



Co-developing  
for a sustainable  
future

Sustainability  
Report 2019

**AAK**



# Contents

Introduction to AAK.....	2–7
Statement by CEO Johan Westman.....	8–9
The AAK House of Sustainability.....	10–11
UN Global Compact commitments.....	12–13
Contributions to the Sustainable Development Goals.....	14–15
Global sustainability ambitions and achievements.....	16–17
Our Customers.....	18–25
Our Suppliers.....	26–39
Our Planet.....	40–49
Our People.....	50–55
Our Neighbours.....	56–61
Sustainability approach.....	62–69
Appendix 1: GRI Index.....	70–73
Appendix 2: Reporting Principles.....	74–75
Appendix 3: Progress on the SDGs.....	76–78

**WE SUPPORT**



AAK is supporting UN Global Compact.

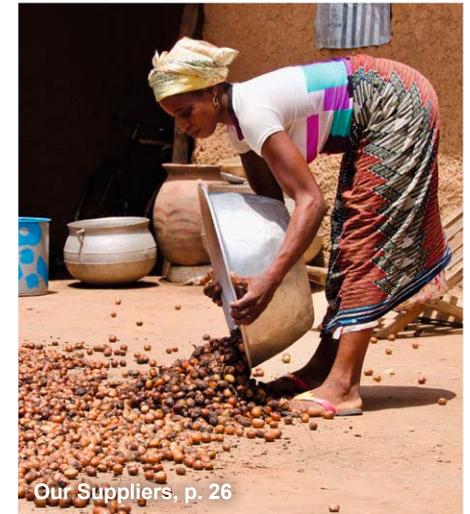


AAK supports and contributes to the UN Sustainable Development Goals.

AAK reports in accordance with the GRI Standards: Core option and the report is adapted to comply with the Swedish Annual Accounts Act based on the Directive 214/95/EU rules on disclosure of non-financial and diversity information by large companies.



Our Customers, p. 18



Our Suppliers, p. 26



Our Planet, p. 40



Our People, p. 50



# The first choice for value-adding vegetable oil solutions

## AAK's sustainability promise

At AAK, sustainability is part of our DNA. Hand in hand with financial growth, social and environmental responsibility is key to our continued development and future success. We believe that building sustainability into our everyday activities helps us achieve our vision of being the first choice for value-adding vegetable oil solutions.

In order to achieve this and structure our sustainability work we have created the AAK House of Sustainability. This is a model for sustainable growth that covers five focus areas: Our Customers, Our Suppliers, Our Planet, Our People, and Our Neighbours. It represents how we continuously work to ensure that sustainability is part of our DNA, and guides our way of working with stakeholders across the value chain.

## A global team effort

This Sustainability Report aims to provide a clear picture of how AAK integrates sustainable practices on a daily basis. It is a global team effort involving colleagues from all sites, who contribute with their experiences about the company's many environmental and social initiatives. The report also includes statements, initiatives, projects and views from across the entire organization that demonstrates how sustainability is firmly anchored within our activities and mindset.

## Scope

This is a stand-alone Sustainability Report that encompasses the AAK Group, including production sites, administrative offices, sales offices, customer innovation centers, and sourcing operations. Environmental data is restricted to production sites only.

During the last five years, AAK has experienced significant changes in regard to the scope of our production sites, with mergers and acquisitions completed in India, USA and Colombia, as well as greenfield investments in China and Brazil. The latest acquisitions made 2019, such as MaasRefinery in Rotterdam, Foodservice company BD Foods and Soya International in England are not included.

As soon as new entities join AAK we focus deliberately to improve and align environmental and social parameters with AAK's sustainability standards and after one year they are included in the Sustainability reporting.

We identify key raw materials based on volumes, position in supply chain and risks together with our partner Proforest. The key raw materials are presented in Our Supplier section of the report.

The AAK Sustainability Report is available in English and Swedish and can be downloaded as a PDF from [www.aak.com](http://www.aak.com). To obtain a printed copy, please contact Corporate Communications at [comm@ak.com](mailto:comm@ak.com).

# 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 Fats, Special Nutrition, Plant-based Foods, Bakery, Dairy, Personal Care, and more.

AAK's proven expertise is based on more than 140 years of experience within oils & fats. With our headquarters in Malmö, Sweden, more than 20 production facilities and customization plants, sales offices in more than 25 countries, our more than 3,800 employees are dedicated to providing innovative value-adding solutions to our customers.

We are AAK – The Co-Development Company

Operational key figures (SEK million unless otherwise stated)	2015	2016	2017	2018	2019
Volumes, thousand tons	1,833	1,966	2,129	2,239	<b>2,290</b>
Net sales	20,114	22,057	26,436	27,592	<b>28,510</b>
Adjusted operating profit (EBIT)*	1,411	1,615	1,786	1,956	<b>2,157</b>
Operating profit	1,409	1,615	1,786	1,956	<b>2,142</b>
Operating profit per kilo, SEK	0.77	0.82	0.84	0.87	<b>0.94</b>
Cash flow from operating activities	1,736	1,213	1,099	1,090	<b>1,558</b>
Earnings per share, SEK**	3.70	3.95	4.71	5.21	<b>5.86</b>
Equity per share, SEK**	26.13	29.65	30.21	35.11	<b>40.74</b>
Dividend per share, SEK**	1.29	1.46	1.63	1.85	–***
Return on Capital Employed, R12m, percent	15.7	15.8	15.6	15.8	<b>14.9</b>
CEO salary, SEK million per annum	20.1	20.1	15.1	12.5	<b>18.7</b>
Number of employees	2,738	2,971	3,399	3,609	<b>3,884</b>
Lost Time Injury Rate (LTIR) ****	0.6	0.6	0.8	0.6	<b>0.4</b>
Absence rate, percent	3.6	3.0	2.3	3.5	<b>3.6</b>
Women on the Board of Directors, percent	50	50	66	57	<b>50</b>
Energy consumption per unit processed material (GJ)	2.37	2.33	2.25	2.36	<b>2.18</b>

\* Adjusted for non-recurring items and acquisition costs

\*\* Share data recalculated in accordance with the decided share split (6:1) by the Annual General Meeting on May 30, 2018

\*\*\* As communicated in a press release on March 30, 2020, the Board of Directors has, due to corona pandemic, proposed to postpone the decision on the dividend for 2019. For further information, please see AAK Annual Report 2019 page 47.

\*\*\*\* Please see GRI index 403-9.



# AAK in the world

## A global perspective

AAK provides tailored vegetable oil solutions to the global food, confectionery and cosmetics industries. Leading businesses worldwide rely on our expertise, experience and innovation to deliver lasting value in markets shaped by shifting consumer trends.

After more than a century in the business, we deliver the highest quality made from natural and renewable raw materials. Our products are derived from a wide range of raw materials, such as coconuts, palm fruits and kernels, rapeseed, shea kernels, soy beans and sunflower seeds, which are responsibly sourced from all over the world. AAK connects to a broad range of customers in markets worldwide through our global network of production sites, sales offices and network of agents and distributors.

It is important that we are close to our customers to sufficiently and effectively address their needs. This way we are a global company with strong local presence.

We utilize and add value to the natural properties of vegetable oils and fats and then work closely with customers across the value chain to create solutions tailored to their product development goals.

## An essential ingredient

Vegetable oils and fats are present in many of the products we use and consume on a daily basis.

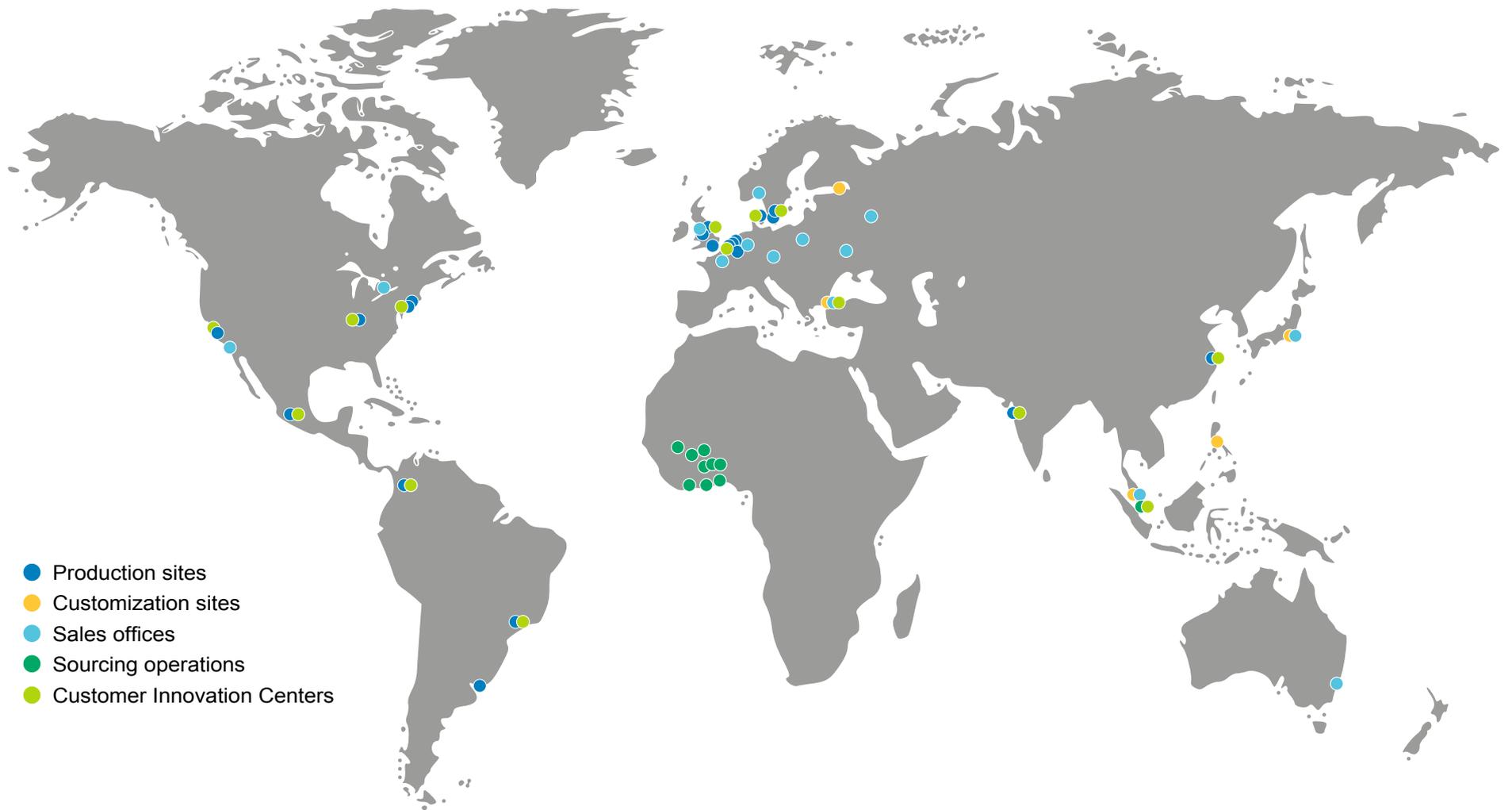
Contrary to popular belief, oils and fats are essential for us to maintain a healthy body. We need fat for energy, to absorb vitamins, produce hormones and to provide us with important fatty acids that our bodies are unable to synthesize.

Over many decades, AAK has developed an unparalleled depth of experience and know-how regarding the properties, benefits and attributes of fats. This allows us to create highly specialized solutions for customers that support their production process and enhance the quality and value of their end products. The interest in plant-based foods and thereby also plant-based fats is increasing, not only due to the health benefits but also due to other sustainable value-adding factors in the value chain of these essential ingredients.

## Co-development creates value

One of AAK's greatest strengths is our unique co-development approach. This was born from our strong relationships with customers, where we bring the most value by working in close collaboration to deliver the most effective outcome at every stage.

This methodology enables us to work as an efficient team from idea to launch, drawing upon the right expertise at the right time to create solutions with better ideation, faster development times and more effective implementation.



- Production sites
- Customization sites
- Sales offices
- Sourcing operations
- Customer Innovation Centers



## AAK's role in the value chain

We have illustrated AAK's role in the value chain in order to assist in identifying the steps involved in the making of our products and solutions. At AAK, we recognize that our responsibility in the value chain goes beyond our own operations. Every step is connected to multiple stakeholders such as employees, communities, ecosystems and business partners around the world.

In the illustration you can see that we are located in the middle of the value chain, sourcing multiple raw materials globally that we process and refine to provide solutions to our customers' end products. It means that we have a key responsibility managing and mitigating the significant impact we have in terms of what we can influence as buyer, producer and supplier.

The impact we can have and how we manage it rely upon an evaluation of risks and our position in the supply chain. Upstream, our key responsibility is to ensure traceability and compliance with the AAK Group

Code of Conduct for Suppliers of Raw Materials with focus on environmental and social sustainability issues. In our operations we aim to minimize our environmental footprint and create a good working environment. Downstream of our own operations the impact relates to ensuring a high quality of products and relevant information of where and how our products have been produced and the potential positive impact it has created.

Our direct responsibility and requirements can look different in the various supply chains that we are operating in. Priorities and management approach therefore also differ from raw material to raw material.

Please read more about the work we do upstream in "Our Suppliers" section and about the work we do in our operations in "Our Planet" and "Our People" section and the work we do downstream of our value chain in "Our Customers" section.

Our Suppliers



Traceability



Legal compliance



Human rights



Labor rights



Anti-corruption



Environment



Smallholder

Our Planet and Our People



Traceability



Legal compliance



Human rights



Labor rights



Anti-corruption



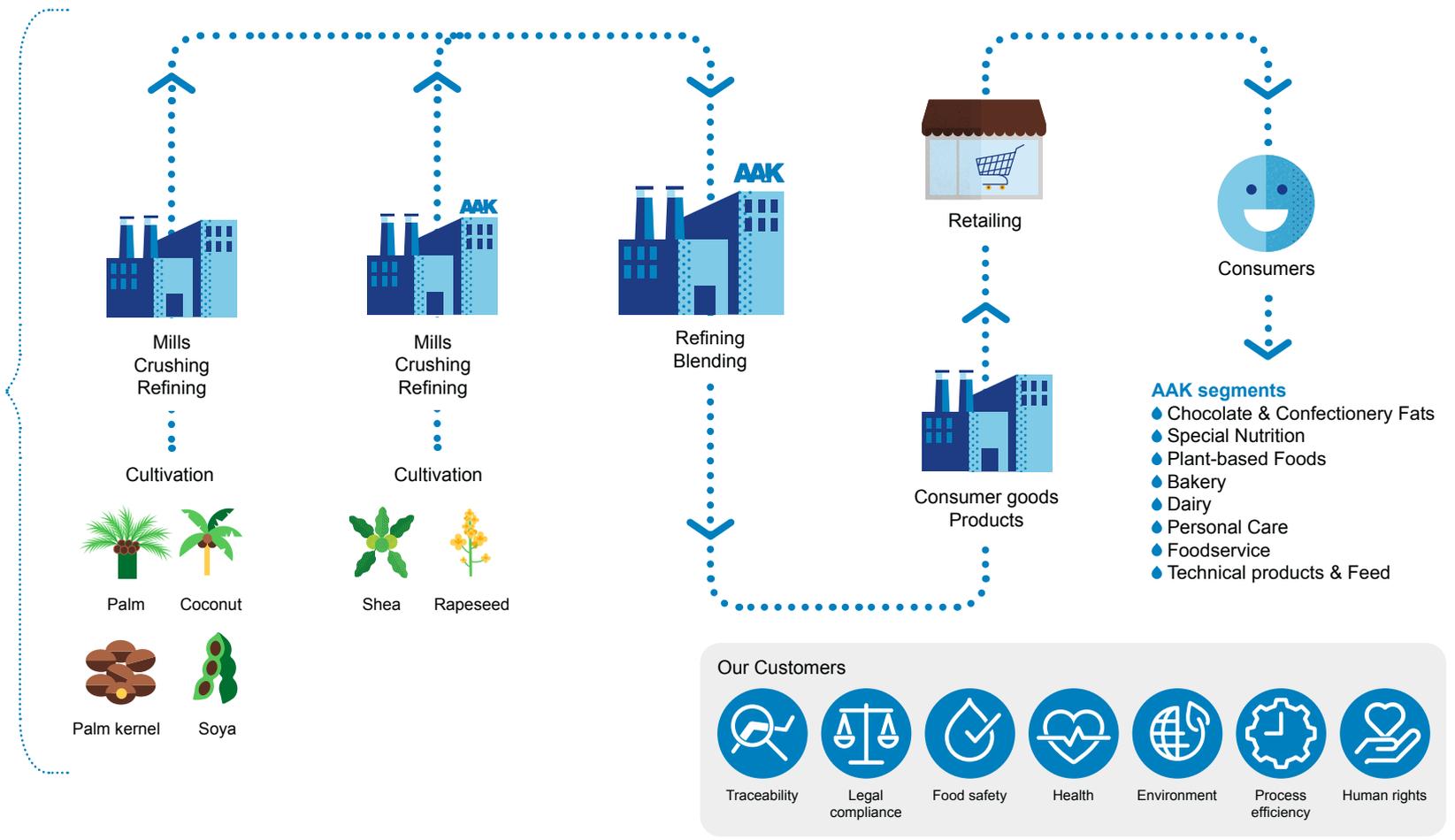
Environment



Process efficiency



Food safety



President and CEO:

# Sustainability – a key enabler for future success

At AAK, we deliver plant-based oils and fats solutions with care for the planet and the people that we reach through our business. I am proud to share the progress we have made during 2019 in this annual Sustainability Report. Our achievements are the result of a tremendous amount of dedication from AAK colleagues and collaboration partners around the globe.

## Sustainability – part of our DNA

Sustainability has been at the core of AAK for many years. It has a strong alignment to who we are and how we run our business and our company. We also see it as fundamental to our continued development and future success. Drawing on a diverse range of raw material sources, AAK has a responsibility and a role to play in enabling sustainable foods to consumers. By ensuring responsible supply chains, minimizing our environmental impact and by being a knowledgeable partner on sustainability we can provide value-adding sustainable solutions to our customers and thereby consumers.

In 2019, we initiated a strategy process to identify opportunities for future growth, and sustainability was confirmed as one of the key enablers going forward. Three-year plans are initiated in order to strengthen sustainability as an enabler with focus on our significant impact in our supply chains and prerequisites to grow in a sustainable manner. The AAK materiality analysis was also revisited during the year and new information was collected from important stakeholders regarding how we can improve and enable their sustainability ambitions.

This groundwork and valuable insights combined with continued support of the ten principles of the UN Global Compact and the Sustainable Development Goals will be our guiding stars and support our role in creating value-adding sustainable oil solutions going forward.

## Ambitions and achievements during 2019

The AAK ambitions have been met in many ways during 2019. Our colleagues are making efforts to create a safe workplace, education of our employees is strengthening skills and people's engagement show how we can act as catalysts for sustainable change in societies where we operate. These are efforts where the impact is hard to measure but we know it's there and that it's significant. Furthermore, I would like to emphasize some specific ambitions and activities that demonstrate important steps not only for AAK but also for our customers, our suppliers and our planet.

## A leading and knowledgeable partner on sustainability

Together with an increasing concern about health and the environment, AAK has seen the demand for plant-based foods grow over the last few years. During 2019, we launched AkoPlanet™, a portfolio with solutions for plant-based foods that are good for both people and the environment. This important step will lift our capabilities to respond to a fast-moving market segment not only with our solutions but also with our knowledge and experience with sustainable value-adding solutions and impactful work carried out in our supply chains.

## Sustainability progress for all key raw materials

We have for many years been working on achieving sustainable development in our supply chains. We see this experience as a great strength of the company, demonstrating our ability to upscale initiatives that show significant positive impact. A great example of this is our direct shea sourcing program Kolo Nafaso in West Africa. During 2019, we have grown this initiative tremendously and today more than 230,000 women shea collectors are engaged in the program with access to pre-financing, training and logistical support. A journey that has given us valuable experience to further apply and build on.

## Minimizing our environmental impact

Our ambition to minimize our environmental impact is shown in our ever-expanding efforts to prevent the negative effect of our production sites. We have seen improvements for three significant resource efficiency indicators during 2019. The total energy consumption per processed unit decreased by 7 percent, and the water consumption per unit processed material decreased by 2.3 percent compared to 2018. In addition, we reduced our greenhouse gas emissions per processed unit raw material by 4.4 percent. Work is now ongoing to identify further improvements to reduce our environmental impact.

### The Call to Action

2019 close out a decade of exceptional global heat, retreating ice and record sea levels driven by greenhouse gases from human activities. As I write this, the ongoing corona pandemic is also profoundly impacting people's health, societies, and business operations across the world. The uncertainty in our industry has increased, especially in the short term. However, in a more long-term perspective we remain prudently optimistic about the future.

