



AAK's progress report
on sustainable palm oil
– August 2016

The Co-Development Company

AAK

AAK's progress on sustainable palm oil

Responsible sourcing of raw materials is fundamental to AAK and reflected in our strategy. We want to make a clear difference to the environment and to the local communities where our raw materials are grown and harvested. Palm oil being the highest volume as well as the most productive vegetable oil in the world is a crucial raw material in feeding an ever-growing global population. Therefore, producing palm oil sustainably is of utmost importance. In this progress report, we share with you AAK's part in the development towards a fully sustainable palm oil industry.

Palm oil achievements

Traceability

- Traced 98 percent of palm oil, all palm kernel oil and residuals back to mill origin;
- Updated all mills traceability data;

Risk assessment

- Completed a qualitative risk assessment of all suppliers;
- Completed geospatial risk assessment of 32 percent of all supplier mills (see graph);
- Identified mills for our on-site verification program and currently completed three verifications in 2016, ten in total;

Supplier engagement

- Engaged in a dialogue with all our suppliers as regards progress of policy implementation, including the signing of AAK Palm Oil Policy, as well as future requirements (see graph);
- Completed our first palm oil supplier engagement workshop;

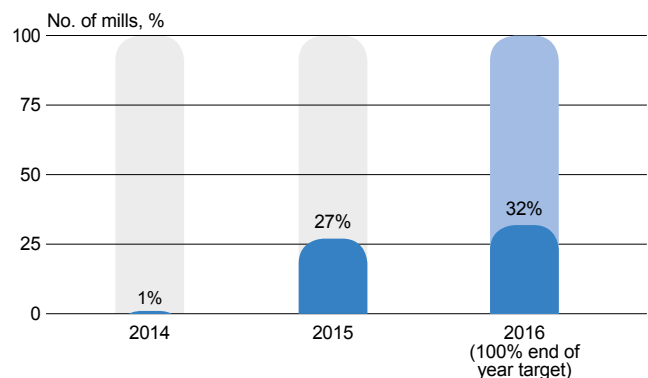
Processes and tools

- Developed an internal dashboard for detailed monitoring of progress;
- Finalized implementation of palm oil grievance procedure;
- Strengthened palm oil competencies among our global sales force through training and supportive materials;

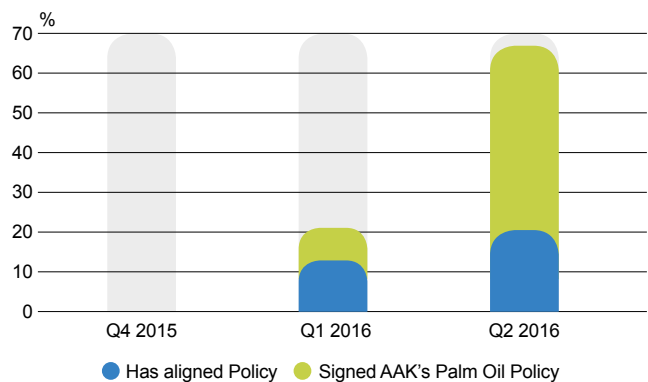
Customer support

- High level of support to our customers and the retailers.

Progress of geospatial risk assessment



Percentage of direct suppliers having signed AAK Palm Oil Policy based upon volumes



In short, AAK's policy is founded on the following pillars:

- support for the Roundtable on Sustainable Palm Oil (RSPO)
- traceability to mill and plantation
- no development on High Conservation Value (HCV) areas
- no High Carbon Stock (HCS) deforestation
- no development on peatland
- Free, Prior and Informed Consent (FPIC)

AAK policies, definitions and progress reports can be found at www.aak.com under Documentation/Policies.

Traceability progress – through cooperation with our suppliers

The overall global percentage for traceability to mill of palm, palm kernel and residual oils remains very high at 98 percent. The variations in traceability data reported is due to a combination of including new acquisitions into our program and the natural variation always present when taking a snapshot of a process.

