



# Responsible Growth

AAK Sustainability Report 2011/2012



# About this report

## Welcome to AAK's Sustainability Report 2011/2012

With this, our third sustainability report, we aim to provide a transparent presentation of the corporate social responsibility (CSR) objectives, initiatives and activities of the AAK Group.

All data is from 2011 and is based on the core indicators of the Global Reporting Initiative (GRI) and Food Sector Supplements, adjusted for our business. Principles for reporting are described in the section "Reporting criteria" on page 40.

The report covers our entire organisation, including production plants, administrative offices, sales offices and sourcing operations. The environmental data is restricted to the production plants. Data from our mid-2011 acquisition of Golden Foods/Golden Brands in Louisville, Kentucky, USA, is not included in the report. Likewise, our production plant in Oldham, UK, which is being phased out, and production transferred to other sites during 2011 are not part of this report. In 2012 AAK acquired the businesses of Oasis Foods Company and Crown-Foods A/S. Those companies will not be included in the report as they will start reporting on GRI in 2013.

Wherever relevant, we have compared the figures with those from 2010. We also comment on the trends and developments we see and include our outlook for the years ahead.

To make the report easier to read, we have divided it into five major sections that reflect the way we structure data collection and reporting within the AAK organisation:



- ◆ Marketplace
- ◆ Supply chain
- ◆ Environment
- ◆ Workplace
- ◆ Community

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

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

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 Reg. No. 556669-2850

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### Global Reporting Initiative (GRI)

GRI is a network-based organisation that pioneers the world's most widely used sustainability reporting framework involving more than 30,000 companies in 70 countries.

The reporting framework measures and reports economic, environmental, and social performance and also addresses the UN Global Compact principles.

# CEO Statement by Arne Frank

Responsible growth is core to our business strategy. Our responsibility towards the local communities where we operate, our global customers, our employees and the environment, is integral to our efforts to achieve our business goals. Sustainable business practices govern our operations around the world.

I am encouraged that our commitment is widely shared by many of our customers, suppliers, shareholders and employees. In 2011, the annual Top of Mind Survey conducted in 45 countries by the global Consumer Goods Forum found that corporate social responsibility is now the number one concern of many companies. For the sake of today's and future generations, it is encouraging to know that CSR is gaining priority in the business world.

Demographic forecasts underline the challenges ahead, with predictions of an additional two billion people on our planet by 2030. In addition, global average calorific consumption per head of population is expected to increase, leading to pressure on our global natural resources and with consequences for global warming. This emphasises even further the need for business to step up its commitment to optimal resource utilisation with minimal waste and emissions.

In this – our third – Sustainability report, we share with you our sustainability efforts over the past year. The ten principles of the UN Global Compact continue to provide the framework for our CSR work. As a strong supporter of the Global Compact, we also encourage our business partners to integrate its principles in their business activities.

## Business expansion

Among our important business achievements over the last 12 months are the acquisitions of Golden Foods/Golden Brands and Oasis Food Company in the US and Crown Foods A/S in Denmark – reputable companies that strengthen our position considerably within flaked shortenings and the food service markets.

Implementation of our Code of Conduct is already underway at these sites to ensure the same principles for responsible business are applied throughout our organisation.

## Resource efficiencies

While we have grown our business and pursued our strategy to develop our sales of more speciality products, we have also managed to achieve nearly all of our 2011 CSR objectives.

Our enhanced resource efficiency is reflected in our environmental performance consumption, CO<sub>2</sub> emissions, water discharge and landfill waste have all gone down, even with our successful speciality strategy, selling



Arne Frank  
CEO and President, AAK

and producing more refined solutions for our customers.

Speciality products are more “production intense”, which would normally result in significantly increased resource consumption and emissions.

For several years we have had a strong focus on reduction of energy consumption through investments in new technology. For example at our Karlshamn site, we have reduced our mineral fuel consumption to almost zero, replacing it with bio-fuel, reducing our carbon dioxide emissions from 40 000 tons/year to 6-7000 tons/year. For these achievements we recently received the E-prize, which is awarded by the Swedish business weekly magazine *Veckans Affärer*, in collaboration with the energy company E.ON. This prize is awarded to companies that combine energy efficiency and economy in order to reduce their environmental impact, cut costs and increase competitiveness.

## Employee safety

Employee safety is a top priority within AAK. We are committed to ensure that our employees stay safe and healthy while performing their very professional daily work for our company. By a strong safety focus we have managed to maintain a low level of work-related injuries. We are also convinced about the correlations between work safety, productivity, product quality and customer satisfaction. As some of our manufacturing processes will

always need a very strong safety attention our efforts will continue to focus on the development of AAK as a safe workplace.

## Sustainable sourcing

Raw material sourcing is another area where we endeavour to make a clear difference, both to the environment and to the local communities where the raw materials are grown and harvested.

For our shea based products we have for many years been working very closely with local populations in several West African countries and in particular with the women there who gather the wild-growing shea kernels. In March this year we signed a letter of intent with the government of Burkina Faso, with the aim to establish a public-private partnership to expand our work organising and educating local women's groups. The initiative ultimately targets improved volumes and quality of the raw material and at the same time secures improved living conditions for the women in Burkina Faso. We will increase the number of women involved in this initiative from approx 10,000 to 30,000 over two years.

At our side in this important work we have the globally leading beauty and personal care company L'Oréal, which actively supports this initiative through an agreement confirming continuing supply this project until at least 2014.

We have high expectations this agreement will bring us closer to an even more sustainable and effective supply chain along with our other activities to secure responsible supplies of strategic raw materials, and to improve volumes and quality.

## Building on progress

The significant progress of the past year makes it a great pleasure for AAK to present this Sustainability report.

In the year ahead, we will execute our business strategy and underlying, AAK Acceleration program with a continuing a strong focus resource efficiencies, employee safety and on sustainable raw materials. Corporate Social Responsibility remains at the core of AAK.

A handwritten signature in black ink, appearing to read 'Arne Frank', written in a cursive style.

Arne Frank



# Global Compact



WE SUPPORT

The United Nations Global Compact is an initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. With more than 8,700 signatories in over 130 countries, the UN Global Compact is the world's largest voluntary corporate sustainability initiative. The principles are:

## 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.

## Labour

- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- the elimination of all forms of forced and compulsory labour;
- the effective abolition of child labour; and
- the elimination of discrimination in respect of employment and occupation.

## Environment

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

## Anti-Corruption

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



# AAK in 60 seconds

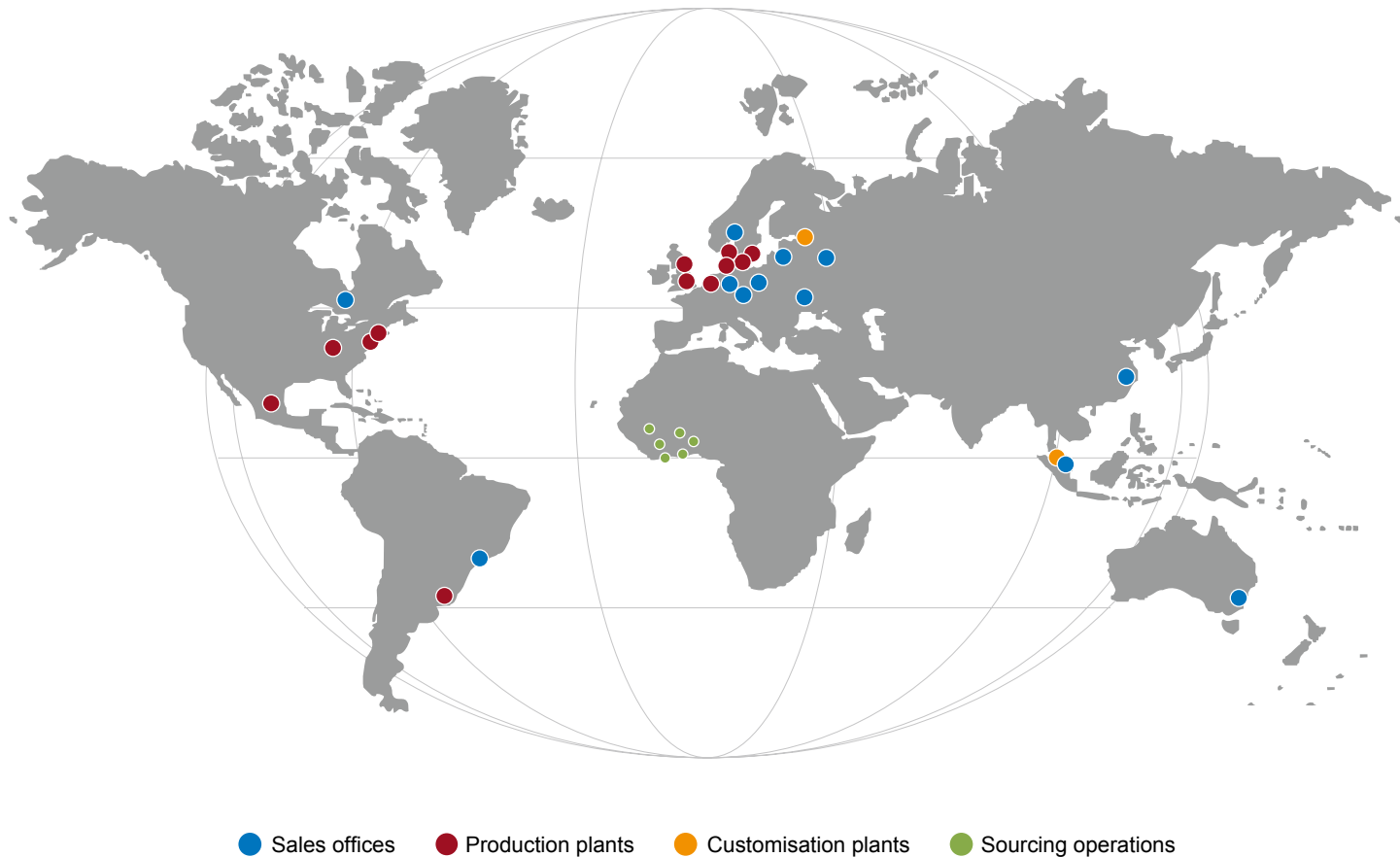
- AAK's vision is to be the first choice in value-added vegetable oil solutions.
- AAK is organised in three business areas: Food Ingredients, Chocolate & Confectionery Fats and Technical Products & Feed.
- AAK has more than a century of unrivalled experience with vegetable oils for a broad spectrum of applications. Our customers are primarily from the food, confectionery and cosmetics industries. We also supply the animal feed and technical industries.
- AAK's products are ingredients, including alternatives to dairy fat and cocoa butter, trans-free solutions, low saturated fats solutions, nutritious fats for infant formula, environmentally-friendly lubricants, and healthy skin care products. A growing number of AAK's products are sold as brand products to consumers.
- AAK's raw materials are derived from renewable sources primarily sourced in Northern Europe (rapeseed), West Africa (shea) and Southeast Asia (palm).
- AAK's twelve production plants are located in Denmark, the Netherlands, Mexico, Sweden, the UK, Uruguay and the US. We also have sourcing operations, toll manufacturing and sales offices in several key locations around the world.
- New products are developed in close partnership with customers, drawing on oils and fats expertise and knowledge of market trends. Close relations enable AAK to create strong, lasting solutions that meet customer needs, expectations and high standards.
- AAK is one of the founders of the Roundtable on Sustainable Palm Oil (RSPO). AAK also founded and operates GreenPalm, which provides an exclusive web-based platform for the trade in certificates for sustainable palm oil. Through these and other initiatives, AAK continuously contributes to the production of sustainable palm oil.
- The parent company, AarhusKarlshamn AB, is a Swedish-registered joint-stock company. The company's shares are listed on NASDAQ OMX, Stockholm, in the Mid Cap segment, Consumer Commodities sector.

## Key financial figures

Operational key ratios (SEK million unless otherwise stated)	2010	2011
Net sales	14,808	16,695
Operating profit	824	911
Operating profit per kilo, SEK	0.57	0.64
Earnings per share, SEK*	14.15	14.72
Return on operating capital, %	13.10	13.30
Investments	335	670
Net debt	2,634	3,141
Equity/assets ratio, %	34	36

\* Earnings per share have been calculated using a weighted average of the number of outstanding shares during 2011. Definitions, see page 55 of the Annual Report.

# Our business



## Our reason for being

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

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

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

## A vital ingredient

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

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

## Part of daily life

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

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

## Responsible growth

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

We believe that leading sustainability in our everyday activities helps us reach our vision of being the first choice in value-added vegetable oil solutions.

# CSR Objectives

This page lists our overall CSR achievements regarding the 2011 objectives. Objectives for 2012+ are outlined.

The 2012+ objectives are also presented separately and at greater length in the five sections to which they apply, namely Marketplace, Supply chain, Environment, Workplace and Community.



