Responsible growth

AAK Sustainability Report 2014/2015

AAK

The first choice for value-adding vegetable oil solutions

Responsible growth

At AAK, sustainable development is fundamental to our business. Hand in hand with financial growth, social and environmental responsibility is key to our continued development and future success. This is what we mean by “responsible growth”.

We believe that building sustainability into our everyday activities helps us achieve our vision of being the first choice in value-adding vegetable oil solutions.

AAK’s model for responsible growth covers the five focus areas Marketplace, Supply chain, Environment, Workplace and Community.

Global team effort

The annual production and release of our GRI Report is a global team effort involving staff from various functions at all sites.

In line with this, our Sustainability Report is a global team achievement that includes statements, initiatives, projects and views from the entire organization. In addition, it documents – for both stakeholders and ourselves – that Corporate Social Responsibility (CSR) is firmly anchored within our organization.

Scope

This report covers AAK’s entire organization, including production plants, administrative offices, sales offices and sourcing operations. The environmental data is restricted to the production plants. During the first half of 2014 AAK acquired Belgian oils and fats business CSM Benelux NV in Merksem and Fabrica Nacional de Grasas S.A. (FANAGRA), a Colombian company that specializes in vegetable oils and fats for the bakery segment. Data from these acquisitions is not included in this report. Data from our Brazilian factory in Jundiaí, São Paulo, whose production started in April 2015, is not included either.

Throughout the report, AAK colleagues share stories about some of our many CSR initiatives. Top managers also share their thoughts and insights in relation to their specific areas of responsibility. This report aims at providing a clear picture of how we at AAK work with sustainability – our drive towards responsible growth.

This report is available in English and Swedish. It can be downloaded as a PDF-file at www.aak.com. To obtain a printed copy please contact Corporate Communications at comm@aak.com.

Head office
AAK AB (publ.)
Jungmansgatan 12
SE-211 19 Malmö, Sweden
+46 40 627 83 00
www.aak.com
info@aak.com
Registered office: Malmö
Reg. No. 556669-2850

AAK in 60 seconds

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, Food Service, Personal Care, and more.

AAK's proven expertise is based on more than 100 years of experience within oils & fats. With our headquarters in Malmö, Sweden, 18 production facilities and customization plants, and sales offices in more than 25 countries, our more than 2,500 employees are dedicated to providing innovative valueadding solutions to our customers.

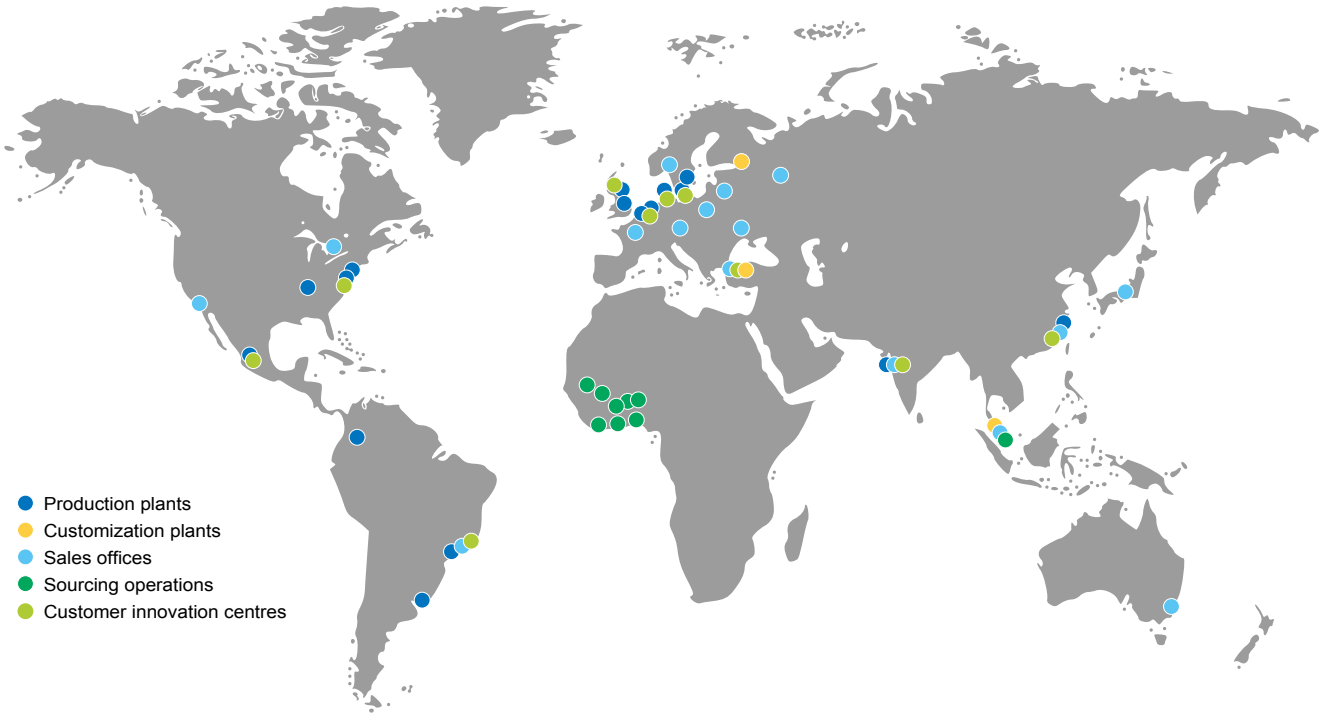
So no matter where you are in the world, we are ready to help you achieve long lasting results.

We are AAK – The Co-Development Company.

Key figures (SEK million unless otherwise stated)	2010	2011	2012	2013	2014
Net sales	14,808	16,695	16,911	16,537	17,814
Adjusted operating profit (EBIT)	824	918*	1,003**	1,127*	1,242***
Operating profit (EBIT)	824	914	975	1,117	1,262
Operating profit per kilo (SEK)	0.57	0.64	0.66	0.69	0.73
Earnings per share (SEK)	14.15	14.72	15.66	17.87	21.15
Return on Capital Employed (%)	13.10	13.30	14.20	16.50	16.00

* Adjusted for acquistion costs
** Adjusted for acquisition costs and the effects of Hurricane Sandy costs
*** Adjusted for acquistions costs, a net positive impact related to the acquisition in Belgium, net profit from the divestment of Binol and non-recurring cost for production optimization in Europe.

AAK in the world



Our reason for being

AAK's core business is the production of vegetable oils and fats solutions based upon natural, renewable raw materials. Produced in our plants in Europe and the Americas, our solutions reach global markets through our sales offices in key locations throughout the world and our close network of agents and distributors.

We use raw materials, such as rapeseed, soya beans, shea kernels, sunflower oil and palm oil, primarily sourced in Northern Europe, West Africa, Southeast Asia and Latin America. Some raw materials – seeds and kernels – are crushed and the oil is extracted at our production plants, while others are bought as crude oils or semi-refined oils, which we then process and refine further.

Drawing on our extensive knowledge and experience, we utilize and add value to the natural properties of vegetable oils and fats, and this has been our speciality for more than a century.

A vital ingredient

Fat is essential to human life. We need it for energy, to absorb vitamins, to produce hormones and to provide us with essential fatty acids that our bodies are unable to synthesize. However, following the rise in obesity and obesity-related diseases, fat is often seen as harmful and something to be avoided.

At AAK, we work continuously to develop healthy types of oils and fats that meet the requirements of customers and consumers.

Part of daily life

Close customer cooperation is central to our work, whether identifying the right solution for an application or developing new products. As a supplier to a wide range of manufacturers of branded goods in the food, cosmetics, animal feed and technical industries, we interact with very different customers who have very different needs.

However, all our customers have one interest in common: applying value-adding vegetable oils and fats in their products. As a result, vegetable oils and fats from AAK are present in many of the products we all use and consume on a daily basis.

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CEO and President:

Responsible growth – a foundation for future success

Climate change, a growing demand for food, natural resources under pressure – the challenges that our planet is facing are many. To be able to manage them, it is critical that we utilize our resources optimally and see responsible behavior as both our shared and individual responsibility. In this Sustainability Report, AAK's sixth, we aim to present our corporate social responsibility objectives, activities and achievements in a transparent way.

AAK's core purpose is to create value-adding vegetable oil solutions together with and for our customers. In order to succeed with this purpose we use our company program AAKtion to guide us. The execution of AAKtion is built upon our model for responsible growth. Responsible growth for us, is about acting responsibly towards all of our key stakeholders – investors, global and local customers, suppliers, employees and the local communities in which we operate.

To drive progress within our CSR activities, we focus our efforts within five areas: Marketplace, Supply chain, Environment, Workplace and Community. We continuously set and achieve ambitious objectives within each of these areas based on both internal and external performance benchmarking, best practice sharing and a highly engaged global organization.

AAK – a trusted supplier

Analyses of our business clearly indicate that food safety is a top concern for our customers and their stakeholders. This very much conforms to our own assessments. AAK production sites are food safety audited and certified in accordance with one or more internationally recognized food safety standards. Our recent acquisitions are currently undergoing this process.

Another key priority for our customers as well as for ourselves is ethical supply. We share our ethical information and ethical audit reports through the Sedex platform.

Responsible sourcing

There is a strong request from our customers that the sourcing of raw materials is done in a responsible way, specifically within palm. We continue to increase our focus on social and environmental issues in the supply chain. Our fully implemented Supplier Code of Conduct addresses labour and human rights, environment and anti-corruption. Today, virtually all of our raw material suppliers have approved and signed our code.

In West Africa, we persistently work towards a more sustainable and efficient supply chain, benefitting both AAK and the hundreds of thousands of women who collect shea kernels. Our special Kolo Nafaso program, which focuses on support, training and trading directly with the women, continues to progress. During the season 2014/2015 we have been reaching out to 55,000 women, exceeding our goal of enrolling 50,000, and we will continue to progress and enroll more women in the upcoming years.

We continue to support and be fully engaged in the Roundtable on Sustainable Palm Oil (RSPO) and we also continue our engagement in GreenPalm, still today probably the only tool to ensure support also to independent smallholders producing certified sustainable palm oil.

However, the RSPO requirements have been widely criticized for not effectively addressing CO_2 emissions caused by deforestation and plantation development on peatlands. AAK shares this view and has a sustainable palm oil policy that outlines our commitments on sustainable palm in general and specifically requirements for no deforestation and no development on peatlands. We are pleased with the strong progress on the implementation of the policy and especially on traceability to mills.

Resource efficiency

We are also proud to share with you some good results within resource efficiency. Despite shifting our focus to more refined products that, in general, will require more resources per produced unit, we have made some great improvements for a number of key efficiency parameters. Energy consumption, calculated per MT produced, decreased by 2.8 percent while water consumption remained the same as last year. In 2014, carbon dioxide emissions from fossil fuel per MT processed decreased by 11 percent compared to the year before. These achievements were delivered by a very dedicated and highly responsible global operations organization.

Safety and education – key concerns within AAK

During 2014, our global Lost Time Injury Rate at our production sites dropped by an impressive 58 percent, from 1.2 to 0.5. Moreover, Lost Day Rate – a measurement of the severity of incidents – decreased by 41 percent, to 7.2. This is an effect of the relentless work done by our global safety team that continued to pay off during 2014.

The negative impact of corruption is gaining more and more attention globally, both from stakeholders and from tightened legislation. Businesses all over the world are exposed to corruption risks on a daily basis. We already address anti-corruption in our Code of Conduct, our Supplier Code of Conduct and our Code of Conduct for Agents and Distributors, but in addition, we have rolled out two e-learning modules for our employees in order to increase their awareness of corruption and to give them knowledge about how to deal with it.

Local engagement

Being a global company, AAK contributes to the development of the local communities in which we operate. We do so primarily by creating jobs, paying taxes and doing business with local enterprises. In addition, we endeavour to be a good corporate citizen by taking issues such as health and safety, diversity, labour standards and our environmental impact seriously.

However, we realize that there are a variety of different ways to further engage actively with the local communities in which we are situated. I am very pleased to see the many ways in which our employees truly engage with their local communities. The initiatives presented in this report are only a few of those implemented by our employees.

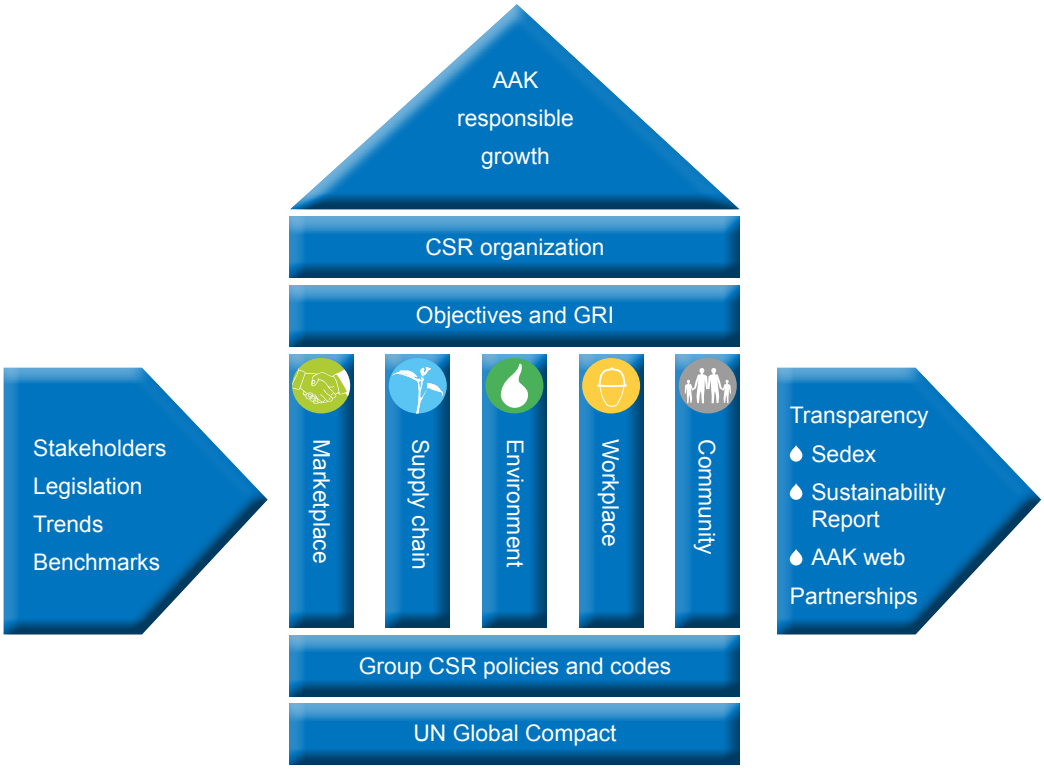
Responsibility going forward

We are with this Sustainability Report very proud to share with you our significant progress across all of our five focus areas. Going forward, we will continue to grow our business responsibly, not only by applying our model for responsible growth, but also by developing it as we gain new knowledge and as the external environment changes.

Arne Frank
CEO and President

Responsible growth at AAK

Responsible growth is the key objective of our AAKtion strategy, and is essential to our vision of being the first choice for value-adding vegetable oil solutions. For us, responsible growth is about our responsibility towards all of our key stakeholders – the local communities where we operate, our customers, our employees, our investors and our suppliers. Based on our strategy, input from our stakeholders and market trends we have developed a model for responsible growth to guide our global CSR work.



The UN Global Compact (UNGC) is a solid platform and a broad concept based on ten universal principles within Human and Labour Rights, Environment and Anti-corruption. It enjoys participation by all of the major players in global business and CSR, including the GRI (Global Reporting Initiative), ETI (Ethical Trading Initiative), ICC (International Chamber of Commerce) and OECD (Organisation for Economic Cooperation and Development). AAK has been a member of the UNGC since 2002.

AAK's CSR policies and codes are based on the UNGC, and apply globally to all AAK business activities. So are the policies and codes of many of our customers, which enhances our strategic alignment.

We have defined five CSR focus areas – the 'pillars' – that are important to our business. These provide an overview and help us focus our resources. To maintain momentum and drive improvement, we define objectives within each of the five focus areas. Further, we monitor many other indicators internally, based on the GRI guidelines. The engine behind all of this is our global CSR organization, established in 2007.

To be transparent and share information with stakeholders is also part of our approach. Sedex facilitates the sharing of information with customers. Our Sustainability Report shares information globally, primarily with investors in AAK, and via the web with all stakeholders. Partnering with other businesses, NGOs, and governmental agencies is a key element of the Global Compact concept, and we are proud to participate in several partnerships. The RSPO, the Global Shea Alliance, Danida in Denmark and the British organization TREE AID are a few examples of these.

Our CSR system is not static, adjusting instead to input from such stakeholders as customers, investors and employees. We monitor new and upcoming legislation. We follow trends in our communities, and benchmark our CSR practices against those of retailers, customers and competitors.

Our overall objective is to grow AAK responsibly and achieve sustainability as a whole.

AAK, a member since 2002

The United Nations Global Compact is an initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. With more than 12,000 signatories in over 145 countries, the UN Global Compact is the world's largest voluntary corporate sustainability initiative. The principles are:

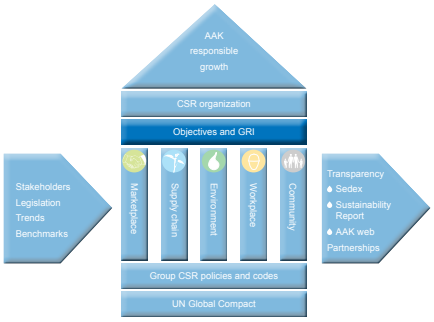
THE GLOBAL COMPACT
WE SUPPORT

	Principles	Examples of AAK commitments
Human Rights	• Businesses should support and respect the protection of internationally proclaimed human rights; and • make sure that they are not complicit in human rights abuses.	• AAK Code of Conduct is understood, accepted and signed by all AAK employees (page 12). • AAK Supplier Code of Conduct is an integral part of the approval system for suppliers. During 2014 it was implemented with more than 85 percent of direct raw material suppliers (page 15).
Labour	• Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining; • the elimination of all forms of forced and compulsory labour; • the effective abolition of child labour; and • the elimination of discrimination in respect of employment and occupation.	• AAK Code of Conduct regulates interaction with both our customers and suppliers (page 12). • Labour rights issues are governed by the AAK CSR Policy (page 41). • AAK monitors labour rights issues globally (page 41).
Environment	• Businesses should support a precautionary approach to environmental challenges; • undertake initiatives to promote greater environmental responsibility; and • encourage the development and diffusion of environmentally friendly technologies.	• Local resource efficiency projects established at all production sites (page 31). • AAK decreased its energy consumption by 3 percent during 2014, and net direct CO_2 emissions by 11 percent per produced unit (pages 33 and 34).
Anti-corruption	• Businesses should work against corruption in all its forms, including extortion and bribery.	• Two e-learning modules addressing anti-corruption were launched during 2014 (page 41).

Global CSR objectives and achievements 2014 and 2015+

The objectives and achievements for AAK for 2014 and 2015+ are presented below in brief. The objectives and achievements are further commented in more detail in the five sections to which they apply, namely Marketplace, Supply chain, Environment, Workplace and Community.

