

March 2020

AAK's palm oil grievance management procedure

This document is an external summary of the AAK grievance management procedure SOP

1 Context

AAK is committed to sourcing responsibly produced palm oil in accordance with our Sustainable Palm Oil Policy (SPOP) and Code of Conduct (CoC) for Suppliers of Raw Materials. The proactive implementation of these commitments within our supply base is an ongoing activity with our suppliers, peers and sustainability partners, and progress is reported through our update reports and sustainability dashboard. Nonetheless, given the size and complexity of palm oil supply chains, AAK is aware that practices that breach AAK's policy commitments can occur in upstream supplier's operations.

AAK takes any alleged activity that runs contrary to the standards set out in our policy commitments seriously and we will engage with our direct suppliers about direct and indirect grievances raised. The grievance management procedure (GMP) described here is used to register, assess, manage and monitor grievances raised against AAK's Tier 1 suppliers and third-party suppliers that are part of AAK's upstream supply base as defined below.

2 Purpose and objectives

The AAK GMP facilitates the response to and monitoring of complaints arising within AAK's upstream supplier operations. It describes the procedure and the actions taken by AAK at each stage. It is a transparent process, so that all relevant parties understand the expectations for each stage.

The objective of the GMP is to provide a process which allows AAK:

- To engage swiftly and systematically with Tier 1 suppliers that have grievances raised either against them directly or in their or their supplier's operations;
- To assess, manage, and monitor grievances in upstream supply chains;
- To provide guidance for suppliers on AAK expectations on grievance management, and what information AAK expects to receive from suppliers as feedback on the resolution of issues.

3 AAK's grievance procedure

3.1 3.1. Scope

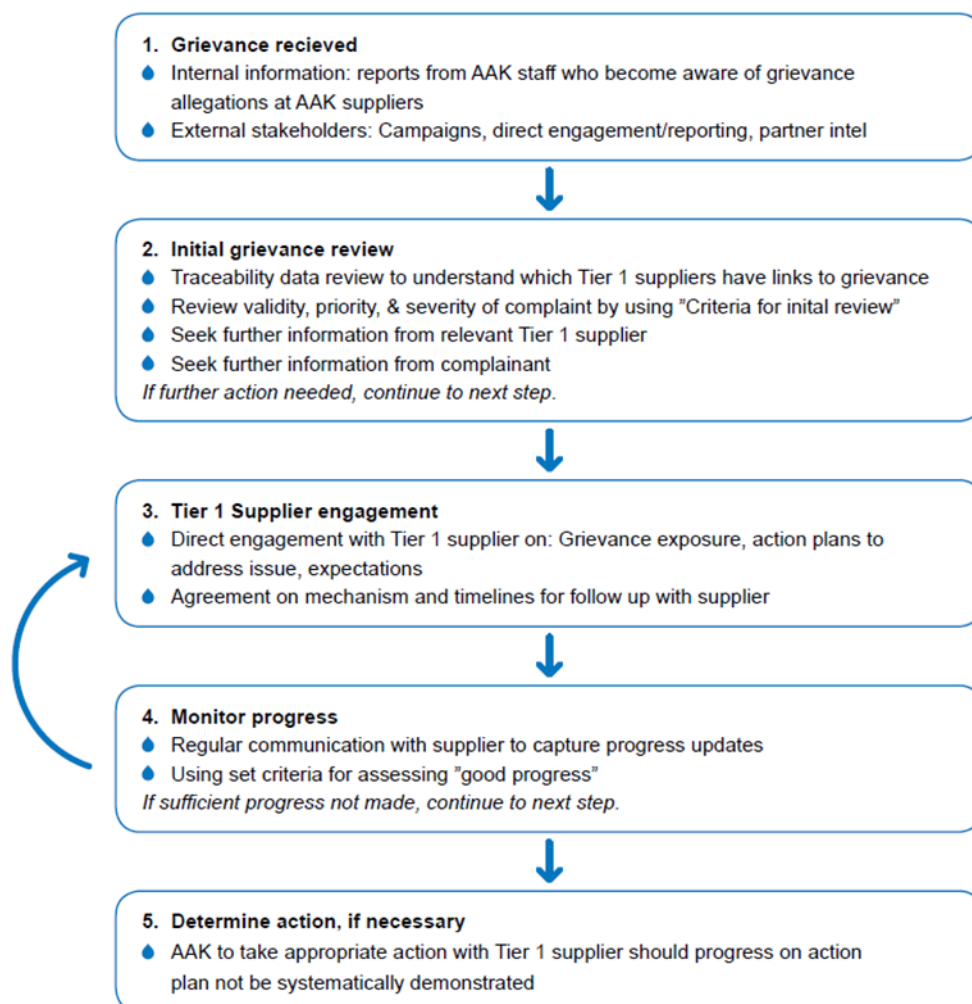
Grievances are defined as alleged practices in oil palm production that do not comply with AAK's SPOP or CoC, e.g. reports of deforestation or poor labour practices. These are often received from sources such as NGOs, the press, or other civil society organisations, but also through the internal company network and industry sources.

