



Responsible Growth

AAK Sustainability Report 2012/2013

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The first choice for value-added vegetable oil solutions

AarhusKarlshamn AB (AAK) is one of the world's leading producers of high value-added speciality vegetable fats. Development and production of these fats require significant technological know-how and they are used in various applications within Bakery, Infant Nutrition, Dairy, Cosmetics, Chocolate and Confectionery. AAK has production facilities in Denmark, Mexico, the Netherlands, Sweden, the UK, Uruguay and the US. The company has three Business Areas; Food Ingredients, Chocolate & Confectionery Fats and Technical Products & Feed. Further information can be found on the company's website www.aak.com.

Scope

This report covers AAK's entire organisation, including production plants, administrative offices, sales offices and sourcing operations. The environmental data is restricted to the production plants. In 2012 AAK acquired the companies Oasis Foods Company, New Jersey, USA and Crown-Foods A/S, Denmark. These companies are not included in the report as they will start reporting from 2013.

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

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

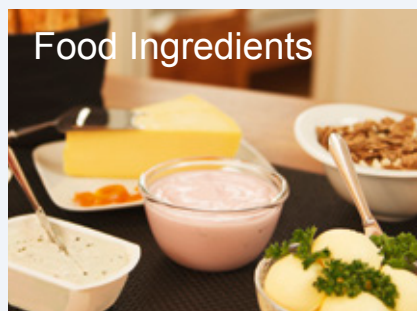
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AAK in 60 seconds

- AAK's vision is to be the first choice in value-added vegetable oil solutions
- AAK has more than a century of unrivalled experience with vegetable oils for a broad spectrum of applications. Our customers are primarily from the food, confectionery and cosmetics industries. We also supply the animal feed and technical industries
- AAK's products are ingredients, including alternatives to dairy fat and cocoa butter, trans-free solutions, low saturated fats solutions, nutritious fats for infant formula, environmentally-friendly lubricants, and healthy skin care products
- AAK's raw materials are derived from renewable sources primarily from Northern Europe (rapeseed), Europe and Mexico (sunflower), USA (soya beans), West Africa (shea kernels) and Southeast Asia and Latin America (palm)
- AAK's 12 production plants are located in Denmark, the Netherlands, Mexico, Sweden, the UK, Uruguay and the US. We also have sourcing operations, toll manufacturing and sales offices in several key locations around the world
- New products are developed in close partnership with customers, drawing on oils and fats expertise and knowledge of market trends. This allows AAK to create lasting solutions that meet customer needs, expectations and high standards
- AAK is one of the founders of the Roundtable on Sustainable Palm Oil (RSPO). AAK also founded and operates GreenPalm, which provides an exclusive web-based platform for the trade in certificates for sustainable palm oil. Through these and other initiatives, AAK continuously contributes to the promotion of sustainable palm oil
- The parent company, AarhusKarlshamn AB (publ.), is a Swedish-registered joint-stock company. The company's shares are listed on NASDAQ OMX, Stockholm, in the Mid Cap segment, Consumer Goods sector
- Our corporate strategy program, AAK Acceleration, has three priority areas: Growth – Efficiency – People which all are crucial for the future development of AAK. We want to grow our business, we want to work in a more efficient manner – and we want all our people to be mobilised, as nothing can be achieved without focused and dedicated employees. Under each priority area we have a number of priority projects, each with well-defined objectives and activities

AAK is organised in three business areas



Our largest business area primarily offers solutions to the Bakery, Infant Nutrition, Dairy and Food Service industries.



Our second largest business area offers cocoa butter alternatives for chocolate, compounds for coating and moulding, and speciality fats for confectionery fillings.



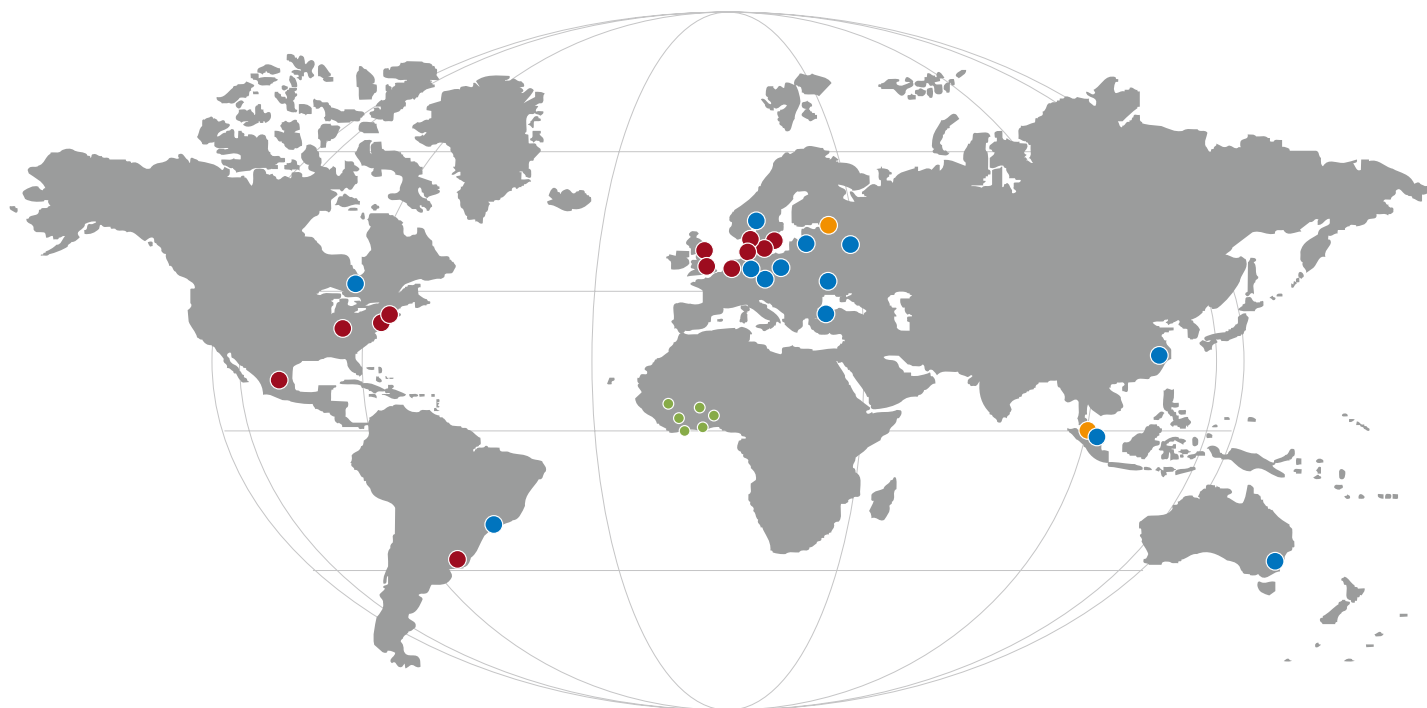
Our Technical Products & Feed business area provides biolubricants for metalworking, forestry and construction, fatty acids and glycerine for various applications and proteins and fats for animal feed.

Operational key figures (SEK million unless otherwise stated)	2008	2009	2010	2011	2012
Net sales	17,207	15,884	14,808	16,695	16,911
Operating profit	851	827	824	918*	1,003**
Operating profit per kilo, SEK	0.55	0.58	0.57	0.64	0.66
Earnings per share, SEK	10.80	10.14	14.15	14.72	15.66
Return on net operating assets, % (RONA)	11.00	12.60	13.10	13.30	13.90

* Adjusted for acquisition costs

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

AAK in the world



● Production plants and sales offices ● Sales offices ● Customisation plants ● Sourcing operations

Our reason for being

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

We use plant-derived raw materials, such as rapeseed, soya beans, shea kernels, sunflower 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 utilise 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 synthesise. 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-added vegetable oils and fats in their products. As a result, vegetable oils and fats from AAK are present in many of the products we all use and consume on a daily basis.

Responsible growth

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

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

CEO Statement by Arne Frank

Welcome to the AAK Sustainability Report 2012/13. With this, our fourth sustainability report, we aim to present our important corporate social responsibility (CSR) objectives, initiatives and activities in a transparent way.

Responsible growth is one of the corner stones of the AAK Acceleration strategy, and is essential to our aspiration to be our customers' first choice in value-added vegetable oil solutions. For us, responsible growth is about acting responsibly towards all our key stakeholders – the local communities in which we operate, our global and local customers, employees, investors and suppliers.

Pressures on natural resources and the consequences of global warming are growing in severity. These will be compounded by the anticipated rise in global population of two billion people by 2030, along with an expected increase in average calorific consumption per capita. To us, this makes responsible behaviour everyone's duty, including companies, governments and individuals.

Model for responsible growth

Our model for responsible growth is based on the ten principles of the United Nations Global Compact along with our corporate policies and codes. To drive progress, we focus our efforts within five specific areas: Marketplace, Supply Chain, Environment, Workplace and Community. In each of these, we continually set and deliver on ambitious objectives, and benchmark our performance both internally and externally. The model guides our global and local organisations in their pursuits of responsible business growth.

When welcoming new additions to the AAK family through acquisitions, the model is used to align business practices with responsible growth. New members may have standards that differ from AAK's, and whilst this sometimes inspires us to improve ours, we normally align them to the AAK way. We have found that the best recipe for success is to have clear objectives and share best practices in a structured fashion.

Food safety

Numerous surveys indicate that food safety remains the top concern amongst consumers and our customers. That conforms to our own view. During 2012, all AAK production sites were food safety audited and certified in

accordance with one or more internationally recognised food safety standards.

Sustainable sourcing

Another area where we endeavour to make a clear difference is raw material sourcing. To this end, our Supplier Code of Conduct guides all direct raw material suppliers so that fundamental principles of labour and human rights, environment and anti-corruption are respected.

In West Africa, we have been working closely for many years with the women in rural areas who gather wild shea kernels. We steadily strive towards a more sustainable and efficient supply chain, at the same time improving the livelihood of hundreds of thousands of West African women. In 2011, we established a shea partnership with DANIDA (Danish government's aid organisation), the government of Burkina Faso, NGOs and L'Oréal. This partnership is progressing better than planned, and we are well on the way to achieving our objective of training 30,000 women and trading directly with them in accordance with fair trade principles.

We continue to be very engaged in the Roundtable for Sustainable Palm Oil ("RSPO"), and its board. While occasionally being criticized, the RSPO is in our opinion still the best positioned body to promote and ensure continuous improvements in the palm oil industry. We also continue to be engaged in GreenPalm, an excellent tool to ensure support also to the independent smallholders, who often need a financial incentive to be convinced to comply with RSPO rules.

Resource efficiencies

We are simultaneously growing our business and pursuing a strategy of shifting focus toward more value-added (and thus more refined) products. We are aware that more refined products in general require more resources per produced unit, which challenges our ability to enhance our global resource efficiency, and to document it. Despite this challenge, we have managed to keep our energy consumption per produced unit at the same level as last year, and decreased our global greenhouse gas emissions per produced unit. A significant contributing factor has been the shift at our production sites from the use of oil to natural gas as a fuel. Our consumption of water has increased over the years as a result of acquisitions, reallocation of production and the expansion of activities that require intensive cleaning.

Employee safety

Employee safety was made a top priority for AAK in 2012. We are committed to ensuring that our employees stay safe and healthy while they are working for our company. Despite our best efforts, our global Lost Time Injury Rate remained at the same level as the year before. However, we are happy to report that our Lost Day Rate (a measurement of the severity of incidents) have improved by over 60 percent compared to the baseline when we started monitoring this globally in 2009. We are resolved to further strengthen our efforts to improve safety, and have designated 2013 as the year for a focused and elevated safety initiative, raising the bar and implementing new safety measures globally.

Engaging locally

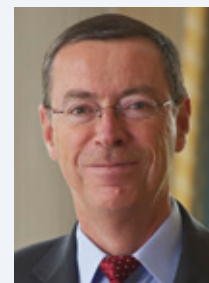
As a global company, AAK contributes to the development of the local communities in which we operate by creating jobs, paying taxes and doing business with local enterprises. However, we have found that we can make a significant difference by engaging in local communities in a variety of different ways. I am pleased to see the many ways in which our employees truly engage with their local communities, although only a small fraction of these are presented in this report. Local communities outside Western Europe and USA are particularly prioritized.

Raising the bar

In this new Sustainability Report 2012/13, we are proud to present the significant progress made and the challenges overcome during the last year across our five focus areas.

Going forward, we will continue to focus on growing the business responsibly by applying our AAK Acceleration strategy and our model for responsible growth. We are strong believers in continually striving to further improve our model. A dynamic model such as this evolves as we gain new knowledge and the external environment changes. I expect a continued and strong focus on sustainable sourcing of raw materials, resource efficiency and employee safety. Responsible growth is a key part of our way of doing business.

