



Sustainable Growth

AAK Sustainability Report 2017

AAK

The first choice for value-adding vegetable oil solutions

Sustainable growth

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

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

AAK's model for sustainable growth – House of Sustainability – covers the five focus areas Our Customers, Our Suppliers, Our Planet, Our People, and Our Neighbours.

Global team effort

The annual production of an internal GRI report is a global team effort involving staff from various functions at all sites. The GRI report forms the foundation of our Sustainability Report.

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

Scope

This report covers the AAK Group within the scope, including production plants, administrative offices, sales offices, customer innovation centers, and sourcing operations. Environmental data is restricted to the production plants only. Our greenfield plant in Jundiaí, Brazil and the acquired plant in Richmond, California have been added to the scope of this report in 2017. In 2018 we will add our new plant in China to the scope.

Data from established partnerships in Japan and India during 2015 and 2016 are not included. For more information on inclusion of new sites, please refer to page 68.

Throughout the report, AAK colleagues share stories about some of our many CSR initiatives. The report aims at providing a clear picture of how we at AAK work with CSR – our drive towards sustainable growth.

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



AAK in 60 seconds

We develop and provide value-adding vegetable oil solutions in close collaboration with our customers, enabling them to achieve long-lasting business results.

We do so through our in-depth expertise in oils & fats within food applications, working with a wide range of raw materials and broad process capabilities.

Through our unique co-development approach we bring together our customers' skills and know-how with our capabilities and mindset. By doing so, we solve customer-specific needs across many industries – Bakery, Chocolate & Confectionery, Dairy, Foodservice, Special Nutrition, Personal Care, and more.

AAK's proven expertise is based on more than 140 years of experience within oils & fats. With our headquarters in Malmö, Sweden, 20 production facilities and customization plants, our more than 3,300 employees are dedicated to providing innovative value-adding solutions to our customers.

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

[We are AAK – The Co-Development Company.](#)

Operational key figures	2013	2014	2015	2016	2017
Volumes, thousand tons	1,620	1,703	1,833	1,966	2,129
Net sales, SEK million	16,537	17,814	20,114	22,057	26,436
Adjusted operating profit (EBIT)*, SEK million	1,127	1,242	1,411	1,615	1,786
Operating profit, SEK million	1,117	1,262	1,409	1,615	1,786
Operating profit per kilo, SEK	0.69	0.74	0.77	0.82	0.84
Cash flow from operating activities, SEK million	1,300	692	1,736	1,213	1,099
Earnings per share, SEK	17.87	21.15	22.17	23.71	28.24
Equity per share, SEK	105.76	138.51	156.77	177.87	181.23
Dividend per share, SEK	6.00	6.75	7.75	8.75	9.75**
Return on Capital Employed, R12m, %	16.4	16.0	15.7	15.8	15.6

* Adjusted for non-recurring items and acquisition costs

** In accordance with the Board of Directors' proposal



AAK in the world



Our reason for being

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

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

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

A vital ingredient

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

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

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





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Acting CEO:

Building sustainability into our everyday activities

During the past year, AAK has seen some important progress within the sustainability area. In our supply chains we have continued to build on our strong foundations of previous years, we have further reduced the environmental impact of our operations, and we have continued to educate and train our employees in different areas of sustainability. We are proud to share with you, in this annual sustainability report, these and other important achievements.

Sustainable development is fundamental to AAK's business and a key objective of our strategy. For us, sustainable growth is about our responsibility towards our key stakeholders – global and local customers, investors, suppliers, employees, and the communities in which we operate. Building sustainability into our everyday activities is key to achieving our vision of being the first choice for value-adding vegetable oil solutions.

All of our CSR policies and codes are based on the UN Global Compact (UNGC) and furthermore aligned with many of our customers' requirements and values, strengthening our strategic alignment. We also play an active role in supporting the delivery on United Nations' 17 Sustainable Development Goals, adopted in 2015.

To drive sustainability progress we focus our efforts within five areas: Our Customers, Our Suppliers, Our Planet, Our People, and Our Neighbours. Based on market analyses, our stakeholders' objectives and our own ambitions and priorities, we continuously set and achieve objectives within these areas.

Our Customers

Through our unique customer co-development approach we are very close to our customers' businesses and over the years we have established strong customer relationships built on mutual respect and trust. Food safety is an area which is hugely important both to our customers and ourselves and we are proud that all of our production sites are food safety audited and certified in accordance with one or more internationally recognized food safety standards. Furthermore, all of our production sites processing palm oil are RSPO (Roundtable on Sustainable Palm Oil) supply chain certified.

Another 2017 highlight has been the continued progress in the implementation of our Code of Conduct for Agents and Distributors. We have furthermore continued to develop

different e-learning modules on sustainability which we have found to be an efficient way of engaging and training AAK colleagues and making them an even better partner on sustainability for our customers.

Our Suppliers

Another top priority among our customers is the sustainable sourcing of raw materials. Introduced in 2009, the AAK Supplier Code of Conduct is implemented with all of our direct raw material suppliers stipulating requirements within areas such as labor and human rights, environment and corruption.

In addition to our support and full engagement in the RSPO, we continue to implement our own sustainable palm oil policy. The policy outlines our commitments on sustainable palm in general and specifically requirements for no deforestation and no development on peatlands. Despite incorporating a number of new AAK factories, which require time to implement our palm oil policy, traceability to mill remains high. As for palm oil compliance we have during the year completed a qualitative risk assessment of all of our suppliers and geospatial risk assessment of all supplier mills. We also achieved our objective of completing at least five on-site verifications of supplier mills.

Our Kolo Nafaso program in West Africa continues to progress. Kolo Nafaso focuses on support, interest-free micro credits, training, and trading directly with shea-collecting women in the region. More than 130,000 women in Burkina Faso and Ghana are now involved in the program. This is a 10 percent increase compared to the year before and our clear intention is to continue to grow and develop this very successful program.

Our Planet

Our resource efficiency has improved over the last years and this trend continued in 2017. Energy consumption,

calculated per unit processed material, decreased by 3.3 percent despite a strategic decision to increase the production of highly refined products which require more energy to process.

Total direct carbon dioxide emissions per unit processed decreased by 6.3 percent, and both water consumption and water discharge also decreased, by 4.4 and 3.7 percent respectively, when calculated per processed material.

Going forward, our dedicated and responsible global operations organization will continue to work hard to improve our resource efficiency even further.

Our People

At our production sites, Lost Time Injury Rate (LTIR), defined as the number of work injuries that result in one or more days of sick leave per 200,000 working hours, regrettably increased from 0.6 to 0.8. One third of our production sites did not have any Lost Time Injuries during 2017. Lost Day Rate, a measurement of the severity of incidents, decreased from 19.2 to 11.6.

Conditions are very different at our sourcing sites in West Africa and here, both LTIR and Lost Day Rate unfortunately increased compared to the year before.

Due to the undesirable development within safety we have decided to revitalize our Global Safety Team with intensified efforts in achieving a zero-accident culture and risk-free workplace environment in AAK and we expect to see improvements already in 2018.

Our Neighbours

As a global company we contribute to the development of the many local communities in which we operate by creating jobs, paying taxes and doing business with local enterprises. But it takes more than this to truly become part of the communities. Therefore, we have for a long time been active in these communities through sponsorship or through direct participation in projects and activities. We see it as our responsibility and part of our social license to operate to maintain a good relationship with the local

communities and to contribute where it makes sense. In 2017, AAK engaged in a variety of local activities and we will continue to secure integration with the local communities in the future.

Continued sustainable growth

Our efforts to continuously improve our work within sustainability have during the past year been recognized by a number of independent assessors. The Stockholm School of Economics published a report exploring how Sweden's largest listed companies communicate their sustainability work with AAK ranking near the top. We also received the 2017 Sustainability Pioneer Award for our work to promote sustainable sourcing of shea in West Africa via our direct sourcing program Kolo Nafaso.

Furthermore, we recently received a gold rating for our sustainability work from EcoVadis which operates the first collaborative platform providing sustainability ratings and performance improvement tools for global supply chains.

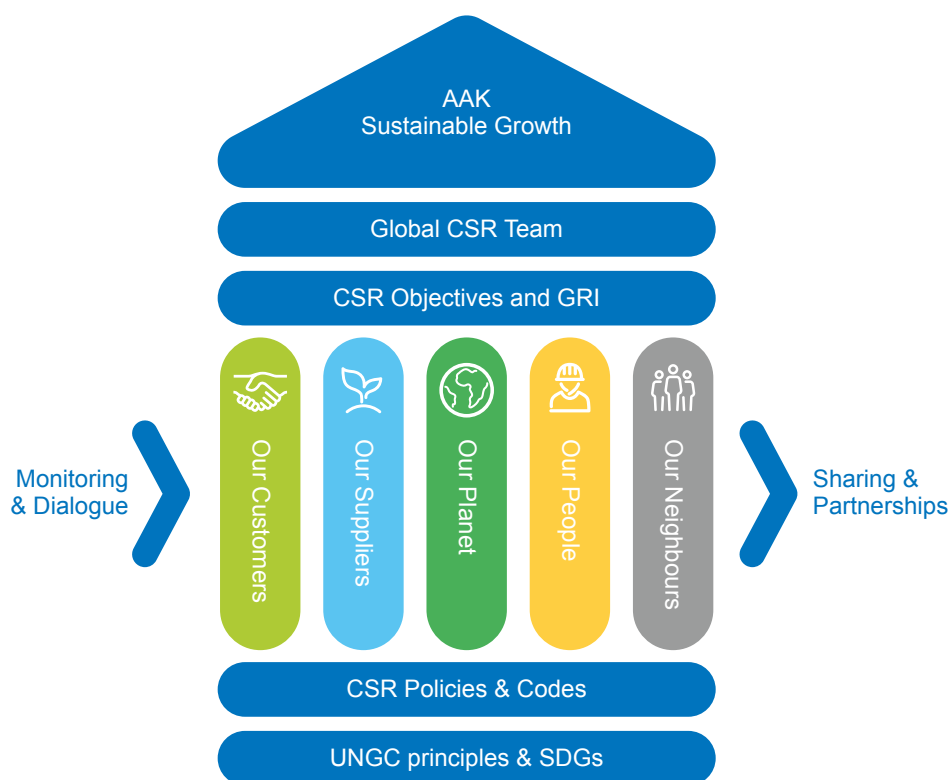
Going forward, we will continue to set and achieve ambitious objectives within our focus areas, we will continue to incorporate and integrate new AAK production sites in our global CSR system and approach, and we will, above all, continue to grow our business in a sustainable way.

Fredrik Nilsson
CFO and acting CEO



Sustainable growth in AAK

Sustainable growth is the key objective of our strategy and essential to our vision of being the first choice for value-adding vegetable oil solutions. For us, sustainable growth is about our responsibility towards all of our key stakeholders – the local communities where we operate, our customers, our employees, our investors, and our suppliers. We are working with a visual model for sustainable growth to guide our global CSR work. The model has been slightly modified over the years and is today known as AAK's House of Sustainability. Furthermore, the substance of the model's individual elements has been continuously developed.



UNGC principles and SDGs

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

In 2015, all member states of the United Nations adopted 17 goals – the Sustainable Development Goals (SDGs) – setting out to end poverty, protect the planet, and ensure prosperity for all. Each goal has specific targets to be

achieved by 2030. As a global company AAK recognizes that businesses have to play an important role in that process and we have decided to include the SDGs in our model. We are developing further ways to support the process and monitor and report on our progress.

CSR policies and codes

AAK's CSR policies and codes are based on the UNGC as well as on our own principles, and are implemented globally for all AAK business activities. The policies and codes are aligned with many of our customers' requirements and values, which strengthens our strategic alignment. AAK's policies and codes are available at our website.

Five CSR focus areas

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

CSR objectives and GRI

To maintain momentum and drive improvement, we define objectives within each of the five focus areas. Achievements and future objectives are publicly available in our Sustainability Report. Further, based on the Global Reporting Initiative (GRI) G4 guidelines we globally monitor indicators of importance to our stakeholders and ourselves. To identify indicators of importance we use the materiality analysis methodology outlined in G4.

Global CSR team

The engine behind all of our CSR activities is our decentralized global CSR team, established in 2007. It consists of local CSR teams possessing competencies covering our CSR scope. The Global CSR Manager reports to the CMO (Chief Marketing Officer) who is a member of AAK’s Executive Committee.

Sharing and partnerships

Sharing our knowledge, objectives and achievements with our stakeholders is a fundamental part of our approach. In our annual Sustainability Report we share global information based on the GRI framework supported by a variety of local

projects and initiatives illustrating how our CSR work comes alive. Further, we regularly report progress on the implementation of our palm oil policy in AAK’s Progress Report on Sustainable Palm Oil. Reports and policies are publicly available at AAK’s website.

The UN Global Compact encourages companies to engage in partnerships to tackle global challenges more effectively. AAK embraces the view that in partnerships you combine competencies and are likely to accomplish more than you could do on your own. Partnering with other businesses, NGOs and governmental agencies are ways to accomplish more. To name a few examples, AAK is participating in or partnering with RSPO (Roundtable on Sustainable Palm Oil), GSA (Global Shea Alliance), and Proforest.

Monitoring and dialogue

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

AAK sustainable growth

Our overall objective is to grow AAK sustainably and progress within sustainability as a whole.

Watch the short animated movie that explains our House of Sustainability on the following link:
<https://player.vimeo.com/video/251287460>





Member of the UNGC since 2003

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 9,500 company members in 161 countries, the UN Global Compact is the world's largest voluntary corporate sustainability initiative. The principles are:

Principles

Examples of AAK commitments

Human Rights



- ◆ Businesses should support and respect the protection of internationally proclaimed human rights; and
- ◆ make sure that they are not complicit in human rights abuses.

- ◆ AAK Code of Conduct is understood, accepted and signed by all AAK employees (page 14).
- ◆ AAK Supplier Code of Conduct is an integral part of the approval system for suppliers and all direct raw material suppliers have approved and signed it (page 23).

Labour



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

- ◆ AAK Code of Conduct regulates interaction with both our customers and suppliers (page 14).
- ◆ Labour rights are addressed in AAK's Sustainable Palm Oil Policy (page 31).
- ◆ AAK monitors labour rights issues globally (page 57).
- ◆ Modern slavery issues are addressed in AAK's statement on Modern Slavery Act (page 23).



Principles

Examples of AAK commitments

Environment



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

- ◆ Local resource efficiency projects completed at all production sites (pages 42–49).
- ◆ AAK decreased its energy consumption by 3.3 percent during 2017 (page 42), and reduced its water consumption by 4.4 percent per processed unit (page 48), and reduced total CO₂ emissions per processed unit with 6.3% (page 44).

Anti-corruption



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

- ◆ Two mandatory e-learning modules addressing anti-corruption have been passed by all employees at risk of encountering corruption (page 57).

Sustainable Development Goals

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

AAK plays an active role in supporting on the delivery of the SDG's. While we already address many of the targets in the 17 goals through our CSR work, Codes of Conduct and policies, we continuously seek to further understand where we can collaborate and fulfill selected initiatives moving forward. As a global producer of value-adding vegetable oils and

Target 8.4: *Decouple economic growth with destroying the environment*

AAK contribution: AAK's Sustainable Palm Oil Policy requires no deforestation or development of peatland and HCV areas (page 31).

Target 8.6: *Reduce the share of youth (15–24) not in education, training or employment*

AAK contribution: AAK's trainee program (page 53).

Target 8.8: *Protect labour rights and ensure stable working environments*

AAK contribution: AAK has been a member of the UNGC since 2003 and AAK's Code of Conduct and Supplier Code of Conduct address labour rights and working environment (pages 6–7, 14, 23).

Target 8.10: *Encourage and expand access to banking*

AAK contribution: Opening bank accounts for the women group members of Kolo Nafaso (page 28).



Target 7.3: *Improvement in energy efficiency*

AAK contribution: Continuous improvement in our energy efficiency (page 42).



Target 3.2: *End preventable deaths of newborns and children under 5 years of age*

AAK contribution: AAK produces customer co-developed oils and fat solutions for special nutrition products and continuously contributes to the research of optimizing these products (page 18).

Target 3.3: *End communicable diseases*

AAK contribution: AAK supports employees in West Africa with mosquito nets in order to prevent malaria infections (pages 27, 54).



Target 2.3: *Increase productivity and income for smallholders*

Target 2.4: *Ensure sustainable agricultural practices*

AAK contribution: AAK continues to educate the smallholders in West Africa, Malaysia and Indonesia in good agricultural practices which improve their income (page 27, 33, 35).



Target 1.2: *Reduce poverty in all its dimensions according to national definitions*

AAK contribution: Smallholder inclusion in our supply chains for shea, palm and coconut offers access to global markets (pages 27, 33, 35).

Target 1.4: *Equal right to economic resources, access to land, natural resources and banking*

AAK contribution: AAK continues to offer an increasing number of micro credits and bank accounts through our program Kolo Nafaso in West Africa (page 28).



fats solutions we have identified our global supply chains as an opportunity as well as a responsibility to do our part to achieve the SDGs. Therefore, we have monitored our progress regarding the SDGs we already support as well as

broadened our scope. AAK is now contributing to 10 of the 17 SDGs. We will keep monitoring the process and progress as we go forward.



Target 9.1: *Develop quality, reliable, sustainable and resilient infrastructure*
Target 9.3: *Increase the access of small-scale industrial and other enterprises to value chains and markets*
AAK contribution: AAK provides transport for smallholders connecting them to global markets within the shea and coconut supply chains (pages 26–28, 34–35).



Target 12.3: *Reduce food waste*
AAK contribution: With innovative vegetable oils and fats solutions and through our customer co-development approach, AAK focuses on, among other things, developing solutions that increase products' shelf life and reduce packaging through improved transportation solutions (page 19).
Target 12.5: *Reduce waste*
AAK contribution: AAK's target is that in 2018 less than 1.5% of the waste should be disposed as landfill/deposit (pages 45, 70).
Target 12.6: *Integrate sustainability in reporting cycle*
AAK contribution: Published sustainability reports annually since 2009 and palm oil progress reports twice a year since 2014.



