

# Sustainability from plant to brand

**AAK**



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# President and CEO: Making better happen for people and planet

**The Covid-19 pandemic brought unprecedented challenges for society and businesses in 2020. As we now look to 2021, we have a unique opportunity to build back better. As signatories of the UN Global Compact, as well as the UN Global Compact's Statement for Renewed Global Cooperation launched in 2020, we at AAK are committed to playing our part to steer our world onto a more equitable, inclusive and sustainable path.**

This special time of significant opportunities has motivated us to look closer at our reason for being and how we as a company can benefit both people and planet.

## Uncovering the AAK purpose

During the year, we engaged in dialogue with over 1,000 AAK employees, asking questions like: What makes you proud to work for AAK? A key insight was that AAK is known for constantly trying to make things better and more sustainable. We also learned that our decentralized business model makes us good at getting things done.

These insights inspired us to uncover the AAK purpose: Making Better Happen™ and sustainability is at the heart of our purpose.

Sustainability is embedded in everything we do – ensuring responsible supply chains, minimizing our environmental impact and being a knowledgeable partner on sustainability solutions for our customers.

Our purpose is rooted in a strong belief that honesty and transparency drive progress. In this Sustainability Report, we share our performance, ambitions and insights on sustainability. We are open about our challenges and risks related to sustainability, as well as the opportunities to drive our growth and competitiveness.

I invite you – all of our stakeholders – to join us on our sustainability journey.

## A year of raised ambitions

During 2020, we took important steps to raise our ambitions and intensify our sustainability work.

- We reached out to many of our key customers with deep-dive interviews about their sustainability to identify areas where we can further improve.
- We updated and strengthened our framework for integrating sustainability into our business model – the AAK House of Sustainability. This updated model will further build commitment and mobilize action throughout our organization.
- We strengthened our processes for measuring, evaluating and reporting on our sustainability performance.
- We identified climate risks, frameworks and actions that can enable us to effectively reduce our climate impact.
- We have also begun the process of setting targets for CO<sub>2</sub> emissions that will be submitted for approval by the Science Based Targets initiative (SBTi).

## The journey towards sustainable palm oil

The raw materials that we source and process are an important part of AAK's sustainability impact. Palm oil, in particular, is one of the world's most important vegetable oils, bringing affordable nutrition and functionality as well as a way out of poverty for millions of people in poorer regions of the world. But there are also risks of negative impact related to the palm oil supply chain.

Because of the complexity of the palm oil supply chain, which involves millions of smallholder farmers, the environmental and social risks associated with it can only be solved by working together in cross-industry initiatives. At AAK, we engage and collaborate with



our customers and suppliers as well as industry organizations, NGOs, local governments and smallholder initiatives to make the global palm oil supply chain sustainable and better at respecting human rights.

In 2020, AAK has taken important steps on the journey towards sustainable palm oil:

- We adopted a sourcing plan and strategy towards a palm oil supply chain that is 100 percent traceable to plantation and 100 percent verified deforestation-free.
- We stepped up our supplier monitoring and engagement and strengthened our processes for proactively addressing non-compliance.
- We implemented the full-scale satellite monitoring of our global palm oil supply base. The new service will provide real-time insights in areas connected to our supply chain where there are risks of deforestation.

### Continued sustainability progress

Our direct shea sourcing program in West Africa continued to expand during 2020 and is now reaching more than 320,000 women, an increase of close to 40 percent since 2019. At the heart of this program is a long-term sustainability partnership, sourcing directly from women in one of the world's poorest regions.

Additionally, we see improvements in our global environmental parameters such as energy and waste intensity with 5.4 percent and 50 percent reduction per processed unit, respectively.

We are fully committed to accelerate our reduction of greenhouse gas emissions. Looking ahead, we are bringing all our operational sites under the Science Based Targets initiative, which in turn also will result in significant CO<sub>2</sub> reductions.

### Co-development for plant-based foods

Plant-based foods play a key role in creating a healthier, more sustainable and just global food system. Plant-based oils and fats are important ingredients to create an attractive eating experience for these products. This is an area where we see great opportunities for AAK to create business value and make a positive impact.

Together with our customers, we drive co-development and collaboration to bring new plant-based food products to market that offer great taste experiences as well a significantly lower climate impact compared with traditional foods.

In 2020, we announced our plans to build a Plant-based Foods Global Center of Excellence in the Netherlands. This will act as a knowledge center for our plant-based activities, where we will develop and showcase our plant-based innovations to support customers around the world. We are very proud of this investment which lays the foundation for new growth opportunities for AAK, as well as a great chance for us to become a catalyst for change in the global food system.

Finally, I would like to thank the entire AAK team for their dedication this past year. Your efforts will continue to drive our work to make better happen for people and planet in 2021 and beyond.

Johan Westman, President and CEO

# AAK's story

Everything we do is about Making Better Happen™

AAK specializes in plant-based oils that are the value-adding ingredients in many of the products people love to consume. We make these products better tasting, healthier, and more sustainable. We enhance their sensory experience – by giving the silkier mouthfeel in premium chocolate, the juicier texture in a plant-based burger, and the puffier appearance in a lower-fat pastry. We can also optimize their production by substituting existing ingredients with plant-based equivalents that give better efficiency. AAK's value-adding solutions enable our customers to be successful in a better way.

At the heart of AAK's offer is Customer Co-Development, combining our desire to understand what better means for each customer, with the unique flexibility of our production assets, and a deep knowledge of many products and industries, including Chocolate & Confectionery, Bakery, Dairy, Plant-based Foods, Special Nutrition, Foodservice and Personal Care. Our 3,900 employees support our close collaboration with customers through 25 regional sales offices, 15 dedicated Customer Innovation Centers, and with the support of more than 20 production facilities.

Listed on Nasdaq Stockholm and with our headquarters in Malmö, Sweden, AAK has been Making Better Happen™ for 150 years.

Operational key figures (SEK million unless otherwise stated)	2016	2017	2018	2019	2020
Volumes, thousand tons	1,966	2,129	2,239	2,290	<b>2,195</b>
Net sales	22,057	26,436	27,592	28,510	<b>27,934</b>
Adjusted operating profit (EBIT)*	1,615	1,786	1,956	2,157	<b>2,165</b>
Operating profit	1,615	1,786	1,956	2,142	<b>2,167</b>
Operating profit per kilo, SEK	0.82	0.84	0.87	0.94	<b>0.99</b>
Cash flow from operating activities	1,213	1,099	1,090	1,558	<b>2,023</b>
Earnings per share, SEK**	3.95	4.71	5.21	5.86	<b>6.16</b>
Equity per share, SEK**	29.65	30.21	35.11	40.74	<b>38.00</b>
Dividend per share, SEK**	1.46	1.63	1.85	2.10	<b>2.30 ***</b>
Return on Capital Employed, R12m, percent	15.8	15.6	15.8	14.9	<b>14.3</b>
CEO salary, SEK million per annum	20.1	15.1	12.5	18.7	<b>15.1</b>
Number of employees	2,971	3,399	3,609	3,884	<b>3,978</b>
Lost Time Injury Rate (LTIR)	0.6	0.8	0.6	0.4	<b>0.4</b>
Absence rate, percent	3.0	2.3	3.5	3.6	<b>1.6</b>
Women on the Board of Directors, percent	50	66	57	50	<b>50</b>
Energy consumption per unit processed material (GJ)	2.33	2.25	2.36	2.22	<b>2.10</b>

\* Adjusted for non-recurring items and acquisition costs

\*\* Share data recalculated in accordance with the decided share split (6:1) by the Annual General Meeting on May 30, 2018

\*\*\* In accordance with the Board of Directors' proposal

# AAK in the world

## Global coverage, local collaboration

Our customers in the food, confectionery and cosmetics industries know that they can count on AAK to be there wherever and whenever they need us. They can rely on local support from our sales teams, production sites and Customer Innovation Centers located in most regions of the world.

Being physically close to customers is an essential advantage. Significant quantities of oils and fats are often required in production processes, so transportation has a major impact both in terms of financial and environmental impact and closeness enables a better understanding of the local needs of our customers. AAK is Making Better Happen™ at a country level by customizing solutions to fit with regional preferences, regulations and trends.

## Sustainable food supply

AAK works with the most comprehensive portfolio of plant-based oils within our industry based on a variety of raw materials. These are the building blocks for the better solutions we co-develop in collaboration with customers. This breadth of raw materials creates a strong resilience to supply chain disruptions resulting from climate change and other global challenges.



Plant-based oils are one of our planet's most efficient food sources. They deliver high nutritional yields from the land on which they are grown. They provide the key to increasing global food production without increasing the demand for agricultural land.

Looking to the future, AAK intends to play an even greater role in enabling and accelerating the world's transition towards plant-based foods to help create a more sustainable food system.

# AAK's role in the value chain

**At AAK, we recognize that our responsibilities in the value chain go far beyond our own operations and that every step is connected to multiple stakeholders around the world. We actively manage risks and opportunities and AAK can play an important role in the future as a catalyst for change.**

## **Our responsibility**

The illustration on the next page shows the steps involved to provide our products and services. It demonstrates how AAK is in the middle of the value chain, sourcing multiple raw materials globally that are processed into various customer solutions. As a result, we have a core responsibility to manage and mitigate the impact of our sourcing, operations and solutions.

AAK has production facilities in many countries. This makes us an important employer and contributor in the local communities in which we operate. The processing activities are resource intensive and we must continuously work to minimize our environmental impact. Our sourcing also has a global base. The plant-based oils we develop for our customers are based on raw materials that originate from around the world. A significant proportion of our raw materials are sourced from some of the world's poorest regions and communities, where oil crops provide a livelihood to millions of people. With this global reach and impact comes a big responsibility.

Our response to this responsibility is determined by evaluation of risks and opportunities, alignment of priorities with key stakeholders, and our ability to exert influence. The most significant topics that we need to manage are outlined in the boxes referring to Better Sourcing, Better Operations, and Better Solutions. The topic boundaries and the management approach of the risks involved can be found in their respective sections of the report.

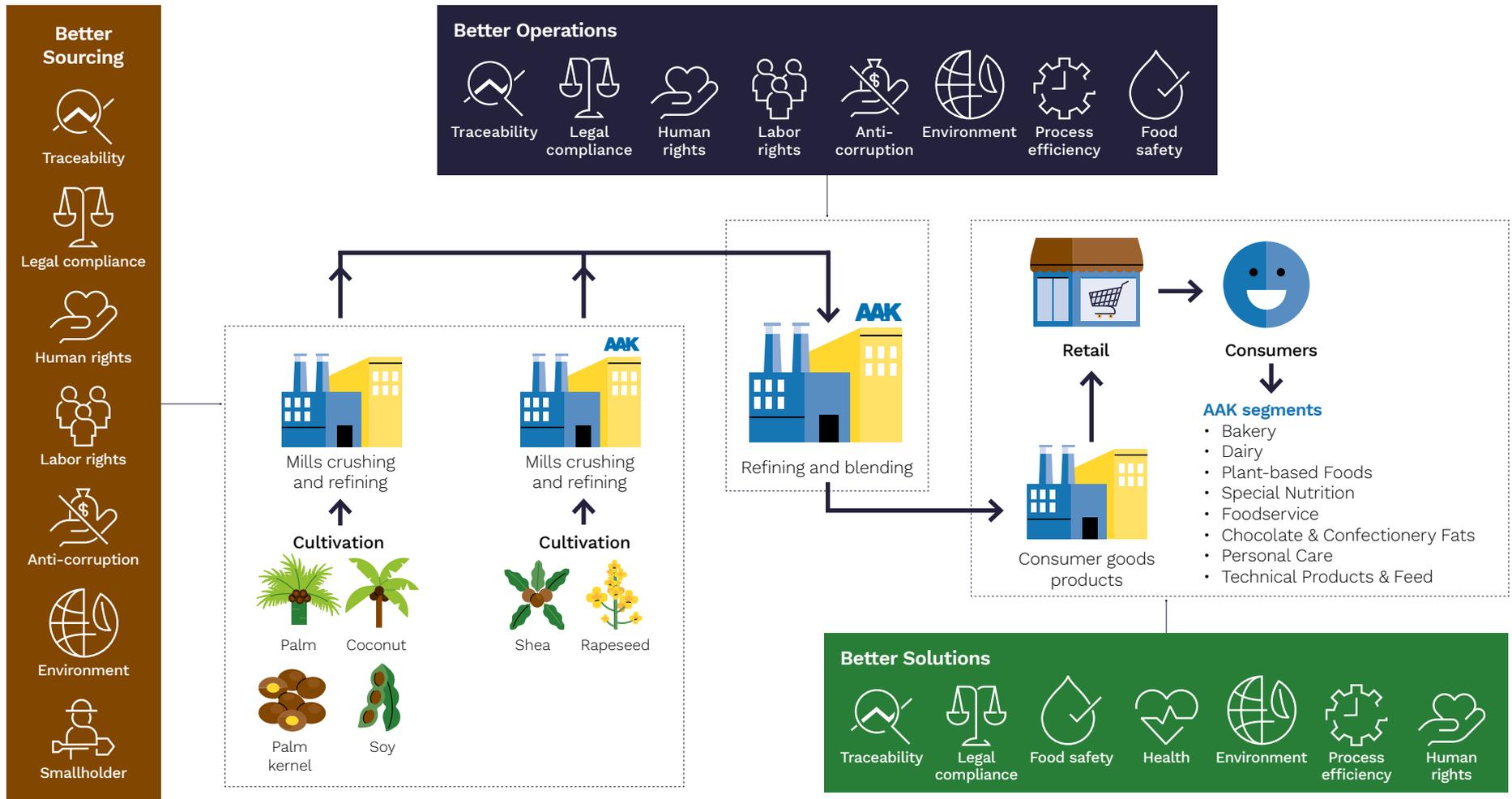
## **A resilient company**

We are continuously improving the resilience of the company with the future in mind. The value chain of edible oils and fats is connected to risk related to land use, increasing population, decarbonization, deforestation, land conflict, human rights abuses, and now, the impact of the Covid-19 pandemic.

Whilst facing these challenges, we have defined a new purpose and a model to drive sustainable progress, emphasizing our role and responsibility to manage risks and build resilience in the value chain and support our stakeholders in Making Better Happen™. We have committed to making our palm and soy supply chains verified deforestation-free, to making human rights impact assessments across the supply chain, and to assess and address climate change risks in our operation. Climate change risk assessments will also be carried out in our supply chain going forward.

## **A catalyst for change**

AAK believes that we have a major role to play in driving wider acceptance of plant-based foods. Our focus will be to ensure that consumers do not have to compromise on taste, texture and other sensory experiences when switching to plant-based alternatives. In this way, we will act as a catalyst to shift consumer demand towards more sustainable, resource-efficient food sources. We intend to be part of the solution for a world under pressure.



# AAK's approach to sustainable value creation

In 2020, we updated, sharpened and focused our framework for a sustainable business – the AAK House of Sustainability.

The updated framework supports an even stronger integration of sustainability into our business model and strategy. The aim is to embed sustainability from plant to brand and strengthen AAK's position as the customer's first choice for plant-based oil solutions. The framework helps us to engage with our entire organization, prioritize our actions, and live up to our commitments and ambitions.

**Making Better Happen™**  
from plant to brand



## Better Sourcing

Protecting biodiversity and ecosystems and reducing environmental impact

—  
Empowering smallholders and women to improve livelihoods

—  
Embedding respect for human and labor rights



## Better Operations

Enabling well-being of our people

—  
Minimizing environmental impact

—  
Being a better neighbor



## Better Solutions

Increasing demand for better solutions

—  
Co-developing with customers to do good for people and planet

—  
Enhancing sustainable development with our solutions

We support international sustainability frameworks

Sustainability is at the heart of our purpose Making Better Happen™ and our sustainability work is embedded in all parts of the AAK value chain, from the crop all the way to the brand on the store shelf. We call this Making Better Happen – from plant to brand.

Our overall sustainability objective is to support business growth and profitability by delivering sustainability from plant to brand. Our ambition is to manage risk and create a positive sustainability impact that goes beyond the scale of our operations and value chain.

We are committed and engaged with our entire organization to make sustainability happen. Supported by a strong governance structure, we track progress and make sure we contribute to the UN Sustainable Development Goals and the Paris Agreement.

### International sustainability frameworks

Our sustainability improvement work is based on a foundation that supports international frameworks and standards

such as the Ten Principles of the UN Global Compact (UNGC), the OECD Guidelines, the ILO Core Conventions, the UN Guiding Principles on Business and Human Rights, and the Global Reporting Initiative (GRI) Standards. These frameworks are supported by our internal policies, codes and procedures.

### Sustainability from plant to brand

Our purpose Making Better Happen™ is closely connected with the three focus areas Better Sourcing, Better Operations and Better Solutions. The AAK House of Sustainability is also in line with the UN Sustainable Development Goals (SDGs) that are critical for our business.

Each focus area includes three commitments followed by ambitions that demonstrate how we prioritize and contribute to sustainable development. We have aligned our commitments with our most material topics and the SDGs to make sure we drive progress managing both risk and opportunities (please read more on how we manage our sustainability performance on pages 66–67).



# Driving sustainability progress

**For AAK, sustainability is a journey, not a destination. We always strive to go further, constantly taking new steps to improve and deliver solutions that are more sustainable.**

We always strive to do better by minimizing our environmental impact and to be a force for good in the societies that we connect with through our supply chain, production sites and products. It also helps us to identify the business opportunities that come from being part of the solution to global challenges and to build back better in a world working to overcome climate change, poverty, the Covid-19 pandemic, and their broader impacts.

## **Collaboration and transparency**

Embedded into our purpose is a strong belief that collaboration and transparency is the way forward to deal with sustainability challenges and opportunities. At AAK, we know that real change does not happen in isolation. Our sustainability solutions are a result of work carried out in collaboration with customers, suppliers, industry organizations, local governments, and NGOs. Together with partners, we strive to scale up our impact beyond our own operations and supply chain. Transparency means that we are open about challenges and where we see room for improvement in our work to progress in all parts of our value chain.

### Our most material impact

- AAK's production process is resource intensive, depending on raw materials and energy with a high environmental impact. There are also risks for negative impact from our supply chain related to deforestation, greenhouse gas emissions and human rights violations.
- We are proud of the significant positive impact from AAK's value chain on sustainable development. Together with our customers, we drive sustainability to bring better solutions to market that deliver a great taste experience as well as sustainability benefits.

### 2020 – a year of raised ambitions

In the consumer goods industry, sustainability standards are being raised as a result of increasingly conscious consumers and national and global policy initiatives, like the UN Sustainable Development Goals and the Paris Agreement. At AAK, we welcome these developments and work hard to meet and exceed the legal requirements and sustainability expectations of our stakeholders.

### Listening to our stakeholders

Each year we monitor materiality, new and upcoming legislation and benchmark our sustainability practices against those of investors, retailers, customers and competitors, to ensure that we have our house in order and the right level of ambition.

During 2020, we gained further insight by reaching out to many of our key customers with deep-dive interviews about their sustainability ambitions. This enabled us to identify areas where we can improve in order to further strengthen our position as a first choice for plant-based oil solutions.

#### During 2020, AAK has made the following commitments:

- We have signed the UN Global Compact's Statement for Renewed Global Cooperation, emphasizing the urgent need for global cooperation to support peace, security, human rights, and sustainable development due to the impact of the Covid-19 pandemic.
- We have signed the Science Based Targets initiative commitment letter. During 2021, we will set science-based targets through the Science Based Targets initiative (SBTi), driving the reduction of greenhouse gas emissions consistent with keeping global warming to 1.5°C above pre-industrial levels.
- We have also signed the coconut industry's first global Sustainable Charter, which aims to improve farmer livelihoods, lessen the carbon footprint of coconuts and boost supply to meet rising global demand.

We have raised our ambitions within several key areas:

- By 2025, our palm oil and soy supply chains shall be 100 percent traceable and verified free from deforestation and conversion.
- We invest in new partnerships and platforms to make it possible to achieve full transparency in the palm oil supply chain.
- We revisited our scope 3 greenhouse gas assessment in the supply chain and we are implementing Science Based Targets.
- We have started analyzing the exposure to climate change-related risks on our sites in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.
- We start to carry out human rights impact assessments across the supply chain.
- We have started measuring the share of revenue contributing to the Sustainable Development Goals.
- During 2021, we will analyze our business in relation to the EU Sustainable Finance Action plan and the EU taxonomy to make sure our reporting is in line with upcoming legislation and requirements on environment, social and governance (ESG) data.

# Our commitments and ambitions

Below we present AAK's sustainability commitments, ambitions and progress in brief. Together with the additional activities and key performance indicators described in this report, these are the lighthouses that target our most significant risks and opportunities and enable us to contribute to Agenda 2030 and make sustainability happen, from plant to brand.

## Better Sourcing

Commitments	Ambitions	Status 2020
<p><b>Protecting biodiversity and ecosystems. Reducing environmental impact</b></p> 	<p><b>Verified deforestation- and conversion-free</b></p> <ul style="list-style-type: none"> <li>• 2025: 100 percent verified deforestation-free for palm and soy</li> </ul> <p><b>Reforestation</b></p> <ul style="list-style-type: none"> <li>• 2025: 100,000 trees</li> </ul> <p><b>Reducing GHG emissions</b></p> <ul style="list-style-type: none"> <li>• 2021: Define the scope 3 science-based targets and drive progress accordingly</li> </ul>	<ul style="list-style-type: none"> <li>• On track Palm: <b>50</b> percent, increased by <b>92</b> percent since 2019 Soy: <b>31</b> percent, a new baseline</li> <li>• <b>38,000</b> shea and coconut trees planted (accumulative from 2019 onwards)</li> <li>• Work is ongoing to set targets</li> </ul>
<p><b>Empowering smallholders and women to improve livelihoods</b></p> 	<p><b>Women in engagement programs</b></p> <ul style="list-style-type: none"> <li>• Continue to increase our impact on women and smallholders</li> </ul>	<ul style="list-style-type: none"> <li>• <b>321,443</b> women engaged in our shea supply chain. An increase by <b>39 percent</b> since 2019</li> <li>• <b>3,100</b> smallholders engaged within palm</li> </ul>
<p><b>Embedding the respect for human rights</b></p> 	<p><b>Human rights</b></p> <ul style="list-style-type: none"> <li>• 2021: 100 percent of countries of origin risk-assessed and salient issues identified</li> <li>• 2021: action plan initiated for palm oil</li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>• On track</li> </ul>

For more information and a follow-up on AAK's previous ambitions, please see our SDG assessment (page 72–81) and key performance indicators on page 86.

