



Responsible growth

AAK Sustainability Report 2015/2016

AAK

The first choice for value-adding vegetable oil solutions

Responsible growth

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

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

AAK’s model for responsible growth covers the five focus areas Marketplace, Supply chain, Environment, Workplace and Community.

Global team effort

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

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

Scope

This report covers AAK’s entire organization, including production plants, administrative offices, sales offices, innovation centers, and sourcing operations. The environmental data is restricted to the production plants.

The 2014 acquisitions of the Belgian oils and fats business CSM Benelux NV in Merksem and Fábrica Nacional de Grasas S.A. (FANAGRA) in Colombia are included in this report. Data from our Brazilian factory in Jundiaí, São Paulo, whose production started in April 2015, and our factory in Zhangjiagang, China, which is scheduled to be up and running in late 2016, are not included. Similarly, data from acquisitions and partnerships established in Belgium, India, Japan, and USA during 2015 and 2016, are not included.

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. This report aims at providing a clear picture of how we at AAK work with sustainability – our drive towards responsible growth.

This report is available in English and Swedish. It can be downloaded as a PDF-file at www.aak.com. To obtain a printed copy please contact Corporate Communications at comm@aaak.com.



AAK



AAK in 60 seconds

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

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

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

AAK's proven expertise is based on more than 140 years of experience within oils & fats. With our headquarters in Malmö, Sweden, 20 production facilities and customization plants, and sales offices in more than 25 countries, our more than 2,700 employees are dedicated to providing innovative value-adding solutions to our customers.

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

We are AAK – The Co-Development Company.

| Key figures (SEK million unless otherwise stated) | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|--------|---------|--------|----------|--------|
| Net sales | 16,695 | 16,911 | 16,537 | 17,814 | 20,114 |
| Adjusted operating profit (EBIT) | 918* | 1,003** | 1,127* | 1,242*** | 1,411* |
| Operating profit (EBIT) | 914 | 975 | 1,117 | 1,262 | 1,409 |
| Operating profit per kilo (SEK) | 0.64 | 0.66 | 0.69 | 0.73 | 0.77 |
| Earnings per share (SEK) | 14.72 | 15.66 | 17.87 | 21.15 | 22.17 |
| Return on Capital Employed (%) | 13.30 | 14.20 | 16.50 | 16.00 | 15.70 |

* Adjusted for acquisition costs

** Adjusted for acquisition costs and the effects of Hurricane Sandy costs

*** Adjusted for acquisition costs, a net positive impact related to the acquisition in Belgium, net profit from the divestment of Binol and non-recurring cost for production optimization in Europe

AAK in the world



Our reason for being

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

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

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

A vital ingredient

Fat is essential to human life. We need it for energy, to absorb vitamins, to produce hormones and to provide us

with essential fatty acids that our bodies are unable to synthesize. However, following the rise in 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, animal feed and technical industries, we interact with very different customers who have very different needs.

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



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CEO and President:

Responsible growth – a fundamental part of our business model

Large pressure on natural resources, an ever-increasing demand for food, and a climate that seems to be rapidly changing. The challenges that our planet is facing are many. Responsible behavior is both a shared and an individual obligation, and as a global company AAK takes this very seriously and we strive to do our parts to the highest possible standards. In this Sustainability Report, AAK's seventh, we present our CSR objectives, activities and achievements.

Our main purpose at AAK is to create value-adding vegetable oil solutions together with and for our customers. To succeed with this purpose we use our company program AAKtion to guide us. AAKtion is built upon our model for responsible growth. We define responsible growth as acting responsibly towards all of our stakeholders – investors, global and local customers, suppliers, employees, and the local communities in which we operate.

All of our CSR policies and codes are based on the UN Global Compact (UNGC) of which we have been a member since 2002. To drive CSR progress, we focus our efforts in five areas: Marketplace, Supply chain, Environment, Workplace and Community. We set and achieve objectives continuously within all of these areas based on market analyses, our stakeholders' objectives and our own ambitions and priorities.

Corporate social responsibility plays a more significant role today than ever before and we see an increased focus on business practices. Some of the recent sustainability trends that have gained a lot of attention include responsible and transparent supply chains, reductions of GHG emissions, and labour rights – hugely important challenges that are all addressed in this report.

Trusted supplier

Food safety is a top concern for our customers and their stakeholders, which is consistent with our own priorities. AAK's production sites are food safety audited and certified in accordance with one or more internationally recognized food safety standards.

Ethical supply is another key priority for our customers as well as ourselves. We share our ethical information and ethical audit reports through the Sedex platform.

Responsible sourcing of palm oil

There is a very strong request from our customers that the sourcing of raw materials is done responsibly, particularly the palm oil. We continue to increase our focus on social and

environmental challenges in the supply chain. Our Supplier Code of Conduct addresses important areas such as labour and human rights, environment, and corruption, and is today implemented with all of our direct raw material suppliers.

AAK continues to support and be fully engaged in the Roundtable on Sustainable Palm Oil (RSPO). The RSPO requirements have by some been criticized for not effectively addressing deforestation itself and the GHG emissions caused by deforestation and plantation on peatlands. AAK's own sustainable palm oil policy anyhow outlines our commitments on sustainable palm in general and specifically requirements for no deforestation and no development on peatlands. We are very satisfied with the strong progress on the implementation of our policy, and especially on our traceability to mill, our supplier risk assessment process, and our commitment to help to transform the supply chain.

Responsible sourcing of shea kernels

Our persistent work in West Africa towards a more sustainable and efficient supply chain benefits both AAK and the hundreds of thousands of women collecting shea kernels. Our Kolo Nafaso program, which started out as a project in 2009, focuses on support, interest-free micro credits, training and trading directly with those women, and the program continues to progress. During the season 2015/16, more than 90,000 women joined, exceeding our expectations by more than 20,000 women. We will continue to develop this very successful program and enroll more women in the upcoming years.

Resource efficiency

Despite shifting our focus to more specialized and advanced products that in general require significantly more resources per produced unit, our overall resource efficiency has improved markedly for a number of years now. 2015 was no exception.

Energy consumption, calculated per MT produced, decreased by 5.8 percent while water consumption was

down by 4.0 percent. Furthermore, carbon dioxide emissions from fossil fuel per MT decreased by 4.8 percent and waste sent to landfill only represented 1.3 percent of total waste disposals, leaving 98.7 percent disposed for reuse, recycling or recovery, exceeding our 2015 global objective. All these very impressive achievements were delivered by a very dedicated and highly responsible global operations organization.

A safe and educational working environment

At our production sites, Lost Time Injury Rate very unfortunately showed a slight increase in 2015 after a significant decline in 2014, as did Lost Day Rate – a measurement of the severity of incidents. This is being addressed with further initiatives from our Global Safety Team that relentlessly is striving to make AAK a zero injuries workplace. Despite these slight increases it is very encouraging to see that more than half of our production sites did not have any Lost Time Injuries at all.

At our sourcing sites in West Africa, where conditions and challenges are very different, both Lost Time Injury Rate and Lost Day Rate decreased significantly. This is, amongst other initiatives, the result of a widespread safety training aiming to change the culture into a “safety first” mindset.

Educational efforts are not only being made within the safety area. To internally promote awareness and knowledge of corruption, which remains a common risk throughout the world for all companies, we have rolled out two e-learning modules addressing anti-corruption topics. The modules are mandatory for employees at increased risk of encountering corruption. By the end of 2015 both modules had been passed by all target group members.

Being a good neighbor

Contributing to, and engaging in, the different communities in which AAK operates is essential to us. We do so primarily by creating jobs, paying taxes and doing business with local enterprises. But we also strive to be a good corporate citizen by taking issues such as health and safety, diversity, labour standards, and our environmental impact seriously.

At the same time, we realize that there are many other different ways to engage actively, and I am very pleased to see our employees contribute to their local communities. The initiatives presented in this report are only a few of those conducted by AAK employees.

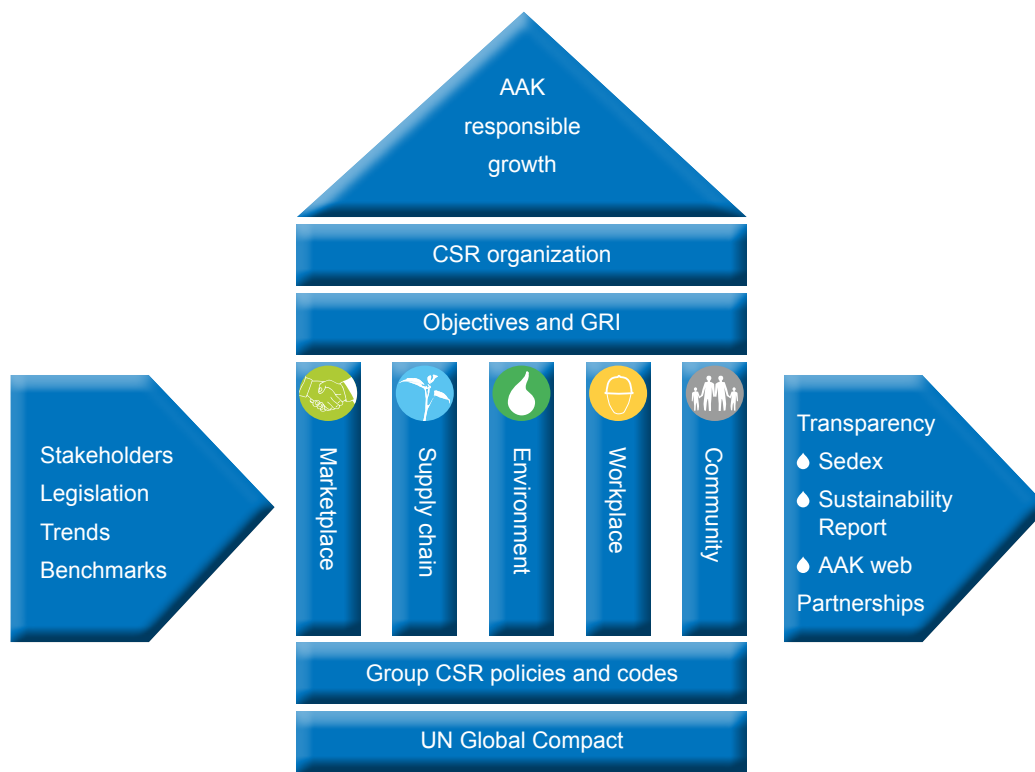
Responsibility going forward

We are very proud to share with you, in our Sustainability Report, the significant progress we continue to make across all of our five focus areas. There are still many challenges ahead of us, continuing to work towards full sustainability in the entire palm oil industry probably being the most important one.

Going forward, we will continue to grow our business in a responsible manner, not only by applying our model for responsible growth, but also by developing it as we acquire new knowledge and as environmental and social priorities change.

*Arne Frank
CEO and President*





Responsible growth at AAK

Responsible growth is the key objective of our AAKtion strategy, and is essential to our vision of being the first choice for value-adding vegetable oil solutions. For us, responsible growth is about our responsibility towards all of our key stakeholders – the local communities where we operate, our customers, our employees, our investors and our suppliers. Based on our strategy, input from our stakeholders and market trends we have developed a model for responsible growth to guide our global CSR work.

The UN Global Compact (UNGC) is a solid platform and a broad concept based on ten universal principles within Human and Labour Rights, Environment and Anti-corruption. It enjoys participation by all of the major players in global business and CSR, including the GRI (Global Reporting Initiative), ETI (Ethical Trading Initiative), ICC (International Chamber of Commerce) and OECD (Organisation for Economic Cooperation and Development). AAK has been a member of the UNGC since 2002.

AAK's CSR policies and codes are based on the UNGC, and apply globally to all AAK business activities. So are the policies and codes of many of our customers, which enhances our strategic alignment.

We have defined five CSR focus areas – the 'pillars' – that are important to our business. These provide an overview and help us focus our resources. To maintain momentum and drive improvement, we define objectives within each of the five focus areas. Further, we monitor many other indicators internally, based on the GRI guidelines. The engine

behind all of this is our global CSR organization, established in 2007.

To be transparent and share information with stakeholders is also part of our approach. Sedex facilitates the sharing of information with customers. Our Sustainability Report shares information globally, primarily with investors in AAK, and via the web with all stakeholders. Partnering with other businesses, NGOs, and governmental agencies is a key element of the Global Compact concept, and we are proud to participate in several partnerships. The RSPO, the Global Shea Alliance, Danida in Denmark and the British organization TREE AID are a few examples of these.





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

Our overall objective is to grow AAK responsibly and achieve sustainability as a whole.

AAK, a member since 2002

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 12,000 signatories in 170 countries, the UN Global Compact is the world's largest voluntary corporate sustainability initiative. The principles are:



| | Principles | Examples of AAK commitments |
|---|---|--|
| <p>Human Rights</p>  | <ul style="list-style-type: none"> Businesses should support and respect the protection of internationally proclaimed human rights; and make sure that they are not complicit in human rights abuses. | <ul style="list-style-type: none"> AAK Code of Conduct is understood, accepted and signed by all AAK employees (page 12). AAK Supplier Code of Conduct is an integral part of the approval system for suppliers and all direct raw material suppliers have approved and signed it (page 15). |
| <p>Labour</p>  | <ul style="list-style-type: none"> Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation. | <ul style="list-style-type: none"> AAK Code of Conduct regulates interaction with both our customers and suppliers (page 12). Labour rights addressed in our Palm Oil Policy (page 20). AAK monitors labour rights issues globally (page 45). |
| <p>Environment</p>  | <ul style="list-style-type: none"> 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. | <ul style="list-style-type: none"> Local resource efficiency projects completed at all production sites (pages 36–41). AAK decreased its energy consumption by 6 percent during 2015, and net direct CO₂ emissions by 5 percent per produced unit (pages 35 and 37). |
| <p>Anti-corruption</p>  | <ul style="list-style-type: none"> Businesses should work against corruption in all its forms, including extortion and bribery. | <ul style="list-style-type: none"> Two e-learning modules addressing anti-corruption have been passed by all members of the target group (page 45). |

Global CSR achievements 2015

The achievements for AAK for 2015 are presented below in brief. The achievements are further commented in more detail in the five sections to which they apply, namely Marketplace, Supply chain, Environment, Workplace and Community.

Global CSR objectives 2015+

Marketplace
Global CSR achievements 2015

Anti-corruption training

- 2015: Module 1 passed by 100 percent of all relevant employees
→


We achieved **100** percent passed
- Module 2 passed by 100 percent of all relevant employees
→

We achieved **100** percent passed

AAK Code of Conduct for Agents and Distributors

- 2015: Implemented with minimum 80 percent of AAK agents and distributors
→

We achieved **80** percent implementation

Global CSR objectives 2015+

Supply chain
Global CSR achievements 2015

Palm oil traceability

- 2015: Maintain strong progress towards full traceability to supplier mills
→

100 percent traceability to mill for palm oil at origin. Overall traceability including palm oil, palm kernel oil and derivatives was 99 percent
- 2015: Risk assessment completed for 100 percent of supplier mills
→

Quality risk assessed for all suppliers; geospatial risk assessment **completed for all high-risk supplier mills**, and to be completed for all mills in 2016
- 2017: All palm oil supplies 100 percent traceable to plantation level
→

Collection of data has begun

Shea supply chain

- 2015: Include at least 70,000 women in our Kolo Nafaso project
→

More than 90,000 women included, **exceeding our target by 28 percent**

Global CSR objectives 2015+



Environment

Global CSR achievements 2015

Resource efficiency

- 3-year resource efficiency process driven by local efficiency teams at all sites:
- 2013: Teams established, monthly meetings and at least one project initiated
- 2014: Resource efficiency projects at all sites delivering according to plan
- 2015: Resource efficiency results documented at all sites



Efficiency projects **completed** and documented **for all sites** in this report (Environment section)

Waste

- 2015: Minimum 98.5 percent of waste disposed as reused, recycled or recovered



Objective **exceeded by 0.2** percent resulting in **98.7** percent disposed as reused, recycled or recovered

Global CSR objectives 2015+



Workplace

Global CSR achievements 2015

Safety

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



Lost Time Injury Rate (LTIR):

Production sites: LTIR at **0.6**, an increase from 0.5 in 2014

West Africa: LTIR at **1.2**, a significant improvement from 4.2 in 2014

Global CSR objectives 2015+



Community

Global CSR achievements 2015

Local engagement

- 2015: Engaging in local projects and activities



All sites are engaged in relevant local community activities in a variety of ways

Additional global CSR achievements 2015

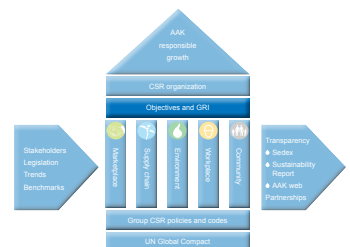
Relentless efforts to use resources more efficiently resulted in additional achievements in 2015, such as:

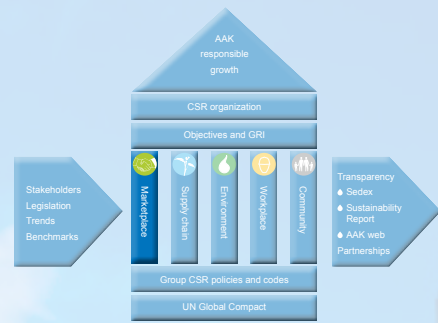
4.8 percent reduction of net direct CO₂ emission per processed unit

5.8 percent decrease in energy used per processed unit

4.0 percent reduction of water consumption per processed unit

44.0 percent reduction of waste to landfill

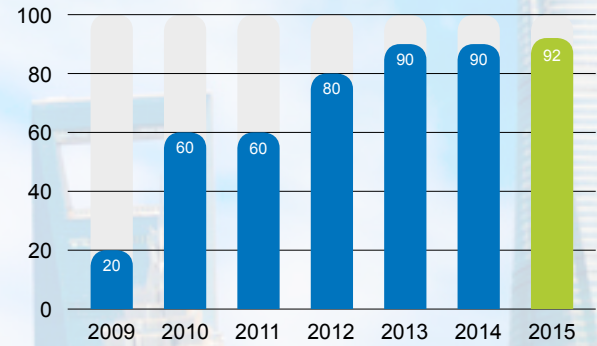




Key achievements

RSPO supply chain certification

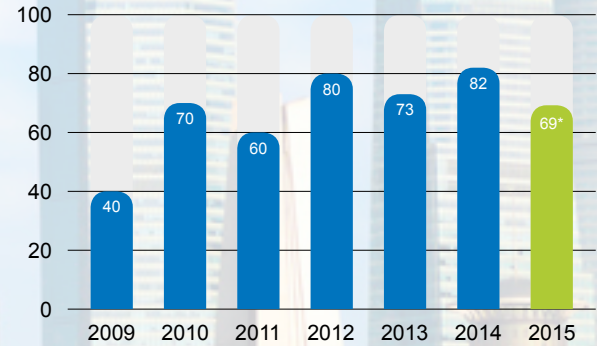
Percent of production sites*



*Sites processing palm oil

Sedex members

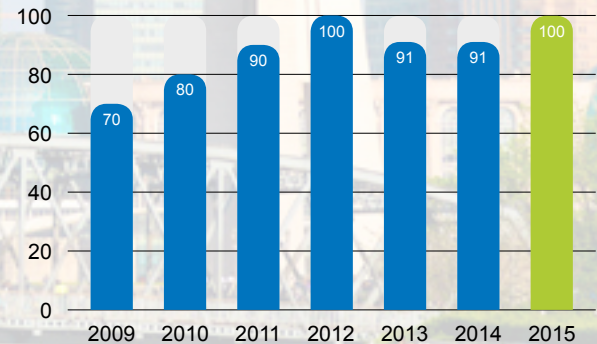
Percent of production sites



*Including new sites

Food safety certified

Percent of production sites





Marketplace

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

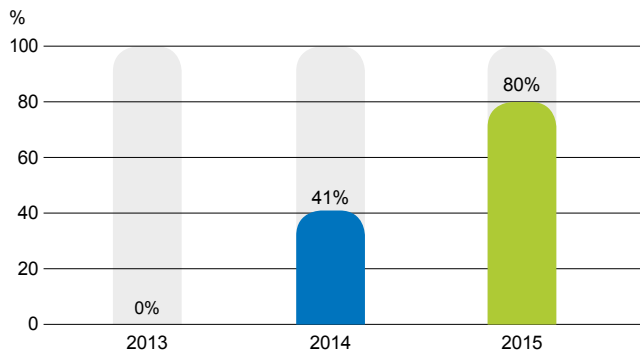
Over the years, AAK has established longstanding relationships with customers built on mutual respect and a detailed understanding of customer needs. Knowing your customers means knowing your markets, and that gives AAK a head start when responding to market trends. From time to time, AAK even has set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

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

Marketplace achievements 2015

AAK Code of Conduct for Agents and Distributors

After successfully having implemented our Code of Conduct with all employees, and our Supplier Code of Conduct with our raw material suppliers, we launched our Code of Conduct for Agents and Distributors in May 2014. We were aiming to achieve an 80 percent implementation in 2015 which we accomplished. The implementation does not include agents and distributors related to 2015 acquisitions.



