

# Corporate Governance Report

## Corporate Governance Report 2010

This Corporate Governance Report has been drawn up in accordance with the rules of the Annual Accounts Act and the Swedish Corporate Governance Code ("the Code"). The Corporate Governance Report has been reviewed by the company's auditor in accordance with the provisions of the Annual Accounts Act.

Effective and clear corporate governance contributes to the safeguarding of trust among AAK's stakeholder groups and also increases the focus on business benefit and shareholder value in the company. AAK's Board of Directors and management team strive, through a high level of openness, to make it easy for individual shareholders to understand the company's decision-making process and to clarify where in the organisation responsibilities and authorities reside.

AAK's corporate governance is based on applicable legislation, the Code, NASDAQ OMX Stockholm's regulatory framework for issuers, generally accepted practice in the stock market and various internal guidelines. Where AAK has chosen to diverge from the rules in the Code, the reason why is provided under each heading in this Corporate Governance Report.

## General

AAK is a Swedish public limited company, whose shares are traded on NASDAQ OMX Stockholm within the Mid Cap segment, Consumer Commodities sector. AAK has around 8,000 shareholders. The operation is global with a presence in almost 100 countries. As at 31 December 2010, the number of employees was 2,101.

Responsibility for management and control of AAK is divided between the shareholders at the Annual General Meeting, the Board of Directors, its elected committees and the President in accordance with the Swedish Companies Act, other legislation and ordinances, applicable rules for companies traded on a regulated market, the Articles of Association and the Board's internal control instruments.

AAK's goal is to be the obvious first choice for its customers, and to create the best possible value for the company's various stakeholder groups – in particular customers, suppliers,

shareholders and employees. At the same time, AAK shall be a good member of society and take long-term responsibility.

The aim of corporate governance is to define a clear allocation of responsibility and roles between the owners, the Board, the executive management team and various control bodies. In line with this, corporate governance covers the Group's management and control systems.

## Ownership structure

Information about shareholders and shareholdings can be found on pages 56-57.

## Articles of Association

AAK's current Articles of Association were adopted at the Annual General Meeting on 19 May 2009. The Articles of Association state that the company is to operate manufacturing and trading business, primarily within the food industry, to own and manage shares and securities and other associated business. The Articles of Association also state the shareholders' rights, the number of Board members and auditors, that the Annual General Meeting shall be held yearly within six months of the end of the financial year, how notification of the Annual General Meeting shall be effected and that the registered office of the Board of Directors shall be in Malmö, Sweden. The company's financial year is the calendar year. The Annual General Meeting shall be held in Malmö or Karlshamn, Sweden. The Articles of Association contain no restrictions on the number of votes each shareholder may cast at a general meeting. Furthermore, the Articles of Association contain no special provisions on the appointment and removal of Members of the Board of Directors and on amendments to the Articles of Association. For the current Articles of Association, please see [www.aak.com](http://www.aak.com).

## Annual General Meeting

The Annual General Meeting of AAK is the highest decision-making body and the forum through which the shareholders exercise their influence over the company. The tasks of the Annual General Meeting are regulated in the Swedish Companies Act and the Articles of Association. The Annual General Meeting makes decisions on a number of central is-

suues, such as adoption of income statement and balance sheet, discharge from liability for the Board members and President, dividend to shareholders and the composition of the Board. Further information about the Annual General Meeting and complete minutes from previous Annual General Meetings and Extraordinary General Meetings are published on [www.aak.com](http://www.aak.com)