## Better Operations

Commitments	Ambitions	Status 2020
<p><b>Enabling the well-being of our people</b></p> 	<p><b>Safety and well-being</b></p> <ul style="list-style-type: none"> <li>• No lost time injuries</li> </ul> <p><b>Engagement</b></p> <ul style="list-style-type: none"> <li>• 2025: 10 percent improvement in employee engagement score (base year 2017)</li> </ul> <p><b>Human rights</b></p> <ul style="list-style-type: none"> <li>• 2021: 100 percent of sites risk-assessed, salient issues identified and plans initiated</li> </ul>	<ul style="list-style-type: none"> <li>• <b>18</b> LTIs (LTIR <b>0.4</b>)</li> <li>• <b>+5</b> percentage points increase in employee engagement score since 2017</li> <li>• On track</li> </ul>
<p><b>Minimizing our environmental impact</b></p> 	<p><b>Reducing GHG emissions</b></p> <ul style="list-style-type: none"> <li>• 2021: Define scope 1+2 science-based targets and drive progress accordingly</li> <li>• Current target: 2030: Reduce GHG emissions per processed unit by 22 percent (base year 2012)</li> </ul> <p><b>Resource efficiency</b></p> <ul style="list-style-type: none"> <li>• 2021: Energy consumption per processed unit reduction target in line with science-based targets</li> <li>• 2025: 100 percent procured renewable electricity</li> </ul> <p><b>Circular economy</b></p> <ul style="list-style-type: none"> <li>• 2030: 100 percent of our waste recycled</li> </ul>	<ul style="list-style-type: none"> <li>• Work is ongoing to set new targets</li> <li>• <b>4.9</b> percent increase in GHG emissions per processed unit since 2012. Absolute emissions decreased by <b>1.5</b> percent since 2019</li> <li>• <b>5.4</b> percent decrease in energy consumption compared to 2019. Work is ongoing to set target</li> <li>• <b>14</b> percent procured renewable electricity. An increase by <b>1</b> percent since 2019</li> <li>• <b>96</b> percent waste recycled. A decrease by <b>1</b> percent since 2019</li> </ul>
<p><b>Being a better neighbor</b></p> 	<p><b>Assessing most significant impact</b></p> <ul style="list-style-type: none"> <li>• Relevant community engagement programs on our sites</li> </ul>	<ul style="list-style-type: none"> <li>• Relevant activities ongoing</li> </ul>

## Better Solutions

Commitments	Ambitions	Status 2020
<p><b>Increasing the demand for better solutions</b></p>	<p><b>Enable our salesforce to increase the demand for sustainable solutions</b></p> <ul style="list-style-type: none"> <li>• 2021: Identify and share best practices on selling sustainable solutions</li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> </ul>
<p><b>Co-developing with customers to do good for people and planet</b></p>	<p><b>Enabling a stronger pipeline for sustainable solutions</b></p> <ul style="list-style-type: none"> <li>• 2021: Ensure sustainability is fully embedded in the opportunity management process</li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> </ul>
<p><b>Enhancing sustainable development with our solutions</b></p> 	<p><b>Increase our contribution to the SDGs</b></p> <ul style="list-style-type: none"> <li>• 2025: 50 percent of revenue contributing to the SDGs</li> </ul>	<ul style="list-style-type: none"> <li>• <b>34</b> percent. An increase by <b>10</b> percent since 2019. (represents revenue connected to RSPO-certified palm, infant formula, animal feed and our solutions for plant-based foods)</li> </ul>

# Creating impact for Agenda 2030

In January 2020, we entered the Decade of Action, which comprises ten more years to achieve the Sustainable Development Goals (SDGs). However, progress has regressed as the world suddenly and profoundly was impacted by Covid-19.

The onset of the pandemic has impacted key challenges such as poverty, inequality, the climate crisis, and unsustainable production, which has urged a need for the Sustainable Development Goals to take an even more prominent position on the global agenda. This has also impacted AAK's approach and aim to maximize our positive impact going forward.



## Assessing our impact

We take a balanced approach to the SDGs, which enables us to clearly distinguish how we can increase our positive impact and in what areas we can reduce our negative impact.

Sustainable development is a continuous process, and our knowledge is constantly improving. To date, we have learned to apply the goals on a global scale and in a prioritized manner, but also to leave freedom for impact assessment and motivation locally. This approach has proven successful, for example in our shea supply chain.

## Business-critical SDGs

Guided by our role in the value chain, the AAK materiality analysis, new customer insights, and our other commitments, we have identified business-critical SDGs that are important for us to focus on going forward.

The SDGs are vital enablers in the food industry, as they give rise to new opportunities for everyone to work towards shared goals. The business-critical SDGs are outlined on page 72 and represent an alignment between our commitments, our significant contribution to the 2030 Agenda, and the opportunities ahead.

## Opportunities and partnerships

At AAK, we strongly believe in collaboration as the key to sustainability. As a result, our solutions are developed in close partnership with multiple stakeholders.

We have ten years to meet the 2030 targets and to make better happen together with our customers and partners. To this end, we will continue to assess our progress and develop ever better ways to ensure we embrace the opportunities in alignment with the Sustainable Development Goals, connecting them to our strategy and priorities.

## Our most significant impact

During 2020, the most significant impact we created in connection with Agenda 2030 was through our Kolo Nafaso program within our shea supply chain. A key achievement has been the growth of the number of women involved by more than 90,000 (compared to 2019). Today, we are reaching 321,443 women in total.

One of the many things that our women program in West Africa has taught us is that the SDGs are interconnected. We have also started categorizing our contribution to the SDGs in the program as "primary impact" or "secondary impact".

Pre-financing is one of our primary impacts and during the Covid-19 lockdown in April, our main priority was to distribute our pre-financing budgets in time for women to make farming investments. Since the money is often invested in direct food needs or in agriculture, the initiative is not only connected to SDG 1.4 (equal rights to economic resources and banking) but also to SDG 2.1 (end hunger and ensure access by all people) and SDG 2.3 (double agricultural productivity and incomes of small-scale food producers).



The women in the Kolo Nafaso program are making their own investment choices and decisions regarding how to grow their businesses, and the initiative is encouraging and expanding their access to banking, and financial services in line with SDG 8.10 (expand access to banking and financial services for all).

By providing leadership and resource efficiency training to the women in the program, we also contribute to both SDG 5.1 (end all forms of discrimination against all women and girls everywhere) and SDG 12.8 (ensure that people everywhere have the relevant information and awareness for sustainable development).

### Creating new partnerships and opportunities

During 2020, AAK has explored new partnerships as a response to the pandemic, focusing on the immediate need for improved public hygiene. We have teamed up with Saha Global, an NGO in Ghana, to help women entrepreneurs create new businesses that provide access to clean drinking water for their communities.

From 2021 and onwards, AAK and Saha Global will help to bring these businesses to the Kolo Nafaso communities and create extra income for women in line with SDG 6.1 (achieve universal and equitable access to safe and affordable drinking water for all).

More information on our remaining secondary contribution to the SDGs in Kolo Nafaso can be found in our Shea progress report from March 2021.

For more information about AAK's activities, including description of positive and negative impact, please see our SDG assessment on pages 72–81.



# Better *Sourcing*

AAK is committed to sustainable sourcing all across our supply chains, world wide. Our stakeholders' expectations and concerns about where products and raw materials come from, and how they are produced, are also key drivers for our efforts to implement even better sustainability programs across all our raw materials.

AAK plays an important role in the food value chain. Through Better Sourcing we engage to transform and go the extra mile to implement continuous improvement programs. We regularly engage with our suppliers to verify that raw materials are produced in a sustainable way to protect biodiversity and ecosystems, and to reduce our environmental impact while safeguarding human rights and people's livelihoods.

**Together,**  
*we are Making*  
**Better Happen.**

Our commitments are supported by the following ambitions:

- 2025: 100 percent verified deforestation-free and conversion-free for palm and soy
- 2025: 100,000 trees planted
- 2021: Define the scope 3 science-based targets and drive progress accordingly
- Continue to increase our impact on women and smallholders
- 2021: 100 percent of countries of origin human rights risk-assessed and salient issues identified
- 2021: human rights action plan initiated for palm oil

## Key achievements in 2020

We have made strong progress in all of our raw material categories, despite the challenges due to Covid-19, which affected our on-the-ground outreach and training in many regions. The key highlights are:

- Commitment for a verified deforestation-free supply chain, covering palm and soy by 2025.
- Commitment to the science-based targets.

### *Palm*

- Increased palm traceability to plantation to 70 percent, representing an increase by 27 percent since 2019.
- Verified deforestation-free palm almost doubled to 50 percent.
- RSPO-certified palm increased to 38 percent, representing an increase by 23 percent since 2019.
- Piloted satellite monitoring and committed to cover AAK's full palm supply base from 2021 onwards.

### *Shea*

- Scaled up our Kolo Nafaso program in West Africa by 39 percent to 321,443 women.
- Planted more than 30,000 shea trees and more than 2,000 coconut trees.
- Launched a campaign against child labor in West Africa.
- Partnered with Saha Global to ensure access to clean drinking water in Ghana.

### *Coconut*

- Signed the Sustainable Coconut Charter together with our partners.

## Our commitments to better sourcing

### Protecting biodiversity and ecosystems

Safeguarding forests and preventing conversion is crucial for biodiversity and tackling climate change. Today, deforestation accounts for 11 percent of the world's global greenhouse gas emissions and it is one of the most severe environmental risks we face.

Deforestation is typically linked to the expansion of agricultural production, as well as pulp and paper production. This in turn is caused by an increased affluence, shifts in diet and consumer patterns, and a growing population. For AAK, primary deforestation risks are related to crops grown in tropical countries, mainly palm and soy. We aim to work collaboratively on protection, and conservation, as well as improving yields on existing lands, and we are committed to achieving verified deforestation-free and conversion-free palm and soy supply chains by 2025.

### Empowering smallholders and women to improve their livelihoods

Hundreds of thousands of farmers and families are dependent on agriculture for their day-to-day living. According to the World Business Council for Sustainable Development (WBCSD), 80 percent of the world's food is grown by 85 percent of the world's farmers, on farms with less than two hectares.

For AAK, smallholders and women in particular play a critical role across our supply chains:

- About 40 percent of the global production of palm oil is being produced by smallholders in Indonesia and Malaysia
- Shea kernels are being collected by women in the shea belt
- Coconut production is a family-run business

An important part of our sustainability work is aimed at empowering smallholders to improve their livelihoods and well-being, and we believe they have an important role to play in helping to meet the growing demand for plant-based oils.

As a result, we are investing in training programs and partnerships with NGOs, industry partners and suppliers across many different regions, as well as through our own extension officers into local villages.

### Embedding the respect for human and labor rights

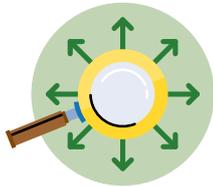
Our guiding principles for sustainable sourcing form the foundation of the AAK Group Policy for Responsible Sourcing of Plant-based Oils, and the AAK Group Code of Conduct for Suppliers of Raw Materials.

AAK is working with human rights experts to improve our human rights due diligence, monitoring, and remediation throughout our raw material supply chains. We will make further progress with other industry stakeholders to improve working and living conditions for all people across the supply chains. We believe that where systemic issues exist, systemic collaboration is required.

### Guiding principles for responsible sourcing within AAK

- United Nations Global Compact Principles
- International Labor Organisation (ILO) Declaration on Fundamental Principles and Rights at Work
- Sustainable Development Goals (SDGs)
- The Modern Slavery Act

## A three-tiered approach to success



### Deeply understanding our supply base

- We are improving traceability and monitoring of our raw materials, linked to countries, regions, jurisdictions, and ultimately the production base and farmers.
- This is needed for risk assessment, which helps us to identify and prioritize the most important issues and the positive impact AAK can have.



### Engaging with suppliers and smallholders

- We assess suppliers via supplier questionnaires and monitoring.
- We aim to increase suppliers' and farmers' understanding of and their current commitment to sustainable development. Suppliers must adhere to the AAK Group Code of Conduct for Suppliers of Raw Materials and we require them to sign specific policies (e.g. the AAK Group Policy Sustainable Palm Oil). Our focus is to progress from signing towards full implementation, including the roadmaps and action plans suppliers have in place and how we can help to make transformation happen.
- We are furthermore working with supplier score cards, which serve as a monitoring and engagement tool.
- Audits are conducted in the supply chain based on risk, performance and priority aligned with sourcing and trading. External audits are being conducted by the relevant auditing bodies related to specific certification standards (RSPO, Rainforest Alliance, ProTerra and ISCC).

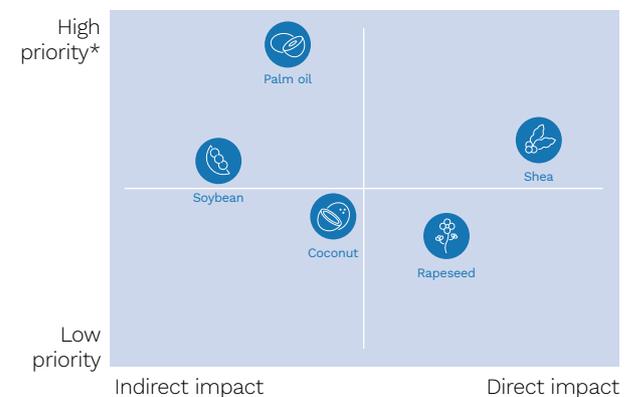


### Driving impact beyond our supply base

- Many of the sustainability issues are complex and require wider transformation at a regional or landscape level, even beyond AAK's supply base. AAK is actively participating in many industry initiatives. To mention a few: board member of the Global Shea Alliance, the RSPO Board of Governors and Market development standing committee, partnerships with Solidaridad and Forever Sabah, signatories of the Sustainable Coconut Charter.



### Impacts and priorities in key raw material supply chains



\* Based on volumes and social/environmental risks in supply chain



## Roadmap to a sustainable palm oil supply chain

**Palm oil is one of AAK's most important raw materials. It accounts for more than 50 percent of our volume in business area Food Ingredients. Responsible sourcing of palm oil is crucial for us. The scale of the crop globally, as well as environmental and social challenges in each region, require a consistent approach as well as collaboration across the supply chain. The principal challenge for our industry is to only use palm oil that is grown without deforestation or conversion and with full respect for human rights.**

For many reasons, palm oil is a fantastic crop. It is a stable raw material and has been instrumental in lowering trans fat levels in different applications. It is the most effective plant-based oil in terms of yield per hectare. Alternative crops require at least five times the area of land to produce the same volume of oil. It is more affordable compared to other crops – half of the world's population relies on palm oil as a staple part of their diet. Palm oil also brings economic benefits to poorer communities around the world including jobs, better schools and other infrastructure. Palm oil is providing a way out of poverty for many family farmers, for people that have few other options to make a livelihood.

Palm oil can be produced in a sustainable way, without negative environmental and social impacts. Ending non-sustainable production and verifying more sustainable production require a continuing market transformation across all stakeholders of the palm oil value chain. AAK has for a long time been at the forefront of this change. We co-founded the Roundtable on Sustainable Palm Oil (RSPO)



back in 2003, which today is the industry standard for certified sustainable palm oil.

### Understanding our supply base

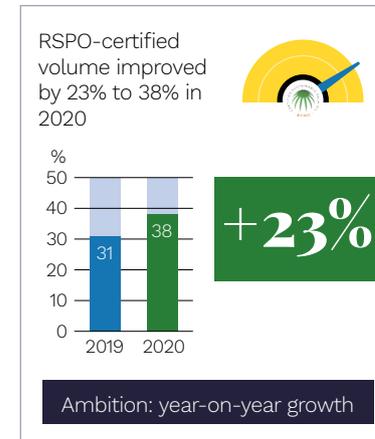
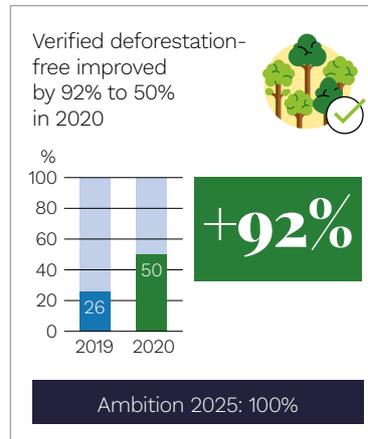
Because of our position in the supply chain, where we in most cases do not have direct contact with farmers, our suppliers play a critical role in driving the implementation of our policies. However, our aim is to make a positive contribution in the whole supply chain, within and beyond our own direct impact.

We monitor progress in our supply base in accordance with the framework laid out in the No-deforestation, No-development on peat and No-exploitation Implementation Reporting Framework (NDPE IRF). One new and important KPI for AAK, which we have developed together with Proforest, is to understand the percentage of verified deforestation-free volumes. This approach combines our RSPO-segregated volumes with data from suppliers on volumes that deliver the NDPE requirements.

Achieving traceability to plantation (TTP) requires sector-wide efforts by all stakeholders, which AAK acknowledges and commends. Palm oil supply chains involve millions of small producers. For that reason, AAK supports a risk-based approach to TTP, which maps plantations where there is a risk of deforestation at village level in remote areas. Going forward, we are developing this work further in close collaboration with our suppliers and by using satellite monitoring to cover AAK's full supply base. It is our ambition to accomplish full traceability to plantation by 2025. Traceability to plantation is a prerequisite to achieve verified deforestation-free palm oil.

## Palm oil sustainability KPIs

### DEEPLY UNDERSTANDING OUR SUPPLY BASE



### ENGAGING WITH SUPPLIERS AND FARMERS



### DRIVING IMPACT BEYOND OUR SUPPLY BASE

Smallholder programs and achievement during 2020



While not perfect, we believe that the RSPO certification remains one of the most reliable ways to ensure that palm oil production meets high environmental and social standards.

In 2020, we have accelerated our commitments to continue being a driving force to meet the challenges.

**AAK is committed to a 100 percent sustainable palm oil supply chain by 2025; verified deforestation-free and conversion-free, and with full respect of human rights.**

Some of our actions to increase traceability and the understanding of our palm supply base in 2020:

- We pilot-tested satellite monitoring in the first quarter of 2020, to understand the insights and outcomes of this monitoring work. This led to the decision to invest in full-scale monitoring of our global supply base with two service providers, Earthqualizer and Satelligence. Agreements have been signed and the satellite monitoring now covers 100 percent of our supply chain. As of January 2021, we receive updates every two weeks. This allows us to react more quickly to alerts of land clearance

- 100 percent Verified deforestation free by 2025
- 100 percent Deforestation monitoring as from 2021 onwards



to initiate supplier engagement, via our grievance management process. By managing and speeding up the process, we aim to contribute to the preservation of tropical rainforests.

- We significantly increased our verified deforestation-free volumes from 26 percent in 2019 to 50 percent.
- We increased our traceability to plantation from 55 percent in 2019 to 70 percent in 2020.
- In 2020, 38 percent of our sourcing volumes were RSPO-certified, a 23 percent increase compared to 2019. Our production site in Zaandijk, the Netherlands, Merksem, Belgium, and Hull, United Kingdom, almost have a 100 percent RSPO-certified supply base. We have also set up a segregated supply chain into the US to enable customers there to buy segregated RSPO-certified palm oil.

**Engaging with suppliers and farmers**

For AAK, 2020 was characterized as a year to partner with customers on verified deforestation-free ambitions and to jointly engage suppliers on satellite monitoring and smallholder engagement programs. We have also deepened the understanding of necessary activities, roadmaps and specific timelines.

We also accelerated our supplier engagement across all regions. Our global sourcing and trading teams have further embedded sustainability in their way of working.

Examples of actions taken during the year:

- We have developed a global and regional sourcing strategy and plan to drive progress towards 100 percent traceability to plantation and a 100 percent verified deforestation-free supply base.
- Supplier progress is being monitored twice a year with the help of scorecards. Focus is on implementation plans and closing the gaps.
- We have engaged with non-complying suppliers to discuss the issues and gaps, including agreeing on improvement plans to reach our requirements as well as suspension where appropriate.
- 100 percent of our direct suppliers in Mexico and Colombia have completed a self-assessment, using our self-assessment platform. Proforest has supported with training programs and individual audits.

### Driving impact beyond our supply base

Because of the complexity of the palm oil supply chain, involving millions of smallholder farmers, the environmental and social risks associated with it can only be solved by working together in cross-industry initiatives. At AAK, we engage and collaborate with everyone involved in the value chain – from our customers and suppliers to industry organizations, NGOs, local governments and smallholder initiatives – to make the palm oil supply chain more sustainable and safeguarding human rights. AAK has had a seat on the Board of Governors of the RSPO since the founding of the organization. The RSPO has played a foundational role in the understanding of sustainable palm production as well as in its contribution to sector-wide transformation.

## Actions in 2021 include:

- Use of satellite monitoring covering our global supply base to real-time monitor the risk of deforestation in our supply base.
- Continue our engagement in smallholder projects, including in Malaysia and Mexico, working with NGOs and governments.
- We will collaborate in a new program in partnership with Nestlé and Musim Mas in the Leuser ecosystem in Indonesia. The program in Subulussalam is a unique opportunity to scale up the work being done with independent smallholders. The key to this work is improving small-holders' economic security and assisting them on their journey towards sustainable production through training of village extension officers.
- AAK will join the buyers action group in Tesso Nilo in Indonesia, facilitated by WWF. The purpose of the group is to preserve the landscapes through collective action of both producers and buyers.



## Collaboration enabling responsible sourcing of traditional shea

AAK has been sourcing shea kernels from West Africa for more than 60 years. Since 2009, we have been working in close collaboration with shea traders as well as with women's groups to help improve their lives and livelihoods, and to ensure good business practices throughout the supply chain.

### Deeply understanding our supply base

Together with our partner Proforest, we conducted a risk assessment of the general shea supply chain in 2018. The assessment identified the following risks for responsible sourcing throughout our traditional supply chain and throughout Kolo Nafaso, our direct sourcing supply chain:

- Traceability and transparency
- Poverty among shea collectors
- Health, safety and labor risks
- Degradation of the shea belt

### Engaging with suppliers and farmers in the traditional supply chain

AAK is sourcing shea kernels through suppliers in the traditional shea supply chain. We drive progress regarding the above identified risks through supplier engagement and training. Our Code of Conduct for Suppliers of Raw Materials is our steering document.

In 2020, we took significant steps to help our traditional shea suppliers improve the way they work with us through an increased transparency and a better understanding of the AAK Group Code of Conduct for Suppliers of Raw Materials.



We understand that we are working in a supply chain that is more informal than others, and therefore suppliers need different types of support. As such, we have developed the following supplier engagement tools in 2020:

- Supplier questionnaire and self-assessment
- AAK Group Code of Conduct for Suppliers of Raw Materials training session
- Anti-child labor campaign\*

We have also updated the scope of our traditional shea dashboard to better reflect our responsible sourcing ambitions. For more details, please see the 2020/2021 Shea mid-season progress report available on our website.

### Driving impact beyond our supply base

In 2020, AAK entered into a partnership with the Global Shea Alliance to plant 10,000 seedlings in Ghana, under the Action for Shea Parkland initiative.

The initiative is part of Global Shea Alliance's sustainability program and aims to mobilize the industry to plant 10 million trees over the next ten years.