AAK realizes the urgency related to climate change and we are committed to reduce our emissions and meet required ambition levels based on solid groundwork. During 2020 we will identify climate risk, frameworks and actions that can enable us to reduce our climate impact in the most effective way. Climate change impact assessments have been initiated at all production sites and during 2020 we will also initiate climate change impact assessments in our supply chain to identify how to lift the shared responsibility together with relevant stakeholders. This will provide valuable input for our actions both in terms of reduction of greenhouse gases and to how we can build the resilience of the company when facing climate changes. It is not only our response to fight climate change but an investment that will build long-term value for AAK.

The health and well-being of our planet and our people is the responsibility of all of us and we are committed to do our part.

Johan Westman, President and CEO



# The AAK House of Sustainability

Sustainability is key to our growth and essential to achieve our vision of being the industry's first choice for value-adding vegetable oil solutions. Our House of Sustainability has guided our continued progress and represents the foundational structure of our sustainability initiatives and how we make it part of our DNA.

## UNGC principles and SDGs

The UN Global Compact (UNGC) is a solid platform and a broad concept based on ten universal principles within Human and Labor Rights, Environment, and Anti-corruption. It involves all of the major players in global business and sustainability, including the GRI (Global Reporting Initiative), ETI (Ethical Trading Initiative), ICC (International Chamber of Commerce), and OECD (Organization for Economic Cooperation and Development). AAK has been a participant of the UNGC since 2003.

## UN Sustainable Development Goals

In 2015, all member states of the United Nations adopted 17 Sustainable Development Goals (SDGs), which aim to end poverty, protect the planet, and ensure prosperity for all, with specific targets to be achieved by 2030. As a global company, AAK recognizes that businesses have to play an important role in this process and thus we have included the SDGs in our model. We are developing further ways to support the process and monitor and report on our progress.

## Policies and codes

AAK's sustainability policies and codes are based on the UNGC as well as on our own principles and are implemented globally across all AAK business activities. The policies and codes are aligned with many of our customers' requirements and values, which strengthens our strategic alignment. AAK's policies and codes are available at our website, [www.aak.com](http://www.aak.com).

## Five sustainability focus areas

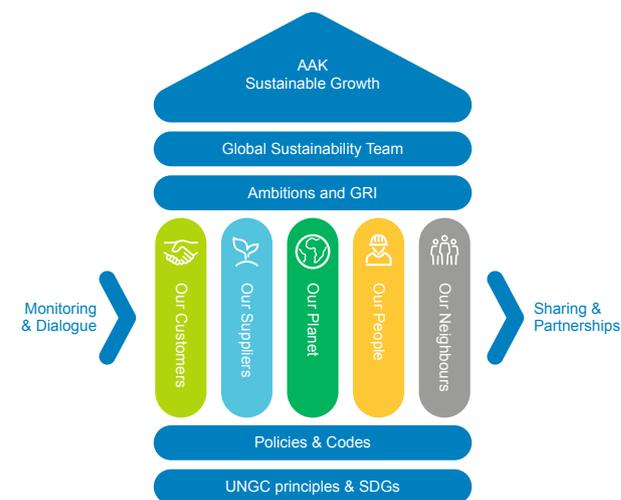
We have defined five sustainability focus areas – the “pillars” – that are important to our business: Our Customers, Our Suppliers, Our Planet, Our People, and Our Neighbours. They provide an overview of our progress and guide us in setting objectives and focusing our resources.

## Sustainability ambitions and GRI

To maintain momentum and drive improvement, we have defined key ambitions within each of the five focus areas. Achievements and future ambitions are publicly available in our Sustainability Report. Furthermore, based on the Global Reporting Initiative (GRI) and the GRI Standard guidelines, we globally monitor indicators of importance for our stakeholders and ourselves. To do this, we use the materiality analysis methodology outlined in the GRI Standard.

## Global sustainability team

The engine behind many of our sustainability activities is our decentralized global sustainability team, established



in 2007. It consists of local sustainability teams with core competencies that cover our sustainability scope. The Global Sustainability Manager reports to the Chief Strategy & Sustainability Officer, who is a member of AAK's Executive Committee.

## Sharing and partnerships

Sharing knowledge, ambitions and achievements with our stakeholders is a fundamental part of our approach. In our annual Sustainability Report, we share global information based on the GRI framework, supported by a variety of local projects and initiatives that illustrate how our sustainability work comes to life. Furthermore, we regularly report progress on the implementation of

our Responsible Sourcing Policy and our Responsible Sourcing programs in AAK's progress reports on sustainable palm and shea. Reports and policies are publicly available on our website.

The UN Global Compact encourages companies to engage in partnerships to tackle global challenges more effectively. AAK embraces the view that by working with other businesses, NGOs and governmental agencies, we can accomplish more. For example, AAK is participating in, or partnering with, RSPO (Roundtable on Sustainable Palm Oil), GSA (Global Shea Alliance) and Proforest.

#### Monitoring and dialogue

Our sustainability approach is not static, but adjusted to input from stakeholders such as customers, investors, NGOs, and employees. We monitor new and upcoming legislation, follow trends in our communities, and benchmark our sustainability practices against those of retailers, customers, and competitors.

#### Find out more

Our overall objective to grow AAK sustainably and progress within sustainability as a whole is governed with help from the pillars in the AAK House of Sustainability. If you would like to learn more, please watch the short, animated video under AAK House of Sustainability at our website.



# UN Global Compact commitments

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, labor, environment and anti-corruption. With more than 9,900 company participants in 160 countries, the UN Global Compact is the world's largest voluntary corporate sustainability initiative. AAK has been participating in UN Global Compact since 2003.

## WE SUPPORT



Principles	Examples of AAK commitments
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### 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.

### Examples of AAK commitments

- AAK supports the ten principles of UNGC in the areas of human and labour rights and communicates this to all employees in our Group Code of Conduct. The Code is accepted and signed by all AAK employees (page 17).
- AAK Supplier Code of Conduct and Code of Conduct for Suppliers of Raw Materials is an integral part of the approval system for suppliers and our direct suppliers are required to approve and sign it (page 55).
- AAK has an active whistleblower function implemented.

### Labor



- 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 labor;
- The effective abolition of child labor and;
- The elimination of discrimination in respect of employment and occupation.

- AAK recognise the rights of its workers to freedom of association and collective bargaining, including the right to freely form and join independent trade unions.
- Labor rights are addressed in AAK's Sustainability Policy (page 55).
- Modern slavery issues are addressed in AAK's statement on Modern Slavery Act (page 27).
- AAK does not support any form of discrimination. Anti-harassment and discrimination will be part of the Ethical Behavior training to be developed and launched during 2020. See page 17.



Principles      Examples of AAK commitments



**Environment**

- Businesses should support a precautionary approach to environmental challenges;
- Undertake initiatives to promote greater environmental responsibility;
- Encourage the development and diffusion of environmentally-friendly technologies.

- AAK supports the precautionary approach both in terms of product development and innovation and in terms of environmental awareness initiatives (pages 26–39).
- Our community engagement initiatives are examples of how AAK engages employees in taking a greater environmental responsibility (pages 56–59).
- Best practice, best available technology, benchmarking and scalable solutions are measures applied to achieve AAK ambitions (examples on pages 43 and 45).



**Anti-corruption**

- Businesses should work against corruption in all its forms, including extortion and bribery.

- Anti-corruption is addressed in AAK Code of Conduct, the Supplier Code of Conduct, the Code of Conduct for Suppliers of Raw Materials and the Code of Conduct for Agents and Distributors.
- Two mandatory e-learning modules addressing anti-corruption have been passed by more than 90 percent of our employees at risk of encountering corruption (page 55).
- Code of Conduct and anti-corruption is part of the AAK evaluation and audit procedures of suppliers.

# Contributions to the Sustainable Development Goals

In September 2015, the United Nations (UN) adopted the 17 Sustainable Development Goals (SDGs) relevant for all countries. AAK has a strong commitment to sustainability and we have welcomed the SDGs. We see the SDGs as an integrated part of our sustainability work and they are incorporated in our model, the AAK House of Sustainability. AAK plays an active role in supporting the delivery of the SDGs. As part of our annual review process, we, in 2019, identified eleven SDGs that represent our ability to contribute and make a substantial positive impact.

## Our significant impact

In 2019, our progress in contributing to the UN Sustainable Development Goals was especially evidenced in our supply chains. The inclusion of smallholder suppliers is one of the areas where AAK continues to have a positive and growing impact, including our work with smallholders within oil palm in Malaysia and Mexico, coconuts in Indonesia, and shea in Burkina Faso, Ghana and Ivory Coast.

One of the biggest contributions in 2019 was related to our efforts with the Kolo Nafaso program in West Africa, which increased by 72 percent. We were able to offer training to an additional 96,615 women, providing instructions in cooperative business skills, good agricultural practices, and water usage.

The Kolo Nafaso program also continued to contribute to equal rights and to provide economic resources by opening 4,249 bank accounts, training 2,456 women in rocket stove construction and, not least, by supporting the female extension officers who play a critical role in helping the participants grow as strong female leaders.

For more information about our progress and contribution to the eleven identified sustainable development goals, please see appendix 2 at the end of the report.

We will continue to monitor our contribution towards achieving the SDGs and their specific sub-targets with focus on positive impact throughout our value chain.



Contributes to:



WE SUPPORT



# AAK joins the Young SDG Innovators program

During 2019, the UN Global Compact initiated a program to identify young talent within organizations in order to collaborate and accelerate business innovation towards the Sustainable Development Goals (SDGs).

The program aims to encourage future business leaders and changemakers to drive innovative solutions

through new technologies, initiatives, and business models, and to deliver on their company's sustainability objectives. AAK is proud to have two employees joining this program, which we hope will provide more knowledge and innovation for creating sustainable solutions.



"It is very inspiring to be a part of this group of young people who are all motivated to push the sustainability agenda to the next level. One of the best aspects of the program, for me, is to discuss our ideas with each other, because everybody comes from very different industries. This gives feedback from unexpected angles, which allows "out-of-the-box discussions."

Laura Schlebes, Multi-oil Sustainability Manager



"The program is providing guidance on how companies can drive the sustainability agenda and create greater value for employees, customers, and the planet. Through workshops, educational materials, and connections, we get a bird's eye view of our role in the supply chain and the positive impact we have in other sectors. It has allowed us to cross-fertilize learnings and best practices that are proven to succeed in creating profitable growth, and more importantly, protecting our environment at the same time."

Javier Gines Galera, Global Innovation Lead, Plant-based Foods

# Global sustainability ambitions and achievements

We are proud to present AAK's global sustainability ambitions and achievements in brief. The achievements are commented on in more detail in the five sections to which they apply: Our Customers, Our Suppliers, Our Planet, Our People, and Our Neighbours.

Area	Ambitions 2019/2020+	Status	Comments
<b>Our Customers</b> 	A leading and knowledgeable partner on sustainability		An ambition that always guides us to become even stronger and more knowledgeable on sustainability for our customers.
	Continuously co-develop sustainable solutions		AAK has developed new sustainable solutions that meet our customers expectations during 2019 (pages 22 and 24).
	Ongoing: - AAK Code of Conduct for Agents and Distributors signed by all agents and distributors	98%	Several new partnerships established during 2019 and great efforts have been made to ensure that agents and distributors sign and understand the Code of Conduct.
	- Intro to anti-corruption and competition law compliance e-learning modules passed by all relevant employees	93/94%	The introduction to anti-corruption and competition law compliance e-learning modules will continuously be rolled out to all relevant employees and employees entering the organization (page 55).
	- Training on Code of Conduct for Agents and Distributors developed and launched by 2020	Ongoing	AAK wishes to reinforce the understanding of our Code of Conduct for Agents and Distributors by providing training.

Area	Ambitions 2019/2020+	Status	Comments
<b>Our Suppliers</b> 	Progressing on sustainability for each of our key raw materials		An ambition that ensures continuous progress, traceability, compliance and high sustainability standards in our supply chains.
	Verified deforestation-free*		
	2020: Progressing on verified deforestation free palm supply base	26%	This calculation combines our RSPO-segregated volumes with estimates based on an equal weight from each mill in our supply base.
	2020: Minimum 90% verified deforestation-free soy	Ongoing	91 percent of supply base is identified as low risk and work is ongoing with Proforest on a methodology to verify.
	Continuously increase our impact on smallholders' livelihoods		We are running smallholder projects in our palm, shea, coconut and soy supply chains (pages 26–39).
	Ongoing: - 2019: All sourced palm oil meeting AAK's policy requirements	31%	Meeting the AAK policy requirements is a combination of RSPO certified volumes, progress on supplier engagement and measuring supplier compliance. A new reporting tool to calculate will be launched in 2020. 31% of our supply base was RSPO certified in 2019.
	- 2019: Develop and launch e-learning on Code of Conduct for Suppliers of Raw Materials		The e-learning was developed in 2019 and will be launched in 2020.
	- 2019: AAK Palm Oil Policy and Actions and Responsible sourcing of Shea in AAK e-learning modules passed by all relevant employees		98% of our suppliers have signed the Palm oil Policy and 99% of relevant employees passed AAK Palm Oil Policy and action e-learning and 95% passed the Responsible sourcing of Shea e-learning module.
	- Code of Conduct for Suppliers of Raw Materials signed by all raw material suppliers		98% of our palm oil suppliers have signed the Code of Conduct for Suppliers of Raw Materials and work is ongoing to provide a global percentage as the suppliers are currently managed in different regional systems. Please see GRI 308-1 and 414-1 on page 75.
- Code of Conduct training provided to all strategic raw material suppliers		AAK has not directly engaged in any workshops during 2019, but 104 mills in our palm oil supply chain have participated in workshops through Proforest. The top two suppliers in the coconut supply chain were engaged in 2019.	

\* An ambition based on a verification methodology that has been developed with our partner Proforest.

Area	Ambitions 2019/2020+	Status	Comments
<b>Our Planet</b> 	Minimize our environmental impact and increase resource efficiency per processed unit raw material		An ambition that drives our improvement work and our ability to manage direct environmental aspects.
	2030: Reduce GHG emissions per processed unit raw material by 22% (baseyear 2012*)	-4.4%	AAK will review the present target during 2020 to ensure we are ambitious enough to meet the needed GHG reduction levels in line with the science based target methodology.
	2020: Climate change risk assessment at all production sites	56%	The assessments will continue during 2020 and will provide valuable input for AAK to further strengthen its climate related activities (page 47).
	Ongoing: - Less than 1.5% of waste disposed at landfill	2.5%	The waste to landfill statistics have been reduced by 48% since last year but AAK has still not reached the initial goal of 1.5% (page 48).

Area	Ambitions 2019/2020+	Status	Comments
<b>Our People</b> 	Working towards an injury free workplace		An ambition that drives our safety in the workplace. The Lost time injury rate ended up on 0.4 in 2019. A 30 percent reduction since last year.
	2022: All employees trained in ethical behavior	Initiated	To reinforce the emphasis and compliance with AAK Code of Conduct, this ambition includes focus on anti-harassment and discrimination training.
	Ongoing - AAK Code of Conduct signed by all employees		All employees shall be aware of and behave according to our Code of Conduct.
	- Continuously improve the competences and engagement of our people		Different trainings and development programs have been conducted during 2019 to improve the competences and engagement of our people (page 53).

Area	Ambitions 2019/2020+	Status	Comments
<b>Our Neighbours</b> 	Relevant local community projects and activities		An ambition that will enforce our role as a responsible corporate citizen. Sites have been engaged in relevant local community projects and activities in line with our Community Engagement Guidelines.

\* See GRI Index 305-4 on page 72.

Our Customers

## Our customers come first

Our business is nothing without our customers. They form the backbone of our vision and the driver behind our goals. Each solution we co-develop is geared to solve a specific customer challenge and to deliver lasting business value that builds and protects their brand. In this respect, any interaction with customers is fueled by a genuine desire to help, to share our expertise, to support the development of strong brands and to achieve results based on sound business ethics and the highest standards of excellence.





Over the years, AAK has established long-standing 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 has even set new trends through the development of cutting-edge solutions.

Oils and fats from AAK perform valuable functions in customers' products and sustainable value-adding benefits. They may ensure the right meltdown property,

carry flavor, supply essential fatty acids, provide structure, responsible supply chains and much more. In each case, AAK's understanding of customers' requirements is crucial when developing the right solution. In cooperation with our customers' key people, our experts test applications, co-develop product and supply chain solutions, and explore new production methods. We always aim to be a leading and knowledgeable partner on sustainability to our customers.

## Our Customer achievements

### Third-party certifications

At AAK, we understand the value of having independent organizations review our processes to verify that the final product complies with specific standards for safety, quality, and environmental protection. The level of food safety and RSPO supply chain certifications on our production sites remained high during 2019.

### Code of Conduct for Agents and Distributors

After successfully implementing our Code of Conduct with all employees, and our Supplier Code of Conduct with our raw material suppliers, we began implementing our Code of Conduct for Agents and Distributors. In 2019, we achieved 98 percent implementation, 93 percent among our agents, and 99 percent of our distributors signed the Code of Conduct. To ensure that we continuously develop our business relationships on common values, we will further build on the ability to train our business partners.

### Increasing demand for sustainable products

AAK will always make sure that sustainable options are available and that we enhance the value of these types of solutions.

We produce different sustainability communication materials for customers, such as progress reports and presentations, and we continuously work to expand our employees' knowledge to increase the demand for sustainable products.

### Employee skills and product governance

Our skilled Customer Innovation (CI) and sales teams make sure that requirements are understood and that we meet our customers' needs. This is done by following up on the approval process of the products, ensuring integrity, safety and feasibility of the products through to trials and launch. The sales team is also there together with the quality department to follow up on any product failures or complaints that will be logged according to our customer complaints procedure.

## Key achievements

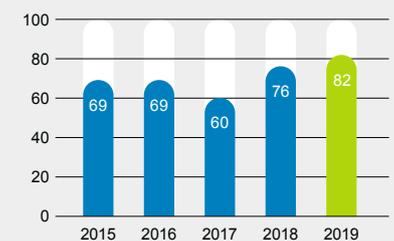
### Food safety certified

Percent of production sites



### Sedex\* members and passed SMETA audit

Percent of production sites



\* Sedex is a global membership organization to manage performance around labor rights, health and safety, environment and business ethics and SMETA is the corresponding audit.

### RSPO supply chain certification

Percent of production sites processing palm oil





## AAK receives gold rating by EcoVadis

EcoVadis has awarded AAK with a gold rating for three years in a row. EcoVadis is a collaborative platform that enables companies to monitor the sustainable performance of their suppliers.

AAK was assessed on environment, labor practices, fair business practices, and sustainable procurement. All answers provided for the assessment were supported by documents such as published reports, procedures, checklists, and other evidence of compliance. This enables us to focus on the AAK management system and how we can make further improvements.



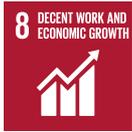
## Award for Kolo Nafaso as Sustainability Pioneer

In November 2019, AAK was presented with a Sustainable Beauty Award and named winner in the Sustainability Pioneer Category thanks to our direct sourcing program Kolo Nafaso in West Africa.

The program has grown exponentially since it was founded ten years ago and the award is an acknowledgement of all the hard work and dedication that the AAK teams have made on the ground in West Africa.

Consequently, cosmetic manufacturers have been able to increase the social value of their brands.





## Partnerships built on trust

It is important to show that AAK is a responsible, trustworthy supplier. Customers must be able to rely on us as a safe partner, also in regards to working in an ethically sound manner.

### Best practice and standards

We use third-party organizations to verify that our production facilities operate sustainably. When a facility has passed an audit (e.g. SMETA) or obtains certifications (e.g. ISO 14001 or ISO 9001), we can be sure that key elements such as labor rights, health and safety, environmental risk management, and business ethics, are indisputable parts of our everyday working practices.

A certified site according to these industry standards will ensure that targets and action plans are met, with continuous progress towards our environmental and quality management goals. AAK sees a great value in this and we aim to increase the number of certified sites with focus on ISO 14001 and ISO 9001.

All production sites are certified in accordance with international food safety regulations and quality control functions ensure that every delivery meets specifications and requirements. This way, we can be sure that our daily routines are according to best practice, meet the highest quality standards, and that we never compromise our customers' brands.

### Third-party certification of AAK production sites

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

**100** percent of sites handling palm oil have RSPO Supply Chain Certification

**82** percent of sites are members of Sedex and have passed the ethical audit SMETA

**58** percent of sites are quality management certified according to ISO 9001

**35** percent of sites are environmentally certified according to ISO 14001

In addition, various production sites 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.



## Sharing sustainability best practices

AAK aims to support the industry in sustainability best practices and, in turn, share knowledge and experience with our customers. In this way, we can increase awareness and demand for sustainable solutions by demonstrating the value-adding impact they deliver.

During 2019, AAK has taken sustainability a step further. One example of this is the creation of our AkoPlanet™ platform, showcased for the first time at the Plant-based World Expo in New York during summer 2019. AkoPlanet™ enables customers to create sustainable plant-based foods in response to increasing demand for more environmentally-friendly solutions to feed the world's growing population.