Anti-corruption training

Even though we already address anti-corruption in our Code of Conduct, our Supplier Code of Conduct and our Code of Conduct for Agents and Distributors, we have decided to increase the awareness and knowledge of the topic internally. To that end we launched two e-learning modules addressing anti-corruption topics during 2014. At the end of the modules there is a multiple choice test that needs to be passed by all employees at increased risk of encountering corruption. By the end of 2015 we had reached our objective of a 100 percent completion of both modules.

” Sustainability – a value driver and a value creator

Sustainability has for many companies gone from being a tick-in-a-box activity to becoming a critical business activity. How integrated is sustainability in AAK’s everyday business operations?

The public demand for a more sustainable world has significantly increased in the course of the last years and has indeed resulted in greater efforts across the food value chain in order to increase sustainability. Whereas sustainability was often not on the agenda or merely an afterthought at the end of a business meeting, it is now a standard agenda topic when customers and suppliers meet.

We witness that the industry is operating in two distinct ways – companies that lead and companies that follow. Leadership of thought and being bold when it comes to taking responsibility is necessary to deliver on sustainability. At AAK we take our leadership role both seriously and personally as it is through personal commitment and engagement that we can improve. Sustainability can be seen as an add-on cost or as a value driver and value creator. We have chosen to see it as the latter.

What are some of the recent sustainability trends that AAK has encountered in its dialogue with customers?

Clearly we see that the scope and definition of sustainability has both broadened and deepened. Many years back it was limited to, allow me to simplify, “protecting the rainforest”, but now the dialogue has expanded to include waste reduction across the whole chain, improving living conditions, making sure child labor isn’t used, fair pay, better upfront communication, improved education and better health. Our conversations include all supply chains to make sure we preserve, protect and better utilize the arable land available, efforts to reduce energy, water consumption and CO₂ emissions in our operations, as well as inbound and outbound logistics. What is very encouraging is that the spirit of these conversations is very collaborative, and we know that we can only improve by working together.



Jan Lenferink
President AAK Europe

” Strong focus on healthy and sustainable food

There is an ever-growing consumer awareness of healthy food. How is this reflected in AAK’s innovation pipeline?

Being a producer of vegetable oils and fats, probably the most discussed food ingredient and nutrient in relation to the health of the general population, AAK has always had a strong focus on healthy food, especially in regards to the specific composition of vegetable oil formulations. In recent years we have, however, seen a widening of the scope of healthy food. This scope – covered by the term “well-being” – suggests that a healthy human being is not only defined by the weight, blood pressure and serum lipid composition, but also by the person’s perception of food and health, including the perception of natural food, clean and clear labeling and a transparent supply chain. One of the focus areas in AAK’s innovation strategy is “Health and well-being” which promotes project ideas focusing on these very important issues.

How does the increased consumer awareness of sustainable food affect AAK’s new product development?

Development of sustainable food is a complex process, covering the full chain from idea generation via sourcing of raw materials to the final processing. At AAK we have a strong focus on the functionality of the final ingredients, applying the full spectrum of available raw materials and unit operations. In regards to raw materials, sustainable and responsible sourcing is an integrated part of all our sourcing activities on any raw material we apply. In regards to unit operations we apply all available operations, and in our process development team we continually strive to optimize our processes to reduce the use of processing aids, and to reduce waste and energy consumption.



Karsten Nielsen
Chief Technology Officer



Sharing knowledge with our customers

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

AAK Academy – the knowledge center for lipid technology and application



The AAK Academy is a unique training concept, exclusively for customers. The Academy cultivates a good understanding of lipid technology and its role in food and other applications that guides customers in the search for the most suitable solution for a given product. The Academy is a very significant contributor to AAK's promise – being the Co-Development Company.

The AAK Academy offers a wide range of courses, and the format is highly flexible, with lecturers selected from the experts among AAK's staff. The Academy's basic courses on oils and fats technology give a comprehensive overview of relevant topics. The important role of oils and fats in the diet is reviewed from different standpoints. Soft processing methods and their enhancement of quality and functionality are described, together with food safety. At the Academy it is also lectured how to select the right AAK solution based on the characteristics of the specific customer application.

Complete documentation

Participants receive complete documentation of all lectures. In addition, they get a copy of the publication "Handbook – Vegetable oils and fats". The handbook is written by experts from AAK and contains both theoretical and practical knowledge relating to oils and fats and the application of these within the specific industries.

Since the beginning, in the early 1990s, AAK has educated thousands of customers in lipid technology. For those customers who do not have the possibility to come to AAK, the Academy is held at customer sites. The goal is to continuously expand the Academy and make it possible for even more customers to be educated in this lipid technology.



Insight – AAK's customer magazine

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



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

A matter of trust

AAK Code of Conduct

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

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

Food safety

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

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

Third-party certification of AAK production plants

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

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

” Long-term partnership based on dialogue and transparency

What does the partnership between Ferrero and AAK look like?

AAK is one of Ferrero's strategic and long-term suppliers. At Ferrero we have always preferred to establish long-term commercial relationship with suppliers of raw materials, based on dialogue and transparency. One of the mutual initiatives between Ferrero Group and AAK was to enter a long-term project partnership on sourcing sustainable and traceable shea in West Africa.

What is the purpose of this project partnership?

The purpose is to empower the women's groups in West Africa by educating them to handle and treat the shea kernels in an optimal way from collection to storage. The purpose is also to improve the livelihood of the families in West Africa by generating more income from producing higher quality and through the direct trade of traceable shea kernels with the women's groups.

The objective of this long-term project partnership is to:

1. Increase the volume of traceable shea through direct trade with the women's groups based on transparency and fair trade principles.
2. Improve health conditions and livelihood in selected villages in West Africa by supporting the NGO Progetto-Mondo Mlal in educating the rural communities in recognizing malnutrition and promoting good cooking practices with locally available ingredients.

Ferrero and AAK will in close collaboration follow the progress of this initiative and report accordingly.

AAK is committed to endorse Ferrero in meeting the Ferrero Palm Oil Charter. What is the purpose of this?

The purpose is to further strengthen the responsible sourcing of palm oil. The ten criteria within the Charter address crucial elements in responsible sourcing such as no deforestation and no exploitation, and Ferrero will, in close collaboration with our suppliers, commit to meet the targets.

AAK is one of our key partners in supporting the implementation of the Ferrero Palm Oil Charter and the criteria within the Charter are very well aligned with AAK's own policy on palm.

In 2016 AAK participated in Ferrero's suppliers' CSR evaluation program. AAK obtained a score that was higher than 62/100, and for this reason AAK was awarded a gold recognition level. This excellent result includes AAK among the top 5 percent performers evaluated by EcoVadis.

FERRERO



Substantial product information for our customers

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

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

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

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

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

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



Awards and honors

2015 was, in many respects, a very successful year for AAK. It was also a year where we, on many occasions, were recognized for our innovative and sustainable work. Here are some of the awards and honors that AAK received during 2015.

September 2015

– **AAK Personal Care wins NPA Industry Champion Award**
In Baltimore, Maryland, AAK's Personal Care business was awarded a Natural Products Association Industry Champion Award. The award recognized AAK for its continued development of new functional ingredients and sustainable solutions.

October 2015

– **L'Oréal awards AAK Personal Care for innovative formula**
At a supplier innovation event in Paris, L'Oréal had invited ten strategic suppliers to present their five most innovative formulations. AAK presented five concepts under the theme "Surprisingly sustainable". L'Oréal also handed out supplier innovation awards for the three most innovative formulations out of the more than 50 on display during the event. AAK was awarded second prize for its Meringue Surprise Body Whip.

October 2015

– **AAK wins Premier Foods' Supplier of the Year 2015 award**

One of Britain's largest food producers, Premier Foods, named AAK its Supplier of the Year 2015. AAK was selected from more than 1,250 suppliers.

October 2015

– **Bidvest names AAK Supplier of the Year for the second time**

Bidvest, the UK's biggest foodservice distributor, named AAK its Supplier of the Year at its annual awards ceremony. AAK has now won the award twice since its inception in 2010.

November 2015

– **Sustainability Award 2015**

AAK USA was awarded Bama's Sustainability Award for 2015. AAK Account Manager Ken Player was presented the award by J.K. Evicks, Environmental Manager and Sustainability Champion. Bama is a US based innovator and manufacturer of bakery products.

December 2015

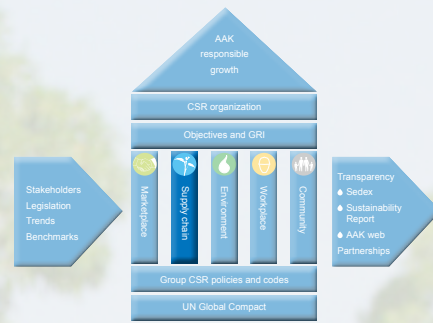
– **AAK Kamani awarded Business Performer of the Year 2015**

AAK Kamani was honored with a "Business Performer of the Year" award by Abbott India Limited – a subsidiary of Abbott Laboratories.

December 2015

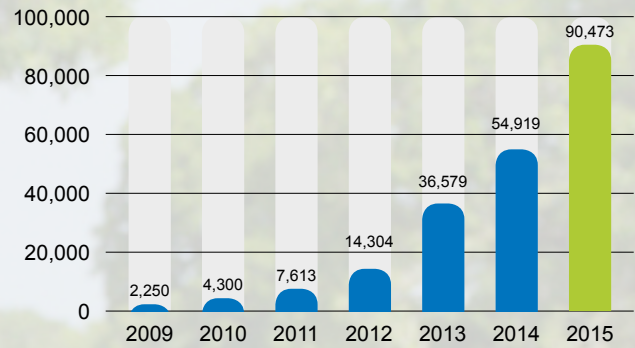
– **Innovation awards at Food ingredients Europe**

TROPICAO™, AAK's revolutionary chocolate solution, and Akopastry HP, AAK's latest innovation within the Bakery segment, were both recognized with innovation awards at Food ingredients Europe Innovation Awards in Paris, France. TROPICAO™ was awarded best confectionery innovation while Akopastry HP won the award for best bakery innovation.

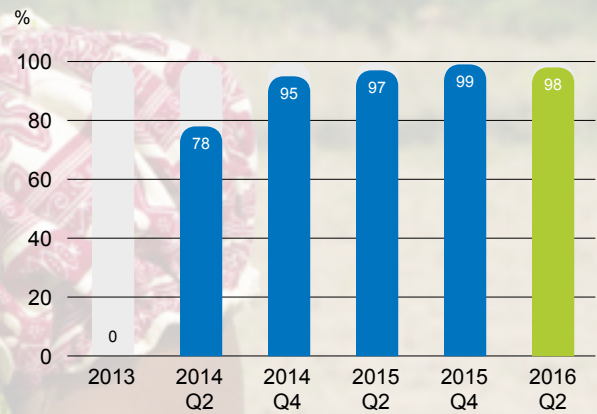


Key achievements

Number of women enrolled in Kolo Nafaso



Overall palm oil traceability to mill



Supply chain



This section covers activities related to the sourcing of raw materials that AAK uses in its production plants. Sustainable sourcing of raw materials is the backbone of AAK's business and a key element of the AAKtion program. The combination of the right raw materials and our co-development approach is key to the wide range of solutions offered. Just as it is vital for AAK to obtain the right raw materials, AAK places equal emphasis on sustainable growing and procurement. For this reason AAK has implemented a Supplier Code of Conduct that, among others, applies to AAK's direct raw material suppliers worldwide.

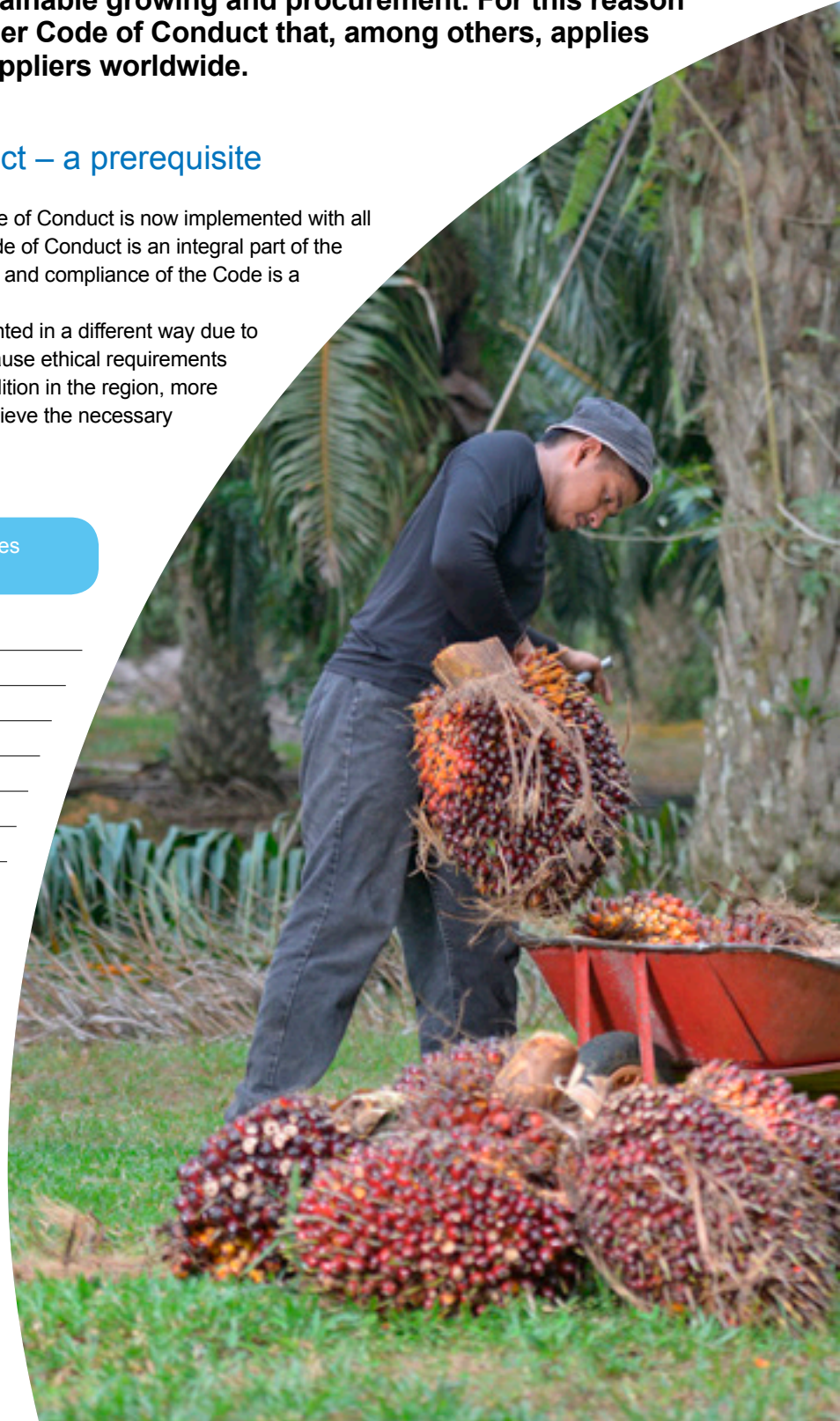
AAK Supplier Code of Conduct – a prerequisite

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

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

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

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



Supplier management

In addition to palm oil, shea and rapeseed, AAK processes a range of other raw materials. While AAK's engagement in palm oil and shea is evident, the work to enhance sustainability aspects covers all the raw materials in the company's supply chain.

AAK's supplier approved process is globally based on the same principles. The Supplier Code of Conduct is a fundamental tool for assessing suppliers. In this context, AAK has decided to work within its sphere of influence, i.e. to focus on those whom AAK has the best chance of influencing – AAK's direct raw materials suppliers. Still, by urging suppliers to positively influence their suppliers, AAK aims to broaden the company's sphere of influence and inspire other players in the supply chain to act responsibly.



” Responsible sourcing – an integrated part of the operations

Food producers and consumers have grown increasingly aware of the importance of responsible sourcing. What implications has this had on AAK and its sourcing activities?

We have increased our requirements and demands on all suppliers; we have, in all areas of our sourcing operations globally, increased our controls; and we have been implementing our Code of Conduct as a mandatory requirement to be qualified as a supplier to AAK. In addition, we have established a palm oil policy with significant and elevated requirements towards plantations and the upstream supply chain. This constitutes a certain set of procedures, including audits which take place in collaboration with Proforest.

As for AAK's shea sourcing operations in West Africa, we have been upgrading our people's health and safety practices through training and improved awareness. Further, we are expanding our women's groups programs in both Burkina Faso and Ghana, with significant contributions to the local communities.