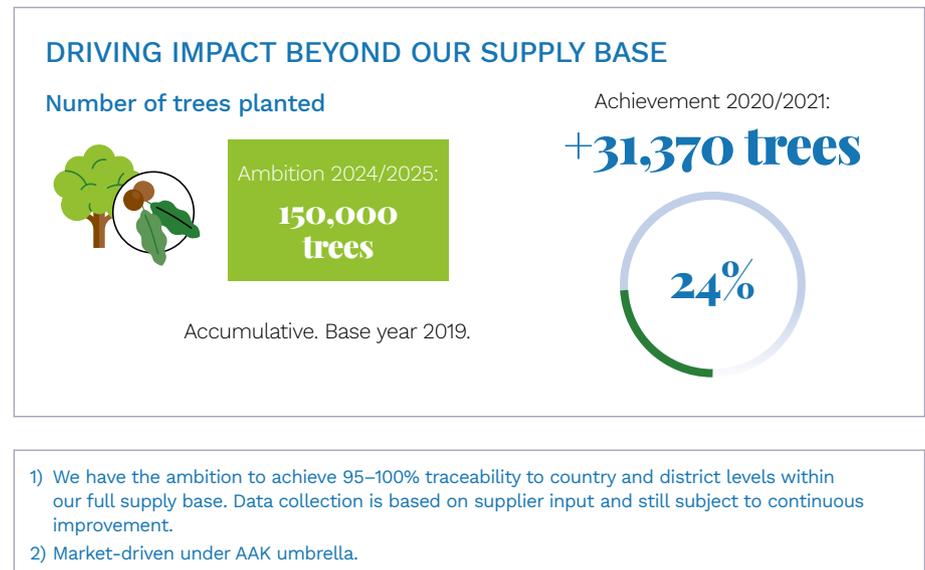
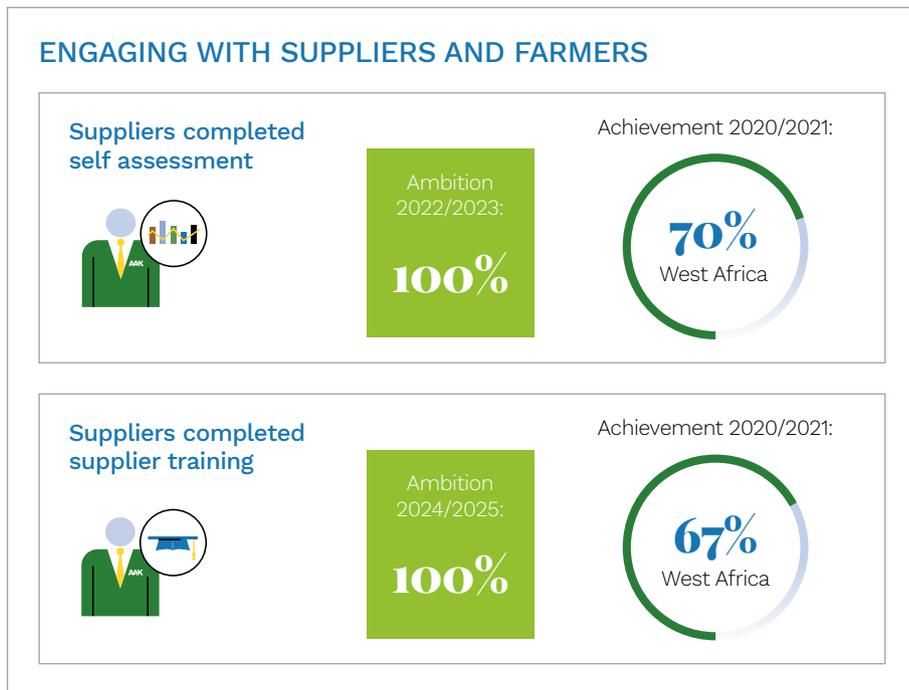
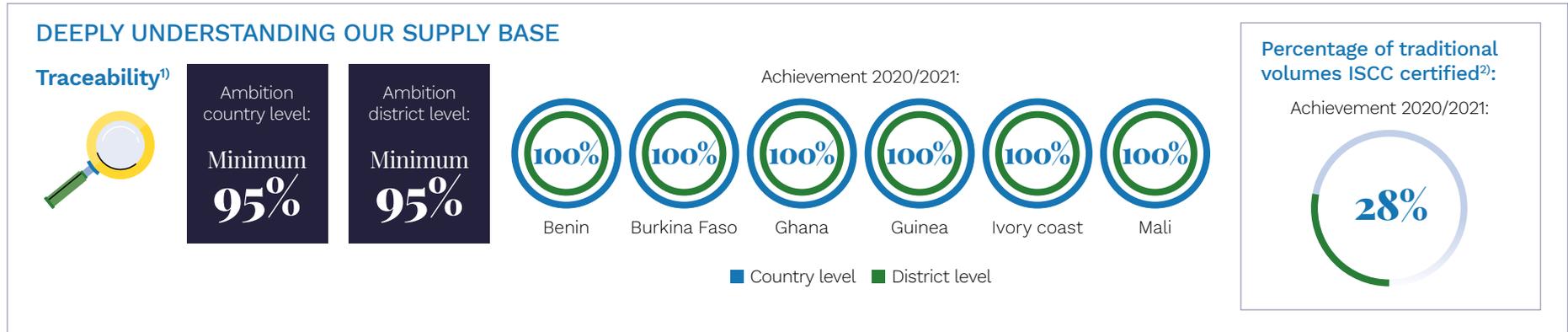
We have already planted more than 30,000 trees in Ghana, Burkina Faso, and Benin. AAK is committed to this partnership and plans to plant at least 150,000 trees in the shea belt before 2025.

AAK and the Global Shea Alliance are proud of this partnership which is a response to the clarion call to stakeholders across the globe to ACT NOW and PRESERVE shea parklands. You can join us under [www.actionforshea.com](http://www.actionforshea.com)



\* The sourcing regions in West Africa come with an underlying potential risk of children under the legal working age being engaged in work activities. We are currently not aware of any child labor directly related to shea activities. Our anti-child labor awareness campaign has the ambition to raise awareness of the topic across local sectors.

## Traditional shea sustainability KPIs





# Scaling up impact further with our women group program Kolo Nafaso



AAK engages directly with and sources directly from the women who collect and process shea kernels via our direct sourcing program Kolo Nafaso covering more than 320 000 women in total.

### Deeply understanding our supply base

The biggest achievement in 2020 has been to expand our program by 39 percent compared to 2019. This great achievement has been possible in spite of the Covid-19 pandemic.

With our partner Proforest, we have completed the external verification of our standard operating procedure for the first time. We are constantly evaluating our way of working as well as best procedures to create a positive impact on women's livelihoods, and to meet our customers' expectations.

One necessary adjustment in 2020 was to delay our women's survey until traveling can be resumed. We have scheduled the survey for the first quarter of 2021.

Our Kolo Nafaso shea dashboard guides our compliance and sustainability work in West Africa. In 2020, we updated the dashboard to better reflect our responsible sourcing journey, and it now includes our 2025 ambitions.



### AAK's women's groups supply chain



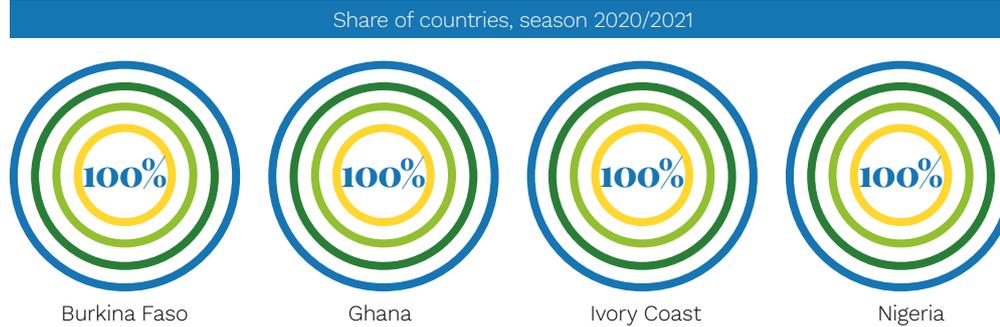
## Kolo Nafaso sustainability KPIs

### DEEPLY UNDERSTANDING OUR SUPPLY BASE

#### Traceability<sup>1)</sup>



Traceability to Kolo Nafaso level 2020/2021:  
**100%**



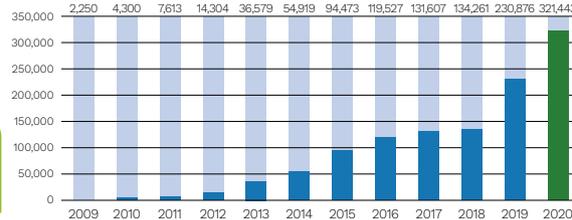
- Country level
- District level
- Women's group
- Woman

1) The ambition on traceability for Kolo Nafaso is to always maintain 100% traceability to the women's groups program and 100% segregated supply.

### ENGAGING WITH SUPPLIERS AND FARMERS

#### Number of women enrolled

Achievement 2020/2021:  
**39%** increase to:  
**321,443**



#### Bonus use education

Ambition 2020/2021:  
Minimum **90%** of all groups receiving bonuses in a season will receive education  
First reporting end of season 2020/2021



#### Percentage of groups having individual financial solution

Ambition 2024/2025:  
**Minimum 95%**

Achievement 2020/2021:  
**84%**



### DRIVING IMPACT BEYOND OUR SUPPLY BASE

#### Number of water businesses funded<sup>2)</sup>:



Ambition 2024/2025:  
**15**

Baseline 2020/2021:  
**NEW**

#### Number of people reached through water businesses:



Ambition 2024/2025:  
**6,500**

Baseline 2020/2021:  
**NEW**

2) AAK is working together with our partner Saha Global to bring entrepreneur water businesses to our Kolo Nafaso communities in Ghana. In 2020, we have supported the Emergency Water Fund and initiated the partnership.



## Progressing on responsible sourcing of coconut

**Coconut oil is a key raw material for AAK. Indonesia, the Philippines, and India are the three biggest producers of coconuts, making up more than 70 percent of the global production. Coconut grow mainly in extensively managed plantations and can reach an age of 60–70, taking about 12–15 years to fully mature. More than 90 percent of coconut farmers are smallholders.**

Following a risk assessment with our partner Proforest, the main priorities for coconut oil are to:

- Improve traceability
- Improve farmer livelihoods and maintain their interest in growing coconuts
- Rejuvenate the coconut industry

### Deeply understanding our supply base

Traceability is a key challenge in the coconut supply chain. At AAK, we buy crude and refined coconut oil and are therefore dependent on our suppliers to act in accordance with sustainable practices. This also requires to give information on traceability. We understand that suppliers and their supply chain partners need time to trace their supply chains and provide robust data.

We hold our coconut suppliers responsible for traceability through our supplier score cards, a new initiative launched in 2020. The score cards will be vital to drive progress in 2021 and onwards.

The score cards are aligned with the key aspects of the Sustainable Coconut Charter (see page 29).

### Engaging with suppliers and farmers

2020 has been a challenging year for our supplier engagement plans. Due to travel restrictions, we had to delay our supplier workshops until 2021. We are closely monitoring the travel restrictions and are ready to continue once we can travel safely without endangering our suppliers, farmers, partners, and colleagues.

We have been able to progress our bilateral supplier engagement activities and have now engaged suppliers covering 96 percent of total volumes.

Additionally, we have experienced both progress and challenges in our Rainforest Alliance coconut supply chain. In 2020, we received the first certified and fully segregated volumes of Rainforest Alliance coconut oil at our factory in Karlshamn, Sweden. At the same time, due to the pandemic, we experienced difficulties in meeting auditing schedules in the field. We are working with Rainforest Alliance to catch up on lost time. We are reporting on the number of smallholders that achieved the Rainforest Alliance certification in our supply chain and are growing this number with market demand. In 2020, 81 farmers were certified.

### Driving further impact beyond our supply base

In November 2020, AAK joined the Sustainable Coconut Charter as a founding member, together with the United States Agency for International Development (USAID), Green Invest Asia, leaders from Barry Callebaut, Friesland Campina, Harmless Harvest Thailand, Jacobs Douwe Egberts, Nestlé, and Unilever.

The charter is a pre-competitive industry collaboration that defines coconut sustainability and sustainability program goals in coconut supply chains. This includes enhancing supply chain traceability, preventing deforestation, distribution of seedlings, and mitigating climate change. It also aims to harmonize buyers' requirements for supply chain partners. On top of that, AAK encourages other supply chain partners to support the charter going forward.

*"Having been one of the founders of the Roundtable on Sustainable Palm Oil and an ever-present member on the Board, we recognize that there is a long road to achieving full sustainability for coconut. AAK cannot do this alone and strongly supports pre-competitive collaboration to drive industry transformation.*

*We are extremely happy to join with other industry leaders to take an important step by signing the Sustainable Coconut Charter, committing us all to moving the industry forward. I hope and trust this will result in a new momentum and I encourage more coconut growers, processors, and end users, as well as other stakeholders, to join us in creating the critical mass required to make better coconut production really happen."*

Tim Stephenson,  
President Global Sourcing & Trading, AAK

## Coconut sustainability KPIs

### DEEPLY UNDERSTANDING OUR SUPPLY BASE

**Traceability<sup>1)</sup>**



Traceability to crushing plant

Achievement 2020:

Ambition 2021:  
**100%**



**95%**

Traceability to first subnational level

Achievement 2020:

Ambition 2025:  
**100%**



**20%**

1) Traceability is a key aspect of our score cards and the requirements will increase over time

### ENGAGING WITH SUPPLIERS AND FARMERS

Volumes engaged by bilateral engagement



Achievement 2020:

Ambition 2025:  
**100%**



**96%**

Smallholder certified according to Rainforest Alliance



Achievement 2020:

**81 smallholders**

### DRIVING IMPACT BEYOND OUR SUPPLY BASE

Number of customers supporting Sustainable Coconut Charter

Ambition 2021:  
**6**

Baseline 2020:  
**4**

Number of suppliers supporting Sustainable Coconut Charter

Ambition 2021:  
**1**

Baseline 2020:  
**NEW**

Number of seedlings in nursery vs. ambition



Ambition 2025:  
**10,000**

Baseline 2020:  
**2,100**





## Progressing on responsible sourcing of rapeseed and sunflower



As there are many parallels in the rapeseed and sunflower supply chains, we are grouping them together in our responsible sourcing approach but will report progress separately.

### Deeply understanding our supply base

The production of rapeseed and sunflower has a relatively low risk for sustainability issues such as deforestation. However, there are some other key risks, namely:

- Traceability in a commodity-based supply chain
- Transparency on field-level practices
- Biodiversity

At most points of origin, sustainability concerns related to rapeseed and sunflower production are mitigated to some extent by good agricultural practices. They are supported by strong legal frameworks and environmental incentive schemes. However, transparency and reliable data is currently still a challenge.

At AAK, we use Life Cycle Assessments (LCAs) to analyze the impact of rapeseed supply chains globally, as well as in comparison to other oil crops. These studies have shown that the environmental impacts of, for example rapeseed, are strongly correlated with the amount and type of fertilizer used as well as to the yield of crop per hectare.

### **Working together with suppliers and farmers**

In 2020, we have further improved our understanding of the implementation and effectiveness of practices, schemes, and frameworks at AAK's countries of origin for rapeseed and sunflower.

We are using certification schemes to drive compliance. ISCC (EU/Plus) fully meets AAK's responsible sourcing criteria for rapeseed and sunflower and is aligned with the Sustainable Agricultural Initiative (SAI) Silver level. Our organic certification meets most criteria except human and labor rights due diligence, which will be part of our 2021 activities.

In 2021, we will develop supplier score cards to track progress and reward good practices. We will begin in Europe and further roll this out globally until 2025.





## Progressing on responsible sourcing of soy

In terms of volume, soybean oil is a relatively small-scale raw material for AAK. However, since there are sustainability risks within the production of soybeans, especially related to deforestation, soy was included in our list of key raw materials for responsible sourcing in 2018.

After an initial risk assessment in 2019, where about 90 percent of AAK-sourced soy volumes were rated at “low risk” for deforestation, we have once again partnered with Proforest to fully map our supply base.

### Deeply understanding our supply base

A key part of this process was to engage our suppliers in a survey to assess existing commitments as well as to further progress on traceability, all of which gave us valuable insights into our supply base. Today, we are working towards a 100 percent verified deforestation-free supply chain by 2025.

In our 2020 supply chain assessment, we have taken the cautionary approach and only rated certified supply chains as verified deforestation-free (VDF).

It means that we need to collect additional assurance before being able to make a claim even though large parts of our supply chain are still originating from relatively low risk areas. The current status of VDF volumes in soy is therefore 31 percent.

### Engaging with suppliers and farmers

In order to equip our organization with the tools needed to engage our suppliers, we have created five webinars in partnership with Proforest. The webinars include key suppliers, where relevant, and focus on the following areas:

- Assessment and plan implementation
- Understanding risks in the supply chain
- Engaging suppliers
- Establishing purchase control systems
- Monitoring, verifying, and reporting

The key objective of these sessions is to prepare our organization and our suppliers for our 2021+ ambitions to achieve deforestation-free and conversion-free supply chains by 2025. From 2021 onwards, we will be working with regional risk mitigation strategies, fit for local challenges.



Source: [www.soytoolkit.net](http://www.soytoolkit.net)



## Soy sustainability KPIs

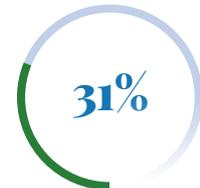
### DEEPLY UNDERSTANDING OUR SUPPLY BASE



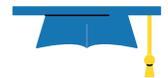
Verified deforestation-free



Achievement 2020:



### ENGAGING WITH SUPPLIERS AND FARMERS



Organization trained according to Soy Toolkit

Achievement 2020:



### Regional risk mitigation plans established



# Better *Operations*

In AAK, we are committed to enabling the well-being of our people, minimizing our environmental impact, and being a better neighbor. We have a wealth of talented colleagues who focus on making a positive difference every day.

Better Operations embodies the responsibility that comes with being a processing company and helps us to create a safe and inclusive working environment that is more resource- and climate-efficient and that supports the community.

Our Better Behaviors guide us on our journey towards Better Operations. This journey encompasses risk mitigation, the safety and health of our employees, employee engagement, high ethical standards, and an accountability for the environment. Combined with our passion and dedication, these are key drivers for our sustainability progress.

*We strive to minimize our environmental impact and to be a catalyst for **positive** change*

We progress towards our commitments supported by our ambitions:

#### People

- No lost time injuries
- 2021: 100 percent of sites risk-assessed, salient issues identified and plans initiated
- 2025: 10 percent improvement in employee engagement score

#### Environment

- 2021: Define the scope 1+2 science-based targets and drive progress accordingly
- 2021: Energy consumption per processed unit reduction target in line with science-based targets
- 2025: 100 percent procured renewable electricity
- 2030: 100 percent of our waste recycled

#### Community

- Relevant community engagement programs on our sites

## Key achievements

During the Covid-19 pandemic, we have focused on keeping our people safe and our operation running. In spite of a challenging year, we have made important progress.

#### *People*

- 5 percentage points improvement in the engagement score of the people survey

#### *Environment*

- signed the Science Based Targets initiative
- conducted climate change risk assessments on all sites
- reduced energy consumption by 5.4 percent per processed unit
- reduced water consumption by 63 percent per processed unit
- reduced waste by 50 percent per processed unit
- 96 percent of our waste is recycled

#### *Community*

- supported local societies, targeting challenges caused by the Covid-19 pandemic

## A foundation built on policies, codes and standards

At AAK, we make every effort to assure that we are a responsible, trustworthy supplier that will never compromise on quality or sustainability. Our ability to ensure trust and reliability in our production and as a business partner rely on our ability to provide evidence of compliance with the policies, codes and standards that we adhere to.

### Policies and Codes

Our Group Code of Conduct and Group Environmental Policy describe our commitments, rules and expectations in Better Operations and shall continuously be revised to ensure we are up to date with external and internal requirements.

### Third-party certifications

We use accredited third-party organizations to verify that our production facilities operate sustainably and that every final product complies with specific standards for safety, quality, and environmental protection.

### Food safety standards

Food safety is a prerequisite for producing food products. All AAK plants are certified in accordance with internationally recognized food safety standards and audited by accredited third parties. Critical Control Points (CCPs) are identified, monitored and recorded, and the food safety management system is frequently audited by local audit teams. Finally, products are not released for delivery before the local Quality Control function has verified that food safety and product specification requirements are met.

### Roundtable on Sustainable Palm Oil

The Roundtable on Sustainable Palm Oil (RSPO) is a multi-stakeholder organization aiming to transform

### Accredited third-party certification of AAK production plants

- **100** percent of AAK's plants are certified to one or more internationally recognized food safety standards (FSSC 22000/ISO 22000/BRC)
- **100** percent of plants handling palm oil are RSPO Supply Chain certified
- **75** percent of plants are members of Sedex and have passed the ethical audit SMETA
- **55** percent of plants are ISO 9001 quality management certified
- **30** percent of plants are ISO 14001 environment certified
- **15** percent of plants are ISO 5001 energy certified
- **10** percent of the sourcing plants are ISCC certified

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

markets to make sustainable palm oil the norm. RSPO has developed a set of environmental and social criteria which companies must comply with in order to produce Certified Sustainable Palm Oil (CSPO). RSPO offers two types of certification: one focusing on palm oil plantations and one focusing on the palm oil supply chain from plantation to consumer. Both systems involve accredited third-party certification to ensure the integrity of the sustainable palm oil trade.

### Sedex Members Ethical Trade Audit

Sedex Members Ethical Trade Audit (SMETA) is one of the world's most widely used ethical audit formats. It assesses the company systems, documentation and facilities against the Ethical Trade Initiative (ETI) Base Code as well as local laws. The audit, lasting up to four days, is carried out onsite by accredited third-party auditors. The full audit is uploaded to the data platform and shared with customer members.

### ISO 9001, ISO 14001 and ISCC certification

AAK sees great value in quality (ISO 9001) and environmental (ISO 14001) certification. These certifications create solid management systems to help progress towards our quality and environmental goals. Since 2016, we have also achieved ISCC certification at our sites in Aarhus, Denmark, Karlshamn, Sweden and Rotterdam, the Netherlands, contributing to the implementation of social and ecological sustainability criteria.

### Continuous improvement

AAK aims to increase the number of certified sites with focus on ISO 14001 and ISO 9001. Assessment of other relevant standards such as ISO 45001 (Occupational health and safety) is continuously ongoing to evaluate applicability and effectiveness of our current safety program.



# Enabling the well-being of our people – safety first

**At AAK, safety comes first. Our Global Safety Program ensures that we work together on continuous improvement and sharing best practices. With site audits and risk assessments, we have been able to outline our safety goals and encourage our people to focus on maintaining strict safety behavior and governance.**

AAK's overall objective is to achieve zero lost-time injuries across the Group. In collaboration with external auditors, all AAK sites are evaluated to ensure safe operations, including recommendations for improvements and any necessary corrective actions.

### The Covid-19 pandemic

In early 2020, the world faced a new challenge with the outbreak of Covid-19. Building on strong safety procedures and agility, AAK acted quickly by identifying the potential risks for our people and operations. Communications were set up between our sites around the world, involving senior managers, health and safety managers, and line leaders. In addition, strict rules were implemented to protect employees in the workplace, such as:

- Restrictions on audits and visitors at sites
- Options to work from home and sanitizing rules in all areas
- Updated emergency response and contingency plans
- Virtual meetings, both internally and externally
- New shift systems to avoid crossover between people at sites
- Risk assessments on suppliers and availability of raw materials, ingredients, and packing material

- Safety stocks and alternatives in supply
- Active testing and other processes based on local authority ruling
- Travel restrictions

As a result, AAK managed to keep all operations going, safeguarding our people, and delivering against our customers' needs and orders with minimal disruption.

### Risk management

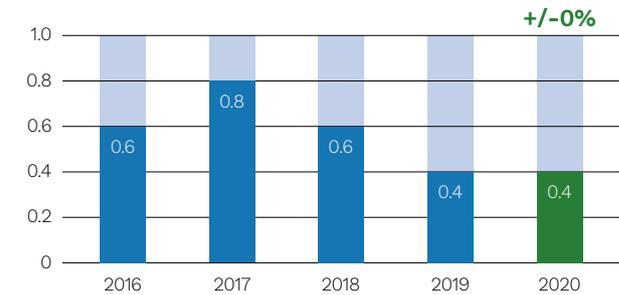
During 2020, we have kept the lost time injury rate (LTIR) on the same level as last year, balancing the risk of Covid-19 with general risks in our working environment. This year we also evaluated our other risks, including the most common ones of slips, trips and falls. Additional learnings, training, and governance have been implemented at all sites, together with a stronger focus on behavior and risk avoidance. Despite our best efforts we experienced one tragic and fatal incident at our site in Colombia. This was due to a combination of behavior and risk at work. To mitigate the risk of reoccurrence, an alert was sent out to all safety managers immediately after the incident and a risk assessment was completed at the site. With dedicated support from our other sites, an improvement plan was developed and executed.

