

# Sustainability from plant to brand









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Palm(kernel)oil and its' derivatives



Rapeseed oil/Canola oil



Soybean oil



President and CEO:

# Making Better Happen™ for all our stakeholders

**In a year with a challenging business environment, we continue to create impact and improve sustainability across our value chain. Together with our customers and suppliers we solve complex challenges and have a positive impact for our stakeholders, step by step.**

Consumers are increasing their demand for transparency and sustainability, especially concerning what they eat. This goes hand in hand with a focus on healthy and plant-based foods. AAK is in a strong position to meet the market demand created by these trends.

In this report we are proud to share some of the many stories about how AAK's co-development model is applied to deliver sustainability from plant to brand.

## **Supporting the sustainability agenda of our customers**

One example is our multi-year partnership with our customer Ferrero in direct sourcing of sustainable shea in West Africa. Under this partnership we support 61,000 women shea collectors with trade, training and interest free micro credits. AAK has been running the direct sourcing program Kolo Nafaso in West Africa since 2009. On the ground, we have an organization of extension officers that maintain strong relationships with 300,000 women in the program. This is just one of a range of examples of how AAK supports the sustainability agenda of our customers, making positive impact for a range of stakeholders.

## **Sustainable palm oil is part of the solution**

One topic where we see significant interest in AAK's sustainability work is palm oil. It is important to address the knowledge gap when it comes to palm oil as an ingredient. Sustainable palm oil is part of the solution to a sustainable food system rather than the common perception of being something which we should discontinue using. In fact, it is the most efficient vegetable oil in terms of yield per hectare, making it a necessary part of the world's food chain.

In 2022, the EU finalized new regulations placing demands of deforestation-free supply chains for palm and soy among others and for the EU market. At AAK we welcome efforts by regulators that support our ambition to achieve a palm oil and soy supply chain that is 100 percent verified deforestation- and conversion free by 2025. We are collaborating within our industry to make sure that the new regulation is implemented in a way that is practical and effective to fight deforestation at a global level.

## **Strategic steps to reduce climate impact**

AAK has committed to setting Science Based Targets in line with a maximum increase in global temperatures to 1.5°C above pre-industrial levels. During 2022 we have taken strategic steps towards this ambition. We developed the decarbonization roadmaps for our raw materials and we have submitted Scope 1, 2 and 3 targets (non-FLAG) for approval by the Science Based Targets initiative (SBTi).





In 2023 we will further submit Scope 3 targets according to the FLAG standard. FLAG stands for Forest, Land and Agriculture and relates to the very first stages of our upstream supply chain. I am very proud that AAK is among the first companies in the world to work with this standard. With this work we have established a pathway for greenhouse gas reduction throughout our value chain.

#### **Investment in biomass boilers in Aarhus**

During the year, we committed to a SEK 500 million investment in two biomass boilers at our site in Aarhus, Denmark, that will generate energy from residual shea kernel waste and will reduce our CO<sub>2</sub> emissions at the site by 90 percent, while reducing costs. We are also working to source 100 percent renewable electricity globally by 2025, and 70 percent of our electricity was from renewable sources in 2022.

#### **New strategic aspiration**

In 2022, we updated AAK's strategy and set a new strategic aspiration. One part of that aspiration is to be recognized by all our stakeholders for our increasingly positive impact. It's about being recognized for what we do well and what we can do better. Communication and stakeholder dialogue is an important part of working towards this aspiration.

One metric that we use to measure our positive impact is the share of our revenue which contributes to the UN Sustainable Development Goals. Our goal is that by 2025 this should be 50 percent. In 2022 we reached 37 percent, up from 31 percent in 2021.

This year we have updated the structure and contents of our sustainability report to reflect progress on sustainability priorities: climate, biodiversity and people.

In the front section, we describe how sustainability is integrated in our strategy and business model and how we team up with customers and suppliers to make better happen from plant to brand.

In the back section we present detailed sustainability information, where we aim for the highest standards of transparency.

Thank you for taking the time to find out more about how AAK is Making Better Happen™ for all stakeholders. We look forward to your feedback.

Malmö, March 2022

Johan Westman, President and CEO



## New sustainability leadership structure

This is a time of multiple opportunities for AAK to make a positive impact on climate, biodiversity and people. In common with most food ingredient-based companies, AAK's major impact lies upstream, relating to original agricultural production. However, our own operations are also critically important to AAK's sustainability impact and send an important message to our stakeholders about our commitment to Making Better Happen™ in sustainability.

### Reduced deforestation rates in South-East Asia

A highlight of 2022 has been the continuing and significant reduction in deforestation rates relating to palm oil production in South-East Asia. Palm is AAK's highest volume raw material and has had the biggest environmental impact. Its reputation in some parts of the world is less than positive, despite its very high yield per hectare compared with other oils and the lack of alternatives to feed a growing world population.

It is great news that Indonesia, by far the biggest producer of palm, has reduced deforestation rates from palm oil by 90 percent since 2012, as well as reducing overall deforestation massively, and Malaysia has a similar story. This is partly due to Indonesian government intervention. The Roundtable on Sustainable Palm Oil has played an important role, and AAK can take credit for being part of that success.



### Progress towards deforestation-free supply

AAK's principal sustainability ambition remains to only source verified deforestation- and conversion-free palm and soy by the end of 2025. Progress remains good in relation to this target. In 2022 we reached 71 percent for palm, our most significant commodity. We have also made progress towards our goal to achieve 100% traceability to plantation within our palm supply chain. In 2022 we reached 87 percent traceability for palm, an increase by 7.4 percent compared to 2021.

### Security situation challenge for Kolo Nafaso

Our direct sourcing and women empowerment program in West Africa, Kolo Nafaso, is the sustainability impact achievement of which we are most proud. The program includes a total of almost 300,000 women registered at the end of the year. We are deeply concerned that in Burkina Faso, where Kolo Nafaso originated in 2009, it is in some jeopardy due to the increasingly difficult security situation in that country. We will strive to maintain its operation in regions where we assess this to be feasible, together with our security advisors. Our Kolo Nafaso projects in Ghana and Cote d'Ivoire continue to grow.

We will continue to move forward with our own operational progress on sustainability and relish the opportunity to make a significant difference to climate, biodiversity, and people in sensitive areas of the world where we source raw materials.

Our policy of engagement to transform has been one which has yielded positive results, with inclusivity rather than exclusion being at our core. The road to sustainability can be a rocky one, but AAK continues to move forward, to make a better impact, and to be recognised for it.

Tim Stephenson, President Global Sourcing & Trading and Sustainability, AAK



# Strategy and priorities

## Making better sustainability happen

Sustainability is at the heart of our purpose, Making Better Happen™. 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.

## Key sustainability priorities

During 2022, we updated AAK's sustainability strategy based on a materiality analysis that included stakeholder input. The updated strategy focuses on three key priorities:

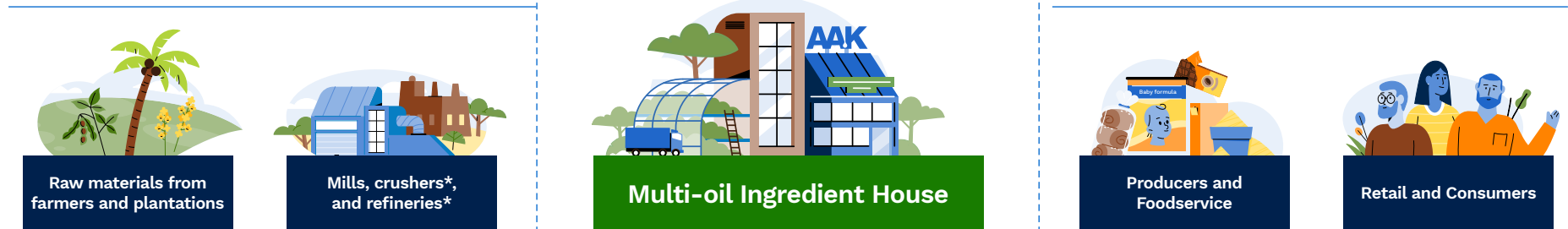
- **Climate:** Reducing climate impact and building resilience.
- **Biodiversity:** Protecting biodiversity throughout our supply chain.
- **People:** Contributing to the well-being of our people in our operation, our communities and in our supply chain.

For each priority, we have developed a roadmap of activities and investments that we have committed to execute until 2030. We have also set quantitative ambitions that we aim to achieve by 2025 and 2030.

Based on these roadmaps, we will continue Making Better Happen™ in all parts of our value chain through our sustainability operating model Better Sourcing, Better Operations and Better Solutions.







Serving higher value segments with our flexible and close to customer speciality approach

## Sustainability from plant to brand

AAK specializes in plant-based oils that are the value-adding ingredients in food and other consumer products. Sustainability and well-being are key parts of our value proposition. AAK's ingredients aim to make the products that consumers buy more sustainable and healthier.

The illustration above shows AAK's position in the value chain. Our sustainability work is embedded in all parts of the value chain, upstream where we engage to transform our supply chain and downstream where we partner with customers to develop sustainable solutions with positive impact on health, people and environment.

### Material impact

The oils that we source are derived from crops that are produced in regions where poverty and political instability are key challenges. We are committed to improving the lives and livelihood of the communities that we source from and work actively to mitigate the environmental and human rights risks associated with sourcing from these regions.

Climate impact is AAK's most material sustainability issue. Of our total GHG-emissions, 95 percent comes from upstream, Scope 3. A major part of this impact is related to our sourcing of palm and palm kernel oil. AAK is committed to reducing our climate impact for our own activities as well as our supply chain in line with the Paris agreement and the 1.5-degree target.

With this global reach and impact comes a big responsibility. At AAK, we acknowledge this responsibility and the role we have, to contribute to a sustainable food system.

### AAK's supply chain during 2022

The war in Ukraine and the global pandemic has had a significant impact on our raw material supply chains, causing disruptions in shipping and logistics as well as increasing market prices for plant-based oil. We have also seen a rise in protectionist measures taken around the world. AAK has successfully managed these risks, mitigating the impact on our business and our stakeholders.

AAK's supply chain structure has remained broadly unchanged during 2022, with continuing preference shown to suppliers able to support AAK's drive towards higher quality and even better sustainability. In West Africa some sourcing activities have been curtailed due to local security issues.

\*Crushing and refining performed by AAK for select raw materials.



AAK's sustainability framework  
– the House of Sustainability

# Making Better Happen™ from plant to brand

CLIMATE



Reduce our climate impact



Reduce GHG emissions  
Resource efficiency  
Toward a circular economy

Scientifically verified climate goals in line with the 1.5 degrees SBTi scenario

BIODIVERSITY



Protect biodiversity

- Preventing deforestation and preserving ecosystems
- Reforestation
- Regenerative agriculture

PEOPLE



Embedding the respect for human rights

- Human Rights due diligence embedded across all key raw materials
- Have a positive impact on people



Contribute to the well being of our people

- Engagement
- Safety and well-being of our people
- Human Rights

Being a better neighbor



Enhance sustainable development with our solutions

Increase our contribution to the SDGs



Better Sourcing



Better Operations



Better Solutions

We base our work on traceability, strong due diligence aligned with international sustainability frameworks and long term partnerships



# Better Sourcing at AAK





**Long-term trends that shape our market**

As a part of the update of AAK’s strategy, we have identified the most important sustainability-related trends in our market:

- **Health and well-being.** Consumers are becoming increasingly aware of the health aspects of food and other consumer products. There is a strong trend toward natural ingredients which have both health benefits and are better for the environment.
- **Transparency.** Consumers expect full transparency on the environmental and social impact of the product and its ingredients. Social media is an important driver.
- **Sustainability & environmental awareness.** Consumers are increasingly making conscious decisions within sustainability and the environment. Vegan, vegetarian and flexitarian diets have rapidly moved into the mainstream. Within our segments

Personal Care and Technical Products, there is a growing demand for renewable plant-based ingredients to replace fossil-based ones.

These long-term trends have relevance for all AAK’s segments.

		AAK industry relevance (selected industries, non-exhaustive)							
Key trends and growth drivers		Chocolate and Confectionery Fats	Special Nutrition	Plant-based Foods	Bakery	Dairy	Foodservice	Personal Care	Candles
Sustainable and renewable		✓ Better for the planet, vegan	✓ Organic	✓ Climate impact vs real meat and dairy	✓ Vegan	✓ Shift to plant-based and hybrid dairy	✓ Plant-based	✓ Biodegradability, social impact	✓ Switch towards natural waxes
	Health	✓ Low sugar No contaminants	✓ Food safety, certifications, nutritional	✓ Processed meat substitution	✓ High fiber, high protein, low sugar	✓ Nutritional	✓ Real food, clean label	✓ Skin health, clean beauty	✓ Clean air

## Palm and soy – key upstream priorities

The key plant-based oils which AAK sources are palm, shea, rapeseed, sunflower, soy, and coconut. All are sourced as oils, with rapeseed and shea also sourced as seeds and kernels.

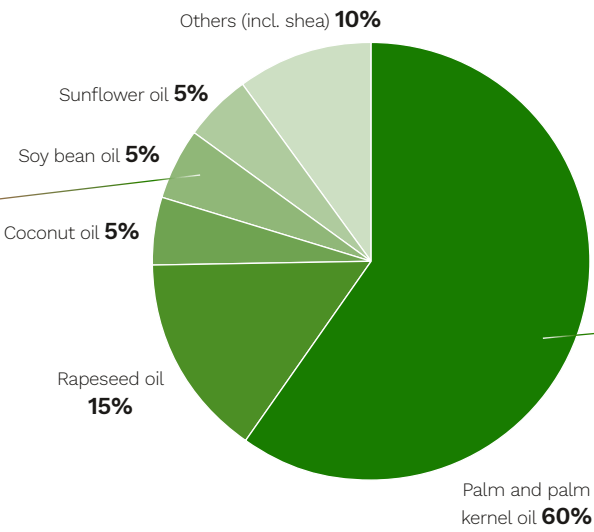
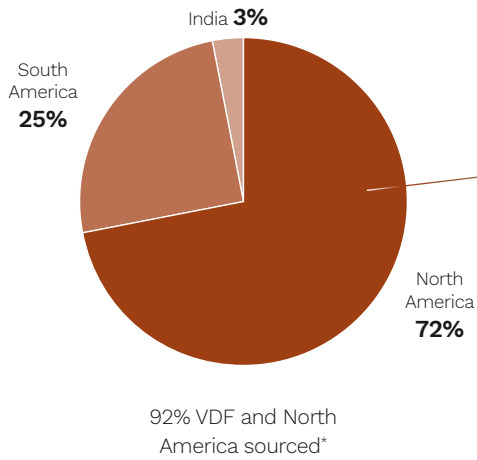
As a part of our commitment to sustainable sourcing, AAK performs a risk assessment of relevant risks that are associated with the commodities in the countries of origin. The risk assessment covers both climate issues (such as deforestation, biodiversity impact and negative agricultural impact on the environment) and social issues (such as human and labor rights, health and safety).

In terms of degree of risk, palm stands out as having the most significant exposure to risk related to climate, and deforestation. This is reflected in the level of attention in terms of risk monitoring and risk mitigation conducted by AAK. Our deforestation monitoring is focusing on palm and soy, as a result of our risk assessments, and contribute to achieving our deforestation and conversion free commitments of both materials by 2025.

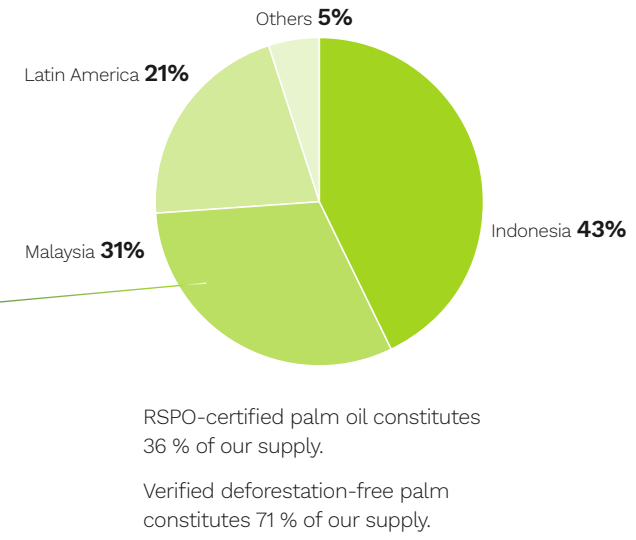
### Key raw materials per category

Share of oil ingredients. Based on volume in tonnes.

#### Soy bean oil origins



#### Palm and palm kernel oil origins



\*North America sourced is not verified deforestation-free but considered low risk.



## Our global challenges

The 17 UN Sustainable Development Goals (SDGs) address global challenges, including poverty, inequality, climate change, environmental degradation, and peace and justice.

At AAK, we are committed to contributing to achieving these goals. We have selected the goals where we have the greatest impact and the ones which are most relevant for our business. We strive to do our part in achieving the goals.

### AAK's business critical SDGs

AAK assesses activities and its impacts related to the SDGs based on risk, opportunity and ability to contribute to the goals.

### How we achieve positive impact

AAK's contribution to the Sustainable Development Goals is achieved both through minimizing climate impact in our operations and supply chain and making a positive contribution to poverty reduction and women empowerment in our supply chain. In the future AAK's contribution to the transition to plant-based foods and natural ingredients will be a growing driver for positive sustainability impact.

## Proactively answering to global demands

### The transformation to a sustainable food system and shift to renewable materials

As the world's population is projected to reach ten billion by 2050, our ability to feed the growing population is only possible with a transformation to a sustainable food system. Changing food consumption towards more plant based alternatives to meat and dairy is an important key to achieving this.

The food sector plays a vital role when addressing how we support the planet within a safe operating space, without exceeding planetary boundaries. At AAK, we are a part of this transformation.

### Co-developing better solutions for people and planet

One of the key strengths in AAK's business model is our unique co-development approach, born out of the strong relationships we have with our customers. We continuously strive to develop solutions which are better for the people and the planet by embedding sustainability into our co-development with customers.

The co-development process starts by identifying the specific sustainability credentials that create value for our customers and our consumers.



We partner with our customers to co-develop sustainability solutions, for example:

- Fulfilling specific sustainability requirements e.g. deforestation-free solutions
- Supporting our customers on their sustainability journey
- Delivering transparency to consumers

### Read more about AAK's sustainability co-development projects:

- A 10-year collaboration with Mars on sourcing sustainable shea to empower women within the Kolo Nafaso program in northern Ghana, page 32.
- Reducing emissions in cooperation with Beiersdorf in the Kolo Nafaso program, West Africa, page 13.

### Partnering with industry and civil society organizations

With our ambitions for being part of the transition to a sustainable food system, partnership with stakeholders is a key part of our sustainability strategy.

In addition to AAK's partnerships with customers and suppliers, we also have a strong network of other stakeholders that includes local communities, non-governmental organizations and industry and multi-stakeholder platforms.

### Plant-based ingredients – Our bet for the future

Plant-based food solutions and natural ingredients to replace fossil-based in personal care products have been identified as “bets for the future” in AAK's strategy.

The development of plant-based food solutions to substitute animal-based products in our daily diets is crucial to achieving a sustainable food system.



We believe people should be able to enjoy plant-based foods that are both healthy and taste great. This is an area where we are making strategic investments.

- To meet the fast-growing demand for plant-based foods, we have our AkoPlanet portfolio, which offers tailor-made plant-based oil and fat solutions for food and beverage manufacturers developing plant-based meat and dairy alternatives.
- In 2022, our new Customer Innovation Centre for Plant-based Foods opened up in the Netherlands. It will be officially inaugurated in March 2023.
- In India, AAK has partnered with the Good Food Institute to collaborate on advancing India's highly promising market for plant-based meat and dairy alternatives.

### New food technology with potential to drive large sustainability impact

AAK is committed to Making Better Happen™ in the global food industry. During the last years we have made a series of strategic investments in start-up companies within food technology. These investments will ensure that AAK stays close to emerging new technology to transform the food industry to become more sustainable.

AAK is an investor in Big Idea Ventures, a venture capital fund targeting to build and accelerate future global companies in plant-based, cell-based and alternative protein ecosystems.

AAK has also invested directly in Green-On, a food tech start-up company in Gothenburg, whose concept is based on the so-called Power-to-X technology. This technology aims to create oils and fats for food applications directly from carbon dioxide, renewable energy and water. This has the potential to reduce the need for arable land, one of the scarcest resources we have.



