

The AAK logo is positioned in the top right corner of the page. It consists of the letters 'AAK' in a bold, white, sans-serif font. The background of the entire page is a close-up photograph of bright yellow flowers, likely rapeseed, with a soft bokeh effect. A large, semi-circular graphic element in shades of green and grey is on the right side of the page, partially overlapping the logo and the text below.

AAK

AAK in the world
Sustainability Report 2009

AAK in 60 seconds



- AAK uses its specialist expertise and active monitoring of trends and changes in the world in which it operates to turn vegetable oils into products which meet its customers' high standards. In partnership with customers, AAK develops leading global positions with excellent profitability.
- AAK should be the first choice for customers whose production relies on high value-added vegetable oils. The products are used as substitutes for dairy fat and cocoa butter, as trans-free solutions for fillings for chocolate and confectionery products, as well as by the cosmetics industry. With its high value-added products, AAK is a growing producer of speciality fats for infant formula.
- AAK's products originate in the vegetable kingdom and are renewable. AAK's products are used, for example, as lubricants for forestry machinery. The waste products discharged by the machinery to the eco-system during the production process have no harmful impact on the environment.
- Raw materials are obtained from areas such as Asia and West Africa. AAK is committed to sustainable development and is one of the founders behind RSPO, the Roundtable on Sustainable Palm Oil, and GreenPalm Ltd. Through these initiatives, AAK has contributed to the extraction of palm oil through natural agricultural development.
- AAK is organised in three business areas; Chocolate & Confectionery Fats, Food Ingredients and Technical Products & Feed.
- The company's head office is in Malmö, Sweden, where it acts as a hub for the whole Group.
- AAK has production plants in Denmark, Mexico, the Netherlands, Sweden, United Kingdom, Uruguay and the US.
- AAK has purchasing and sales offices in several key locations around the world.
- The parent company, AarhusKarlshamn AB, is a Swedish-registered joint-stock company based in Malmö. The company's shares are listed on NASDAQ OMX, Stockholm, in the Mid Cap segment, Consumer Commodities sector.

Corporate Social Responsibility

– our company's responsibility for the world around us

All businesses are dependent on the world in which they operate. Raw materials are obtained, and transport and production operations consume water and energy, from a resource shared by the whole of society. The workforce is, fundamentally, also a common resource, from which each company utilises a proportion to run its operations. Every company is, therefore, responsible for ensuring that it does not lay claim to more than it needs of the world's resources, and for managing them in such a way that its operation is sustainable in the long term.

AAK will develop a financially-sustainable operation which takes responsibility for the world in which it operates, all the way through to the customer. This will be a platform for everything the company does. AAK's operations depend on natural and renewable raw materials provided by the plant world. The mission is to process these raw materials and transform them into products which are essential to people, products which perform valuable functions and generate added value for customers, shareholders, employees and other stakeholders.

AAK sees sustainable development as fundamental to its operations. Financial growth, environmental and social responsibility form a trinity in which every part is equally important for the Group's future survival and success.

We have decided to adopt the GRI, Global Reporting Initiative, framework with focus on the core indicators. This report is the first to be published by AAK. It gives a picture of the current situation, and does not contain any comparison figures. The intention is to publish a report once a year. Information on trends over time will also be available on www.aak.com.



Contents



2 2009 in summary

To put this Sustainability Report 2009 in context, here is a brief outline of financial trends in 2009.



3 Sustainable development is fundamental to AAK

AAK views sustainable development as fundamental to its operation. Economic development, environmental responsibility and social responsibility form a trinity in which each part is equally important to the Group's ability to survive and develop with respect for the world around it.



7 The CEO's view

"Our customers and other stakeholders expect us to take responsibility for energy consumption, the environment and social issues, and show respect for the wider public, our employees and the people living in the areas in which we operate. We must make an active contribution to the long-term sustainability of the community, and work in partnership with our customers to develop better product solutions", says AAK's CEO, Arne Frank.



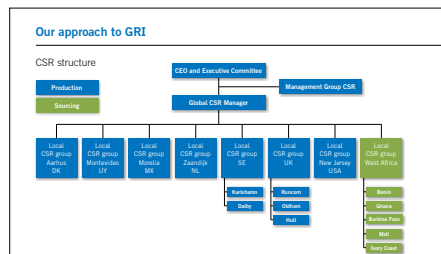
8-9 AAK's business model

AAK's business model is based on the opportunity to take advantage of the properties of vegetable oils. AAK purchases vegetable raw materials from around the globe in an ethically and environmentally appropriate manner. These are processed in the company's plants and turned into products which are often developed in partnership with customers.



10-11 AAK in your daily life

AAK's products are usually linked to foodstuffs and confectionery products. Vegetable oils are used everywhere in our daily lives.



14-21 Our approach to GRI

GRI, Global Reporting Initiative, creates a transparent system for monitoring companies' attitudes and approaches to their social responsibilities. AAK's work in this area is presented in this Sustainability Report 2009



24-25 Environmental responsibility

AAK's products are based on vegetable oil, a product extracted from natural plant material. Such products do not have a negative impact on the environment. Care for the environment is the responsibility of the whole company, and every employee has a vital role to play. The local external environment at the production sites is another important area. Every plant has its own local programme aimed at minimising its environmental load.



26-27 Vegetable oils are the base

The business has thrived on our expertise in fats. The company has a history spanning more than a century, and, right from the outset, we began to supplement raw materials such as rapeseed, sunflower seed and corn with products from Asia and Africa. At present, products from palm plantations and the wild shea tree constitute important raw materials, which are transported to our refineries worldwide for fractionating and extracting fats for use in a wide variety of applications.



28-29 Production plants

Production plants are located at ten sites in seven countries. The largest are in Aarhus, Denmark, and Karlshamn, Sweden.



30-33 Our responsibility for growers and suppliers of raw materials

AAK's approach to creating long-term relationships with suppliers emphasises, as a matter of course, the importance of preventing overexploitation of the eco-system, along with an ethical approach to people. The RSPO initiative, AAK's Code of Conduct and the UN Global Compact are our guide to social responsibility.



34-35 Our responsibility for energy and water consumption

Rising energy costs and the link between energy consumption and impact on the climate has resulted in an increasing focus on energy issues. Long-term profitability can only be guaranteed if both consumption and the cost of energy are kept as low as possible, without damaging the environment.



36-37 The air and the ozone layer

The air we breathe and the protective factor of the ozone layer against excessive radiation from the sun are, along with water quality, what most people associate most strongly with the concept of the environment. Emissions of carbon dioxide and other greenhouse gases must be reduced if we are to slow down the ongoing changes in the Earth's climate.



38-39 Community involvement

AAK's presence in different communities contributes to the economic growth of these communities.

In addition, AAK's ingredients are an everyday part of people's lives, from morning to evening, among young and old alike.



40-42 Our AAK – staff across the world

The AAK Group's around 2,000 employees are spread all over the world. Living conditions, financial circumstances and the organisation of work may differ, but AAK's Code of Conduct is the constant throughout AAK.



44-45 Our responsibility for our customers

Our responsibility towards our customers is based on sound business ethics, and involves a strong element of responsibility for the consumer. We meet their needs for product properties through our knowledge of the properties of vegetable oils. We must supply high-quality products, and we must not expose the world's best-known brands in food, confectionery and cosmetics to risk.



46 How AAK is managed and led across the world

AAK's operations are decentralised to business areas and operating sites. The Group's networks provide cross-border expertise, and an Executive Committee team, consisting of the CEO and business area managers provides overall control and leadership.

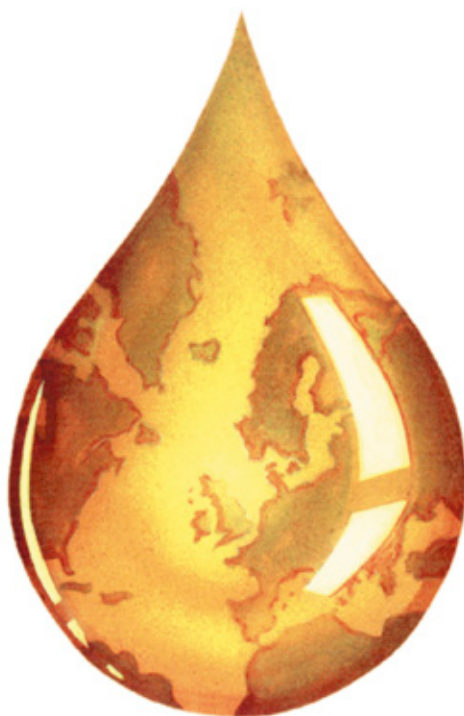
47 Business area managers and CSR

A coherent local approach to a global responsibility involves giving different weights to different factors in each national operation, with the aim of increasing performance and reducing environmental stress. This is how AAK's managers handle these issues.

2009 in summary

Economic development

- ◆ Operating profit reached SEK 827 million (851).
- ◆ The company recorded additional preliminary insurance compensation in the second quarter of SEK 70 million, which is not included in the operating profit of SEK 827 million.
- ◆ Strong cash flow from operating activities at SEK 2,265 million (-17).
- ◆ Earnings per share were SEK 10.14 (10.80); including the IAS 39 adjustment and non-recurring items, earnings per share were SEK 20.19 (0.04).
- ◆ Net sales amounted to SEK 15,884 million (17,207).
- ◆ Dividend decided AGM May 2010 of SEK 4.25 (4.00) per share.



AAK 2010 objectives

- ◆ Implementation of AAK Code of Conduct.
- ◆ Implementation of AAK Supplier Code of Conduct.
- ◆ Enhance AAK website with more extensive and dynamic CSR information.
- ◆ Increase number of AAK production sites obtaining RSPO supply chain certification.
- ◆ Cover all AAK private labels with GreenPalm RSPO certificates.
- ◆ Improve sustainability reporting in dialogue with external stakeholders.
- ◆ Assess internal value of GRI indicators within AAK organisation.
- ◆ Increase number of AAK sites sharing their CSR data with customers at SEDEX.
- ◆ Launch global assessment of AAK Climate Change Risks and Opportunities.

Environmental key figures

- ◆ Total energy consumption: 3,762 Terajoules.
- ◆ 32 % of consumed energy comes from renewable resources.
- ◆ Municipal and ground water consumption: 1.755.000 m³.
- ◆ Total direct CO₂ emission: 203,000 tonnes.
- ◆ 40 % of AAK's direct CO₂ emission comes from renewable resources.
- ◆ Total weight of waste: 16,072 tonnes.
- ◆ 44 % of waste used as biomass.

Operational key ratios (SEK million unless otherwise stated)	2009	2008	2007	2006
Gross contribution	3,744	3,644	3,134	2,723
Gross contribution per kilo, SEK	2.61	2.36	2.12	1.90
Operating profit/loss	827	851	653	455
Operating profit per kilo, SEK	0.58	0.55	0.44	0.32
Earnings per share, SEK	10.14	10.80	8.53	6.32
Return on operating capital, %	12.6	11.0	10.9	7.8
Financial key ratios including IAS 39 and non-recurring items (SEK million unless otherwise stated)				
Net sales	15,884	17,207	13,005	10,929
Operating profit	1,475	151	646	342
Investments	316	396	712	501
Operating cash flow after investments	1,952	-370	-1,083	-325
Net debt	3,186	5,112	4,273	3,026
Equity/assets ratio, %	35	25	28	33
Net debt/equity ratio, multiple	1.08	2.15	1.75	1.31
Earnings per share, SEK*	20.19	0.04	7.67	4.18

* Earnings per share was calculated using a weighted average of the number of outstanding shares during 2009.

Arne Frank, CEO: Great respect for the world around us is essential for financial development and growth

Only five years have passed since Aarhus United A/S merged with Karlshamns AB, to form AarhusKarlshamn AB, AAK. Even so, the two companies have more than a century of operation between them. Throughout this period, they have processed vegetable oils from natural raw materials. An operation lasting this long is a testament to the stability and long-term approach which has become the company's hallmark.

Long-term success can only be achieved if financial, environmental and social issues are managed in combination with each other, responsibly and in harmony with the world around us. Without this, we could not continue our strategy of using organic growth and selective acquisitions to strengthen the company. We must earn the respect of the world around us. Our customers and other stakeholders expect us to take responsibility for energy consumption, the environment and social issues, and show respect for the wider public, our employees and the people living in the areas in which we operate. We must make an active contribution to the long-term sustainability of the community, and work in partnership with our customers to develop better product solutions.

This report is intended to set out our position on sustainability-related issues, the areas we regard as priorities and our aims.



We are constantly endeavouring to improve and develop the information we provide on these issues, partly through expanding the information on our website. This year, we have also chosen to adopt the structure established by the Global Reporting Initiative for this printed report.

The AAK Group takes responsibility for issues relating to the working environment, environmental impact, energy consumption, business ethics and social respect in a number of ways. We aim to provide our stakeholders with the most transparent information possible about our operations.

Our Code of Conduct, which is the most important general control tool available to our employees in relation to the company's responsibilities, is based on international conventions and agreements. We have signed up to the UN's Global Compact initiative for responsible business practices, and we encourage our suppliers to work in accordance with these principles.

Our ambition is to use the constant improvement principle in a step-by-step approach to develop our corporate responsibility and improve the way we report this. The work of improving the CSR information we provide is ongoing and extensive. For more information on this, please visit www.aak.com/csr.

Global Compact

The United Nations Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption. 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.

The business model – from purchase to delivery



AAK's business model is based on the opportunity to take advantage of the properties of vegetable oils. AAK purchases vegetable raw materials from around the globe in an ethically and environmentally appropriate manner. These are processed in the company's plants and turned into products by experts who are working in partnership with customers to produce top-quality consumer products with an excellent business margin. The whole process reflects a fundamental responsibility for long-term sustainability at all levels, from raw materials to consumers.

Rapeseed, palm and shea are important features of the company's strategy of developing products with high added value, primarily for use by the food, confectionery and cosmetics industries.