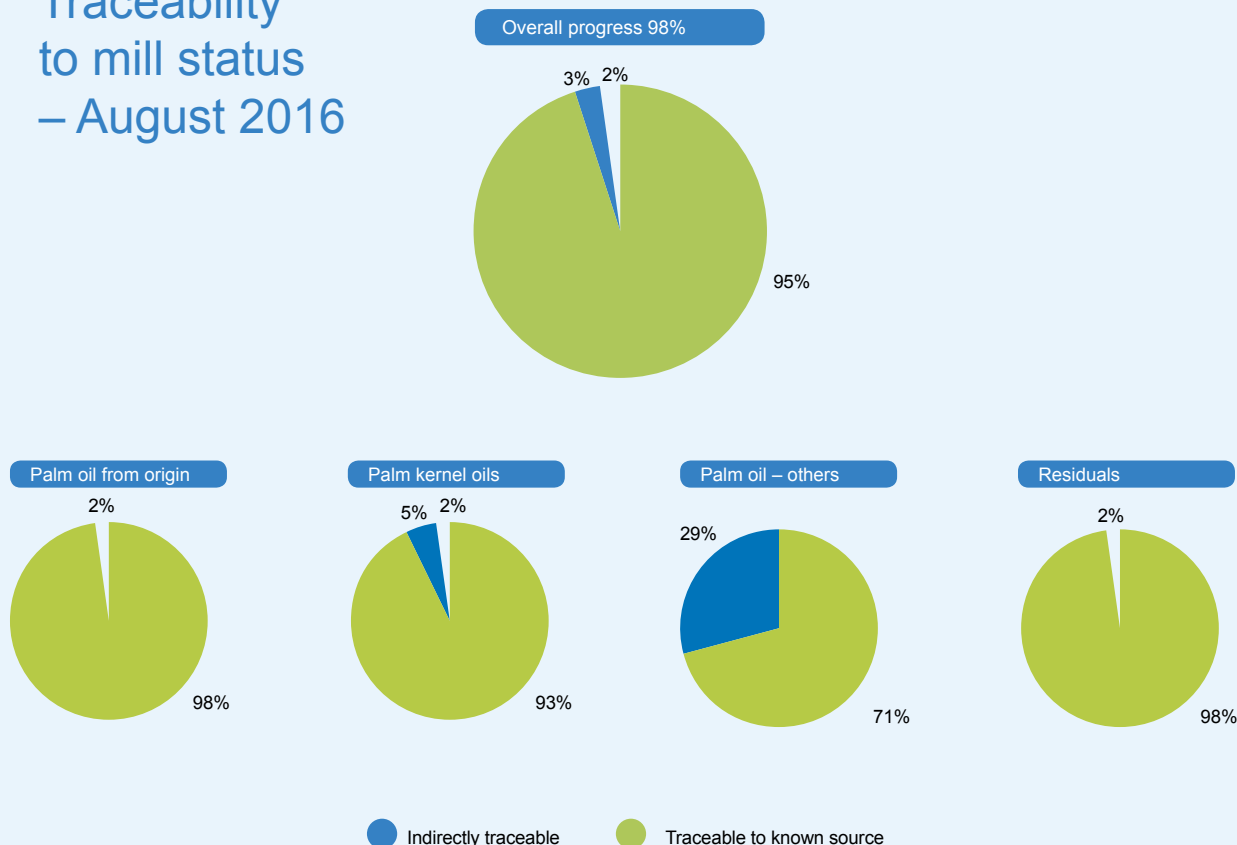
The focus within the marketplace on securing traceability to mill is now widely recognized and supported by more actors within the upstream part of our supply chains. The challenge on achieving traceability to the mill level still generally concentrates around palm kernel and residuals. Since our last progress report the focus on traceability has increased among our suppliers and this is part of the reason why we can keep our strong position on traceability in general. We welcome the increasing amount of transparency among the larger players in the marketplace, and this will for sure make it easier for stakeholders to obtain traceability figures needed.

By working closely especially with suppliers of technical oils, we are now able to demonstrate very strong progress on this category.

In order to ensure that our suppliers are committed to work towards sustainability standards, we have engaged with each one asking them to acknowledge and sign our palm oil policy (see graph on page 2). This is now a key requirement for becoming a supplier of palm oil to AAK and will ensure that all new suppliers are committed to work towards the standard which is stated in our Sustainable Palm Oil Policy.

An important lesson which we have learnt in transforming our palm oil supply chain has been the need for informing our suppliers why we are working towards a higher standard and how this affects the way they do business with AAK. This we have now taken to a level beyond immediate suppliers and in May 2016 AAK together with Proforest and a key supplier hosted our first supplier mills' engagement workshop in Malaysia.

Traceability to mill status – August 2016



Review of 2016 implementation progress

Implementation of the sustainable palm oil policy – driving actual change on the ground with suppliers – is the most crucial, yet often most challenging part of our work. Broad acceptance of a policy is one thing, but changing practices in reality is what AAK is striving for. Proforest is AAK's key partner and driver in this process.

In 2016, implementation of the Sustainable Palm Oil Policy is building upon the program of work that was rolled out last year. In practice, the implementation progress during this year has involved a series of connected stages:

1. Supplier-level risk assessment

The direct supplier-level risk assessment is conducted annually and was updated in the second quarter of this year. It assesses risks associated with all direct suppliers by looking at three main factors:

- Origins of volumes procured from supplier
- Volumes procured by AAK
- Supplier-level risk issues.