	Global CSR objectives 2014+	Global CSR achievements 2014
Marketplace	Anti-corruption training 2014: Module 1 passed by at least 80 percent of all relevant employees Module 2 passed by at least 20 percent of all relevant employees	Anti-corruption training Module 1 was successfully passed by 94 percent of the target group Module 2 was successfully passed by 41 percent of the target group
	AAK Code of Conduct for Agents and Distributors 2014: Implemented with minimum 50 percent of AAK agents and distributors	AAK Code of Conduct for Agents and Distributors 41 percent of our agents and distributors signed our code. Awaiting already existing agreements to expire for further progress
Supply chain	Palm oil traceability 2014: All palm oil supplies 100 percent traceable to mills 2017: All palm oil supplies 100 percent traceable to plantation level	Palm oil traceability 100 percent traceability to mill for palm oil at origin. Overall traceability including palm oil, palm kernel oil and derivatives was 95 percent
	Supplier Code of Conduct 2014: Maintain minimum 98 percent implemented for direct raw material suppliers (excl. West Africa)	Supplier Code of Conduct More than 98 percent of direct raw material suppliers accepted and signed our code
	Supplier Code of Conduct (West Africa) 2014: Maintain minimum 95 percent implemented with direct raw material suppliers	Supplier Code of Conduct (West Africa) 98 percent of direct raw material suppliers accepted and signed our code
Environment	Energy 3-year energy efficiency process driven by local energy efficiency teams at all sites: 2013: Teams established, monthly meetings and at least one project initiated 2014: Energy efficiency projects at all sites delivering according to plan 2015: Energy efficiency results documented at all sites	Energy Efficiency projects progressing according to plans
	Waste 2015: Minimum 98.5 percent of waste disposed as reused, recycled or recovered	Waste 97.6 percent disposed as reused, recycled or recovered, an improvement of 1.3 percent
Workplace	Lost Time Injury Rate (LTIR): Reduce LTIR at production sites with minimum 10 percent per year. 2014: Production sites maximum LTIR 1.1 (baseline 2012: 1.4) 2014: Sourcing West Africa LTIR at or below 2.3	Lost Time Injury Rate (LTIR): Objective exceeded with Lost Time Injury Rate at 0.5, a reduction of 58 percent Objective was not met with Lost Time Injury Rate increasing to 4.2, several incidents occurring under difficult circumstances outside AAK premises
Community	Local engagement 2014: Engaging in local projects and activities	Local engagement All sites are engaged in relevant local community activities in a variety of ways



Additional global CSR achievements 2014

Relentless efforts to use resources more efficiently resulted in additional achievements in 2014, such as:

- 2.8 percent decrease in energy used per processed unit
- 11.0 percent reduction of net direct CO_2 emission per processed unit
- 3.3 percent reduction of water discharge per processed unit

Global CSR objectives 2015+

Marketplace

Anti-corruption training

2015: Module 1 passed by 100 percent of all relevant employees
Module 2 passed by 100 percent of all relevant employees

AAK Code of Conduct for Agents and Distributors

2015: Implemented with minimum 80 percent of AAK's agents and distributors

Supply chain

Palm oil traceability

2015: Maintain strong progress towards full traceability to supplier mills
2015: Risk assessment completed with 100 percent of supplier mills
2017: All palm oil supplies 100 percent traceable to plantation level

Shea supply chain

2015: Include at least 70,000 women in our Kolo Nafaso project

Environment

Resource efficiency

3-year resource efficiency process driven by local efficiency teams at all sites:
2013: Teams established, monthly meetings and at least one project initiated
2014: Resource efficiency projects at all sites delivering according to plan
2015: Resource efficiency results documented at all sites

Waste

2015: Minimum 98.5 percent of waste disposed as reused, recycled or recovered

Workplace

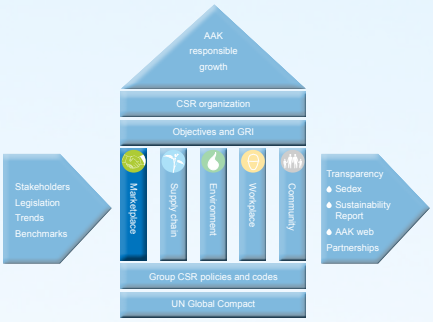
Safety

Any work related injury is unacceptable and AAK is constantly working towards a zero injuries workplace. We monitor and report Lost Time Injury Rate globally

Community

Local engagement

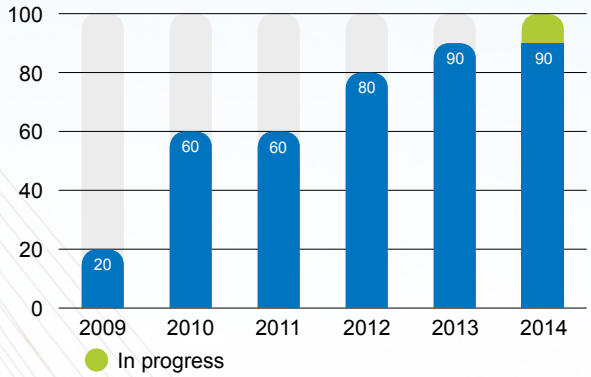
2015: Engaging in relevant local projects and activities



Key achievements

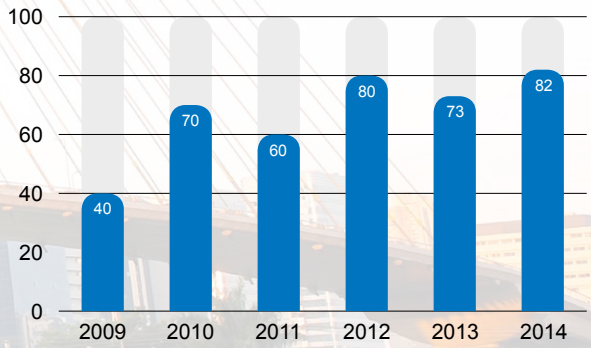
RSPO supply chain certification

Percent of production sites



Sedex members

Percent of production sites



Food safety certified

Percent of production sites

Marketplace

This section covers all areas in which AAK interacts with customers. It includes products, product development, food safety, product information and market communication. Interaction with customers is based on sound business ethics and a deep understanding of the company's responsibility for safeguarding customer brands. As a supplier of ingredients for some of the world's best-known brands, AAK recognizes its role and its customers' expectations and sees these as key elements in the way the AAK company program, AAKtion, is executed.

AAK focuses on three business areas:

Food Ingredients

Our largest business area primarily offers solutions to the Bakery, Infant Nutrition, Dairy and Food Service industries.

Chocolate & Confectionery Fats

Our second largest business area offers functional cocoa butter alternatives for chocolate, compounds for coating and moulding, and speciality fats for confectionery fillings.

Technical Products & Feed

The Technical Products & Feed business area offers fatty acids and glycerine for various applications and proteins and fats for animal feed.

Over the years, AAK has established longstanding relationships with customers built on mutual respect and a detailed understanding of customer needs. Knowing your customers means knowing your markets, and that gives AAK a head start when responding to market trends. From time to time, AAK even has set new trends through the development of leading-edge solutions.

Oils and fats from AAK perform valuable functions in customers' products. They may ensure the right meltdown property, carry flavour, supply essential fatty acids, provide structure and much more. In each case, AAK's understanding of customers' requirements is key when developing the right solution. This is why close cooperation is so important. In cooperation with our customers' key people, AAK's experts test applications, develop solutions and explore new production methods.

Marketplace achievements 2014

AAK Code of Conduct for Agents and Distributors

After successfully having implemented our Code of Conduct with all employees, and our Supplier Code of Conduct with our raw material suppliers, we launched our Code of Conduct for Agents and Distributors in May 2014. We were aiming to achieve a 50 percent implementation but due to already established contracts the objective unfortunately takes a bit longer to deliver upon. By the end of last year 44 percent of our agents and distributors had accepted and signed our code.

Anti-corruption training

Even though we already address anti-corruption in our Code of Conduct, our Supplier Code of Conduct and our Code of Conduct for Agents and Distributors, we have decided to increase the awareness and knowledge of the topic internally. To that end we launched two e-learning modules addressing anti-corruption topics during 2014, one in February and a second one in October. At the end of the modules there is a multiple choice test that needs to be passed by all employees at increased risk of encountering corruption. By the end of 2014 we had exceeded our objectives of 80 percent for module 1 and 20 percent for module 2 with a completion of 94 percent and 41 percent respectively.

Sustainability – fully integrated in AAK

Judging from our dialogues with our customers, how important is sustainability to them?

When looking at sustainability through the lens of time, mankind as a whole, and more specifically the food industry, has made tremendous progress. In its initial phase only a few decades ago sustainability was almost seen as a burden. Then it became something nice and necessary to have whereas now the industry as a whole and an overwhelming majority of our customers consider sustainability a mission critical and a fully integrated part of their business models. We at AAK welcome this since sustainability is very close to our heart and fundamental to the way we conduct our business.

Sustainability is not static, much more work needs to be done and therefore it is essential to realize that the evolution of sustainability is continuous. To stay ahead of the game, two aspects play a role of paramount importance. Firstly, we need to continue to listen very carefully to our customers, many of which play a key leadership role in this evolution and who co-define the future roadmap. Secondly, we need to continue to take responsibility and act. At AAK we want to be part of initiating and leading the debate but also to implement the necessary actions with a clear objective: to collectively progress towards a fully sustainable food value chain.

What are the specific sustainability issues that our customers are interested in right now?

We are witnessing a clear broadening of the scope that our customers are defining. Whereas focus initially was on the primary raw material supply chain and, for example, the preservation of High Carbon Stock rainforests, we now clearly hear the voices of our customers throughout the whole food value chain asking us to include in our sustainability programs aspects of securing the livelihood of smallholder farmers, improving the living conditions of communities and addressing the rights of women and children, to name a few.

At AAK we are proud that our customers have recognized and confirmed that we have a very clear program and ambitious targets that will further cement our leadership position when it comes to sustainability. We will continue to work hard to maintain this.

Jan Lenferink
President AAK Europe

Meeting consumers' awareness of healthy and sustainable food

How is AAK's new product development affected by an increased consumer awareness of healthy food?

This awareness plays a role in all product development projects within AAK. In fact, a number of our product development projects are driven mainly by the requirement of healthy and nutritional food, focusing on more nutritional balanced fatty acids profiles and more balanced energy intake. Other projects with a different focus also have a nutritional angle, as all product development ideas and projects are measured up against certain nutritional standards during the process, for example securing a continuously lower content of trans fatty acids in products within our portfolio.

How is it affected by an increased consumer awareness of sustainable food?

Sustainability is, just like health and nutrition, a major and global trend in our industry. We are committed to grow our business sustainably by constantly ensuring that our impact on nature, the environment and the societies in which we operate is limited or positive. In the development process this also means that all new products, processes and technologies are measured up against internal standards to ensure that their implementations will drive AAK in the direction of our objectives.

Regional and national regulation also have an impact on AAK's work. In what ways?

When developing and producing food and food ingredients, differences in regional and national standards and regulations have to be taken into account, just as much as ancient local traditions which often are the basis for people's food preferences. At AAK we work globally with complex processes and raw material supply chains covering major parts of the global market. We match our solutions with relevant market standards and regulations, and the customization of the final product to a specific solution is always conducted by our local product development resources, which have all relevant laboratory and pilot plant facilities at their disposal.

Karsten Nielsen
Chief Technology Officer

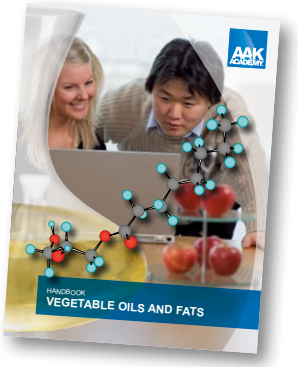
Sharing knowledge with our customers

In interaction with customers, knowledge sharing is very important. AAK is focusing on customer co-development where one important part is to run trials at the pilot plants at one of our customer innovation centers. This is done in order to offer the best possible solution for the customer. Both the AAK Academy and our customer magazine are useful tools for sharing knowledge and to give the latest information available.

AAK Academy – the knowledge center for lipid technology

The AAK Academy is a unique training concept, exclusively for customers. The Academy cultivates a good understanding of lipid technology and its role in food and other applications that guides customers in the search for the most suitable fat for a given product. It also facilitates dialogue between customers and AAK to achieve the best cooperation.

The AAK Academy offers a wide range of courses, and the format is highly flexible, with lecturers selected from the experts among AAK's staff. The Academy's basic courses on oils and fats technology give a comprehensive overview of relevant topics. The important role of oils and fats in the diet is reviewed from different standpoints. Soft processing methods and their enhancement of quality and functionality are described, together with food safety and practical advice for handling oils and the functionalities in the final applications.



Complete documentation

Participants receive complete documentation of all lectures. In addition, they get a copy of the publication "Handbook – Vegetable oils and fats". The handbook is written by experts from AAK and contains both theoretical and practical knowledge relating to oils and fats.

Since the beginning, in the early 1990s, AAK has educated thousands of customers in lipid technology. For those customers who do not have the possibility to come to AAK, the Academy is held at customer sites. The goal is to continuously expand the Academy and make it possible for even more customers to be educated in this lipid technology.

AAK's customer magazine – latest trends and information

AAK always aims to share the latest information with customers, and one way of doing this is our customer magazine. It is an important tool for creating and maintaining awareness among customers. The content varies over time and examples of topics include new product launches, highlights of product benefits and the latest news from the scientific world.

The magazine is highly appreciated among customers, and investors also see it as a good way of receiving information about AAK. It is available both in a printed version and as an e-book that can be found at our website, www.aak.com. It is distributed around the globe and also serves as a marketing tool at exhibitions, conferences and in customer contacts.

Substantial product information for customer support

The minimum requirement for product information is usually stipulated by legislation and stated in the standard contracts used in our business. Requirements for further information depend on the type of delivery. For example, they vary according to whether the product is standard or highly refined, and whether an ingredient or a final consumer product.

AAK's product information sheets sometimes have different names in different countries, but in general, three types of information are available:

Product Information Sheet/Product Specification specifies the physical and chemical properties of the products and is often part of a contract.

Material Safety Data Sheet relates to safety issues, often concerning transport. This is a legal requirement for chemicals, but not for food. However, most customers demand this information.

Quality & Product Safety Sheet contains additional information related to the product such as allergens, GMOs, contaminants, country of origin, raw materials and additives, typical fatty acid composition, etc.

For some products, a Certificate of Analysis accompanies each delivery. The certificate is produced by the relevant AAK laboratory and confirms compliance with agreed product specifications.

A matter of trust

AAK Code of Conduct

When it comes to meeting customers' needs and expectations, trust is just as important as products. AAK customers must be able to rely on AAK as a safe supplier, and particularly upon the company's commitment to working in an ethically sound manner.

The AAK Code of Conduct, which is understood, accepted and signed by all AAK staff, regulates interaction with both customers and suppliers. The Code is based on the same standards as the supplier codes that customers expect AAK to follow, encompassing ILO conventions, human rights, OECD guidelines and the UN Global Compact. The AAK Code of Conduct is AAK's guarantee to customers that the company acts responsibly, right across the organization.

Food safety

Food safety is another area of customer concern. To satisfy the requirements of customers as well as national and international legislation, AAK's production plants are certified in accordance with recognized standards, and subject to regular audit by third parties. AAK's Quality Control functions ensure and document that each and every delivery lives up to specifications and all food safety requirements.

The AAK Group vision is to be the customers' first choice in value-adding vegetable oil solutions. To achieve this vision, it is important to show customers that AAK is a responsible, trustworthy supplier that would never compromise their brands.

KFC calls AAK "the unsung hero" in its restaurants

AAK UK was named KFC Supplier of the Year 2015 and KFC Food and Packaging Supplier of the Year 2015 in the prestigious KFC UK supplier awards, held at a ceremony in London in March.

Describing AAK as "the unsung hero in our restaurants", KFC struck at the very core of AAK's CCV (Creating Customer Value) approach in saying:

"This supplier has extended from their core business to support KFC by developing new products to meet changing customer needs. They have heavily invested in Food Service capability and are looking to invest further into innovative packaging formats to support our brand in the future. They are key supporters of Spend Smarter initiatives that have helped reduce our cost of spend year-on-year and have underpinned this with flawless service and availability."

The award is the result of a team effort spanning across sales and customer innovation, production, supply chain, technical and marketing, and to win such an accolade, AAK had to get everything right, consistently.

This approach has also opened up the possibility of broadening the range of products that AAK supply. AAK is also being engaged as a strategic partner to build its KFC sales across Europe.

Mutual respect and shared objectives of responsible sourcing

Social respect and environmental responsibility are key principles for Ferrero. How is this reflected in your choice of suppliers?

Ferrero's fundamental principles relating to sourcing from suppliers are excellence in raw materials quality and compliance with the internationally recognized social, ethical and environmental standards. We believe that sustaining long-term and trust-based relationships with suppliers are keys to drive continuous improvement towards sustainable supply chains and high quality raw materials sourcing.

AAK is one of Ferrero's important long-term suppliers with a long history of mutual respect and shared common objectives of responsible sourcing. Being an integral partner towards sustainable sourcing, AAK endeavours to adhere to the stringent requirements of our Ferrero Codes of Business Conduct and Code of Ethics, and to promote the shared values in advancing Ferrero's sustainable supply chain commitments.

AAK has committed to partner with Ferrero in meeting the Ferrero Palm Oil Charter. What does that mean?

Moving beyond certification, Ferrero launched a Palm Oil Charter in 2013 to strengthen the commitment to responsible sourcing of palm oil. The Charter has ten specific criteria to address the leading causes of deforestation and to create a balance between the conservation of the environment, community needs and economic benefit and viability. Ferrero has agreed with suppliers, including AAK, to meet the targets of the Charter. To achieve sustainable supply chains becomes extremely challenging when a single actor takes on the journey alone, which is why it is inevitable to work closely together with suppliers to ensure continuous progress.

As one of Ferrero's major long-term suppliers, AAK was among the very first suppliers to support Ferrero in achieving our objective of reaching 100 percent sustainable and segregated RSPO palm oil by the end of 2014. AAK is also one of our key partners in supporting the implementation of the Ferrero Palm Oil Charter and ensuring 'No deforestation – No peatland – No exploitation' palm oil in our products.

FERRERO

AAK rewarded with Sustainable Ingredient Award

Lipex SheaLight from AAK Personal Care was named best Sustainable Ingredient at the Sustainable Beauty Awards held in Paris in November 2014. The Sustainable Beauty Awards highlight those who are at the forefront when it comes to sustainability in the beauty industry. The Sustainable Ingredient Award goes to a cosmetic ingredient that makes a significant difference in terms of environmental and/or social footprint. As the winner, Lipex SheaLight from AAK Personal Care meets both requirements.

Lipex SheaLight is made using shea butter and ethanol from renewable sources, environmentally acceptable catalysts and low energy processes – all to minimize environmental impact. Since shea is a non-cultivated, wild crop there is no land use consumption in its production. The manual harvesting reduces the use of fossil fuels, and provides needed income to the rural women who perform the harvest in West Africa.