Target 15.2: *Stop deforestation. Reforest*
AAK contribution: AAK's Sustainable Palm Oil Policy requires amongst others no destruction of forested areas and High Conservation Value areas. (page 31).



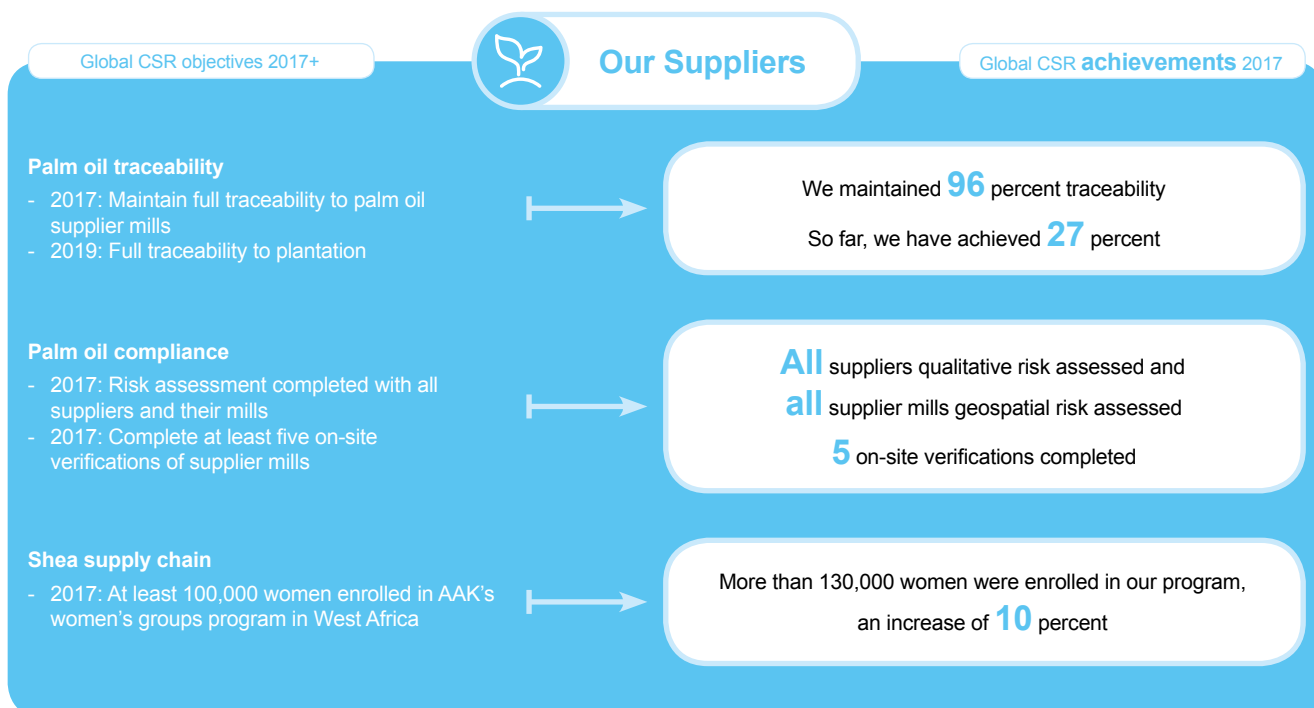
Target 16.5: *Substantially reduce corruption and bribery in all their forms*
AAK contribution: AAK provides mandatory e-learning courses for all employees at increased risk of encountering corruption (page 57).



Target 17.16: *Global multi-stakeholder partnerships*
AAK contribution: AAK is engaged in several global partnerships including UNGC, RSPO, Global Shea Alliance, and Proforest (pages 5, 6, 31).

Global CSR achievements 2017

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



Global CSR objectives 2017+



Our Planet

Global CSR achievements 2017

Waste

- 2018: Less than 1.5 percent of waste disposed as landfill/deposit



Waste to landfill amounted to **2.2** percent

Global CSR objectives 2017+



Our People

Global CSR achievements 2017

Safety

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



Lost Time Injury Rate (LTIR):

Production sites: LTIR at **0.8**

West Africa: LTIR at **1.2**

Global CSR objectives 2017+

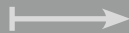


Our Neighbours

Global CSR achievements 2017

Local engagement

- 2017: Engaging in relevant local projects and activities
- 2017: Further develop AAK's smallholder approach



All sites engaged in local community activities
AAK further developed several smallholder approaches

Additional global CSR achievements 2017

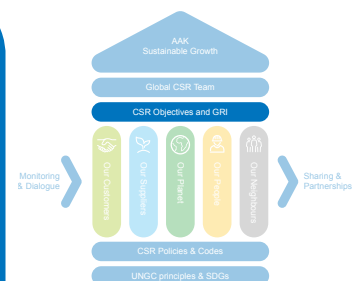
Relentless efforts to use resources more efficiently resulted in additional achievements in 2017, such as:

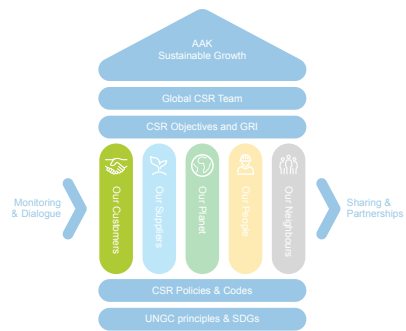
3.3 percent decrease in energy used per processed unit

6.3 percent reduction of total direct CO₂ emissions per processed unit

4.4 percent reduction of water consumption per processed unit

3.7 percent reduction of water discharge per processed unit

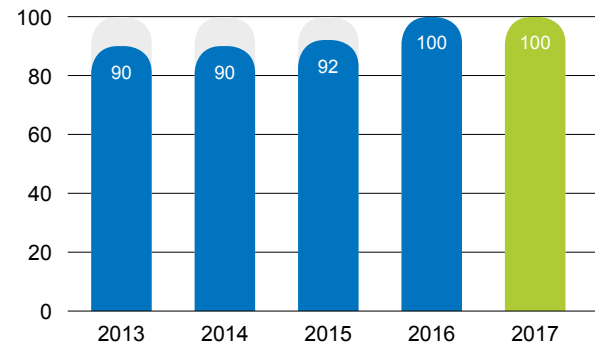




Key achievements

RSPO supply chain certification

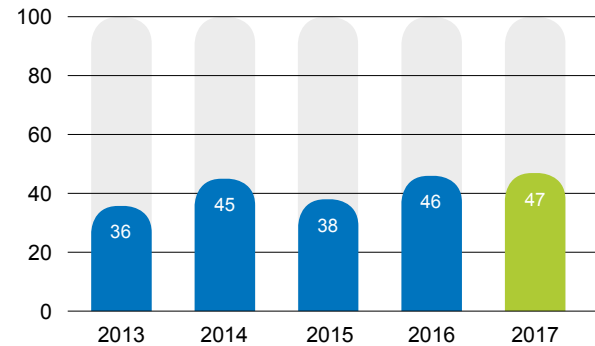
Percent of production sites*



*Production sites processing palm oil

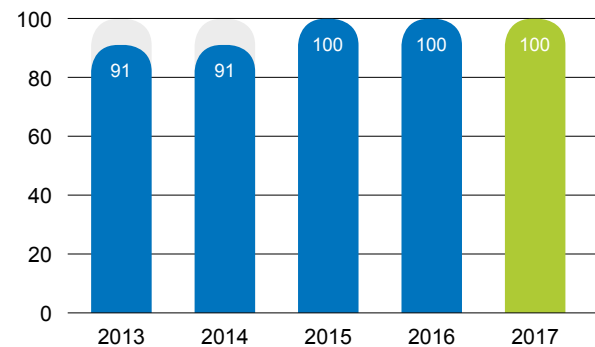
ISO 14001 certification

Percent of production sites



Food safety certified

Percent of production sites



Our Customers



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

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

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

Our Customers achievements

AAK Code of Conduct for Agents and Distributors

After successfully implementing our Code of Conduct with all employees, and our Supplier Code of Conduct with our raw material suppliers, we began implementing our Code of Conduct for Agents and Distributors in 2014. In 2017, we achieved 82 percent implementation which is a two-percent increase compared to the year before. The implementation percentage for 2017 also includes agents and distributors related to our joint venture in India.

E-learning courses

Our e-learning module on responsible shea was launched during the fourth quarter of 2016 with the ambition that 100 percent of all relevant employees should have passed it at the end of 2017. We achieved 87 percent. The remaining employees will pass the course in 2018.

We launched our e-learning module on CSR in AAK during the third quarter of 2017 with the ambition that 80 percent of all relevant employees should have passed it by December 31, 2017. By the end of the year 83 percent of the target group had passed the course.

AAK receives highest possible sustainability rating by EcoVadis

In January 2018, EcoVadis awarded AAK a GOLD rating for our work within sustainability. EcoVadis is a collaborative platform enabling companies to monitor the sustainable performance of their suppliers. AAK was assessed on Environment, Labor practices, Fair business practices, and Sustainable procurement, and our performance score placed us among the top 5 percent of all companies assessed. This was the second year in a row that AAK receives a GOLD rating from EcoVadis.





A matter of trust

AAK Code of Conduct

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

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

Food safety

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

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



Third-party certification of AAK production plants

- 100** percent of AAK plants are certified to one or more internationally recognized food safety standards (FSSC 22000/ISO 22000/BRC)
- 100** percent of sites handling palm oil have RSPO Supply Chain Certification
- 60** percent of sites are members of Sedex and have passed the ethical audit SMETA
- 47** percent of sites are quality management certified according to ISO 9001
- 47** percent of sites are environmentally certified according to ISO 14001

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

Valued product information for our customers

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

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

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

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

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

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



Sharing knowledge with our customers

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

Insight – AAK's customer magazine

At AAK our aim is always to inspire our customers and give them an insight into our capabilities and solutions. One way of doing this is through our customer magazine Insight. The content of the magazine varies, but usually includes features which for example shed light over market dynamics, and stories in which we go behind the AAK scenes to explain how new products have been developed. In every edition there is a section providing customer success stories originating from our unique co-development approach. We also include stories from external sources that may relate to trends or scientific publications which impact our value proposition to the market – the delivery of value-adding ingredients.

The magazine is highly appreciated among customers, and investors also see it as a good way of receiving information about AAK. It is available both in a printed version and as an e-book that can be found at our website, www.aak.com. It is distributed globally and is used as a marketing and sales tool in the dialogue with our customers – at trade fairs, exhibitions or regular customer meetings.





AAK ACADEMY™ – the knowledge center for lipid technology



Over the course of more than 140 years we have gathered extensive knowledge on the functionality of value-adding vegetable oils as an important food ingredient. At the AAK ACADEMY™ we want to share our knowledge about oils and fats technology when applied within specific food applications. Our ambition is that this will strengthen the collaboration with our customers and create lasting business value for both parties.

Whether customers are looking into elevating the healthiness of their products, securing that edge of sustainability, launching new products with unique functional and organoleptic characteristics, or improving the cost efficiency of their production, the AAK ACADEMY™ will equip them with the tools and knowledge that are needed to upgrade or enlarge the product portfolio. A successful AAK ACADEMY™ leaves our customers with a more holistic understanding of the application of value-adding vegetable oil solutions and how to realize that impact across the value chain, resulting in an even better consumer experience.

The two-day AAK ACADEMY™ strikes a balance between theoretical lectures and practical hands-on sessions in our specialized customer innovation centers for the following industry segments:

- ◆ Chocolate & Confectionery
- ◆ Bakery
- ◆ Dairy & Ice cream
- ◆ Special Nutrition (Infant, Medical and Senior Nutrition)
- ◆ Personal Care

We also offer a tailor-made AAK ACADEMY™ for individual customers upon request.





” Healthy solutions

Human life is dependent on nutrients to maintain and support good health. Oils and fats are macronutrients with the highest energy density known in foods. They also contain essential fatty acids which humans cannot live without. This is where the story of AAK’s segment Special Nutrition begins.

Special Nutrition operates in alignment with Sustainable Development Goal 3: “Good health and well being” by developing highly specialized solutions for customers within Infant, Senior and Medical Nutrition.

When requirements for special diets are asked for, formulators look into possible ways of administration and tailor the fatty acid profile for the specific purpose. For the most sensitive ones, newly born and preterm born babies, mother’s milk is always the first choice. However, for different reasons, parents and caregivers rely on infant formula as a complement or as the complete feed. Here, babies are helped by advanced and bioactive lipids. The phospholipids in AAK’s range are designed to protect the baby’s yet undeveloped intestines and to mimic mother’s milk in composition in order to safeguard a healthy development of the brain and the nervous system. Omega-3 balanced medium chain triglycerides offer additional support and are an excellent energy source, also when formulated into nutritional drinks for

older children. To develop and maintain a healthy individual, optimal ratios of omega-3 and omega-6 fatty acids are to be considered in the diet, and at AAK we have through our co-development approach the skills to assist our partners.

Even in advanced medical applications, such as parenteral nutrition, which is nutrition delivered directly into the blood stream, AAK is a pioneer in helping the global population with safe, proven, essential lipids. Beginning already in the 1970s, we supplied lipid knowledge and solutions that were commercialized by our partners who made them available to the medical sector. The knowledge about lipids’ role in medical nutrition has grown ever since. For example the right fats are now also known contributors to limit inflammatory effects.

Lifestyle-induced illnesses are soaring and create challenges for our societies. Proactive healthy living is a mainstream trend in the West and many choose an active approach to wellness. This together with an aging human population, the potential of making first-rate nutritional products into indulgent recipes is greater than ever.

Catharina Aaröe
Product & Marketing Manager Special Nutrition, AAK Sweden



” AAK contributes to reduce food waste

The waste of food in the supply chain and at consumers' disposal is a major sustainability issue for several reasons.

One third of human-caused greenhouse gas emissions is caused by agricultural production (Nature, doi:10.1038/nature.2012.11708), and up to one third of the global food production is wasted in one way or another (FAO, 2015). This means that close to 10 percent of human-caused greenhouse gas emissions is caused by food waste, which could have been avoided. The fact that food for human consumption is wasted is, of course, also a big problem from a nutritional and economic perspective.

Food products are wasted for a number of different reasons: because they have microbiologically or chemically deteriorated, because they are no longer appealing to consumers, or because they get spoiled during production.

AAK constantly works to reduce food waste, both in our own supply chain and at customer and consumer levels. The solutions we develop protect food ingredients well, ensuring a high stability during storage and transportation without re-processing, which reduces food waste and energy consumption.

Vegetable oil-based ingredients are used as lubricants and release agents in several food industries, replacing mineral oil-based lubricants to avoid contamination with mineral oil

residuals in the food products. Poor release from molds or conveyer belts easily destroys for example bakery products during production, resulting in food waste or, at best, energy-consuming re-processing.

Finally, consumer products may be wasted because consumers find them unappealing for different reasons, thereby rejecting them. Our product development is targeting improved stability and prolonged shelf life by providing light and appealing creams which don't contain water and which are therefore much more microbiologically stable.

The main challenge related to oils and fats when it comes to consumer acceptance is changes in structure and appearance caused over time because of migration of water and oil between different parts of the food products. AAK continuously works to solve these challenges in specific food products by minimizing and controlling the migration and by ensuring that the incompatible oils and fats are not mixed. An example of an AAK innovation is TROPICAO™. At higher temperatures, the TROPICAO™ solution is specifically beneficial to decrease the risk of bloom in chocolate – preventing a delicious chocolate being wasted in the sun.

Karsten Nielsen
Chief Technology Officer, AAK Group

” Special trailers for shortening fats

The transport of shortening fats follows very specific conditions and requirements when it comes to safety and environment. To make sure that AAK Belgium keeps up with market demand, it set out, together with logistics providers Wemmers and Van Hool, to develop a new, state-of-the-art trailer. The process started in April 2015 and now the first two of these unique trailers are travelling around Europe delivering solutions to our valued customers.

These trailers offer 60 percent more capacity compared to the trucks that have previously been used. The new trucks furthermore have top-class optimization on safety, both on the road and during loading and unloading. The two outer tanks can reach an angle of 90 degrees, which is necessary for AAK's special shortening to be delivered. Tipping is done with double protection and the trailers are adapted to the loading platforms of AAK Belgium.

Before the trailers were available the shortening was shipped using much smaller trucks of 12–15 MT resulting in a non-optimal use of each transport of goods as well as fuel. The new trailers are making optimal use of the

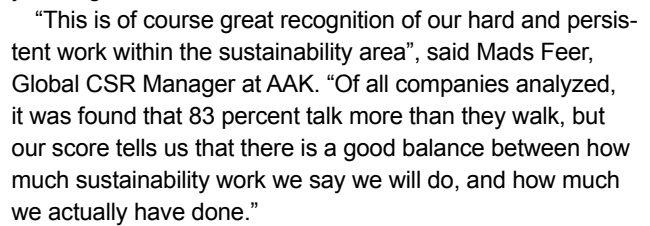
European road traffic regulations and are able to transport a maximum load of 28 MT divided over three tanks. This allows us to deliver higher volumes of our specialty shortening without extra packaging directly to our customers' factories.

The trailers are a result of great co-development between AAK Belgium, the suppliers Wemmers and Van Hool and our customers. AAK Belgium is very proud to be able to meet the needs of our customers with these new trailers.