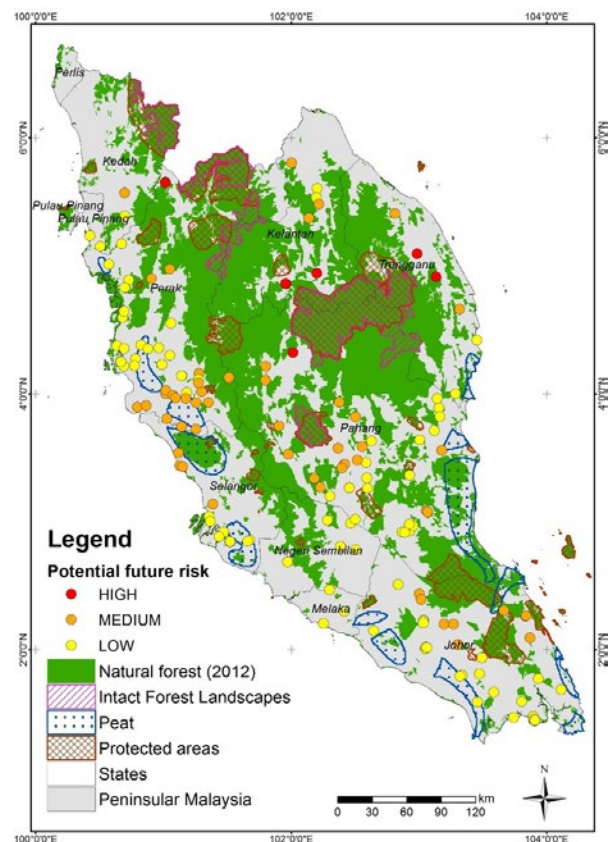
This third category takes account of matters such as supplier progress on certification, existence and implementation of sustainability policies, stakeholder grievances etc.

2. Geospatial risk assessments

Geospatial risk assessments have been carried out on the mills that supply direct suppliers already identified as higher-risk suppliers. This allows us to narrow down and prioritize mills where we will aim to conduct verification assessments by identifying the relative risks of unacceptable environmental impacts such as deforestation, protected area encroachment, cultivation on peat, etc.

On June 8 this year World Resources Institute released a palm oil mill risk assessment tool for their Global Forest Watch mapping platform, developed with inputs from our implementation partner, Proforest. This allows for much more rapid geospatial assessments and will enable us to evaluate all mills in our supply chain in this manner, not just the ones belonging to high-risk suppliers.

Alongside this development, Proforest has also been improving its own internal capacity to run geospatial risk assessments more rapidly, using a bespoke tool that also allows us to perform more nuanced analyses where necessary. By the end of 2016 we will have analyzed all mills using Proforest's system or the Global Forest Watch tool (see graph on page 2).



3. Mill and supply base verification assessments

On-site verification

Risk assessment and capacity-building are complemented by verification visits to a sample of higher-risk mills, identified through the process described above, to substantiate the progress of AAK's policy implementation, identify gaps, and support the mill to develop a time-bound action plan.

At the time of publishing, three verification visits have been carried out by Proforest this year on higher-risk mills in the AAK supply base: one in Colombia, one in Malaysia, and one in Guatemala. A further three are planned before the end of the year. AAK and Proforest individually risk assess all suppliers to identify and prioritize the potentially higher-risk ones based on a range of factors, including location, volumes supplied, their role and position within the supply chain, and historic and current issues or grievances. The higher-risk suppliers are then scrutinized in more detail, with geospatial risk analyses conducted on the individual mills, focusing on variables such as deforestation, peat, and protected areas. From these, specific mills are selected for verification visits.

Corrective actions

Areas for improvement are always detected during the verifications, but so far no critical social or environmental issues have been picked up. Following the visits, Proforest compile a findings report that is shared with AAK and the mill. The mill then uses this to produce a time-bound action plan to close out the key gaps identified between their current practices and AAK's policy. Proforest technical support on the production of these plans varies on a case-by-case basis, but monitoring their implementation through calls and a visit, usually six months to one year after the initial visit, is standard practice. Should progress not be satisfactory AAK will through dialogue and cooperation try to solve the situation or terminate the relationship as a last resort.

Consistency and local knowledge

AAK sources palm oil through dozens of suppliers and hundreds of mills, across multiple countries. This means that the environmental, political, and socioeconomic and cultural conditions under which palm oil is produced varies markedly. Palm oil mill business models also vary: some may source fresh fruit bunches (FFB) exclusively from their own plantations; others include a significant proportion of FFB from independent growers and smallholders; some may rely exclusively on external providers. This variation means that the issues verification teams encounter also differ.

Common themes

The global span and regional differences in palm oil production means two things in particular are important for mill verification teams: consistency and local knowledge. To ensure the first, verification teams use a carefully designed protocol and checklist so that the assessments are carried out in the same way and cover the same topics regardless of where or by whom they are done. On the other side of consistency sits the need for local knowledge and understanding of context.

For example, knowledge about applicable legislation relating to the environment, labour issues, landownership etc., is crucial to assessing compliance against AAK policy. Command of the language and customs are also clearly important.

Yet despite the diversity of the mill supply base some common themes do occur. The first is a lack of documented policies and commitments. AAK requires that suppliers have a documented commitment on a range of social, environmental, and agronomic areas. Largely these mirror AAK's own commitments, and include things like human rights, deforestation, and no burning for land preparation. Often the mills will have these commitments in practice, but they are not formally documented. A vital extension of the documented policy is that it is communicated to all levels of the workforce, and a policy formally documented enables this to be done consistently and repeatedly over time.