Lipex SheaLight™
proud winner at
SUSTAINABLE BEAUTY Awards

Third party certification of AAK production plants

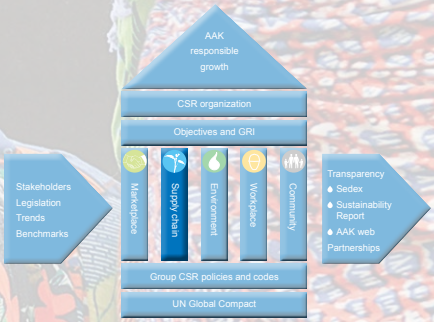
91 percent of AAK plants are certified to one or more internationally recognized food safety standards (FSSC 22000/ISO 22000/BRC)

90 percent of sites handling palm oil have RSPO Supply Chain Certification. 100 percent certified expected in mid-2015

63 percent of sites are quality management certified according to ISO 9001

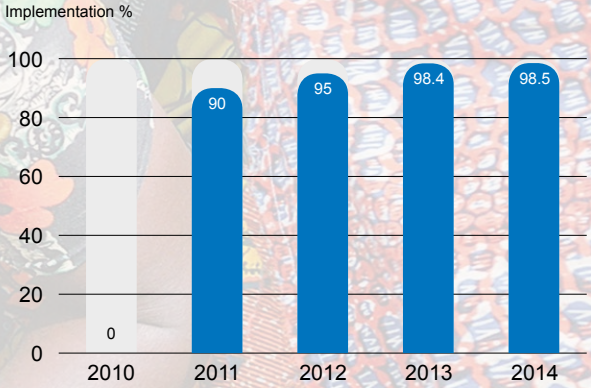
45 percent of sites are environmentally certified according to ISO 14001

In addition, various production plants are also certified according to other standards such as national energy standards, the KRAV organic standard, feed safety, health and safety, Halal and Kosher production.

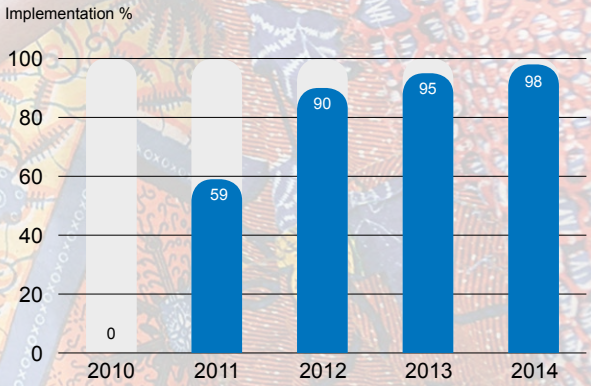


Key achievements

Supplier Code of Conduct excl. West Africa

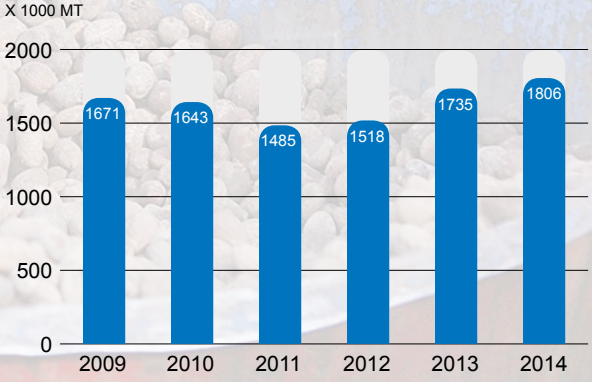


Supplier Code of Conduct in West Africa



Key data

Processed raw materials



Supply chain

This section covers activities related to the sourcing of raw materials that AAK uses in its production plants. Sustainable sourcing of raw materials is the backbone of AAK's business and a key element of the AAKtion program. The combination of the right raw materials and value-adding functionality is key to the wide range of solutions offered. Just as it is vital for AAK to obtain the right raw materials, AAK places equal emphasis on sustainable growing and procurement. For this reason AAK has implemented a Supplier Code of Conduct that, among others, applies to AAK's direct raw material suppliers worldwide.

Continued enforcement of AAK Supplier Code of Conduct

Introduced in late 2009, the AAK Supplier Code of Conduct is an integral part of the approval system for suppliers. During 2014, compliance was 98.5 percent of direct raw material suppliers, who were required to approve and sign the Code or demonstrate their compliance in some other way. The Supplier Code of Conduct is now an integral part of the approval system of new raw material suppliers and compliance of the Code is a prerequisite for final approval. However, changing supplier base makes it challenging to achieve 100 percent.

In West Africa, the Code has been implemented in a different way due to various linguistic and cultural challenges. Because ethical requirements in business relations are not a widespread tradition in the region, more meetings and explanations are required to achieve the necessary understanding. In 2014, an all-time high recognition level of 98 percent was achieved.

The AAK Supplier Code of Conduct stipulates requirements with regard to the following:

- Human rights
- Child labour
- Working hours
- Working environment
- Environment
- Forced labour
- Discrimination
- Housing
- Young workers
- Remuneration
- Freedom of association
- Corruption
- Notification
- Workplace violence

Supplier management

In addition to palm oil, shea and rapeseed, AAK processes a range of other raw materials. While AAK's engagement in palm oil and shea is evident, the work to enhance sustainability aspects covers all the raw materials in the company's supply chain.

Until 2010, AAK operated two different supplier approval practices. Since then the company has been working to integrate them into one common practice, based on quality, food safety, environmental and ethical requirements. Today, AAK's supplier approved process is globally based on the same principles.

The Supplier Code of Conduct is a fundamental tool for assessing suppliers. In this context, AAK has decided to work within its sphere of influence, i.e. to focus on those whom AAK has the best chance of influencing – AAK's direct raw materials suppliers. Still, by urging suppliers to positively influence their suppliers, AAK aims to broaden the company's sphere of influence and inspire other players in the supply chain to act responsibly.

Minimal impact on the environment

AAK takes a holistic approach to responsible sourcing of its raw materials. What does that mean?

A holistic approach, for AAK, means that we are interested in engaging and developing the entire supply chain in the large number of countries around the world from where our raw materials originate. Our approach includes responsible purchasing practices, community engagement, education, adherence to social and environmental standards as well as a strong focus on work safety and regulatory requirements. AAK will continue and further strengthen its obligation to source raw materials in a sustainable and ethical way and always with respect for people involved in our operation and supply, using our AAK Supplier Code of Conduct to secure compliance and commitment. By taking a holistic approach to responsible sourcing, we can create and secure our future as well as create value for our customers.

What measurements does AAK take in order to source its raw materials with minimal environmental impact?

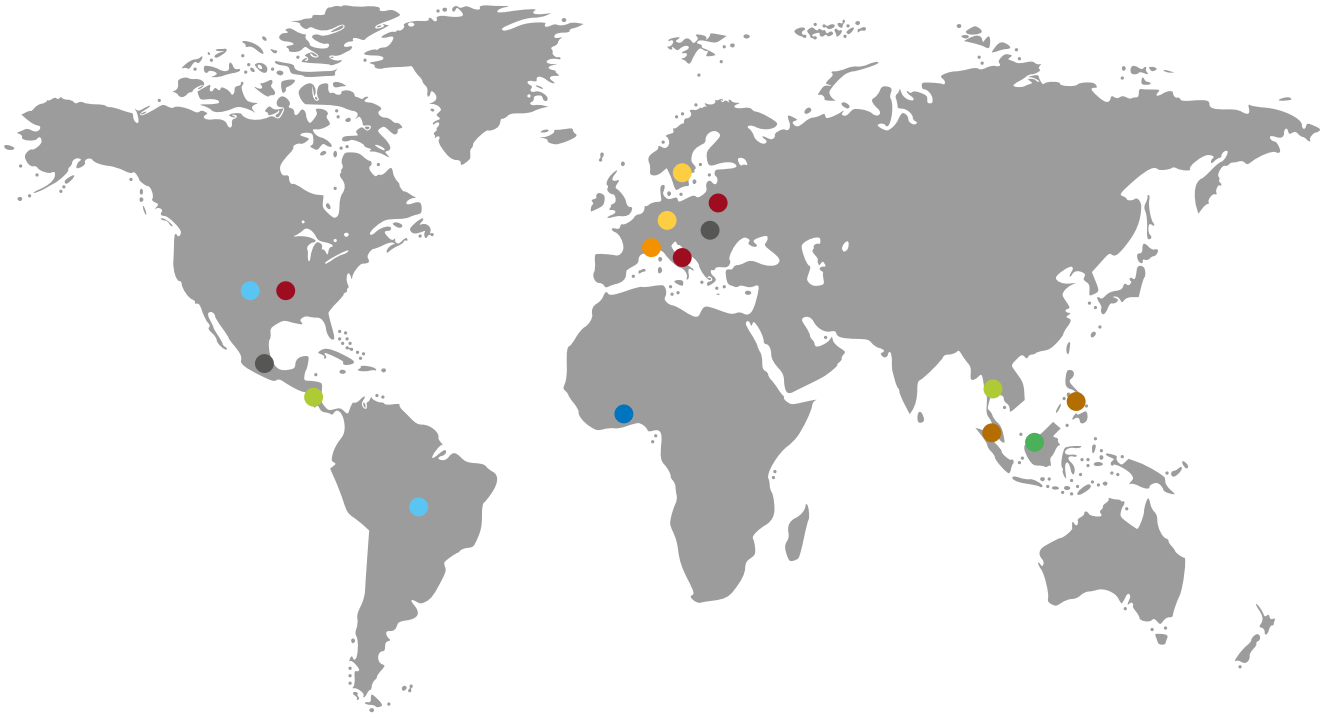
To minimize our environmental impact is important to AAK and we seek to optimize our supply chain so that our carbon footprint is kept to a minimum. Last year we opened a new office in Singapore in order to coordinate and manage our sourcing activities and our logistics flow on a global level. By understanding and engaging in the local markets in which we operate, we will be able to source our raw materials closer to origin while we at the same time discover new opportunities in the marketplace and establish innovative sourcing solutions.

What commitments does AAK make to ensure no deforestation?

AAK strives to do business with honest and committed palm oil suppliers who manage their production in an environmental and sustainable manner and in accordance with our AAK palm oil policy and our AAK Supplier Code of Conduct. Deforestation is one of the key concerns related to palm oil production and we are very committed to ensure no deforestation in our supply chain. Traceability to mill for sourcing of palm oil and associated products, including palm kernel oil, is a means to assess if a supplier works in accordance with AAK's palm oil policy. In parallel with the work on establishing traceability, we have, together with Proforest, implemented risk assessment and mill verification programs. Risk assessment is necessary for us to prioritize efforts and to identify those origins where there is a significant risk of policy non-compliance.

Torben Friis Lange
President Asia

AAK sources raw materials from all over the world



Rapeseed

Northern and Central Europe

Palm oil

Asia and Latin America

Palm kernel oil

Asia

Olive oil

Southern Europe

Soya bean oil

US and South America

Sunflower oil

Eastern Europe and Mexico

Shea kernels

West Africa

Corn oil

America and Eastern and Southern Europe

Coconut oil

Malaysia and the Philippines

AAK's core business is speciality vegetable oils that meet the needs of the food, confectionery and cosmetics industries. Sourcing renewable raw materials from around the globe, the broad product portfolio is manufactured at AAK's production plants in Europe, Asia and the Americas.

Raw materials are obtained from rapeseed, palm oil, soya beans, shea kernels, sunflower seed, olives and many other sources. Drawing on the company's extensive knowledge and more than a century of experience, the properties of vegetable oils are exploited to add value to the products of customers within the company's target industries.

Palm

– increasing demand for sustainable palm oil

Globally, palm oil is the most produced and consumed vegetable oil, accounting for 32 percent of the world's vegetable oil production. Soya bean oil, at 22 percent, holds second place. The oil palm has the highest yield of all oil crops – six to ten times more than other oil seed crops.

However, palm oil production has raised serious concerns relating to deforestation and the elimination of endangered animals, to name two. As a consequence, WWF in 2003 initiated the Roundtable on Sustainable Palm Oil (RSPO) along with AAK, Golden Hope Plantations, Migros, Malaysian Palm Oil Association, Sainsbury's and Unilever. The organization has now worked for more than a decade to promote the growth and use of sustainable palm oil worldwide.

One recognized system

We continue to be very engaged in the RSPO, and its Board. AAK recognizes the RSPO certification as the only established and stable systematic organization and standard for sustainable palm oil. RSPO is not perfect. However, it is important to have one well established recognized system rather than a series of individual systems and organizations, which add complexity and might prevent progress towards a fully sustainable palm oil supply chain.

RSPO progress

Due to the position as an intermediary in the palm oil supply chain, AAK is fully dependent on the availability of supply of physical, segregated sustainable palm oil and, to some extent, on demand from customers. Customer requirements drive the kind of palm oil delivered by AAK.

In preparation for future demand, AAK production plants processing palm oil have obtained RSPO Supply Chain Certification and are capable of producing sustainable palm oil as required.

AAK is committed to increasing the volume of RSPO certified raw material that it purchases, with the ultimate objective to achieve RSPO certification of all palm oil purchased. Driven by demand, 20 percent of AAK palm oil products in 2014 were RSPO certified, an increase of 6 percentage points from 2013. Mindful of the current level of supply and demand which varies significantly between markets, AAK has revised its time bound plan to only sourcing RSPO certified crude palm oil by 2018 and RSPO certified palm oil, palm kernel oil and derivatives by 2020.

Towards a sustainable palm oil industry

What is the main objective of the Roundtable on Sustainable Palm Oil?

RSPO's objective is to promote the growth and use of sustainable oil palm products through credible global standards and engagement of stakeholders.

It has been eleven years since WWF initiated the RSPO along with AAK and others. How far has the organization come towards its objectives?

When RSPO was formed in 2004, certified sustainable palm oil (CSPO) wasn't very well received. It was a constant uphill struggle to change the perception of both growers and end users.

Since then there has been significant progress both in attitudes and tangible results. A credible certification scheme has been established with independent certifiers and an independent body to verify those certifiers; complaints processes are in place with an independent review leading to major changes; four supply chain options have been established; we have more than 2,300 members; and most importantly, 20 percent of global palm oil production is now RSPO certified.

However, the RSPO recognizes that it is only part way along the road and that CSPO will only cease to be a niche product when 51 percent of global production is certified. We believe we are well on the way to achieve the end objective, but that there are many more obstacles to overcome.

What have been AAK's main contributions?

As a founding member of the RSPO, and a member of the Board of Governors since inception, AAK continues to be very engaged in the RSPO. The company recognizes RSPO certification as the only established and stable systematic organization and standard for sustainable palm oil.

What are the main objectives for RSPO within the next couple of years?

The RSPO aims to continue to increase production and use of CSPO. Particular challenges are major consuming countries such as China and India and even Indonesia. In addition, the RSPO will focus on smallholders by a jurisdictional approach to enable much wider scale of production of certified sustainable palm oil. We currently have about 145,000 smallholders certified and aim to increase the number significantly. There are many other focus areas, including other production locations in Africa and Latin America and supply chain development. The RSPO is developing into a large and complex organization, but one which keeps its ultimate objective front and center.

Darrel Webber
RSPO Secretary General

Supporting the production of sustainable palm oil

Food manufacturers and retailers have a simple way to reward palm oil producers for adhering to sustainable and responsible practices, and to tell their customers that they do so. It is an exclusive, RSPO-endorsed, web-based platform for trading in sustainable palm oil certificates, called the GreenPalm Program.

Organized by Book & Claim Ltd, an AAK subsidiary, the platform makes it possible for food manufacturers to pay palm oil producers directly for producing RSPO certified sustainable palm oil (CSPO). There are three obvious advantages to this:

- Manufacturers of consumer products get a simple way to support sustainable palm production
- Smallholders who lack access to a certified supply chain can obtain a premium for their efforts
- No requirements for supply chain certification makes this the fastest way to engage in the support of sustainable palm oil

The GreenPalm Program supports the production of sustainable palm products that meet the requirements defined in the Principles and Criteria of the Roundtable on Sustainable Palm Oil (RSPO).

GreenPalm – the inclusive supply chain option

During 2014 we oversaw the trade of 3,421,809 certificates, maintaining the impressive levels from the previous year. The premiums paid for Palm Kernel Oil certificates during 2014 remained high following their rise during 2013. The price was volatile, trading between $40 and $80 during the year.

Premiums paid back to RSPO certified growers totalled $35 million during 2014. Adding that to the premiums paid previously gives a cumulative total of $87 million.

GreenPalm continues to link independent smallholders to the global marketplace and we were very pleased to conclude the trade of 100 percent of all the certified groups Palm Kernel Expeller certificates to a Dutch cheese manufacturer.

The GreenPalm option is geographically neutral and any RSPO certified grower, no matter what scale of operation or location, can be linked to the demand regions so that they can be rewarded for their sustainable achievements. It is the only fully inclusive option available and it will continue to drive the RSPO to complete its vision – to transform markets to make sustainable palm oil the norm.

Bob Norman
General Manager GreenPalm

AAK sustainable palm oil commitments

AAK's Sustainable Palm Oil Policy has been developed significantly over the past year, with contributions from various stakeholders. In a dynamic environment, commitments from customers and suppliers relating to sustainable palm oil have seen parallel development. AAK's policy is consistent with a wider market move, and puts AAK at the forefront of palm sustainability.

AAK's policy is founded on the following pillars:

- support for the Roundtable on Sustainable Palm Oil (RSPO)
- traceability
- no deforestation
- no development of peatland
- free, prior and informed consent (FPIC)

AAK has clear definitions for traceability, peatland development and FPIC. For deforestation and FPIC we rely on RSPO definitions, supplementing the High Conservation Value (HCV) RSPO definition used for deforestation with

High Carbon Stock (HCS), but mindful that there is as yet no common industry definition of HCS. Until a common framework has been developed, AAK will apply the HCS framework and identification tool that have been developed by Greenpeace and others.

We seek constantly to improve our policy as further issues and demands emerge, at the same time being mindful that implementation is even more important than words.

AAK's policy is to communicate progress as a minimum annually in our Corporate Social Responsibility report. However, we report more frequently as appropriate. AAK's progress reports and palm oil policy can be found at www.aak.com under Documentation/Policies.

AAK Sustainable Palm Oil Policy implementation protocol

AAK's Sustainable Palm Oil Policy identifies a number of commitments relating to the traceability and sustainable sourcing of palm oil. Recently, AAK adopted an implementation protocol defining the mechanisms used by AAK in implementation of the Sustainable Palm Oil Policy.

The protocol covers traceability, risk assessment and mill level verification. Establishing traceability to palm oil mills enables AAK to take the steps necessary to ensure that these known sources meet our policy requirements. Risk assessment is necessary in order to allow us to prioritize our efforts, by identifying those origins where there is any significant risk of policy non-compliance, and focusing greater scrutiny on highest-risk mills, including mill based verification.

Our risk assessment and mill verification program follows a three-stage process: qualitative risk assessment, geospatial risk assessment and mill verification. The three stages are elaborated in the implementation protocol, together with supporting mechanisms and tools:

- Traceability process and definitions
- Risk assessment methodology
- Mill level verification approach, together with specific protocol and verification checklist
- Internal monitoring and reporting mechanisms, including grievance procedure

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Grievance procedure

AAK is committed to high environmental and social standards in its supply chain, as evidenced in our Sustainable Palm Oil Policy and Supplier Code of Conduct. AAK also recognizes that the scale and complexity of our supply chains mean that full implementation of these policies can be challenging. Our grievance procedure being part of our implementation protocol is intended to allow stakeholders to highlight any perceived issues in AAK palm oil supply chains and facilitate solutions to them. It should be noted that AAK has a commitment to the RSPO grievance process that it will follow if any grievance is raised through that mechanism. This grievance procedure is an additional approach to ensure all grievances raised are approached in a timely, transparent and systematic manner.