Global CSR Objectives 2011		What we achieved
Marketplace	<b>Code of Conduct</b> 2011: 100 percent implementation	AAK Code of Conduct was implemented with 85 percent of employees
	<b>Sedex</b> 2011: 6 sites SMETA certified (Sedex Members Ethical Trade Audit)	6 sites were SMETA certified
Supply chain	<b>Supplier Code of Conduct</b> 2011: Minimum 90 percent implementation for direct raw material suppliers (excl. West Africa)	90 percent were implemented
	2011: Minimum 60 percent implementation for direct raw material suppliers in West Africa	59 percent were implemented
Environment	<b>Energy</b> 2012: Investigate opportunities to exploit renewable energy technology	Good progress
	<b>Waste</b> 2015: Minimum 98.5 percent of waste disposed as reused, recycled or recovered	98.3 percent achieved. An improvement of 0.7 percent point from 2010.
Workplace	<b>Lost Time Injury rate</b> 2011: Each site to perform better than the national industry average	Average Lost Time Injury Rate: 1.5
	<b>Performance &amp; Development Plan</b> 2011: Implemented with all employees globally	100 percent of employees have a PDP
Community	<b>Local engagement</b> 2011: Engaging in local projects and activities	All sites engaged in local community activities

Global CSR Objectives 2012+	
Marketplace	<b>Sedex</b> 2012: 8 sites SMETA certified (Sedex Members Ethical Trade Audit)
Supply chain	<b>Supplier Code of Conduct</b> 2012: Minimum 90 percent implementation for direct raw material suppliers (excl. West Africa) 2012: Minimum 90 percent implementation for direct raw material suppliers in West Africa
Environment	<b>Energy</b> 2012: Investigate opportunities to exploit renewable energy technology
	<b>Waste</b> 2015: Minimum 98.5 percent of waste disposed as reused, recycled or recovered
Workplace	<b>Lost Time Injury Rate</b> 2012: Average Lost Time Injury Rate to be at or below 1.5
	<b>Safety</b> 2012: Develop a common global safety strategy
	<b>Performance and Development Plan</b> 2012: All employees to have a PDP by Q2
Community	<b>Local engagement</b> 2012: Engaging in local projects and activities



# Marketplace

In this section, Marketplace, we cover all the areas where we meet our customers, including our products, product development, food safety, product information and market communication.

Our interaction with customers is based on sound business ethics and a deep understanding of our responsibility for safeguarding customer brands. As a supplier of ingredients for some of the world's best-known brands, we recognise our role and our customers' expectations.

AAK is organised in three business areas:

- Food Ingredients – catering for customers within the Food Service, Bakery, Infant Nutrition and Dairy Segments, and food manufacturing
- Chocolate & Confectionery Fats, including Lipids for Care – with customers in the chocolate and confectionery industry, and the cosmetics industry
- Technical Products & Feed – supplying the feed industry as well as technical and mechanical industries.

## Objective on Sedex

The Supplier Ethical Data Exchange (Sedex) is an online platform for sharing ethical data between companies and their suppliers. Developed specifically to support the Sedex system, the Sedex Members Ethical Trade Audit (SMETA) follows the same philosophy by enabling the sharing of audit reports with customers who are also Sedex members.

Six of our production plants underwent a SMETA audit in 2011. Two more will be similarly assessed during 2012, raising the total to eight.

This means that 80 percent of our production sites will be in a position to share data about labour and business practices, health, safety and the environment with Sedex-member customers – an important step in ensuring an ethical supply chain.

## Ethical audit evaluates working conditions at Runcorn

An ethical audit at AAK in Runcorn has evaluated the welfare and treatment of site staff in respect of the Ethical Trading Initiative (ETI) Base Code. Conducted by Bureau Veritas on behalf of Walmart, the audit also covered elements of the Sedex Members Ethical Trade Audit (SMETA).

The auditor interviewed three groups of permanent and temporary employees without the presence of the site management team. Questions covered areas such as working conditions, discrimination, working hours, pay and the company's attitude towards safety. In each case, the feedback from our employees was very positive, reflecting our efforts to provide fair pay and conditions, high standards of training and, most importantly, a safe working environment.

One area that required improvement was our system for confirming the identity of new employees. Since the audit, we have updated our procedures to conform to the standard required.

The auditors concluded that they had observed good practices throughout the site, noting forklift truck checks, first aid alert stations, chemical segregation and health and safety training as examples.

David Knowles  
Technical Manager  
AAK UK



## Creating value through product development

Rapidly changing market requirements have given the food industry a new set of priorities. While sensory quality and health issues remain important, increasing focus is placed on the total impact of our production and the consumer's overall perception of the final product. Social responsibility, naturalness and the environmental burden of our operations are all factors that are taken into account.

AAK has more than 100 years' experience in working with natural, vegetable raw materials, produced with comparatively little environmental impact. Today, we invest significant resources in understanding the nature of our raw materials and their capability to solve the major challenge: to provide tasty, healthy and sustainable food for the world's growing population.

Our product development work revolves around our broad technical knowledge and state-of-the-art technology. This equips

us to perform fast, targeted development of new raw material bases, technologies and products. Assessing and documenting environmental, health and safety aspects is an integrated part of each project.

During 2011, we have continued to develop healthy and sustainable products, focusing many of our efforts on products with a lower content of saturated fatty acids that comply with local regulations.

We expect the health trend to continue alongside the increasing focus on environmental impact and consumer perceptions. Through our product development, our aim is to maintain our leading edge as a supplier of value-adding solutions to market needs.

Karsten Nielsen  
Chief Technology Officer







## Sedex

Supplier Ethical Data Exchange (Sedex) is a not-for-profit membership organisation dedicated to driving improvements in responsible and ethical business practices in global supply chains.

It is based in London and was formed in 2001 by a group of large retailers and their suppliers. The reason for forming the organisation was the enormous burden of suppliers being audited time and time again against various customer standards. Therefore, the group of retailers and suppliers agreed to stop developing own standards and instead create one, common standard.

The Sedex core product is a secure, online database that allows members to store, share and report information on four key areas:

- ◆ Labour Standards
- ◆ Health & Safety
- ◆ The Environment
- ◆ Business Practices

The Sedex Members Ethical Trade Audit (SMETA) was also developed to reduce duplication of ethical trade auditing, benefitting all players in the supply chain. It was designed in response to member demand for an ethical audit report format that could more easily be shared.

Today, Sedex has more than 450 "buyer" members and more than 23,000 "supplier" members and is the largest collaborative platform for sharing ethical supply chain data.

## Long-lasting customer relationships

Over the years, we have established long-lasting relationships with our customers, building on mutual respect and detailed understanding of customer needs. Knowing our customers means knowing our markets, and that gives us a good head start when responding to market trends. From time to time, we even

set new trends through the development of leading-edge products.

Oils and fats from AAK perform valuable functions in customer products. They may ensure the right meltdown property, carry flavour, supply essential fatty acids, provide texture and much more. In each case, our

understanding of the customer's requirements is key to developing the right solution. This is why close cooperation is so very important. Together with customer representatives, our product experts test applications, develop solutions and explore new production methods.

## Driving ethical growth in confectionery and cosmetics

Corporate social responsibility values are integral to the way we think and work. Now, as customers place more emphasis on ethics in the supply chain, our CSR initiatives play a growing role in maintaining our leading position in the confectionery and cosmetics markets.

The well-being of global consumers is among our key focus areas. Through our investment in research and development, we have developed new solutions that contribute to an improved health profile for our customers' final products.

Proactive work with our supply chains is behind the development of sustainable solutions. When sourcing shea kernels in West Africa, for example, we support the rural women who gather the wild-growing kernels by introducing fair trade principles and educating them in quality improvements. We also ensure that no organised child labour is involved and maintain a continuous cooperation with UNDP, NGOs and West African governments.

Another important supply chain topic for our business area is sustainable palm oil. As an RSPO founder member, we are pleased that the volume of sustainable palm oil on the world market is increasing significantly and that RSPO membership is still growing. We encourage our customers to purchase the sustainable option by providing RSPO-certified mass balance and segregated palm oil and GreenPalm® certificates.

*Torben Friis Lange*  
President Chocolate & Confectionery Fats



## Sharing knowledge

Our commitment to transparency involves sharing various types of data. In our interaction with customers, knowledge sharing is equally important. We have established an dedicated setup for product development projects, where customer cooperation is in focus. For example, we often run customer application trials in our pilot plants and offer advice on optimising customer processes as well as products.

The AAK ACADEMY offers customer courses where our experts share their knowledge on topics such as lipid technology and healthy solutions. In our customer magazine, Global Magazine, we also communicate the latest results of our product and process development, increasing customer awareness of our expertise. Our participation in working groups with other companies and educational institutions is yet another way in which we share knowledge and work on specific joint projects.

## Global Magazine for our customers

AAK's Global Magazine is a customer magazine published twice a year. It is an important tool for creating and maintaining awareness among our customers. Among the topics are: The launch of new products, highlights of product benefits, raw materials, interesting research development and AAK ACADEMY. The magazine also presents events where AAK will participate and lists when AAK ACADEMY courses will take place. The magazine is highly appreciated by our customers, and even investors see this as a good way of receiving information about AAK.

The Global Magazine is available both in a printed version and as a PDF file for download from [www.aak.com](http://www.aak.com). It is distributed to all AAK sites and business areas around the globe for the local teams to send to their customers. The magazine also serves as a marketing tool at exhibitions, conferences and in customer contacts. It is printed on environmentally-friendly paper, and we use ink based on vegetable fat.



Lena Ingvarsson  
Marketing Director  
Dairy Solutions



## AAK ACADEMY – the knowledge centre for lipid technology

AAK ACADEMY is exclusively for our customers. The idea behind this advanced training concept is basically very simple: a good understanding of lipid chemistry helps to guide the customer in search for the best solution for a given end-product. It also facilitates the dialogue between customer and supplier and helps us create better solutions together.

AAK ACADEMY offers a wide range of courses, from basic lipid chemistry to segment-specific and tailor-made courses.

A few examples of the content of the courses:

- We present the production plants in which we transform vegetable raw materials into highly specialised, sustainable and safe ingredients for food, chocolate and beauty care.
- The important role of lipids in our diet or for healthy skin.
- Our soft processing methods and their effects to enhance quality and functionality, described together with safety issues and practical advice on handling.



In 2011 we held more than ten academies for about 300 customers from all over the world. The academies were held in e.g. Colombia, Denmark, France, Mexico and Sweden. For those customers who do not have the possibility to come to us, we go to them.

AAK ACADEMY started in Sweden in 1991 for the Scandinavian customers in the food industry. Later, we expanded into other segments like chocolate & confectionery and the

beauty care market all over the world. Since the beginning, we have educated thousands of customers in lipid know-how. Our goal is to continuously expand AAK ACADEMY and make it possible for even more customers to be educated in lipid technology.

Rita Leissner  
Marketing Manager  
Lipids for Care







## Growing proactive solutions for a competitive market

Food Ingredients Continental Europe is serving European food industry customers and global customers within the Infant Nutrition segment. Our prime strength is our ability to deliver customised oils and fats at speed in response to changing food industry requirements.

This is not just about application development. It also involves the incorporation of corporate social responsibility in our product concepts. If relevant and possible we employ segregated flow lines for our products. Through our proactive approach to the market, we have maintained our leading position in almost all our business segments.

Today, we are developing further our position as the natural choice for speciality vegetable oils and fats, targeting a broad customer base operating in a volatile, competitive market. With our application and market knowledge, technological capabilities and fast response time, we are a valuable partner for our customers. Our value-added solutions and strong sustainability focus are present in all our processing steps.

We identify improvement areas in close cooperation with customers. At all times, a number of projects are underway to update our response to new requirements, supported by our food processing know-how, strong supplier links and continuous development work. Together with our solid CSR programme, these are the key factors for continuing success.

*Renald Mackintosh  
President Food Ingredients  
Continental Europe*



## AAK UK Bakery go sustainable

Since 2003, when AAK became a founding member of the Roundtable on Sustainable Palm Oil (RSPO), we have played a leading role in the production, distribution and use of RSPO-certified sustainable palm oil. In 2008 AAK imported the first RSPO-certified sustainable palm oil (CSPO) into Europe, and in 2011 we broke new ground once again.

The products themselves are not changed in any way. The only difference which has occurred is the updating of all paperwork, including new technical specifications, which are necessary in order to comply with the RSPO's rules.

Following an audit by the Roundtable on Sustainable Palm Oil (RSPO) AAK UK also has a unique reference number (URN) that is used on all documentation for products containing sustainable palm oil. This URN clearly shows that AAK UK is an approved supplier of RSPO-certified sustainable palm oil.

AAK continues to lead the way on sustainable issues. This is at the heart of our business, and key to our success.

*Judith Murdoch  
Marketing  
AAK UK*



## Great aspirations in Mexican business

Mexican companies are setting new goals following the spread of sustainability information. At AAK Mexico, we are doing the same – by working hard to integrate a sustainable approach in our activities in alignment with global AAK policy and our customers' requirements. One of the steps we have taken to satisfy these expectations is to join the Supplier Ethical Data Exchange (Sedex).

On the environmental front, we have made a series of major improvements. The water demineralisation system that feeds the main boiler, for example, has been converted from chemical to inverse osmosis. This has eliminated our previous monthly consumption of 80 tonnes of caustic soda and 80 tonnes of hydrochloric acid. Another beneficial change is that we now offer our customers bulk pumpable products, reducing the consumption of packing materials.

Our environmental projects continue this year. A particular goal is to reduce our water consumption by 22 percent, from 1.8 m3/MT to 1.4 m3/MT and introduce water recycling.

For some years now, we have allocated resources to a number of social activities, such as an annual health fair and children's day for the local community.

We want our people at AAK Mexico to have an awareness and vision of social responsibility issues. We want them to make a difference.

*Octavio Díaz de León Carrillo  
Managing Director  
AAK Mexico*



## A matter of trust

Trust is just as important as our products when it comes to meeting customer needs and expectations. Our customers must be able to rely on AAK as a safe supplier, particularly our commitment to working in an ethically sound manner. To ensure transparency in everything we do, we are a member of Sedex (Supplier Ethical Data Exchange) (see factbox on page 9). This allows our customers to look over our shoulder and assess our ethical performance.

Our Code of Conduct, which applies to all AAK staff, regulates how we interact with both customers and suppliers. The Code is based on the same standards as the supplier codes that our customers expect us to follow, including ILO conventions, human rights, OECD guidelines and the UN Global Compact. The AAK Code of Conduct is our guarantee to customers that we act responsibly, right across our organisation.