A second area where we frequently see gaps between the mill's performance and AAK's policy is in a lack of technical studies, in particular HCV and HCS assessments. This is predictable, as HCV and especially HCS are relatively new concepts, and in reality there are few trained experts capable of conducting them. Again, we often (but not always) see that through a mill's own commitments they avoid establishing plantations on areas that would probably be classified as HCV or HCS areas under the relevant assessment, but a full assessment ensures that all values within a landscape are captured and protected adequately. This links back to the geospatial analyses carried out on mill supply bases during risk assessment – mills with high levels of forest and peat within their supply base that could be at risk from expansion are intentionally targeted for HCV and HCS to be performed so that they are recognized and can be protected in the future.

Targeted effort

The resources required to carry out mill verifications means that only a small sample of the supply base can be covered, but as we have seen these are intelligently and carefully targeted based on the perceived risks associated with them. To engage with a broader range of mills other approaches such as supplier engagement workshops are used. These expose supplying mills to the requirements of AAK and trigger them to take action to close the gaps, perhaps the same ones as described above, to bring them more closely into alignment with AAK policy. Change cannot happen overnight, but persistent and sustained pressure and support from AAK can help the industry as a whole move towards more responsible production of palm oil.

Jonathan Escolar
Project Manager, Proforest

Supplier engagement workshops

The supplier risk assessment enables the identification of priority suppliers to work with, where AAK has some leverage to influence change. Typically, a supplier will not be an individual palm oil mill, but a processor or refiner that has its own supply base of mills. An effective mechanism to engage with mills is to provide awareness-raising and capacity-building

workshops. AAK has together with Proforest now embarked upon a process with a key AAK supplier in Malaysia to run a series of workshops for the mills that supply it, in order to communicate the key palm oil policy commitments and how changes can be implemented by the mill in its own operations and supply base.



The first workshop was hosted by a key supplier in May 2016, also involving AAK together with Proforest. Senior representatives of 20 palm oil mills were invited to the workshop which took place in Port Klang, Malaysia. The objectives were to share with mill representatives the sustainability policy requirements, to learn about the challenges that individual mills are facing in their supply

chains, and to discuss the on-going program to undertake verification assessments with a sample of the mills. The workshop provided a successful platform for future capacity-building with the mills, in order to ensure compliance with AAK's policy. Subsequent workshops will complement the on-going program of verification assessments.

Implementation dashboard

AAK has been developing a dashboard for internal tracking, in even more details, the implementation of the Sustainable Palm Oil Policy amongst suppliers. It will allow the internal Palm Sustainability Task Force to assess implementation progress regularly against a number of headline KPIs. Initial KPIs include:

- ◆ Percentage of suppliers with Palm Oil Policy signed;
- ◆ Percentage of suppliers with RSPO membership;

- ◆ Traceability to mill;
- ◆ Traceability to plantation;
- ◆ Tracking of non-compliances raised during verification assessments;
- ◆ Closure of non-compliances

This approach is being reviewed and strengthened during 2016.





Grievance activities

As part of AAK's sustainable palm implementation program, the grievance procedure is a guide to how grievances raised by external parties will be handled by AAK. The procedure is applicable to AAK palm oil operations worldwide and to all third-party suppliers.

It should be noted that AAK has a commitment to the RSPO grievance process that it will follow in the event of any grievance being raised through that mechanism. AAK's grievance procedure is an additional approach to ensure all grievances raised are approached in a timely and systematic manner. If a supplier breaches AAK policies and is not able to resolve the issue related to the grievance, AAK will terminate commercial relations with that supplier.

The AAK grievance procedure works alongside the supplier risk assessment and is updated on a monthly basis, whereas the risk assessment is more strategic in outlook and is renewed annually. AAK also takes a proactive approach to grievances, instead of waiting for stakeholders to highlight a problem or concern. This means regularly reviewing all supplier information which is in the public domain and monitoring the RSPO complaints panel and complaints tracker together with Proforest.

By being aware of issues which may affect the AAK supply chain, AAK can take appropriate and timely action.

RSPO certified palm oil

Even including recent acquisitions, 29 percent of the palm, palm kernel and technical palm oil used by AAK globally is RSPO certified, as shown in the most recent Annual Communication of Progress (“ACOP”). The previous report included 27 percent take-up, so there is a marginal improvement.

Within the 29 percent reported, 21 percent is segregated, 6 percent mass balance and 2 percent GreenPalm certificates.

Uptake by AAK customers varies around the world, with, as might be expected, much more significant levels in Europe and the US than in other areas. China shows a disproportionately high percentage from a relatively low base, while Mexico and other areas such as India have not seen significant customer demand required to drive further improvements.

AAK’s target is firstly for all crude palm oil purchases to be certified by the end of 2018, noting that this will require a significant increase in demand from customers, particularly in Mexico in order to reach a tipping point, and in available supply in South and Central America. Challenges will also remain for AAK Kamani in India, which as a recent acquisition is challenged to meet this target.

The second target is for all AAK palm purchases to be RSPO certified by the end of 2020. AAK continues to plan to meet this target which was intended, and which remains to be challenging, particularly as AAK in many instances is a secondary processor. This target is in line with the RSPO’s intention of a 100 percent certified sustainable palm oil European market by 2020.