Objectives and scope

The grievance procedure document is a guide for how grievances raised by external parties will be handled by AAK. The procedure encourages input and feedback from stakeholders, as AAK recognizes that this kind of engagement increases transparency and allows us to gauge the implementation status of our policies across our supply chains and work towards continuous improvement.

The procedure is applicable to AAK operations worldwide and to all third-party palm oil suppliers. The procedure covers the steps of recording grievances and communicating with the relevant parties, developing plans to investigate a grievance, deploying a field verification team, and creating and implementing action and monitoring plans to resolve grievances. If a supplier that breaches AAK policies is not able to resolve the issue related to the grievance, AAK will terminate commercial relations with that supplier.

Proforest – partner for responsible sourcing of palm oil

AAK partnered with Proforest in May 2014. What is the scope of the partnership?

The scope of the partnership is essentially to implement AAK's Sustainable Palm Oil Policy. The policy includes commitments on sourcing RSPO certified palm oil, traceability and specific sustainability requirements. Implementation of the policy needs to be demanding and credible, yet realistic and achievable. In some activities, Proforest provides technical support to in-house teams, while in other areas where AAK does not have specific expertise, Proforest necessarily takes the lead.

In what ways can Proforest assist its partners in their different sustainability challenges?

It is no doubt easier to make policy commitments, than to ensure they are meaningfully implemented. In order to deliver robust implementation, Proforest has developed its own approach to responsible sourcing, based on years of experience with different forest and agricultural commodities. This provides a pathway of implementation along which we can support and guide the companies we are partnering with. Proforest's responsible sourcing approach covers policy commitments, traceability, risk assessment, site verification and producer engagement. We believe that we offer our partners an unrivalled level of technical support. In addition, we are always aiming to maximize positive sustainability impacts, and to deliver that we utilize a 'critical friend' approach.

How would you describe the first year working alongside AAK?

I would say that it was largely dominated by the objective of achieving 100 percent traceability to mill. AAK's commitment to meeting this has definitely been impressive, given the magnitude of the supply base and the large volumes involved. In parallel, we made a start on actually looking at relative risk levels of various origins, in terms of AAK's policy commitments, and carried out the first batch of site verification assessments (in Peninsular Malaysia). It's fair to say that implementation is going to involve a sustained and significant investment of effort to engage with suppliers and their mills, but AAK's actions to date, including setting up a senior-level taskforce and an in-house training module, have demonstrated that the company is entirely serious about meeting the challenges ahead.

Neil Judd
Director Proforest

Sustainability through teamwork

Developing our policy and putting it into action has been driven through a cross-functional and cross-border cooperation. In 2013 we established a Palm Sustainability Task Force with members of the functions being key to ensure the sustainability of our palm oil. The objective of this task force is to develop our policy, to ensure delivery upon our commitments in our policy and to stay ahead of the market needs. The task force has members from Sourcing & Trading, Operations, Sales & Marketing, CSR and our external partner Proforest, and they meet frequently.

Our global Sourcing & Trading team is playing a key role in delivery on our policy commitments. The team has been working proactively with our global supply base for palm oil. This is to ensure that all of our suppliers understand our commitments and the requirements they need to meet in order to continue to be part of our supply chain.

Our global Operations team has ensured that all relevant sites are RSPO certified and manage our supply on a daily basis according to market needs.

Further, in 2013 we established a Sustainable Palm Oil Champions network with the objective to ensure that we track and adjust to trends in the local markets globally, that our sales people everywhere are well aware of our sustainable palm oil solutions for our customers, and that they share best practices from more developed sustainable palm oil markets with less developed ones. The network has members from all of our sales regions around the world and they meet on a monthly basis.

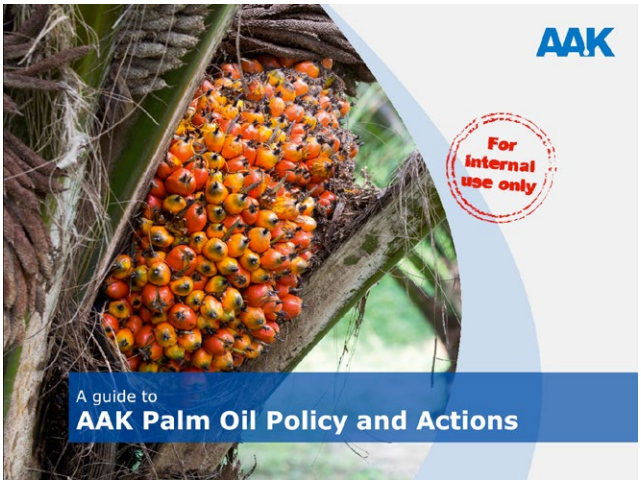
AAK sales force training and support

In November 2014 AAK published a booklet, “A guide to AAK Palm Oil Policy and Actions”. The booklet is an internal tool meant to support employees in sales enabling them to fully explain AAK Palm Oil Policy and Actions. In parallel to the publication, our Sustainable Palm Oil Champions network gave presentations to the sales organization explaining in more detail the content of the booklet.

To further strengthen and qualify our dialogue with customers, we have launched an internal 25 minutes e-learning module on sustainable palm oil. The learning objectives are:

- To understand the importance of palm oil – to the world and to AAK;
- To understand the sustainable palm oil framework covered under the RSPO;
- To understand key definitions related to palm oil and traceability;
- To understand AAK policy and actions towards sustainable sourcing of palm oil;
- To use the knowledge acquired in this course as a tool when working with customers on topics related to palm oil and AAK policy and actions.

The e-learning module has a multiple choice test that during 2015 needs to be passed by more than 400 employees identified as the target group.



Making a difference to our customers

In 2008 AAK received its first delivery of RSPO certified sustainable palm oil, marking the start of a new sustainable journey in palm oil and, for AAK, a new way of working with customers and their sustainability requirements.

This first delivery was made to our site in Hull and our UK team quickly realized that their expert knowledge of RSPO certified palm oil could make a real difference to their customers. By understanding the total supply chain from the mill to the supermarket shelf, the team engaged with each part of the chain to encourage uptake and share knowledge.

This started with the major retailers who began developing policies to deliver RSPO certified sustainable palm oil in private label products, but who were unsure of what quantities and qualities were physically available. AAK, along with GreenPalm provided information and support to develop these policies while making a direct difference on the ground by encouraging the use of GreenPalm certificates as a first step. Many retailers continue to use GreenPalm to deliver fractions and derivatives for their 100 percent certified objective at the end of 2015.

AAK customers, many of which supply the retailers, needed guidance on how to gain and supply RSPO certified material. Here, again, AAK supported them not only by supplying the products, but by offering training to technical and commercial teams. This included showing them how to meet RSPO supply chain audit requirements and advising them on how to use the Claims and Communication guidelines. Sustainable presentations to individuals and large groups are part of AAK’s regular contact with customers.

AAK recognized the need to go beyond the RSPO commitments and the need for traceability of palm oil as a first step, and during 2014 a policy was developed. This was developed by the global Palm Sustainability Task Force, with representatives from all key functions within AAK and based upon input from key external stakeholders. Together with our Sustainable Palm Oil Champions network, the task force has been able to react relatively quickly to customers’ needs. Many of our customers have similar palm oil policies as AAK within their own CSR commitments and this alignment is a strong starting point for a good supplier/customer relationship.

By working together, AAK and our customers can support the transformation towards a fully sustainable palm oil supply chain.

Nestlé: A transparent and traceable supply chain

What are some of the key principles for Nestlé when it comes to sustainable palm oil?
At Nestlé, we believe that the first step towards sustainably produced palm oil is to create a transparent and traceable supply chain. We are committed to transform our palm oil supply chain in compliance with our Responsible Sourcing Guidelines. Nestlé is conscious of its responsibility in contributing to effective and sustainable solutions.

You have been working with AAK for many years. How do you view AAK as a supplier?
AAK has for many years been one of our leading suppliers of oils and fats. Over the last two years Nestlé has seen AAK take strong action to address key sustainability issues. The strengthening of the AAK Sustainable Palm Oil Policy in 2014 to include commitments to no deforestation and no development of peatlands was a significant step forward. AAK's work to date to support their supply chains is aligned with their commitment and has been important for Nestlé. We are convinced that AAK will continue its journey and encourage them to continue showing progress on transparency, traceability, and implementing its policy in the coming years.

Marco Gonçalves
Nestlé SA Chief Procurement Officer

Achieving traceability

As part of implementing our sustainable palm oil policy commitments of no deforestation and no development on peatland, we request all our raw material suppliers of palm oil to provide us with traceability information. This has also become a mandatory requirement for new suppliers as part of our standard approval procedure for palm oil suppliers. 2014 was a successful year in the sense of relatively quickly adjusting our supply chain to meet the necessary requirements stipulated in our palm oil policy. It has been important for us to work closely with our suppliers and explain to them why AAK requests information which for some suppliers is regarded as sensitive information. Nevertheless, our suppliers have generally welcomed the initiative which AAK among other palm oil processors is taking in transforming its supply chain towards palm oils produced under stronger sustainable practices.

By the end of 2014 we achieved 100 percent traceable to mill for all the palm oils sourced at origin, which is a result of a joined teamwork within AAK together with our suppliers around the world. For the palm kernel oils sourced from origin, we managed to end 2014 at 89 percent traceable which we consider a strong result given the complexity of this supply chain. Strong focus will continue throughout 2015 within all areas.

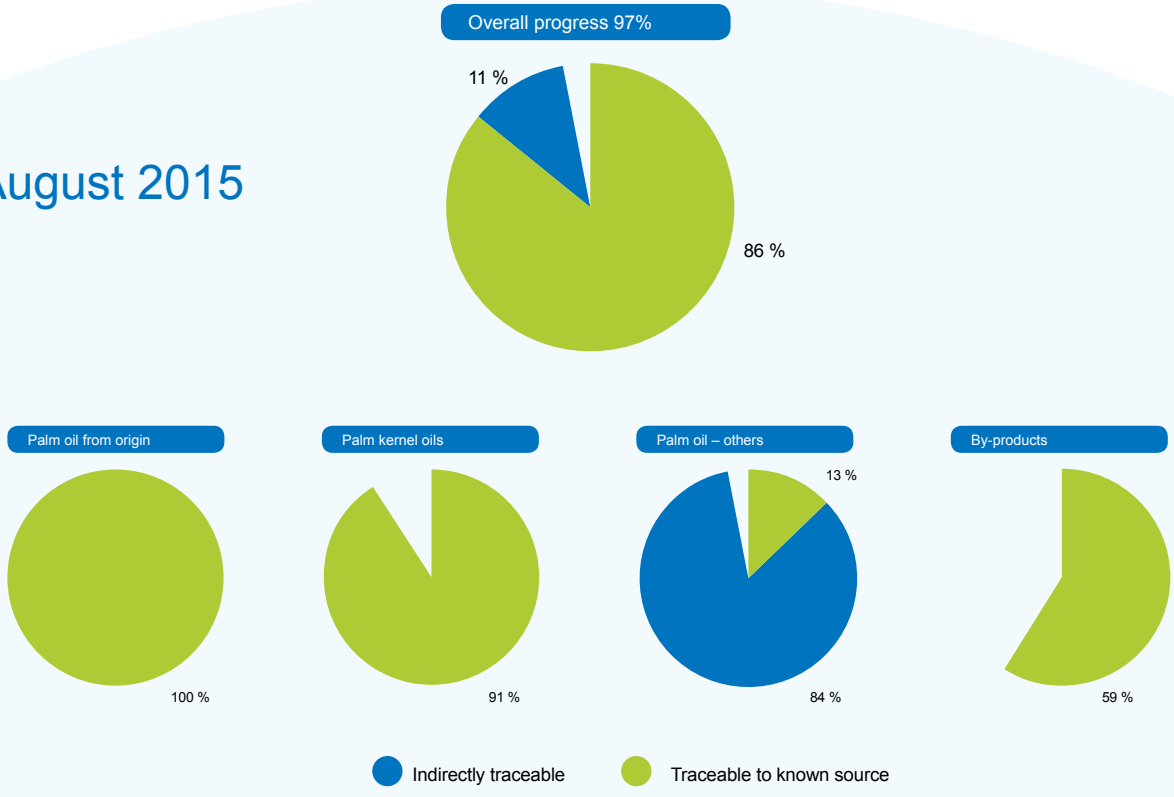
For oil being produced away from origin, we generally find that the whole industry is having difficulties in getting fully traceable oil to the mill level. The reason is that much of these suppliers' feedstocks are commingled in land tanks at the port of shipment, and further throughout transportation. This makes it difficult to maintain traceability back to mills, where the crude oils could possibly have been produced.

Despite our strong progression on traceability during 2014, our journey is far from completed. It has to be emphasized that traceability is only a tool for risk assessing our supply chain. Having the traceability in place is of course a necessary starting point to ensure that the oil we source complies with our policy requirements. Some stakeholders are currently asking for traceability beyond the mill level all the way to plantation level. We fully agree that such traceability will allow us to make an even more thorough assessment of our

supply chain. We also recognize the complexity in obtaining such information at that detailed level. Currently we are monitoring for traceability to the plantation level, which is starting to see progress.

Traceability will always be retrospective to a certain extent and will be a snapshot of what supply chains look like at a specific point in time. Therefore, to ensure that we keep a high level of quality in the data we are using for our risk assessment, we ask our suppliers every sixth month to provide us with any updates within their supply chain. By doing so, we ensure a high degree of validity in our risk assessments which is vital for achieving credible results. Our focus currently is on assessing compliance of identified mills, which we consider to be the most effective implementation methodology.

August 2015



Key progresses

AAK has advanced rapidly in putting its sustainable palm oil policy into action:

- strong progress towards the target of 100 percent traceability to mill for sourcing of palm oil and associated products, including palm kernel oil and sourcing for technical, non-food use
- 100 percent traceability back to mill origin for palm oil and 97 percent overall for palm oil, palm kernel oil and residuals
- qualitative risk assessment process completed for all identified supplier mills
- geospatial risk assessment completed for 20 supplier mills
- higher risk supplier mills identified for on site mill verification assessments in 2015
- finalized AAK Palm Oil Policy implementation protocol
- adopted a palm oil grievance procedure

Rapeseed

– sourcing close to home

Rapeseed is an important raw material at AAK. Thanks to local seed suppliers and in-house processing, AAK can offer oils from traditional seeds and a range of speciality variants. Most of the rapeseed used by AAK's products is grown in Sweden, where farms have increased their output in recent years. Through close cooperation with the farmers, AAK is able to maintain control of the entire value chain, from the production of raw material to finished products. The rapeseed meal that remains after oil extraction is used as animal feed.

With a high oleic acid content, rapeseed oil has the lowest saturated fat content of all vegetable oils and is high in monounsaturated fatty acids. It also contains the essential fatty acids linoleic acid (Omega 6) and alpha-linolenic acid (Omega 3), as well as vitamin E (tocopherol) and vitamin K.

Its nutritional and functional properties mean that rapeseed oil is ideal for use as a cooking oil or ingredient. Food applications range from mayonnaise and salad dressings to baby food. In margarines and bakery products, rapeseed oil ensures the right consistency and an improved nutritional profile.

For high-temperature processes, high oleic acid-varieties of rapeseed are significantly more suitable. The advantages are a low saturated fat content together with good thermal and storage stability.

Shea

– a strategic raw material

Shea kernels are a very important and unique raw material for AAK. The shea tree is a wild tree growing in a belt across Africa south of the Sahara. Countries with the highest population of shea trees include Mali, Burkina Faso, Nigeria, Ghana, Ivory Coast, Benin and Togo – also some of the least developed countries in the world. Due to a very long maturity period, shea trees are not grown in plantations.

Over more than 60 years, AAK has gained extensive knowledge and experience of this raw material and the local communities in which AAK operates. Selected shea trees are continuously monitored and combined with multiple weather data in a complex matrix to assess the size of the next harvest, and a number of processes take place to ensure an unbroken supply chain from the collection of shea kernels and early pre-treatment, to transportation to ports and warehouses and then shipment to Northern Europe.

Improved livelihood

AAK works with the women who collect the shea kernels, building capacity in local communities. AAK's work in these areas includes the formation and teaching of women's groups in villages, and by doing direct business with them, the women have been able to markedly improve their livelihood.

Great progress in West Africa

We at AAK have seen some important progress within our activities in West Africa over the last year and we continue to improve our presence in the region.

During the past year we have, among other things, finalized the building of our yard in Bobo-Dioulasso, Burkina Faso and refurbished our yards in Ghana where we also have started a women's groups project. Financed by Danida, we have also started a shea tree regeneration project in Burkina Faso together with The National Agricultural and Environmental Research Institute (INERA), and TREE AID, a British development and environmental NGO. Since some years back we also employ a number of deaf mute people in Ghana who are doing an excellent work in a safe environment.

In addition, we continue our work regarding the compliance with the AAK Supplier Code of Conduct and our involvement as a founding member of the Global Shea Alliance. AAK has a clear vision to work in the direction of a sustainable value chain and to focus even more on sustainability and traceability.

Henrik Vingaard
Sourcing & Trading Director

Exciting times for the Global Shea Alliance

The Global Shea Alliance is a multi-stakeholder non-profit organization established in 2011 with AAK as one of its founding members. What is the main purpose of the alliance?

The GSA focus areas are sustainability, market expansion, competitiveness, and policy advocacy. In the past few years, we have launched a number of important initiatives to achieve our mission:

- The GSA Sustainability Program defines guidelines for sustainable business practices and projects that improve women's empowerment and tree populations in Africa. Registered partners are building warehouses for women collectors, offering business development trainings to women's groups, undertaking health and safety initiatives, and much more. The program is about creating large-scale impact through GSA member collaboration.
- We hold three international conferences and exhibitions in Africa and the US each year to promote shea-based ingredients and products.
- We established a quality standard for kernels and held trainings on best practices for processing and storage that benefited 30,000 collectors last year.
- We are supporting producing countries to undertake international policy advocacy campaigns that will open important new markets.

In recent years, the number of GSA members has increased considerably. What is the reason for this?

It's been an exciting few years for the GSA and we now have 380 members including brands, suppliers, women's groups, and non-profits. Our members range from small start-ups to large international businesses and are based in 25 different countries. The GSA offers a compelling opportunity to join industry-wide sustainability efforts, support international promotion, network with members, access technical support, and gain exposure. For our membership, we think it's important to offer sustainability, quality, and promotion activities in order to drive continued interest.

What are the main objectives for the alliance within the next year?

We have an ambitious year planned at the GSA. We are increasing our membership and sustainability partners as well as rolling out public private partnerships to help scale the size of existing projects. We are also launching a European conference and developing an international strategy to promote shea in food and cosmetic industries.

Joseph Funt
Managing Director
Global Shea Alliance

Kolo Nafaso – women's groups in Burkina Faso

We continue to develop Kolo Nafaso, our women's groups program in Burkina Faso. Kolo Nafaso, which means "the house of shea kernel benefits", started as a project in 2009 but has now developed into a program. Consequently, this is not on trial basis but has turned into one of the ways in which AAK are sourcing shea kernels on a permanent basis.

