Welcome to AAK’s Sustainability Report 2010/2011

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

All data is from 2010 and is based on the core indicators of the Global Reporting Initiative (GRI) and Food Sector Supplements, adjusted for our business. Principles for reporting are described in the section “Reporting criteria” on page 40.

The report covers our entire organisation, including production plants, administrative offices, sales offices and sourcing operations. The environmental data is restricted to the production plants. Data from our mid-2011 acquisition of Golden Foods/Golden Brands in Louisville, Kentucky, USA, is not included in the report.

Wherever relevant, we have compared the figures with those from 2009. We also comment on the trends and developments we see and include our outlook for the years ahead. The trends, however, should be interpreted with prudence since they only cover a two-year period.

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

- Marketplace
- Supply chain
- Environment
- Workplace
- Community

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

This report is available in Swedish and English as a PDF file on www.aak.com and as a printed report. To obtain a copy, please contact Corporate Communications at comm@aak.com.

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As the world’s leading supplier of speciality vegetable oils and fats, at AAK we are keenly aware of our responsibility to source, handle, produce and deliver our products in the most efficient and sustainable manner as we strive to meet our strategic goals.

Through our close relations with stakeholders, be they customers, investors, employees, suppliers or the local communities where we operate, we are committed to integrating sustainability in all our activities, with a balanced and holistic approach. In this respect, as an integral part of our business we endeavour to initiate and participate in win-win projects that benefit our surroundings.

2010 milestones
The ten principles of the UN Global Compact are the foundation of all our sustainability work. Based on these, in 2010, we adopted a Code of Conduct, applicable to all our employees, serving as a guideline for how we conduct business responsibly.

Last year’s publication of our first sustainability report was also an important milestone in our sustainability efforts. By systematic reporting of our objectives, activities and data, we provide a thorough overview of our progress and areas where we need to improve. This transparency, which continues with this our second report, is central to our stakeholder communications and an important criterion for remaining the first-choice supplier in our industry.

Nine of our objectives for our sustainability efforts for 2010 were presented in last year’s sustainability report. In general, our progress against these objectives has been good. New objectives have been set for the coming years, which will steer our efforts in this important area. There are more details on subsequent pages.

Proactive initiatives
Two sustainability issues, which are high on our agenda, relate to the sourcing of oils from tropical climates, in particular shea and palm oil.

One example of where we can and do make a real difference is our strong local presence in rural West Africa, where we source shea. Here, our invaluable knowledge of and close links with our suppliers – the women of the villages – has enabled us to create opportunities to enhance their living and working conditions.

Another major initiative is the Roundtable on Sustainable Palm Oil, of which AAK is a founder member and Executive Board member. Our involvement in the leadership of this multi-national, multi-stakeholder organisation is helping to move the palm industry towards the production of sustainable palm oil as the rule rather than the exception in the years ahead.

We can be proud of our contributions in both of these areas.

Meeting the challenges
One of the most important challenges for AAK is how to support our customers in achieving their CSR objectives. The safeguarding of our customers’ brands is a fundamental requirement, and to remain the first choice, we must partner with our customers to reach their goals. Our long and close customer relationships help us deliver in this respect.

Another important challenge is preparing for and adapting to the various international and national climate change mitigation initiatives. While this primarily involves reducing our carbon footprint, we are also constantly working to optimise the use of resources and striving to minimise any form of waste.

The shift from conventional palm oil to certified sustainable palm oil is yet another challenge. We meet this with a deep understanding of both the supply and demand chains and their needs and wants, and aim to unite these by continuing to drive sustainability in the supply chain, and encouraging the uptake of certified sustainable palm oil by customers.

Driving responsible growth
The AAK Group has grown to be an important player in the food industry and the leading supplier of speciality vegetable oils and fats solutions. Our performance – both in terms of financial results and our progress in the area of sustainability – is a testimony to this growth. As the CEO of AAK I can see real progress and I am optimistic that AAK is on the right path to further improvements. We must never rest, and will continue to drive responsible growth in all of AAK.

With sustainability on top of our agenda, we are convinced that even better years lie ahead of us. Our responsible approach is building strong capabilities for sustainable growth into new markets, countries and cultures.

Global Compact
The United Nations Global Compact is an initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. With more than 8,500 signatories in over 135 countries, the UN Global Compact is the world’s largest voluntary corporate sustainability initiative. The principles are:

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

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

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

Anti-Corruption
- Businesses should work against corruption in all its forms, including extortion and bribery.
AAK in 60 seconds

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

Key financial figures, 2010

<table>
<thead>
<tr>
<th>Operational key ratios</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>14,808</td>
</tr>
<tr>
<td>Gross contribution</td>
<td>3,625</td>
</tr>
<tr>
<td>Gross contribution per kilo, SEK</td>
<td>2.51</td>
</tr>
<tr>
<td>Operating profit</td>
<td>824</td>
</tr>
<tr>
<td>Operating profit per kilo, SEK</td>
<td>0.57</td>
</tr>
<tr>
<td>Earnings per share, SEK*</td>
<td>14.15</td>
</tr>
<tr>
<td>Return on operating capital, %</td>
<td>13.1</td>
</tr>
<tr>
<td>Investments</td>
<td>335</td>
</tr>
<tr>
<td>Net debt</td>
<td>2,634</td>
</tr>
<tr>
<td>Equity/assets ratio, %</td>
<td>34</td>
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</tbody>
</table>

* Earnings per share have been calculated using a weighted average of the number of outstanding shares during 2010. Definitions, see page 55 of the Annual Report.
Our business

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

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

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

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

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

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

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

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

We believe that leading sustainability in our everyday activities helps us reach our vision of being the first choice in value-added vegetable oil solutions.
This page lists our overall CSR objectives for 2010 and future objectives. Achievements regarding the 2010 objectives are outlined.

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

### 2010 objectives

<table>
<thead>
<tr>
<th><strong>What we achieved</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation of AAK Code of Conduct was implemented with 35% of employees</td>
</tr>
<tr>
<td>7 production plants and the sourcing operations in West Africa have started implementing the Supplier Code of Conduct</td>
</tr>
<tr>
<td>A new CSR structure on <a href="http://www.aak.com">www.aak.com</a> was implemented in the fourth quarter of 2010</td>
</tr>
<tr>
<td>2009: 2 sites were certified</td>
</tr>
<tr>
<td>2010: 7 sites were certified</td>
</tr>
<tr>
<td>The major sites that produce AAK private label consumer products covered the amount of palm oil used with GreenPalm certificates</td>
</tr>
<tr>
<td>Feedback was gathered from investors, customers and employees with various responsibilities</td>
</tr>
<tr>
<td>Feedback was gathered from all sites during local meetings</td>
</tr>
<tr>
<td>2009: 5 sites were members of Sedex</td>
</tr>
<tr>
<td>2010: 7 sites were members of Sedex</td>
</tr>
<tr>
<td>A global assessment was not initiated due to other priorities</td>
</tr>
</tbody>
</table>

### New objectives

<table>
<thead>
<tr>
<th><strong>Marketplace</strong></th>
<th><strong>Supplier Code of Conduct</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Code of Conduct</td>
<td>2011: 100% implementation</td>
</tr>
<tr>
<td>Sedex</td>
<td>2011: 6 sites SMETA certified (Sedex Members Ethical Trade Audit)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Supply chain</strong></th>
<th><strong>Environment</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>2012: Investigate opportunities to exploit renewable energy technology</td>
</tr>
<tr>
<td>Waste</td>
<td>2015: Minimum 98.5% of waste disposed as reused, recycled or recovered</td>
</tr>
</tbody>
</table>

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<tr>
<th><strong>Workplace</strong></th>
<th><strong>Community</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lost Time Injury rate</td>
<td>2011: Each site to perform better than the national industry average</td>
</tr>
<tr>
<td>Performance &amp; Development Plan</td>
<td>2011: Implemented with all employees globally</td>
</tr>
<tr>
<td>Local engagement</td>
<td>2011: Participation in local projects and activities</td>
</tr>
</tbody>
</table>
In this section, Marketplace, we cover all the areas where we meet our customers, including our products, product development, food safety, product information and market communication.

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

AAK is organised in three business areas:

- Food Ingredients – catering for customers within the food service, bakery, infant nutrition and dairy segments, and food manufacturing
- Chocolate & Confectionery Fats, including Lipids for Care – with customers in the chocolate and confectionery industry, and the cosmetics industry
- Technical Products & Feed – supplying the feed industry as well as technical and mechanical industries.

Objective on Sedex

In 2010, seven of our production plants were members of Sedex, the largest collaborative platform for the sharing of ethical supply chain data. This means they now share information on labour and business practices and health, safety and environment data with customers who are also Sedex members.

The information registered in the database in 2010 was based on a self-assessment scheme.