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

Our vision is to be our customers' first choice in value-added vegetable oil solutions. To achieve that, it is important for us to show our customers that AAK is a responsible, trustworthy supplier that would never compromise their brands.



## Third party certification of AAK production plants

- ◆ 90 percent are certified to one or more internationally recognised food safety standards (ISO 22000 / BRC / HACCP / AIB)
- ◆ 60 percent have Roundtable on Sustainable Palm Oil Supply Chain Certification (segregated / mass balance)
- ◆ 40 percent are environmentally certified according to ISO 14001
- ◆ 40 percent are quality management certified according to ISO 9001
- ◆ 20 percent are energy certified according to national standards

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



## Environmental awareness in Technical Products & Feed

Our Technical Products & Feed business area is an excellent example of the role that vegetable oils play with respect to the environment and health. Biodegradable, vegetable oils for lubricating logging machinery minimise the problem of discharge into the environment. Feed for dairy cattle is vegetable-based and guaranteed salmonella-free. Renewable fatty acids for candles have lower greenhouse gas emissions than paraffin candles. These are just some of the products that we supply.

AAK develops, produces and markets environmentally-friendly technical oils, such as metal processing fluids and lubricating oils for the metalworking industry and hydraulic and chainsaw oils for the forestry and contracting industries. These are marketed under the brand names Binol and BioSafe.

Increased environmental awareness has had a positive impact on sales. Within the metalworking industry, the replacement of mineral oil with Binol products brings many benefits, including improved lubrication performance, reduced overall cost and, not least, a significantly better working environment.

Binol products are not only environmentally friendly in their function; they are also based on renewable raw materials. Even though the total market for lubricants is shrinking, our bio-alternatives are gaining increasing market share.

Bo Svensson  
President  
Technical Products & Feed







## Substantial product information

The minimum requirement for product information is in general stipulated by legislation and requirements from standard contracts used in our business.

Requirements for further information very much depend on the type of delivery, i.e. different requirements exist for standard and highly refined products, and for ingredients or final consumer products.

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

- ◆ Product Information Sheet / Product Specification specifies physical and chemical properties of the products and will often be part of a contract.

- ◆ Material Safety Data Sheet relates to safety issues especially in relation to transportation. It is a legal requirement for chemicals, but not for food. It is, however, a general demand from customers.
- ◆ Quality & Product Safety Sheet has additional information related to the product such as allergens, GMOs, contaminants, country of origin, raw materials and additives, typical fatty acid composition, etc.

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

Other examples of information supplied together with the products are production date or product expiry date.



# Supply chain

This section, Supply chain, covers activities related to the sourcing of raw materials that we use in our production plants. Sustainable sourcing of raw materials is the backbone of our business at AAK. The combination of the right raw materials and value-adding functionality is key to the wide range of products we offer.

Just as it is vital for us to obtain the right raw materials, we place equal emphasis on sustainable growing and procurement. For example, we cannot accept violations of basic human rights or organised child labour in our supply chain. This is why we are implementing a Supplier Code of Conduct that as a minimum applies to AAK's direct raw material suppliers worldwide.



## Raw materials from all over the world

In our production plants we process many different types of raw material. Some are purchased as crude or semi-refined oils, while others are purchased as kernels (shea) or seeds (rape) that are crushed at our plants.

Our raw materials originate from all over the world. The most important ones are:

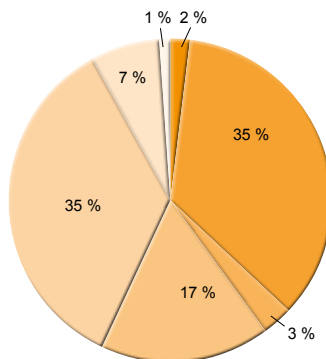
- Rapeseed* – Northern Europe and North America
- Shea* – West Africa
- Palm and palm kernel* – South East Asia and Americas
- Sunflower* – Europe and Americas
- Soya bean* – Americas
- Coconut* – South East Asia
- Corn* – Europe and North America

In 2011, our production plants processed a total of 1,624,000 MT of raw materials. Compared to 2010, this is a decrease of 1.2 percent, which is in line with our strategic decision to supply more high value-added products and less commodity products.

## RSPO – Roundtable on Sustainable Palm Oil

# RSPO

Roundtable on Sustainable Palm Oil



- Investors
- Consumer goods manufactures
- Environment NGOs
- Oil palm growers
- Processors and traders
- Retailers
- Social NGOs

In 2003, WWF together with a small group of companies including AAK took the initiative to establish and promote a standard for the production of sustainable palm oil. As a result, in 2003 the multi-stakeholder organisation The Roundtable on Sustainable Palm Oil (RSPO) was formally established. Today, it has more than 600 ordinary members.

Members of RSPO must abide by the RSPO Code of Conduct and submit an annual RSPO progress report which is publicly available at the RSPO website.

RSPO has developed a certification system for the entire supply chain. Plantations have to comply with Principles and Criteria developed by RSPO to obtain growers certification.

Players down-stream in the supply chain every step to the final consumer product must be supply chain-certified to be able to claim the use of Certified Sustainable Palm Oil. These requirements primarily focus on traceability and cover three different supply chain certification systems: Identity Preserved, Segregated and Mass Balance (see factbox on the RSPO Supply Chain Certification Systems). A fourth delivery option is the Book and Claim system (GreenPalm), which does not require supply chain certification (see page 16).

Certifications are carried out by independent, accredited and RSPO-approved certifying bodies.

### Vision

RSPO will transform markets to make sustainable palm oil the norm.

### Mission

- To advance the production, procurement, finance and use of sustainable palm oil products;
- To develop, implement, verify, assure and periodically review credible global standards for the entire supply chain of sustainable palm oil;
- To monitor and evaluate the economic, environmental and social impacts of the uptake of sustainable palm oil in the market;
- To engage and commit all stakeholders throughout the supply chain, including governments and consumers.

The supply chain includes ecosystems, communities, growers, traders, processors, consumer goods manufacturers, retailers, financial institutions, civil society.

More information on the RSPO can be found at [www.rspo.org](http://www.rspo.org) or [www.rspo.eu](http://www.rspo.eu).





## Our Supplier Code of Conduct – achieving compliance

Introduced in late 2009, our Supplier Code of Conduct is an integral part of our general approval system for new suppliers. During 2011, we were pleased to note the compliance of 90 percent of existing approved suppliers. In this, our primary focus is direct raw material suppliers, who are required to approve and sign the Code or in some other way demonstrate their compliance.

Our objective is that 90 percent of all suppliers, including minor local direct raw material suppliers, will have confirmed their compliance with the Code by the end of 2012.

In West Africa, we have decided to implement the Code in a different way due to various linguistic and cultural obstacles. Because ethical requirements in business relations are not a widespread tradition in the region, more talks, meetings and explanations are required to achieve the necessary understanding. In 2011, we achieved 59 percent recognition here and expect to take it to 90 percent in 2012.

Our Supplier Code of Conduct stipulates our requirements with regard to the following:

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

## RSPO wins growing commitment

Significant progress has been made since the Roundtable on Sustainable Palm Oil (RSPO) was formed in 2003 with AAK as a founder member. Today, production of RSPO-certified palm oil has reached more than 6 million tonnes – around 12 percent of global crude palm oil production. Growth in demand, particularly trading in GreenPalm certificates, reflects the sustainable palm oil commitment of major multinational food businesses.

As a growing organisation, the RSPO continues to become more professional and efficient and has already attained remarkable global influence – a testament to its ideals and integrity. Crucial next steps include developing demand in new markets, such as China and India, which are already major palm oil importers. Critical to the organisation's ongoing credibility is that it is seen to deal effectively with grievances and that members submit the required annual progress reports in good faith.

AAK makes a strong contribution to the RSPO. As treasurer on the Executive Board, member of the Trade and Traceability Standing Committee, and administrator of the GreenPalm certificate trading platform, we invest considerable resources in the initiative. This also includes our increased involvement in the development of certified smallholder production.

We look forward to continuing our active participation.

*Tim Stephenson  
Finance and Global Trading Director  
RSPO Executive Board Member*



## RSPO Supply Chain Certification Systems

Palm oil can be traded through one of the four supply chain models that are approved by RSPO to be able to make claims relating to sustainable production:

The **Identity Preserved (IP)** supply chain model assures that the RSPO-certified palm oil and its derivatives delivered to the end user are uniquely identifiable to the mill and its supply base and are kept physically isolated from all other oil palm sources throughout the supply chain.

The **Segregated (SG)** supply chain model assures that RSPO-certified palm oil and its derivatives delivered to the end user come only from RSPO-certified sources. It permits the mixing of RSPO-certified palm oil from a variety of sources.

The **Mass Balance (MB)** supply chain model administratively monitors the trade of RSPO-certified palm oil and its derivatives throughout the entire supply chain, as a driver for mainstream trade in sustainable palm oil.

The **Book and Claim (B&C)** supply chain model provides tradable certificates for RSPO-

certified palm oil to the palm oil supply base. The supply base may then offer these certificates on a web-based transaction system to end users who choose to support specific volumes of RSPO-certified palm oil and/or their derivatives.

Book and Claim was an AAK idea, devised, sponsored and promoted by AAK. Now, AAK's GreenPalm is the exclusive RSPO-endorsed web-based platform for certificate trading (see page 16).

## RSPO, GreenPalm and AAK

Globally, palm oil is the most produced and consumed of the vegetable oils, accounting for 33 percent of the world's vegetable oil production. Soya bean oil, at 27 percent, holds second place. At the same time, the oil palm has the highest yield of all oil crops at an average of 3.7 tonnes of oil per hectare – soya bean yield being around 10 times lower.

While this makes palm oil plantations highly efficient, palm oil production has raised serious concerns, including fear of deforestation and elimination of orangutan habitats to name a few.

In 2003, WWF initiated the Roundtable on Sustainable Palm Oil (RSPO) along with AAK, Golden Hope Plantations, Migros, Malaysian Palm Oil Association, Sainsbury's and Unilever. The organisation has now worked for almost a decade to promote the growth and use of sustainable palm oil worldwide. As a founder member, AAK continues to be highly involved at all levels from the Executive Board to working groups.

Our commitment to sustainable palm oil is also underlined by our subsidiary, GreenPalm, which we founded in 2008 to establish a web-based platform to allow the trade in certificates for RSPO-certified sustainable palm oil.

The GreenPalm initiative and our commitment to RSPO are our promise to stakeholders that we care about responsible growth in the palm oil supply chain.

Due to our position in the palm oil supply chain, we are fully dependent on the availability of supply of physical, segregated sustainable palm oil. Customer requirements define the kind of palm oil we deliver. We see increasing demands for sustainable palm oil. In preparation for the demand we anticipate will come, seven of our production plants have obtained RSPO Supply Chain Certification and are ready to produce sustainable palm oil as required. Our overall aim, as stated in the annual report to the RSPO, is for all palm oil used in AAK's production plants to be RSPO-certified sustainable palm oil by the end of 2015, subject to supply.

## GreenPalm certificates for sustainable palm oil

The GreenPalm Programme provides an exclusive, RSPO-endorsed, web-based platform for trade in certificates for sustainable palm oil and thus supports the production of sustainable palm products in accordance with the Principles and Criteria of the Roundtable on Sustainable Palm Oil (RSPO).

GreenPalm provides an infrastructure for end-users to make direct payments to producers of RSPO-certified sustainable palm products.

- By selling certificates through GreenPalm, palm oil producers can earn more for their crop through sustainable farming.
- By buying a product that bears the GreenPalm logo, consumers can make a positive contribution to the production of certified sustainable palm oil and palm kernel oil.
- By making or selling products that are covered by the GreenPalm Programme, food manufacturers and retailers can reward palm producers for working in a sustainable and responsible way, and tell their customers that they have done so.

GreenPalm is operated by GreenPalm Ltd. – an AAK subsidiary – and is exclusively endorsed by RSPO.



## GreenPalm – going from strength to strength

GreenPalm's fifth year of trading has seen unprecedented growth in both the number of certificate transactions and the number of members accepted onto the GreenPalm programme. These new members include our very first independent small-holders – a development of which we are incredibly proud.

Our General Manager Bob Norman was invited to join the RSPO Task Force for Smallholders to give updates on supply chain options, particularly for independent growers. The GreenPalm programme is the only practical supply chain option that ensures independent smallholders a sustainable premium for their sustainable production by direct payment from end users. To see the first independent growers (from Thailand) join the RSPO and prepare for certification is immensely satisfying.

The RSPO recently published its CSPO Growth Interpretation Narrative which clearly shows that production of Certified Sustainable Palm Oil (CSPO) between 2008 and

2011 has shown significant growth, now comprising around 12 percent of global palm production.

GreenPalm is the most widely used RSPO supply chain option by far. Recent RSPO figures reveal that in 2011 GreenPalm accounted for 70 percent of certified palm oil purchased. GreenPalm certificate trading volume has increased from 8,000 in 2008 to 250,000 and 925,000 in 2009 and 2010, reaching 1.9 million in 2011, representing 1.9 million tones of certified production. The estimate for 2012 is 3 million certificate trades.

Since inception in 2006, over \$27 million has been paid to certified growers through GreenPalm. GreenPalm is making a positive difference not only to growers but also to the planet, and its people by providing incentives for RSPO certified growers.

Bob Norman  
General Manager  
GreenPalm







## Fully segregated, RSPO-certified CEBES for Australia and New Zealand

After almost two years of planning and many months of preparation, fully segregated RSPO Supply Chain Certified CEBES was launched in November 2011 for the Australian and New Zealand market. CEBES is one of AAK's products for chocolate coatings.