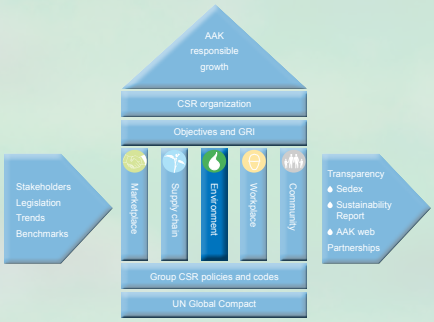
During the season 2014/2015 we have been reaching out to 55,000 women. Our goal was 50,000 but so far we have experienced an ever increasing interest from women and women's groups to participate in the program. The result is very much aligned with our aim to reach out to a broader base of women.

The women should benefit from our way of working, which is by following the Fair Trade principles. AAK is pre-financing, educating the women in how to process the shea, giving support in logistical issues as well as paying a quality bonus. But not only the women will benefit from being able to deliver quality shea kernels, AAK will also benefit from buying shea kernels that are both traceable and of better quality.

For the coming season we intend to increase the number of women even further to include 70,000 women. We also create work for local people with positions such as extension workers, team leaders, drivers, accountants and warehouse personnel. To increase the safety awareness, we have put time and resources into new safety gear for our extension workers driving around on inferior roads. Our personnel has recently participated in a first-aid course which should increase their possibility to help each other and the people around us in case of need.

The cooperation with the women's groups and being on the ground in many areas of Burkina Faso is vital to AAK. It helps us to get to know much more about the value chain and also to spread our knowledge to raise awareness.

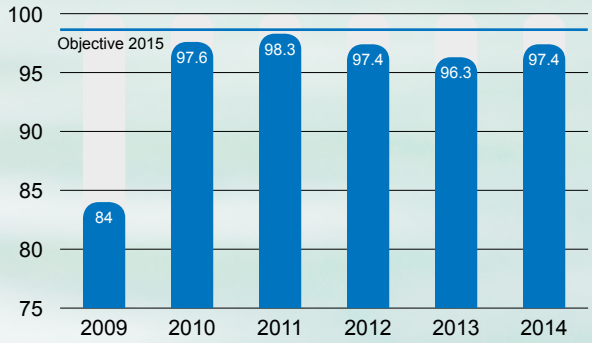
Monika Hjorth
Sourcing & Trading Manager



Key achievements

Waste to reuse, recycle or recovery

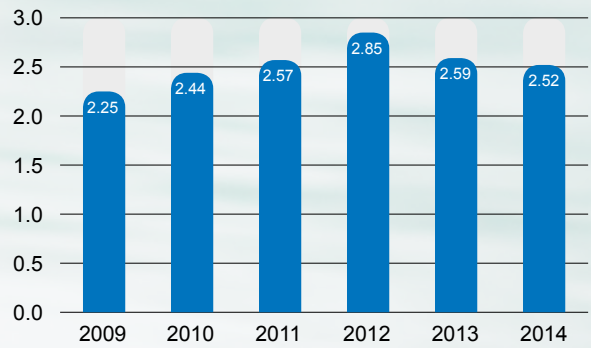
%



Key data

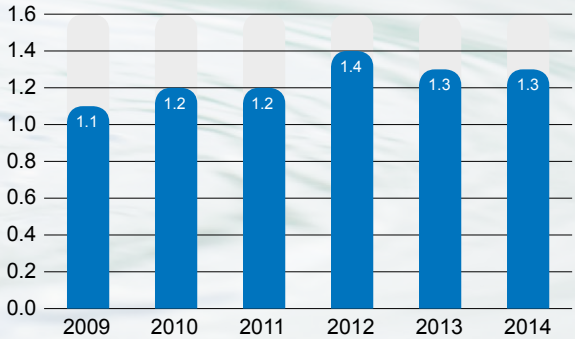
Energy consumption

Per unit processed material



Water consumption

Per unit processed material



Environment

The section on Environment covers AAK's impact on the environment in terms of consumption and emissions from our production plants. It is a clear top priority for us to minimize our use of natural resources and emissions per processed final product even though our stronger focus on speciality drives a higher degree of processing. We have been able to create strong results within this area over the last years and also during this year due to a strong focus on internal and external benchmarking as well as best practise sharing. To make this section easier to navigate, it has been divided into four sub-sections: Energy, Air, Water and Waste.

AAK's production plants differ in size, capacity and the types of processes used. Processing vegetable oils is both complex and energy-intensive.

AAK is very much aware of the footprint that production plants leave on the environment. Therefore, the company constantly strives to reduce its consumption of energy and water, and to reduce waste and emissions. As part of the AAKtion program, the aim is to become more environmentally friendly – and improve day by day.

To achieve this, environmental projects are implemented, consumption and emissions are monitored, and best practices are identified by benchmarking production plants against each other and against other players in the industry. A handful of AAK's various environmental projects are described in this section, presented by the employees who are directly involved in achieving the results.

As a matter of course, we take environmental laws and regulations very seriously and are proud to report that, in 2014, we recorded no incidents of non-compliance.

Environmental objectives

Resource efficiency

A common way of measuring resource efficiency is to calculate the amount of resources consumed versus the production output. However, AAK's strategy of producing and selling more specialized, refined products means that, all things being equal, we require more resources per unit of output. This sometimes blurs the results of efficiency initiatives and makes it hard to paint a clear picture and give well-earned credit to the projects.

For this reason, a decision has been taken to focus on local organization, projects, progress and results driven by local resource efficiency teams.

The process:

2013: Teams established, monthly meetings and at least one project initiated
2014: Resource efficiency projects at all sites are delivering according to plan
2015: Resource efficiency results documented at all sites

During 2014 efficiency projects have progressed according to plans. During 2015 individual improvement results will be documented.

Waste

Sending waste to landfill means not utilizing any of the potential value that may still be present. What's more, in many countries, a landfill tax has been introduced to reduce the amount of waste disposed of in this way.

AAK's objective is that, by the end of 2015, minimum 98.5 percent of the company's waste will go to reuse, recycling or recovery. During 2014, 2.4 percent (equal to 2,600 MT) of the total waste was disposed of in the least favourable way: landfill. The remaining 97.6 percent of the waste material was disposed for reuse, recycling or recovery. This is an improvement of 5,4 percentage points compared to 2013.

The main challenges to obtain our 2015 objective are new acquisitions with less focus on waste and a change in US federal legislation regarding used bleaching earth. In spite of these challenges we will do our utmost to achieve the 2015 target.

The development that we want our waste disposal to follow: going from waste to landfill, over recovery, recycling and reuse, to reduction.

Our journey, our successes, our shortcomings

What has the change from commodity to speciality meant for AAK's environmental work?

This change has brought many challenges to our organization, our manufacturing and our supply chain. We have been focusing on productivity, whilst introducing additional processes, to handle complexity throughout, to provide tailored solutions to our customers. One could argue that this is not an environment for conservation. However, we believe and continuously demonstrate that this is not the case, for example through waste diversion, by improving and revamping our manufacturing operation, by improving safety and the welfare of our employees and contributing to and supporting the welfare of our neighbours. Our driving goal is to accomplish what seems impossible and remain profitable with a supply chain that is lean and agile, in a world of constrained resources.

What are some of the specific actions that AAK has taken within sustainability?

We are moving away from jargon that often weighs down sustainability improvements to clear concise Aims, Actions and Targets. We are clearly focused on the long term and this approach has reaped many benefits. Our long term goals hold AAK accountable to what we promise to our stakeholders. It prevents us from setting expectations too high, it removes short term hurdles and it allows time to design corrective actions that are also sustainable for the long term. We have introduced many new procedures, among them MOC (management of change). This is a powerful tool that we have employed in our safety procedures, where any change brought about to our current processes/practices needs to be fully approved and signed off. This one change in our processes has contributed to improve our safety performance by more than 50 percent.

What are some of the benefits that your efforts have produced?

Our global activities across all manufacturing sites, where we learn and share best practices between each other, have produced huge benefits. We have worked hard to improve our European Supply Chain, where our sites ran independent of each other, often duplicating activities. We still have a long way to go to achieve our ultimate goal, but improvements to our cost base, reduced waste, reduced transportation, better energy and water efficiency and improved capacity utilization are clear benefits to our sustainability focus.

What are the biggest challenges ahead?

When we think about threats to the environment, we tend to picture cars, planes and factories with large smokestacks, but I believe that one of the biggest dangers to the planet is our need for food. We are in a world that is demanding more. By 2050 the world's population is likely to increase by 35 percent, approximately another two billion people, to nine billion. Our challenge is how to achieve this – not by using more, but by using less; by reducing our valuable resources employed to produce enough food to feed this population, by eliminating waste whilst freezing our agricultural footprint, by growing more on our farms, by using resources more efficiently and by improving yields. One may think this is impossible, but it is not. We just need to find the right way to achieve the goal, set our minds to doing it and collectively take accountability and deliver what we promise. This is where I see AAK in all of our endeavours in the next few years. We will not solve the food challenge, but we will play our part in every way possible, reducing our environmental impact, through continuously improving performance.

David Smith
President European Supply Chain

Transport optimization in AAK Dalby

During 2014, Food Service in AAK Dalby has together with some of its largest customers worked with transport optimization. Many customers' ordering patterns are usually based on internal logistics and commercial factors, but often also on tradition. These habitual patterns were based on customer needs, but was perhaps in the end not the optimal solution. Instead the flexibility was limited to full pallets of almost all products, more products per pallet, and fewer delivery times. The focus during 2014 has been cost-effective transports with full trucks from factory to the warehouses. The environmental benefits have been obvious, but after evaluating the project it has also been acknowledged that the quality and delivery service has increased significantly.

Energy

Energy costs and the link between energy consumption and impact on the climate, motivate continued focus on energy issues. Responsible growth is only possible if energy consumption and costs are kept as low as possible.

Due to the industry's relatively high energy consumption, efforts to increase energy efficiency and, where possible, move toward renewable energy sources are important.

The type of energy used at AAK's production plants varies considerably and very much depends on location. In Montevideo, Uruguay, all direct energy consumed is derived from biomass, while in Louisville, Kentucky, for example, all energy comes from coal. Some production plants have their own power plant and sell energy in the form of steam and electricity externally. The total energy consumption given in this report has been adjusted for this.

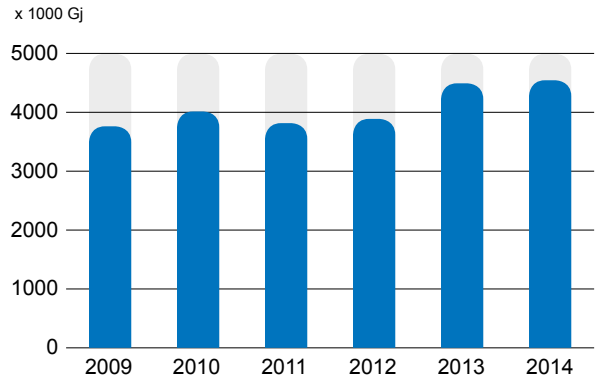
In 2014, AAK's production plants had a combined direct energy consumption of 3,780,000 Gj, an increase of 0.6 percent compared to 2013. Direct energy consumption from renewable resources constitutes 29 percent, an improvement of 12 percent.

During the same period, electricity purchases (indirect energy consumption) increased by 3.7 percent to 764,000 Gj. The proportion of green electricity constitutes 39 percent, the same percentage as last year. Several sites are purchasing 100 percent green electricity.

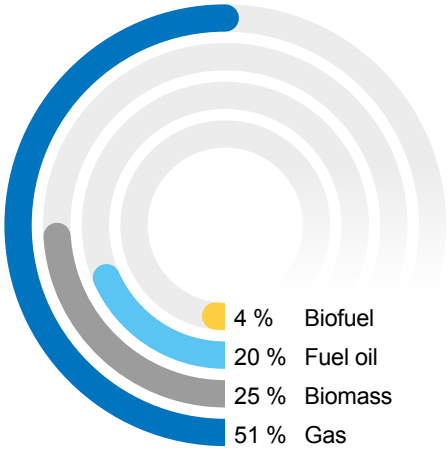
Energy consumption decreased by 2.8 percent

Overall, total energy consumption reached 4,544,000 Gj, an increase of 1.1 percent. Calculated per MT produced, energy consumption has decreased by 2.8 percent despite a strategic decision to increase the production of highly refined products which, all other things being equal, require more energy to process.

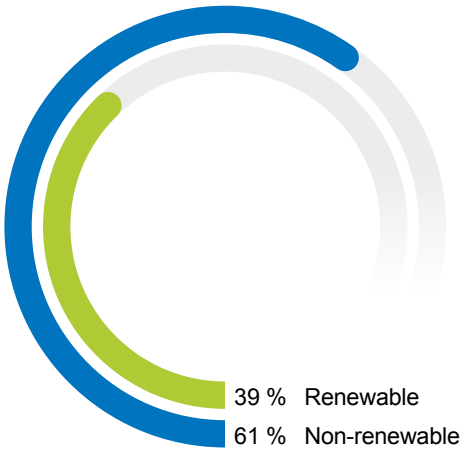
Total energy consumption

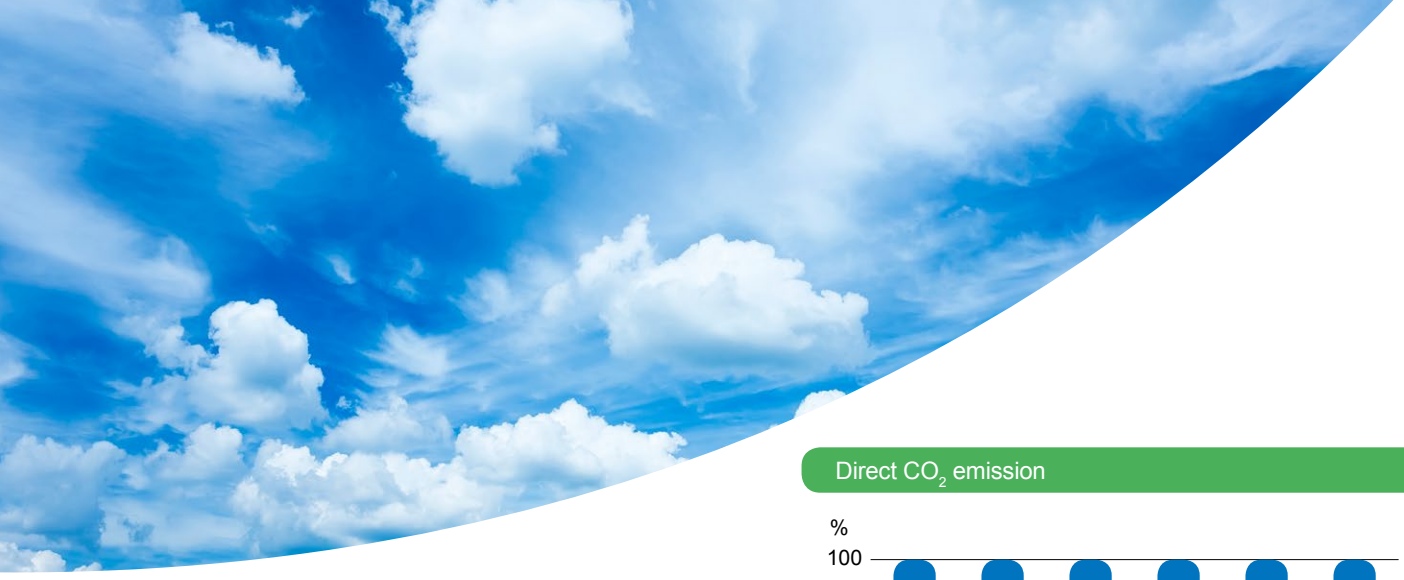


Direct energy consumption 2014 – per energy



Purchased electricity 2014





Air

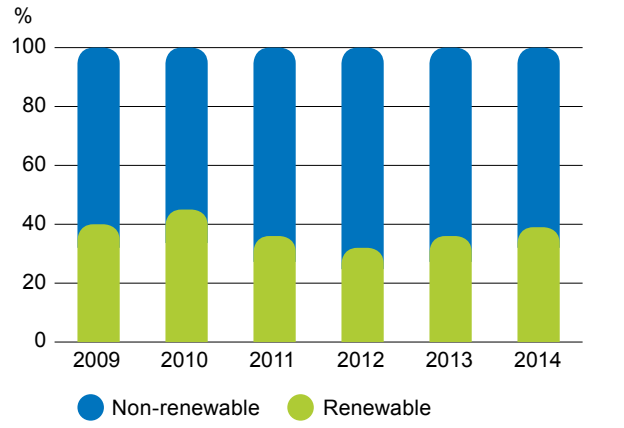
Rising average temperatures, more extreme weather and changes in rainfall patterns are all symptoms of the climate change we are experiencing. Today, legislation and markets aim to mitigate these changes by reducing the greenhouse gas emissions believed to be the driver of global climate change. AAK is playing its part.

In 2014, AAK generated 247,000 MT of carbon dioxide at its production plants, which is 1.4 percent less than in 2013. 39 percent of direct carbon dioxide emissions stemmed from renewable resources. Carbon dioxide emissions from fossil fuel per MT processed decreased 11 percent compared to 2013.

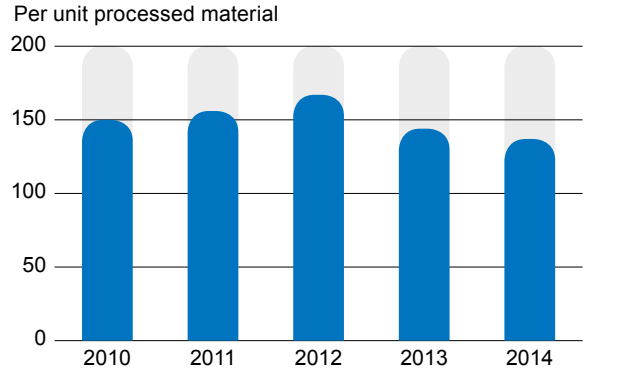
The ozone layer protects life on earth by filtering out some of the sun's harmful UV radiation. For that reason, any thinning of the ozone layer is hazardous. AAK works actively toward eliminating all equipment that uses ozone-depleting substances (ODS), which are generally used for cooling. Due to new acquisitions, a significant rise was experienced in 2013, from 27 kg to 3,127 kg of ODS. In 2014 ODS decreased with 26 percent to 2,325 kg.

Due to the Group's use of fuels, its production plants emit 246 MT NO_x (nitrogen oxide) and 177 MT SO_x (sulphur oxide). 232 MT VOC (Volatile Organic Compounds) are also emitted from plants that run extraction and solvent fractionation processes.

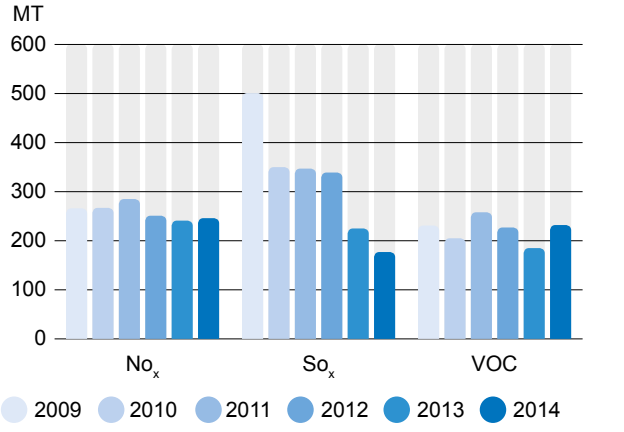
Direct CO_2 emission



Total direct CO_2 emission



Direct emissions



Developing business while diminishing our carbon footprint

During 2014, AAK South America finished an investment, aiming at increasing the business of new products in the South American region.