## Empowering female shea collectors through knowledge sharing and training

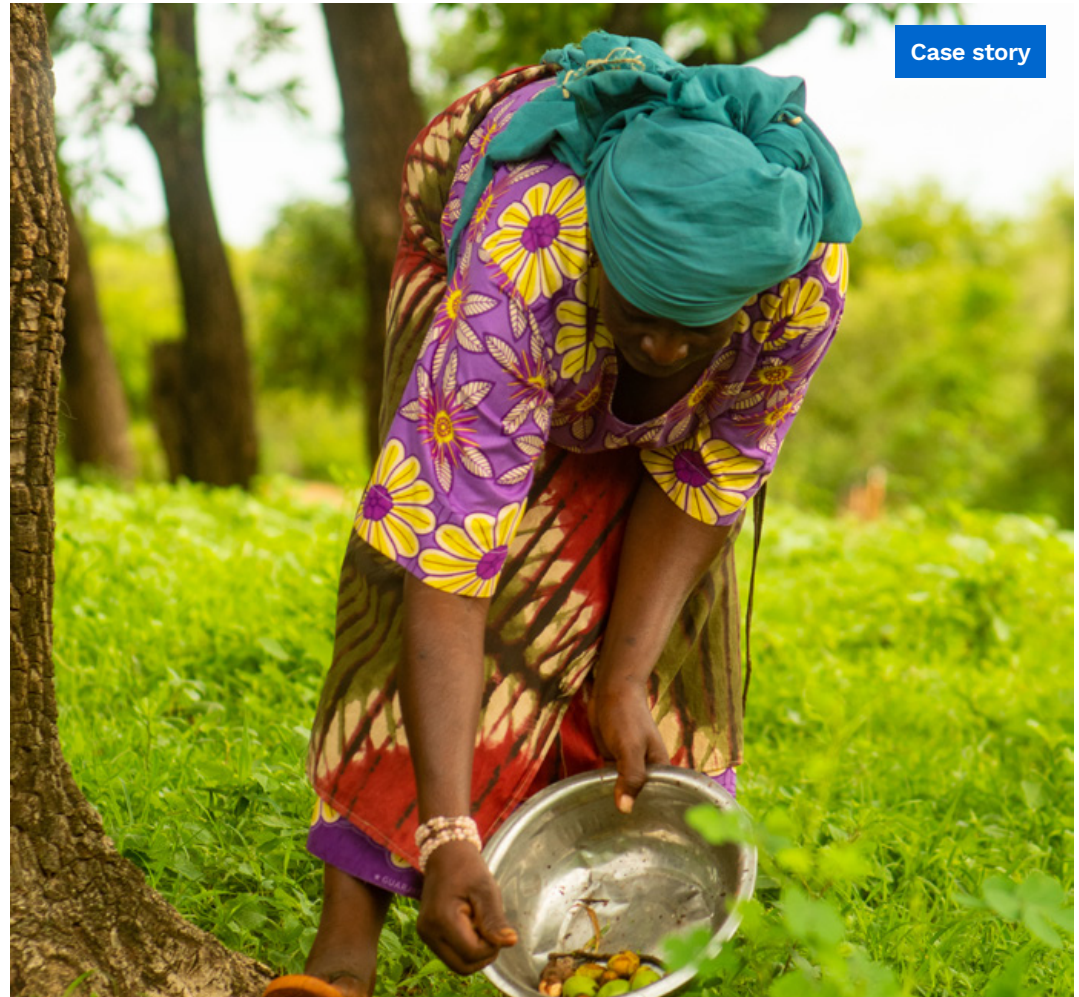
AAK is working with Beiersdorf and the Global Shea Alliance (GSA) in a five-year sustainability partnership to empower female shea collectors in the West African countries of Burkina Faso and Ghana, extending Kolo Nafaso, our direct supply chain to women in West Africa.

The goal is to reach 10,000 women with economic, environmental and quality training initiatives on top of our Kolo Nafaso engagement program that include almost 300,000 women. The initiatives include accessing microcredits for trade and small business opportunities through village savings and loan associations, tree planting, and building safer, more energy-efficient cookstoves to replace traditional three-stone fires.

### Positive impact on the ground

“Feedback from the women who are participating illustrates the positive impact that our involvement has had on the ground,” says Julia Beier, Responsible Sourcing Manager at Beiersdorf AG. “We are incredibly proud that the project has been so successful, despite all the challenges posed by the pandemic, and that we have managed to support these women in sustainable shea production through knowledge sharing and training.”

The women have gained access to microcredits through training in village savings and loan associations, which in turn has allowed them to invest in other trade and business opportunities. “During our visit, we saw first-hand how the women directly implement their newly acquired knowledge, thereby improving their lives and the well-being of their communities,” adds Lisette Townsend, Global Marketing Director for AAK Personal Care.



Case story

# Key targets and achievements



Enhancing sustainable development with our solutions

# 37%

of our revenue contributing to SDGs in 2021.  
Up from 31% in 2021.

2025: **50%** of revenue contributing to Sustainable Development Goals

## CLIMATE



**Science-based targets Scope 1-3 submitted and reduction road maps developed**

**2030:** Reduce absolute Scope 1 and 2 GHG emissions by **50%** from a 2019 base year



**+9%**  
**increase in annual sourcing of renewable electricity during 2022**

**2030:** Reduce absolute Scope 1 and 2 GHG emissions by **50%** from a 2019 base year



**93%** of waste recycled

**2030: 100%**



## BIODIVERSITY



**71%** verified deforestation-free palm, up **6%** during 2022

Up **45** percentage points since 2018

2025: **100%** verified deforestation-free palm

## PEOPLE



**293,302** women enrolled in women empowerment program Kolo Nafaso in West Africa

Human rights risk assessment completed and due diligence approach defined

**400** leaders trained about unconscious bias

# Reducing climate impact

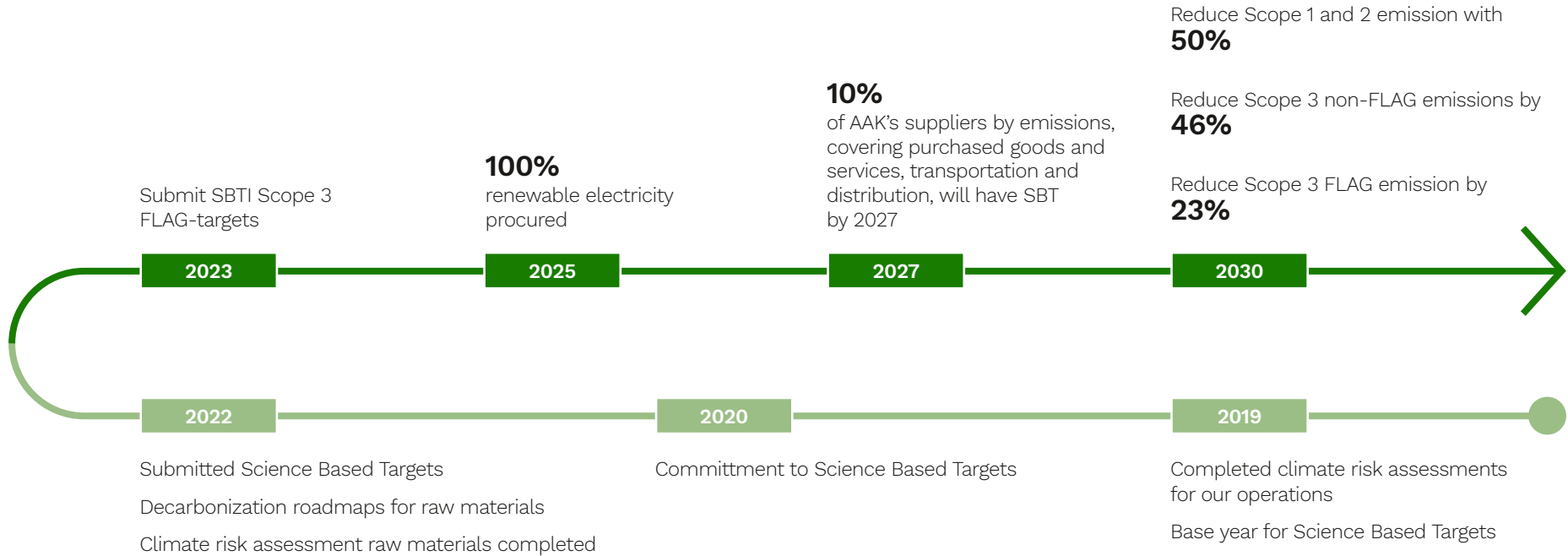
We are committed to reducing our climate impact and building climate resilience. This commitment includes our entire value chain: our own production sites, upstream to our supply base and downstream with the sustainable plant-based solutions that we co-develop with our customers.

## Our commitments: Reducing climate impact and building resilience

AAK has set Science Based Targets in line with a maximum increase in temperature of 1.5°C target. During 2022 we have focused on developing a pathway for reduced CO<sub>2</sub>-emissions throughout our value chain, including the raw materials that we source.



# Our Climate Roadmap



## Highlights

### 2022

- Start of construction of two biomass boilers in Aarhus, Denmark that will reduce emissions from the plant by **90%** and AAK's overall emissions by around 15 percent
- **13,000** women in West Africa trained in the construction of **energy efficient rocket stoves**. Since 2016 we have trained more than 30,000 women
- **9%** increase in renewable electricity

## Science based targets

During 2022 we developed the decarbonization road-maps for our raw materials and we have submitted our Scope 1, 2 and 3 non-flag targets for approval by the Science Based Targets initiative (SBTi). As a company with resource-intensive operations, we have a responsibility to continuously reduce our climate and environmental impact. Promoting resource efficiency optimizes business resources, cuts costs, and increases the affordability of purpose-built green energy projects. It also reduces pressure on the environment and builds resilience.

### Our impact and progress

As a part of our submission to Science Based Targets, we have assessed AAK's GHG emissions. This shows that 95 percent of our GHG emissions come from our supply chain. Of this about 64 percent is related to FLAG and the remaining part come from the production process in mills and refineries that we source from. FLAG stands for Forest, Land and Agriculture and is the first standard for science-based target that includes emissions from land use.

In our preparations for submitting climate goals in line with the new FLAG standard for the forest, land and agriculture sectors, we have analyzed our climate impact from the agricultural activities.

### AAK's Science based targets

All AAK Science Based Targets are in line with EU legislation, the 1.5 degrees scenario and the most recent climate science.

- 50 percent reduction in absolute Scope 1 and Scope 2 GHG emissions 50 percent by 2030 from a 2019 base year.
- 46 percent reduction in absolute Scope 3 non-FLAG GHG emissions by 2030 from a 2019 base year.
- 23 percent reduction in absolute Scope 3 FLAG GHG emissions by 2030 from a 2019 base year.
- 10 percent of our suppliers by emissions covering purchased goods and services and transportation and distribution will have science-based targets by 2027.

### Preparation for FLAG targets – emissions from land use

In 2023 we will submit Scope 3 targets according to the FLAG standard. The concept of FLAG was launched in September 2022 and AAK is among of the first companies in the world to work with this standard. With this work, we will establish a pathway for greenhouse gas reduction throughout our value chain.



## Emissions from supply chain

### Our approach

Together with customers, suppliers and non-profit organizations, our ambition is to scale-up resource efficiency measures in our supply chains to achieve emission reductions.

### Our impact and progress

Post-harvest processes have been identified as one of the CO<sub>2</sub> hotspots in the shea supply chain. Around 13,000 women were trained in energy efficient stove building during the 2021/2022 season. Energy efficient cookstoves have the potential to reduce post harvest processing emissions by 30–65 percent.

During the year, we formed a new partnership to monitor and collect better GHG data from our European rapeseed suppliers and formalized our strategy and ambition for sustainable rapeseed supply chains. This will enable us to report on our rapeseed supply base in much better detail, give targeted advice on where to improve and reward good practice farmers.



## Emissions from own operations and energy use

We focus on resource efficiency and explore opportunities to optimize unit consumption, production capacity, energy mapping and circularity. We also continue to source renewable electricity for our operations. Our ambition is to reduce energy consumption per processed unit each year by 2.5 percent.

### Our impact and progress

During 2022, we focused on plant engagement and improvement initiatives related to best available technology. We proactively investigate solutions to improve the efficiency of our operations, such as the replacement of trace heating systems in 2022 that reduced both energy and water consumption at several plants while improving safety. We also invested in biomass boilers at our site in Aarhus, Denmark.

We have ongoing initiatives to improve heating efficiency that will gradually reduce our Scope 1 emissions. In terms of our Scope 2 emissions, we increased the proportion of our electricity from renewable sources by 6 percentage points. At year end, 70 percent of our electricity came from renewable sources.

During the year, the energy consumption per processed unit reduced by 4 percent thanks to better efficiency and materials.

Going forward, we will continue to explore other efficient solutions to further promote energy efficiency.



## Circularity

We have significant opportunities to optimize our operations and product offering by promoting a more circular use of resources.

### Our approach

AAK's production lines for plant-based oil ingredients generate sidestreams in the form of secondary oil fractions. We work to reduce this waste by developing production lines to make use of these fractions to create value and support our circularity ambition to recycle 100 percent of our potential waste streams by 2030.

We are also investing in circular production technologies. The investment in Aarhus contributes to circular production technologies and uses the bi-product shea meal to fuel the boiler. The ash generated in the Aarhus plant, can be used as fertilizer, creating a production process that is 100 percent circular.

Recyclable packaging is also an important part of our approach. We work hard to meet our customers' needs for packaging that can be recycled.

### Our impact and progress

- In 2022, 93 percent of all waste from our production facilities was recycled.
- We collaborate with our suppliers to develop our portfolio of better packaging solutions. For example, we have replaced all black plastic packaging in order to ensure that it becomes 100 percent recyclable.

# Protecting biodiversity

Safeguarding forests and preventing conversion of native ecosystems is crucial for biodiversity and tackling climate change. In this chapter we describe AAK's work to prevent deforestation, contribute to reforestation and invest in ecosystem conservation.

## Our commitments: Protect and contribute to restore biodiversity

As a company dependent on agricultural raw materials, the long-term viability of agricultural systems is fundamental to our business. We focus on reducing negative impacts or contributing positively to local biodiversity and ecosystems. Up until now we prioritized deforestation-free supply chains, some selected ecosystem projects as well as tree planting activities. It is our aim to develop a broader biodiversity strategy in 2023 that includes screening for alignment with EU taxonomy as well as regenerative agricultural opportunities.



## Our Biodiversity Roadmap



## Highlights

### 2022

- **71%** verified deforestation-free palm
- Traceability to plantation for palm oil: **87%**
- **100%** of palm supply chain satellite monitored
- Continued ecosystem conservation work through a five-year partnership with National Forest Seed Center of Burkina Faso (CNSF)
- **26,874** shea trees planted in 2022
- **424** coconut trees planted in 2022
- **116,842** trees in total since 2019
- **100%** verified deforestation-free palm inside concession

## Preventing deforestation and conserving ecosystems

Safeguarding forests and preventing the conversion of native ecosystems 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 are facing.

### Our approach

AAK has been at the forefront of the industry to make our global supply chains more sustainable, working together with our customers, suppliers as well as civil society and local governments. We believe that multi-stakeholder collaboration is the most efficient way to make better happen when it comes to preventing deforestation.

AAK is a founding member of the Roundtable of Sustainable Palm Oil RSPO which was established in 2004 to promote the growth and use of sustainable palm oil through global standards and multistakeholder governance. We are also active in the Palm Oil Collaboration Group which aims to achieve sustainable supply chains for palm oil that are not RSPO certified.

### Traceability

Traceability in the supply chain is an important tool to enable effective supply chain monitoring and engagement. This topic is addressed in the traceability chapter further on in this report.

Deforestation is not the only material biodiversity issue in the supply chains for plant-based oils. Preventing conversion of peatlands is of equal importance, both for protecting biodiversity and combatting climate change. Peatlands are critical for carbon storage, helping to preserve biodiversity and ensuring safe drinking water. They can be a major source of greenhouse gas emissions when damaged or drained.



AAK is committed to achieving a supply chain that is 100 percent verified deforestation and conversion free. For palm and soy our goal is to achieve this by 2025. For shea and coconut, where the risk of deforestation is lower, we are working to achieve this goal by 2030.

### Our impact and progress

We continue to make progress in our work to engage with suppliers and our investments in satellite technology have contributed greatly to this progress.

Satellite monitoring technology services helps us to become aware of potential deforestation issues. It provides insights, which ultimately help us to reduce

future risks. It also, supports customers' confidence when they buy products containing raw materials exposed to deforestation risk.

Through collaboration with satellite monitoring services we get access to real time information about potential deforestation events, which allows us to act swiftly to engage with suppliers to investigate the situation.

In 2022 our satellite monitoring covered 100 percent of the mills in our supply chain for palm and coconut in Malaysia, Indonesia, Philippines, Papua New Guinea and Latin America.



### Reporting and monitoring of potential responsible sourcing breaches

We investigate and follow the status of all reported breaches of our AAK Group Policy and Code of Conduct for responsible sourcing of plant-based oils. This includes deforestation alerts, peatland development, human rights and labor rights violations, land conflicts and governance issues. We receive reports from various stakeholders including our satellite monitoring partners, customers, investors, local authorities and non-governmental organizations.

In 2018–2022 there have been around than 500 reported breaches of our AAK Group Policy and Code of Conduct for responsible sourcing of plant-based oils. The relatively large number reflects our reach and the active monitoring of the palm sector. 39 percent of them were not in supply chain and not in scope of the policy. A total of 51 suppliers have been suspended as a result of breaches against our policy.

### Ecosystem conservation

We contribute to ecosystem conservation through our five-year partnership with the National Forest Seed Center of Burkina Faso (CNSF). The partnership strengthens research on shea and enabling a sustainable conservation of the genetic diversity of the shea tree, while making it economically more viable for local communities.

## Reforestation

**Our efforts include tree planting and exploring opportunities to promote regenerative agriculture.**

### Our approach

Since 2019, we have been involved in reforestation projects in our shea and coconut supply chains, in order to protect the long-term availability of both raw materials and protection of the landscapes.

As a major player in the shea industry, preserving the sensitive parkland landscapes in West Africa where the shea tree grows is a priority for AAK. Our ambition is to nurture shea trees that will provide a decent income to the local communities not just today, but in the long term.

There are many challenges of planting and growing shea trees. In our shea supply chain, we support development and training in best practices.



Furthermore, we have taken a strategic decision to engage in the promotion of regenerative agriculture across our supply chains. Regenerative agriculture is an approach to farming that aims to improve soil health and soil fertility – as well as protecting water resources and biodiversity. Developing a strategy for regenerative agriculture as part of our biodiversity roadmap will be a priority for 2023.

### Our impact and progress

We have initiated pilot tree planting projects in our shea and coconut supply chains. Both supply chains are characterized by the loss of trees and ecosystem under pressure. Our tree planting initiatives have three main ambitions:

- Educate suppliers and local people about the importance of planting new trees and rejuvenating the tree stock they are harvesting from.
- Learning and sharing the best tree planting techniques.
- Re-forestation as a part of combatting tree loss.

In 2022, we planted 26,874 trees in our shea supply chain. At year end, we had planted 110,445 shea trees, which is 74 percent of our 2025 target.

We have planted 6,397 coconut trees as of the end of the year, which is about 64 percent of our 2025 target.



## Fighting deforestation in coconut

**AAK is partnering with Satelligence to map the company's main sourcing regions in the Philippines and Indonesia. The satellite mapping of coconut production areas ensures a science-based approach and industry-leading accuracy.**

By mapping out the age of coconut trees in its sourcing region, AAK can combat the threat of ageing trees and declining crop yield. AAK can also identify where to invest and support smallholders with replanting and identifying new opportunities for coconut production.

In addition, AAK can predict the future deforestation risk in areas by using the Forest Loss Risk Index approach based on current and historical data. This helps the company to prioritize interventions with coconut suppliers based on the likelihood of forestry loss in different categories. The analysis in 2022 concluded that about 100 percent of AAK's sourcing regions is deforestation-free.

"It is essential that we draw on the latest technology to further improve our sourcing operations," says Jass Khaw, Global Sourcing & Trading and Sustainability at AAK Singapore. "Satellite monitoring really takes our work to optimize coconut production and avoid deforestation to the next level."



## Toward traceability and deforestation-free palm oil

**AAK works closely with multiple stakeholders in the palm oil supply chain toward its goal of 100 percent traceability to plantation and verified deforestation-free by 2025.**

There is growing demand for Roundtable on Sustainable Palm Oil (RSPO) certified palm oil ingredients among customers, but the global volumes of RSPO-certified oil are limited and costly for more complex fractions. Therefore, AAK uses the No Deforestation, No Peat and No Exploitation (NDPE) Policy Framework to be able to offer customers non-certified, but NDPE compliant palm oil. AAK's strategy for sustainable palm oil, is to increase the demand for RSPO certified palm oil and to ensure progress towards our NDPE commitment. The demand for RSPO is growing in mature markets like Europe and the USA, but for other markets, NDPE compliance is key to be able to offer customers sustainable palm oil.