With this product, AAK is first to market enabling AAK to gain the 100 percent support of our dedicated customers, with a commitment to buy only AAK RSPO products for the foreseeable future. The launch was followed by a marketing campaign to increase awareness and support sales activity.

The added value to our offering enables AAK to increase our market share in a very competitive space. It also cements our position as being a market leader and confirms our commitment to the sustainability policies of AAK.

To enable us to make this product offering, AAK Asia Pacific and AAK Australia were fully RSPO Supply Chain Certified, and are now in a position to market and distribute RSPO products to other markets in Asia-Pacific and beyond. We see this as a major step forward in maintaining AAK's high profile and presence.

*Peter Brazel  
Business Development Director  
AAK Asia Pacific*



## Supplier Code of Conduct

In addition to palm oil, shea and rape, we process a range of other raw materials. While our engagement in palm oil and shea is evident, our work to enhance sustainability aspects covers all the raw materials in our supply chain.

Until 2010, AAK operated two different supplier approval systems. During 2011 we have been working towards integrating them in one common system, based on quality, food safety, environmental and ethical requirements. The first stage of implementation involved designing a common format for ethical requirements. This is still in the process of being implemented with suppliers. Once this is in place, we will focus on the other elements of our common system.

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

## Rapeseed sourcing close to home

Rapeseed is an important raw material at AAK. Thanks to local seed suppliers and in-house processing, we can offer oils from traditional seeds and a range of speciality variants.

Most of the rapeseed used for our products is grown in Sweden, where farms have increased their output in recent years. Through our close cooperation with the farmers, we are able to maintain control of the entire value chain, from production of raw material to finished products. The rapeseed meal that remains after oil extraction is used for animal feed.

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

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

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



## Social responsibility in the shea trade

Our involvement in the development of the West African shea sector continues at a rapid pace. In March 2012 we signed a letter of intent to establish a public/private partnership with the government of Burkina Faso. The project aims to expand our work with organising and educating women groups. From an initial target of 30,000 named women enlisted in well-functioning groups, the intention is to increase the number of women and groups to cover the whole country.

The initiative is another important step towards improving the West African shea business. Objectives are:

- **Transparency in the market**

Market prices should be known to supply chain participants

- **Fairness**

Only those who add value in the supply chain should be paid – speculation should be avoided

- **Quality**

Improved shea harvest and handling routines are an untapped opportunity to increase the rural women's income

- **Capacity building**

Well-functioning women's groups with good commercial, organisational and managerial competences are the foundation for efficient commercial interaction with AAK

In addition to these four focus areas, we are launching a programme to improve knowledge about basic human rights. This will ensure supply chain awareness of the requirements in the AAK Supplier Code of Conduct.

Our overall goal is to ensure a sufficient, sustainable supply of good quality shea kernels in the future. We are keen to engage with all governmental and non-governmental organisations that share this ambition.



*Knud Larsson  
Sourcing & Trading Director*

## Shea – a strategic raw material

Shea kernels from West Africa are a very important and unique raw material at AAK. Over more than 60 years, we have gained extensive knowledge and experience of the raw material and the local communities in which we operate.

Our continued presence in West Africa is essential to us. We monitor selected shea trees to assess the size of the next harvest, and we handle a number of processes to ensure an unbroken supply chain from the collection of shea kernels, to their early treatment and transportation to the harbours, to their warehousing and shipment to Northern Europe.

Shea trees grow in some of the world's poorest countries. Here, we work directly with the women who collect the shea kernels, building capacity in local communities. Our work in these areas includes the formation of women's groups in the villages and teaching the women about how to maintain the quality of the kernels.

Combined with our involvement in the Global Shea Alliance, of which we are a founding member, these activities demonstrate our commitment to the sustainable sourcing of shea in West Africa. We are proud of our achievements and are committed to continue our work.



## Work with women's groups in Burkina Faso

Ongoing work to organise women's groups in Burkina Faso resulted in a record 2011/2012 season with 10,000 women enrolled in the project. AAK is committed to increasing that number to 30,000 women within two years.

In response to a questionnaire, 100 percent of the women expressed satisfaction with the way AAK works, saying that they gain many benefits from having direct access to the industrial company using the shea kernels. They appreciate the transparency of our operation and claim that it helps them in their fight against poverty.

The questionnaire also highlighted the challenges faced by the women in satisfying AAK quality standards. Many mention their difficulties with drying

the shea kernels during the rainy season. Regarding child labour, most of the women state family members help with gathering the shea kernels. School-age children are, however, not involved. The women say they often leave their children asleep since they go out very early in the morning to harvest the wild-growing kernels.

At a workshop held during the season, the team working with the women's group project in Burkina Faso gave the project a local name: "Kolo Nafaso", which means "the house of shea kernel benefits".



*Mads Jules Feer  
Sustainability and Shea Manager  
AAK West Africa*





## The Global Shea Alliance

The Global Shea Alliance is an international, non-profit association of industry stakeholders whose mission is to represent and further develop the shared interests of the shea sector. The Global Shea Alliance promotes shea worldwide, establishes industry standards for quality and sustainable sourcing and facilitates information exchange. AAK is a founding member together with other stakeholders.

**Vision:** A sustainable and competitive shea industry.

**Mission:** To enhance economically viable, environmentally and socially responsible shea nuts and shea product businesses.

More information about the Global Shea Alliance can be found at [www.globalshea.com](http://www.globalshea.com).



## More value in the shea value chain

The Global Shea Alliance (GSA) continues to work on its three priorities: to promote shea internationally and in the African region; to improve shea kernel quality through industry standards, grading and transparent trading; and to promote the importance of shea towards national and regional authorities.

Shea is a natural raw material that grows wild in the Sahel region of West Africa. No land clearing is required for plantations nor are any pesticides or fertilisers used.

Providing an income for millions of women, the shea trade has existed for hundreds of years.

As a founding member of GSA and link in the value chain, AAK is committed to improving the shea trade – increasing transparency and quality with respect for tradition to ensure the shea-gathering women a higher return.



*Monika Hjorth  
General Manager West Africa*



## UNDP Partnership

In 2003, AAK entered into a partnership with United Nations Development Program (UNDP) to install simple machinery in rural villages in Burkina Faso. The objective was – and continues to be – to reduce the women's daily workload while at the same time increasing their opportunities for generating an income. These women collect the shea kernels that are an important raw material for AAK. The machinery is a simple diesel engine that provides energy for various tools and generates electricity – a so-called Multifunctional Platform.

Installation of the platforms has been very successful, and the platform project has been expanded to a national project headed by the government and comprising all of Burkina Faso.

In 2011, 848 platforms had been installed.

# Environment

The section on Environment covers AAK's impact on the environment in terms of consumption at and emissions from our production plants. To ease the reading of this section, it is divided into sub-sections on Energy, Air, Water and Waste.

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

At AAK, we are very much aware of the footprint our production plants leave on the environment. This is why we constantly strive to reduce our consumption of energy and water and reduce waste and

emissions. Our ongoing aim is to become more environmentally-friendly tomorrow than we are today.

To achieve this, we implement environmental projects, monitor consumption and emissions, and identify best practices by benchmarking our production plants against each other and other players in the industry. A handful of our various environmental projects are described in this section, presented by the employees involved in reaching the results.

As a matter of course, we take environmental laws and regulations very seriously and are proud to report that, in 2011, we recorded no incidents of non-compliance. Further no significant spills were registered during the year.

## Objective on energy

Energy is indispensable within our business. Constantly increasing energy efficiency to reduce the impact on the environment is a natural part of the way we manage our operations.

Complementing or substituting fossil fuels with renewable alternatives is one way of reducing the impact. We want to employ more renewable sources of energy and new green technologies. To this end, we have decided to investigate the opportunities to exploit renewable energy technology before the end of 2012.



## Reducing the environmental footprint

In order for our business to grow sustainably, we are reducing our environmental footprint, by focusing our efforts on addressing climate change, through good management practices. We are focussing on all resource used in the conversion and distribution of our products and services. To be truly sustainable we have embarked on a journey by making environmental commitments and reviewing the progress we make towards achieving them.

During the year we brought our operations directors together with our key business partners who supply plant equipment and general services. The main focus of this

meeting was to review best available technology (BAT) for waste reduction in utilities, materials conversion, transportation and for conservation.

We will continue to develop learning and best practice across our production plants and benchmark performance to improve Operational Eco-Efficiency. We are very much aware that improvements are not only dependent on a handful of large projects, but equally important are the many smaller initiatives at all production plants.

We aim for our business to have a positive impact on the environment, sustaining our planet for future generations. Focused work

with resource efficiency not only reduced our environmental footprint but also reduced costs.

For 2012, we have two new global objectives in order to reduce the foot print on the environment. We will investigate opportunities to exploit renewable energy technology. For 2012 and the future we work towards a minimum of 98.5 percent of waste disposed as resused, recycled or recovered.



*David Smith  
President  
European Supply Chain*





## Energy

### More energy from renewable sources

Rising energy costs and the link between energy consumption and impact on the climate have sparked an increasing focus on energy issues. Responsible growth is only possible if energy consumption and costs are kept as low as possible.

Due to our relatively high energy consumption, efforts to increase energy efficiency and, where possible, move towards renewable energy sources are important.

The type of energy used at our production plants varies considerably. In Montevideo, Uruguay, all direct energy consumed is derived from biomass, while in Karlshamn, Sweden,

92 percent comes from biomass and biofuel. Some production plants have their own power plant and sell energy in the form of steam and electricity externally. To account for this, the total energy consumption given in this report refers to energy purchased plus energy generated minus energy sold.

In 2011, our production plants had a combined direct energy consumption of 3,200,000 GJ, a decrease of 4.9 percent compared to 2010. Direct energy consumption from renewable resources constitutes 30 percent.

During the same period, electricity purchases (indirect energy consumption) decreased by 2.5 percent to 646,000 GJ. The proportion of renewable resources increased by 3 percentage points mainly achieved by our sites

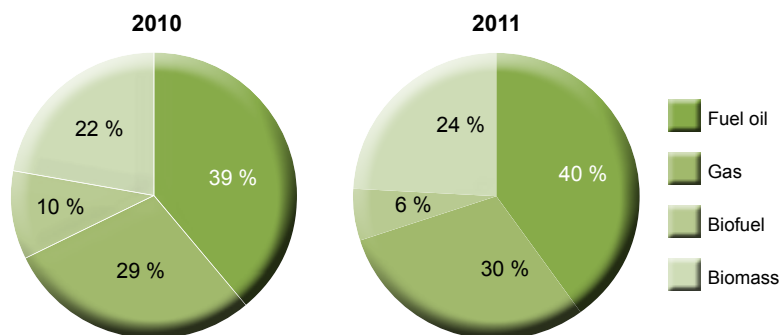
in New Jersey, Zaandijk and Dalby purchasing 100 percent green electricity.

Overall, then, total energy consumption reached 3,816,358 GJ, a decrease of 4.5 percent. Calculated per tonne produced, energy consumption has decreased by 3.3 percent despite our strategic decision to increase production of highly refined products, which all things being equal require more energy to process.

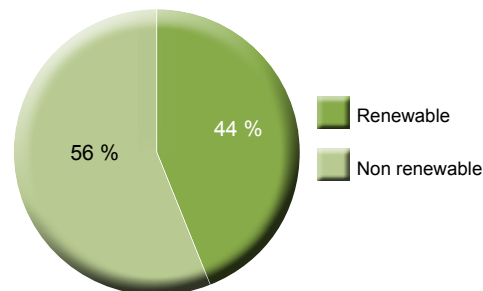
The increasing proportion of energy from renewable sources is in line with our energy consumption objective: we want to utilise renewable sources of energy and new green technologies to an even greater extent.

For an overview of energy consumption and sources, please refer to the charts.

Direct energy consumption by energy



Purchased electricity by energy, 2011



## E-PRIZE/Karlshamn

Over the last ten years we have worked hard and focused on energy improvements. Because of the energy savings, AAK in Karlshamn has maintained energy consumption at the same level during the last decade, while production has increased by around 40 percent.

The use of renewable energy sources has increased significantly and is now over 90 percent.

The emission of fossil carbon dioxide has also been reduced from around 100 kg/tonnes to nearly zero.

For this work, AAK in Karlshamn, Sweden, received the prestigious E-prize – Energy Prize. The E-prize is awarded by the Swedish business newspaper Veckans Affärer in collaboration with energy provider E.ON. It rewards companies that combine energy



efficiency and economy in order to cut costs, reduce their environmental impact and increase their competitiveness. Winners are selected by an independent jury.

The energy improvement work 2011 has given the following result

- Energy consumption per tonnes has been reduced by 6 percent
- NOx emission has been reduced by around 21 percent
- SOx emission has been reduced by around 23 percent
- The total usage of non-renewable energy sources has been reduced by 10 percent.

## Aarhus site looks into renewable energy

An investigation is underway to determine the feasibility of a switch from heavy fuel oil to biomass at our Aarhus site, a move that will both reduce our carbon footprint and costs.

Wood chips are the source of renewable energy under consideration. Using a gasification system, the wood chips can be converted into gas to fuel our existing power plant, in this way we can reuse 90 percent of our power plant.

A pre-study will reveal whether our existing boilers are suitable for burning the wood-derived gas.

Henrik Wessmann  
Service Manager  
AAK Denmark



## New cooling tower saves energy and water

A new cooling tower at AAK USA in Port Newark provides 30 percent more cooling capacity with 20 percent less water consumption than the old tower and temporary cooling unit it replaced in May 2011.

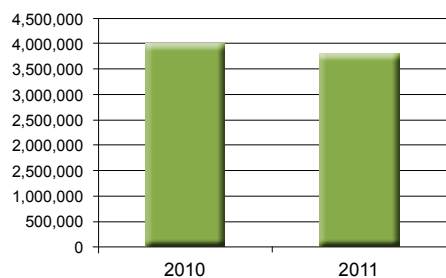
Energy consumption per tonne of product is also significantly reduced, and the cooling process much quieter. The lower water usage is largely due to a reduction in drift – the amount of water that evaporates into the atmosphere.