Mart Vogelzang
Quality Environment Safety Health Manager, AAK Belgium

San Tickle
Procurement Manager European Supply Chain, AAK Belgium





AAK receives the 2017 Sustainability Pioneer Award

AAK's work in West Africa to promote the sustainable sourcing of shea, via the Kolo Nafaso direct sourcing program, has been recognized with a 2017 Sustainable Beauty Award. The Sustainability Pioneer Award, one of five categories with each reflecting a key aspect of sustainability, honors an operator in the beauty industry that is a leader in some aspect of sustainability. The award was presented to Carsten Jæger, Global Marketing Director, AAK Personal Care, at a reception hosted in Paris, France.

"We have a high level of loyalty among the women and villages that are engaged in our direct sourcing program, and the number of women is growing every year", said Carsten. "The satisfaction of the engaged women comes from, among other things, the improved financial conditions that they enjoy from trading directly as well as the education, operational support and logistical support that they get from AAK."

The AAK direct sourcing program operates in Burkina Faso and Ghana, providing over 130,000 local shea-collecting women with access to pre-financing, training and logistical support. The initiative delivers better working conditions and improved livelihoods for participating women, empowering them to make positive choices that contribute to the socio-economic development of the wider population, as well as enhancing the quality and securing future supplies of shea – a 'win-win' outcome all around.

"AAK is a deserved winner of the Sustainability Pioneer Award for its work on sustainable sourcing of shea", said Amarjit Sahota, President of Ecovia Intelligence and organizer of the Sustainable Beauty Awards. "By working directly with the women in West Africa, the company is creating positive social impacts whilst developing sustainable ingredients."

” The partner for the right sustainable solution

At AAK, we put customers first and that is why "Our Customers" is the first pillar in our model for sustainable growth. Through our unique co-development approach we are very close to our customers' businesses, and therefore we have a singular understanding of our customers' needs and what role we can play to meet them.

In 2017, we saw an increase in the demand for highly sustainable solutions. An increasing part of the dialogue with our customers was therefore focused on developing the right solutions with the right sustainability standards for their specific needs. This was especially the case for the global consumer goods companies as well as our European and North American customers.

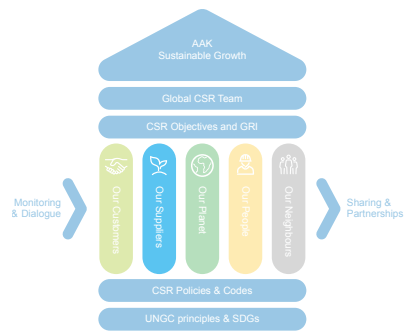
The key topics were our responsible sourcing practices for our many raw materials, and the different solutions that we provide. As a multi-oil company we have been approached for solutions beyond palm oil, especially for the European market. From a sustainability perspective it has proven

important that we fully understand the reason for the request so we can guide our customers to the right solution, regardless if it's palm or non-palm based.

Our aim is to support our customers in safeguarding their brands and making the best possible sustainability choices. Therefore, we have put a lot of effort into ensuring that our Sales Managers and Customer Innovation Managers can be good sparring partners for our customers. This has been done through extensive training, identifying champions in the organization to support them, and providing the right materials and tools to help them identify or develop the best solutions. Our many Customer Innovation Centers globally have also played a key role in ensuring that the solutions are right both from a sustainability point of view and with regards to the right functionalities for our customers' applications.

Anne Mette Olesen
Chief Marketing Officer, AAK Group

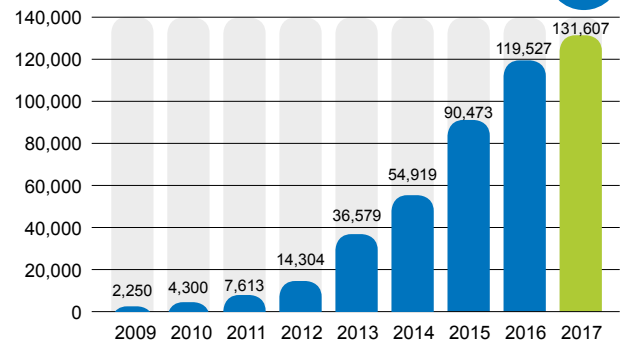




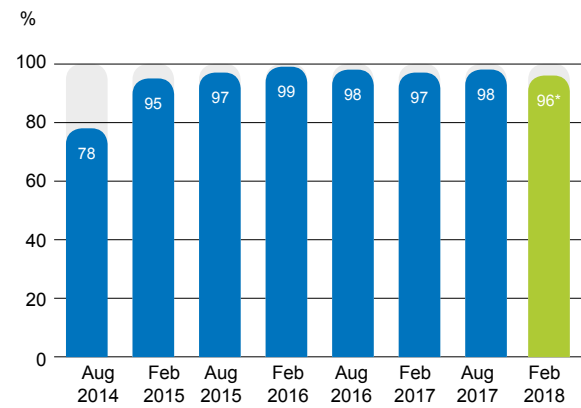
Key achievements

Number of women enrolled in Kolo Nafaso

10%

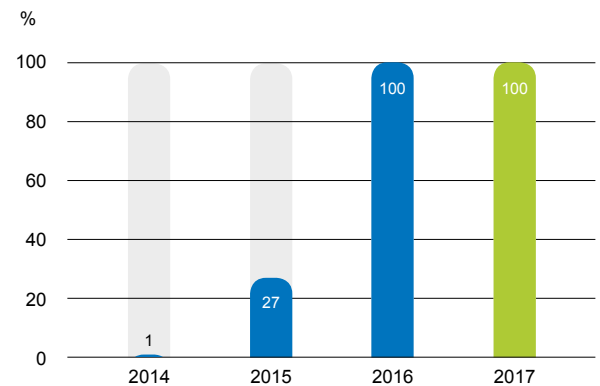


Traceability to mill



* Traceability to mill remains relatively high as it includes all palm oil and palm related products. Increased volumes in markets that require time to implement AAK's Palm Oil Policy and high standard of traceability.

Geospatial risk assessment palm oil volume



Our Suppliers



Our Suppliers covers activities related to the sourcing of raw materials needed by AAK in its production plants. AAK is a multi-oil company and the responsible sourcing of raw materials is the backbone of our business and a key element in our strategy. The combination of the right raw materials and our co-development approach is key to the wide range of solutions offered. AAK places equal emphasis on how our raw materials are produced. For this reason AAK implemented a Supplier Code of Conduct that, together with other policies, applies to AAK's direct raw material suppliers worldwide.

AAK Supplier Code of Conduct

Introduced in late 2009, the AAK Supplier Code of Conduct is now implemented with all direct raw material suppliers. The Supplier Code of Conduct is an integral part of the approval system of new raw material suppliers and compliance with the Code is a prerequisite for final approval.

In West Africa, the Code has been implemented in a different way due to various linguistic and cultural challenges. Because ethical requirements in business relations are not a widespread tradition in the region, more meetings and explanations are required to achieve the necessary understanding.

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

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

AAK Statement on Modern Slavery Act

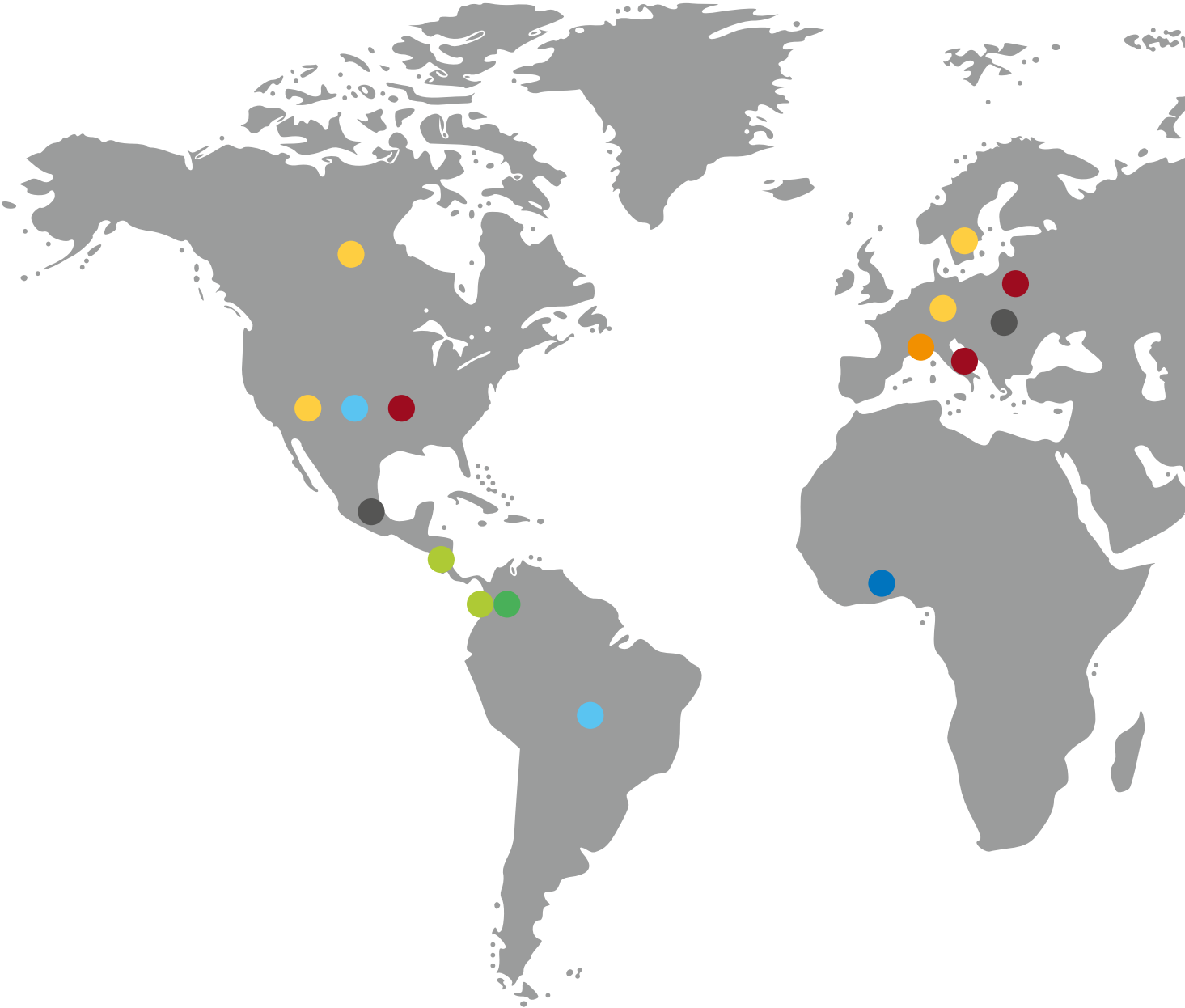
AAK supports the United Kingdom Modern Slavery Act 2015 and its objective to eradicate forced labor and human trafficking in companies and their supply chains. The core of the act is a requirement for companies to publish an annual statement in which they explain the steps they have taken to prevent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

In January 2017, AAK published its Statement on the Modern Slavery Act describing the various initiatives implemented over the years originally derived from our membership and commitment to the principles of the United Nations Global Compact.

The AAK Statement on the Modern Slavery Act can be found at AAK's website under Sustainable growth / Statements.



We source raw materials from all over the world:



● Rapeseed and rapeseed oil

● Palm oil

● Palm kernel oil

● Olive oil

● Soya bean oil



Northern and Central Europe, Canada, US, Australia and China



Asia and Central and South America



Asia and South America



Southern Europe



US and South America



Natural raw materials

We obtain our raw materials from shea, palm, coconut, rapeseed, soya, sunflower, olives and many other sources. Drawing on our extensive knowledge, and more than a century of experience, we exploit the properties of vegetable oils to add value to customers within our target industries.

● Sunflower oil



Eastern Europe, Mexico and China

● Shea kernels



West Africa

● Corn oil



America and Eastern and Southern Europe

● Coconut oil



The Philippines, Indonesia and India



Shea

– a sustainable raw material

Shea as raw material

The shea tree is a wild tree growing in the shea belt, across Africa south of the Sahara. Countries with the highest population of shea trees, which are indigenous to Africa, include Benin, Burkina Faso, Ghana, Ivory Coast, Mali, and Togo.

Shea is a very sustainable crop. The trees on which shea kernels grow require no use of fertilizers or pesticides. Shea trees do not grow in plantations, partly because of the very long maturity period. However, trees are allowed to grow in crop fields in a farming system called agroforestry. This farming system has existed for centuries and has proven to be very sustainable.

Traditionally, it is women who collect and process shea kernels. Edible fruit fall from the trees in a period when there are few other crops being harvested, which makes shea an essential nutrition source. Part of the shea crop is also sold, providing an important source of income. The women not only spend money earned to alleviate poverty and hunger, they also invest in their children's education and other income-generating activities.

AAK as market leader

AAK has more than 60 years of experience sourcing shea kernels from West Africa. Working in close cooperation with shea traders and women's groups, AAK has built a solid and durable sourcing set-up across the shea production areas as well as logistical hubs in the coastal areas. In 2017, AAK's supply chain in Benin and its production site in Aarhus, Denmark passed the ISCC (International Sustainability & Carbon Certification) audit and received certification for the second time.

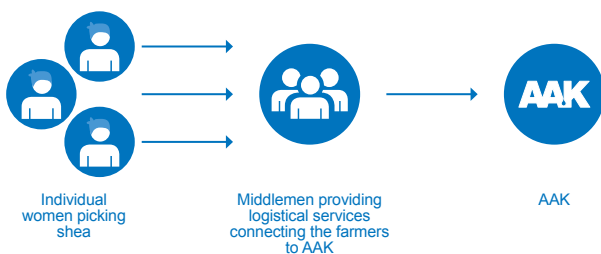
The traditional supply chain for shea is long and complex, with many middlemen between AAK and the women in the bush. Many of these middlemen have a logistics function moving kernels from the rural areas to the bigger towns. It's a well-functioning supply chain, providing an income to millions of people in West Africa.

As market leader in the shea industry, AAK has taken responsibility and engaged directly with the women producers of shea kernels in our direct sourcing program called Kolo Nafaso.

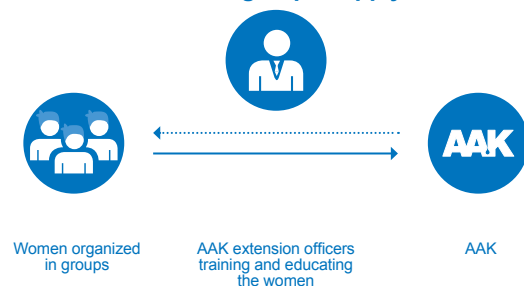
Contributes to:



Traditional shea supply chain



AAK's women groups supply chain



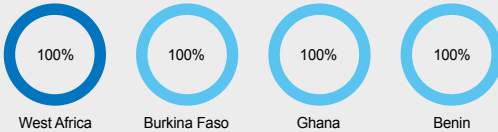
AAK Shea DASHBOARD



TRADITIONAL SUPPLY CHAIN

Supplier engagement

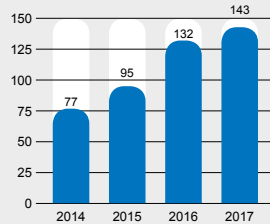
% of suppliers having signed the code of conduct



Employee statistics

West Africa

Number of permanent AAK employees in West Africa

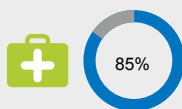


86% increase between 2014 and 2017

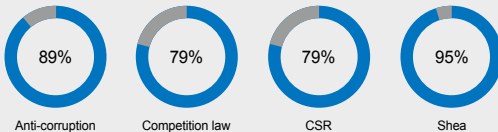
% of employees having signed the AAK code of conduct



% of employees trained in first aid



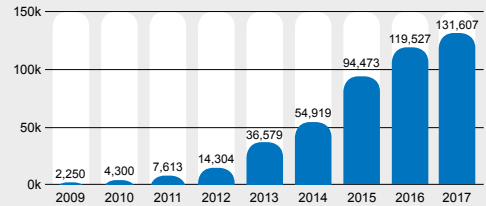
% of target group trained



KOLO NAFASO (women's groups)

Traceability to women's groups level

Number of women enrolled in Burkina Faso and Ghana

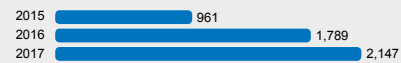


100% traceable and segregated*

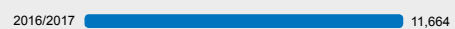
* The shea kernels from the women's groups program (Kolo Nafaso) are fully traceable to women's groups level and kept separated from the ones from the traditional supply chain all the way from sourcing to end product.

AAK engagement

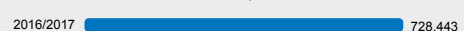
Number of bank accounts AAK has opened for the women's groups



Number of village visits by AAK extension officers



Number of kilometers driven by AAK extension officers



Number of rocket stoves built



Kolo Nafaso – empowering women through business

Responsible sourcing is key to AAK regardless of what is being sourced. In 2009, AAK initiated a project to further enhance responsible sourcing of shea kernels in Burkina Faso. The initial project was designed as a win-win concept between women collecting shea kernels and AAK. It was called Kolo Nafaso, meaning “the house of benefits of shea kernels”. What was initially a project has developed into an integrated way of doing business for AAK and thus not just a CSR project. Deemed a success in Burkina Faso, a similar

program was set up in Ghana in 2015, showing commitment to continue the way of working directly with the women. AAK employs extension officers who work directly with the women in the bush. The extension officers constantly educate both new and more experienced women's groups in how to process shea kernels to obtain a good-quality product in order to optimize the women's income. During the season, the extension officers pay more than 11,000 village visits across Burkina Faso and Ghana. They drive what is

equivalent to 18 times around the globe for these visits. It is done, among other things, to train the women in organizing themselves, benefiting from standing stronger as a group and thereby building capacities within local communities, which can be applied outside shea as well.

An essential part of the good relationship between AAK and the women are the interest-free micro credits given in the months when crops are limited and income scarce. To underline the relationship, AAK enables the women to open up bank accounts with reputable banks, which is how the micro credits as well as payments are facilitated. These

accounts can also work as a basis for the women to make savings in the future.