Engaging directly to support smallholders in their journey towards sustainability is essential, as 40 percent of global palm oil supply comes from smallholders which often lack the resources to attain RSPO-certification. To give smallholders access to global markets and ensure sustainable production practices NDPE is an important tool. To promote NDPE, and improve traceability, AAK has started to engage directly with the dealers and middlemen.

"In order to increase supply of sustainable palm oil and include the volumes produced by smallholders, we have engaged directly with the fresh fruit bunch (FFB) dealers in Malaysia and Indonesia," explains Seng Bee Ng, Sustainable Multi-Oil Manager at AAK, Singapore. "The dealers and middlemen have a key role to promote sustainable farming practices among smallholders."

The dealers and middlemen also provide important services to independent smallholders by transporting the fresh fruit bunches to mills. Some dealers even offer services such as harvesting, farm management, and cash advancements. While the industry is focusing their engagement with mills and smallholders on sustainable sourcing, engagement with dealers often remains a gap. In 2022 the Malaysian government launched the new Malaysian Sustainable Palm Oil standard which obliges dealers to also comply with the legal sustainability requirements.

"A chain is never stronger than its weakest link, and dealers are in many ways the neglected entry point in the sustainability transformation and transparency of the palm oil supply chain," says Ng. At AAK we have identified engagement with dealers as an opportunity to make better happen and ensure traceability in the palm oil industry."



# A significant reduction on palm-oil related deforestation

Case story

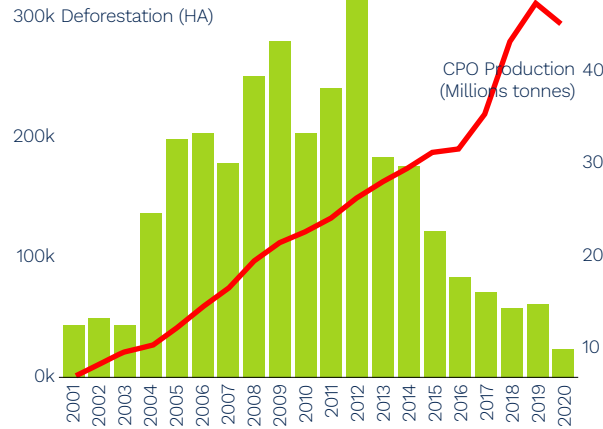
A recent report from the non-profit organization Trase\*) shows that oil palm-driven deforestation in Indonesia has been declining for nearly a decade. The Roundtable of Sustainable Palm Oil, of which AAK is a founding member, has played an important role as a catalyst for change.

Indonesia is the world’s largest exporter of crude and refined palm oil, contributing to 59 percent of total global exports. Historically the expansion of palm oil plantations has been an important driver of deforestation, accounting for one third of Indonesia’s loss of old-growth forest, contributing to climate change and biodiversity loss.



But over the last ten years, Indonesia has achieved a remarkable reduction in deforestation trends. The amount of forest converted to oil palm plantations in 2020 was more than 90 percent lower than the peak in 2012. This decline has been achieved despite an increase in production volumes of 72 percent during the same period.

## Decline in deforestation in Indonesia

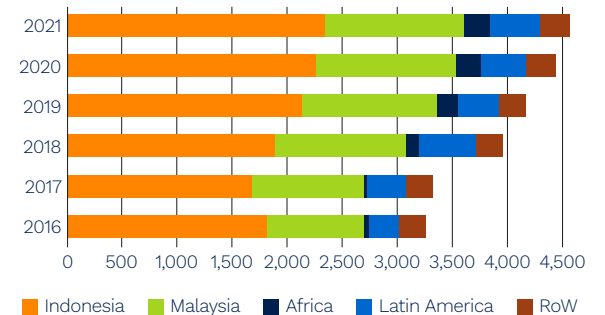


The Indonesian government has taken action to fight deforestation. In 2011, it issued a moratorium on clearing of rainforest for plantations. Since then, many stakeholders involved in the production, processing and consumption of palm oil have adopted zero-deforestation commitments. Today, more than 85 percent of Indonesia’s palm oil exports are traded by companies with formal zero-deforestation commitments.

The Roundtable on Sustainable Palm Oil (RSPO) has also played a key role in transforming the palm oil industry towards sustainability. The organization, brings together stakeholders from across the palm oil supply chain to develop and implement global standards for sustainable palm oil.

“The dramatic reduction in palm-related deforestation in South-East Asia that we have seen in recent years shows what can be achieved when stakeholders work together to transform the palm oil industry. At AAK, we continue to support the RSPO as a board member and engage with our suppliers to achieve our goal of a palm oil supply chain which is 100 percent verified deforestation-free”, says Tim Stephenson, President Global Sourcing & Trading and Sustainability at AAK.

## Growth in RSPO Certified Area



Note: All figures are cumulative of the calendar year (1 January to 31 December) Source: RSPO Impact Report 2022.

\*) Source: Heilmayr, R., & Benedict, J. (2022). Indonesia makes progress towards zero palm oil deforestation. Trase. <https://doi.org/10.48650/50NG-RT71>





# Contribute to the well-being of people

AAK is committed to contributing to the well-being of people. In this chapter we describe how we Making Better Happen™ for people in our entire value chain: in the farming communities where our commodities are sourced, for our 4,000 employees and for the local communities around our more than 20 production facilities in Europe, North America, Latin America, Africa and Asia.

## Our commitments

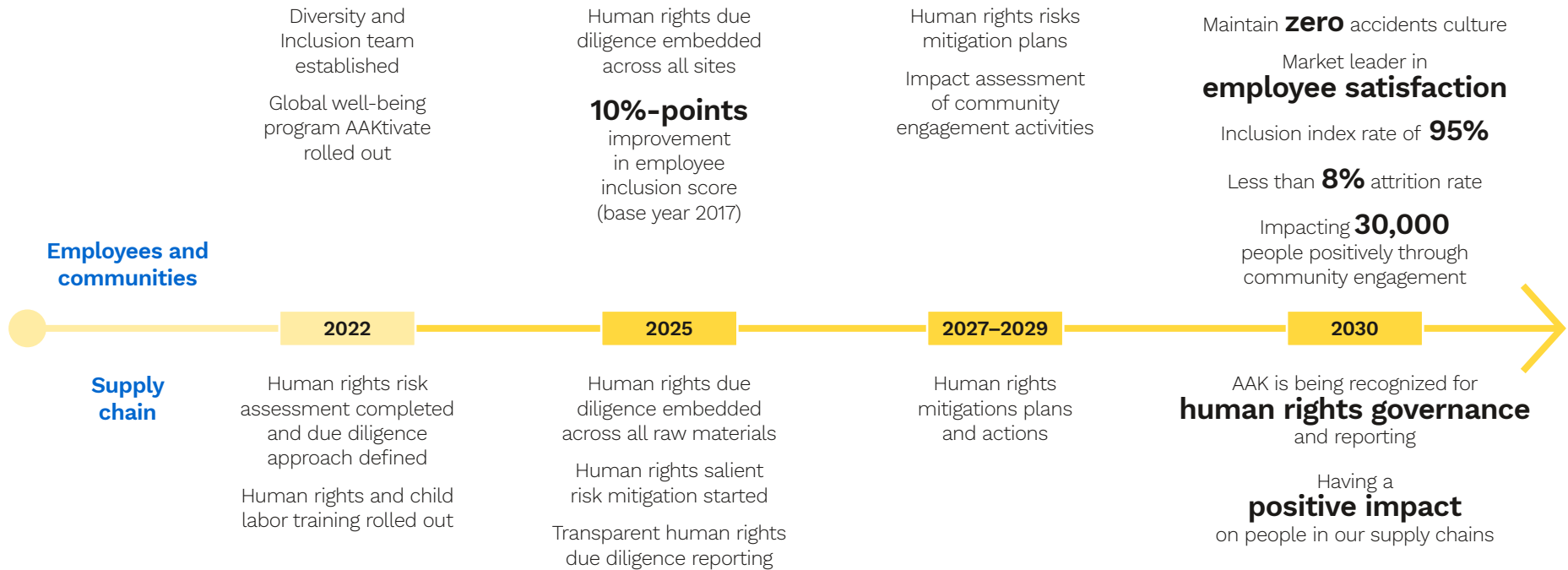
In the AAK Sustainability Roadmap, well-being of people is one of our three prioritized areas. The People Roadmap consists of four key commitments:

- Embedding the respect for human rights.
- Enabling the well-being of our people.
- Being a better neighbor.
- Empowering women and smallholders to improve their livelihoods.

For each of these commitments, we have defined measurable targets to be achieved by 2025 and 2030.



# Our People impact Roadmap



## Highlights 2022

- **84%** of our shea suppliers completed our self-assessment questionnaire and **90%** received training
- **100%** of our palm suppliers, based on volume, signed the new and updated AAK Group Policy and Code of Conduct for responsible sourcing of plant-based oils
- **97%** of our palm oil suppliers are committed to No Deforestation, Peat and Exploitation (NDPE)
- **293,302** women were enrolled in our Kolo Nafaso program at year end
- **400** of AAK’s leaders were trained about awareness of unconscious bias

## People in operations

At AAK we work to create a great workplace that enables the well-being and career opportunities of our people.

### Our approach

#### The AAK People ambition

- We offer our people the chance to make a real difference by being part of a team that is passionate about Making Better Happen™.
- Together with our people, we take responsibility for health and safety, and for creating a workplace where equality, diversity, and inclusivity are priorities.
- Our leaders are striving to be role models for our Better Leadership principles, and they are committed to unleash the full potential of every member of the AAK family.
- Together, we are guided in our decisions and actions by our Better Behaviors and by the highest ethical standards.
- We share a sense of ownership and pride for the positive impact our company makes.

### Our values: AAK's Better Behaviors

#### AAK's Better Behaviors:

- We are passionate about Making Better Happen
- We are agile by intent
- We are accountable for our actions
- We are collaborative by choice

AAK had 20 operational units and 3,962 employees around the world at the end of 2022.

#### Striving to be a zero-injury workplace

Health and safety are top priorities at AAK. Any work-related injury is unacceptable, and we strive to be a zero-injury workplace.

#### Diversity drives innovation

AAK is committed to attracting, developing, and retaining an inclusive and diverse workforce. This drives innovation, creates a trusting environment within our company and contributes to the success and sustainability of our business. We know that diverse groups are proven to be more successful and effective. Today, we employ 56 different nationalities at AAK, including six in our Executive Committee. We continuously work to increase the gender balance.

#### Engagement drives employee development

We partner with the global management research and consulting firm Great Place to Work Institute™ to enable us to drive employee engagement. This includes certifying business entities as Great Place to Work and carrying out pulse surveys to make sure that we are on the right track in fulfilling our commitments. To date, our operations in Mexico, Colombia, India and China have been certified.

Our ambition is to improve our employee engagement score by 10 percent points by 2025. To achieve this, we select different employee themes each year to drive even better engagement and employee development.

#### Our commitment to business ethics

Our commitments are defined in our Group Code of Conduct, which is a set of rules for our employees that protect the business and ensure that everyone

is fully aware of AAK's ethical expectations. It guides our ethical standards and actions, and our employees are expected to read, understand, and sign the Code. In the Code we state that AAK has a zero-tolerance approach to bribery and corruption.

Our third-party whistleblowing service is available for both AAK employees and other stakeholders to give people the ability to anonymously report suspected breaches of legislation or our Group Code of Conduct.

### Our impact and progress

#### Focus on leadership development

During 2022, we focused on raising awareness of our company purpose, leadership development, and ensuring fair and attractive compensation. Specific activities included strengthening our on-line training platform, offering non-bias training for all leaders and providing leadership sessions for our global leadership.

#### AAKtivate

Over the past decade, AAK in Mexico and Colombia have successfully worked with an employee well-being program called AAKtivate. The program focuses on medical, physical, and mental health as well as nutrition. The program contributes to a healthier lifestyle which in turn results in increased motivation, increased productivity, lower absenteeism, and reduced health costs. AAKtivate became a global program in 2020, and in 2022 we continued to successfully roll out a number of engaging activities. Some examples of activities were the Moving Mountain step challenge where 62 AAK teams, achieved 95.84 million steps.

## People in our community

**We are dependent on local communities for our workforce and our social license to operate. As a good neighbor, we support and work with local communities to help them to thrive economically, socially, and environmentally.**

### Our approach

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. We have always played an active role in caring for the local communities around our production plants.

Our aim is to establish long-term and scalable initiatives, which allow us to use our learnings and apply them in different locations. Doing so, we are able to exchange and use the knowledge and skills of our employees for the benefit of society.

We prioritize geographic areas where our impact assessment has identified relevant projects that can be linked to our business, ambitions and contributions to the UN Sustainable Development Goals, in line with our community engagement guidelines.

### Our impact and progress

During 2022, we had several relevant and effective community engagement programs on our sites, in line with our ambition. One example is India, where we ran several projects with focus on skills development to empower women, water purification to ensure clean drinking water, and solar-based streetlight installations to increase the use of renewable energy in the neighborhood, thereby improving the living conditions for 7,000 people.

We also delivered support to Ukraine and strong progress in our project in Uruguay.

## Supporting Ukraine

**During the year, AAK engaged with employees on supporting Ukraine by organizing fundraiser events.**

Our employees jointly succeeded to fund SEK 236,000 to UNHCR and AAK as a company added the same amount plus another SEK 2 million.

Our employees in Ukraine have also organized the AKOHELP, a channel to support customers, suppliers and other stakeholders in need of support to move to other locations in Europe. More than 50 families have been helped through this initiative.

Case story

“With our employees, customers and suppliers in Ukraine, we felt a responsibility to help them and their families,” says Dmitry Shulmeister, Sales Director. “The ‘AAK help’ initiative and donations were very much driven by our employees who wanted to help the people of Ukraine in their time of need. We are extremely proud of our employees and how they helped Ukrainians during the year.”

## School environmental education in Uruguay

Case story

**AAK has been involved in a long-term school project in Uruguay since 2016 and focused on environmental education in 2022.**

Since 2016, AAK Uruguay focused on waste management and composting at School N°150 & N°307 in Montevideo. These schools are just a few blocks from the factory. During last year, two new schools, have been incorporated to the project. The schools sorted 1300 kg of waste, 80 percent percent of these were recycled. Additionally, 150 workshops have been held related to environmental education, waste management, recycling, gardening, and composting; making all students and teachers getting involved and learning.

At the end of 2022, AAK UY donated outdoor tables and benches to the school that were made from recycled plastic during the year. As the school previously had no outdoor furniture, it will provide opportunities to learn outdoors while raising awareness of using recycled materials.



“Our activity at School is just one example of our community engagement work,” says Victoria Laporta, Office Administrator. “Engaging and supporting the local communities in which we operate is an important part of being a responsible corporate citizen at AAK.”



## People in our supply chain

A significant proportion of our raw materials are sourced from some of the world's poorest regions and communities. Ensuring the well-being of people in our supply chain is a key priority. We work hard to improve smallholder and women livelihoods and we are rolling out a process for human rights due diligence with the aim to cover all our key commodities and suppliers by 2025.

### Embedding human rights in our sourcing operations

#### *Implementing a human rights assessment*

A key focus in 2022 was the development of human rights risk mitigation plans, and actions to mitigate our most salient human rights risks across our key raw material supply chains. We have invested significant resources to better understand the risks within our supply chains and to develop a human rights due diligence system to implement a proactive approach. A high-level risk ranking per origin is available at page 42.

#### *Local focus help promote human rights*

As many human rights challenges are rooted in local context, we work closely with local stakeholders on a long-term basis. Human rights issues may range from pay and working conditions and discrimination to forced labor, child labor and land rights issues.

#### *Supplier engagement on human rights*

The basis for our supplier engagement in human rights is the AAK Group Policy and Code of Conduct for Suppliers of plant-based oils. We support our suppliers to develop strong sustainability policies to further promote human rights due diligence. The engagement tools that we use are self-assessment questionnaires, score cards and supplier meetings.



In 2022 we engaged with 107 shea suppliers, equivalent to 84 percent of our supply base. For rapeseed and coconut we engaged 55 percent and 62 percent of key suppliers respectively.

### Improving the livelihoods of women and smallholders

For AAK, smallholders and women in particular play a critical role across our supply chains. We invest in training programs and partnerships with NGOs, industry partners and suppliers across many different regions, as well as through our own extension officers working in local villages with shea kernel collectors. Our approach to Making Better Happen™ for women and smallholders drives positive social impact and plays a key role to manage risks related to smallholder-based supply chains.

We are very proud of our long-standing commitment to supporting the livelihoods of women in our supply chain. AAK is one of the largest players in the shea industry, and the shea trade is an important source of income for the people who live in West Africa, where the shea trees grow.

#### *Kolo Nafaso: Making Better Happen™ Together*

Kolo Nafaso is AAK's direct sourcing business model for the shea supply chain in Burkina Faso, Ghana and Ivory Coast. At its core, the program aims to empower women on a large scale as a means to making better livelihoods happen.

At the heart of the Kolo Nafaso program is the offer of interest-free micro credits which is available when money runs short before the harvest. Surveys have shown that 70 percent of women invest this money for future purposes such as investments in agriculture and schooling of children. The program also includes training in better processing and business practices.

It is important to stress that the women who participate in our program are completely free to sell their shea kernels to whoever they choose, although we provide a buying guarantee.

The program has the following key features:

**Keeping things simple.** We aim to find the easiest and most cost-effective best practices to spread them to as many people as possible. Little by little we are creating big impact.

**Operated by AAK.** The program is fully integrated into AAK's business and operated by AAK's own employees who work as extension officers, many of them women.

**Long-run.** This is business, not charity. This guarantees we are here for the long term.

**Externally verified.** The program is fully audited and verified by Proforest, an external non-profit organization that promotes responsible production and sourcing in agricultural commodities.

### Other smallholder initiatives

We support several projects to boost the productivity and profitability of smallholders in and outside of our supply chain. For example, the Solidaridad project in Mexico promotes good and sustainable agricultural



practices to increase fruit and oil productivity. Another example is our five-year partnership with Musim Mas and Nestlé to provide a “train the trainer” approach to training palm oil smallholders in good agricultural practice and NDPE Policy. In 2022, 476 smallholders were engaged in the initiative.

AAK supports the Forever Sabah NGO that works with independent smallholders in the Malaysia to achieve Roundtable on Sustainable Palm Oil (RSPO) certification. During 2022, 186 smallholders were certified in three different districts and the NGO will continue to certify smallholders in other districts in 2023.

### Our impact and progress

During 2022, the focus for Kolo Nafaso has been to find ways to strengthen impact, but also ensuring the health and safety of women and employees alike within an increasingly uncertain safety context in Burkina Faso. Unfortunately this has forced us to cut down on the number of women participating in the program.

During the year, each production site ensured they have policies and processes in place to mitigate all the topics identified in our human rights assessments. We continued to partner with human rights experts to conduct high-level assessments of our supply chain, which identified our most salient human rights risks.



## Case story

## WISH – A one of a kind co-development project

AAK is part of a 10-year public-private partnership to improve the livelihoods of 13,000 women farmers in northern Ghana and secure future supplies of sustainable shea.

Along with AAK, the partners in the public-private coalition are Mars, USAID, the Livelihoods Fund for Family Farming, CARE International and Presbyterian Agricultural Services.

Called the Women in Shea (WISH) initiative, the project builds on AAK's Kolo Nafaso shea sourcing program and has three core objectives.

The first ambition is to help the women to a higher income by improving the efficiency and quality of the shea harvest. Secondly, the project aims to improve the efficiency and quality of the shea harvest. The third goal is to raise awareness of natural resource management to ensure the long-term conservation of shea trees in a region with fragile ecosystems.



## Case story

## Raising customer awareness of more sustainable shea

**In 2022, AAK launched the “Pass it on” campaign to encourage customers to shift to more sustainably sourced shea.**

The AAK Kolo Nafaso shea program aims to establish direct trade relationships with female shea nut collectors – to encourage greater supply chain sustainability. The “Pass it on” campaign raised greater awareness and interest of the Kolo Nafaso program among AAK's confectionery customers.

“The campaign highlighted key elements of our Kolo Nafaso shea program, which is perceived as highly relevant by our confectionery customers,” says Luis Parra, Global Director Chocolate and Confectionery Fats at AAK. “It also connected the Kolo Nafaso program to particular benefits for our customers and how they can use our ILLEXAO™ assortment of cocoa butter equivalent (CBE) products based on Kolo Nafaso shea in chocolate and confectionery brands.”