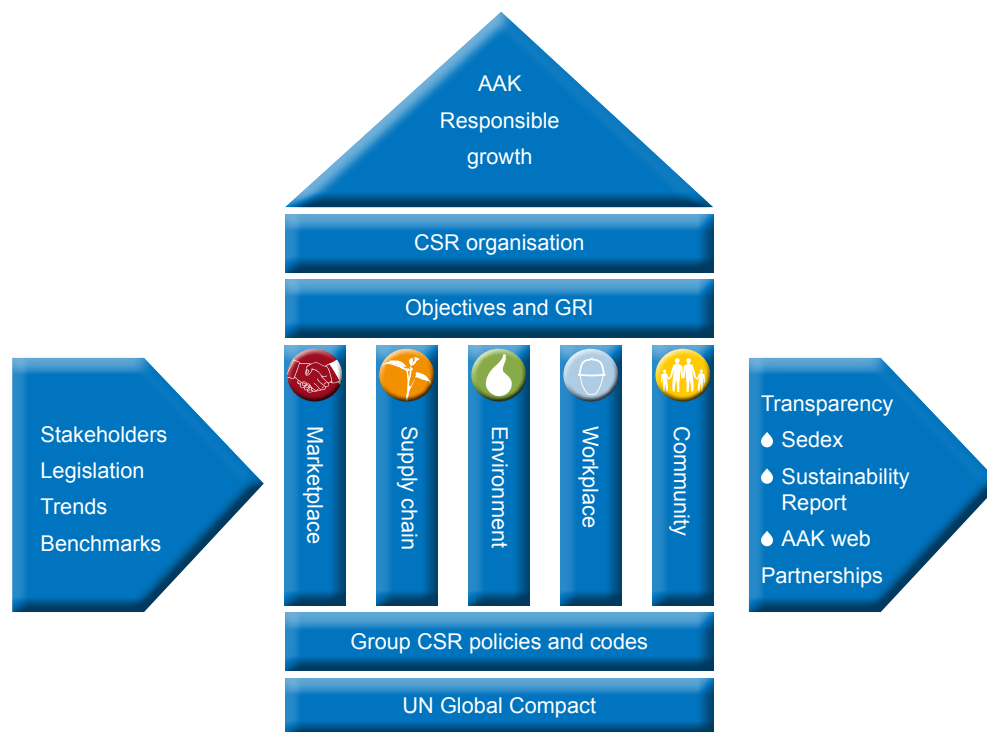

Arne Frank



Responsible growth at AAK

Responsible growth is the key objective of our AAK Acceleration strategy, and is essential to our vision of being the first choice for value-added 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 organisation, established in 2007.

To be transparent and share information with stakeholders is also part of our approach. Sedex facilitates the sharing of information with local 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, the UNDP and the Burkina Faso project 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.

Global Compact

– 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 10,000 signatories in over 130 countries, the UN Global Compact is the world's largest voluntary corporate sustainability initiative. The principles are:

Human Rights

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

Labour

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

Environment

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


Anti-Corruption

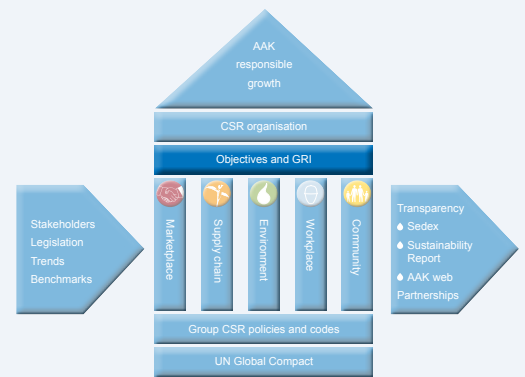
- Businesses should work against corruption in all its forms, including extortion and bribery



Global CSR Objectives

Our 2012 objective achievements and 2013+ objectives are presented 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.

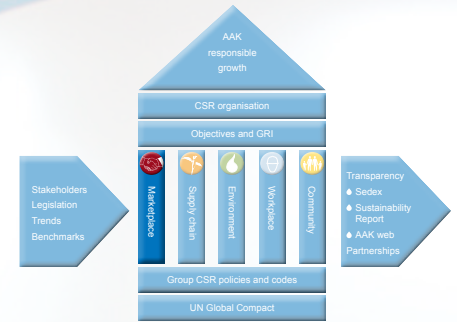
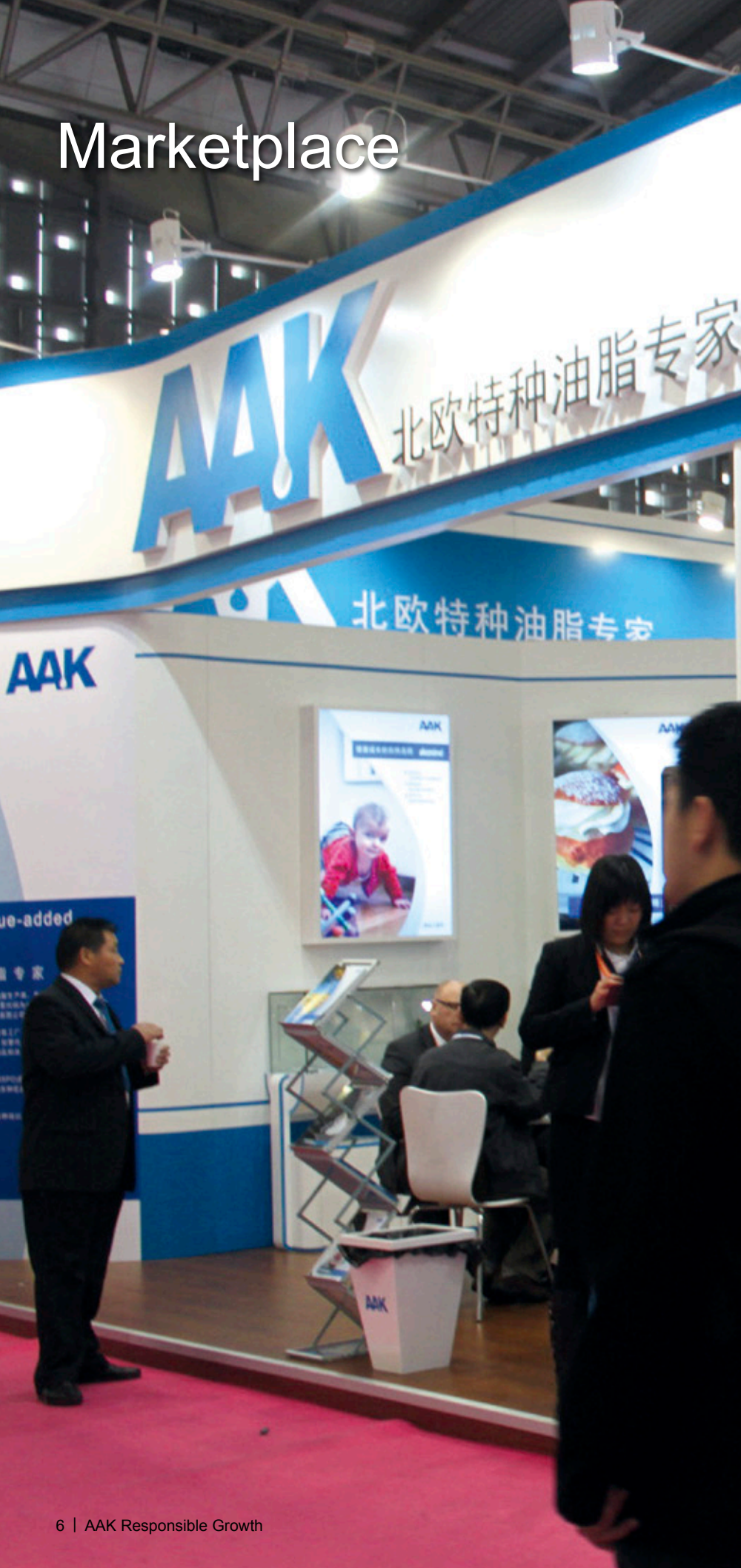
	Global CSR objectives 2012+	What we achieved
 <p>Marketplace</p>	<p>Sedex</p> <p>2012: 8 sites SMETA audited (Sedex Members Ethical Trade Audit)</p>	<p>Sedex</p> <p>Objective met with 8 sites now being SMETA audited and sharing their audit reports at the Sedex platform</p>
 <p>Supply chain</p>	<p>Supplier Code of Conduct</p> <p>2012: Minimum 90 percent implementation for direct raw material suppliers (excl. West Africa)</p> <p>2012: Minimum 90 percent implementation for direct raw material suppliers in West Africa</p>	<p>Supplier Code of Conduct</p> <p>Objective exceeded with 95 percent implemented</p> <p>Objective met with 90 percent implemented</p>
 <p>Environment</p>	<p>Energy</p> <p>2012: Investigate opportunities to exploit renewable energy technology</p> <p>Waste</p> <p>2015: Minimum 98.5 percent of waste disposed as reused, recycled or recovered</p>	<p>Energy</p> <p>Initiative launched by joint meetings with suppliers of plant equipment</p> <p>Waste</p> <p>Well on track with 97.4 percent disposed as reused, recycled or recovered</p>
 <p>Workplace</p>	<p>Lost Time Injury Rate (LTIR)</p> <p>2012: Average Lost Time Injury Rate to be at or below 1.5</p> <p>Safety</p> <p>2012: Develop a common global safety strategy</p> <p>Performance and Development Plan (PDP)</p> <p>2012: All employees to have a PDP by Q2</p>	<p>Lost Time Injury Rate (LTIR)</p> <p>Objective met with average Lost Time Injury Rate: 1.5</p> <p>Positively Lost Time Injury Rate kept decreasing by 25 percent</p> <p>Safety</p> <p>First step established through external consultant safety assessment report</p> <p>Performance and Development Plan (PDP)</p> <p>By Q2 90 percent were completed. 100 percent by end August</p>
 <p>Community</p>	<p>Local engagement</p> <p>2012: Engaging in local projects and activities</p>	<p>Local engagement</p> <p>All sites are engaged in local community activities in a variety of ways</p>



Global CSR objectives 2013+

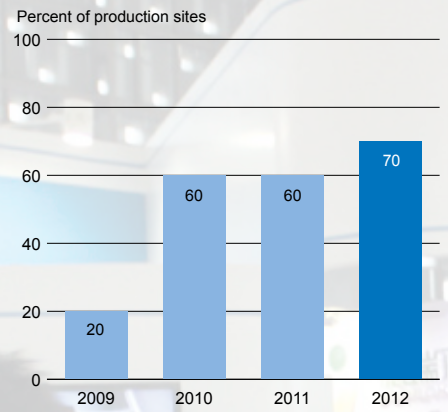
 <p>Marketplace</p>	<p>Sedex 2013: Increase number of production sites sharing CSR data with customers on Sedex</p> <hr/> <p>Supply chain certification 2013: Increase number of production sites being RSPO supply chain certified</p>
 <p>Supply chain</p>	<p>Supplier Code of Conduct 2013: 98 percent implemented with direct raw material suppliers (excl. West Africa)</p> <hr/> <p>2013: 95 percent implemented with direct raw material suppliers in West Africa</p>
 <p>Environment</p>	<p>Energy 3-year energy efficiency process driven by local energy efficiency teams at all sites: 2013: Teams established, monthly meetings and at least one project initiated 2014: Energy efficiency projects at all sites delivering according to plan 2015: Energy efficiency results documented at all sites</p> <hr/> <p>Waste 2015: Minimum 98.5 percent of waste disposed as reused, recycled or recovered</p>
 <p>Workplace</p>	<p>Lost Time Injury Rate (LTIR) 2013: Reduce LTIR by minimum 10 percent per year (excl. West Africa). Base year 2012 at 1.5 2013: LTIR to stay at or below 2.3 in West Africa</p> <hr/> <p>Safety 2013: Implement a Global Safety System and conduct annual safety audits at all sites</p> <hr/> <p>Performance and Development Plan (PDP) 2013: All employees to have a PDP by Q2</p>
 <p>Community</p>	<p>Local engagement 2013: Engaging in local projects and activities</p>

Marketplace

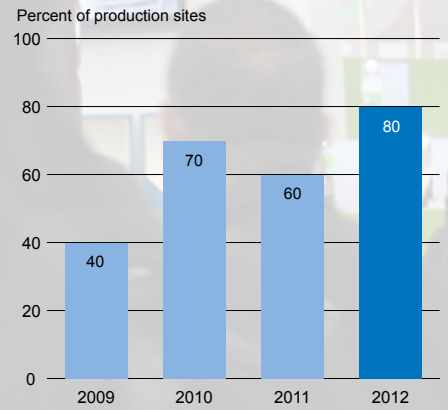


Key achievements

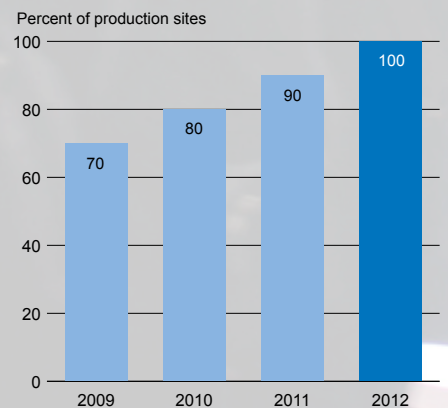
RSPO supply chain certification



Sedex members



Food Safety certified





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

Our interaction with customers is based on sound business ethics and a deep understanding of our responsibility for safeguarding customer brands. As a supplier of ingredients for some of the world's best-known brands, we recognise our role and our customers' expectations and see these as key elements in the execution of our AAK Acceleration program.

AAK focuses on three business areas:

- ◆ Food Ingredients
 - Our largest business area primarily offers solutions to the Bakery, Infant Nutrition, Dairy and Food Service industries
- ◆ Chocolate & Confectionery Fats, including Personal Care
 - Our second largest business area offers cocoa butter alternatives for chocolate, compounds for coating and moulding, and speciality fats for confectionery fillings
- ◆ Technical Products & Feed
 - Our Technical Products & Feed business area provides Biolubricants for metalworking, forestry and construction, fatty acids and glycerine for various applications and proteins and fats for animal feed



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

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

Marketplace objectives

RSPO supply chain certification

We are constantly working to meet our customers' needs and support them as they move towards certified sustainable palm oil (CSPO). Right now the Book & Claim / GreenPalm is the ideal option. However, AAK also provides mass balance and segregated CSPO.

