

A photograph of a man in a palm oil plantation. He is wearing a brown and yellow striped polo shirt, a dark cap with a flame design, and blue gloves. He is pushing a black wheelbarrow filled with palm fruit bunches. The background shows lush green palm trees and a dirt path.

AAK's progress report on sustainable palm oil – October 2019

The Co-Development Company

AAK

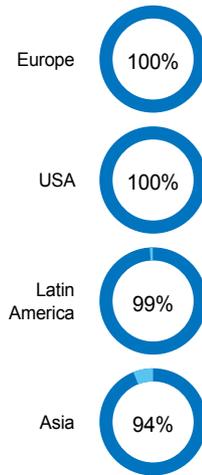
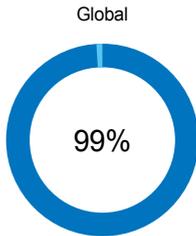
Palm dashboard



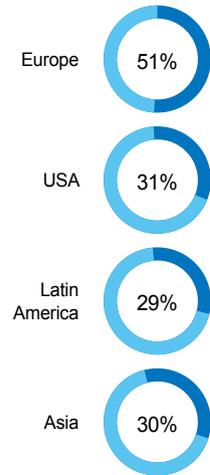
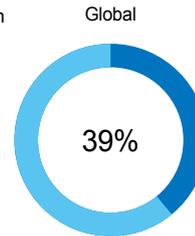
Traceability



Traceability to mill



Traceability to plantation



Supplier engagement



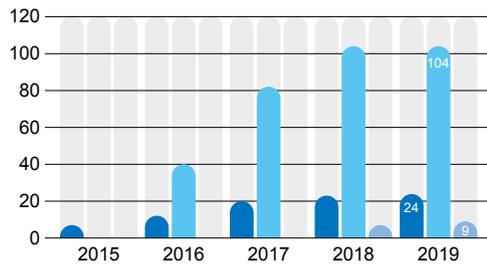
Code of conduct



Signed or aligned palm oil policy

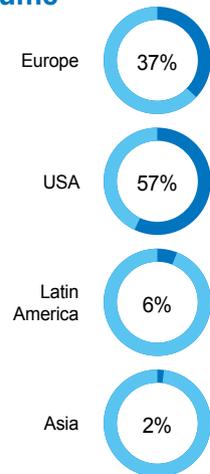
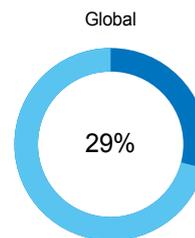


Mill engagement among higher priority suppliers



- Cumulative number of on-site audits
- Cumulative number of mills that attended a Proforest/AAK workshop
- Number of follow-up visits

RSPO certified sourced volume



Employee engagement



Number of AAK employees trained in AAK's palm oil policy and actions

500

92%

of enrolled new employees has completed the training

Palm progress, October 2019

As AAK continues to drive progress on sustainability across our complex palm oil supply chains, our understanding of the issues and how to effectively address them has evolved. As 2020 approaches with its associated commitment for companies to demonstrate deforestation-free supply chains, the complexity of the challenge has become apparent: palm oil supply chains often involve thousands of companies and millions of growers, and most often there is no direct relationship with the actors to influence change. Our dashboard shows our current status on critical KPIs.

Traceability

- 99 percent traceability to mill origin. AAK in India, China and Latin America have stepped up efforts in collaboration with our tier 1 suppliers, which has led to increased traceability scores;
- A significant increase in traceability to plantation from 28 to 39 percent. Combining RSPO segregated volumes from identity preserved mills with verified traceability data of our key suppliers has increased our traceability to plantation score. Going forward, AAK will adopt a risk-based approach to traceability to plantation, meaning that where we see highest risk of deforestation, we will invest more in traceability efforts together with our tier 1 suppliers.

Supplier engagement

Together with Proforest we have developed supplier scorecards and have started to use them in our engagement with suppliers. This enables both our internal organization and the suppliers we work with to understand better the current status of suppliers as well as any gaps that need to be closed in order to meet the AAK sustainable palm oil policy. These supplier scorecards provide a good basis for stronger engagement.

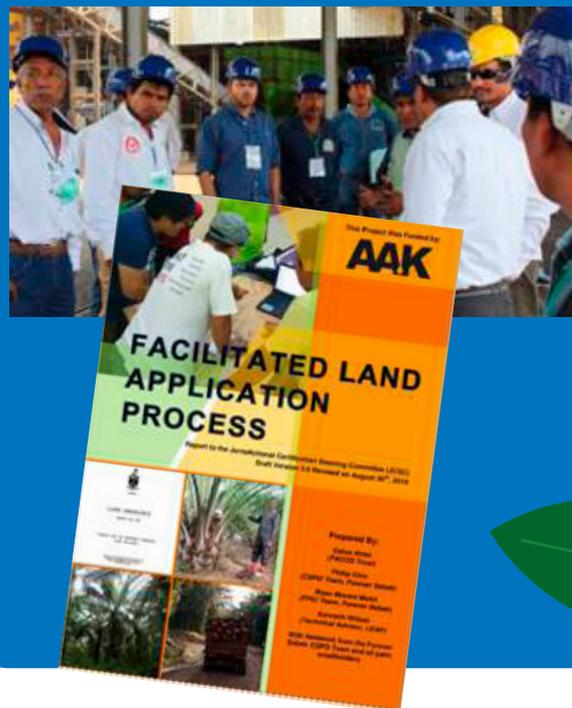
- We have commenced the development of refinery profiles with one key supplier and intend to roll out the approach to all our tier 1 suppliers. Refinery profiles will help us to better understand the AAK sustainable palm oil policy implementation progress at refinery level.
- We will launch a new on-line platform for mills we are sourcing from directly in Q4 2019.
- We have carried out two additional follow-up visits of audits and one verification visit, and we will complete two more verification audits in Latin America before the end of the year.