In 2011, we will take the next step and obtain ethical audit certification at six of the production plants by Sedex-approved auditors. The audit framework “Sedex Members Ethical Trade Audit” (SMETA) is specially developed to support the Sedex system and the overall philosophy of sharing the audit report with customer Sedex members.

Objective on Code of Conduct

In 2009/2010, we prepared and adopted a Code of Conduct that defines how we interact with internal and external stakeholders. The Code is based on the UN Convention on Human Rights, International Labour Organization (ILO) conventions, OECD guidelines and the UN Global Compact principles. The Code applies globally – to all AAK staff, in all markets and at all times.

During 2010, the Code was implemented with 35 percent of AAK staff. Our individual sites and business areas determine the best means of implementing the Code, depending on local legislation, culture, tradition and level of knowledge.

By the end of 2011, we expect the Code to be fully implemented.

Value-creating product development

Customers require a prompt response to their needs for new and improved functionalities or for healthier products with reduced environmental impact. This is why our product development functions are decentralised within our individual business areas.

Our product development work revolves around our broad technical knowledge and access to raw materials and state-of-the-art technology. Within this setup, our product development staff are able to conduct fast and targeted development of new raw material bases, technologies and products. Assessing and documenting the environmental, health and safety aspects of each project is an integrated part of our product development process.

New products and concepts

In 2010, we launched a number of new products and product concepts within our strategic focus areas, including:

- Akopastry products for pastry margarines and Akocake products for cake margarines with a more natural profile due to their reduced additive content
- Illexao and other complex products based on segregated, sustainable palm oil, meeting the growing customer interest in this area
- Following our pioneering development of highly functional products without trans fatty acids meeting the requirement for healthier products, we see an increasing demand for products without saturated fatty acids. New product variants include Akomix for ice cream, Akocream for bakery fillings and Ceubes for coatings, the latter joining our Chocofil LS and EsSence ranges
- New Lipex products with Lipids for Care to provide the cosmetics industry with further opportunities to substitute mineral oils with renewable vegetable raw materials.

We expect the current health trends to continue. At AAK, we intend to maintain our leading edge as a supplier of solutions to market needs.

Karsten Nielsen
Chief Technology Officer
Long-lasting customer relationships

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

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

Meeting customer demands in the confectionery and cosmetics markets

Confectionery customers show increasing interest in sustainable palm oil products. Several customers in Western Europe are now committed to employing only certified sustainable palm oil in their products by 2015.

We expect the trend towards sustainable chocolate and confectionery fats will spread to emerging markets, most likely led by our global accounts. Due to our strategy of following the customer, we have a growing presence in these regions. We are always ready to respond to demands for speciality products, no matter where our customers are located.

Sustainability is equally important within the beauty and personal care industry. Here, our Lipids for Care business area is playing a proactive role in the development of sustainable solutions with no compromise in functionality. Our shea butter range is one example of this. By making the wild shea trees a good source of income for the women in West Africa who collect the shea kernels, we are instrumental in making this business sustainable.

In response to customer demand, we have developed and commenced the global rollout of an extensive AAK Code of Conduct. During 2010, many of our production plants also registered with Sedex to facilitate the sharing of ethical data with customers. In 2011, we expect to take the next step and obtain Sedex certification for those plants.

Torben Friis Lange
President Chocolate & Confectionery Fats and Lipids for Care
Sharing knowledge

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

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

Global Magazine for our customers

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

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

AAK ACADEMY – the knowledge centre for lipid technology

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

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

A few examples of the content of the courses:

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

In 2010 we held eight two-day academies at various AAK sites for about 200 customers from all over the world. For those customers who do not have the possibility to come to us, we go to them.

AAK ACADEMY started in Sweden in 1991 for the Scandinavian customers in the food industry. Later, we expanded into other segments like chocolate & confectionery and the beauty care market all over the world. Since the beginning, we have educated thousands of customers in lipid knowhow. Our goal is to continuously expand AAK ACADEMY and make it possible for even more customers to be educated in lipid technology.
Food Ingredients Continental Europe – a fast response to new requirements

Food Ingredients is our largest business area. A prime strength is our ability to develop customised solutions at speed in response to changing food industry requirements. By applying this proactive approach to changing health trends, we have gained a leading position in many of the business segments where we operate.

Today, we continue to strengthen our position as the natural choice for vegetable oils for a broad customer base that operates in a volatile and extremely competitive market. We do this through our knowledge, capabilities and way of working. Our value-added solutions combine with a strong sustainability focus in all manufacturing steps – driven by our belief that growth can only continue with a solid sustainability programme in hand.

We identify new improvement areas in close cooperation with customers. To this end, several projects are in place and are continuously updated to ensure a fast response to new industry requirements. Our extensive food processing know-how, strong supplier links and constant development work are a great help in this regard.

Continuous improvement is key to our success story.

Renald Mackintosh
President Food Ingredients Continental Europe

Food Ingredients USA – driving growth and new initiatives

AAK USA’s Food Ingredients business is responsible for most of AAK’s growth in North America. It is therefore of paramount importance to AAK USA to embed all aspects of Corporate Social Responsibility into our Food Ingredients business.

The growth of the US Food Ingredients business remains strongly correlated to the rate of substitution of partially hydrogenated soybean oil. AAK’s ability to create processed blends containing multiple oils that fulfill our customers’ needs is our strong suit. It is relatively easy to see the link of our success with the delivery of healthier options combining the required functionalities with the healthiest possible nutritional profile.

Additionally, AAK USA firmly believes in “doing well by doing good” for all of our stakeholders and the environment. We attempt to live by this principle every day taking an environment-friendly approach. Examples of this include: a significant reduction in energy usage per pound produced; significant increases in water usage efficiency; and installation of state-of-the-art wastewater treatment equipment.

In 2010, AAK USA’s Food Ingredient’s business was the first in the US to import Certified Sustainable Palm Oil from Malaysia. This event was widely covered in the trade press and effectively started a trend in the US with volumes increasing tenfold in very short amounts of time – and continuing to grow.

Having briefly mentioned our CSR efforts to help our customers make their products healthier and to provide options for our customers to have ingredients as environmentally friendly as possible, we also need to cover our personnel efforts. In 2010, we implemented a performance management system for all employees, from the president down, and this has allowed all employees to get clear feedback on their performance and opportunities for improvement. In partnership with the state of New Jersey, AAK provided 2,600 hours of functional and leadership skills training. Parts of this training allowed four employees to acquire the skills that qualified them for promotions and others to begin the formal legal certification process for boiler and refrigeration personnel.

The growth of the Food Ingredients area also allows AAK to provide employee wellness benefits that financially contribute to employees’ and their families’ fitness and wellness activities.

Jean-Marc Rotsaert
President AAK USA

R&D Director going back to school

In May 2010, Dr. Jeff Fine, Director of R&D for AAK USA, joined the distinguished faculty of Texas A&M University to teach a segment of “The Practical Short Course on Trends in Margarine and Shortening Manufacture, Non-trans Products”. Texas A&M University’s Department of Nutrition and Food Science has a reputation for offering one of the most comprehensive courses available.

The four-day intensive course consisted of both lecture and pilot plant instruction. Dr. Jeff Fine taught the segment on “The Advantages of Palm Oil in Margarine and Shortening Formulations”. The course was very well attended by professionals from a wide variety of food companies.

About being a professor for a day, Dr. Jeff Fine says, “It is a privilege to share knowledge of the advantages of palm oil with academia and our industry. It ultimately benefits not only the students but our customers, the food industry as a whole, and consumers.”

Dr. Jeff Fine
R&D Director
AAK USA
A matter of trust

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

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

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

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

Environmental awareness in Technical Products & Feed

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

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

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

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

Third party certification of AAK production plants

- 80% are certified to one or more internationally recognised food safety standards (ISO 22000 / BRC / HACCP / AIB)
- 60% have Roundtable on Sustainable Palm Oil Supply Chain Certification (segregated / mass balance)
- 40% are environmentally certified according to ISO 14001
- 40% are quality management certified according to ISO 9001
- 20% are energy certified according to national standards

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

Bo Svensson
President
Technical Products & Feed
The minimum requirement for product information is in general stipulated by legislation and requirements from standard contracts used in our business. Requirements for further information very much depend on the type of delivery, i.e. different requirements exist for standard and highly refined products, and for ingredients or final consumer products. AAK's product information sheets can have different names in different countries, but in general, three types of information are available:

- **Product Information Sheet / Product Specification** specifies physical and chemical properties of the products and will often be part of a contract.
- **Material Safety Data Sheet** relates to safety issues especially in relation to transportation. It is a legal requirement for chemicals, but not for food. It is, however, a general demand from customers.
- **Quality & Product Safety Sheet** has additional information related to the product such as allergens, GMOs, contaminants, country of origin, raw materials and additives, typical fatty acid composition, etc.