In order to make the project viable the new products had to be competitive in terms of price. Therefore, it was necessary to optimize the costs for the palm fractions used in the new products' recipes. At the production premises in AAK Uruguay, a new method for the rapid melting of palm fractions has been developed, allowing the reception of palm fractions directly from Asia, the first link in the palm chain production.

Changing the logistic route Asia-Europe-Uruguay to Asia-Uruguay has not only helped to develop the business, it has also diminished the transportation carbon footprint for the palm derivatives used.

María Soledad
Regional Manager for Applications and Product Quality, AAK South America

Water

In addition to being energy-intensive, vegetable oil processing requires large amounts of water, mainly for cooling and steam production. Most AAK products do not contain water on leaving the plants.

Water consumption

Combined, the Group's production plants use approximately 24,000,000 m^3 of surface water. This water, which is used for cooling, has no contact with products or pollutants and is returned to the source without any change in quality. The discharged water may, however, be slightly warmer than when entering the Group's system.

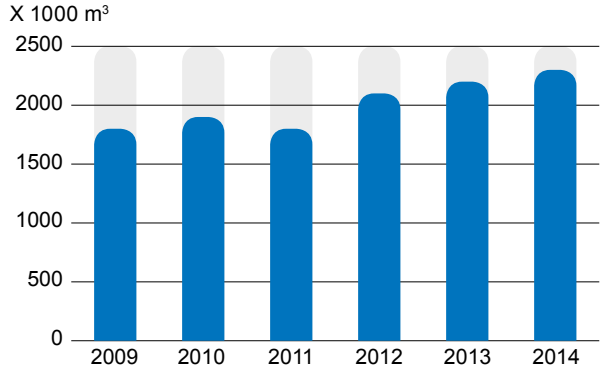
Ground water and municipal water used in processing totalled 2,300,000 m^3, an increase of 4 percent compared to 2013. However, calculated as processing water per MT produced, consumption remained the same.

Water discharge

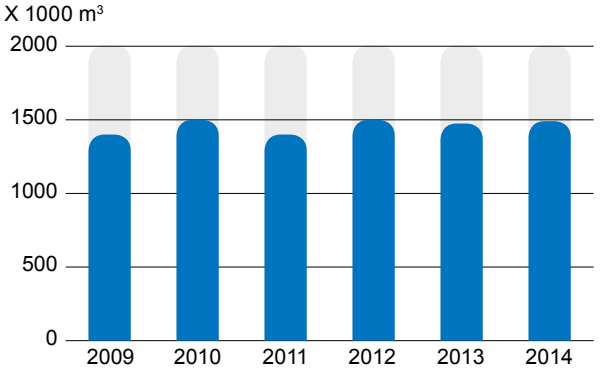
When water is discharged, its quality is measured by two different methods: BOD5 (biochemical oxygen demand) and COD (chemical oxygen demand). This determines the degree of pollution and has to be within stipulated limit values. The method used is defined by the local authorities.

Total BOD5 for sites using this method was 6 MT while COD was 1,230 MT. Measurements are within the stipulated limits. All discharged water from AAK sites is treated at own or municipal treatment plants.

Water consumption



Water discharge



Waste

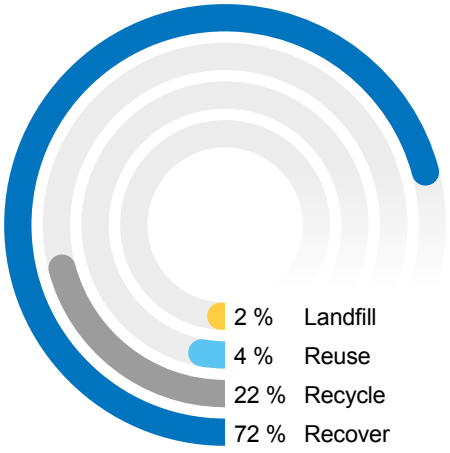
During 2014, AAK's production plants generated 111,000 MT of waste. This is an increase of 50 percent compared to 2013 predominantly caused by an increase of shea kernel processing. 99.8 percent of the total amount of waste was non-hazardous.

In waste disposal, there is a clear, very determined effort towards reducing waste going to landfill. Nevertheless, new acquisitions joining the AAK Group previously had a low waste disposal focus and their challenge now is to improve waste management to a level that meets AAK's objective for 2015, which is sending less than 1.5 percent to landfill. Changes to US legislation regarding the use of bleaching earth also presents new challenges. In 2014, 2,500 MT were disposed of as landfill, which is a decrease of 200 MT compared to 2013 (an improvement of 7 percent).

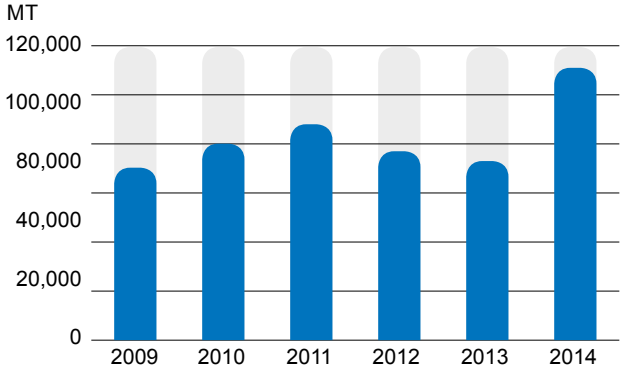
A large proportion of the waste is shea meal, which is the residual product when oil is extracted from shea kernels. Shea meal has no nutritional value and is used as biomass in power plants.

The majority of AAK's finished products are delivered in bulk, defined as more than 0.9 MT per delivery unit, thus including pallet tanks. Delivering products in bulk means a reduction in packaging material. By weight, 56 percent of AAK's products are bulk deliveries, while 44 percent are packed goods.

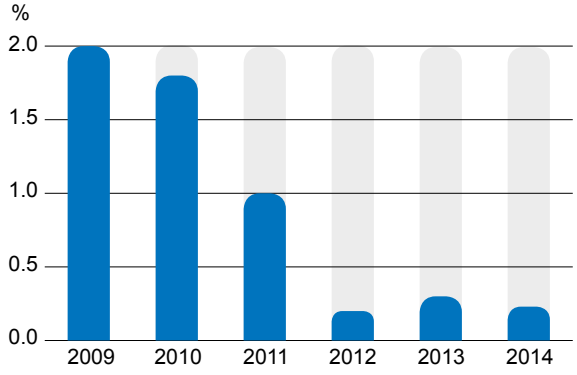
2014 waste disposal



Total waste



Hazardous waste



Ashes to fertilizer for the most Swedish of industries – forestry

AAK Sweden continues its successful initiative to return all of its ashes, approximately 400 MT per year, from the burning of pellets to the forest. The use of our biological ashes contribute to reducing carbon dioxide emissions and to maintain and support sustainable forestry. By spreading the ashes, important nutrients that are removed during logging are returned. This ensures the soil's long-term productivity, while soil acidification is prevented.

As a result of this measure, AAK Sweden has reduced its amount of waste to landfill by 75 percent. This large reduction is a very important part of the Group's efforts to overall reduce the amount of waste to landfill.

Anders Söderström
Site and Customer Quality Manager, AAK Sweden

Environmental benefits through pipeline pigging

During the past year, AAK in Runcorn has developed a pigging system that will result in some important environmental benefits. The pigging system is fitted as an addition to the hold tank project to allow the recovery of products from the pipe work running between the hold tanks and the line filling heads, to reduce the amount of products being sent to waste and to increase yield during each product change over.

In total the system has 48 meters of 50 mm pipe work running between the Hot Make Kettle (HMK) vessels and the filler heads on the lines, with a recovery rate of approximately 1 kg of product per meter of pipe work. We have up to four product changes per week and this will allow the recovery of approximately 100 to 150 kg of products per week depending on the product mix.

The pigging system is now fully operational and we are recovering products at the end of each run. We have successfully reduced the amount of chemicals and products being processed through our trade effluent system and have seen an increase in yield.

Mike Pocock
Health, Safety and Environmental Manager, AAK Runcorn

AAK Mexico granted Clean Industry Certificate

Clean Industry is a local certification for companies that through their participation voluntarily contribute to the effective enforcement of environmental legislation. The certification also improves the efficiency of the companies' production processes, environmental performance and competitiveness.

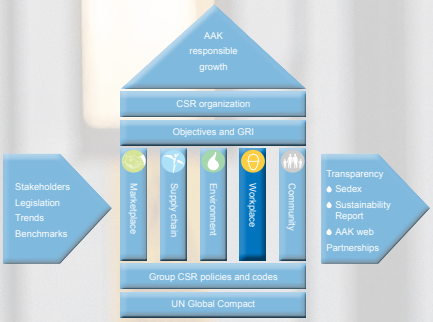
In 2014 we set the goal of joining the program and achieving the certification for the facilities at the port of Lázaro Cardenas. During the certification process, several administrative changes had to be made, among them a reorganization of legal requirements that both ourselves and our suppliers had to meet, managing change in environmental controls, and operational changes aimed to establish programs in favour of the environment, for example saving water and electricity and making good use of fuel – all of great benefit for the entire organization.

After approximately nine months, the implementation of programs, monitoring procedures and comprehensive reviews resulted in the authorities' complete satisfaction and in May 2015 the Clean Industry Certificate was granted.

MÉXICO SEMARNAT
LA PROCURADURÍA FEDERAL DE PROTECCIÓN AL AMBIENTE
OTORGA EL PRESENTE
CERTIFICADO
DE
A
AAK MÉXICO, S.A. DE C.V. (TERMINAL LÁZARO CÁRDENAS)

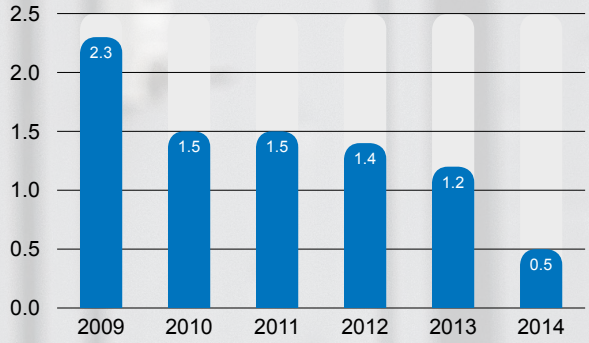
The Clean Industry Certificate, which is valid for two years, creates momentum in AAK Mexico's commitment and helps us, as a socially responsible company, in our environmental responsibilities.

José Luis Paredes
Health & Safety Manager, AAK Mexico



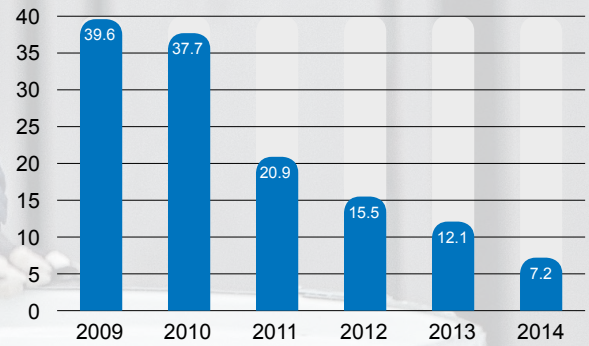
Key achievements

Lost Time Injury Rate*



* production sites

Lost Day Rate



Workplace

This section is about working life at AAK: how to remain an attractive workplace for employees, and to make sure that everybody is healthy and safe. AAK's employees are the company's most important resource. With 2,459 employees at the end of the year and many different locations across the globe – in production plants, sales offices and sourcing operations – AAK is a diverse company with many different job functions. Common to every employee are the company's values and Code of Conduct, which govern the way in which business is conducted, how the AAKtion program is executed, and how employees interact with each other and the company's stakeholders. Combined with the UN Global Compact and the CSR Policy, this provides the framework for AAK as a workplace.

Workplace objectives

Lost Time Injury Rate

Any work-related injury is clearly unacceptable and AAK constantly strives to be a zero injuries workplace. Since 2010, we have aligned definitions and measured injuries across the AAK Group. We have defined Lost Time Injury Rate (LTIR) as the number of work injuries that result in one or more days/shifts of sick leave per 200,000 working hours.

Global LTIR objectives and reporting for previous years have included records for both production sites and sourcing sites in West Africa. Since 2012 we have broken down LTIR at production sites and West African sourcing sites. The safety challenge in West Africa is very difficult and very much related to logistics conditions outside AAK premises with lack of traffic control and very poor road conditions. For these reasons we have set up separate objectives since 2014:

- Production sites: Reduce LTIR by at least 10 percent per year (baseline 2012 at 1.4) to or below 1.0
- Sourcing sites in West Africa: Maintain LTIR at or below 2.3

At our production sites, LTIR dropped by an impressive 58 percent to 0.5. Moreover, Lost Day Rate – a measurement of the severity of incidents – decreased by 41 percent to 7.2. A clear outcome of the relentless work done by our global safety team.

At our sourcing sites in West Africa, conditions and challenges are very different and LTIR increased from 2.3 to 4.2. This is, amongst other initiatives, being addressed by widespread safety training aiming to change the culture into a "safety first" mindset.

A healthy and competitive work environment

What are the most important reasons for the improvements in AAK's health and safety performance over the last year?
The biggest contributor to the improvements of the AAK safety record was the concerted efforts of the entire Global Safety Management Team. The global team has been in place since its creation in 2013 and the results have shown. By sharing procedures, trending near misses and incidents through KPIs and monthly meetings, we saw where the focus of our efforts were required. These factors improved our overall programs in all facilities. The interaction of the various safety professionals was instrumental in identifying hazards, eliminating risks and strengthening the programs at all sites. The resulting integration of site practices allowed the overall team to advance the culture of safety in all activities including a global team work approach that allowed AAK to achieve world class safety numbers in 2014, reducing the Lost Time Injury Rate (LTIR) by more than 50 percent below our stated goal. This number includes eight facilities with no lost time incidents and four sites that were incident free for the entire year.

AAK is a large and diverse company with many different job functions. How do you ensure that all employees work according to the same values and towards the same goals?
A healthy and competitive work environment is about ensuring clear direction, alignment and commitment. At AAK we ensure direction by communicating our strategy throughout the organization. This is done by using different internal communication channels such as our intranet, newsletters, monthly management calls and town hall meetings. However, we consider our managers and their daily conversations with employees and our different teams to be our most important communication channel. These conversations about turning our goals into actions, create an understanding and a commitment to our goals and values, which in turn move our business forward. In addition, AAK's strategy is broken down into specific goals for units, teams and each individual, and performance and behavior is evaluated and discussed on a structured basis in a yearly Personal Development Plan (PDP) and a mid-year review. It is our experience that information sharing, a high level of involvement and ongoing feedback and coaching on behavior creates commitment and accountability.

What is AAK's strategy for talent development within the company?
Our ability to innovate and co-develop is crucial to us. That takes talent. The last couple of years we have identified a number of capability gaps and this has given us a better understanding of our future needs within functional and leadership development. In addition, each employee has a development plan which is formulated in a yearly PDP. Development takes place through international assignments, job-rotation, feedback, coaching and functional and leadership training.

Carla Leilani Packness
Vice President HR & Communications

Staying healthy

Safety in the workplace is also about maintaining health. AAK is present in many countries with very different cultures, varying degrees of health awareness and different health initiatives by local or national authorities. For this reason, there is no uniform approach to maintaining health, activities are instead guided by local decision-making, based on a needs assessment. Most initiatives focus on employees. Examples of AAK's health initiatives and offers include:

- First aid and safety training
- Widespread protective equipment
- Computer glasses
- Health checks and vaccinations
- Access to sports facilities
- Company sporting events
- Healthy food offers

For employees in West Africa, AAK offers include free mosquito nets, annual information on risk control, vaccination against yellow fever, meningitis and cholera, and health insurance – again based on a local needs assessment.

AAK Mexico also operates health facilities and offers consultation for employees' family members and the local community as a whole.

Labour rights

Labour rights issues are governed by AAK's CSR Policy, which applies to all Group sites. Among other things, the policy states AAK's view on child labour and young workers, on forced labour, and on freedom of association and the right to collective bargaining.

41 percent of AAK's employees are covered by collective bargaining agreements. In 2014 there were no strikes at AAK sites but in Montevideo, Uruguay, production was closed down four times due to local union meetings.

AAK does not have a Group policy that stipulates a common, cross-group notice period for significant operational changes. Instead, we abide by national legislation and local agreements based on collective bargaining, combined with that which is outlined in the CSR Policy: "We give fair notice to employees of significant changes that could substantially affect them."

Giving staff equal and fair treatment is another focus area of the CSR Policy. During 2014, one incident of discrimination was recorded, this at one of the sites in the UK. The incident was fully investigated and it was found that the employee had acted in a racist manner and was summarily dismissed.

The ratio of basic salary for men relative to women is not reported, since interpretation of the data would not give a true picture. On average, AAK pays more in salary to male employees than to female employees, not because the basic salary for male employees is higher, but because male employees generally have jobs with a higher salary. For the same job, the salary for male and female employees is the same.