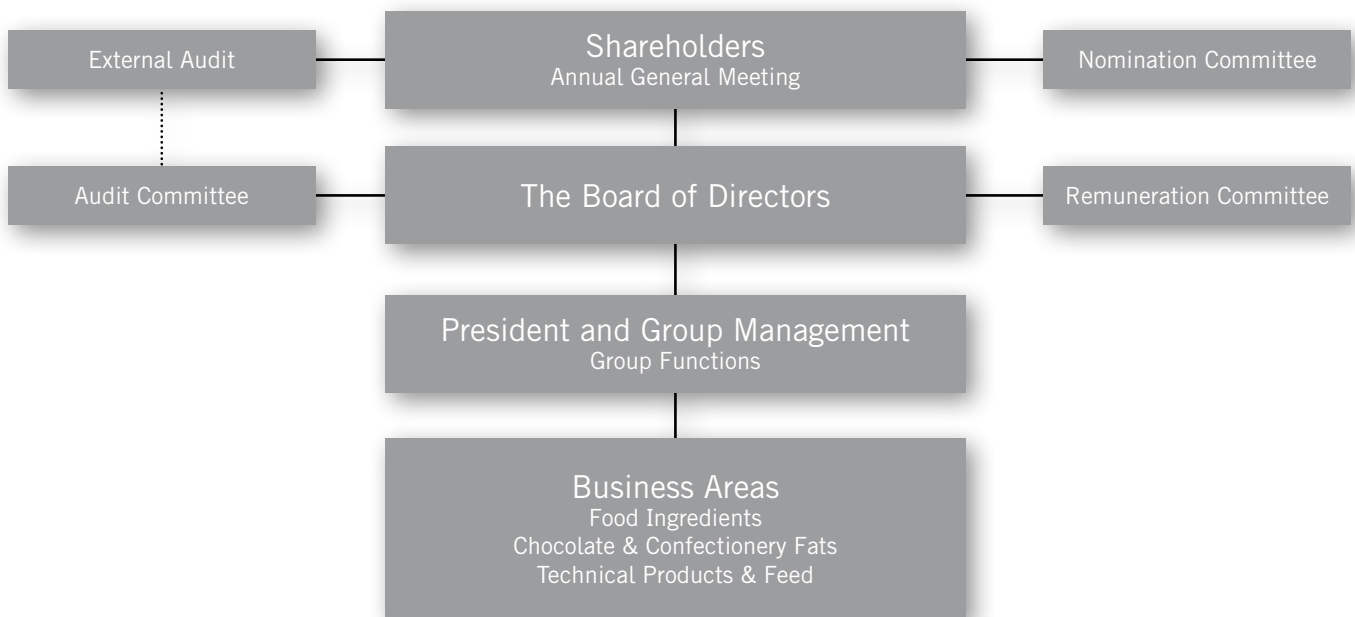
## Annual General Meeting 2010

The Annual General Meeting held on 21 May 2010 was attended by shareholders representing around 55 percent of the share capital and votes in the company. The Chairman of the Board, Melker Schörling, was elected Chairman of the Annual General Meeting. The Annual General Meeting adopted the income statement and balance sheet, as well as the consolidated income statement and consolidated balance sheet. In association with this, the Annual General Meeting approved the Board's proposal for a dividend for the financial year 2009 of SEK 4.25 per share. Melker Schörling, Carl Bek-Nielsen, Martin Bek-Nielsen, John Goodwin, Mikael Ekdahl, Mårit Beckeman, Ulrik Svensson and Anders Davidsson were re-elected as Members of the Board. Arne Frank and Harald Sauthoff were elected as new Members of the Board. Melker Schörling was elected Chairman of the Board, and Carl Bek-Nielsen was elected Vice Chairman of the Board. The employee organisations had appointed Annika Westlund (PTK-L) and Leif Håkansson (IF-Metall) as employee representative members of the Board, and Christer Svantesson (IF-Metall) and Ulf Friberg (PTK-L) as deputy members of the Board. The Annual General Meeting did not authorise the Board to resolve on the issue of new shares by the company or the acquisition of the company's own shares.

## Nomination Committee

The Annual General Meeting decides on the election of the Board, among other items. The task of the Nomination Committee is to make proposals to the Annual General Meeting regarding the election of the Chairman and other members of the Board, and of the Chairman of the Meeting, remuneration issues and issues relating to this.

## CORPORATE GOVERNANCE



### Nomination Committee for the Annual General Meeting 2011

The Annual General Meeting in 2010 decided that the Nomination Committee should have five members, whereby Mikael Ekdaahl (BNS Holding AB), Carl Bek-Nielsen (BNS Holding AB), Henrik Didner (Didner & Gerge Fond) and KG Lindvall (Swedbank Robur Fonder) were re-elected and Claus Wiinblad (ATP) was elected as a new member of the Nomination Committee for the Annual General Meeting in 2011. Mikael Ekdaahl was also appointed Chairman of the Nomination Committee. The members of the Nomination Committee represent around 52 percent of the votes in AAK. The decision also included the opportunity to change the composition of the Nomination Committee in the event of a change in ownership. As AAK's main shareholder, BNS Holding AB, is in turn owned by two different shareholders, it is natural that one representative from each shareholder is represented on the Nomination Committee. The shareholders in question also consider it natural that a representative of the largest shareholder in voting terms is the Chairman of the Nomination Committee. This is the reason why a Board member is the Chairman of the Nomination Committee.