For the majority of products, a Certificate of Analysis will accompany each delivery. The certificate is produced by the relevant AAK laboratory and confirms compliance with agreed product specifications. Other examples of information supplied together with the products are production date or product expiry date.
Supply Chain

In 2002, WWF together with a small group of companies including AAK took the initiative to establish and promote a standard for the production of sustainable palm oil. As a result, in 2003 the multi-stakeholder organisation The Roundtable on Sustainable Palm Oil (RSPO) was formally established. Today, it has more than 500 ordinary members.

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

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

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

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

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

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

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

More information on the RSPO can be found at www.rspo.org or www.rspo.eu.

Raw materials from all over the world

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

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

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

In 2010, our production plants processed a total of 1,650,000 MT of raw materials. Compared to 2009, this is a decrease of 1.3 percent, which is in line with our strategic decision to supply more high value-added products and less commodity products.

RSPO – Roundtable on Sustainable Palm Oil

In 2002, WWF together with a small group of companies including AAK took the initiative to establish and promote a standard for the production of sustainable palm oil. As a result, in 2003 the multi-stakeholder organisation The Roundtable on Sustainable Palm Oil (RSPO) was formally established. Today, it has more than 500 ordinary members.

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

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

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

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

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

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

The **Segregated (SG)** supply chain model provides tradable certificates for RSPO-certified palm oil to the palm oil supply base. The supply base may then offer these certificates on a web-based transaction system to end users who choose to support specific volumes of RSPO-certified palm oil and/or their derivatives.

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

The **Book and Claim (B&C)** supply chain model provides tradable certificates for RSPO-certified sustainable palm oil to the palm oil supply base. The supply base may then offer these certificates on a web-based transaction system to end users who choose to support specific volumes of RSPO-certified sustainable palm oil and/or their derivatives.

Progress within RSPO

Over the past year, the Roundtable on Sustainable Palm Oil (RSPO) has developed rapidly, with now more than 500 ordinary members, and certified plantations comprising around 10 percent of global production at 5 million tonnes. Those are promising and still growing numbers for a still young organisation, but the ambition of the RSPO for sustainable palm oil to be the norm, rather than a niche, is not yet reached. Demand for RSPO-certified sustainable palm oil in its fully segregated and mass balance forms has been limited to around one million tonnes over two years. GreenPalm, the exclusive provider of certificate trading to the RSPO, has been a real success with over 2.5 million certificates traded by September 2011, but even here the recent low market price is indicative of the excess of supply over demand.

AAK was a founder member of the RSPO in 2003 and has been at the forefront of the organisation ever since, continuing as an Executive Board member, Treasurer and the provider of the GreenPalm trading platform. AAK continues to wholeheartedly support the RSPO, which faces regular challenges but continues to progress. It is to be hoped that the legally mandated Indonesian Sustainable Palm Oil and the recently announced Malaysian equivalent will complement the globally recognised RSPO standard; that smallholder involvement will be significantly extended; that demand can be extended beyond the current hotspots (particularly Europe); that certified production continues to grow and that RSPO-certified sustainable palm oil will indeed become the norm. AAK is working hard to make that happen.

**Objective on Supplier Code of Conduct**

In late 2009, we adopted a Supplier Code of Conduct. The Code stipulates our requirements in relation to the following topics:

<table>
<thead>
<tr>
<th>Human rights</th>
<th>Freedom of association</th>
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<tbody>
<tr>
<td>Child labour</td>
<td>Young workers</td>
</tr>
<tr>
<td>Working hours</td>
<td>Remuneration</td>
</tr>
<tr>
<td>Working environment</td>
<td>Housing</td>
</tr>
<tr>
<td>Environment</td>
<td>Corruption</td>
</tr>
<tr>
<td>Forced labour</td>
<td>Notification</td>
</tr>
<tr>
<td>Discrimination</td>
<td>Workplace violence</td>
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</table>

During 2010, most AAK sites began implementing the Code, addressing already approved suppliers and making it an integral part of the general approval system for new suppliers. The primary focus is direct raw material suppliers, who are required to approve and sign the Code or, in some other way, demonstrate that they comply with the Code.

By the end of 2011, our objective is that 90 percent of our direct raw material suppliers outside West Africa will have confirmed their compliance with the Code.

Implementing the Code in West Africa presents various linguistic and cultural obstacles. Furthermore, ethical requirements in business relations are not a widespread tradition in the region. More talks, meetings and explanations are required to achieve the necessary understanding.

For this reason, we have decided to implement the Code in a different way in West Africa and with a separate objective. We expect minimum 60 percent implementation among direct raw material suppliers in West Africa by the end of 2011.

**RSPO Supply Chain Certification Systems**

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

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

Tim Stephenson
Finance and Global Trading Director
RSPO Executive Board Member and Treasurer
RSPO, GreenPalm and AAK

Globally, palm oil is the most produced and consumed of the vegetable oils, accounting for 32 percent of the world’s vegetable oil production. Soya bean oil, at 26 percent, holds second place. At the same time, the oil palm has the highest yield of all oil crops at an average of 3.7 tonnes of oil per hectare – soya bean yield being around 10 times lower.

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

In 2002, WWF initiated the Roundtable on Sustainable Palm Oil (RSPO) along with AAK, Golden Hope Plantations, Migros, Malaysian Palm Oil Association, Sainsbury’s and Unilever. The organisation has now worked for almost a decade to promote the growth and use of sustainable palm oil worldwide. As a founder member, AAK continues to be highly involved at all levels from the Executive Board to working groups.

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

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

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

GreenPalm certificates for sustainable palm oil

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

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

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

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

GreenPalm – trading in sustainable palm oil certificates

As we move into our fourth year of trading, GreenPalm has evolved into far more than a certificate trading programme. We have become a credible campaigner for sustainability in the palm oil industry and the questions we receive from people around the globe suggest GreenPalm is trusted as a source of information.

As an option for sourcing sustainable palm oil, GreenPalm is now the most widely used, with recent RSPO figures revealing that GreenPalm accounts for 70 percent of certified palm oil purchases. While this indicates that a segregated supply may still be complex or costly for many businesses, it also demonstrates a willingness to support sustainable production via the most readily available means. More than USD 18 million has been paid to producers through the GreenPalm scheme.

Towards the end of 2010, we campaigned for the cosmetics and personal care industry to support sustainable production and have since welcomed support from Avon, Johnson & Johnson, Beiersdorf, Oriflame and others. This sector relies heavily on palm kernel oil, blends and derivatives, making GreenPalm the best currently available option for sourcing sustainable material. So we are thrilled to have the industry’s leaders, both in Europe and the USA, on board.

That is the encouraging story behind the numbers. As for the figures themselves: in 2010 we traded 925,000 certificates. By mid-October in 2011, we have already surpassed 1.5 million. Our target is to trade over 1.8 million by the end of 2011 – and to continue building awareness of the palm oil issue and earning support for sustainability around the world.

Bob Norman
General Manager
GreenPalm
Supply Chain

Shea
– a strategic raw material

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

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

Shea trees grow in some of the world’s poorest countries. Here, we work directly with the women who collect the shea kernels, building capacity in local communities. Our work in these areas includes the formation of women’s groups in the villages and teaching the women about how to maintain the quality of the kernels. In Burkina Faso, we also run projects with the United Nations Development Program. This includes sponsoring tools so the women can spend less time on household chores and more on collecting shea, which improves their income and standard of living.

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

UNDP Partnership

In 2003, AAK entered into a partnership with United Nations Development Program (UNDP) to install simple machinery in rural villages in Burkina Faso. The objective was – and continues to be – to reduce the women’s daily workload while at the same time increasing their opportunities for generating an income. These women collect the shea kernels that are an important raw material for AAK.

The machinery is a simple diesel engine that provides energy for various tools and generates electricity – a so-called Multifunctional Platform. Installation of the platforms has been very successful, and the platform project has been expanded to a national project headed by the government and comprising all of Burkina Faso.

In 2010, 554 platforms had been installed. AAK is still a partner in the project.

Social responsibility in the shea supply chain

As the world-leading consumer of shea kernels, AAK is very ambitious when it comes to social responsibility in the shea supply chain. This unique supply chain begins in the rural districts of most West African countries, where we have made it a priority to be present, visible and engaged in the local communities.

We have declared ambitions to promote a supply chain that is:

- **Transparent.** Participants should know which prices are being paid at the various steps.
- **Fair.** Those individuals who add value should be paid, while speculation should be avoided. Quality improvements should be pursued through education and, when achieved, should be recognised. Capacity building in rural areas is essential to improve commercial capabilities and abilities to partner with AAK.

- **Improving kernel quality.** Through our extensive work in rural areas, best practice regarding quality preservation should be shared throughout our network in West Africa.
- **Efficient.** Necessary financial and logistical means should be provided.