Judging by current trends, the demand for sustainable palm oil looks set to increase in the coming years. In preparation for this, eight of the eleven AAK production plants that handle palm oil have obtained RSPO Supply Chain

Certification, and are now ready to process sustainable palm.

Our objective for 2013 is to further increase the number of certified facilities to at least ten.

Sedex audit

The Supplier Ethical Data Exchange (Sedex) is an online platform for sharing ethical data between companies and their suppliers. Developed specifically to support the Sedex system, the Sedex Members Ethical Trade Audit (SMETA) follows the same philosophy

by enabling the sharing of audit reports with customers who are also Sedex members.

Eight of our ten reporting production plants are already members of Sedex and underwent a SMETA audit in 2012. We expect more sites to become members of Sedex during 2013, enabling them to share information about labour and business practices, health, safety and the environment with Sedex-member customers – an important step in ensuring an ethical supply chain.

Infant Nutrition – built on quality and trust



*Renald Mackintosh
President Infant Nutrition and Food Service
Continental Europe*

Infant Nutrition, AAK's fastest growing business segment, is built on quality and trust. We have earned the trust of our customers all over the world by meeting their demands, constantly supplying the right products with the right quality and with a strong focus on food safety.

Our prime strength is to develop customised solutions with special compositions for different applications. Getting as close as possible to the composition of mother's milk fat is our ultimate goal and we are close.

Throughout our product and application development we maintain a strong focus on our Corporate Social Responsibility. In a proactive way, we work on sustainable solutions. This proactive approach has brought us to the leading position in this segment.

Today, we continue to enhance our position as the natural choice for vegetable oils and fats for specialised applications. Our increased capability to build special fat structures that are essential components in the creation of the necessary fat combinations for different formulas has brought us even closer to our customers than before. Our new technological developments have shown the market that we are able to bring value-added solutions



in all aspects. This, combined with the strong continuous sustainability focus, has earned us our customers' trust. We are convinced that this approach will keep us on the right track for continued strong growth in the future.

Product development – supporting sustainable growth



*Karsten Nielsen
Chief Technology Officer*

For more than 100 years, AAK has refined and developed functionality based on natural and sustainable raw materials and processes. In today's market conditions, we continue to build on this experience, meeting global consumers' current and future needs for healthy, natural and affordable food that is produced in a sustainable manner.

In 2012, we focused our development activities on healthier products with improved nutritional value. We have seen this trend being driven by consumer awareness in all regions, but increasingly also by national and regional regulation. It is a fact that specialised vegetable oils and fats are in many cases excellent alternatives to some of the raw materials that are becoming increasingly scarce and costly, in terms of both health and economics. At the

same time, specific needs in emerging markets are becoming drivers for improvements in shelf life and sensory qualities.

At AAK, we invest significant resources in understanding the nature of our raw materials and the capabilities of our present and potential technologies. This effort enables us to develop products close to our customers to meet the specific needs of each market and each customer.

In our product development processes, assessing and documenting environmental, health and safety aspects is an integrated part of each project. In this way, we ensure that AAK will continue to stand for functionality based on natural and sustainable raw materials and processes.



Sharing knowledge

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

For us at AAK, our dialogue with customers is important, both to gain an understanding of the customer view and also to foster closer cooperation. Both the AAK Academy and our Global Magazine are useful tools for sharing knowledge and the latest information.



Advanced training and information provided by AAK



AAK Academy – the training centre for lipid technology

The AAK Academy is exclusively for customers, and its advanced training concept cultivates a good understanding of fat technology that can help to guide customers in the search for the most suitable fat for a given product. It also facilitates dialogue between customers and AAK to achieve the best cooperation. The AAK Academy offers a wide range of courses, and the format is highly flexible, with lecturers selected among the experts on our 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 and practical advice for handling oils.

Participants receive complete documentation of all lectures. In addition, they get their own copy of the publication, "Handbook – Vegetable



oils and fats". This is written by experts from AAK and contains both theoretical and practical knowledge relating to oils and fats.

Since the beginning, in the early 1990s, AAK has educated thousands of customers in lipid technology. The goal is to continuously expand the academy and make it possible for even more customers to be educated in this field.

Global Magazine – latest information

AAK always aims to share the latest information with customers, and one tool for doing this is our Global Magazine. Published twice a year, it is an important tool for creating and maintaining awareness among customers. The

content varies over time, but examples of topics include: new product launches, highlights of product benefits and the latest news from the scientific world. The magazine also presents events where AAK has participated or will do so and lists when the AAK Academy courses will take place. The magazine is highly appreciated by our customers, and investors also see it as a good way of receiving information about AAK. AAK's Global Magazine is available both in a printed version and as a PDF file for downloading from our website www.aak.com.

*Lena Ingvarsson
Marketing Director Dairy Solutions*



Substantial product information

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 they are ingredients or final consumer products.

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 are often be part of a contract
- Material Safety Data Sheet relates to safety issues, often concerning transport. It 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 the majority of products, a Certificate of Analysis accompanies each delivery. The certificate is produced by the relevant AAK laboratory and confirms compliance with agreed product specifications.

A matter of trust

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

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



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

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

Third party certification of AAK production plants



100 percent are certified to one or more internationally recognised food safety standards (FSSC 22000 / ISO 22000 / BRC)

72 percent of sites handling palm oil have RSPO Supply Chain Certification

50 percent are quality management certified according to ISO 9001

40 percent are environmentally certified according to ISO 14001

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



Trustworthy Supplier status



requirements of their quality policy for suppliers. This, in order to maintain and improve the quality of products offered to consumers, which is part of their current competitive advantage and differentiates them from competitors.

At the end of the conference, AAK was awarded a score of Excellent in the Social Workplace Accountability Assessment 2012, which gives AAK the designation of Trustworthy Supplier within the restaurant chain.

AAK Mexico is very proud to receive this recognition. This is the result of the continuous efforts and hard work of the Mexican team in meeting all our customers' needs.

*Ana Valdez
Food Service Manager, Mexico*

On 26th March, Arcos Dorados Mexico (Golden Arches Mexico) held its Supplier Meeting with the participation of more than 30 suppliers of McDonald's restaurants in Mexico.

Bruno Russ, Quality Manager of Arcos Dorados, along with Mario Nájera, Supply Chain Director for Mexico, Costa Rica and Panama, underlined the relevance of accomplishing each of the

Customer: **FERRERO**

"The history of Ferrero since the beginning is characterised by continuous research of high quality raw material and deep knowledge of the whole supply chain.

Therefore long lasting relationships between Ferrero and its suppliers are part of the company's history and have allowed us to continuously raise the bar on topics like quality, freshness and traceability.

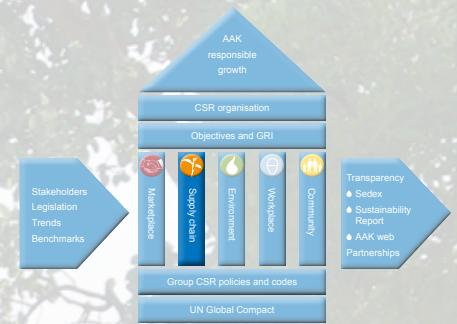
This last aspect also includes efforts of Ferrero and our commercial partners to confirm our target to achieve 100 percent sustainable palm oil purchase by the end of 2014.

AAK is an import part of this process, contributing with their knowledge on palm oil and tropical fats in Asia and Africa.

In future, being able to tell consumers the story of the origin and the path from "field to fork" of the raw materials, enhancing the value of the raw material itself, will be increasingly important and will require producers (like AAK) and end users (like Ferrero) to work closer than ever on this common aim."

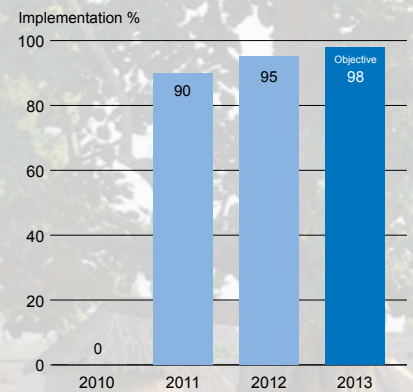
Ferrero

Supply chain

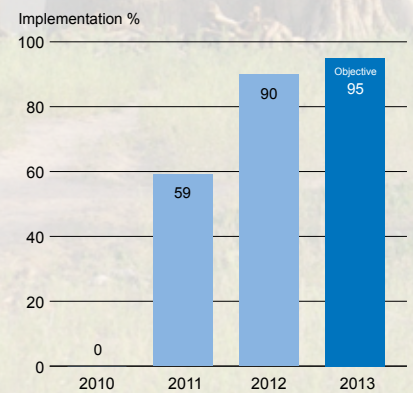


Key achievements

Supplier Code of Conduct ex. West Africa

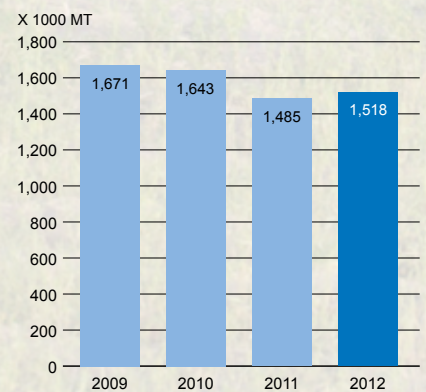


Supplier Code of Conduct in West Africa



Key data

Processed raw material





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



Just as it is vital for us to obtain the right raw materials, we place equal emphasis on sustainable growing and procurement. For this

reason we are implementing a Supplier Code of Conduct that applies to AAK's direct raw material suppliers worldwide.

Supply chain objective

Supplier Code of Conduct

Introduced in late 2009, our Supplier Code of Conduct is an integral part of our approval system for new suppliers.

During 2012, we were pleased to note the compliance of 95 percent of direct raw material suppliers, who were required to approve and sign the Code or demonstrate their compliance in some other way. Our objective for 2013 is that 98 percent of raw material suppliers will have confirmed their compliance with the Code.

In West Africa, we have decided to implement the Code in a different way due to various linguistic and cultural obstacles. Because ethical requirements in business relations are not a widespread tradition in the region, more meetings and explanations are required to achieve the necessary understanding. In 2012, we achieved 90 percent recognition here and expect to raise it to 95 percent in 2013.

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

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

Supplier management

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

Until 2010, AAK operated two different supplier approval practices. During 2012 we have been working towards further integrating them in one common practice, based on quality, food safety, environmental and ethical requirements. The first stage of implementation involved designing a common format for ethical requirements. This is still in the process of being implemented with suppliers. Once this is in place, we will focus on the other elements of our common practice.

The Supplier Code of Conduct is a fundamental tool for assessing our suppliers. In this context, we have decided to work within our sphere of influence, i.e. to focus on those whom we have the best chance of influencing – our direct raw materials suppliers. Still,



by urging our suppliers to positively influence their suppliers, we aim to broaden our sphere

of influence and inspire other players in the supply chain to act responsibly.

Growth built on ethical supply chain



*Torben Friis Lange
President Asia, Europe and Africa*

As a leading supplier of high value-added vegetable oil solutions, we at AAK are very conscious of our obligation to source raw materials in a responsible and ethical way. We aspire to advance policies and practices wherever we source raw materials. We do this because we believe it will ensure that we are capable of securing the supply and quality of raw materials in the long term, to meet the demands and requirements of consumers and customers and because it reflects our obligations to the environment and society.

Our products are used in a very large range of customer applications, and have to meet our customers' expectations in such a way that customers always feel secure when using our products. Fundamental to AAK's approach is the fact that customer expectations of our supply chain range from security of supply, consistent quality and production efficiency to food safety, health and sustainability, including ethical practices in all our sourcing activities. We have been able to influence and change our key sourcing activities to an extent, but we recognise that we have to do much more, and continuously focus on improving and innovating in a dynamic and challenging manner wherever we believe we can make a difference and improve standards.

AAK's raw materials are derived from renewable sources that originate in a large number of countries around the world. AAK's production plants are located in Denmark, the Netherlands, Mexico, Sweden, the UK, Uruguay and the USA. In addition, we have sourcing operations, toll manufacturing and sales offices in many other key locations around the world.

AAK uses an AAK Supplier Code of Conduct in cooperation with suppliers to ensure compliance with customers' and our own demands.

AAK is one of the founders of the Roundtable on Sustainable Palm Oil (RSPO). We also founded and operate the GreenPalm certification program. Through these activities, AAK continuously contributes to the production of sustainable palm oil.

Furthermore, AAK is a founding member of the Global Shea Alliance. When sourcing shea kernels in West Africa, we strive to introduce fair trade principles and educate rural women in quality improvement. The sourcing of shea kernels includes cooperation with governments and NGOs. Proactive work with our supply chains is behind the development of sustainable solutions.



Raw materials



Rapeseed

Palm

Olive

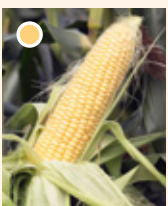
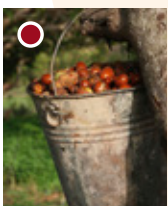
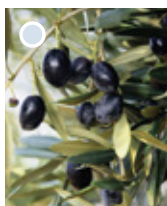
Soya beans

Sunflower

Shea kernels

Corn

Coconut



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, we manufacture our broad product portfolio at 12 production plants in Europe and the Americas.

Our products are of both nutritional and functional value, outstanding for their structure, melting and crystallisation, rheological properties, flavour release and skin penetration. Product development is often carried out in close cooperation with customers, suppliers, research organisations or other external partners to ensure a strong fit with market and customer demands and to take advantage of the latest technologies.

