

AAK Grievance Management Procedure (GMP)

AAK Grievance Management Procedure (GMP)

This document outlines AAK's grievance management procedure (GMP) for implementation of AAK Group Policy and Code of Conduct for responsible sourcing of plant-based oils ("AAK Group Policy").

1. Context

AAK is committed to sourcing responsibly produced and processed plant-based oils in accordance with the AAK Group Policy. 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 communications on our website and annual Sustainability Report. Nonetheless, given the size and complexity of plant-based oils 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 stakeholders 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 worldwide operation, Tier 1 suppliers and third-party suppliers that are part of AAK's upstream supply base as defined below. The GMP is designed to align with the United Nations Guiding Principles on Business and Human Rights criteria for effective grievance mechanisms.

For palm, AAK recognizes and respects that the Roundtable Sustainable Palm Oil (RSPO) maintains a grievance procedure. AAK takes guidance from RSPO process in handling grievances and makes the decision or actions against grievance cases independently.

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 stakeholders that have grievances raised either against AAK's operations directly or AAK's 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. Scope

The scope of this GMP focuses on all the plant-based oils that AAK sources globally. Grievances are defined as alleged practices in plant-based oil production that do not comply with AAK Group Policy, e.g., reports of deforestation or poor labour practices. These are often received from sources such as NGOs, the press, or other civil society organizations, but also through the internal company network and industry sources.

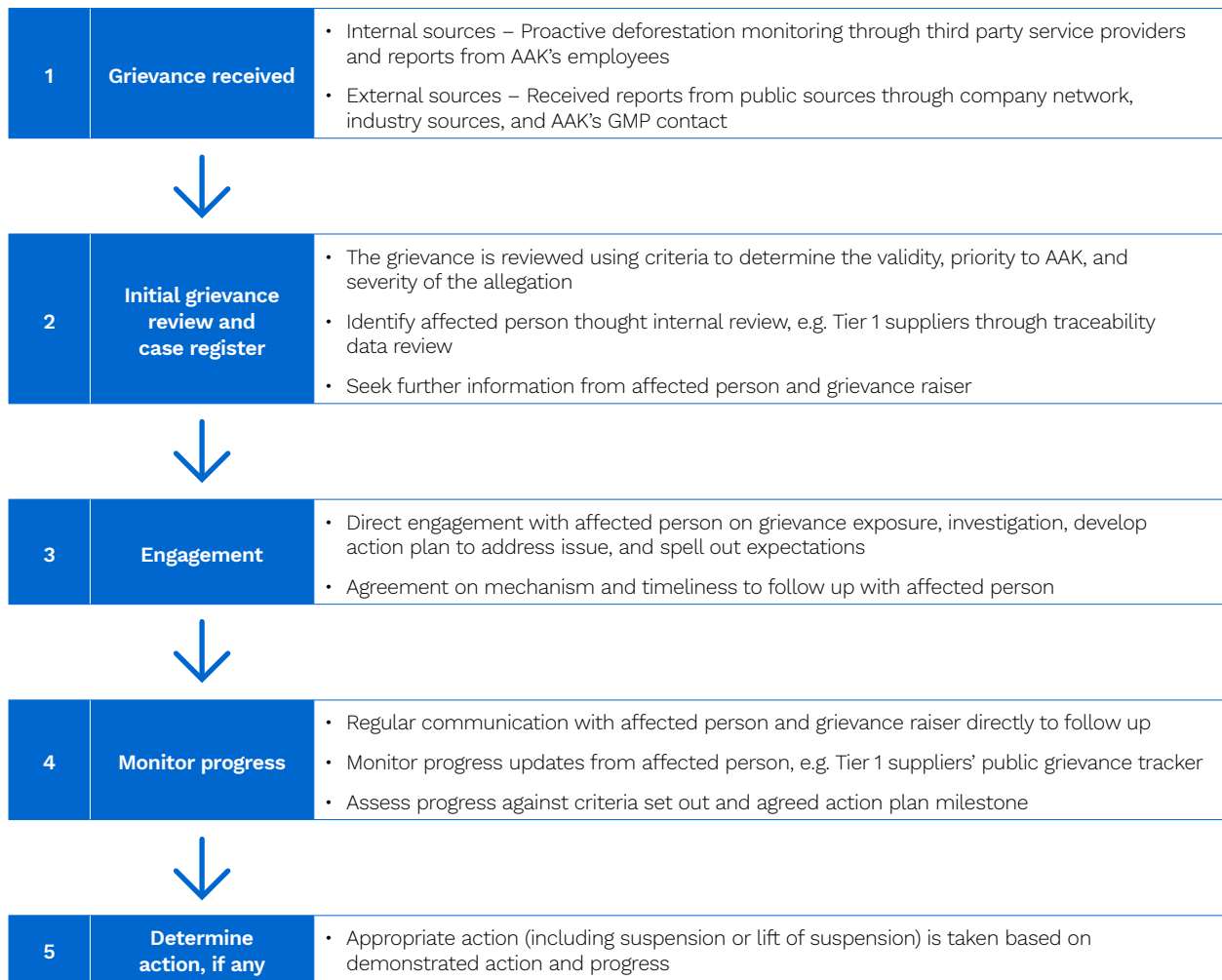
The procedure is applicable to all production sites (plantations, mills and refineries) that supply AAK plant-based with oil or derivatives either directly (an AAK Tier 1 supplier), or indirectly (a third-party supplier to an AAK Tier 1 supplier), and all AAK worldwide operations. We provide a [whistleblowing service](#), as an external platform, for internal and external stakeholders, including AAK employees to raise any concerns against AAK's own operation.