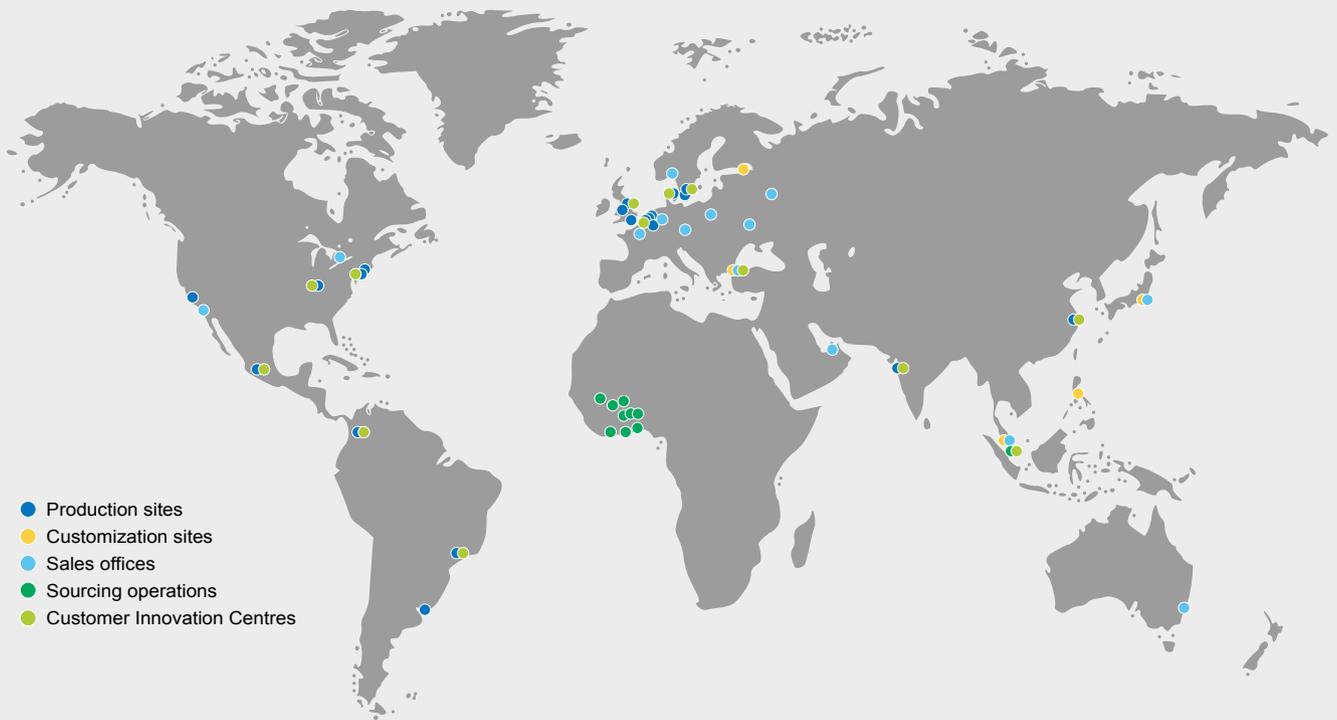
Verified deforestation-free

This is a new and important KPI for AAK that we are developing together with Proforest. We are in the process of establishing the baseline value that will include RSPO segregated volumes and mills with concession monitoring. More to come in our next progress report.

Smallholders

- ◆ AAK continues its support of the Jurisdictional Certification approach in Sabah via Forever Sabah. A basic requirement for certification is land title. However, an in-depth study supported by AAK revealed that only 20 percent of smallholders in the designated area hold title to their land. The second part of the project has been the development of a Facilitated Land Application Process (FLAP) to streamline the process of land title application at a village level. The process is currently being reviewed by the local Land and Surveys Department. We are hopeful that this solution will provide the platform for village-wide certification leading to district and ultimately state-wide certification.
- ◆ AAK supports a unique project in the Chiapas region of Mexico together with Solidaridad to develop the sustainability of three palm oil social enterprise cooperatives with the ultimate ambition of them becoming RSPO certified. The three groups cover over 850 smallholder members who not only produce their own palm fruits but also own and operate their own independent oil palm mills. Early meetings have scoped out the challenge and identified gaps. Field schools have been established and Standard Operating Procedures & Good Practices for palm oil processing in the mill have been developed.





We are AAK

AAK is a leading provider of value-adding vegetable oils & fats.

Our expertise in lipid technology within foods and special nutrition applications, our wide range of raw materials and our broad process capabilities enable us to develop innovative and value-adding solutions across many industries – Chocolate & Confectionery, Bakery, Dairy, Special Nutrition, Foodservice, Personal Care, and more.

AAK's proven expertise is based on more than 140 years of experience within oils & fats. Our unique co-development approach brings our customers' skills and know-how together with our own capabilities and mindset for lasting results.

Listed on the NASDAQ OMX Stockholm and with our headquarters in Malmö, Sweden, AAK has more than 20 different production sites, sales offices in more than 25 countries and more than 3,700 employees.



We are AAK – The Co-Development Company.