All significant AAK sites are RSPO supply chain certified.

CERTIFICATE

CU-RSPO SCC-803451

Based on an audit according to the requirements stated in the RSPO Supply Chain Certification Systems, version November 2014 and a signed contract, Control Union Certifications herewith certifies that the facility(s) listed below are found to be in compliance with the RSPO Supply Chain Certification Systems, version November 2014. This guarantees that the criteria for processing RSPO certified palm oil products through one or more of the supply chain models as stated in the RSPO Supply Chain Certification Systems have been met.

Name of certified company	AAK Netherlands B.V.
Full address certified company	Kreeftstraat 1 1544 CK Zaandijk Noord Holland NETHERLANDS
RSPO Number (if applicable)	
Other sites certified (see annex 1)	<input type="checkbox"/>
RSPO registered parent company (if applicable)	AAK AB
RSPO member number parent company	2-0001-04-000-00

Scope of assessment	Trading and processing of vegetable based specialty oils, fats, shortenings and margarine containing certified RSPO Palm Oil for the food, feed and chemical industry
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Start date certificate	04-04-2012
Expiration date certificate	03-04-2017
Date of first RSPO certification	04-04-2011
Certificate number	CU-RSPO SCC-803451
Supply chain model	<input checked="" type="checkbox"/> Identity Preserved (IP) <input checked="" type="checkbox"/> Mass Balance (MB) <input checked="" type="checkbox"/> Segregation (SG)

Authorised signatory name Mrs. A. ten Kleij Date of issue: 22-03-2016 On behalf of the Managing Director Authorised signature		Issued by Control Union Certifications Meeuwenlaan 4-6, P.O. Box 161, 8000 AD ZWOLLE The Netherlands tel.: +31(0)38 426 01 00 http://www.controlunion.com certifications@controlunion.com
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Control Union Certifications is accredited to provide RSPO Supply Chain Certification on 06/06/2014 (RSPO-ACC-014)

This certificate including the annex remains the property of Control Union Certifications and can be withdrawn in case of terminations as mentioned in the licensee contract, or in case changes or deviations of the above-mentioned data occur. The licensee is obliged to inform CUC immediately of any changes in the above mentioned data.
Only an original and signed certificate is valid.

Certificate version: CB03451CU-RSPO SCC-01.2016





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Smallholders

Significant supplier

Globally, smallholders produce a significant proportion of the world's agricultural commodities. Palm oil is no exception, with over 40 percent being produced by independent or schemed smallholders. These smallholdings are often a critical source of family income but, if managed badly, can also often be drivers of environmental and social impacts, including deforestation. This can mean negative impacts not only on the environment, but also on the smallholders themselves. Such negative impacts could be biophysical, such as poor water quality or reduced soil fertility, but also economic due to lower yields or exclusions from global supply chains which have clear policies on deforestation, peatland, and broader best management practices.

GreenPalm option

Through the Book and Claim GreenPalm system, AAK has been able to support communities of independent smallholders for whom GreenPalm is the only accessible RSPO supply chain option.

Outreach and education

Nonetheless, AAK also recognizes that smallholder inclusion in supply chains is a key issue requiring action on a number of fronts. Responsible production by smallholders compliant with AAK commitments requires resources and know-how, which is typically out-of-reach for an independent smallholder. Outreach and education is crucial to improve smallholder performance. It can help achieve increased yields and reduce the use of expensive methods of fertilization. It is also vital to help halt the destruction of HCV areas and ensure the avoidance of planting on peatland.

Smallholder support

Although the ultimate aim is to support smallholders in achieving RSPO certification, some stepping stones need to be put in place. AAK is now investigating an inclusive smallholder scheme which encourages and supports smallholders to make practical, stepwise changes to best practice that will lead towards certification, without challenging them with demanding certifications immediately. Working with partners within and beyond our palm supply chain, AAK plans to initiate a palm oil smallholder support project in 2016.



Photo: RSPO



” A day in the life of a Palm Oil Champion

Sourcing sustainable palm oil can present challenges to a business – but with the guidance of a team of AAK’s experts, the process does not have to be a difficult one.

When launching the AAK Sustainable Palm Oil Policy in June 2014, AAK also established a global network of Palm Oil Champions. The role of each champion is to be the regional expert in sustainable palm oil for colleagues and customers, while drawing upon other members’ experience and knowledge gained in a range of backgrounds. The network also ensures effective two-way communication between the AAK Palm Sustainability Task Force and each region. The Champions and the PSTF now meet monthly, via video conferences, to report on local matters, customers, training and local supply chain developments.