This 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 Global Sustainability Team 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.

4. Process

When allegations of practices that do not comply with AAK Group policy are received, they are registered in the AAK system as a grievance. Grievance cases can arrive via internal sources such as satellite monitoring by third party service provider, or external sources such as NGO reports. Potential grievances can also be brought directly to our attention by contacting AAK at sustainability@aak.com. 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 stakeholders through whose supply chains AAK is receiving products from the subject of the grievance. This process is summarized in the flowchart below:



Record and publish decisions and outcomes on AAK Grievance Tracker quarterly

4.1 Grievance received

Grievances are reported to AAK 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 employees who become aware of grievance allegations at AAK own or suppliers' operations will also inform grievances.
- External stakeholders: NGOs' campaigns, direct engagement/reporting, government, and investors partner intel. We also expect our suppliers to communicate with us if they become aware of issues in AAK's or suppliers' operation.

Timeline: process activated

4.2 Internal grievance review and case register

- Traceability data review to identify Tier 1 suppliers who link AAK to the case
- Review validity, priority, & severity of complaint by using "Criteria for initial review"
- Seek further information on issue from stakeholders
- Seek further information from grievance raiser
- Seek further consultation from sustainability partners

If further action is needed, continue to next step.

Timeline: one working week

4.3 Stakeholder engagement

- Initial engagement with stakeholders. Set expectations and develop action plans to address issue. Note that the appropriate action will depend on the stakeholder's exposure to the issue, for example if they are directly involved with the issue or connected via their supply chain
- Agreement on mechanism and timelines for follow up with stakeholders on progress

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

4.4 Monitor progress

- If the case is not linked to the stakeholders/company against which the grievance is raised and/or in AAK's supply chain after investigation, all relevant evidence, letters, assessments reports, desktop analysis, field action. The decision will be made as a close case and shared with the Grievance Raiser, if available.
- AAK stays in regular communication with stakeholder to monitor progress against the set timeframe in action plan

- AAK will then record, report, and review the progress of each case brought to our attention onto AAK's Grievance Tracker. The information is published and updated quarterly on the tracker.
- AAK encourages stakeholders, including Tier 1 suppliers, to communicate directly with the Grievance Raiser or relevant stakeholders.
- AAK will consider a case closed if the action plan is delivered and progress is actively under monitoring. If further/new evidence is provided by any stakeholders, AAK will re-activate the grievance process.

If sufficient progress is not made, continue to next step.

Timeline for progress: According to timeline agreed in action plan. Grievance tracker to be updated quarterly

4.5 Determine action, if necessary

AAK to take appropriate action with stakeholders should progress on action plan is not systematically demonstrated. If the subject of the grievance does not cooperate or demonstrate sufficient action to address an issue, AAK's grievance management team will work alongside with third-party experts to make an appropriate and consulted decision to suspend the relationship with the grievance holder. If the grievance subject is indirectly connected to AAK via an intermediary, we will request removal of the grievance subject from AAK's supply chain.

AAK recognizes that suspension can contribute to a leakage market for unsustainable products. To avoid this, clear steps to re-entry are necessary and we recognize efforts in the industry to develop criteria. Where AAK suspends a supplier, we require them to follow the re-entry criteria²⁾ (see ANNEX II) to resume sourcing from the suspended suppliers. To allow re-entry, AAK's grievance management team will evaluate the progress and engage the suppliers on a case-by-case basis.

The suspension or lift of suspension will be communicated in writing to all AAK's direct suppliers.

4.6 Criteria for decision-making

When AAK receives information about an alleged grievance it is evaluated against a set of criteria for decision-making (ANNEX I). 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 partners, who validate their application to grievances in our supply chain.

¹⁾ In palm, AAK work with a number of service providers to receive deforestation alerts and who provide independent assessment on grievances at various sourcing regions

²⁾ The criteria are established to address issues surrounding deforestation/peat in palm oil industries. For grievances related to human/labour rights issues, we are consulting with multi-stakeholders and developing another set of criteria to complement this GMP. The set of criteria will include the thresholds for suspension and re-entry due to non-compliance to our Human right commitments. Upon completion, AAK will include it as part of GMP

5. Contacts

For further information about AAK's grievance management procedure or information related to specific cases please contact at:

Email: sustainability@aak.com

Address: AAK AB (publ.),
Skrivaregatan 9, 215 32 Malmö, Sweden

ANNEX I

Criteria for decision making

This document provides a set of criteria to be used by AAK when a grievance is received. The criteria-checklists are:

- Determining validity (during initial review)
- Determining priority (during initial review)
- Determining severity (during initial review)
- Determining progress (ongoing)

Investigations of the grievances will be led by AAK sustainability team and regional leads where appropriate. In most cases, AAK will also engage with third-party sustainability partners (e.g. local NGOS/consultants) to better understand their perceptions/collect their intel regarding the grievance raised.