AAK's overall ambition is to move markets, such as the UK and Mexico, toward using only Kolo Nafaso Shea in the CBEs that are sold.

“Our ‘Pass it on’ campaign has had a really positive impact by enabling the supply chain to convert our CBEs to be produced with Kolo Nafaso Shea,” concludes Parra. “This will allow our customers in more markets to have access to more sustainable shea that benefits the entire value chain.”

# AAK Sustainability Disclosure 2022



# About this report

This is AAK AB's fourteenth stand-alone Sustainability Report covering our activities from January 1 to December 31, 2022. It is published once each year and is separate from AAK's Annual Report. This report was published on April 4, 2023. It is prepared in accordance with the Global Reporting Initiative Standards (GRI) 2021 and 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.

Our Sustainability Report includes an overview of our non-financial performance, including our Statutory Sustainability Report. This is also where we provide additional detailed information about strategy, goals, programs and performance.

## Reporting scope

The scope of this report encompasses the AAK Group consisting of the Parent and all subsidiaries including production sites, administrative offices, sales offices, customer innovation centers, and sourcing operations. Where there is a deviation from this in the reporting, this is explained in the text or in a footnote.

The scope of raw materials has been prioritized together with our partner Proforest and is based on risks, volumes and position in supply chain.

The scope of environmental data includes all operational sites in AAK and core data related to social disclosures, such as employees, gender composition, and age. Moreover, it includes AAK sourcing, sales, and purchasing offices.

Data covering our operations are calculated per December 31, 2022. The Scope and completeness of this is continuously reviewed to include relevant activities.

The auditors opinion on the statutory sustainability report is found on page 86.

## Onboarding of new sites

Aligning new sites with AAK's sustainability standards is an important part of their integration and for AAK's responsible growth. Each onboarded site will have a sustainability team that will be invited to the global sustainable operation community, also called "Better Operations", to be part of benchmarking and best practice sharing.

## Methodology and restatement of information

In line with the Greenhouse Gas Protocol financial control approach, the environmental data in this report refers to the production sites that have been fully operational for a full reporting year and have a significant impact relative to AAK's total GHG emissions.

## Data management and quality

This report contains results traceable to recorded evidence and based on local calculations that are then compiled at a global level. Some data errors were identified during the validation process, mostly minor ones, which were not considered significant enough to correct data reported in previous years.

## 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@aak.com](mailto:comm@aak.com). For questions regarding the report, please contact [sustainability@aak.com](mailto:sustainability@aak.com).

## Sustainability and business strategy

### How AAK prioritizes impact

AAK contributes to a sustainable food system and provides plant-based alternatives for mineral oils. In order to do this we must make sure to identify the most material sustainability impacts, risks and opportunities.

We acknowledge the importance of engaging our stakeholders in the process of identifying our most material topics.

#### Engaging with our stakeholders to determine material topics

AAK conducts materiality analysis every second year. At the end of 2021, we initiated a stakeholder survey and the work continued during 2022. Here we describe the process behind our materiality assessment:

1	Selection of relevant sustainability topics	Relevant sustainability topics were defined supported by our SDG impact assessment. These topics were grouped into five categories; Climate; Biodiversity; People; Governance & Compliance and Solutions.
2	Stakeholder survey (y-axis)	A survey was developed and structured in line with our House of Sustainability to assess impact from plant to brand. This survey was used during personal interviews with external stakeholders (investors, customers, NGOs, suppliers and municipalities) and as a basis for a digital questionnaire completed by internal stakeholders (employees). Ranking of importance of each topic was collected on a “likert” scale of 1-5, where 1 represents not at all important and 5 represents very important.
3	Expert input-creating the (x-axis)	To determine AAKs impact, external experts in relevant fields were selected from the five categories and interviewed by a third party. The stakeholders were selected by AAK to represent a wide and nuanced picture of AAK’s impact. The outcome and list of important material topics are presented in our Materiality Matrix on page 37.
4	Key topics raised	The key topics raised are demonstrated in the top right corner of the Materiality Matrix, marked in green. The focus on responsible sourcing, deforestation and biodiversity remains the same, but there was increased focus on regenerative agriculture, livelihoods and working conditions. Together with GHG reduction these topics are considered very important topics for AAK by the general stakeholder target group. Governance & Compliance make up the foundation of our sustainability work and Solutions make up the foundation of our business. The three sustainability priorities have been defined to be Climate, Biodiversity and People.

Table is a reference to the Materiality matrix graph on page 37.

# Strategy, governance and targets



### AAK's strategic approach to material topics

To determine actual and potential risks and opportunities related to the business, environment, and people the material topics have been discussed with AAK management, to further assess and determine in which areas AAK need to improve current commitments and targets and how to prioritize going forward.

The overarching result shows a very strong alignment between AAK's already existing commitments and targets and the topics raised by the stakeholders. However, AAK will further assess the ambition level within the area of regenerative agriculture to align further with our stakeholder's interest.

### Most significant topics

After the management validation, the focus remains on the topics located in the top right corner of the matrix. However, based on an interest to capture more significant topics in the sphere of priority, the scope was widened by 10 percent. The topics below have been prioritized and approved by AAK management.

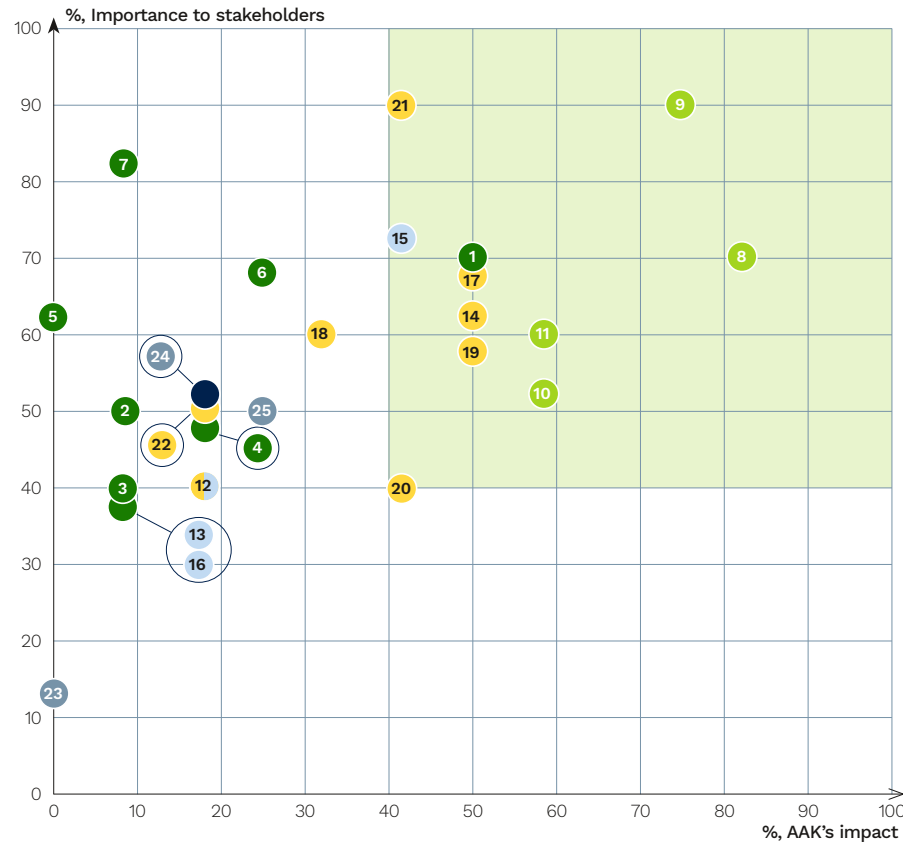
- Reduce GHG emissions throughout the entire value chain
- Work to protect biodiversity throughout the supply chain
- Act to prevent deforestation throughout its supply chain
- Invest in reforestation throughout the supply chain
- Support regenerative agriculture
- Use raw materials with positive impact on local livelihoods
- Use responsible sourcing methods with focus on working conditions
- Work to improve livelihoods within the supply chain
- Engage with local communities on social issues or environmental issues
- Act to ensure health and safety of employees
- Increase the traceability of products/raw materials

Together with an assessment of the planetary boundaries, further contribution to the SDGs and to demonstrate progress within these topics it was decided to structure AAK's sustainability work around three key priorities.

- Reducing climate impact and build resilience
- Protecting and restoring biodiversity
- Ensure people wellbeing (people in operations, in our communities and in the supply chain)

The short- mid, and long- term activities to reduce negative impact and increase positive impact in these areas are described in roadmaps for each of the priorities on pages 17, 21 and 27. The operational model to drive progress related to the priorities and the governance, also overseeing the organization's due diligence, is described in our Strategy, governance and targets chapter. The progress and approach connected to each significant topic is described in the related chapters Climate, Biodiversity and People.

### Materiality matrix



Basis Y-axis: Share of stakeholders responding "Very important"  
 Basis X-axis: Share of experts responding "Very high impact"

Environment, Climate:	
1	Reduce GHG emissions throughout the value chain
2	Improve climate resilience
3	Strive towards climate neutrality
4	Act to reduce water consumption throughout operations
5	Promote circular economy within own operations
6	Use renewable energy solutions
7	Strive towards energy efficiency

Environment, Biodiversity:	
8	Work to prevent biodiversity thought out the supply chain
9	Work to protect deforestation throughout the supply chain
10	Work in reforestation throughout the supply chain
11	Supports regenerative agriculture

Social, People:	
14	Use raw material with positive impact on local livelihoods
17	Use responsible sourcing methods with focus on working conditions
19	Work to improve livelihoods within the supply chain
18	Use responsible production methods with focus on working conditions
20	Engage with local communities on social and environmental issues
21	Act to ensure health and safety of employees
22	Support employee engagement

Governance	
23	Report on its work within sustainability on a quarterly instead of an annual basis
24	Work to ensure compliance with AAK Code of Conduct
25	Act in a transparent and responsible manner by using third party verifications

Solutions	
12	Increase the share of sustainably sourced raw material
13	Develop healthy product solutions
15	Increases the traceability of its products
16	Contributes to the development of plant-based production solution

## International standards and conventions

Maintaining high ethical standards is a top priority for AAK and we foster a corporate climate that supports ethically correct behavior from all our employees, suppliers, and business partners. AAK is committed to adhering to and upholding:

- the UN Global Compact's ten principles in the areas of social relations, human and labor rights, environment, and anti-corruption,
- the OECD Guidelines for Multinational Enterprises,
- the United Nations Guiding Principles on Business and Human Rights (UNGPs),
- the ILO Declaration on Fundamental Principles and Rights at Work,
- the ILO Core Conventions,
- UK Slavery Act

We work to fully align our business practices accordingly and, as a minimum, we comply with local laws and adhere to international standards concerning human rights and fair employment.

## Aligning with current and upcoming legal requirements

### Regulation on sustainability reporting

The sustainability information disclosure in this Sustainability report has three primary target groups:

- 1) asset managers and organizations, including non-governmental organizations and
- 2) social partners that wish to better understand the impact AAK has on people and the environment.
- 3) customers

The topics rated high by all investors involved in the survey were Code of Conduct compliance through audits, third-party whistleblowing, and verification. Among non-governmental organizations and social partners, it was prioritized to protect biodiversity, prevent deforestation, invest in reforestation, and maintain a positive impact on livelihoods. These valuable insights will also guide our future prioritization and disclosure content.

The sustainability priorities and significant topics are destined to be aligned with the upcoming Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting standards (ESRS). We will also initiate alignment with the Sustainable Finance Disclosure Regulation (SFDR). Thus, the topics raised by investors under "Governance and compliance" will be assessed in line with ESRS disclosure requirements forward and an ESRS gap analysis is planned to be initiated during 2023, to prepare for full and complete disclosure.

To ensure the completeness of this report it has been decided to include and assess the topics listed above using the Universal GRI standards and each topic is addressed according to the page indication in the GRI Index starting on page 82.

## Legislative developments in sustainability

In 2022 the EU ratified a new law on deforestation due diligence. The objective is to prevent deforestation linked to agricultural commodities by requiring importers to perform due diligence and submit evidence that the products being brought to the EU market are deforestation-free. It is expected to enter in force in June 2023, with an 18-month transition period for companies to achieve compliance.

As of palm and soy (both in scope of the legislation) AAK must ensure our products are compliant. AAK has been working for a number of years to detect, prevent, and eliminate deforestation in our supply chains, which gives us a good foundation to adapt our systems as necessary for these regulations. Throughout 2022 and continuing into 2023, AAK has been actively engaging in industry working groups to understand the practical implications and develop and pilot solutions for compliance. This work is and remains a priority for AAK to ensure we can continue our operations and to serve our customers with high quality, regulation compliant products.

Other relevant regulation currently under development are the Corporate Sustainability Due Diligence Directive (CSDD), and a regulation on Forced Labor. The CSDD is broader in scope and covers requirements for companies on both environmental and social issues, and the Forced Labor regulation has a specific focus on worker rights and protection. AAK is actively engaging in industry working groups on both these topics to ensure we are compliant when they come into force.

## Sustainable development goals analysis

The operations and activities of our company impact the environment and touch upon the lives of people in many countries. Therefore, we naturally have a role to play in tackling global challenges and taking responsibility for respecting planetary boundaries. These considerations are deeply embedded in our journey and have shaped our strategy for dealing with the various issues of sustainability, which we present throughout this report.



To further increase our focus on Agenda 2030 and our contributions to the UN Sustainable Development Goals (SDGs) and the Paris Agreement, an impact analysis in line with the SDGs framework and sub-targets was conducted to assess how we can further increase our positive impact and reduce our negative impact. Based on this analysis, we defined ten business-critical SDGs that are connected to our commitments and ambitions within Climate, Biodiversity and People (see pages 62 and 63.).

## Sustainability governance

### Driving progress on Sustainability

AAK's sustainability work is implemented via existing structures to embed our commitments and targets and manage risks and opportunities from plant to brand. Here we demonstrate the interconnection between our Corporate Governance model and our Operational model – the House of Sustainability – in connection to the material topics, defined in our materiality analysis. Together they represent the organizational setup to drive progress and ensure board and management responsibility and oversight.

### The Corporate Governance Model

#### The Board of Directors

AAK's Board of Directors has the overall responsibility for the company's sustainability progress and performance. The Board of Directors is informed regularly on sustainability, including climate-related performance, and AAK's progress against set commitments, targets, risks, and opportunities. The Board of Directors also approves the Sustainability Report. Board members are educated about our sustainability approach and progress in the regular update meetings. Formal training is planned for 2023.

The performance of the board is evaluated annually through a systematic process. The evaluation process is initiated and managed by the Chairman of the board.

#### Nomination and selection of the highest governance body

The owners and the Chair of AAK are responsible for the nomination and selection of the highest governance body. The Chair also secures that conflicts of interest within the Board are prevented and mitigated.

#### The Audit Committee

The Audit Committee deals with risk management evaluation, the integration of AAK Group procedures as well as with monitoring and following up on policies and codes and their implementation in the organization. Instances of non-compliance with policies, codes, and corrective actions taken are presented to the Audit Committee when relevant.

#### The Remuneration Committee

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 ensures that we can retain our executives and that AAK can attract the best talent in the market. In 2021, ESG targets became a qualifier for the Executive Committee's remuneration.

#### CEO and Group Management

The CEO and Group Management (Executive Committee) has the operational responsibility for AAK's sustainability progress and performance. The responsibility for ESG related commitments and targets is delegated from Board-level down to Group Management level and further cascaded to the management of the organization. Regular Executive Committee meetings are held to review progress and actions related to sustainability.

#### Strategy & Sustainability

Sustainability at AAK is truly embedded and integrated

across the business, the regions and the different functions that have a role to play to deliver on our sustainability commitments that support our purpose Making Better Happen. This is also reflected in our model for sustainability governance. The main responsibility for AAK's sustainability strategy and management is led by the President Global Sourcing & Trading and Sustainability, who is a part of AAK's Executive Committee. The Director of Sustainability reports to this role and heads the sustainability leadership team across the different functional areas; of operations, people, solutions, reporting & compliance, and finance. This updated structure truly embeds sustainability across functions and provides a holistic approach to our commitments and targets as defined in our operating model.

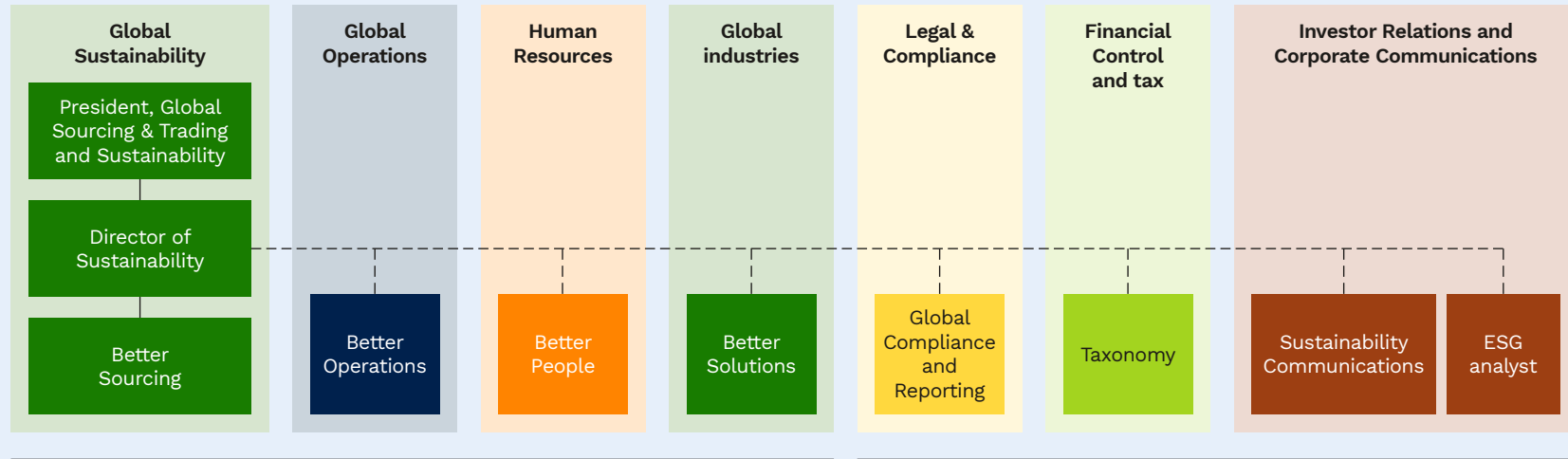
AAK's sustainability management framework has three key parts:

- AAK's sustainability priorities and commitments, which have been defined based on a materiality assessment.
- Sustainability goals and performance indicators to measure and drive progress.
- The House of Sustainability, which is our framework to drive progress to deliver on our sustainability commitments.

#### Evaluating our governance approach

Overall, the effectiveness of our current governance approach has proven instrumental in driving progress, supported by our framework – the House of Sustainability. However, during 2021 AAK identified a key opportunity to strengthen the corporate compliance control program. During 2022 there has been focus on this and the risk council as a supporting key function. Going forward, ESG related matters are to be further embedded in the risk council to improve capacity and capability to assess risk and drive positive impact even further.

## Sustainability from plant to brand



AAK's operating model – The House of Sustainability

Governance

## AAK's sustainability framework – the House of Sustainability

The AAK House of Sustainability is the framework that portrays how our sustainability work is organized and set towards our purpose, Making Better Happen™. The model supports a strong integration of sustainability into the AAK business model and strategy, with the aim to embed sustainability from plant to brand and strengthen our position as the first choice for plant-based oil solutions. Our House of Sustainability defines our commitments, targets and contribution to the UN Sustainable Development Goals that are critical for our business, and to our ambition of fulfilling the Paris Agreement. The framework is supported by a clear structure for governance and accountability, based on three operational focus areas: Better Sourcing, Better Operations, and Better Solutions. Three priorities have been identified as material for AAK going forward: climate, biodiversity and people.

### Better Sourcing

Our Better Sourcing commitments and targets are guided by the AAK Group Policy and Code of Conduct for responsible sourcing of plant-based oils, 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.

Activities are continuously monitored together with our Sourcing & Trading team, driven by our Global Sustainability Program Managers in specific raw materials teams. Performance is continuously followed up on by our Global Sustainability and Global Sourcing teams and the key performance indicators are presented on page 43 and 44.

### Better Operations

Our Better Operations commitments and targets are guided by the AAK Group Code of Conduct and the AAK Group Environmental Policy, human rights impact assessments, general site risk assessments, site environmental scoring system, reporting tools, certifications and audits.