The number of women being enrolled in the Kolo Nafaso program has grown gradually over the years. More than 130,000 women are now part of the Kolo Nafaso family and there are still many who would like to join the program. Kolo Nafaso is here to stay and the ambition is to gradually grow the direct trade with the women.

Kasper Torup-Villadsen
Head of Sourcing & Logistics, West Africa

” Bank accounts for the women’s groups

Many of the women’s groups that AAK works with are located in remote rural areas, often far away from a town. The roads in West Africa are not always safe and it is risky to transport cash through the bush.

Therefore, AAK has facilitated the opening of bank accounts for the women. So far, we have opened more than 2,147 bank accounts for the women’s groups in Ghana and Burkina Faso. These bank accounts are savings accounts with high savings interest rates so the women can save their profits in a safe place. Furthermore, we are able to make fast payments, which are highly appreciated by the women.

“

“We are a group of 30 women. We have worked with AAK for three seasons. During the first season, we had access to a bank account together with other groups of our village. It was really difficult to deal with because the other groups did not respect the agreement. At that stage, we were very happy not to carry cash around, avoiding dangerous situations. We were happy to feel safer.

Two years ago, we opened our own bank account with the help of AAK. Before, we did not know what to do with the profit of our activities. We were used to distribute it to the members. Now we keep it in the bank account. When a member of the group is in need, for example if she has to buy medicine for her child, we can give her or lend her some money from the bank account, and she will reimburse when she is able to.”

*Somé Adèle, Secretary of the group Ignè, and
Dabiré Elisabeth, Treasurer of the group
Village Dissin, Burkina Faso*

In fact, within many of the groups that AAK works with, the bank accounts have fostered solidarity between members. In many groups, a solidarity system has been put in place after a group opened a bank account.

“

“Since we have a bank account we are thinking about asking the bank for a loan for a common project.”

*Somé Christine
Président of the group Igné
Village Dissin, Burkina Faso*



Contributes to:



Stove project

In 2016, AAK strengthened its focus on environmental sustainability by training women to build and use rocket stoves. A pilot rocket stove project was launched in September 2016. It highlighted the importance of wood consumption in the daily lives of women involved in our Kolo Nafaso program. For these women, wood is their first source of energy and 72 percent of them collect the wood from the bush.

AAK conducted several tests with regards to rocket stoves. The results demonstrated that cooking with a homemade rocket stove saves from 33 to 65 percent of wood depending on the size of the stove. The small stoves used for cooking save 33 percent of wood, and the big stoves that are used to boil shea kernels save 65 percent of wood, meaning 65 percent less CO₂ emissions.

In 2016, AAK built 306 rocket stoves. In 2017, the project was rolled out on a bigger scale and more than 1,300 stoves were built. We aim to keep up the momentum and maximize the positive environmental impact this project can have.



“Made with local materials such as cow pats, dried straw and termite sand, this zero-cost solution is a real opportunity for the women we work with not just to save wood but much more than that.”

Aude Traore
Program Manager, Burkina Faso

33–65% reduction of wood consumption

Up to 65% reduction of CO₂ emissions

1,320 stoves completed in 2017

Improved stoves for a better daily life

While initially designed as an instrument to mitigate environmental degradation and fight desertification, the improved stoves have also demonstrated everyday advantages to the women who use them.

On a normal day, women do not often have the opportunity to rest. They are responsible for preparing the food, caring for their children, fetching water, gathering wood, and also helping the family with farming and gardening. For them, when they can cook quicker because of the improved stoves, it is a valuable benefit.



“Before, I was using only the three-stones stove. Now, I have built two rocket stoves and I only use them. It is really good for us. Before we had to walk far to collect the wood. But with the rocket stove, I don’t need to go to the bush as often because I use less wood.”

Mariam Ouedraogo
Member of the group Relwende
Village Niolo Niolo, Burkina Faso



“I’m really happy because I cook quicker with the rocket stove. If I cook quicker, it means that I have more time during the day to do other activities that I like or I can rest a little. There is also less smoke and less risk for me and my children to get burnt.”

Awa Ouedraogo
President of the group Relwende
Village Niolo Niolo, Burkina Faso



“I have a small restaurant. When AAK proposed this training, I was interested in building the bigger stove for my restaurant. Thanks to the trainers, I have built stoves for my restaurant and at home. Before, I needed three piles of wood to cook, one in each opening. Now, I only use one. I buy the wood from other women. I really save money with the rocket stove and get a better income from my restaurant.”

Fatoumata Ouedraogo
Member of the group Relwende
Village Niolo Niolo, Burkina Faso

Palm

– progressing towards full sustainability

Palm as raw material

The oil palm grows optimally in tropical regions around the equator. Due to expansion of plantations, the majority of the world's oil palms are grown in Malaysia (29 percent) and Indonesia (54 percent), while countries in Latin America, Thailand and Western Africa also contribute. Total palm oil production was approximately 68 million tons in 2017 and is expected to increase towards 80 million tons within a few years.

The oil palm is the most efficient vegetable oil crop in terms of land use, compared to any other oilseed crop, producing on average 3.8 tons per year per hectare. Oil palm accounts for only 6.6 percent of the world's cultivated land, but produces 38.7 percent of the world's production of vegetable oil.

Palm provides an income directly to the local communities

Oil palm provides an income for millions of people in the regions where it is grown. It is estimated that about 40 percent of the global oil palm production is produced by smallholders, while the rest is produced by bigger corporate plantations with many employees. The typical smallholder is a small-scale farm with 2 to 50 hectares of planted crop, and the farm is usually family owned and driven.

Importance to AAK

Palm oil is the most widely used vegetable oil in the world and it is used in a wide variety of applications. Because of its functional characteristics and nutritional aspects it is a unique crop. Palm oil gives texture and stability in food applications whilst ensuring a neutral smell or taste. It consists of almost evenly balanced saturated and unsaturated fatty acids and is used to replace industrially produced trans fats. It is also widely used in non-food products such as soap, candles and cosmetics. More than half of all products in the supermarket contain palm oil or palm-derived ingredients.

For AAK, palm oil, palm kernel oil and its derivatives are crucial raw materials in our portfolio of vegetable oils in order for us to meet our customers' requirements.





Sustainable palm oil

Global population growth, increasing income levels and increasing use of palm oil in biofuels continue to drive the demand for palm oil to higher levels. This increase, however, can be achieved without additional social and environmental costs. AAK acknowledges its role in driving a more sustainable approach to palm oil. We have been pursuing this goal ever since we co-founded the Roundtable of Sustainable Palm Oil (RSPO) in 2003.

AAK's sustainable palm oil policy is founded on:

- support for the Roundtable on Sustainable Palm Oil (RSPO)
- traceability to mill and plantation
- no development on High Conservation Value (HCV) areas
- no High Carbon Stock (HCS) deforestation
- no development on peatland
- Free, Prior and Informed Consent (FPIC)
- inclusion of smallholders in the supply chain

Within AAK we continue to work on making our palm oil supply chain more sustainable by focusing on traceability (to mills and plantations), doing risk assessment of our suppliers and their mills, following up with on-site audits and grievances where relevant, all of this in partnership with Proforest. Progress is monitored in our dashboards which are featured in our bi-annual progress reports.

For more detailed information regarding AAK's progress on sustainable palm oil, palm oil progress reports are available at our website.

Increased transparency

As part of our continuous improvement journey we have published our universe of mills list at our website. We believe that with this initiative we meet the increased transparency needs of our customers, their customers and other stakeholders.

To access the list of mills please go to: <https://aak.com/siteassets/sustainable-growth/aak-public-mill-list.pdf>

Palm oil DASHBOARD

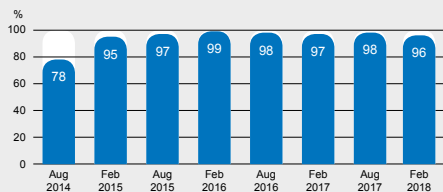
AAK



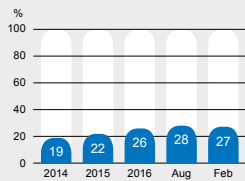
Traceability



To mill



To plantation

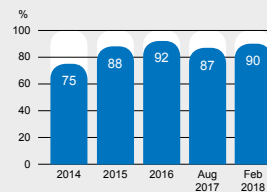


Traceability to mill remains relatively high as it includes all palm oil and palm related products. Increased volumes in markets that require time to implement AAK's Palm Oil Policy and high standard of traceability. Traceability to plantations dropped slightly due to stable share of RSPO segregated volumes.

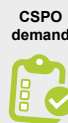


RSPO status

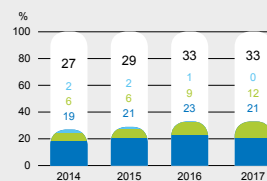
Volumes from RSPO members



It is our policy to source palm oil from RSPO members only. We see a positive increase.



CSPO demand



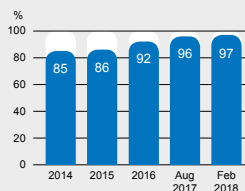
Stable share of RSPO certified sourced volumes compared to previous year, despite volume increase.

● Book&Claim
● Mass Balance
● Segregated



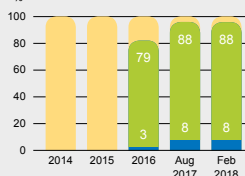
Supplier engagement

Supplier Code of Conduct



Volumes covered by signed Supplier Code of Conduct.

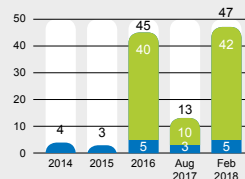
Palm Oil Policy



● Suppliers informed about AAK's Palm Oil Policy
● Signed AAK's Palm Oil Policy
● Has aligned Policy (verified by Proforest)

Higher priority suppliers invited to workshops facilitated by Proforest.

Mill engagement



● Number of mills who attended a Proforest/AAK workshop
● Number of on-site audits



Risk management

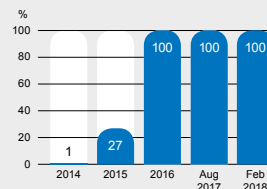
Desktop risk assessment



Percentage of AAK's palm suppliers risk assessed by Proforest:

100%

Geospatial risk assessment



Volume covered by geospatial risk assessment.

Other

8

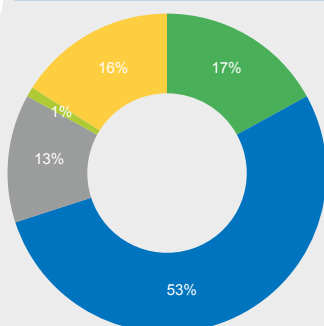
Number of progress reports

442

Number of AAK employees trained in AAK's Palm Oil Policy and Actions



Volumes sourced from suppliers directly or indirectly engaged in sustainability programs (assessed by Proforest)



● Direct engagement (volumes from suppliers engaged in sustainability programs with AAK/Proforest)
● Indirect engagement (volumes from suppliers with own sustainability programs – approved by Proforest)
● Not engaged (higher priority)
● Not engaged (medium priority)
● Not engaged (lower priority)



Scaling up smallholder capacity with Forever Sabah

AAK has identified the innovative jurisdictional approach to palm certification in Sabah as a potentially highly effective approach to sustainable smallholder production.

Sabah, situated in the northeastern part of Borneo is responsible for about 12 percent of the global palm oil production. In its pilot phase the project aims to reach 20 villages, about 2,000 independent smallholders and focuses on three distinct goals:

1. Zero deforestation
2. Zero conflict
3. Smallholder livelihoods

The current smallholder yield is 0.62 tons a month of fresh fruit bunches compared to the national average yield of between 1.7–2.0 tons/ha per month. There is a significant opportunity to better the livelihoods of smallholders by employing Better Management Practices, as well as achieving other sustainability goals.

Two smallholders from the village of Kampung Bakong-Bakong, in the Telupid district have been interviewed to first hand understand their situation, the impact of the project on them and their ambitions. Here are their thoughts on the expected outcome of the project:



"That smallholders in Sabah become knowledgeable in sustainable agriculture, that we can be sustainable whilst maintaining our culture. And that the quality and price of the oil palm increase.

It will be good if there is an organization to collect the waste, to monitor the river, to make sure land legality is in place and there is a permanent and RSPO certified collection center for continuous improvement.

The land use will be more organized and well managed.

I would like to be RSPO certified, as I believe RSPO certification is good for the smallholders' future."

Roshaidi Baung



"I hope that the relevant agencies monitor the areas for improvement and I also want a higher price for my oil palm.

I also hope that the villagers will continue to be able to re-practice the way of planting traditional food crops, since they are still planting traditional medicine.

A good outcome would be the improvement of the road into the village and smallholding and the full utilization of the land for cultivation of both oil palm and food crops."

Awang Basuni

Read the full interviews in our palm oil progress report for February 2018, available at our website.

Contributes to:





Coconut

– progressing on responsible sourcing

Coconut as raw material

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

Coconuts are classified into two types based on the stature of the trees: tall palms and dwarf palms. Both varieties are commercially grown. Tall palms can reach up to 30 meters high and have an economic life of 60–70 years. Dwarf palms can reach up to 10 meters and have a shorter economic life, approximately 30–40 years.

Coconuts are harvested in bunches every 45–60 days. Coconut oil is made from the dried meat of the coconut (copra).

Coconut trees are often found along the shorelines of the tropics since they can tolerate saline and sandy soils, while other plants do not thrive under these conditions. This not only means that coconuts form an important source of

income growing on soil with limited fertility, but also that they take on a huge importance in protecting the sandy shorelines from erosion from the sea with their elaborate root system.

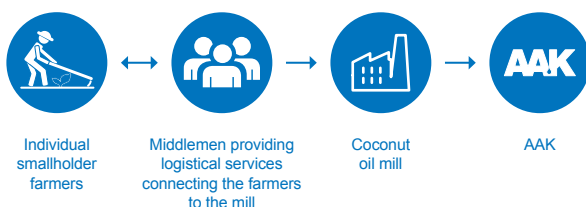
Coconut-growing countries in Asia-Pacific rely on the sale of coconut products as export income. The majority of coconuts are produced by smallholder farmers.

Progressing on responsible sourcing of coconut oil

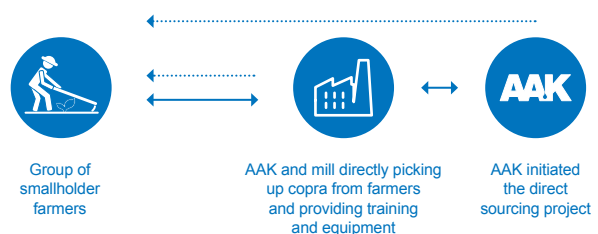
The traditional coconut supply chain is long and complex because the growing areas are far away from the mills that extract the oil from the dried coconuts (copra). Middlemen connect the farmers with the mills and deliver important logistical services.

In AAK, we actively include smallholders in our supply chains. In order to simplify the supply chain for the farmers we have started a direct sourcing project in Indonesia. Here our partner mill collects the copra directly from the village level, as a means to ensure that a bigger share of the value goes to the farmers.

Traditional coconut supply chain



AAK's direct sourcing supply chain





Direct sourcing project in Indonesia

We initiated the direct sourcing project in Indonesia two years ago. There is a growing demand for sustainable and traceable coconut oil on the global market. The direct sourcing project, in cooperation with our partner mill and executing party on the ground in Indonesia, has as its main objectives to simplify the complex coconut supply chain and to assign a bigger share of the profit to the farmers.

So what we have done with our direct sourcing project is to actively engage with our upstream supply chain and directly source the copra from the farmers. We pay the farmers upon delivery and have introduced an open weighing station to ensure that fair prices are paid. We have furthermore built a warehouse that ensures proper storage conditions for the copra, and we have introduced the necessary logistical infrastructure to directly collect the copra from the village.

On top of that we have started to train the farmers in good agricultural practices, including how to prune the trees and how to harvest the coconuts in order to maximize production. We have also increased environmental awareness of farmers by educating them about the consequences of slash-and-burn practices. We furthermore teach them how to dry the coconuts in order to get the highest quality of copra.

AAK has changed the perception of farmers towards their aging coconut plantations and created a demand for better plant management. We also see that the increased prices have improved the effort put into the copra production resulting in much better quality.

This direct sourcing project is a great start for progressing on responsible sourcing of coconuts and we are working hard on growing the project in the future.

Jass Khaw
Laurics Trader, AAK Singapore

Great enthusiasm among farmers



My name is Hamid. I am the chief of farmers in the village where AAK directly sources copra.

The coconut tree is of special importance to us. We use almost every single part of the tree. We use the leaves and trunks for building, the coconut shells for fueling fires, the coconuts for food, and we sell copra to make an income.

Before AAK came to source its copra directly from us we had to cross the whole island to sell our copra to middlemen at the collection point. Now AAK and their partner mill come to our village and collect the copra from us.

The project started about two years ago. We are very enthusiastic about this initiative and we feel very comfortable with AAK and their partner mill in our village. We are eager to continue the cooperation.

As for income, we see a big difference between selling to AAK and selling to middlemen. We receive better money from AAK and their partner mill. I can see that this motivates the farmers to deliver more copra with better quality.

For the future we hope that AAK and their partner mill will be able to directly source copra from the whole island. This way more people will benefit from the project and it will help our society as well.

Hamid
Chief of farmers in AAK's partner village in Indonesia





Rapeseed

– an important raw material for AAK

Rapeseed as raw material

Rapeseed is one of the oldest cultivated plants on earth and has been known to man for at least 4,000 years. It was recorded in India as early as 2000 BC and grown in Europe in the 13th century. Until the 19th century, rapeseed oil was mainly used for lighting and as a lubricant. Today, rapeseed oil is one of the most important vegetable oils used in food as well as biodiesel.

