

# AAK Group Policy: Sustainable Palm Oil

Sustainable sourcing of raw materials is part of the backbone of our strategy. Raw material sourcing is also an area where we want to make a clear difference, to the environment and to the local communities where the raw materials are grown and harvested.

Just as it is vital for us to obtain the right raw materials, we place equal emphasis on sustainable growing and procurement. Our Supplier Code of Conduct includes a requirement for all raw material suppliers and their supply chains to adhere to fundamental UN Global Compact principles of labour and human rights, environmental protection and anti-corruption, and to national laws in the country in which the supplier conducts its activities.

AAK recognizes that palm oil is the world's leading vegetable oil in terms of production volume and consumption. Palm oil is also the most efficient vegetable oil with a production volume per hectare almost six times greater than the volume produced per hectare for rapeseed and ten times greater than for soy. Hence, it is a very critical raw material in feeding an ever-growing global population. Therefore, producing palm oil sustainably is of utmost importance to all of us. AAK is committed to its role in supporting the move towards full sustainability in the palm oil industry.

Specifically, AAK makes the following commitments:

- AAK is a founding member of RSPO, the Roundtable on Sustainable Palm Oil. We continue to be very engaged in the RSPO, and its Board. AAK recognizes RSPO certification as the only established and stable systematic organization and standard for sustainable palm oil. RSPO is not perfect. However, it is important to have one well-established recognized system rather than a series of individual systems and organizations, which add complexity and might prevent progress towards a fully sustainable palm oil supply chain. AAK is committed to increasing the volume of RSPO-certified raw material that it purchases, with the ultimate objective to achieve RSPO certification of all palm oil, palm kernel oil and derivatives purchased.
- We also see a need for further progress towards full sustainability in the palm oil supply chain, beyond the current RSPO certification requirements. AAK is therefore also committed to sourcing palm oil that has been produced **without conversion of High Conservation Value (HCV) areas, High Carbon Stock (HCS) forest or destruction of peatland, and where plantation development only takes place with the free, prior and informed consent (FPIC) of any affected local community.**
- AAK's policy is to ensure full traceability in our palm oil supply chains. This means having **traceability to mills** and **traceability to plantation level**. Traceability is fundamental to our risk management-based assessment and as the basis for assuring supplier compliance with the requirements in this and related policies.
- More than 40 percent of the global palm oil production comes from smallholders. AAK recognizes that smallholder inclusion in the palm oil supply chain is a key issue requiring action on a number of fronts. AAK's policy is to initiate projects which encourage and support smallholders to make practical, stepwise changes to best practice that will support

smallholders towards achieving RSPO certification, and to work within the RSPO to improve smallholder access to RSPO certification.

- Our selection and approval criteria for palm oil suppliers is based on **RSPO membership**, signing and committing to our Supplier Code of Conduct and this Sustainable Palm Oil policy, and our general questionnaire and requirements relating to quality management, food safety, environment, social and other issues. Our mechanisms for implementation of these commitments include supplier engagement at different levels. We also conduct site-based assessments of our suppliers and their supply chains regularly, including with external third-party assessors.
- This policy applies to all palm oil, palm kernel oil and their derivatives at all origins.

If AAK becomes aware of a supplier violating or breaching AAK's Supplier Code of Conduct or these policy commitments, AAK will take appropriate action to investigate the issue within the framework of our grievance process, and will seek to work with the supplier to resolve it. If no adequate resolution can be found, AAK will terminate commercial relations with the supplier.

AAK will regularly communicate progress relating to the implementation of this and related policies in its Progress report on sustainable palm oil.

Yours faithfully,  
AAK AB (publ.)



Arne Frank, President and CEO  
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## Annex: Definitions

### High Conservation Value (HCV) areas

High Conservation Value areas are biological, ecological, social or cultural values which are considered outstandingly significant or critically important, at the national, regional or global level. More details are available at the High Conservation Value Resource Network: <http://www.hcvnetwork.org/about-hcvf/the-six-high-conservation-values>

### High Carbon Stock (HCS) forests

The HCS Approach defines a methodology to identify natural forest ecosystems, and distinguish them from degraded lands that only have small trees, shrubs or grasses remaining. More details are available at: <http://www.highcarbonstock.org/>

### Peatland

Peatland are areas with soil that contains at least 65 percent organic material, over a depth of 50 cm or more.

### Free, Prior and Informed Consent (FPIC)

FPIC is a principle requiring that indigenous and local communities have the right to give or withhold their consent to proposed projects that may affect the lands to which they hold legal title, or they customarily own, occupy or otherwise use. More details on best practices are available at the RSPO guidance:

[http://www.rspo.org/files/resource\\_centre/FPIC%20and%20the%20RSPO%20a%20guide%20for%20companies%20Oct%2008%20\(2\).pdf](http://www.rspo.org/files/resource_centre/FPIC%20and%20the%20RSPO%20a%20guide%20for%20companies%20Oct%2008%20(2).pdf)

### Traceability to mill

Palm oil and palm oil derivatives in AAK products are traceable via the upstream supply chain to the crude palm oil originating from one or more mills registered on an AAK list of identified mills, a list that includes GPS coordinates and parent company names.

Palm kernel oils in AAK products are traceable via the upstream supply chain to the originating group of palm kernel crushers, and to their supplier CPO mill or mills registered on an AAK list of identified mills.

### Indirect traceability to mill

Palm oil, palm kernel oil and derivatives in AAK products are traceable to a supplier of refined oils not at origin (e.g. in Europe or North America) that has appropriate policies relating to traceability, and appropriate implementation strategies in line with those adopted by AAK, which include traceability of the upstream supply chain to the originating crude palm oil mills.

### Traceability to plantation

Palm oil and palm oil derivatives in AAK products are traceable via the upstream supply chain to the supply base of the identified crude palm oil mill, including:

- Estates (> 50 ha): estate names, parent company names, certification status, percentage of overall FFB tonnage to mill, and a GPS point coordinate
- Dealers: dealer names and percentage of overall FFB tonnage to mill
- Smallholders (< 50 ha): number of smallholders, certification status and percentage of overall FFB tonnage to mill