The investment is part of a capital programme to expand and refurbish the AAK USA sites in order to meet increased market demand while reducing environmental impact.

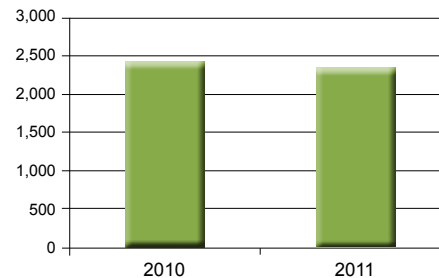
Tom Winter  
Vice President Operations  
AAK USA



Total energy consumption (Gj)



Total energy consumption (Gj)  
Per 1000 t processed material







## Air

### Reducing carbon footprint

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

In 2011, we generated 232,000 MT of carbon dioxide at our production plants, 5.6 percent less than in 2010. However, 36 percent of

direct carbon dioxide emissions stemmed from renewable resources.

Carbon dioxide emissions from fossil fuel per tonne processed decreased 4.5 percent compared to 2010.

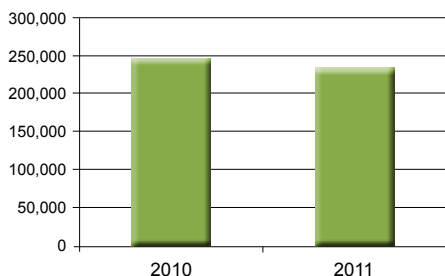
The ozone layer protects life on earth by filtering out some of the sun's harmful UV radiation. For that reason, any thinning of the ozone layer is hazardous. At AAK, we are working actively towards eliminating all equipment that uses ozone-depleting substances (ODS), which are generally used for cooling.

In 2011 we used 29 kg ODS. Policies are in place to phase out all remaining equipment that uses ODS.

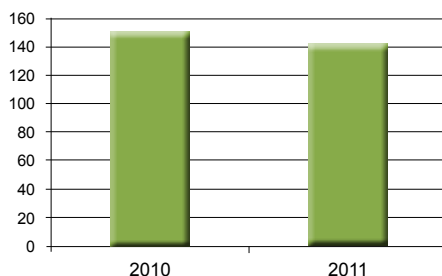
Due to our use of fuels, our production plants emit 285 MT NOx (nitrogen oxide) and 347 MT SOx (sulphur oxide). 258 MT VOC (Volatile Organic Compounds) are also emitted from plants that run extraction and solvent fractionation processes. We constantly monitor progress across our production plants.



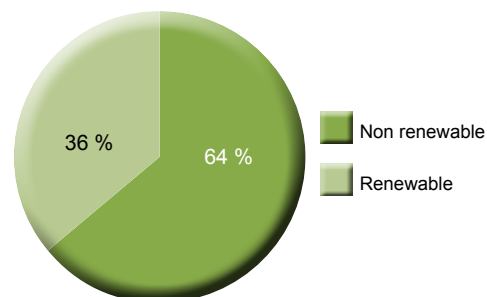
Direct CO<sub>2</sub> emission (t)



Direct CO<sub>2</sub> emission (t)  
Per 1000 t material processed



Direct CO<sub>2</sub> emission, 2011



## Water

### Rethinking our water consumption

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

Combined, our production plants use 47,000,000 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 our system. Surface water consumption stayed at the same level as last year.

Ground water and municipal water used in processing totalled 1,800,000 m<sup>3</sup>, a decrease of 5 percent compared to 2010. Calculated as processing water per tonne produced, consumption has decreased by 4 percent.

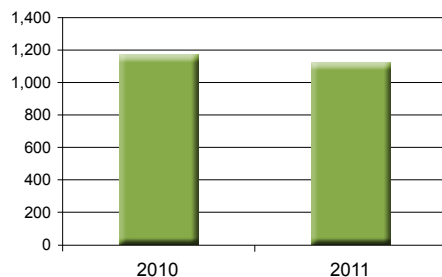
### Wastewater

When water is discharged, its quality is measured by two methods, as required by the local authorities: BOD5 (biochemical oxygen demand) and COD (chemical oxygen demand). This determines the degree of pollution. The BOD5 and COD figures for water discharged from our plants are within the stipulated limit values. BOD5, at 7 MT, is at the same level as 2010, while COD, at 1,100 MT, has increased with approximately 50 percent mainly caused by changes in product portfolio. All wastewater is treated at our own or municipal treatment plants.

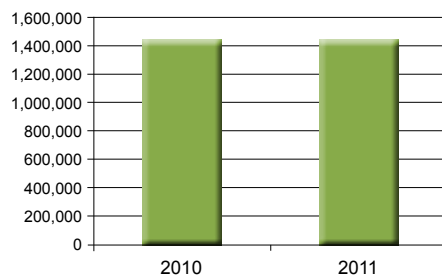
Water consumption (m<sup>3</sup>)



Water consumption (m<sup>3</sup>)  
Per 1000 t processed material



Water discharge (m<sup>3</sup>)



## Water savings at our Aarhus site

Three kaizens – rapid improvement processes – at the AAK site in Aarhus have so far reduced water consumption by 7 percent over the past year. Supporting the implementation of a lean culture, the reduction is equivalent to 28,000m<sup>3</sup> of water, bringing financial savings of 800,000 SEK (92,560 EUR)

The goal of the first kaizen was to develop a water balance model to give an overview of the site's water usage.

Two more kaizens were then initiated to find and realise water savings. Examples include:

- Reuse of water from centrifuges in the extraction department as processing water, saving 3,000m<sup>3</sup> per year
- Installation of a timer so the heat exchanger is only in operation when required

Palle Jensen  
Plant Manager  
AAK Denmark



## No more waste water discharge into the river Zaan

Until three years ago, the Dutch factory used a steam booster to create vacuum for the bleaching and deodorizing process. At the same time, the factory used water from the River Zaan for its cooling processes. During the creation of vacuum volatile fatty acids are drawn in, which were discharged to the river together with the cooling water. The cooling process also added pollution to the water.

Early 2009, we introduced a mechanical vacuum system for the bleaching process and by the end of that same year this system



was also put to use for the deodorisers. We further improved the bleaching process and all these measures combined resulted in an enormous decrease of the contamination level of the discharged water.

In 2011, a closed water cooling system was installed throughout the entire factory and this has brought down the discharge of polluted water into the Zaan to zero.

Piet Mul  
Maintenance Manager  
AAK The Netherlands







## Waste

### Disposal of waste

During 2011, our production plants generated 88,000 MT of waste, a 11 percent increase compared to 2010. 99 percent of the total amount of waste was non-hazardous. In waste disposal, there is a clear, very positive tendency towards reduced use of landfill. Only 1,500 MT were disposed to landfill, which is 17 percent less than in 2010. This is in line with our objective to minimise the amount of waste going to landfill.

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

The majority of our finished products are delivered in bulk, defined as more than 0.9 MT per delivery unit, thus including pallet tanks. Bulk delivery means a reduction in packaging material. 64 percent of our products are bulk deliveries, while 36 percent are packed goods.

### Objectives on waste

During the last decade, the solid waste handling industry has increased dramatically, specialising in the recovery of material value by reuse, recovery of recyclable materials and establishment of waste-to-energy facilities. This has created more possibilities for disposing of our waste material responsibly and more cheaply by implementing widespread waste sorting systems.

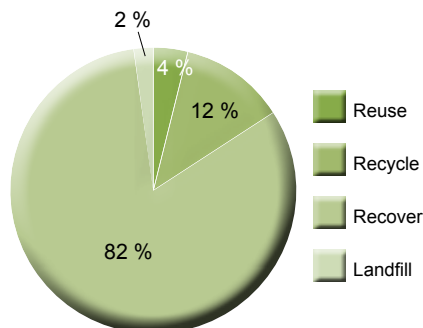
In 2011, 98.3 percent of our waste material went for reuse, recycling or recovery. An improvement of 0.7 percent point from 2010 and well ahead of plans. Only 1.7 percent, equal to 1500 MT, was disposed of in the least favourable way: landfill. Sending waste to landfill means not utilising any of the potential value that may still be present. Further, in many countries, a landfill tax has been introduced to reduce the amount of waste disposed in this way.

We want to take a further step towards minimising landfill. Our objective is that, by the end of 2015, minimum 98.5 percent of our waste will go to reuse, recycling or recovery.

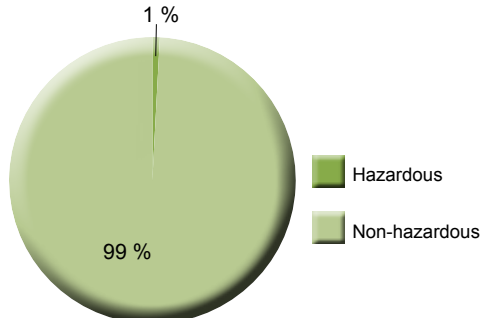


*The development that we want our waste disposal to follow: going from waste to landfill, over recovery, recycling and reuse, to reduction.*

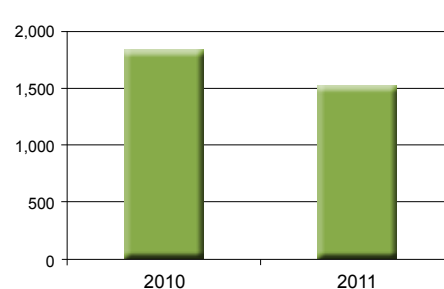
Waste disposal, 2011



Type of waste, 2011



Waste to landfill (t)



# Workplace

This section, Workplace, is about working life at AAK how we stay an attractive workplace to our employees and make sure that everybody is healthy and safe. Our employees are our most important resource. With 2,286 employees at the end of the year (an average of 2,065 employees as stated in our 2011 Annual Report), and many different locations across the globe – in production plants, sales offices and sourcing operations – AAK is a diverse company with many different job functions.

Common to every employee are our values and Code of Conduct, which govern the way in which we conduct our business and interact with each other and our stakeholders. Combined with the UN Global Compact and our CSR Policy, they provide the framework for AAK as a workplace.

## AAK Code of Conduct

During 2010, we developed and began implementing the AAK Code of Conduct (the Code) globally. Combined with our values, our policies and our rules for corporate governance, the Code provides a strong framework for our business and a way to maintain the trust of our stakeholders, which is essential for the success of our business.

The Code is applicable to all employees at all sites and in all business areas, in all markets, at all times. It describes the following overall topics:

- ◆ Deployment
- ◆ Information and communication
- ◆ Business ethics
- ◆ Human and labour rights
- ◆ Health, safety and environment

In addition to the Code, a series of policies are established to give more detailed guidance to specific topics:

- ◆ AAK Supplier Code of Conduct\*
- ◆ External Disclosure Policy
- ◆ AAK Group Compliance Programme – Guidelines
- ◆ AAK Legal Policy
- ◆ AAK Insider Policy
- ◆ AAK Intellectual Property Rights Policy
- ◆ AAK Group Policy: Corporate Social Responsibility\*
- ◆ AAK Group Environmental Policy\*

A short version of the AAK Code of Conduct and policies marked with \* can be found on our website, [www.aak.com](http://www.aak.com), under the section Documentation.



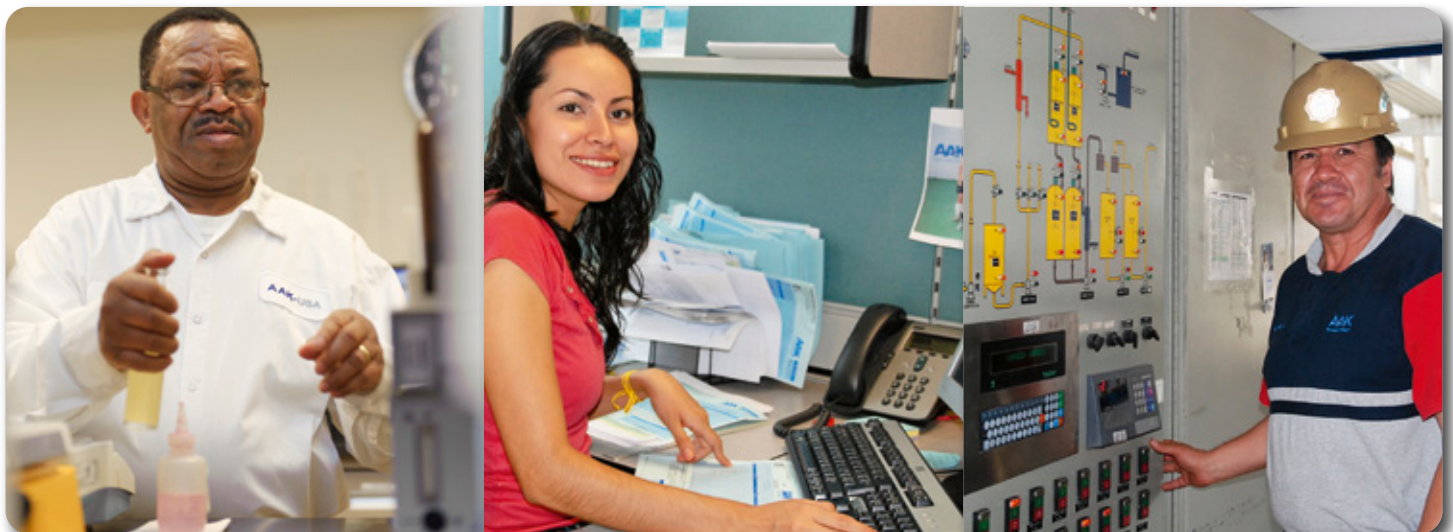
## Port Newark celebrates new safety record

September 2011 was a month to remember for Port Newark.