In regards to coconut oil sourcing we follow a tight supplier approval system to ensure there's compliance with our Code of Conduct and quality assurance system. This could include physical audits of our suppliers' plantations to make sure harvesting is done responsibly. We also prioritize the sustainability aspect of soybean farming.

What role does AAK's Sourcing & Trading function play when it comes to responsible sourcing?

AAK's global sourcing entity has adopted all policies and systems into daily routines, and periodically review practice and operating procedures. Responsible sourcing is as such an integrated part of our operations and all our doings that we apply as our commitment. As such, we don't see responsible sourcing as a CSR activity, but rather as an integrated part of the way we do business.

AAK's work with shea kernels in West Africa has over the last couple of years shown an incredible development, particularly in regards to the company's women's groups program. Where do you see the program within the next two or three years?

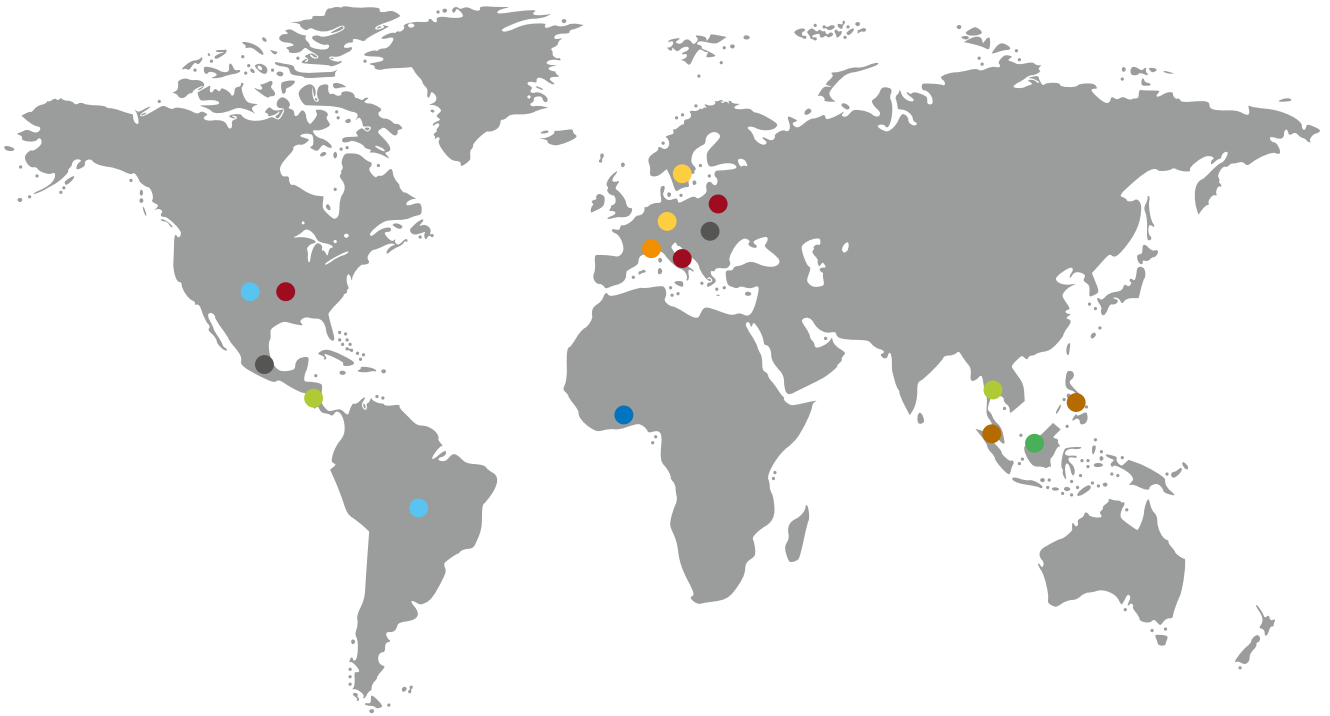
The program will keep increasing in importance for the local communities. We have seen a well-accepted model across the region. It is a unique model that is improving as we operate. The size has grown to a level that provides a significant impact. As we operate we learn and improve, while being confident that we are making a difference where it matters most. We have proven that we have a superior and very sustainable structure when it comes to future growth and improvement.

*Torben Friis Lange
President AAK Asia and Chairman
Global Sourcing and Trading*

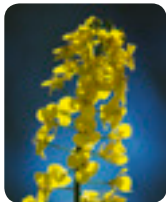




AAK sources raw materials from all over the world



● **Rapeseed and rapeseed oil**



Northern and Central Europe

● **Palm oil**



Asia and Latin America

● **Palm kernel oil**



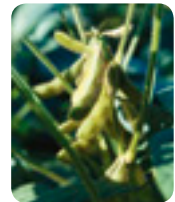
Asia

● **Olive oil**



Southern Europe

● **Soya bean oil**



US and South America

● **Sunflower oil**



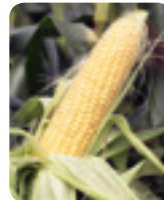
Eastern Europe and Mexico

● **Shea kernels**



West Africa

● **Corn oil**



America and Eastern and Southern Europe

● **Coconut oil**



Malaysia and the Philippines

AAK's core business is speciality vegetable oils that meet the needs of the food, confectionery and cosmetics industries. Sourcing renewable raw materials from around the globe, the broad product portfolio is manufactured at AAK's production plants in Europe, Asia and the Americas.

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

Palm

– increasing demand for sustainable palm oil

Globally, palm oil is the most produced and consumed vegetable oil, accounting for 30 percent of the world's vegetable oil production. Soya bean oil, at 23 percent, holds second place. The oil palm has the highest yield of all oil crops – six to ten times more than other oil seed crops.

However, palm oil production has raised serious concerns relating to deforestation and the elimination of endangered animals, to name two. As a consequence, WWF in 2003 initiated the Roundtable on Sustainable Palm Oil (RSPO) along with AAK, Golden Hope Plantations, Migros, Malaysian Palm Oil Association, Sainsbury's and Unilever. The organization has now worked for more than a decade to promote the growth and use of sustainable palm oil worldwide.

One recognized system

We continue to be very engaged in the RSPO, and its Board. AAK recognizes the RSPO certification as the only established and stable systematic organization and standard for sustainable palm oil. RSPO is not perfect. However, it is important to have one well established recognized system rather than a series of individual systems and organizations, which add complexity and might prevent progress towards a fully sustainable palm oil supply chain.

RSPO progress

Due to the position as an intermediary in the palm oil supply chain, AAK is fully dependent on the availability of supply of physical, segregated sustainable palm oil and, to some extent, on demand from customers. Customer requirements drive the kind of palm oil delivered by AAK.

In preparation for future demand, AAK production plants processing palm oil have obtained RSPO Supply Chain Certification and are capable of producing sustainable palm oil as required.

AAK is committed to increasing the volume of RSPO certified raw material that it purchases, with the ultimate objective to achieve RSPO certification of all palm oil purchased. Driven by demand, 29 percent of AAK palm oil products in 2015 were RSPO certified. Mindful of the current level of supply and demand which varies significantly between markets, AAK has revised its time bound plan to only sourcing RSPO certified crude palm oil by 2018 and RSPO certified palm oil, palm kernel oil and derivatives by 2020.





” Great progress for the RSPO

What is the current status of the Roundtable on Sustainable Palm Oil?

The past year has brought a number of new initiatives and projects for the RSPO. At the end of 2015, the RSPO was actively involved in supporting Jurisdictional Certification projects in the regions of Sabah (Malaysia), South Sumatera and Central Kalimantan (Indonesia), looking at ways to bring certification at scale on a regional level. Earlier this year, RSPO also launched RSPO NEXT, a set of voluntary add-on criteria to the existing RSPO Principles & Criteria (P&C) for sustainably grown palm oil. RSPO NEXT defines advanced criteria for palm oil production in order to further the fight against deforestation and greenhouse gas emissions from palm oil production as well as social commitments.

The RSPO has also seen great progress on the traceability front, with a revised system that now offers traceability back to mills for all physical supply chain models via RSPO eTrace. Supply chain actors who report their trades in eTrace will now be able to manage the list of mills which contributed to their stock, with the option to declare conventional sources in its efforts to provide full transparency.



What are the major challenges?

Working with a vision of 100 percent market transformation presents many challenges, as well as opportunities. Transforming the market means embracing the whole industry to take everyone on board in our sustainability journey. This said, not all players have started from the same spot nor are moving at the same speed, and the main challenge is making sure that while remaining relevant for top performers, the standard remains inclusive. We think that this year, through the launch of RSPO NEXT and the work done on Jurisdictional Certification, we have found some new tools to help us overcome these challenges.

How do you see the role of RSPO NEXT?

The RSPO NEXT is an initiative to engage with RSPO member companies (producers, suppliers and users of palm products) that have met the current requirements of the RSPO Principles & Criteria and, in addition, through their policies and actions, exceeded them. RSPO NEXT will provide the credibility that only on-the-ground third-party verification of actions can bring, on issues such as deforestation, peatland development and indigenous peoples' rights.

RSPO NEXT will also be a tool for companies to better engage with smallholders. Via the mandatory educational programs that RSPO NEXT members will have to provide to their smallholders, the new criteria will ensure raised awareness on sustainability issues, financial management, yields and productivity.



Darrel Webber
RSPO Secretary General



” 2015 – a record year for GreenPalm

2015 saw GreenPalm register a record number of trades through the platform. The final volume closed at 3,867,427 certificates, each certificate representing one metric ton of RSPO certified production. The final volume added over 400,000 certificates onto the total amount traded during 2014.

The GreenPalm option continues to play a vital role connecting RSPO certified mills and smallholders who are unable to ship their certified production via established physical supply chain routes to the demand markets, such as Europe and the US.

The number of new RSPO smallholder projects is still very low. GreenPalm has worked with every new group in providing them with a route to market. We are pleased to



report that every ton of volume that was made available to trade through GreenPalm found a buyer. The average price of Independent Smallholder Palm certificates was also revealed to the marketplace to encourage more smallholder groups to become certified. The average smallholder certificate price was USD 14.28, a significantly higher premium than the standard palm certificate value.

GreenPalm continues to innovate and provide an important option for RSPO certified growers and those businesses that want to support them.

Bob Norman
General Manager GreenPalm

AAK sustainable palm oil commitments

AAK's Sustainable Palm Oil Policy has been developed significantly over the past year, with contributions from various stakeholders. In a dynamic environment, commitments from customers and suppliers relating to sustainable palm oil have seen parallel development. AAK's policy is consistent with a wider market move, and puts AAK at the forefront of palm sustainability.

AAK's policy is founded on the following pillars:

- ◆ support for the Roundtable on Sustainable Palm Oil (RSPO)
- ◆ traceability
- ◆ no deforestation
- ◆ no development of peatland
- ◆ free, prior and informed consent (FPIC)

AAK has clear definitions for traceability, peatland development and FPIC. For deforestation and FPIC we rely on RSPO definitions, supplementing the High Conservation Value (HCV) RSPO definition used for deforestation with High Carbon Stock (HCS), but mindful that there is as yet no common industry definition of HCS. Until a common framework has been developed, AAK will apply the HCS framework and identification tool that have been developed by Greenpeace and others.

We seek constantly to improve our policy as further issues and demands emerge, at the same time being mindful that implementation is even more important than words.



AAK's policy is to communicate progress as a minimum annually in our Corporate Social Responsibility report.

However, we report more frequently as appropriate. AAK's progress reports and palm oil policy can be found at www.aak.com under Documentation/Policies.



Palm oil achievements as of August 2016

Traceability

- Traced 98 percent of palm oil, all palm kernel oil and residuals back to mill origin
- Updated all mills traceability data

Risk assessment

- Completed a qualitative risk assessment of all suppliers
- Completed geospatial risk assessment of 32 percent of all supplier mills (see graph)
- Identified mills for our on-site verification program and currently completed three verifications in 2016, ten in total

Supplier engagement

- Engaged in a dialogue with all our suppliers as regards progress of policy implementation, including the signing of AAK Palm Oil Policy, as well as future requirements (see graph)
- Completed our first palm oil supplier engagement workshop

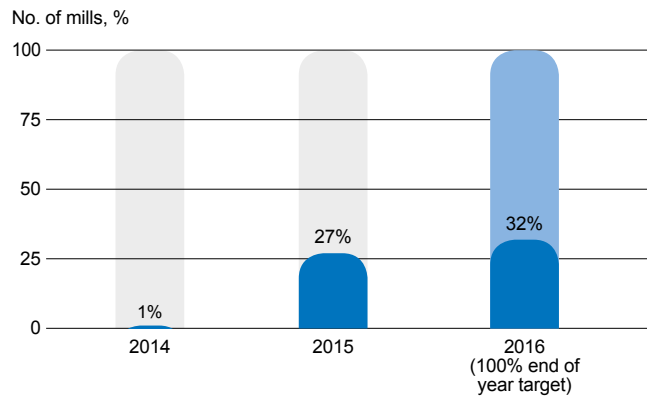
Processes and tools

- Developed an internal dashboard for detailed monitoring of progress
- Finalized implementation of palm oil grievance procedure
- Strengthened palm oil competencies among our global sales force through training and supportive materials

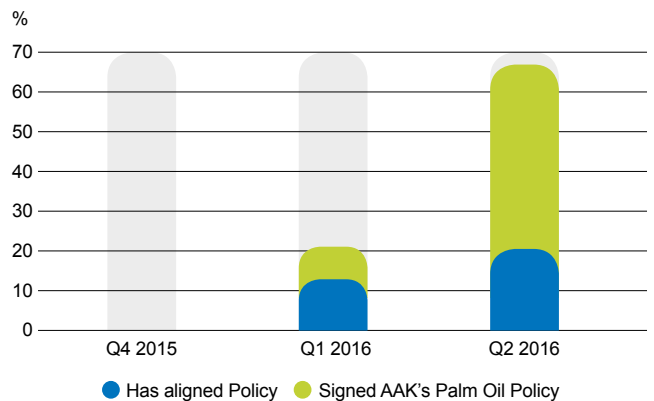
Customer support

- High level of support to our customers and the retailers

Progress of geospatial risk assessment



Percentage of direct suppliers having signed AAK Palm Oil Policy based upon volumes



Traceability progress – through cooperation with our suppliers

The overall global percentage for traceability to mill of palm, palm kernel and residual oils remains very high at 98 per cent. The variations in traceability data reported is due to a combination of including new acquisitions into our program and the natural variation always present when taking a snapshot of a process.

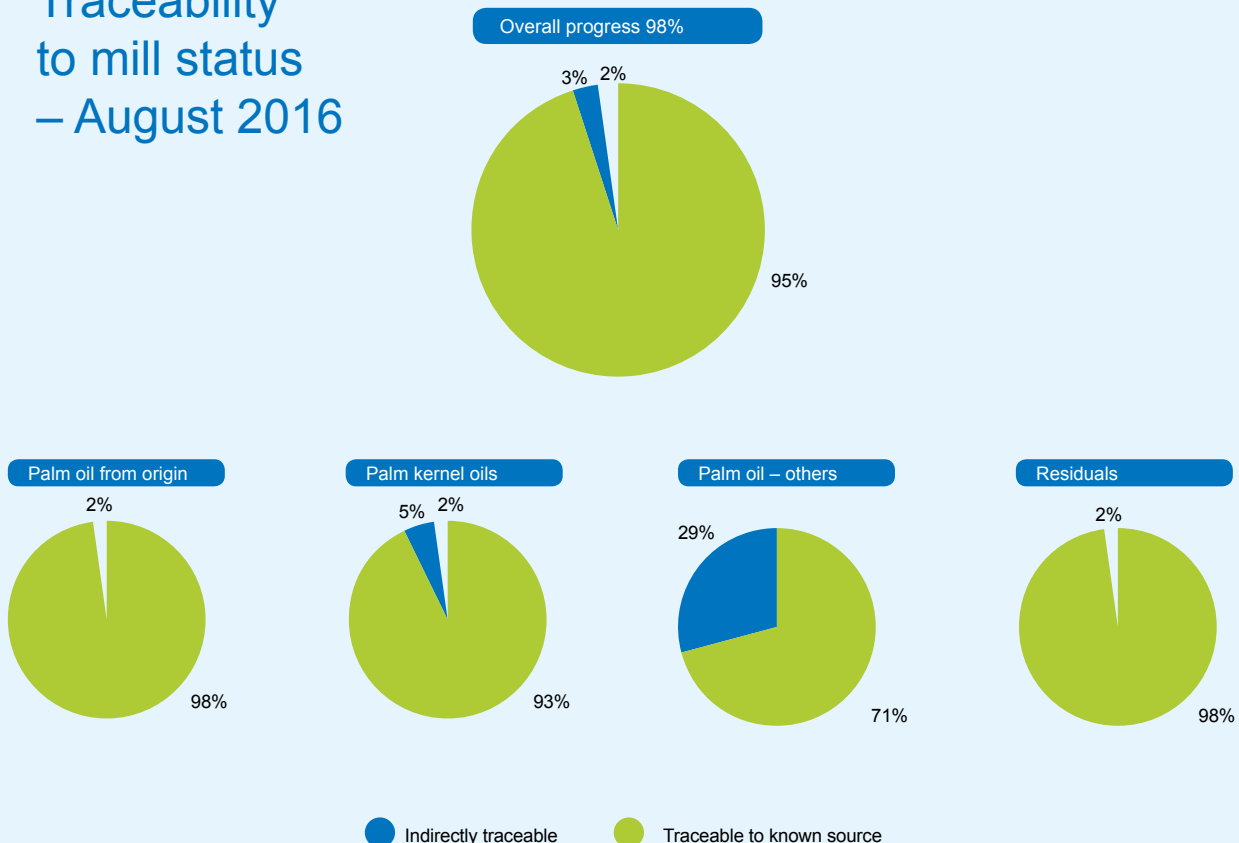
The focus within the marketplace on securing traceability to mill is now widely recognized and supported by more actors within the upstream part of our supply chains. The challenge on achieving traceability to the mill level still generally concentrates around palm kernel and residuals. Since our last progress report the focus on traceability has increased among our suppliers and this is part of the reason why we can keep our strong position on traceability in general. We welcome the increasing amount of transparency among the larger players in the marketplace, and this will for sure make it easier for stakeholders to obtain traceability figures needed.

By working closely especially with suppliers of technical oils, we are now able to demonstrate very strong progress on this category.

In order to ensure that our suppliers are committed to work towards sustainability standards, we have engaged with each one asking them to acknowledge and sign our palm oil policy. This is now a key requirement for becoming a supplier of palm oil to AAK and will ensure that all new suppliers are committed to work towards the standard which is stated in our Sustainable Palm Oil Policy.