Activities are continuously monitored in cross-functional local teams that have regular global meetings managed by the Global HSE Director and Global HR Director. These meetings are arranged to exchange best practice and drive progress in line with the correct key performance indicators presented on page 43 and 44.

### Better Solutions

Sustainability is embedded in AAK's co-development model. The sustainability co-development process starts by identifying the specific sustainability needs that create value for our customers and our segments. Different customers have different needs and requirements. These can vary between traceability and data, or a requirement to meet corporate commitments on deforestation-free supply chains and human rights. Sustainability is important for today's conscious customers and AAK's sustainability co-development offering supports our customer's efforts. The go-to-market teams work closely with internal stakeholders both in responsible sourcing and in production to ensure product governance.

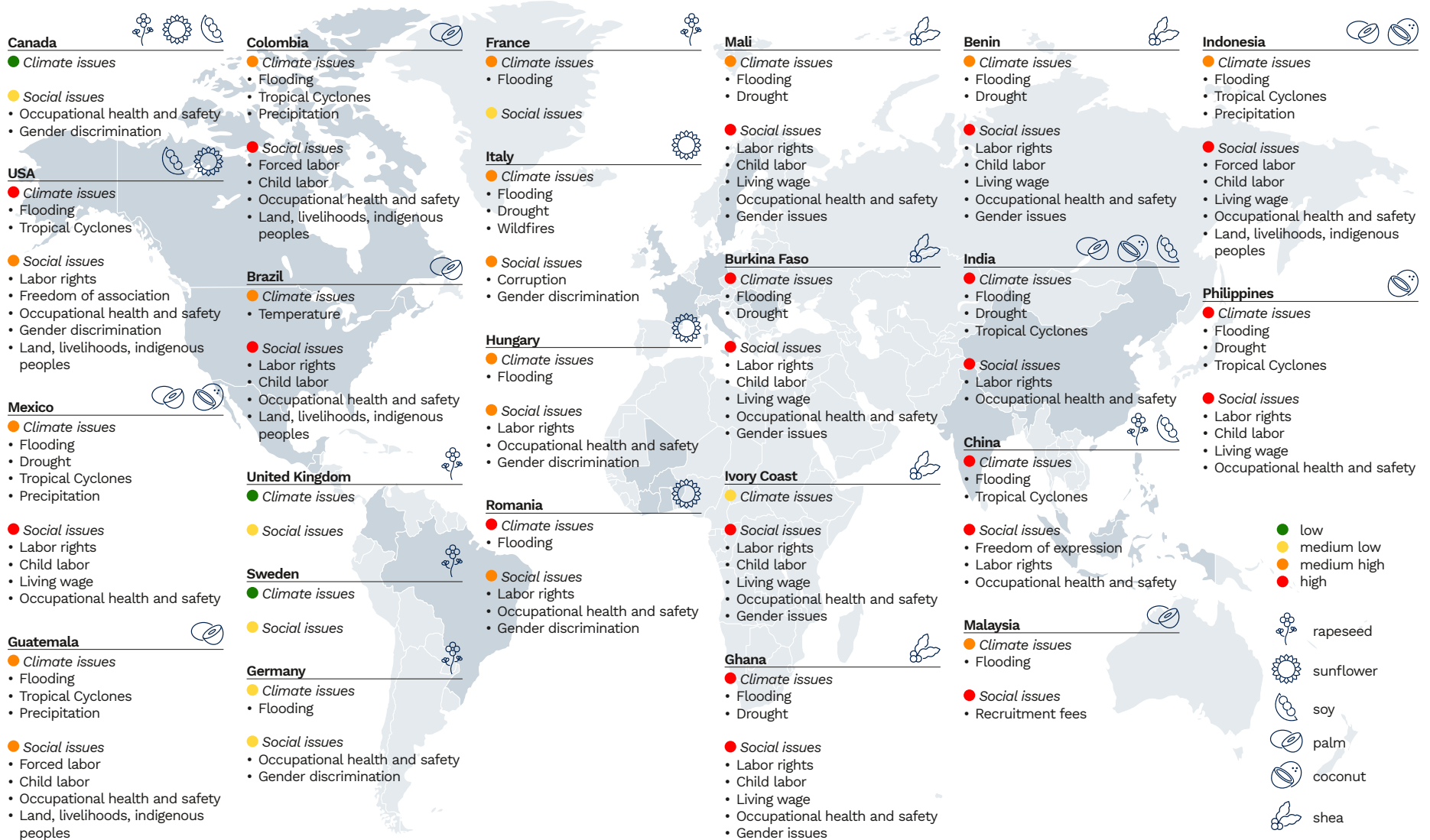
Activities are continuously monitored with insights from customer surveys and interviews. Our co-development process supports better solutions and progress is measured by the key performance indicators presented on page 43 and 44.

### The effectiveness of our operational model

During 2022, we experienced that our House of Sustainability provided structure, clarity and results. With the change of leadership in sustainability we have established a sustainability leadership team covering sourcing, operations, solutions, reporting & compliance, finance and communications to review and implement the sustainability strategy as well as progress on Making Better Happen™ from plant to brand.












## Climate and social risks depend on crops and geographical regions



Sources: Palm and palm kernel oil: Proforest. All other oils: 2022 Risk assessment Enact and 2022 Climate risk assessment Cemasy.

## Sustainability commitments and progress

Pillar	Topic	Strategic direction	Goal	Proof of progress 2022 (data for 2021)	Progress
Overarching					
Better Solutions		Solutions that do better for people and planet	50% revenue contributing to SDGs by 2025.	36.6% (18% increase)	
Reducing climate impact					
Better Operations	Emissions	Scientifically verified climate goals for the entire value chain - SBTi	50% reduction in absolute Scope 1 and Scope 2 GHG emissions by 2030 from a 2019 base year.	0.1% reduction compared to 2021. Target submitted in 2022. Awaiting validation by SBTi.	
Better Sourcing			46% reduction in absolute Scope 3 non-FLAG GHG emissions by 2030 from a 2019 base year.	Target submitted in 2022. Awaiting validation by SBTi.	
			23% reduction in absolute Scope 3 FLAG GHG emissions by 2030 from a 2019 base year	Target to be submitted in 2023.	
Better Operations			10% of our suppliers by emissions covering purchased goods and services, transportation and distribution, will have science-based targets by 2027.	Target submitted in 2022. Awaiting validation by SBTi.	
		Reduce GHG emissions	Source 100% renewable electricity for our operations by 2025.	70% (last year 64%) 9% increase	
	Energy	Resource efficiency	Reduce annual energy consumption per processed unit with 2.5%	4% (not comparable number due to updated conversion factor)	
	Water		Reduce our freshwater consumption by 50% compared to a 2019 base year by 2030.	6.3% reduction in fresh water use compared to 2021	
	Waste	Towards a circular economy	Recycle 100% of our waste by 2030.	93% of waste recycled	



On track



Ongoing



Need for acceleration

## Sustainability commitments and progress

Pillar	Topic	Strategic direction	Goal	Proof of progress 2022	Progress
Protecting biodiversity					
Better Sourcing	Deforestation	Preventing deforestation and preserving ecosystems	100% verified deforestation-free and conversion free palm and soy supply chains by 2025	Verified Deforestation-free palm: 71% (6% improvement since 2021)	●
				Verified Deforestation-free palm inside concessions: 100% (2021: 96%)	●
				Verified Deforestation-free soy: 20% (33% reduction since 2021)	●
				RSPO uptake: 36% (2021: 39%)	●
	Reforestation	Reforestation	150,000 trees planted by 2025 (starting 2020)	Total shea trees planted: 110,445. During 2022: 26,874 planted. 74% of 2025 target Total coconut trees planted: 6,397 (64% of 2025 target) Total planted (shea + coconut): 116,842 trees. (+30% in 2022)	●
Biodiversity	EU taxonomy compliance	Assess the eligibility of biodiversity in 2022, screen for alignment with EU taxonomy in 2023	Done and decided to have biodiversity as a priority	●	
Contribute to well-being of people					
Better Operations	Employees	Engagement, Diversity & Inclusion	10%-points improvement by 2025 in employee inclusion index rate from a 2017 base year	Inclusion rate measured every second year (2021: 82%). In 2022, 400 leaders were trained in unconscious bias.	●
		Safety and well-being of our people	No lost time injuries	Lost time injury frequency rate 0.6% (+52%)	●
		Human rights	Human rights due diligence embedded across all sites by 2025	Measures to mitigate breaches to Human Rights taken where salient risks were identified. Strengthen our Diversity & inclusion approach with non-bias training, updated diverse picture gallery and a D&I dashboard.	●
	Community	Being a better neighbor	Impacting 30,000 people positively through community engagement	Main projects during 2022: Uruguay and India	●
Better Sourcing	Supply chain	Embedding human rights due diligence	Human Rights due diligence embedded across all key raw materials by 2025	Human rights due diligence approach developed on global level and palm risk mitigation plan developed • 100% of countries of origin risk-assessed and salient issues identified and due diligence approach defined • Action plan started for palm oil • Launch of updated policy and code of conduct	●
			All salient human rights risks to be addressed by 2030		
			AAK to be recognised for HRDD governance and transparent way of reporting by 2030		
	AAK to have a positive impact on people through multiple risk mitigation partnerships across regions and raw materials by 2030				
	Empowering small-holders and women to improve their livelihoods.	Continue to increase our impact on women and smallholders	Women enrolled in Kolo Nafaso program: 293,302 17% decrease since 2021 Palm smallholders: 5,300 impacted by engagement programs in Mexico, Malaysia and Indonesia. Rainforest Alliance certified smallholders: 150	●	





## Our approach to traceability

**Traceability is an enabler to achieve a sustainable supply chain. By tracing our raw materials to their source we can understand the risks of negative sustainability impact and engage to mitigate them.**

We are committed to achieving 100 percent Traceability to plantation (TTP) for palm by 2025. We are committed to achieving 100 percent verified deforestation-free (VDF) palm and soy by 2025 and we track TTP to prevent deforestation. Understanding where the fresh fruit bunches (FFB) supplying palm oil mills come from is key to understanding whether the production is linked to deforestation. For smallholders, village approaches or landscape approaches related to risks are used.

## Proactive collaboration with value chain partners

In our palm supply chain, fresh fruit bunch dealers are a critical piece of the puzzle to connect our business with smallholders. In 2022 we have supported several projects with supply chain partners and NGOs to improve traceability through dealers, and to support smallholders to improve sustainability, productivity, and quality.

With the upcoming deforestation and due diligence requirements we see a risk that smallholders will be excluded from the supply chain. AAK remains committed to make a positive impact on the regions and communities that we are sourcing from.

# Traceability

## Our impact and progress

During 2022 we continued to make progress in supply chain traceability for our key commodities.

- Traceability to plantation for palm increased from 28 percent in 2018 to 87 percent in 2022, which is on track with our commitment of 100 percent traceability to plantation by 2023.
- For shea we achieved 92 percent traceability to district level. A reduction of eight percent compared to last year due to the onboarding of a new conventional supply region in Ghana.
- For coconut, we have developed new tools to track traceability, achieving 15 percent traceability to municipality.
- For soy we achieved 100 percent traceability to country level.

### Palm

Our traceability to plantation (TTP) for palm increased from 28 percent in 2018 to 87 percent in 2022, which is on track with our commitment of 100 percent TTP by 2025. Our TTP scores are calculated based on the verified scores reported by our suppliers. Additionally, AAK possesses boundary maps and geographic coordinates for parts of our supply chain. From 2023 the EU deforestation due diligence will enter into force. This means we will need to increase the efforts in industry collaboration to achieving more detailed and real-time traceability records in order to comply with incoming regulations.

### Shea

We have achieved 92 percent traceability to district level, falling 3 percentage points short of our ambition. The reason for this is that we have re-introduced sourcing from Ghana outside our direct sourcing program. We have also updated the methodology to record supplier data. We continue to have full traceability in our Kolo Nafaso-program. Furthermore, our full shea supply base is certified according to International Sustainability and Carbon Certification (ISCC) and Kolo Nafaso is externally verified by Proforest, including our claims on traceability.

### Coconut

In 2022, we expanded our sustainability work into our full global coconut supply base, including India, which had previously been out of scope. This included full traceability to crushing plants and we developed new tools to track traceability on a regional and municipality level across our supply base. 100 percent of our coconut supply chain is traceable to crusher level and around 15 percent of our coconut supply chain is now at least traceable to the municipality.

During the year, we finalized a coconut geochemical tracing pilot together with our partner Oritain. The pilot investigated if specific geochemical markers in oils can be used to assess their geographic origin, leading to a proof of concept. Geochemical tracing can be used for any oil to potentially save time and overcome traceability challenges in some markets. The next step is to further strengthen our database to ensure commercial auditing in the future.

### Rapeseed

During the year, we officially kicked off our formal supplier engagement work in the European rapeseed supply chain through a structured supplier engagement questionnaire and in-depth dialogue. We have 100 percent traceability to country level and 2 percent traceability to farmer level.

### Soy

Soy is 5 percent of our raw material portfolio. The total part of verified deforestation-free and conversion-free soy is 20 percent. This is lower compared to the previous years due to an overall reduction of our soybean oil consumption in Europe. 72 percent of our soy originates from North America, which is considered low-risk, but still requires deforestation-free and conversion-free verification. A detailed action plan will be implemented in 2023 focusing on meeting our 2025-target of 100 percent deforestation- and conversion-free soy.

## Climate targets

### The SBTi process

- 2020: AAK signed the Science Based Targets initiative (SBTi) commitment letter.
- 2021: Set Science Based Targets for Scope 1, 2 and 3 with the purpose of driving the reduction of GHG emissions consistent with keeping global warming to 1.5°C above pre-industrial levels.
- 2022: AAK submitted Scope 1 and 2 Science Based Targets and non-FLAG Scope 3 Targets.
- 2023: Will submit Science Based Targets according to the FLAG guidance for Scope 3, as soon as the SBT committee are ready to receive it.
- All SBTi submissions are in line with the 1.5-degree global warming scenario.

### Applying the FLAG guidance

The Flag guidance provides a standard method for companies in land-intensive sectors to set science-based targets that include land-based emission reductions and removals. Companies with emissions from land intensive activities in their value chain are required to set FLAG targets. For AAK land intensive activities make up 67 percent of our Scope 3 emissions. AAK committed to setting Science Based Target according to the FLAG guidance. Our Scope 3 screening showed that purchased goods and services account for about 95 percent of the emissions of AAK's global environmental footprint. The key raw materials included in the assessment were palm, palm kernel,

coconut, and rapeseed, which together with inbound and outbound transports cover 80 percent of the emissions in our upstream supply chain. It was noted that land use change and palm oil mill effluent in the processing were the main sources of emissions in the supply chain.

### Climate resilience

During 2020, we started applying the Task Force on Climate-Related Financial Disclosures (TCFD) framework. The analysis in 2022 found that all key raw materials which AAK currently sources are likely to be impacted in some form from both the Business as usual and the Net zero 2050-scenarios. This impact will differ significantly per sourcing origin, with palm, coconut and soy being most likely to be heavily impacted. Read more on page 69 for the complete TCFD analysis.

## Emissions in operations

### Our impact and progress in operations

#### Reducing greenhouse gas (GHG) emissions in our operations

In 2022, AAK generated 343,936 metric tonnes of CO<sub>2</sub>e including Scope 1 and 2 emissions. Our Scope 1 emissions increased with 2.4 percent (6,769 metric tonnes) and the Scope 2 emissions have decreased by 9.5 percent (7,095 metric tonnes). This is an overall improvement of 4.4 percent compared with our base year 2019 (and 0.1% compared to 2021) and represents a total reduction of 15,661 metric tons of CO<sub>2</sub>e. During 2022, market-based and location-based scope 2 emissions were 67,256 and 65,202 tonnes CO<sub>2</sub>e, respectively.

# Climate



The GHG emission intensity ratio is 130, expressed as GHG emissions per tonne of raw material, including Scope 1 and 2. Development of GHG emissions are reported on a four-year scale (2019–2022).

Our production sites emitted 233 metric tonnes of NO<sub>x</sub> (nitrogen oxide) and 30 metric tons of SO<sub>x</sub> (sulfur oxide) in 2022 through the combustion of fuel on site. Approximately 276 metric tons of VOC (Volatile Organic Compound) were emitted, primarily from sites that run extraction and solvent fractionation processes. VOC emissions increased by 1.8 percent during the year, mostly due to an increase in volumes processed. Going forward, we will continue to mitigate these types of air emissions and we are also tracking biogenic CO<sub>2</sub>e emissions, which are produced from the combustion of biomass. During 2022 we had none biogenic emissions. We purchased 4,173 kg of Ozone Depleting

Substances (ODS). Several sites showed progress in phasing out ODS. During 2023 an old heat exchanger will be phased out. This is in line with our ongoing global effort to phase out ODS.

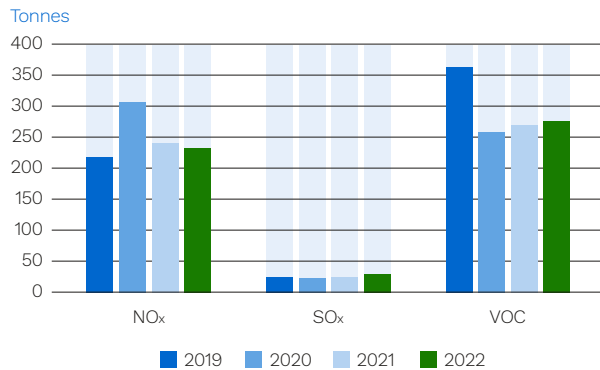
**Identified risks and mitigation**

Our most significant environmental risks related to GHG emissions in our Scope 1 and 2 are our resource-intensive production and waste generation. On an operational level, we assess and evaluate these risks supported by certifications, audits, reporting and continuous reviews of activities in our local, cross-functional sustainability teams. The results are connected to performance indicators that are annually presented to AAK’s Executive Committee and benchmarked by our global Better Operations team to align on the required progress.

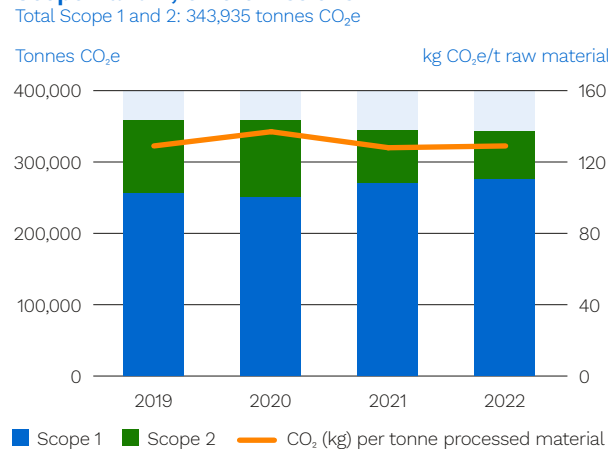
We apply precautionary management actions to mitigate and remedy potential adverse impacts on the environment and people. We systematically work to meet environmental regulatory requirements and to reduce emissions. Our work is supported by international third-party certification systems such as the ISO 14001 environmental management system and ISO 50001 energy management system.

Significant sources of GHG emissions in our raw materials value chain are land use change and palm oil mill effluent in processing at mill level. Palm and palm kernel oil are the raw materials in our supply chain with the biggest share in greenhouse gas emissions.

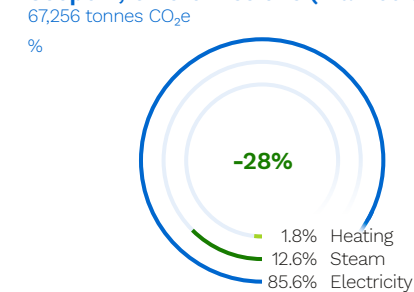
**Direct emissions**



**Scope 1 and 2, GHG emissions**



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



# Energy in operations

## Our impact and progress

In total, our production sites consumed 4,644,380 GJ, where total primary energy consumption was 3,433,851 GJ, and total secondary energy consumption was 1,210,529 GJ.

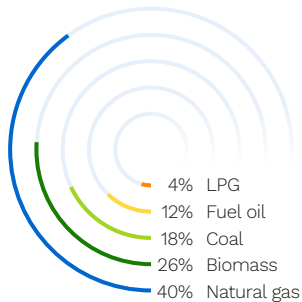
Our related climate target is:

- 100 percent renewable electricity by 2025.

Our ambition is to reduce annual energy consumption per processed unit by 2.5 percent. In 2022 energy consumption per processed unit decreased by 4 percent<sup>1)</sup> to 1.82 thousand MJ/t processed material. This improvement is due to better efficiency and materials. Going forward, AAK will continue to explore energy efficient solutions and get back on track with regard to our energy consumption, as new sites are involved, and new technologies are implemented during the journey of our SBT roadmap.