Having celebrated a record-breaking 365 consecutive days with no lost time due to accidents in September 2010, a year later the site had doubled the record: two consecutive years with zero lost time accidents.

Congratulations go to the entire team at Port Newark, where “safety first” is clearly a motto that everyone takes seriously.

JoAnne Martinez  
Director Human Resources  
AAK USA







## Towards a stronger global team

Continued restructuring strengthened our organisation further in 2011, ensuring its competitiveness. Particularly our sites in Denmark, Sweden and the UK were affected by this change, which necessitated a number of redundancies. Great efforts have since been made to secure fair treatment and the best possible support for those members of staff affected.

Complementing this structural change, we commenced the execution of the AAK Acceleration Programme, focusing on three priority areas: **Growth, Efficiency and People**. Under the heading 'Mobilizing Ourselves', the People project target the performance and development of all

global employees; increased mobility of human resources and knowledge; and training to reinforce our capabilities.

### Workforce improvements

One of the objectives has been to increase the number of employees invited to a personal Performance & Development Plan (PDP) meeting from the 30 percent recorded in 2010. The aim for 2011 was that more than 40 percent would have a PDP by the end of the first quarter and 100 percent by the end of the year. Both of these goals were achieved.

Another 2011 achievement within the People project, was the design of our new global sales training programme, which will be rolled out

during 2012. In the same year, our dedicated efforts to improve employee safety resulted in a 21 percent reduction in our Lost Day Rate.

### Value-based development

Leading the AAK Acceleration Programme are the company values: **Initiative, Improvement, Innovation, Change, Teamwork and Sense of urgency**. During 2012, we will continue implementing the People projects to meet our CSR objectives within the workforce area.

*Anne Mette Olesen  
Vice President  
HR, Communications and CSR*



## Working life

While our Code of Conduct provides the fundamentals for each employee's working life, Performance and Development Plans (PDPs) guide our everyday activities. Each employee shall have at least one annual meeting with his or her manager to discuss both their performance and development with the objective that both parties gain a clear picture of what to focus on and what to work towards. In addition, AAK offers relevant on- or off-the-job training to allow employees to develop in their job function.

## Objective on Performance and Development Plans

It is crucial to our business that everyone understands our overall goals and clearly understands what is expected. For that reason, we have introduced Performance and Development Plans (PDP) – formal, annual meetings between individual employees and their immediate manager.

The PDP meeting is a dialogue where individual objectives are discussed and performance is assessed. Mutual expectations are also shared, including an evaluation of competencies and development needs.

Our objective for 2012 is that all employees have had their personal PDP before the end of second quarter 2012.



## Internal communication

In the AAK Acceleration programme, one of the projects under the People priority area is Internal Communication. Its objective is to significantly improve the internal communication globally in AAK, enabling all employees to understand both the direction and the performance of the company.

One of the key internal communication channels is the AAK Intranet, which targets every AAK employee. In practice, though, not everybody uses a computer on a daily basis. This is why we also share information via bulletin boards, electronic boards, information leaflets and regular "town hall meetings" for all staff. The most efficient means of communication very much depends on local tradition and culture, which is why the local management teams are responsible for timely internal communication, shared in the right way. To monitor satisfaction with internal communication, we run regular employee surveys. In 2011 this resulted in an 9 percent increase of the satisfaction rate within AAK.

## Labour rights

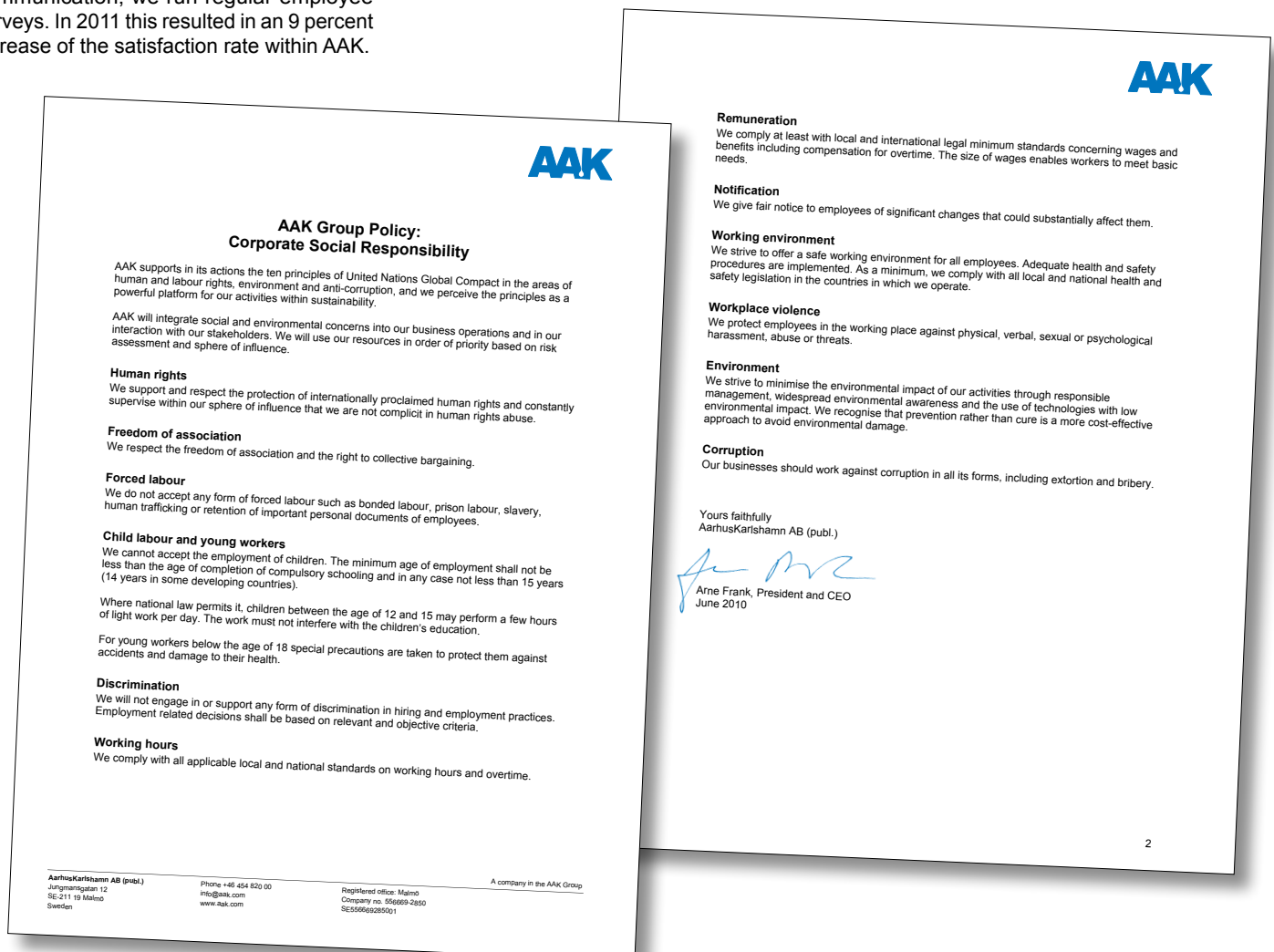
Labour rights issues are governed by our CSR Policy, which applies to all our sites. Among other things, the policy states our view on child labour and young workers, on forced labour, and on freedom of association and the right to collective bargaining.

44 percent of our employees are covered by collective bargaining. At our production plant in Aarhus, Denmark, salary negotiations resulted in 77 employees going on strike for one day. There were no other strikes during 2011.

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

Giving staff equal and fair treatment is another focus area of our CSR Policy. During 2011 there were no incidents of discrimination at AAK.

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







## Our workforce in numbers

As per 31 December 2011, AAK had a total of 2,286 employees (an average of 2,065 full-time employees, as stated in our 2011 Annual Report), 12 percent less than in 2010. Among permanent employees 6.1 percent left the company.

The average age of employees in Europe is significantly higher than in the rest of the

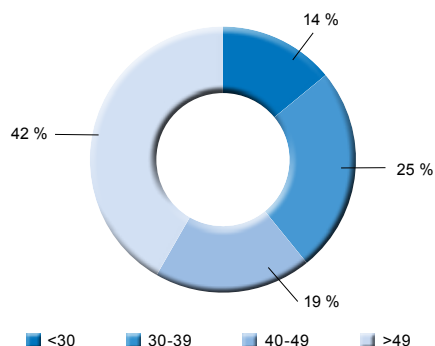
world due to a more mature organisation.

20 percent of our employees are female. This is a lower percentage than in many other businesses, but it is due to the fact that a job in our production plants typically attracts more men than women. At managerial level, 16 percent are female.

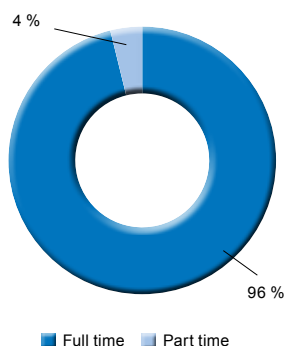
76 percent of our employees are permanent-

ly employed, while 10 percent are temporarily employed. The remaining 14 percent comprise trainees, agency staff and at-will employees. The latter is a doctrine of American law that refers to an employment relationship which can be broken by either party with no liability. 4 percent of our employees work part-time.

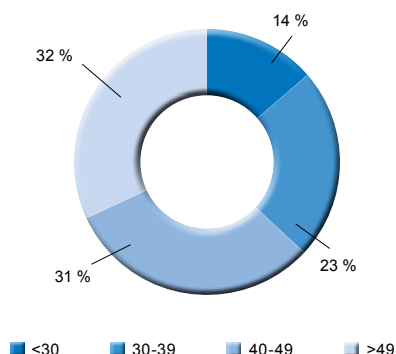
### Permanent employees turnover by age



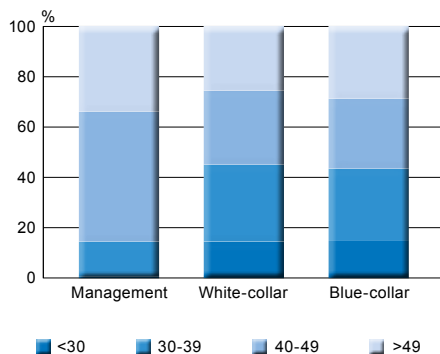
### Employment type



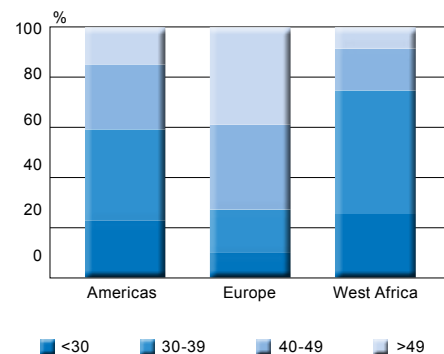
### Employee distribution by age



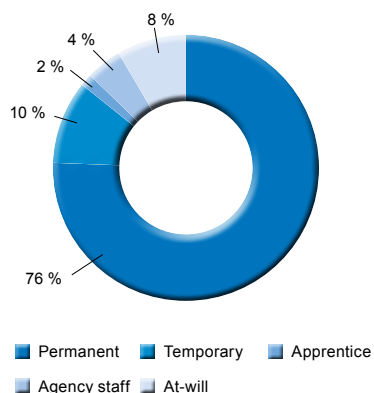
### Employee category by age



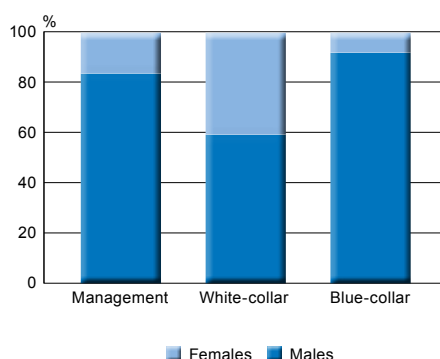
### Employees by age



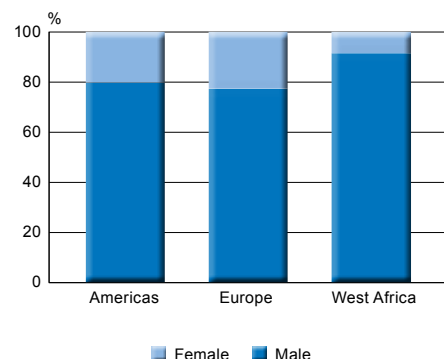
### Employment contract type



### Employee category by gender



### Employee by gender



## Working in a safe environment

Safety in the workplace is a top priority with AAK, and we are committed to ensuring our employees stay safe and healthy when performing their daily work for the company.

Our production plants work continuously to improve the Lost Time Injury rate, defined as the number of injuries where one or more days/shifts were lost per 200,000 working hours. In 2010, the rate dropped to 1.5 from 2.3 in 2009 – a 35 percent improvement. In 2011 the rate stayed low 1.5.

The Lost Day rate, calculated per 200,000 working hours and a measurement of injury severity, showed a significant improvement of 45 percent to a rate of 21.

Two cases of occupational disease were registered.

These improved figures are definitely a step in the right direction in terms of ensuring that AAK is a safe workplace, and our efforts will focus on continuing this development.

Despite our efforts, there are occasions when serious accidents do occur, and we have to report that in April 2011 at our Runcorn site a delivery vehicle collided with a forklift truck resulting in the sad loss of a valued colleague. Such an event re-emphasises the critical importance of Health & Safety in the workplace, and why we regard safety as our key priority. We shall continue to make every effort to eliminate the potential for accidents to occur.