An important lesson which we have learnt in transforming our palm oil supply chain has been the need for informing our suppliers why we are working towards a higher standard and how this affects the way they do business with AAK. This we have now taken to a level beyond immediate suppliers and in May 2016 AAK together with Proforest and a key supplier hosted our first supplier mills' engagement workshop in Malaysia.

Traceability to mill status – August 2016





Implementation of the sustainable palm oil policy – driving actual change on the ground with suppliers – is the most crucial, yet often most challenging part of our work. Broad acceptance of a policy is one thing, but changing practices in reality is what AAK is striving for. Proforest is AAK's key partner and driver in this process.

In 2016, implementation of the Sustainable Palm Oil Policy is building upon the program of work that was rolled out last year. In practice, the implementation progress during this year has involved a series of connected stages:

1. Supplier-level risk assessment

The direct supplier-level risk assessment is conducted annually and was updated in the second quarter of this year. It assesses risks associated with all direct suppliers by looking at three main factors:

- Origins of volumes procured from supplier
- Volumes procured by AAK
- Supplier-level risk issues.

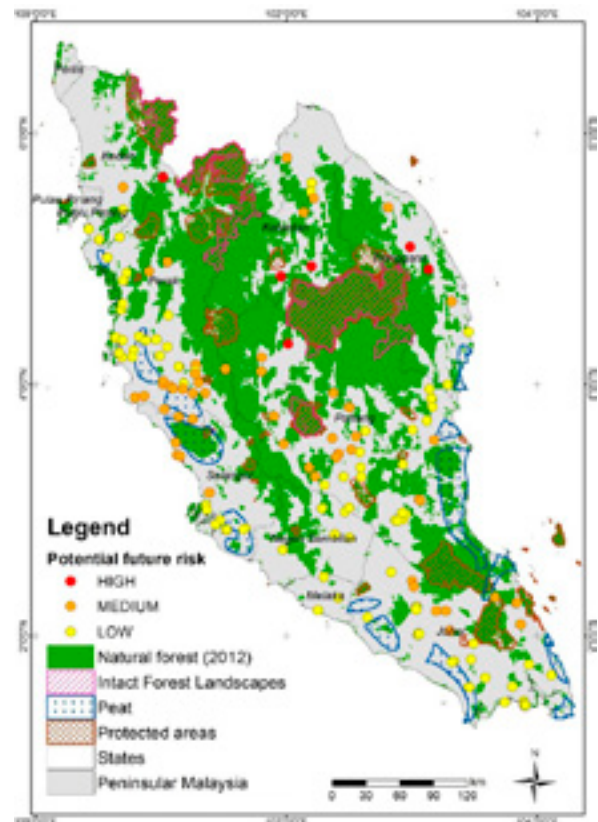
This third category takes account of matters such as supplier progress on certification, existence and implementation of sustainability policies, stakeholder grievances etc.

2. Geospatial risk assessments

Geospatial risk assessments have been carried out on the mills that supply direct suppliers already identified as higher-risk suppliers. This allows us to narrow down and prioritize mills where we will aim to conduct verification assessments by identifying the relative risks of unacceptable environmental impacts such as deforestation, protected area encroachment, cultivation on peat, etc.

On June 8 this year World Resources Institute released a palm oil mill risk assessment tool for their Global Forest Watch mapping platform, developed with inputs from our implementation partner, Proforest. This allows for much more rapid geospatial assessments and will enable us to evaluate all mills in our supply chain in this manner, not just the ones belonging to high-risk suppliers.

Alongside this development, Proforest has also been improving its own internal capacity to run geospatial risk assessments more rapidly, using a bespoke tool that also allows us to perform more nuanced analyses where necessary. By the end of 2016 we will have analyzed all mills using Proforest's system or the Global Forest Watch tool (see graph on page 21).



3. Mill and supply base verification assessments

Risk assessment and capacity-building are complemented by verification visits to a sample of higher-risk mills, identified through the process described above, to substantiate the progress of AAK's policy implementation, identify gaps, and support the mill to develop a time-bound action plan.

At the time of publishing, three verification visits have been carried out by Proforest this year on higher-risk mills in the AAK supply base: one in Colombia, one in Malaysia, and one in Guatemala. A further three are planned before the end of the year. AAK and Proforest individually risk assess

all suppliers to identify and prioritize the potentially higher-risk ones based on a range of factors, including location, volumes supplied, their role and position within the supply chain, and historic and current issues or grievances. The higher-risk suppliers are then scrutinized in more detail, with geospatial risk analyses conducted on the individual mills, focusing on variables such as deforestation, peat, and protected areas. From these, specific mills are selected for verification visits.

” Mill verification in Colombia – a personal perspective

Recently, Proforest travelled to the Colombian region of Meta, a large province in the northeast of the country, to visit one of the growing number of palm oil mills in this particular area, some of whom supply AAK. The natural vegetation in this area is still forest, but much of that has long since been converted to pasture to graze cattle.

Verifications are very similar in practice to carrying out an audit. A key preparation stage is to prepare a checklist based on the requirements of the AAK Sustainable Palm Oil Policy. The checklist is broken down into thematic criteria around issues such as legal compliance, environmental performance, social and labour concerns, and so on. Each criterion is then broken down further into indicators, and it is evidence of these indicators that allows you to assess the operations of a company against the AAK policy. The verification is done on both the mill itself and its supply base. In practical terms there are three main activities involved:

1. Reviewing documents: These can range from broad policy documents such as commitments to no deforestation and respect of human rights, to registers of FFB deliveries that ensure the mill has traceability to the supply source, and the payslips of workers to ensure they are being paid at least the legal minimum wage for a given country.

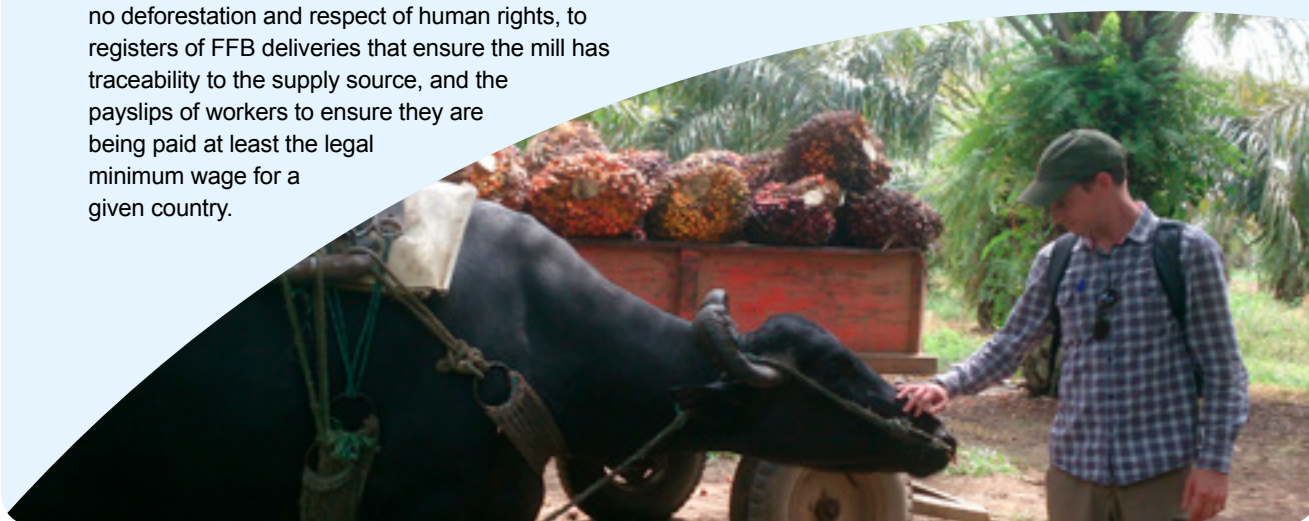
2. Asking questions: A second thing a verification team does is to ask lots of questions. Particularly important are the kinds of questions that check whether what we see during the document review are played out in reality.

3. Observing actions: The third key activity is to observe actions. A company may have a no deforestation policy but you may observe evidence of forest clearance in or around company plantations.

So how did it all play out for this company in Colombia? Like many companies around the world, it had its strengths and weaknesses. It is a young company growing rapidly, with a talented and committed team in place, which puts it in a good position to improve.

It may only be one mill, but by working together, step by step, we can raise standards across the supply base not just in Meta, but hopefully throughout the industry.

Jonathan Escobar
Project Manager, Proforest





Supplier engagement workshops

The supplier risk assessment enables the identification of priority suppliers to work with, where AAK has some leverage to influence change. Typically, a supplier will not be an individual palm oil mill, but a processor or refiner that has its own supply base of mills. An effective mechanism to engage with mills is to provide awareness-raising and capacity-building

workshops. AAK has together with Proforest now embarked upon a process with a key AAK supplier in Malaysia to run a series of workshops for the mills that supply it, in order to communicate the key palm oil policy commitments and how changes can be implemented by the mill in its own operations and supply base.

The first workshop was hosted by a key supplier in May 2016, also involving AAK together with Proforest. Senior representatives of 20 palm oil mills were invited to the workshop which took place in Port Klang, Malaysia. The objectives were to share with mill representatives the sustainability policy requirements, to learn about the challenges that individual mills are facing in their supply chains, and to discuss the on-going program to undertake verification assessments with a sample of the mills. The workshop provided a successful platform for future capacity-building with the mills, in order to ensure compliance with AAK's policy. Subsequent workshops will complement the on-going program of verification assessments.



Implementation dashboard

AAK has been developing a dashboard for internal tracking, in even more details, the implementation of the Sustainable Palm Oil Policy amongst suppliers. It will allow the internal Palm Sustainability Task Force to assess implementation progress regularly against a number of headline KPIs. Initial KPIs include:

- Percentage of suppliers with Palm Oil Policy signed;
- Percentage of suppliers with RSPO membership;

- Traceability to mill;
- Traceability to plantation;
- Tracking of non-compliances raised during verification assessments;
- Closure of non-compliances

This approach is being reviewed and strengthened during 2016.

Grievance activities

As part of AAK's sustainable palm implementation program, the grievance procedure is a guide to how grievances raised by external parties will be handled by AAK. The procedure is applicable to AAK palm oil operations worldwide and to all third-party suppliers.

It should be noted that AAK has a commitment to the RSPO grievance process that it will follow in the event of any grievance being raised through that mechanism. AAK's grievance procedure is an additional approach to ensure all grievances raised are approached in a timely and systematic manner. If a supplier breaches AAK policies and is not able to resolve the issue related to the grievance, AAK will terminate commercial relations with that supplier.

The AAK grievance procedure works alongside the supp-

lier risk assessment and is updated on a monthly basis, whereas the risk assessment is more strategic in outlook and is renewed annually. AAK also takes a proactive approach to grievances, instead of waiting for stakeholders to highlight a problem or concern. This means regularly reviewing all supplier information which is in the public domain and monitoring the RSPO complaints panel and complaints tracker together with Proforest.

By being aware of issues which may affect the AAK supply chain, AAK can take appropriate and timely action.



RSPO certified palm oil

Even including recent acquisitions, 29 percent of the palm, palm kernel and technical palm oil used by AAK globally is RSPO certified, as shown in the most recent Annual Communication of Progress (“ACOP”). The previous report included 27 percent take-up, so there is a marginal improvement.

Within the 29 percent reported, 21 percent is segregated, 6 percent mass balance and 2 percent GreenPalm certificates.

Uptake by AAK customers varies around the world, with, as might be expected, much more significant levels in Europe and the US than in other areas.

AAK’s target is firstly for all crude palm oil purchases to be certified by the end of 2018, noting that this will require a significant increase in demand from customers, particularly outside of Europe and the US.

The second target is for all AAK palm purchases to be RSPO certified by the end of 2020. AAK continues to plan to meet this target which was intended, and which remains to be challenging, particularly as AAK in many instances is a secondary processor. This target is in line with the RSPO’s intention of a 100 percent certified sustainable palm oil European market by 2020.

All significant AAK sites are RSPO supply chain certified.



Smallholders

Significant supplier

Globally, smallholders produce a significant proportion of the world’s agricultural commodities. Palm oil is no exception, with over 40 percent being produced by independent or schemed smallholders. These smallholdings are often a critical source of family income but, if managed badly, can also often be drivers of environmental and social impacts, including deforestation. This can mean negative impacts not only on the environment, but also on the smallholders themselves. Such negative impacts could be biophysical, such as poor water quality or reduced soil fertility, but also economic due to lower yields or exclusions from global supply chains which have clear policies on deforestation, peatland, and broader best management practices.



Photo: RSPO

GreenPalm option

Through the Book and Claim GreenPalm system, AAK has been able to support communities of independent smallholders for whom GreenPalm has been the only accessible RSPO supply chain option.

Outreach and education

Nonetheless, AAK also recognizes that smallholder inclusion in supply chains is a key issue requiring action on a number of fronts. Responsible production by smallholders compliant with AAK commitments requires resources and know-how, which is typically out-of-reach for an independent smallholder. Outreach and education is crucial to improve smallholder performance. It can help achieve increased yields and reduce the use of expensive methods of fertilization. It is also vital to help halt the destruction of HCV areas and ensure the avoidance of planting on peatland.

Smallholder support

Although the ultimate aim is to support smallholders in achieving RSPO certification, some stepping stones need to be put in place. AAK is now investigating an inclusive smallholder scheme which encourages and supports smallholders to make practical, stepwise changes to best practice that will lead towards certification, without challenging them with demanding certifications immediately. Working with partners within and beyond our palm supply chain, AAK plans to initiate a palm oil smallholder support project in 2016.

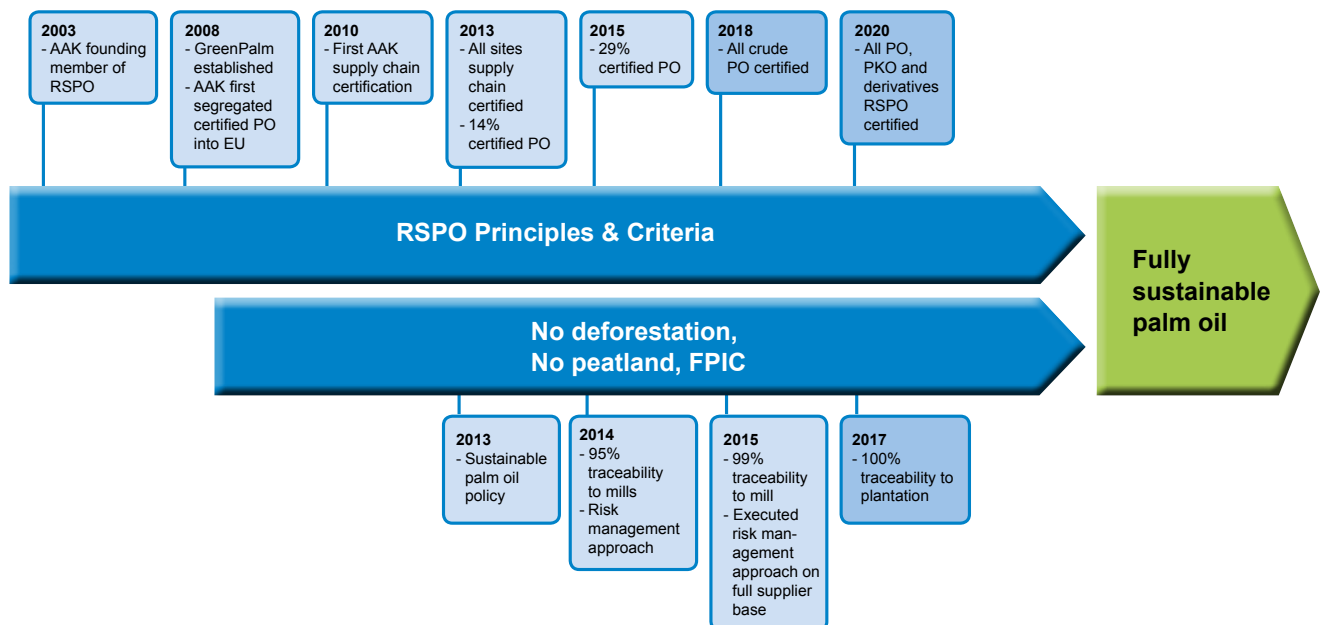


Key next steps for AAK

AAK will

- pursue its overall objective of 100 percent traceability to mill origin for palm oil, palm kernel oil and residuals
- identify mills most at risk of non-compliance with the AAK Sustainable Palm Oil Policy
 - identify those origins where there is significant risk of policy non-compliance
 - continue the geospatial risk assessment for the whole supply base during 2016
 - continue the mill verification of higher-risk mills during 2016
 - focus greater scrutiny on higher-risk mills, including field-based verification
- follow up on identified non-conformities/non-compliances and ensure closure a.s.a.p.
- proactively manage any potential grievance issues
- continue to increase our active engagement with suppliers to ensure policy compliance, including targeted workshops with supplier mills
- develop and initiate a palm oil smallholder support project, as we believe making a real difference with smallholders is at least as important as raising the bar for the top performers, with a potentially more significant impact on palm oil sustainability

Towards sustainable palm oil



Rapeseed

– sourcing close to home

Rapeseed is an important raw material at AAK. Thanks to local seed suppliers and in-house processing, AAK can offer oils from traditional seeds and a range of speciality variants. Much of the rapeseed used in AAK's products is grown in Sweden, where farms have increased their output in recent years. Through close cooperation with the farmers, AAK is able to maintain control of the entire value chain, from the

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

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

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

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





Shea

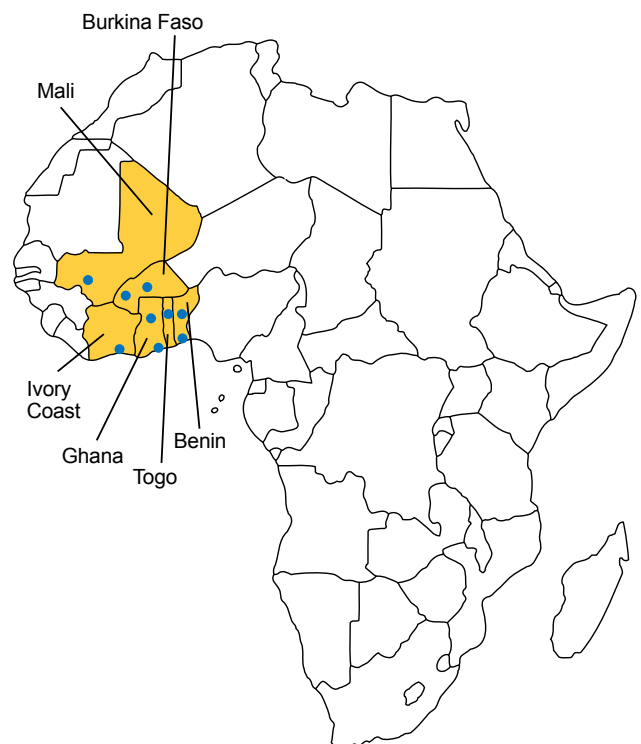
– a unique raw material for AAK

Shea kernels are a very important and unique raw material for AAK. The shea tree is a wild tree growing in a belt across Africa south of the Sahara. Countries with the highest population of shea trees include Mali, Burkina Faso, Ghana, Ivory Coast, Benin and Togo – also some of the least developed countries in the world. Due to a very long maturity period, shea trees are not grown in plantations.