### Continuous improvement

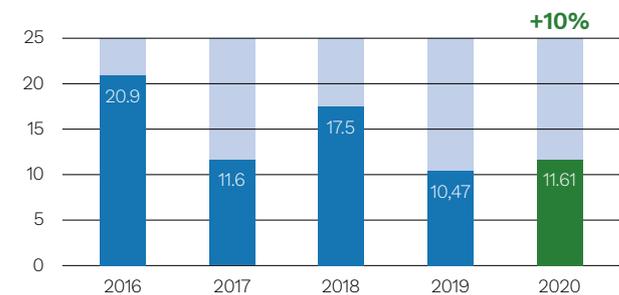
During the year, all sites have had a safety audit from our external partner, and we have seen great work done on improvements and outstanding actions. Where we started the year with challenges due to travel restrictions, we succeeded to maintain the audits by teamwork, virtual walks, and video calls

through which we increased our total safety performance. All our sites have increased their audit performance and the outlook for the coming years is positive based on the cross-site work and the clearly defined projects for improvement.

### Lost time injury rate (LTIR\*)



### Lost day rate (LDR\*\*)



\* LTIR: Number of injuries with more than one day of absence per 200.000 working hours (excl. West Africa)

\*\* LDR: Number of lost working days caused by LTIs per 200.000 working hours (excl. West Africa)



## Driving employee engagement

**Engaged and skilled people are crucial for AAK's future, which is why we have always aimed to attract, develop, and retain the best minds in the business.**

Our people are enablers of our unique co-development approach and the value-adding solutions we provide. As such, it is vital that our employees always remain highly motivated and engaged, which we achieve in a number of ways.

### A Great Place to Work

In 2020, we conducted a Great Place to Work survey to identify risks and improvement areas, such as our working environment, leadership, workload, sustainability, and harassment. The result showed a 5 percentage points improvement in the global engagement score, from 75 to 80. The results will be shared broadly across AAK and teams will create action plans to ensure continuous improvement for an engaging and sustainable workplace. The plans will also be closely connected to our purpose Making Better Happen and our Better Behaviors.

### Performance management

By implementing a continuous dialogue model for performance management, we create an environment where everyone feels empowered and accountable for their own development. This includes regular interactions between employees and their managers that focus on development. During 2020, we have continued to drive this approach to ensure that our employees always have the support and feedback they need to succeed.



### Connectivity and Covid-19

During the year, we have focused on staying connected with virtual updates covering the pandemic, business news, as well as tips for working remotely. This has kept everyone well informed. Virtual coffee talks, “lunch and learn” events, team quizzes, and even a virtual family day have been held. Regularly published video clips, under the hashtag #ApartTogether, from colleagues across the globe kept us connected.

### AAKtivate

For the last ten years, AAK Mexico and AAK Colombia have successfully worked with an employee well-being program called AAKtivate. The program focuses on physical and mental health, including key factors such as nutrition. An amazing outcome of this is that employees in Mexico and Colombia together have lost an incredible 1,000 kilograms in weight!

We believe that this program contributes to a healthier lifestyle and by that increased motivation, increased productivity, lower absenteeism, and reduced health costs. An important part of the AAKtivate program is to identify physical and psychological work issues, ways to mitigate these, and to follow up on all progress.

During 2020, the AAKtivate program has started to be rolled out globally across our production sites and offices.



**An attractive workplace**

AAK strives to be an attractive employer with a high retention rate. As of December 31, 2020, AAK had a total of 3,982 employees within the scope of this report.

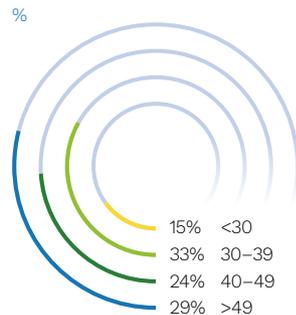
The turnover rate increased by 0.6 percent, mainly driven by our business in West Africa, and ended up at 16 percent by the end of the year. We will continue to take action to decrease our turnover rate and build a strong internal pipeline of talent.

**Diversity and inclusion**

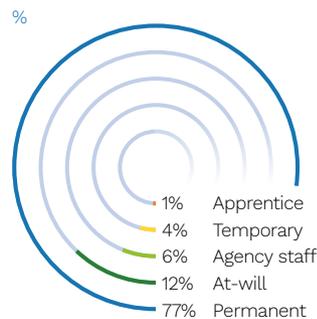
AAK recognizes that diversity and inclusion are areas that strengthen the company and have the potential to support our growth. Better communication with customers, more agile and collaborative teams, and a broader talent base for recruitment are a few examples of these advantages. This is also why we during 2020 have established a diversity and inclusion program to drive progress within this area.

Of AAK's permanent employees, 23 percent are female. At managerial level, 28 percent are women, which is an increase by 16 percent compared to 2019. It is a positive reflection of our business that the percentage of female managers is higher than the total percentage of women in AAK, and we hope that this will attract more women to the company in the future. Furthermore, to help increase equality and gender balance, HR has also had awareness training in non-biased recruiting.

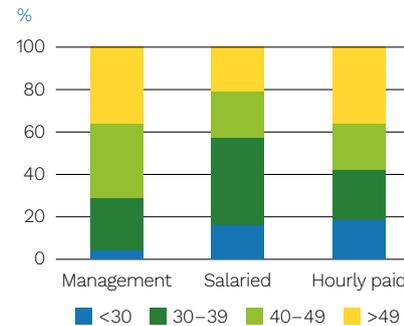
**Employees by age**



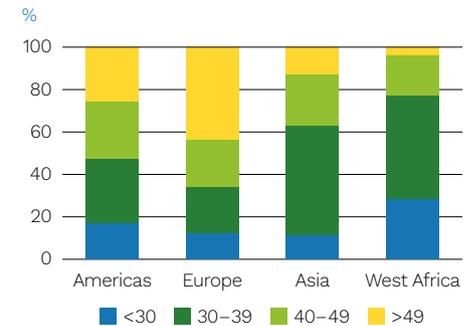
**Employment contract type**



**Employees by category and age**



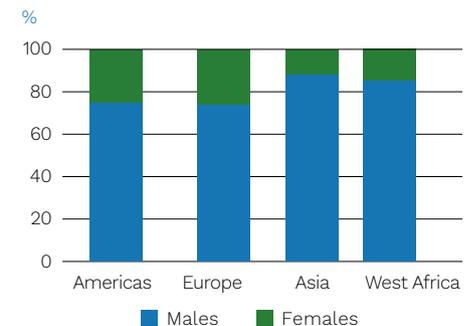
**Employees by region and age**



**Employees by category and gender**



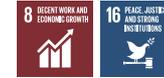
**Employees by regions and gender**



**Organizational overview**

Of AAK's employees, 77 percent are permanently employed, while 4 percent are on a temporary contract. The remaining 19 percent comprises trainees,

agency staff, and at-will employees. The latter is a doctrine of American law that refers to an employment relationship which can be broken by either party with no liability.



## Upholding high ethical standards

**Maintaining high ethical standards is a top priority for AAK. We want to foster a corporate climate that supports ethically correct behavior from all our employees, suppliers and business partners.**

### The AAK Group Code of Conduct

The AAK Group Code of Conduct is a set of rules for our employees that protects the business and makes sure everyone is fully aware of AAK's ethical expectations. These rules and expectations are cascaded to our suppliers, agents and distributors in separate Codes.

### Human and labor rights due diligence

AAK's commitment to respect and support human rights is defined in our Group Code of Conduct.

AAK adheres to the United Nations Guiding principles on Business and Human Rights and the ILO Core Conventions. We shall, as a minimum, comply with local and international standards concerning fair employment conditions.

We are committed to conduct human rights due diligence on an ongoing basis to ensure that we have a workplace that promotes and supports diversity, trust, equal opportunities and that is free from discrimination. To adequately address this we need to understand our impact and prevent any risk of human rights violations. Therefore, we have set an ambition to have all countries of origin in our supply chain, our production sites and agents and distributors human rights risk assessed by 2021.



This will provide valuable information on our most salient issues across our business and measures that may help to mitigate risks and establish a solid human rights due diligence process.

### Ethical awareness and “blowing the whistle” on misconduct

During 2020, we conducted an ethical behavior survey among AAK leaders and we will use the outcome to progress on ethical behavior training programs. We also provide a third-party whistleblower function, giving everyone a chance to anonymously report suspicions of corruption or irregularities involving AAK.

### Zero tolerance towards corruption

AAK has a zero tolerance approach to bribery and corruption. Anti-corruption is addressed in our Group Code of Conduct, the Supplier Code of Conduct, the Code of Conduct for Suppliers of Raw Materials, and the Code of Conduct for Agents and Distributors.

### Anti-corruption measures

We have controls in place related to bribes and corruption via our supplier assessment process, including assessment of suppliers based on Transparency International, audits and risk analyses/ratings. All relevant employees are requested to take e-learning courses in anti-corruption and competition law. During 2020, we extended the target group that now includes people from Sales, Product Management, Purchasing, Sourcing & Trading and relevant people with leadership positions. 53 percent had completed the e-learning on anti-corruption and 44 percent had completed the competition law course in 2020.

### Fighting corruption in prioritized areas

West Africa has been identified as an area with high risk of corruption. AAK is therefore putting in extra efforts in this region to implement the Code of Conduct for Suppliers of Raw Materials and carry out anti-corruption training in ways that surmount any linguistic and cultural challenges. During 2020, we started to offer digital e-learning in French. 67 percent of the French-speaking employees were trained during 2020 and efforts will continue in 2021, including our extension officers within our women's groups program Kolo Nafaso.

## Increasing sustainability awareness

**To keep sustainability at the heart of our operations, we believe it is our responsibility to ensure that our people are aware of the impact we have on individuals, communities, and the environment – and what we can do about it.**

At AAK, we realize that “walking the talk” requires continuous engagement. We provide all our people with an introduction to sustainability best practices, including presentations, policies, codes of conduct, e-learning, reports, and videos.

To ensure progress and connectivity remain strong, our Responsible Sourcing Managers and our Global Sustainability Manager arrange regular webinars to stay in contact and discuss different sustainability themes with internal stakeholders.

An award is presented each year to the AAK site or business area that has demonstrated an outstanding sustainability performance. In 2020, our production site in Zhangjiagang, China, won Best AAK Sustainability

Achievement for its strong track record, including improvements in energy, greenhouse gas emissions, waste management, and lost time injury rates.

Going forward, we will remain our strong focus on keeping the momentum, worldwide.



*“2020 has been a year of transformation for AAK China; a year of many firsts and a year when we all have had to negotiate uncharted territory. As one team, we have embarked on and accelerated our journey towards a greener, more sustainable, cost-effective, and safer business. Good progress has been made, yet much remains to be done. We are truly honored and privileged to have been considered for this award amongst our sister plants. We applaud all the great work that has been done globally in 2020 and look forward to pushing ahead with the transition in 2021.”*

Raymond Due, General Manager, AAK China

## Minimizing our environmental impact

AAK has operations all over the world. Our production is resource intensive and our continued responsible growth is depending on our ability to balance a rapidly changing business environment with continuous reduced environmental impact. This impact is managed in line with commitments defined in our Environmental policy, risk assessments, best practice sharing and by applying best available technology.

The performance in our key parameters may suffer during the on-boarding process of new sites, but it should always lead to improved results in the long term.

AAK realizes the urgency of dealing with global warming and we want to move faster to limit our effect on climate change by setting ambitious greenhouse gas reduction goals. AAK has committed to the Science Based Target initiative and going forward we will work harder to reduce our greenhouse gas emissions (GHGs) in line with the Paris Agreement. Here we present the results of our key environmental performance indicators during 2020 and some of our plans for the future.

## Setting the foundation for effective greenhouse gas mitigation

**AAK has a target to reduce GHG emissions per processed unit of raw material by 22 percent by 2030 (baseline 2012). The result for 2020 was a 4.9 percent increase, mainly due to reduced processed volumes. However, our absolute emissions decreased by 1.5 percent compared to 2019.**

### Reduction in absolute emissions

In total, AAK generated 358,110 tonnes of CO<sub>2</sub>e in 2020 (including scope 1 and 2 emissions). Compared to 2019, the scope 1 absolute emissions decreased by 2.3 percent in 2020 for all sites, whilst 2016 sites decreased absolute emissions by 5.7 percent. This demonstrates progress but also that new AAK sites still have work to do to attain the same resource efficiency and improvement level as the more established ones. The scope 2 emissions (indirect emissions from energy suppliers) come mainly from electricity (88 percent) and represent 27 percent of total emissions. This share of emissions will be brought down with our ambition to have 100 percent procured renewable electricity by 2025.

### Other air emissions

Due to the Group's use of fuels, its production sites emitted 307 tonnes NO<sub>x</sub> (nitrogen oxide) and 26 tonnes SO<sub>x</sub> (sulfur oxide). There were 259 tonnes VOC primarily emitted from sites that run extraction and solvent fractionation processes. VOC decreased by 28 percent between 2019 and 2020, mostly due to a decreasing amount of volume processed. Going forward, we will continue to mitigate these types of air emissions and we are also planning to assess biogenic\* CO<sub>2</sub>e emissions.

### Going forward

Having committed to set science-based targets, our work during 2021 will focus on developing new GHG targets and roadmaps to help us achieve sufficient reduction levels in line with the Paris Agreement.

\* Biogenic CO<sub>2</sub> emissions are defined as CO<sub>2</sub> emissions related to the natural carbon cycle and processing of biologically-based materials.

Contributes to:

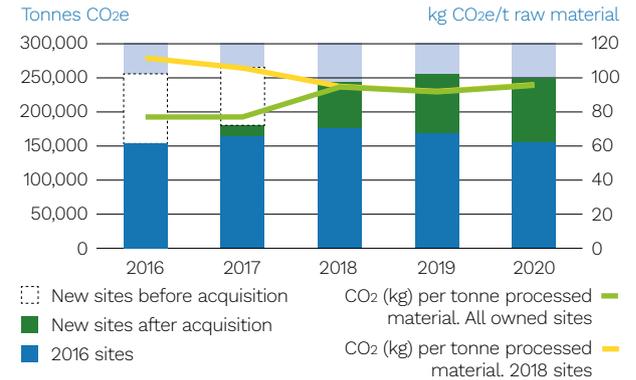


Sustainability Report 2020

### Scope 1, GHG emissions

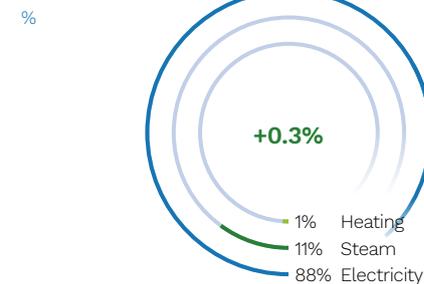
Total 250,119 tonnes CO<sub>2</sub>e

-2.3%



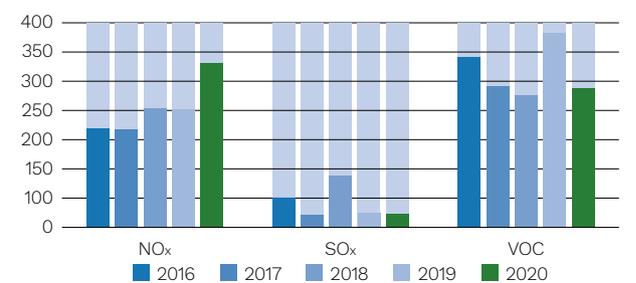
### Scope 2, GHG emissions (market based)

107,990 tonnes CO<sub>2</sub>e



### Direct emissions

Tonnes





## Future-proofing our sites by assessing climate risk

**During 2020, we have completed climate risk assessment at all our sites and we will continue to align the risk with strategy and investment plans to safeguard the future.**

### Evaluating climate risk

Our climate impact assessments have been carried out with a third party that has extensive knowledge of AAK's sites.

The analysis is based on a short-term (1–5 years) perspective and a mid- and long-term perspective (10 years and beyond). The short-term perspective involves detailed information from local experts and authorities. The mid- and long-term perspectives are based on the insurance industry overview worldwide, involving mappings of natural hazard future exposures during a period of 10–500 years (climate changes, catastrophic events, and population density).

### Physical and transition risk

The focus regarding physical risk has been on extreme storms, tornadoes, water-stressed areas, and unforeseen temperature shifts, with an aim to continuously review any implemented actions to reduce the risk for property damage and business interruption.

During 2020, we have also been working to embed transition risk into our climate assessments. The risk impact analysis and a risk-grading tool will include policy, legal, technology, market, and reputational risk going forward.

### Mapping of exposure and preventive actions

The physical risk is today low to medium. There are two high-risk sites (Louisville in the US and Zhangji-agang in China), and four medium- to high-risk sites (Karlshamn in Sweden, Aarhus in Denmark, Richmond in the US, and Jundiaí in Brazil). They are all facing a risk of flooding long-term, but to date they have implemented preventive actions as far as presently feasible. Our site in Jundiaí in Brazil has for example been built on the top of a hill to avoid river flooding exposure. The site has also drilled its own wells and installed a cooling water tower and a water treatment plant.

The transition risk will be further defined once the updated scoring system has been implemented, but so far, the level of risk is evaluated as low to medium, depending on development such as local actions taken by government and countries themselves.

### Metrics and tools for continuous progress

AAK aims to align with the Task Force for climate-related financial disclosures (TCFD) framework and this represents our first strategic response to the financial implications of climate change. Short- and long-term scenarios will be evaluated once we have deployed our metrics and tools fully. Looking ahead, we also need to add our most exposed key raw materials to the scenario.



## Saving valuable energy

**Overall, AAK's energy consumption has decreased during 2020, due to both a reduction in processed volumes and continuous improvement projects.**

In total, our production sites consumed 5,478,178 GJ and the sites had a total primary energy consumption of 4,230,828 GJ. The total secondary energy consumption was 1,247,350 GJ, representing a 12.8 percent decrease and a 5.2 percent decrease, respectively.

The total energy consumption per processed unit decreased by 5.4 percent in 2020, consisting mainly of natural gas, fuel, and biomass. The use of natural gas decreased by 22 percent, fuel decreased by 26 percent, and use of biomass decreased by 10 percent.

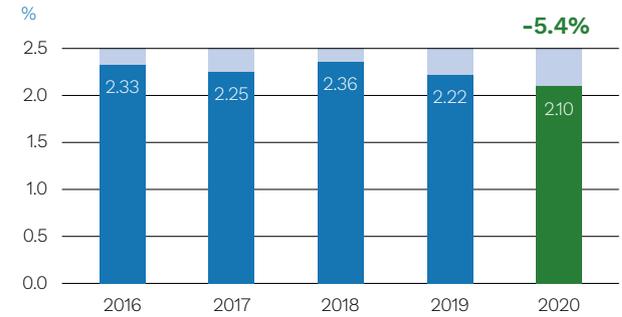
The secondary energy use mainly consists of purchased electricity and steam for production processes. The renewable electricity share was 14 percent in 2020, an increase of 1 percent compared to 2019. The total energy consumption from renewable sources increased from 22 to 23 percent.

Across all sites, we are working on energy efficiency projects such as energy mapping and sharing best practices which will lead to a higher energy efficiency. We are prioritizing the move towards renewable energy, such as biomass, and to increase the use of renewable electricity. Going forward, we will connect an energy efficiency target with sufficient annual GHG reduction aligned with our science-based targets.



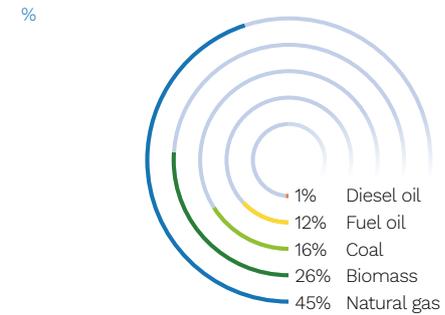
### Total energy consumption (GJ)

Per unit processed material



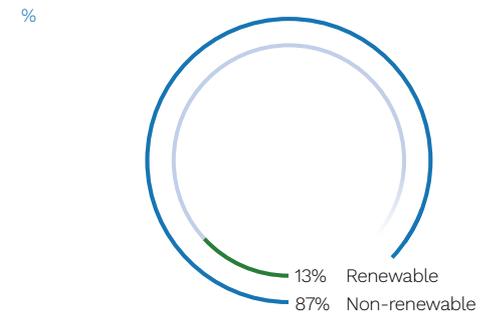
### Energy consumption per fuel type

Per energy



### Total secondary energy

1,268,654 GJ





# Reducing water consumption

We are proud to report that water consumption per unit of processed material was reduced by 63 percent in 2020, compared to 2019.

## AAK's water consumption

Water is a very important element for our environment. Within the processing of plant-based oils and fats, water is mainly used for cooling and is not contaminated when discharged back to its source. Nevertheless, AAK has several ongoing projects aimed at minimizing the amount of water withdrawal used at our sites and the water discharge.

The improvement in water consumption during 2020 was achieved through water efficiency projects, a move to non-municipal water where possible (such as sea water) and improved accounting (see page 80).

## An overview of the figures:

- The total water consumption during 2020 was 1,125,617 m<sup>3</sup>.
- Combined, the Group's production sites use approximately 29,368,018 m<sup>3</sup> of seawater for cooling. The discharged water is returned to its source with no change in quality, except that it may be slightly warmer than when entering the Group's systems
- The amount of surface water used was 2,403,830 m<sup>3</sup> and the amount of groundwater was 501,802 m<sup>3</sup>, both lower than 2019
- The amount of municipal water used totaled 2,387,275 m<sup>3</sup>, which is significantly less compared to 2019 (a decrease of 9.8 percent)
- Processing water discharge (excluding cooling) in 2020 decreased by 11.8 percent to 1,558,571 m<sup>3</sup>.

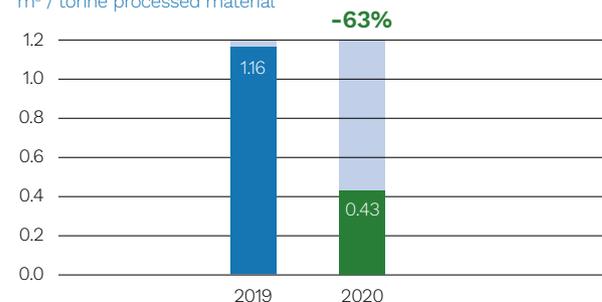


## Building best practices

The results from different water projects have been shared across our sites to help us learn from experience. Next we will focus on our freshwater consumption, which we hope will provide further clarity regarding our impact and have the same successful outcome.

## Water consumption

m<sup>3</sup> / tonne processed material

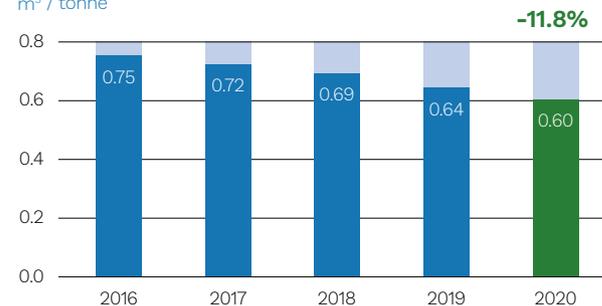


The water consumption 2016–2018 per processed unit is not comparable after aligning with GRI 303-5 (see page 68 Reporting Principles).