## Safety – a top priority

We expect all our personnel, whether at our production plants or at our offices, to take measures to keep themselves and those around them safe.

We employ an external consultancy to provide independent, expert risk and safety reports, a summary of which is presented to the AAK Board of Directors. The consultancy

assesses local culture, systems and processes and provides a general status report and recommendations for each production site, along with key performance indicators (KPIs). We are in the process of implementing these recommendations and assessing progress.

Each month, we benchmark performance across all our production plants using the

KPIs as a common platform. To improve the management of our safe working environment, each site holds monthly review meetings, reporting on performance to their local board.



David Smith  
President  
European Supply Chain







## Staying healthy

Safety in the workplace is also about maintaining health. We are present in many countries with very different cultures, varying degrees of health awareness and different health initiatives by local or national authorities.

For these reasons, we do not have a common approach to maintaining health, but build our activities on local decision-making based on a needs assessment. Most initiatives focus on our employees, for example:

- First aid training
- Safety training
- Protective equipment like helmets, safety glasses, computer glasses
- Health checks
- Sports facilities
- Vaccination against flu offered each year

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

AAK Mexico offers health facilities and consultation for employees' family members and the local community in general.

### Objective on Lost Time Injury rate

Since 2010, we have aligned definitions and measured injuries across the AAK Group. We have defined Lost Time Injury Rate as the number of work injuries that result in one or more days/shifts of sick leave per 200.000 working hours. Our objective for 2012 was that each site should perform better than the national industry average in the country where it is located. We must realize that it has not been possible to find comparable national data for the individual sites due to variations in definitions, partitioning etc. However, comparing the AAK average Lost Time Injury Rate to various international databases leave us with a belief that AAK is well below industry average.

# Community

In this section, Community, we present the activities that we initiate and engage in, be they local, regional, national or international, in order to play our part and act responsibly in society. Contributing to and being part of the community where we operate is essential to maintaining a positive relationship with neighbours, politicians and authorities. Through our commitment to community causes, we are also instrumental in creating a workplace with highly motivated employees who take pride in working for a company that makes a visible difference.

## Green Schools Program saves energy in New Jersey

Close to 200 schools have reduced their energy bills by 5-25 percent due to their participation in the Green Schools Program in New Jersey, USA. As one of the local sponsors, AAK is pleased to see the positive effect of the initiative.

The program's goals are to engage teachers and students in learning about energy, its impacts on the environment, and energy conservation. Dollars saved through the schools' energy-saving actions are returned for additional educational and outreach activities. This provides the necessary funding to sustain these activities over time.

For the school pupils, the initiative makes an important contribution to academic learning. In addition to demonstrating the relevance of science and maths, it teaches about energy and the links between energy efficiency, the environment and finances.

Peter Maulbeck  
CFO  
AAK USA



## Objective on community

We have a long tradition of being an active member of the communities where we operate, by sponsoring or by actively participating in projects. In 2011, we engaged in numerous local activities. We will continue to monitor that we are an integrated part of our local communities by engaging in such activities.

## Aarhus port invites the locals

Neighbours to the AAK plant in Denmark were among the visitors at Aarhus Open Port 2011, where they could learn about many of the port-based businesses.

AAK participated with an exhibition tent. Here, staff members took turns to present

the company and talk with interested local citizens. Visitors could also try their hand at making shea oil.

Organised by the Port of Aarhus each year, the well-visited family event is free of charge.



Marianne Dysted  
HR Manager  
AAK Denmark







## Local community involvement

Our many community-related activities bring us into contact with neighbours, authorities, educational and cultural institutions, and sports clubs. We also work with and sponsor projects that support children, youth and minority groups. In line with our Code of Conduct, virtually all AAK sites involve themselves in community, environmental and health-related activities at local level.

We are very much aware of the impact that AAK has on the community when we enter, operate in or leave an area. During 2011, we did not establish or terminate any operations that required a special community impact assessment. The impact of existing operations is monitored continuously by means of dialogue, for example at "open house" events and when receiving visitors, participating in local events, giving presentations and taking interviews. Media monitoring also provides us with a picture of local sentiments towards AAK.

Overall, our community involvement helps give us the "license to operate" that is essential to us as a company and as a player in local business life.



## AAK UK raises funds for hospice appeal



From the left: Paul Green, Gerard Toplass, Joyce Clappison, Paddy Hall, all from Dove House; AAK's Martin Craven; Andrew Mould and Pauline Speed from Dove House.

A busy year of fundraising by AAK UK brought in more than £13,000 (€16,500) for the Dove House Hospice Charity Love You 2 Appeal.

Dove House presented AAK UK with a certificate of thanks for the donation, which supports an extensive re-development of the hospice in Hull. The new facilities will bring more specialist palliative care, respite care and other enhanced services to people with life-limiting illnesses, their relatives and carers.

AAK UK staff raised the funds through their participation in 10km runs, bike rides and motorbike treks, sales of Christmas cards and other activities. Their donation brings the Love You 2 Appeal a step closer to its £2.5 million (€3.1 million) goal.

Martin Craven  
Managing Director  
AAK UK



## Children's Day for the local community

More than 400 children from the surrounding neighborhoods enjoyed a magical day full of surprises and fun when AAK Mexico celebrated Children's Day in April.

For AAK Mexico, this has become an annual event, which starts with welcoming the children and providing lunch, popcorn and fresh water.

Drawn by the exciting activities on offer, the children demonstrated their skills in fishing, hoop, target shooting and performing arts. They could also have their face painted – with stars, rainbows, puppies, tigers and fairies. The event ended with a raffle, including 100 toys as prizes.

A great time was had by all the children and their families, who are already looking forward to next year's Children's Day.



Karla Román  
Personnel Manager  
AAK Mexico



## AAK volunteers build homes for the poor

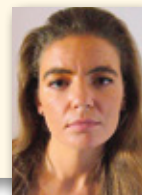
AAK Uruguay joined ten other companies in building temporary homes for 35 families in Montevideo during 2011.

Over the past few years, volunteers from AAK have participated in the 'Constructing with companies' project, run by the Latin American non-profit organisation – Un Techo para mi País (One Roof for my Country).

The organisation mobilises youth volunteers to eradicate the extreme poverty that affects more than 80 million people in the region. Working with residents of Latin American slums, the aim is to construct transitional homes and implement social inclusion programmes to improve their quality of life.



Andrea González  
Regional Logistics Manager  
AAK South America







## AAK as a global citizen

The impact of our business goes beyond local communities. At a global level, we do our best to involve ourselves in areas where we can make a difference – our sphere of influence. As we see it, that means influencing our suppliers and – through our involvement in various interest groups – the industry in which we are operating.

Being a founding member of Roundtable on Sustainable Palm Oil, RSPO, we have played an active role in defining the RSPO Principles and Criteria for Sustainable Palm

Oil Production. Principle 6 has a particular focus on considering employees and other individuals and communities affected by palm oil growers and mills.

Due to the global nature of our business, considering issues such as corruption and bribery is a necessity. The section on bribery in our Code of Conduct is aimed at ensuring alignment across the AAK organisation: "Employees will not accept or offer any form of bribes, whatever the form, method or purpose." Each employee can contact our Code of Conduct

compliance function to report material violations of laws, legal requirements and/or the AAK Code of Conduct. Information received will be treated confidentially, anonymity will be respected and the sender shall not fear reprisals from anyone.

AAK is naturally also a member of various national and international organisations that safeguard the interests of the vegetable oils and fats industry. Through these organisations, we aim to influence the legislation that governs our activities.

## Free medical services at Mexican health fair

At AAK Mexico, we maintain our commitment to the well-being of our neighbours. For almost a decade now, our efforts have included free daily medical consultations, medical treatments and our annual health fair.

The health fair is usually held over one day in October with the participation of government health institutions, medical laboratories and medical schools. Members of the local community can benefit from services such as cancer screening, vaccinations and preventive medical treatment.

Through this activity, women have been diagnosed with cancer in good time to seek the necessary treatment. Children, pregnant women and elderly people have received vaccinations against endemic diseases. Those with a chronic ailment also gain information about the progression of their condition and how they can take best care of themselves by adapting their lifestyle.

These efforts are strengthening our relations with the local community – all in the spirit of corporate social responsibility.



Ana Bertha Gil Islas  
Company Doctor  
AAK Mexico

## Examples of memberships that safeguard the interest of our industry

### National associations

- ◆ Netherlands Oils, Fats and Oilseeds Trade / NOFOTA
- ◆ Association of Dutch Oil Processing Industries / Vernof
- ◆ Product Board Margarine, Fats and Oils / MVO
- ◆ 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
- ◆ Seed Crushers' and Oil Processors' Association / SCOPA
- ◆ Association of Bakery Ingredient Manufacturers / ABIM
- ◆ Swedish-American Chambers of Commerce / SACC
- ◆ The Institute of Shortening and Edible Oils / ISEO
- ◆ American Fats and Oils Association / AFOA
- ◆ National Confectioners Association / NCA
- ◆ Uruguayan Chamber of Industries / CIU

### International associations

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

# CSR approach

We believe in the importance of anchoring our CSR efforts in the organisation and incorporating a sustainability mindset in our everyday working life. To that end, we have set up a CSR organisation responsible for CSR-related initiatives, progress, communication and reporting. This section describes our structured, operational approach to CSR, always building on our values, policies and the AAK Code of Conduct.

## Global CSR organisation with local roots

The Global CSR Manager reports to the Vice President of HR, Communication & CSR and member of AAK's Executive Committee.

At Board level, the Audit Committee is responsible for monitoring the follow-up and reporting of CSR topics, activities and data.

Since the global CSR organisation was established in early 2007, the principal objective has been to ensure broadness and diversity

### Internal CSR Award

Corporate Social Responsibility (CSR) is a strategic issue that we give priority. To make CSR even more visible within our organisation, each year we present our Internal CSR Award to the AAK site or business area that has demonstrated outstanding CSR performance.

**Previous winners:**

2011: AAK New Jersey, USA for outstanding improvements within environment, workforce, and community.

2012: AAK Zaandijk, The Netherlands for significant improvements within all environmental key indicators (including vast reductions in energy consumption, CO<sub>2</sub> emission and termination of wastewater discharge), disposal of waste, zero Lost Time Injuries and cardiopulmonary resuscitation for employees.

in the local teams, which are central to our CSR work. The teams cover competences within Human Resources, Health, Safety & Environment, Finance, Sourcing, Operations and Sales. At our production sites, the teams

consist of five to ten people led by a CSR Team Leader. The teams at our sourcing operations in West Africa have a different setup and may draw on competences from the major sites.





## CSR organisation



### Keeping momentum

An important aspect of our CSR work is to maintain global momentum. To ensure this, the Global CSR Manager visited all production plants during 2011 and again in early 2012. These visits had multiple objectives. During workshops with the local teams, CSR SWOT analyses were completed, feedback was given on the 2010 GRI Report and Sustainability Report, and the ambition level and objectives were discussed. Finally, locally reported GRI data was scrutinised with each member of the local team to clarify ambiguities and align definitions.

To promote continued sharing of information, best practice and progress on CSR objectives on a more regular basis, we have introduced monthly virtual conferences with the participation of all CSR team leaders. This initiative has been very well received and is creating value for those involved.

### Increasing CSR awareness

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

To make CSR even more visible to the AAK organisation, we have instituted an Internal CSR Award, presented each year to the AAK site or business area that has shown outstanding CSR performance.

The adoption and global implementation of our AAK Code of Conduct is another demonstration of how CSR is integrated in our business. Site and business area management teams are responsible for introducing the Code to employees, discussing it with them

and obtaining each person's signature of acceptance. Systems have been established to ensure that our Code is part of the introduction package for new employees.

### Global team effort

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

In line with this, this Sustainability Report is a global team achievement that includes statements, initiatives, projects and views from the entire organisation. Our goal is to illustrate – to our stakeholders and ourselves – that CSR is firmly anchored within our organisation.