Over more than 60 years, AAK has gained extensive knowledge and experience of this raw material and the local communities in which AAK operates. Selected shea trees are continuously monitored and combined with multiple weather data in a complex matrix to assess the size of the next harvest, and a number of processes take place to ensure an unbroken supply chain from the collection of shea kernels and early pre-treatment, to transportation to ports and warehouses and then shipment to Northern Europe.

Cooperation with women's groups

AAK works with the women who collect the shea kernels, building capacity in local communities. AAK's work in these areas includes interest-free micro credits and the formation and teaching of women's groups in villages, and by doing direct business with them, the women have been able to markedly improve their livelihood.



” Substantial progress for the Global Shea Alliance

Five years have passed since the Global Shea Alliance was established. What is the current status of the GSA?

The GSA has expanded to 408 members from 31 different countries. We have made substantial progress in our member-led initiatives to expand shea markets and ensure the sustainability of the resource in Africa. A few key updates for the past year include:

- ◆ 60 members have registered as partners in the GSA sustainability program and are now implementing best practice guidelines and projects including the provision of warehouses for women shea collectors and processors, cooperative development and training for women's groups, health and safety projects, parkland management trainings, conservation initiatives, and improvement of planting materials.
- ◆ We have launched a 5-year, USD 13 million partnership with the US Agency for International Development to support promotion and sustainability initiatives.
- ◆ We have held four international conferences and exhibitions in Africa, the US, and the EU that were attended by more than 700 members and stakeholders.
- ◆ In partnership with producing countries and members, we have made substantial progress on advocacy initiatives to address regulatory trade barriers for shea in the US and India.
- ◆ We have also launched new research initiatives to better establish the benefits of using shea in food and cosmetics.

Global Shea Alliance



What are the main objectives and challenges for the next year?

We need to continue outreach efforts in all stakeholder categories to recruit new members and sustainability partners and especially food and cosmetic brands. This stakeholder group has a

key role to play in the GSA by promoting benefits of shea in products and more actively supporting producing communities. We will also roll out new partnerships that bring together members, donors, and governments to improve women's empowerment and tree populations. Finally, we will advance our policy and research activities to expand markets for shea worldwide.



*Joseph R. Funt
Managing Director
Global Shea Alliance*



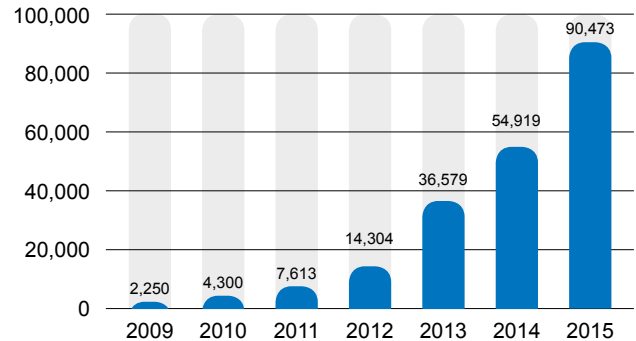


” Kolo Nafaso – women’s groups in Burkina Faso

In 2009 AAK initiated a project of responsible sourcing of shea kernels in Burkina Faso. The initial project was designed as a win-win concept between the women collecting the shea kernels and AAK. It was called Kolo Nafaso, meaning “the house of benefits of shea kernels”. The project grew bigger and became a program, meaning a new way of doing business for both AAK and the women.

As seen in the graph, the number of women participating in the program has grown almost exponentially since 2009 which to us is a great indicator of its success. This season, 2015/16, more than 90,000 women joined the program, surpassing our expectations by 20,000. There are still many women who would like to join the program, and thus our aim is to further extend it next season.

We have now started the same program in Ghana where 4,000 women, having delivered shea kernels for the first season, are enrolled. Our goal for Ghana is to broaden the program for the coming season. It is, however, not only a question of extending the number of women participating, but also to continue to create and increase job opportunities for more people, both outside and within our organization. We need for instance extension officers, team leaders, drivers, warehouse keepers as well as administrative personnel. Our extension officers are constantly educating both new and old women’s groups in how to process the shea kernels to obtain a good-quality product in order to optimize the women’s income.

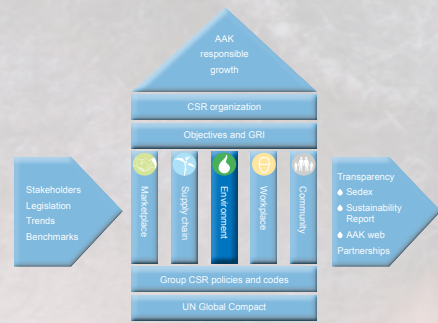


One of the base criteria to obtain a sustainable availability of shea is to inform about the importance of saving both old and new shea trees for future generations, creating an income not only today but also tomorrow. Another criterion is to use the shell of the shea kernel as firewood. With a possible shortage of firewood in some areas we encourage the usage of shells as part of the consumption of firewood.

The women’s groups program is very important to AAK as it gives us direct contact with the parties doing the lion’s share of the work in producing good-quality shea kernels. The win-win concept is evident as AAK assists and facilitates, both financially and educationally, the women’s work in the field of shea. As a result AAK can buy good-quality shea kernels. Examples in the villages show us that through an increased income from good-quality shea, the women have the possibility to also work with other agricultural products as the season for shea as such is rather limited.

Monika Hjorth
Sourcing & Logistics Manager, West Africa





Key achievements

Energy consumption

Per unit processed material



Total direct CO₂ emission

Per unit processed material



Water consumption

Per unit processed material





Environment

The section on Environment covers AAK’s impact on the environment in terms of consumption and emissions from our production plants. It is a clear top priority for us to minimize our use of natural resources and emissions per processed final product even though our stronger focus on speciality drives a higher degree of processing. We have been able to create strong results within this area over the last years and also during this year due to a strong focus on internal and external benchmarking as well as best practise sharing. To make this section easier to navigate, it has been divided into four sub-sections: 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.

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

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

As a matter of course, we take environmental laws and regulations very seriously and are proud to report that, in 2015, we recorded no incidents of non-compliance.

Environmental objectives

Resource efficiency

A common way of measuring resource efficiency is to calculate the amount of resources consumed versus the production output. However, AAK’s strategy of producing and selling more specialized, refined products means that, all things being equal, we require more resources per unit of output. This sometimes blurs the results of efficiency initiatives and makes it hard to paint a clear picture and give well-earned credit to the projects.

For this reason, a decision has been taken to focus on local organization, projects, progress and results driven by local resource efficiency teams.

The process:

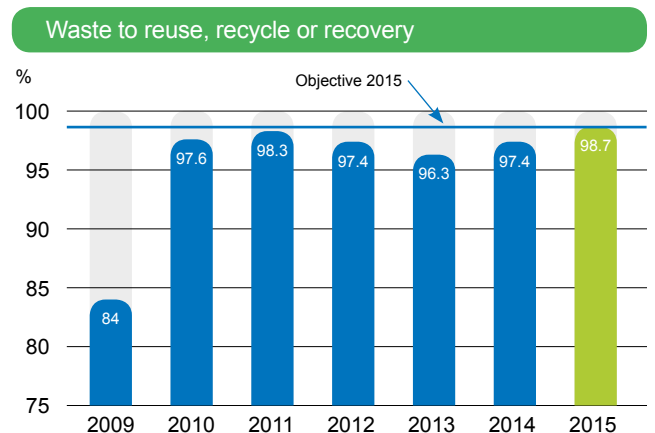
- 2013: Teams established, monthly meetings and at least one project initiated
- 2014: Resource efficiency projects at all sites are delivering according to plan
- 2015: Resource efficiency results documented at all sites

At the end of 2015 the results from the individual efficiency projects have been documented and can be seen later in this section.

Waste

Sending waste to landfill means not utilizing any of the potential value that may still be present. What’s more, in many countries, a landfill tax has been introduced to reduce the amount of waste disposed of in this way.

AAK’s objective was that, by the end of 2015, minimum 98.5 percent of the company’s waste would go to reuse, recycling or recovery. During 2015, 1.3 percent (equal to 1,400 MT) of the total waste was disposed of in the least favourable way: landfill. The remaining 98.7 percent of the waste material was disposed for reuse, recycling or recovery, thus exceeding our global objective.



” Fighting climate change with long-term investments

At the Paris climate conference (COP21) in December 2015, 195 countries adopted the first-ever universal, legally binding global climate deal. What is your view on this milestone?

There is still a key question whether the deal, which is not fully agreed, will look to limit global warming to 1.5 or 2°C. The difference may appear to be insignificant, but it's hugely important and could have significant implications on countries as well as businesses. Negotiations during the COP21, therefore, were to re-visit the idea of 1.5°C. It has albeit gathered some political momentum, but very much is still undecided. Regardless of the target, the question now is how much of a reduction and by what date by state and country. In any event, there is no question that the world's use of fossil fuels will need to be reduced and that we all have to contribute.

What role do businesses have in this question?

Businesses have a vital role in the fight against climate change. Many companies are affected by climate change and have already taken actions. Under the COP21, I believe businesses will also provide much of the financing to enable adoption of existing and new technologies. The Clean Development Mechanism under the Kyoto Protocol provided a great incentive for business participation in developed and developing countries alike and generated thousands of emissions reduction projects.

Where do you see AAK in regards to this very important issue?

AAK has a mature view on these developments and has taken the initiative to continuously explore and invest in new technologies. For example, we have not only invested in the best available technology to lower energy consumption, we have also invested in solutions to reduce emissions. We are furthermore in the process of developing pioneering new technologies to reduce our waste and use this to generate heat to run our facilities. We have received funding to develop new technologies and while some are still in development, others are now installed and fully operational, dramatically reducing our carbon footprint and emissions. AAK is also driving this change with long-term investment plans. Therefore, we are confident that we will be ready and able to deliver when the targets are defined.



David Smith
President European Supply Chain

Energy

Energy costs and the link between energy consumption and impact on the climate, motivate continued focus on energy issues. Responsible growth is only possible if energy consumption and costs are kept as low as possible.

Due to the industry's relatively high energy consumption, efforts to increase energy efficiency and, where possible, move toward renewable energy sources are important.

The type of energy used at AAK's production plants varies considerably and very much depends on location. In Montevideo, Uruguay and Villavicencio, Colombia literally all direct energy consumed comes from renewable resources, while in

Louisville, Kentucky, for example, all energy comes from fossil fuel. Some production plants have their own power plant and sell energy in the form of steam and electricity externally. The total energy consumption given in this report has been adjusted for this.

In 2015, AAK's production plants had a combined direct energy consumption of 3,690,000 Gj, a decrease of 2.4 percent compared to 2014. Direct energy consumption from renewable resources constitutes 30 percent, an improvement of 3 percent.

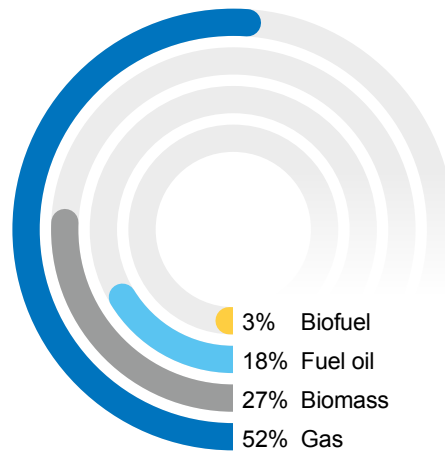


During the same period, electricity purchases (indirect energy consumption) increased by 4.9 percent to 797,000 Gj. The proportion of green electricity constitutes 37 percent, a decrease of 2 percent from last year. Several sites are purchasing 100 percent green electricity.

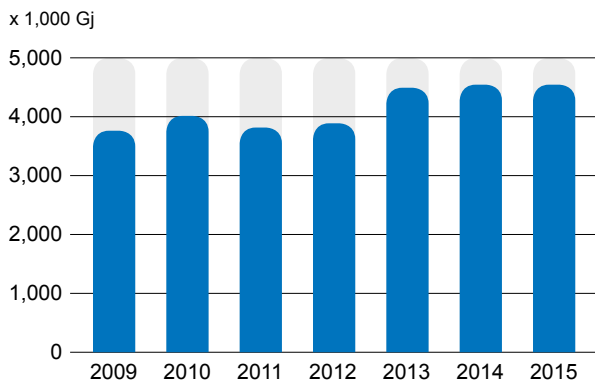
Energy consumption has decreased

Overall, total energy consumption reached 4,485,000 Gj, a decrease of 1.2 percent. Calculated per MT produced, energy consumption has decreased by 5.8 percent despite a strategic decision to increase the production of highly refined products which, all other things being equal, require more energy to process.

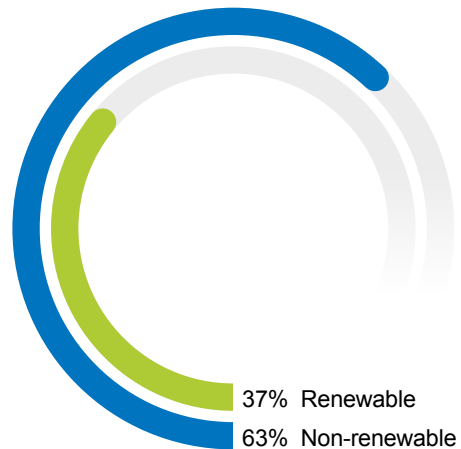
Direct energy consumption 2015 – per energy



Total energy consumption



Purchased electricity 2015



Resource efficiency projects – Energy

AAK Louisville, Kentucky, USA

Warehouse electricity reduction

AAK Louisville currently operates a temperature-controlled warehouse in order to ensure quality consistency in all of its products. The warehouse experienced issues concerning air stagnation and excessive heat during summer months. In order to counter these issues large industrial fans which can improve air quality and also reduce energy consumption were installed.

The project resulted in 97,500 kWh electricity reduction per year.

AAK Dalby, Sweden

Change of compressor

The air compressor in Dalby has been replaced by two new compressors with recycling to heat up the building. The change from one to two compressors makes it more energy effective and more reliable.

The energy saving is 83,000 kWh per year on recycling and approximately 60,000 kWh per year on energy.

AAK Aarhus, Denmark

More efficient electrical pumps

AAK in Aarhus, Denmark has been saving electricity by focusing on inefficient pumps, electrical motors and reducing speed where possible.

The energy saving is 800 MWh per year.

AAK Montevideo, Uruguay

Ice condenser

In 2013 an energy efficiency project was started in order to replace the conventional ejectors in the deodorizing unit for vacuum generation by a dry condensing equipment. Besides reducing energy, this system has also the advantage of generating less effluents and reducing the amount of water used at the deodorizing unit. The ice condenser project was finalized in October 2015.

The energy consumption of the deodorizing unit was reduced by 59 percent. Further, water consumption decreased by 59 percent and effluent generation decreased by 90 percent.



AAK Zaandijk, The Netherlands

Reduction of energy consumption

Analyses have shown that a large amount of steam was consumed by tracing of pipes and tanks. Therefore a project was started to reduce the energy consumption by tracing with hot water instead of steam.

Gas consumption was reduced by 10 percent.

Resource efficiency projects – Air

AAK Port Newark, New Jersey, USA

H₂/N₂ project

By reducing deliveries of liquid nitrogen with on-site gaseous N₂ (GaN) production, AAK Port Newark's carbon footprint was reduced. The average number of deliveries was reduced from 30 per month to 10 per month. Energy consumed for liquefaction is double the energy consumed to produce GaN.

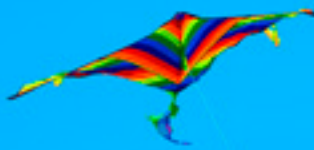
Total carbon footprint was reduced by 1,300 MT per year.

AAK Hull, UK

Mechanical vacuum systems

The new deodorizer installed in Hull was designed to be more efficient in its use of energy compared to the one it replaced. Instead of simple steam vacuum generating equipment more investment was made in ice condensing technology and mechanical vacuum systems. The steam is generated by natural gas.

CO₂ emissions have been reduced by more than 1,000 MT per year.



Air

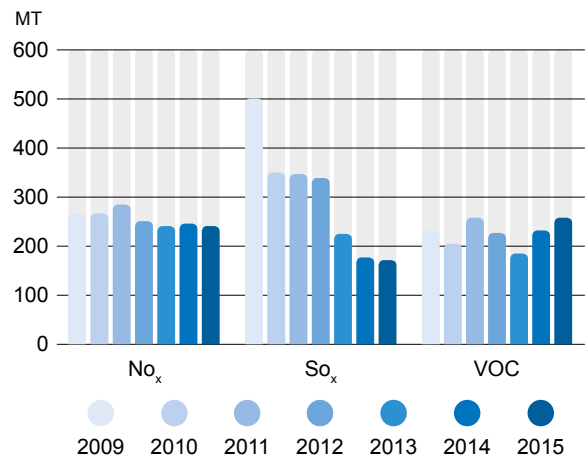
Rising average temperatures, more extreme weather and changes in rainfall patterns are all symptoms of the climate change we are experiencing. Today, legislation and markets aim to mitigate these changes by reducing the greenhouse gas emissions believed to be the driver of global climate change. AAK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

In 2015, AAK generated 234,000 MT of carbon dioxide at its production plants, which is 4.8 percent less than in 2014. 36 percent of direct carbon dioxide emissions stemmed from renewable resources. Carbon dioxide emissions from fossil fuel per MT processed decreased 4.8 percent compared to 2014.

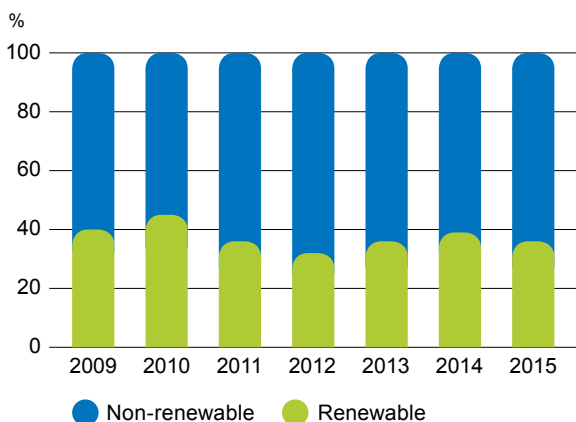
The ozone layer protects life on earth by filtering out some of the sun's harmful UV radiation. For that reason, any thinning of the ozone layer is hazardous. AAK works actively toward eliminating all equipment that uses ozone-depleting substances (ODS), which are generally used for cooling. In 2015 ODS decreased with 25 percent to 1,746 kg.