Supporting our strong focus on customisation, we operate a highly flexible production process. This enables us to respond to specific customer needs for functionality, health profile, taste, processing, logistics, labelling and legal requirements. In each case, our technical and commercial experts identify the optimum solution to a specific need.

Natural raw materials

Our raw materials are obtained from rapeseed, palm oil, soya beans, shea kernels, sunflower seed, 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 the products of customers within our target industries.

Our raw materials are sourced from all over the world.

- Rapeseed from Northern and Central Europe
- Palm oil from Asia and Latin America
- Palm kernel oil from Asia
- Olive oil from Southern Europe
- Soya bean oil from the US and South America
- Sunflower oil from Eastern Europe and Mexico
- Shea kernels from West Africa
- Corn oil primarily from America and Eastern and Southern Europe
- Coconut oil from Malaysia and the Philippines

Palm

– increasing demands for sustainable palm oil

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

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

In 2003, WWF initiated the Roundtable on Sustainable Palm Oil (RSPO) along with AAK, Golden Hope Plantations, Migros, Malaysian Palm Oil Association, Sainsbury's and Unilever. The organisation has now worked for more than a decade to promote the growth and use of sustainable palm oil worldwide.

Due to our position as an intermediary in the palm oil supply chain, we are fully dependent on the availability of supply of physical, segregated sustainable palm oil and, to some extent, on the demand from customers. Customer requirements define the kind of palm oil we deliver and we see increasing demands for sustainable palm oil. In preparation for the future demand all of our major production plants have obtained RSPO Supply Chain Certification and are ready to produce sustainable palm oil as required. Our overall aim, as stated in the annual progress report to the RSPO, is for all palm oil used in AAK's production plants to be RSPO-certified sustainable by the end of 2015. However with the current supply limitation, and the limited demand from our customers, this target looks challenging.

Supporting the production of sustainable palm oil

Food manufacturers and retailers have an easy way to reward palm oil producers for adhering to sustainable and responsible practices, and to tell their customers that they have done so.

It is an exclusive, RSPO-endorsed, web-based platform for trading in sustainable palm oil certificates, called the GreenPalm Program.

Organised by Book & Claim Ltd, an AAK subsidiary, the platform makes it possible for end-users to pay producers directly for certified sustainable palm oil (CSPO). There are three obvious advantages to this:

- Manufacturers of consumer products get a simple way to support sustainable palm production
- Sustainable palm oil producers can obtain a premium for their efforts
- Smallholders who lack access to a certified supply chain now have a certification option

The GreenPalm Program supports the production of sustainable palm products that meet the requirements defined in the Principles and Criteria of the Roundtable on Sustainable Palm Oil (RSPO).



RSPO progress

AAK has continued its close involvement with the RSPO, as a founding member eleven years ago, as an Executive Board member ever since, and as a strong supporter. The RSPO has continued to grow rapidly, with over 1,000 members and now more than 8.5 million tonnes of certified production, covering over 15 percent of global palm oil production.

Such progress is a significant achievement, with growth far exceeding that of other similar commodity and multi-stakeholder initiatives. The RSPO's profile as the benchmark for palm sustainability has steadily increased, and with such a profile come inevitable criticisms. Many are concerned that the RSPO's new Principles and Criteria, though clearly a significant step forward, do not go far enough (in particular, with regard to carbon emissions).

As it expands, the onus is on the RSPO to further develop internal governance and to respond to the demands of worldwide markets. The challenge for the RSPO and its members remains to take the next step towards making sustainable palm oil the norm. Smallholders (responsible for a significant proportion of global production, but with only a small part certified) must be incentivised to join so that palm oil becomes known for its sustainability credentials.

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



GreenPalm – continues to grow

Four separate groups of independent smallholders in Thailand achieved RSPO certification in October 2012. Within weeks, they had all traded their certified production via the GreenPalm program. Together, the four groups consist of 412 members, tending a total of 758 plots covering an area of 2,767 ha. GreenPalm has continued to support the farmers as they have sold their entire certified production volume for 2013 as well.

Other independent smallholder groups in Malaysia and Indonesia are also undergo-

ing the RSPO certification process, and hope to be certified during 2013. GreenPalm will be working with these groups to ensure they have access to the global market place so that they can be rewarded for their commitment to sustainable practices.

The overall numbers for GreenPalm demonstrate excellent growth. The total volume traded during 2012 was 2,873,968 certificates, a million certificates more than 2011. To date, over \$38 million has been paid to RSPO-certified producers under the GreenPalm scheme.

Demand continues for GreenPalm certificates into 2013, particularly in the PKO market. GreenPalm will be able to service the demand and pass the rewards on to all RSPO-certified producers, regardless of the scale of their operations. To this date we have traded over 7 million certificates.

Bob Norman
Green Palm General Manager

Rapeseed

– sourcing close to home

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

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

In both conventional and new varieties with a high oleic acid content, rapeseed oil has the lowest saturated fat content of all vegetable oils and is high in 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 strategic raw material

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

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

Shea trees grow in some of the world's poorest countries. Here, we work with the women who collect the shea kernels, building capacity in local communities. Our work in these areas includes the formation and teaching of women's groups in villages and by doing direct business with them we help them markedly improve their livelihood.

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



Shea supply chain, West Africa

Shea is a wild crop, so we never experience two similar seasons.

At AAK, we continued our pursuit of streamlining the supply chain from the West African women collecting shea kernels to our factories in Scandinavia. Recently, we initiated construction of our new yard in Bobo Diolassou (Burkina Faso). This yard will allow us to further our influence on the business conduct and working conditions in the West African bush. A yard consists of warehouses, weighing bridges, offices, laboratories, staff quarters and a workshop for our trucks. In all the operations we run in West Africa, we put great effort into complying with the national legislation and providing



health care to our staff, such as for example medical check-ups, vaccination programs and mosquito nets.

For the companies we work with in West Africa, we focus on increasing compliance with the AAK Supplier Code of Conduct. Working in Africa, we realise that full compliance will only happen gradually.

In the years to come, we intend to continue on this path towards a short, streamlined and transparent supply chain, and we are open to cooperating with all stakeholders who share this vision.

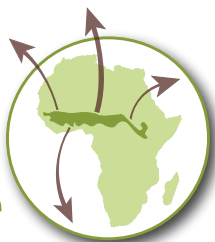
Knud Larsson
Sourcing & Trading Director



The Global Shea Alliance

The Global Shea Alliance is a multi-stakeholder association promoting quality and sustainability in the shea industry. It supports rural African communities and promotes women’s empowerment by strengthening the shea industry and value chain. AAK is a founding member together with other stakeholders.

Global Shea Alliance



Vision

To design, develop, and deliver strategies that drive a competitive and sustainable shea industry worldwide, improving the livelihoods of rural African women and their communities

Mission

To be the premier platform to satisfy the strategic interests and practical needs of its members, shea stakeholders large and small worldwide.

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



Kolo Nafaso – the house of shea kernel benefits

In 2009, AAK started a project in Burkina Faso working directly with women’s groups in order to educate women to treat the shea in the best possible way – from collection to storage – and thus increase their income from higher quality shea kernels.

During the shea season, extending from June 2012 to May 2013, AAK engaged more than 14,000 women in Burkina Faso in our shea project, named “Kolo Nafaso”. The work with the women’s groups in Burkina Faso follows Fair Trade principles. This gives women the

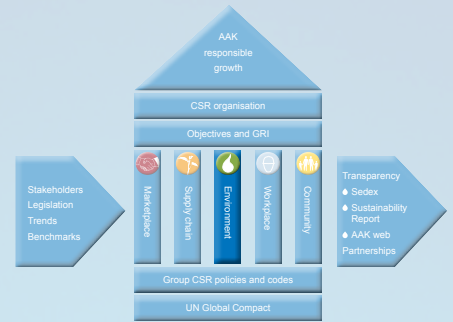
ability to decide when, how and to whom to sell the shea kernels in their possession. They are not in any way bound to AAK.

AAK promotes transparency in the market and better-quality shea, which is important in elevating the livelihoods of the women doing the lion’s share of the work. The development of our project is following the set plan. Our first intermediate objective – to enrol 30,000 women into our project – will be reached by the end of 2013.

A newly conducted questionnaire found that the women participating in the project are enthusiastic and wish to continue working with AAK, especially because pre-financing offered at the very beginning of the season helps fight poverty during the lean season and increases women’s independence.

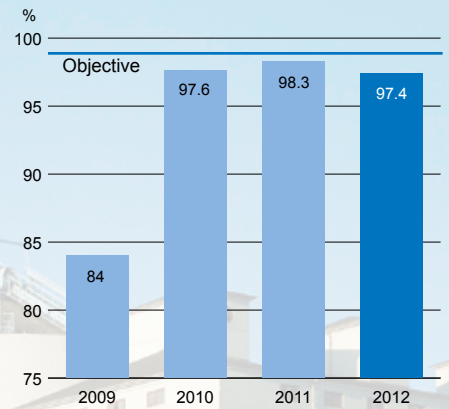
*Monika Hjorth
General Manager West Africa*

Environment



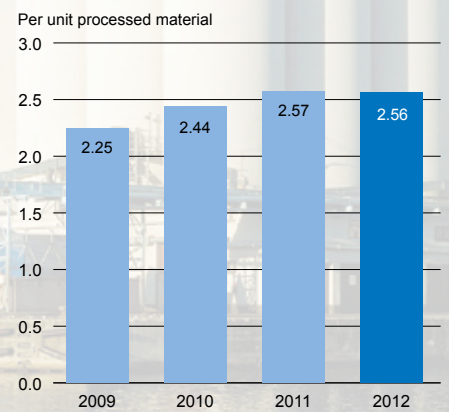
Key achievements

Waste to reuse, recycle or recovery

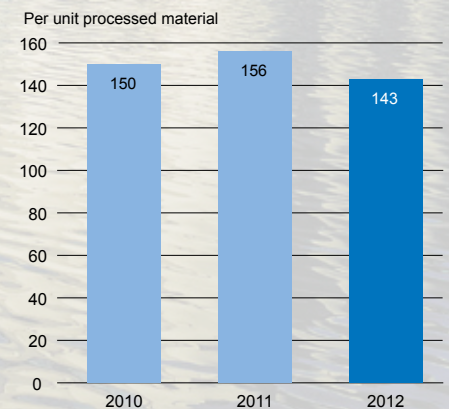


Key data

Energy consumption



Total direct CO₂ emission





The section on Environment covers AAK's impact on the environment in terms of consumption and emissions from our production plants. To make this section easier to navigate, it is 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. At AAK, we are very much aware of the footprint our production plants leave on the environment. We therefore constantly strive to reduce our consumption of energy and water and to reduce waste and emissions. As part of our AAK Acceleration program, it is our

aim to become more environmentally friendly – improving day by day.

To achieve this, we implement environmental projects, monitor consumption and emissions, and identify best practices by benchmarking our production plants against each other and against other players in the industry. A handful of our 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 2012, we recorded no incidents of non-compliance. Moreover, no significant spills were registered during the year.

Environmental objectives

Waste

There have been some exciting developments in the solid waste handling industry over the past ten years. It has grown dramatically and specialised methods have been developed for the recovery of material value by reuse, the recovery of recyclable materials and the establishment of waste-to-energy facilities – all of which have significantly increased the number of waste disposal options available to us. Through the implementation of sorting systems, we can now dispose of our waste both more responsibly and more cheaply than ever before.

In 2012, 97.4 percent of our waste material went for reuse, recycling or recovery. This actually represents a decline of 0.9 percent

point compared with 2011 primarily caused by new acquisition of Louisville, Kentucky and change of US federal legislation regarding used bleaching earth. In spite of the drop, we are still confident that we will achieve our target.

During the last year, 2.6 percent (equal to 2,000 MT) of our total waste was disposed of in the least favourable way: landfill. Sending waste to landfill means not utilising any of the potential value that may still be present. What's more, in many countries, a landfill tax has been introduced to reduce the amount of waste disposed of in this way. Our objective is that, by the end of 2015, minimum 98.5 percent of our waste will go to reuse, recycling or recovery.



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

Energy

Energy is necessary for our business. We can't manage without it, but we can continually strive to increase energy efficiency. In fact, reducing energy consumption and consequently reducing impact on the environment is integral to the way we manage our operations.

A common way of measuring energy efficiency is to calculate the amount of energy consumed versus the production output. However, AAK's strategy of producing and selling more specialised, refined products means that we generally require a greater amount of energy per unit of output. This tends to blur the results of our energy efficiency initiatives and makes it hard to paint a clear picture.

For this reason, we have decided to focus on local organisation, projects, progress and results driven by local energy efficiency teams.

Our process for the coming three years will be as follows:

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

Resource efficiency



David Smith
Vice President AarhusKarlshamn AB
and President European Supply Chain

We continue to take a holistic approach to our sustainability improvements, taking into account our suppliers, our own operations and manufacturing processes, as well as our logistics. We always strive to improve performance. By ensuring our equipment is in optimal condition and by employing best-in-class processes across our business, we ensure that we continuously improve performance. We focus on best available technologies, where we are developing a number of new opportunities together with our equipment providers to considerably reduce energy consumption across our business sectors.

We are in the process of implementing a new planning tool in two of our largest sites. This will enable us to plan better and to optimise our supply chain, reducing stocks to a minimum, whilst also reducing transportation, through optimisation of routes and loads.

We are developing micro-bubble technology to improve yield performance in the UK. The tiny bubbles are produced in the soft crude oil by a pioneering 'nano-cavitation' system. This

makes the mixing of the oil with the processing aids much more efficient, allowing us to use less of them.

On these pages, you can see just a few examples of the improvements we have made to our business and where we have significantly reduced our consumption of energy, whilst improving productivity and reducing waste.