Rapeseed has become the oil plant of Northern Europe. Outside Europe, the dominant producers are Canada, China and Australia. Rapeseed is an annual crop planted either in autumn (winter varieties) or in spring (summer varieties). The winter varieties have a longer vegetation period and give a better yield, but can only be grown in areas with mild winter climate. In Europe, winter varieties are dominating, whereas in Canada only summer rapeseed is grown. The harvest period in the Northern Hemisphere for the winter varieties starts in late July, and in late August or early September for the summer varieties.

From an agricultural sustainability perspective rapeseed is a very suitable crop to include in crop rotations with e.g. wheat and corn. When including rapeseed in crop rotation cycles it improves drainage and soil water retention, soil

structure and resilience, as well as future nutrient availability. The plants furthermore provide up to eleven months of ground cover to restrict the harmful effects of wind and water erosion on soils over the vulnerable winter months. It can also provide valuable late summer protection against moisture loss. Rapeseed has additionally shown to have an overall positive effect on crop health and therefore causes a decrease in risks and costs on farm level.

From a broader environmental resilience perspective rapeseed can be beneficial for farmland wildlife. Its thick and relatively long-term overhead canopy with stiff stems provides an ideal environment for a wide range of bird species and populations of invertebrates.

The importance of rapeseed for AAK

Rapeseed is a very important raw material for AAK. Aside from shea, rapeseed is one of a few raw materials that AAK is crushing in its own facilities.

AAK can offer oils from traditional seeds and a range of speciality varieties. Much of the rapeseed used in AAK's products is grown in Sweden, where farms have increased their output in recent years. Through close cooperation with the farmers, AAK is able to maintain control of the entire



value chain, from the production of raw material to finished products. The rapeseed meal that remains after oil extraction is used as animal feed.

The oil content of rapeseed is 40–45 percent which corresponds to approximately 0.8 MT/ha and is extracted either by pressing alone or by pre-pressing and solvent extraction.

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

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

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

Rapeseed as a cash crop with growing demand

Including rapeseed into the crop rotation cycle means, from an economic perspective, to have an additional highly profitable crop with a different climatic vulnerability and different market opportunities compared to traditional cereals. It effectively spreads the risk of today's increasingly unpredictable weather and uncertain commodity prices.

Furthermore, the demand for 'locally' grown rapeseed has increased significantly over the last couple of years, especially for rapeseed grown in the UK and Sweden. AAK is working closely together with the Swedish producers to link their product to international markets. In addition, AAK has an agreement with the Swedish farmer cooperatives that supply the rapeseed to sell back the rapeseed meal after the oil has been extracted. The meal can be used as an excellent protein source for livestock, and forms an alternative with lower environmental impact compared to importing soy meal from overseas.



Soy

– a versatile raw material

Soy as raw material

Glycine max, commonly known as soybean, belongs to the family of Leguminosae. Its long history began in ancient China and Japan and the first reports of cultivation are from 5,000 years ago. Chinese farmers domesticated soy around 1100 BC. As the soy plant is very tough and adaptive to a wide variety of climates, its cultivation has spread across the globe, from the plains of Brazil to the Black Sea. The boom of soybean utilization for industrial purposes started in the 1940s, and has since then grown exponentially.

The main producing countries are the US, Brazil, Argentina, India, and China, and the biggest consumers are China, the US, Argentina, and Brazil. According to the latest USDA figures, world production for 2017/18 will be approximately 347 million MT – a slight decline compared to the previous year. Of this volume, the US is responsible for 119.5 million MT, Brazil for 112 million MT and Argentina for 54 million MT.

Soybean is a summer crop and its full cycle ranges from 90 to 120 days. Crop rotation is usually made with winter crops such as corn, barley, wheat, and black beans. Yields can vary but on average 1 hectare produces about 3,000 kg of soybeans and 0.4 MT of oil.

The high protein content of soy beans requires a high application of fertilizers, especially nitrogen. Biological nitrogen fixation is key to reduce production costs and guarantee maximum yields per plant. Farmers have therefore developed many techniques to preserve application of fertilizers such as the direct planting method. With this technique, the crop is directly planted right after the harvest of another crop, using the residues of the harvest (brans, expellers, etc.) to form a “blanket” that covers the soil and protects the seeds from biological contaminations and changing weather and that maintains fertilizers and soil moisture for a longer period of time.

Importance for AAK

The soybean oil is one of the most versatile commodities with a large number of applications besides food. The main one is as the source of SME (soy methyl esters), or biodiesel. But it is also used as raw material in feedstuff, pharma, paint, personal care, lubricants, plastics, resins, etc.

From an AAK perspective, soybean oil is rich in polyunsaturated fatty acids. It is mainly used in baking fats, mayonnaise, frying oils, salad and cooking oils, as an



ingredient in margarine and for other edible uses. Soybean oil is also an important ingredient within our Special Nutrition segment.

Sustainable soy

Brazil is one of the pioneers when it comes to sustainable initiatives on soy. The Soy Moratorium is a zero-deforestation agreement established in 2006 set to protect the Amazon rainforest biome from rapid soy area expansion. It was a breakthrough agreement signed by the main trading houses, governmental agencies, class entities, and NGOs bonded to agribusiness. It can be considered the most successful of all sustainable initiatives implemented. The moratorium is still in place and its practical effects are visible, curbing deforestation of Amazon rainforest to expansion of new plantings. A study from 2014 found that in the two years preceding the agreement, nearly 30 percent of soy expansion in the Amazon biome occurred through deforestation. With the agreement in place direct deforestation fell to only 1 percent in that particular biome.

Other initiatives for soy, such as the Soy Plus Program established in 2011 between ABIOVE (Association of Brazilian Industries of Vegetable Oils) and APROSOJA (Association of Mato Grosso Soybeans Producers), aims to develop responsible and sustainable farming practices in key growing areas.

The Round Table on Responsible Soy (RTRS) is promoting Corporate Social Responsibility along the entire soy value chain, and has provided a five-year sustainable soy certification for its members who can assure that their production originates from a process that is environmentally sound, socially adequate and economically viable. AAK is a member of the RTRS through FEDIOL, the EU oil and proteinmeal Industry association.

Today, 100 percent of our soy oil sourced for South Latin America comes from companies that are part of either the Soy Moratorium Agreement or the RTRS. Furthermore, 100 percent of our soy oil for Europe is sourced with a Hard Identity Preserved certification for non-GMO from Brazil and is further-more certified by ProTerra.

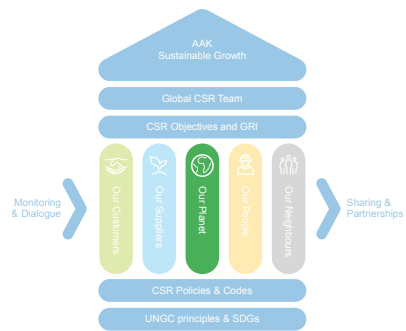


"I had the opportunity to visit one of the large state-of-the-art farms in the Mato Grosso district of Brazil operating under the innovative Integrated Production System. With this method, farmland is divided to accommodate several different cultures such as oilseeds, grains, fibers, and wood while simultaneously working with cattle, swine, poultry, and fish breeding in a rotation-consortium mode.

The particular farm grew soybeans and other crops like black beans, corn and cotton. In addition, it had a large poultry and swine farm. The animal waste was used in bio-digest equipment to be processed into manure, and the methane gas released was used as source of fuel to run a small electric power plant. This was a new standard for environmentally-friendly agricultural production in Brazil which was very exciting to see."

Thiago Ribeiro
Sourcing & Trading Manager,
AAK South Latin America

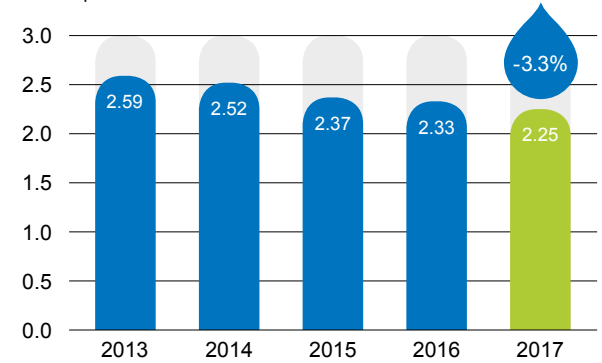




Key achievements

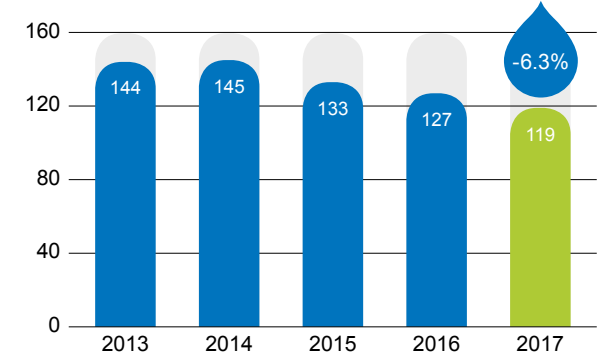
Energy consumption

Per unit processed material



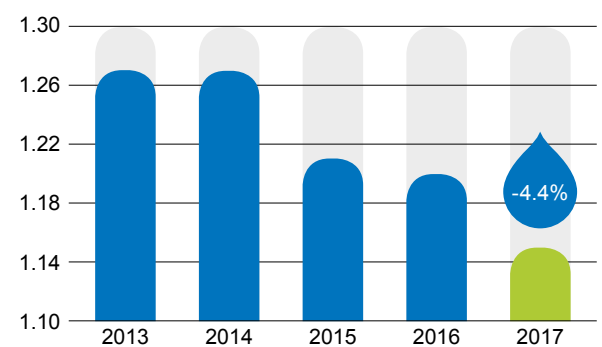
Total direct CO₂ emissions

Per unit processed material



Water consumption per processed unit

m³





Our Planet

This focus area covers AAK's impact on the environment in terms of consumption and emissions from our production plants. It is a top priority for us to minimize our use of natural resources and emissions per processed product even though our stronger focus on speciality drives a higher degree of processing. We have over the years been able to create strong improvement within areas such as GHG emissions, water consumption and waste treatment.

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

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

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



Energy

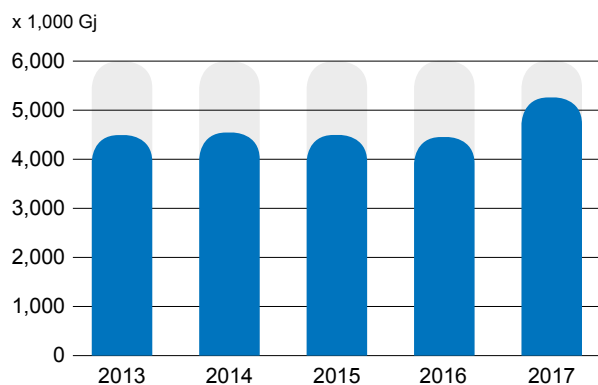
In 2017, AAK's production plants had a combined direct energy consumption of 4,391,000 Gj, an increase of 14.2 percent compared to 2016. Direct energy consumption from renewable resources constitutes 27 percent.

During the same period, electricity purchases (indirect energy consumption) increased by 11.5 percent to 889,000 Gj. The proportion of green electricity constitutes 37 percent.

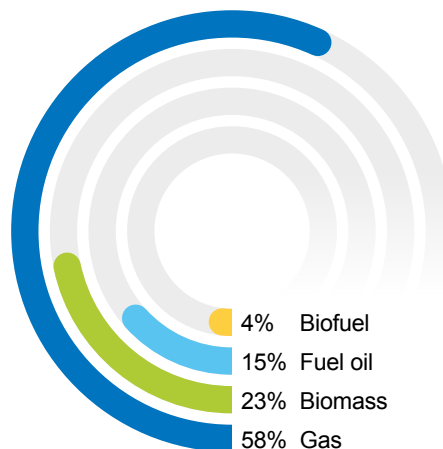
Energy efficiency improved

Overall, total energy consumption reached 5,280,000 Gj, an increase of 13.7 percent. Calculated per MT produced, energy consumption has decreased by 3.3 percent despite a strategic decision to increase the production of highly refined products which, all other things being equal, require more energy to process.

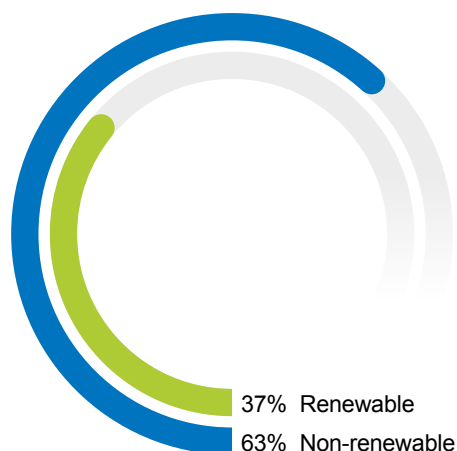
Total energy consumption



Direct energy consumption 2017 – per energy



Purchased electricity 2017



Contributes to:





New layout of hot water supply in Merksem

In 2017, the AAK site in Merksem, Belgium invested in optimizing the technical hot water system to reduce energy. Two conventional boilers (1 MW each) were replaced by better performing ones. Furthermore, the hot water system has been rearranged in order to offer two different temperature circuits fit for the different needs of production. The new system is, in an energy-efficient way, fit to adjust the hot water demand during normal operation and during peak production times.

The hot water supply is split up between a Low Temperature circuit (LT) and a High Temperature circuit (HT).

The HT peak demand is the highest demand of hot water the system has to be able to deliver. The new layout contains

a spare boiler, called the Switch boiler. The HT peak demand can now be supplied by the HT boiler and the HT supply from the Combined Heat and Power Unit (CHP) as well as from the Switch boiler. The great advantage of the spare boiler is that it can be operated in such a way that it can supply both HT heat and LT heat in the most efficient way.

The split of the hot water supply in an LT circuit and a HT circuit and two new energy-efficient boilers therefore leads to better energy efficiency by 10 percent and a higher amount of CHP certificates.

Mart Vogelzang
Quality Environment Safety Health Manager, AAK Belgium

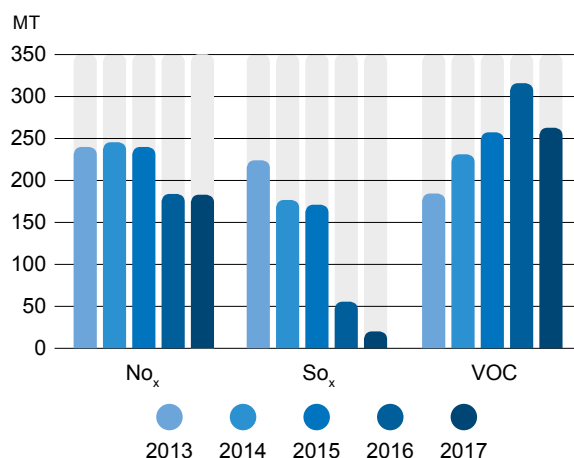


Air

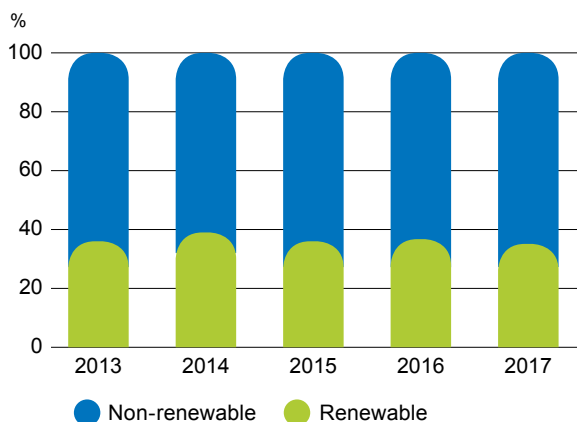
In 2017, AAK generated 278,000 MT of carbon dioxide at its production plants, an increase of 10.2 percent compared to 2016. However, per processed unit emissions reduced by 6.3 percent. And further, direct carbon dioxide emissions from fossil fuel per MT processed decreased by 4.9 percent. Thirty-five percent of direct carbon dioxide emissions stemmed from renewable resources.

Due to the Group's use of fuels, its production plants emitted 183 MT NO_x (nitrogen oxide) and 23 MT SO_x (sulphur oxide). The significant decreases were due to a shift of fuel oil quality. There were 263 MT VOC (Volatile Organic Compounds) primarily emitted from plants that run extraction and solvent fractionation processes. VOC decreased 17 percent due to an unintended release of hexane in 2016.

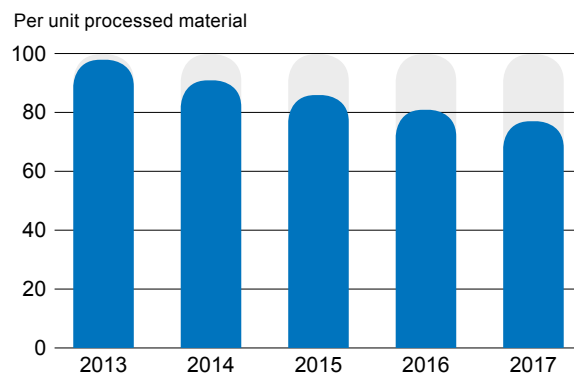
Direct emissions



Direct CO₂ emissions



Net direct CO₂ emissions



Waste



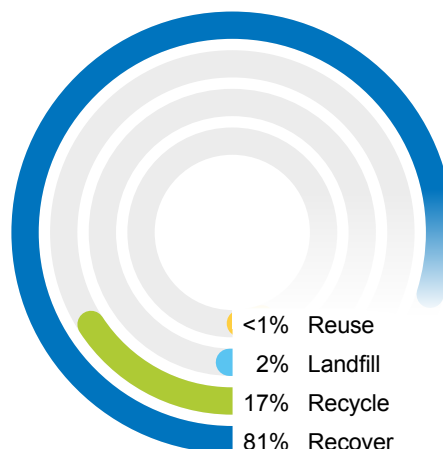
During 2017, AAK's production plants generated 121,000 MT of waste. This is an increase of 15 percent compared to 2016 and is due to the expansion of the reporting scope. Of the total amount of waste 99.6 percent was non-hazardous.

