

AAK Group Policy and Code of Conduct for responsible sourcing of plant-based oils

Introduction

by Johan Westman, President and CEO

The AAK Group policy and Code of Conduct for responsible sourcing of plant-based oils is designed to guide all raw material suppliers in how to interact with stakeholders, make the right decisions and remain true to AAKs ethical and business commitments.

Responsible sourcing of raw materials is a core component of AAK's business model. Through the implementation of this document, AAK aims to prevent and/or to mitigate adverse actual and potential human rights and environmental impacts in its supply chains, to foster a forest positive future and improve livelihoods.

**This will lead to progress
in the spirit of our purpose:
Making Better Happen.**

Yours faithfully, AAK AB (publ.)

Malmö, August, 2022



Johan Westman, President and CEO



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Purpose and scope

AAK’s sustainability commitments for the sourcing of plant-based oils are fully aligned with our commitment to No Deforestation/ Conversion, No Development on Peat and No Exploitation of rights-holders (NDPE).

This policy applies to all AAK’s sourcing of plant-based oils and related raw materials. This includes palm oil, palm kernel oil, shea oil, coconut oil, soy oil, sunflower oil, and rapeseed (canola) oil and their derivatives. It defines the sustainability commitments for the responsible production and processing of the agricultural crops that are the source of AAK’s plant-based oils and fats. This policy applies to all volumes sourced by AAK from direct and indirect suppliers globally.

AAK is committed to adhering to, and upholding, the ten UN Global Compact principles, the International Bill of Human Rights, the ILO core conventions and by doing so be guided by the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

Governance and implementation

The Chief Strategy & Sustainability Officer (CSSO) and the President of Sourcing & Trading are member of the Executive Committee and report to the Board on sustainability matters. With responsibilities including sustainability, corporate strategy, and people, sourcing and trading they take a holistic approach, involving internal and external stakeholders, to drive the sustainability strategy.

Three-year roadmaps are created and updated annually to guide implementation for each of our core raw materials. Activities are continuously monitored together with our Sourcing & Trading team, driven by our Sustainability Program Managers together with specialist forums such as raw material task forces. Performance is continuously followed up on by our Global Sustainability and Global Sourcing teams.

Supplier commitment and verification

Suppliers are expected to sign this Policy and Code and must maintain documentation necessary to demonstrate actions that work towards compliance with the requirements of this Policy and Code. The documentation must be made available to AAK on written request via mail or through our Supplier Management System (SIM). AAK will conduct on-site assessments of our suppliers and their supply chain including with external third-party assessors.

Should a supplier fail to demonstrate a commitment to meet the requirements of the Policy and Code, AAK will through dialogue and cooperation try to solve the situation or as a last resort terminate the relationship.

Any area causing concern or requiring clarification should be addressed to your local AAK contact.

Indication of commitment

“We have read, understood and confirm that we will take action to achieve compliance to AAK’s requirements for the raw materials we are supplying to AAK, and we will support AAK with the necessary documentation to demonstrate progress”

Date:	Company name:	Name and function:	Stamp and signature:

Compliance and reporting of misconduct

Should a third or external party have a concern or encounter a material violation or misconduct of laws, legal requirements or this Policy and Code, they should communicate this to AAK personally or anonymously.

Anyone who finds it difficult to bring up an issue directly should use our Grievance Mechanism, which includes a whistleblower service.

The Grievance Mechanism and whistleblower service can be utilized anonymously to report suspicions of misconduct. Concerns can be raised both by AAK employees and the company's other stakeholders. The reporting channel can be reached here: <https://report.whistleb.com/en/aak>

AAK takes all reports of possible misconduct seriously and will investigate the matter confidentially before deciding whether the Policy and Code or the law has been violated. Corrective actions or remediation procedures will be carried out as needed. Anyone can report without fear of reprisal, and the necessary confidentiality and anonymity will be assured. Any form of retaliation against a stakeholder who raises an issue is a violation of the Policy.



AAK commitments & requirements

1. Ethical business conduct

1.1. Legal compliance

Suppliers shall operate in compliance with applicable national and local legal requirements. This Code sets the minimum requirements. If local, national or international laws, regulations or rules take a more demanding position on matters contained in this Code, these shall be observed and complied with. In situations when international standards conflict with domestic laws, suppliers will seek ways to honor the spirit of international standards.

1.2. Fair competition and business dealing

AAK believes in fair business dealing and competition and is committed to carry out its activities in a manner consistent with all applicable competition laws and regulations. Suppliers shall comply strictly with all antitrust and competition law.

1.3. Anti-corruption

AAK prohibits suppliers from engaging in any form of corrupt practice including extortion and bribery.

AAK suppliers do not, directly or indirectly, offer, promise, give, or demand a bribe or other undue advantage to obtain or retain business or other improper advantage.

Gifts must never be offered or accepted if the giving or accepting entails a risk that such gift may be viewed as undue influence on business transactions or conducts by the giving or receiving party.

All actions must always be consistent with applicable local laws and customary business practices.

All kinds of compensation to suppliers and partners are based on verifiable supply of products and/or services only.



2. Human and labor rights

AAK requires all our direct and indirect suppliers to comply with applicable laws and regulations and internationally recognized human rights, as protected under the International Bill of Human Rights and the International Labor Organization Declaration on Fundamental Principles and Rights at Work. In doing so, we are guided by the UN Guiding Principles on Business and Human Rights. In situations when international standards conflict with domestic laws, we expect our suppliers to seek ways to honor the spirit of international standards. In addition, where standards differ, we expect our suppliers to provide the highest level of protection to rights holders.

2.1 Fundamental labor rights

Suppliers' compliance with fundamental labor rights is based on the ILO Conventions.