During the year, the Nomination Commit-

tee held two minuted meetings. At these, the Chairman reported on the evaluation work, whereafter the Nomination Committee discussed any changes and new recruitment. The Nomination Committee has been contactable by letter with proposals from shareholders. The members of the Nomination Committee have not received any remuneration from AAK for their work. Shareholders, who wish to contact the Nomination Committee can send letters addressed to AarhusKarlshamn AB (publ), Valberedningen, Jungmansgatan 12, SE-211 19 Malmö, Sweden.

### The Board of Directors and its activities

The tasks of the Board are regulated in the Swedish Companies Act and the Articles of Association. In addition to this, the work of the Board is regulated by the working practices adopted by the Board each year. The working practices of the Board also regulate the distribution of work and responsibilities between the Board, the Chairman of the Board and the President and also include procedures for financial reporting by the President to the Board. According to the current working practices, the Board shall meet at least six times each year, including a statutory meeting following election held immediately after

the Annual General Meeting. The tasks of the Board shall include setting strategies, business plans, budgets, interim reports and year-end reports for AAK. The Board shall also monitor the work of the President, appoint and dismiss the President and decide on important changes to AAK's organisation and operation. The most important tasks of the Board are to set the overriding goals for the company's operation and to decide on the company's strategy for achieving the goals, to ensure the company has an effective executive management team and appropriate remuneration terms, to ensure the openness and accuracy of the company's external reporting, and that the external reporting provides a fair presentation of the company's performance, profitability and financial position and exposure to risk, to monitor the financial reporting, including instructions to the President and establishment of requirements for the content of the financial reporting to be submitted to the Board on a continuous basis, to ensure the company's insider policy and logging procedures are adhered to in accordance with legislation and the guidelines of the Swedish Financial Supervisory Authority, to ensure there are effective systems for follow-up and control of the company's operation and financial position against set goals, to follow up and evaluate the company's development

and to recognise and support the work of the President in carrying out the required measures, to ensure there is sufficient control of the company's compliance with legislation and other rules applicable to the company's operation, to ensure the required ethical guidelines are set for the company's behaviour and to propose to the Annual General Meeting any dividend, repurchase of shares, redemption or other proposals falling within the competence of the Annual General Meeting.

### Composition of the Board

Under the Articles of Association, AAK's Board shall consist of at least three and at most ten members. The current Board consists of ten members elected by the Annual General Meeting. Under Swedish law, the employee organisations have a right to be represented on the Board, and have appointed two ordinary members and two deputies. In accordance with the proposal of the Nomination Committee, eight members were re-elected and two new members elected at the Annual General Meeting in 2010. Melker Schörling was appointed Chairman of the Board. At the statutory Board meeting following the Annual General Meeting, the Board chose to appoint an Audit Committee and a Remuneration Committee. Ulrik Svensson was appointed Chairman of the Audit Committee and Mikael Ek Dahl, Martin Bek-Nielsen and Harald Sauthoff were appointed members. Mikael Ek Dahl was appointed Chairman of the Remuneration Committee and John Goodwin was appointed member. Melker Schörling is also Chairman of the Board of BNS Holding AB, which owns around 40 percent of the votes in AAK. Carl Bek-Nielsen, Martin Bek-Nielsen, John Goodwin and Mikael Ek Dahl are also members of the Board of BNS Holding AB. These members and the Chairman cannot, therefore, be considered as independent in relation to major shareholders in the company in accordance with the Code.

The largest shareholder in BNS Holding AB is Melker Schörling AB, which owns 58.5 percent of the shares and votes.