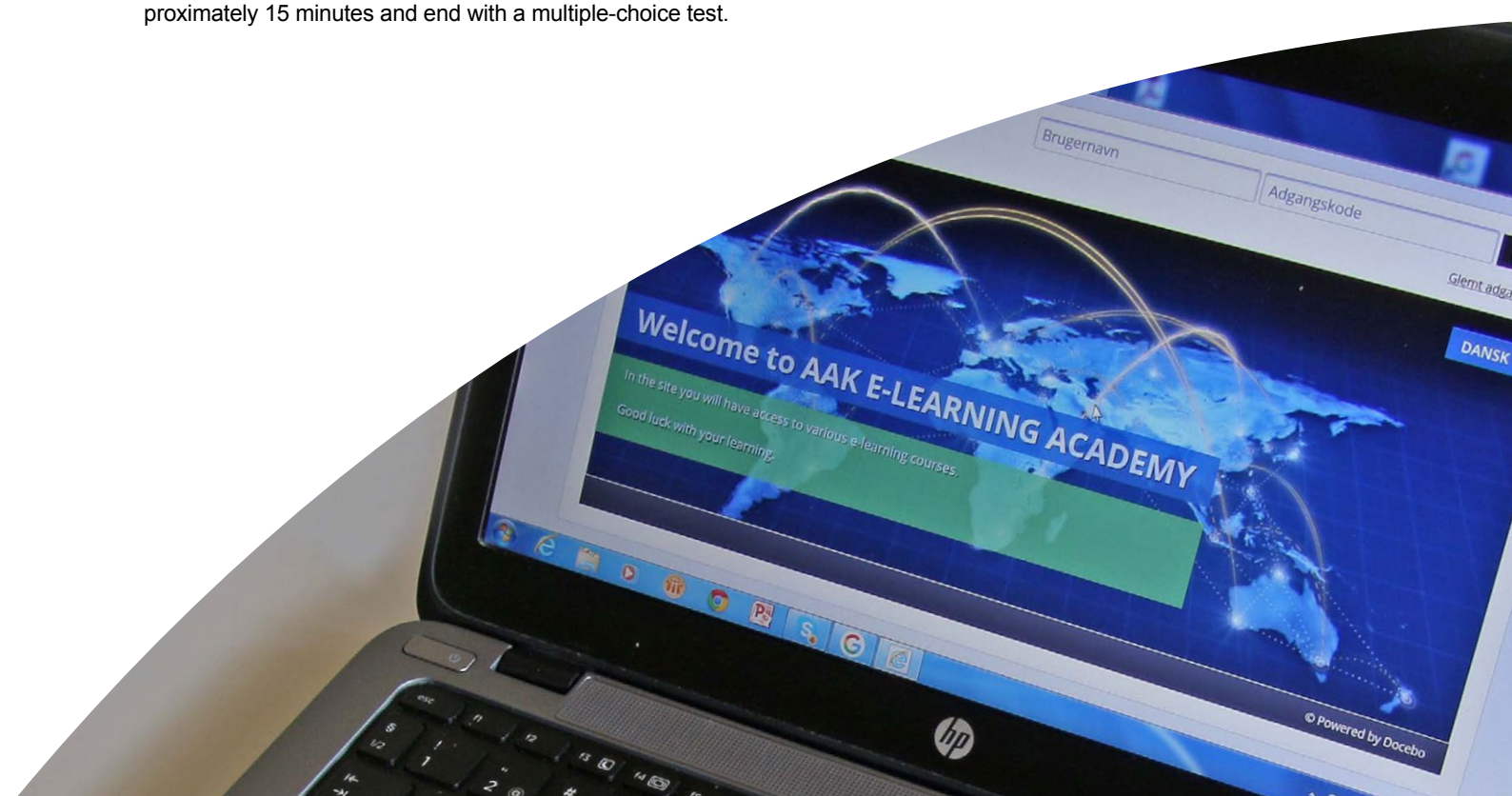
E-learning anti-corruption

AAK has signed the UN Global Compact committing AAK to establish anti-corruption measures, and anti-corruption has also been addressed in the Code of Conduct, the Supplier Code of Conduct and the Code of Conduct for Agents and Distributors.

However, corruption still remains a common risk throughout the world for all companies, and a decision was made to internally promote awareness and knowledge of this topic. To that end, e-learning modules addressing anti-corruption topics have been launched. The modules have a length of approximately 15 minutes and end with a multiple-choice test.

For employees at increased risk of encountering corruption, these modules are mandatory and must be passed.

The first module, with a general introduction to anti-corruption, was launched in early 2014. The second module, with a focus on competition law, was launched late 2014. The purpose of the training modules is to ensure awareness of what is corruption and provide knowledge about how to deal with it. Both modules are expected to be passed by all target group members by the end of 2015.



AAK program will help employees finish their high school studies

“Never let anyone tell you that you cannot do something. If you want something, go for it. Period.”

When I heard those words in a movie and watched what the character was able to do as part of the story, the idea struck me. How strong a person’s will and energy can be to reach such extreme power and overcome obstacles to achieve a goal!

In AAK Mexico, we feel joy and motivation because we have people with such energy. Six months ago a group of twenty operators joined “Prepa AAK”, a two-year program that will help them to formally finish their high school studies. This group decided to invest more than eight hours a week of their spare time, besides doing homework and studying during weekends at facilities and with teachers provided by AAK.

We are convinced that by the end of the program and with the improvement of their skills they will be able to better understand their contributions to the company goals. Altogether, it is a good example of how, through a great effort, people with the right mindset and at any stage in life, can continue to develop their skills, in spite of the responsibilities that work and family bring every day. It is for this reason that we would like to share our respect and appreciation for this excellent group of colleagues.

Oliva Servin
Human Resources, AAK Mexico

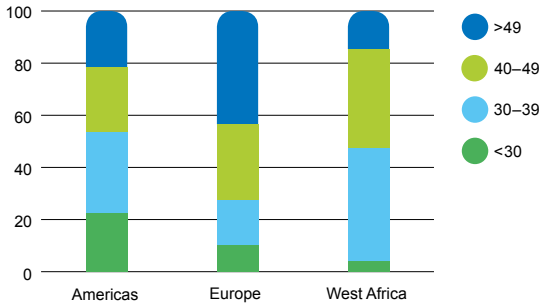
The AAK workforce in numbers

As of December 31, 2014, AAK had a total of 2,459 employees (an average of 2,439 employees, as stated in the Annual Report 2014), 2.2 percent less than in 2013. Among permanent employees, approximately 11 percent left the company.

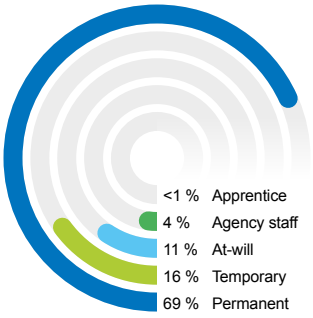
The average age of employees in Europe is significantly higher than in the rest of the world due to a more mature organization. 22 percent of AAK's permanent employees are female. This is a lower percentage than in many other businesses, and is explained by the fact that working in the production plants typically attracts more men than women. At managerial level, 17 percent of employees are female.

69 percent of AAK's employees are permanently employed, while 11 percent are on temporary contracts. The remaining 20 percent comprise trainees, agency staff and at-will employees. The latter is a doctrine of American law that refers to an employment relationship which can be broken by either party with no liability. 4 percent of our employees work part-time.

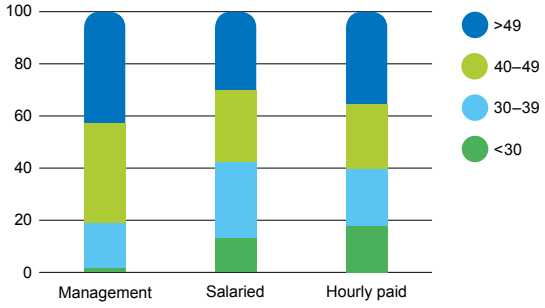
Employees* by age, %



Employment contract type

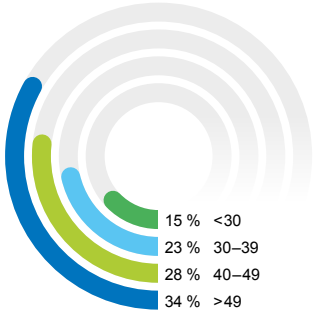


Employee* category by age, %

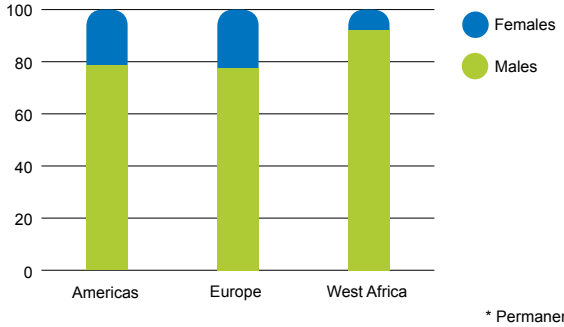


Employee* category by gender, %

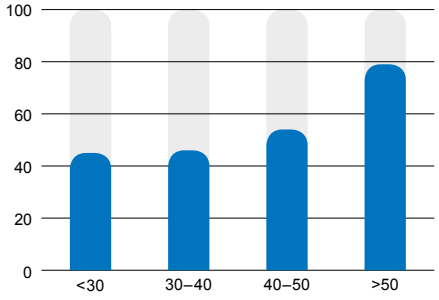
Employees* by age



Employees* by gender, %



Employee* turnover by age



* Permanent and at-will employees

FOODTANKERS
Experts on transporting
liquid foodstuffs
WE ARE IMPERIAL
VBG
A STRONG CONNECTION
AAK
www.aak.com

Global Safety Management Team improves safety

The AAK Global Safety Management Team, consisting of safety professionals from sites in Europe, South America and North America, set some ambitious safety goals for 2014. The key goal was to reduce the lost-time incident rate – the measure of injuries that require time away from work – to 1.1 from 1.2 per 200.000 working hours. Due to the hard work of the entire team the rate was reduced globally to 0.5 for the year. This was a reduction of more than 50 percent.

The team developed creative strategies and programs to ensure our workers are the safest in the industry. Overall, every site reduced their lost-time incident rate or stayed at zero incidents. The largest reductions were made at our two UK sites. Our sites in Belgium and Brazil were added in 2014 and both had no lost-time incidents. Our site in Port Newark, New Jersey surpassed five years without a lost-time incident during the year.

Port Newark surpassed five years without a lost-time incident

On September 19, 2014 the AAK Port Newark facility passed the five-year mark without a lost-time incident. Earlier that year it also passed the 1,000,000 hours worked without a lost-time incident mark.

Thanks to the dedication of the employees and the emphasis on the safety-quality-production mindset, the Port Newark staff worked safely while handling the challenges of two hurricanes and several major construction projects. Worker safety takes precedence in every job completed at the plant while the entire safety structure has been elevated to the highest AAK standards.

In connection with the five-year mark, site Manager Nigel Glover noted that “Safety is always topic number one during every meeting and that helps keep the safety mindset front and center. Employees are encouraged to bring up safety topics and the quickest resolution to the issue becomes the top priority”.

Earlier in 2014, both AAK’s site in Hillside, New Jersey and the one in Louisville, Kentucky passed the one-year threshold leaving every AAK US facility over that milestone. This is the first time that this has been accomplished.

AAK
responsible
growth
CSR organization
Objectives and GRI
Marketplace
Supply chain
Environment
Workplace
Community
Group CSR policies and codes
UN Global Compact
Stakeholders
Legislation
Trends
Benchmarks
Transparency
Sedex
Sustainability Report
AAK web
Partnerships
AAK
Da ici

Community

In this section, activities that AAK initiates and engages in, be they local, regional, national or international, in order to play the part and act responsibly in society, are presented. Contributing to, and being part of, the community in which AAK operates is essential for maintaining a positive relationship with neighbours, politicians and authorities. Which community activities the Group engages in is dependent on what is relevant and adds most value to the local community. Through a commitment to community causes, AAK is also instrumental in creating a workplace with highly motivated employees who take pride in working for a company that makes a noticeable difference.

Local community involvement

As a global company, AAK contributes to the development of the local communities in which it operates by creating jobs, paying taxes and doing business with local enterprises. However, it takes more than this to truly become part of the community in which the Group operates.

Community engagement is based on diverse thinking, which leads to initiatives ranging from giving employees time off to engage in local activities and donating products and raw materials to providing used equipment and giving direct financial support.

AAK is very much aware of the impact the company has on the community when entering, operating in, or leaving an area. During 2014, no operations that required a special community impact assessment were established or terminated.

The impact of existing operations is continuously monitored through dialogue, open house events, hosting visitors, participation in local events and councils, giving presentations and participating in interviews. Media monitoring also provides a picture of local attitudes towards AAK.

Overall, AAK's community involvement helps secure a social license to operate, which is essential for AAK as both a company and a player in local business life.

Community objective

AAK has long been an active member of the communities in which it operates through sponsorship, or through direct participation in projects. In 2014, AAK engaged in numerous local activities. AAK will continue to secure integration with its local communities in the future.

Being a good neighbour

Is AAK Mexico implementing any practices to protect the environment in the Morelia area?

AAK is focused on always complying with all government regulations, which we do. In addition, we have implemented a water reuse system that has reduced the use of water by 4 percent in the last two years, and we are also working diligently to reduce our generation of solid waste. Nevertheless, our commitment to caring for the environment has lead us to new projects. We are, for instance, currently working on the implementation and eventual certification of ISO 14001 to manage our environmental responsibilities, as well as with environmental challenges such as climate change.

What determines whether AAK engages in certain community activities or not?

The impact we can generate in our close-by community. All of our programs and activities, such as football tournaments, arts and crafts workshops and healthy lifestyle advice, are focused on the well-being of our neighbours. Our prioritization of activities include the desires and needs of all the different age and gender groups in the community, thus we focus on the activities that have a higher impact and that are welcomed in the community.

What is important in developing a good relationship with the community?

Creating a culture of respect for the community from everybody within the organization is of key importance. We play our part in contributing to the development of the local community and acting responsibly in society, but it takes more than that to truly become part of it. We let the community know that we are a responsible company in all aspects. All this generate the synergy to create a solid relationship with the local community. In addition, the closeness to the community give us a better understanding on how to interact and engage in activities and programs that are relevant to the majority of our neighbours.

Octavio Díaz de León
President North Latin America

AAK starts three-year project on shea tree regeneration

A three-year research project financed by the Danish development cooperation Danida through the Danish Embassy in Burkina Faso was launched in June, 2015 during a workshop in Bobo-Dioulasso. The aim of the project is to secure the shea supply for future generations. The shea parkland in West Africa is getting older and the rejuvenation of shea trees in the fields is therefore of utmost importance. Furthermore, the pressure on the trees could be on the increase due to population growth, modernization of agriculture and an increased use of shea trees for fuel wood.

The project, which is called “research-development project on shea tree regeneration”, is a partnership between AAK, The National Agricultural and Environmental Research Institute (INERA), and TREE-AID, a British development and environmental NGO. INERA will bring in the technology package, TREE-AID will teach the techniques in the villages and AAK will set their women’s groups and extension workers at the disposal of the project. The aim is not to do fundamental research but to base the project on existing results from the research and adapt them to a context of research-development aiming at giving the communities in the bush access to a simple technology package that will help regenerate the shea tree population.

AAK very much believes that it is time to start regenerating the shea parkland in West Africa for the benefit of future generations.

Mads Jules Feer
Sustainability & Shea Manager, West Africa

Support to school in Benin, West Africa

In May 2014 school benches donated by AAK were delivered to Collège d'Enseignement Général de Komiguéa in order for the school to be able to handle the large influx of, mainly, girl students. The number of schoolgirls have increased dramatically since the Benin Government decided that schooling for girls should be free. This great initiative meant, however, no funding of school benches, buildings or books.

The village of Komiguéa is located next to AAK's shea procurement center and many of the employees come from the village. Therefore, we at AAK really wanted to help. Together with the people of Komiguéa, we have now been able to expand the school's capacity, and it has now more classrooms with school benches than ever before.

The number of students is likely to increase further and AAK is already planning for additional support – perhaps with more school benches, but definitely with teaching materials. Through an upcoming project we will provide the school's library with lending books for students who can't afford to buy their own.

Christer Yxell
Country Manager, Benin and Togo

We did it again!

For the summer of 2014, around 430 people participated in our annual summer courses, held during four weeks in June and July in order to take advantage of the summer break at school.

We offered several activities, with football, creativity, Arabic dancing and jazz being the most popular. In addition to long standing favorite courses karate, yoga and ballroom dancing, we added a couple of new ones, among them zumba dancing and a reading workshop which both were great successes.

We offer activities for all ages and we encourage our entire community to take advantage of the chance to practice sports and have fun at the same time. We have professionally trained teachers with great experience and that are very well prepared to motivate and encourage people to do their best. This event has indeed become a good opportunity for our community to combine physical and mental health and to learn and develop new skills.

We will continue to provide our community with quality services and professionalism and for 2015, we're hoping to be able to keep the good level that has always characterized the summer courses. We are certain that they once again will be a great success.

Ramiro Corona
Human Resources Manager, AAK Mexico

AAK Louisville cancer walk

The AAK Louisville facility participated in the Walk for Life to raise money for breast cancer research. This has become an annual event for the employees and grows every year. In 2014, 18 employees and family members walked and 26 employees donated to the cause. Altogether, AAK employees raised $1,355 that went to the American Cancer Society and local research facilities. This is just another way AAK Louisville is helping their neighbors and communities.

AAK as a global citizen

The impact of business goes beyond local communities. At a global level, AAK does its best to become involved in areas where the Group can make a difference – by utilizing our sphere of influence.

AAK is naturally a member of various national and international organizations that aim to improve the industry by, among other things, setting common standards and aligning analytical methods, and, in general, by safeguarding the interests of the vegetable oils and fats industry. Through these organizations, AAK interacts openly with authorities and aims to influence the legislation that governs our business.

Examples of memberships that safeguard the interests of the industry

National associations

- The Netherlands Oils, Fats and Oilseeds Trade/NOFOTA
- The Association of Dutch Oil Processing Industries/Vernof
- The Product Board Margarine, Fats and Oils/MVO
- The Confederation of Danish Industry/DI
- The Association of Danish Oil and Oilseed Processors/ADOP
- Asociación Nacional de Industriales de Aceites y Mantecas Comestibles/ANIAME
- Confederación Patronal de la República Mexicana/COPARMEX
- Asociación de Industriales del Estado de Michoacán/AIEMAC
- The Swedish Food Federation/LI
- The Swedish Plastics and Chemicals Federation/P&K
- The Seed Crushers' and Oil Processors' Association/SCOPA
- The National Edible Oil Distributors Association/NEODA
- The Association of Bakery Ingredient Manufacturers/ABIM
- The Swedish-American Chambers of Commerce/SACC
- The Institute of Shortening and Edible Oils/ISEO
- The American Fats and Oils Association/AFOA
- The National Confectioners Association/NCA
- The Uruguayan Chamber of Industries/CIU

International associations

- The EU Oil and Proteinmeal Industry/FEDIOL
- The Federation of Oils, Seeds and Fats Association/FOSFA
- FoodDrinkEurope
- The European Oleochemicals and Allied Products Group/APAG
- The National Institute of Oilseed Products/NIOP

CSR approach

Engaging with stakeholders

Responsible growth is the key objective of the AAKtion strategy and is essential to the Group's vision of being the first choice for value-adding vegetable oil solutions. For AAK, responsible growth is about responsibility toward all key stakeholders – the local communities where AAK operates, global customers, employees, investors and suppliers.

AAK's model for responsible growth is a dynamic one, continuously enhanced by new knowledge, changes in the external environment and engagement with key stakeholders for their input.

Input from key stakeholders comes from ongoing dialogue, at both local and corporate levels, about their expectations of the AAK Group now and in the future. What do they expect from AAK as a good neighbour, a preferred supplier, an attractive workplace, a profitable investment and a valued customer? Their input guides us to where, and at what level, AAK should set its next objectives to drive future performance in this area.

An example of input from shareholders is their emphasis that sustainable sourcing is a key element when reviewing new investment options, since this affects the risk profile of their portfolio. This input has reconfirmed strong focus within this area, and has supported and guided AAK to raise the ambition level.

Ongoing dialogue with external stakeholders

AAK values the ongoing input from, and dialogue with, stakeholders in regard to our CSR approach, including their assessments of the Group's efforts. Through this dialogue, we can ensure that AAK continues to be their first choice, also when it comes to CSR.