Fat is a substance essential to life. There are different types of fats. They are primarily divided into four groups. Saturated fats and trans fats increase a person's cholesterol level, while unsaturated fats lower it.

- ◆ *Saturated fat* is found in animal products such as butter, cream, milk, meat and vegetable oils from tropical plants, such as coconut oil and palm oil. Saturated fats are recognised by the fact that they remain solid at room temperature.
- ◆ *Monounsaturated fat* is found in sunflower oil, olive oil, rapeseed oil and other vegetable oils. Monounsaturated fat is suitable for cooking, since it copes better with heating than polyunsaturated fat.
- ◆ *Polyunsaturated fat* is found in shellfish, oily fish such as salmon, mackerel, herring and sardines, as well as in vegetable oils made from rapeseed, sunflower seed, soya and corn. The healthy

Omega 3 and Omega 6 fats belong to the polyunsaturated fats.

- ◆ *Trans fats* are a particular form of unsaturated fats. They occur naturally in milk and fat from ruminants, but are also formed during the hardening process when vegetable oils are partially hardened.

The development of the properties of fat involves continuous development to offer the market healthier products.

AAK uses a wide range of raw materials to develop, in partnership with its customers, types of fats aimed at meeting increasingly diverse requirements.

From the savannah of West Africa to AAK's factories

Shea trees



Market



AAK



Local population



Raw materials gathered from all over the world

- ◆ Rapeseed from Northern and Central Europe.
- ◆ Palm oil from Asia and Latin America.
- ◆ Olive oil from Southern Europe.
- ◆ Soya from the USA and Latin America.
- ◆ Sunflower seed from Eastern Europe.
- ◆ Shea from West Africa.
- ◆ Corn primarily grown in America, Eastern and Southern Europe.
- ◆ Coconut from Malaysia and the Philippines.

Most vegetable oils must be hardened to increase their melting point and become sufficiently solid to be useful in various applications. An replacement is palm oil which is solid at room temperature. That characteristic makes palm oil a very important oil to AAK.

Shea is another raw material of increasing significance to AAK. This has been used in West Africa since time immemorial as a skin care and protection product. Shea butter is also used in cooking. "The holy tree" is highly treasured by the local population. It is only in recent years that the Western world has become aware of the moisturising and protective properties of shea butter. AAK was quick to take the initiative and has now become a world-leading producer of shea fat for the chocolate and cosmetics industries. This has largely been achieved

through a strong local presence in West Africa.

The shea tree grows wild on the savannah, and the raw material is found in the Sahel area of West Africa, Burkina Faso, Benin, the Ivory Coast and Ghana. It is in these countries that AAK has built up an extensive supply chain, from offices in towns and cities to local collectors.

As a world-leading producer of shea fats, it is important that AAK accepts social and ethical responsibility for both the raw material itself, and for the whole production chain.

The shea fruit is about the size of a chestnut. As soon as it is collected, it is dried and later used to produce shea butter. Shea is collected by the local population in the villages, and sold to AAK's local staff. The proximity of buyer and seller guarantees both availability and quality. The quality is checked a final time by AAK's own local laboratories, before the shea kernels are shipped to AAK's processing plant at Aarhus (Denmark).

AAK is one of the few companies in the world which is able to use a multi-stage cooling process to separate out shea oil fractions. This forms a product which can be used as a cocoa-butter replacer in chocolate production.

Oil from shea has become increasingly important to AAK, in line with the growth in chocolate products around the world. Cocoa is a relatively expensive raw material, and market prices fluctuate wildly from one year to another. This means that the chocolate manufacturers can make significant savings by replacing cocoa butter with vegetable fat alternatives.

In the EU, it has been permissible since 2003 to replace up to 5 percent of the cocoa butter in a chocolate product with a few special fats including shea and still label the product as chocolate. This rule, which has been adopted in different ways by different countries, has had and continues to have a positive impact on the demand for cocoa butter replacers.

Raw materials

- ◆ *Rapeseed*
- 6% saturated
- 94% unsaturated
- ◆ *Sunflower*
- 10% saturated
- 90% unsaturated
- ◆ *Olive*
- 15% saturated
- 85% unsaturated
- ◆ *Palm/Shea*
- 50% saturated
- 50% unsaturated
- ◆ *Coconut*
- 91% saturated
- 9% unsaturated

Business area

Technical Products & Feed

Business area Technical Products & Feed is an excellent example of the role that vegetable oils play in society with respect to the environment and health. The business area covers animal feed ingredients and lubricating products for felling machinery, where vegetable oils minimise the problem of discharge to the natural environment.

Candles made from fatty acids have lower carbon dioxide emissions than paraffin candles, vegetable lubricating oil spilled from a chainsaw is biodegradable. Dairy cattle can be fed guaranteed salmonella-free vegetable-based feed.



Business area
Food Ingredients

Food Ingredients is AAK's largest business area. 2009 was a highly successful year, despite the global recession. One of the business area's main strengths is its ability to develop customised solutions fast in response to health trends in the industry. AAK offers a wide selection of food ingredients from bulk to tailored speciality fats.

Business area
Chocolate & Confectionery

Business area Chocolate & Confectionery Fats produces speciality vegetable fats used as cocoa butter replacements in chocolate products, as well as speciality products for the cosmetics industry.

AAK can offer its customer among other things filling fats, fats for chocolate coatings and moulded chocolate products, as well as speciality fats for spreadable products.

Under the Lipex® brand, AAK develops and sells vegetable fat-based products for use in skin and hair care products, make-up and various types of hygiene products for washing, showering and bathing. The Lipex® family includes everything from softening products to products with biological effects.

Our responsibility for nature



Vegetable fats are the basis for AAK's operations. The business has thrived on our expertise in fats. The company has a history spanning more than a century, and, right from the outset, we began to supplement raw materials such as rapeseed, sunflower seed and corn with products from Asia and Africa.

AAK produces vegetable oil-based products. It is, therefore, an obvious step for AAK to develop sustainable production methods while taking responsibility for the world around it, right up to the point where its products reach its customers. AAK has accepted responsibility for promoting sustainable production. In 2002, in collaboration with the World Wildlife Fund for Nature, AAK was one of the founders of the Roundtable on Sustainable Palm Oil (RSPO).

Another important area is the external environment-related work carried out by the company in its various operating locations. Local programmes have now been adopted with the aim of controlling and reducing the environmental stress caused by the production units at each plant.

Palm oil and shea are important ingredients for the company's strategy of developing products with greater value-added, and by working in partnership with our customers, we are able to meet consumer demand for attractive products, primarily for the food, confectionery and cosmetics industries.

AAK's vision is to be the first choice of all stakeholders, customers, employees, suppliers and shareholders. This means that the company must, in all respects, carry on an operation which demonstrates long-term care for the people and environ-

ment which depend on AAK and on which AAK depends. AAK uses a wide range of raw materials to develop, in partnership with its customers, types of fats which meet increasingly diverse requirements while, at the same time, continuing to show respect for the world around it. This is reflected in a growing demand for more sophisticated fats, and the raw material supplied to AAK's refineries consists increasingly of palm oil and shea oil.

Oil palm

The oil palm is a native of West Africa, but was introduced as an ornamental plant in Malaysia around 1875. Palm oil production really took off after WWII, and each palm produces bunches of up to 3,000 fruits. Palm oil is extracted from the pulp, while the kernels are used in the production of palm-kernel oil. Today, palm oil is the most common vegetable oil in the world. Global production of palm oil has more than doubled in a decade. Malaysia has been overtaken by Indonesia as the world's leading palm oil producer. Together, the two countries are responsible for around 90 percent of world production.

Oil palm is by far the most effective oil crop in the world. With an average yield of 3.7 tonnes of oil per hectare it is 6 times as effective as rapeseed and 10 times as effective as soya beans.

Principles for reporting

Sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organisational performance towards the goal of sustainable development.

AAK in the world 2010...

...describes AAK from a Sustainable Enterprise perspective. The report is a supplement to the 2009 Annual Report and therefore contains only a summary of financial performance.

AAK in the world 2010...

...is the first sustainability report published by AAK. It does not contain any comparison figures over time. It shows the current situation.

AAK in the world 2010...

...illustrates the AAK Group's approach to issues of major significance to AAK's role in and attitude to the world around it. The figures reported are taken from the operation in 2009, but the attitude to issues and how we approach them applies to 2010 and future years. It is a rolling target and the aim is to publish reports on an annual basis, to show how we are continuing to deal with the relevant issues.

The stakeholders...

...in AAK's world are employees and customers, raw materials producers and suppliers, shareholders and financiers, other business partners, NGOs (non-governmental organisations), opinion makers, public authorities and, not least, those living in the immediate vicinity of our operations.

The data...

...consists of information reported to the authorities, as well as information generated specifically for this report. "AAK in the world" is not reviewed by external auditors. We believe that the requirements issued by public authorities, along with their effective scrutiny of the company, provide sufficient guarantee for the accuracy of the data reported.



AAK in the world 2010...

...conforms to the GRI and the UN's Global Compact. The aim of the Global Reporting Initiative (GRI) is to encourage companies and organisations to issue voluntary reports on the financial, environmental and social aspects of their operations. AAK's reporting

methods are inspired by the requirements of the GRI and the ten principles of the UN's Global Compact. All aspects of CSR issues affecting AAK are covered by the annual report, by this report and by regular reports published on AAK's website.

Global Reporting Initiative (GRI)

Is a network-based organisation that has pioneered the development of the world's most widely used sustainability reporting framework. The reporting framework is developed with participants drawn globally from business, civil society, labour, and professional institutions.

This framework sets out the principles and indicators that organisations can use to measure and report their economic, environmental, and social performance. The GRI guidelines also address the status and performance for each Global Compact principle.

Our approach to GRI

CSR structure



Sustainability reporting is about measuring, presenting and accepting responsibility towards stakeholders, both inside and outside the organisation, for what the organisation has achieved with its sustainable development efforts. Our sustainability report provides a balanced and reasonable picture of the results achieved by AAK on sustainability issues.

The report complies with the framework of the Global Reporting Initiative. GRI is a network-based organisation which has paved the way for the development of the world's most widely-used sustainable reporting frameworks. To ensure a high level of technical quality, credibility and relevance in the reports, the system has been developed in a partnership made up of the business sector, public institutions and the academic world.

The cornerstones of the framework are the guidelines for sustainability reporting, which were first published in 2006. GRI sustainability reports make it possible to compare a company's sustainability report-

ing organisation with that of other organisations, and to determine the capacity available to them and spot changes over time.

GRI also provides a basis for improvements and makes it possible to measure them. The guidelines for sustainability reporting make up the cornerstones of a system which is already used by thousands of organisations worldwide.

AAK's organisation for managing the GRI reporting is shown in the diagram of the work structure. Eight local groups and, in certain countries, sub-groups at smaller production plants, are responsible for collecting the factual data. The Global CSR Manager, who is responsible for CSR at Group level collates the factual data and reports to the CEO and Executive Committee.

A pilot report was compiled in 2008. Some of the GRI system was used, and in 2009, we were able to complete the process by compiling a report based on GRI Core Indicators.

The Group's Global CSR manager visited the ten production plants and reviewed the issues with the local CSR teams. It is a complex area and a new feature in our operations, and we are now in the middle

of the essential learning process. The 2008 review was a trial reporting and less comprehensive than the 2009 reporting. Hence we have abstained from making a comparison between the years.

The CSR structure and the CSR tasks have led to the creation of a Group-wide network which will encourage the sharing of experiences and measures at local level and allow the whole Group to benefit from these with the aim of achieving more widespread improvement in our performance on many sustainability issues.

The report is divided into sections

- EN, Environmental performance indicators
- FPSS, Food processing sector supplement
- LA, Labour practices
- HR, Human rights
- SO, Society performance
- PR, Product responsibility
- EC, Economic performance

CSR Team DK	
Jesper Korning*	Group CSR Manager
Marianne Dysted	HR Administration Manager
Simon Als Christiansen	Purchasing Manager-Exotic Raw Materials
Tom B. Christiansen	Environmental & Safety Manager
Lars Kronborg	Quality Technician
Peter Laurits Luke	Process Leader Energy
Anne Brødsgaard	Product Line Manager
Juan Luis Bendt	Operations Controller

CSR Team UY	
Andrea González*	Regional Logistics Manager
María Soledad Cardozo	Regional Manager for Applications and Product Quality
Nicolas Santos	Administrative and Financial Manager
Jens Møllerup	Technical Consultant
Martin Gil	Production & Operations Director

CSR Group MX	
Ramiro Corona Arevalo*	HR Manager
María de Lourdes Prado Zamudio	QS Manager
Ezequiel Perez Calderon	Project Manager
Gabriela Méndez Zamora	Assistant Costing
Laura Alejandra Calderón Rocha	Applications and Development Manager
Daisy Ramirez Castro	Communication

CSR Group NL	
Piet de Bakker*	Manager Logistic and Sourcing/Trading
Mieke Doll	QA Manager
Marcus Bense	QA Director Plant Manager
Rene Huisman	Controller
Hiske Keller	Area Sales Manager
Piet Mul	Manager Maintenance
Tineke Brinkkemper	HR Manager

* Team leader.

CSR Group SE	
Gunilla Gustafsson*	Quality Assurance
Gunilla Bergqvist	Sourcing & Trading Purchasing Manager
Martin Antonsson	Purchasing
Christine Åkesson-Stenbeck	Regional Sales Director
Joakim Karlsson	Trading Manager
Jim Broberg	Health, Safety & Environment
Johan Bodin	TPF, Logistics
Anna-Karin Nilsson	HR
Monica Hjorth	Senior Manager
Rita Leissner	LFC, Marketing Manager
Annelie Abrahamsson	Dalby, Quality Manager

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

CSR Group US	
Tom Winter*	Vice President – Operations
JoAnne Martinez	Human Resource Director
Kurt Faudel	Supply Chain Director
Scott Welsh	EHS Manager
Peter Maulbeck	Vice President Finance

CSR Group West Africa	
Simon Als Christiansen*	Purchasing Manager
Monika Hjorth	Senior Manager
Christer Yxell	Manager S&T, Benin
Alexander Andersson	Manager S&T, Benin
Pär Torstensson	Manager S&T, Ghana
Martin Ingemansson	Manager S&T, Burkina Faso

Global Reporting Initiative has a protocol which is followed. It covers all core indicators adjusted to the relevance of AAK business. Below is the AAK Group results from the first year AAK has used the protocol.