In waste disposal, there is a clear, very determined effort toward reducing waste going to landfill. New acquisitions joining the AAK Group have had less waste disposal focus and options and their challenge have been to improve waste management. Changes to US legislation regarding the classification and handling of used bleaching earth are also presenting a challenge.

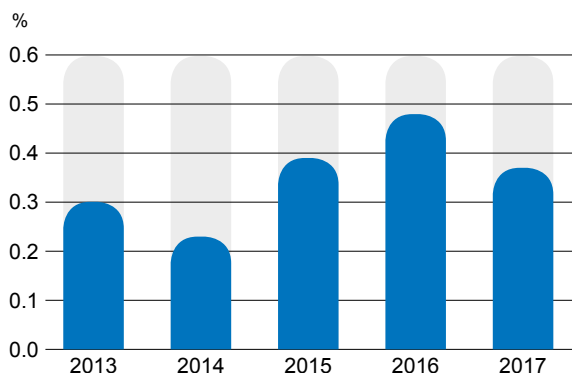
During 2017, 2,696 MT of waste was disposed to landfill, equal to 2.2 percent of the total amount of waste. AAK's objective for 2018 remains less than 1.5 percent going to landfill and we are dedicated to obtain that.

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

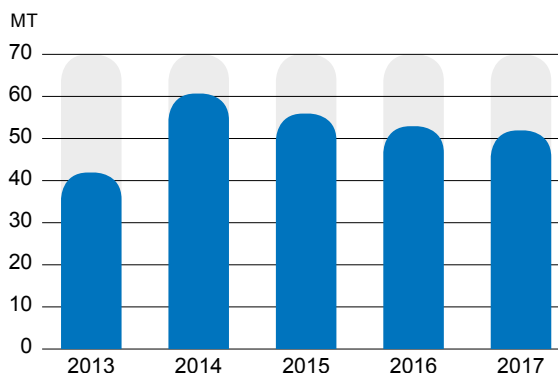
2017 waste disposal



Hazardous waste



Waste per processed unit



Contributes to:





” Optimized waste disposal in Jundiaí

In recent years, Brazil has revised the legislation for the classification of solid waste. This has been done in order to improve traceability of the disposal and final disposal of waste.

In early 2017, AAK Brazil changed its supplier carrying out the collection and destination of the waste generated at the production plant in Jundiaí. The new supplier significantly improved the provided service as well as the management of waste stream documentation all the way to the destination of waste. Through this efficient waste management AAK Brazil saved more than SEK 500,000 in 2017.

In addition, AAK started to improve valorization of the reusable and recyclable materials exiting the plant such as cardboard, plastic, metal, catalyst, and grease residues. While optimizing the use of more than 1000 Mt of these materials in total AAK Brazil generated an extra income of nearly SEK 1.5 million in 2017.

Today, more than 98 percent of the waste generated by AAK Brazil is recycled, reused or sent to a composting plant. The remaining waste streams are sent to appropriate places authorized by the Brazilian Environmental Agency.



In order to improve waste management on site, AAK Brazil during 2017 constructed two specific places to store waste. The first one was allocated for recyclable waste and the second one for materials classified as ‘hazardous waste’. According to Brazilian legislation examples of hazardous waste (class I) are: fluorescent lamps, packaging contaminated with chemicals, laboratory chemicals (reagents), etc.

AAK Brazil is working closely together with the authorities and we follow all relevant Brazilian legislation regarding waste disposal. Aligned with AAK’s 2018 waste objective, we are continuously working to minimize the waste to landfill.

Carlos Fonseca
Environmental Health Safety Manager, AAK Brazil



” AAK in Louisville continues to champion recycling projects

Our site in Louisville, Kentucky, USA is working towards a zero environmental impact footprint by conserving, recycling and replacing materials and processing aids used in operations. The efforts in Louisville are directly aligned with AAK's global environmental policy. At AAK, the sustainability programs are demonstrated at all levels of the organization and critical to our ability to build sustainable growth for the future.

In 2017, we began exploring methods to reduce our propylene glycol consumption used as part of our manufacturing process. Glycol is used to cool our equipment to the appropriate temperature based on product specifications. To accomplish this, the glycol is sprayed evenly across the machine, which causes it to rapidly cool to the proper temperature. Any excess glycol liquid then falls into a catch basin and is returned to the glycol storage for re-use. However, over time the glycol becomes diluted with water due to ice melting, condensation, etc., which causes it to become less efficient at cooling. As a result, the Louisville team set out to find a solution to remove the water and recycle the glycol rather than disposing of it.

The first step in this process involves testing the glycol to determine its cooling factor. If it is determined that the glycol has been diluted (based on the reading factor for freezing protection), then some of the mixed glycol is pumped out from the storage tank located in the production area to a recovery tank in the maintenance area. The glycol is then heated to the proper temperature where it is kept for 5–7 days under low heat. During this time the water slowly evaporates from the mixture leaving behind the recovered glycol. Once this process is complete, the recovered glycol is tested, returned to the holding tank and added back as needed to restart the cycle.



As a result, AAK Louisville was able to reduce its consumption of glycol by 13,000 gallons per year, with a cost saving of SEK 1.2 million compared to last year.

The team is delighted not only to reduce our costs but to contribute and encourage the recycling programs in the entire operation and to support the responsibility toward all of our key stakeholders.

Max Katz
Environment Health and Safety Manager, AAK USA



Water

Even though most AAK products do not contain water when leaving the plants, vegetable oil processing requires large amounts of water, mainly for cooling and steam production.

Water consumption

Combined, the Group's production plants use approximately 35,000,000 m³ of surface water. This water, which is used for cooling, has no contact with products or pollutants and is returned to the source without any change in quality. The discharged water may, however, be slightly warmer than when entering the Group's system.

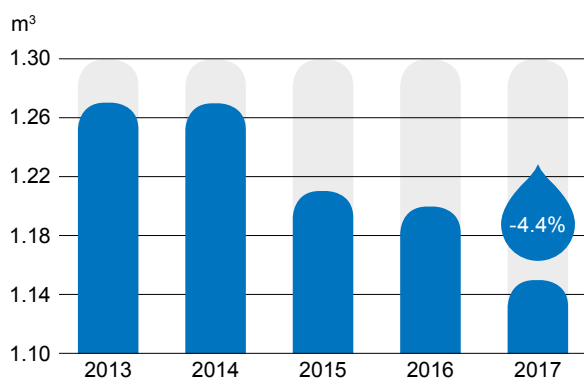
Ground water and municipal water used in processing totaled 2,750,000 m³ which is 12.4 percent more than in 2016. However, calculated as processing water per MT processed, consumption decreased by 4.4 percent.

Water discharge

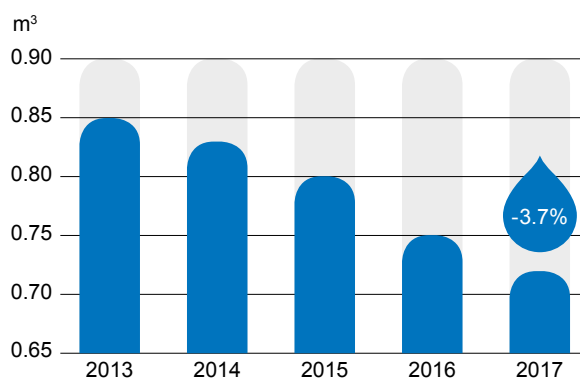
Processing water discharge in 2017 increased by 13.3 percent. However, calculated per processed material amounted to a 3.7 percent improvement.

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

Water consumption per processed unit



Water discharge per processed unit



” Reduced water use in Karlshamn

One important processing step that AAK carries out in Karlshamn, Sweden, is the separation of fatty acids from fat. After the fatty acids have been separated from the fat they are in their gaseous aggregate state. But for optimal handling they need to be cooled down to their liquid state.

Traditionally, AAK has used only fresh water as a cooling agent in order to transform the fatty acids from a gaseous to a liquid state. During this step, steam is produced as a by-product. In addition, there is, throughout several other production steps in Karlshamn, more steam produced at the plant. This steam is condensed and fed back into the sewer of Karlshamn. However, the temperature of this steam is still much lower than the temperature of the fatty acids. Therefore, we have recognized the opportunity to optimize our cooling system and reuse the steam.

Before the steam can be reused it's collected and analyzed for important quality parameters. With approved analyses the steam can be fed back into our cooling system. By doing this, AAK, on an annual basis, saves approximately 27,000 m³ fresh water. This is an important step for AAK in Karlshamn, as well as the city of Karlshamn, to economize with finite resources.

Anders Söderström
Quality Manager, AAK Sweden





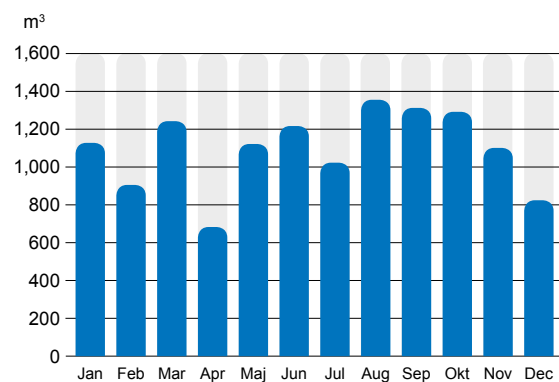
” Reuse of condensate water

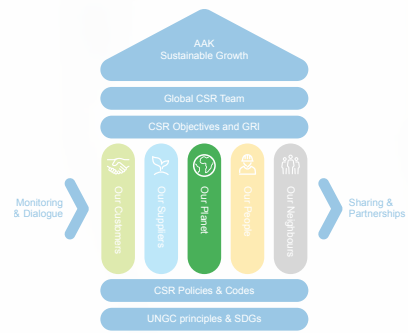
At our site in Aarhus, Denmark we are crushing and milling shea kernels. For one of the processes in the mill we need clean water to run our two centrifuges. Traditionally, we have been using demineralized drinking water. This resulted in approximately 13,000 m³ of water used per year. At the same time, in another part of our production we had to dispose used condensate water due to small impurities.

In order to improve our water use efficiency a water reuse project was initiated during 2016. From 2017 onwards we have been able to reuse the condensate water in the centrifuges, resulting in 13,000 m³ of water savings in 2017 – savings that we will continue to see in the upcoming years.

Marian Kjærgaard
HSE Manager, AAK Denmark

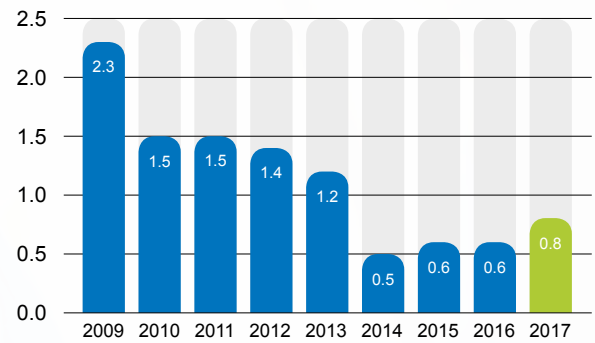
Water savings per month



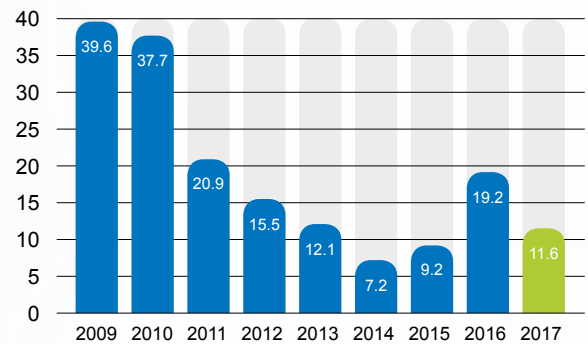


Key achievements

Lost Time Injury Rate, production sites



Lost Day Rate, production sites



Our People



This focus area is about working life at AAK: how to remain an attractive workplace for employees, and to make sure that everybody is healthy and safe. AAK's employees are the company's most important resource. With employees in 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 is the company's values and Code of Conduct, which govern the way in which business is conducted and how employees interact with each other and the company's stakeholders.

Our People achievements

Safety

Any work-related injury is clearly unacceptable and AAK constantly strives to be a zero-injuries workplace. Since 2009, we have aligned definitions and measured injuries across the AAK Group. We have defined Lost Time Injury Rate (LTIR) as the number of work injuries that result in one or more days of sick leave per 200,000 working hours.

At our production sites, LTIR regrettably increased from 0.6 to 0.8. One third of our production sites did not have any Lost Time Injuries during 2017. Lost Day Rate – a measurement of the severity of incidents – decreased from 20.9 to 10.4.

At our sourcing sites in West Africa, conditions and challenges are very different. Here, LTIR increased from 0.7 to 1.2, and Lost Day Rate increased from 5.0 to 24.3. The increase in Lost Day Rate was due to a warehouse keeper who fell while inspecting shea kernels. He broke a bone in his hip and needed surgery.

Due to the undesirable development within safety it has been decided to revitalize our Global Safety Team with intensified efforts in achieving a zero-accident culture and risk-free workplace environment in AAK. We expect to see improvements already in 2018.



” The AAK Way People project

The People project is part of AAK's company program for 2017–2019, The AAK Way. The overall ambition and purpose of the project is to become “an attractive employer with a high-performance organization built on strongly aligned values with an increasing number of people carrying AAK forward.”

The four pillars of the project are:

- ◆ Revitalized company values
- ◆ AAK leadership
- ◆ Engaged and skilled people
- ◆ Organization for future growth

In regards to our company values we have during the first year made great impact by executing a lot of activities. We initiated workshops at AAK's Global Leadership Conference as well as on our second Leadership Day. Additionally, there have been several local workshops all over the AAK world.

Furthermore, in our PDPs (Personal Development Plans, a process that every employee engages in at the beginning of each year) we have included a part that covers our company values. We have also included the values in our recruitment process in order to get the right people with the right mindset on board.



During 2017, two full days of leadership training have been carried out. The training was built on our twelve leadership competencies and our company values and reached 350 managers.

To measure the people engagement we conducted our second employee engagement survey in collaboration with Great Place to Work and we are happy to see a good progress.

We have furthermore introduced policy, process and templates for workforce planning. The purpose of workforce planning is to secure management capacity and key competencies for future growth. This is done by looking at future organizational demands, succession planning, and potential review.

Jonas Berndtsson
Global Human Resources Director





AAK Trainee Program

The AAK Trainee Program was launched in 2012 to ensure our future management capability. It is an advanced and accelerated on-boarding program designed to give our trainees the best possible start to their careers in AAK.

One of the objectives of the program is to enable personal development and high performance. Therefore, candidates must be high-potential university/college graduates, commercially bright, ambitious, driven, and dedicated to an international career, thus geographically mobile.

Our focus is to recruit a minimum of ten trainees globally each year. The program has two main tracks, a commercial

track and an operations track, and the positions are mainly within Sales, Customer Innovation, Process and Project Development, and Business Development and Marketing.

The approach of the AAK Trainee Program is quite unique in that it's not only a trainee program; it's a real job right from the start. Since 2012, 47 people have participated in the program and we are now preparing for our seventh program which will start in September 2018.



I joined the AAK Trainee Program in 2017 and as CSR trainee I'm part of AAK's global CSR team. Halfway through the program I must say that this was definitely the best way to start my career at AAK.

The program is a constant balance between training, challenges and opportunities, and one thing that AAK is really good at is to put its trainees out of their comfort zones, which really is a great thing. Although you have your specific trainee position, the program gives you the opportunity to get to know and understand different parts of the organization.

For me, however, the best part of the AAK Trainee Program is the experience you get from working and learning together with a group of energizing, ambitious and highly inspiring peers. In the current program we are 22 young people from all over the world. I can't wait to see how we all will 'grow up' within AAK!

Laura Schlebes
CSR Trainee



Contributes to:



Staying healthy

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

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

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

AAK Mexico also supports and encourages both employees and their families to make healthier nutrition choices as you can read in in this section.



” The Olympic spirit lives on at AAK Colombia

Last summer, our site in Villavicencio, Colombia hosted its annual AAK Olympics. Since the first event in 2016, this initiative has had a positive impact on work environment and family relations but it has also inspired colleagues to regularly practice sports and stay healthy.

The AAK Olympics is an event where colleagues and their children meet to compete in sports. Family members and friends can of course also attend the event as spectators. Swimming, racing, relay, ping-pong, and Colombian national sport “tejo” are some of the events at the Olympics.

Although we meet to compete for medals, it is, above all, a day where we spend time together and recochar (Colombian

expression meaning ‘to enjoy with friends’) in an environment of sports and recreation that go beyond the workplace.

The AAK Olympics has proved to be an excellent way to bring different departments of the company closer together while simultaneously promoting a healthy lifestyle and family participation.

With this great level of enthusiasm and a little more practice we could win a medal next year!

Ezequiel Perez
Project Manager, AAK Colombia



” Nutrition, key to a healthy lifestyle

Prevention, healthy habits and nutrition make a big difference in people's life quality. That's why AAK North Latin America focuses its actions on the support and encouragement of these important things towards employees and their families.

Nowadays, it's easy to feel overwhelmed by food choices. We have more options than ever and more chances to wonder if we're really eating right. That is why we have given all our colleagues the chance to learn about nutrition, considering the quality as well as the quantity of food, so that they are aware of what their bodies' real needs are to function optimally. This learning has turned out to be less complex than we originally thought.

It is scientifically proven that eating the right food makes people happier, improves their performance at work, and boosts self-esteem. Since the launch of our AAKtivate program, we have identified the need to have support from a professional. A consultant with expertise in the field of nutrition provides our colleagues with personalized advice

on how to balance their diet, organizes cooking workshops, and assists our canteen to make sure we get the healthiest choices.