Another example was our participation at FiE (Food ingredients Europe) in Paris in December 2019. Not only was our booth made entirely from sustainable materials, but we also showcased several of our sustainability initiatives, including new plant-based solutions for the cheese and meat segments as well as updates on our Kolo Nafaso program.

During the event, AAK also joined forces with TREE AID to raise awareness on climate change by planting a tree for each visitor that came to our booth. We also did this during another event called Food Life Matters in London. After the shows, 834 trees were registered to be planted in Africa.

## Valued product information for our customers

It is usually the minimum requirement for product information that is stipulated by legislation that is used in our business. However, they vary according to whether the product is standard or highly refined, and whether an ingredient or a final consumer product. Same thing when it comes to nutrition solutions for infants or elderly. 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 and we provide it.

### Quality & Product Safety Sheet

Contains additional information related to the product such as allergens, GMOs, residues, country of origin, raw materials and additives, typical fatty acid composition, etc.

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



## Welcome to AAK ACADEMY™

One particularly important aspect of our co-development approach is to run courses at our Customer Innovation Centers through AAK ACADEMY™. Not only does this enable us to deliver a more complete service to customers, but it also provides the perfect platform to share knowledge on the importance and value of sustainable solutions.

Martin Persson, Commercial Product Manager, Dairy, gives us some insights into what AAK ACADEMY™ is, and the value it provides:

### What is AAK ACADEMY™?

AAK ACADEMY™ organizes application-focused courses based on customer needs and challenges. Usually held at our premises, but sometimes at a customer's own facility, these courses take a holistic approach that cover many different areas, such as consumer trends, concept ideation, and product development.

### How does it work?

We keep the courses flexible to suit customers, segments or markets, but typically they have a formal set-up with a mixture of attendees from different companies. We focus on helping people to understand

market trends and improve their product development in key areas, including healthiness, sustainability, functionality, cost-efficiency, and new concept creation. We also organize customer-specific academies to engage key personnel from different functions, such as Research & Development, Quality Assurance, production, and marketing.

### What do customers get out of it?

Each AAK ACADEMY™ course are an excellent opportunity for people to get a deeper understanding of how AAK oils and fats can support our customers' current and future business plans and product roadmaps. Through our AAK Co-Development Innovation days, we also facilitate the ideation of possible sweet spots and solutions by presenting new concepts and market trends as inspiration. We evaluate customers' products and their value chain for improvements, which helps them prioritize the development of new ideas.

### How does this support our ambition to be a “strong and knowledgeable sustainability partner”?

Within AAK ACADEMY™, sustainability has gone from being a single agenda point to something that is incorporated into other topics. Sustainability is a complement as well as a strong factor for making business decisions

and developing new product concepts and we continuously develop knowledge and expertise by working closely with leading businesses worldwide. We strive to use and share knowledge around sustainable raw materials, operations and practices. Sustainability is at our core and that is being recognized by our customers.

### What did you achieve over 2019, and what's next?

In our latest AAK Ice Cream ACADEMY™, we introduced new ways to explore the connection between product development and consumer demand for sustainable alternatives. With the current speed of change in the market, we believe this strong link is critical to help our customers be even more successful in their upcoming product launches.

For 2020, there are more academies coming, now in the planning phase, which will continue to highlight the importance of sustainability and how we are the right partner to help customers integrate this into their development processes.





## Driving sustainable innovation and meeting customer needs

Sustainability is becoming more important in AAK's way of driving innovation and meeting our customers' needs. New food product solutions are created that not only benefit the environment, but that are more commercially viable and support stakeholder requirements throughout the value chain.

### Sustainable and healthy businesses are made with AkoPlanet™

AkoPlanet™ is AAK's umbrella brand for plant-based foods and a platform for co-developing oils and fats solutions for plant-based meat and dairy.

"Conscious consumers are choosing to reduce or replace meat and dairy in their diet. This is driven primarily by sustainability and health concerns, however they are still also looking for a taste experience," says Catherine Hansen, AAK's Global Product and Market Manager for Plant-based Foods. "That's why we've developed AkoPlanet™, so consumers can enjoy more plant-based foods that have a positive impact on the planet without having to compromise on taste or texture."

Based on a deep understanding of oils and fats chemistry, our AkoPlanet™ team works with food manufacturers to develop great-tasting plant-based products with enhanced taste and texture, from more succulent burgers and creamier frozen desserts to sliceable or shreddable cheese with superior melting properties.

AkoPlanet™ solutions are made with responsibly sourced, traceable raw materials to ensure consumers' plant-based choices are also as beneficial for the planet. These are often customized towards a specific sustainability promise. For example, we can offer a rapeseed solution with a Life Cycle Assessment for a customer to help monitor and understand their impact on global rapeseed supply chains.

### Energy-saving benefits of AAK Lipex SheaLiquid™

Another example of how AAK is driving sustainable innovation is through our liquid shea solution, which has been proven in laboratory trials to save up to 50 percent energy and 30 percent time in production compared to solid shea butter.

The study was conducted under strictly controlled conditions and compared hot processing of a body lotion made with 6 percent solid shea butter with low temperature processing of the same formulation using 6 percent liquid shea.

AAK's liquid shea offers all the functionality and skin nourishing benefits of solid shea butter. In addition, the raw material requires less packaging than solid shea butter and is produced using kernels from a segregated supply chain traceable to the AAK Kolo Nafaso program, making it an even more sustainable solution.



## Customer survey

### – We listen, we care, we act!

In 2018, AAK conducted a global customer survey to assess whether we live up to our promise of being our customers' first choice for value-adding vegetable oil solutions.

More than 2,000 customers were invited to participate in the survey. The response rate was high, and the input has provided us with key insights as to what we should do to further improve our abilities to deliver upon our customers' expectations. A concrete action plan has been put into place across business areas, regions, segments, and customers.

For AAK, the "act" aspect of the survey is crucial, to show our customers that we are learning from the past and from their feedback.

The survey also included questions regarding customers' perception of AAK's sustainability performance. The feedback was generally positive, and customers wanted to see an even more proactive approach from AAK.

In 2019 we followed up with a stakeholder analysis in line with the GRI requirements to assess more specifically the most important aspects of sustainability to focus on from a customer and other stakeholder perspectives. The in depth insight from this analysis has helped us to design our new sustainability plan for 2020+.

In early 2020, we will re-engage with our customers with a new survey to assess whether and to what extent we as a company have improved our customers' experience with AAK in general and specifically on sustainability.

## The right partner with the right sustainable solution

At AAK, we put customers first. That is why "Our Customers" is the first pillar in our model for sustainable growth. Through our unique co-development approach, we stay very close to our customers, which generally gives us a good understanding of their sustainability needs.

The demand for solutions with stronger sustainability credentials increased significantly during 2019. A large part of the dialogue with our customers was focused on understanding and developing solutions with the right sustainability credentials versus their needs. Our customer requirements on sustainability varies significantly across industries, regions and customers. We see a higher demand for solutions with stronger sustainability credentials from our global consumer goods customers, our European and North American customers as well as our customers within the Plant based Food, Chocolate and Cosmetic Industry.

The key sustainability credentials were often related to our responsible sourcing practices for our many raw materials sourced from around the world. The most general requirement is the traceability of the raw material back to origin as this is the foundation for building additional credentials such as verified deforestation free palm oil or making real social impacts on the ground as for our Kolo Nafaso activities in West Africa.

Our aim is to support our customers in safeguarding their brands and in making the best possible sustainability choices. Therefore, we have put a lot of effort into ensuring that our Sales Managers and Customer Innovation Managers can be good sparring partners for our customers. This has been done through training and providing the right materials and tools to help them identify or develop the best solutions.

Our many Customer Innovation Centers globally have also played a key role in ensuring that the solutions are right from a sustainability point of view and with regards to the right functionalities for our customers' applications.

Anne Mette Olesen  
Chief Strategy & Sustainability Officer





## Our Suppliers

# Responsible sourcing for trust in our supply chains

The solutions that we co-develop with our customers in our different industry segments are founded on a few critical criteria:

- ◆ The right quality
- ◆ The AAK sustainability baseline requirements
- ◆ The right cost levels

The sustainability requirements that we have integrated in our sourcing processes, including environmental, social and ethical performance factors, are covered in our Code of Conduct for Suppliers of Raw Materials. Additionally, we perform our own risk assessments and listen to our customers in order to understand their priorities.



## Progressing on responsible sourcing

Our goal is to achieve responsible sourcing by building strong and resilient partnerships with suppliers and customers, in order to protect our customers and our reputation as well as to mitigate risks and issues linked to the raw material supply chains we manage. Working towards continuous improvement on environmental, social and ethical performance indicators is an important part of our work. We prioritize our efforts based on risks as well as the impact we can make.

In 2019, we have made strong progress in our different supply chains. A key achievement is that we have further increased our direct engagement with

shea-collecting women in West Africa to reach more than 230.000 individuals, representing an increase of 72 percent since 2018.

We have performed a risk assessment for rapeseed and progressed on supplier engagement on palm, coconut, soy and shea. We have achieved Rainforest Alliance chain of custody certification for the supply of certified coconut oil into Sweden, and we have started to focus on the impacts beyond the AAK supply chain by rejuvenating the trees in the landscapes we source from for our shea and coconut supply chains.

### Guiding principles\* for responsible sourcing within AAK

- United Nations Global Compact Principles
- International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work
- Sustainable Development Goals (SDGs)
- AAK Code of Conduct for Suppliers of Raw Materials
- AAK Statement on Modern Slavery Act

\*The guiding principles form the foundation for AAK's Policy for Responsible Sourcing of Vegetable Oils and the Code of Conduct for Suppliers of Raw Materials

## AAK Statement on Modern Slavery Act

AAK supports the United Kingdom Modern Slavery Act 2015 and its objective to eradicate forced labor and human trafficking in companies and their supply chains. The core of the act is a requirement for companies to publish an annual statement in which they explain the steps they have taken to prevent and combat human rights abuse such as slavery and trafficking in their supply chain – and in their own entities. The Act is applicable to companies doing business in the UK and consequently includes AAK.

The AAK Statement on the Modern Slavery Act can be found at AAK's website under Sustainability.

## Key achievements

### Palm oil traceability

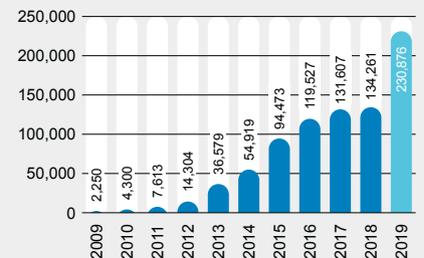


### Palm oil supplier engagement



### Shea direct engagement on women's groups level

Number of women enrolled in Burkina Faso and Ghana



### Supplier engagement in 2019





## Responsible sourcing for trust in our supply chains

### Responsible sourcing of vegetable oils and fats – our approach

AAK drives sustainability across the supply chains we source from. Our understanding of the issues and risks related to our supply chains and how to effectively address them has improved over time. This is due to a closer collaboration with stakeholders such as suppliers, customers and partners like Proforest.

Challenges that have been highlighted by stakeholders include: an increasing need for traceability and transparency, improving livelihoods of smallholders and women, demonstrating deforestation-free supply chains, and preventing development in sensitive or protected ecosystems. We continuously work to attain more sustainable supply chains in recognition of the impact that we have and in line with the identified and prioritized risks.

### AAK's priorities for responsible sourcing – from plant to brand

We have the same management approach for each of our key raw materials. It is our aim to fully integrate sustainability in our way of working across the global teams that are responsible for sourcing raw materials, for shipping, logistics, and with customers. In this way, we help connect our customers' brands to the plants which supply the raw materials.



To maximize our impact on the raw material industries, and to work in a holistic way with the challenges we face, we engage with our supply chains on three levels:

- 1) Understanding our supply base
- 2) Engaging with suppliers and smallholders
- 3) Driving impact beyond our supply base

**Understanding our supply base** is a critical first step in driving sustainability. At the core of our responsible sourcing activities stands a risk assessment which helps us identify and prioritize the most important issues we face in each individual supply chain. Priorities are further identified by assessing the volumes we source, the general risk in the supply chains, and the potential positive impact AAK can have.

In order to understand who we are buying from (and who they are buying from), we work closely with our sourcing and trading team and suppliers to obtain the pertinent information related to specific risks and issues. Depending on the complexity of the specific supply chain, achieving traceability can require collaboration across multiple stakeholders. In addition to understanding the supply base, we assess if the volumes we buy meet the AAK Code of Conduct for Suppliers of Raw Materials as well as the specific policies such as the AAK Group Policy: Sustainable Palm Oil.

**Engaging with suppliers and farmers** is the second pillar of our approach. As a processor, AAK's role in the value chain is in the middle. We usually work with suppliers, but in selected regions, or when sourcing certain raw materials, we have a more direct connection to the farmers, producers or harvesters.

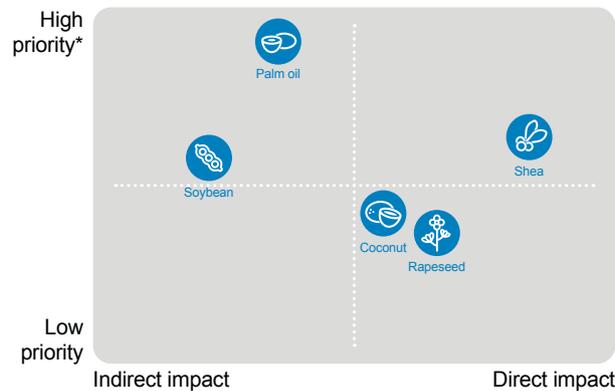
We need to understand the suppliers we work with and their commitment to sustainable development as well as their willingness to drive progress. We require our suppliers to adhere to the Code of Conduct for Suppliers of Raw Materials and to have their own sustainability policies in place.

Together with key partner suppliers, we co-develop trainings and workshops covering a range of topics including good agricultural practices, safety, labor and human rights. Our collaborations can also include on-the-ground engagements as well as audits or assessments to identify areas for improvement and to support our suppliers in their drive for continuous improvement. We see this as an important way we can drive transformation and implement change in our supply chain.

**Driving further impact beyond our supply base** is relevant when issues have complex underlying causes. In such cases, we believe it is most effective to work directly with the stakeholders who are in the position to build understanding and drive effective responses. To stimulate wider change within the industry, AAK approaches complex issues identified in our supply base at a regional, jurisdictional and business sector level.

Examples of such efforts can be seen in our collaboration with Forever Sabah to implement the jurisdictional certification of independent oil palm smallholders in Sabah or the mobilization of local villages in Burkina Faso to rejuvenate the shea belt. Other examples include industry collaborations such as the Roundtable on Sustainable Palm Oil, the Global Shea Alliance and the new industry meeting on the sustainable development of the coconut industry.

#### Impacts and priorities in key raw material supply chains



\* Based on volumes and social/environmental risks in supply chain



Contributes to:



## Palm – progressing towards full sustainability

Responsible sourcing of palm oil remains a crucial activity in our sustainability journey. The scale of the crop globally, as well as environmental and social challenges in each particular region, requires a consistent and structural approach and collaboration across the supply chain.

2020 marks the deadline for companies to demonstrate deforestation-free palm oil supply chains. Ten years after this target was set, the complexity of the challenge has become apparent: the palm oil supply chain often involves thousands of companies and millions of growers. As such, we often have no direct relationship with the actors who can best influence change.

### Understanding our supply base

Understanding our supply base is a critical step in furthering sustainability, providing the baseline by which we prioritize the action we take both within and beyond our supply chains. Thus, we work closely with our suppliers and stakeholders to obtain traceability data.

Achieving traceability to plantation (TTP) requires sector-wide efforts by companies and other stakeholders, which AAK acknowledges and commends. Palm oil supply chains involve millions of small producers, many of whom are not responsible for clearance. For that reason, AAK supports a risk-based approach to TTP, which maps plantations where there is a risk of deforestation at village level.

We believe that, while not perfect, the RSPO certification remains one of the most reliable ways to ensure

that palm oil production meets high environmental and social standards. The adoption of the new RSPO principles and criteria in November 2018 has further strengthened the value of this certification. We intend to increase our purchase of RSPO-certified volumes as part of our shared responsibility policy and to stay in line with end-user and customer demand.

Additionally, we monitor progress in our supply base in accordance with the framework laid out in the no deforestation, no development on peat, and no exploitation (NDPE) implementation reporting framework.

One new and important KPI for AAK, which we are developing together with Proforest, is to understand the percentage of verified deforestation-free volumes. This approach combines our RSPO-segregated volumes with estimates based on an equal weight from each mill in our supply base.

### Engaging with suppliers and farmers

Because of our position in the value chain, our suppliers play a critical role in driving the implementation of our policies. This year, we have developed supplier score cards together with Proforest as part of our effort to strengthen our supplier engagement work. These score cards enable our internal organization and our suppliers to better understand the current status of where each supplier stands in regard to meeting the AAK sustainable palm criteria, as well as potential gaps that need to be closed.

### Driving further impact beyond our supply base

Via our collaboration with Forever Sabah, AAK continues to support the jurisdictional certification approach in the Malaysian state of Sabah, where only 20 percent of the independent smallholders hold the title to their land, a key prerequisite for certification. 20 percent of the 53,000 independent smallholders hold the title to their land today. A key focus of Forever Sabah's work in 2019 has been the development of the Facilitated Land Application Process (FLAP), which will provide the platform for village-wide certification, leading to district- and state-wide certification.

We also support a unique project in Mexico together with Solidaridad, the objective of which is to develop the sustainability of three palm oil social enterprise cooperatives, with the ultimate ambition of achieving RSPO certification. The three groups cover over 850 smallholder members who produce their own palm fruits and own and operate their own mills. Early meetings have scoped the challenges and identified gaps. Field schools have been established with focus on implementation of standard operating procedures and good practices for palm oil processing as laid out by the RSPO.

In order to build and deepen common understanding of issues, industry collaboration is necessary. AAK has had a seat on the board of governors since the founding of the RSPO. This organization has played a foundational role in the understanding of sustainable palm production as well as in its contribution to sector-wide transformation.

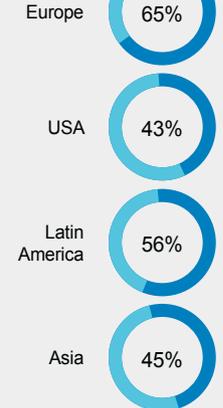
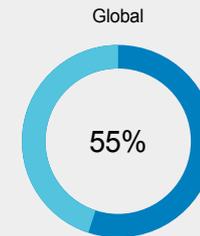
### Traceability



Traceability to mill



Traceability to plantation



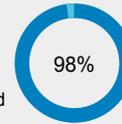
### Supplier engagement



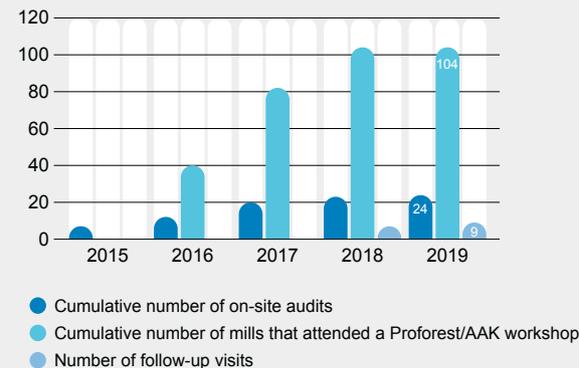
Code of Conduct



Signed or aligned palm oil policy



Mill engagement among higher priority suppliers



### Why palm oil?

Palm oil is an important raw material and crop in order to meet the growing demand for vegetable fats & oils. AAK continues to use palm oil because the crop has the highest yields compared to any other vegetable oil per ha, it contributes to global food security and it provides an income directly to local communities, since 40 percent of the palm is being produced by smallholders. Next to that it has unique functional and nutritional characteristics.

Palm oil can be produced in a sustainable way, without the negative and social impacts. This requires a market transformation across all stakeholders of the palm oil value chain. AAK has been at the forefront of this change, as co-founder of the Roundtable of Sustainable Palm Oil back in 2003, today the industry standard for certified sustainable palm oil.

Next to RSPO certified palm oil, AAK's sustainable palm oil policy is based on the following elements: We aim to have a palm oil supply chain that is free from deforestation (high conservation value areas, as well as high carbon stock), development on peatland and exploitation of people and human rights.



## Responsible sourcing of shea

### Shea as raw material

The fruit produced by the shea tree is a very sustainable crop, the cultivation of which requires no fertilizers or pesticides. Growing wild in an area known as the shea belt, which stretches across western Africa, the shea tree is an important source of income for the communities that live in this area.

Traditionally, it is women who collect the shea fruit and process the kernels it contains. Income earned from the crop provides women with funds to alleviate poverty and hunger, to invest in children's education and capital to support other income-generating activities.

### Understanding our supply base

AAK has more than 60 years of experience sourcing shea kernels from West Africa. Working in close cooperation with shea traders and women's groups, AAK has built a solid and durable sourcing set-up across the shea production areas as well as logistical hubs in the coastal areas.

