

AAK Group Policy: Responsible Sourcing of Vegetable Oils

INTRODUCTION

Responsible sourcing of raw materials is core in AAK's business model. This policy complements the AAK Group: Supplier Code of Conduct with additional commitments and applies to all of AAK's procurement of vegetable oils and related raw materials. It defines the sustainability commitments for the production of the agricultural crops that are the source of AAK's vegetable oils.

Through implementation of this policy, AAK aims to successfully mitigate unacceptable social and environmental impacts in its supply chains, and to foster positive impacts of procurement and improved livelihoods in communities. AAK's sustainability commitments for the sourcing of vegetable oils are defined below.

AAK COMMITMENTS

AAK Group: Supplier Code of Conduct

The commitments in AAK Group: Supplier Code of Conduct will apply to the entire supply chain and will progressively be enforced to all actors in the supply chain.

Housing

Actors in our supply chain offering housing to employees shall ensure adequate standard and hygiene of facilities, sufficient space per occupant and offer appropriate privacy options.

Land rights and tenure

AAK will only source raw materials from growers with the necessary land rights, and where legal or customary rights of others are not adversely affected. In particular, our requirement is that new development only takes place with the free, prior and informed consent (FPIC) or equivalent of other land rights holders such as local communities.

Environment

AAK will only source raw materials that have been produced without High Carbon Stock deforestation, conversion of High Conservation Values areas, or development on peatland soils.

AAK requires that agricultural practices aim to mitigate degradation of water quality, in particular through implementation of best practice controls on chemical use. In areas of high water stress AAK will promote mechanisms to minimize water use.

Where relevant, AAK will take steps to reduce GHG emissions in its supply chains.

Smallholders

Smallholder inclusion in raw material supply chains is a key objective for AAK. Our policy is to actively ensure that smallholders are not excluded from our supply chains as a result of these sustainability requirements, and that we initiate projects across our supply base to encourage

and support smallholders. Specifically, we aim to contribute to initiatives that support smallholder livelihoods, through mechanisms such as improved yields and community development.

Traceability

AAK's objective is to ensure traceability in our raw material supply chains, sufficient to ensure that we achieve transparency of raw material origins, as the basis for assuring compliance with these policy requirements.

IMPLEMENTATION

AAK aims to build and demonstrate compliance with the policy by progressively increasing supplier engagement and verification activities, focusing initially on sectors where there are significant sustainability risks.

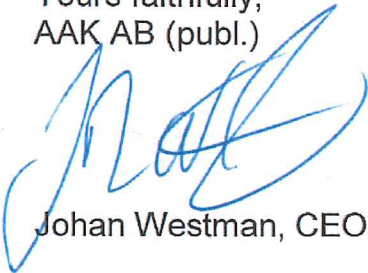
If AAK becomes aware of a supplier violating or breaching the AAK Group: Supplier Code of Conduct or these policy commitments, AAK will take appropriate action to investigate the issue, and will seek to work with the supplier to resolve it. If no adequate resolution can be found, AAK will terminate commercial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

Where relevant, AAK will also support implementation by active participation in multi-stakeholder processes and collaboration with appropriate partners to define and implement sustainability requirements in all relevant sectors.

AAK will regularly communicate on progress relating to the implementation of this and related policies.

Where needed, sector-specific policies will be developed.

Yours faithfully,
AAK AB (publ.)



Johan Westman, CEO and President

Annex with definitions

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)

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:

<https://www.hcvnetwork.org/about-hcvf>

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.