

AAK Group Policy: Sustainable Palm Oil

Palm oil is the world's leading vegetable oil in terms of production volume and consumption and by far the most efficient vegetable oil regarding production volume per hectare. Hence, producing palm oil sustainably is of utmost importance to the world. AAK is committed to its role in supporting the move towards full sustainability in the palm oil industry.

This policy complements our Code of Conduct for Raw Material Suppliers and our policy on Responsible Sourcing of Vegetable Oils with additional commitments for palm oil suppliers. The policy applies to all palm oil, palm kernel oil and their derivatives at all origins.

AAK COMMITMENTS

- AAK is a founding member of the Roundtable on Sustainable Palm Oil ("RSPO") and we continue to be very engaged in the RSPO such as working in the Board and participating actively in relevant working groups.
- AAK recognizes RSPO certification as the foremost established and stable systematic organization and standard for sustainable palm oil. AAK is committed to pursuing increased 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.
- AAK sees 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.
- Traceability is fundamental to AAK's risk management based assessment and as the basis for assuring supplier compliance with the requirements in this and related policies. 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.
- AAK recognizes that smallholder inclusion in the palm oil supply chain is a key issue. 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 certification such as RSPO certification, and to work within the RSPO to improve smallholder access to certification.
- AAK's selection and approval criteria for palm oil suppliers are based on **RSPO membership**, signing and committing to our Code of Conduct for Raw Material Suppliers including the commitments in this policy, and our general questionnaire and requirements relating to quality management, food safety, environment, social and other issues.

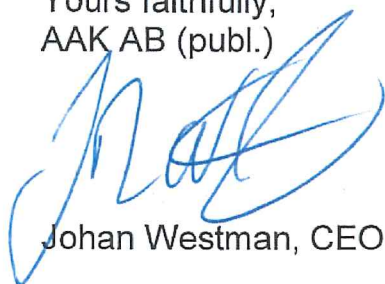
IMPLEMENTATION

AAK's mechanisms for implementation of these commitments include supplier engagement at different levels. AAK also conducts on-site assessments of our suppliers and their supply chains, including with external third-party assessors.

If AAK becomes aware of a supplier violating or breaching AAK's Code of Conduct for Raw Material Suppliers 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.)



Johan Westman, CEO and President

Annex with 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