Ulrik Svensson, who is the President and CEO of Melker Schörling AB, cannot, therefore, be regarded as independent in relation to the company's major shareholders. Anders Davidsson is the President and CEO of Bong AB, in which Melker Schörling AB

### Attendance at Board and Committee meetings during 2010

Member	Board of Directors	Audit Committee	Remuneration Committee
Number of meetings	10	4	2
Märit Beckeman	10		
Carl Bek-Nielsen	9		
Martin Bek-Nielsen	10	4	
Anders Davidsson	8		
Mikael Ek Dahl	10	4	2
Arne Frank	10		
John Goodwin	10		2
Leif Håkansson	10		
Harald Sauthoff	10	2	
Melker Schörling	10		
Ulrik Svensson	10	4	
Annika Westertlund	10		

Information about the members of the Board can be found on pages 58-59.

owns 21.9 percent of the shares and votes, and cannot, therefore, be regarded as independent in relation to the company's major shareholders either.

The President and Chief Executive Officer Arne Frank is, in his capacity as President of and an employee of the company, not independent in relation to the company management. The other two members elected by the Annual General Meeting, Märit Beckeman and Harald Sauthoff, are independent in relation to AAK, the company management and the company's major shareholders in accordance with the Code.

The Board therefore fulfils the requirement in the Code that at least two Board members, who are independent of the company and the company management shall also be independent of the company's major shareholders. Bo Svensson acts as secretary to the Board. AAK's Finance Director and CFO (Chief Financial Officer), Anders Byström, acts as secretary to the Remuneration Committee and Audit Committee.

### Working practices

The Board's working practices, containing instructions for the division of work between the Board and the President and for financial reporting, are updated and adopted annually. Board meetings consider the financial reporting and follow-up of the day-to-day business

operation and profitability trend as well as goals, strategies for the business operation, acquisitions and significant investments and matters relating to capital structure. Business area managers and other senior executives account for business plans and strategic issues on a continuous basis.

Remuneration and audit issues are prepared within each committee. The Board holds a statutory meeting immediately after the Annual General Meeting. At this meeting, the Board's working practices are also adopted, as are the instructions to the President and the Committees and other internal management instruments. The current Board held its statutory meeting on 21 May 2010, at which meeting all members were in attendance.

### Chairman of the Board

At the Annual General Meeting held on 21 May 2010, Melker Schörling was elected Chairman of the Board. The role of the Chairman of the Board is to lead the work of the Board and ensure the Board fulfils its tasks. The Chairman shall monitor the progress of the business in dialogue with the President, and is responsible for ensuring that the other members continuously receive the information required to carry out the work on the Board, maintaining the required quality and in accordance with the Swedish Companies Act and other applicable laws and ordinances, the Articles of Association and the working practices of the Board. The Chairman is responsible for ensuring the Board develops its knowledge about the company, that an evaluation of the Board's work is carried out and that the Nomination Committee is provided with this evaluation. The Chairman shall also participate in evaluation and development issues relating to senior executives in the Group.

### The work of the Board in 2010

The Board held ten meetings during the year. All business area managers accounted for the goals and business strategies of the business areas at a special budget and strategy meeting. The Board has handled issues relating to staffing and organisation, and has investigated and followed up a joint operational location organisation for the operations in Denmark, Sweden and the Netherlands. The Board has also paid particular attention to the progress of the specialisation projects

within the operations in Denmark, Sweden and the Netherlands. Decisions have been made relating to acquisitions, divestments and investments. Other areas handled are the Group's work with raw materials supply, risk management and the company's strategies for capital structure and borrowing.

### **Fees to Board members**

According to the decision of the Annual General Meeting, the total fees to the Board amount to SEK 2,750,000, to be allocated between the members as follows: SEK 400,000 to the Chairman, SEK 300,000 to the Vice Chairman and SEK 200,000 to each of the other members elected at the Annual General Meeting who are not employed by the company. The Chairman of the Audit Committee received SEK 200,000 and the members SEK 100,000 each. The Chairman of the Remuneration Committee received SEK 100,000 and the member SEK 50,000. The President, the secretary to the Board and employees representatives on the Board do not receive any compensation other than for costs in connection with their participation in Board activities. For further information about remuneration to members of the Board, please see page 33.

### **Evaluation of the President**

The Board continuously evaluates the work and competence of the President and the company management team. This is discussed at least once a year without representatives of the company management being present.