The goal is to make all our colleagues aware of the importance of healthy habits and at AAK North Latin America we have seen good results. An example is one of our colleagues who for many years lived under medical treatment to control his glucose levels, unfortunately with little success. A few months ago he made a quick visit to the nutritionist and together they designed a nutritional program. Now, he has lost weight and his levels are in the normal range. "It was hard at first, but I got very good results in a short time. Now, I feel very good physically, and above all, I am very happy with the results", he has said about the program.

The challenge for 2018 is to continuously involve more people in this program in order to be a company that promotes and lives up to a healthy lifestyle.

Ramiro Corona

Human Resources Manager, AAK North Latin America





E-learning on anti-corruption

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

However, corruption still remains a common risk throughout the world for all companies, and a decision was

made to internally promote awareness and knowledge of this topic. To that end, e-learning modules addressing anti-corruption topics have been launched. The modules have a length of approximately 15 minutes and end with a multiple-choice test. For employees at increased risk of encountering corruption, these modules are mandatory and must be passed.

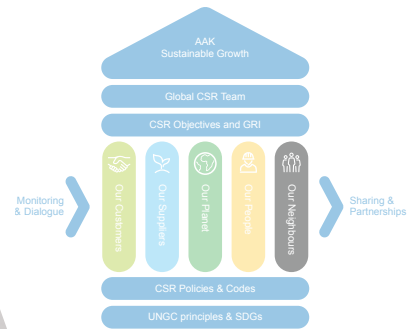
Labour rights

Labour rights issues are governed by AAK's CSR Policy, which applies to all Group sites. Among other things, the policy states AAK's view on child labour and young workers, on forced labour, and on freedom of association and the right to collective bargaining. Thirty-three percent of AAK's employees are covered by collective bargaining agreements. In 2017, there were no strikes at AAK.

Giving staff equal and fair treatment is another focus area of the CSR Policy. During 2017, one incident of discrimination was recorded. In Merksem, Belgium, an operator received a note with discriminatory remarks in his locker. A calamity team was created and a logbook was sent to the

AAK headquarters. Police and private investigators were involved to try to solve the case, but couldn't find any clear evidence of who was guilty. However, a broad range of corrective and preventive actions were undertaken.

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



* This picture refers to the story on page 62.

Our Neighbours



This focus area covers activities that AAK initiates and engages 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 in which AAK operates is essential for maintaining a positive relationship with neighbours, politicians and authorities. Which community activities we engage in is dependent on what is relevant and adds most value to the local community. Through a commitment to community causes, AAK is also instrumental in creating a workplace with highly motivated employees who take pride in working for a company that makes a noticeable difference.

Local community involvement

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

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

AAK is very much aware of the impact the company has on the community when entering, operating in, or

leaving an area. During 2017, no operations that required a special community impact assessment were established or terminated.

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

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

Our Neighbours achievements

AAK has long been an active member of the communities in which it operates through sponsorship, or through direct participation in projects and activities. We see it as our responsibility and part of our social license to operate to maintain a good relationship with the communities where we operate and to contribute where it makes sense. In 2017, AAK engaged in a variety of local activities, some of which are presented in this section. AAK will continue to secure integration with its local communities in the future.



” Open day at site Zaandijk

In October 2017, the AAK site in Zaandijk, the Netherlands organized an “Open House Saturday” for neighbors as well as family members of AAK colleagues. Having finalized the construction activities of our “Bulk to the Future” project, this was a great opportunity to show our renewed factory. The project included a new tank farm, a state-of-the-art automated blending facility, and a new bulk loading station.



With a big party tent for food and drinks, a full tour in and around the factory, and entertainment for the children everything was set for a great day. The “Open House Saturday” was hosted by an enthusiastic team of colleagues and some 50 neighbors and 250 colleagues and family members visited our renewed factory. Smiling faces made it clear that everyone was proud to show neighbors and family members around.

The relationship with our neighbors has traditionally been very good at the AAK site in Zaandijk. We have a continuous dialogue regarding developments at and around the site which is very important as it is located in a domesticated area. We feel that it’s our responsibility to make sure that we all can live and work together in a sustainable way. Showing our neighbors the modernized facilities is our way of thanking them for a good relationship – now and in the future.

Bas van Winden
Site Manager, Zaandijk, the Netherlands and Merksem, Belgium

” Hull 2017 – UK City of Culture

In 2017, AAK UK proudly signed up as a Hull 2017 Business Club partner, putting AAK right at the heart of the UK City of Culture celebrations.

As an official Hull 2017 Business Club partner, AAK was recognized across Hull as a supporter of the biggest event to hit the city in decades; Hull 2017. Supporting Hull 2017 helped the community to drive Hull’s powerful position to change perceptions of the city and bolster interest and investment.



Getting employees involved was vital for AAK and our Business Club partnership with Hull 2017. This is why we created an engagement campaign. The Hull 2017 kick-off event was ‘Made In Hull’ so we held our own Made In Hull exhibition to showcase our products, how they are marketed and what customer products they end up in.

We nominated colleagues to receive tickets for events and shows, rewarding colleagues who go the extra mile, and our AAK art galleries project saw some employees reveal creative talents for arts, crafts and photography.

Many of our employees attended more than one city culture event and seven of them took part in the Hull 2017 volunteer program. These seven spent the year having unforgettable experiences helping out at City of Culture events, learning new skills and forming new friendships.

2017 – a year of culture for Hull and AAK UK!

Rachel Neale
Senior Foodservice Marketing Manager, AAK UK



” Collaboration with local school continues

For three years now, AAK Uruguay has been collaborating with a school located in the same neighborhood as the company's factory. The public school is crowded and serves a high number of students from low-income families.

In 2015, we renovated our office and donated some furniture, computer chairs and monitors to the school. The grateful staff enthusiastically accepted all the goods, even small things such as tableware for the students' lunch meals. This made it clear to us that resources were scarce and that there were plenty of opportunities to further help the school.

In 2016, AAK donated a shipping container to be used as a warehouse in order to generate space for teaching purposes in the school building. The container was installed, “decorated” and hand-painted by AAK employees, the students' parents and personnel from the school. Another project that year was the complete renovation of the school vegetable garden, to which new seedlings, plants and even a funny-looking scarecrow was added. Children of AAK employees also joined this activity and they were delighted to help out with the planting and watering.

In 2017, AAK collaborated with the annual School Festival fundraising. AAK employees donated both used and brand-new items that were sold at an auction or in a “flea market” stand. We also brought homemade food to sell and toys to be used as prizes in raffle games. During the festival, AAK employees operated stands, helped out with raffle games and even made pizzas that were sold at the festival.

The plan for the coming years is to help repair the school library, to organize a fundraising to obtain books and table games for the library as well as participate in the annual School Festival. Within each activity, the passion and enthusiasm among school members and AAK employees is contagious. What started with a small donation of some used furniture has grown into a strong relationship of which both the school and AAK Uruguay are grateful for and proud of.

María Soledad Cardozo,
Regional Manager for Applications and Product Quality,
AAK Uruguay



” Shea dancers in Aarhus, Denmark

In 2017, the city of Aarhus in Denmark was appointed European Capital of Culture. The guiding theme of the year in Aarhus was “Re-Think”. This theme inspired us at AAK Denmark to re-think the way we usually present our site and our business to our neighbours.

Our factory is located in the harbor area of Aarhus. The harbor is usually not openly accessible to the people of Aarhus. However, it is closely located to the city center and therefore we have a lot of neighbours living near our site.

When Aarhus Theater suggested a collaboration for a performance called ‘FRAGT’ (eng. ‘FREIGHT’), we at AAK felt it was a great and innovative way to present our daily shea business to our neighbours and highlight the connection we have with the world through Aarhus harbor.

Our factory in Aarhus is specialized in processing shea kernels from West Africa into value-adding speciality oils and fats solutions that support customers all over the world.

Through music and dancing, set in one of our shea storage facilities, the performance coupled the West African culture and shea kernels with industrial food production in Europe. Four dancers and two musicians from Burkina Faso told the wonderful story of how AAK directly empowers more than 100,000 women in West Africa by engaging them in our supply chain.

In their invitation Aarhus Theater wrote “Come along and experience the harbor as a marvelous lay-by for the stories that link us with the entire world.”

We at AAK Denmark experienced the event as a great success and a unique opportunity to share our story with our neighbours.

Marian Kjærgaard
Health Safety and Environment Manager, AAK Denmark

” AAK USA community relations program

At AAK USA, we are entering our fifth year with our community relations program – a program that supports employees’ volunteer efforts in the communities in which they live and work. Within the program, employees are given the opportunity to request commitment of funds or other colleagues’ assistance in performing community service.

We started the program in 2013 since we believe that supporting our employees who can, and do make a difference in our local communities is the right thing to do. This also appeals to new employees and encourage existing ones to support each other in both work and community endeavors.

A committee made up of employees from all of the AAK USA facilities meets and reviews colleagues’ requests and allocates funds or helps to organize employee participation. There are opportunities for both individual and group activities for employees at all AAK USA sites. Those who request assistance will share stories and pictures of their volunteer activities in return. This is a great opportunity to share success stories and get inspired for future actions across all of AAK USA. Many members of the committee have been involved in the committee for multiple years, and we are seeing community involvement and volunteer efforts increase as the company grows.

The activities part of the program have ranged from participation in walks to help fight breast cancer, diabetes and other health issues, garden club beautification projects, food drives, supporting sporting/healthful activities for children with special needs, leadership in corporate fundraising activities to fight Alzheimer’s disease, participation in community special events, and holiday toy drives. The activities highly reflect what our employees consider important in their communities and their own lives. It’s a great chance to contribute to relevant issues affecting the lives of AAK’s employees beyond the work life.

The community relations program is flexible and agile and can react to acute situations. For example, in 2017 our colleagues in Richmond, California collected goods to distribute to families affected by the devastating Northern California wildfires.

Going forward we will keep contributing to relevant activities and keep increasing the positive community impact our business can have. This would not be possible without the strong and growing engagement of all of our colleagues at AAK USA.

Richard DiTaranti
Director Information Technology, AAK USA



AAK as a global citizen

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

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



Examples of memberships that safeguard the interests of the industry

National associations

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

International associations

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

CSR approach

Engaging with stakeholders

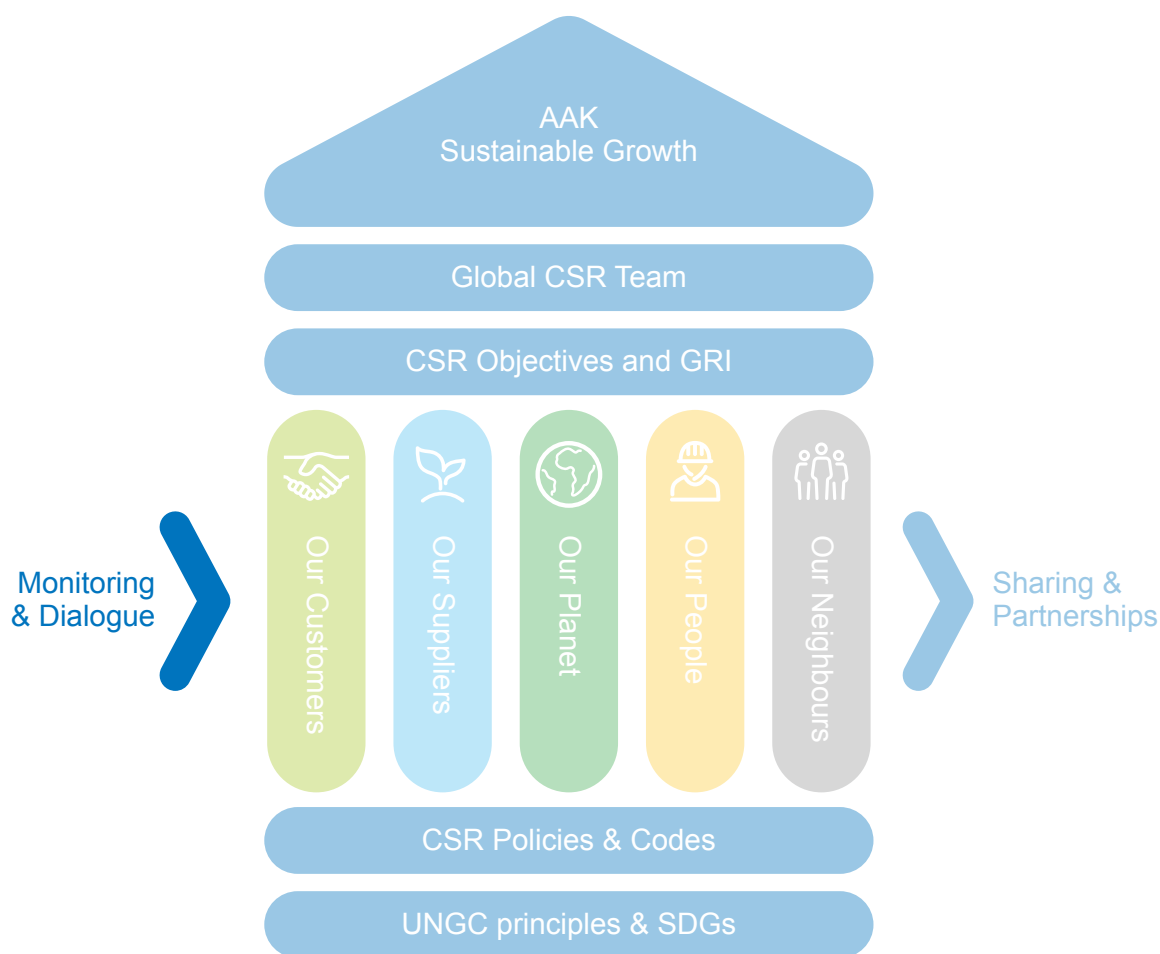
For AAK, sustainable growth is about responsibility toward all key stakeholders – the local communities where AAK operates, customers, employees, investors, and suppliers.

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

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

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

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



Materiality analysis

In AAK, we use materiality analysis as a tool to identify the most important focus areas for our CSR work. The latest analysis was done in 2016 through interactive workshops at our AAK sites. The teams had to prioritize economic, social and environmental issues that are crucially important to our business.

To facilitate the process we created 30 cards with one specific CSR issue on each card. Each local CSR team had to discuss whether the different CSR issues were important to the site or not. Those with low importance were removed from the stack of cards. From the remaining cards the teams then had to pick the ten cards of most importance to their business. Finally, they had to rank these ten cards according to importance. The workshops created very lively debates around the table.

By means of a simple scoring system data from all sites was then compiled into the x-axis of the materiality matrix. The second dimension of the matrix – the y-axis – was established based on stakeholder requirements and priorities. The materiality matrix helps us to prioritize our resources and identify gaps between AAK and stakeholder priorities.

The analysis identified food safety as the absolute top priority for both our customers and for AAK, closely followed by health and safety. A third topic that comes out as highly material is responsible sourcing, which AAK is increasingly focusing on.



Investor Relations

Shareholders

AAK endeavors to generate an attractive return on investments for its shareholders. The largest shareholder is Melker Schörling AB, which indirectly owns 33 percent of AAK. In total, approximately 75 percent of AAK's shareholders are Swedish. More information about AAK's ownership structure is available at www.aak.com.

Dialogue with shareholders

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

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

Shareholder activities

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

During 2017, a capital market day was held in Stockholm, and a large number of meetings were held with analysts and investors on site in Copenhagen, London and Stockholm.

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

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





Maintaining momentum

An important aspect of the AAK Group's CSR work is maintaining global momentum. To ensure this, the Global CSR Manager is in regular contact with all sites. Twice a year, consultation meetings with the CSR team leaders from each site are held where progress and challenges of the CSR work is discussed.

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

To make CSR even more visible within the organization, an internal CSR award is presented each year to the AAK site or business area that has demonstrated outstanding CSR performances. In 2017, the production site in Villavicencio, Colombia received an award for significantly improved key indicators such as Lost Time Injury Rate, waste to landfill, energy and water consumption, reduction of CO₂ emissions, and for an outstanding reduction of wastewater per processed product.

Increasing CSR awareness

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

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

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

Furthermore, the short e-learning modules, introduced in 2014 and targeting specific topics have been embraced by our global organization and proven to be an effective way to ensure CSR is embedded with our employees globally. We have a strong focus on being proactive and consequently, existing and new e-learning modules that need to be passed by defined target groups are constantly being reviewed, developed and launched.



CSR inclusion of new sites

When AAK builds or acquires new production sites a grace period of one year worth of production is given before they are being introduced to and integrated into the global CSR system.

After the first year of full production the site management is asked to appoint a CSR team leader and set up a CSR team. The team should have competencies within human resources, health, safety and environment, finance, sourcing, operations, and sales.