## Water discharge

Per unit processed material

m<sup>3</sup> / tonne



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

Water withdrawal	Total withdrawal (m <sup>3</sup> )
Seawater	29,368,018
Municipal water	2,387,285
Groundwater	501,802
Surface water	2,403,830



## Reducing waste and increasing circularity

**The waste per unit processed material decreased by 50 percent compared to 2019. The reduction was driven by lower volumes and improved waste management.**

During 2020, AAK's production sites generated 75,704 tonnes of waste, a decrease of 49.3 percent compared to 2019.

Our sites generated 1,315 tonnes hazardous waste and 74,389 tonnes non-hazardous waste. This represented an overall reduction of 49.8 percent and 2 percent, respectively.

All sites have made great efforts to reduce the waste that goes to landfill. During 2020, 3,102 tonnes of waste was disposed at landfill, 579 tonnes less compared to 2019, which represents a 16 percent reduction in total.

### A more circular approach

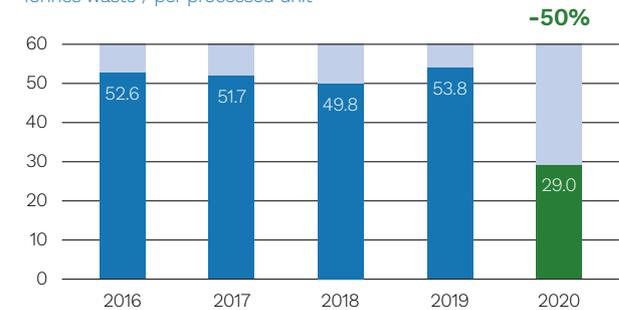
Over the last few years, AAK has experienced changes that have impacted the comparability of waste statistics from year to year.

Changes in legislation and redefinitions of waste into sidestreams and byproducts have meant that there are inevitable irregularities in our data. Nevertheless, waste reduction and waste to landfill will always be a key focus area for our organization. 96 percent of our waste was recycled during 2020 and our ambition is to have 100 percent recycled waste by 2030.

Going forward, AAK will also put more efforts into packaging and the use of renewable materials. We already have ongoing improvement work connected to different industry segments and good examples to learn from and apply across the organization.

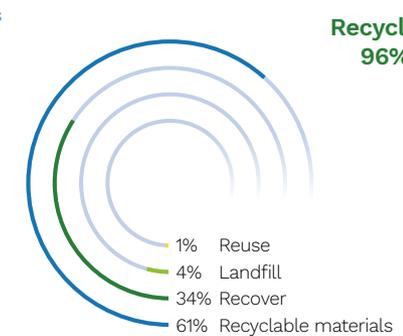
### Total waste per processed unit

Tonnes waste / per processed unit



### 2020 waste disposal

% of tonnes



## AAK China

# Building a circular economy through partnerships

Since production started in Zhangjiagang, China in 2017, the site has carried out several environmental protection activities, including initiatives to reduce waste. Through local partnerships, we have been able to improve recycling significantly and today, the site has achieved zero landfill.

The Zhangjiagang plant is constantly looking for better ways to optimize resource consumption, from recycling of material waste to regeneration of spent raw materials. One of these involves “bleaching earth”, a natural adsorbent clay.

### Bleaching earth

AAK has used bleaching earth as an essential processing aid for high-quality oil production for many years. Bleaching earth removes coloring and other impurities during the refining of plant-based oils.

### Finding the best bleaching earth partner

A lot of time and effort has been devoted to exploring the most feasible approach for recycling spent bleaching earth (SBE). AAK China began searching for a suitable partner to recycle SBE during commissioning of the site, and eventually found a local company who could help.

AAK’s technical engineers worked closely with the company by providing technical support. Today, hydraulic pressure is used to recover the residual oil from the SBE, which is used to create biodiesel. Special bacteria are added to the remaining SBE, which turns it into organic fertilizer for farmers – and subsequently the bleaching earth is then successfully returned to nature.



*“We are very happy with the new partnership, which is not only helping us to achieve our ambition of zero landfill, but it is also a cheaper solution, making it a win-win situation.”*

Alex Wang, HSE Manager, AAK China

### Looking ahead

From an environmental and economic standpoint, there are significant advantages to recycling bleaching earth, one of which is to solve AAK’s landfill challenges. As we look to the future, we will continue to develop further partnerships with companies that can help us build a circular and sustainable economy.



## Being a better neighbor

**At AAK, we recognize that community participation is an important aspect for the long-term success of our business and for the well-being of those around us.**

As a global processing company, it is our responsibility to minimize our potential impact on neighboring communities. We have always played an active role in caring for our surroundings and those that live there by engaging in a variety of local activities. By carrying out impact assessments and setting goals to safeguard people and the environment, we are Making Better Happen and maintaining our social license to operate.

### Relevant community programs

During 2020, we have been challenged to drive community engagement due to the Covid-19 pandemic and the social distancing norms. In spite of this, AAK has managed to engage in a variety of local activities to support, while maintaining the safety of our employees. Based on rising challenges such as unemployment and the loss of income, we have been driving campaigns targeting food and clothing donations, but also supported organizations working with exposed groups in society to eventually provide training and experience to seek job opportunities and getting established on the job market. These initiatives are built on passion and a willingness to support. We are very proud of our employees that so dedicatedly drive these initiatives. Here we present two examples of relevant community engagement initiatives from different parts of the world.

## AAK India

### Providing support despite social distancing



**The first case of Covid-19 in India was reported on January 30, 2020. In March, the Government of India and State governments announced lockdowns throughout the country with social distancing measures.**

On hearing this, local authorities were greatly concerned for the well-being of migrant workers, as these, in particular, would struggle without regular and secure employment. The local authorities and NGOs reached out to AAK in India asking us to help provide basic necessities, which we of course were more than willing to do.

### Immediate support from AAK

We decided to initiate a donation project distributing 300 food baskets filled with lentils and rice to people in need. In addition, we distributed 2,000 liters of edible oil to local villagers.

Social distancing has unfortunately impacted the ability to continue with many crucial community programs. However, all this good work was made possible by maintaining strict guidelines for sanitization, social distancing, and the use of PPE (personal protection equipment). In addition, AAK in India also produced and distributed sanitizers to all employees for use at home.

These worthy projects helped us to achieve our goal of being a better neighbor. However, the pandemic will continue to present further difficulties. Looking ahead, we will help people to meet and overcome these challenges, even post-Covid, by re-assessing and revisiting impacted areas as the situation slowly returns to normal.



## AAK Uruguay Supporting low-income families

**Covid-19 caused enormous problems for people in Uruguay during 2020. Those living on daily and irregular incomes, such as street vendors and artists, small restaurants, and the homeless, were suddenly unable to feed themselves and their families.**

Concerned individuals immediately started to create initiatives and networks that helped to cover these people's basic needs. One of the first organizations to establish a program was CANASTASUY ("canasta" means "basket" in Spanish).

### The CANASTASUY program

Baskets containing donations and wholesale purchases are distributed to those in need, with enough to feed a family for three days. Food is brought in by volunteer transporters to schools and warehouses where the assembly of each basket is made by hand. The baskets are then delivered by CANASTASUY and the municipal authorities.

The entire process is based exclusively on volunteer work coordinated on a day-to-day basis. By raising awareness through social media, the number of donations and volunteers quickly increased and before long, food was reaching over 4,000 families per day.



### AAK lends a helping hand

It was not difficult to decide that this was a project that AAK should be involved in. AAK started by offering a donation of 2,000 baskets, with a special request to have them delivered in the surroundings of Paso de la Arena, a very low-income area where the AAK plant is located. In addition, AAK employees also volunteered in the assembly lines.

*"It was very satisfying to see dozens of individuals that did not know each other working in teams to efficiently assemble as many canastas as possible", said María Victoria Laporta Rodríguez, Office Administrator at AAK Uruguay and catalyst behind the CANASTASUY cooperation. "The urgency of the situation challenged individuals, donors, and institutions to find ways and means to collaborate and strengthen their role in society."*

Today, the situation in Uruguay is greatly improved as far as the pandemic is concerned. Slowly but surely, commerce, transportation, and education are coming back to normal, but many people still face difficult challenges and families are going hungry. Our cooperation with CANASTASUY continues to work, carrying out a wide variety of essential activities to help those who need it most.

# Better *Solutions*



Better Solutions reflects AAK's aim to help customers improve the sustainability credentials of their brands, and to support them in driving consumer demand for product solutions that are better for people and the planet.

Better Solutions shall enhance activities that drive the demand for sustainable solutions, create prerequisites to establish a stronger pipeline for sustainable solutions, and incorporate sustainable development in the way we measure our performance.

**Through *better solutions* we can be part of *the solution* for a more sustainable future**

Our commitments are supported by the following ambitions:

- 2021: Identify and share best practices on selling sustainable solutions
- 2021: Ensure sustainability is fully embedded in the opportunity management process
- 2025: 50 percent of revenue contributing to the Sustainable Development Goals

## Key achievements in 2020

Due to the Covid-19 pandemic, we have had to change our way of working to make better solutions happen. Additionally, the pandemic has caused consumers to change what they buy and eat, which in turn has affected our customers' businesses, and thereby ours. For example, people are now choosing plant-based food alternatives to a far greater extent.

### *Increase the demand for sustainable solutions*

- Increased the demand for RSPO-certified sustainable palm by 23 percent.
- Deeper understanding of our customers' sustainability needs.
- New web-based ways of interacting and sharing best practices.

### *A stronger pipeline for sustainable solutions*

- A larger part of our opportunity pipeline is based upon customer needs within sustainability.
- New partnerships established to strengthening our customer innovation within plant-based foods (MISTA, Good Food Institute).
- Establishing Global Center of Excellence for plant-based activities.
- Strengthened support for our customers' needs with our Health & Nutrition platform.
- Building stronger platform for resource-efficient solutions.

### *Our contribution to the Sustainable Development Goals*

- New plant-based food products brought to market in cooperation with our customers.
- 34 percent of revenue contributing to the Sustainable Development Goals.

## Customer insight dialogues

Co-developing with customers to do good for people and planet, and accelerate demand for sustainable solutions, starts with a better understanding of sustainability needs. With the launch of AAK's new strategy in early 2020, sustainability has become an even more prominent cornerstone of our business. We embedded a sustainability mindset into every area of our business, and introduced a workstream called "Sustainability as a true differentiator", aimed at offering even better services and solutions.

In order to set our priorities and invest in the most relevant projects, we calibrated our insights with our customers.

### Sustainability dialogues

During June and July 2020, the sustainability team invited several key customers from different business segments to participate in sustainability dialogues. In total, we interviewed 17 customers from eight different countries and seven different markets/roles in the supply chain, including one retailer. Our goal was to set ambitious targets for AAK's future sustainable solutions, while anticipating customer needs and identifying joint sweet spots. Our main learnings are as follows:

Overall risk management	<ul style="list-style-type: none"> <li>Sustainability is to a large extent seen as risk management; the space to differentiate is to a large extent depending on ability to demonstrate solid risk management.</li> </ul>
Access to data and communication	<ul style="list-style-type: none"> <li>Traceability and transparency remain high on the agenda, and easy and fast access to data is crucial</li> <li>Support for communicating complex or sensitive sustainability progress is a plus</li> </ul>
Certification and platforms	<ul style="list-style-type: none"> <li>Navigating in the certification jungle and providing the right certifications are high on the agenda</li> <li>Delivering data to sustainability platforms such as CDP is becoming more important</li> </ul>
Environment	<ul style="list-style-type: none"> <li>Science-based target commitments are a key topic</li> <li>Deforestation-free requirements across relevant supply chains is a key priority</li> </ul>
Social issues	<ul style="list-style-type: none"> <li>Human and labor rights due diligence is gaining momentum</li> <li>Smallholder impact projects are very interesting for smaller customers with limited access</li> </ul>

AAK appreciates these learnings and has already taken some of the insights into account. For example, we have committed to the science-based target 1.5°C scenario and we are investing in our verified deforestation-free monitoring in palm, which we have extended to include our soy supply chain. We are also

working with customers and suppliers on several other important supply chain projects.

We are thankful to have had this opportunity to engage with our customers around their sustainability needs, and we will continue to provide ever-better services and solutions in the future.



## Increasing demand for certified sustainable palm solutions

**Our customers are at the heart of what we do at AAK. It is therefore essential that we maintain a solid understanding of the complete supply chain, from our suppliers through to our customers – and subsequently their customers. With this level of insight, and by working in close cooperation with all relevant stakeholders, we are able to provide a trusted source of sustainable palm oil, including RSPO-certified palm oil.**

### Creating standards for sustainability

At AAK, we aim to make sustainable palm oil the industry norm by understanding sustainability policies, public commitments, supply chain timescales, and how to best educate businesses in the right course of action if they have not yet developed adequate policies or strategies.

AAK's direct relationships with retailers' sustainability teams play a key role in delivering on this approach. Working together, AAK has helped many retailers achieve RSPO-certified palm oil and we are continuously supporting their move towards segregated palm oil.

### Educating customers to work with sustainable oils

During 2020, we created a series of events at our customers' production sites to help them understand how they are working with sustainable oils, in particular palm oil, and in which areas they could improve.

The events took place in a room set up as an exhibition. The benefit with this approach was that customers could visit at their convenience and send staff



who would not normally be involved to get a better understanding about sustainable solutions and best practices. Going forward, AAK plans to continue this initiative virtually whilst current Covid-19 restrictions are in place.

*"We often forget that we are all consumers," said Kaly Chatakundu, Commercial Director, AAK UK & Ireland. "If a business takes pride in using sustainable palm oil, it will talk about it and promote why we all should seek out certified or sustainable palm."*

### Gaining global momentum

Initiatives across Europe, Asia, and the US have now been taken to make sustainable palm oil the norm. AAK is involved in many of them and we have, in some cases, been present at project conceptions. Some of these are funded by the industry, others by local governments.

In the UK alone, AAK has worked with the UK Roundtable on Sourcing of Sustainable Palm Oil since 2012. We support the group with information for their annual progress report and by taking part in biannual meetings chaired by the Foreign, Commonwealth & Development Office (FCDO) of the UK Government. At these meetings, AAK and other key members are asked to give updates on progress and any barriers to change.

AAK also works within a subgroup focused on communication for sustainable palm oil. This group aims to develop tools that help to educate businesses, communities, schools, and universities.



## Plant-based foods – a virtual experience

**Co-developing with customers to do good for people and planet is about being a leading and knowledgeable partner on sustainability with aptness to meet customers' needs and create the right setting for development to test our solutions.**

In 2020, restrictions on face-to-face meetings and canceled trade shows due to Covid-19 have greatly impacted the way AAK creates demand for sustainable solutions. However, the pandemic has also given rise to new ways of interacting and engaging with our customers, such as through new digital channels.

USA's largest trade show is the Institute of Food Technologists Annual Meeting & Food Expo (IFT), a key event where we have often showcased our expertise for plant-based foods, as well as for Bakery, Confectionery and Special Nutrition applications. This 2020 event was moved online and billed as the first virtual food trade show of its kind in the United States, as IFT20 became SHIFT20.

Educational resources, seminars, and classes are a main draw for visitors. During the show, attendees could access educational content on topics ranging from food technology, processing, and development through to health and nutrition. AAK USA sponsored the health and nutrition topic, sharing expertise on plant-based food formulation and a presentation on oils used in keto diet. Beyond this educational content, SHIFT20 included expo pages for over 300 ingredient suppliers.



AAK USA showcased three prototypes, demonstrating how plant-based food can still be indulgent. Following the event, we further engaged with our customers by having virtual cuttings of our plant-based bacon and sending prototype samples to customers ahead of each virtual session. This way, people could test the prototype themselves and, by providing live and pre-recorded walkthroughs of the prototype's development, we were able to give a highly memorable virtual and physical experience.

*“Our mission is to inspire people and businesses to make better choices. This year, we have worked diligently to move beyond the static slides of a presentation to create a more engaging interaction between customers and our team. The increased focus on digital solutions and enriching the experience to make the session more impactful feels both valuable and sustainable.”*

Ryan Branch, Sr. Marketing Manager,  
AAK USA & Canada



## Supporting demand for plant-based foods in India

**Sharing knowledge and understanding the benefits of more sustainable solutions is central to helping our customers and other stakeholders increase demand. Courses at our Customer Innovation Centers, run through AAK ACADEMY™, enable us to deliver this service to customers.**

AAK has partnered with Good Food Institute India to collaborate on advancing India's highly promising market for plant-based meat and dairy alternatives.

Through the partnership, AAK's Customer Innovation Center in Mumbai will host several AAK ACADEMY™ sessions to help businesses and entrepreneurs take advantage of the opportunities that exist in India's plant-based foods market.

With support from Good Food Institute India, AAK will also provide co-development expertise on how companies can accelerate the formulation of new products, with a particular focus on achieving a memorable sensory experience that appeals to local tastes. The collaboration is closely linked to AkoPlanet™, our platform for plant-based food innovations.

*"This collaboration means we can provide more support to both established food producers and start-ups, promoting the fast-track development of plant-based meat and dairy alternatives for the Indian market", said Dheeraj Talreja, President of AAK India. "We are particularly excited to work with Good Food Institute India. As a non-profit organization, it is globally recognized for supporting the development of sustainable and healthy plant-based foods."*

Varun Deshpande, Managing Director at Good Food Institute India, explained how the challenges of climate change, antimicrobial resistance, and food insecurity presented by the world's reliance on animal protein supply chains have been underscored by the Covid-19 public health crisis.

*"Accelerating the development of the plant-based meat, egg and dairy sector is imperative to building a more secure and resilient protein supply", Varun said. "Indian businesses and scientists have immense potential to be at the center of this development, driving affordability and sensory experiences as well as cultural appeal in transformative plant-based foods."*

Plant-based foods have significant potential in India and AAK will be there to support demand and provide solid expertise for better solutions in collaboration with local stakeholders.





## Stronger support for healthy and nutritious solutions

**To create the right prerequisites to support incoming needs and to create flexibility, AAK works to create platforms ready to take on any challenge with a continuous improvement mindset. The Health & Nutrition platform is one of these platforms.**

With 150 years of experience in plant-based oils, AAK provides tailor-made solutions that significantly improve nutritional intake, while minimizing our impact on the environment. AAK's new Health & Nutrition platform leverages these benefits to support the needs of a growing and aging population.

AAK has a long history of co-developing innovative solutions with customers that enable them to bring healthier and more nutritious food products to market. Working together, we make it possible to create solutions with specific characteristics and properties, including without trans-fatty acids and with a lower amount of saturated fatty acids.

Oils and fats are important sources of energy and a carrier of fat-soluble vitamins. They also provide essential fatty acids that the body needs but cannot produce itself. A good example of how we are working with this benefit is our infant formula solutions. In this respect, oils and fats are necessary to maintain a good overall health and can in some cases even be used to help prevent disease.



### Health is a top priority

As our population grows – and grows older – there is a demand for food products that help to promote a healthier lifestyle. People have become increasingly aware of the importance of this, especially during the Covid-19 pandemic. Covid-19 has changed many aspects of our daily lives and routines, and for many of us a healthy diet is a top priority.

At AAK, we are experiencing a broader health and nutrition focus across multiple industries, where consumers are looking for innovative solutions for dairy products, chocolate and confectionery, and the growing category of plant-based foods. However, there is also a need for functional ingredients that help conditions such as cognitive decline, diabetes, cardiovascular disorders, and eye health.

Through our Health & Nutrition platform, we meet the needs of our customers by offering healthy, nutritious, functional, and sustainable solutions.

*"We see healthy and nutritious solutions as a natural and integrated part of our business. Together with a sustainable supply chain and efficient production, our Health & Nutrition platform can contribute with solutions that benefit both people and the planet."*

Anders Sikjær, Global Sales Director,  
Special Nutrition





## Sustainability through resource efficiency



**Enhancing the environmental and health performance of our solutions depends on our ability to incorporate sustainability into every aspect of the development of new products. We consider the impact of our oils from plant to brand.**

We work continuously to integrate greater environmental performance into the innovation processes, so we may improve the impact of our solutions.

Over the last decade, product criteria have been focused on functionality and meeting health and nutrition needs. However, product development trends today are also influenced by climate change, resource efficiency, less processing, and natural products.

Innovations in sustainability are often deeply embedded in our solutions, but not always very noticeable. Nevertheless, we have continued to progress on resource efficiency and reducing waste.

For example, our solution COBAO™ Pure is a cocoa butter that improves the shelf life of chocolate products, which is less processed than other products with a similar functionality. This enables customers to create products with less environmental impact, while reducing waste at the same time.

### Processing with better resource efficiency

Processing is another crucial improvement area when it comes to meeting market demand, both in terms of our own and our customers' production.

Many processes in the food industry are characterized by relatively high resource intensity, such as energy and water. New innovation projects at AAK will be measured up against these parameters and it is our role as an ingredient supplier to make sure that new products and processes do not create an adverse or unexpected impact.

*"Plant-based oils are, in essence, renewable products, storing solar energy in the plant in a format that is then available for humans with minimal conversion cost. Year after year, it is our obligation to cooperate with our stakeholders in the best possible way to minimize the resources used in this conversion and lessen our impact on the environment."*

Karsten Nielsen, Chief Technology Officer, AAK

To enhance environmental performance of our solutions, depend on our ability to identify what activities and aspects that enhance the sustainability performance in our solutions from plant to brand.

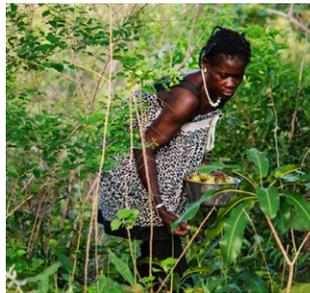
## Resource efficiency from plant to brand

We are constantly looking for opportunities to enhance our environmental performance, which is why we are introducing greater resource efficiencies into key parts of our supply chain. To this end, and so that we continue to offer ever-better solutions to our customers, we have and will continue to make improvements. The Kolo Nafaso shea supply chain is a good example of this.

A sustainable raw material



Collected by hand



Efficient local processing



Smart logistics to increase efficiency



Resource efficiency during production and customer engagement



### A sustainable raw material collected by hand

- Shea has enormous potential to mitigate climate change in West Africa. Every year, the shea value chain naturally locks 1.5 million tonnes of CO<sub>2</sub> into the soil
- Shea does not require fertilizers to grow

### Collected by hand

- Women collect kernels in the parklands around the villages and on their husbands' fields
- The collection does not involve picking from the trees, only the collection of kernels on the ground

### Efficient local processing

- AAK is training women to construct rocket stoves (7,098 stoves so far) and to steam kernels instead of boiling them. On average, rocket stoves have 2.5 times the thermal efficiency of traditional stoves
- Women are also taught to use shea shells as fuel for boiling instead of firewood

### Smart logistics to increase efficiency

- We collect shea kernels in large quantities from the villages using our own AAK trucks
- This saves much time and effort for locals and increases overall efficiency

### Resource efficiency during production and customer engagement

- An initiative in Aarhus, Denmark is to use shea meal in our bioboilers
- AAK is planting shea trees together with Kolo Nafaso customers (10,400 trees so far)

Today, the solutions connected to the Kolo Nafaso program represents many other sustainability benefits (see pages 14–15). Our aim is to track these benefits as well in our share of revenue connected to the Sustainable Development Goals going forward.