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

With an overall goal to ensure a sufficient, sustainable supply of shea kernels in the future, AAK is keenly engaging with governmental and non-governmental organisations that share our ambitions.

Knud Larsson
Sourcing & Trading Director
Rapeseed
– sourcing close to home

Rapeseed is another important raw material to AAK. In view of the ongoing health trend, rapeseed oil holds potential as the vegetable oil with the lowest content of saturated fatty acids and a relatively high content of essential fatty acids, such as omega-3 and omega-6.

Most of the rapeseed we process is sourced in Sweden, where it is processed at our Karlshamn plant. The shorter transportation means less impact on the environment. Apart from its use as traditional rapeseed oil, we also offer a range of special rapeseed oils with added value. The rapeseed meal that remains after oil extraction is used for animal feed.

Empowering women in West Africa

In order to make the supply chain of shea as short, transparent and efficient as possible, AAK has been organising women’s groups in West Africa for several years. The project is a win-win project where the women who collect shea obtain direct market access to the industrial consumer of shea kernels and they get a higher price than if they sold to middlemen. The price is even higher if the quality of the shea delivery is good.

AAK wins through a more transparent, traceable and efficient supply chain. The quality of shea kernels received from the women’s groups is higher than when we buy from conventional suppliers. AAK works directly with several thousand women, and we work on increasing that number from season to season.

Child labour in shea?

AAK has been sourcing shea for more than 60 years in West Africa. Collecting shea is an important income-generating activity for the women in the shea belt.

In 2010, AAK conducted a questionnaire in 60 villages of Burkina Faso to find out to what degree children were involved in collecting shea. 60 percent of the women stated that they collect shea together with family members, often their daughters. However, 100 percent of the women stated that their daughters did not miss school due to shea collection, because most of the shea is collected during holidays. Further, shea collection starts early in the morning, and the women are often back in the village at 8 a.m. to cook breakfast for the family.

In recent years, much focus has been on the use of child labour in cocoa plantations in West Africa. When comparing the collection of shea with the work in cocoa plantations, the most important difference is that shea trees are wild and do not grow in plantations where the work is organised, often with help of outside workers. Shea collection remains a family activity, run by women.
The Global Shea Alliance

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

Vision: A sustainable and competitive shea industry.

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

More information about the Global Shea Alliance can be found at www.globalshea.com.

Strategic partnerships in developing countries

In October 2010, AAK was invited to present and discuss strategic partnerships with an international group of representatives from employers’ associations, trade unions, ministries and private companies. The event was part of the three-week Danida Fellowship Course in Social Partnership for Business Development. Danida (Danish International Development Assistance) is the section of the Danish Ministry for Foreign Affairs that manages the funds donated by the Danish state to fight poverty in developing countries.

Over the years, AAK partnerships that are founded on business development have become very popular and very much in line with the strategy for Denmark’s development policy. This was the second time that Danida invited us to participate in the course. Participants came from Bangladesh, Bhutan, Kenya, Ghana and Nepal, and due to the diversity in culture, age, experience and background among the participants, the course generated a lot of fruitful discussions from which everybody could benefit.

The idea of a Global Shea Alliance was initially introduced to the stakeholders in the shea value chain a couple of years ago by USAID (United States Agency for International Development) and finally formed in April 2011.

The vision is a sustainable and competitive shea industry and the mission is to enhance economically viable, environmentally and socially responsible shea kernel and shea product businesses. AAK is one of the founding members of the Alliance. We are the leading buyer of shea and we strongly believe in a transparent market for all participants in the value chain.

The Global Shea Alliance shall have the means to improve the knowledge about shea within the cosmetic, confectionery and general food sector. The increasing demand for shea shall contribute to improve living conditions throughout rural West Africa. The Global Shea Alliance shall have a presence in most shea producing countries and with one voice spread the knowledge about quality which shall improve the value of shea. Other areas to focus on in order to improve transparency and quality could be an introduction of yearly market opening dates in the various countries together with unified packaging and weighing standards.

Monika Hjorth
Shea Sourcing Manager

Supplier Code of Conduct

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

Until now, AAK has operated two different supplier approval systems. Today we are working towards integrating them in one common system, based on quality, food safety, environmental and ethical requirements. The first stage of implementation involves designing a common format for ethical requirements. Once this is in place, we will focus on the other elements of our common system.

The Supplier Code of Conduct is our best tool for assessing our suppliers and monitoring their performance, both in terms of their compliance with relevant legislation and with sustainability aspects. In this context, we have decided to work within our sphere of influence, i.e. to focus on those whom we have the best chance of influencing – our direct suppliers. Still, by urging our suppliers to positively influence their suppliers, we aim to broaden our sphere of influence and inspire other players in the supply chain to act responsibly.
Environment

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

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

At AAK, we are very much aware of the footprint our production plants leave on the environment. This is why we constantly strive to reduce our consumption of energy and water and reduce waste and emissions. Our ongoing aim is to become more environmentally-friendly tomorrow than we are today.

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

Some of our objectives and initiatives are illustrated by the following projects:

- Our Danish plant aims to reduce water consumption by 10 percent
- Our Swedish plant targets a 6 percent reduction in energy consumed
- Our UK plant has set a goal to reduce steam consumption by 10 percent and carbon emissions beyond national targets
- Our Netherlands plant has installed a wastewater management process that returns clean water directly to the local waterway
- Our US plant in New Jersey has reduced energy consumption, effluent and waste significantly and is currently installing new energy-efficient plants to reduce energy costs per tonne of product produced even further
- Our Mexican plant has made significant progress within energy reduction, waste management and steam consumption through many small improvement projects.

As a matter of course, we take environmental laws and regulations very seriously and are proud to report that, in 2010, we recorded no incidents of non-compliance. Two minor spills were registered:

- 10 kg ammonia released from a compressor, giving an employee minor burns but having no environmental effect
- 100 litres of vegetable oil released into a harbour with very low environmental impact.

Taking best practice throughout the value chain

Excellence in manufacturing operations is a fundamental requirement for success within AAK. In ensuring this, we see improvements in Operational Eco-Efficiency as essential, helping us to reduce costs, protect the environment and make more effective use of raw materials and natural resources. We are very much aware that Operational Eco-Efficiency improvements are not dependent on a handful of large projects, but on many smaller initiatives at our production plants.

During the year, we brought our global operations directors together with our key business partners who supply plant, equipment and general services. The main focus of this meeting was to review best available technology (BAT) for waste reduction in utilities, materials conversion, transportation and conservation. This team will now meet three times a year to share best practice, review performance and develop a common understanding and approach across all our manufacturing sites. Our aim is to build upon our manufacturing capability and skills and accelerate cross-functional and cross-country learning to achieve high levels of improvement.

For 2011, we have two main goals. The first is to develop learning and best practice across our production plants, and the second is to benchmark performance and develop local improvement programmes. In addition, we will embark on the next level of improvements: identifying BAT for all new investment projects and manufacturing technologies. This will drive further, more ambitious reductions in terms of environmental footprint.
Energy

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

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

The type of energy used at our production plants varies considerably. In Montevideo, Uruguay, all direct energy consumed is derived from biomass, while in Karlskron, Sweden, 92 percent comes from biomass and biofuel. Some production plants have their own power plant and sell energy in the form of steam and electricity externally. To account for this, the total energy consumption given in this report refers to energy purchased plus energy generated minus energy sold.

In 2010, our production plans had a combined direct energy consumption of 3,350,000 Gj, an increase of 1.1 percent compared to 2009. From 2009 to 2010, direct energy consumption from renewable resources increased by 2 percentage points, reaching 31 percent.

During the same period, electricity purchases (indirect energy consumption) decreased by 2.6 percent to 667,000 Gj, while the proportion of renewable resources increased by 4 percentage points.

Overall, then, total energy consumption reached 4,014,000 Gj, an increase of 0.4 percent. Calculated per tonne produced, energy consumption has increased by 1.8 percent. This is what could be expected following the strategic decision to increase production of highly refined products, which require more energy to process. Another factor that could contribute to the increased energy consumption is the record-low temperatures experienced in Europe during December 2010.

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

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

Objective on energy

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

Complementing or substituting fossil fuels with renewable alternatives is one way of reducing the impact. We want to employ more renewable sources of energy and new green technologies. To this end, we have decided to investigate the opportunities to exploit renewable energy technology before the end of 2012.
More logic in logistics – new requirements for our transport service providers

Taking responsibility throughout the value chain includes optimising the transport of our products. Throughout AAK, we are working to simplify our logistics structures and develop efficient, environmentally compatible logistics concepts. In most cases, our logistics planning is tailored to the final products that are to be transported. Now, we are looking to consolidate our European logistics to optimise outbound and inbound road transport and, in that way, reduce our driven miles by 15 percent a year.

Worldwide, all product transportation, from the production plant to the warehouse and on to the customer, is carried out and managed by external logistics companies. It is, therefore, important for us to consider efficiency and environmental performance when we select our transport partners.