### **Guidelines for the remuneration of senior executives**

The Annual General Meeting approved the principles for the remuneration of senior executives. The principles for the remuneration of AAK's senior executives are designed to ensure that AAK can offer compensation that is competitive and at the prevailing market level to attract and keep qualified people. The total remuneration package paid to senior executives shall consist of fixed basic salary, annual variable salary, pension, company car and severance payment.

The fixed salary shall be individually differentiated on the basis of responsibility and performance, and shall be set on market principles and be revised annually. In addition to annual salary, senior executives shall also

receive a variable salary, which shall have a pre-set ceiling and be based on the outcome in relation to goals set annually. The goals shall be related to the company's result and shall also be able to be linked to the individual areas of responsibility. The annual variable portion shall amount to a maximum of 60 percent of the fixed salary.

In addition to the variable salary mentioned, share or share-price related incentive programmes may be added as determined from time to time.

The right to a pension for senior executives shall apply from the age of 60 at the earliest. Pension plans for senior executives shall be either defined benefit or defined contribution plans, or a combination of the two.

In the event of termination by the company, the notice period for the President and other senior executives shall be twelve months, and they shall be entitled to receive severance pay with a pre-determined ceiling corresponding to twelve months' salary. For termination by the employee, a notice period of six months shall normally apply and no severance pay shall be payable.

These guidelines shall cover the persons, which are part of the Group management team during the period in which the guidelines apply. The guidelines apply to agreements entered into after the resolution of the Annual General Meeting, and in the event that changes are made to existing agreements after this point in time.

The Board shall be entitled to diverge from the guidelines if there are particular reasons do so in an individual case.

### **Incentive programme 2010/2015**

An incentive programme has been introduced for senior executives and key personnel in the Group, in accordance with the resolution of the extraordinary general meeting of 8 November 2010. Within the framework of the programme, 1,500,000 stock options, carrying an entitlement to subscribe for an equivalent number of shares in AAK, have been issued to the wholly-owned subsidiary, AarhusKarlshamn Invest AB, and offered for sale to participants in the programme. Around 60 senior executives and key personnel within the Group have so far acquired 1,100,000 stock options. The remaining stock options, which have not been assigned, are reserved

for the future recruitment of senior executives and key personnel to the Group. The incentive programme, which gives senior executives and key personnel the opportunity to participate in the growth in value of the company, are expected to stimulate interest in the growth of the company. The incentive programme is also expected to assist in the recruitment and retention of top-class people. Our market-based valuation has set the subscription price for subscribing to shares through the exercise of the stock options at SEK 188. The stock options are assigned to participants in the programme at market price. The stock options will be eligible for the purchase of shares during the period 1 December 2013 – 1 December 2015.

### **Board committees**

Audit and remuneration issues within the Board are handled in committees, which are to prepare issues arising and submit proposals for decisions to the Board. The tasks and working practices of the committees are determined by the Board in written instructions, which constitute part of the Board's working practices.

### **Remuneration Committee**

In accordance with the Board's working practices, issues of remuneration to the President and senior executives shall be prepared by the Remuneration Committee. The Remuneration Committee prepares and presents proposals to the Board relating to remuneration to the CEO and other senior executives. The final task of the Remuneration Committee is to monitor and evaluate the ongoing programmes for variable remuneration of the company management team, and programmes terminated during the year, as well the application of the guidelines for the remuneration of senior executives and the current remuneration structure and remuneration levels in the company. During 2010, the members of the Remuneration Committee were Mikael Ekdahl (Chairman) and John Goodwin.

The recommendations of the Remuneration Committee to the Board includes principles for remuneration, the relationship between fixed and variable salary, conditions for pensions and severance pay and other benefits payable to the management.

Remuneration to the CEO of the Group has been decided by the Board on the basis of the recommendations of the Remuneration Committee. Remuneration to other senior executives has been decided by the CEO in consultation with the Remuneration Committee. For further information, please see page 33. During 2010, the Remuneration Committee met on two occasions, at which both members attended. The Board's proposal for guidelines for remuneration to senior executives can be found in Note 8 on page 32, and will be put to the Annual General Meeting in 2011 for a decision.

