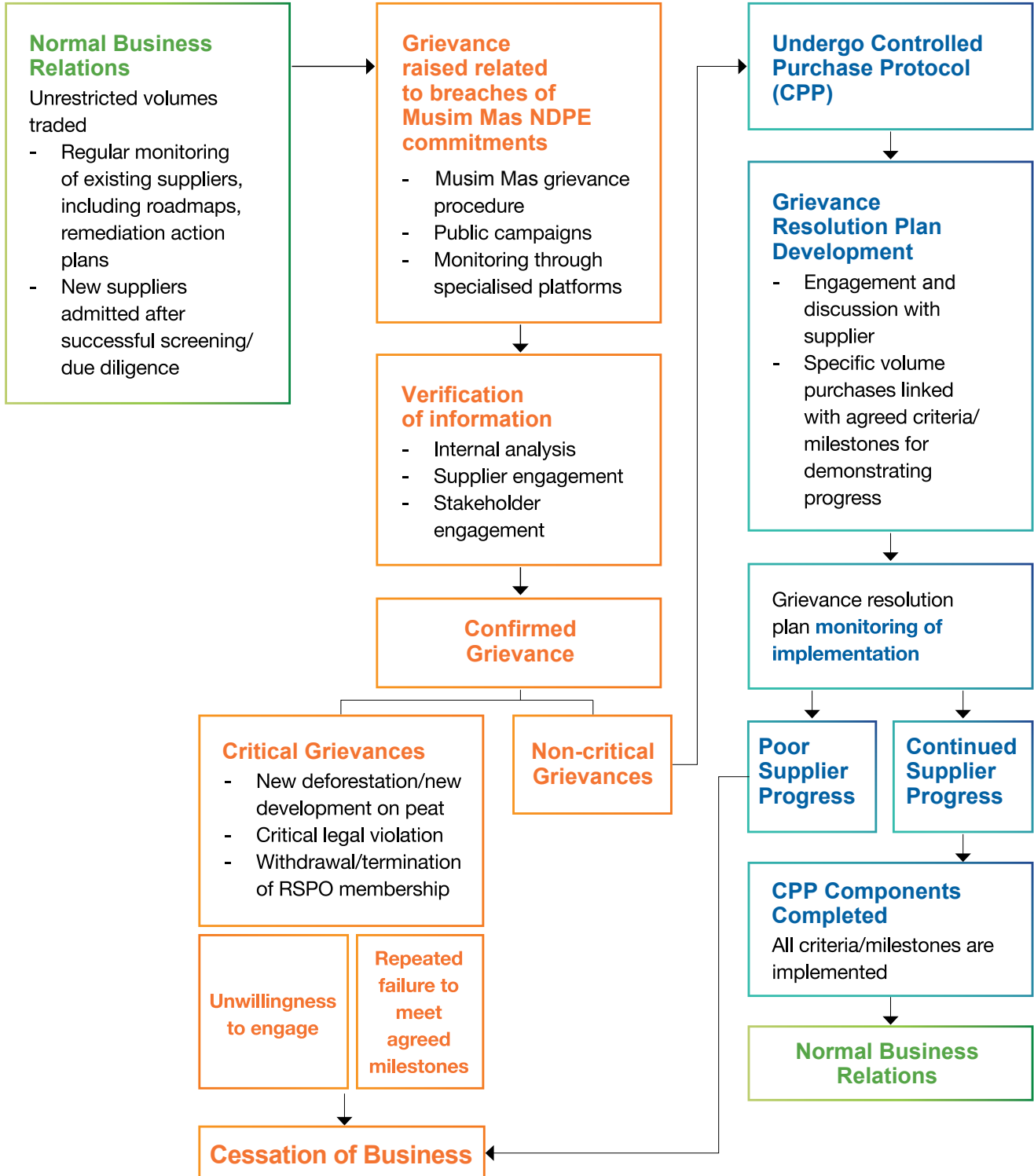
3. Controlled purchase protocol: The CPP, describes how we link business and grievance resolution. Suppliers will exit the CPP once all conditions and actions to resolve the grievance are met.