Our operational mission is to be the leader in our field, and our approach is to focus on global supply chain organisation, where we all learn from each other and share best practices. To do this, we review our supply chains from end to end for sustainability, and every year our global heads of operations meet to share best practices.

It may take time to achieve our ambition and vision, but by stating our intentions we can develop long-term plans. We also believe in establishing KPIs and in setting short-term objectives with strategic milestones for monitoring progress. This two-pronged approach, employed over the past few years, has made our program the success it is today.

Energy

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

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

The type of energy used at our production plants varies considerably and very much depends on location. In Montevideo, Uruguay, all direct energy consumed is derived from biomass, while for example in Louisville and

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

In 2012, our production plants had a combined direct energy consumption of 3,900,000 GJ, an increase of 1.9 percent compared to 2011. Direct energy consumption from renewable resources constitutes 28 percent.

During the same period, electricity purchases (indirect energy consumption) increased by 14.5 percent to 740,000 GJ. The proportion of green

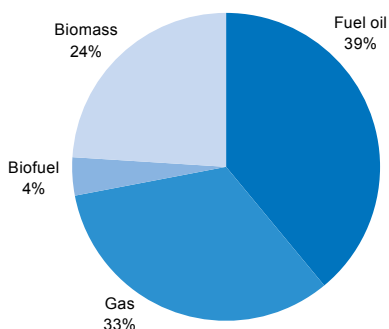
electricity constitutes 40 percent. Several sites are purchasing 100 percent green electricity.

Overall, then, total energy consumption reached 3,888,000 GJ, an increase of 1.9 percent. Calculated per tonne produced, energy consumption has decreased by 0.2 percent despite our strategic decision to increase production of highly refined products which, all other things being equal, require more energy to process.

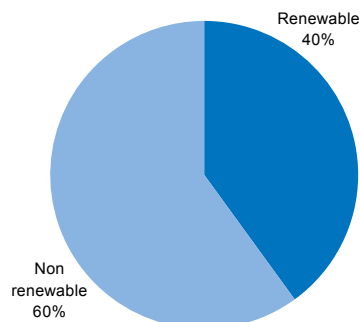
The proportion of energy from renewable sources is in line with our energy consumption objective: we want to utilise renewable sources of energy and new green technologies to a greater extent.

Direct energy consumption 2012

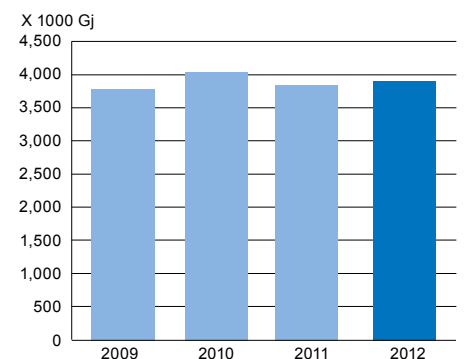
Per energy



Purchased electricity 2012



Total energy consumption





22 percent steam reduction

One of the main objectives for AAK South America is to lower plant steam consumption, which has two benefits: energy savings and a reduction in water consumption.

The steam consumption reduction from the 2011 value of 1,764 mt steam/delivered mt to the 2012 value of 1,374 mt steam/delivered mt was achieved after carefully optimising some processing units.

The pressure in the deodoriser vacuum ejectors was reduced to less than 8 bar in winter and less than 10 bar in summer. The direct steam injection was reduced to less than the



level recommended by the manufacturer, and, as a consequence, we observed a decrease in the undesirable stripping of fats material into the cooling water.

In the tank yard, an improved maintenance program was developed to optimise the temperature control for fat storage.

All these changes led to the desired steam savings, yet at the same time did not affect the quality of the final products.

Martin Gil
Production and Operations Director, Uruguay

Air

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

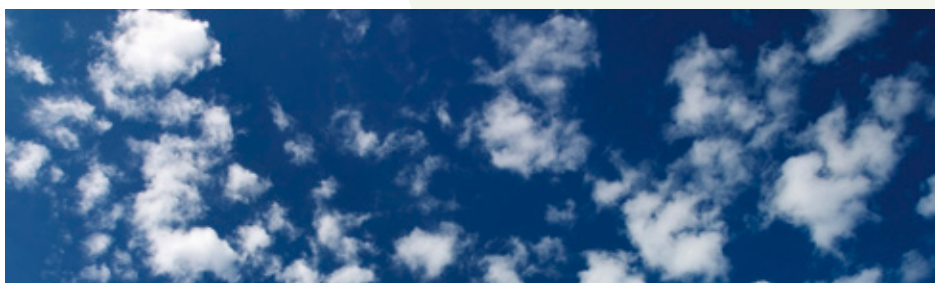
In 2012, we generated 218,000 MT of carbon dioxide at our production plants, 6.4 percent less than in 2011. 37 percent of direct carbon dioxide emissions stemmed from renewable resources.

Carbon dioxide emissions from fossil fuel per tonne processed decreased 8.3 percent compared to 2011.

The ozone layer protects life on earth by filtering out some of the sun's harmful UV radiation. For that reason, any thinning of the ozone layer is hazardous. At AAK, we are working actively towards eliminating all equipment that uses ozone-depleting substances (ODS), which are generally used for cooling. In 2012 we used 27 kg ODS. Policies are in place to phase out all remaining equipment that uses ODS.

Due to our use of fuels, our production plants emit 251 MT NO_x (nitrogen oxide) and 339 MT SO_x (sulphur oxide). 227 MT VOC (Volatile Organic Compounds) are also emitted from plants that run extraction and solvent fractionation processes. We constantly monitor progress across our production plants.

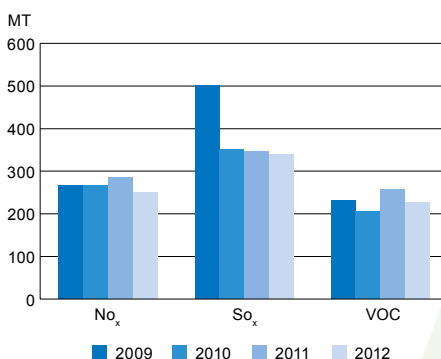
At our Karlshamn site in Sweden, the main fuels used are wood pellets, biofuels and green electricity. At some times of the year, there is an excess of green electricity available, and



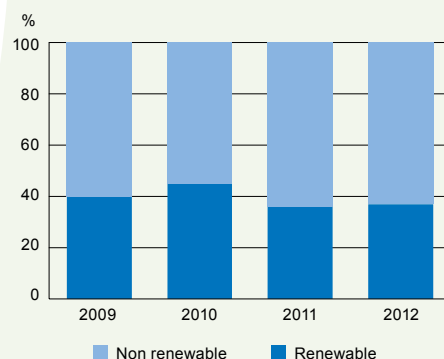
because we can easily switch between the different fuels, we obtain the full benefit in all aspects. Our various energy optimisation projects, carried out every year, improve the overall heat exchange in the plant. Exchange of the energy is not consistent, which means we have more surplus low-temperature energy than we can utilise. This excess heat is therefore sold to the local community, and they function as our buffer. In this way, we have created symbiosis.

At our site in Morelia, Mexico, we have installed the infrastructure for receiving and using natural gas. This will replace the use of fuels used such as Fuel Oil No. 6 (Heavy Oil), Fuel Oil No. 2 (Diesel), propane gas and LP gas. By converting to natural gas, we have reduced our costs by fuel consumption by 50 percent. In addition, we have reduced our carbon footprint by 25 percent, which means that 3,900 metric tonnes of carbon will not be emitted into the atmosphere.

Direct emissions



Direct CO₂ emission 2012



Water

Water consumption

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

Combined, our production plants use 45,000,000 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 our system. Surface water consumption stayed at the same level as last year.

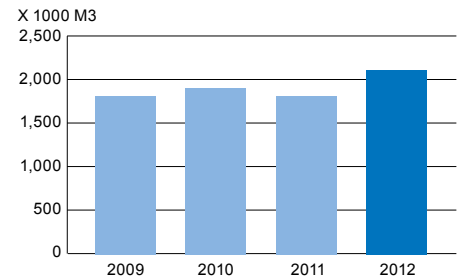
Ground water and municipal water used in processing totalled 2,100,000 m³, an increase of 13.8 percent compared to 2011. Calculated as processing water per tonne produced, consumption has increased by 11.4 percent. This is partly due to the shifting and startup of new equipment.

Waste 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.

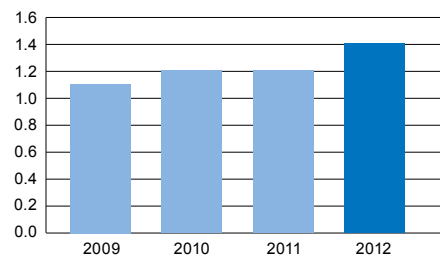
Total BOD₅ for sites using this method was 9 MT while COD was 1,015 MT. Measurements are within the stipulated limits. All discharged water from AAK sites is treated at our own or municipal treatment plants.

Water consumption



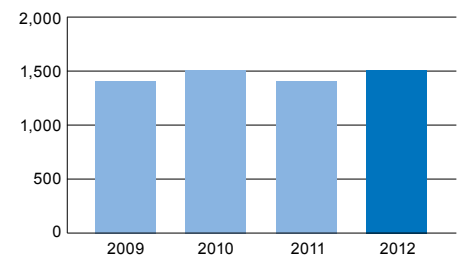
Water consumption

Per unit processed material



Water discharge

X 1000 M3



50 percent reduction in water consumption

As part of our continuous improvement program, in 2012 we started a distinct project to reduce water consumption in the Zaandijk factory and thereby also reduce our discharge into the sewer system.

During the project's start-up, we analysed the primary areas where water is used and identified three that bore greatest responsibility: boiler feed water, cooling tower water and cooling water in heat exchangers.

To achieve a reduction, we looked at the usage behind the processes. In most cases, water is used because it is available, cheap and regarded as "unlimited". We were able to create new focus and change mind-sets by

showing the team involved that water has a high cost, is not unlimited and – above all – is very expensive to clean.

Our first corrective measure was to install a mechanical vacuum in the vacuum system for the deodoriser. By doing this, we saved steam and that meant using less boiler feed water. Then, we optimised the heat recovery from the deodoriser and the boilers, which reduced the steam consumption even more. Total steam consumption was reduced by over 50 percent, in spite of growing production volume. All steam tracing was replaced with hot water. Return water is now re-used.

Furthermore, the use of cooling water was

optimised by storing it in underground tanks, which made it possible to retire the cooling tower. Since cooling towers consumer a lot of water, this moved our project even further in the right direction.

By the end of 2013, we will see a total reduction in water consumption of more than 50 percent compared to 2011, and we believe that our objective for 2014 will be to use less than 13,000 cubic meters for the full year. This would represent a 60 percent reduction compared to 2011.

*Marcus Bense
Technical Director European Supply Chain
and Managing Director, The Netherlands*

Focus on water consumption

In Aarhus, we have continued the past year's focus on water, energy and fuel conversion into biofuel.

If the target is to decrease the use of water, it is necessary to first measure water consumption. In 2012, one of the focus areas was to improve the re-use of condensate for steam production. We succeeded in doing this by appointing one person responsible for finding

reasons for the contamination of condensate, for the entire the plant. In this way, the re-use of condensate has increased from 74 percent in 2011 to 87 percent in 2012.

The re-use of condensate is one of the main reasons for this year's 30 percent decrease in water consumption. The fact that we are measuring water consumption, and performing water balances for all production areas,

involves a lot of employees who talk to their colleagues and, consequently, lots of people learn to focus on water savings.

The increased focus on water has caused many minor improvements and optimisations. In this way, all the employees have contributed.

*Henrik Wessman
Service Manager, Denmark*



Waste

Disposal of waste

During 2012, our production plants generated 77,000 MT of waste, a 13 percent decrease compared to 2011. All 99.8 percent of the total amount of waste was non-hazardous.

In waste disposal, there is a clear, very positive tendency towards reduced use of landfill. Nevertheless, new acquisitions joining the AAK Group have had less waste disposal focus and have a challenge improving waste management to meet AAK objectives for 2015. 2,000 MT were disposed of in landfill in 2012, which is an increase of 29 percent compared to 2011. However excluding our new acquisition the waste to landfill improved 18 percent.

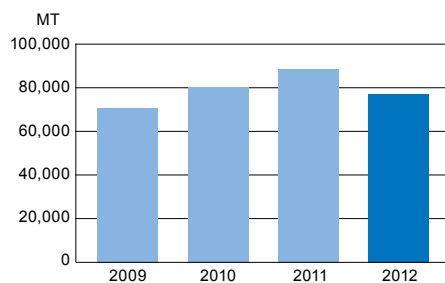
A large proportion of our waste is shea meal, which is the residual product when oil is extracted from shea kernels. Shea meal has no nutritional value and is used as biomass in power plants.



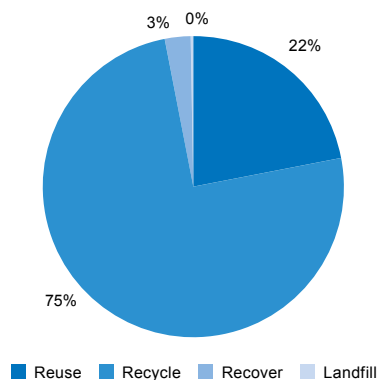
The majority of our finished products are delivered in bulk, defined as more than 0.9 MT per delivery unit, thus including pallet tanks. Delivering products in bulk means a reduction

in packaging material. By weight 69 percent of our products are bulk deliveries, while 31 percent are packed goods.