## AAK CSR Teams

### CSR Team DK

Linda Hansen*	Quality Manager
Marianne Dysted	HR Manager
Bo Porsgaard Pedersen	Sourcing and Trading
Tom B. Christiansen	HSE Manager
Lars Kronborg	Quality Technician
John Barner Koustrup	Controller

### CSR Team Hull, UK

Judith Murdoch*	Marketing Manager
Peter Scarbrough	Procurement Manager
Ernesto Reynolds Zamudio Gomez	Trading Manager
Mike Stewart	Technical and HSE Manager
Les Bales	HR Manager
Steve Harrison	Health & Safety Officer
Liz Skern	Financial Accountant

### CSR Team Montevideo, South America

Andrea González*	Regional Logistics Manager
Maria Soledad Cardozo	Regional Manager for Applications and Product Quality
Nicolás Santos	Financial manager
Martin S. Gil	Production & Operations Director

### CSR Team Runcorn, UK

Vicki Potter*	Finance Manager
Jon Devine	Operation Manager
Peter Evans	Production Manager
Ian Roberts	Engineering Manager
David Knowles	Technical Manager

### CSR Team MX

Ramiro Corona*	HR Manager
Pablo Cazarin	HSE Manager
Maria de Lourdes Prado Zamudio	QS Manager
Ezequiel Perez Calderon	Project Manager
Gabriela Méndez Zamora	Costing Analyst
Laura Alejandra Calderón Rocha	Applications and Development Manager
Daisy Ramirez Castro	Communications Consultant

### CSR Team New Jersey, US

Tom Winter*	Vice President, Operations
JoAnne Martinez	Director Human Resources & Communications
Kurt Faudel	Supply Chain Director
Scott Welsh	HSE Manager
Peter Maulbeck	Vice President Accounting & Finance

### CSR Team Zaanwijk, NL

Piet de Bakker*	Logistics and Sourcing & Trading Manager
Mieke Doll	QA Manager
Marcus Bense	Technical Director Site Manager
Rene Huisman	Controller
Hiske Keller	Area Sales Manager
Piet Mul	Maintenance Manager
Tineke Brinkkemper	HR Manager

### CSR Team Kentucky, US

Tom Winter*	Vice President, Operations
Andrea Bartley	HR Manager
Luis Gomez	Operations Director
Jackie Steffey	R&D
Micki Hoskins	Production Planning

### CSR Team SE

Anders Söderström*	Site and Customer Quality Manager
Gunilla Bergqvist	Sourcing & Trading
Martin Antonsson	Purchasing
Christine Åkesson-Stenbeck	Regional Sales Director
Joakim Karlsson	Sourcing & Trading
Jim Broberg	HSE Manager
Johan Bodin	Technical Products & Feed, Binol
Anna-Karin Nilsson	HR
Monica Hjorth	Sourcing & Trading
Rita Leissner	Marketing Manager, Lipids for Care

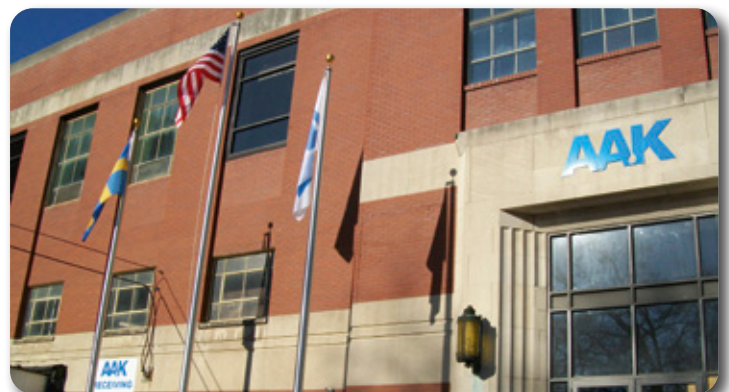
### CSR Team West Africa

Monika Hjorth*	Shea Sourcing Manager
Mads Jules Feer	Sustainability and Shea Manager
Christer Yxell	Country manager, Mali
Alexander Andersson	Country manager, Benin
Pär Torstensson	Country manager, Ghana
Martin Ingemansson	Country manager, Burkina Faso

\*) Team leader

### CSR Team Dalby, SE

Annelie Abrahamsson*	Quality Manager
Roger Hermansson	Production manager
Kent Persson	Supply chain relations, HR Manager, Environmental responsible
Andreas Åkesson	Marketing Manager
Søren Ask Nielsen	Sales Manager





## Investor relations

### Shareholders

AAK endeavours to generate an attractive return on investment for all shareholders, of which 80 percent are in Sweden. More information about the company's ownership structure is available on our website, [www.aak.com](http://www.aak.com).

### Dialogue with shareholders

Dialogue with shareholders is primarily conducted via the Board of Directors, at the Annual General Meeting and, also, through a well-developed Investor Relations function. Examples of Investor Relations activities include capital market days, road shows

and local meetings with the Swedish Shareholders' Association.

Within the AAK Group, we strive to facilitate current and potential shareholders' assessment of our performance through the transparent communication of our work to enhance environmental and social sustainability. During the year, shareholder-related dialogues were held with a number of socially responsible investment analysts.

Every year, we receive several questionnaires from investors and analysts, and we do our best to meet their requests for information. We believe that our sustainability report is the most appropriate and efficient channel for

providing information about our practices. For this reason, we aim to answer the most common questions in this report. However, we value constructive dialogue on risks, opportunities and strategies related to CSR and sustainability.

### Financial performance and financial risks

AAK's financial performance and financial risks are presented in the Annual Report 2011.

*Fredrik Nilsson  
Group Financial Manager  
and Investor Relations*



### Ongoing dialogue with external stakeholders

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

From customers and investors, we regularly receive questionnaires, supplier codes of conducts and similar, which we respond to in accordance with our policies. This type of input serves as a useful guide to the priorities on our stakeholders' agenda – supporting our continuous, proactive efforts to maintain an up-to-date perception of what will be expected of us in the future.

### Contacts

Anne Mette Olesen  
Vice President HR, Communications & CSR

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Global CSR Manager  
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or

[sustainability@aac.com](mailto:sustainability@aac.com)



# Reporting criteria

## Scope and materiality

This is the third AAK Sustainability Report, the first was published in October 2010. Our aim is to continue reporting on an annual basis.

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

Because GRI is an all-encompassing format, it is not relevant for us to report on all criteria. In 2010, we initiated an internal process to identify the issues relevant to our business and our stakeholders. This involved discussions with staff at all sites and feedback from other stakeholder groups. The ambition is only to report information requested by stakeholders or that creates value internally.

The Sustainability Report is a supplement to the 2011 Annual Report, therefore, contains only a summary of financial performance figures.

In general, data in this report covers our activities from 1 January to 31 December 2011. Updated information regarding some 2012 events is included since they are considered of material importance to our stakeholders. Data from our mid-2011 acquisition of Golden Foods/Golden Brands in Louisville, Kentucky, USA and Oldham, UK is not included. Production at Oldham is being transferred to other sites. However, we expect to include Louisville in our 2012 report.

Environmental data (GRI abbreviation: EN) relates to the 8 AAK production plants that were fully operational in 2011 and the



AAK products produced by our toll production partner Cousa in Montevideo, Uruguay. Other core data relates to AAK in its entirety, including production plants, purchasing sites and sales offices.

## Data and calculations

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

The majority of data in the Sustainability Report is drawn from measurements. Air emissions data is based on direct measurements, calculations based on specific data and calculations based on default values. Information concerning purchased electricity from renewable resources is based on national grid information. Information about employees, including numbers, gender, composition etc., is calculated per 31 December 2011 and is based on payroll information.

Some minor data errors in the 2010 reporting have been identified and corrected. Further, a few definitions have been adjusted and globally aligned.

From our experience of the reporting process, we expect corrections will be necessary in future reports as well. Nevertheless, we believe that the trends and overall picture given are a true reflection of our activities.

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

## Global Reporting Initiative (GRI)

GRI is a network-based organisation that pioneers the world's most widely used sustainability reporting framework.

Established in 1997, GRI has grown into an international network of more than 30,000 companies in 70 countries, reflecting the development of reporting, from an extraordinary exercise by a few pioneering organisations to an essential management and communications tool for many businesses.

GRI's reporting framework is developed through a multi-stakeholder process. Participants are drawn from global business, civil society, labour, academic and professional institutions. The current third ver-

sion of the reporting guidelines – the G3 Guidelines – was published in 2006.

The reporting framework sets out the principles and performance indicators that organisations 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 Multi-national Enterprises.



# Global Reporting Initiative G3 Index

Fully reported
  Partly reported
  Not reported

<b>1</b>	<b>Strategy and analysis</b>	
1.1	Statement from the CEO	p. 3
1.2	Description of key impacts, risks and opportunities	Annual Report: pp. 26-30 Report 2011: pp. 20-21
<b>2</b>	<b>Organisation profile</b>	
2.1	Name of the organisation	p. 2
2.2	Primary brands, products and services	pp. 8-13
2.3	Operational structure	Annual Report: p. 48 pp. 37-38
2.4	Location of headquarters	p. 2
2.5	Countries where the organisation operates	p. 5
2.6	Nature of ownership and legal form	Annual Report: pp. 56-57
2.7	Markets served	pp. 8-13
2.8	Scale of the reporting organisation	Annual Report: pp. 8-17 p. 4, 29
2.9	Significant changes during the reporting period	Annual Report: pp. 4-5
2.10	Awards received in the reporting period	No CSR awards
<b>3</b>	<b>Report parameters</b>	
3.1	Reporting period	01.01.2011 – 31.12.2011
3.2	Date of most recent prior report	01.01.2010 – 31.12.2010
3.3	Reporting cycle	Annually
3.4	Contact point for questions regarding the report	p. 39
3.5	Process for defining report content	p. 40
3.6	Boundary of the report	p. 40
3.7	Specific limitations of the scope or the boundary of the report	p. 40
3.8	Basis for reporting on entities that can significantly affect comparability from period to period or between geographical locations	p. 2, 40
3.9	Description of data measurements techniques and the basis of calculations	p. 40
3.10	Explanation of any restatement of information given in earlier reports	p. 40
3.11	Significant changes from previous reporting	No significant changes
3.12	Table identifying the location of the Standard Disclosures	p. 41-43
3.13	Policy and practice with regard to seeking external assurance for the report	p. 40
<b>4</b>	<b>Governance, commitments and engagements</b>	
4.1	Governance structure of the organisation	Annual Report: pp. 47-53
4.2	Position of the Chairman of the Board	Annual Report: p. 49
4.3	Number of independent, non-executive members of the Board	Annual Report: p. 49
4.4	Mechanisms for shareholders and employees to provide recommendations to the Board or company management	Annual Report: p. 47
4.5	Connection between compensation and the organisation's performance	Annual Report: p. 50
4.6	Procedures in place for the Board to ensure conflicts of interest are avoided	Annual Report: pp. 50-51
4.7	Procedures for determining the qualifications and expertise of the members of the Board	Annual Report: p. 49
4.8	Mission, values, codes and principles relevant to economic, environmental and social performance	p. 3, 4, 26
4.9	Procedures of the Board for overseeing the organisation's management of economic, environmental and social performance	Annual Report: p. 49
4.10	Processes for evaluating the Board's own performance with respect to economic, environmental and social performance	No reporting

# Global Reporting Initiative G3 Index

Fully reported
  Partly reported
  Not reported

4.11	Explanation of how the precautionary principle is addressed	p. 8
4.12	Externally developed economic, environmental or social initiatives to which the organisation subscribes or endorses	p. 3, 15, 19
4.13	Memberships of associations	p. 35
4.14	The organisations stakeholders	pp. 33, 39
4.15	Basis for identification of stakeholders with whom to engage	Engaging few selective stakeholders
4.16	Approaches to stakeholder engagement	pp. 33, 39
4.17	Key topics that have been raised through stakeholder engagement and the organisation's respond	Supply chain sustainability
<b>EC Economic Performance Indicators</b>		
EC1	Direct economic value generated and distributed	Employee benefits: SEK 13,151,000 Community donations: SEK 1,028,000
EC2	Financial risks and opportunities due to climate change	No reporting
EC3	Coverage of the defined benefit plan obligations	Annual Report: p. 34
EC4	Financial assistance received from government	SEK 12,000,000
EC6	Policy, practice and proportion of spending on locally-based suppliers	No reporting
EC7	Procedures for local hiring and proportion of senior management hired from the local community	No reporting
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	pp. 32-35
<b>EN Environmental Performance Indicators</b>		
EN1	Material used by weight or volume	p. 14 25,000 MT processing aids 26,000 MT packaging materials
EN2	Percentage of materials used that are recycled input material	0 MT
EN3	Direct energy consumption by primary energy source	p. 21
EN4	Indirect energy consumption by primary source	p. 21
EN8	Total water withdrawal by source	p. 24
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity	Hull, UK and Newark, US sites adjacent to protected areas. No significant impact on production
EN12	Description of significant impact on biodiversity	No significant impact identified
EN16	Total direct and indirect greenhouse gas emissions	p. 23
EN 17	Other relevant indirect greenhouse gas emissions	Insignificant in relation to emissions from production
EN19	Emissions of ozone-depleting substances	p. 23
EN20	NOx, SOx and other significant air emissions	p. 23
EN21	Total water discharge	p. 24
EN22	Total weight of waste by type and disposal method	p. 25
EN23	Total number and volume of significant spills	p. 20
EN26	Initiatives to mitigate environmental impact of products and services, and extend of impact mitigation	pp. 20-25
EN27	Percentage of products and packaging material reclaimed	p. 25 Main initiative to reduce packaging material is to convert to bulk deliveries where relevant
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No non-compliance incidents



# Global Reporting Initiative G3 Index

Fully reported
  Partly reported
  Not reported

<b>LA Labour Practices and Decent Work Performance Indicators</b>		
LA1	Total workforce by employment type, employment contract, and region	p. 29
LA2	Total number and rate of employee turnover by age group, gender, and region	p. 29
LA4	Percentage of employees covered by collective bargaining agreements	p. 28
LA5	Minimum notice period regarding operational changes	p. 28
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of fatalities by region	p. 30, 31
LA8	Education, training, counselling, prevention and risk-control programs in place regarding serious diseases	p. 27
LA10	Average hours of training per year per employee by employee category	Inadequate recording globally
LA13	Composition of governance bodies and breakdown of employees per category	p. 29
LA14	Ratio of basic salary of men to women by employee category	p. 28
<b>HR Human Rights Performance Indicators</b>		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	p. 2
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and action taken	p. 15
HR4	Total number of incidents of discrimination and actions taken	p. 28
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken	No risks identified
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken	p. 18 No risks identified
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken	No risks identified
<b>SO Society Performance Indicators</b>		
SO1	Programs and practices that assess and manage the impacts of operations on communities	AAK Code of Conduct p. 33
SO2	Percentage and total number of business units analysed for risks related to corruption	p. 15, 26
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	p. 26
SO4	Actions taken in response to incidents of corruption	No incidents occurred
SO5	Public policy positions and participation in public policy development and lobbying	p. 35
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No non-compliance incidents
<b>PR Product Responsibility Performance Indicators</b>		
PR1	Life-cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	p. 8
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	p. 13
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications	No reporting
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No non-compliance incidents
<b>FP Food Processing Sector Supplement</b>		
FP3	Percentage of working time lost due to industrial disputes, strikes and lockouts	p. 28
FP5	Percentage of production volume manufactured in sites certified by an independent third party	p. 12



## The first choice for value-added vegetable oil solutions