Together with our partner Proforest, we have conducted a risk assessment of the general shea supply chain. AAK has identified, and is working on, the following priorities for responsible sourcing throughout our traditional supply chain as well as throughout our direct sourcing supply chain Kolo Nafaso:

### Environmental

- ◆ Shea trees are lost due to use as firewood, planned burnings, grazing of cattle and the expansion of living and farming areas due to population growth
- ◆ Water used to boil shea kernels.

### Health and safety

- ◆ Snake and scorpion bites during harvest
- ◆ Long walks to fields and parklands
- ◆ Exposure to the sun
- ◆ Exposure to open fires during boiling process

### Economic

- ◆ Lack of transparency due to middlemen in traditional supply chain

### Engaging with suppliers and farmers in the traditional supply chain

Our general shea dashboard helps guide our compliance and sustainability work in West Africa (please also see our shea post-harvest progress report, available at our website).

The 2019 shea crop was larger than average from a volume perspective. This has caused multiple changes in AAK's supply chain, including the addition of 91 percent of suppliers who have signed up and

aligned their way of working with our Code of Conduct for Suppliers of Raw Materials.

In 2020, AAK will engage with suppliers more closely in order to train them in how to apply the Code in practice, with focus on strong business ethics, traceability and labor rights.

The safety of our employees in West Africa has been an important focus area in 2019. We have greatly improved safety training for drivers and workers at the yards. Though we have continued to experience a rather large number of traffic accidents, each incident has been followed by safety training and repetition of best practice behaviors. It should also be noted that the traffic in West Africa is more dangerous than in fully industrialized countries. The final Lost Time Injury Rate for West Africa in 2019 was 5. A safety group has also been initiated in order to enforce corrective actions and to increase focus on safe driving and traffic risks further. The first results look promising and awareness together with leadership focus will help this even more.

# Shea dashboard for the traditional supply chain

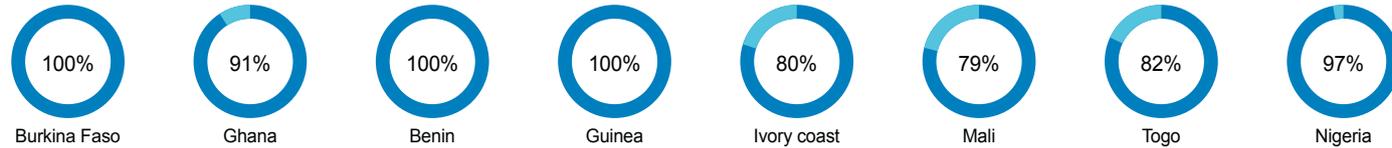


## Supplier engagement in the traditional shea supply chain

Code of Conduct for Suppliers of Raw Materials



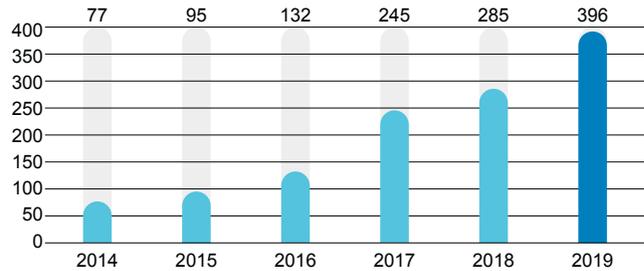
% of suppliers having signed the Code of Conduct – 2019



## Employee statistics

West Africa

Number of permanent AAK employees in West Africa



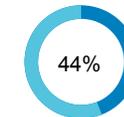
**62%**

increase between 2017 and 2019

% of employees having signed the AAK Code of Conduct



% of employees trained in first aid



% of target group trained

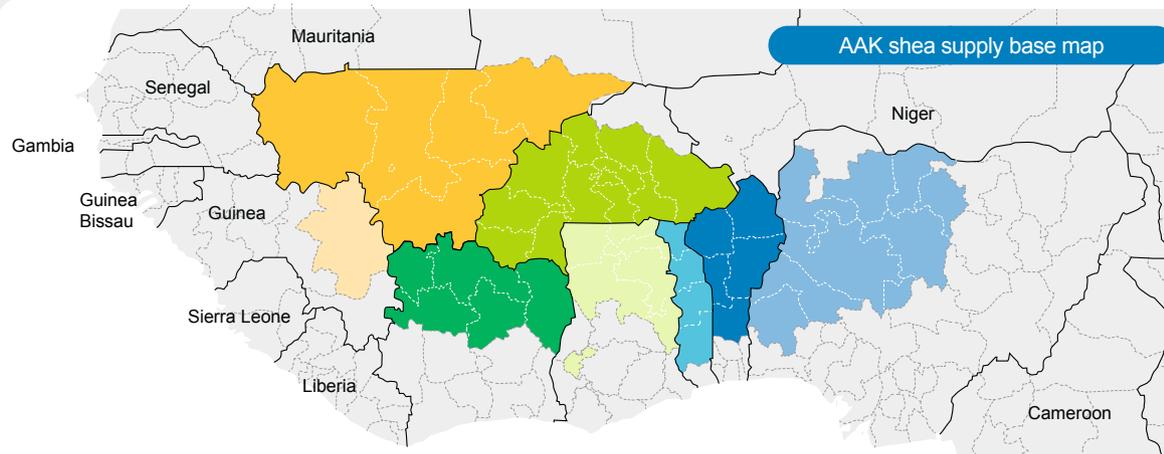


Anti-corruption Competition law Sustainability Shea

Lost time injury rate in West Africa 2019



5



Numbers of trees planted, 2019

**4,700**



Contributes to:



## Driving impact beyond our supply base

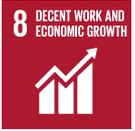
Shea is a fantastic crop that grows in agroforestry systems or parklands of West Africa. Shea trees grow wild or in traditional farming systems where agriculture integrates growing trees for mutual benefits, such as improved soil quality and increased water holding capacity. However, the trees are being put under an increasing pressure by population growth in the shea belt which results in an increased need for firewood, farmland and settlements. Climate change is also having a negative impact on shea tree population in West Africa.

In order to mitigate these impacts and to ensure shea trees will still be there to provide an income for the next generation shea collectors, AAK has started two initiatives in 2019 to support rejuvenation of trees in the region. The first initiative is a partnership between AAK,

GIZ (German Corporation for International Corporation) and the Program for the Protection and Rehabilitation of degraded lands and strengthening of local land in rural areas of Burkina Faso (ProSol-Burkina Faso). 4,700 seedlings have been given to communities in Western Burkina Faso, who have also been trained on planting the trees correctly and to ensure their survival as best possible. We will be monitoring the success of this project going forward.

The second initiative was driven by our business unit in Western Europe who, as previously mentioned, sponsored a partnership with TREE AID, and planted 834 trees across the shea belt for all visitors at our stand during the Food Life Matters exhibition in London and FiE (Food ingredients Europe) in Paris.

Contributes to:



## Engaging with women in Kolo Nafaso

Via our Kolo Nafaso direct sourcing program, we have taken the responsibility to engage directly with the women who collect and process shea kernels.

Our Kolo Nafaso shea dashboard guides our compliance and sustainability work in West Africa. The biggest achievement in 2019 was the significant expansion of our program to include more than 230,000 women in three countries – an increase of 72 percent since 2018.

Direct engagement with the women who participate in the Kolo Nafaso program provides fantastic opportunities to provide training on topics related to business, labor and agricultural best practices. For example, to reduce water consumption, participants are encouraged to steam the shea kernels instead of boiling them. The women are also encouraged not to cut shea trees for firewood.

Some women are being trained to build rocket stoves, which are 2.5 times more efficient than traditional stoves. Through this effort, we aim to reduce CO<sub>2</sub>e emissions within the shea supply chain as well as improve health and safety conditions during the processing of shea kernels and everyday the quality of life in our partner communities.

We are following up on our performance with an extensive survey with the women every two years. The next survey will be conducted in 2020. In 2019, we decided to conduct an external impact assessment of Kolo Nafaso to get an expert view of our program and its performance. The results can be seen in our latest post-harvest progress report available on our website.

AAK's Kolo Nafaso women's groups supply chain



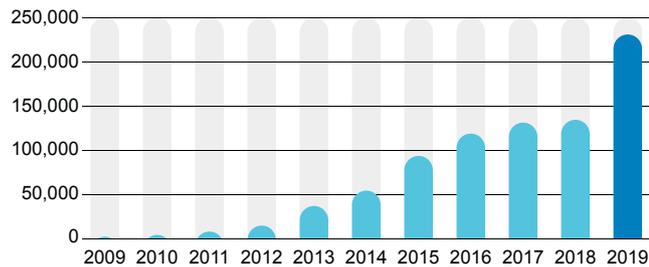
# Shea dashboard for Kolo Nafaso (women's groups)

## Direct engagement on women's groups level

**72%**

increase between 2018 and 2019

Number of women enrolled in Kolo Nafaso

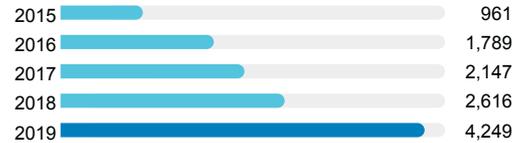


**100%** traceable and segregated\*

\*The shea kernels from Kolo Nafaso are fully traceable to the women's groups program in Burkina Faso, Ghana and Ivory coast. Please see map below for the specific regions our Kolo Nafaso kernels are originating from. (please see below for instructions regarding this map)

## AAK engagement level

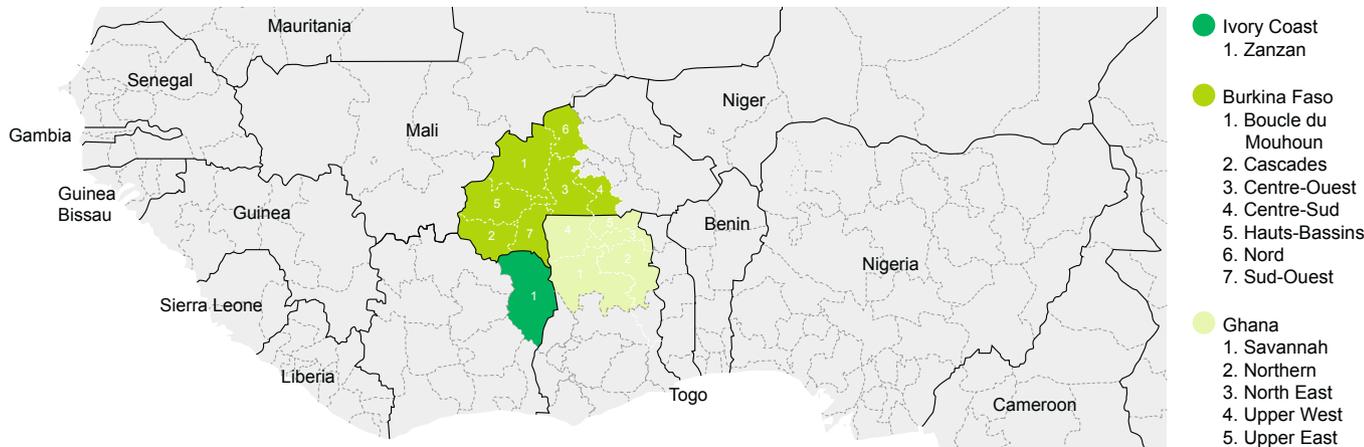
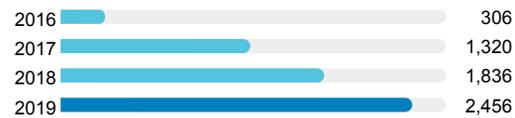
Number of bank accounts AAK has opened for the women's groups



Number of village visits by AAK extension officers



Number of rocket stoves built





## Coconut – further efforts in responsible sourcing

AAK has been sourcing coconuts from India and Sri Lanka since the 1930s. Nowadays, Indonesia, the Philippines, and India are the three biggest coconut producers, accounting for 70 percent of global production. We source our coconut oil from the Philippines, Indonesia and partly from India.

### Understanding our supply base

In 2018, AAK identified coconuts as a key raw material for responsible sourcing together with shea, palm oil, rapeseed and soy. For coconuts, the major risks in the supply chain still had to be identified and no industry-wide sustainability standard exists. Therefore, AAK teamed up with Proforest to conduct a risk assessment for our coconut supply chains.

The main priorities based on the risk assessment are listed below:

- 1) Improve traceability
- 2) Improve farmer livelihoods and keep them interested in growing coconuts
- 3) Rejuvenate the coconut industry

### Engaging with suppliers and farmers

Based on priorities one and two, we have progressed on our supplier engagement in three different ways.

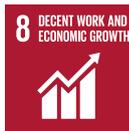
- 1) We have developed a supplier engagement workshop aimed at the mill, middlemen and farmer levels. The workshops aim to empower supply chain stakeholders to provide the relevant traceability data as well as to inform them in detail how to adhere to our Code of Conduct for suppliers of Raw Materials. Additionally, a section on good agricultural practices has been included. We had aimed to conduct the first workshop in Q4 2019, but we had to postpone it due to an earthquake in the Philippines. We expect the first workshop to be carried out in Q2 2020.
- 2) We have directly engaged with our tier 1 suppliers to help them improve the traceability in their supply chains. Key suppliers have been engaged and follow-up workstreams have been initiated. We will continue to follow up on this work as well as expand our outreach during 2020.
- 3) We have completed the Rainforest Alliance Chain of Custody certification for our factory in Sweden, meaning AAK is fully ready to test if certification is the right tool to improve traceability and farmer income in our direct supply chain originating in Indonesia.

### Driving impact beyond our supply base

Because approximately 90 percent of all coconut trees globally are reaching the end of their productive lifecycle, AAK has identified the rejuvenation of coconut tree populations as a priority. As a first step, we have engaged with a key supplier in the Philippines and have established a coconut nursery.

AAK buys coconuts from local farmers to be placed in the nursery. The coconuts are then nurtured until they grow into strong young seedlings. Once mature enough, the seedlings are handed over to the farmers to be planted out in the fields. AAK is also inquiring a partnership with the Philippine Coconut Authority to increase the outreach of this initiative.

Additionally, AAK has been part of the initial industry meetings on sustainable coconut production. We plan to continue contributing to these discussions in the future.



## Rapeseed – an important raw material for AAK

Today, rapeseed oil is an important vegetable oils used in food as well as biodiesel.

Rapeseed has become the oil plant of Northern Europe. Outside Europe, the dominant producers are Canada, China and Australia.

Rapeseed production continues to be impacted by multiple factors, drought and excessive rains, as well as regulatory related reduction in use of plant protection products.

Rapeseed is a very important raw material for AAK and is one of a few raw materials that AAK is crushing in its own facilities.

### Understanding our supply base

In order to deepen our understanding of the global rapeseed (canola) industry, AAK has commissioned Proforest to conduct a risk analysis for this supply chain. The findings revealed that, relative to other vegetable oils processed by AAK, the production of oilseed rape does not have sustainability issues such as deforestation, human rights abuses or significant farmer livelihood challenges. At most points of origin, sustainability impacts related to rapeseed production are mitigated to some extent by good agricultural practices, supported by legal frameworks and environmental incentive schemes in AAK's main sourcing origins.

At AAK, we use Life Cycle Assessments (LCAs) to analyze the impact of our rapeseed supply chains

globally, but also in comparison to other oil crops. With full insight into the climate impact of our supply chains we can work towards minimizing that impact and offer our customers the best solutions.

These studies have shown that the environmental impacts of rapeseed are strongly correlated with the amount and type of fertilizer used, relative to the yield of crop.

AAK will use these insights from Proforest to set ambitions for the work around rapeseed sustainability in 2020 and beyond.

### Engaging with suppliers and farmers

Much of the rapeseed used in 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.

In 2019, we experienced a growing demand for sustainable rapeseed. The demands include locally grown and traceable rapeseed for the UK, or for certified sustainable rapeseed in general. The focus market for this development was Europe. We have engaged with our UK suppliers to increase traceability and we have achieved ISCC certification for our Karlshamn factory, allowing us to supply customers with certified material.



## Soy – a versatile raw material

### Soy as raw material

The boom of soybean utilization for industrial purposes started in the 1940s and has since then grown exponentially. The main producing countries are the US, Brazil, Argentina, India, and China, and the biggest consumers are China, the US, Argentina, and Brazil.

Soybean oil is one of the most versatile commodities, with a large number of applications other than food. The main one is as the source of SME (soy methyl esters) or biodiesel. Soy is also used as raw material in feedstuffs, pharma, paint, personal care, lubricants, plastics, resins and more.

Rich in polyunsaturated fatty acids, soybean oil is mainly relevant for AAK in regard to its use in baking fats, mayonnaise, salad and cooking oils, as an ingredient in margarine and within our Special Nutrition segment.

In terms of volume, soy is a rather small commodity for AAK. However, because of the sustainability risks in the soy industry, especially deforestation, soy was included in the list of key raw materials for responsible sourcing in 2018. In 2019, we have progressed with complying to our ambitions set in our Code of Conduct for Suppliers of Raw Materials. In 2018 AAK had assessed the risk linked to our current supply chains and identified more than 90 per cent of our supply base at low risk of deforestation due to origin or certified volumes. AAK is currently working with Proforest to develop a methodology to verify these deforestation free volumes in our supply chain. Our ambition is to achieve minimum 90% verified deforestation free volumes across our soy supply chain by 2020.

### Understanding our supply base

The first step in ensuring suppliers' compliance with our Code of Conduct is to fully map and understand our supply base. In 2019, AAK has built on the work done in the previous year and engaged our tier 1 soy suppliers in regard to the traceability of supply chains as well as human and labor rights. Environmental impact, especially in relation to no-deforestation verification, has also been a top priority. We have gained important knowledge and in 2020 we will continue to deepen our insights into our soy supply base and strengthen the way we engage our key suppliers.

### Engaging with suppliers and farmers

AAK Kamani (our joint venture in India) has committed to include smallholders in our supply chains, which is one of the cornerstones of the AAK Group Policy for Responsible Sourcing of Vegetable Oils. As part of that effort, AAK Kamani signed, at the end of 2018, a memorandum of understanding to participate in the State of Maharashtra Agribusiness and Rural Transformation (SMART) project in the Indian state of Maharashtra.

Headed by the Government of Maharashtra with support from the World Bank, the SMART project supports climate-resilient agriculture. AAK Kamani's role in the project is to engage in the community-based purchase of soy and groundnuts through the SMART model.

The key objectives of the project are:

- Supporting value addition in the post-harvest segment of agricultural value chains
- Developing a mechanism for productive alliances involving various stakeholders in agricultural supply chains
- Improving the current policy and regulatory framework in the agribusiness sector
- Developing marketing and credit linkages with community-based organizations (CBOs) like farmer producer companies, cluster-level federations and smallholder groups
- Improving the efficiency in agricultural supply chains through private sector partnerships that can be scaled up through project interventions

This model creates a more direct supply chain, increases traceability and ensures improved control of quality and food safety requirements. Additionally, SMART empowers smallholder to directly engage with buyers and to become part of contract farming agreements. The program also strengthens the local infrastructure to enable smallholders' long-term capacity building.

During 2019, the foundation has been laid at AAK level to incorporate such a supply chain. We will continue to work on this project in 2020.



Our Planet

## Reducing our environmental impact is our responsibility

AAK takes the responsibility that comes with being a speciality and semi-speciality vegetable oils and fats processing company. We are constantly striving to improve our production and to reduce the impact we have on the environment to maintain the balance. On our journey towards becoming a sustainable company, we are sometimes experiencing challenges as extra production steps are added and therefore the impact becomes larger. But we are accepting this challenge and are working hard to become the best we can be.

Contributes to:



## Environmental impact and efficiency

AAK is a processing company with impact on the environment that has to be managed and minimized. There are many geographical factors involved that influence our improvement work. AAK has different plants that differ in size, capacity, types of processes used and location. Different aspects are therefore significant on each site but the focus on continuous progress in line with the AAK Environmental Policy ambitions and key indicators is the same at all our sites.

During 2019 we have continued to improve the environmental efficiency on our sites and we aim to

generate more efficiency through technology and process changes going forward.

As measurement of environmental efficiency requires integration into management and environmental plans, it will take some time to get new sites on track with the AAK standard. However, we can see good progress already and with more best practice sharing, benchmarking, scalable solutions and engagement on the sites we are confident to see strong development going forward.

## More frequent extreme weather and external hazards

Continuous progress and efficient risk management are of highest importance. However, according to the 2019 Global Risk Report published by the World Economic Forum, extreme weather events will rank as the most likely and impactful global risk over the next ten years. Going forward, we will not only see system transformations aiming for more environmental efficiency but also initiatives built on external hazards such as climate change.