Due to the Group's use of fuels, its production plants emit 241 MT NO_x (nitrogen oxide) and 172 MT SO_x (sulphur oxide). 258 MT VOC (Volatile Organic Compounds) are also emitted from plants that run extraction and solvent fractionation processes.

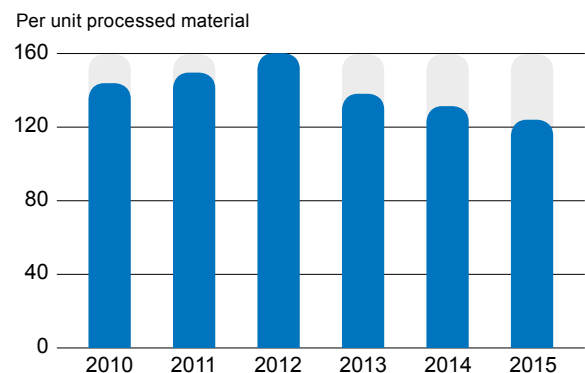
Direct emissions



Direct CO₂ emission



Total direct CO₂ emission



” Green matters – reforestation in Colombia

As part of compliance activities, arising from our permits to operate and use surface water granted in 2013, AAK Colombia has carried out a reforestation plan that includes planting and maintenance of 1,500 seedlings of native species. It is worth mentioning that the company allocated four hectares of its own land for this activity. Previously we had made another planting of 1,000 seedlings, contributing to the maintenance of our environmental corridor which warrants conservation of wildlife and water supply from the Monos Creek, an important tributary of the Ocoa River, very close to our production facility.

This year we are in the process of reforesting 500 seedlings of native species for protective forest. This activity is taking place within the biological corridor between the Paramo Chingaza and Sumapaz. The site was selected together with environmental entities to contribute to the national ecotourism project called the “Ecological Path of the Birds”, which was approved by the national environmental authority.

Sandra Milena Velasquez
Quality Manager and Continuous Improvement,
AAK Colombia

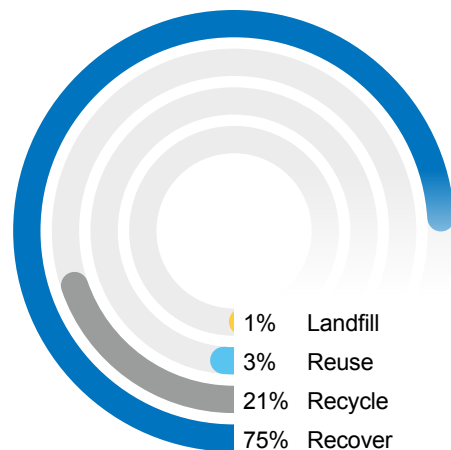


Waste

During 2015, AAK’s production plants generated 106,000 MT of waste. This is a decrease of 4.5 percent compared to 2014. 99.6 percent of the total amount of waste was non-hazardous.

In waste disposal, there is a clear, very determined effort towards reducing waste going to landfill. New acquisitions joining the AAK Group have had less waste disposal focus and their challenge have been to improve waste management to a level that meets AAK’s objective for 2015, which was sending less than 1.5 percent to landfill. Changes to U.S. legislation regarding the handling of used bleaching earth have also presented a challenge.

2015 waste disposal

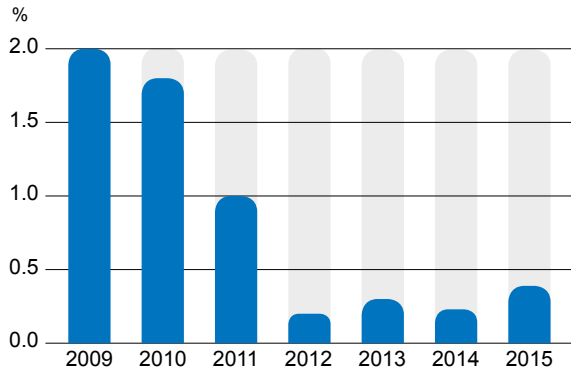




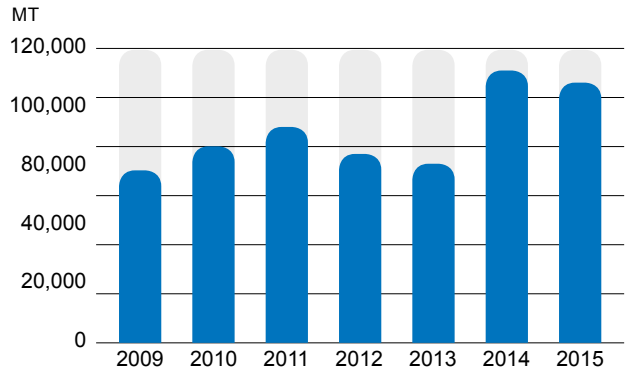
However, during 2015 these challenges were overcome and we managed to reduce waste to landfill from 2,500 MT to 1,400 MT, a decrease of 44 percent. Waste to landfill represents 1.3 percent of total waste disposals leaving 98.7 percent disposed for reuse, recycling or recovery, exceeding our global 2015 objective.

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

Hazardous waste



Total waste



Resource efficiency projects – Waste

AAK Hillside, New Jersey, USA

Waste oil and fat product used for biofuel

Two waste recovery systems were installed to recover oil and fat product process waste from processing lines. One system is a kettle which was installed to recover oil and fat and send to a tank. The other system is a pump and drum system which is designated for oil-based products with high viscosity and other solids which are sent to two external holding tanks. Hillside partnered with a waste re-processing company which pulls both waste streams, fat and waste bins and processes the waste for biofuel or re-purpose.

180 MT of waste was processed into bio-fuel or re-purposed which resulted in SEK 175,000 to Hillside.

AAK Merksem, Belgium

Waste reduction

By focusing on total waste production, AAK's site in Merksem improved its resource efficiency. Main focus was reduction of factory waste and reduction of products expiring in the warehouse. By improving planning order efficiency combined with increased possibilities of rework while still respecting quality parameters, factory waste was reduced by 25 percent.



Disposal of spent bleaching earth

One of the largest struggles in regards to waste management has been the disposal of spent bleaching earth. For many years this material has been sent to landfill style facilities and has had very little purpose for reuse due to its classification as hazardous during transportation.

AAK Louisville has been able to work with its local landfill facility to use this material and in turn fully recycle the spent

bleaching earth. The recycling facility use the spent bleaching earth for base material and coverage internally in their process. This has not only increased the recycled content in the Louisville facility but has also, as an added benefit, lowered disposal costs dramatically. This has been a major contribution to AAK's waste management initiative and will continue to improve throughout the coming years.

Water

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

Water consumption

Combined, the Group's production plants use approximately 25,000,000 m³ of surface water. This water, which is used for cooling, has no contact with products or pollutants and is returned to the source without any change in quality. The discharged water may, however, be slightly warmer than when entering the Group's system.

Ground water and municipal water used in processing totalled 2,300,000 m³, the same as last year. However,

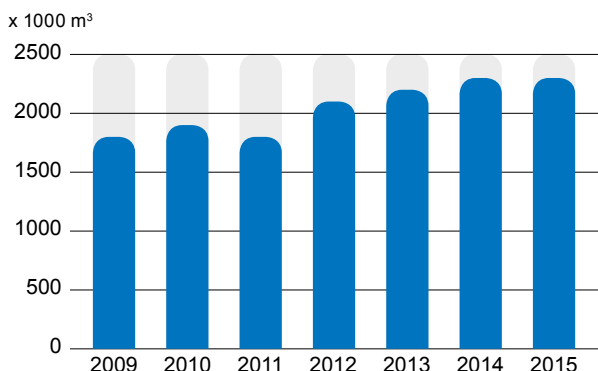
calculated as processing water per MT produced, consumption decreased by 4 percent.

Water discharge

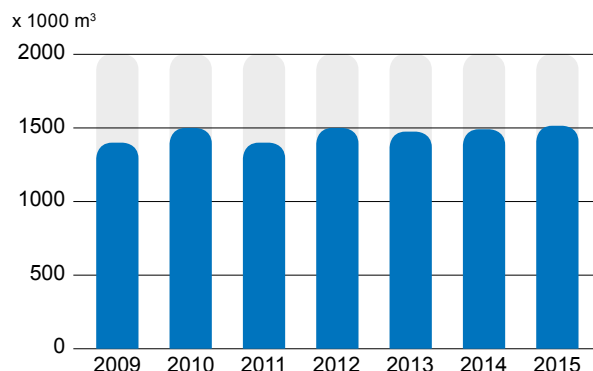
When water is discharged, its quality is measured by two different methods: BOD5 (biochemical oxygen demand) and COD (chemical oxygen demand). This determines the degree of pollution and has to be within stipulated limit values. The method used is defined by the local authorities.

Total BOD5 for sites using this method was 205 MT while COD was 1,023 MT. Measurements are within the stipulated limits. All discharged water from AAK sites is treated at own or municipal treatment plants.

Water consumption



Water discharge



Resource efficiency projects – Water

AAK Morelia, Mexico

Water consumption reduction

In 2013, as part of the energy reduction program, a goal was established to reduce water consumption by 10 percent compared to 2012. A series of actions were developed, such as reducing evaporation in cooling towers and improving the cleaning process. The most significant initiative was the installation of a new plant for recycling water based on a reverse osmosis process.

The water consumption was reduced by 33 percent between 2012 and 2015.

AAK Runcorn, UK

Reduce waste water costs

The site in Runcorn has invested steadily in its waste water plant by installing new equipment, including a sampling unit, trace heating and a balance tank.

The waste water cost per ton has been reduced by 48 percent.

AAK Karlshamn, Sweden

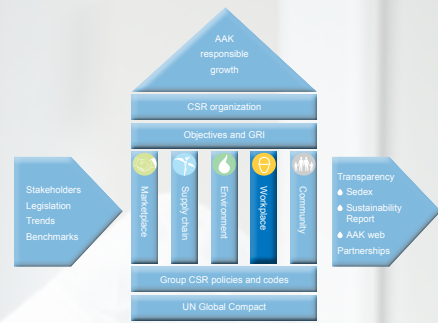
Water savings in deodorization

By recirculating water to process vacuum pumps and introducing indirect cooling concepts significant savings in the use of municipal water have been achieved.

An annual water demand of approximately 75,000 m³ was reduced to approximately 45,000 m³ in 2015. An additional effect has been less water to water sewage plant for treatment.

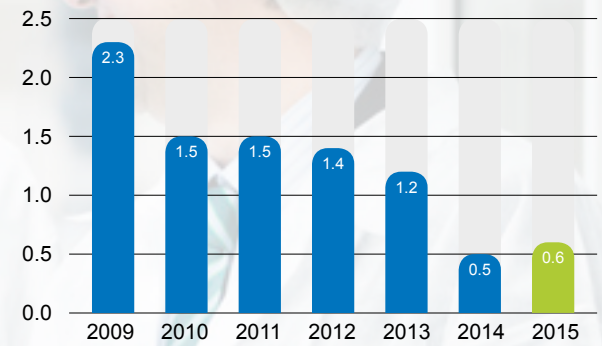
Water savings of around 45 percent per year was achieved.





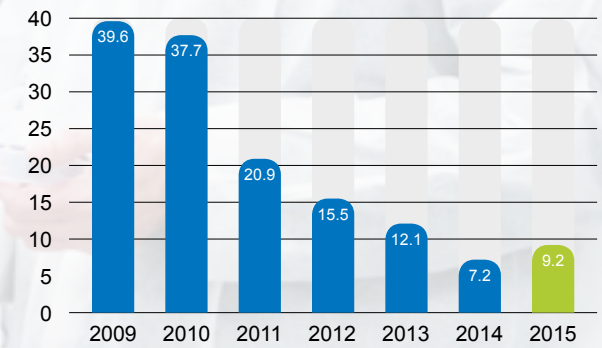
Key achievements

Lost Time Injury Rate*



* production sites

Lost Day Rate





Workplace

This section is about working life at AAK: how to remain an attractive workplace for employees, and to make sure that everybody is healthy and safe. AAK's employees are the company's most important resource. With 2,728 employees at the end of the year 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 the company's values and Code of Conduct, which govern the way in which business is conducted, how the AAKtion program is executed, and how employees interact with each other and the company's stakeholders. Combined with the UN Global Compact and the CSR Policy, this provides the framework for AAK as a workplace.

Workplace objectives

Safety

Any work-related injury is clearly unacceptable and AAK constantly strives to be a zero injuries workplace. Since 2010, we have aligned definitions and measured injuries across the AAK Group. We have defined Lost Time Injury Rate (LTIR) as the number of work injuries that result in one or more days/shifts of sick leave per 200,000 working hours.

Global LTIR objectives and reporting for previous years have included records for both production sites and sourcing sites in West Africa. Since 2012 we have broken down LTIR at production sites and West African sourcing sites. The safety challenge in West Africa is very difficult and very much related to logistics conditions outside AAK premises with lack of traffic control and very poor road conditions.

At our production sites, LTIR increased from 0.5 to 0.6. This is being addressed with further initiatives from our Global Safety Team relentlessly working for a safer workplace. More than half of our production sites did not have any Lost Time Injuries. Lost Day Rate – a measurement of the severity of incidents – also increased from 7.2 to 9.2.

At our sourcing sites in West Africa, conditions and challenges are very different. However, LTIR significantly decreased from 4.2 to 2.0 and Lost Day Rate dropped from 14.2 to 8.2. This is, amongst other initiatives, the result of widespread safety training aiming to change the culture into a "safety first" mindset.





Safety and continuous development – part of the AAK culture

AAK has made significant improvements within health and safety over the last couple of years. How would you describe the safety culture within AAK?

Our safety culture has developed significantly over the last years and is today characterized by a strong focus on preventing incidents. Near miss incidents are reported, analyzed and acted upon before incidents occur, and communication regarding safety is included in weekly and monthly newsletters as well as in all maintenance work notices. “Safety walks” are conducted regularly by senior executives and safety is on the agenda of all management meetings on our sites. Looking out for each other and helping everyone to stay safe is a priority for all employees.

How do you involve AAK employees in the process of continuously developing the company and the business?

All our employees play a very active role in developing and improving our company and our business. The majority of this work is done on a daily basis since an important part of our employees’ jobs, regardless of role, function or level in the organization, is to continuously seek out ways to do things better, faster and more efficiently. Continuous improvement is more than a task designated to a few people – it’s part of our company values and is at the heart of the AAK culture across all organizational boundaries.

What are AAK’s priorities for continuously developing its employees?

This has been an ongoing process for many years and is a top priority for all managers throughout AAK. The annual Performance and Development Plans (PDPs) ensure a thorough follow-up at least once a year, but the majority of individual development activities are embedded in the day-to-day challenges that our employees face. Through on-the-job learning combined with formal training when needed and with strong support from managers, our employees develop new skills and hone existing ones by taking on new or more complex tasks, by participating in special projects and in continuously developing our company and our business.



Jens Wikstedt
President SB&N and HR

Staying healthy

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

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

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

AAK Mexico also operates health facilities and offers consultation for employees’ family members and the local community as a whole.



E-learning on anti-corruption

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

However, corruption still remains a common risk throughout the world for all companies, and a decision was made to internally promote awareness and knowledge of this topic. To that end, e-learning modules addressing anti-corruption topics have been launched. The modules have a length of ap-

proximately 15 minutes and end with a multiple-choice test. For employees at increased risk of encountering corruption, these modules are mandatory and must be passed.

The first module, with a general introduction to anti-corruption, was launched in early 2014. The second module, with a focus on competition law, was launched late 2014. The purpose of the training modules is to ensure awareness of what is corruption and provide knowledge about how to deal with it. Both modules were passed by all target group members by the end of 2015.

Labour rights

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

38 percent of AAK's employees are covered by collective bargaining agreements. In 2015 there were no strikes at AAK sites but in Montevideo, Uruguay, production was closed down due to local union meetings, leading to four days of lost production.

AAK does 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

that which 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 the CSR Policy. During 2015, no incident of discrimination was recorded.

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



” Safety improvements through e-learning

Since introducing our online training system at Runcorn we have seen improvements in both health and safety as well as food safety across the site.

We strongly believe that training and information is the key to making a safer workplace environment producing quality products. We have a great number of safety and food safety courses to choose from, ranging from first aid awareness to permit to work. In addition to this, we have developed, in partnership with Human Focus, a UK provider of safety training, five bespoke training courses unique to our site.

At the start of the year each employee is issued with an individual training plan with six courses for them to complete

during the next 12 months. We use data collected from our Hazard spotting program to target areas that we feel need additional training and match the training program to the area and risks identified.

This gives us a target of 1,044 courses to be completed during the year. In 2015 we completed 2,872 courses, giving us an average of 16 training courses completed by each employee on site.

Mike Pocock
Health, Safety and Environment Manager, AAK Runcorn

First aid training in AAK Aarhus

A first aid course, including training in how to use AED (Automated External Defibrillator) has been offered to all employees at AAK's site in Aarhus, Denmark. The basic aid course will be followed up by courses every second year in order to maintain the competence and to learn more about treatment of injuries relevant for the site, for example burns, falling injuries and illnesses. By the end of 2015, more than two thirds of all employees had attended the training and are capable of giving first aid.

Safety for external workers

At AAK's site in Aarhus, Denmark there are many external workers. To ensure that they have the required safety competences, AAK has established contractual requirements for these external workers. The requirements include a mandatory ATEX/EX training (regulations for working in an explosive atmosphere) with yearly follow-ups. In addition, the external workers must attend at least two hours of safety training per year and be able to point out who, within their company, is AAK's contact person regarding safety.





The AAK workforce in numbers

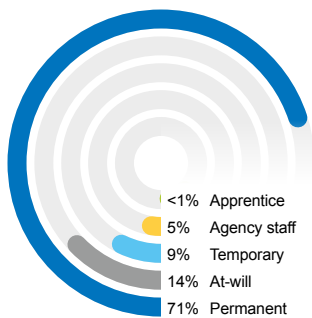
As of December 31, 2015, AAK had a total of 2,728 employees (an average of 2,738 employees, as stated in the Annual Report 2015), 11 percent more than in 2014 (due to acquisitions). Among permanent employees, approximately 11 percent left the company.

The average age of employees in Europe is significantly higher than in the rest of the world due to a more mature organization. 22 percent of AAK's permanent employees are female. This is a lower percentage than in many other businesses, and is explained by the fact that working in the production plants typically attracts more men than women. At managerial level, 19 percent of employees are female.