EC1 – Direct economy value generated and distributed including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments	
Total employee benefit initiative	10,145,000 SEK
Total community donations and investments	1,059,000 SEK

EC2 – Financial implications and other risks and opportunities for the organisation's activities due to climate change.	
AAK has not carried out assessment of climate change impact on business. Climate change scenarios have been discussed at senior management level but a global assessment has not been initiated yet.	

EC3 – Coverage of the organisation's defined benefit plan obligations	
No reporting. Clear definitions need to be developed.	

EC4 – Significant financial assistance received from government	
Describe benefit	Value
Total financial assistance received from governments	SEK 19 million

EC6 – Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation	
AAK Code of Conduct does not state local supplier preference. A definition of "locally based" and a calculation of local spending have not been completed.	

EC7 – Procedure for local hiring and proportion of senior management hired from local community at significant locations of operation	
AAK Code of Conduct states: <i>Recruitment and promotion of employees is based on a match between assessed job requirements and applicant's qualifications and experience.</i>	
There is no local preference.	

EC8 – Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement

Various projects and initiatives described elsewhere in this report.

Due to differences in calculation methods a cross-checking of data might reveal minor inconsistencies. The magnitude of differences, does, however, not interfere with the overall picture.

EN1 – Materials used by weight (t)

	Weight in tonnes
Raw materials	1,682,018
Additives	3,715
Packaging material	24,953
Processing aids	27,316
Lubricants	15.3

EN2 – Percentage of the materials used that are recycled input material

	Weight in tonnes
Externally obtained recycled material.	80,000 equal to 4.8 % of raw materials

Comments: Being mostly a food processor, processing of recycled material is very limited and is not a relevant indicator for our business.

EN3 – Direct energy consumption by primary energy sources

Source	Weight in tonnes	Gigajoules
Non renewable sources		
Fuel oil	32,617	1,365,192
Gas	15,107	767,688
Renewable sources		
Biofuel	9,922	357,200
Biomass	36,002	588,485

EN3 – Direct Energy Consumption by weight %

Biomass	38 %
Biofuel	11 %
Fuel oil	35 %
Gas	16 %

EN4 – Indirect energy consumption by primary source

	Gigajoules
Total electricity purchased	684,088
Green electricity share	249,786

EN4 – Electricity purchased

Renewable	37 %
Non renewable	63 %

EN8 – Total water withdrawal by source

Source	m ³
Surface water	47,990,00
Ground water	300,382
Municipal water	1,454,879

Surface water is used as a cooling agent without contact with products or other water pollutants.

EN11 – Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

United Kingdom and US sites adjacent to protected areas.

No significant consequences for production.

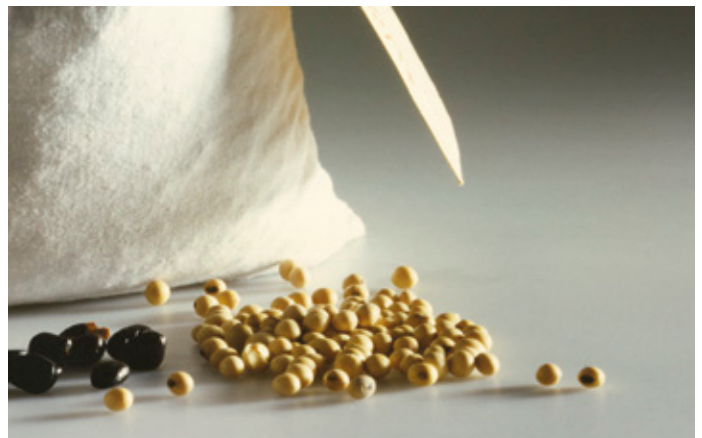
EN12 – Description of significant impact activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.

Palm oil

- ◆ AAK member of the RSPO (Roundtable on Sustainable Palm Oil) founder group.
- ◆ AAK treasurer of the RSPO board.
- ◆ AAK developed and manages the Book & Claim system for the trade of RSPO certificates.
- ◆ AAK adopted a palm oil policy promoting the use and production of RSPO certified palm oil.
- ◆ AAK first to import RSPO certified palm oil into Europe.
- ◆ AAK United Kingdom and AAK DK supply chain approved by RSPO to process certified sustainable palm oil.
- ◆ Vast majority of AAK sites only source palm oil from members of RSPO. Members of RSPO have to comply with RSPO Code of Conduct.

Soyabean oil

- ◆ Via membership of Fediol, AAK is involved in the RTRS (RoundTable on Responsible Soy).
- ◆ Majority of sourced soya bean oil is Identity Preserved non-GMO.



EN16 – Total direct and indirect greenhouse gas emission by weight	
	CO ₂ in tonnes
Total direct emission	202,935
Renewable sources emission	81,857
40 % of AAK direct CO ₂ emission comes from renewable resources.	
Indirect emission from purchased electricity and transportation is not included.	

EN17 – Other relevant indirect greenhouse gas emissions by weight	
No reporting. Insignificant in relation to emissions from production.	

EN19 – Emission of ozone depleting substances, (ODS) by weight	
	Kg
Purchased ODS	306
7 out of 10 sites have completely out-phased ODS. Sites still using equipment containing ODS have plans or policies for changing to non-ODS equipment.	

EN20 – NO _x , SO _x and other significant air emission by type and weight	
Total direct emission	Tonnes
NO _x	266
SO _x	501
VOC	231

EN21 – Total water discharge by quality and destination		
Total discharge in m ³	Next recipient	Total COD or BOD ₅ in tonnes
1,371,452	Waste water either treated by own or municipal wastewater plant.	1,245 COD 9.4 BOD ₅
Sites report either COD or BOD. At present this is controlled by local authorities.		

EN22 – Total weight of waste by type and disposal method	
	Total waste in tonnes
Hazardous	973
Non-hazardous	15,099
Disposal method in tonnes	
Reuse	593
Recycling/composting	5,910
Recovery of energy	7,007
Disposal (deposit/landfill)	2,581
94 % of waste material is non-hazardous.	

EN23 – Total number and volume of significant spills	
Number of spills	2
<i>AAK DK</i>	
Number of spills	1
Location	Production site
Material and volume	27 t vegetable oil
Description and impact	Discharge to sewer. Cleaning up sewers required. No sanctions but corrective action initiated internally.

<i>AAK SE</i>	
Number of spills	1
Location	Sea about 200 m of the shore in Karlshamn.
Material and volume	A couple of hundred litres of maize oil.
Description and impact	A spill of maize oil landed at the shore either from an illegal tank boat cleaning or an unreported incident at AAK. No environmental impact.

EN26 – Initiatives to mitigate environmental impact of products and services, and extent of impact mitigation	
Initiative examples	
<ul style="list-style-type: none"> ◆ Replacing steam vacuum by mechanically produced vacuum. ◆ Optimisation of central heating in the office building. ◆ Temperature adjustment in the warehouse. ◆ Reduction of outlet of phosphorus. ◆ Reduction of waste water discharge. ◆ Energy usage survey carried out by external consultants. 	
More examples described elsewhere in the report.	

EN27 – Percentage of products sold and their packaging materials that are reclaimed by category	
	Tonnes
Bulk	1,070,790
Packed	459,994
70 % of products are delivered as bulk (> 0.9 MT units)	
The dominant AAK initiative to reduce packaging material has been to convert from packed deliveries to bulk deliveries. Bulk is defined as a unit size above 0.9 tonnes	

EN28 – Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	
Non-compliances	5 incidents
Total fines	108 000 SEK
Sanctions	Internal corrective actions implemented to prevent future incidents.

FPSS3 – Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognised food safety management system standard

- 70 % of production sites are certified to one or more internationally recognized standard (ISO 22000/BRC/HACCP/AIB).
- 20 % of production sites are RSPO approved to process CSPO.
- 40 % of production sites are ISO 14001 certified (environment).
- 60 % of production sites are ISO 9001 certified (quality).
- 30 % of production sites are certified to produce organic products.

FPSS7 – Number of strikes and lock-outs exceeding one week's duration by country

2009	Duration
Strikes	0
Lock-outs	0

LA1 – Total workforce by employment type, employment contract and region

	Number
Full time	2,353
Part time	91
Total workforce	2,444*
*) not including agency staff	
	Number
Permanent contract	81 %
Temporary contract	8 %
Apprentice/Trainee	3 %
Agency staff	6 %
At-will employment	3 %
At-will employment is a doctrine of American law that defines an employment relationship.	

LA2 – Total number and rate of employee turnover by age group, gender and region

	Number Males	Number Females
Permanent employees	1,603	439
Turnover	121	36
Turnover defined as number of employees with permanent contracts leaving in 2009.		
Age	Number with permanent contracts	Number with permanent contract leaving 2009
<30	281	44
30-40	475	38
40-50	597	17
>50	577	44

LA4 – Percentage of employees covered by collective bargaining agreements

Number of employees covered by collective bargaining	1,111 of 2,439
46 % of AAK employees covered by collective bargaining agreements.	

LA5 – Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements

Minimum notice period	From no notice (at-will employment) to 3 months (legislation).
Where is the notice period laid down?	If applicable in legislation and/or collective agreements.
AAK is not in a position to provide a common group notice period. We abide with local legislation, local agreements from collective bargaining and our Code of Conduct.	

LA7 – Rates of injury, occupational diseases, lost days and absenteeism and number of work related fatalities by region

	Number
Injuries	77
Fatalities	0
Occupational diseases	3*
*) Registration not allowed in DK	
	Days
Lost days	907
Absentee days	13,451
Workforce days	589,446
AAK average: 2.3 % absentee days	

LA8 – Education, training, counselling, prevention and risk control programmes in place to assist workforce members, their families or community members regarding serious diseases

Majority of sites have run a special swine flu program for employees.

LA10 – Average hours of training per year per employee category

	Total number of employees	Total hours of training
White collar	872	9,485
Blue collar	833	14,698
On average 14 hours training per employee		
● White collar: 11 hours per employee.		
● Blue collar: 18 hours per employee.		



LA13 – Composition of governance bodies and breakdown of employees per category according to gender, age, group, minority group membership and other indicators of diversity

Age	Management	White collar	Blue collar
<30	7	132	273
30-40	46	239	397
40-50	72	251	353
>50	51	284	356
	Management	White collar	Blue collar
Male	142	516	1,263
Female	34	334	109
19 % female managers.			

LA14 – Ratio of basic salary of men to women by employee category

AAK has decided not to monitor this indicator since the interpretation of data will not show a true picture of the situation.

On average, AAK pays more in salary to males than to females. Not because the basic salary for males in general is higher, but because males in general have jobs with a higher salary. With the same job male and female salary is the same.

HR1 – Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening

No significant investment agreements in 2009.

HR2 – Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken

	Suppliers used in 2009	Approved suppliers used in 2009	HR screened suppliers used in 2009
Number of raw material suppliers	487	436	126
Method of HR screening	Number		
Self assessment	104		
On site audit	55		
90 % of suppliers used were pre-approved. 26 % of suppliers used were HR screened. 21 % of suppliers used were HR screened by self assessment. 11 % of suppliers used were HR screened by on-site audit.			

HR4 – Total number of incidents of discrimination and actions taken

4 claims of discrimination raised against AAK.

- 3 have been dissolved/withdrawn
- 1 still pending

HR5 – Operations identified in which the right to exercise freedom of association and collective bargaining may be a significant risk and actions taken to support these rights

AAK Group Policy: Corporate Social Responsibility was adopted February 2009. It says:

Freedom of association

We respect the freedom of association and the right to collective bargaining.

All AAK sites comply with the above.

HR6 – Operations identified as having significant risk for incidents or child labour and measures taken to contribute to the elimination of child labour

AAK Group Policy:

Corporate Social Responsibility was adopted February 2009. It states:

Child labour and young workers

We cannot accept the employment of children. The minimum age of employment shall not be less than the age of completion of compulsory schooling and in any case not less than 15 years (14 years in some developing countries).

Where national law permits it, children between the age of 12 and 15 may perform a few hours of light work per day. The work must not interfere with the children's education.

For young workers below the age of 18 special precautions are taken to protect them against accidents and damage to their health.

All AAK sites comply with the above.

A common approach towards child labour in the supply chain has been introduced with the adoption of the AAK Supplier Code of Conduct.

HR7 – Operations identified as having significant risk for incidents of forced or compulsory labour and measures taken to contribute to the elimination of forced and compulsory labour

AAK Group Policy: Corporate Social Responsibility was adopted February 2009. It states:

Forced labour

We do not accept any form of forced labour such as bonded labour, prison labour, slavery, human trafficking or retention of important personal documents of employees.

All AAK sites comply with the above.

SO1 – Nature, scope and effectiveness of any programmes and practices that assess and manage the impact of operations on communities including entering, operating and exiting

AAK Code of Conduct states:

Human rights under special circumstances

In addition to the already mentioned human rights issues, there might be circumstances under which further human rights perspectives might arise.

An example could be the assessment and management of the impact on local society when entering or exiting an operation.

Even if such an example is not common, AAK is aware of the potential impact on human rights and acts according to relevant international or local law. If no official guidelines are available, AAK will seek other sources so as to choose the best approach under the specific circumstances.

Being a founding member of RSPO, AAK has been actively participating in the development of the RSPO Principles and Criteria for Sustainable Palm Oil Production. Principle 6 particularly focuses on consideration of employees and of individuals and communities affected by growers and mills.