- Respect the rights of all workers, including temporary, contractual, and migrant workers.
- No forced labor, including bonded, indentured, slave labor, and human trafficking.
- No child labor. Children shall be free from physical, sexual, and emotional abuse or exploitation damaging their mental and physical health.
- Follow ethical recruitment practices: This includes no payment of recruitment fees by workers and no retention of passports, contracts, or other identity documents of workers by employers.
- No discrimination on grounds of race, religion, political opinion, nationality, age, disability, gender, sexual orientation, marital status, trade union participation, HIV status, or pregnancy.
- No worker should be subject to any form of violence and harassment, including verbal, physical, sexual, and psychological harassment.
- Freedom of association and collective bargaining: This includes workers to be allowed to freely establish, join or run groups and unions of their choice and no discrimination, intimidation, harassment, violence or unfair treatment of trade union members and leaders.
- Pay workers' wages that meet or exceed legal minimum wages taking into account normal working hours to achieve reasonable production targets. Any deduction made should be lawful and understood by the workers and wages shall be paid on time. All workers shall receive equal pay for performing work of equal value.
- Limit working hours according to national or international standards. Overtime shall be always voluntary and remunerated according to national and international standards, whichever is higher.
- Workers shall enjoy social security and other benefits as per the law or collective agreements. Working conditions shall be detailed in written contracts provided to workers in a language they can understand.
- Provide workers with a safe and healthy workplace, including adequate protection for vulnerable workers such as pregnant and breastfeeding women.
- When provided with housing, workers shall enjoy adequate hygiene standards, sufficient space per occupant, gender-appropriate privacy options and not be restricted, including in their freedom of movement.

2.2 Local Communities and Indigenous Peoples

- Respect the rights of indigenous peoples and local communities as protected in the United Nations Declaration on the Rights of Indigenous People. This includes, among others, rights to property, culture, self-determination, self-governance, a healthy environment, non-discrimination, and full and effective participation in the decisions that affect them.
- Identify and respect indigenous peoples' and local communities' formal and customary rights to lands, resources and territories that they have traditionally owned, occupied, used or administered.
- Adhere to the right to grant or withhold Free, Prior and Informed Consent (FPIC) for all new or expansions of developments, acquisitions and operations that affect indigenous peoples' and local communities' rights, land, resources, territories, livelihoods, and food security. Engage regularly with stakeholders to ensure effective participation in FPIC processes.

2.3 Human Rights Defenders and Whistleblowers

- Commit to zero-tolerance against threats, harassment, intimidation, the use of violence, retaliation against or interference with the activities of human rights defenders, including labor, environmental and land defenders.
- Protect the confidentiality and anonymity (when requested and lawful) of human rights defenders, whistleblowers, complainants, and community spokespersons when raising complaints.



3. Smallholder inclusion and support

Smallholders play a key role in the production of plant-based oils and fats. They also face barriers to complying with requirements of NDPE policies, such as lack of resources, training, and awareness. For this purpose, we support avenues:

- To ensure that plant-based oil production contributes to resilient incomes and livelihoods for families of smallholder farmers through capacity building on best management practice.
- To assist smallholders in respecting the commitments in this policy through the development and delivery of guidance, capacity building and incentives. Except where AAK has a direct commercial relationship with smallholder producers, AAK will implement such actions with supply chain partners.



4. Environment

Sustainable development is fundamental to AAK. The understanding of sustainable development implies not compromising the ability of future generations to meet their own needs. Suppliers are committed to contributing to sustainable development and taking due account of the need to protect the environment by striving to continuously improve environmental performance.

4.1. Deforestation and conversion of natural ecosystems

AAK is committed to eliminating deforestation and conversion of other natural ecosystems from our supply chains.

We will only source plant-based oils and fats that are produced without deforestation, including High Carbon Stock forests, and without conversion of other natural ecosystems, including peatlands of any depth¹⁾.

We are working towards verifying compliance with this commitment by:

- 2025 for palm and soy (priority commodities due to risk of non-compliance)
- 2030 for coconut, shea, sunflower, rapeseed

Where applicable, implementation of these commitments will use the methodologies defined by the High Conservation Value (HCV) Network and High Carbon Stock Approach (HCSA).²⁾

AAK is also committed to supporting actions within and beyond our supply chain that contribute to protecting and/or restoring biodiversity, and to the adoption of regenerative agricultural practices that mitigate degradation of water and soil quality and promote their restoration.

The cut-off dates after which deforestation or conversion is non-compliant with this policy are 22nd July 2008 for soy from the Brazilian Amazon biome³⁾, 31st December 2015 for palm oil and palm kernel oil, and for all other raw materials and regions a cut-off date aligned with the EU deforestation due diligence legislation.

4.2. Climate change mitigation and adaptation

AAK is committed to prevent pollution and reduce greenhouse gas emissions to meet required reduction levels in line with the Paris Agreement. As such, AAK has signed up to set binding targets under the Science Based Targets Initiative (SBTi) including our Scope 3 (supply chain) emissions and will work collaboratively with suppliers to reduce emissions in the supply chains.

4.3. No burning and correct use of agrochemicals

AAK is committed to requiring suppliers to implement a no burning policy for land clearing and preparation and to the correct use and application of agrochemicals that eliminates or minimizes any potential harm to the environment or human health.

¹⁾ This commitment is based on the Accountability Framework (Afi) definitions of deforestation and conversion, natural forest and natural ecosystems.

²⁾ <https://hcvnetwork.org/documents/hcv-hcsa-assessment-manual-2017/>

³⁾ This is the cutoff date used by Soy Moratorium that just covers Brazilian Amazon.