The job of an AAK Palm Oil Champion is not full-time, as it runs alongside normal duties, but it is diverse and unpredictable, with a wide variety of demands. There’s no standard format for a Palm Champion, but this is a not untypical day for me:

- 4 a.m.** Early morning walk for the dogs, ahead of my flight to Amsterdam and the Palm Sustainable Task Force meeting. Watch dawn break over a pretty market town in East Yorkshire, once home to vast forests and to a now extinct beaver population. Clear parallels here to saving forests elsewhere.
- 6 a.m.** Board plane at Humberside Airport for the 45-minute flight to Schiphol. The short flight gives me a chance to re-read some of the notes which will be discussed at today’s meeting.
- 8 a.m.** The task force meeting starts in Schiphol airport.



11 a.m. First coffee break – it's no surprise to me that a UK account manager has left an urgent voicemail asking for help. I call back to discover that several customers need reassurance about an incident concerning a plantation company. I run through some key points he should give to customers and promise to email a statement he can send.

Support to colleagues is one of the main roles and starts with the induction of new employees, both in commercial and production roles. Many newcomers have never heard of the RSPO or certified sustainable palm, so this is an important part of their training. This type of induction is also offered to customers who may have little knowledge of the complex palm oil supply chain and who find the expert information invaluable. So when issues arrive account managers know who to call.

1 p.m. Lunch – and as I send my email, I receive another with a query around an RSPO audit non-conformance from a key customer regarding an RSPO claim. The customer is unsure how to progress and needs an urgent response.

Palm Champions need to have a thorough understanding of the RSPO, certified supply chains and claims and communication, as well as of AAK's part in the supply chain. This enables them to advise customers of what to expect from AAK and how claims can be passed on to their own customers.

Palm Champions will often advise colleagues about the best way to communicate and the use of the RSPO trademark.

2 p.m. Discussions turn to our update on traceability to mill, RSPO NEXT and how AAK will support this program.

Sales and development meetings are a regular opportunity to discuss and present new initiatives such as RSPO NEXT, and evolving priorities such as traceability.

The team is proud of its work on traceability, which has helped to inform and support customers. Many customers have developed policies inspired by the AAK Sustainable Palm Oil Policy, which supplements the drive towards zero deforestation, no planting on peatland and human rights compliance.

5 p.m. Dash for the flight back to Humberside – I made it to the departure lounge in time. Unfortunately, the flight is not as punctual, and it's going to be another hour before we can board. My mobile rings and it's a call from a retailer to arrange an update meeting. AAK works with all players in the supply chain and many of the Palm Champions are now regular visitors to retailers. Whether or not they are direct customers of AAK, improving their understanding of the issues and opportunities benefits all parties.

9 p.m. Finally, home.

The role as Palm Oil Champion is demanding and not for the faint-hearted. But it's one that puts us at the heart of important changes that affect every single one of us – while making a big difference to customers.

Judith Murdoch
AAK Palm Oil Champion





A reflection on the RSPO journey

AAK is proud to have had the foresight together with WWF, the Malaysian Palm Oil Association (“MPOA”), Unilever, Sainsbury’s and Migros (the Swiss retailer), to be one of the founders of the RSPO in 2003. Along with WWF, the MPOA and Unilever, we have been ever-present members of the RSPO Board of Governors since its inception. AAK is closely associated with the RSPO and has consistently promoted its objective of increasing the production and use of sustainable palm oil.

Our commitment today is equally strong as the RSPO continues to move forward and strengthen its position as the only global benchmark for palm sustainability. AAK welcomes recent initiatives such as RSPO NEXT and a new approach to smallholders, but remains concerned that progress is disappointing in a number of areas.

RSPO progress

The global impact of the RSPO has been further demonstrated in recent months as membership has continued to grow rapidly, now at more than 3,000. More evidently, recent suspensions of members’ certifications and the market reaction to such suspensions have shown the extent to which the RSPO can make a real difference and to which consumer

goods manufacturers and retailers rely on the RSPO certification of palm oil and its derivatives.

The RSPO has shown that it is willing to act when members contravene its rules, and must build on this newly found confidence to deliver what it promises, at the same time maintaining the critical credibility of certification systems. The suspension of several certification bodies has been less publicly visible but also shows a determination not to put up with unacceptable standards in auditing. AAK supports strong implementation of the RSPO’s rules.

Of course, suspension and withdrawal of the certification of two of the largest grower members means that total certified production has taken a step back (from 13.6 million tonnes to 11.0 million tonnes, around 17 percent of global production). However, the longer-term benefits for the credibility of the RSPO are self-evident.

RSPO NEXT

RSPO NEXT effectively matches the demands of many palm oil users, influenced heavily by NGOs, to take a step beyond the RSPO’s principles and criteria, without requiring a time-consuming formal review of those P&Cs before the



prescribed five-year period. AAK welcomes the flexibility shown by the RSPO, in particular since RSPO NEXT is in principle equivalent to AAK's own sustainable palm oil policy. RSPO NEXT effectively regains market leadership for the RSPO, which was otherwise under severe criticism for not moving forward.

RSPO NEXT is voluntary for RSPO members, and there are specific qualification hurdles to overcome for both growers and the supply chain relating to RSPO P&Cs before it can be implemented. As a palm oil processor AAK welcomes the decision of the RSPO to allow only certificate trading for RSPO NEXT. Segregated supply chains are already difficult and expensive to implement for palm oil processors, and introducing more differentiation could create even more problems, with little additional benefit to the growers.