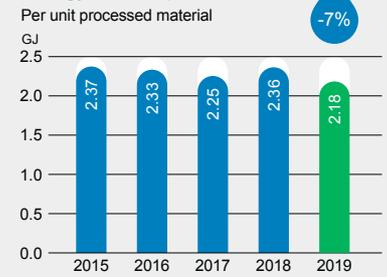
Our production site in Karlshamn, Sweden experienced a really hot summer in 2018 which increased the sea water temperature and had a significant impact on the ability to use sea water for cooling purposes. Instead of sea water, municipal water had to be used

in order to avoid production stop. During 2019, projects were initiated to improve operational efficiency and reduce sea water consumption by 50 percent. Extensive research was completed and solutions which also aim to reduce the overall energy consumed by the water-cooling station are planned to be implemented in 2020. This is one example of an initiative based on external hazards.

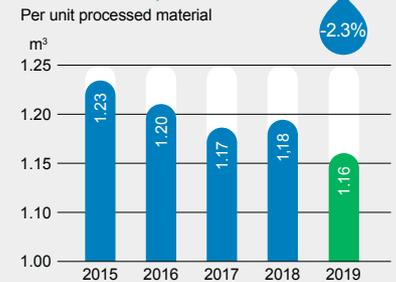
In order to mitigate the impact of extreme weather on our production facilities, AAK has initiated a third-party climate change risk assessment to be completed at all production sites by the end of 2020. This will include a full water-related risk assessment, which you can read more about on page 47.

## Key achievements

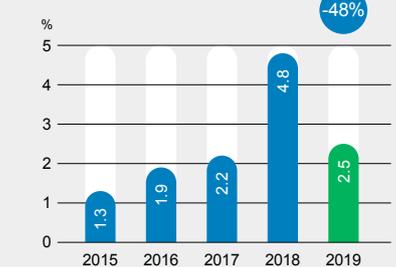
### Energy consumption



### Water consumption



### Waste to landfill





Contributes to:



## Energy

AAK's production sites had a total energy consumption within the organization of 6,061,982 GJ in 2019. The sites had a total primary energy consumption of 4,938,906 GJ and a total indirect energy consumption of 1,228,511 GJ, representing a 1.5 percent decrease and a 6.2 percent increase, respectively. The total energy consumption per processed unit decreased with 7.6 percent in 2019.

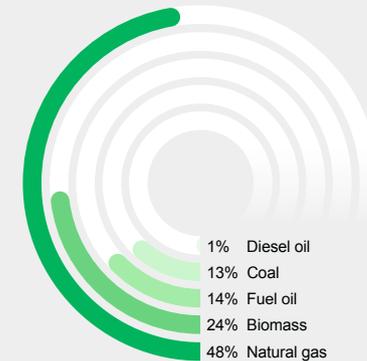
The fuel consumption consists mainly of natural gas, fuel and biomass. The use of natural gas decreased by 7 percent, the use of fuel by 9 percent while the use of biomass increased by 22 percent.

The indirect energy use consists mainly of purchased electricity and steam for production use. The renewable electricity decreased by 57 percent and AAK ended up on a renewable electricity share of 12 percent.

Overall, the total energy consumption from renewable sources constitute of 22 percent of the total AAK energy consumption which unfortunately is a step backwards from 24 percent in 2018.

AAK is working on improvements that eventually will lead to higher energy efficiency and we expect to keep progressing in the coming years, especially on the newly acquired sites and in regards to share of renewable energy.

Primary energy consumption 2019 – per energy 4,938,906 GJ

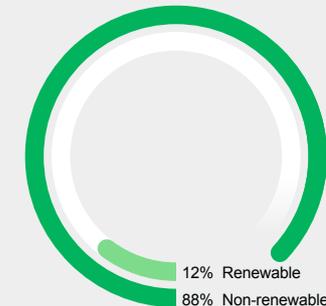


Energy consumption

Per unit processed material



Total indirect energy 2019, 1,228,511 GJ





## AAK Uruguay and AAK Brazil

### Keeping oil flowing with increased energy efficiency

Energy efficiency continues to be a top priority at sites across the AAK Group. We learn a lot by exchanging knowledge between the sites, where many inventive solutions are continuously introduced. One such solution, aimed at reducing energy consumption through electrical heat tracing, was first tried as a pilot program at our site in Uruguay in 2014.

Vegetable fats must be kept in a liquid state in order to pump and transport them throughout their multiple production processes. In order to keep the fats in a liquid state, piping and fittings that transport the oils must maintain temperatures of approximately 10 to 15°C above the melting point of the fat. This requires energy.

#### Why electrical heat tracing?

Electrical heat tracing is one of many complex solutions that can be employed to ensure the minimal amount of energy is used in maintaining the liquid state of the fats.

Based on the promising results of the pilot project in Uruguay, it was decided in 2016 to expand the project at this site to include 631 lineal meters of piping and pumps related to the final product tank yard and manifolds as well as those related to the boxing and bulk loading units. As a result of this project, energy consumption was reduced by more than 75 percent compared to the previously used steam tracing methods.

During the first half of 2019, a second phase of electrical heat tracing installation was carried out, achieving a reduction in energy consumption of more than 75 percent for more than 1,200 lineal meters of electrical tracing.

#### Sharing best practices

The electrical heat tracing solution is now also being used for the new piping installed at the site in Jundiaí, Brazil. The electrical system can be considered a truly smart solution, positively impacting energy usage as well as production contingency and cost of energy per ton of product. By replacing the original water tracing system, electrical heat tracing has also helped reduce clogs in piping, which previously accounted for around 70 percent of lost production time at the Jundiaí site.

“Optimization of energy consumption and reduction of generated effluents and waste are two fundamental aspects of our work today. Traditional heating solutions for vegetable fat production use an excessive amount of energy. Therefore, exploring smart energy consumption alternatives is crucial in the frame of AAK’s sustainability and operational efficiency programs”, says Martin Gil, Technical and Operations Director AAK South Latin America (Uruguay and Brazil).

#### One step closer to sustainability

The successful electrical heat tracing project in South America brings us closer to meeting our ambitions to minimize our environmental footprint. At the same time, the project is aligned with our goals for operational efficiency. With environmental protection remaining a key issue for AAK throughout 2020 and beyond, we aim to further investigate the possibilities for electrical heat tracing and advance even further towards being a truly sustainable business.





# Air

AAK has aligned data collection and disclosure with the Greenhouse Gas Protocol during 2019 and initiated Scope 1 and 2 reporting\*. In total, AAK generated 363,738 tons of CO<sub>2</sub>e in 2019.

The greenhouse gas intensity rate is calculated by GHG emissions per processed unit raw material. The target based on this intensity rate was to reduce GHG emissions per processed unit raw material by 22 percent by 2030 (baseline 2012). The result 2019 was a decrease by 4.4 percent.

## Scope 1 and Scope 2 emissions

The Scope 1 intensity emissions (tons GHG per unit processed raw material) decreased by 3 percent in 2019 compared to 2018. Whilst Scope 2016 sites decreased intensity emissions by 7 percent. These results demonstrates that new AAK sites still has work to do in order to attain the same resource efficiency as the more established ones. The four new sites added in 2018 decreased their intensity emissions by 10 percent since the beginning of 2018. This indicates that we are on the right way in terms of resource efficiency. The Scope 2016 sites reduced their absolute emissions by 4 percent, while the Scope 2018 sites increased their absolute emissions by 5 percent. The increase is mainly due to that the energy source in India is coal,

for now. However, we are investigating improvement actions such as alternative energy sources and process optimization.

The Scope 2 emissions (indirect emissions from energy suppliers) come mainly from electricity, 89 percent, and the Scope 2 emissions represent 30 percent of the total emissions. Our new sites in China and India represent 27 percent of the total Scope 2 emissions where electricity and steam also come from coal as energy source.

## Other air emissions

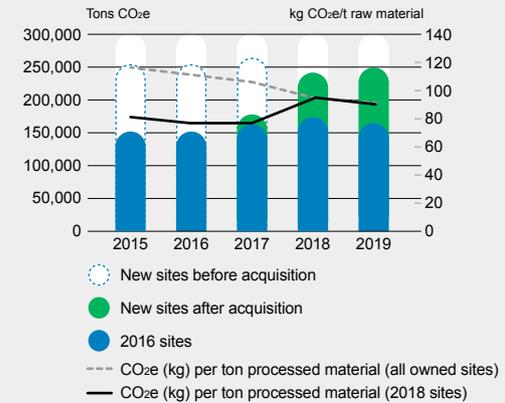
Due to the Group's use of fuels, its production sites emitted 220 tons NO<sub>x</sub> (nitrogen oxide) and 28 tons SO<sub>x</sub> (sulphur oxide). There were 363 tons VOC primarily emitted from sites that run extraction and solvent fractionation processes. VOC increased by 32 percent between 2018 and 2019 mostly due to an increasing amount of volumes processed.

With a maintained focus on GHG reduction, we will continue to reduce our emissions in the coming years. The new sites added in 2018 are showing progress in their GHG intensity emissions and with sharing of best practices, new cleaner technologies and renewable energy sources, AAK has a real potential not only to impact the GHG emissions positively but also the business' bottom line.

\* Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy.

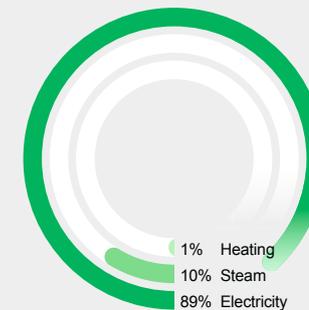
## Scope 1, GHG emissions

Total 256,124 tons CO<sub>2</sub>e



## Scope 2, GHG emissions

Total 107,614 tons CO<sub>2</sub>e



## Direct emissions



Contributes to:



## AAK Denmark

### Fueling sustainability with biomass boiler at site in Denmark

In western Africa, the shea tree produces a fruit which contain oil-rich kernels. For many years, AAK has imported shea kernels from West Africa to Denmark where the high-quality oil is extracted.

#### The AAK vision

A by-product of shea oil extraction is a solid fiber material called shea meal that has no nutritional value. The AAK site in Aarhus, Denmark has long held aspirations to burn shea meal as a single fuel source used to power the processing and refining of shea oil. However, certain properties of shea meal have made it difficult to achieve this vision in the past.

#### Tests and trials

Many European power plants have purchased our shea meal and attempted to burn it as a single fuel source, but none have succeeded, in part because the ash and the flue gas emissions from the shea meal are very different from wood and other solid fuels. Therefore, shea meal is generally mixed with wood pellets, straw and coal to be burned for fuel.

In 2012, we became aware that a supplier had progressed on the combustion of difficult fuel sources. Together with this supplier, we conducted extensive tests using a small 500 kW combustion chamber in which shea meal was burned.

These experiments indicated that shea meal could be used as a single fuel source in an effective and efficient manner. Based on these findings, we decided to apply the technology at an industrial scale. In 2015, a 5 MW steam boiler was ordered and a joint development project was initiated with the supplier.

#### Results from 2019

After several trials and rebuilds, the 5 MW boiler has been connected to our steam supply system, and production in Aarhus is now partially powered by energy produced from shea meal. During 2019, this initiative has led to a 7 percent reduction of GHG emissions compared to 2018 – a great achievement based on the efforts of our dedicated employees in Aarhus.

“As the largest processor of shea kernels globally, AAK Denmark has full focus on sustainable production. By applying the best available technology to increase the efficiency, recycling and bio-conversion of our energy, we can stay at the forefront of sustainable production”, says Palle Jensen, Site Manager AAK Denmark

As we gain experience in burning shea meal as a single fuel source and seek to optimize the boiler’s energy output, we will continue to evaluate if this technology and the materials we have chosen are viable in the long-term perspective.





Contributes to:



## Water

Even though most AAK products do not contain water when leaving the sites, vegetable oil processing requires large amounts of water, mainly for cooling and heating purposes. Therefore, it is of outmost importance for AAK to maintain high focus and continuously optimize the water consumption at our sites. AAK has several projects ongoing for consuming less water.

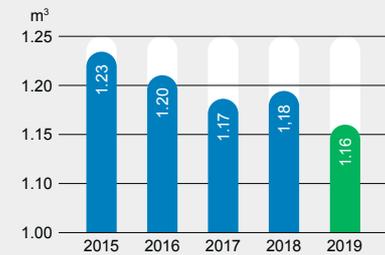
### Water consumption and water discharge

Water consumption per unit processed material was reduced by 2.3 percent in 2019 compared to 2018. Combined, the Group's production sites use approximately 34,000,000 m<sup>3</sup> 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 3,211,981 m<sup>3</sup> which is a bit less than in 2018. Consumption of municipal water increased by 9.3 percent. This was partly due to increasing water temperatures in Karlshamn, Sweden but also related to maintenance pumps and new installations in the AAK wells reducing the internal supply of surface water and consequently using more municipal water. Processing water discharge in 2019 increased by 0.1 percent. However, calculated per processed unit material it decreased by 7.3 percent compared to 2018.

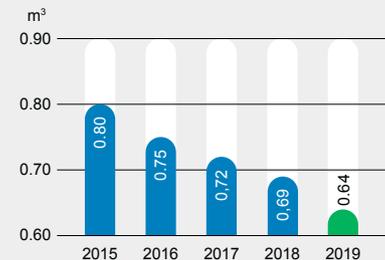
### Water consumption

Per unit processed material



### Water discharge

Per unit processed material



Discharged processing water from AAK sites is treated at own or municipal water treatment sites and is subject to strict control by local authorities.

We are happy to see an improvement in our water consumption per processed unit. Going forward, we will also add the external risk assessment of water affecting our business and prepare the production sites to mitigate potential risks from climate change and extreme weather events.



## Mitigating risks in a dynamic environment

During 2018, AAK used the Aqueduct tool to create a global water risk map covering all production facilities. Medium to high risk was identified at a number of locations.

In order to further investigate these risks, and to work in a more preventative manner, AAK initiated a program to conduct climate change risk assessments for all production facilities by 2020. This will be followed by the implementation of more detailed action plans in cooperation with a third party who has solid experience with our production facilities.

The assessments target risks related to extreme weather phenomena such as high sea water levels, storms, tornadoes, water-stressed areas, and unforeseen temperature shifts. The purpose of the assessments is to evaluate climate risks at each production site and to review the mitigating actions which have been implemented to reduce the risk for property damage and business interruption.

During 2019, 56 percent of our production sites were visited as part of the assessment. The results show that water (high water level/heavy rain) and storms/tornadoes are the main contributor to the overall risk score for the production sites. Based on recommendations from the third party these nine sites have been engaged in an improvement program to follow up on identified risks.

AAK has created a global risk map of all our production facilities to visualize the combined climate risk exposure. None of our sites are exposed to extremely high risk. The highest combined inherent risk has been



identified at the production sites in Zhangjiagang, China, where water exposure presents the greatest risk, and in Louisville, USA, where the greatest risk is exposure to tornadoes.

In Zhangjiagang, the inherent risk has been taken into account in the design of the site, including raised ground level, and mitigating actions have been implemented to reduce the risk to a medium residual risk level. In Louisville, the new wastewater treatment facilities have been constructed to withstand higher windspeeds, and

emergency planning has been updated to handle more severe weather (tornadoes) and to limit personal and property damage. While these improvements are a positive step forward, we are aware that climate change is a dynamic risk which we must continuously mitigate.

Note that only nine production sites have been assessed during 2019. The remaining production sites are not included on the global risk map.



# Waste

In 2015, AAK set a waste ambition that less than 1.5 percent of waste in AAK should be disposed at landfill. This target was achieved last year by the Scope 2016 sites but was challenged due to the inclusion of new sites in 2018. Additional changes in legislation has increased the share of waste disposed at landfill even further but extensive work is ongoing to both reduce waste and increase recycling.

### Waste generation and reduction

During 2019, AAK's production sites generated 149,453 tons of waste, an increase by 16 percent compared to the previous year. 99.1 percent of this waste was non-hazardous. The waste intensity per unit processed material also increased by 8 percent compared to 2018, a development driven by the inclusion of new sites, larger processed volumes and changes in legislation. In 2018, there was a change in US legislation regarding the classification and handling of used bleaching earth. This resulted in bigger volumes going to landfill, increasing the share by 3.3 percent. Therefore, AAK saw a significant increase in 2018,

ending up with 4.8 percent going to landfill. Due to this change, the sites made efforts to identify how to solve it. Several of them have made great efforts to become zero landfill sites during 2019 and 41 percent of our production sites managed to achieve zero waste to landfill. In total during 2019, 2,681 tons of waste was disposed at landfill, equal to 2.5 percent of the total amount of waste. An impressive reduction of 48 percent since 2018.

### Waste, sidestreams or byproducts

During the last couple of years, AAK has experienced some changes that have had an impact on the comparability of the waste statistics from year to year. Due to changes in legislation and global redefinitions of waste into sidestreams or byproducts we will see irregularities in the waste to landfill data going forward. Waste reduction and waste to landfill will always be key focus areas but going forward we also need to identify sidestreams that carry high value as raw materials and obtain more circular business models.

### Waste intensity

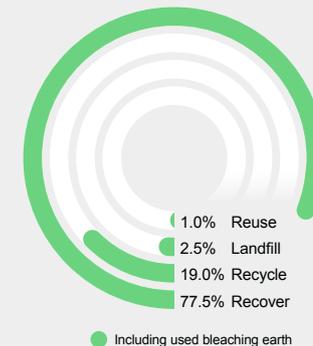
Per unit processed material



### Waste to landfill



### 2019 waste disposal





## AAK Sweden

### Sidestreams become renewable energy

The multi-oil site in Karlshamn, Sweden is the largest and most complicated site in the AAK Group that generates a number of sidestreams of different character. AAK continuously work not only to reduce these sidestreams, but also to find the best outlets for them both from a financial and a sustainability perspective.

The first option for sidestreams from our food oil production, which for different reasons can no longer be used as foods, is to turn them into products for animal feed or to raw materials for our oleochemical fatty acid production. Indirectly, our sidestreams (byproducts) are used to increase dairy cow milk yields, to produce candles, fabric softeners and rubber for tyres.

Unfortunately, not all of our byproducts are suitable to be used as feed materials or raw materials for oleochemical production. The fat and oil fractions, which do not meet the feed safety or quality criteria for these applications, are instead used to produce renewable energy. For example, we collect fat from the wastewater treatment plant, the distillation residues from the oleochemical production, and fatty acid condensates from the deodorization and turn them into a valuable bio-fuel, so called bio-oil.

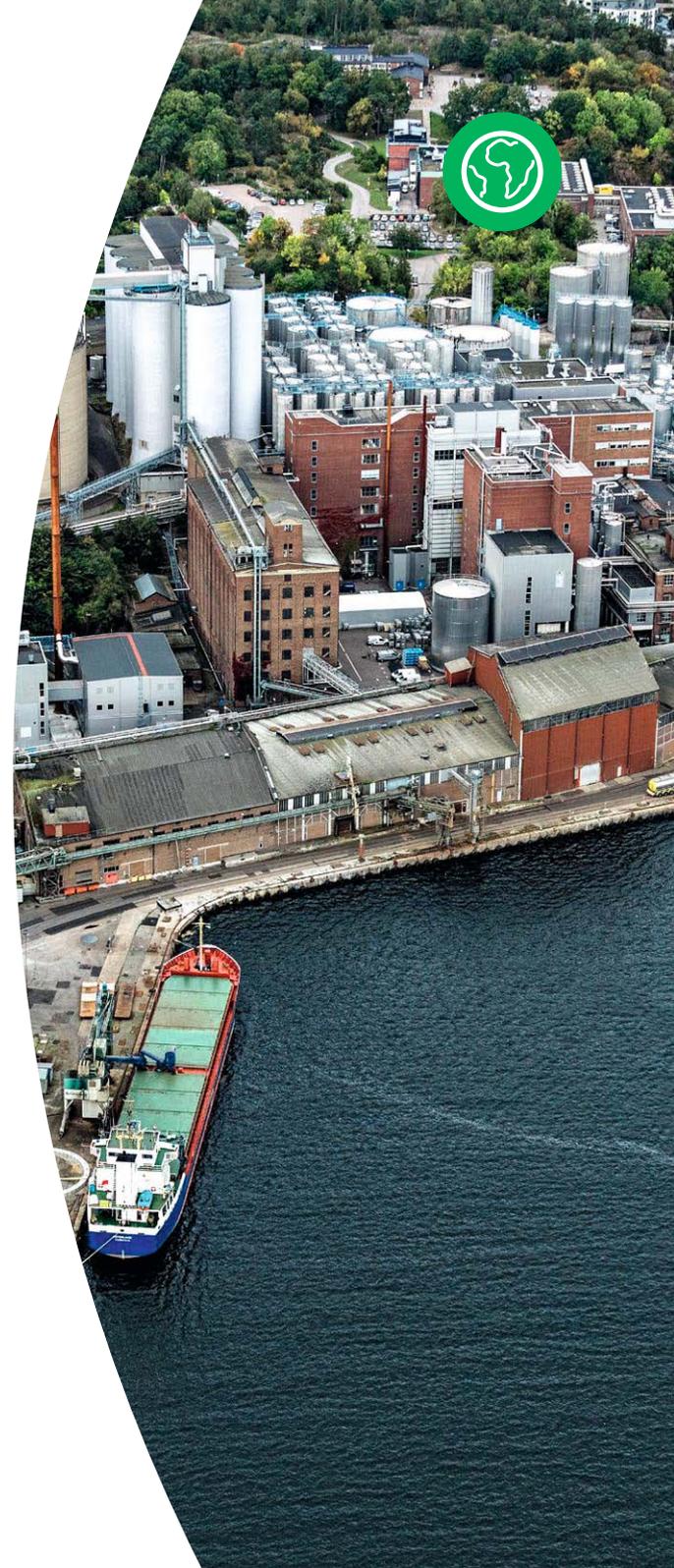
The facility in Karlshamn has several boilers which supply the site with steam and occasionally electricity. Two of these boilers have the capability to use fat as fuel.