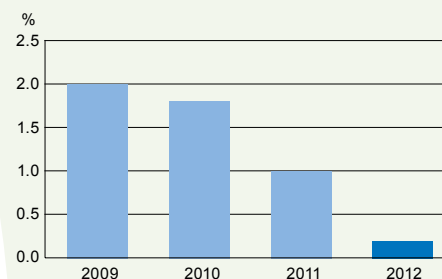
Total waste



2012 waste disposal



Hazardous waste



Upgrading waste stream segregation

Recycling has been a huge challenge at the AAK Louisville facility. 2013 has seen a concerted effort to reduce landfill-bound waste and increase our recycled material levels.

Among the efforts implemented this year are increased accumulation of waste oils shipped to biodiesel plants; increased recycling of plastic including bags, bottles and straps; efforts to keep cardboard free of oil so that it may be recycled; and an automated system that allows more oil to be reused in our products, so that it does not go out as waste.

One challenge facing all US vegetable oil facilities is disposal of spent bleaching earth. US federal laws require bleaching earth to be shipped as a hazardous material in transit, and

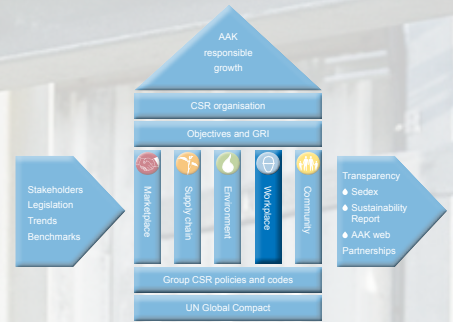


historical disposal methods such as composting are no longer viable options. The alternative is landfill disposal.

Overall, there are many challenges, but the single biggest improvement will be the installation of a state-of-the-art wastewater treatment plant that will allow more oil to be separated from water than is currently possible. The installation will increase the total percentage of waste recycled at the facility.

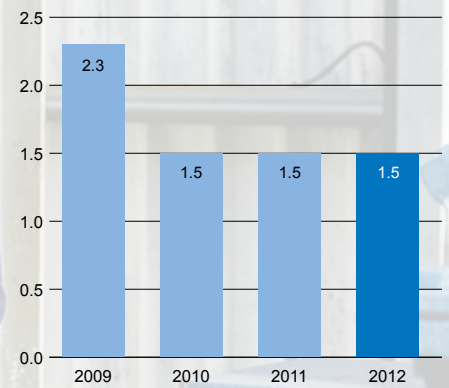
*Scott Welsh
Health, Safety and Environmental
Manager, USA*

Workplace

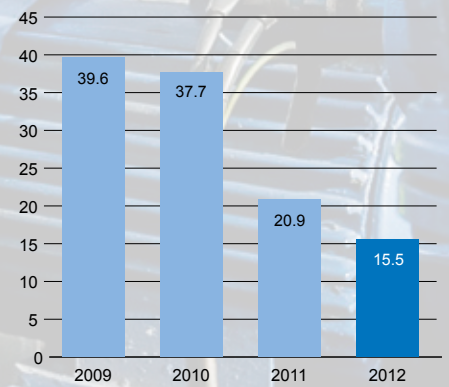


Key achievements

Lost Time Injury Rate



Lost Day Rate





This section is about working life at AAK: how we remain an attractive workplace for our employees and make sure that everybody is healthy and safe. Our employees are our most important resource. With 2,164 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 our values and Code of Conduct, which govern the way in which we conduct our business, execute our AAK Acceleration program, and interact with one another and with our stakeholders. Combined with the UN Global Compact and our CSR Policy, they provide the framework for AAK as a workplace.



Safety is key

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

Our production plants work continuously to improve the Lost Time Injury Rate (LTIR). Our global LTIR reporting include data from our production sites and our sourcing sites in West Africa. In 2010, the rate dropped from 2.3 to 1.5 and stayed at 1.5 in subsequent years including 2012.

The Lost Day rate, calculated per 200,000 working hours and a measurement of injury severity, has shown a significant improvement of 60 percent from 2009 until 2012 now at a rate of 15.5.

Two cases of occupational disease were registered.

Workplace objectives

Safety

To further strengthen our work on safety, we recently decided to unite our global safety experience and knowledge to better identify and share best practices. In 2013 we are implementing a Global Safety System comprising all production sites and conduct safety audits at all sites every year.

Lost Time Injury rate

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 resulting in an average of 1.5 for 2012. Broken down LTIR at production sites were 1.4 and at West African sourcing sites 2.3.

For obvious reasons, we have decided to set up separate objectives from 2013:

- Production sites: Reduce LTIR by at least 10 percent per year, base year 2012 at 1.4
- Sourcing sites in West Africa: Maintain LTIR at or below 2.3

Performance and Development Plans

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

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

Our objective is for all employees to have had their personal PDP by mid 2013.

Health and safety at AAK



David Smith
Vice President AarhusKarlshamn AB
and President European Supply Chain

Working together for risk prevention involves everyone at AAK. We are all part of the solution. The improvements in AAK's health and safety performance over the last five years are already a collective achievement that we can all take pride in and build upon.

We are now in the process of developing a new strategy that will build on the many strengths we have, but will also recognise the many changes that continue to take place around us and that present new challenges for our health and safety systems as a whole.

Our initial approach is to develop and launch a safety campaign during 2013.

- We will renew momentum to further improve our health and safety performance
- We are responding to a wider range of risks: in our smaller, recently acquired business units; in new technologies developed; and in traditional, longstanding sources of risk
- We are exploring new and better ways of engaging our workforce in all workplaces of all shapes and sizes, using the knowledge that we have gained from the past. A fully involved workforce will enable us to achieve a better health and safety performance
- We have a common, shared set of KPIs throughout our organisation

We believe everyone has a role in bringing about improvements in health and safety performance. We all need to work together towards a common set of objectives. For this

to become a reality, each stakeholder within our health and safety system must become more involved and better understand their personal role. This in turn will make it easier for them to assume their responsibilities and perform the necessary actions effectively.

Our objectives are:

- To reinforce the promotion of worker involvement in health and safety
- To specifically target key issues and to focus on these to bring down our incident rate
- To adapt and customise our approaches to our different sectors, to achieve the best results by optimising our resources in areas that are most relevant to them

To develop our campaign, we brought together all our health and safety and site managers in February 2013 for three days at our operations conference, held in Malmö. One important goal of the conference was to launch a safety campaign in March 2013, with a number of key initiatives for improving awareness and performance. Since then, our safety managers around the globe have participated in a monthly review to monitor performance, share ideas and develop best practices.

Labour rights

Labour rights issues are governed by our CSR Policy, which applies to all our sites. Among other things, the policy states our view on child labour and young workers, on forced labour, and on freedom of association and the right to collective bargaining. Forty-seven percent of our employees are covered by collective bargaining. There were no strikes during 2012.

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

Giving staff equal and fair treatment is another focus area of our CSR Policy. During 2012, there were three official complaints of discrimination at our production site in Louisville,



Kentucky. The complaints were filed with the U.S. EEOC (Equal Employment Opportunity Commission). Two complaints were resolved to all parties' satisfaction. One complaint remains open with no recent activity.

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



E-learning safety training

At the beginning of this year, we embarked on a safety training program for all employees at Runcorn, utilising our new e-learning centre.

All 49 of the courses are ROSPA (Royal society for the prevention of accidents) accredited, which means that we can be confident that their content and structure is relevant and up to date. The length of courses varies from 18 to 25 minutes, allowing us to release shop floor staff to participate without disrupting production.

A core training program was developed for each department. By building on this, we created an individual training program for each employee, which was then included in their PDPs (Performance and Development Plans).



Over 1,000 courses have been completed so far, the majority of them with a 100 percent pass mark, and very positive employee feedback. We are greatly encouraged by this response, and believe that the training has helped achieve a reduction in the year-on-year on-site accident statistics.

A training program for all agency staff who attend the site has also been initiated, requiring the completion of three core safety courses before they start work in the factory.

Mike Pocock
Health, Safety and Environmental Manager, UK

AAK Code of Conduct

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

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

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

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

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

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

AAK Graduate Trainee Program

In 2012, we launched our new AAK Graduate Trainee Program, targeting university graduates with a technical background, as a pilot across Europe. Four trainees were recruited for Sales, Customer Innovation and Commercial Product Management positions.

The AAK Graduate Trainee Program is an advanced accelerating and on-boarding program designed to give our trainees the best possible start to their careers. Over its 12 months, they experience a mix of on-the-job learning, individual development activities and formal training. Trainees had both a commercial and an operations rotation, providing them with a solid overview of the AAK value chain.

Building on our experiences and the feedback from both trainees and managers, we are refining and fine-tuning the elements of the 2013/14 Trainee Program. We are also expanding its scope, both geographically (with the participation of our US organisation) and functionally (into our European Supply Chain organisation), to continue to improve not just the program but AAK as a whole.

Morten Nørgaard
HR Program Manager



Internal communication

Internal Communication is one of the projects in the People priority area – part of our AAK acceleration program. Its objective is to significantly improve internal communication globally in AAK by enabling all employees to understand both the direction and the performance of the company.

One of our key channels is the AAK intranet, which targets every AAK employee, although in practice not everybody uses a computer on a daily basis. This is why we also share information via bulletin boards, electronic boards, information leaflets and regular “town hall meetings” for all staff. The most efficient means of communication very much depends on local tradition and culture, which is why the local management teams are responsible for sharing timely internal communication, in the right way. To monitor our employees’ satisfaction with internal communication, we run regular employee surveys. In 2012 this resulted in a 2 percent increase in the satisfaction rate within AAK.



Staying healthy

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

For these reasons, we do not have a uniform approach to maintaining health, but instead base our activities on local decision-making, informed by a needs assessment. Most initiatives focus on our employees. Examples of AAK health initiatives include:

- ◆ First aid training
- ◆ Safety training
- ◆ Protective equipment like helmets, safety glasses, and computer glasses
- ◆ Health checks
- ◆ Sports facilities
- ◆ Annual vaccinations against flu

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

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

Our workforce in numbers

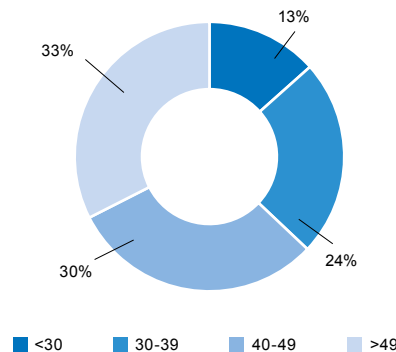
As of December 31st 2012, AAK had a total of 2,164 employees (an average of 2,211 employees, as stated in our 2012 Annual Report), 5 percent less than in 2011. Among our permanent employees approx. 8.6 percent left the company.

The average age of employees in Europe is significantly higher than in the rest of the world due to a more mature organisation.

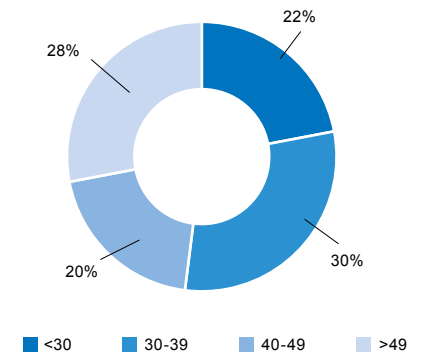
22 percent of our permanent employees are female. This is a lower percentage than in many other businesses, and is explained by the fact that a job in our production plants typically attracts more men than women. However, at managerial level, 17 percent are female.

75 percent of our employees are permanently employed, while 10 percent are on temporary contracts. The remaining 15 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. 3 percent of our employees work part-time.

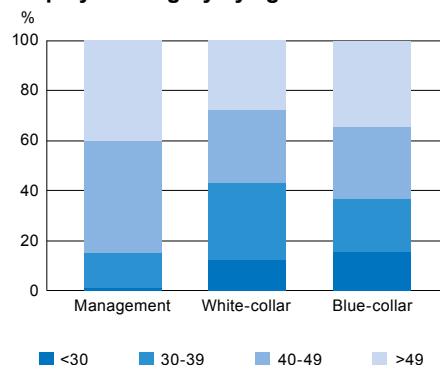
Employee distribution by age



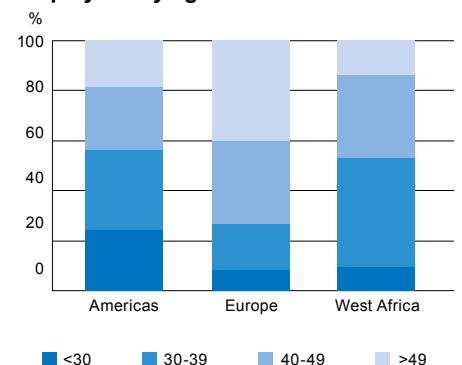
Permanent employees turnover by age



Employee category by age

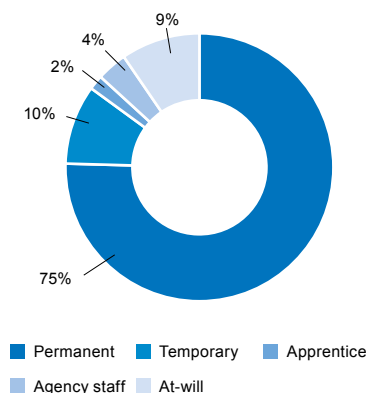


Employees by age

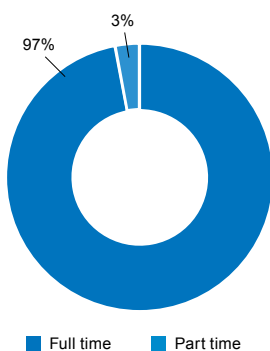




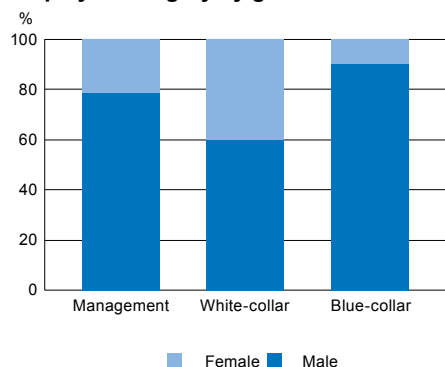
Employment contract type



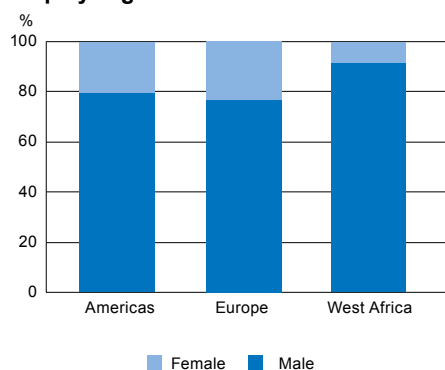
Employment type



Employee category by gender



Employee gender



Safety and a good working environment

Someone once said that the only thing we know for certain about the future is that there will be changes. This obviously includes our work at AAK, which, in the future, will streamline and rationalise in ways that usually lead to reductions in personnel. This places great demands on owners, management and employees to prevent accidents and illness.