AAK is however concerned that raising the ceiling on certification distracts from the requirement to increase participation in certification for those growers who have further challenges to even meet RSPO P&Cs. There is a risk that the RSPO creates an even more exclusive niche which benefits and protects only those growers who are able to meet the new, higher requirements. RSPO must be careful not to cut itself off from the smaller growers by setting the bar too high.

Smallholders

Smallholders have not been well looked-after by the RSPO over the last twelve years, despite the best of intentions. AAK welcomes the RSPO review of its strategy towards smallholders. It has been apparent for some time that RSPO certification does not work well for smallholders, even for group certification. Initiatives to certify smallholder groups have been costly for the sponsors (including the RSPO Smallholder Fund) and such certification has often lapsed after one or two years.

The RSPO is a standard-bearer in the jurisdictional approach to smallholder certification, which is excellent, and does bring in local or state government. However, it is exposed to political changes, and is a long-term project. There are many individual NGOs and corporate initiatives to move smallholders in the direction of sustainability, including

a welcomed focus on yields. With smallholders comprising up to 40 percent of global palm oil production, AAK considers that it is critical to engage seriously with this segment of the growing community, both to improve the lot of smallholders and to encourage a more environmentally sustainable approach.

AAK is currently discussing with partners a number of potential smallholder initiatives and hopes to be able to take these forward in the near future. This would likely include a lower bar than RSPO certification, either as a benefit itself or as a step towards RSPO certification. Sustainable production should not and must not be possible for only the big producers – we must provide a sustainability bar which can be reached by all rather than expecting perfection. The impact of raising the floor of the least sustainable producers will outweigh the benefit of raising the ceiling for those who are already the best.

The market

From a demand perspective, it could be argued that much of Europe and North America is already converted to RSPO certification for palm oil use in food. The momentum is good, with a real possibility of achieving the European goal of 100 percent sustainable palm oil by 2020.

The future expansion of demand for sustainable palm oil to other major users, including India, China and Indonesia, remains a block to reaching the tipping point at which RSPO certified sustainable palm oil moves from being a niche product to mainstream. There are as yet few signs of a real breakthrough in these areas. Governmental intervention is likely to be necessary, but is largely invisible with the possible exception of Indonesia, where implementation remains a challenge.

Certificate trading

Despite many years of successful operation AAK believes that certificate trading is an underused and undersold supply chain mechanism which could and should come to the fore for both smallholders and the regions of the world where certified sustainable palm oil has yet to make an impact.

The RSPO continues to grow and spread, with representatives in the US, South America, India, China and Europe working with stakeholders to promote CSPO. There is still a long way to go to achieve the goal of making sustainable palm oil the norm, but that goal is now closer than ever.