### Energy consumption

Per fuel type  
%



In 2022, the use of natural gas decreased by one percentage point. Biomass and coal increased by five and three percentage points respectively.

<sup>1)</sup> The number is not comparable with previous years due to earlier conversion figure and lost knowledge due to staff turnover.

## Identified risks and mitigation

In the light of the energy crises, AAK performed a risk assessment in 2022 on all our energy contracts and suppliers to ensure the continuation of our operations. Procurement secured new contracts and managed suppliers with a strong focus on reliability and cost. Thanks to the efforts made to this matter, we had no interruptions within operations and we handled our costs in a good way. A part of our future development for improving our sustainable footprint is connected to new fuel types. Doing so, we ensure continuous energy supply.

# Circularity

## Our impact and progress

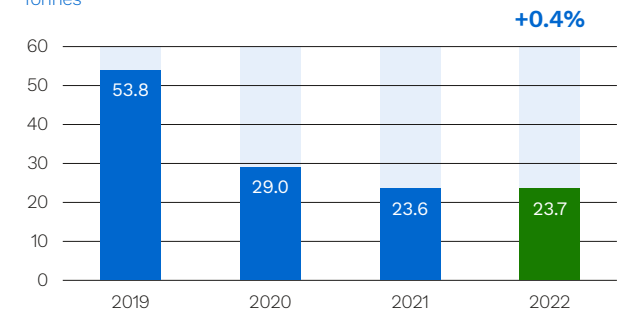
AAK has a comprehensive waste management in place. During 2022, AAK generated 60,565 tonnes of waste overall – a reduction of 1.6 percentage points compared to 2021. 93 percent of our waste was recycled. Our sites generated 1,647 tonnes of hazardous waste and 58,918 tonnes of non-hazardous waste. Our overall amount of waste was reduced as a result of a general focus on the topic. For example, efforts have been made to avoid the intake of packing material. Hazardous waste has been reduced thanks to efforts to find non-hazardous alternatives. During 2022, total waste per processed unit increased from 23.6 per 1,000 tonnes to 23.7 per 1,000 tonnes, representing a 0.1 percent increase compared to 2021. Meanwhile, we increased our waste going to landfill by 26.3 percent, and total landfill in 2022 was 4,286 tonnes. This was due to increased production in the USA, where the use of landfill is widespread.

AAK used 2,601,866 tonnes of material to produce and package the organizations' primary products and services

During 2022, 2,555,896 tonnes were renewable (incl. raw material) and 45,970 tonnes were non-renewable material.

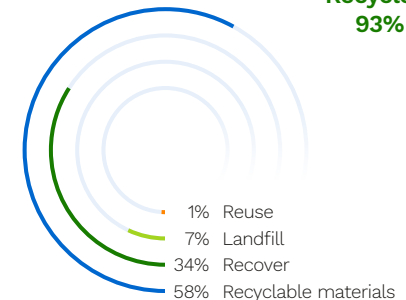
### Total waste per processed unit

Tonnes



### 2022 waste disposal

% of tonnes



## Identified risks and mitigation

To meet the market demand for more sustainable alternatives, side stream utilization and upcycling present important business opportunities for AAK. Progress is being made on offering more plant-based products, replacing non-sustainable materials such as fossil-based materials, and implementing solutions that reduce waste.

One of the biggest challenges connected to this is the recycling of spent bleaching earth. Bleaching earth is an essential processing aid for high-quality oil production as it removes coloring and other impurities during the refining of plant-based oils. Work is ongoing to find replacements for bleaching earth to achieve our ambition.

The information reported has been collected from the operational sites and their disposal contractors.

## Water

Water stewardship is an area of increasing importance and provides opportunities to reduce costs by using water and energy more efficiently.

### Our approach

We mainly use water for cooling purposes in our operations. Our main focus is on water optimization and the reduction of freshwater consumption, such as municipal water use. Our ambition is to reduce our freshwater consumption by 50 percent compared to a 2019 base year. By focusing on water efficiency, we are not only building a more responsible business, but also a more resilient company with regards to the anticipated consequences of climate change.

## Our impact and progress

During 2022, there was a 6.3 percent reduction in water use compared to 2021. Water consumption per unit processed material increased by 0.01 m<sup>3</sup> compared to the previous year. There were no instances of water withdrawal or consumption from water stress areas. The initiatives that have led to improvements during the last couple of years are related to improved water management, identified steam leakages, improvements in mitigation tools, and required repairs of components. During 2022, we focused on fresh water reduction by moving cooling away from fresh water towards closed systems or alternative cooling medium.

### Delivering clean water to communities

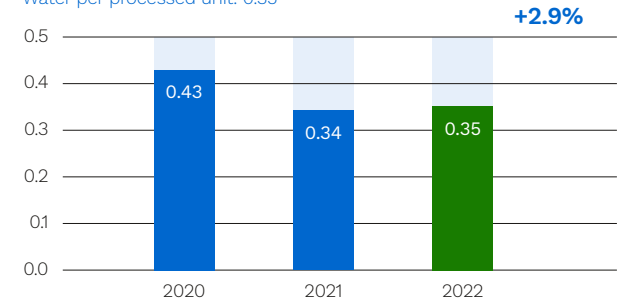
Together with Saha Global, our clean water solutions partner, we are installing water treatment units in Kolo Nafaso communities in Ghana. In 2022, four new water treatment units were installed. The seven units that we have installed to date provide clean water to over 2,400 people in Kolo Nafaso.

### Identified risks and mitigation

Our approach to water stewardship is built on the assessment of local conditions at sites where we operate. We measure and monitor water use to identify potential savings and communicate and engage with stakeholders to promote water efficiency. We apply precautionary management actions to mitigate and remedy potential adverse impacts on the environment and people.

### Water (m<sup>3</sup>)

Water per processed unit: 0.35



Water withdrawal	Total withdrawal (m <sup>3</sup> )
Seawater	28,053,899
Municipal water	2,168,147
Groundwater	524,615
Surface water	3,051,355

## Policies

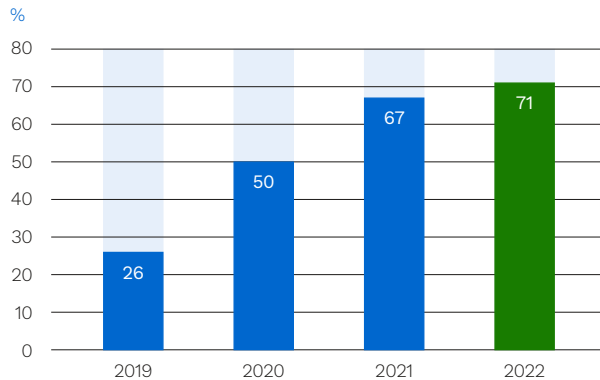
The Group Environmental Policy is evaluated regularly by all relevant key stakeholders and approved by the Executive Committee and our Board of Directors. During the most recent review, a need was identified to further align the policy with our production plants in order to increase focus on ISO 14001 certification, and to assess ESG progress more extensively.



## Deforestation

### Our impact and progress

#### Verified deforestation-free palm



- 100% verified deforestation-free palm inside concessions

### Identified risks and mitigation

For AAK, the main deforestation risks are related to crops grown in the tropics, mainly palm and soy. Palm oil supply chains are notoriously complex, with an estimated 2,000 mills globally supplied by a mix of plantations, third-party estates, and crucially smallholders that contribute about 40 percent of fresh fruit bunches (FFB) globally.

Through increased transparency, collaboration, and data sharing, the industry has made significant efforts to increase traceability to plantation (TTP). The lack of TTP is generally due to smallholders operating on a much smaller scale outside of known concession boundaries. We work collaboratively through smallholder engagement programmes 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.

Most deforestation occurs in the tropics where agricultural production competes with high levels of important biodiversity. AAK recognizes that biodiversity has a direct impact on the livelihoods and income for billions of people as it goes beyond the direct loss of plants and animals to create food insecurity, worsen climate change, destabilize communities and ecosystems and impact human health.

Eliminating deforestation is closely interlinked with the preservation of biodiversity. Forests also provide crucial ecosystem services, such as rainfall generation, water filtration and carbon sequestration. Our contribution to preventing deforestation and promoting biodiversity in our value chain is a priority.

# Biodiversity

## Supply chain monitoring through satellite technology

Our traceability to plantation (TTP) progress is based on first tier supplier assurance of concession areas operated by larger companies and monitoring these concessions through our satellite monitoring service providers. These partners provide us with biweekly reports that pinpoint any potential deforestation events that we then investigate with our direct suppliers.

In 2022, our satellite monitoring covered the deforestation risks in our palm and coconut oil supply chains. To monitor deforestation risks for palm in Malaysia, Indonesia and Papua New Guinea, AAK is partnering with Earthqualizer. This monitoring covers 100 percent of the mills in our supply chains and covers over 14 million hectares.

AAK is also partnering with Satelligence to cover 100 percent of the mills and landbank in our supply chain in Latin America, and with Palmoil.io, to provide global coverage and to serve as a database of deforestation related grievances across the entire palm oil industry.

For coconut, we are monitoring 9.9 million hectares of land bank we are sourcing from in the Philippines and Indonesia both for deforestation and for mapping the age of the trees.

## Reforestation

### Our impact and progress

#### Identified risks and mitigation

Reforestation projects in our shea and coconut supply chains are important for reducing biodiversity loss and mitigating climate change and the environmental impacts of global deforestation. Reforestation is also a means to mitigate supply chain risks by ensuring the long term availability of plant-based oils and fats for our business. We see reforestation as an important priority going forward.

## AAK Group Policy for Responsible Sourcing

As a result of our previous risk assessments, we have launched our updated AAK Group Policy and Code of Conduct for Responsible Sourcing of Plant-based Oils in 2022. The key changes in the content have been to strengthen and provide more detail on specific human rights commitments, broaden environmental protection to include no conversion of natural ecosystems, not just deforestation, and to be more specific in commitments towards smallholder inclusion. Cut-off dates and timelines have also been updated. All new suppliers are being screened in accordance to the AAK Group Policy and Code of Conduct.

Supplier webinars have been organized to engage suppliers about the key changes and our requirements, also a call out to sign the updated policy 94 percent of suppliers signed or have an aligned policy KPI.

Status of suppliers:

	RSPO Member	Policy Signed by direct suppliers
By Volume	96%	100%
By Number	76%	97%

## People in operations

AAK has operations in many parts of the world and People in operations include everyone who is employed by AAK.

### AAK’s Better Behavior approach

- We are passionate about Making Better Happen
- We are agile by intent
- We are accountable for our actions
- We are collaborative by choice

Our four Better Behaviors are meant to balance and complement each other. By simultaneously applying all four to any decision, challenge, or task, they help our employees to make better decisions and take better actions. By including Better Behaviors into the framework for our Better Leadership principles, we add an additional dimension to the three Leadership Competencies – Leading self, Leading people, Leading business – that have served AAK well for many years. In doing so, our employees are provided guidance in not only how to behave better, but also in how to better lead others and themselves in the pursuit of our common purpose. To ensure that we live by them, our four Better Behaviors and Better Leadership principles are now part of our annual evaluation performance process.

	Leading self	Leading people	Leading business
Passionate leadership	Continuously improving	Unleashing potential	Driving growth
Agile leadership	Planning ahead	Managing complexity	Managing change
Accountable leadership	Taking responsibility	Sharing ownership	Delivering results
Collaborative leadership	Building trust	Mobilizing teams	Setting direction

## Health and safety

### Our approach

Our Global Safety Program ensures that we work together on continuous improvement and share best practices. AAK’s overall objective is to achieve zero

lost-time injuries (LTI) 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. AAK’s goal is to provide an accident-free and inclusive workplace.

# People



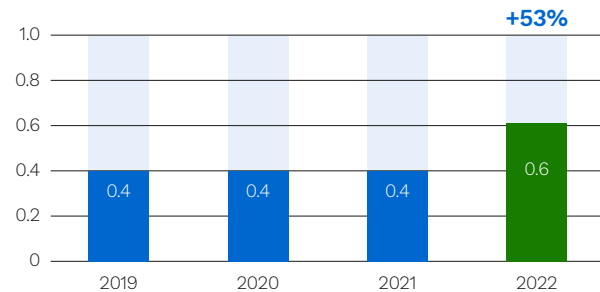
AAK’s approach to safety also covers work performed on behalf of AAK. The process starts as early as at the tendering phase and, after selection, enters a full safety life cycle. This involves setting and reviewing expectations and requirements for, and reviewing the performance of, our supply chain partners. We do this based on AAK Supplier Code of Conduct and, for contracted work performed at the Group’s locations, by active collaboration together.

**Our impact and progress**

As the most common safety risk in AAK is connected to slips, trips, and falls, a need for an intensified focus on these aspects has been identified. We had a total of 26 LTIs (lost-time injuries) in 2022 which corresponds to a 0.61 LTIFR (Lost Time Injury Frequency Rate). The main cause of the increase is connected to people returning back after lockdowns and having small injuries due to having been away and having forgotten about safety routines and procedures. AAK acted immediately with extra training and instructions which brought the trend back to normal numbers compared to the pre-lockdown period.

In 2022, no fatalities and no injuries were reported for our 377 agency workers.

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



**AAKtivate**

To work with well-being of our people this also involves proactively preventing any risk of physical or mental illness. For the past ten years, AAK Mexico and AAK Colombia have successfully worked with an employee well-being program called AAKtivate. The program focuses on physical, medical, and mental health, including key factors such as nutrition. We believe that this program contributes to a healthier lifestyle and by that increased motivation, increased productivity, lower absenteeism, and reduced health costs. During 2022, AAK’s absence due to illness rate remains at a low 2.0 percent, which is slightly higher than for 2021.

An important part of the AAKtivate program is to identify physical and psychological work issues, develop mitigation measures, and to follow up on all progress. The program is set to continue with the sharing of best practices and global activities including all AAK employees.

**Identified risks and mitigation**

A company-wide safety culture means that everyone is responsible for a healthy and safe workday – starting with AAK’s top management and throughout the company. Providing a safe working environment and operational integrity is under constant review and improvement at AAK. Safety is on the agenda at every level, from the Board of Directors down to the local units. We actively engage all stakeholders for co-creation in safety, by sharing learnings, good practices, training and tools. From a global perspective, we have performed risk assessments and audits on safety with a focus on fire, machinery, and exposure to natural hazards. Thanks to increased investments in safety at our sites, we have improved our global ranking with the insurance companies, where we also have achieved a positive ranking.

**Diversity and inclusion**

**Our approach**

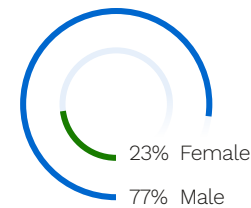
We follow our progress on diversity and inclusion on a monthly basis to track the gender and nationality of people who leave, start, and are internally promoted at AAK, and we also conduct exit interviews with people leaving. In addition, we annually perform follow-ups on our Remuneration policy in every country where we operate to make sure that salaries are equal.

**Our impact and progress**

Of AAK’s permanent employees, 23 percent are female. At a managerial level, 32 percent are female, which is an increase by 2 percentage points compared to 2021. It is a reflection of our efforts that the percentage of female managers is higher than the total percentage of women in AAK. Combined with the fact that our Board of Directors represents a 60/40 gender distribution, we hope that this will attract more women to the company in the future.

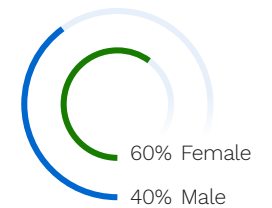
**Total AAK**

% Gender distribution



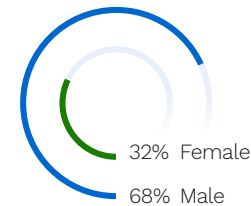
**Board of Directors**

% Gender distribution



**Leadership representation**

% Gender distribution

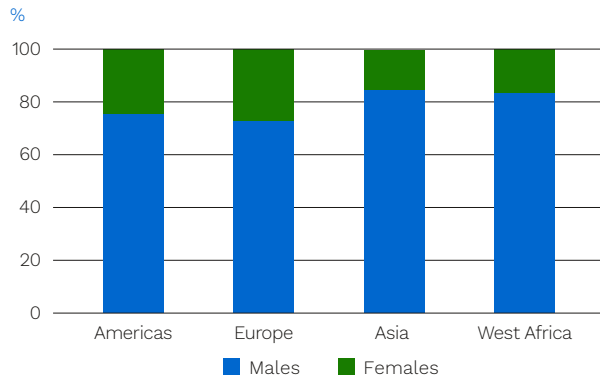


Our staff turnover rate for 2022 was 17.9 percent, slightly higher compared to 2021 (16 percent).

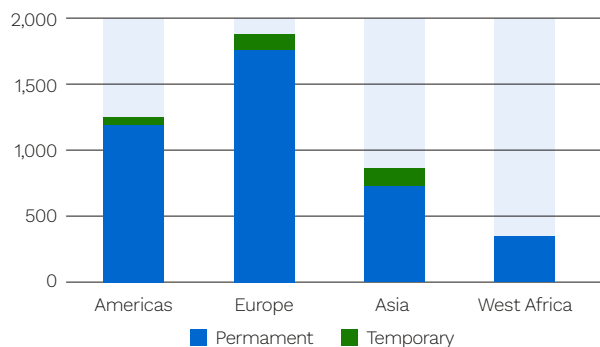
### Identified risks and mitigation

It is critical that we ensure that diversity and inclusion are incorporated into our policies and procedures. Recruitment is one important area where AAK actively promotes the principle of equal opportunities, and we do this within all employment practices. Our policy opposes all forms of unlawful or unfair discrimination on the grounds of gender, gender reassignment, marital status, ethnic origin, religion, age, color, nationality, or sexual orientation. In 2022, there were no incidents of discrimination reported within AAK.

### Employees by regions and gender



### Employees by type of contract



### Our sites

19 percent of AAK operational sites are located in or adjacent to protected areas and areas of high biodiversity value outside protected areas. Villavicencio (Colombia) is an operational site of 41,438 m<sup>2</sup> located in the freshwater 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. Runcorn (United Kingdom) is a smaller production site located in maritime ecosystem protected by a Special Protected Area (SPA) under the EC Birds Directive.

## Community engagement

### Our impact and progress

We engage with the communities in which we operate through various local initiatives.

In order to ensure we are engaged in relevant community activities we make an impact assessment of the most relevant challenges, if our activities are directly linked to the impact and how AAK can influence and contribute to improvements. All initiatives where AAK has been involved, have been made possible thanks to the passion and willingness of our employees. We are very proud to see their level of commitment.

## People in our supply chain

AAK sources its' key raw materials from all over the world. Our commitment to contribute to the well-being of the people in our supply chain is one of our key sustainability priorities. Our activities focus on two aspects: Human rights and contributing to better livelihoods.

Human rights due diligence, including human rights risk assessment, implementation plan and defined action plan, new policy launched and signed, as a first step, is all being embedded in our sourcing activities. To contribute to better livelihoods in the communities that we source from AAK engages in a number of initiatives to improve social conditions in the local farming communities.

We have mapped our supply chain for key raw materials to increase our understanding of any significant human rights risks, gaps to our policies and codes, and issues linked to countries, regions, jurisdictions, and the production systems in our supply base and farmers. These risk assessments feed into our roadmaps and action plans, priorities, implementation and programs.

### Driving human rights through supplier monitoring and training

We aim to increase suppliers' and farmers' understanding of and their current commitment to sustainable development. Our focus is to progress from them signing our policy toward full implementation of the roadmaps. Suppliers are assessed through questionnaires and supplier scorecards, and we define a supplier engagement program based on the risk and the impact AAK might have from our position in

the supply chain. Our target is to have human rights due diligence embedded across all key raw materials in 2025.

For palm and coconut suppliers, specific scorecards have been developed focusing on key risks and connected to our ambitions, mitigation programs, and plans. Specific controls related to bribes and corruption are also in place via our supplier assessment process.

For conventional shea suppliers training is being conducted with a focus on no-child labor and anti-corruption requirements.

The external audits are conducted by relevant auditing bodies or strategic environmental consultants related to specific certification or compliance standards (RSPO, Rainforest Alliance, ProTerra, ISCC, and Pro-forest). AAK does not accept child labor and we are committed to ensure that workers are not exploited in forced or compulsory labor. Two incidents of child labor were reported in AAK during 2022.