With a thermal heating value that rivals fossil fuel oils, bio-oil is a valuable option in our energy mix. The bio-oil that is not used in our own boilers is sold to industrial plants which have their own boilers or to power plants in the region.

There are also boilers in Karlshamn that use wood pellets as fuel source. Ashes from combustion of wooden pellets are used as a fertilizer in forestry. Thanks to this, micronutrients are returned to the forest. In addition, acidification of soil and watercourses is counteracted.

Other byproducts used for renewable energy generation is for example our rapeseed screenings and residues from our glycerol production. The rapeseed screenings consist of dry, fibrous, organic matter (from the rapeseed plant) that are removed before the rapeseed enters our crushing plant. The residues from our glycerol production is a mix of glycerol and fat which is removed by distillation in the refining process. Both the rapeseed screenings and the glycerol residues are excellent substrates for biogas producing bacteria and are therefore sold to biogas plants in Sweden and Denmark.

Finding the best possible uses for our sidestreams is not only important from a financial perspective, but also an important step to creating a circular economy.





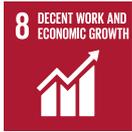
## Our People

# AAK – a company to be proud of

AAK strives to be a high-performance organization and an employer of choice, built on strongly-aligned values and with a growing number of people who take pride in advocating and improving our customer service offering.

Our employees are the heart and soul of our business. They are the reason we are recognized as market leaders who deliver outstanding results for customers with the highest quality standards.

AAK is a diverse company with employees in many different locations and with many different responsibilities across the globe. However, every one of us shares AAK's values and Code of Conduct, which guide and govern the way in which our business is conducted and how we interact with each other and our stakeholders.



## People are our most important resource

The AAK Way People Program has been at the center of our ambitions towards people development. Since it started in 2017, and through to its third and final year, it has given rise to a broad variety of initiatives that have been pivotal to its success.

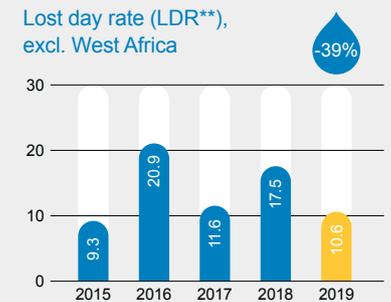
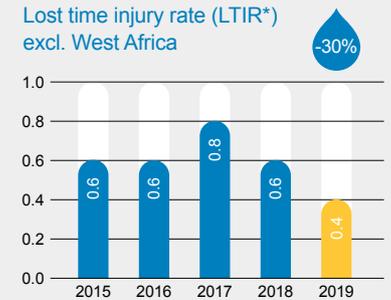
The People Program was built on four pillars: Revitalized company values, AAK leadership, Engaged and skilled people, and Organization for future growth. Not only has this delivered very positive results internally and helped to promote a high-performance culture across our offices, worldwide, but it has contributed significantly towards the value we create for customers.

- 1. Revitalize our company values** – our culture guides discretionary behavior and makes sure that we act towards customers, internally as well as externally, in the way we promise. We all make hundreds of decisions every day, and our company values are there to guide us and help us to evaluate the results.
- 2. AAK Leadership** – during 2019, we continued to deliver our four days of leadership training for more than 400 managers and key employees worldwide, focusing on our leadership competencies and company values. By introducing a Trainee Alumni Development program, we also make sure we continue to develop our young talents for further success.

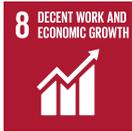
- 3. Engaged and skilled people** – to measure people engagement, we conducted an employee engagement survey, that provided valuable input for our preventative work. We have also improved our process for learning and development by implementing a global world-class Learning Management system.
- 4. Organization for future growth** – our Workforce Planning program ensures a strong talent pipeline by either retaining employees with the right skills or by attracting new talent into our business. This is to secure management capacity and key competencies for growth by looking at future organizational demands, succession planning, and potential review.

By focusing on what AAK stands for, full implementation of our Code of Conduct, and through the attitude and development of our employees, we can elevate our business by strengthening engagement, fostering innovation, and delivering a more passionate, tailored service.

### Key indicators



\* LTIR: Number of injuries with more than one day of absence per 200.000 working hours  
 \*\* LDR: Number of lost working days caused by LTIs per 200.000 working hours



## The AAK workforce in numbers

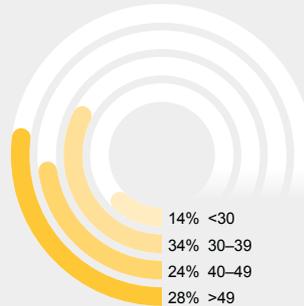
As of December 31, 2019, AAK had a total of 3,884 employees within the scope of this report.

The turnover rate increased and ended up at 15.5 percent in 2019.

The average age of employees in Europe is significantly higher than in the rest of the world and 23 percent of AAK's permanent employees are female. At managerial level, 24 percent of employees are female, which is an increase by 28 percent compared to last year. Considering our ambition going forward to become a more inclusive company, this is a development we would like to see continue.

75 percent of AAK's employees are permanently employed, while 7 percent are on a temporary contract. The remaining 18 percent comprises 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.

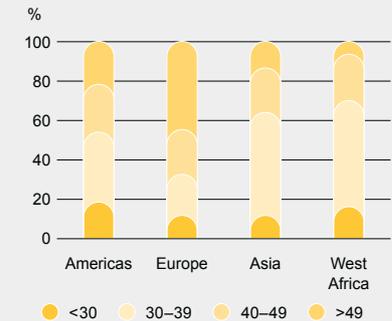
Employees\* by age, %



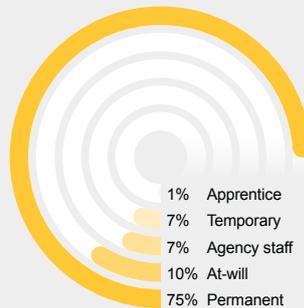
Employee\* category by age, %



Employees\* by age, %



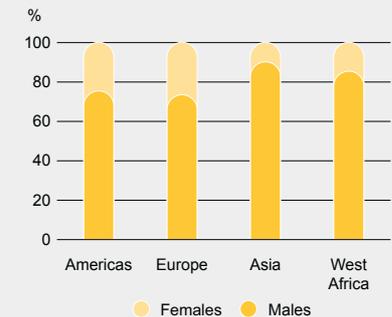
Employment contract type, %



Employee\* category by gender, %

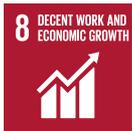


Employees\* by gender, %



● Including new sites

\* Permanent and at-will employees



## Employee engagement and development

Engaged and skilled people are crucial for AAK's continued growth, which is why we endeavour to attract, develop and retain the best talents in the business.

### Performance management

By implementing a continuous dialogue model for performance management, we are committed to creating an environment where everyone feels empowered to take accountability for their own performance and development. This includes regular dialogues between employees and their managers that focus on feedback and career development. In 2020, we will continue to develop our employees' capability of engaging in productive performance dialogues.

### Inclusion and diversity

AAK is committed to attracting, developing, and retaining an inclusive and diverse workforce. We believe that inclusion and diversity drive innovation and create a trusting environment within AAK and with our customers – all helping to contribute towards the success and sustainability of our business.

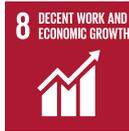
### Engagement survey

In 2020, we will conduct a Great Place to Work survey. The survey will focus on our working environment, leadership, workload, sustainability, and other key areas in order to identify risks and improvement areas. The results will be shared broadly across AAK, and teams will be asked to create action plans to ensure continuous improvement for a sustainable workplace with high engagement.





Contributes to:



## AAK Global Safety Program

### Working towards zero lost-time injuries



At AAK, health and safety are integral parts of our business strategy and our daily lives. However, we always strive to make AAK an even safer place to work. For this reason, we began a Global Safety Team initiative in 2018, which has been enforced in 2019 by a new Global Operations Team.

The Global Safety Team comprises a group of professionals who represent more than 100 years of combined safety experience. The team's overall objective is to achieve zero lost-time injuries across the Group and has, to this end, developed a strategic program for continuous improvement which aligns the Group's global safety efforts.

#### Creating key safety parameters and goals

In May 2019, the Global Safety Team kick-off meeting was held, giving everyone the opportunity to share their local initiatives and discuss ways to develop a strong Global Safety Program. Part of the outcome involved an improvement program based on risk assessment and GAP analysis from every site in the Group. The global outcome and analysis were shared with all Health, Safety and Environment (HSE) Managers and the local sites and led to new safety actions that have been implemented directly into site operations.

Working seamlessly together at the monthly meetings, the team formulated the following agreements:

- 1) Introduction of new Personal Protective Equipment (PPE) standards and safety training for all operations to reach zero lost-time injuries
- 2) An AAK global safety model, with clear ambitions and objectives; with data monthly recorded
- 3) A Key Performance Indicator structure with additional KPIs and a follow-up scheme for implementation that will be widely communicated

#### A safer place to work

Any work-related injury is clearly unacceptable and AAK constantly strives to be a zero-injuries workplace. The global LTIR in 2019 was 0.4, a decrease by 30 percent versus 2018. The majority of the incidents were behavior based and the time of absence due to injury decreased with 39 percent. The Global Safety Team will follow up the incidents that took place during 2019 with more focus on behavior based safety going forward to enforce the safety culture and a preventative mindset.





## Anti-corruption

AAK has signed the UN Global Compact committing the company to establish anti-corruption measures. Anti-corruption is addressed in our Code of Conduct, the Supplier Code of Conduct, the Code of Conduct for Suppliers of Raw Materials, and the Code of Conduct for Agents and Distributors. This means that our anti-corruption policies are communicated to our Board and Executive Committee, employees, suppliers, and an additional 1,300 partners in the business.

As described under Our Suppliers, we now have strict controls in place related to bribes and corruption, including an assessment of suppliers based on Transparency International, audits, and risk analysis/ratings. While all suppliers must sign our Code, we also understand the importance of strengthening measures

in regards to assessing our suppliers' ability to fulfil these requirements.

In 2018, West Africa was identified as an area with high risk of corruption. We had planned to conduct suitable anti-corruption training in French and English for all employees in the area. Unfortunately, this was postponed due to challenges and is now planned to be conducted via face-to-face meetings on our various sites in 2020.

To support this, it is also crucial that we build awareness and knowledge internally. All relevant personnel was therefore to take an e-learning course that explains key terminologies and how to address them, for example, "acceptance of bribes", "business with influence" or "careless financing". The course also helps

people to understand other issues, such as conflict of interest, nepotism, power misuse, returned favor, and favoritism.

During 2019, our ambition was that all relevant personnel should also complete an e-learning course on competition law, with a test at the end. By the end of 2019, 96 percent of the identified employees (such as people working in Sales, Product Management, Purchasing, and Sourcing & Trading) had completed the anti-corruption training and 93 percent had completed the competition law course. Next year, AAK will expand the scope of relevant employees that are required to take the courses to include relevant people with leadership positions.

## Labor rights

Labor rights issues are governed by AAK's Sustainability Policy, which applies to all sites and confirms our stand on human rights, freedom of association, forced labor, child labor, discrimination, working hours, workplace violence, environment, and anti-corruption.

Giving staff equal and fair treatment is a basic human right and part of our sustainability policy.

AAK adheres to the ILO Conventions and complies, as a minimum, with local and international standards

concerning wages and benefits, including compensation for overtime. We are collecting information on basic salary and remuneration on a local level and, going forward, AAK will further develop the global HR system to facilitate pulling in data on Ratios Per Employee on a global level. 44.3 percent of AAK employees were covered by a collective bargaining agreement in 2019 but this does not mean that not all employees are regulated with fair terms and conditions of employment.

### Blowing the whistle on misconduct

Additionally, AAK has a whistleblower system to encourage that violations of laws, human rights or the AAK Code of Conduct are reported. Every employee within the AAK Group should without fear of reprisal from anyone use our whistleblower system. During 2019, we encountered one case of alleged misconduct through our whistleblower function. An investigation was made and no evidence of misconduct could be identified.



## Our Neighbours

# Making a difference to our community

As a global business, AAK has an impact on a large number of people in a large number of ways. That's why we take great responsibility towards local, regional, national and international communities that are affected by our actions. Each of our sites have developed different initiatives that help to support our neighbours and enable us to engage more proactively and positively with other organizations, such as local authorities and regulatory bodies. Our commitment to these causes is driven by our employees who take pride in working for a company that makes a noticeable difference.



## Local community involvement

Though we are a global company, AAK contributes to the development of the local communities in which we operate by creating jobs, paying taxes and doing business with local enterprises. However, it takes more than that to truly become part of the communities in which we operate. We are very aware of the impact we have on a community when we enter, operate in or leave an area, which is why local community engagement is so important.

In 2019, we enacted the new AAK Community Engagement Guidelines which emphasize the ways in which we can strive to create a win-win situation for both the local community and for AAK. For example,

by engaging in activities that are closely linked to the UN Sustainable Development Goals or participating in partnerships that can benefit from our industry knowledge and internal competencies.

Examples of AAK's community engagement initiatives include giving employees time off to participate in local activities and providing financial support for local aid organizations. Overall, AAK's community engagement helps secure a social license to operate, which is essential to become an important player in local life and to succeed at a global level.

## Our Neighbours achievements

Sustainability brings people together and has become more and more relevant as a valuable focus area for employer branding. In 2019, AAK engaged in a variety of local activities to raise the sustainability profile of the company but also contributed to sustainable development in different ways. The public and potential employees show great interest in our sustainability work and we try our best to share information on what we do and how we can contribute.

## AAK: a catalyst for change in society

In society, people are the greatest catalysts for the changes that support a more sustainable future. At AAK, there are plenty of talented people focused on leading positive change and inspiring others. By having engaged employees as drivers for change, we see a great potential to contribute as a global company.

In the picture to the left are AAK colleagues working at a local harbor event in Aarhus, Denmark. At this event, they presented AAK as an employer, raised awareness about our shea production, our progress on the Kolo Nafaso program, and how we support the Sustainable Development Goals.





AAK Brazil

## Teaching children about reforestation



Driven by the increasing focus on the deforestation in the Legal Amazon\*, volunteers from AAK Brazil wanted to show their concern and help raise awareness in local schools about the importance of reforestation.

As awareness of deforestation increases in Brazil, schools are making efforts to better educate children about the rich nature and biomes found in the Amazon. In order to contribute to this movement, AAK employees are sharing their knowledge and becoming agents of sustainable change in their local communities.

In September 2019, AAK volunteers visited a primary school nearby the AAK factory to conduct a workshop with children of different ages. With the theme of “Hands on Nature”, the goal of the project was to demonstrate the fragility of nature and to emphasize that we must take care of it.

Showing is often better than telling when teaching people about plants, conservation, how harvesting works, and how it influences the land. Knowing that the children needed a practical experience to absorb all the information, the AAK volunteers helped the children plant flowers and trees that will eventually provide fruit in the schoolyard.



“Planting trees felt like the most natural thing to do. Starting with us, the students can now go home to their families and talk about what they have learned, and even more generations can be influenced by this movement”, says Alan Patrick Reinert, AAK Sustainability Team Member.

At this point, the staff at AAK Brazil is very conscious about sustainability and how volunteering can make a difference. Work has also been ongoing with employees encouraging the planting of seedlings and trees with their own families, growing a sustainable culture that starts at home.

\*The Legal Amazon is an area where two of the most important biomes in Brazil meet (Amazon and Cerrado), offering great conditions to plant agricultural commodities like soy, corn and other grains.

AAK Uruguay

## Teaching children about waste prevention

For over five years, we have worked with the local school next to our factory in Paso de la Arena in Montevideo, the capital of Uruguay. Situated in a low-income area, the school has more than 1,000 students.

In 2019, we focused our efforts on environmental education, teaching the students the importance of reducing, reusing and recycling. At the beginning of the year, we began running workshops with children ranging from 5 to 12 years old. We then helped prepare the school for the project by making big explanatory posters and delivering different color containers where compostable, recyclable and general garbage could be properly sorted.

The main activities along the year were:

- ◆ Emphasizing the importance of our “carbon footprint”, why it is important to reduce and recycle waste, and how to do it.
- ◆ Training teachers and staff on the zero-waste challenge.
- ◆ Conducting upcycling workshops on how to produce new products using paper and plastic waste recycled from the school.
- ◆ Running workshops on composting food waste for the school vegetable garden.
- ◆ Organizing activities at school festivals with recycling stations designed to get families involved in the zero-waste challenge.

During the year, we received very positive feedback from the school staff, students and the entire community stating that they were pleasantly surprised how easy and rewarding it was to participate in the program. We are very pleased and proud to know that our work showed excellent results.

Results from the 2019 program:

- ◆ More than 1,000 students are now informed and committed to environmental and carbon footprint initiatives.
- ◆ Together with children and kitchen staff we were able to sort more than 10,000 kg of waste and recycle 70 percent of it.
- ◆ We composted food waste from the school together with the children and kitchen staff.

In December 2019, AAK closed this project by giving everyone pencil cases made from the inside of AAK flexibags which otherwise would go to waste, placing an emphasis on the messages that were conveyed throughout the year. The pencil cases were fabricated by an NGO which supports under-privileged women through business training, facilitating their professional independence.





Contributes to:

17 PARTNERSHIPS  
FOR THE GOALS



## AAK as a global citizen

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 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, safeguarding the interests of the vegetable oils and fats industry.

AAK was for example one of the five founders of the RSPO and has been a member of the Board of Governors ever since. The RSPO is the primary certification body for sustainable palm oil. As a multi-stakeholder organization, it provides a forum for shared initiatives and thought leadership with more than 4,000 corporate and civil society members globally.

During 2019, the RSPO implemented the concept of “shared responsibility” under which downstream members are obliged to significantly increase the purchases of RSPO certified palm oil. In addition, and considering that around 40 percent of palm oil is grown by smallholders, the RSPO approved a new and radical smallholder standard, including a step-wise approach for smallholders. Both of these items represent considerable steps forward in the RSPO’s mission of sustainable palm oil becoming the norm, and AAK continues to strongly support the RSPO in its efforts to create a more sustainable world.

## 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
- The National Federation of Palm Oil Growers/FEDEPALMA
- The Vanaspati Manufacturers Association/VMA
- The Solvent Extractors Association/SEA
- The Protein Foods and Nutrition Development Association of India/PFNDAI
- The Association of Food Scientists and Technologists of India/AFSTI

### International associations

- Founding member of the Roundtable on Sustainable Palm Oil (RSPO)
- Founding member of the Global Shea Alliance (GSA)
- 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



# Sustainability approach

## Sustainability governance

For AAK, sustainability governance is about managing risks and opportunities throughout the value chain and ensuring that our ambitions and progress meet the needs of our stakeholders in an efficient way. The illustration to the right demonstrates how we work together to ensure sustainable practices from supplier to customer.

## The AAK Board of Directors

The board of directors' key purpose is to ensure prosperity by collectively directing the company's affairs, whilst meeting the appropriate interests of its shareholders and other stakeholders. The long-term view perspective of the company is also part of the responsibility of the Board of Directors. To practice duty of loyalty and duty of care is of outmost importance and 57 percent of AAK board members are independent.

## Audit Committee

The Audit Committee deals with risk management, integration of AAK Group procedures, insurance issues, accounting rules as well as monitoring and following up on policies, codes and their implementation in the organization.

## Remuneration Committee

The main role of the Remuneration Committee is to assist and advice the Board on matters relating to the remuneration of the Board and senior management, in

order to motivate and retain executives and ensure that AAK is able to attract the best talents in the market in order to maximize shareholder value.

## Executive Committee

The Executive Committee (ExCom) are responsible for overseeing the daily implementation of board policies, making sure that AAK establish and maintain good governance practices. The Executive Committee decides on the corporate strategy and ensure to communicate the direction to the organisation. Monthly meetings are held where progress and actions needed are reviewed including sustainability ambitions.

## Sustainability represented at ExCom level

The Chief Strategy & Sustainability Officer (CSSO) is a member of Executive Committee and report to the Board on sustainability matters. With responsibilities including Sustainability, Corporate strategy and People the CSSO takes a holistic approach involving internal and external stakeholders to drive the sustainability agenda.