During 2009 AAK did not establish or terminate operations requiring special community impact assessment. The impact on local community from existing operations is monitored on a continuous basis by means of dialogue promoted by “open house” arrangements, receiving visitors, participating in local events, giving presentations, taking interviews etc. Media monitoring also adds to give a better picture of community general sentiment.

SO2 – Percentage and total number of business units analysed for risks related to corruption

AAK Code of Conduct adopted late 2009. It states:

Employees will not accept or offer any form of bribes, whatever the form, method or purpose.

Gifts, entertainment or personal favours may be offered and accepted only if they do not have any influence on business transactions and are of reasonable value and consistent with applicable laws and customary business practice.

All kinds of compensation to agents, suppliers and partners are based on verifiable supply of products and/or services only. Employees strive to avoid and minimize facilitation payments. Charitable contributions or sponsorships are not used as a subterfuge for bribery.

The Code was adopted late 2009 and no systematic risk assessment or training programme was conducted in 2009.

Further with the adoption of the Code, AAK has established a hotline to handle information about material violations of laws, legal requirements and/or the AAK Code of Conduct that employees might find it difficult to bring up locally. Information received via the hotline will be treated confidentially, anonymity will be respected and the sender shall not fear reprisals from anyone.



SO3 – Percentage of employees trained in organisation/s anti-corruption policies and procedures

See SO2.

No structured training programme has been initiated yet.

SO4 – Actions taken in response to incidents of corruption

	Number
Incidents of corruption	0

SO5 – Public policy positions and participating in public policy development and lobbying

In all production site countries, AAK is an active member in organisations that represent the interests of our industry.

SO8 – Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations

Non-compliances	None
Fines	None
Sanctions	None

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

Health and safety impact in life cycle stages

Concept / R&D

- ◆ Development of low trans fatty acid (TFA) product series.
- ◆ Development of dairy fat alternatives.
- ◆ Development of infant formulas with a balanced and sufficient amount of essential fatty acids.

Production

- ◆ Process specifications and control ensures removal of any contaminant.
- ◆ Good Manufacturing Practice implemented (GMP).
- ◆ Hazard Analysis Critical Control Point (HACCP) principles implemented to identify and prevent risks.
- ◆ Protective clothes, hygiene zones and rules to prevent contamination with foreign materials.
- ◆ Monitoring system for identification of residue levels.
- ◆ Allergens contamination prevention routines.

Marketing

- ◆ Promotion of healthy products and sustainable products.
- ◆ Labelling and product information e.g. allergens.

Transport

- ◆ Special hygiene requirement for tank car transportation.
- ◆ Food grade primary packaging.

Usage

- ◆ Shelf life information.
- ◆ Usage instructions.

Disposal

- ◆ Packaging material disposal labelling.

Health and safety issues of special concern:

- ◆ Saturated fatty acid content.

PR3 – Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements

The requirement for product information is in general very dependent on legislation, the type of product you deliver (commodity products versus infant formula products) and whether you deliver an ingredient or the final consumer product. Product information sheets produced within AAK can have different names/content in different countries.

Product Information Sheet / Product specification

- ◆ Produced for all products.
- ◆ Amount of information varies greatly.

Material Safety Data Sheet

- ◆ Relates to safety issues about the product.
- ◆ Not a legal requirement for food – basically a customer request.

Quality & Product Safety Sheet

- ◆ Information of allergens, country of origin, raw material and additive info, Genetically modified organism (GMO), Maximum Residue Limits (MRL), etc.
- ◆ Information of typical values for fatty acid composition etc.

Certificate of Analysis

- ◆ Produced for majority of products.
- ◆ Establish by lab analysis compliance with specifications.

Other information examples:

- ◆ Production date and/or expiry data (labelling).
- ◆ Certificate of Origin.
- ◆ Packaging specification.

PR6 – Programmes for adherence to laws, standard and voluntary codes related to marketing communications including advertising, promotion and sponsorship

Marketing communication complies with local laws and regulations. AAK has not implemented a common marketing code or standard. AAK Code of Conduct states “truthful” communication.

PR9 – Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

AAK did not receive any fines for products being non-compliant with laws and regulations.

Social Responsibility

AAK Group Policy: Corporate Social Responsibility

AAK supports in its actions the ten principles of United Nations Global Compact in the areas of human and labour rights, environment and anti-corruption, and we perceive the principles as a powerful platform for our activities within sustainability.

AAK will integrate social and environmental concerns into our business operations and in our interaction with our stakeholders. We will use our resources in order of priority based on risk assessment and sphere of influence.

Human rights

We support and respect the protection of internationally proclaimed human rights and constantly supervise within our sphere of influence that we are not complicit in human rights abuse.

Freedom of association

We respect the freedom of association and the right to collective bargaining.

Forced labour

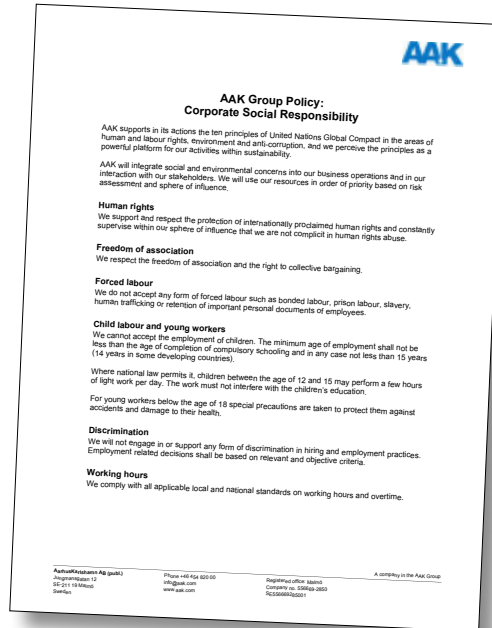
We do not accept any form of forced labour such as bonded labour, prison labour, slavery, human trafficking or retention of important personal documents of employees.

Child labour and young workers

We cannot accept the employment of children. The minimum age of employment shall not be less than the age of completion of compulsory schooling and in any case not less than 15 years (14 years in some developing countries).

Where national law permits it, children between the age of 12 and 15 may perform a few hours of light work per day. The work must not interfere with the children's education.

For young workers below the age of 18, special precautions are taken to protect them against accidents and damage to their health.



Discrimination

We will not engage in or support any form of discrimination in hiring and employment practices.

Employment-related decisions shall be based on relevant and objective criteria.

Working hours

We comply with all applicable local and national standards on working hours and overtime.

Remuneration

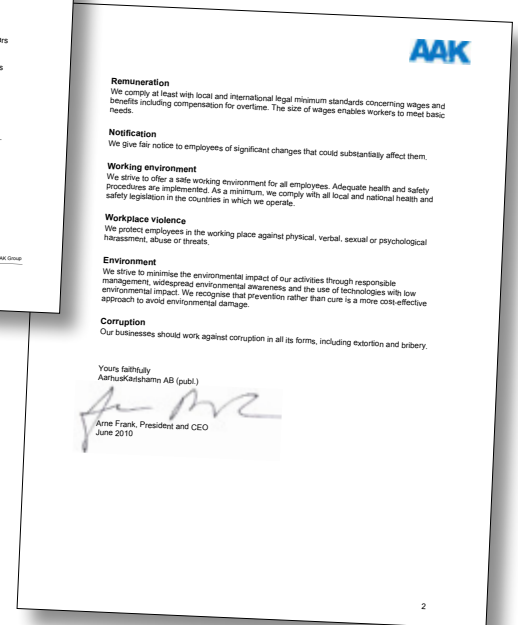
We comply at least with local and international legal minimum standards concerning wages and benefits including compensation for overtime. The size of wages enables workers to meet basic needs.

Notification

We give fair notice to employees of significant changes that could substantially affect them.

Working environment

We strive to offer a safe working environment for all employees. Adequate health and safety procedures are implemented. As a minimum, we comply with all local and national health and safety legislation in the countries in which we operate.



Workplace violence

We protect employees in the workplace against physical, verbal, sexual or psychological harassment, abuse or threats.

Environment

We strive to minimise the environmental impact of our activities through responsible management, widespread environmental awareness and the use of technologies with low environmental impact. We recognise that prevention rather than cure is a more cost-effective approach to avoid environmental damage.

Corruption

Our businesses should work against corruption in all its forms, including extortion and bribery.



Environmental responsibility

Our responsibility for the eco-system and the environment

AAK's products are based on vegetable oil, a product extracted from natural plant material. Such products do not have a negative impact on the environment.

It is, therefore, an obvious step for AAK to develop sustainable production methods while taking responsibility for the world around it, right up to the point where its products reach its customers. AAK aims to contribute to long-term ecological development by producing and selling products which, during their lifecycle, have a minimum impact on the environment. Care for the environment is the responsibility of the whole company, and every employee has a vital role to play.

The local external environment at the production sites is another important area. Every plant has its own local programme aimed at minimising its environmental load.

Our social responsibility and our responsibility for the sustainable supply of raw materials

Social responsibility must go hand-in-hand with environmental responsibility and eco-

nommic development, otherwise the company's credibility would be seriously damaged. This is an essential attitude, and it is deeply embedded in the Group's operations.

AAK is a world-leading producer of shea fats for the chocolate and cosmetics industries, largely due to a strong local presence in West Africa. This also implies far-reaching social and ethical responsibility, and AAK has its own personnel on site to guarantee that operations, at all levels, are carried on with respect for people and the environment.

In line with the UNDP (United Nations Development Programme), AAK works for a long-term improvement in the living standards of its local shea-collectors. This initiative includes improving their everyday lives by providing access to basic machinery which makes both handling the shea and their household chores easier.

This has, in turn, resulted in higher income, improvements to village economies and people being able to afford education for their children.

Responsibility at local level

In addition to active involvement in global projects such as RSPO, AAK regularly uses

the strong link between environmental activities and national legislation to work with environmental issues at a local level. The aim is to ensure that AAK's activities have a minimum impact on the environment and do not have any negative effect on human health.

Financial responsibility

To sum up, these CSR issues concern rolling targets. Progress is being made and more environmentally friendly technology is being developed constantly. AAK is governed by policies which regulate the Group's approach, with the aim of contributing to financially sustainable growth. These policies form an important part of the Executive Committee's agenda and are embedded through regular meetings and communication with staff, suppliers and customers.

The fundamental principles of AAK's environmental policy are:

- *Efficient use of resources:* AAK's industrial operations must be outstanding for the efficient use of resources and the use of natural energy, such as hydro-power.

Examples of 2009 environmental initiatives

AAK DK

- Optimisation of the waste water heating system prior to treatment resulted in an annual energy saving of 7,200 Gj.
- Insulation of tanks and 880 metres of steam and condensate pipelines has led to energy savings of 11,700 Gj. In addition working environment and safety was improved.
- The amount of reused condensate increased from 60 % to 95 %. The energy saving amounts to 5,300 Gj.

AAK NL

- Replacement of steam-generated vacuum with mechanically produced vacuum reduced gas consumption by 387,000 m³.
- Optimising central heating in office buildings saved 1,800 m³ gas.
- Temperature adjustments in the warehouse saved 50,000 kW.

AAK SE

- Improvement project has reduced output of phosphorous by 50 %.
- Improvement project resulted in a decrease of 20 % waste water.

AAK UK

- A complete mapping of energy and water consumption has been completed and forms the basis for 2010 improvement projects.
- Investment in effluent treatment plant decreased Chemical Oxygen Demand (COD) by 68 %.
- Closing of a cooling installation removed 80 kg Ozone Depleting Substance (ODS).

AAK US

- Installation of a Dissolved Air Flotation System reduced Biochemical Oxygen Demand (BOD) in effluent.
- Nickel storage area has been upgraded and the potential risk for storm water discharge has been eliminated.

- ◆ *Waste and emissions:* Waste and emissions from AAK's production plants will be minimised, and waste will, as far as possible, be recycled.
- ◆ *Safety:* AAK will work actively to prevent accidents and uncontrolled discharges by carrying out systematic risk analysis, taking preventive measures, ensuring that the company is prepared to handle crises, and through long-term technical planning.
- ◆ *Plants and equipment:* When changes are made to production processes, plants or products, AAK will, as far as possible, investigate opportunities for adopting measures aimed at improving the environment.
- ◆ *Research and development:* The aim of research and development projects will be to develop environmentally low-impact technologies, products and packaging.
- ◆ *Legislation and regulations:* AAK's industrial operations will meet current environmental legislation and implement environmental management systems such as ISO 14001.
- ◆ *Partners:* When selecting partners and transport operators, the environmental aspect will be assessed. AAK will inform consumers and suppliers of the company's environmental approach, and will work in partnership with them to achieve improvements in this area.
- ◆ *Information:* AAK will provide transparent and objective information on the company's environmental approach to the general public, the authorities, consumers, the media and other stakeholders.
- ◆ *Assessment and ambition:* AAK will assess its environmental work by monitoring emissions and implementing environmental audits.
AAK's environmental activities will undergo continuous improvement with the aid of well-defined and carefully communicated targets.
- ◆ *Training:* AAK will improve its employees' understanding and knowledge of environmental issues.



Vegetable oils form the basis for AAK's operations

The business has thrived on our expertise in fats. The company has a history spanning more than a century, and, right from the outset, we began to supplement raw materials such as rapeseed, sunflower seed and corn with raw materials from Asia and Africa.

At present, raw materials from palm plantations and the wild shea tree constitute important raw materials, which are transported to our refineries worldwide for fractionating and extracting fats for use in a wide variety of applications.

A broad range of raw materials with diverse properties provides important ingredients for the company's strategy of developing products with greater value-added. On this basis and by working in partnership with our customers, we are able to meet consumer demand for attractive products for the food, confectionery and cosmetics industries.

AAK has extensive knowledge of fats and their properties. This is the result of decades of operating in an area which is vital to human life.