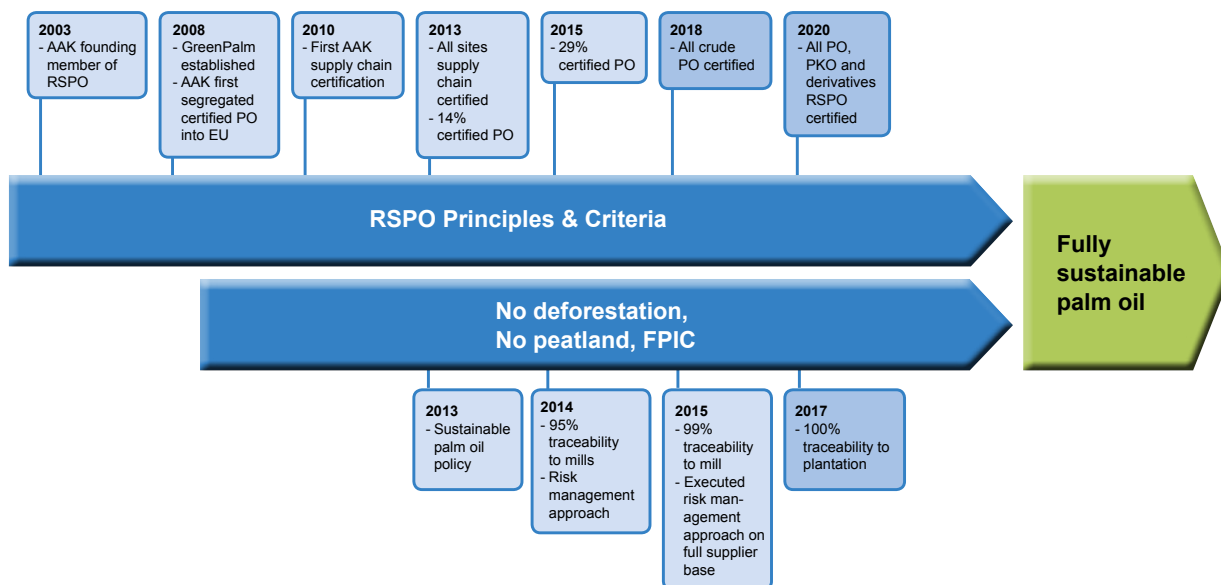


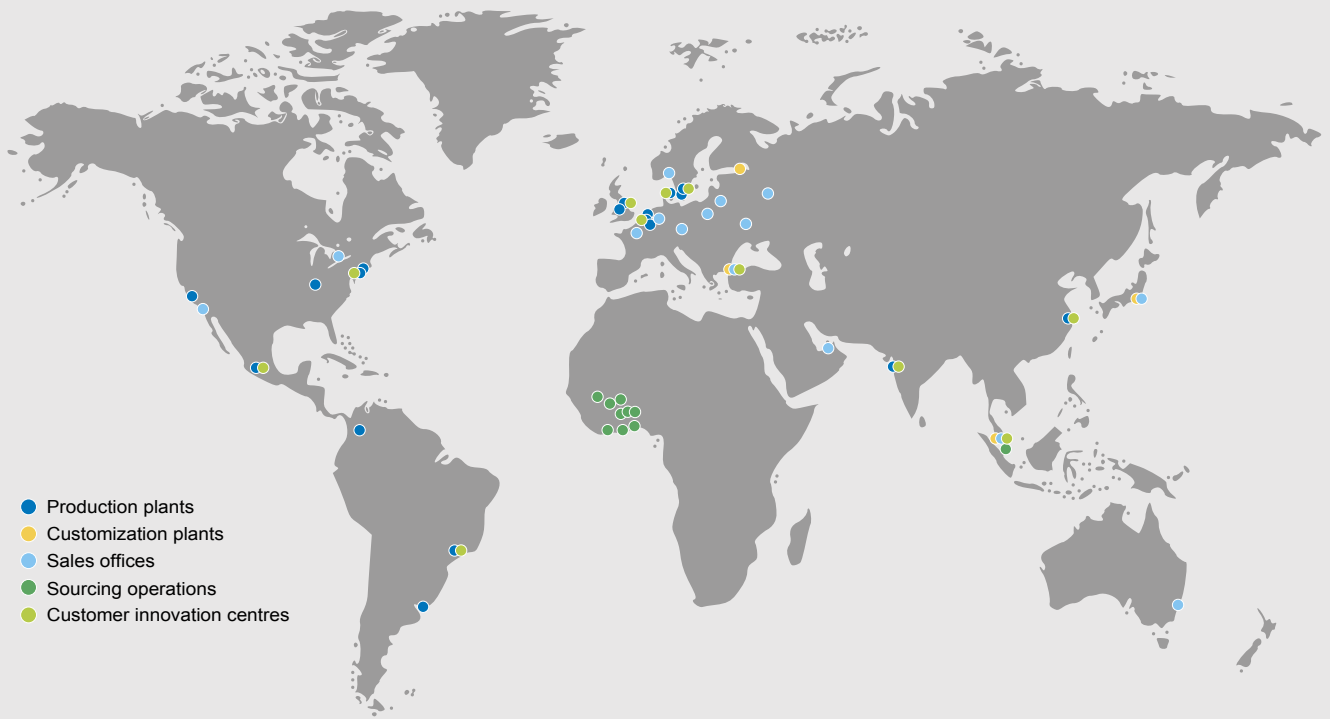
Key next steps for AAK

AAK will

- pursue its overall objective of 100 percent traceability to mill origin for palm oil, palm kernel oil and residuals
- identify mills most at risk of non-compliance with the AAK Sustainable Palm Oil Policy
 - identify those origins where there is significant risk of policy non-compliance
 - continue the geospatial risk assessment for the whole supply base during 2016
 - continue the mill verification of higher-risk mills during 2016
 - focus greater scrutiny on higher-risk mills, including field-based verification
- follow up on identified non-conformities/non-compliances and ensure closure a.s.a.p.
- proactively manage any potential grievance issues
- continue to increase our active engagement with suppliers to ensure policy compliance, including targeted workshops with supplier mills
- develop and initiate a palm oil smallholder support project, as we believe making a real difference with smallholders is at least as important as raising the bar for the top performers, with a potentially more significant impact on palm oil sustainability

Towards sustainable palm oil





The first choice for value-adding vegetable oil solutions

We develop and provide value-adding vegetable oil solutions in close collaboration with our customers, enabling them to achieve long-lasting business results.

We do so through our in-depth expertise in oils & fats within food applications, working with a wide range of raw materials and broad process capabilities.

Through our unique co-development approach we bring together our customers' skills and know-how with our capabilities and mindset. By doing so, we solve customer specific needs across many industries – Chocolate & Confectionery, Bakery, Dairy, Infant Nutrition, Foodservice, Personal Care, and more.

AAK's proven expertise is based on more than 140 years of experience within oils & fats. With our headquarters in Malmö, Sweden, 20 production facilities and customization plants, and sales offices in more than 25 countries, our more than 2,700 employees are dedicated to providing innovative value-adding solutions to our customers.

So no matter where you are in the world, we are ready to help you achieve long-lasting results.

We are AAK – The Co-Development Company.