## Responsible sourcing

Responsible sourcing is deeply entrenched in the AAK strategy, requirements and standards. The supplier interaction is strongly supported by AAK's supplier Codes and Policies that also guide our engagement with smallholders. Activities are continuously monitored together with our sourcing and trading team

and progress is driven by our Responsible Sourcing Managers. Expert forums such as Task forces per raw materials have been established to make sure that progress is driven based on solid expertise and experience.

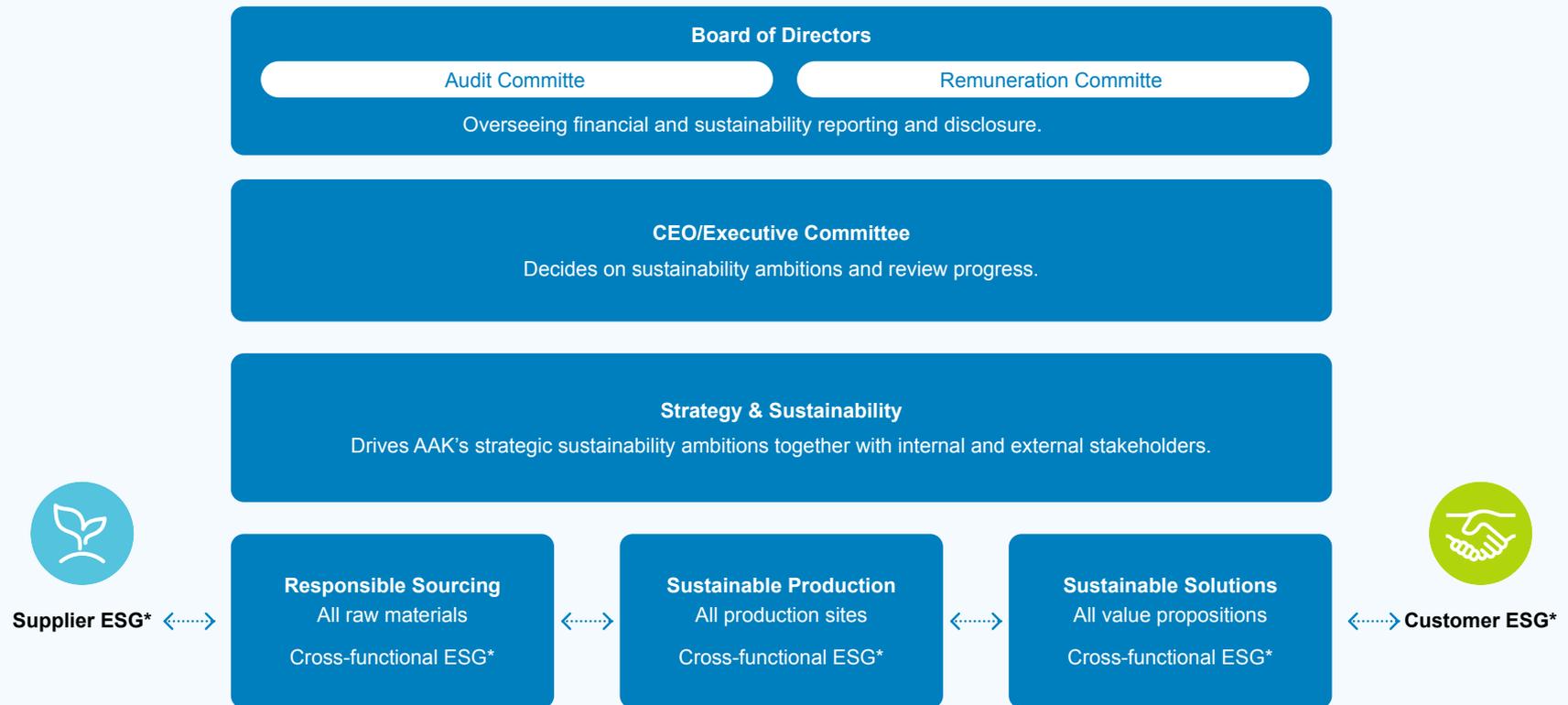
## Sustainable production

AAK has a global sustainability team, which is responsible for managing environmental and social risks and opportunities related to our operations. Each facility has a Sustainability Team Leader responsible of establishing a local team to drive the sustainability agenda and progress. These cross-functional team leaders are called in for regular meetings by the Global Sustainability Manager in order to exchange best practices and drive the sustainability agenda, which is a joint effort between Sustainability, Global Operations and Human Resources.

## Sustainable Solutions

It order to understand our customers needs and to transfer these into value propositions we have Go-To-Market teams including skilled Customer Innovation managers, Product Managers and Sales representatives. The Go-to-Market team work closely with internal stakeholders both in responsible sourcing and in production to ensure sufficient product governance. Our ability to develop and offer sustainable value propositions is depending on a shared understanding and an alignment from plant to brand which is enabled through our cross-functional ESG approach.

## Sustainability from Plant to Brand



\* ESG stands for our Environmental, Social and Governance efforts. It represent how we manage risk and minimize negative impact and drive sustainability from suppliers to customers, ensuring alignment from plant to brand.

### Contacts for the Sustainability Report:

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Anne Mette Olesen, Chief Strategy & Sustainability Officer

Or e-mail: [sustainability@aak.com](mailto:sustainability@aak.com)

# Stakeholder engagement

At AAK, we have a vision to be the first choice for value-adding vegetable oil. Since driving customer value is highly dependent on our stakeholder engagement, we maintain an active dialogue with stakeholders.

## Materiality: our most significant impact

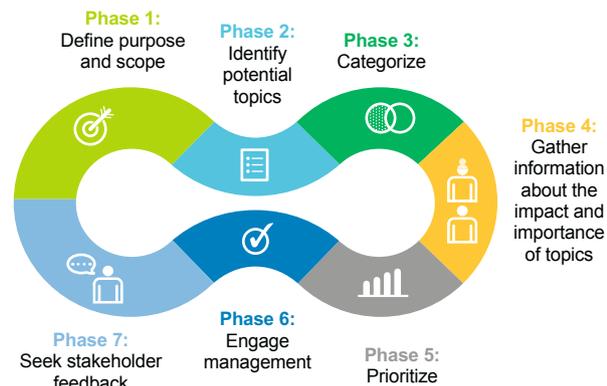
Every third year, AAK conducts a stakeholder analysis in order to ensure relevance and to stay ahead of the evolving expectations of stakeholders. This process allows us to engage and mobilize important internal stakeholders and to identify our most significant impacts, both positive and negative, ensuring a unified approach at all levels of the organization.

A list of sustainability topics considered most relevant for AAK was drawn up three years ago and during the summer of 2019 relevant internal stakeholders have been engaged to review and update this list of materiality topics for AAK.

## Key stakeholders

The determination of which AAK key stakeholders should be engaged in the stakeholder analysis was based on mutual dependency (such as trade organizations), close relationships with the company (employees and company decision makers), an ability to directly influence the company and important relations for AAK (customers and investors), an ability to make an impact in our value chain (suppliers of raw materials and packaging), and stakeholders important to AAK's corporate citizenship (municipalities).

## The Materiality Process\*



## Transparent dialogue

In order to enable a transparent approach, the survey and dialogues were conducted with support from an experienced third party. With the goal of capturing a broad perspective, the stakeholder survey was composed of both quantitative questions and qualitative interviews.

The quantitative portion of the survey involved respondents rating the AAK sustainability topics as a very specific exercise undertaken as part of our Global Reporting Initiative (GRI) process. The qualitative portion of the survey gave AAK further insight into our stakeholders' ambitions, including evaluations of AAK's ongoing sustainability work and suggestions for how we can improve in order to meet expectations in the future.

## Key topics raised

Overall, AAK received very valuable feedback regarding both what we do well and what we can improve. The top three aspects raised by stakeholder groups (consisting of customers, investors and suppliers) were: prevention of deforestation, identifying environmental impact throughout our operations and achieving resource efficiency.

The feedback we received from the in-depth interviews (with both customers and investors) was that we should be more transparent regarding our supply chains. Specifically, respondents suggested that we should further increase our efforts related to traceability.

## Management engagement and prioritization

After identifying the topics which are most significant for our stakeholders, AAK engaged the top 100 leaders in the organization in several workshops to discuss how to meet these expectations. The result was presented to the Executive Committee, clustered in categories and aligned with AAK's sustainability ambitions.

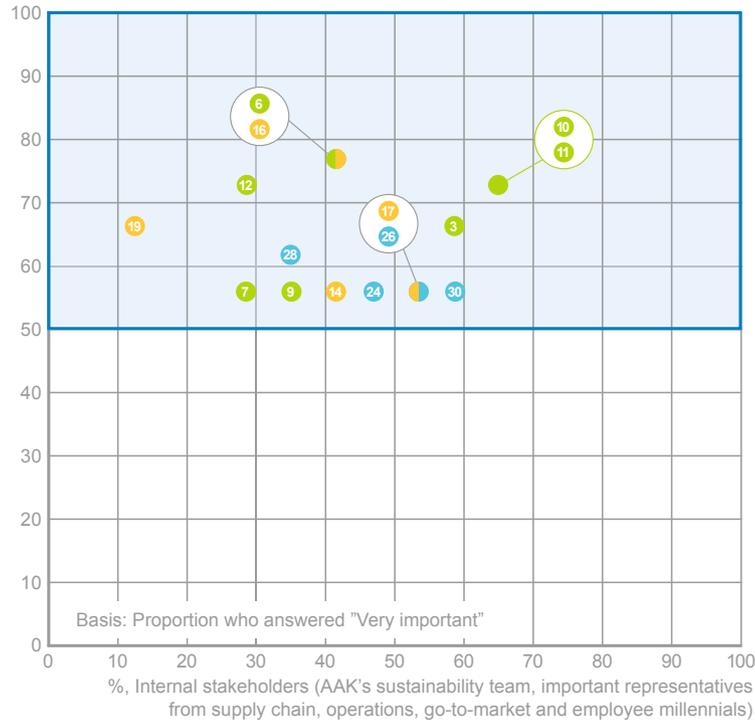
## Materiality matrix

The AAK Materiality matrix represents our list of material topics and is connected to where in the report we describe the management approach. The quantitative section of the survey was based on 31 significant topics which were initially taken from AAK's previous materiality assessment.

\* KPMG Guide to the materiality process.

## AAK Materiality matrix

% , All external stakeholders  
(Customers, investors, municipalities, trade organizations, employees, millennials, and suppliers)



Number	Material topics	Description/Chapter
<b>Responsible sourcing of raw material</b>		
3	Offer traceability of products	Our Suppliers
6, 7	Working conditions and livelihoods of smallholders	Our Suppliers
9	Reduce GHG emissions throughout supply chain	Our Suppliers
10, 11, 12	Reduce environmental impact including deforestation and biodiversity	Our Suppliers
<b>Resource efficiency</b>		
14	Take active steps towards minimizing external risks caused by climate change	Our Planet
16	Reduce greenhouse gases throughout operations	Our Planet
17	Continuously work to achieve energy efficiency	Our Planet
19	Assess environmental impact of products throughout entire product life cycle	Our Planet and Our Suppliers
<b>People/Governance</b>		
24	Promote employee competence and career development	Our People
26	Prevent harassment throughout operations	Our People
28	Active whistleblower system that concerns all parts of supply chain	Our People
30	Ensure compliance with the AAK Code of Conduct throughout operations and business relationships	Our People and Our Suppliers

In order for the analysis to capture both internal and external perspectives, the matrix ranking is set in relation to the corresponding ranking carried out by the local sustainability teams and other internal key stakeholders. The internal perspective was then compared with the perspective of all stakeholder groups. This

exercise made it possible for the analysis to capture the perspectives of both AAK and external stakeholders, with a special focus on the topics listed as very important.

In the end, AAK chose to focus on all topics in the top square of the Materiality matrix as listed in the table

above, in order to ensure we cover the main concerns of our stakeholders. You can read about topic boundaries and actions to meet significant topics raised in this exercise in each chapter as described above.



## Investor Relations

### Shareholders

AAK endeavors to generate an attractive return on investments for its shareholders. The largest shareholder is Melker Schörling AB, which indirectly owns more than 31 percent of AAK. In total, approximately 70 percent of AAK's shareholders are Swedish. More information about AAK's ownership structure is available at [www.aak.com](http://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 sites.

### 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

### Shareholder sustainability agenda

There is an increasing interest on the part of shareholders in a multitude of topics such as reducing greenhouse gas emissions, increasing traceability, clean revenue, anti-corruption initiatives, and the work we do to ensure sustainable practices in our supply chains. These factors, together with an increased role for shareholders, require a high level of transparency and mutual understanding. AAK is continuously working to enhance the level of disclosure to meet different needs for information and staying ahead of emerging Environmental, Social and Governance (ESG) disclosure requirements. Our reporting aims to fulfill different regulations and frameworks, including ratings and listings.

Throughout the year, we engaged in dialogues with a number of investment analysts and investors specializing in ESG requirements. We listen and learn how to further adopt, and make it easier to evaluate our progress on sustainability.

The intention is that the AAK Group's annual sustainability report remains the most appropriate and efficient channel to provide information about our sustainability practices. However, a constructive dialogue on risks, opportunities and strategies related to sustainability is always valued, in line with ethical stock exchange rules.

## Maintaining momentum

An important aspect of the AAK Group's sustainability work is maintaining global momentum. To ensure this, the Global Sustainability Manager is in regular contact with the sites. Consultation meetings are held with the sustainability team leaders from each site where progress and challenges of the sustainability work is discussed. To make sustainability even more visible within the organization, an internal sustainability award is presented each year to the AAK site or business area that has demonstrated outstanding sustainability performances. In 2019, the production site in Mexico, Morelia, won Best AAK Sustainability Achievement. The site received an award for its overall very strong sustainability track record including improvements in energy, greenhouse gases, and water use efficiency per unit processed product.

Besides internal ambitions and improvement plans, AAK receives questionnaires, supplier code of conducts and ratings from our customers and investors regularly with questions we need to respond to or requirements we need to adhere to. These expectations serve as an important guide to further priorities on our stakeholders' agendas, and support our continuous and proactive efforts to maintain up-to-date with what may be expected from us now and in the future.





## Increasing sustainability awareness internally

In order to keep sustainability at the heart of what AAK does, we believe it is our responsibility to enable our employees to become more aware of the impact our business has on individuals, communities and the environment, and to learn more about sound, sustainable practices.

In addition to continuous dialogue, we provide all employees with an introduction to sustainability. Relevant employees have access to short e-learning modules relating to anti-corruption, competition law, Sustainable palm oil, responsible shea sourcing and vegetable oils and fats.

Simply stating that sustainability is at the heart of our company culture is easy, but we realize that “walking the talk” requires continuous engagement. To keep our positive momentum going, our proactive approach is continuously being reviewed, developed and improved. It is the little things that we do in our everyday lives that has an impact on how we think and behave in general. It can differ from country to country. For instance, by using our own water bottles and by drinking tap water when possible we become more aware of unnecessary use of plastic and how fortunate we are to have fresh and clean tap water.

## Sustainability inclusion of new sites

All new sites are directly included in our improvement work. To align with AAK sustainability standards is a part of the integration.

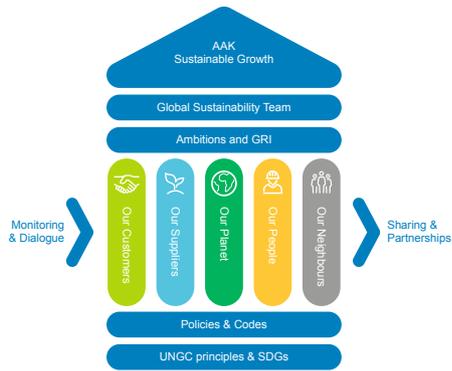
When the Sustainability team leader has received a first introduction to sustainability in AAK and the “House of Sustainability” they will be invited to regular global virtual conferences.

The next step is the inclusion of the site into our annual global data collection. To that end, the team is introduced to the Global Reporting Initiative (GRI), and in particular the definitions that have been established within the AAK Group. The spreadsheets that need to be completed immediately after the end of the year will be thoroughly reviewed with focus on the individual indicators.

These data together with other sites’ data lay the foundation for our annual Sustainability Report in which the importance of the validity of the data is emphasized.

For some new sites this is not far from the way they are already working. For others it is a completely new approach. Whatever the case, new sites receive all the support required, from the headquarters as well as from other sites, to integrate into the global sustainability system in the best possible way.





## 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. The

Core disclosures are mandatory and the topic-specific disclosures identified in the materiality analysis are highlighted in the below GRI index as “Significant topics”. AAK has also chosen to disclose information related to a few more topics important for the company.

See [www.globalreporting.org](http://www.globalreporting.org) for more information.

# Global Reporting Initiative Standards Index

## GRI Content Index – disclosures

The GRI table is based on GRI Sustainability Reporting Standards 2016

Disclosure	Disclosure description	Page number and comments
GRI 101: Foundation 2016 – This report has been prepared in accordance with the GRI Standards: Core option		
GRI 102: General Disclosures 2016 (Core)		
102-1	Name of the organization	Page 82
102-2	Activities, brands, products, and services	Pages 4–7
102-3	Location of headquarters	Page 82
102-4	Location of operations	Page 5
102-5	Ownership and legal form	Please see page 98–99 in our Annual Report for a list of all companies including holding, dormant and financial services.
102-6	Markets served	Page 5
102-7	Scale of the organization	Page 3
102-8	Information on employees and other workers	Pages 3 and 50–55
102-9	Supply chain	Pages 7, 26–39
102-10	Significant changes to the organization and its supply chain	Page 2. The direct sourcing program in Burkina Faso and Ghana expanded from 135,000 to 235,000 women. Organic sourcing has remained unchanged, apart from the approval of two new suppliers of organic coconut oil. AAK also increased supply of shea kernels in Nigeria.

Disclosure	Disclosure description	Page number and comments
GRI 102: General Disclosures 2016 (Core) cont.		
102-11	Precautionary principle or approach	AAK supports the Precautionary principle approach. Please see example on page 24
102-12	External initiatives	Pages 12–13, 56–61
102-13	Membership of associations	Page 61
102-14	Statement from senior decision-maker	Page 8–9
102-15	Key impacts, risks, and opportunities	Risk chapter in Annual Report. See pages 36–39
102-16	Values, principles, standards, and norms of behavior	See pages 51, 12–13 and 55
102-17	Mechanisms for advice and concerns about ethics	The AAK whistleblower system is part of AAK Code of Conduct. See page 55
102-18	Governance structure	See pages 62–63
102-40	List of stakeholder groups	See page 64
102-41	Collective bargaining agreements	Page 55
102-42	Identifying and selecting stakeholders	Page 64
102-43	Approach to stakeholder engagement	Page 64
102-44	Key topics and concerns raised	Page 64
102-45	Entities included in the consolidated financial statements	Annual Report pages 98–99
102-46	Defining report content and topic boundaries	Page 65
102-47	List of material topics	Page 65
102-48	Restatements of information	AAK started disclose GHG emissions according to Greehouse Gas Protocol. Page 74
102-49	Changes in reporting	Page 74
102-50	Reporting period	Page 74
102-51	Date of most recent report	01-01.2018–31-12-2018
102-52	Reporting cycle	Annually
102-53	Contact point for questions regarding the report	Page 63
102-54	Claims of reporting in accordance with the GRI Standards	Page 1 and 74
102-55	GRI Content Index	Pages 70–73
102-56	External assurance	The report has been verified by PricewaterhouseCoopers in terms of compliance with the Swedish Annual Accounts Act.

## GRI Content Index – material topics

Disclosure Disclosure description

Page number and comments

### GRI 200 Standard: Economic Series 2016

201-2	Financial implications and other risks and opportunities due to climate change	Significant topic. See Annual Report page 39. Omission: Information not available related to result and financial implications of climate change risk assessments as they are still works in progress. When all risk assessments are completed in 2020 plans will be initiated to make further evaluation, including actions to manage the risks related to climate change and costs associated with it.
205-1	Operations assessed for risks related to corruption	Significant topic. AAK assesses operations related to corruption based on risk assessments each year which cover both fully owned and joint venture operational business units. During 2019, this covered 22 percent of the operational business. The audits cover different aspects such as investments, customer relations and contracts, travel invoices, gifts, salary remuneration and contracts with suppliers and customers. For more information regarding AAK Audit Committee and anti- corruption compliance, please see pages 55 and 62.
205-2	Communication and training on anti-corruption policies	Significant topic. See page 55. Omission: Information not available regarding categorization according to employee category or region. AAK has recently initiated a new global HR system and GRI requirements will be reviewed and integrated into this system, including training on anti-corruption policies.
205-3	Confirmed incidents of corruption and actions taken	No incidents of corruption were identified during 2019.