Important source of nutrition

A fat-free diet does not ensure more rapid weight loss. It is the total calorific intake which determines whether we become overweight. It is less important whether the calories come from fat, carbohydrate or protein. At least 20 percent of energy should come from fat, and most of the fat consumed should come from fish, shellfish and vegetable fats. It has been shown that the link between cardiovascular disease and diet depends on the type of fat involved, rather than the total amount of fat. Saturated fatty acids and trans fatty acids have a negative impact on blood cholesterol, while unsaturated fats have a positive effect.

Vegetable oils also contain essential fatty acids, i.e. fatty acids which the body itself cannot produce and which have to be consumed through diet. There are two types of essential fatty acids – Omega 3 and Omega 6. In addition, vegetable fats are an important source of several vitamins, including vitamins E and K.

- ◆ Vegetable oils contain essential fatty acids. They are part of all cells and our bodies need them to produce hormones and other important substances.
- ◆ Vitamins A, D, E and K are fat-soluble. This means that the body's ability to absorb these vitamins is dependent on the presence of fat.
- ◆ Fat provides us with energy. Every gram of fat contains nine calories. Carbohydrates and proteins contain four calories per gram.
- ◆ One-third of the energy we require daily has to come in the form of calories from fat. For adults, this means a daily fat intake of 60-90 grams. It is important to achieve the right balance between saturated and various types of unsaturated fat.

Fat is, consequently, a substance essential to life. It is also the subject of much debate, in which its negative properties are often exaggerated. The healthy and, to the body, essential properties often receive little attention.

Trans fat and saturated fat increase the risk of cardiovascular disease. The authorities in most countries are making efforts to reduce the intake of both saturated and trans fats.

Many different raw materials

To allow AAK to offer a broad range of special fats, a large number of raw materials are used. The most frequently used ones are rapeseed, palm and shea.

Palm oil eliminates trans fat

Palm oil is extremely important to AAK. It has a broad application area, including chocolate, food and cosmetics. It is an excellent alternative to hardened fat. It is semi-solid at room temperature, which makes it an attractive option in the manufacture of many different foods. By using palm oil, trans fats can be eliminated from many food products. Consequently, demand has risen in Europe, as knowledge of the impact of trans fats on health becomes increasingly widespread.

The world production of palm oil has more than doubled in a decade.

Malaysia has been overtaken by Indonesia as the world's leading palm oil producer. Together, the two countries are responsible for around 90 percent of world production. The substantial expansion in production has increased the pressure on sensitive natural environments in parts of the Tropics.





Memberships of organisations safeguarding the interest of our industry

National associations

- Netherlands Oils, Fats and Oilseeds Trade Association / NOFOTA
- Confederation of Danish Industry / DI
- Chamber of Uruguayan Industries
- Product Board for Margarine, Fats and Oils / MVO
- Asociación Nacional de Industriales de Aceites y Mantecas Comestibles / ANIAME
- Swedish Food Federation / Li
- Seed Crushers and Oil Processors Association / SCOPA
- Association of Bakery Ingredient Manufacturers / ABIM
- American Fats and Oils Association / AFOA
- Institute of Shortening and Edible Oils / ISEO

International associations

- The EU Oil and Proteinmeal Industry / FEDIOL
- Federation of Oils, Seeds and Fats Associations / FOSFA
- Confederation of the food and drink industries of the EU / CIAA
- European Oleochemicals and Allied Products Group / APAG

Ten plants in seven countries

AAK is a world-leading supplier of speciality vegetable oils and fats

USA

Port Newark, New Jersey

– 91 employees

Most important operations:

Refining, bulk loading, box filling.

Products: Speciality fats for the bakery and other food industries, as well as speciality fats for the chocolate and confectionery industry.



Mexico

Morelia

– 359 employees

Most important

operations: All major processes in Oils & Fats, including oil extraction, refining, bulk loading and box filling.

Products: Speciality fats for chocolate and confectionery, including a complete range of trans-free fats and most DFA (Dairy Fat Alternatives) products as well as speciality products for the bakery and food industries.



Uruguay

Montevideo

– 11 employees

Most important

operations: All significant processes in the Oils & Fats segment.

Products: Speciality products for the chocolate and confectionery industry for the South American market.





United Kingdom

Hull

– 312 employees

Most important operations: Refining, bulk loading, box filling.

Products: Speciality fats for foodservice, bulk oils, speciality products for the bakery, cosmetics and pharmaceutical industries.

Oldham – 61 employees

Products: Speciality bakery products.

Runcorn – 113 employees

Products: Foodservice.



Denmark

Aarhus

– 395 employees

Most important operations: All major processes in the Oils & Fats segment, oil extraction, refining, fractionation, bulk loading and box filling. The largest production unit for CBE fats.

Products: Speciality fats for the chocolate and confectionery industry, bulk oils, speciality products for the cosmetics and pharmaceutical industry.

Sweden

Karlshamn

– 614 employees

Most important operations: All major processes in the Oils & Fats segment, oil extraction, fractionation, refining, bulk loading and box filling.

Products: From basic oils to speciality fats for chocolate and confectionery, cosmetics and pharmaceuticals, as well as for a number of food processing applications covering a full range of trans-free fats and a large number of DFA (Dairy Fat Alternatives) products. Production of speciality oils for baby food, animal feed ingredients, technical oils, fatty acids and glycerol.



Dalby – 53 employees

Products: Margarine and oil for restaurants, bakeries and catering kitchens.

The Netherlands

Zaandijk

– 63 employees

Most important operations: Refining, bulk loading, box filling.

Products: A number of speciality products, including trans-free powdered fats and ingredients for infant formulas and bakery products.



Our responsibility for growers and suppliers of raw materials

AAK's approach to creating long-term relationships with suppliers emphasises, as a matter of course, the importance of preventing over-exploitation of the eco-system, along with an ethical approach to people. Raw materials are obtained from regions where living standards differ markedly from the regions where most of the products are consumed. AAK's Code of Conduct governs how relations with suppliers should be managed and, just like the UN Global Compact, it acts as a guide to social responsibility.

The latter includes a number of fundamental concerns, which we have adopted and promote. Some of the more important are:

Social responsibility

Through its actions, AAK supports the ten principles of the United Nations Global Compact on human rights, labour, the environment and anti-corruption. We regard the principles as a strong platform on which to base the sustainability of our operations.

AAK will integrate social and environmental issues in the company's operations and in its interaction with stakeholders. Based on risk assessments and the company's sphere of influence, we will be using our resources in order of priority.

Human rights

We support and respect the protection of international human rights, and continuously ensure, within the company's sphere of influence, that we do not infringe human rights.

Child labour and underage labour

We do not accept the employment of children. The minimum age of employees must not be less than the age of completion of compulsory schooling, and in any case not less than 15 years (14 years in some developing countries).

Where national legislation permits it, children aged between 12 and 15 years may carry out a few hours' light labour per day. The work must not interfere with children's education.

Shea

Shea is a raw material of increasing significance to AAK. This has been used in West Africa since time immemorial as a skin care and protection product. Shea butter is also used in cooking. Women in the villages harvest shea by collecting the fallen fruit from under the trees. For these women, it is quite natural that the children should accompany them to work, without this being regarded as child labour. It is part of their social fabric.

AAK participates in extensive programmes aimed at improving living standards in the areas in which the company operates. This includes providing microloans to allow those involved in the harvest to invest in machinery, including domestic machinery, to lighten their workload.

AAK employs staff locally, who monitor the quality of the harvest and train the women in how to obtain an optimum quality and thereby obtaining a premium.

RSPO

Roundtable on Sustainable Palm Oil

Initiator of RSPO and GreenPalm, aimed at long-term sustainable cultivation

In partnership with WWF (Worldwide Fund for Nature), AAK is one of the initiators of the Roundtable on Sustainable Palm Oil (RSPO), with representation at committee level. As such, AAK supports sustainable production methods for palm oil.

In 2008, AAK was the first company in the world to import segregated palm oil into the EU.

We accept responsibility for long-term sustainable cultivation of palms and, consequently, a way to guarantee our supply of raw material.

Palm oil is extremely useful and is a frequently-used product. In the United Kingdom, it is estimated that some form of palm oil is featured in more than half of the packaged goods in supermarkets. Its use is not confined to food products. Palm oil is a

refined product which provides high quality at a relatively low price.

More than one million people are employed on the plantations. Indonesia is the largest producer, with more than 45 percent of world production.

It is, therefore, a natural requirement that companies which are, in one way or another, involved in the trade in palm oil, should be actively involved in CSR issues. For a company like AAK, which uses palm oil in its operations, sustainable production with a responsible approach to the world around it is of the utmost importance.

There is now an increasing interest in CSPO (Certified Sustainable Palm Oil) among palm oil users and one of the greatest challenges is how to keep the CSPO segregated from non-certified oil and transport it throughout the world from certified plantations to certified refineries and further to certified product manufacturers.

In August 2003, AAK developed the "book and claim" method, which reduced the need for separation of different shipments, by allowing certified plantations to sell their certificates separately from the certified palm oil. This made it possible to trade palm oil as usual while the certificate could be sold to the food manufacturer. By buying a sufficient number of certificates to cover the need for palm oil in the manufacturer's own production, the manufacturer rewards certified plantations and, through this, supports the cultivation of certified palm oil.

The proposal, which was presented by AAK for the first time in 2003, has now become a reality. Certificates are traded all over the world via the GreenPalm programme. The programme is administered by a United Kingdom subsidiary of AAK, Book & Claim Ltd, and has proved the most successful of the various supply chain options offered by RSPO. The large number of organisations which have signed up to the programme include well known companies like Nestlé, Danisco, Kraft, Kellogg, Unilever, Tesco, Marks & Spencer, Cadbury and Carrefour. After several years of promoting the idea, GreenPalm is now fully up and running and provides a simple and cost-effective way to meet the demand for promoting CSPO. To see the web-based trading



platform, please visit www.greenpalm.org.

The Roundtable on Sustainable Palm Oil is leading the way in meeting the demand for an important raw material produced using environmentally sustainable methods.

As the world's leading promoter of sustainably produced palm oil, the RSPO is active on many fronts and in many countries. The backgrounds of the members of RSPO, as well as those actively involved in these activities, vary greatly, and include:

- Oil palm growers
- Producers and retailers of various palm oil products

- Environmental organisations
- Other organisations
- Financial institutions
- Traders and producers

The principal objective of the RSPO is to "promote the cultivation and use of sustainable palm oil through co-operation within the supply chain, and an open dialogue with its stakeholders".

At present, plantation owners being members of the RSPO represent approx. 40 % of the world's palm oil production.

Members include leading NGOs, such as;

- The Rainforest Alliance
- Oxfam
- Conservation International
- Wetlands International
- The Global Environment Centre
- WWF Malaysia
- WWF Indonesia
- Sawit Watch

For more information and a full list of members, please visit www.rspo.org.



GreenPalm

The GreenPalm programme for trading in certificates was set up to promote the production of sustainable palm oil. Palm oil producers using sustainable methods and certified by the RSPO can earn extra money by selling GreenPalm certificates. Retailers, food companies and other final-stage customers actively support and encourage the sustainable production of palm oil by buying certificates.

Objective

GreenPalm's objective is to;

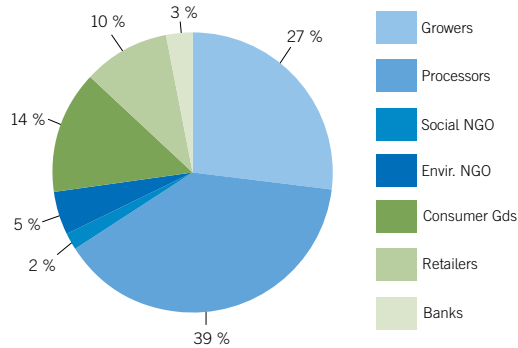
- Increase knowledge about sustainable palm oil
- Prevent the devastation of rain forests
- Support the Roundtable on Sustainable Palm Oil (RSPO)

A green pioneer

GreenPalm is a completely new approach to the problems which arise in a complex international industry. A straightforward,

RSPO

Roundtable on Sustainable Palm Oil



Who are members?



flexible system which is easy to introduce, GreenPalm has already made a difference.

GreenPalm offers financial compensation for producers who can demonstrate that they take environmental and social responsibility, do not destroy important forest resources and can show that they are constantly trying to improve their methods. Since GreenPalm operates in an already-existing chain of suppliers, it also serves to secure millions of jobs in the palm oil industry in some of the poorest regions in the world.

As little as 21 months after the start of trade in GreenPalm certificates, palm oil producers who are members of the programme and have met the RSPO's rigorous requirements on environmentally and socially sustainable production have already earned more than USD 8 million from the sale of GreenPalm certificates.

How it works

The GreenPalm programme bypasses the physical supplier chain. This is how it works:

Palm oil producers who have been allocated RSPO certificates are offered the opportunity to register one-tenth of their production with the GreenPalm programme. They receive one GreenPalm certificate

per tonne of sustainable oil. They can then trade these certificates on GreenPalm's web-based exchange, www.greenpalm.org.

Manufacturers or retailers of products which contain palm oil can bid for and purchase these certificates online, to show that they support the production of sustainable palm oil. Consumers can then choose to buy products produced using environmentally or socially sustainable methods.

The palm oil is sold and processed in the usual manner. Obviously, it would not have been possible to achieve the USD 8 million had the buyers not started purchasing GreenPalm certificates. No less than 50 retailers and producers have already redeemed GreenPalm certificates, and you can find out who these are by going to the Redeemed Certificate Owners page under the marketing department of www.greenpalm.org.

The list of GreenPalm members is growing daily. At the moment, the programme has more than 150 members, including major retailers, well-known manufacturers and food product organisations.