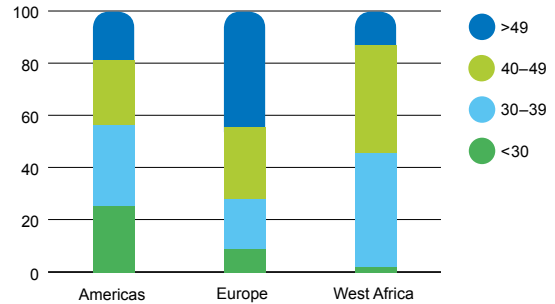
71 percent of AAK's employees are permanently employed, while 9 percent are on temporary contracts. The remaining 20 percent comprise trainees, agency staff and at-will employees. The latter is a doctrine of American law that

refers to an employment relationship which can be broken by either party with no liability. 2 percent of our employees work part-time.

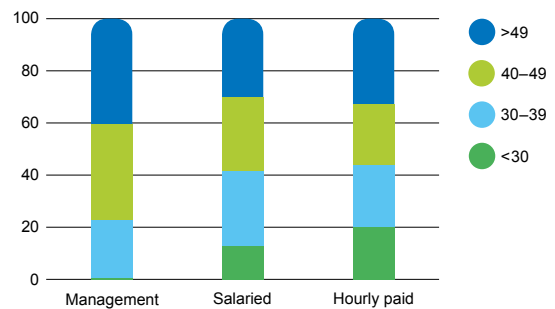
Employment contract type



Employees* by age, %



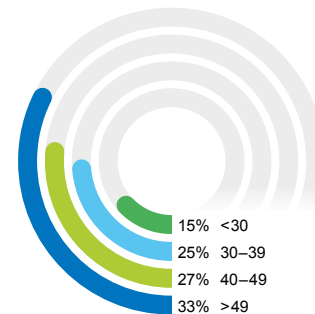
Employee* category by age, %



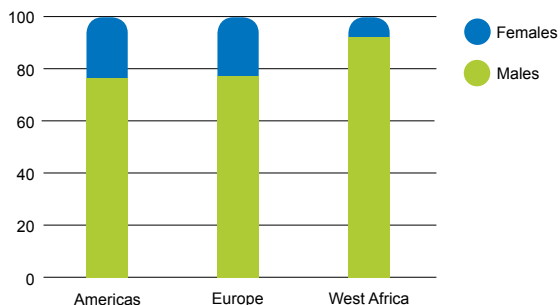
Employee* category by gender, %



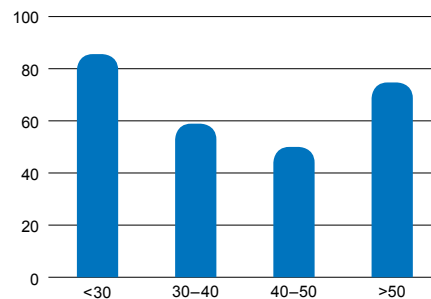
Employees* by age



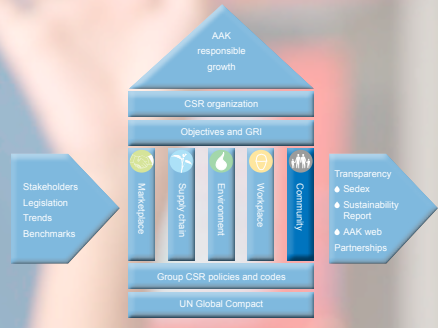
Employees* by gender, %



Employee* turnover by age, number of employees



* Permanent and at-will employees



Community



In this section, activities that AAK initiates and engages in, be they local, regional, national or international, in order to play the part and act responsibly in society, are presented. Contributing to, and being part of, the community in which AAK operates is essential for maintaining a positive relationship with neighbours, politicians and authorities. Which community activities the Group engages in is dependent on what is relevant and adds most value to the local community. Through a commitment to community causes, AAK is also instrumental in creating a workplace with highly motivated employees who take pride in working for a company that makes a noticeable difference.

Local community involvement

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

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

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

an area. During 2015, no operations that required a special community impact assessment were established or terminated.

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

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

Community objective

AAK has long been an active member of the communities in which it operates through sponsorship, or through direct participation in projects and activities. In 2015, AAK engaged in numerous local activities, some of which are presented in this section. AAK will continue to secure integration with its local communities in the future.



” AAK – a good neighbour

AAK is very active in its different local communities, particularly in Villavicencio, Colombia. How does the company contribute to the development of Villavicencio?

We are, among other things, offering job opportunities to local people, which currently represents around 75 percent of the employees in AAK Colombia. In addition, the raw materials that we are using, palm and palm kernel, are mainly from this region, contributing to strengthen the local economy.

What efforts are being done by AAK Colombia to protect the environment in the Villavicencio area?

There are several efforts being done. First of all, we have a close communication with Cormacarena, the Colombian authority in charge of regulating the water, air, soil, waste and solid residues, meeting all of their regulations. We also use biomass for steam generation in our production processes, which has two positive effects on the environment – no greenhouse gases are generated and the CO₂ equilibrium is maintained. Every month we consume 900 tonnes of biomass, which are by-products from the rice and palm industries in the area.

In order to develop a good relationship with the local community, communication is key. In what different ways does AAK maintain a good dialogue with the local community of Villavicencio?

Step by step we are getting to know the community of Villavicencio and the ways in which it works. A close and positive approach is very important in order for the community to understand what AAK Colombia is and does. The community requires special attention on our behalf and our plan is to support specific activities, such as education, safety and sports programs, in order to develop Villavicencio.



*Octavio Díaz de León
President AAK North Latin America*

” Community health checks

For 19 years, AAK Mexico has, through our company doctor Ana Bertha Gil, provided medical services to the community. This free-of-charge medical service has been very welcomed and appreciated by the people who need it in our neighbourhood.

The dispensary provides various services such as guidance and information on hygiene, nutrition and medication follow-up, and we pay special attention to routine checks of patients with chronic illnesses such as diabetes, hypertension and metabolic disorders. We reinforce timely detection of health problems and try to avoid irreversible complications by keeping the patient and his or her family continuously informed.

Medication is also provided free-of-charge and the community participates by donating medicines. Altogether this results in a better quality of life as well as economic and health support for the patients.

With an average of 1,200 medical consultations per year, AAK has throughout the years made significant contribu-



tions to all the families that we have helped, and through this action we continue to strengthen the relationship with our community.

*Ramiro Corona
Human Resources Manager, AAK Mexico*



” Continued support to school in Benin, West Africa

Last year AAK donated school benches to Collège d'Enseignement Général de Komiguéa, located close to AAK's KNAR-Benin SARL – our main reception point in northern Benin, West Africa. Our intention was always to make our donations a recurring initiative and this year AAK sponsored the local school library with literature and the students with pencils and notebooks.

Books for reading practice for various ages and capacities, basic mathematics as well as more advanced literature in language, mathematics and economics were among the books given as a part of our sponsorship.

The Library, Bibliothèque Saint Augustin, has a study room where the students can read and use the books for their studies completely for free. If the students wish to bring some of the literature home they can also do so for a very small fee. The idea is to stimulate learning as well as being able to provide the opportunity to do so in a sustainable manner.

The school's students come from the neighbouring village of Komiguéa where many employees at KNAR-Benin SARL reside. Hopefully some of the students will work at AAK/KNAR-Benin SARL in the future.

At the delivery of the books AAK's expats in Benin, together with their families and our local Director Alfred L. Lawson, visited the school and both students and school management expressed gratitude for AAK's initiative to support them again.

Christer Yxell
Country Manager, Benin and Togo



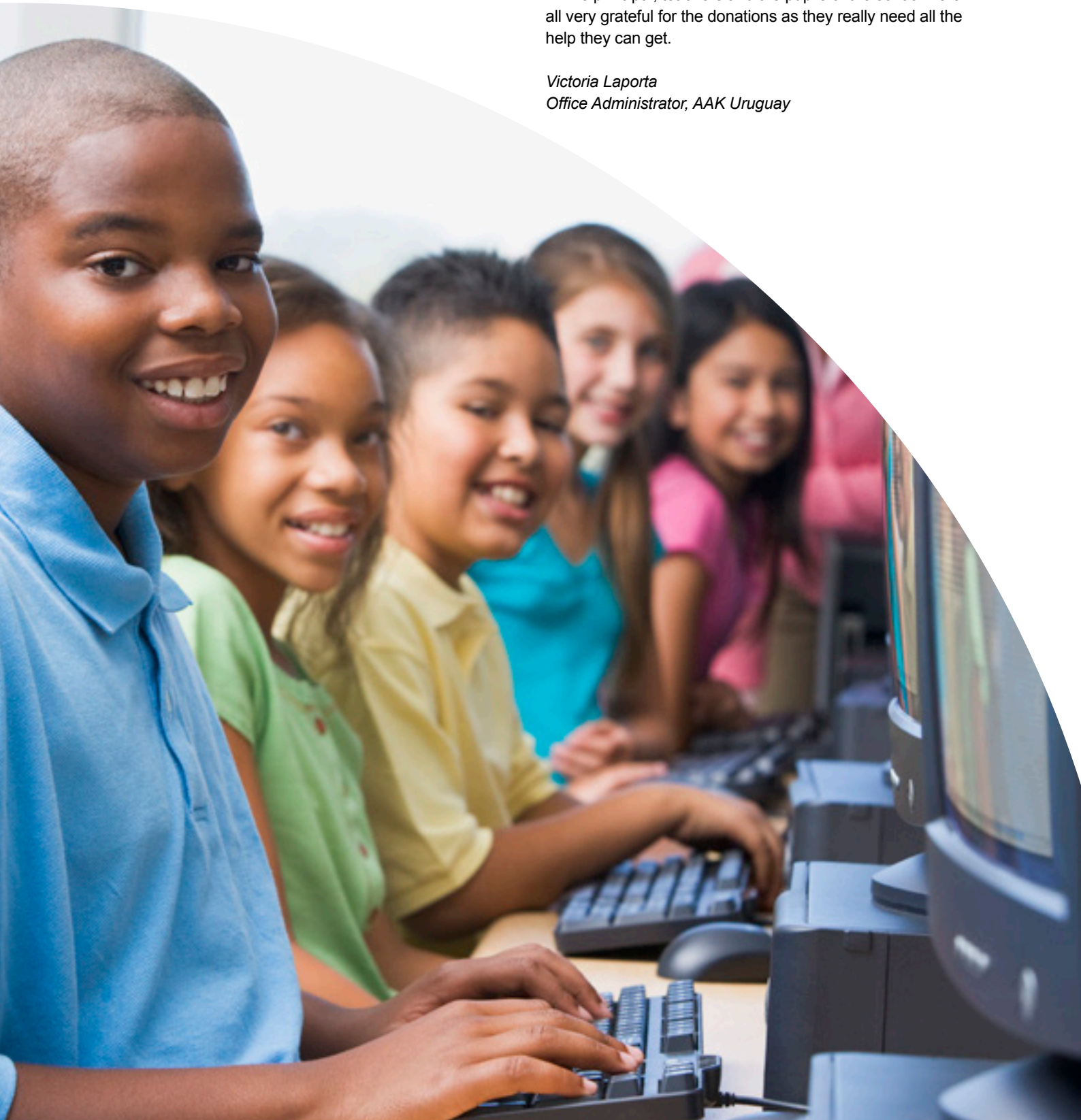
” School donations in Montevideo

As far as CSR is concerned, we at AAK Uruguay decided to do something different last year. The focus of the action was a public primary school located close to our factory in Montevideo, attended by children of very low-income homes.

We decided to donate things that were no longer used in our offices. Furniture such as desks and chairs and surplus computer supplies were selected, fixed and delivered to the school. In addition, we donated a whole set of dinnerware that will be used to serve the daily lunch to the children.

The principal, teachers and the pupils of the school were all very grateful for the donations as they really need all the help they can get.

Victoria Laporta
Office Administrator, AAK Uruguay





AAK as a global citizen

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

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



Examples of memberships that safeguard the interests of the industry

National associations

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

International associations

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

CSR approach

Engaging with stakeholders

Responsible growth is the key objective of the AAKtion strategy and is essential to the Group's vision of being the first choice for value-adding vegetable oil solutions. For AAK, responsible growth is about responsibility toward all key stakeholders – the local communities where AAK operates, global customers, employees, investors and suppliers.

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

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

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

Ongoing dialogue with external stakeholders

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

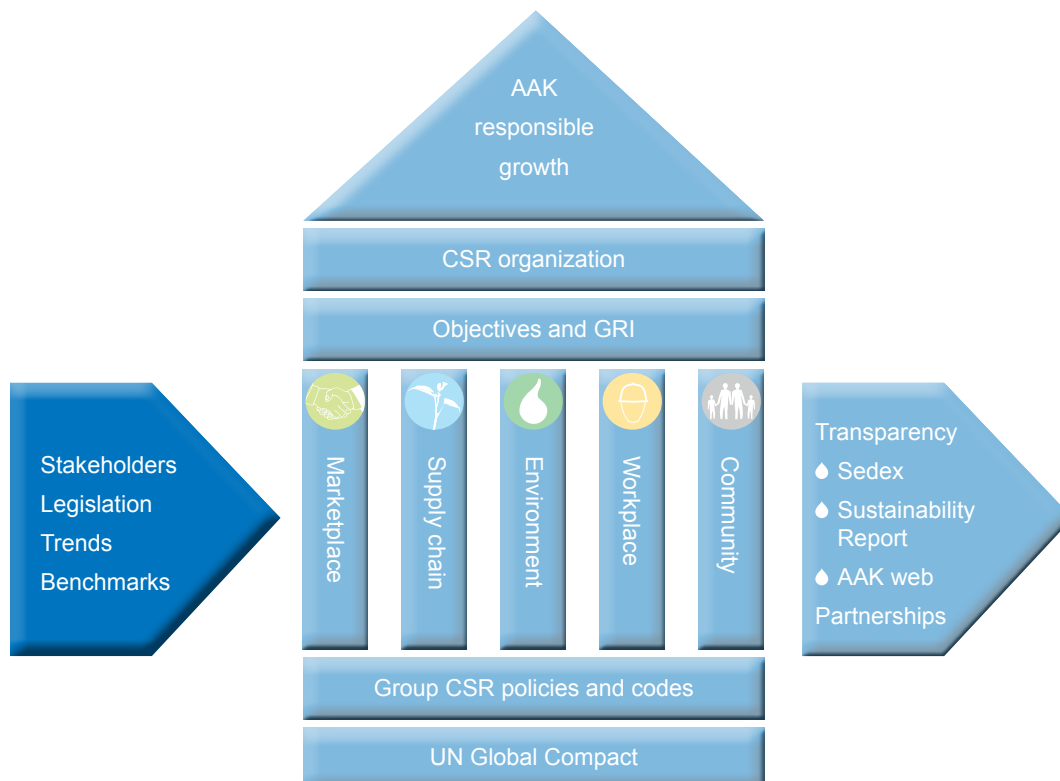
AAK regularly receives questionnaires, supplier codes of conducts and suchlike from our customers and investors, which we respond to in accordance with our policies. This type of input, combined with sustainability reports, materiality analyses etc. serves as an important guide to priorities on our stakeholders'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

Contacts

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Email: mads.feer@aak.com

Anne Mette Olesen, Chief Marketing Officer

Or e-mail: sustainability@aak.com





Investor Relations

Shareholders

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

Dialogue with shareholders

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

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

Shareholder activities

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

During 2015, a capital market day was held in Stockholm, and a large number of meetings were held with analysts and investors on site in Frankfurt, Helsinki, Copenhagen, London, New York, Paris and Stockholm.

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

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

Maintaining momentum

An important aspect of the AAK Group's CSR work is maintaining global momentum. To ensure that this happens, the Global CSR Manager visits all production plants annually. These visits have multiple purposes, besides the value of face-to-face meetings. During workshops with the local teams, local plans are completed, feedback is given on the locally reported GRI data, potential contributions to our Sustainability Report are discussed, and objectives, projects and initiatives for the coming period are presented. The special theme on this year's tour was once again the palm oil supply chain with a focus on the implementation on AAK's palm oil policy, various market trends and requirements, new vocabulary and definitions linked to palm oil sustainability, and the challenges ahead.

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

To make CSR even more visible within the organization, an internal CSR award is presented each year to the AAK site or business area that has demonstrated outstanding CSR performance. In 2015, the production site in Morelia, Mexico received an award for significantly improved key indicators such as energy consumption, CO₂ emissions, waste to landfill and Lost Time Injury Rate, and for an outstanding community engagement.

Increasing CSR awareness

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

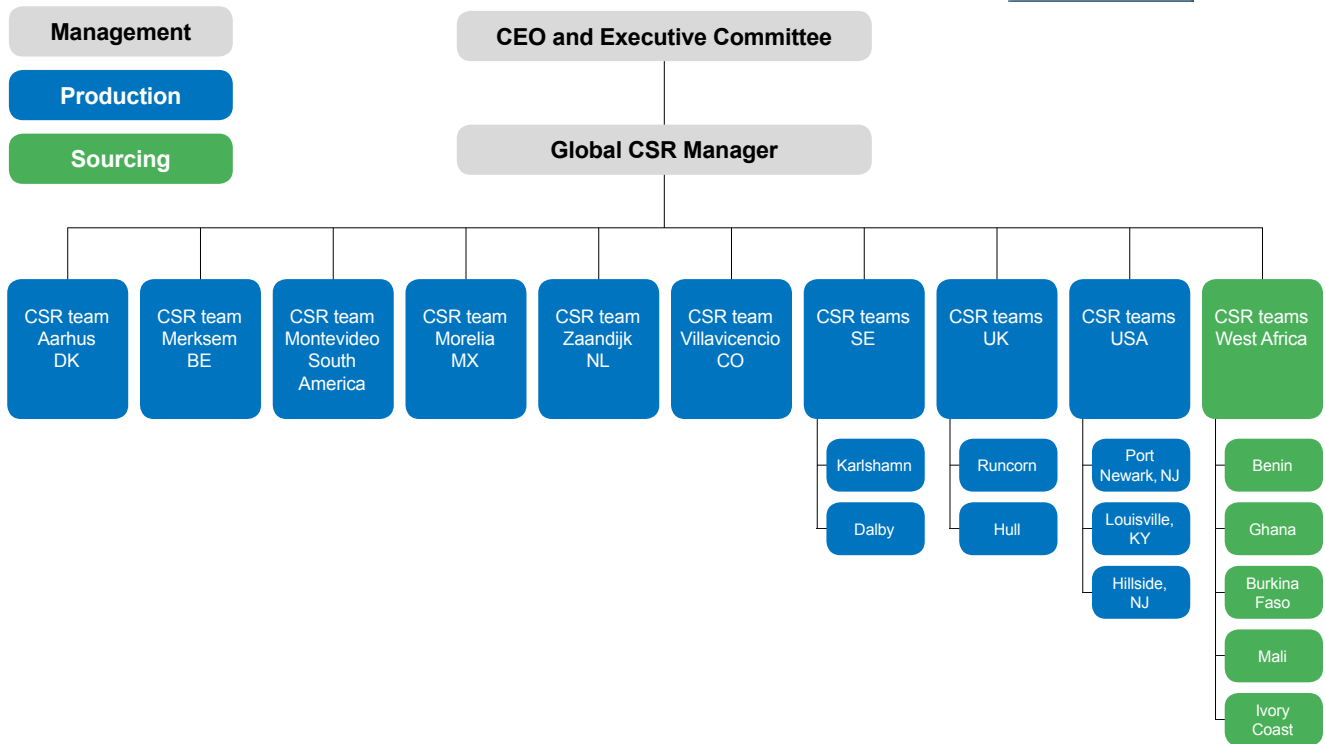
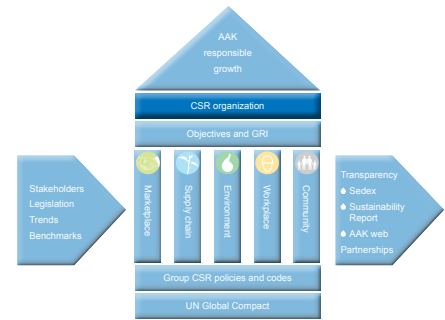
The global implementation of our AAK Code of Conduct is another promoter for the integration of CSR in our business. The Code is fully implemented with all employees having read, understood, accepted and signed the Code. Further systems have been established to ensure that our Code is part of the introduction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

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

Furthermore, the introduction of short e-learning modules targeting specific topics has been embraced by the organization and proven to be an effective way to train employees globally.