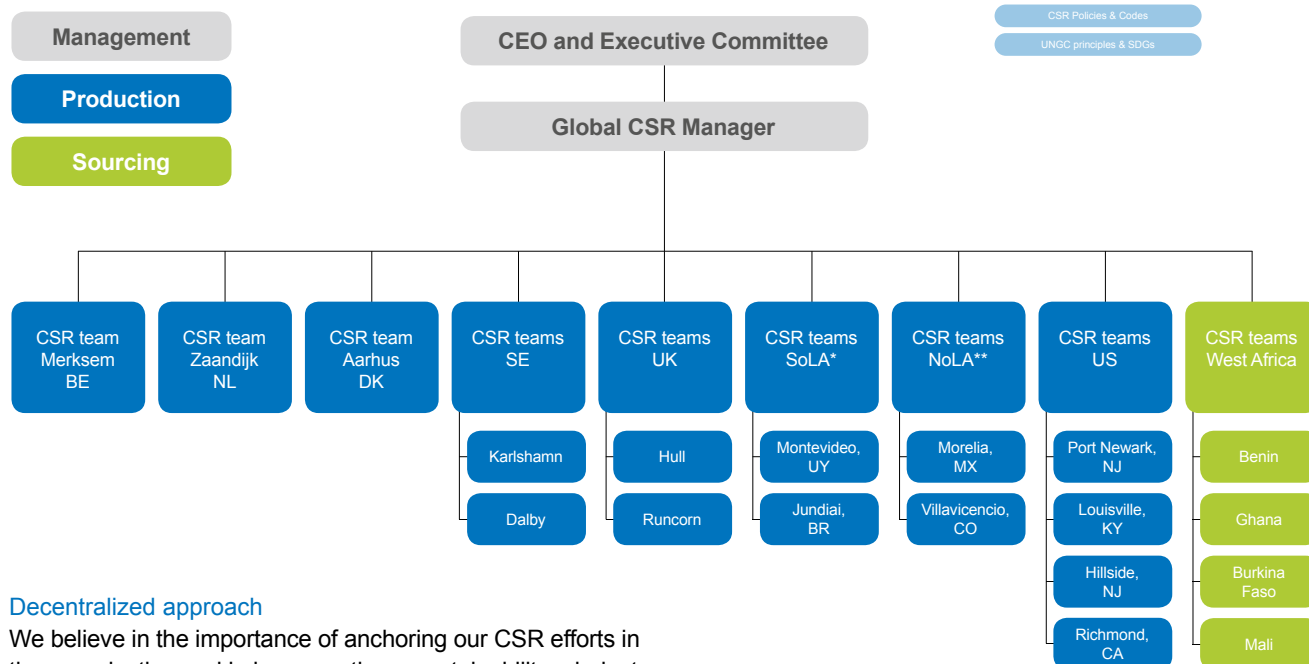
Once the new CSR team has been established it receives a first introduction to CSR in AAK and the company's "House of Sustainability". Furthermore, the team leader will be invited to monthly global virtual conferences where, among other things, best practices are shared.

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

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

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

CSR organization



Decentralized approach

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

Global CSR organization with local roots

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

Since the global CSR organization was established in early 2007, its objective has been to ensure breadth and diversity in the local teams, which are fundamental to our

CSR work. The teams possess competencies in human resources, health, safety and environment, finance, sourcing, operations, and sales. At our production sites, the teams consist of five to ten people led by a CSR team leader. The teams at our sourcing operations in West Africa have a different composition, and may draw on competencies from the major sites.

* SoLA represents Southern Latin America including Uruguay and Brazil.

** NoLA represents Northern Latin America including Mexico and Colombia.

Contacts

Mads Jules Feer, Global CSR Manager
Email: mads.feer@aak.com

Anne Mette Olesen, Chief Marketing Officer

Or e-mail: sustainability@aak.com

Global CSR ambitions 2018+

AAK's ambitions for 2018+ are presented below in brief. The ambitions are commented on in more detail in the five focus areas to which they apply: Our Customers, Our Suppliers, Our Planet, Our People, and Our Neighbours.

Global CSR ambitions 2018+



Our Customers

- Be a strong and knowledgeable partner on sustainability for our customers
- Full implementation of our Code of Conduct for Agents and Distributors

Global CSR ambitions 2018+



Our Suppliers

- Further strengthen our direct cooperation with the shea-collecting women as well as with other shea suppliers
- Fully sustainable palm oil meeting AAK's policy requirements by 2020
- Continuously improve livelihoods of smallholders

Global CSR ambitions 2018+



Our Planet

- Less than 1.5 percent of waste disposed as landfill/deposit by 2018
- Reduce net CO₂ emissions per processed raw material unit

Global CSR ambitions 2018+



Our People

- Work towards an injury-free workplace
- Continuously improve the competencies and engagement of our people

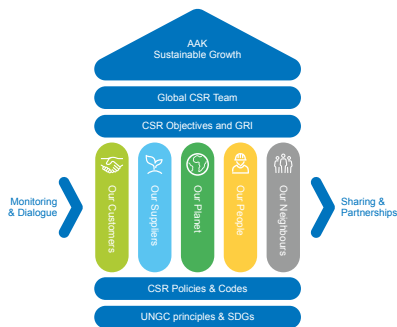
Global CSR ambitions 2018+



Our Neighbours

- All sites engage in relevant local projects and activities





Global Reporting Initiative (GRI)

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

See www.globalreporting.org for more information.

Global Reporting Initiative G4 Index

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21	Aspect boundary outside the organization	● No reporting
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23	Significant changes to report scope	● p. II
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24	List of stakeholders engaged	● Engaging few selective stakeholders
25	Selection of stakeholders	● p. 64
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28	Reporting period	● 01.01.2017–31.12.2017
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43	Knowledge of economic, environmental and ethical topics communicated to the Board	●	Annual Report 2017: pp. 28–29
44	Evaluation of the Board performance with respect to economic, environmental and ethical topics	●	No reporting
45	Role of the Board identifying risks within economic, environmental and ethical topics	●	Annual Report 2017: pp. 82–83
46	The Board's review of risks	●	Annual Report 2017: p. 85
47	Frequency of the Board's review	●	Annual Report 2017: pp. 82–83
48	Highest approval of the Sustainability Report	●	Acting CEO
49	Reporting critical concerns to the Board	●	Annual Report 2017: p. 82
50	Critical concerns raised	●	No reporting
51	Remuneration policies	●	Annual Report 2017: pp. 66, 83
52	Remuneration process	●	Annual Report 2017: pp. 83–84
53	Stakeholders' views regarding remuneration	●	Annual Report 2017: pp. 81, 83
54	Ratio of compensations	●	No reporting
55	Ratio of percentage increase in compensations	●	No reporting
Ethics and integrity			
56	Values, principles, Code of Conduct	●	pp. 4–5, 14
57	External advice on ethical and lawful behaviour	●	pp. 5, 63
58	Mechanisms for reporting unethical or unlawful behaviour	●	Whistle blower system part of AAK Code of Conduct
EC Economic			
EC1	Direct economic value generated and distributed	●	Community donations: SEK 638,900
EC3	Coverage of the defined benefit plan obligations	●	Annual Report 2017: pp. 67–68
EC4	Financial assistance received from government	●	SEK 24,615,000
EN Environment			
EN1	Material used by weight or volume	●	Processed raw materials: 2,345,000 MT Packaging materials: 58,000 MT Processing aids: 33,691 MT Additives: 6,120 MT
EN2	Percentage of materials used that are recycled input material	●	No reporting
EN3	Energy consumption within the organization	●	pp. 42
EN4	Energy consumption outside the organization	●	No reporting
EN5	Energy intensity	●	pp. 40, 42
EN6	Reduction of energy consumption	●	pp. 40, 42–43
EN7	Reductions in energy requirements of products and services	●	p. 40
EN8	Total water withdrawal by source	●	p. 48
EN9	Water sources significantly affected by withdrawal water	●	No significant impact
EN10	Water recycled and re-used	●	pp. 48
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity	●	Hull, UK and Port Newark, US sites adjacent to protected areas. No significant impact on production
EN12	Description of significant impact on biodiversity	●	No significant impact identified
EN13	Habitats protected or restored	●	pp. 26, 29, 31, 33
EN15	Direct greenhouse emissions	●	p. 44
EN16	Energy indirect greenhouse gas emissions	●	p. 42
EN17	Other indirect greenhouse gas emissions	●	No reporting
EN18	Greenhouse gas emission intensity	●	p. 44
EN19	Reduction of greenhouse gas emissions	●	p. 44
EN20	Emissions of ozone-depleting substances (ODS)	●	3,162 kg
EN21	NOx, SOx and other significant air emissions	●	p. 44
EN22	Total water discharge by quality and destination	●	p. 48 Total discharge: 1,685,000 m ³
EN23	Total weight of waste by type and disposal method	●	p. 45
EN24	Total number and volume of significant spills	●	Two minor spills in Jundiaí, BR and Kalshamn, SE with no significant impact on the environment
EN27	Extend of impact mitigation of environmental impact of products and services	●	pp. 31, 40–49
EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	●	Three notices of violation in Richmond, US resulted in SEK 27,200 fine in 2017
EN32	New suppliers that were screened using environmental criteria	●	pp. 23, 27, 31–32
EN33	Significant actual and potential negative environmental impact in the supply chain and actions taken	●	p. 31
EN34	Number of grievances about environmental impacts filed, addressed and solved through formal grievance mechanisms	●	None in 2017

LA Labour practices and decent work performance indicators		
LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	● Annual Report 2017: p. 27
LA5	Minimum notice period regarding operational changes	● In line with national legislation and local agreements
LA6	Type of Injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of fatalities by region	● p. 51 Two case of occupational disease registered. No fatalities
LA9	Average hours of training per year per employee by employee category	● Inadequate recording globally
LA10	Programs for skills management and life-long learning that support the continued employability of employees and assist them in managing career endings	● Personal Development Plans (PDP) implemented globally
LA11	Percent of employees receiving regular performance and career development reviews by gender and by employee category	● Personal Development Plans (PDP) implemented globally
LA12	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	● Annual Report 2017: p. 27
LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	● p. 57
LA14	Percent of new suppliers that were screened using labour practices criteria	● p. 23
LA15	Significant actual and potential negative impact for labour practices in the supply chain and actions taken	● pp. 23, 31
LA16	Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms	● None in 2017
HR Human rights		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	● None in 2017
HR2	Total hours of employee training on human right policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	● AAK Code of Conduct signed by all employees. No specific HR training
HR3	Total number of incidents of discrimination and actions taken	● p. 57 One incident recorded in 2017 in Merksem, BE
HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective -bargaining may be violated or at significant risk, and measures taken to support these rights	● p. 23 No incidents in 2017
HR5	Operations and suppliers identified as having significant risk for incident of child labour and measures taken to contribute to the effective abolition of child labour	● p. 23 No incidents in 2017
HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measure to contribute to the elimination of all forms of forced or compulsory labour	● p. 23 No incidents in 2017
HR8	Total number of incidents of violations involving rights of Indigenous people and actions taken	● p. 31 No incidents in 2017
HR9	Total number and percentage of operations that have been subject to human rights reviews or Impact assessment	● pp. 14
HR10	Percentage of new suppliers that were screened using human rights criteria	● p. 23
HR11	Significant actual and potential negative human rights impact in the supply chain and actions taken	● pp. 23, 31
HR12	Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms	● No incidents In 2017
SO Society		
SO1	Percentage of operations with implemented local community engagement, impacts assessment and development programs	● pp. 11, 27–29, 33, 35, 59–62
SO2	Operations with significant actual and potential negative Impact on local communities	● None
SO4	Communication and training on anti-corruption policies and procedures	● p. 57
SO5	Confirmed Incidents of corruption and actions taken	● No incidents in 2017
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcome	● No incidents in 2017
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	● No non-compliance incidents
SO9	Percentage of new suppliers that were screened using criteria for impact of society	● pp. 31
SO11	Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms	● No incidents in 2017
PR Product responsibility		
PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for Improvement	● p. 15
PR3	Type of product and service information required by the procedures for product and service Information and labelling and percentage of significant product and service categories subject to such information requirements	● p. 15
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	● No non-compliance incidents
FP Food processing sector supplement		
FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy	● pp. 23, 26–27, 31–32
FP2	Percentage of purchased volume which is verified as being in accordance with credible internationally recognized responsible production standards, broken down by standard	● p. 31
FP3	Percentage of working time lost due to industrial disputes, strikes and/or lockouts, by country	● p. 57
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognised food safety management standards	● p. 15

Reporting criteria

Scope and materiality

This is the ninth AAK Sustainability Report. The first was published in October 2010 and our aim is still to continue reporting on an annual basis. Due to Swedish legislation future reports will be published together with the AAK Annual Report in the second quarter.

Since commencing structured reporting in 2008, we have followed the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, now following the current G4 version. 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 used GRI standard disclosures and sector disclosures for food processing with special focus on core indicators. Indicator numbers and titles in the GRI index are in accordance with the G4 version.

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

This Sustainability Report is a supplement to the AAK Annual Report 2017 and, therefore, only contains a summary of financial performance figures and references to the AAK Annual Report. Both reports are available at AAK's website.

In general, the data in this report covers our activities from January 1 to December 31, 2017. Updated information for

some 2018 events is included, since they are considered to be of material importance to our stakeholders.

Environmental data (GRI abbreviation: EN) relate to the fifteen AAK production plants that were fully operational in 2017 including the AAK products produced by our toll production partner Cousa in Montevideo, Uruguay. Other core data also include purchasing sites and sales offices.

Data and calculations

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

The majority of data in the Sustainability Report are drawn from measurements. Air emissions data are based on direct measurements, calculations based on specific data or calculations based on default values. Information concerning purchased electricity from renewable resources is based on national grid information, if not purchased as green electricity. Information about employees, including numbers, gender, composition, etc., is calculated per December 31, 2017 and based on payroll information.

Some minor data errors have been identified since the 2016/2017 Sustainability Report was launched. These data have been adjusted in the present report. From our experience of the reporting process, we expect corrections will also be necessary in future reports. Nevertheless, we believe that the trends and overall picture given are a true reflection of our activities.

Auditor's report on the statutory sustainability report

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

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2017 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

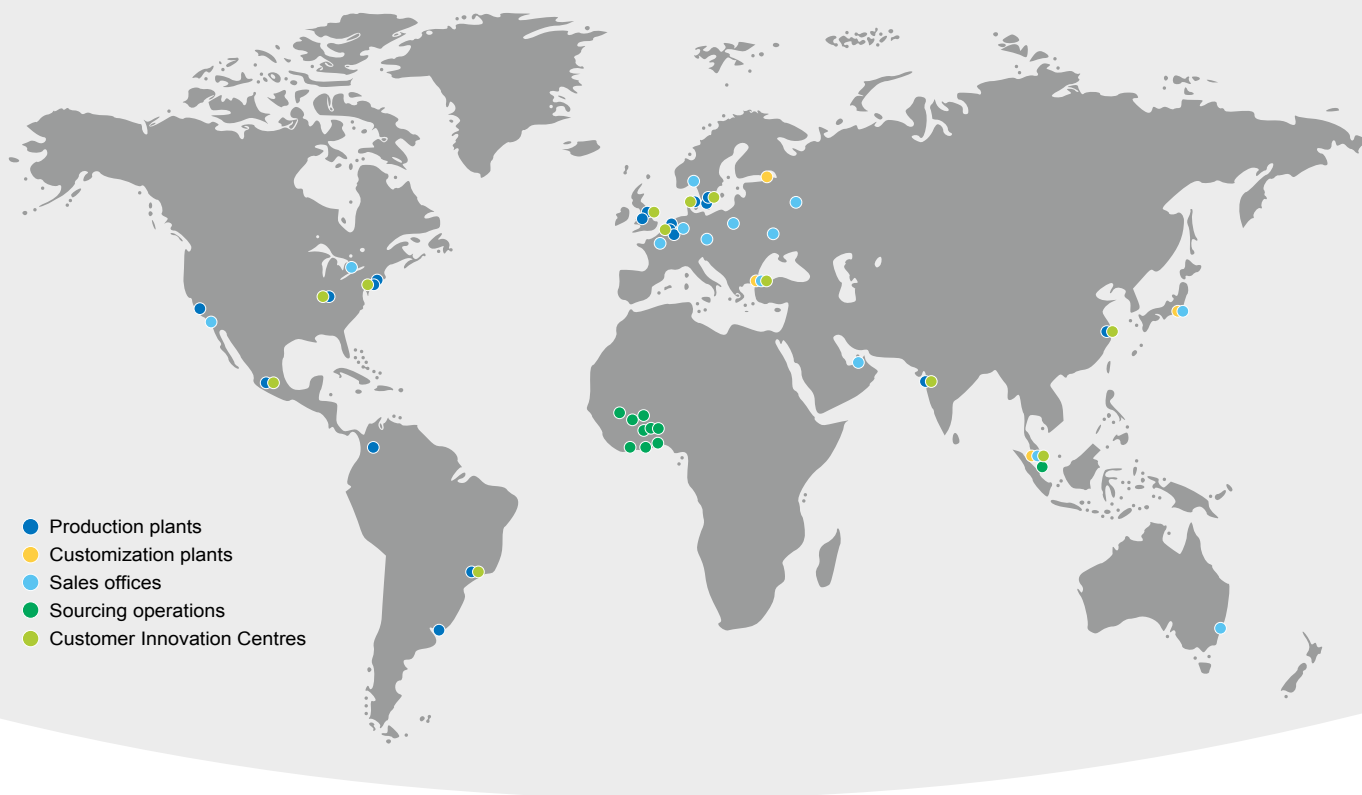
Opinion

A statutory sustainability report has been prepared.

Malmö, April 23, 2018

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

Linda Corneliusson
Authorized Public Accountant



The first choice for value-adding vegetable oil solutions

We develop and provide value-adding vegetable oil solutions in close collaboration with our customers, enabling them to achieve long lasting business results.

We do so through our in-depth expertise in oils & fats within food applications, working with a wide range of raw materials and broad process capabilities.

Through our unique co-development approach we bring together our customers' skills and know-how with our capabilities and mindset. By doing so, we solve customer specific needs across many industries – Chocolate & Confectionery, Bakery, Dairy, Special Nutrition, Foodservice, Personal Care, and more.

AAK's proven expertise is based on more than 140 years of experience within oils & fats. With our headquarters in Malmö, Sweden, 20 production facilities and customization plants, and sales offices in more than 25 countries, more than 3,300 employees are dedicated to providing innovative value-adding solutions to our customers.

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

We are AAK – The Co-Development Company.

Head office

AAK AB (publ.), Skrivaregatan 9, SE-215 32 Malmö, Sweden
 +46 40 627 83 00 | www.aak.com | info@aab.com
 Registered office: Malmö | Reg. No. 556669-2850



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