We are now defining new criteria for assessing providers of logistical services by means of “invitation to tender” processes. The criteria include defining energy-saving targets, measures for modernising vehicle fleets, and investments in programmes for optimising routes and determining emissions. Requesting such information from companies emphasises our expectations regarding environmentally responsible transport concepts. We will take these concepts into account when we place new logistics orders.

Piping insulation saving 6.4 million kWh per year

As part of an energy reduction project at Site Hull, UK, a survey was done to identify savings that could be made from improving the thermal insulation on site, including repairs/replacement of existing damaged insulation, insulation of process pipework, heating jackets, valves and fittings. The improvements identified and implemented in the Refinery tank farms were estimated to save 4.8 million kWh of energy.

Similar improvements in the Bakery fats production area were implemented, leading to a further 1.6 mio kWh savings. On this project, the payback time was approximately six months. Future actions to maintain these savings will include regular site inspections, and ensuring that insulation is replaced after repairs.

Reduction of steam pressure from 10.5 bar to 8 bar

At our production plant in Hull, UK, we decided to examine in detail the operation of the steam ejectors on the deodoriser vacuum systems. It was identified that there was potential for reducing steam consumption by using a lower pressure and flow rate, while still maintaining acceptable vacuum levels.

The steam pressure to the ejector on the deodoriser was reduced from 10.5 to 8 bar with no detriment to the products processed. The corresponding reduction in steam flow was 430 kg/h. This was repeated for two more deodorisers.

Total energy savings from the reduction in steam pressure was 4 million kWh and a reduction of 740 tonnes of carbon dioxide per year.

Later, a steam meter was fitted that will be connected to a new Monitoring and Targeting System so that weekly steam figures can be checked against the production volume to ensure that savings are maintained. The payback time of this project was less than six months.

Supporting the government’s energy programme

For several years, our production plant in Aarhus, Denmark, has supported the Danish Government’s energy reduction program. The program consists of a contract with the Ministry of Energy through which the company commits itself over a period of three years to conduct an internal survey of energy usage throughout the plant. Based on the survey, the company presents an energy reduction project that must be fulfilled in the three year time span.

The contract also consist of three more specialised investigations with the aim of looking at new technologies that can bring the company further in the usage of alternative fuels, alternative production methods and challenge the existing energy supply set-up. Everything is gathered in an Energy Management System where all information regarding energy consumption, project progress, etc. is controlled.

The Energy Management System is also used as a tool for management to focus on the energy usage throughout the production plant. Approximately 120 companies in Denmark have this type of agreement with the Ministry of Energy. For supporting the initiative from the government, the production plant receives a grant that is related to the energy usage. The grant covers the different fees for maintaining the ISO 16001 Energy Reduction Scheme.
Air

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

In 2010, we generated 206,000 MT of carbon dioxide at our production plants, 3.7 percent more than in 2009. However, 45 percent of direct carbon dioxide emissions stemmed from renewable resources, which is an increase of 5 percentage points compared to 2009.

Carbon dioxide emissions from fossil fuel per tonne processed totalled 69 kg. This is 1.4 percent less than in 2009.

The ozone layer protects life on earth by filtering out some of the sun’s harmful UV radiation. For that reason, any thinning of the ozone layer is hazardous. At AAK, we are working actively towards eliminating all equipment that uses ozone-depleting substances (ODS), which are generally used for cooling. Currently, seven of our production plants do not have ODS-based cooling, and total emissions have fallen 90 percent from 2009 to 2010. Policies are in place to phase out all remaining equipment that uses ODS at the remaining plants.

Due to our use of fuels, our production plants emit 267 MT NO\textsubscript{x} (nitrogen oxide) and 350 MT SO\textsubscript{x} (sulphur oxide). 205 MT VOC (Volatile Organic Compounds) are also emitted from plants that run extraction and solvent fractionation processes. We constantly monitor progress across our production plants.

AAK USA using “green” electricity

AAK USA purchases Renewable Energy Certificates from HESS Energy Marketing to obtain electricity from renewable energy sources. In 2009, 10 percent of AAK USA’s Port Newark facility was supplied from green renewable energy sources; in 2010 100 percent of our electrical energy needs were covered by Renewable Energy Certificates.

We are delighted to have the opportunity to power our plant and offices with green energy. Renewable energy furthers our goal of a green production cycle, from receiving sustainably produced oil from Malaysia to production at our Port Newark plant.

In recent years, the food industry has shown a clear tendency towards the reduction of packing material. This has resulted in a higher number of bulk deliveries to customers, but also from raw material suppliers. In between unloading and loading, the trucks must be cleaned. Previously, this had to be done at a very busy external tank cleaning facility, some 10 km away from the production plant in Zaandijk, The Netherlands. The production plant is situated in an urban area, and the trips to the external facility generated extra traffic.

In 2010, we invested in our own tank cleaning facility at the production site, only for trucks unloading and loading at AAK. The number of vehicle movements has been drastically reduced, resulting in a clear win-win situation:

- The neighbours are happy and carbon dioxide emission is reduced.
- Optimal use of energy, since the facility uses residual heat from the refining process.
- Logistical advantages through lower costs and fewer waiting hours.
- Better control over quality and food safety.

Rethinking tank cleaning
Water

Wastewater

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

Combined, our production plants use 47,400,000 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 our system. Surface water consumption decreased by 1.2 percent from 2009 to 2010.

Ground water and municipal water used in processing totalled 1,900,000 m³, an increase of 10.7 percent compared to 2009. Calculated as processing water per tonne produced, consumption has increased by 12 percent. An investigation is underway to find the cause of this increase and reduce consumption.

When water is discharged, its quality is measured by two methods, as required by the local authorities: BOD₅ (biochemical oxygen demand) and COD (chemical oxygen demand). This determines the degree of pollution. The BOD₅ and COD figures for water discharged from our plants are within the stipulated limit values. BOD₅, at 8 MT, has decreased by 61 percent from 2009 to 2010, while COD, at 718 MT, has increased by 6 percent. All wastewater is treated at our own or municipal treatment plants.

Improving wastewater quality

Two online instruments that measure Total Organic Carbon were installed at the wastewater treatment plant in Karlshamn, Sweden. Prior to the project there was a lack of immediate data on wastewater for purification due to a lengthy analysis. Variations in wastewater from the process lines were thus unknown. Today, the operators can see the load and adjust the purifying process accordingly.

During 2009-2010, nitrogen exhaustion decreased by 88 percent, compared to before the online instruments were installed. During 2010, the project moved on to decreasing particles exhaustion. In the last quarter of 2010 the decrease was 78 percent compared to earlier the same year. The main success factor in this pioneering installation project has been the engagement and close cooperation between process engineering, production, electrical, laboratory and environment departments.

Reducing water consumption by 42,000 m³

At our production plant in Hull, UK, water used in the processing of oils goes through a Reverse Osmosis unit, allowing reuse of some of the water for processing. The rest was used as washwater for site cleaning, but still, large amounts of water went directly to drain.

Potential savings were available from installing a second Reverse Osmosis unit to further recover water for processing. With this, we achieved a saving of 42,000 m³ water per year. Additional savings were available from reducing the salt usage of the water softener by 10 percent.

The reduction of water consumption, salt savings, installation and running costs combined gave this project a payback time of less than a year.

Mike Stewart
Technical and HSE Manager
AAK UK

Jessica Everman
Process Engineering
AAK Sweden
Waste

Disposal of waste
During 2010, our production plants generated 80,100 MT of waste, a 14 percent increase compared to 2009. 98 percent of the total amount of waste was non-hazardous. In waste disposal, there is a clear, very positive tendency towards reduced use of landfill. Only 1,900 MT were disposed to landfill, which is 24 percent less than in 2009. This is in line with our objective to minimise the amount of waste going to landfill.

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

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

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

In 2010, 97.6 percent of our waste material went for reuse, recycling or recovery. Only 2.4 percent, equal to 1900 MT, was disposed of in the least favourable way: landfill. Sending waste to landfill means not utilising any of the potential value that may still be present. Further, in many countries, a landfill tax has been introduced to reduce the amount of waste disposed in this way.

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

Towards more environment-friendly packaging
AAK South America is working to reduce packaging material by 5 percent. By promoting bulk deliveries in road tankers to our customers our goal is to not only optimise transportation and achieve a sustainable competitive advantage, but also eliminate the need for large quantities of disposable packaging material – and the associated waste and costs for disposal.

This environmental-friendly logistics strategy is accompanied by changes in the cardboard of the boxes used for solid products. Ink has been eliminated from the cardboard and our boxes turned from white to the natural colour of the paper fibre. By doing so, we consider the whole packaging lifecycle and increase the chances of recovering the material with less landfill impact.