The most important thing is that the owners and Group clearly state that safety and a good working environment are high on the agenda.

Next, it is important that there are an organisation, structures, written documentation and the financial resources allocated to a preventive work environment at our factories around the world.

Another key factor is the education and training of our employees in security and safety issues. It is also equally important to ensure that, when our processes evolve and become more complicated and require fewer operators, personnel are trained. We must prevent not only accidents but also psychosocial work-environment problems. In this context, it is important to emphasise that there are clear delegations and powers in the organisation for all employees.

It is also very important for employees and union representatives engaged in safety to become involved as early as possible in project work, preferably during the design phase. Staff

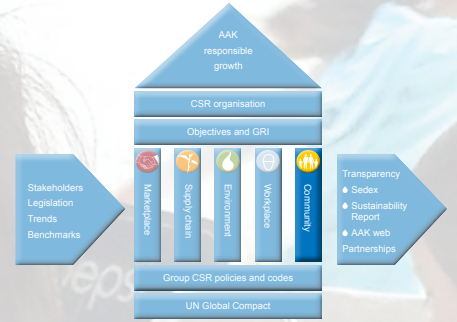
and union representatives have great skills, and modern, forward-thinking employers are putting these to use.

The daily work with safety rounds, risk assessments in relation to changes, creation of action plans for the systematic work environment, etc. is a very demanding job that takes time and will never end. But the reward is the minimisation of injuries in our workplaces and seeing our employees thrive. We will continue to work with and develop this at AAK.

AAK has come a long way with this work at the plant in Karlshamn. The owners and Group and local management clearly stated that workplace safety is a top priority. The introduction of so-called 'orderliness rounds', which the local management implements, reinforces this objective. The local security team is very committed and works hard to get employees to report work-related injuries and incidents. This led to 175 reported incidents at AAK in Karlshamn in 2012. Never before had so many incidents been reported in the company. This is a very important tool for preventing accidents. But, of course, more can be developed through the Safety Officer in the project, with more emphasis placed on training staff in new processing technology as it is introduced.

*Leif Håkansson
Principal safety representative – IF Metall,
Karlshamn, Sweden*

Community



Examples of community engagement

Childrens' day



Summer classes



Health fair



Volunteers building homes



Charity bike ride





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

Local community involvement

As a global company, AAK contributes to the development of the local communities where we operate 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 we operate.

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

We are very much aware of the impact that AAK has on the community when we enter, operate in, or leave an area. During 2012, we did not establish or terminate any operations that required a special community impact assessment.

The impact of existing operations is monitored continuously by means of dialogue, through for example “open house” events, hosting visitors,



participation in local events and councils, giving presentations and participating in interviews. Media monitoring also provides us with a picture of local attitudes towards AAK.

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

Community objective

We have long been an active member of the communities in which we operate, through sponsorship or direct participation in projects. In 2012, we engaged in numerous local activities. We will continue to ensure that we are an integrated part of our local communities in the future.



Being a good neighbour



Octavio Díaz de León,
Managing Director AarhusKarlshamn, Mexico

We are an industrial company located within an urban area. Our good relationship with the neighbouring community and our actions and policies to avoid any kind of negative effect on the wellbeing of our neighbours are therefore topics of the highest priority for our company.

During 2012, we paid special attention to AAK employees' behaviour around the facilities and to the logistics operations derived from our industrial activity. Some of the relevant actions during last year were: control and improvement of the traffic flow in the plant access, and AAK's support for fire brigades and emergency services. Since social issues are fundamental for us, we have a plan for activities such as

recreation, sports and culture that take place during the year with the participation of around 400 people.

In 2013, we replaced fuel oil with natural gas in our processes. Through this action, we reduced our carbon footprint by 25 percent – a reduction of 3,900 tons of CO₂ per year.

For the current year, we expect to keep up with our commitment as a socially responsible company, complying 100 percent with Mexican environmental regulations. We shall continue behaving according to solid professional ethics, seeking to transform our colleagues into a team that works in harmony with our environment.

AAK as a global citizen

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

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

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





Summer courses in Mexico

Summer at AAK Mexico brings with it a sought-after tradition. We refer to our Summer Courses, which allow us to live in a closer and warmer relationship with the younger members of the families of our employees, as well as the children and youths in our community. All this comes through activities that develop physical skills and strengthen important values in everyday life, such as respect, teamwork and friendship.

To AAK, developing this type of activity fills us with pride and satisfaction. Its purpose is to plant the seeds of sports and creativity while strengthening other aspects of coexistence and trust among the little ones.

It gives us great satisfaction to know that our families and community look forward to – and do not hesitate to register or take part in – the various activities we have planned for them. This year 300 people have participated, including children and adults.



For those with more energy, we have karate classes and football, but there are also jazz, Arabic dance and ballet classes for the more coordinated and kinesthetic ones.

And, of course, we did not forget those seeking relaxation, so we included yoga and painting as well.

As with every other activity within AAK, this Summer Course is supported by instructors who are totally qualified and committed to teaching these workshops. At the end of the courses, in a Closing Ceremony often attended by around 800 people, a show is performed in a theatre where the participants demonstrate what they have learnt during the programs.

This is definitely an activity in which we, as a company, are delighted to participate and enjoy what our community has to offer.

*Ramiro Corona
HR Manager, Mexico*

Charity bike ride in UK

Covering a mammoth 175 miles over three strenuous days, 20 cyclists from AAK Hull and Runcorn took to the roads to raise more than 15,000 SEK for the mental health charity Mind.

This challenging ride, which started in Newport, South Wales, before heading on to Hereford, Shrewsbury and finally Chester, saw twenty of our staff and customers push themselves to the absolute limit in aid of a very worthy cause. Veterans of this annual event, which has been running for over ten years, were joined by several new recruits, who returned having thoroughly enjoyed the experience.

This year's event was relatively free of mishaps, with only a couple of punctures to report. Donations were received from various companies. Each of our cyclists raised a minimum of 550 SEK, with one participant even auctioning his bike for 1600 SEK post-event!

The charity, Mind, campaigns to improve services, raise awareness and promote understanding of mental illnesses, as well as offering advice and specialist support to anyone experiencing a mental health problem.

*Judith Murdoch
Communications & CSR Director, UK*





AAK volunteers build homes for the poor

Once again in 2012, AAK South America volunteers participated in the project “Constructing with Companies” organised by the NGO “TECHO” (“ROOF”).

This Latin American non-profit organisation mobilises youth volunteers to eradicate the extreme poverty that affects more than 80 million people in the region. It works together with Latin America’s most marginalised populations in three phases:

1. Constructing transitional homes that allow families to have a private, safe and decent shelter
2. Coordinating social inclusion programs such as education, health care, economic development, micro-finance, and vocational training
3. Helping residents develop their own sustainable communities, including construction of permanent housing

TECHO is currently supported by 530,000 volunteers in 19 countries. Funding comes from grants, corporate support and individual donations. AAK-SA has been supporting this NGO since 2009.

*Andrea Gonzalez
Regional Logistics Manager, Uruguay*





Examples of memberships that safeguard the interests of our industry

National associations

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

International associations

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

Improved conditions for women groups in Burkina Faso

In recent years and as a follow up to our project "Kolo Nafaso", we have monitored the quality of life of the participants as well as the development of the shea trade within the project. Questionnaires were sent out and interviews conducted to gather information.

Qualitative interviews conducted in 60 villages in Burkina Faso show that pre-financing helped 84% of the women to fight poverty. The questionnaires also showed that pre-financing increases the women's independence. They have been able to spend their pre-financing on for instance:

- ◆ Agriculture projects
- ◆ Food
- ◆ Small business
- ◆ Clothes for their children
- ◆ Education of children
- ◆ Other needs of the women and their children
- ◆ Buying medicine
- ◆ Buying wood

Below are short extracts from interviews with two women from our shea project conducted by Mads J. Feer, Manager of Sustainability and shea in West Africa.

Sankara Bintou, member of the women's group of Bana Marché for 2 years.

What has changed in your life since AAK came with our way of purchasing shea?

I found many interesting things with AAK's way of working. We work directly with AAK and their extension workers. The pre-finances have allowed me not to sell my shea kernels when the price was low.

What did your group do with the bonus offered by AAK?

The money is put on the account of the group and each member of the group can borrow some money in case of need.

Does AAK's way of working help you to fight poverty?

Yes a lot, because we need the money badly at the time of the pre-financing.

Ouedraogo Habibou, head of the women's group of Bana Marché.

What did you do with the pre-financing you received?

I used the money for inputs in my fields. It has helped me a lot.

How much did the bonus paid by AAK help you?
We have built a good system now where we put the money of the bonus in a bank account. Each woman in our group can come and borrow money from that account in case of need.

Do the women have to pay an interest rate when they borrow money from your account?
Yes, If they borrow 5,000 CFA they have to pay back 5,500 CFA

Does it work well?

Yes, it does. Even if you guys left tomorrow we would have enough funds to have a system that works.

What do the women typically do with the money from the loans?

They use it for health issues and to buy food.

In order to elevate the women's standard of living further, it is also important to increase the quality of the shea. In order to obtain good quality shea kernels the treatment of the goods is essential. AAK is therefore teaching the participants in the project how to handle the shea kernels from picking to storing. As a result, we can buy shea kernels of better quality which means a bonus for the women – an additional payment at the end of the season.

CSR Approach

Engaging with our stakeholders

Responsible growth is the key objective of our AAK Acceleration strategy, and is essential to our vision of being the first choice for value-added vegetable oil solutions. For us, responsible growth is about our responsibility towards all of our key stakeholders – the local communities where we operate, our global customers, our employees, our investors and our suppliers.

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

The input from our key stakeholders comes from our ongoing dialogue with them, at both local and corporate levels, about their expectations of us now and in the future. What do they expect from us as a good neighbour, a preferred supplier, an attractive workplace, a profitable investment and a valued customer? Their input guides us as to where and at what

level we should set our next objectives to drive our future performance within this area.

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

Our key stakeholders provide our main guidance in our continued development of responsible growth.

Ongoing dialogue with external stakeholders

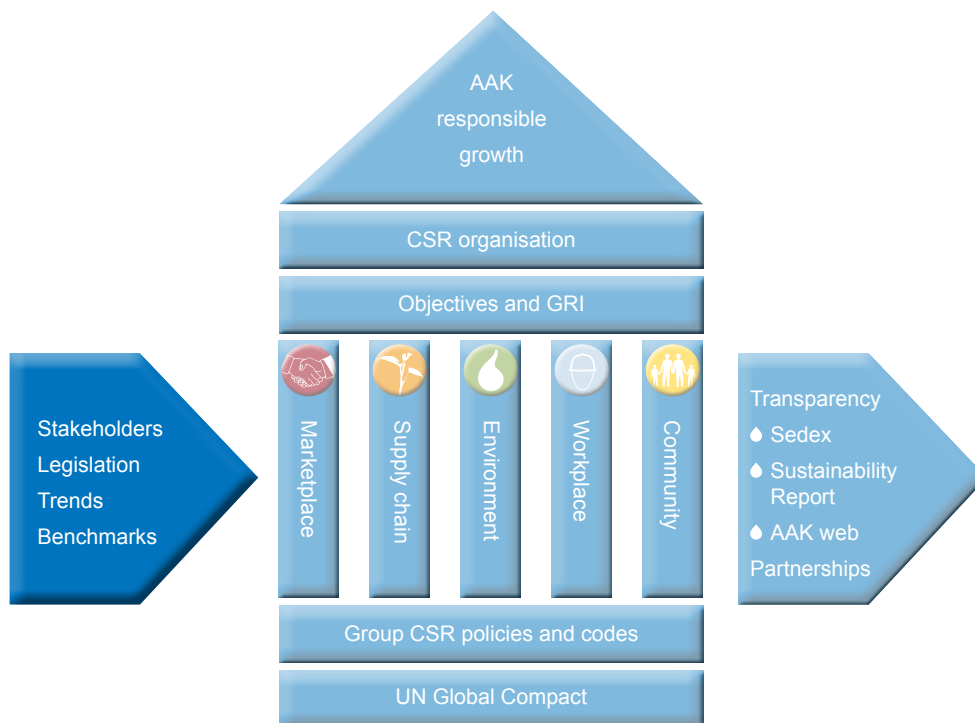
We value the ongoing input from and dialogue with our stakeholders in respect of our CSR approach, including their assessments of our efforts. Through this dialogue, we can ensure that AAK continues to be their first choice, also when it comes to CSR.