### **Audit Committee**

During 2010, members of the Audit Committee were Ulrik Svensson (Chairman), Martin Bek-Nielsen, Mikael Ekdhahl and Harald Sauthoff. The Committee held four ordinary meetings during the year, at which the company's external auditors and representatives of the management team have attended. Areas dealt with by the Audit Committee have primarily related to planning, scope and follow-up of the audit for the year. Other issues dealt with include risk management, integration and systematics of Group procedures, coordination of insurance issues, corporate governance, internal control, accounting rules, development of the global finance function, financing operations and other issues the Board has requested the Committee to prepare.

Under the provisions of Chapter 8 § 49 a of the Companies Act (2005:551), at least one member of the Audit Committee must be independent in relation to major shareholders in the company, and have expertise in accounting or auditing.

### **External auditors**

AAK's auditors are appointed by the Annual General Meeting. At the Annual General Meeting in 2009, the audit company Price-waterhouseCoopers AB was appointed auditors up to and including the Annual General Meeting in 2013. Anders Lundin, Authorised Public Accountant, was appointed auditor in charge. Anders Lundin also holds the position of auditor to a number of companies, including Electrolux AB, Husqvarna AB, AB Industrivärden, Melker Schörling AB, Loomis AB and Svenska Cellulosa AB SCA. All services requested in addition to the statutory audit

are tested separately, to ensure there is no conflict arising involving independence or disqualification. No agreements with closely related parties exist.

### **Operational management**

It is the task of the President to lead the operation in accordance with the guidelines and instructions of the Board. In conjunction with this, the President shall use the required control systems to ensure the company complies with applicable laws and ordinances. The President reports to the Board meetings and shall ensure the Board gets as much factual, detailed and relevant information as is required for the Board to reach well-informed decisions. The President also maintains a continuous dialogue with the Chairman of the Board and keeps him informed of the development and financial position of the Company and the Group.

AAK's Group management team consists of eleven persons from seven countries: CEO, CFO, HR/CSR and internal communication, Global Technical Manager and President European Supply Chain, as well as six persons in charge of business areas/countries.

The Group management team meets on a monthly basis and deals with the Group's financial development, investments, synergy and productivity projects, acquisitions, Group-wide development projects, leadership and competence supply and other strategic issues. The meetings are chaired by the President, who reaches decisions in consultation with the other members of the Group management team. The Group has a small number of Group employees, who are responsible for Group-wide activities, such as financial performance, tax, IT, internal audit, strategy, investor relations, information and legal issues.

The President and Group management team are presented on pages 60-61. For remuneration principles and salaries and other fees paid to the President and Group management team, please see Note 8 on page 33.

AAK's business areas are Chocolate & Confectionery Fats, Food Ingredients and Technical Products & Feed. The heads of each business area/country are responsible for goals, strategies, product development and day-to-day business issues, as well as for profit, cash flow and balance sheets for the unit in question. The business areas

in turn are organised into different sectors with responsibility for day-to-day business issues. Direction is exercised through internal boards, which meet four times per year. At these meetings, AAK's President/CEO acts as chairman of the board, and the Group CFO also participates. Other executives, such as the Group Controller and Strategist are co-opted as necessary. In all countries where AAK has subsidiaries, a Country Manager has legal charge of the operation. The Country Manager's task is to represent AAK vis-à-vis public authorities in the country, to coordinate operations on the ground, organisation and Group-wide procedures/projects and to ensure that Group-wide guidelines are complied with. For each such country, one member of the Group management team has been appointed to have overriding responsibility for the operation. This person is the superior of the Country Manager, and in most cases acts as chairman of the local legal board.

### **The Board's description of the internal control and risk management relating to financial reporting**

The Board is responsible for AAK's internal control, the overall purpose of which is to protect the owners' investments and the company's assets. The Board shall provide a description of how internal control and risk management relating to financial reporting is organised in a separate section of this Corporate Governance Report. Internal control relating to financial reporting is a process involving the Board, the company management team and personnel. The process has been designed to constitute a guarantee of the reliability of the external reporting. According to the commonly accepted framework (COSO) established for this purpose, the internal control is usually described from five different aspects, which are described below.

The control environment is the basis for internal management and control. Risk assessment and risk management mean that the management is aware of and has itself assessed and analysed risks and threats to the operation. Control activities are the measures and procedures designed by the management to prevent errors from arising and for discovering and correcting errors that do arise.