The procedure is applicable to all production sites (plantations, mills and refineries) that supply AAK palm oil or derivatives either directly (an AAK Tier 1 supplier), or indirectly (a third-party supplier to an AAK Tier 1 supplier).

The procedure supports the logging of grievances, dissemination of information to the internal grievance team, verification of grievances and classification based on established decision-making criteria, and supplier engagement and monitoring. The procedure is embedded within AAK and handled by a dedicated grievance management team comprised of the procurement department, who are the first point of contact with AAK's suppliers, the sustainability team, and our implementation partners Proforest. Updates and progress reports are delivered regularly to senior management. AAK also engages third-party experts to assist in determining the validity and severity of grievances.

3.2 Process

When allegations of practices that do not comply with AAK policy are received they are registered in the AAK system as a grievance. AAK's traceability data is then screened to ascertain the level of exposure to AAK's supply chains and will be logged according to the AAK Tier 1 supplier/s linked to the grievance in question. The complaint is reviewed using criteria to determine the validity, priority to AAK, and severity of the allegation. AAK will seek further information from the relevant Tier 1 supplier through whose supply chains AAK is receiving palm products from the subject of the grievance. This process is summarised in the flowchart below:



3.2.1 Grievance received

We receive grievances from the following sources:

- Proactive identification of issues: AAK will work with third party service providers to identify deforestation and/or clearance on peat in specific geographies¹. Reports from AAK staff who become aware of grievance allegations at AAK suppliers' operations will also inform grievances.
- External stakeholders: Campaigns, direct engagement/reporting, partner intel. We also expect our suppliers to communicate with us if they become aware of issues in their suppliers' operation

¹ Many companies are working with organisations who provide deforestation alerts, sometimes linked to concessions of palm oil companies. We work with Satelligence to monitor clearance in Sarawak, an area where we believed we could contribute to overall monitoring efforts in South East Asia

Timeline: n/a

3.2.2 Internal grievance review

- Traceability data review to understand which Tier 1 suppliers have links to grievance
- Review validity, priority, & severity of complaint by using "Criteria for initial review"
- Seek further information on issue from relevant Tier 1 supplier
- Seek further information from complainant

If further action needed, continue to next step.

Timeline: 1 week

3.2.3 T1 supplier engagement

- Direct engagement with Tier 1 supplier: Set expectations and develop action plans to address issue. Note that the appropriate action will depend on the suppliers' exposure to the issue, for example if they are directly involved in the issue or connected via their supply chain
- Agreement on mechanism and timelines for follow up with supplier on progress

Timeline: Reach out to supplier within 1 week of acknowledging validity (i.e., total of 2 weeks from receipt)

Agree action plan within: up to 2 months, depending on severity and complexity.

3.2.4 Monitor progress

- Regular communication with supplier to monitor progress
- Using set criteria for assessing 'good progress'

If sufficient progress is not made, continue to next step

Timeline for progress/resolution: According to timeline agreed in action plan

3.2.5 Determine action, if necessary

AAK to take appropriate action with supplier should progress on action plan not be systematically demonstrated. If the grievance holder does not cooperate or does not take sufficient action to address an issue, AAK will suspend its relationship with them. Where the grievance holder is indirectly connected to AAK via an intermediary, we will encourage our supplier to suspend their relationship.

AAK recognise that suspension can contribute to a leakage market for unsustainable products. To avoid this, clear steps to re-entry are necessary and we recognise efforts in the industry to develop criteria. Where AAK suspends a supplier, we will encourage them to follow these criteria.

3.3 Criteria for decision-making

When AAK receives information about an alleged grievance it is evaluated against a set of criteria for decision-making. These criteria are used to establish: 1) the validity of the complaint, 2) the priority rating for AAK, 3) the level of severity of the grievance, 4) the assessment of sufficient progress to resolve the grievance. This enables AAK to deal with each complaint fairly, systematically, and consistently, and to take proportionate action in line with AAK's priorities and exposure. These criteria have been developed with our implementation partner, Proforest, who validate their application to grievances in our supply chain.

4 Contacts

For further information about AAK's palm oil grievance management procedure or information related to specific cases please contact palmgrievances@aak.com.