### GRI 300 Standard: Environmental Performance

302-1	Energy consumption within the organization	Significant topic. See page 42
302-3	Energy intensity	Significant topic. See page 42
302-4	Reduction in energy consumption	Significant topic. See page 42
303-3	Water withdrawal by source	Important parameter for AAK. See page 46
303-5	Water consumption	Important parameter for AAK. See page 46
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Significant topic. Villavicencio (Colombia) is an operational site of 41,438 m <sup>2</sup> located in the terrestrial ecosystem area, protected by national legislation. Zhangjiagang (China) is a production site of 66,666 m <sup>2</sup> located in a freshwater ecosystem area protected by national legislation. Zaandijk (the Netherlands) is an operational site of smaller size located adjacent to a Natura 2000 area, protected by legislation. Karlshamn (Sweden) is a production site of 260,000 m <sup>2</sup> located adjacent to a terrestrial ecosystem area protected by Natura 2000.
305-1	Direct (Scope 1) GHG emissions	Significant topic. IPCC**, using GHG Protocol Standards* with centralized approach where the sites report activity data. Calculations are made with financial control approach. Please see page 44
305-2	Energy indirect (Scope 2) GHG emissions	Significant topic. IPCC**, using GHG Protocol Standards* with centralized approach where the sites report activity data. Calculations are made with financial control approach. Please see page 42
305-4	GHG emissions intensity	Significant topic. IPCC**, using GHG Protocol Standards* with centralized approach where the sites report activity data. Please see page 44. AAK is reporting the development in its GHG emissions on a five-year scale (2015–2019). 2015 is not the base year. The rationale behind choosing to report in this manner is that AAK will review the present target during 2020 and would therefore like to maintain the previous outline of five years to be consistent. The target disclosed 2018 had a baseyear 2012. However, work is ongoing to set targets needed to reach sufficient reduction levels with a more recent baseyear and emission inventory.
305-5	Reduction of GHG emissions	Significant topic. IPCC**, using GHG Protocol Standards* with centralized approach where the sites report activity data. Please see page 44

Disclosure	Disclosure description	Page number and comments
<b>GRI 300 Standard: Environmental Performance</b>		
305-6	Emissions of ozone-depleting substances (ODS)	Important parameter for AAK. IPCC**, using GHG Protocol Standards* with centralized approach where the sites report activity data. 340 kg CFC- 11e (equipment, air condition, refrigerant systems). The amount is related to three sites and they all have plans to phase out the use of R22.
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	Important parameter for AAK. Source of emission factors and GWP rates are from "IPCC Fifth Assessment Report, 2014 (AR5)", using GHG Protocol Standards with centralized approach where the sites report activity data. See page 44
306-2	Waste by type and disposal method	Important parameter for AAK. The information reported has been collected from the operational sites and their disposal contractors. See page 48
308-1	New suppliers that were screened using environmental criteria	Significant topic. Direct suppliers are screened using different regional systems and have signed our Code of Conduct including environmental criteria. See pages 16 and 15 Omission: Information unavailable. Information regarding share of assessed suppliers are currently in different systems. Plans to align and review most suitable management approach will be initiated during 2020.

Disclosure	Disclosure description	Page number and comments
<b>GRI 400 Standard: Socio economic compliance 2016</b>		
403-9	Work-related injuries	Important parameter for AAK. Lost Time Injury Rate (LTIR) is the number of work injuries with more than one day of absence per 200,000 working hours including AAK's production sites and our administrative staff. See page 54
404-2	Programs for upgrading employee skills and transition assistance programs	Significant topic. See page 53. Additionally, 18 AAK employees in Mexico have raised their educational levels by completing a two-year program that helps participants to formally finish their senior high school studies through a self-taught methodology.
405-2	Ratio of basic salary and remuneration of women and men	AAK has a very thorough process for each local region using Mercer benchmark. We continuously measure and take actions to make sure we do not have any remuneration gaps due to diversity reasons. Omission: Information unavailable. Information regarding global salary ratio is not available as it is currently calculated and followed up on a local level. Work will be initiated during 2020 to review the possibilities to have a global ration of basic salary and remuneration.
406-1	Incidents of discrimination and corrective actions taken	Three cases of discrimination has been reported in our GRI process. All cases have been investigated and corrective actions are being taken. We also encountered one case of alleged misconduct through our whistleblower function during 2019. See page 55
413-1	Operations with local community engagement, impact assessments, and development programs	Important parameter for AAK. 83 percent of AAK production sites are engaged in community engagement programs. The outstanding 17 percent did not find relevant initiatives during 2019. See pages 56–59
414-1	New suppliers that were screened using social criteria	Significant topic. Direct suppliers are screened using different regional systems and have signed our Code of Conduct including social criteria. See pages 16 and 55. Omission: Information unavailable. Suppliers in AAK are currently screened using regional systems. Plans to align and review most suitable management approach will be initiated during 2020.

\* The Greenhouse Gas Protocol: A standard designed to provide a framework for businesses, governments and other entities to measure and report their greenhouse gas emissions in ways that support their missions and goals.

\*\* IPCC Fifth Assessment Report, 2014 (AR5): Intergovernmental Panel on Climate Change report AR5 provides an update of knowledge on the scientific, technical and socio-economic aspects of climate change.



# Reporting Principles

## Scope and completeness

This is the eleventh AAK Sustainability Report. The last report was published in April 2019. The report is prepared in accordance with the GRI Standards: Core option. It aims to provide sufficient and clear material to reflect our actions related to the significant topics identified in our materiality analysis during the reporting period.

In general, the data in this report covers our activities from January 1 to December 31, 2019. New sites are not required to join our reporting until they have one full year of production. The Environmental data in this report relate to the seventeen AAK production sites that were fully operational during 2019. Other core data related to social disclosures such as employees, gender composition, age includes AAK sourcing, sales and purchasing offices and is calculated per December 31, 2019 based on payroll information.

## Data input and calculations

The report is based on information received from all sites and contains results based on locally calculated data that is compiled and calculated on a global level. During 2019, we have sharpened the process of collecting input with more instructions and stricter validation functions. Some data errors were identified during the validation process, mostly connected to calculations, which were adjusted together with the different sites. This led to minor adjustments in previous years' reporting.

## Accuracy and changes in the reporting

The ability to rely on data based on source documents is a keystone for AAK and it is expected that all data are traceable to recorded evidence enabling verification. Work is continuously ongoing to improve the data quality. In terms of restatement of information, AAK has improved the disclosure of greenhouse gases and aligned data collection and reporting with the Greenhouse Gas Protocol. This has led to a change in how we disclose our GHG emissions, going from total direct emissions to Scope 1 direct emissions. In order to create a strong foundation and prepare to set a target in line with the science based target method AAK teamed up with a third party specializing in climate disclosure. The outcome was an aligned data collection and a centralized framework for calculating emissions. This has led to more uniform calculations of scope 1 and 2 emissions in line with the Greenhouse Gas Protocol. The scope 2 data used to compare the GHG intensity rate during 2012-2018 is based on energy use reported at the time and estimated emissions based on ecoinvent version 3.5\*.

## GHG emissions

AAK reports according to GHG Protocol's financial control approach.

## Scope 1 (Direct GHG emissions from energy use)

The scope 1 emissions are calculated from the consumption of fuels together with documented heating values and emission factors. Corrections have been

made in last year's data in order to adjust the heating value and CO<sub>2</sub>e emission values in line with a centrally calculated framework. Combustion from own vehicles and smaller working machines and fugitive emissions are not included in the calculations due to limited data quality. However, those emissions are considered to be very small in relation to the total Scope 1 emissions and work is ongoing to cover this gap during 2020.

### Scope 2 (Indirect GHG emissions from energy purchase)

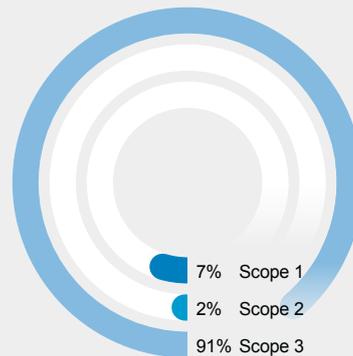
This is the first year that AAK disclose scope 2 indirect emissions. For electricity, the emissions are calculated according to market-based method (GHG protocol) which is used to support the development of renewable energy by purchasing Guarantees of origins. For markets without a system of Guarantees of origins for electricity, AAK has used the average electricity emission factor for the specific market to calculate the emissions from the electricity use.

### Scope 3 (GHG emissions beyond scope 1 and 2)

During 2019 AAK has, with support from a third party, conducted a scope 3 screening, i.e. a rough assessment of AAK's emission in the whole supply chain. The scope 3 screening shows that about 90 percent of the emissions in the supply chain are category 1: purchased goods and services. When inbound and outbound transport and upstream emissions for consumed energy and fuels are added more than 99 percent of the emissions are covered. It will therefore be prioritized to get more

specific data for emissions from purchased goods and services going forward as well as data for emissions from inbound and outbound transport. All in order to work with mitigation and reduction of our climate impact in a structured manner, including the supply chain.

GHG Scope AAK 2018



The large share of emissions in scope 3, and especially from purchased goods, are typical for companies that produce food or agricultural products, e.g. coffee or rice. However, they are not comparable with the impact of animal-based foods such as meat or dairy, that are much more resource-intensive than plant based foods\*\*.

\* Ecoinvent is the world's leading LCI database in terms of inventory data for complete supply chains. Version 3.5 features more than 2,000 new, revised and updated datasets across five sectors as well as improved representations of supply chains and was released on August 23, 2018.

\*\* Creating a Sustainable Food Future, A Menu of Solutions to Feed Nearly 10 Billion People by 2050, World Resources Report, December 2018.



# Contributions to the Sustainable Development Goals

In September 2015, the United Nations adopted the 17 Sustainable Development Goals (SDGs) relevant for all countries. AAK has strong commitment to sustainability and we have welcomed the SDGs. We see the SDGs as an integrated part of our sustainability work and they are incorporated in our model, AAK House of Sustainability.

AAK plays an active role in supporting the delivery of the SDGs.

The goals and AAK contribution is reviewed on an annual basis and during 2019 AAK identified eleven SDGs that represent our contribution and ability to make significant impact. As a global producer of value-adding

vegetable oils and fats solutions, we have identified our global supply chains as an opportunity as well as a responsibility to do our part to achieve the SDGs. Therefore, we are monitoring our contribution towards achieving the SDGs and their specific sub-targets.

UN SDG	UN SDG sub-targets	AAK's contribution to the UN SDGs	Progress
 1 NO POVERTY	<b>Target 1.2:</b> By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions	Smallholder inclusion in our supply chains for shea, palm and coconut offers access to global markets.	AAK has progressed regarding the number of smallholders actively included in our supply chains as well as regarding the way they are included. We have successful smallholder engagement projects running for palm oil in Malaysia and Mexico; for coconut in Indonesia; and for shea in Burkina Faso, Ghana and Ivory Coast.
	<b>Target 1.4:</b> Equal right to economic resources, access to land, natural resources and banking	AAK continues to offer an increasing number of microcredits and bank accounts through our program Kolo Nafaso in West Africa.	AAK has opened a total number of 4,249 bank accounts within Kolo Nafaso. We have furthermore expanded the program into Ivory Coast.
 2 ZERO HUNGER	<b>Target 2.3:</b> By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment	AAK continues to educate smallholders in West Africa, Indonesia and Mexico in good agricultural practices which can have a positive impact on their incomes. AAK is furthermore supporting smallholders in securing land titles through our Forever Sabah partnership.	AAK has grown the Kolo Nafaso program by 72 percent in 2019, offering training to an additional 96,615 women. All of the Indonesian coconut smallholders in our supply chain have been trained in good agricultural practices. For the Mexican smallholder project, field schools have been established and standard operating procedures developed. The Forever Sabah program has in 2019 focused on securing land titles for smallholders in the Sabah region.
 3 GOOD HEALTH AND WELL-BEING	<b>Target 3.2:</b> End preventable deaths of new-borns and children under 5 years of age	AAK produces customer co-developed oils and fats solutions for special nutrition products and continuously contributes to the research of optimizing these products.	AAK is a pioneer in parenteral nutrition, which is nutrition delivered directly into the bloodstream. AAK is helping the global population with safe, proven, essential lipids. Beginning already in the 1970s, we supplied lipid knowledge and solutions that were commercialized by our partners who made them available to the medical sector. The knowledge about lipids' role in medical nutrition has grown ever since. For example, the right fats are now also known contributors to limit inflammatory effects.

UN SDG	UN SDG sub-targets	AAK's contribution to the UN SDGs	Progress
	<b>Target 5.5:</b> Ensure women's full and effective participation and equal opportunities for leadership at all levels of decisionmaking in political, economic and public life	Women supervisors in Burkina Faso.	AAK is striving to hire the best talents at all times. We are especially proud to register an increasing number of female leaders in traditionally male dominated contexts, such as West Africa. Our Country Manager in Burkina Faso as well as our Kolo Nafaso women's groups manager and extension officers are strong female leaders. See page 35.
	<b>Target 7.2:</b> By 2030, increase substantially the share of renewable energy in the global energy mix	Increase the share of renewable energy in AAK's direct and indirect energy consumption.	24% of the direct energy use in AAK stems from biomass. An increase with 22% since 2018.
	<b>Target 7.3:</b> Improvement in energy efficiency	Continuous improvement in our energy efficiency.	Total energy consumption per processed unit decreased with 7,6 percent.
	<b>Target 8.4:</b> Decouple economic growth with destroying the environment	AAK Group Policy Responsible Sourcing of Vegetable Oils and AAK Group Policy Sustainable Palm Oil require no deforestation or development of peatland and High Conservation Value areas.	AAK has added a new KPI to the palm oil dashboard in 2019: Verified deforestation-free palm oil. This is a new and important KPI for AAK that we are developing together with Proforest. We are in the process of establishing the baseline value that will include RSPO segregated volumes and mills with concession monitoring. We will extend this KPI to our soy supply chains during 2020 as well.
	<b>Target 8.5:</b> By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	AAK utilizes market pay data to evaluate the organizations' pay levels in each country.	AAK will assess the possibility to set up a global gender pay ratio in a new global HR system.
	<b>Target 8.6:</b> Reduce the share of youth (15–24) not in education, training or employment	AAK is investing in a global trainee program to give young people the best possible start to their careers.	Besides trainee programs. AAK has also managed to provide high school degrees in Mexico during 2019.
	<b>Target 8.8:</b> Protect labor rights and ensure stable working environments	AAK has been a participant of UNGC since 2003. Workers rights and working environment is targeted in AAK Code of Conduct and Code of Conduct for Suppliers of Raw Materials.	At the end of 2019, 98 percent had signed the Code of Conduct.

UN SDG	UN SDG sub-targets	AAK's contribution to the UN SDGs	Progress
	<b>Target 12.2:</b> By 2030, achieve the sustainable management and efficient use of natural resources	AAK has a continuous focus on resource efficiency with parameters on water, energy and waste utilization.	Water consumption per unit processed material decreased by 2.3 percent compared to 2018. The total energy consumption per processed unit decreased by 7.6 percent in 2019.
	<b>Target 12.5:</b> Reduce waste	AAK has an ambition to achieve less than 1.5% of the waste disposed as landfill/deposit.	Waste going to landfill decreased by 48 percent compared to 2018. The amount of recycled waste increased by 45 percent compared to 2018.
	<b>Target 12.6:</b> Integrate sustainability in reporting cycle	Published sustainability reports annually since 2009 and palm oil progress reports twice a year since 2014.	During 2019, AAK has focused on attaining a GRI report according to GRI Core level and integrating GRI requirements in global reporting systems and the AAK Annual Report.
	<b>Target 13.3:</b> Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning	AAK has a significant impact on the climate and it is important that we mitigate, reduce our GHG emissions, adapt our operations and continuously raise the awareness about climate change.	During 2019 AAK has improved the internal climate accounting and started mitigating emissions in line with the Greenhouse gas protocol. Efforts have been made to raise awareness about climate impact on several sites and climate change risk assessments have been initiated and conducted on our operational sites. Additional climate change risk assessments will be initiated in our supply chain during 2020. All in order to get a full picture of what can enable sufficient action and reduction levels overall. Additionally, driven by consumers demand for products with less impact on the climate, we are adapting and have developed the AkoPlanet range for plant based food. Please read more on page 24.
	<b>Target 15.2:</b> By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally	AAK contribution: AAK Group Policy Responsible Sourcing of Vegetable Oils and AAK Group Policy Sustainable Palm Oil require, among other things, no destruction of forested areas and High Conservation Value areas.	AAK has made significant progress regarding the compliance with its AAK Group Policy Sustainable palm oil. In 2019, we achieved 98 percent traceability to mill, 55 percent traceability to plantation and we are in the process of introducing a new KPI to our dashboard: Verified deforestation-free palm oil.
	<b>Target 16.5:</b> Substantially reduce corruption and bribery in all their forms	AAK provides mandatory e-learning courses for all employees at increased risk of encountering corruption (page 55).	93 percent of relevant employees passed the anti-corruption training in AAK during 2019. 98 percent of our agents and distributors has signed the AAK Code of Conduct for Agents and Distributors and all suppliers have signed the Code of Conduct for Suppliers of Raw Materials with specific requirements on anti-corruption.
	<b>Target 17.16:</b> Global multi-stakeholder partnerships	AAK is engaged in several global partnerships including UNGC, RSPO and Global Shea Alliance.	AAK continues to strongly support the RSPO in its efforts to create a more sustainable world. In 2019, the RSPO introduced and approved the implementation of the concept of "joint responsibility" under which downstream members are obliged to significantly increased purchases of RSPO certified palm oil.



## The auditor's opinion on the statutory sustainability report

To the annual general meeting of the shareholders in AAK AB (publ.), corporate identity number 556669-2850

### Assignment and responsibility

It is the Board of Directors who is responsible for the statutory sustainability report for the year 2019 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

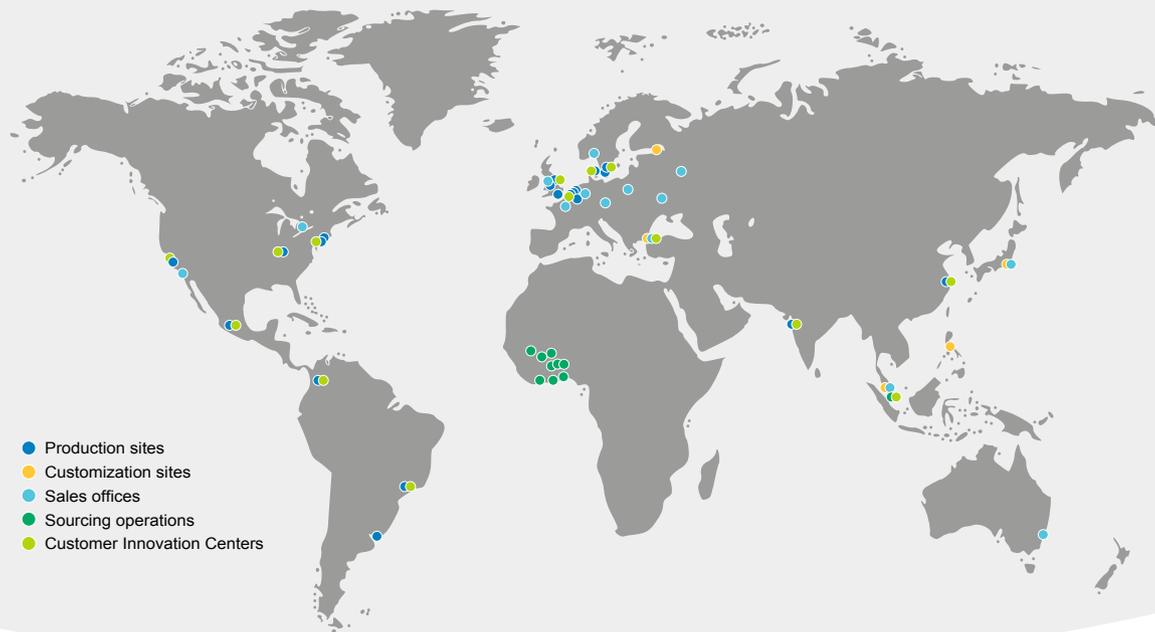
### Opinion

A statutory sustainability report has been prepared.

Malmö, April 15, 2020  
PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt  
Authorized Public Accountant  
Auditor-in-charge





# We are AAK

AAK is a leading provider of value-adding vegetable oils & fats.

Our expertise in lipid technology within foods and special nutrition applications, our wide range of raw materials and our broad process capabilities enable us to develop innovative and value-adding solutions across many industries – Chocolate & Confectionery, Bakery, Dairy, Plant-based Foods, Special Nutrition, Foodservice, Personal Care, and more.

AAK's proven expertise is based on more than 140 years of experience within oils & fats. Our unique co-development approach brings our customers' skills and know-how together with our own capabilities and mindset for lasting results.

Listed on the NASDAQ OMX Stockholm and with our headquarters in Malmö, Sweden, AAK has more than 20 different production sites, sales offices in more than 25 countries and more than 3,800 employees.

We are AAK – The Co-Development Company.