Criteria for validity

Criteria to help assess whether the grievances submitted are valid & credible and should be pursued & followed up on with stakeholders. This allows for consistency in terms of how AAK addresses grievances.

#	Criteria for pursuing identified grievance	Y	N	Guidance for analysis
1	Is complaint coming from a source that can be validated? I.e., either by satellite imagery for deforestation, or through networks and sustainability partners for social grievances.			If no, further investigate to determine validity
2	Is grievance within the scope of grievance procedure?			
3	Are grievances related to: (1) deforestation; (2) fire; (3) peatland; (4) rights of workers; (5) land rights; (6) smallholders; (7) communities			

Criteria for determining priority

Priority cases are those that need to be resolved with greatest urgency. Priority cases are not necessarily always related to severity. **Cases will be scored out of six** for the number of criterium that are answered in the positive.

#	Criteria for determining priority	Y	N	Guidance for analysis
1	Directly about a Tier 1 supplier?			
2	Linked with multiple direct suppliers (e.g. x2 or more)			
3	Linked to one of the key suppliers ³⁾ that supplies 90% of AAK's volumes			
4	AAK named as a buyer			
5	Published before or during a conference when AAK will be engaging with suppliers, customers, external stakeholders etc.			
6	Repeated cases linked to a specific third-party supplier/ supplier group			This relates to if a parent company has or has had grievance raised against other operations as well
7	Has the RSPO Complaints mechanism captured this grievance? (http://www.rspo.org/members/status-of-complaints/)			This may help to determine whether the grievance case should be considered of lower priority.

It is important to know whether a case is being addressed via the RSPO complaints panel, as this may determine how AAK approaches it.

³⁾ There may be some variance each year on which suppliers are considered "key". These will be determined on volumes.

Criteria for determining severity

Severity in this context refers to cases which are considered to have a high impact on AAK's responsible sourcing commitments and are of a sensitive nature. Severe cases will automatically be considered a priority. In some cases, they may require a consequence to be agreed & actioned immediately.

These criteria will be applicable to all grievance cases (direct and indirect grievances) and the presence of any of the below criteria will automatically determine the grievance as severe.

Note: The following are examples of situations AAK may treat as severe

#	Criteria for determining severity	Y	N	Guidance for analysis
1	Dangerous to life & health/ serious injuries or death of employees, community members, or other persons (linked to health & safety, work conditions, quality of water, etc.)			
2	Large scale deforestation (e.g., > 500ha) and/ or deforestation in high-priority regions (e.g., Papua, Aceh)			
3	FFB Supply derived from illegal sources (e.g., National parks)			
4	Incidents of significant Human Rights violations, especially: <ul style="list-style-type: none"> • Incidents of child labour • Incidents of forced labour • Eviction of communities from their land • Harassment of defenders 			

Criteria for determining progress

The below criteria provide guidance to AAK for when immediate actions may need to be undertaken against stakeholders due to a grievance. While AAK will strive to engage with the suppliers upfront, AAK may, in appropriate circumstances, entirely at their discretion, take actions to minimize their exposure to risk.



AAK AB (publ), Skrivaregatan 9, 215 32 Malmö, Sweden
Telephone: +46 (0)40 627 83 00 | Email: info@aaak.com | www.aaak.com
Corporate identity no. 556669-2850

#	Determining progress	Y	N	Guidance for analysis
1	Direct grievances			
	Is the grievance against the stakeholder considered 'Severe' , which justifies immediate implementation of a consequence such as suspension of purchases?			
	Has the stakeholder been able to demonstrate adequate progress against the action plan?			
2	Third-party grievance:			
	Is the grievance against the third-party supplier considered 'Severe' ?			
	Is the Tier 1 supplier engaging effectively with the supplier to understand progress?			
	Is the third-party supplier refusing to engage with the Tier 1 supplier repeatedly?			
	Has the third-party supplier demonstrated adequate progress against the action plan?			

It is important to know whether a case is being addressed via the RSPO complaints panel, as this may determine how AAK approaches it.

ANNEX II

Re-entry and recovery requirements

AAK will consider lifting suspension and resuming sourcing from the supplier who is found to violate AAK Group Policy if the supplier is willing to demonstrate positive and tangible progress towards compliance, and where appropriate, remediation. The decision is reviewed on a case-by-case basis, with the support from AAK's third party consultants. For palm, suppliers suspended for deforestation and/or peatland development must meet the following requirements and demonstrate compliance with AAK Group policy.

#	Re-Entry & Recovery Requirements
1	Group-Wide Moratorium
2	NDPE Policy
3	HCV-HCS Assessments
4	Availability of Maps
5	Acknowledged Liability (Confirmation)
6	Time Bound Action Plan & Progress Reports
7	Commitment to a Recovery Plan
8	Recovery Map w/ Interventions
9	Recovery Plan Implementation
10	Recovery Plan Progress Reports