During 2022, a total of 46<sup>3)</sup> suppliers were audited through third party sustainability audits. The audits continued to focus on suppliers with heightened sustainability risks. Any suspected non-conformances identified during supplier visits or audits, or brought to AAK's attention through grievance channels, are duly investigated. The findings are discussed, and a corrective action plan is devised together with the supplier in question. The supplier must commit to the plan, and AAK follows up on its implementation. If a supplier does not take the necessary corrective actions, new discussions are held to examine the reasons, and at a higher management level if necessary. In cases where a supplier is not willing to improve their performance, the relationship is either suspended or terminated depending on the specific issue and progress on human rights action plan.

West Africa has been identified as an area with an elevated risk of corruption. AAK is therefore making additional efforts in this region to implement the Group Code of Conduct for Suppliers of Raw Materials and to carry out anti-corruption training in ways that surmount linguistic and cultural challenges. During 2022, we have therefore introduced five new KPIs which we will start to follow up on during 2023. The KPIs will help us in mitigate the risks we have found.

- Number of trainings performed
- Number of Human rights impact assessments performed
- Number of self-assessment questionnaires (SAQ) completed
- Number of Smeta audits commissioned and analyzed
- Number of Corrective action plans implemented

## Identified human rights risks and mitigation

AAK has operations in countries where rule of law is weak and human rights risks are significant, including the risk of exploitation of vulnerable workers. In order to mitigate and alleviate these risks, we have identified and assessed the material risks on a country level. This is essential to understand where we should focus our attention and resources to mitigate risks.

AAK has operations in many countries, and mapping of human rights on a country level has been an essential first step towards understanding where we should focus our attention and resources, and prioritize our response. Some of the salient risks which have identified are labor rights violations, potential of forced and child labor, lack of living wages, and lack of occupational health and safety. Due to AAK's

operations in countries where the rule of law or the regulatory framework for human rights is particularly weak, exploitation of vulnerable workers must also be considered.

AAK has partnered with third-party experts to conduct a high-level human rights risk analysis of our value chain across all raw materials and origins. The analysis covered AAK's most salient human rights risks and assessed the capacity to conduct human rights due diligence of supply chains. The resulting expert recommendations range from embedding human rights into the policy commitments, focusing on governance and accountability in the organization, and integrating human rights due diligence in the way we work. This presents both a risk management approach as well as an opportunity for sustainability co-development. Risk management is a key responsibility for AAK and can serve as support to providing the evidence that our solutions are not connected to certain issues.

### Forced labor

Forced labor is a widespread global problem. Our goal for 2022 was to map possible risks and to develop mitigation procedures, which we achieved and will continue to embed globally.

### Addressing the exploitation of migrant workers

Migrant workers are often a vulnerable group in agricultural production, notably because they often lack legal, medical, and social protection, and have families that are dependent on their income. The exploitation of migrant workers remains a challenge to our supply chain, and AAK works with suppliers, customers, and through industry collaboration groups to ensure effective processes to enable decent working conditions and to prevent exploitation of migrants. The implementation of our identified actions will continue in line with our ambition to manage salient issues during 2023.

<sup>3)</sup> Eleven oils & fats suppliers, 24 additives/ingredients/packaging suppliers, three toll manufacturers and eight other service providers (cleaning stations, external laboratories etc)



### Enhancing human rights training

Based on previous Human Rights risk assessments, AAK has developed methods for identifying human rights impacts and collecting relevant data as well as initiatives to increase knowledge and capacity on human rights in 2022. In addition, we made sure to have the necessary processes in place to mitigate breaches of human rights. And we initiated efforts to strengthen governance and accountability structures for human rights incorporating findings into the new Group Code of Conduct e-learning program.

### Supplier engagement on human rights

In 2022, we engaged with 152 shea suppliers (equivalent to 87 percent of our shea suppliers), five rapeseed suppliers and four coconut suppliers.

We use supplier self-assessments and supplier training to educate our shea suppliers on the AAK Group Policy and Code of Conduct for Suppliers of Plant-Based Oils. Each year we focus on a specific topic to deep dive into, and our focus was on anti-corruption in 2022. During the year, 93 percent of our shea suppliers completed our self-assessment questionnaire and 87 percent received training.

In our rapeseed and coconut supply chain, we use supplier engagement meetings, self-assessments and score cards to discuss human right risks and due diligence activities. We also support our suppliers to develop strong sustainability policies to further promote human rights due diligence work.

## Improving women's and smallholders' livelihoods

### Our impact and progress

#### Kolo Nafaso

Kolo Nafaso is AAK's verified shea sustainability program focusing on poverty alleviation and women empowerment, through direct trade, interest free micro-credits, and training. During 2022, the focus for Kolo Nafaso has been to find ways to strengthen impact, but also ensuring the health and safety of women and employees alike within an increasingly uncertain safety conditions in Burkina Faso.

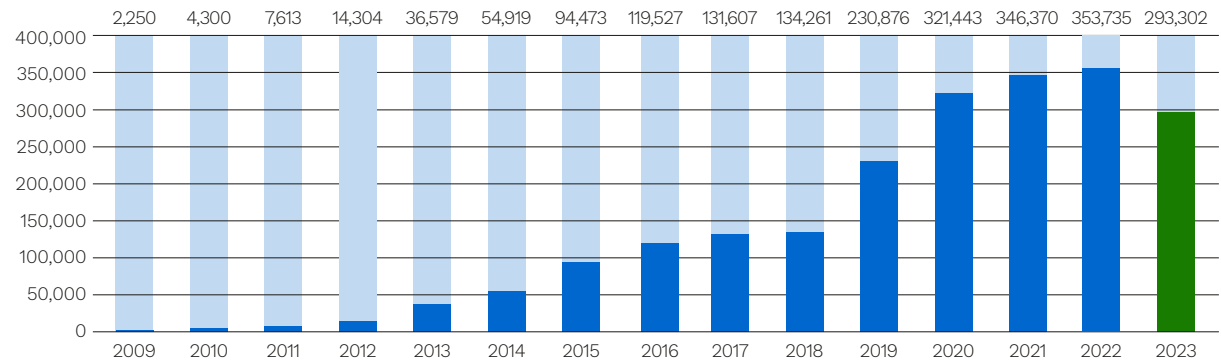
The political stability has been fragile in Burkina Faso since a few years, but since the military coup in September we have experienced a significant deterioration in security in the country. Unfortunately, this has meant that we have had to limit our sourcing activities as we could no longer guarantee the safety of our extension officers. This was no easy decision and the reasoning behind was clearly communicated

to the womens' groups. We sincerely hope to be able to resume business and direct trade with these groups again once the security can be guaranteed again. This development resulted in a reduction of women reached for the first time since Kolo Nafaso was founded.

The main developments over the past season have been:

- 100 percent traceability to program level achieved – fully verified by Proforest.
- 293,302 women enrolled in Kolo Nafaso, a decrease by 17 percent since January 2022
- 97 percent of the women's groups have received training on how to maximize the quality and resource efficiency of their shea kernels. This represents a 56 percentage point improvement since last reporting in January 2022, and is in line with our target to have trained 100 percent of all groups by the end of June 2024.

### Women enrolled in the Kolo Nafaso program



### **Solidaridad**

Solidaridad is an international network organization that works throughout the supply chain to make sustainability the norm and enable farmers and workers to earn a decent income. Since 2018, AAK has supported Solidaridad in a project to strengthen the capacity of three social agroindustries located in Chiapas, Mexico. Specifically, Solidaridad has helped strengthen the capacity and technical teams of these enterprises to implement good agricultural practices and key sustainability criteria based on the RSPO standard. In 2022 we renewed the partnership with three objectives:

1. To develop metrics to assess improved livelihoods of the participating farmers,
2. To reduce the levels of contaminants to improve the quality of the raw materials.
3. To work with local authorities and farmers to increase awareness about the importance of preserving biodiversity in the La Encrucijada Biosphere Reserve.

The capacity-building approach ensures that long-term sustainability outcomes can be delivered through further training provided by the technical teams to the producers themselves. These interventions have allowed significant improvements in productivity, FFB quality, processing, and in mill operations. The companies in the program have demonstrated impressive production growth:

- A 19 percent increase in fresh fruit production per hectare

### **Musim Mas/Nestlé**

In 2021, AAK initiated a partnership with Musim Mas (our first-tier supplier) and Nestlé (global food company) to establish a five-year program to address deforestation outside of palm oil concession areas in Aceh, Indonesia. AAK and Nestlé are initially providing funding for the first two years of the program.

Smallholders will be enrolled into Musim Mas' smallholder program. In a "train the trainer" approach, government extension officers will also be trained in good agricultural practices and NDPE (No Deforestation, No Peat, and No Exploitation) for the purpose of training oil palm smallholders. The five-year program is expected to positively impact some 1,000 independent smallholders through increased yields and earnings, while also reducing the incentive to encroach into protected areas as a way of increasing income. In 2022 476 smallholders have been trained. Between the smallholders this accounts for 1,048 hectares of land. 117 village extension officers have also been trained as a part of the program.

### **Forever Sabah – promoting RSPO certification in Malaysia**

Forever Sabah is an NGO with the aim to work with independent smallholders in the Malaysian state of Sabah to achieve RSPO certification. AAK has been supporting the initiative since 2017. During 2022, work on smallholder mapping, data collection, and farm surveys have progressed in the districts of Telupid, Tongod, and Beluran, resulting in 2,000 smallholders engaged in 20 pilot villages. 186 smallholders have been certified which totals 752 hectares.

### **Sustainable Coconut Charter – founding member**

As a signatory member of the Sustainable Coconut Charter, AAK has identified tools to achieve compliance with the charter's requirements for our coconut supply chains. One such tool is the Rainforest Alliance certification, which provides an effective way of empowering smallholders, ensuring traceability and transparency, building capacity on good agricultural practices as well as meeting the charter's requirements.

### **Rainforest Alliance**

In 2022, AAK maintained the number of Rainforest Alliance-certified smallholders engaged in our supply base at 150. We are furthermore working on encouraging Rainforest Alliance-certified coconut

oil market uptake to ensure a market outlet for our upstream supply chain partners so they will further expand the program to more smallholder farmers.

### **Identified risk and mitigation**

Engaging smallholders on key compliance topics is considered especially important within AAK, so that we ensure that smallholders are not excluded from global supply chains and market linkages. We believe that smallholders and women have an important role to play in helping to meet the growing demand for plant-based oils. An important part of AAK sustainability efforts is aimed at these groups to improve their livelihoods and well-being.

## Business ethics

### Our approach

AAK's work with business ethics is guided by our Group Code of Conduct.

### Our impact and progress

In 2022, 94 percent of AAK's employees have signed the Group Code of Conduct. These rules and expectations are cascaded to our suppliers, agents, and distributors through separate Codes. During 2022, AAK established a Code of Conduct e-learning program to ensure full awareness and understanding of our commitments and requirements. The Code is reviewed regularly to ensure we are up to date with external and internal requirements. Different initiatives, such as our employee engagement survey, are assessed to evaluate continuous improvement in terms of implementing our ethical standards. During 2022, 48 percent of our employees took part in the Code of Conduct e-learning program.

During 2022, no suspected breaches of legislation or our Group Code of Conduct were reported via our whistleblowing service. No grievances were specifically identified in any of our other supply chains in 2022.

## Bribery and corruption

All AAK employees have the right to freedom of association and collective bargaining, including to freely form and join independent trade unions. 34.5% of our employees are covered by collective bargaining agreements.

All relevant employees are requested to take e-learning courses in anti-corruption and competition law. During 2022, 66 percent had completed the e-learning on anti-corruption and 64 percent had completed the competition law course. The target group for this training includes employees from Sales, Product management, Purchasing, Sourcing & Trading as well as relevant people with leadership positions. In 2022, there were no confirmed incidents of corruption.

We assess operations related to corruption on a yearly basis based on risk assessments, which cover both fully owned and joint venture operational business units. The audits cover different aspects, such as investments, customer relations and contracts, travel invoices, gifts, salary remuneration, and contracts with suppliers and customers. During 2022, 24 percent of our operations were assessed for risks related to corruption.

## Grievance mechanisms

As a global company with complex supply chains and operations in several countries, it is important that we have mechanisms in place that help us to understand in case there are any misbehaviors. For this reason, a third-party whistleblowing service is available for both AAK employees and other stakeholders. The service gives people the ability to anonymously report

on suspicions of misconduct regarding laws, legal requirements, or material violations of our Group Code of Conduct. The whistleblowing service is an external platform available via our web, Group Code of Conduct and our intranet. As necessary confidentiality and anonymity are assured, anyone can report incidents without fear of reprisals. Any form of retaliation against an employee who raises an issue is a violation of our Code. During 2022, no cases were reported in our whistleblowing service.

For our direct sourcing program Kolo Nafaso we are working with an integrated Grievance mechanism that links women directly to Kolo Nafaso management. This gives women the opportunity to deliver grievances and bypass their commercial contacts anonymously or personally. The grievance mechanism is part of the Kolo Nafaso 2nd party audit.

## Risks and mitigation

AAK operates globally, which requires high standards on AAK's control mechanisms. The trust we enjoy from both our stakeholders and our own employees is intimately connected to our ability to uphold high ethical standards in all our activities, and we take all reports of possible material misconduct seriously. Compliance with laws and regulations is what earns AAK our license to operate. We aim to establish a value-driven culture where people are guided by a common moral compass when faced with difficult decisions, and where they act with integrity and speak up against misconduct or unethical behaviors. In 2022 AAK had no significant instances of non-compliance with laws and regulations

## Policies

To deliver on our People ambition, we have put in place relevant policies and codes based on international best practice, and we continuously implement improvement initiatives based on insights from engagement surveys, health programs and risk assessments. Our Better Behaviors and Better Leadership principles help guide and inspire our employees in their everyday activities.

## Supply chain

Our guiding principles for sustainable sourcing form the foundation of the AAK Group Code of Conduct for Suppliers and the AAK Group Policy for Responsible Sourcing of Plant-based Oils. Below is a list of our policies related to our supply chain.

- AAK Group Code of Conduct
- AAK Group Code of Conduct for Agents and Distributors
- AAK Group Policy and Code of Conduct for Responsible Sourcing of Plant-based Oils
- AAK Group Palm Grievance Process
- AAK Statement on Modern Slavery Act

## Operations

In operations, we have an overarching Sustainability Policy as well as the more detailed Remuneration policy.

- AAK Group Sustainability Policy
- Remuneration policy



# Sustainable solutions creating business opportunities

## Enabling nutritious plant-based food

The development of plant-based food solutions in substitution of animal-based products in our daily diets is crucial to achieving a sustainable food system. To feed a growing population within planetary boundaries, we need to consider not only environmental impact but also nutrition in our solution pipeline. There is continuous work being performed by different ingredients suppliers to create sustainable alternatives to animal-based food products. At AAK, we strive to make solutions that meet these needs while at the same time ensuring the right nutritional levels. Still, some nutrients are unique to animal products, but AAK has a team working on innovation within this area. We see it as our responsibility to make even better happen with the skills and technology that we possess, supplying plant-based alternatives that meet all value-adding criteria.

During 2022, the focus has been on improving the nutritional value of our plant-based solutions. By including advanced biotechnology in our development processes and platforms, we have ensured compliance with the nutritional requirements enabling us to meet the increasing demand for plant-based foods. At the same time, our processing platform for plant-based oils and fats enables us to tailor structures according to consumer preferences with a focus on functionality, flavor, and sensory experience.

## Certified solutions

Accredited third-party sustainability certifications give greater transparency and demonstrate compliance with social, environmental, and financial requirements. By stimulating demand for certified standard solutions, we contribute to a more sustainable supply chain. Below is an overview of key certifications supported by AAK.

### Roundtable on Sustainable Palm Oil

The Roundtable on Sustainable Palm Oil (RSPO) is a multi-stakeholder organization aiming to transform markets to make sustainable palm oil the norm. RSPO has developed a set of environmental and social principles and criteria which companies must comply with to produce Certified Sustainable Palm Oil (CSPO). RSPO certified palm involves accredited third-party certification of both the production and the supply chain. RSPO certification is applied to palm and palm kernel supply chains within AAK.

### ProTerra

The ProTerra Standard focuses on key topics such as human rights and good labor practices, preventing child and forced labor, promoting good agricultural practices, and continuous efforts to improve soil, water management, and reducing the use of fertilizers and pesticides. The ProTerra Standard involves accredited third-party certification. ProTerra certification is applied to soy supply chains within AAK.

### Rainforest Alliance

The Rainforest Alliance is an international non-profit organization working at the intersection of business, agriculture, and forests. The organization seeks to build a network to protect forests, improve the livelihoods of farmers and forest communities, promote their human rights, and help them mitigate and adapt to the climate crisis. Rainforest Alliance involves accredited third-party certification. Rainforest Alliance certification is applied to coconut supply chains within AAK.


### International Sustainability and Carbon Certification

ISCC is a multi-stakeholder initiative with the objectives of contributing to environmentally, socially, and economically sustainable production and use of all kinds of biomass in global supply chains. ISCC aims to implement social and environmental sustainability criteria, monitoring deforestation-free supply chains, avoiding conversion of biodiverse grasslands, calculating and reducing GHG emissions, and establishing traceability in global supply chains. ISCC involves accredited third-party certification. AAK offers ISCC-certified shea, rapeseed, and sunflower products.

# Sustainable Development Goals








## Sustainable solutions

### Commitments

SDG	Ambitions	Status 2022
Enhancing sustainable development with our solutions		
	<ul style="list-style-type: none"> <li>50% of our revenue should contribute to Sustainable Development Goals</li> </ul>	<ul style="list-style-type: none"> <li>37% contributing to the SDGs (compared to 31% in 2021)</li> </ul>





## Climate

### Commitments

SDG	Ambitions	Status 2022
Reducing climate impact		
  	<p><b>Reducing GHG emissions</b></p> <ul style="list-style-type: none"> <li>2022: Set Scope 3 SBT in line with FLAG guidance</li> <li>2025: Increase annual sourcing of renewable electricity from 12 percent in 2019 to 100 percent</li> <li>2030: Reduce absolute Scope 1 and 2 GHG emissions by 50 percent from a 2019 base year</li> </ul>	<p><b>Reducing GHG emissions</b></p> <ul style="list-style-type: none"> <li>Targets set and committed</li> <li>70 percent annual sourcing of renewable electricity, an increase by 9 percent since 2021</li> <li>4.4 percent reduction of absolute Scope 1 and 2 GHG emissions from a 2019 base year</li> </ul>
  	<p><b>Resource efficiency</b></p> <ul style="list-style-type: none"> <li>2030: Reduce annual energy consumption per processed unit by 2.5 percent</li> <li>2030: Reduce annual freshwater consumption by 5 percent</li> </ul>	<p><b>Resource efficiency</b></p> <ul style="list-style-type: none"> <li>Energy consumption per processed unit reduced by 4 percent*</li> </ul>
	<p><b>Circular economy</b></p> <ul style="list-style-type: none"> <li>2030: 100 percent of our waste recycled</li> </ul>	<p><b>Circular economy</b></p> <ul style="list-style-type: none"> <li>93 percent waste recycled, a decrease by 2 percentage points since 2021</li> </ul>



## Biodiversity

### Commitments

SDG	Ambitions	Status 2022
Protecting biodiversity		
 	<p><b>Preventing deforestation</b></p> <ul style="list-style-type: none"> <li>2025: 100 percent verified deforestation-free for palm and soy</li> </ul>	<p><b>Preventing deforestation</b></p> <ul style="list-style-type: none"> <li>Palm: 71 percent, an increase by 6 percent from 2021</li> <li>Palm: Verified Deforestation-free inside concessions: 100% (2021: 96%)</li> <li>Soy: 20 percent</li> </ul>
 	<p><b>Reforestation</b></p> <ul style="list-style-type: none"> <li>2025: 150,000 trees planted</li> </ul>	<p><b>Reforestation</b></p> <ul style="list-style-type: none"> <li>116,842 shea and coconut trees planted (accumulative from 2019 onwards), 30 percent increase during 2022</li> </ul>

# People

## Commitments

SDG	Ambitions	Status 2022
<b>Enabling the well-being of our people</b>		
   	<p><b>Engagement</b></p> <ul style="list-style-type: none"> <li>• 2025: 10 percent improvement in employee engagement score from a 2017 base year</li> </ul> <p><b>Safety and well-being</b></p> <ul style="list-style-type: none"> <li>• No lost time injuries</li> </ul> <p><b>Human rights</b></p> <ul style="list-style-type: none"> <li>• 2025: Human rights due diligence embedded across all sites</li> </ul>	<p><b>Engagement</b></p> <ul style="list-style-type: none"> <li>• 5 percentage points increase in employee engagement score since 2017</li> </ul> <p><b>Safety and well-being</b></p> <ul style="list-style-type: none"> <li>• 26 LTIs (LTIFR 0.6). This is an increase from 23 LTIs in 2021</li> </ul> <p><b>Human rights</b></p> <ul style="list-style-type: none"> <li>• 2022: 100 percent of sites risk-assessed, salient issues identified, and plans initiated</li> </ul>
<b>Being a better neighbor</b>		
 	<p><b>Community engagement</b></p> <ul style="list-style-type: none"> <li>• Impacting 30,000 people positively through community engagement by 2030</li> </ul>	<p><b>Community engagement</b></p> <ul style="list-style-type: none"> <li>• Main projects during 2022 in Uruguay and Uganda</li> </ul>
<b>Embedding the respect for human rights</b>		
 	<p><b>Human rights</b></p> <ul style="list-style-type: none"> <li>• 2025: Human rights due diligence embedded across all key raw materials</li> </ul>	<p><b>Human rights</b></p> <ul style="list-style-type: none"> <li>• 2022: 100 percent of countries of origin risk-assessed and salient issues identified and due diligence approach defined</li> <li>• 2022: Action plan started for palm oil</li> <li>• 2022: Launch of updated AAK Group Policy and Code of Conduct for responsible sourcing of plant-based oils</li> </ul>
<b>Empowering smallholders and women to improve livelihoods</b>		
   	<p><b>Women and smallholders in engagement programs</b></p> <ul style="list-style-type: none"> <li>• Continue to increase our impact on women and smallholders</li> </ul>	<p><b>Women in engagement programs</b></p> <ul style="list-style-type: none"> <li>• 293,302 women enrolled in our Kolo Nafaso shea supply chain, a decrease of 17 percent</li> </ul> <p><b>Smallholders in engagement programs</b></p> <ul style="list-style-type: none"> <li>• 2,148 smallholder farmers engaged in traceable coconut supply chain and 150 farmers engaged in Rainforest Alliance certification. 2298 smallholders in total.</li> <li>• 5,300 smallholder farmers engaged in good agricultural practices and deforestation programs in Mexico, Indonesia and Malaysia</li> </ul>



# Taxonomy

## AAK's approach to the Taxonomy

For the reporting year 2021, selected companies were obliged to disclose, in their annual reports, their share of Taxonomy-eligible economic activities according to the Climate Delegated Act (2021/2139) of the EU Taxonomy Regulation (2020/852). However, for the reporting year 2022, non-financial companies have to disclose their share of Taxonomy-eligible and Taxonomy-aligned economic activities. A listed non-financial company subject to disclosure obligations under Articles 19a and 29a of the NFRD, AAK is covered by these disclosure requirements of the EU Taxonomy Regulation (2020/852).