## Co-developing sustainable solutions

**The demand for solutions with stronger sustainability credentials has increased significantly during 2020. At AAK, we believe that when we provide our customers with a sustainable solution, it must enable them to deliver on their sustainability promises and further strengthen their brand.**

### Working closely together

When the right sustainability credentials have been identified, we engage with our customers using our co-development approach to develop the best solution. This approach has served us well for many years for technical development. However, now it has also proved itself to be very valuable for the development of sustainable solutions.

Our customer sustainability requirements differ significantly across industries and regions. For example, we see a higher demand for solutions with stronger sustainability credentials from our global consumer goods customers, our European and North American customers, and our customers within the plant-based foods, chocolate, and cosmetics industries.

### Sustainable and responsible sourcing

Most often, the requested credentials relate to our sustainable sourcing practices for raw materials. Many of our customers want to mitigate potential risks to their brand from their supply chain and are asking us to share traceability details, for example whether our palm is verified deforestation-free.

Human rights due diligence within the supply chain is also becoming a priority and we see a growing demand for solutions that have a sustainability certification.

### Improving the supply chain

Besides the mitigation of brand risks, customers also express a sincere wish to make a positive impact through their supply chain. This is where our social efforts within our Kolo Nafaso program in West Africa become a very attractive proposition, as well as collaboration opportunities in other areas.

In 2020, AAK's business segment Personal Care was presented with a Sustainable Beauty Award and named winner in the Sustainable Leadership Category. This shows how AAK is considered a leader in developing sustainable supply chains that encompass multiple aspects, from building long-term, fair, and transparent relationships to creating jobs and projects that help to mitigate climate change.

As a sustainable leader, we aim to support customers and suppliers with sustainability best practices and this award is an acknowledgement of the results our teams have achieved on the ground in West Africa, and for the shared value we provide to our customers.

### Looking to the future

Sustainable requirements and solutions are constantly evolving, which is why our ambition is to continuously develop more innovative ways to match our customers' needs. AAK creates plant-based solutions that bring great taste and texture to the consumers in a responsible way. We see a great potential for the future, playing an active role in a more sustainable food system, supporting the transition to plant-based foods and growing our revenue from solutions connected to sustainable development.



Anne Mette Olesen, Chief Strategy & Sustainability Officer



# Reporting framework

## About the AAK Sustainability Report

### **A global team effort**

This Sustainability Report is a global team effort involving colleagues from all sites, who contribute with their experiences about the company's many environmental and social initiatives. The report also includes statements, initiatives, projects, and views from across the entire organization that demonstrate how sustainability is firmly anchored within our organization.

### **The scope**

This is a stand-alone Sustainability Report that encompasses the AAK Group, including production sites, administrative offices, sales offices, Customer Innovation Centers, and sourcing operations. In general, the data in this report covers our activities from January 1 to December 31, 2020. Environmental data is restricted to production sites with stepwise integration of facilities with a significant impact in line with the Greenhouse Gas Protocol. The scope of raw materials is identified together with our partner Proforest and based on volumes, position in supply chain, and risks.

### **Acquisitions**

During the last five years, AAK has experienced significant changes regarding the scope of our production sites, with mergers and acquisitions in Belgium, India and USA. In 2019, AAK acquired MaasRefinery in the Netherlands, BD Foods and Soya International in the UK, and during 2020 we acquired 75 percent of long-term partner NPO Margaron LLC, a producer of margarines, spreads, and bakery and confectionery fats, based in St. Petersburg, Russia. To further strengthen our position in the strategic and fast-growing Indian market, AAK also acquired the remaining 31 percent of the shares in AAK Kamani, the joint venture between AAK and Kamani Oil Industries Pvt Ltd. that was formed in 2015.

### **Onboarding new sites**

Aligning new sites with AAK's sustainability standards is an important part of their integration. Each site will have a sustainability team that will be invited into the global sustainable operation community. New sites are not required to join our GRI reporting until they have one full year of production. Therefore, all newly acquired sites are included in this report, except Soya International and NPO Margaron.

### An eye on transparency

Sustainability reporting is a tool for us to be transparent about our environmental, social, and governance structure, including our contributions to local communities. We aim to provide balanced reporting that supports our stakeholders in their evaluation of AAK's sustainability performance.

### Reporting according to GRI standards

This report has been prepared in accordance with the GRI Standards: Core option.

### External assurance

AAK's Sustainability Report 2020 is adapted to comply with the Swedish Annual Accounts Act based on the Directive 214/95/EU rules on disclosure of non-financial and diversity information by large companies. The auditor has performed a limited assurance of the Sustainability Report 2020. Please find the auditor's opinion on the statutory sustainability report on page 88.

### How to get a copy of the report?

The AAK Sustainability Report is available in English and Swedish and can be accessed via [www.aak.com](http://www.aak.com). To obtain a printed copy, please contact Corporate Communications at [comm@aaak.com](mailto:comm@aaak.com). For questions regarding the report, please contact [sustainability@aaak.com](mailto:sustainability@aaak.com).

## Transparency and valuable information

**Given that AAK is a food ingredients company, transparency is a top priority. It is crucial that we provide publicly disclosed information, such as this report, but also that we provide sufficient and fully up-to-date information to our customers that cover all their requirements, including delivery. Here are some examples of information we provide that is not disclosed in this report.**

### Product information sheets

Product information may vary depending on whether it is a standard or highly refined product, and whether it is an ingredient or a final consumer product. Consequently, AAK's product information sheets typically provide three types of information:

- **Product specification:** This shows the physical and chemical properties of a product and is often part of a contract
- **Material Safety Data Sheet (MSDS):** This relates to safety issues, often concerning transport. This is a legal requirement for chemicals, but we provide it for most customers
- **Quality & Product Safety Sheet:** This contains additional information related to the product, such as allergens, GMOs, residues, country of origin, raw materials, additives, typical fatty acid composition, etc.

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

### Internal information

AAK's Group Code of Conduct contains a list of references to relevant steering policies and procedures for internal guidance and clarification related to the content of this report. AAK also has an internal management system that contains additional Group- and site-specific policies, processes and procedures. Some of this documentation is confidential and some can be provided upon request.

### AAK online

Through our website, [www.aak.com](http://www.aak.com), stakeholders have access to all relevant information, including policies, codes, annual reports, and supply chain progress reports. All certificates achieved by individual sites are also available.

# Stakeholder engagement

**Every third year, AAK conducts a stakeholder analysis in order to ensure relevance, accountability and to stay ahead of evolving expectations of our stakeholders. This process allows us to engage and mobilize internally and to identify our most significant topics, both positive and negative, ensuring a unified approach at all levels of the organization.**

## The stakeholder analysis 2019

The stakeholder analysis process in 2019 started with a determination of which key stakeholders that should be engaged in the analysis. A list of significant topics considered most relevant for AAK's progress on sustainability was updated, involving relevant internal stakeholders. Stakeholders included in the analysis were identified based on mutual dependency and valuable relevant expertise (such as trade organizations), close relationships with the company (employees and company decision makers), an ability to directly influence the company, having an important relation with AAK (customers and investors), an ability to make an impact in our value chain (suppliers of raw materials and packaging), and stakeholders important to AAK's corporate citizenship (municipalities). The external people included were also considered individuals with expert knowledge involved with NGOs, RSPO and marginalized communities and farmers.

## Transparent dialogue

In order to enable a transparent approach, the survey and dialogues were conducted with support from an experienced third party. With the goal of capturing

a broad perspective, the stakeholder survey was composed of both quantitative questions and qualitative interviews.

The quantitative portion of the survey involved respondents rating the AAK significant topics as a very specific exercise undertaken as part of our Global Reporting Initiative (GRI) process. The qualitative portion of the survey gave AAK further insight into our stakeholders' ambitions, including evaluations of AAK's ongoing sustainability work and suggestions for how we can improve in order to meet expectations in the future.

## The stakeholder analysis matrix

The quantitative section of the survey was based on 31 significant topics which were initially taken from AAK's previous stakeholder assessment. In order for the analysis to capture both internal and external perspectives, a matrix was set in relation to the corresponding ranking carried out by the local sustainability teams and other internal stakeholders. The internal perspective was then compared with the perspective of all stakeholder groups, including external ones. This made it possible for the analysis to capture both the perspective of AAK and external stakeholders, with a special focus on the topics listed as very important (see Sustainability Report 2019).

## Key topics raised

Overall, AAK received valuable feedback regarding both what we do well and what we can improve. The top three topics raised by key stakeholder groups (consisting of customers, investors and suppliers) were:

prevention of deforestation, reduce environmental impact throughout our supply chain, and achieving resource efficiency. Other significant topics raised where to promote employee development, prevent harassment and to initiate an active whistleblower system that concerns all parts of the supply chain.

The feedback we received from the in-depth interviews (with both customers and investors) was that we should be more transparent regarding our supply chains. Specifically, respondents suggested that we should further increase our efforts related to traceability. This has been emphasized and further enhanced during 2020.

## Management engagement and prioritization

After identifying the topics which are most significant for our stakeholders, AAK engaged the top 100 leaders in the organization in several workshops to discuss how to meet these expectations. The result was presented to the Executive Committee, clustered in categories and aligned with AAK's sustainability ambitions and supporting key performance indicators. These ambitions have been further adjusted during 2020 to be aligned with our new purpose, Making Better Happen and to reflect developments in legal requirements, insights from continuous customer deep-dive interviews and investor feedback. Based on this exercise it is evident that the Materiality analysis conducted in 2019 still is highly relevant but that we needed to raise our ambitions overall related to deforestation, human rights and greenhouse gas emissions.

### Progressing on key topics

AAK has progressed on significant key topics raised during 2019. Important steps have been taken with regards to prevention of deforestation (pages 20–21), reduction of environmental impact and improved resource efficiency has been achieved (pages 42–47) and we have activated a third-party whistleblower function (page 40). A new ambition with regards to employee engagement has been defined together with supporting initiatives (pages 13, 38–39) and we are also planning an ethical behavior training, including discrimination and harassment. Code of Conduct compliance is ongoing (pages 19, 40 and 86) and we will continue to assess environmental impact of our solutions with more focus on reducing greenhouse gas emissions throughout operations going forward.

### Next steps

With commitments, ambitions and supporting KPIs based on our stakeholder analysis 2019, we will continue to assess and progress towards our stakeholders' expectations.

AAK will conduct a new stakeholder analysis in 2022. The aim is then to also reassess and include other external experts to further evaluate AAK's impact on economic, environmental and social aspects aligned with up-to-date research and science.



# Managing our sustainability commitments and ambitions

**For AAK, sustainability is about delivering on our framework for sustainable business – The AAK House of Sustainability – throughout the business and our operations, managing risks and opportunities and strengthening relations with internal and external stakeholders. Our overall sustainability objective is to support business growth and profitability by delivering sustainability from plant to brand supported by our purpose Making Better Happen.**

## Sustainability governance

AAK's sustainability work, commitments, ambitions and progress are based on conclusions from the stakeholder analysis (see page 65), and is governed by the framework for sustainable business (page 9).

AAK's Board of Directors has the overall responsibility for the company's sustainability progress and performance. This responsibility also includes risk assessments in relation to different sustainability areas and especially with regards to climate change risks and diversity. The Board of Directors is informed regularly on sustainability and climate-related performance and AAK's progress against set objectives and targets, risks and opportunities. The Board of Directors also approves the Sustainability Report.

The Audit Committee deals with risk management, the integration of AAK Group procedures as well as with monitoring and following up on policies, codes and their implementation in the organization. The result of AAK's sustainability and climate change risk assessments are presented to the Audit Committee annually where corrective actions are discussed and defined. Instances of non-compliance with policies, codes and corrective actions taken are presented to the Audit Committee on a quarterly basis.

The main role of the Remuneration Committee is to assist and advise the Board on matters relating to the remuneration of the Board and senior management. This makes sure we can retain our executives and that AAK can attract the best talent in the market – to ultimately maximize shareholder value. During 2020, it was decided that ESG targets henceforth should be a qualifier for the Executive Committee's remuneration.

## Sustainability management

The Executive Committee has the operational responsibility for AAK's sustainability progress and performance. The responsibility for sustainability, environmental and climate-related commitments and ambitions are delegated from Board-level down to Executive Committee-level and further cascaded to

the management of the organization. Monthly Executive Committee meetings are held where progress and necessary actions are reviewed, including AAK's sustainability ambitions. The Chief Strategy & Sustainability Officer is a member of the Executive Committee and reports to the Board on sustainability matters. With responsibilities including sustainability, corporate strategy and people, the Chief Strategy & Sustainability Officer takes a holistic approach, involving internal and external stakeholders, to drive the sustainable strategy.

## Better Sourcing

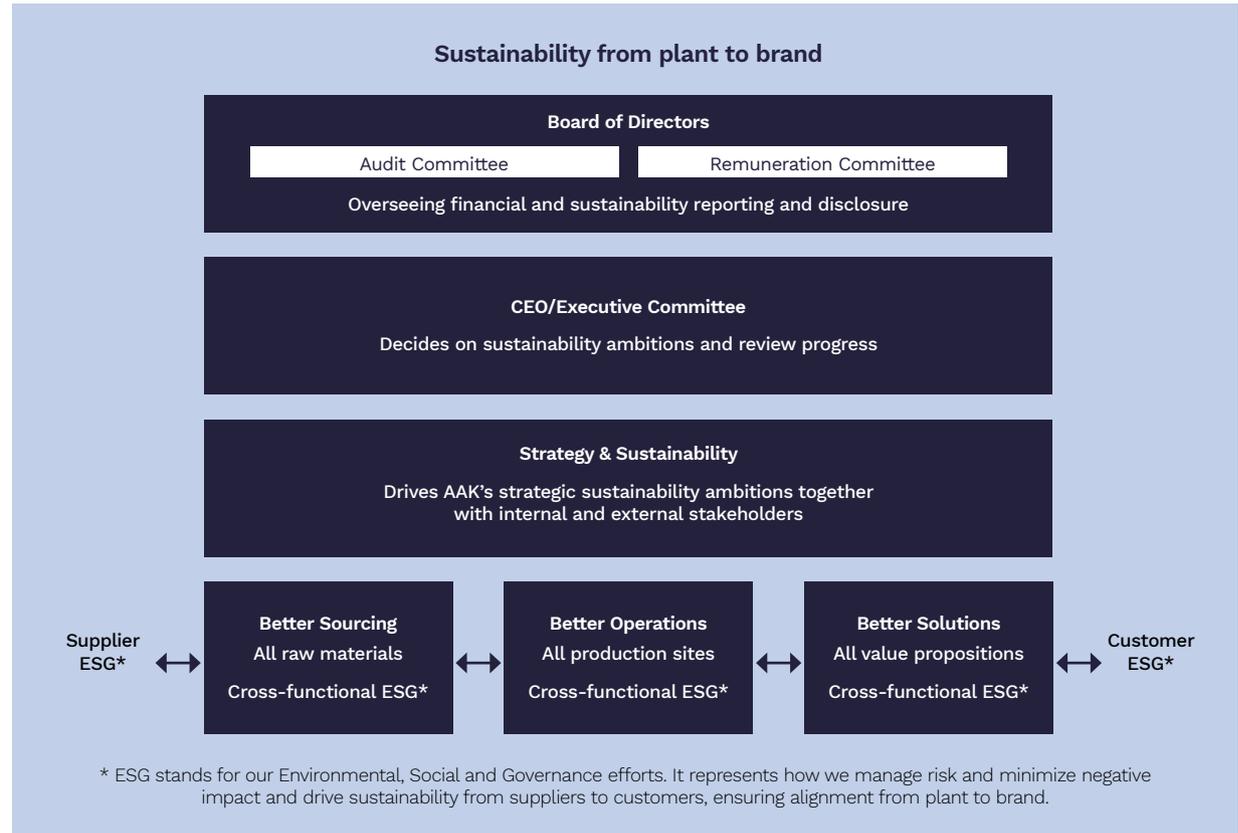
The Better Sourcing commitment and ambitions are guided by the AAK Group Code of Conduct, the Palm oil Policy and the AAK Code of Conduct for Suppliers of Raw Materials, risk assessments, supplier assessment tools, dashboards and procedures for due diligence. Active dialogue and engagement with suppliers and farmers are important tools in our improvement work. Progress is driven by the sustainable strategy, set commitments and ambitions. Activities are continuously monitored together with our Sourcing & Trading team driven by our Responsible Sourcing Managers together with specialist forums such as raw material task forces. Performance is continuously followed-up by our Global Sustainability and Global Sourcing teams.

**Better Operations**

The Better Operations commitment and ambitions are guided by the AAK Group Code of Conduct and the Group Environmental Policy, human rights impact assessments, risk assessments, reporting tools, certifications and audits. Activities are continuously monitored in cross-functional local sustainability teams that have regular global meetings managed by the Global Sustainability Manager. These meetings are arranged to exchange best practice and drive progress. Performance is continuously followed-up by our Global Sustainability, Global Operations and Human Resources teams.

**Better Solutions**

The Better Solutions commitment and ambitions are guided by the AAK Code of Conduct for Agents and Distributors, certifications, standards and product governance procedures such as approval processes and customer complaints systems. In order to understand our customers' needs and to transfer these into value propositions, we have our Go-to-Market teams including skilled Customer Innovation Managers, Product Managers and Sales Representatives. We work with insights from customer surveys and interviews and develop better alternatives that carry environmental, health and nutritional benefits supported by impact assessments and product master data to measure progress. We also use our global reach to access state-of-the-art research and capability to deliver on taste and texture, strengthening our position in the plant-based industry. The Go-to-Market teams work closely with internal stakeholders both in responsible sourcing and in production to ensure product governance.



**Evaluating our management approach**

Going forward, we will continue to focus on evaluating the effectiveness of our management approach, including Policies and Codes, to further improve

performance. We will also make sure that our ambitions are aligned with our most significant risks and opportunities and that we have effective evaluation mechanisms to assess our governance and progress.

# Reporting principles

## Scope and completeness

This is AAK's twelfth sustainability report, covering our activities from January 1 to December 31, 2020. It is prepared in accordance with the GRI Standards: Core option, and aims to provide sufficient and clear information. The environmental data in this report refers to the production sites that were fully operational during 2020. Other core data related to social disclosures, such as employees, gender composition, and age, includes AAK sourcing, sales, and purchasing offices, and is calculated per December 31, 2020 based on payroll information. The scope and completeness of this is continuously reviewed to include relevant activities. Going forward, we will also assess the West African activities further and include significant impact based on ownership and relevancy.

## Data input and accuracy

It is important for AAK that all data based on source documents is traceable to recorded evidence. While we are continuously working to improve data quality, this report is based on information received from our sites and contains results based on local calculations that is then compiled at a global level. During 2020, we have sharpened the process of collating input with more instructions and stricter validation functions. Some data errors were identified during the validation process, mostly connected to calculations, which were adjusted together with the different sites, including adjustments in previous years' reporting.

## Restatement of information

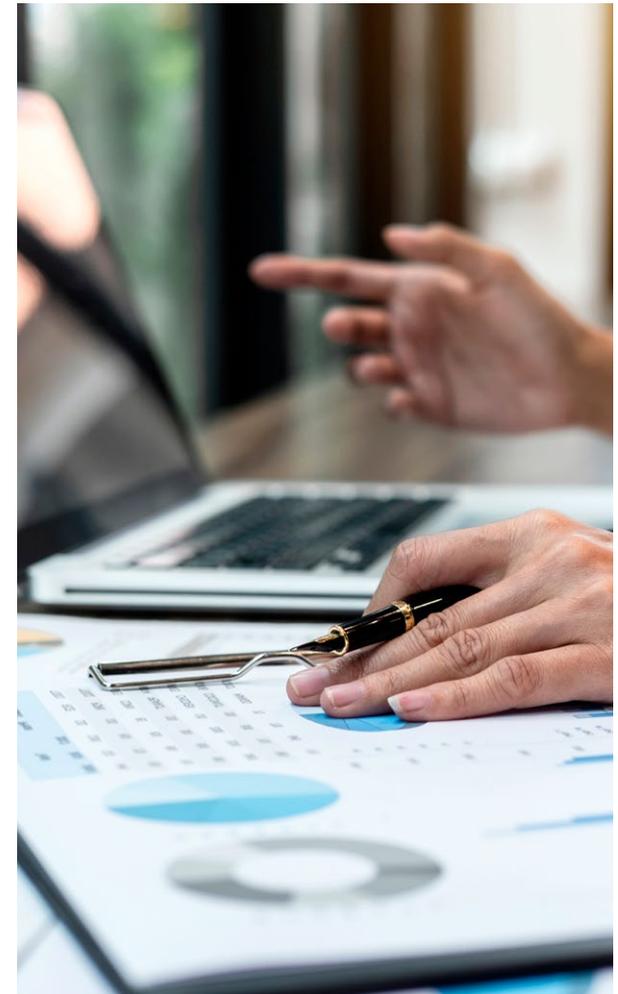
AAK has improved the disclosure of water consumption in line with GRI 303-5 and waste reporting has been re-allocated in order to clarify the distinction between waste and byproducts. To create a strong foundation and prepare to set science-based targets, AAK teamed up with a third party specializing in climate disclosure. The outcome was an improved data collection and a strengthened centralized framework for calculating emissions. This has led to more uniform calculations of scope 1 and 2 emissions in line with the Greenhouse Gas Protocol. Work will continue during 2021 to set science-based targets, including a more recent base year and a management approach including scope 3 emissions.

## Water consumption

Previously, AAK's water consumption has been calculated from withdrawn volumes of municipal water and groundwater. This year, the use of surface water and seawater has also been included in the report in line with GRI 303-5. The consumed water is now calculated as the difference between the withdrawn water and the discharged water. Seawater and surface water is only used for cooling purposes and discharged to the same source from where it was withdrawn and by this, AAK has aligned the water consumption parameter with the industry approach and clarified the actual water consumption of the company.

## Waste

In order to distinguish byproducts from our disclosed waste volumes, AAK started reporting volume of byproducts separate from the waste statistics during



2020. This year, waste is reported according to GRI Standard 306 (2016). In the next report, for the full year of 2021, AAK aims to follow the updated version of GRI Standard 306: Waste (2020).

### GHG emissions

AAK reports according to GHG Protocol's financial control approach. Scope 1 involves the direct GHG emissions from energy use. Scope 2 involves the direct GHG emissions from energy purchase and scope 3 involves GHG emissions beyond scope 1 and 2. All GHG data reported are provided in CO<sub>2</sub> equivalents including global warming potential from CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub> and NF<sub>3</sub>.

#### Scope 1

The scope 1 emissions are calculated from the consumption of fuels together with documented heating values and emission factors. This year, combustion from AAK's own vehicles, smaller working machines, and fugitive emissions are also included in the GHG inventory.

#### Scope 2

This is the second year that AAK has disclosed scope 2 indirect emissions. The scope 2 data used to compare the GHG intensity rate during 2012–2018, related to the present GHG reduction target, is therefore based on energy use reported at the time and estimated

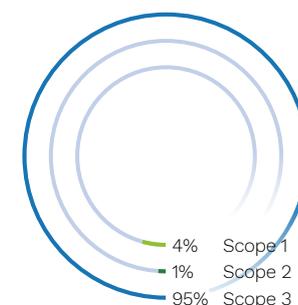
emissions based on ecoinvent version 3.5\*. New for the report this year is that in addition to only using the market-based GHG protocol scope 2 accounting method for scope 2, the location-based accounting method has also been applied to the GRI index – based calculating emissions according to the location – based accounting method, the grid-average emission factor is always used. For markets without a system of guarantees of origins for electricity, AAK has used the grid-average emission factor also for the market-based calculations. For more information, please see GRI index 305-2.