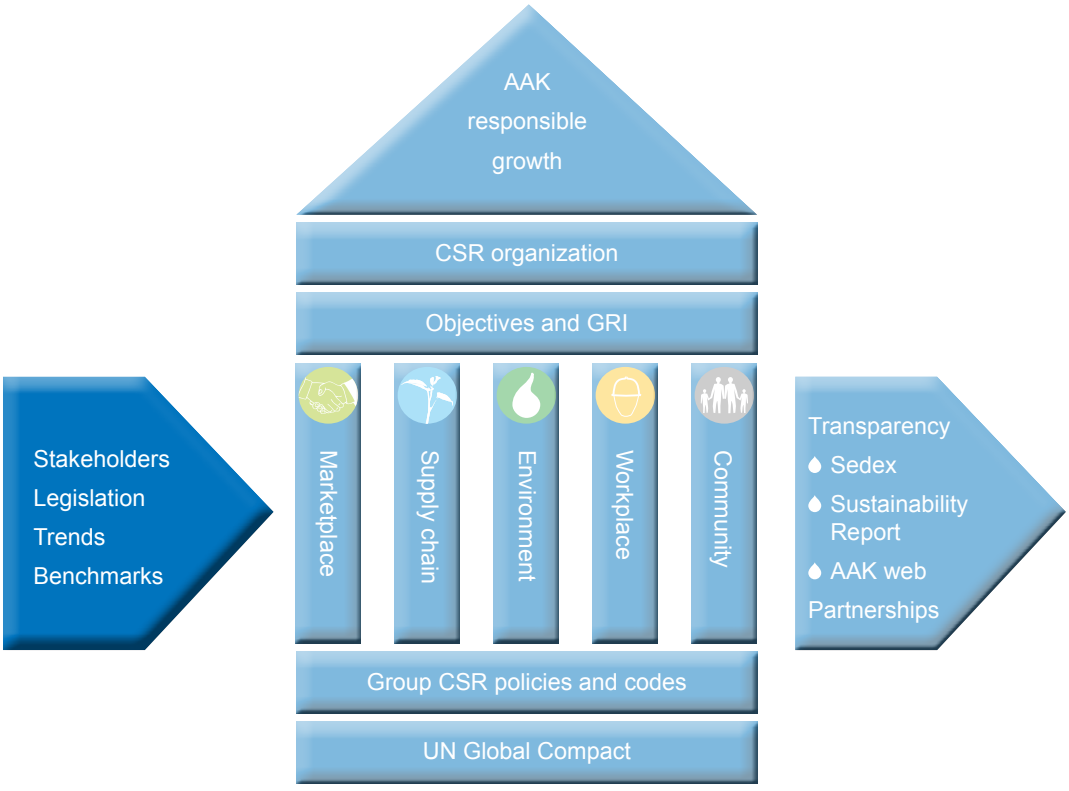
AAK regularly receives questionnaires, supplier codes of conducts and suchlike from our customers and investors, which we respond to in accordance with our policies. This type of input, combined with sustainability reports, materiality analyses etc. serves as an important guide to priorities on our stakeholders' agendas – and supports our continuous, proactive efforts to maintain an up-to-date perception of what may be expected from us in the future.

Contacts

Jesper Korning, Global CSR Manager
Email: jesper.korning@aak.com

Anne Mette Olesen, Chief Marketing Officer

Or e-mail: sustainability@aak.com



Investor Relations

Shareholders

AAK endeavours to generate an attractive return on investments for its shareholders. The largest shareholder is Melker Schörling AB, which indirectly owns 34 percent of AAK. In total, approximately 75 percent of AAK's shareholders are Swedish. More information about AAK's ownership structure is available at www.aak.com.

Dialogue with shareholders

AAK's aim is for the shares to be valued on the basis of relevant, accurate and up-to-date information. This requires a clear strategy for financial communication, reliable information and regular contact with financial market stakeholders.

Contact with the financial markets takes place via presentations in conjunction with quarterly reports and meetings with analysts, investors and journalists at capital market days, seminars and visits to AAK's divisions.

Shareholder activities

- Capital market days
- Road shows
- Meetings with institutional investors
- Meetings with equity analysts
- Local meetings with the Swedish Shareholders' Association
- Annual General Meeting

During 2014, a capital market day was held in Karlshamn, including a factory visit, and a large number of meetings were held with analysts and other professional operators on site in Amsterdam, Brussels, Chicago, Frankfurt, Helsinki, Copenhagen, London, New York, Paris and Stockholm.

AAK strives to facilitate current and potential shareholder assessments of our performance through the transparent communication of our financial results, and our work to enhance environmental and social sustainability. During the year, we engaged in dialogues with a number of socially responsible investment analysts and investors. Some investors have a particularly strong focus on CSR, and seek greater insights into how companies manage sustainability and corporate responsibility issues, particularly with regard to long and short-term risks affecting the business. AAK meets with such investors regularly, and provides information on our strategy and approach, risk management and anti-corruption program, among other issues.

The intention is that the Group's annual Sustainability Report is the most appropriate and efficient channel for providing information about AAK's CSR practices. For this reason, the aim is to answer the most common questions in this report. However, a constructive dialogue on risks, opportunities and strategies related to CSR and sustainability is valued.

Maintaining momentum

An important aspect of the AAK Group's CSR work is maintaining global momentum. To ensure that this happens, the Global CSR Manager visits all production plants regularly. These visits have multiple purposes, besides the value of face-to-face meetings. During workshops with the local teams, local plans are completed, feedback is given on the locally reported GRI data, potential contributions to our Sustainability Report are discussed and objectives, projects and initiatives for the coming period are presented. A special theme on this year's tour was the palm oil supply chain with a focus on AAK's new palm oil policy, various market trends and requirements, new vocabulary and definitions linked to palm oil sustainability – and the challenges ahead.

To promote the continued sharing of information, best practices and progress on CSR objectives on a more regular basis, monthly virtual conferences are held with the participation of all CSR team leaders.

To make CSR even more visible within the organization, an internal CSR award is presented each year to the AAK site or business area that has demonstrated outstanding CSR performance. In 2014, the production site in Morelia, Mexico received an award for significantly improved key indicators such as energy and water consumption, CO_2 emissions, waste to landfill and Lost Time Injury Rates.

Increasing CSR awareness

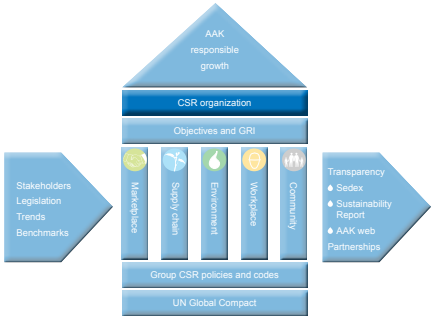
The introduction of dashboards is sharpening attention on progress made. These comprise a one-page presentation of data and graphics showing GRI indicators with high priority or under significant development. A global dashboard has been created for AAK's Executive Committee to follow global developments, while local dashboards illustrate and benchmark developments at individual production plants.

The adoption and global implementation of our AAK Code of Conduct is another promoter for the integration of CSR in our business. The Code is fully implemented with all employees, who have read, understood, accepted and signed the Code. Further systems have been established to ensure that our Code is part of the introduction package for new employees.

Another successful initiative has been the development of the CSR Toolbox, a global one access-point to CSR material established at our intranet and available to all AAK employees. The CSR Toolbox comprises material such as policies and codes, presentations, training material, reports and Q&As.

Furthermore, the introduction of short e-learning modules targeting specific topics has been embraced by the organization and proven to be an effective way to train employees globally.

CSR organization



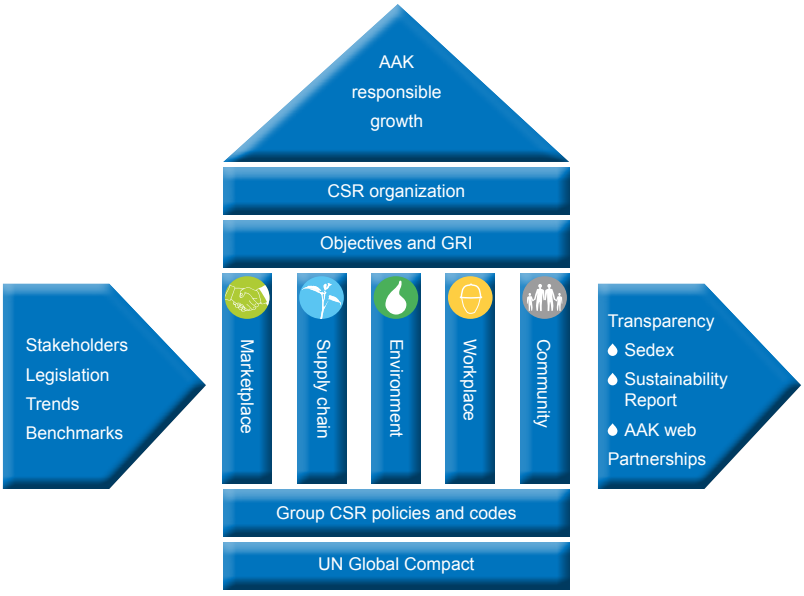
Decentralized approach

We believe in the importance of anchoring our CSR efforts in the organization and in incorporating a sustainability mindset into our everyday working life. To that end, we have set up a decentralized global CSR organization responsible for CSR-related initiatives, progress, communication and reporting.

Global CSR organization with local roots

The Global CSR Manager reports to the CMO (Chief Marketing Officer) who is a member of AAK's Executive Committee. The CMO's responsibilities include CSR, Corporate Strategy, Business Development and Marketing. At Board level, the Audit Committee is responsible for monitoring the follow-up and reporting of CSR topics, codes and policies.

Since the global CSR organization was established in early 2007, its objective has been to ensure breadth and diversity in the local teams, which are fundamental to our CSR work. The teams possess competencies in Human Resources, Health, Safety & Environment, Finance, Sourcing, Operations and Sales. At our production sites, the teams consist of five to ten people led by a CSR Team Leader. The teams at our sourcing operations in West Africa have a different composition, and may draw on competencies from the major sites.



Global Reporting Initiative (GRI)

GRI is a network-based organization that pioneers the world's most widely used sustainability reporting framework. The reporting framework sets out the principles and performance indicators that organizations can use to measure and report their economic, environmental, and social performance. The framework also addresses the United Nations Global Compact principles and the OECD's Guidelines for Multinational Enterprises.

See www.globalreporting.org for more information.

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EC	**Key topics that have been raised through stakeholder engagement and the organization's response**		
EC1	Direct economic value generated and distributed	●	Employee benefits: SEK 19,800,000 Community donations: SEK 700,000
EC2	Financial risks and opportunities due to climate change	●	No reporting
EC3	Coverage of the defined benefit plan obligations	●	Annual Report 2014: pp. 62–63
EC4	Financial assistance received from government	●	SEK 1,300,000
EC6	Policy, practice and proportion of spending on locally-based suppliers	●	No reporting
EC7	Procedures for local hiring and proportion of senior management hired from the local community	●	No reporting
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EN	**Environmental Performance Indicators**		
EN1	Material used by weight or volume	●	p.14 Packaging materials: 43,000 MT
EN2	Percentage of materials used that are recycled input material	●	0.1 %
EN3	Direct energy consumption by primary energy source	●	p. 33
EN4	Indirect energy consumption by primary source	●	p. 33
EN8	Total water withdrawal by source	●	p. 35
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity	●	Hull, UK and Port Newark, US sites adjacent to protected areas. No significant impact on production
EN12	Description of significant impact on biodiversity	●	No significant impact identified
EN16	Total direct and indirect greenhouse gas emissions	●	p. 34
EN17	Other relevant indirect greenhouse gas emissions	●	Insignificant in relation to emissions from production
EN19	Emissions of ozone-depleting substances	●	p. 34
EN20	NOx, SOx and other significant air emissions	●	p. 34
EN21	Total water discharge	●	p. 35
EN22	Total weight of waste by type and disposal method	●	p. 36
EN23	Total number and volume of significant spills	●	No significant spills
EN26	Initiatives to mitigate environmental impact of products and services, and extent of impact mitigation	●	pp. 20, 31–37
EN27	Percentage of products and packaging material reclaimed	●	p. 36 Main initiative to reduce packaging material is to convert to bulk deliveries where relevant
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	●	No non-compliance incidents

● Fully reported ● Partly reported ● Not reported

LA	**Labour Practices and Decent Work Performance Indicators**		
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LA2	Total number and rate of employee turnover by age group, gender, and region	●	p. 43
LA4	Percentage of employees covered by collective bargaining agreements	●	p. 41
LA5	Minimum notice period regarding operational changes	●	p. 41
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of fatalities by region	●	pp. 38–39 One case of occupational disease registered
LA8	Education, training, counselling, prevention and risk-control programs in place regarding serious diseases	●	p. 40
LA10	Average hours of training per year per employee by employee category	●	12.9 hours per employee Inadequate recording globally
LA13	Composition of governance bodies and breakdown of employees per category	●	p. 43
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HR	**Human Rights Performance Indicators**		
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HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and action taken	●	p. 15
HR4	Total number of incidents of discrimination and actions taken	●	p. 41
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken	●	No risks identified
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken	●	No risks identified
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken	●	No risks identified
SO	**Society Performance Indicators**		
SO1	Programs and practices that assess and manage the impacts of operations on communities	●	p. 47
SO2	Percentage and total number of business units analyzed for risks related to corruption	●	p. 15
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	●	p. 41
SO4	Actions taken in response to incidents of corruption	●	No incidents occurred
SO5	Public policy positions and participation in public policy development and lobbying	●	p. 51
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	●	No non-compliance incidents
PR	**Product Responsibility Performance Indicators**		
PR1	Life-cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	●	p. 10
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	●	pp. 11–12
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications	●	No reporting
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	●	No non-compliance incidents
FP	**Food Processing Sector Supplement**		
FP3	Percentage of working time lost due to industrial disputes, strikes and lockouts	●	p. 32
FP5	Percentage of production volume manufactured in sites certified by an independent third party	●	p. 10

Reporting criteria

Scope and materiality

This is the sixth AAK Sustainability Report. The first was published in October 2010 and our aim is still to continue reporting on an annual basis.

Since commencing structured reporting in 2008, we have followed the Global Reporting Initiative's (GRI) G3 Sustainability Reporting Guidelines. As this is the most widely used reporting framework, we believe many readers will already be familiar with its principles and find them helpful when searching for information. We have focused on GRI Core Performance Indicators with a few additions from GRI's Food Processing Sector Supplement.

Because GRI is an all-encompassing format, it is not relevant for us to report on all criteria. In 2010, we initiated an internal process to identify the issues relevant to our business and our stakeholders. This involved discussions with staff at all sites and feedback from other stakeholder groups. In 2013, we began using the materiality analysis tool to map our own priorities against our stakeholder priorities. That has been a very useful tool in identifying important focus areas. Our ambition is to focus on reporting the information requested by stakeholders, or that of internal value.

This Sustainability Report is a supplement to the AAK Annual Report 2014 and, therefore, only contains a summary of financial performance figures. Both reports are available on AAK's website.

In general, the data in this report covers our activities from January 1 to December 31, 2014. Updated information for some 2015 events is included, since they are considered to be of material importance to our stakeholders.

Environmental data (GRI abbreviation: EN) relate to the eleven AAK production plants that were fully operational in 2013 and the AAK products produced by our toll production partner Cousa in Montevideo, Uruguay. Other core data also include purchasing sites and sales offices.

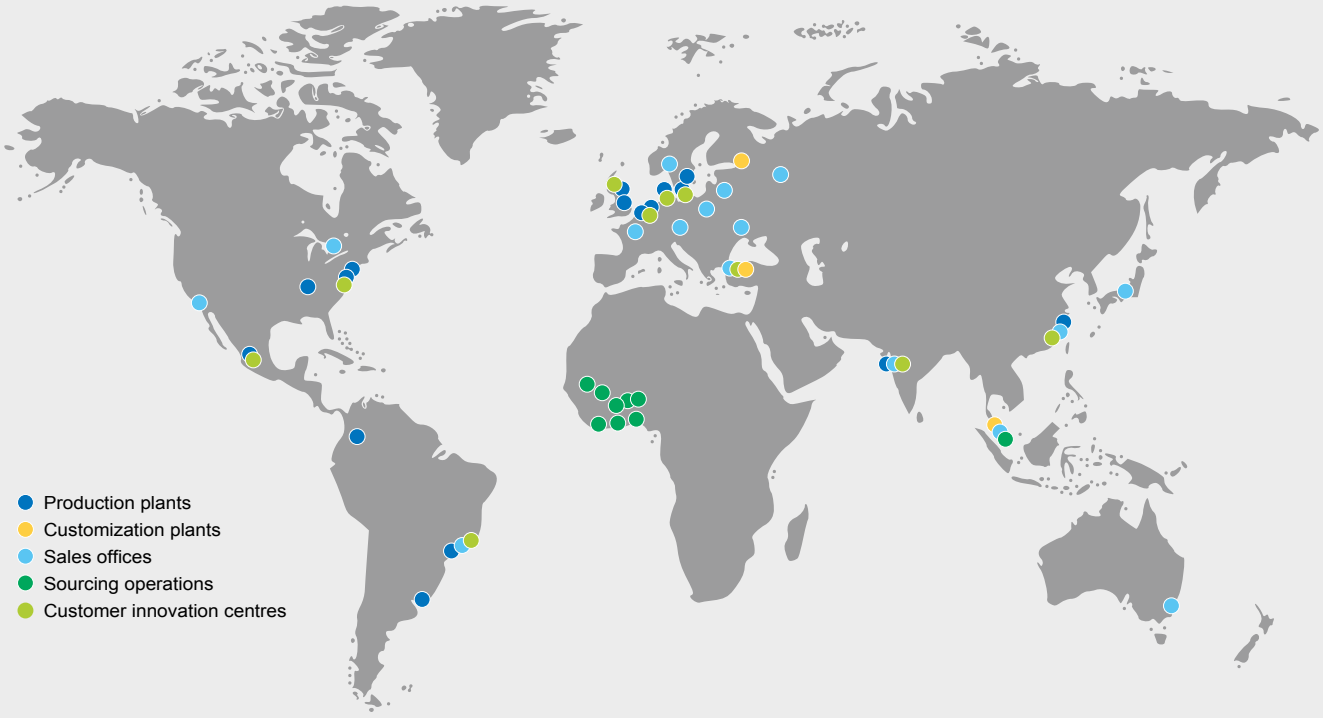
Data and calculations

We release the GRI Report internally in the first quarter of every year. The report is based on information received from all sites, and contains both local and compiled global data. A section showing trends from the previous year is also included. Data and information from the GRI Report form the basis of our Sustainability Report, which is published externally.

The majority of data in the Sustainability Report are drawn from measurements. Air emissions data are based on direct measurements, calculations based on specific data and calculations based on default values. Information concerning purchased electricity from renewable resources is based on national grid information, if not purchased as green electricity. Information about employees, including numbers, gender, composition etc., is calculated per December 31, 2014 and based on payroll information.

Some minor data errors have been identified since the 2013/2014 Sustainability Report was launched. These data have been adjusted in the present report. The only relevant to mention being 2013 total energy consumption caused by miscalculation at one of our sites. From our experience of the reporting process, we expect corrections will also be necessary in future reports. Nevertheless, we believe that the trends and overall picture given are a true reflection of our activities.

The data included comprises data reported to authorities, and information generated specifically for this report. The report has not been reviewed by external auditors. We trust that the requirements of authorities along with their effective scrutiny of the company are a sufficient guarantee of the accuracy of the data reported.



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, Food Service, Personal Care, and more.

AAK's proven expertise is based on more than 100 years of experience within oils & fats. With our headquarters in Malmö, Sweden, 18 production facilities and customization plants, and sales offices in more than 25 countries, our more than 2,500 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.

Explore more at www.aak.com

Or contact us at info@aak.com

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