‘Recycling Champions’ reducing waste
With ever-increasing pressure being placed on the world’s resources we decided it was time to look for ways to minimise our environmental footprint.

In 2009, AAK in Runcorn was sending the majority of its 600 tonnes of waste to landfill. Following discussions with various recycling companies, we selected a partner for the project.

For the project to be a success it was essential to change thought processes about waste and help our employees identify various waste streams. This was led by appointed ‘Recycling Champions’ who communicated and promoted the benefits of ‘going green’ to the workforce. Colour-coded bins were introduced for each type of waste, and posters were displayed to raise awareness.

With the perseverance and commitment from our employees, we are now recycling metal, glass, cardboard, paper, plastic, and currently trialling food waste. Our waste to energy and recycling stands at 97.25 percent and we can happily say we are well on our way to zero landfill.

Vicki Potter
Management Accountant
AAK UK, Runcorn

Andrea González
Regional Logistics Manager
AAK South America
Workplace

This section, Workplace, is about working life at AAK, how we stay an attractive workplace to our employees and make sure that everybody is healthy and safe. Our employees are our most important resource. With 2,426 employees (equivalent to 2,101 full-time employees, as stated in our 2010 Annual Report), and many different locations across the globe – in production plants, sales offices and sourcing operations – AAK is a diverse company with many different job functions.

Common to every employee are our values and Code of Conduct, which govern the way in which we conduct our business and interact with each other and our stakeholders. Combined with the UN Global Compact and our CSR Policy (see page 28), they provide the framework for AAK as a workplace.

AAK Code of Conduct

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

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

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

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

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

A short version of the AAK Code of Conduct and policies marked with * can be found on our website, www.aak.com, under the section Documentation.

Implementing our Code of Conduct

The AAK Code of Conduct serves to guide our employees so their actions are consistent with AAK values. Further, it helps us do the right thing and play by the rules.

Due to the importance of the Code, we thought carefully about how to implement it in the best way. The first step was to develop our Code of Conduct manual in simple terms for our employees – a code easy to read.

The second step was involving our Internal Auditor into this process to help us with the procedures, and we decided that the best way of implementing would be through cascading. Managers and Facilitators were responsible for explaining the Code and having each employee sign the document.

Right now, all personnel have signed the Code of Conduct, and our responsibility as the Human Resources department is that all our personnel understand the importance of the Code.

We are very happy to have completed this process successfully.

Karla Román
Personnel Manager
AAK Mexico
2010 – improvements and challenges for the global workforce

Changes in the organisation
To strengthen and ensure our competitiveness, in 2010 we restructured our organisation in Denmark and Sweden. This resulted in a number of employees being made redundant. Great efforts have been made to ensure fair and respectful treatment of these employees.

Improvements in the workforce
Our dedicated efforts to improve the safety of our employees resulted in a 4.8 percent reduction in our Lost Day rate. In addition, due to our reinforced emphasis on development activities, training hours per employee increased 33.3 percent.

Developing and mobilising our people
In 2010, we initiated our new AAK Acceleration Programme, focusing on three priority areas: Growth, Efficiency and People. HR leads the People project ‘Mobilising Ourselves’, focusing on the performance and development of all employees globally and on increasing the mobility of human resources and knowledge across AAK.

During the year, approximately 30 percent of employees were invited to a personal Performance & Development Plan (PDP) meeting. The aim for 2011 is that more than 40 percent of employees will have had a PDP by the end of the first quarter, and 100 percent by the end of the year.

Guidelines for change based on company values
The company values have been reviewed and now form the guidelines for leading the AAK Acceleration Programme through Initiative, Improvement, Innovation, Change and Teamwork – with a Sense of urgency. The focus for 2011 is to meet the CSR objectives within the workforce area and execute the People projects.

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

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

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

Our objective for the end of 2011 is 100 percent implementation – in other words, that all employees have participated in a personal PDP during the year.

Kaizen training leading to lasting improvements
At AAK’s production plant in Aarhus, Denmark, we are working with the well-known Lean principles as the basis for continuous improvement. Several employees have completed courses on Lean and also training in Kaizen activities.

A Kaizen is a focused process where a handful of employees define and analyse a problem, plan how to solve it, implement the solution and evaluate the result – all within a relatively short period of time and with existing resources. Through this focused effort, everyday continuous improvement is accelerated, and standards are raised significantly.

An example of a Kaizen activity that had a very practical scope and offered a great improvement is the clean-up of an area used for melting oil stored in drums. Seven employees made up the cross-organisational team that did a very thorough clean-up and tidying-up of the area, increasing safety and introducing a new system for melting oils.

The Kaizen activity was a very suitable method to identify the potential improvement, and conditions were greatly improved in a short period of time. Sustaining and improving the new standard is the challenge now. Continuous improvement never ends.

Anne Mette Olesen
Vice President
HR, Communications and CSR

Martin Alsted
HR Consultant
AAK Denmark
Internal communication

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

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

Labour rights

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

45 percent of our employees are covered by collective bargaining— a figure unchanged from 2009. At our production plant in Montevideo, Uruguay, a dispute over salary and working condition negotiations resulted in a strike that caused the loss of 14 production days. Until the matter was resolved, other AAK sites covered deliveries, so customers experienced only minor delays.

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

Giving staff equal and fair treatment is another focus area of our CSR Policy. During 2010, AAK USA was charged with age and ethnicity discrimination. However, the US Equal Employment Opportunity Commission dismissed the charge without any sanctions against AAK.

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

As per 31 December 2010, AAK had a total of 2,426 employees (equivalent to 2,101 full-time employees, as stated in our 2010 Annual Report), 22 employees less than in 2009. Among permanent employees 168, corresponding to 8 percent, left the company – the same level as last year.

20 percent of our employees are female. This is a lower percentage than in many other businesses, but it is due to the fact that a job in our production plants typically attracts more men than women. At managerial level, 17 percent are female.

73 percent of our employees are permanently employed, while 10 percent are temporarily employed. The remaining 17 percent comprise trainees, agency staff and at-will employees. The latter is a doctrine of American law that refers to an employment relationship which can be broken by either party with no liability. 4 percent of our employees work part-time.
Working in a safe environment

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

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

The Lost Day rate, calculated per 200,000 working hours and a measurement of injury severity, showed an improvement of 4.8 percent to a rate of 37.7.

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

Absentee days amounted to 2.7 percent of total workforce days, which is an increase of 13 percent compared to 2009. We are currently investigating the reasons for this increase.

No fatalities occurred during 2010, and we registered 4 cases of occupational disease.

Objective on Lost Time Injury rate

During 2010, we decided to align the our definition for measuring injuries across the AAK Group. Consequently, we are now aligned to measuring Lost Time Injuries, defined as work injuries that result in one or more days/shifts of sick leave. Our objective for the end of 2011 is that each site performs better than the national industry average in the country where it is located.

Safety – a top priority

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

We employ an external consultancy to provide independent, expert risk and safety reports, a summary of which is presented to the AAK Board of Directors. The consultancy assesses local culture, systems and processes and provides a general status report and recommendations for each production site, along with key performance indicators (KPIs). We are in the process of implementing these recommendations and assessing progress.

Each month, we benchmark performance across all our production plants using the KPIs as a common platform. To improve the management of our safe working environment, each site holds monthly review meetings, reporting on performance to their local board.

Our goal for 2012 is to develop a global safety strategy. We aim to bring representatives together from each production plant to share best practice, techniques and processes. Ultimately, we will develop a common internal safety audit programme that will apply to all production plants. This will complement the risk review and will be directed by our local operations directors, who will meet and review performance and progress three times a year.

Through working with our consultants and bringing our global resources together, we aim to reduce risk and improve our safety performance.
Staying healthy

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

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

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

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

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

Mosquito nets for employees

Malaria is a disease transmitted by mosquito bites that causes death or severe long-lasting health problems among the people in West Africa. No vaccination is available against malaria, and in general people do not have the means to protect themselves from mosquito bites.

The most difficult time for people to protect themselves against the mosquitoes is during the rainy season, which starts in May and lasts until October. We therefore decided to distribute mosquito nets – the front line defense against malaria – to all our employees in the different countries in West Africa, prior to the rainy season. The nets have a double effect: they protect against malaria, and the mosquito population drops due to insecticide in the nets.
In this section, Community, we present the activities that we initiate and engage in, be they local, regional, national or international, in order to play our part and act responsibly in society. Contributing to and being part of the community where we operate is essential to maintaining a positive relationship with neighbours, politicians and authorities. Through our commitment to community causes, we are also instrumental in creating a workplace with highly motivated employees who take pride in working for a company that makes a visible difference.

Objective on community

We have a long tradition of being an active member of the communities where we operate, by sponsoring or by actively participating in projects. In 2010, we engaged in more than 35 local activities. We will continue to be an integrated part of our local communities by engaging in such activities.