#### Scope 3

During 2020, AAK has, with support from a third party, revisited the scope 3 greenhouse gas screening\*\*, i.e. a rough assessment of AAK's emissions in the whole supply chain. The scope 3 screening based on 2019 data shows that about 95 percent of the emissions in the supply chain are category 1: purchased goods and services. The key raw materials included in the assessment were palm (49 percent), palm kernel (12 percent), coconut (7 percent), and rapeseed (7 percent). Together with inbound and outbound transport, this covers 80 percent of the emissions in our upstream supply chain. Going forward, AAK will engage with suppliers to set targets in line with the science-based targets method and work actively to improve our climate footprint, worldwide.

### GHG emissions AAK 2019

%



The large share of emissions in scope 3, and especially from purchased goods, are typical for companies that produce food or agricultural products, e.g. coffee or rice. However, they are not comparable with the impact of animal-based foods, such as meat or dairy, that are much more resource-intensive than plant-based foods\*\*\*.

\* Ecoinvent is the world's leading LCI database in terms of inventory data for complete supply chains. Version 3.5 features more than 2,000 new, revised, and updated datasets across five sectors as well as improved representations of supply chains. It was released on August 23, 2018.

\*\*The greenhouse gas screening is a GHG Protocol requirement and is also required according to the Science Based Targets methodology. Emissions from raw materials were assessed based on lifecycle analysis for raw materials that match the volumes that AAK purchased during 2019.

\*\*\* Creating a Sustainable Food Future, A Menu of Solutions to Feed Nearly 10 Billion People by 2050, World Resources Report, December 2018.

# Our commitment to the UN Global Compact

AAK is proud to have been a signatory to the United Nations Global Compact (UNGC) since 2003 and we are deeply committed to its mission to support companies to operate responsibly in line with the Ten Principles and take strategic action in advancing the UN Sustainable Development Goals. Here we present some examples of AAK initiatives in line with the UNGC Ten Principles.

**WE SUPPORT**



## Principles

## Examples of AAK initiatives



### Human rights

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

- AAK supports the Ten Principles of the UNGC in the areas of human and labor rights and communicates this to all employees in our Group Code of Conduct. The Code shall be accepted and signed by all AAK employees.
- AAK's commitment to human rights cascades down to our Supplier Code of Conducts. AAK Supplier Code of Conduct and our Code of Conduct for Suppliers of Raw Materials are integral parts of the approval system for suppliers (see pages 19, 40, 77).
- AAK has established a third-party whistleblower function.



### Labor rights

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

- AAK recognizes the rights of its workers to freedom of association and collective bargaining, including the right to freely form and join independent trade unions (see page 40).
- Labor rights are addressed in AAK's Group Code of Conduct.
- Forced and compulsory labor is addressed in AAK's Group Code of Conduct and AAK's Code of Conduct for Suppliers of Raw Materials, and modern slavery issues are addressed in AAK's Statement on Modern Slavery Act (see page 18).
- AAK does not accept child labor as stated in its Group Code of Conduct and its Code of Conduct for Suppliers of Raw Materials (see page 85).
- AAK does not accept any form of discrimination as stated in our Group Code of Conduct. Ethical behavior training, including discrimination and harassment, is planned to be established (see page 40).



Principles	Examples of AAK initiatives
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**Environment**

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

Examples of AAK initiatives

- AAK supports the precautionary approach both in terms of product development, innovation and in terms of environmental awareness initiatives (see pages 41, 53, 58–59).
- AAK continuously works to increase awareness about sustainability (see page 41).
- Best practice, best available technology, benchmarking and scalable solutions are measures applied to achieve AAK ambitions (see pages 42–47 and 75).



**Anti-corruption**

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

- Anti-corruption is addressed in AAK's Group Code of Conduct, the Supplier Code of Conduct, the Code of Conduct for Suppliers of Raw Materials, and the Code of Conduct for Agents and Distributors.
- Mandatory e-learning modules on anti-corruption is conducted involving relevant target groups (see page 40).
- Code of Conduct and anti-corruption is part of the AAK evaluation and audit procedures of suppliers (see pages 19, 40).

# Our impact on the Sustainable Development Goals

AAK assesses activities and its impact related to the Sustainable Development Goals based on risk, opportunity and ability to influence (direct or indirect impact). This evaluation enables us to tackle our impact in ways that can maximize positive outcome

in line with our commitments and global challenges in a continuously evolving world. During 2020, we have assessed how to increase positive impact and reduce negative impact in order to achieve a more balanced approach towards the Sustainable Development Goals

and their sub-targets. The business-critical SDGs demonstrated below are directly connected to the commitments defined in the AAK House of Sustainability. Going forward, we will continue to assess and further embed these SDGs in our business strategy.

## AAK's business-critical Sustainable Development Goals



UN SDG	UN SDG sub-targets	AAK's impact	Increasing positive impact	Direct/Indirect impact	Reducing negative impact	Direct/Indirect impact	Business-critical SDG	Progress and supporting key performance indicators
<b>End poverty in all its forms</b>								
	<b>Target 1.2:</b> By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.	A significant share of the raw materials sourced by AAK is produced by smallholder farmers. We are e.g. providing pre-financing to shea-collecting women in West Africa through our Kolo Nafaso program.	Further increase smallholder inclusion in our supply chains, improved smallholder support, partly in the form of training and/or certification with focus on our palm, coconut and shea supply chains.	Direct			YES	AAK has <b>321,443</b> women engaged in its Kolo Nafaso supply chain and <b>4,300</b> smallholder farmers engaged in its palm supply chain.  The number of women in our Kolo Nafaso supply chain has increased by <b>39 percent</b> since 2019 and smallholder engagement projects are running for palm oil in Malaysia and Mexico; for coconut in Indonesia; and for shea in Burkina Faso, Ghana, Ivory Coast and Nigeria.
	<b>Target 1.4:</b> By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.	Access to financial services through our Kolo Nafaso program. AAK is including smallholders in our palm supply chain and support smallholder programs aimed at training and/or achieving RSPO certification.	Continue to support the Forever Sabah program in securing land titles for smallholder farmers in Sabah, Borneo in order to enable access to community services (water) and to work towards becoming RSPO-certified.	Direct/indirect	AAK furthermore continues to work with the NDPE framework.	Indirect	NO	<b>800</b> farmers involved in the Forever Sabah program. <b>2,300</b> farmers involved in Latin America.  AAK's new ambition is to equip a minimum of <b>95 percent</b> of Kolo Nafaso women's groups with an individual financial solution until the end of the shea season 2024/2025. For the shea season 2020/2021, AAK achieved <b>84 percent</b> by the end of 2020.  Going forward, we will enable the traceable Kolo Nafaso volumes to be included in our percentage of revenue connected to the Sustainable Development Goals.
<b>Zero hunger</b>								
	<b>Target 2.1:</b> By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.	AAK offers interest-free micro credits to all 321,443 members of its Kolo Nafaso program.	AAK will continue to increase the number of members having access to pre-financing in its Kolo Nafaso program.	Direct			NO	<b>321,443</b> members of the Kolo Nafaso program have access to micro credits. This is an increase of 39 percent since 2019.  <b>19 percent</b> of households who take pre-financing use it to buy food products during the lean period.
	<b>Target 2.3:</b> By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.	AAK is supporting smallholder education in good agricultural practices through its Kolo Nafaso program.	AAK will continue to educate smallholders in West Africa, Indonesia and Mexico in good agricultural practices. We will continue to support smallholder farmers to achieve RSPO or Rainforest Alliance certification.	Direct			NO	The Kolo Nafaso program grew by <b>39 percent</b> in 2020 compared to 2019, offering training to an additional <b>90,567</b> women. 38 percent of households receiving pre-financing are using it to invest in agricultural activities.  100 percent of the coconut smallholders that are part of our Rainforest Alliance supply chain have been trained in good agricultural practices.  For the Mexican smallholder project, field schools have been established and standard operating procedures developed.

UN SDG	UN SDG sub-targets	AAK's impact	Increasing positive impact	Direct/Indirect impact	Reducing negative impact	Direct/Indirect impact	Business-critical SDG	Progress and supporting key performance indicators
	<b>Target 2.4:</b> By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.	AAK is connected to both small-scale speciality raw material production systems as well as large-scale agricultural commodity production systems.	AAK will continue working together with its suppliers and partners to ensure the protection of ecosystems and biodiversity.		AAK will continue to engage with our deforestation free palm and soy supply chains in order to achieve its 2025 commitment.	Indirect	YES	In 2020, AAK has committed to <b>100 percent</b> verified deforestation-free (VDF) palm and soy supply chains by the end of 2025.  In 2020, we achieved <b>50 percent</b> VDF for palm and <b>31 percent</b> VDF for soy.  Protection of specific ecosystems like Leuser and Tesso Nilo in Indonesia are part of the key initiatives.
<b>Ensure healthy lives and promote well-being for all at all ages</b>								
	<b>Target 3.2:</b> End preventable deaths of new-borns and children under 5 years of age.	AAK is supporting the global infant population with safe, proven, essential lipids.	A Health & Nutrition platform has been established to further support the progress.	Direct				Production facility has improved its capabilities to support our partners with infant nutrition.  The revenue connected to our infant formula is included in our ambition, percentage of revenue connected to the Sustainable Development Goals.
<b>Achieve gender equality and empower all women and girls</b>								
	<b>Target 5.5:</b> Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life.	AAK is increasing the number of female leaders in traditionally male dominated contexts, such as West Africa. We offer leadership training to female supervisors in our Kolo Nafaso program.  AAK aims to ensure equal remuneration for men and women for work of equal value.	AAK is committed to ensure a stable and long-term business relationship with its Kolo Nafaso members and to educate and empower them to become even stronger business-women.  AAK is committed to attracting, developing, and retaining an inclusive and diverse workforce. We believe that inclusion and diversity drive innovation.	Direct	AAK is conducting a women survey related to the Kolo Nafaso program to track progress and potential complaints at women level every two years to ensure positive impact is achieved.	Direct	YES	The number of female managers increased by <b>33 percent</b> in West Africa compared to 2019.  In 2020, the women survey had to be delayed due to Covid-19. The survey will take place in 2021.  During 2020, AAK initiated a Diversity & Inclusion program to drive further progress. <b>23 percent</b> of AAK's employees are female and 28 percent are on managerial level.
<b>Ensure access to water and sanitation for all</b>								
	<b>Target 6.1:</b> By 2030, achieve universal and equitable access to safe and affordable drinking water for all.	AAK partners with and supports organizations that ensure access to safe and affordable drinking water in rural communities in Ghana. We supported the Emergency Water Fund in 2020.	AAK will further support its partner Saha Global and fund new water businesses in Kolo Nafaso communities in 2021. Progress will be tracked in our Kolo Nafaso dashboard.	Indirect			NO	In the season 2020/2021, we have supported the Emergency Water Fund to provide free drinking water to communities in Ghana.  Going forward, we will be investing in local water businesses with the ambition to reach <b>6,500</b> people by the end of season 2024/2025.

UN SDG	UN SDG sub-targets	AAK's impact	Increasing positive impact	Direct/Indirect impact	Reducing negative impact	Direct/Indirect impact	Business-critical SDG	Progress and supporting key performance indicators
	<b>Target 6.3:</b> improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.	AAK's processing lead to water discharge that needs to go through a water sanitation process.	Increase the knowledge and engagement on our sites to work more preventatively with water consumption.	Direct	Water discharge is mitigated and controlled and should continuously be reduced.	Direct	NO	AAK mitigate water discharge annually. During the last 5 years the water discharge has decreased with <b>20 percent</b> .
	<b>Target 6.4:</b> By 2030, substantially increase water use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.	AAK withdraw water for cooling purposes that is returned to its source. AAK also withdraw municipal water and groundwater for use in products, such as margarine.		Direct	To ensure sustainable water withdrawals AAK continuously check if any volumes are withdrawn from areas with water stress and try to reduce municipal water use.	Direct	NO	During 2020 no water withdrawals reported was withdrawn from areas with water stress. AAK reduced the total water consumption per processed unit with <b>63 percent</b> compared with 2019. Going forward AAK will further assess the impact on withdrawal of freshwater to ensure sustainable withdrawals.
Ensure access to affordable, reliable, sustainable and modern energy								
	<b>Target 7.1:</b> By 2030 ensure universal access to affordable, reliable and modern energy services.	AAK can have an impact on access to better cooking solutions in our shea supply chain.	Since the shea season 2016/2017, AAK is collaborating with customers to train women in construction techniques to build improved cook stoves with locally available materials in West Africa.	Direct			NO	The cook stoves have been assessed to be 33–65 percent more energy efficient than the traditional alternative. AAK and its customers have so far constructed more than 7,000 cook stoves.
	<b>Target 7.2:</b> By 2030, increase substantially the share of renewable energy in the global energy mix.	AAK has an impact on share of renewable energy based on its procurement of green electricity. Our impact is driven by a possibility to ensure a circular approach, long-term availability of sustainable biomass and local infrastructure development.	AAK will continue to explore sustainable ways of utilizing sustainable biomass in its production.	Direct	Our ambition is to have 100 percent renewable electricity by 2025 and to keep searching for better energy sources for our boilers in line with ongoing infrastructure development, availability of sustainable biomass and more circular solutions.	Direct	YES	<b>23 percent</b> of secondary energy use in AAK is renewable. This is an increase by <b>1 percent</b> compared to 2019. <b>26 percent</b> of the direct energy use in AAK stems from biomass. This is an increase by 2 percent compared to 2019. <b>14 percent</b> of AAK's purchased electricity is renewable in 2020.
	<b>Target 7.3:</b> Improvement in energy efficiency.	AAK's activities are energy intensive. An improvement in energy efficiency has a significant impact on AAK's environmental footprint.	Energy efficiency initiatives at different stages of the Kolo Nafaso supply chain. AAK shall continue to benchmark, exchange best practices and utilize best available technology to continuously improve energy efficiency.	Indirect	The energy efficiency in our operations is measured on a regular basis to ensure continuous improvement. Continue to focus on developing solutions with energy-saving benefits in the user phase.	Direct	YES	Energy consumption per processed unit decreased by <b>5.4 percent</b> compared to 2019.

UN SDG	UN SDG sub-targets	AAK's impact	Increasing positive impact	Direct/ Indirect impact	Reducing negative impact	Direct/ Indirect impact	Business- critical SDG	Progress and supporting key performance indicators
Promote inclusive and sustainable economic growth, employment and decent work for all								
	<b>Target 8.4:</b> Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programs on sustainable consumption and production, with developed countries taking the lead.	AAK has a responsibility to grow responsibly both in terms of expanding volumes, supply chains and production sites.	AAK will continue to increase the demand for sustainable palm, especially in developing regions like India and China.  The AAK Group Environmental Policy requires environmental assessments before acquisitions or partnerships.  Our ability to get new sites on board with the AAK sustainability standards is key to how we are decoupling economic growth from negative environmental impact.  AAK has onboarded several new sites during the years, still managing to maintain a positive trend in terms of environmental impact.	Indirect	AAK Group Policy Responsible Sourcing of Vegetable Oils and AAK Group Policy Sustainable Palm Oil require no deforestation or development of peatland and High Conservation Value areas.  Continue to drive progress on verified deforestation-free and conversion-free volumes in palm and soy supply chains.	Indirect	NO	AAK has achieved <b>50 percent</b> of VDF palm in 2020 and <b>31 percent</b> of VDF soy. We will continue to work towards achieving our ambition of 100 percent VDF palm and soy supply chains by 2025.
	<b>Target 8.5:</b> By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.	AAK has a responsibility to ensure a full and productive employment and decent work for all women and men.	AAK utilizes market pay data to evaluate pay levels in each country, but will assess the possibility to set up a global gender pay ratio in a new global HR system.  Continuously improve the competences and engagement of our people.  AAK's Code of Conduct has been updated and states that hiring, remuneration, etc. are based on objective factors.	Direct	AAK conducts risk assessments to ensure workplace safety prevention.	Direct	NO	<b>4</b> cases of discrimination were reported during 2020. Corrective actions were taken to prevent incidents from happening again.  AAK deploys a on-the-job-learning approach that represents a majority of the training. On top of that, we have <b>10.5</b> hours of formal training on average per employee.  All of AAK's employees have received regular performance and career development reviews.
	<b>Target 8.6:</b> Reduce the share of youth (15–24) not in education, training or employment.	AAK is working internally with internships and trainees and to build prerequisites to support youth employment in different community engagement projects.	AAK has the ability to employ and embrace youth in work or trainee programs.  We also accept shorter trainee programs or internships when requested.  We will continue with our community engagement programs, aiming at providing skills and better prerequisites for employment.	Direct			NO	During 2020, we had the pleasure of having two internships engaged for shorter tasks and projects in our Global Sustainability team.  During 2020, AAK has engaged in community engagement projects in Brazil and Uruguay to enhance the prerequisites for young individuals' ability to enter the job market.

UN SDG	UN SDG sub-targets	AAK's impact	Increasing positive impact	Direct/Indirect impact	Reducing negative impact	Direct/Indirect impact	Business-critical SDG	Progress and supporting key performance indicators
Promote inclusive and sustainable economic growth, employment and decent work for all								
	<b>Target 8.8:</b> Protect labor rights and ensure stable working environments.	AAK has impact and is committed to protect labor rights and ensure stable working environments throughout its operations.  AAK's rules regarding workers' rights and working environment is part of its Group Code of Conduct.	Workers' rights and working environment are covered in AAK's Group Code of Conduct and AAK's Code of Conduct for Suppliers of Raw Materials.  Human rights risk assessment will be carried out across all operations and supply chains starting 2021. Ethical behavior training will be developed for AAK's employees.	Direct	AAK will maintain high focus on work environmental risk to prevent incidents and ensure a safe working environment.		YES	<b>18</b> LTIs during 2020. Accident frequency of <b>0.4</b> .  During 2020, <b>92 percent</b> of employees had signed the Group Code of Conduct.  <b>100 percent</b> of our palm oil suppliers have signed the Code of Conduct for Suppliers of Raw Materials and work is ongoing to provide a global percentage as the suppliers are currently managed in different regional systems.  During 2020, <b>42 percent</b> of our employees were covered by collective bargaining agreements.  Training material on our Code of Conduct for Suppliers of Raw Materials was planned for 2020. Within coconut and soy, supplier webinars were held. Within shea, we have developed supplier self-assessments as well as supplier training sessions reaching <b>70</b> and <b>67 percent</b> of suppliers, respectively. In 2020, 91 percent among our agents and 95 percent among our distributors signed our Code of Conduct for Agents and Distributors.  Due to Covid-19, no palm mill trainings have taken place in 2020.
	<b>Target 8.10:</b> Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.	AAK has identified an opportunity to further strengthen its positive impact in the shea supply chain based on impact assessment.	One Kolo Nafaso ambition is to provide a minimum of 95 percent of groups with an individual financial solution by the end of season 2024/2025.	Direct			NO	We are committing to improving the access to financial services for our members in the Kolo Nafaso program. In the season 2020/2021, we achieved <b>84 percent</b> .
Build resilient infrastructure, promote sustainable industrialization and foster innovation								
	<b>Target 9.1:</b> Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.	AAK has identified an opportunity to contribute to better infrastructures by providing logistics services in its shea supply chain.	Our Kolo Nafaso program is providing logistics services for all women. Even women that are not part of Kolo Nafaso can sell to AAK and use the logistics services.  With the AAK logistics services, women can easily sell more kernels and do not have to pay for transportation.	Direct			NO	Since 2009, we have given more than <b>320,000</b> women access to the logistics services and increased the area covered in accordance with our Kolo Nafaso communities.

UN SDG	UN SDG sub-targets	AAK's impact	Increasing positive impact	Direct/Indirect impact	Reducing negative impact	Direct/Indirect impact	Business-critical SDG	Progress and supporting key performance indicators
<b>Ensure sustainable consumption and production patterns</b>								
	<b>Target 12.2:</b> By 2030, achieve the sustainable management and efficient use of natural resources.	AAK is part of the raw material and food processing industry using agricultural products relying on natural resources.	We continuously try to raise awareness about sustainable management and natural resources both internally and externally together with customers.	Direct	Our current priority is to drive progress on verified deforestation-free palm and soy supply chains. Going forward, we shall focus more on circular solutions and recycling to further improve resource management.	Direct	NO	During 2020, AAK has educated customers, especially within Personal Care and Plant-based Foods, on the environmental footprint of the company's rapeseed products. Since 2019, AAK has reduced waste intensity per processed unit by <b>50 percent</b> .
	<b>Target 12.3:</b> By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses.	AAK has an impact on how to reduce food losses by utilizing its valuable sidestreams to produce healthy and nutritious solutions.	We are making animal feed solutions from our food oil production sidestreams in Karlshamn, Sweden.	Direct				The revenue connected to our animal feed that originates from AAK sidestreams is included in our ambition, percent of revenue connected to the Sustainable Development Goals.
	<b>Target 12.5:</b> Reduce waste.	As part of the processing industry, we are creating waste from our processes, including sidestreams.	Continuous work is ongoing to increase utilization of sidestreams and prolonged shelf life of solutions.	Direct	Continuous work to prevent waste, increase recycling, and investigate the value of our sidestreams with a more circular approach.	Direct	YES	Waste going to landfill decreased by <b>16 percent</b> compared to 2019. The amount of recycled waste increased by <b>42.2 percent</b> compared to 2019. This is mainly due to a move to by-products and better alternatives in process aids. Waste intensity per processed unit decreased by <b>50 percent</b> compared to 2019.
	<b>Target 12.6:</b> Integrate sustainability in reporting cycle.	We have an impact on how we communicate progress and drive sustainability internally in a transparent manner towards our stakeholders.	Published sustainability reports annually since 2009 and palm oil and shea progress reports twice a year since 2014.	Direct			NO	During 2020, AAK has continued to improve the sustainability reporting in line with GRI Core level and embedded further information on climate risk into our Annual Report.
	<b>Target 12.8:</b> By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.	Human behavior and post-harvest processes have been identified as hot spots of environmental footprint in the shea supply chain where AAK can have a positive impact.	Our trainings include: steaming of kernels instead of boiling them; increasing resource efficiency and reducing energy use; sensitivity training to take care of new seedlings and not cutting down shea trees.	Direct			NO	We have an ambition to refresh our trainings for a minimum of <b>95 percent</b> of groups every four years. The season 2020/2021 is our baseline season. So far, we have refreshed <b>18 percent</b> of groups in 2020. We have experienced delays with the trainings in 2020 due to Covid-19 and were unable to fully catch up. But our 2023/2024 ambition remains relevant, and we will continuously report our progress in our Kolo Nafaso shea dashboard.