SUPPLIER ENGAGEMENT

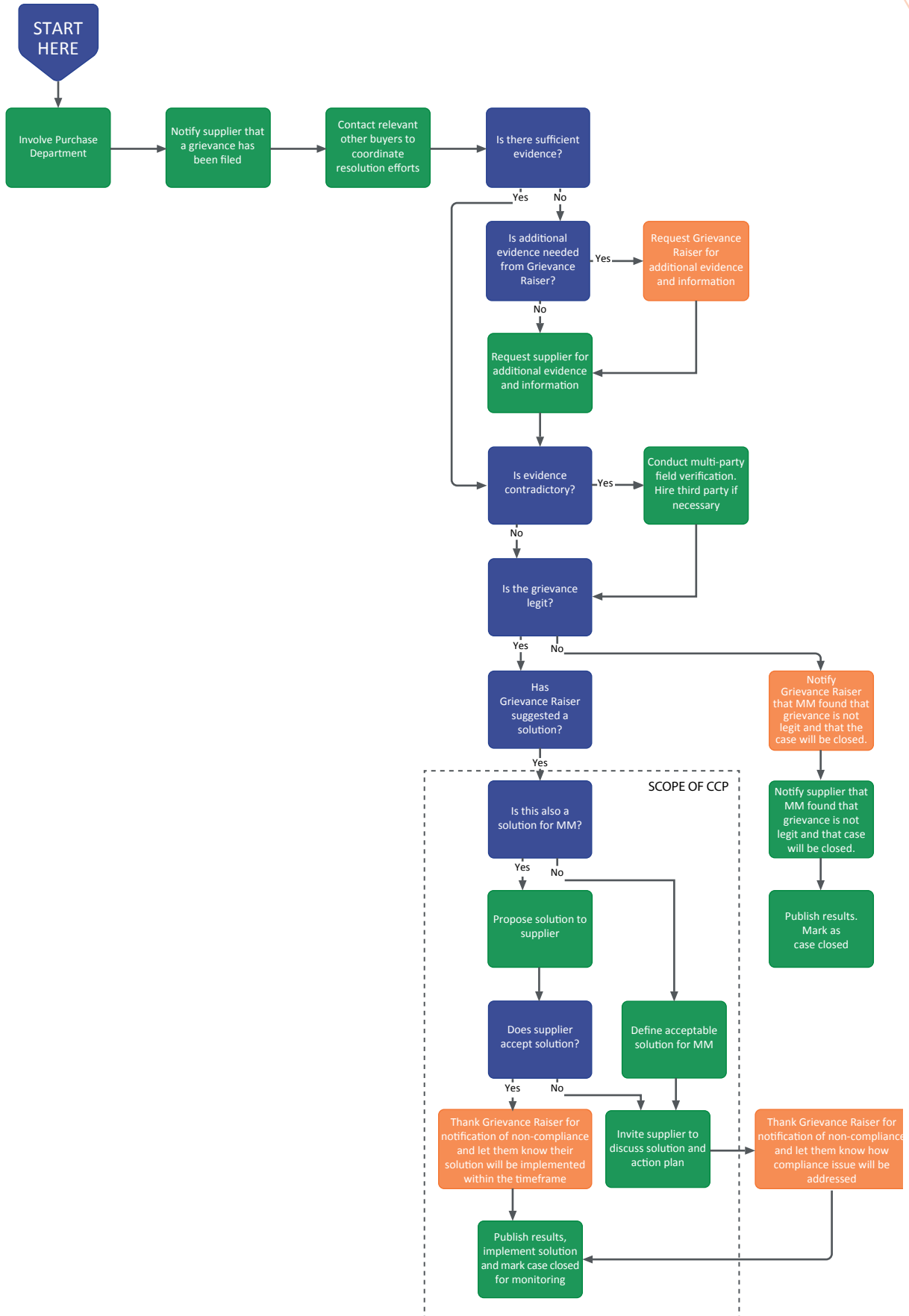
GRIEVANCE PROCEDURE

CPP PROCESS



• Diagram 1: integration of the Supplier Engagement, the CPP and the Grievance Procedure.

Grievance Procedure for Suppliers



Conditions for “Cessation of Business”

We will issue a “cessation of business” notification to our suppliers in the following situations:

1. Critical Grievances

- **Verified cases of new deforestation/new development on peatland:**

Cases of new deforestation and new development on peatland since 31 August 2019 that have been verified by the findings from third-party platforms, and have been confirmed by our internal verification process.

- **Critical legal violation:**

For verified and confirmed cases of severe human or labour rights abuses, including the systemic use of child or forced labour, or a sentence or order pronounced by a court in the supplier group’s country of jurisdiction demonstrating a breach of our NDPE commitments. Where necessary, Musim Mas will conduct an internal verification of the case and/or get support from third-party experts. This process might require some time, during which new purchases will not be possible.

- **Termination or withdrawal of RSPO membership:**

Once made public, the termination of the RSPO membership of our suppliers will be considered as a critical grievance, and will lead to cessation of business. The self-withdrawal of RSPO membership will be considered as a critical grievance, except if it is endorsed by the RSPO, so that self-withdrawal cannot be used to avoid a potential sanction from the RSPO.

This rule will equally apply to our customers who are RSPO members. Termination of RSPO membership of one of our customers will lead to cessation of business.

2. Unwillingness To Engage

- Where a supplier shows no intention to engage with Musim Mas, no intention to acknowledge the grievance raised, nor a willingness to further understand and/or implement any corrective actions. Cessation of business notification will take place within 30 calendar days after formal engagement and explicit mention of the situation by Musim Mas.