CSR organization



Decentralized approach

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

Global CSR organization with local roots

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

Since the global CSR organization was established in early 2007, its objective has been to ensure breadth and diversity in the local teams, which are fundamental to our CSR work. The teams possess competencies in Human Resources, Health, Safety & Environment, Finance, Sourcing, Operations and Sales. At our production sites, the teams consist of five to ten people led by a CSR team leader. The teams at our sourcing operations in West Africa have a different composition, and may draw on competencies from the major sites.

Global CSR objectives 2016+

The objectives for AAK for 2016+ are presented below in brief. The objectives are further commented in more detail in the five sections to which they apply, namely Marketplace, Supply chain, Environment, Workplace and Community.

Global CSR objectives 2016+



Marketplace

Responsible palm oil training

- 2016: E-learning module passed by 100 percent of all relevant employees

Responsible shea training

- 2016: E-learning module passed by 50 percent of all relevant employees

CSR training

- 2016: E-learning module on CSR work in AAK launched in 2016

AAK Code of Conduct for Agents and Distributors

- 2016: Implemented with minimum 80 percent of AAK Agents and Distributors including 2016 acquisitions

Global CSR objectives 2016+



Supply chain

Palm oil traceability

- 2016: Maintain full traceability to palm oil supplier mills
- 2017: All palm oil supplies 100 percent traceable to plantation level

Palm oil compliance

- 2016: Qualitative risk assessment completed with all suppliers
- 2016: Geospatial risk assessment completed with all supplier mills
- 2016: Complete at least five on-site verifications of supplier mills

Palm oil RSPO certification

- 2018: All crude palm oil purchased as RSPO certified
- 2020: All palm oil, palm kernel oil and derivatives purchased as RSPO certified

Shea supply chain

- 2016: 100,000 women enrolled in AAK's women's groups program in West Africa

Global CSR objectives 2016+



Environment

Waste

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

Global CSR objectives 2016+



Workplace

Safety

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

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First aid training

- 2016: First aid training completed at all production sites
- 2016: First aid training completed at sourcing operations in West Africa

Global CSR objectives 2016+

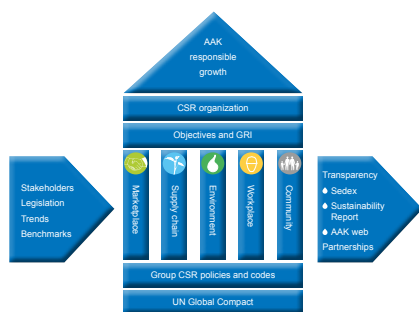


Community

Local engagement

- 2016: Engaging in relevant local projects and activities
- 2016: Initiate a palm oil smallholder support project





Global Reporting Initiative (GRI)

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

See www.globalreporting.org for more information.

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| 25 | Selection of stakeholders | ● p. 54 |
| 26 | Approach to stakeholder engagement | ● pp. 25–26, 49, 53–55 |
| 27 | Key topics raised by stakeholders | ● Supply chain sustainability |
| Report profile | | |
| 28 | Reporting period | ● 01.01.2015–31.12.2015 |
| 29 | Date of previous report | ● 01.01.2014–31.12.2014 |
| 30 | Reporting cycle | ● Annually |
| 31 | Contact point for questions | ● p. 54 |
| 32 | GRI content index | ● pp. 60–62 |
| 33 | External assurance | ● p. 63 |
| Governance | | |
| 34 | Governance structure | ● Annual Report 2015: pp. 77–82 |
| 35 | Delegating authority | ● Annual Report 2015: pp. 67, 78–79 |
| 36 | Responsibility economic, environmental and social topics | ● Annual Report 2015: pp. 30–31, 67 |
| 37 | Consultation between stakeholders and the Board | ● Annual Report 2015: p. 78 |

| | | | |
|-----------------------------|---|---|---|
| 38 | Composition of the governance body | ● | Annual Report 2015: pp. 78–79 |
| 39 | Relationship between the Chair and executive officers | ● | Annual Report 2015: pp. 28–31 |
| 40 | Nomination and selection of the governance body | ● | Annual Report 2015: pp. 77–78 |
| 41 | Conflict of interest | ● | Annual Report 2015: p. 78 |
| 42 | Roles developing purpose, values and missions | ● | Annual Report 2015: pp. 78, 81 |
| 43 | Knowledge of economic, environmental and ethical topics communicated to the Board | ● | Annual Report 2015: pp. 2, 26–27 |
| 44 | Evaluation of the Board performance with respect to economic, environmental and ethical topics | ● | No reporting |
| 45 | Role of the Board identifying risks within economic, environmental and ethical topics | ● | Annual Report 2015: pp. 78–79 |
| 46 | The Board's review of risks | ● | Annual Report 2015: p. 81 |
| 47 | Frequency of the Board's review | ● | Annual Report 2015: pp. 78–79 |
| 48 | Highest approval of the Sustainability Report | ● | CEO |
| 49 | Reporting critical concerns to the Board | ● | Annual Report 2015: p. 78 |
| 50 | Critical concerns raised | ● | No reporting |
| 51 | Remuneration policies | ● | Annual Report 2015: p. 79 |
| 52 | Remuneration process | ● | Annual Report 2015: p. 79 |
| 53 | Stakeholders' views regarding remuneration | ● | Annual Report 2015: p. 77 |
| 54 | Ratio of compensations | ● | No reporting |
| 55 | Ratio of percentage increase in compensations | ● | No reporting |
| Ethics and integrity | | | |
| 56 | Values, principles, Code of Conduct | ● | pp. 4–5, 12 |
| 57 | External advice on ethical and lawful behaviour | ● | pp. 23, 53 |
| 58 | Mechanisms for reporting unethical or unlawful behaviour | ● | Part of AAK Code of Conduct |
| EC Economic | | | |
| EC1 | Direct economic value generated and distributed | ● | Community donations: SEK 440,000 |
| EC3 | Coverage of the defined benefit plan obligations | ● | Annual Report 2015: pp. 63–64 |
| EC4 | Financial assistance received from government | ● | SEK 21,500,000 |
| EN Environment | | | |
| EN1 | Material used by weight or volume | ● | Processed raw materials: 1,895,000 MT Packaging materials: 65,000 MT |
| EN2 | Percentage of materials used that are recycled input material | ● | No reporting |
| EN3 | Energy consumption within the organization | ● | pp. 34–35 |
| EN4 | Energy consumption outside the organization | ● | No reporting |
| EN5 | Energy intensity | ● | pp. 32, 35 |
| EN6 | Reduction of energy consumption | ● | p. 36 |
| EN7 | Reductions in energy requirements of products and services | ● | p. 32 |
| EN8 | Total water withdrawal by source | ● | p. 40 |
| EN9 | Water sources significantly affected by withdrawal water | ● | No significant impact |
| EN10 | Water recycled and re-used | ● | p. 41 |
| EN11 | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity | ● | Hull, UK and Port Newark, US sites adjacent to protected areas. No significant impact on production |
| EN12 | Description of significant impact on biodiversity | ● | No significant impact identified |
| EN13 | Habitats protected or restored | ● | pp. 20–27, 38, 51 |
| EN15 | Direct greenhouse emissions | ● | pp. 7, 37 |
| EN16 | Energy indirect greenhouse gas emissions | ● | p. 35 |
| EN17 | Other indirect greenhouse gas emissions | ● | No reporting |
| EN18 | Greenhouse gas emission intensity | ● | p. 37 |
| EN19 | Reduction of greenhouse gas emissions | ● | p. 37 |
| EN20 | Emissions of ozone-depleting substances (ODS) | ● | p. 37 |
| EN21 | NOx, SOx and other significant air emissions | ● | p. 37 |
| EN22 | Total water discharge by quality and destination | ● | p. 40 |
| EN23 | Total weight of waste by type and disposal method | ● | pp. 38–39 |
| EN24 | Total number and volume of significant spills | ● | No significant spills. Minor spills in Hull, UK and Karlshamn, SE |
| EN27 | Extend of impact mitigation of environmental impact of products and services | ● | pp. 20, 32–41 |
| EN29 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | ● | No significant fines. Four minor fines related to installation of new waste water treatment equipment in Hillside, US. Now in compliance |
| EN32 | New suppliers that were screened using environmental criteria | ● | pp. 15–16 |
| EN33 | Significant actual and potential negative environmental impact in the supply chain and actions taken | ● | pp. 20–27 |
| EN34 | Number of grievances about environmental impacts files, addressed and solved through formal grievance mechanisms | ● | p. 25 No grievances in 2015 |

LA Labour practices and decent work performance indicators

| | | | |
|------|--|---|---|
| LA1 | Total number and rates of new employee hires and employee turnover by age group, gender, and region | ● | p. 47 |
| LA5 | Minimum notice period regarding operational changes | ● | p. 45 |
| LA6 | Type of Injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of fatalities by region | ● | pp. 42–43 Two case of occupational disease registered. No fatalities |
| LA9 | Average hours of training per year per employee by employee category | ● | 22.7 hours per employee. Inadequate recording globally |
| LA10 | Programs for skills management and life-long learning that support the continued employability of employees and assist them in managing career endings | ● | Personal Development Plans (PDP) implemented globally |
| LA11 | Percent of employees receiving regular performance and career development reviews by gender and by employee category | ● | Personal Development Plans (PDP) implemented globally |
| LA12 | Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity | ● | p. 47 |
| LA13 | Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation | ● | p. 45 |
| LA14 | Percent of new suppliers that were screened using labour practices criteria | ● | p. 16 |
| LA15 | Significant actual and potential negative impact for labour practices in the supply chain and actions taken | ● | p. 25 |
| LA16 | Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms | ● | No grievances in 2015 |

HR Human rights

| | | | |
|------|--|---|---|
| HR1 | Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening | ● | p. II |
| HR2 | Total hours of employee training on human right policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained | ● | AAK Code of Conduct signed by all employees. No specific HR training |
| HR3 | Total number of incidents of discrimination and actions taken | ● | No incidents in 2015 |
| HR4 | Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights | ● | p. 15 No incidents in 2015 |
| HR5 | Operations and suppliers identified as having significant risk for incident of child labour and measures taken to contribute to the effective abolition of child labour | ● | p. 15 No incidents in 2015 |
| HR6 | Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measure to contribute to the elimination of all forms of forced or compulsory labour | ● | p. 15 No incidents in 2015 |
| HR8 | Total number of incidents of violations involving rights of Indigenous people and actions taken | ● | p. 20 No incidents in 2015 |
| HR9 | Total number and percentage of operations that have been subject to human rights reviews or Impact assessment | ● | p. 12 |
| HR10 | Percentage of new suppliers that were screened using human rights criteria | ● | p.15 |
| HR11 | Significant actual and potential negative human rights impact in the supply chain and actions taken | ● | pp. 15, 20–26 |
| HR12 | Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms | ● | No incidents In 2015 |

SO Society

| | | | |
|------|---|---|-----------------------------|
| SO1 | Percentage of operations with implemented local community engagement, impacts assessment and development programs | ● | pp. 7, 49 |
| SO2 | Operations with significant actual and potential negative Impact on local communities | ● | None |
| SO4 | Communication and training on anti-corruption policies and procedures | ● | pp. 6, 9 |
| SO5 | Confirmed Incidents of corruption and actions taken | ● | No incidents in 2015 |
| SO7 | Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcome | ● | No incidents in 2015 |
| SO8 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations | ● | No non-compliance incidents |
| SO9 | Percentage of new suppliers that were screened using criteria for impact of society | ● | pp. 20, 23 |
| SO11 | Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms | ● | No incidents in 2015 |

PR Product responsibility

| | | | |
|-----|--|---|-----------------------------|
| PR1 | Percentage of significant product and service categories for which health and safety impacts are assessed for Improvement | ● | p. 10 |
| PR3 | Type of product and service information required by the procedures for product and service Information and labelling and percentage of significant product and service categories subject to such information requirements | ● | pp. 11–12 |
| PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services | ● | No non-compliance incidents |

FP Food processing sector supplement

| | | | |
|-----|--|---|-------------------|
| FP1 | Percentage of purchased volume from suppliers compliant with company's sourcing policy | ● | pp. 15, 20–22, 26 |
| FP2 | Percentage of purchased volume which is verified as being in accordance with credible internationally recognized responsible production standards, broken down by standard | ● | p. 16 |
| FP3 | Percentage of working time lost due to industrial disputes, strikes and/or lockouts, by country | ● | p. 45 |
| FP5 | Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognised food safety management standards | ● | p. 12 |

Reporting criteria

Scope and materiality

This is the seventh AAK Sustainability Report. The first was published in October 2010 and our aim is still to continue reporting on an annual basis.

Since commencing structured reporting in 2008, we have followed the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, now following the current G4 version. As this is the most widely used reporting framework, we believe many readers will already be familiar with its principles and find them helpful when searching for information. We have used GRI standard disclosures and sector disclosures for food processing with special focus on core indicators. Indicator numbers and titles in the GRI index have been adjusted to G4 version.

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

This Sustainability Report is a supplement to the AAK Annual Report 2015 and, therefore, only contains a summary of financial performance figures. Both reports are available on AAK's website.

In general, the data in this report covers our activities from January 1 to December 31, 2015. Updated information for some 2016 events is included, since they are considered to be of material importance to our stakeholders.

Environmental data (GRI abbreviation: EN) relate to the thirteen AAK production plants that were fully operational in 2015 including the AAK products produced by our toll production partner Cousa in Montevideo, Uruguay. Other core data also include purchasing sites and sales offices.

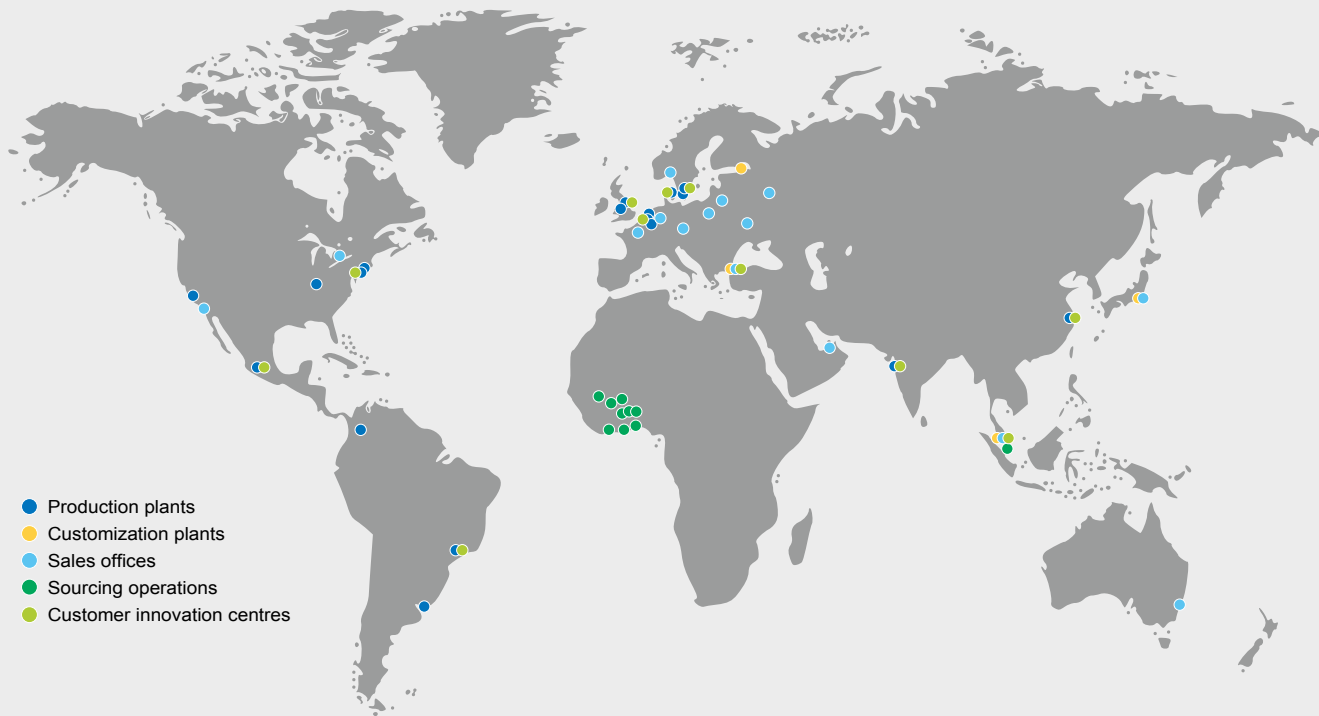
Data and calculations

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

The majority of data in the Sustainability Report are drawn from measurements. Air emissions data are based on direct measurements, calculations based on specific data or calculations based on default values. Information concerning purchased electricity from renewable resources is based on national grid information, if not purchased as green electricity. Information about employees, including numbers, gender, composition etc., is calculated per December 31, 2015 and based on payroll information.

Some minor data errors have been identified since the 2014/2015 Sustainability Report was launched. These data have been adjusted in the present report. From our experience of the reporting process, we expect corrections will also be necessary in future reports. Nevertheless, we believe that the trends and overall picture given are a true reflection of our activities.

The data included comprises data reported to 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 a sufficient guarantee of the accuracy of the data reported.



The first choice for value-adding vegetable oil solutions

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

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

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

AAK's proven expertise is based on more than 140 years of experience within oils & fats. With our headquarters in Malmö, Sweden, 20 production facilities and customization plants, and sales offices in more than 25 countries, our more than 2,700 employees are dedicated to providing innovative value-adding solutions to our customers.

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



We are AAK – The Co-Development Company.

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