UN SDG	UN SDG sub-targets	AAK's impact	Increasing positive impact	Direct/ Indirect impact	Reducing negative impact	Direct/ Indirect impact	Business- critical SDG	Progress and supporting key performance indicators
Take urgent action to combat climate change and its impacts								
	<p><b>Target 13.3:</b> Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.</p>	<p>AAK's raw materials, transport and production sites have an impact on the climate. Based on our rough assessment, 95 percent of our impact is related to the supply chain, 4 percent to our primary energy consumption, and 1 percent to our purchased energy.</p> <p>AAK has a positive impact with our solutions. Providing plant-based solutions with functionality and flavor.</p>	<p>AAK is adapting to climate change, growing our portfolio of solutions for plant-based foods.</p> <p>During 2020, AAK has seen an increasing demand for plant-based alternatives. Investments were made to build a Plant-based Foods Global Center of Excellence in the Netherlands. We also partnered up with Good Food Institute (GFI) India and joined the innovation platform MISTA in San Francisco, USA. Our volumes within Plant-based Foods more than doubled</p>	Indirect	<p>Raising more internal awareness about climate change. Apply our climate change score cards on our sites.</p>	<p>Direct (scope 1+2) and Indirect (scope 3)</p>	YES	<p>GHG emissions per processed unit increased by <b>4.9 percent</b> compared to 2019. However, absolute emissions decreased by <b>1.5 percent</b> compared to 2019.</p> <p>During 2020, AAK signed the Science Based Targets initiative (SBTi). This means that we are committed to reduce GHG emissions consistent with keeping global warming at 1.5°C above pre-industrial levels.</p> <p>Climate change physical risk has been assessed on all sites and corrective actions have been initiated.</p> <p>AAK has revisited the scope 3 risk assessment to understand the impact of our key raw materials better and we will engage with our supply chain to reduce greenhouse gas emissions in line with the science-based target method.</p> <p>Additional climate change risk assessments will be initiated in our supply chain going forward.</p> <p>The revenue connected to our plant-based solutions is included in our ambition, percent of revenue connected to the Sustainable Development Goals.</p>

UN SDG	UN SDG sub-targets	AAK's impact	Increasing positive impact	Direct/Indirect impact	Reducing negative impact	Direct/Indirect impact	Business-critical SDG	Progress and supporting key performance indicators
Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss								
	<b>Target 15.2:</b> By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.	AAK's impact is to ensure that our raw materials are not contributing to deforestation or conversion, and that biodiversity and tropical ecosystems are protected.	AAK will continue to work on increasing the awareness and the demand for sustainable palm, especially in developing countries, with focus on RSPO-certified volumes, as well as progressing on our verified deforestation-free supply chains commitment.  AAK signed the Sustainable Coconut Charter in 2020. Part of the Charter is a commitment to mitigate climate change through sustainable land use on plantation level.	Indirect	AAK Group Policy Responsible Sourcing of Vegetable Oils, and AAK Group Policy Sustainable Palm Oil require no deforestation or development of peatland and High Conservation Value areas.	Indirect	YES	The goal is to achieve 100 percent verified deforestation-free and conversion-free palm and soy supply chains by 2025, Status 2020: <b>50 percent</b> and <b>31 percent</b> , respectively.  <b>100 percent</b> of our suppliers have signed the AAK Group Policy Sustainable Palm Oil and all relevant employees have passed our e-learning modules AAK Palm oil policy and action, and Responsible sourcing of shea.  AAK achieved <b>100 percent</b> traceability to mill and <b>70 percent</b> traceability to plantation.  RSPO-certified palm increased to <b>38 percent</b> , representing an increase by <b>23 percent</b> since 2019. To increase the demand for certified sustainable palm, we include sales of RSPO-certified in our ambition of percent of revenue connected to the SDGs.
	<b>Target 15.3:</b> By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world.	AAK's impact is to prevent the negative impact of agricultural expansion, to ensure further degradation of soil is prevented, and that desertification is combatted. Through education and training of farmers and participating in landscape programs, we can make a positive impact.	Through our tree planting partnerships we are contributing to the reforestation of shea parklands and agroforestry system and help fight desertification in the area.	Direct			NO	During the 2019/2020 season, we started to invest in tree planting and tree planting trainings in the shea belt. Since season 2020/2021, we are supporting the "Action for Shea Parkland Management" driven by the Global Shea Alliance. So far, we have planted more than <b>38.000</b> trees and we have set the ambition to plant <b>150,000</b> trees until the end of season 2024/2025.
Promote just, peaceful and inclusive societies								
	<b>Target 16.5:</b> Substantially reduce corruption and bribery in all their forms.	AAK can impact employees, suppliers and business partners not to take part in any form of corruption by applying the regulations defined in our Group Code of Conduct. We can also evaluate compliance and stop cooperation if any risk or incident takes place.	Corruption and bribery is part of our Group Code of Conduct and our Code of Conduct for Suppliers of Raw Materials.  AAK provides mandatory e-learning courses for all employees at increased risk of encountering corruption.  Training on our Code of Conduct for Agents and Distributors was an ambition for 2020 which was postponed due to Covid-19. It will be developed and launched during 2021.	Direct			NO	<b>53 percent</b> of relevant employees passed the anti-corruption training in AAK during 2020.  <b>94 percent</b> of our agents and distributors have signed the AAK Code of Conduct for Agents and Distributors and all key suppliers have signed the Code of Conduct for Suppliers of Raw Materials with specific requirements on anti-corruption.

UN SDG	UN SDG sub-targets	AAK's impact	Increasing positive impact	Direct/ Indirect impact	Reducing negative impact	Direct/ Indirect impact	Business- critical SDG	Progress and supporting key performance indicators
Revitalize the global partnership for sustainable development								
 <p>TARGET 17-16</p>	<p><b>Target 17.16:</b> Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries.</p>	<p>AAK's sustainable solutions are a result of co-development with customers and suppliers. We work together with different stakeholders to scale up our impact beyond our operations and supply chain.</p> <p>We are engaged in several global partnerships, including UNGC, RSPO and the Global Shea Alliance.</p> <p>Our community engagement programs have a significant positive impact on specific target groups in the societies we are located in.</p>	<p>Going forward, we will emphasize our work with partnerships and ability to influence by focusing more on our community engagement initiatives. Based on impact assessment, it will be crucial to identify what multi-stakeholder partnerships can strengthen AAK's role in the society and make us a better neighbor.</p>	Direct			YES	<p>During 2020, AAK continued its contribution to the RSPO in making sustainable palm the norm.</p> <p>In 2020, AAK committed to the first Sustainable Coconut Charter together with important industry partners.</p> <p>We also initiated a partnership, Saha Global, to provide clean drinking water in Ghana.</p> <p>Additionally, we have welcomed Beiersdorf as a new Sustainability Partner for a five-year program, supported by the Global Shea Alliance and USAID.</p> <p>Relevant community projects have been established with local partners such as Casa de Nazaré in Brazil, a non-profit association created to provide support and protection to children and adolescents through institutional care. Another example is our partnership with Cepridih in Uruguay. A non-profit association supporting vulnerable families, especially women with children in high social risk areas. Its main objective is to generate alternatives of socio-economic inclusion and support people to effectively join the labor market.</p>

# Global Reporting Initiative (GRI)

GRI is a network-based organization that pioneers the world's most widely used sustainability reporting framework. The reporting framework sets out the principles and performance indicators that organizations can use to measure and report their economic, envi-

ronmental, and social performance. The framework also addresses the United Nations Global Compact principles and the OECD's Guidelines for Multinational Enterprises. The Core disclosures are mandatory and the topic-specific disclosures identified in the mate-

riality analysis are highlighted in the below GRI Index as "Significant topics". AAK has also chosen to disclose information related to a few more topics important for the company.

See [www.globalreporting.org](http://www.globalreporting.org) for more information.

## GRI Content Index – disclosures

The GRI table is based on GRI Sustainability Reporting Standards 2016

Topic	Disclosure	Disclosure description	Page number and comments
<b>GRI 102: General Standard Disclosures 2016 (CORE)</b>			
Organizational profile	102-1	Name of the organization	AAK AB (publ.)
	102-2	Activities, brands, products, and services	Pages 4–7
	102-3	Location of headquarters	Page 4
	102-4	Location of operations	Page 5
	102-5	Ownership and legal form	Pages 100–101 in AAK Annual Report 2020
	102-6	Markets served	Page 5
	102-7	Scale of the organization	Page 4 and AAK Annual Report 2020 pages 56 and 59
	102-8	Information on employees and other workers	Pages 4 and 39
	102-9	Supply chain	Pages 9 and 16–33
	102-10	Significant changes to the organization and its supply chain	Pages 25 and 62 The direct sourcing program in Burkina Faso and Ghana expanded and the same initiative started up in Ivory Coast and Nigeria. No outsourcing has taken place in 2020 and no changes have been made to the supplier selection and termination criteria. We have initiated sourcing of small volumes of sal seeds in India.
	102-11	Precautionary principle or approach	AAK supports the Precautionary principle approach. See example on pages 58–59
	102-12	External initiatives	Pages 70–81 and 87
	102-13	Membership of associations	Pages 51 and 87



Topic	Disclosure	Disclosure description	Page number and comments
Strategy	102-14	Statement from senior decision-maker	Pages 2–3
	102-15	Key impacts, risks, and opportunities	Pages 7, 72–81 and AAK Annual Report 2020 pages 36–39
Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	Pages 37–39, 65, 70 and AAK Annual Report 2020 page 6
	102-17	Mechanisms for advice and concerns about ethics	Pages 40 and 65
Governance	102-18	Governance structure	Pages 66–67
Stakeholder engagement	102-40	List of stakeholder groups	Pages 64–65
	102-41	Collective bargaining agreements	Page 40
	102-42	Identifying and selecting stakeholders	Page 64
	102-43	Approach to stakeholder engagement	Pages 64–65
Reporting practice	102-44	Key topics and concerns raised	Pages 64–65
	102-45	Entities included in the consolidated financial statements	Pages 100–101 in AAK Annual Report 2020
	102-46	Defining report content and topic boundaries	Pages 6–7, 9, 11, 12, 64–65, 68–69 and 72–81
	102-47	List of material topics	Page 65
	102-48	Restatements of information	Pages 69–69
	102-49	Changes in reporting	Page 68
	102-50	Reporting period	Page 68
	102-51	Date of most recent report	15-04-20 (AAK Sustainability Report 2019)
	102-52	Reporting cycle	Annually
	102-53	Contact point for questions regarding the report	Page 63
102-54	Claims of reporting in accordance with the GRI Standards	Page 63	
102-55	GRI content index	Pages 82–85	
102-56	External assurance	Page 89	
<b>GRI 200 Standard: Economic Series 2016</b>			
Management approach	103 1/2/3	Management approach	Pages 6–7, 19, 36, 40, 42–43, 54–55 and 66–67
	201-2	Financial implications and other risks and opportunities due to climate change	Significant topic. See page 43 and AAK Annual Report 2020 pages 36–39. Omission: Information not available. AAK has not disclosed the costs of actions to manage the risk or opportunity.
	205-1	Operations assessed for risk related to corruption	Important topic for AAK. See pages 40, 71 and 80. AAK assesses operations related to corruption based on risk assessments each year which cover both fully owned and joint venture operational business units. During 2019, this covered 22 percent of the operational business. During 2020, this covered 11 percent due to Covid-19. The audits cover different aspects such as investments, customer relations and contracts, travel invoices, gifts, salary remuneration and contracts with suppliers and customers. For more information regarding AAK's Audit Committee, operational risk assessment and compliance, see pages 66–67.
	205-2	Communication and training about anti-corruption policies	Significant topic. See page 40. Omission: Information not available regarding categorization according to employee category or region. AAK has recently initiated a new global HR system and GRI requirements will be reviewed and integrated into this system, including training about anti-corruption policies.
205-3	Confirmed incidents of corruption and actions taken	Significant topic. One incident of corruption took place during 2020. The incident involved one employee. An investigation was carried out and the employee was dismissed.	

Topic	Disclosure	Disclosure description	Page number and comments
GRI 300 Standard: Environmental Performance			
Management approach	103 1/2/3	Management approach	Pages 6–7, 36, 42–43, 44–45 and 46
	301-1	Materials used by weight or volume	Important topic for AAK. See pages 73–81. AAK used 2,723,786 tonnes of material to produce and package the organizations' primary products and services during 2020. 2,623,480 tonnes were of renewable (incl. raw material) and 100,306 tonnes were of non-renewable material.
	302-1	Energy consumption within the organization	Significant topic. See pages 44, 73–81. Electricity consumption: 323,509,166 kWh, Heating consumption: 6,805,555 kWh, Steam consumption: 22,879,444 kWh. AAK did not sell any electricity, heat or cooling during 2020.
	302-3	Energy intensity	Significant topic. See page 44.
	302-4	Reduction in energy consumption	Significant topic. See page 44. Omission: Information not available. Basis for calculating reductions in energy consumption, such as base year. Work is ongoing to define a reduction calculation aligned with the science-based targets.
	303-3	Water withdrawal by source	Important topic for AAK. See page 45. No water withdrawal from areas with water stress reported during 2020. Omission: Information not available. A breakdown of total water withdrawal including freshwater not disclosed. Work is ongoing to define impact and how to report.
	303-5	Water consumption	Important topic for AAK. See page 45. No water consumption from areas with water stress reported during 2020.
	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Significant topic. Villavicencio (Colombia) is an operational site of 41,438 m <sup>2</sup> located in the terrestrial ecosystem area protected by national legislation. Zhangjiagang (China) is a production site of 66,666 m <sup>2</sup> located in a freshwater ecosystem area protected by national legislation. Zaandijk (the Netherlands) is an operational site of smaller size located adjacent to a Natura 2000 area protected by legislation. Karlshamn (Sweden) is a production site of 260,000 m <sup>2</sup> located adjacent to a terrestrial ecosystem area protected by Natura 2000. BD Foods (United Kingdom), 0.1 km <sup>2</sup> is located in a terrestrial ecosystem.
	305-1	Direct (scope 1) GHG emissions	Significant topic. IPCC**, using GHG Protocol Standards* with centralized approach where the sites report activity data. Calculations are made with financial control approach. See page 42 and pages 68–69 for reporting principles. Omission: Information not available. Biogenic emissions are not included. No rationale defined for base year 2012. Work is ongoing to set a new base year. For more information see page 69.
	305-2	Energy indirect (scope 2) GHG emissions	Significant topic. IPCC**, using GHG Protocol Standards* with centralized approach where the sites report activity data. Calculations are made with financial control approach. The scope 2 emissions calculated with market-based method were 107,990 tonnes CO <sub>2</sub> e and the location-based emissions were 87,563 tonnes during 2020. See page 42 and pages 68–69 for reporting principles. Omission: No rationale defined for base year 2012. Work is ongoing to set a new base year. For more information see page 69.
	305-4	GHG emissions intensity	Significant topic. IPCC**, using GHG Protocol Standards* with centralized approach where the sites report activity data. The intensity ratio is GHG emission per tonne of raw material used. See page 42. AAK is reporting the development in its GHG emissions on a five-year scale (2016–2020), 2016 is not the base year. The rationale behind choosing to report in this manner is that AAK has committed to set a science-based target during 2021 and will continue to revise and set a new GHG reduction target with a new base year during 2021. GHG protocol scope 1 and 2 are included in the intensity ratio on page 42. For more information see page 69.
	305-5	Reduction of GHG emissions	Significant topic. IPCC**, using GHG Protocol Standards* with centralized approach where the sites report activity data. See page 42. Omission: Information not available. The reductions as a direct result of reduction initiatives are missing. This will be further defined going forward. See page 69.
	305-6	Emissions of ozone-depleting substances (ODS)	Important topic for AAK. IPCC**, using GHG Protocol Standards* with centralized approach where the sites report activity data. 547 kg of total reported purchase of ODS during 2020, representing 13 percent of AAK's locations. Work is ongoing to ensure plans to phase out ODS.



Topic	Disclosure	Disclosure description	Page number and comments
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Important topic for AAK. Source of emission factors and GWP are from IPCC Fifth Assessment Report, 2014 (AR5)*, using GHG protocol Standards with centralized approach where the sites report activity data. See page 42.
	306-2	Management of significant waste-related impacts	Important topic for AAK. The information reported has been collected from the operational sites and their disposal contractors. See page 46.
	307-1	Non-compliance with environmental laws and regulations	Important topic for AAK: AAK experienced two non-monetary sanctions for non-compliance with environmental laws and regulations during 2020.
	308-1	New suppliers that were screened using environmental criteria	Significant topic: Omission: Information unavailable. Suppliers in AAK are currently screened using regional systems. Plans are ongoing to establish a global system.
<b>GRI 400 Standard: Socio economic compliance 2016</b>			
Management approach	103 1/2/3	Management approach	Pages 13, 19, 37, 38–39, 40, 66–67, 76–77 and 81
	403-9	Work-related injuries	Important topic for AAK. See page 37. Omission: Information not available. Difference between employees and other workers not reported. This will be included going forward.
	404-2	Programs for upgrading employee skills and transition assistance programs	Significant topic. See pages 38–39 and 86. The type and scope of educational programs during 2020 was e.g. emergency preparedness and fire safety training for our production employees, also including sites in West Africa. Food safety, FSSC, Pest management, traceability, CCP and RSPO training including HACCP, VACCP & TACCP courses. Transition assistance programs also took place in e.g. Aarhus, Denmark where we are giving extra days off for seniors, reducing working hours for seniors and when leaving for retirement we pay a severance payment. Courses for retirement planning also took place in the US.
	405-1	Diversity of governance bodies and employees	Important topic for AAK. See pages 38–39.
	405-2	Ratio of basic salary and remuneration of women to men	Important topic for AAK. Omission: Information missing in terms of consolidated global ratio. AAK has a thorough process for each local region using Mercer salary benchmark. We follow up to ensure we do not have any remuneration gaps due to diversity reasons.
	406-1	Incidents of discrimination and corrective actions taken	Significant topic. AAK experienced four incidents of discrimination during 2020. All cases were investigated, and corrective actions taken.
	408-1	Operations and suppliers at significant risk for incidents of child labor	Important topic for AAK. AAK does not accept child labor and we are committed to ensure that workers are not exploited in forced or compulsory labor. The operations considered to have underlying potential risk for incidents of child labor and where we have dedicated efforts to ensure mitigation of the risk is in our supply chain in West Africa. During 2020, AAK has focused on preventative measures such as posters with clear messages and a supplier engagement program including a self-assessment tool. No incidents of child labor were reported during 2020.
	413-1	Operations with local community engagement, impact assessments, and development programs	Important topic for AAK: During 2020, the community engagement programs suffered due to Covid-19. 50 percent of the sites have still engaged in local activities including support to local schools, green areas, mothers in exposed areas, food donations and partnerships of different kinds, as well as programs that have led to improved women empowerment, free basic medical advice in the community, improved infrastructure and nutrition. Going forward, AAK will focus more on social impact assessments to continue develop relevant community engagement programs. See pages 48–49.
	414-1	New suppliers that were screened using social criteria	Significant topic. Omission: Information unavailable. Suppliers in AAK are currently screened using regional systems. Plans are ongoing to establish a global system.
	419-1	Non-compliance with laws and regulations in the social and economic area	Important topic for AAK: AAK experienced nine monetary sanction for non-compliance with laws and regulations in the social area during 2020. Together they represented a value of SEK 2,206,716.

\*The Greenhouse Gas Protocol: A standard designed to provide a framework for businesses, governments and other entities to measure and report their greenhouse gas emissions in ways that support their mission and goals.

\*\* IPCC Fifth Assessment Report, 2014 (AR5): Intergovernmental Panel on Climate Change report AR5 provides an update of knowledge on the scientific, technical and socio-economic aspect of climate change.

## Supporting key performance indicators

Better Sourcing	Status 2020
<b>Biodiversity and ecosystems</b>	
% verified deforestation-free palm	50
% verified deforestation-free soy	31
% traceability to mill (palm)	99.50
% traceability to plantation (palm)	70
Number of trees planted (total)	33,400
Number of trees planted in the shea belt	31,370
Number of coconut trees planted	2,100
% traditional shea traceability to district level	100
% Kolo Nafaso shea traceability to program level	100
% coconut traceability to crushing plant	95
% internal soy stakeholder trained in sustainable practices	100
<b>Empowering smallholders and women</b>	
Number of women in Kolo Nafaso program	321,443

Better Operations	Status 2020
<b>Enabling the safety and well-being of our people</b>	
Lost time injury rate	0.4
Lost time injuries reported	18
Fatalities reported	1
Absence due to illness rate, percent	1.6
Number of average formal training hours	10.5
Turnover rate	16.2
% of employees with collective bargaining agreements	42
% of employees that signed the Group Code of Conduct	92
% of agents and distributors that signed the Code of Conduct for Agents and Distributors	94
Incidents of discrimination	4
% of women in the company	23
% of women on the Board of Directors	50
% of women in management positions	28
Number of nationalities in AAK	55
<b>Minimizing our environmental impact</b>	
Total amount of generated CO <sub>2</sub> e (scope 1+2) (tonnes)	358,110
Total energy consumption (GJ)	5,478,178
Total energy consumption per unit processed material (GJ)	2.10
% of total renewable energy	23
% of purchased renewable electricity	14
Total water consumption (m <sup>3</sup> )	1,125,617
Total water consumption per unit processed material (m <sup>3</sup> /tonne)	0.43
Total amount of waste generated (tonnes)	75,704
Total amount of waste per processed unit (tonnes)	29
% of recycled waste	96
<b>Being a better neighbor</b>	
% of sites with relevant local community projects	50

Better Solutions	Status 2020
<b>Increasing demand for sustainable solutions</b>	
% of sold RSPO-certified palm	38
<b>Enhancing sustainable development with our solutions</b>	
% of revenue connected to the Sustainable Development Goals	34

## AAK as a global citizen

At a global level, AAK does its best to become involved in areas where the Group can make a difference – by utilizing our sphere of influence. AAK is a member of various national and international organizations that aim to improve the industry by, among other things, setting common standards and aligning analytical methods, and, in general, safeguarding the interests of the vegetable oils and fats industry.

AAK was for example one of the five founders of the RSPO and has been a member of the Board of Governors ever since. The RSPO is the primary certification body for sustainable palm oil. As a multi-stakeholder organization, it provides a forum for shared initiatives and thought leadership with more than 4,000 corporate and civil society members globally.

## Examples of memberships that safeguard the interests of the industry

### National associations

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

### International associations

- Founding member of the Roundtable on Sustainable Palm Oil (RSPO)
- Founding member of the Global Shea Alliance (GSA)
- The EU Oil and Proteinmeal Industry/FEDIOL
- The Federation of Oils, Seeds and Fats Association/FOSFA
- FoodDrinkEurope
- The European Oleochemicals and Allied Products Group/APAG
- The National Institute of Oilseed Products/NIOP
- Plant Based Food Association

# Auditor's report on the statutory sustainability report

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

## **Engagement and responsibility**

It is the board of directors who is responsible for the statutory sustainability report for the year 2020 and that it has been prepared in accordance with the Annual Accounts Act.

## **The scope of the audit**

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

## **Opinion**

A statutory sustainability report has been prepared.

Malmö 14 April 2021  
PricewaterhouseCoopers AB

Bo Karlsson  
Authorised Public Accountant  
Auditor in charge



Making  
Better  
Happen  
from plant  
to brand

Better  
Solutions

Better  
Operations

Better  
Sourcing

Doing it together with  
our many partners

# Everything

we do  
is about

# Making Better Happen™

AAK specializes in plant-based oils that are the value-adding ingredients in many of the products people love to consume. We make these products better tasting, healthier, and more sustainable. We enhance their sensory experience – by giving the silkier mouthfeel in premium chocolate, the juicier texture in a plant-based burger, and the puffier appearance in a lower-fat pastry. We can also optimize their production by substituting existing ingredients with plant-based equivalents that give better efficiency. AAK's value-adding solutions enable our customers to be successful in a better way.

At the heart of AAK's offer is Customer Co-Development, combining our desire to understand what better means for each customer, with the unique flexibility of our production assets, and a deep knowledge of many products and industries, including Chocolate & Confectionery, Bakery, Dairy, Plant-based Foods, Special Nutrition, Food-service and Personal Care. Our 3,900 employees support our close collaboration with customers through 25 regional sales offices, 15 dedicated Customer Innovation Centers, and with the support of more than 20 production facilities.

Listed on Nasdaq Stockholm and with our headquarters in Malmö, Sweden, AAK has been Making Better Happen™ for 150 years.



Explore more at  
[www.aak.com](http://www.aak.com)

Or contact us at  
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