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

Contacts

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Anne Mette Olesen
Chief Marketing Officer
Or e-mail
sustainability@aak.com



Investor Relations

Shareholders

AAK endeavours to generate an attractive return on investment for its shareholders. Our largest shareholder is Melker Schörling AB, which indirectly owns 35 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

Dialogue with shareholders is primarily conducted through AAK's Investor Relations function. Examples of Investor Relations activities include capital market days, roadshows for meeting institutional investors, meetings with equity analysts and local meetings with the Swedish Shareholders' Association. The Annual General Meeting is also important for a close dialogue with shareholders.

Shareholders Activities

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

AAK strives to facilitate current and potential shareholders' assessment of our performance through the transparent communication of our financial results and our work to enhance environmental and social sustainability. During the year, dialogues were held 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.

We believe that our annual Sustainability Report is the most appropriate and efficient channel for providing information about our CSR practices. For this reason, we aim to answer the most common questions in this report. However, we value constructive dialogue on risks, opportunities and strategies related to CSR and sustainability.

Best listed company in 2012

At the Swedish Shareholders' Association's 2013 annual congress, AAK was recognised as "The best listed company for its communication with potential and existing private shareholders through public meetings across Sweden". The selection was made from among approximately 500 companies listed on the Stockholm Stock Exchange. The jury's explanatory statement was: "the 2012 winner is AAK, who, by participating in shareholder meetings around the country, actively contributes to increasing the interest in private stock ownership."



Best Investor Relations Officer

IR Nordic Markets organises an annual evaluation of the financial communication of Swedish listed companies. As Director of Investor Relations, I received the award for best Investor Relations Officer in the Mid Cap category for 2012. IR Nordic Markets is the largest IR study in the Nordic region, and was performed for the fifteenth consecutive year. The study covered feedback from analysts and investors in the Nordic region and Europe, which provided the basis for assigning the different awards.

AAK's financial performance and financial risks are presented in the Annual Report 2012.

Fredrik Nilsson
Director Group Controlling & Investor Relations

Maintaining momentum

An important aspect of our CSR work is maintaining global momentum. To ensure that this happens, the Global CSR Manager visited all production plants in 2012 and again in early 2013. These visits had multiple objectives. During workshops with the local teams, CSR SWOT analyses were completed, feedback was given on the 2011 GRI Report and Sustainability Report, ambitions and objectives were discussed. Finally, locally reported Global Reporting Initiative (GRI) data was scrutinised with each member of the local team to clarify ambiguities and align definitions.

As a special theme on this year's tour, we launched a CSR training program aimed at employees in contact with customers. To be able to reach all the relevant employees, we based the training primarily on the "train the trainer" concept. To further support this training, a CSR booklet was handed out to all participants.

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

To make CSR even more visible within our organisation, each year we present our internal CSR award to the AAK site or business area



that has demonstrated outstanding CSR performance. In 2012, the production site in Zaandijk in the Netherlands was granted an award for significant improvements on key indicators

such as energy consumption, CO₂ emissions, wastewater discharge, Lost Time Injuries and the training of employees in cardiopulmonary resuscitation (CPR).

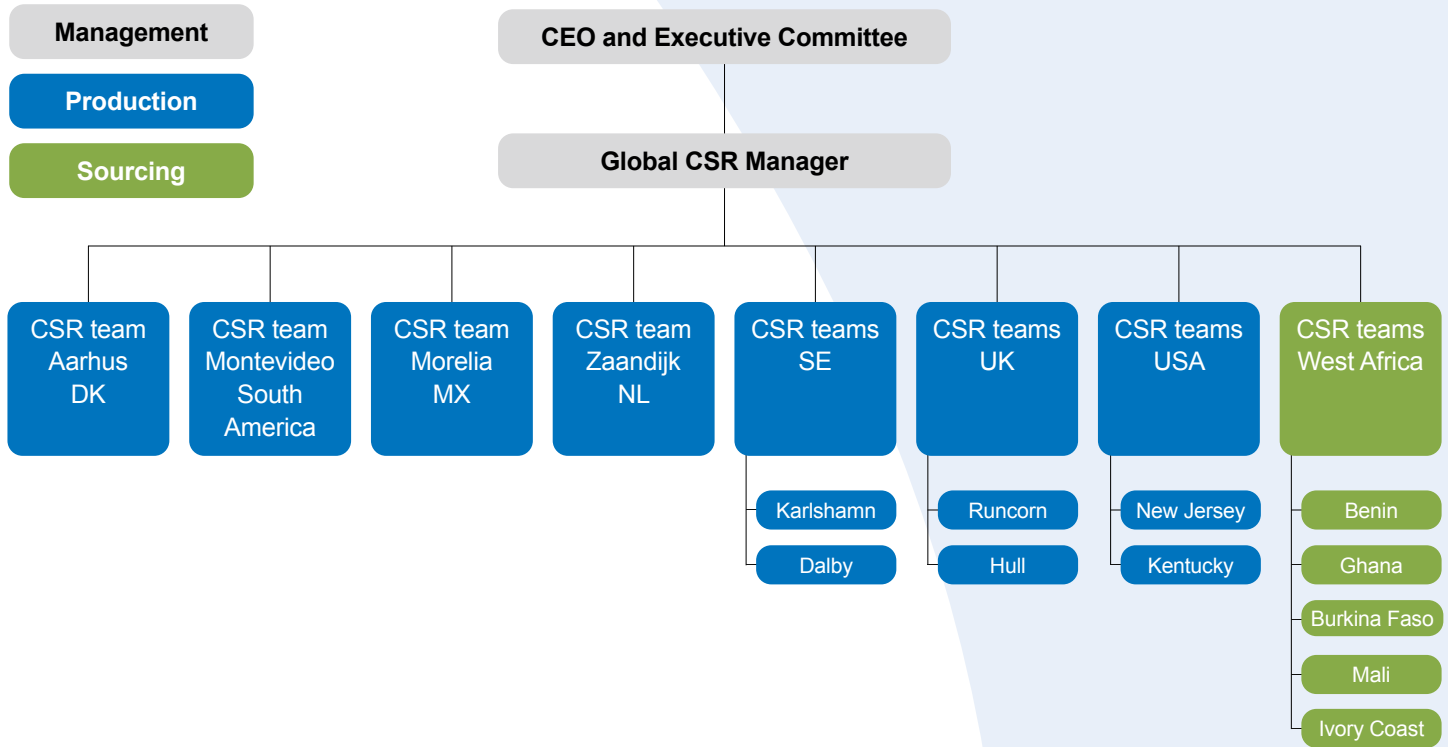
Increasing CSR awareness

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

The adoption and 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 who have 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.



CSR organisation



Decentralised approach

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

Global CSR organisation with local roots

The Global CSR Manager is a member of AAK's Executive Committee and reports to the CMO (Chief Marketing Officer). The CMO's responsibilities include CSR and Communications.

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 organisation was established in early 2007, its objective has been to ensure breadth and diversity in the local teams, which are central 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 team effort

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

In line with this, our Sustainability Report is a global team achievement that includes statements, initiatives, projects and views from the entire organisation. In addition, it documents – for our stakeholders and ourselves – the fact that CSR is firmly anchored within our organisation.

AAK CSR Teams

CSR Team Runcorn, UK

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

CSR Team Hull, UK

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

CSR Team New Jersey, US

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

CSR Team Kentucky, US

Tom Winter*	Vice President, Operations
Angela Cole	HR Manager
Luis Gomez	Operations Director
Jackie Steffey	R&D
Micki Hoskins	Production Planning
Deborah McRoberts	EHS Specialist

CSR Team MX

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

CSR Team Montevideo, South America

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

*) Team leader

CSR Team SE

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

CSR Team Dalby, SE

Annelie Abrahamsson*	Quality Manager
Andreas Åkesson	External Communication, Product Development Manager
Søren Ask Nielsen	Managing Director

CSR Team DK

Mette Linnemann Nielsen*	HSE Manager
Marianne Dysted	HR Manager
Bo Porsgaard Pedersen	Sourcing and Trading
John Barner Koustrup	Controller
Anne Stine Toft Jensen	CPM Trainee

CSR Team Zaandijk, NL

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

CSR Team West Africa

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

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4.11	Explanation of how the precautionary principle is addressed	p. 10
4.12	Externally developed economic, environmental or social initiatives to which the organisation subscribes or endorses	pp. 3, 16, 19
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4.16	Approaches to stakeholder engagement	pp. 34, 38-39
4.17	Key topics that have been raised through stakeholder engagement and the organisation's respond	Supply chain sustainability
EC Economic Performance Indicators		
EC1	Direct economic value generated and distributed	Employee benefits: SEK 10,400,000 Community donations: SEK 600,000
EC2	Financial risks and opportunities due to climate change	No reporting
EC3	Coverage of the defined benefit plan obligations	Annual Report: pp. 34-35
EC4	Financial assistance received from government	SEK 7,900,000
EC6	Policy, practice and proportion of spending on locally-based suppliers	No reporting
EC7	Procedures for local hiring and proportion of senior management hired from the local community	No reporting
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	pp. 33-37
EN Environmental Performance Indicators		
EN1	Material used by weight or volume	p.12 Processing aids: 23,000 MT Packaging materials: 29,000 MT
EN2	Percentage of materials used that are recycled input material	0 %
EN3	Direct energy consumption by primary energy source	p. 22
EN4	Indirect energy consumption by primary source	p. 22
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EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity	Hull, UK and Newark, US sites adjacent to protected areas. No significant impact on production
EN12	Description of significant impact on biodiversity	No significant impact identified
EN16	Total direct and indirect greenhouse gas emissions	p. 23
EN17	Other relevant indirect greenhouse gas emissions	Insignificant in relation to emissions from production
EN19	Emissions of ozone-depleting substances	p. 23
EN20	NOx, SOx and other significant air emissions	p. 23
EN21	Total water discharge	p. 24
EN22	Total weight of waste by type and disposal method	p. 25
EN23	Total number and volume of significant spills	No significant spills
EN26	Initiatives to mitigate environmental impact of products and services, and extend of impact mitigation	pp. 21-25
EN27	Percentage of products and packaging material reclaimed	p. 25 Main initiative to reduce packaging material is to convert to bulk deliveries where relevant
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No non-compliance incidents

Fully reported
 Partly reported
 Not reported

LA Labour Practices and Decent Work Performance Indicators		
LA1	Total workforce by employment type, employment contract, and region	pp. 30-31
LA2	Total number and rate of employee turnover by age group, gender, and region	p. 30
LA4	Percentage of employees covered by collective bargaining agreements	p. 28
LA5	Minimum notice period regarding operational changes	p. 28
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of fatalities by region	pp. 26-27, 29
LA8	Education, training, counselling, prevention and risk-control programs in place regarding serious diseases	p. 30
LA10	Average hours of training per year per employee by employee category	Inadequate recording globally
LA13	Composition of governance bodies and breakdown of employees per category	pp. 30-31
LA14	Ratio of basic salary of men to women by employee category	p. 28
HR Human Rights Performance Indicators		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	p. II
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and action taken	p. 13
HR4	Total number of incidents of discrimination and actions taken	p. 28
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken	No risks identified
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken	No risks identified
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken	No risks identified
SO Society Performance Indicators		
SO1	Programs and practices that assess and manage the impacts of operations on communities	p.34
SO2	Percentage and total number of business units analysed for risks related to corruption	pp. 13-14, 29
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	p. 29
SO4	Actions taken in response to incidents of corruption	No incidents occurred
SO5	Public policy positions and participation in public policy development and lobbying	pp. 34, 37
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No non-compliance incidents
PR Product Responsibility Performance Indicators		
PR1	Life-cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	p. 8
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	p. 10
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications	No reporting
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No non-compliance incidents
FP Food Processing Sector Supplement		
FP3	Percentage of working time lost due to industrial disputes, strikes and lockouts	No incidents
FP5	Percentage of production volume manufactured in sites certified by an independent third party	p. 10

Reporting criteria

Scope and materiality

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

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

Because GRI is an all-encompassing format, it is not relevant for us to report on all criteria. In 2010, we initiated an internal process to identify the issues relevant to our business and our stakeholders. This involved discussions with staff at all sites and feedback from other stakeholder groups. Our ambition is 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 2012 and AAK Report 2012, and therefore only contains a summary of financial performance figures.

In general, data in this report covers our activities from January 1st to December 31st 2012. Updated information regarding some 2013 events is included since they are considered of material importance to our stakeholders. Data from our 2012 acquisition of Oasis Foods Company, New Jersey, USA and Crown-Foods A/S, Denmark are not included. However, we expect to include them in our 2013 report.

Environmental data (GRI abbreviation: EN) relate to the 10 AAK production plants that were fully operational in 2012 and 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 the GRI Report internally in the first quarter of every year. This is based on information received from all sites, and contains both local and compiled global data. A section showing trends from the previous year is also included. Data and information from the GRI Report 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 and 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 31st 2012 and is based on payroll information.

Some minor data errors in the 2011 reporting have been identified and corrected, and will differ from the 2011 reporting. From our experience of the reporting process, we expect corrections will be necessary in future reports as well. Nevertheless, we believe that the trends and overall picture given are a true reflection of our activities.

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

Global Reporting Initiative (GRI)

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

See www.globalreporting.org for more information.



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