One of the most important benefits of the GreenPalm programme is that it can also reward small-scale producers whose crops are sold only in their own countries. It is also important to remember that for

every GreenPalm certificate sold, USD 1 goes to the RSPO to support the important work carried out by the organisation. Since more than 800,000 certificates have been purchased during the first 21 months of the programme, the programme has, in July 2010, generated more than USD 8 million for the RSPO's sustainable palm growing operations.

For the plantations, the GreenPalm programme involves audits by independent organisations, an audit carried out by the RSPO every three months and the publication of the audit reports in a transparent manner. All this results in the growers obtaining a certificate which is valid for five years, subject to annual inspections.

For suppliers, the GreenPalm programme means that audits are carried out by neutral organisations who issue annual certificates which guarantee that the supplier trades only in palm oil approved under the RSPO programme.

In July 2010, the GreenPalm programme had 150 members, from growers to end-customers.

It should also be noted that ten of the major growers are members of the GreenPalm programme. Eight of these have received financial rewards.

Our responsibility for energy consumption

As a process industry, AAK consumes energy in its industrial processes. Since our raw materials are obtained a long way from the production locations, and the company's operations are global, a significant part of the operation consists of transport. Energy must be consumed with great respect for long-term ecological development. Rising energy costs and the link between energy consumption and impact on the climate has resulted in an increasing focus on energy issues. Long-term profitability can only be guaranteed if both consumption and the cost of energy are kept as low as possible.

The company's approach is to follow both international and national agreements aimed at achieving long-term sustainable development. The aim is to ensure that AAK's activities have reduced impact on the environment. The strong link between environmental activities and national legislation means that AAK is regularly involved in environmental issues at a local level.

AAK's operations are relatively energy-intensive. The processes are particularly dependent on heat, and use large quantities of steam. AAK is involved in ongoing efforts to improve the energy processes, primarily with the aim of achieving cleaner combustion, and the alternative fuels market is under constant review. A very important effort is to increase energy efficiency and where possible increase the amount of renewable energy sources.

Local conditions govern the type of energy

The type of energy used at our various operating sites varies markedly.

In Uruguay all our direct energy consumption comes from biomass. 85 % of AAK SE consumption originates from biomass and biofuel.

LPG (Liquefied petroleum gas) is the main fuel in the Netherlands and the United Kingdom, while Denmark and Mexico mainly use fueloil. Some of the electricity used comes from in-house production us-

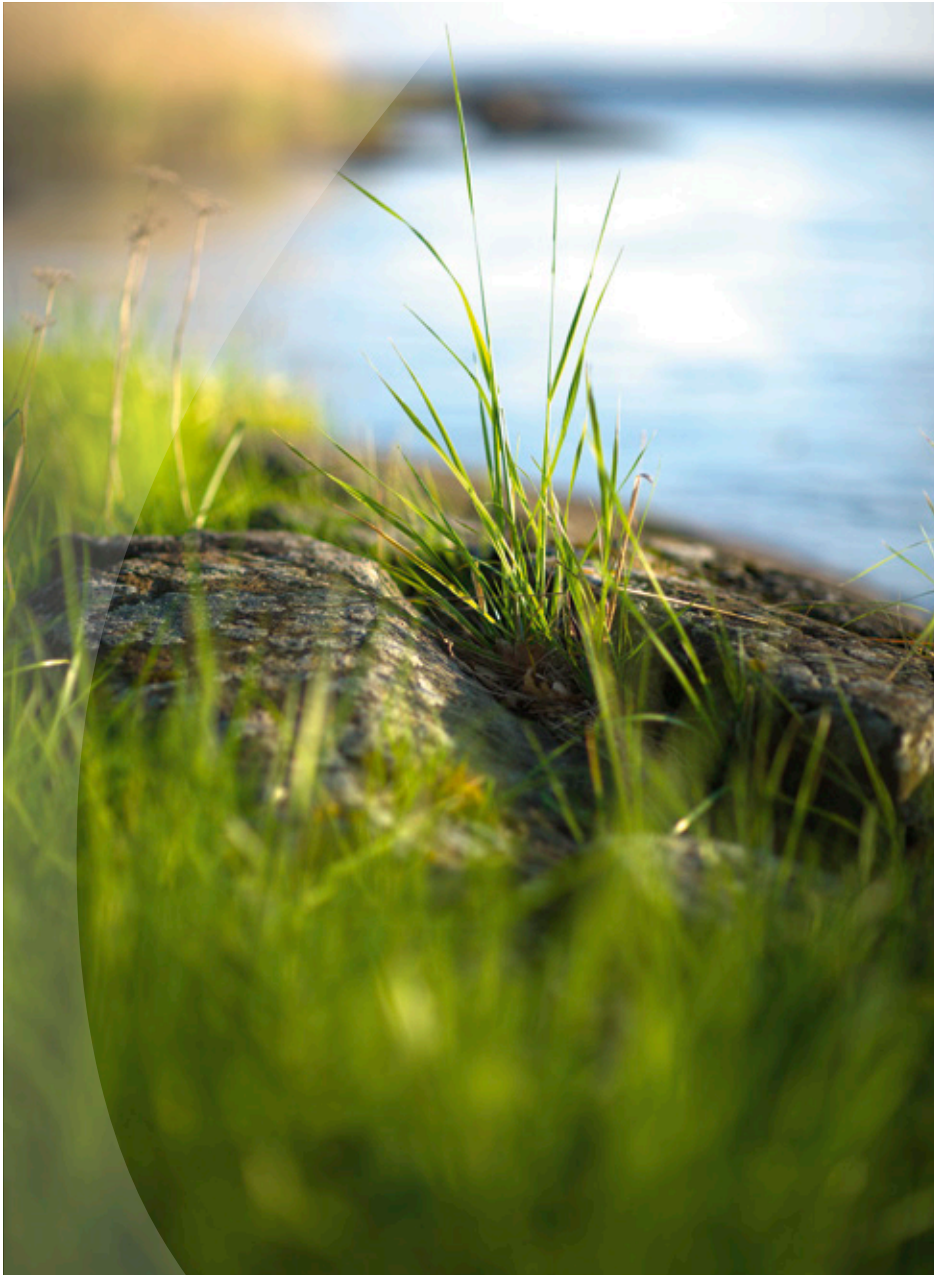


ing back-pressure power, but the rest is purchased from external sources.

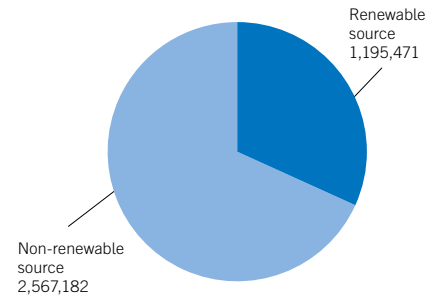
Within the framework of an energy management system, AAK has carried out a survey of how the energy used in the company's production plants is generated. In recent years, this has led to energy-related investments, like:

- Installation of solar cells for heating of the tanker terminal in Mexico.
- Installation of a biofuel plant in Sweden.

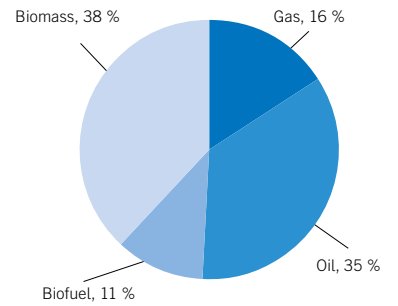
Some production sites with their own power plant are selling energy in the form of steam and electricity externally. Energy data referred to in this report are corrected accordingly. Hence total energy consumption refers to the energy purchased plus the energy generated minus energy sold.



Total energy consumption – 3,762 Terajoules



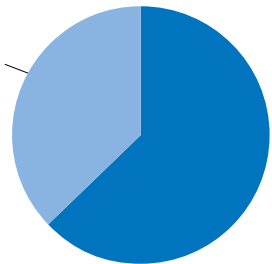
Distribution of direct energy consumption by weight



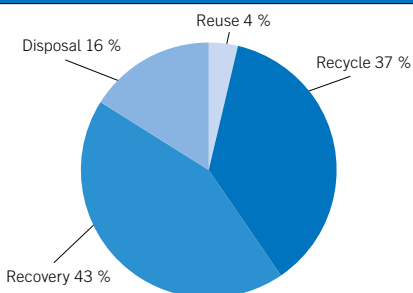
Indirect energy consumption

Total electrical energy purchased 684,088 gigajoules

37 % of electricity consumed comes from renewable resources

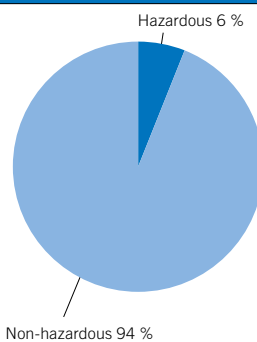


Waste disposal

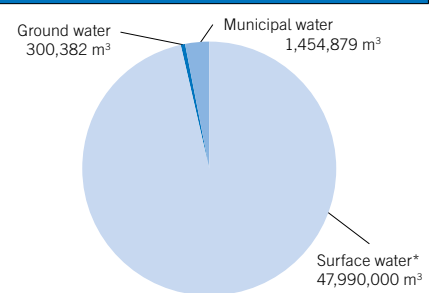


A relatively big part of the waste is re-used as biofuel.

Waste material



Total water consumption



*Surface water taken from rivers, lakes and the sea is used as a coolant in the processes at the production plants.

The air and the ozone layer

The air we breathe and the protective factor of the ozone layer against excessive radiation from the sun are, along with water quality, what most people associate most strongly with the concept of the environment. Emissions of carbon dioxide and other greenhouse gases must be reduced if we are to slow down the ongoing changes in the Earth's climate.

One result of the UN's climate conference in Copenhagen in December 2009 was an agreement that the current, negative trend must be stopped. Since 2005, an EU system has been in place for trading in emission rights for fossil carbon dioxide. The system affects plants and businesses which emit carbon dioxide into the atmosphere. After a trial period in 2005 to 2007, the system was permanently adopted in 2008. For the period 2008–2012, the total allocation of emission rights is less than during the trial period, which is in line with the intentions of the system. For the period starting in 2013, a system is being considered under which emission rights will be auctioned rather than shared out free of charge.

We generate a total of 202,935 tonnes of CO₂ from all 10 plants. 40 percent of this comes from renewable resources.

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 involves a hazard. Among

humans, increased UV radiation leads to a greater risk of health problems, such as skin cancer, weakened immune defences and glaucoma.

Protection for arable crops

The reason for the thinning of the ozone layer is that substances which break down ozone are being released into the atmosphere. They often remain there for a long time, which means that the ozone layer is affected decades after the substances were emitted.

In the environment, land and aquatic eco-systems may be harmed, as well as arable crops and forests. Various materials also suffer damage from too much UV radiation.

For this reason, it feels natural for AAK to play an active role and make urgent efforts to eliminate the use of all substances which may harm the ozone layer. These substances include certain chlorinated solvents, chlorofluorocarbon (CFCs) and hydrochlorofluorocarbon (HCFC). CFCs and HCFCs can be found in items such as fridges, air conditioning units and foam plastic.

Over Antarctica, the thinning is around 50 percent during the spring months of September-October. At latitudes where AAK has its largest plants – in Sweden and Denmark – a thinning of the ozone layer of up to 5-10 percent has been noted over the past 20 years.

An international agreement, the Montreal Protocol, regulates the emission of ozone-

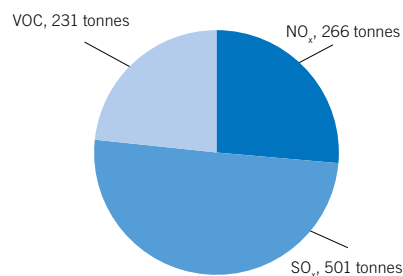
depleting substances. In recent years, it has become apparent that the measures are having an effect. The break-down of the ozone layer has slowed down, and an improvement has been noted in some areas.

The substances in question go under the generic designation Ozone Depleting Substances (ODS) and are used primarily in refrigerants. For a number of years, AAK has been working on cutting out all ODS in refrigerants. Equipment using these gases has been phased out gradually. Today, seven out of the ten AAK plants have no ODS-based cooling plants. The total amount purchased in 2009 amounts to 306 kg.

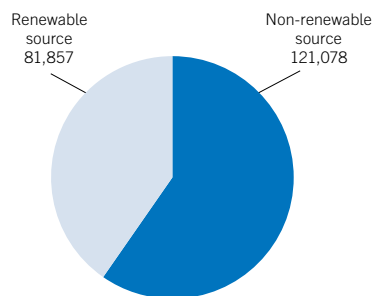
At the same time, methods for managing gases without releasing them into the natural environment have been developed.

Other gases with an impact on the environment and which are generated by AAK's operations include nitrous oxides, sulphur oxides and VOC (Volatile Organic Compound).

NO_x, SO_x and other significant air emission by type and weight



Total direct CO₂ emission – 203,000 tonnes





Community involvement

AAK's presence in different communities contributes to the economic growth of these communities.

In addition, AAK's ingredients are an everyday part of people's lives, from morning to evening, among young and old alike.

AAK is involved in a large number of community-related activities. These are often carried on at a local level, and may involve working in partnership with neighbours, stakeholder groups, authorities and sports clubs. The latter include many examples of how the company supports projects involving children and teenagers.

Virtually all AAK production units provide support for and involve themselves in community, environmental and health-related activities at a local level, and this is fully in line with our Code of Conduct which states that we must contribute to a better society by providing support for the local communities in which we operate.

Here are some examples:

AAK MX

Nursery & Doctor's office service

As part of the help that AAK MX gives to the community, one employee of the company works directly in a nursery located in the zone, Centro de Innovación, where he offers his services in a full-time job helping children. In addition, the company's doctor, besides attending employees at the company, also offers her services daily to the community.



Health Drive

– The Health Drive was held in October, 2009. Over the course of a week, local people were invited to have a free check-up, including eye tests, glucose and cholesterol levels, obesity and more. Also invited to participate in the health drive were laboratories, health centres and government institutions such as IMSS (Instituto Mexicano Del Seguro Social).