Summer Courses in the local community

AAK in Morelia, Mexico, drives a community programme where health, culture and fun are integrated in physical, artistic and recreational activities: “Summer Course”.

The programme has a capacity for around 500 people, offering different kinds of workshops like Yoga, Jazz, Arabic dance, Ballroom dancing, Karate, Ballet, Soccer and Handcrafts for adults and children.

The programme lasts for four weeks in July-August. There are children from four to thirteen years old and adults up to eighty years old.

At the end of the courses, all participating groups show what they have learned, inviting all family members to enjoy this special event.

Proud sponsor of Buddy Ball

AAK USA is a proud sponsor of Buddy Ball, an athletic program that gives young athletes with special needs a chance to participate in a variety of sports. Depending on the season, the program offers baseball, track and field, basketball, and bowling.

Buddy Ball not only provides athletic recreation; it also gives the players important social interactions and life lessons in the ballpark. It provides a common experience with all youth playing America’s favourite sports.

In the Buddy Ball teams, each player has a position on the team but also a “buddy” to assist with logistics. The buddies are typically teenage volunteers who enthusiastically help their special needs partners play.

Everyone at AAK USA is rooting for the Buddy Ball teams and wishing them the best possible luck!

Tony Talalai
Maintenance Mechanic
AAK USA
Buddy Ball Programme Manager

Summer camps for Chernobyl children

For a number of years, AAK in Dalby, Sweden, has supported a camp for children from Chernobyl, Ukraine. The children come to Sweden for three weeks during the summer. Some of the children are orphans and some are poor or come from difficult family circumstances. At the camp, the children eat properly, get to go on trips, visit a dentist, and some of them try out new prostheses. When they go home, each child gets a package with clothes, shoes and toys.

The leader of this activity is the painter Natasja Andersson who finances the camp through sponsorships and by selling her own paintings.

Annelie Abrahamsson
Quality Manager
AAK Sweden, Dalby

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Tony Talalai
Maintenance Mechanic
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Summer courses in the local community

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The programme lasts for four weeks in July-August. There are children from four to thirteen years old and adults up to eighty years old.

At the end of the courses, all participating groups show what they have learned, inviting all family members to enjoy this special event.

Winter courses in the local community

AAK in Morelia, Mexico, drives a community programme where health, culture and fun are integrated in physical, artistic and recreational activities: “Summer Course”.

The programme has a capacity for around 500 people, offering different kinds of workshops like Yoga, Jazz, Arabic dance, Ballroom dancing, Karate, Ballet, Soccer and Handcrafts for adults and children.

The programme lasts for four weeks in July-August. There are children from four to thirteen years old and adults up to eighty years old.

At the end of the courses, all participating groups show what they have learned, inviting all family members to enjoy this special event.
Local community involvement

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

We are very much aware of the impact that AAK has on the community when we enter, operate in or leave an area. During 2010, we did not establish or terminate any operations that required a special community impact assessment. The impact of existing operations is monitored continuously by means of dialogue, for example at “open house” events and when receiving visitors, participating in local events, giving presentations and taking interviews. Media monitoring also provides us with a picture of local sentiments towards AAK.

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

Teaching the world of business to the next generation

In March 2010, a crew of volunteers from AAK UK participated in an event named “Our World” for Young Enterprise – the UK’s largest business and enterprise education charity that helps young people learn about business. “Our World” was about imports, exports and the global economy with subjects such as “The World Around Us”, “The Long Distance Meal” and “International Marketing Challenge”.

Five AAK colleagues presented the manufacturing process, the wide variety of AAK products and the importance of environmental sustainability and social responsibility to 70 local schoolchildren.

The children were very excited to be out of the classroom and relating to the adult world while learning about business life. As an example, for “The Long Distance Meal”, the children measured distances on a world map, calculating how far various foods such as biscuits, soups, coffee, rice and tomatoes travel before they end on our plates. Another educational experience was “The Trading Game”, which allowed the children to gain an understanding of how supply and demand affect the value of goods and services.

In addition to supporting an important initiative, our participation in “Our World” also gave us valuable staff development training – making presentations and facilitating skills.

Hosting Science Cup

Both in 2009 and 2010, AAK in Aarhus, Denmark, acted as host to the annual Science Cup – an inventors’ competition within the natural sciences, supported by the Danish Ministry of Education and the Confederation of Danish Industry. The intention with the Cup is to promote innovation, entrepreneurship and education in the natural sciences.

Participants are project groups at grammar school-level who identify a need or a problem related to biology, chemistry, physics or geography, and develop an innovative solution that is relevant to consumers or companies.

420 students in 106 groups from all over the country competed, and AAK hosted one of the regional finals where 10 groups presented their projects and ideas. Three judges – including one from AAK – evaluated the projects, particularly focusing on the projects’ potential in terms of being realisable. A project on traffic safety won the regional final. The group worked on developing a system that can detect if a car driver is about to fall asleep behind the steering wheel, and then alert the driver that it is time for a break.

As a host for the Science Cup, AAK supports and strengthens students’ interest in natural sciences. We take responsibility in drawing attention to this important area by urging students to bring their creative and innovative ideas to life. Further, the Science Cup is a great recruitment opportunity for us: the students’ awareness of AAK increases and they get to know the company through an exciting event.

Marianne Dysted
HR Manager
AAK Denmark

Les Bales
HR Manager
AAK UK
Community

**Safe and sound water activities**

AAK in Karlshamn, Sweden, supports the Sea Scouts of Karlshamn—an active scout troop with great focus on water activities, especially sailing. In addition to this, the scouts are trained to take care of themselves, both on land as well as at sea. All training is done according to the “Learning By Doing” principle, in the spirit of the founder of scouting, Lord Baden-Powell of Gilwell.

The troop consists of approximately eighty scouts from seven to eighteen years old, both boys and girls. The troop has more than thirty boats, from canoes for the young scouts, over dinghies, to deckhouse boats for the older scouts.

– The financial support from AAK Sweden is of great importance for us to be able to run a well-functioning troop and to keep our fleet safe and sound, says Ulf Wilhelmsson, chairman of the Sea Scouts in Karlshamn. It is also an acknowledgement that we are working with our troop in an appreciated way, he continues.

**Children Day for the local community**

Since 2001, AAK in Morelia, Mexico, has arranged “Children Day”. Thanks to the effort of many people, we manage to gather around 600 children to enjoy this special day for them, with the company of clowns, puppets, souvenirs, food and beverages.

We also have a special area where the kids can paint their faces with flowers, butterflies, stars and super heroes motifs like Spiderman.

For this party we invite not only the community of the “Colonia Industrial” where AAK is located, but also other surrounding neighborhoods. All of our guests enjoy this celebration that lasts about five hours, and the kids have fun and play in this big party just for them. The event is free, and it takes place every year around 30 April.

**“A roof for my country” – fighting poverty**

Again this year, AAK volunteers from Montevideo, Uruguay, participated in the project “Constructing with Companies” with the non-governmental organisation (NGO) “Un techo para mi País” (“A roof for my country”).

This Latin American non-profit organisation mobilises youth volunteers to eradicate the extreme poverty that affects more than eighty million people in the region. The organisation works together with Latin America’s most marginalised populations, constructing transitional homes and implementing social inclusion programs to empower slum residents with the tools to improve their quality of life.

AAK, together with ten other companies, took part during the construction of transitional houses for thirtyfive families in four irregular settlements (poor urban neighborhoods without access to basic services) in Montevideo.
Reaching out to improve health

Our neighboring community generally lacks nearby medical services, which is why AAK Mexico decided to provide daily medical consultation free of charge. Our company doctor has provided this service for eight years now, two hours per day.

Additionally, in the month of October we take part in the community Health Fair, which is a one-day event designed for outreach to provide basic preventive medicine and medical screening to people in the community. There are several participants in the Health Fair such as government medical institutions, private labs, and medical and dental students.

The Health Fair is usually held in the neighborhood church square. The Fair offers a variety of services on all aspects of health: wellness, fitness and lifestyle improvements. Other services include cancer detection, vaccination for infants, the elderly and pregnant women, and chronic illness control.

Ana Bertha Gil Islas
Company Doctor
AAK Mexico

AAK as a global citizen

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

Being a founder member of Roundtable on Sustainable Palm Oil, RSPO, we have played an active role in defining the RSPO Principles and Criteria for Sustainable Palm Oil Production. Principle 6 has a particular focus on considering employees and other individuals and communities affected by palm oil growers and mills.

Due to the global nature of our business, considering issues such as corruption and bribery is a necessity. The section on bribery in our Code of Conduct is aimed at ensuring alignment across the AAK organisation: “Employees will not accept or offer any form of bribes, whatever the form, method or purpose.” Each employee can contact our Code of Conduct compliance function to report material violations of laws, legal requirements and/or the AAK Code of Conduct. Information received will be treated confidentially, anonymity will be respected and the sender shall not fear reprisals from anyone.