3. Lack of Progress

- Where a supplier repeatedly and consistently does not follow nor meet the milestones and criteria within the resolution plan that was mutually developed and agreed upon.

Important note:

- **For ongoing grievance resolution plans:** Suppliers already engaged in CPP might have been allowed volumes of sales higher than stated in this version of the CPP. These suppliers will be allowed to maintain their sales volumes as long as they continue to fulfill the conditions set in the agreed resolution plans.



CPP Process for a non-critical grievance

The confirmation of a non-critical grievance (ie. after engagement and investigation, as per our Grievance Procedure) activates the CPP.

An action plan with clear milestones and timelines is drafted by the supplier and Musim Mas within 90 days. When needed, third parties can be part of the drafting process, as mutually accepted by the supplier and Musim Mas.

The implementation of the action plan is monitored as part of the CPP. The performance of the supplier is assessed against the three principles of the CPP : willingness to engage, positivity to act, demonstrating progress.

Failure to adhere by the milestones and timeline agreed in the action plan is reviewed during a specially-convened engagement meeting. If the supplier is found to be in breach of the principles of the CPP, this leads to a suspension of new business for a period of 30 days, which is notified in writing to the supplier.

Repeated failure to adhere by the terms of the action plan leads

to cessation of business.

For supplier groups with more than one mill/plantation :

- When a grievance is raised against one of their mills/ plantations, the individual operation is subject to the CPP.
- If the grievance shows a wider or systemic issue affecting the majority of the other operations of the group (plantations and/ or mills), then the CPP is applied to the entire group.
- If a mill/plantation subject to the CPP do not meet the milestones and timelines agreed in the action plan, the CPP is extended to other operations of the group, and ultimately to the entire group. This is decided on a case-by-case basis, in an open dialogue between the supplier group and Musim Mas.

For suppliers who are RSPO members, when a grievance has been lodged in parallel with the RSPO's Complaints System and is being processed by the Complaints Panel, the CPP will monitor the RSPO proceedings and usually refrain from additional actions. This applies only for non-critical grievances.



CPP Process following cessation of business

All maximum durations are based on the date of confirmation of the cessation of business. Progress will be confirmed in writing by Musim Mas to the supplier, after verifying that the required criteria have been completed.

	New cases of deforestation and new development on peat (Post 31 December 2019)	Other grievances linked to NDPE non-compliance
Stage 1	<p>Conditions to Resume Business Management Level</p> <ul style="list-style-type: none"> • Commitment signed by company/group management to a moratorium of all new plantings without High Conservative Value (HCV) and/or High Carbon Stock) HCS assessments (included demonstrated Free, Prior, and Informed Consent (FPIC) as relevant) [within 30 calendar days]; • Enrollment in supplier monitoring program (including sharing of concessions maps). • Development of a (1) group-wide NDPE policy (applicable to suppliers and any affiliated groups or plantations) or (2) written commitment to comply with MM NDPE policy and/or (3) commitment (including membership and certification) to RSPO. <p>For new developments (when applicable):</p> <ul style="list-style-type: none"> • Stop-work order on development and planting activities implemented [within 30 calendar days]; • Demonstrated contracting of Assessor Licensing Scheme (ALS) - assessors for HCV and/or HCS assessments of the new development areas; <p>Implementation level</p> <ul style="list-style-type: none"> • Development of a time-bound “Supplier Action Plan” reviewed and accepted by Musim Mas, to address all relevant grievance issues, including a commitment to develop a remediation plan for all non-compliant deforestation and peatland development [within six months]. • Compliance with the agreed “Supplier Action Plan” over three months; • Development of a “Remediation Plan” for all non-compliant deforestation and peatland development with a cut-off date of 31 December 2015 (<i>for suppliers who are RSPO members, if the deforestation/peat development area is entirely included in a Remediation and Compensation case, approval of the Remediation and Compensation Plan by the RSPO is considered as equivalent to having developed a “Remediation Plan”</i>); • For suppliers/groups having pledged to join the RSPO, evidence of application to the RSPO. 	<p>With other grievances related to NDPE non-compliance, a prescriptive approach might not be applicable as the nature of each grievance will vary, and depending on the complexity, the required progress and level of urgency needed for resolution will also vary.</p> <p>Musim Mas, together with its supplier and, as required, with third party experts, will determine the milestones / criteria that need to be met for resuming business and then exiting the CPP.</p>
Stage 2	<p>Conditions to exit the CPP</p> <ul style="list-style-type: none"> • Completion of all corrective actions outlined in “Supplier Action Plan”; • Submission of an independently verified progress report to Musim Mas against the above-mentioned requirements (covering at least three months); • For suppliers/groups: having applied to the RSPO, membership of the RSPO and development of a time-bound plan for certification. 	



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