AAK US

AAK sponsors 5 students in the Corporate Internship Program of Christ the King Preparatory School in Newark, NJ. This programme gives economically disadvantaged students a college preparatory education while gaining business experience as an intern (one day per week per student) with AAK.

AAK SE

Kemins dag

AAK sponsored "Kemins Dag" (Chemistry Day) which is an event for schools aimed at encouraging interest in chemistry. The Swedish Plastic & Chemicals Federation

has planned some exciting experiments, in collaboration with a number of science centres. All the materials needed for the experiments are put together in a package that the schools can order. The experiments include: production of bio plastic from rapeseed oil and production of cream for skin care. AAK has sponsored with the raw material used.

SIR

AAK is a member of SIR (Cooperation for Recruitment) – a network of companies, authorities and institutions in the community. Through SIR, family members moving to Karlshamn when their spouse has a new job there, are offered support when searching for a job. The members of the network cooperate in finding a proper job or education offer.

AAK NL

AAK organised an Open House for all people living in the direct vicinity of the factory. Tours around the factory were organised to show the process and changes over time. The event was completed by a social get-together.

Likewise, AAK sponsors various municipal projects (Windmill Foundation, Open Air Museum, First in Food) to create a mutual understanding and provide a platform for an open dialogue with the local society.

AAK UK

AAK staff made a series of presentations to students at Andrew Marvell Business & Enterprise College – a local college. The content was closely linked with the college curriculum and fit into their "Big Learning Day" event. Some of the students have relatives who work for AAK.

AAK presented its activities as a case study of a real business within 3 miles of the college. It enabled AAK to present a balanced picture of the use of palm oil to the next generation of consumers and possibly raised aspirations in some of the students that they could have a future career in AAK.

AAK LA

In 2009 AAK LA started supporting “Un techo para mi País” (“A roof for my country”); a Latin American non-profit organisation that mobilises youth volunteers to eradicate the extreme poverty that affects more than 80 million people in the region. It works with Latin America’s most marginalised populations, constructing transitional homes and implementing social inclusion programs to empower slum residents with the tools to improve their quality of life. “A roof for my country” works in 15 countries in Latin America, including Uruguay, where it assists 63,000 families whose needs are desperate. AAK has become one of the “friend companies” that contribute annually to the cost of transitional houses.



AAK DK

Open Harbour 2009

Aarhus Harbour and the companies at the harbour arranged an event aiming to show the local community what is going on at the harbour and at companies based on the harbour site. AAK participated with 30-40 people and an AAK tent with demonstrations of AAK raw materials and processing and bus trips to the AAK Application Centre, where demonstrations of product applications were given.

The Ghana Friendship Groups

The Ghana Friendship Groups is an NGO participating in development projects in Northern Ghana. The development project has focus on the education of children, youth and adults – School for Life.

AAK supplies the group with old and discarded laptops. In 2009 they received 12 laptops from AAK from which they assembled 6 fully functioning laptops which were delivered to schools, youth houses and education places for adults.



Africa Now

AAK was a sponsor of and participated with a West African shea kernel stand at the exhibition area of “Africa Now” – a 5 day Aarhus city event aiming to “Find Africa in Aarhus”. At the daily walks of citizens’ groups to “Find Africa in Aarhus” AAK was one of the stopping points. At the AAK reception a video showing the shea supply chain was running and a selection of end-products containing shea oil was displayed.

AAK had a lot of positive exposure in the local media and the knowledge of AAK’s business amongst the local society and authorities generally increased.

Our AAK staff across the world

AAK's operations are global. In addition to ten plants in seven countries, we have our own sales teams in many countries, and, very importantly, our local raw materials purchasing staff in different places, such as Africa. They play a major role in ensuring that our suppliers comply with the Code of Conduct, which is central and fundamental to our efforts to achieve sustainable production with total respect for the world around us, in accordance with the Global Compact.

At the start of 2010, AAK employed 2,444 people. The majority of these, 96 percent, were full-time employees. 81 % had a permanent contract and the rest were temporary employees, trainees, consultants or "at-will" employees (a doctrine of American law that defines a specific type of employment relationship).

It is absolutely vital for AAK to provide its employees with a safe workplace. AAK carries out continuous checks of the safety levels at the company's plants around the world, and takes action to eliminate potential risks. AAK's health and safety-related efforts are based on national legislation,

international rules and regulations, comparisons with industry standards and AAK's own standards. For the Group as a whole, 77 work-related accidents were registered which resulted in a loss of 907 working days in total. Days of absence due to other causes totalled 13,451.

The majority of employees were offered swine flu vaccinations.

AAK has adopted management systems for work relating to occupational health and safety issues. At the plants, the management systems include safety awareness training, targets, identification of risks and continuous follow-ups of results.

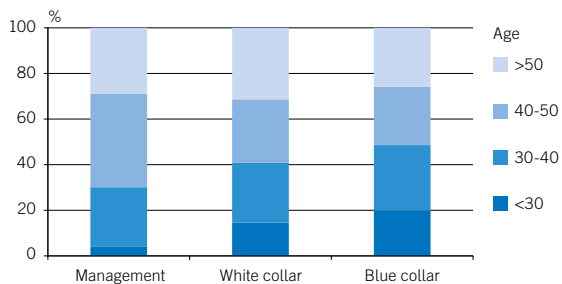
The management systems provide a framework which AAK plants can use to identify and actively deal with health and safety risks, reduce the risk of accidents, monitor their health and safety targets and improve their approach to safety issues.

New employees and temporary summer staff are provided with safety training, and every year, staff at all AAK production plants receive training in first aid and fire fighting.

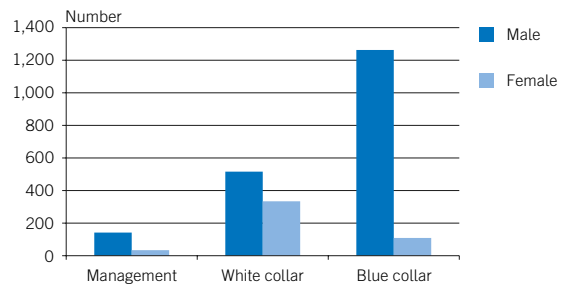
AAK has adopted rules on equal pay for equal work with respect to gender. It means that for the same job male and female salary is the same.



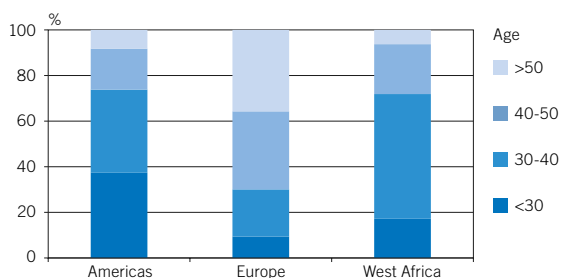
Employee category by age distribution



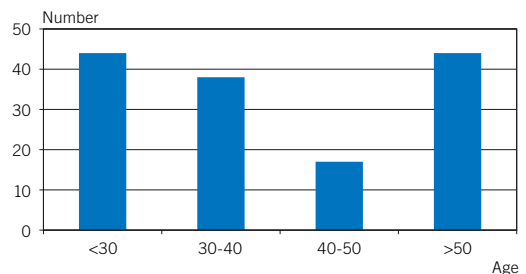
Employee category by gender



Permanent employees by age



Permanent employees turnover by age





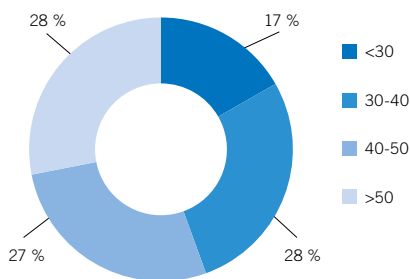
Employee benefits

Benefits offered to employees are diverse and dependent on the situation and tradition at individual sites.

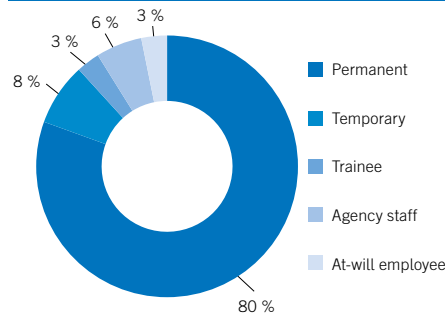
Benefit examples are:

- ◆ Free access to in-house sports facilities
- ◆ Free fruit offered
- ◆ Free bus transportation
- ◆ Subsidised food in canteen
- ◆ Healthy food choice in canteen offered
- ◆ Sponsored company sports events
- ◆ Medical checks offered
- ◆ Sponsored events such as jubilees, Christmas events, Easter events etc.

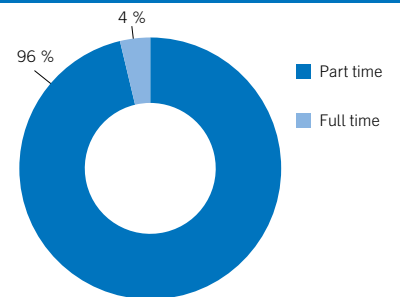
Employee distribution by age



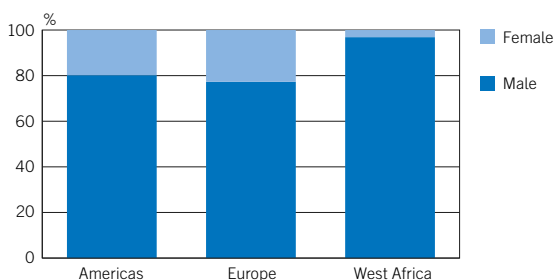
Employment contract type



Employment type



Permanent employees by gender



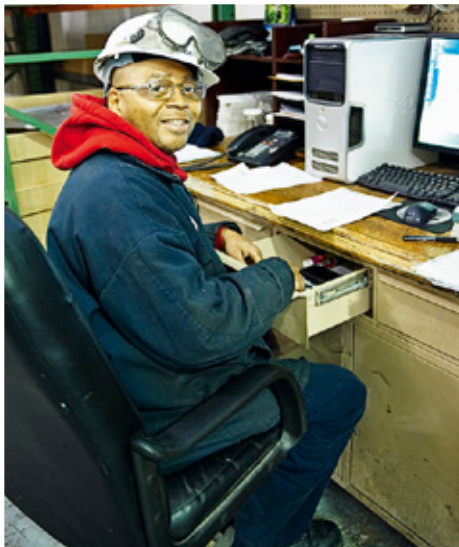
Internal communication

Continuous efforts are made to ensure that all members of staff are thoroughly familiar with the company's Code of Conduct. Half of the employees have continuous internet access, which is the most important channel for in-house information. In addition to the internet, there are notice boards and a number of internal printed information channels.

Travel forms a natural, everyday and essential part of operations in all global companies. But today, technology provides us with great opportunities to cut back on travel. Changes in behaviour are being made in response to increased awareness of the impact of travel on the environment. To reduce the number of journeys and, consequently, its environmental impact, AAK has built 11 video conference facilities at its operational sites. 1,600 video conferences were held in 2009. For 300 of these meetings, travel would have been essential had it not been for the video conference facility. This means that in a single year, 20 percent of the meetings which, in the past, required travel have been replaced by video conferences.

A costing of the investment in the plants shows that, with an estimated cost per person per journey of SEK 10,000, the video conference facilities generated a direct saving to the company of SEK 6 million in the first year while at the same time reduced carbon dioxide emission. As the use of the systems become habitual, the number of video conferences will very likely rise, while the amount of travel will fall.

For regular meetings of an everyday nature, international teleconferences are becoming increasingly common. It is a simple way of providing regular information on developments in various areas of operation.



Code of Conduct

AAK's policies and guidelines are summarised in the company's Code of Conduct, which emphasises sustainable development. Along with the legislation in each country, they provide the framework for and govern AAK's actions in various areas.

The Code of Conduct forms the basis for the management of CSR issues. In 2009, AAK launched the company's Code of Conduct – an essential tool in the management of environmental, working environment and ethical matters. Along with regulations for corporate management and policies, the Code of Conduct provides a framework for our operations.

The Code applies to all staff, managers and Board members at AAK, in all markets, at all times and without exceptions.

AAK's Code of Conduct is based on internationally recognised conventions and guidelines, such as the UN convention on human rights, the ILO's conventions, the OECD's guidelines and the UN Global Compact.

Organisation

At Board level, it is the Audit Committee which is responsible for monitoring the follow-up and reporting of Corporate Responsibility issues. The Corporate Communications department is responsible for reporting on the Group's CSR efforts.

The local collection of data, processing and collation of CSR communications is handled by a group made up of representatives covering Sales, Communications, Finance, Legal, Environment, HR and Purchasing.

Active dialogue with stakeholders

AAK's communication with its stakeholders is characterised by open relations, regular dialogue and transparency, and maintains high ethical standards.

A continuous exchange of information and dialogue are maintained at many different levels between AAK and the company's stakeholders, including clients, suppliers, members of staff and shareholders.

Data selection

AAK's CSR cycle – dialogue, collection of data, examination, analysis and the publishing of AAK's CSR report – will follow an annual cycle, with the most detailed updates of the information from the previous calendar year being produced, examined, analysed and compiled between the New Year and the publishing date in May-June. From then until September, the company will, in accordance with an adopted plan, obtain feedback via dialogue with selected stakeholders (e.g. staff, managers, independent organisations, ethical foundations and public authorities) in core CSR areas, such as the environment, energy, raw material supplies, human rights etc. The fact that the CSR report is inspired by GRI's guidelines makes discussions easier. The views expressed during discussions with stakeholders will be used to improve the selection of data, and focus reporting on valued information.



Our responsibility towards our customers

Our responsibility towards our customers is based on sound business ethics, and involves a strong responsibility for safeguarding our customers' brands. It includes elements such as product specifications, food safety, environment, supply chain issues and product information.