In order for individual tasks to be carried out in a satisfactory manner, the personnel

in an organisation need to have access to current and relevant information. The final module of the model relates to follow-up of the internal management and the design and effectiveness of controls.

### **Control environment**

AAK's organisation is designed to facilitate rapid decision-making. Operational decisions are therefore made at business area or subsidiary level, while decisions about strategies, acquisitions and overriding financial issues are taken by the company's Board and Group management team. The organisation is characterised by clear division of responsibilities and effective and established management and control systems, covering all units within AAK. The basis for the internal control relating to financial reporting consists of an overall control environment, where the organisation, decision-making routes, authorities and responsibilities have been documented and communicated in management documents, such as AAK's financial policy, raw material purchasing policy, the manual for financial reporting and the authorisation order set by the President. AAK's finance functions are integrated through a joint consolidation system and a joint accounting instruction.

The Group's finance unit works closely and effectively with the controllers of subsidiaries in relation to year-end financial statements and reporting. AAK does not have an internal audit function, as the functions mentioned above fulfil this task well. All of AAK's subsidiaries report on a monthly basis. These reports form the basis for the Group's consolidated financial reporting. Each legal unit has a controller who is responsible for the financial management of each business area, and for ensuring the financial reports are correct, complete and delivered in time for the consolidated reporting.

### **Risk assessment and risk management**

Through its international presence, the AAK Group is exposed to a number of different risks. Risk management within the Group is run in accordance with fixed policies and procedures, which are reviewed annually by AAK's Board. Risks relating to commodities are managed using the Group's raw material purchasing

policy. Risks relating to currency, interest and liquidity are mainly directed by AAK's finance policy. The Group's credit policy directs the management of credit and contract risks. Effective risk management unites operational business development with the requirements of owners and other stakeholders for improvements in control and long-term value.

Risk management aims to minimise risks, but also to ensure that opportunities are utilised in the best possible way. Risk management covers the following risk areas: strategic risks relating to the market and sector, commercial, operational and financial risks, compliance with external and internal regulatory frameworks and financial reporting. The main components of risk assessment and management are identification, evaluation, management, reporting, follow-up and control. For further information about AAK's risk management, please see Note 3 on pages 25-29.

### **Control activities**

The risks identified relating to financial reporting are handled via the company's control activities. The control activities aim to prevent, discover and correct errors and discrepancies. Control activities take the form of manual controls, such as reconciliation and stocktaking, automatic controls via the IT systems and general controls of the underlying IT environment. Detailed financial analyses of the result and follow-up against budgets and forecasts supplement the operation-specific controls and provide overall confirmation of the quality of the reporting.

### **Information and communication**

To ensure the completeness and accuracy of its financial reporting, the Group has adopted guidelines for information and communication aimed at ensuring relevant and significant information exchange within the operation, both within each unit and from and to the management and Board. Policies, handbooks and working practices relating to the financial process are communicated between the management and employees, and are available in electronic format and/or printed format. The Board receives regular feedback on internal control from the Audit Committee. To ensure that external information is correct and complete, AAK has an information

policy adopted by the Board, which states what is to be communicated, by whom and in what way.

### **Follow-up**

The effectiveness of the process for risk assessment and execution of control activities is followed up continuously. The follow-up covers both formal and informal procedures, which are used by those responsible at each level.

The procedures include follow-up of results against budgets and plans, analyses and key figures. The Board receives monthly reports about the Group's financial position and development. The company's financial situation is discussed at each Board meeting, and the management team analyses the financial reporting at detailed level on a monthly basis. At Audit Committee meetings, the Committee follows up the financial reporting and receives reports from the auditors about their observations.

### **Policy documents**

AAK has a number of policies for the operation of the Group and its employees. These include:

#### *Ethics policy*

Ethical guidelines for the Group have been drawn up with the aim of clarifying the Group's fundamental attitude on ethical issues, both within the Group and externally towards customers and suppliers.

#### *Finance policy*

The Group's finance function works in accordance with an instruction adopted by the Board, which provides a framework for how the Group's operation shall be financed, and for how e.g. currency and interest risks are to be handled.

#### *Information policy*

The Group's information policy is a document describing the Group's general principles for releasing information.

#### *Environment policy*

The Group's environment policy provides guidelines for environmental work within the Group.