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

Examples of memberships that safeguard the interest of our industry

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

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

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

Global CSR organisation with local roots
In October 2010, Anne Mette Olesen joined AAK’s Executive Committee as Vice President of HR, Communications & CSR, strengthening the ties between these three fields. Global CSR reporting is among Anne Mette Olesen’s key responsibilities. The Global CSR Manager reports to her.

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

Since the global CSR organisation was established in early 2007, the principal objective has been to ensure broadness and diversity in the local teams, which are central to our CSR work. The teams cover competences within Human Resources, Health, Safety & Environment, Finance, Sourcing, Technical, and HSE.

I have been working for AAK as Technical and Health, Safety & Environment Manager for about five years, during which time I have become involved with the company’s CSR programme. The CSR activities fit well with my other job roles, and also with HR Management. Essentially I coordinate activities for the site. My impression is that all AAK sites around the world have been involved in CSR to a greater or lesser extent for many years, but there were obvious differences. By implementing a Group strategy and putting in place a Global CSR Manager, who reports directly into an Executive Committee member there has been a much higher level of cooperation and there are now a number of common standards. This allows the individual sites to share best practice and also to compare themselves against a set of KPIs (Key Performance Indicators).

Referring to the UK specifically I can see that a significant proportion of our projects deliver environmental benefits as well as bottom line cost savings. A number of our customers conduct ethical audits of the business and those projects also stand us in good stead. Another key feature of these audits is human rights and working conditions. Most UK companies that comply with national legislation should easily satisfy their requirements and AAK UK is no exception.

In the UK we have also conducted a number of other activities, which have more indirect benefits, for example working with local schools to support the curriculum on vegetable oil refining. Several of our staff have delivered direct classroom lessons to teenagers, and I can tell you from personal experience that can be a challenge.

For the future I would like to see AAK gradually strengthening its position in this field and I consider that it is important to stick to good, verifiable scientific concepts such that we can confidently state our position.

The role of CSR Team Leader in the UK

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

Previous winners:
2010: AAK UK for their enthusiasm and dedication to GreenPalm (see page 16), the innovative and highly successful RSPO sustainable palm oil certificate trading platform.

2011: AAK USA for outstanding improvements within Environment (including a remarkable reduction in carbon dioxide emissions and waste going to landfill), Workforce (only one injury in 2010, no lost time, and significant increase in training for staff), and Community (several activities to increase interaction with the local community).
Operations and Sales. At our seven major production sites, the teams consist of five to ten people led by a CSR Team Leader. The teams at our smaller production plants and the sourcing operations in West Africa have a different setup and may draw on competences from the major sites. There were only a few changes in the local CSR teams during 2010.

**Keeping momentum**
An important aspect of our CSR work is to maintain global momentum. To ensure this, the Global CSR Manager visited all ten production plants during 2010 and again in early 2011. These visits had multiple objectives. During workshops with the local teams, CSR SWOT analyses were completed, feedback was given on the 2009 GRI Report and Sustainability Report, and the ambition level and objectives were discussed. Finally, locally reported GRI data was scrutinised with each member of the local team to clarify ambiguities and align definitions.

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

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

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

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

In line with this, we have decided that this Sustainability Report should, to a greater extent than the previous one, be a global team achievement that includes statements, initiatives, projects and views from the entire organisation. Our goal is to illustrate – to our stakeholders and ourselves – that CSR is firmly anchored within our organisation.
# AAK CSR Teams

## CSR Team DK
- **Jan Astrup***  
  Site Manager
- **Marianne Dysted**  
  HR Manager
- **Anders Dahl**  
  Sourcing and Trading Team Manager
- **Tom B. Christiansen**  
  HSE Manager
- **Lars Kronborg**  
  Quality Technician
- **Peter Laurits Luke**  
  Process Technology Systems Engineer
- **John Barner Koustrup**  
  Controller

## CSR Team South America
- **Andrea González***  
  Regional Logistics Manager
- **Maria Soledad Cardozo**  
  Regional Manager for Applications and Product Quality
- **María Fernanda Fernández**  
  Controller
- **Martin Gil**  
  Production & Operations Director

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

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

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

## CSR Team UK
- **Mike Stewart***  
  Technical and HSE Manager
- **Peter Scarbrough**  
  Procurement Manager
- **Ernesto Reynolds Zamudio Gomez**  
  Trading Manager
- **Judith Murdoch**  
  Marketing Manager
- **Les Bales**  
  HR Manager
- **Steve Harrison**  
  Health & Safety Officer
- **Liz Skern**  
  Financial Accountant
- **Vicki Potter***  
  Runcorn, Management Accountant
- **Nigel Standeven***  
  Oldham, Finance Director

## CSR Team US
- **Tom Winter***  
  Vice President, Operations
- **JoAnne Martinez**  
  Human Resource Director
- **Kurt Faudel**  
  Supply Chain Director
- **Scott Welsh**  
  HSE Manager
- **Peter Maulbeck**  
  Vice President Finance

## CSR Team West Africa
- **Monika Hjorth***  
  Shea Sourcing Manager
- **Mads Jules Feer**  
  Sustainability and Shea Manager
- **Christer Yxell**  
  Sourcing & Trading, Mali, Burkina Faso
- **Alexander Andersson**  
  Sourcing & Trading, Benin
- **Pär Torstensson**  
  Sourcing & Trading, Ghana
- **Martin Ingemansson**  
  Sourcing & Trading, Burkina Faso

*) Team leader
Investor relations

Shareholders
AAK endeavours to generate an attractive return on investment for all shareholders, almost 80 percent of which are in Sweden. More information about the company’s ownership structure is available on our website, www.aak.com.

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

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

Every year, we receive several questionnaires from investors and analysts, and we do our best to meet their requests for information. We believe that our sustainability report is the most appropriate and efficient channel for providing information about our practices. For this reason, we aim to answer the most common questions in this report. However, we value constructive dialogue on risks, opportunities and strategies related to CSR and sustainability.

Financial performance and financial risks
AAK’s financial performance and financial risks are presented in the Annual Report 2010.

Fredrik Nilsson
Group Financial Manager
Head of Investor Relations

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

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

Contacts
Anne Mette Olesen
Vice President HR, Communications & CSR

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

or

sustainability@aak.com
Reporting criteria

Scope and materiality

This Sustainability Report is AAK’s second. The first report was published in October 2010, covering our activities during 2009. Our aim is to continue reporting on an annual basis.

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

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

The Sustainability Report is a supplement to the 2010 Annual Report and, therefore, contains only a summary of financial performance figures.

In general, data in this report covers our activities from 1 January to 31 December 2010. Updated information regarding some 2011 events is included since they are considered of material importance to our stakeholders. Data from our mid-2011 acquisition of Golden Foods/Golden Brands in Louisville, Kentucky, USA, is not included in the report.

Environmental data (GRI abbreviation: EN) relates to the ten production plants that we operated in 2010 and our toll production partner Cousa in Montevideo, Uruguay, in respect of the production of AAK products. Other core data relates to all of AAK, including production plants, purchasing sites and sales offices.

The majority of data in the Sustainability Report is drawn from measurements. Air emissions data is based on direct measurements, calculations based on specific data and calculations based on default values. Information concerning purchased electricity from renewable resources is based on national grid information. Information about employees, including numbers, gender, composition etc., is calculated per 31 December 2010 and is based on payroll information.

Some minor data errors in the 2009 reporting have been identified and corrected. Further, a few definitions have been adjusted and globally aligned. For example, work-related injuries are now globally aligned to a definition of Lost Time Injury, which refers to work-related injuries that result in sick leave of one day/shift or more.

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

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

Data and calculations

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

Global Reporting Initiative (GRI)

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

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

GRI’s reporting framework is developed through a multi-stakeholder process. Participants are drawn from global business, civil society, labour, academic and professional institutions. The current third version of the reporting guidelines – the G3 Guidelines – was published in 2006.

The reporting framework sets out the principles and performance indicators that organisations can use to measure and report their economic, environmental, and social performance.

The framework also addresses the United Nations Global Compact principles and the OECD’s Guidelines for Multinational Enterprises.
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## 4.11 Explanation of how the precautionary principle is addressed

- p. 8, 26

## 4.12 Externally developed economic, environmental or social initiatives to which the organisation subscribes or endorses

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- p. 35

## 4.14 The organisation's stakeholders

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## 4.15 Basis for identification of stakeholders with whom to engage

- No reporting

## 4.16 Approaches to stakeholder engagement

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## 4.17 Key topics that have been raised through stakeholder engagement and the organisation’s respond

- No reporting

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### EN Environmental Performance Indicators

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<td>EN2</td>
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<td>EN3</td>
<td>Direct energy consumption by primary energy source</td>
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The first choice for value-added vegetable oil solutions