Product development is often carried on in strong partnership with customers. We supply products to companies with some of the best-known brands in the food, confectionery and cosmetics areas, and we must not expose these brands to any risks. We must use our profound knowledge of the properties and functionalities of vegetable oils to respond to our customers' requirements for various products.

Once specified and agreed with the customer the product is described in a product specification defining values for critical parameters and other special requirements. Subsequently our process control and in-house laboratory inspections secure a supply of consistent product.

However other issues beside specifications are of utmost importance. Controlling food safety issues and using Good Manufacturing Practice (GMP) are natural tasks we must take care of. The oil-refining process is in general a very robust process that removes contaminants and bacteria – if any. Based on risk analysis using the HACCP principles, critical control points are identified and preventive measures implemented. Established process specifications and controls finally ensure sound and clean products. To avoid foreign materials entering the final refined product, production areas are divided into hygiene zones and operators wear protective clothes, and hair-nets.

Still another issue could be harmful to our customer's brands: The history of the product, i.e. the history of the raw materials used for producing the product. This includes how it was grown, harvested, transported, processed, etc. No oil refining process can remove this element of history of the product.

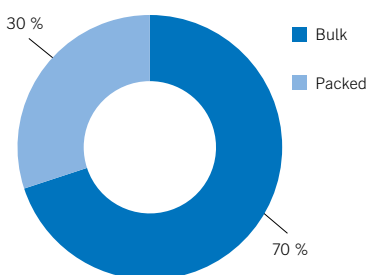
Consequently, AAK takes action and responsibility within our sphere of influence



for the history of the product focusing on elements within environment, human and labour rights. At times the best way of influencing behaviour in the supply chain is by engaging in partnerships. AAK's involvement in RSPO and the partnership with UNDP in Burkina Faso are good examples of how to influence behaviour in the palm oil and shea oil supply chain.

At other times exerting influence is done by various means such as supplier acceptance of AAK Supplier Code of Conduct, supplier self-assessment, and/or on-site audit by an AAK team. The extent of the method

Products delivered – bulk defined >0.9t unit



is based on a supplier assessment taking various information into account such as local legislation, country assessment, certifications, CSR reporting, web information etc. and obviously the general knowledge we might have of the supplier.

In short, AAK undertakes responsibility for all elements attached to our products that could compromise our customers' brands.

CSR transparency

In line with customer requests and our general attitude towards openness, AAK has decided to join the Supplier Ethical Data Exchange – Sedex.

Sedex contains a database where AAK individual production sites can offer customers safe and efficient access to information about CSR practices. At present 4 out of the 7 major AAK production sites have joined and offer CSR transparency to customers.

International and national legislation

Food and confectionery products, as well as cosmetics, are protected by comprehensive international and national legislation. All our product development must take account of standards and provisions relating to the impact on human health, the ecosystem and the environment in general of such products.

Product information

Product information is important, and all relevant data must be available to the customers enabling them to label the consumer product correctly. AAK produces various documents related to individual products. The extent is in general based on legislative and customer requirements.

Values

Our collaboration with our customers is developing all the time. This includes providing each other with information on our respective codes of conduct, and enabling us to adjust and level and ultimately share and promote the same set of values.



SEDEX

The Supplier Ethical Data Exchange is a not-for-profit organisation based in London. It was started in 2001 by a group of UK retailers and their first tier suppliers. They saw the need to ease the burden on suppliers who were being audited multiple times against various customer systems. Hence they recognised that companies had to move away from developing their own systems to working collaboratively.

Sedex enables member companies to manage efficiently the ethical and responsible practices of their supply chains, generating transparency through secure and user-friendly data exchange within labour standards, health & safety, environment and business integrity practices.

Today Sedex has more than 400 purchaser members and 28,000 supplier members registered in the system.

Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognised food safety management system standard

- ◆ 70 % of production sites are certified to one or more internationally recognised standard. (ISO 22000/BRC/HACCP/AIB).
- ◆ 20 % of production sites are RSPO-approved to process CSPO (Certified Sustainable Palm Oil).
- ◆ 40 % of production sites are ISO 14001 certified (environment).
- ◆ 60 % of production sites are ISO 9001 certified (quality).
- ◆ 30 % of production sites are certified to produce organic products.

Management of AAK

AAK's operation is decentralised and divided into business areas and operating sites. The organisation includes a number of networks and several specialist functions.

The Board of Directors and Executive Committee team

AAK's Board of Directors consists of 10 members elected by the annual general meeting, as well as two employee representatives and two deputies appointed by the trade unions. The Board of Directors held six meetings in 2009. The Audit Committee held four meetings.

Directors, elected by the annual general meeting

Melker Schörling, Chairman of the Board
Carl Bek-Nielsen, Vice Chairman
Märিত Beckeman
Martin Bek-Nielsen
Anders Davidsson
Mikael Ekdahl
Arne Frank
John Goodwin
Harald Sauthoff and
Ulrik Svensson

Members, appointed by the trade unions
Annika Westerlund, PTK-L
Leif Håkansson, IF-Metall

AAK's Executive Committee team

The Executive Committee team consists of the CEO, CFO and business area managers. The Executive Committee team held 12 meetings in 2009. The meetings discussed the performance and results of the operation, reports in preparation for and after Board meetings, operational planning, budget matters, investments, acquisitions and issues relating to CSR, staff, safety and the environment.

Executive Committee team:

- Arne Frank, President and CEO, also President Chocolate & Confectionery Fats
- Anders Byström, Vice President and CFO
- Renald Macintosh, President Food Ingredients Europe and AarhusKarlshamn Netherlands B.V.
- Ian McIntosh, President AarhusKarlshamn UK & Americas
- Bo Svensson, CIO, President AarhusKarlshamn Sweden AB and Technical Products & Feed

Organisation and operations

The Group's Board of Directors, CEO and department managers, business area managers and operation site managers are responsible for the operation at each organisational level.

Financial information

AAK publishes an annual report audited by external auditors. Accounts and interim reports are published four times a year. Presentation material is also published in the lead-up to conferences for analysts and investor events. Financial information is also posted on AAK's website, www.aak.com

Business and product information

AAK publishes various information magazines aimed primarily at customers and staff.

Staff information

The Group's primary internal communications channel is the intranet, which can be accessed by around half of the Group's employees. Members of staff with no access to the intranet receive information via notice boards, information leaflets printed in the local language and regular general meetings at their workplaces.

Purchasing

The purchase of raw materials, input goods and services is coordinated with the aim of cutting overall costs. This approach also makes it easier to require clear quality and environmental standards from suppliers.





**Arne Frank,
Chocolate & Confectionery Fats:**

“As the CEO, I have overall responsibility for CSR issues. Our future development and growth is conditional on our ability to manage the world around us responsibly. These are, therefore, high-priority questions, and we now have the staff and resources to handle them effectively. The Group structure illustrated in the organisational diagram is staffed at every level with local experts in every CSR-related area. We are creating the drive and concentration of expertise which, taken together, makes us a global force to be reckoned with. In only a few years, the experience gained at our various plants has created the basis for improvements in the area.”

“In my capacity as acting CCF manager, I would like to stress how important it is that we manage our raw materials suppliers in a way which stands up to ethical and moral scrutiny. In this context, I am particularly thinking of the women in West Africa who collect the shea fruit. We have a responsibility to improve their living standards.”



**Renald Mackintosh,
Food Ingredients Continental Europe:**

“Operations involving food products demand the best in product quality and safety. We certify together with outside independent bodies all parts of our production processes, from the beginning to the end, up to the highest international standards. In this way we take our responsibility and commitment to produce safe products that are even beyond regulatory requirements and that are fully in line with our customers demands.”



**Ian McIntosh,
AarhusKarlshamn UK & Americas**

“In an operation which spans several continents and countries, all with their individual cultures, there is, of course, no homogenous view on CSR issues. But there is a clear and rapid spread across the world of the realisation that it is vital to manage all parts of an operation responsibly. Our customers are multinationals, with brand exposure across the globe. We cannot risk their operations by not managing our own well. Their brands are dependent on ours.”



**Bo Svensson,
AarhusKarlshamn Sweden and
Technical Products & Feed**

“The Executive Committee is located in Sweden, and AAK is listed on the Stockholm Stock Exchange. Our future supply of capital depends on our ability to manage even soft issues well. Here, I am particularly referring to matters involving our staff and the environment in general, where the risk of doubts being raised about AAK by public opinion may have a direct impact on the company’s market value.”



GRI index

Letter code:
 F: Fully reported N: Not reported
 P: Partly reported NA: Not applicable

Indicator	Reporting Status			
	Annual Report		Sustainability Report	
	Code	Page	Code	Page
1. STRATEGY AND ANALYSIS				
1.1			F	7
1.2	P	36-41, 30-31	P	44
2. ORGANISATIONAL PROFILE				
2.1	F	3	F	2
2.2	F	18-30	N	
2.3	F	91-96	P	14-15
2.4	F	3, 104	P	2
2.5	F	16-17	F	28-29
2.6	F	88-89	N	
2.7	F	16-29, 80	N	
2.8	P	18-29	P	40-41
2.9	F	45-46	N	
2.10			NA	
3. REPORT PARAMETERS				
3.1			F	13
3.2			NA	
3.3			F	13
3.4			F	49
Report scope and boundary				
3.5			F	3, 13
3.6			F	13
3.7			N	
3.8			NA	
3.9			P	13
3.10			NA	
3.11			NA	
GRI content index				
3.12			F	48-49
3.13			P	13
4. GOVERNANCE, COMMITMENTS AND ENGAGEMENTS				
4.1	F	90-96	N	
4.2	F	98	N	
4.3	F	92-93	N	
4.4	F	92	N	
4.5	F	93-94	N	
4.6	F	95-96	N	
4.7	P	93	N	

Indicator	Reporting Status			
	Annual Report		Sustainability Report	
	Code	Page	Code	Page
4.8	F	36-43, 96	P	7, 22
4.9	P	93	N	
4.10			N	
Commitments to external initiatives				
4.11			N	
4.12	P	90	P	9, 22, 30
4.13			F	27
Stakeholder engagement				
4.14			N	
4.15			N	
4.16			N	
4.17			N	
5. FINANCIAL PERFORMANCE INDICATORS				
Economic performance				
EC1			F	20
EC2			N	
EC3	P	74	N	
EC4			F	21
Market presence				
EC6			P	21
EC7			P	21
Indirect economic impacts				
EC8			F	38-39
ENVIRONMENTAL PERFORMANCE INDICATORS				
Materials				
EN1			F	15
EN2			F	15
Energy				
EN3			F	15
EN4			F	16
Water				
EN8			F	16
Biodiversity				
EN11			F	16
EN12			P	16

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Indicator	Reporting Status			
	Annual Report		Sustainability Report	
	Code	Page	Code	Page
Emissions, effluents and waste				
EN16	Total direct and indirect greenhouse gas emissions		P	16
EN19	Emissions of ozone-depleting substances		F	16
EN20	NO _x , SO _x and other significant air emissions		F	16
EN21	Total water discharge		F	16
EN22	Total weight of waste by type and disposal methods		F	16
EN23	Total number and volume of significant spills		F	17
Products and services				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation		P	17
EN27	Percentage of products and packaging material reclaimed		P	17
Compliance with laws and regulations				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		F	17
SECTORS SUPPLEMENTS				
FPSS3	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognised system standards		P	17
FPSS7	Number of strikes/lockouts of more than one week's duration by country		F	17
PERFORMANCE INDICATORS FOR LABOUR PRACTICES AND DECENT WORK				
LA1	Total workforce by employment type, employment contract and region		P	17
LA2	Total number and rate of employee turnover		F	17
Labour/management relations				
LA4	Percentage of employees covered by collective bargaining agreements		F	18
LA5	Minimum notice period(s) regarding operational changes		F	18
Occupational health and safety				
LA7	Rates of injury, occupational disease, lost days, and absenteeism, and total number of work-related fatalities		F	18
LA8	Action programmes regarding serious diseases		P	18
LA10	Average hours of training per employee		P	18
Diversity and equal opportunity				
LA13	Composition of governance bodies and breakdown of employees per category (gender, age group, minority group membership)		F	18
LA14	Ratio of basic salary of men to women by employee category		P	18
PERFORMANCE INDICATORS FOR HUMAN RIGHTS				
Investment and procurement practices				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening		F	18
HR2	Percentage of significant suppliers that have undergone screening on human rights, and actions taken		F	18
Non-discrimination				
HR4	Total number of incidents of discrimination, and actions taken		F	19
Freedom of association and collective bargaining				
HR5	Operations defined in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken		P	19
Child labour				
HR6	Operations identified as having significant risk of incidents of child labour, and measures taken		F	19
Forced and compulsory labour				
HR7	Operations identified as having significant risk of incidents of forced or compulsory labour, and measures taken		P	19

Indicator	Reporting Status			
	Annual Report		Sustainability Report	
	Code	Page	Code	Page
PERFORMANCE INDICATORS FOR SOCIAL ISSUES				
S01	Programmes and practices that assess and manage the impacts of operations on communities		F	19
Corruption				
S02	Percentage and total number of business units analysed for risks related to corruption		F	19
S03	Percentage of employees trained in organisation's anti-corruption policies and procedures		F	20
S04	Actions taken in response to incidents of corruption		F	20
Public policy				
S05	Public policy positions and participation in public policy development and lobbying		F	20
Compliance				
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		F	20
PERFORMANCE INDICATORS FOR PRODUCT RESPONSIBILITY				
Customer health and safety				
PR1	Lifecycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of products and services categories subject to such procedures		P	20
Product and service labelling				
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements		P	20
Marketing communication				
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communication		F	20
Compliance				
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning products and services		F	20

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The first choice for value-added vegetable oil solutions

– The vision consists of three important elements which govern what we want to achieve:

- first choice
- value-added solutions
- vegetable oils