We welcome the EU Taxonomy as a positive development and see it as an opportunity to demonstrate and strengthen our sustainability commitments.

Currently, only the Climate Delegated Act (2021/2139) that defines eligible activities and technical screening criteria for climate change mitigation and climate change adaptation has been adopted by the EU. The Environmental Delegated Act that specifies eligible activities and technical screening criteria for the remaining four objectives is expected to be adopted in 2023.

During 2022, we have identified our eligible economic activities based on the Climate Delegated Act (2021/2139). Moreover, we have performed a preliminary assessment of AAK's eligibility and alignment for the remaining four environmental objectives based on the Platform on Sustainable Finance's report with recommendations on technical screening criteria for the four remaining environmental objectives.

### The EU Taxonomy

The EU Taxonomy Regulation defines six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

For each environmental objective the EU Taxonomy defines a list of eligible activities which may substantially contribute to that objective. In order to qualify as environmentally sustainable, also called Taxonomy-aligned, an eligible economic activity has to satisfy three conditions:

- a) Substantial contribution to one or more of the six environmental objectives
- b) Do no significant harm to the remaining environmental objectives
- c) Minimum safeguards compliance

The assessment shows that AAK's main economic activity, namely the production of intermediate products, and more specifically plant-based oils and fats, is not covered by the Climate Delegated Act. However, we expect it to be covered by the Environmental Delegated Act, once it is published, with the potential to substantially contribute to the protection and restoration of biodiversity and ecosystems. In 2022, AAK has initiated work on assessing alignment with the applicable draft technical screening criteria in cooperation with a third party and internal experts in Global Operations and Finance.

AAK looks forward to the entry into force of the Environmental Delegated Act in January 2024 and will continue its work on assessing alignment for its main economic activities.

## Calculation of the financial KPIs

Article 8 of the EU Taxonomy Regulation (2020/852) and the Delegated Regulation (2021/2178) that specifies the information to be disclosed pursuant to Article 8 states that undertakings subject to disclosure obligations under Articles 19a and 29a of the Non-Financial Reporting Directive (NFRD) (2013/34) shall include in their non-financial statement information on their share of economic activities that qualify as Taxonomy-eligible and/or Taxonomy-aligned.

It further specifies that non-financial undertakings shall do this based on three financial KPIs, meaning that they have to disclose the proportion of their turnover, CAPEX, and OPEX associated with eligible and/or aligned activities, in line with Annex I and Annex II of the Delegated Regulation (2021/2178) specifying disclosures under Article 8.

### Taxonomy-eligible and aligned turnover

The Delegated Regulation (2021/2178) that specifies disclosures under Article 8 of the EU Taxonomy Regulation (2020/852) states that the turnover KPI shall be calculated as the ratio of turnover associated with Taxonomy-eligible and Taxonomy-aligned economic activities (numerator) to net turnover (denominator). Net turnover comprises the revenue recognized pursuant to IFRS International Accounting Standard (IAS) 1 as specified in AAK's consolidated income statement.

Since AAK mainly produces and sells intermediate products, and more specifically plant-based oils and fats, to customers, AAK's revenue-generating economic activities are not eligible according to the Climate Delegated Act (2021/2139) of the EU Taxonomy Regulation (2020/852). This means that AAK cannot report eligible and aligned turnover for the reporting year 2022 as visible from the table 1, on page 67.

Nonetheless, our preliminary eligibility mapping, based on the Platform on Sustainable Finance's report with recommendations on technical screening criteria for the four remaining environmental objectives, suggests that AAK's turnover will qualify as eligible under the upcoming Environmental Delegated Act. Specifically, we expect that a large part of our turnover will be covered by the eligible activity "Manufacture of food products and beverages" which has the potential to substantially contribute to the protection and restoration of biodiversity and ecosystems.

### Taxonomy-eligible and aligned CAPEX

The Delegated Act (2021/2178) that specifies disclosures under article 8 of the EU Taxonomy Regulation (2020/852) states that the CAPEX KPI shall be calculated as the numerator divided by the denominator. CAPEX is calculated on a gross basis before depreciation, amortisation, impairment losses, and re-measurements without changes in fair value. The denominator thus comprises additions to tangible (property, plant, and equipment) and intangible assets during the financial year as stated in the notes to AAK's consolidated financial statements in the Annual report 2022. This also includes all property, plant and equipment, and intangible assets that result from business combinations.

The numerator covers the part of CAPEX that i) relates to assets or processes related to Taxonomy-aligned economic activities, ii) are part of a plan to expand Taxonomy-aligned economic activities or to transition eligible activities into aligned activities, iii) relate to the purchase of output from Taxonomy-aligned economic activities, and to measures enabling target activities to become low-carbon or reducing the GHG emissions of the activity.

Based on the full list of investments in and acquisitions of property, plant, and equipment as well as intangible assets for the financial year, AAK identified those investments that originated from eligible activities of the Climate Delegated Act (2021/2139). These investments were added to the numerator for the purposes of calculating AAK's Taxonomy-eligible CAPEX. This exercise shows that AAK made investments in the following Taxonomy-eligible economic activities in the financial year 2022, as visible from table 2:

1. Acquisition and ownership of buildings
2. Construction of new buildings
3. Construction, extension and operation of wastewater collection and treatment
4. Data-driven solutions for GHG emissions reductions
5. Installation, maintenance, and repair of energy-efficiency equipment
6. Installation, maintenance, and repair of instruments and devices for measuring, regulation, and controlling the energy performance of buildings
7. Installation, maintenance, and repair of renewable energy technologies
8. Production of heat/cool from bioenergy
9. Renewal of wastewater collection and treatment
10. Renovation of existing buildings
11. Storage of hydrogen

These activities are not directly associated with AAK's main economic activity, which is to produce plant-based oils and fats, as this activity is currently not included in the Climate Delegated Act (2021/2139). Hence, AAK expects that its share of eligible CAPEX will increase next year when the Environmental Delegated Act enters into force.

AAK's eligible capital expenditures have not been screened for alignment with their respective technical screening criteria and hence do not qualify as Taxonomy-aligned. This is because AAK's eligible capital expenditures are not associated with investments in assets used to conduct AAK's main revenue-generating economic activities. However, in 2023 we have as our ambition to assess our products and associated investments, as well as larger investments, such as the biomass boilers in Aarhus, for alignment with the EU Taxonomy.

## Taxonomy-eligible and aligned OPEX

The Delegated Act (2021/2178) that specifies disclosures under article 8 of the EU Taxonomy Regulation (2020/852) states that the OPEX KPI shall be calculated as the numerator divided by the denominator. The denominator includes direct non-capitalised costs related to R&D, building renovation measures, short-term lease, maintenance and repair, and any other direct costs relating to the day-to-day servicing of assets of property, plant and equipment that are needed to ensure the continued and effective functioning of such assets.

The numerator covers the part of OPEX that i) relates to assets or processes related to Taxonomy-aligned economic activities, ii) are part of a plan to expand Taxonomy-aligned economic activities or to transition eligible activities into aligned activities, iii) relate to the purchase of output from Taxonomy-aligned economic activities, and to measures enabling target activities to become low-carbon or reducing the GHG emissions of the activity.

AAK has not been able to assess eligible OPEX for the financial year 2022 and hence cannot report eligible and aligned OPEX for the reporting year 2022. The set-up of AAK's financial information system does not currently support the collection of cost according to the segmentation and level of granularity required by the EU Taxonomy Regulation (2020/852) for all of AAK's sites. This is in part because sites currently use different systems and set-ups. However, work is currently taking place to streamline the classification of costs across the organisation and AAK is working on improving financial data tagging to prepare the organisation for disclosing data on OPEX under the EU Taxonomy.

That said, most of AAK's eligible OPEX is expected to be related to AAK's main economic activity i.e., the production of plant-based oils and fats, which is not included in the Climate Delegated Act (2021/2139). Hence, AAK expects that its share of eligible CAPEX will increase next year when the Environmental Delegated Act enters into force.

## Going forward

In 2022 we focused on creating a solid foundation for our EU Taxonomy reporting. In 2023, we will continue our taxonomy alignment process with a focus on full and complete reporting. The scaling up of reporting will be supported by our Taxonomy Alignment Compass and KPI reporting tools. We anticipate a significant share of turnover to be eligible under the Environmental Delegated Act, specifically as the activity "manufacture of food products". We will use the Taxonomy and our work going forward to drive progress in a greener direction focusing on biodiversity, climate, circular economy, marine resources, and pollution prevention and control.

For more information how we are managing significant risks within these areas today, please see pages 10 and 42 and our TCFD chapter.

**Table 1:** Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

Economic activities	Codes	Absolute TURNOVER (kSEK)	Proportion of TURNOVER %	Substantial contribution criteria						DNSH criteria						Minimum Safeguards	Taxonomy aligned proportion of turnover, year 2022	Category (enabling activity)	Category (transition activity)
				Climate Change Mitigation	Climate change adaptation	Sustainable use of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Climate Change Mitigation	Climate Change Adaptation	Sustainable Use and Protection of Water and Marine Resources	Transition to a Circular Economy	Pollution Prevention and Control	Protection & Restoration of Biodiversity & Ecosystems				
<b>A. Taxonomy-eligible activities</b>																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)				%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	E	T
<b>Turnover of environmentally sustainable activities</b>		N/A	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)				! For activities listed under A2, these columns may be filled in on a voluntary basis for non-financial undertakings															
<b>Turnover of taxonomy-eligible but not environmentally sustainable activities</b>		N/A	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	0	
<b>Total A.1+A.2</b>		N/A	0	0	-	-	-	-	-	-	-	-	-	-	-	-	0		
<b>B. Taxonomy-non-eligible activities</b>																			
Manufacturing of food products		N/A	45,835	90.9															
Other Activities		N/A	4,590	9.1															
<b>Turnover of taxonomy-non-eligible activities</b>		N/A	50,435	100															
<b>Total (A+B)</b>		N/A	50,435	100															



**Table 2:** Proportion of CAPEX from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

Economic activities	Codes	Absolute CAPEX (SEK)	Proportion of CAPEX %	Substantial contribution criteria						DNSH criteria						Minimum Safeguards	Taxonomy-aligned proportion of CAPEX, year 2022	Category (enabling activity)	Category (transitional activity)
				Climate Change Mitigation	Climate Change Adaptation	Sustainable Use and Protection of Water and Marine Resources	Transition to a Circular Economy	Pollution Prevention and Control	Protection & Restoration of Biodiversity & Ecosystems	Climate Change Mitigation	Climate Change Adaptation	Sustainable Use and Protection of Water and Marine Resources	Transition to a Circular Economy	Pollution Prevention and Control	Protection & Restoration of Biodiversity & Ecosystems				
<b>A. Taxonomy-eligible activities</b>																			
A1. Environmentally sustainable activities (Taxonomy-aligned)				%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
<b>CAPEX of environmentally sustainable activities</b>		N/A	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)				! For activities listed under A2, these columns may be filled in on a voluntary basis for non-financial undertakings															
Acquisition and ownership of buildings	7.7	7,897	0.64	-	-	-	-	-	-	-	-	-	-	-	-	-	0.65		
Construction of new buildings	7.1	51,455	4.20	-	-	-	-	-	-	-	-	-	-	-	-	-	4.23		
Construction, extension and operation of wastewater collection and treatment	5.3	2,099	0.17	-	-	-	-	-	-	-	-	-	-	-	-	-	0.17		
Data-driven solutions for GHG emissions reductions	8.1	2,222	0.18	-	-	-	-	-	-	-	-	-	-	-	-	-	0.18	E	
Installation, maintenance, and repair of energy-efficiency equipment	7.3	106,499	8.69	-	-	-	-	-	-	-	-	-	-	-	-	-	8.73	E	
Installation, maintenance, and repair of instruments and devices for measuring, regulation, and controlling the energy performance of buildings	7.5	1,760	0.14	-	-	-	-	-	-	-	-	-	-	-	-	-	0.14	E	
Installation, maintenance, and repair of renewable energy technologies	7.6	680	0.06															E	
Production of heat/cool from bioenergy	4.24	230,844	18.83	-	-	-	-	-	-	-	-	-	-	-	-	-	18.97		
Renewal of wastewater collection and treatment	5.4	8,485	0.69	-	-	-	-	-	-	-	-	-	-	-	-	-	0.70		
Renovation of existing buildings	7.2	115,527	9.42	-	-	-	-	-	-	-	-	-	-	-	-	-	8.76		
Storage of hydrogen	4.12	2,604	0.21	-	-	-	-	-	-	-	-	-	-	-	-	-	0.21	E	
<b>CAPEX of taxonomy-eligible but not environmentally sustainable activities</b>		N/A	530,072	43.24	-	-	-	-	-	-	-	-	-	-	-	-	42.74		
<b>Total (A1+A.2)</b>		N/A	530,072	43.24	-	-	-	-	-	-	-	-	-	-	-	-	42.74		
<b>B. Taxonomy-non-eligible activities</b>																			
Manufacturing of food products	N/A	437,785	35.71																
Other Activities	N/A	247,143	20.16																
<b>CAPEX of taxonomy-non-eligible activities</b>		N/A	684,928	55.87															
<b>Total (A+B)</b>		N/A	1,226,000	100															

## Full transparency in climate reporting

Our ambition is to provide climate-related financial reporting that supports our stakeholders' ability to assess AAK's climate related risks and opportunities. Our progress is structured around the four thematic areas recommended by Task force on Financial Reporting (TCFD) below, representing core elements of how AAK operates to build resilience towards climate change. Our progress in line with this approach is presented in the TCFD Index overview on the following page.



Previous years, AAK has assessed climate related risks and opportunities connected to Scope 1 and 2. The financial risk related to climate change was evaluated low to medium, depending on developments such as local actions taken by governments and countries themselves.

Work has continued during 2022 with the application of our reduction plans and identification of climate-related risks and opportunities related to Scope 3 to our assessment of financial impact of climate change. More specifically, climate change and water security impact has been assessed, using two different scenarios with various socio-economic assumptions in line with TCFD disclosure requirements.

Overall palm, coconut and soy are the crops most likely to be heavier impacted by climate change than shea, rapeseed and sunflower. Flooding and drought will likely impact palm and soy, as well as temperature rises especially in Latin America. India will be the origin potentially most heavily impacted. Coconut will be impacted by tropical cyclones and flooding as well as droughts.

These climate risk insights are important for our teams to take into consideration for future sourcing strategies. The findings will also be used to prioritize which on-the-ground-climate-risk-mitigation-work AAK will embark on in the next few years to come.

# TCFD and the financial impact of climate change

## Building resilience based on a solid foundation

AAK climate resilience journey started in 2019 when we started identifying and assessing climate related risk on all production sites and for the key raw materials. This initiative continued during 2020 when we started applying the TCFD framework to the findings, focusing on significance and likelihood. In 2021, the approach was further developed by adding the climate risk to a site-specific scoring system, supported by a third party. The risk scoring is performed annually, following up to ensure corrective actions in dialogue with each site.

During 2022 we initiated climate change risk assessments on key raw materials. To ensure a proper methodology in line with IEA World Energy Outlook Scenarios (WEO)<sup>4)</sup>, Representative Concentration Pathways (RCPs)<sup>5)</sup> and Shared Socioeconomic Pathways (SSP) the work continued together with a third party, capable to apply the right tools for scenario analysis.

## Scenario Analysis and time horizons

The risks were assessed looking at two scenarios: Business as usual and Net zero 2050, at different moments in time. The analysis focused on 'Physical risk' which includes the physical impact of climate change on the raw material in a specific sourcing origin.

### Scenario 1

The Net Zero Emission 2050 Scenario (NZE) and Sustainable Development Scenario (SDS)

– “The low carbon revolution”

The Net Zero Emission scenario (NZE) is an ambitious scenario that limits global warming to +1.5°C by 2100 in line with *IPCC Special Report on Global Warming of 1.5°C*, through stringent and immediately introduced climate policies and innovation in the energy sector. Sustainable Development Scenario is based on many of the same elements as (NZE) and also that advanced economies will reach net-zero by 2050, China in 2060 and India in 2070. Both scenarios involve more transitional risks early on, but manages to limit physical risks to a minimum.

### Scenario 2

IPCC AR5 (RCP8.5), IPCC AR6 (SSP5-8.5) and Business-as-usual (BAU) scenario

– “Climate chaos”

Assumes that only currently implemented policies are preserved. World does not cut emissions and climate change accelerates causing 2,5°C of warming by 2050 and >+3°C by 2100 bringing irreversible changes. It's linked to RCP8.5 and SSP5-8.5. Involves little to no transitional risks early on, but results in irreversible and globally disrupting physical damage.

<sup>4)</sup> IEA World Energy Outlook (WEO) articulated four scenarios which is built on different sets of underlying assumptions. The scenarios are a tool to enable comparability of possible future scenarios.

<sup>5)</sup> The Intergovernmental Panel on Climate Change's (IPCC) Fifth Assessment Report (AR5) and Sixth Assessment Report (AR6) articulated various climate scenarios. These “representative concentration pathways” (RCP) and “shared socioeconomic pathways” (SSP) are referred to as “pathways” to emphasise their primary purpose in providing time-dependent projections of atmospheric GHG concentrations.

## Assessing transitional and physical climate risk

The two scenarios inform the Identified transition risks and physical risks. Transition risks are related to financial risks of not being prepared for the socio-economic changes of a world striving to meet the

Paris ambition of limiting global warming to 1.5°C. Physical risks are related to the financial risks of not being prepared for the physical changes of a world where ambitious climate policies fail or fall short, and

the global warming pushes towards 3°C. The risks are being assessed based on the reports from IEA and IPCC, with supportive input from geographical-specific and industry-specific reports and articles.

Scenario Narrative	Net Zero 2050 Scenario +1.5°C global warming (SSP1-2.6, SDS & NZE)	Business-as-Usual scenario >3°C global warming (SSP1-8.5 & BAU)
Risk assumption	Implementation of policies aimed at agriculture such as EU Green Deal and Farm to Fork strategy affecting the prices on food raw material.	Emission will increase leading to higher temperatures and more natural disasters. There will be an Increase in bushfires, increased Sea level rise, more extreme flooding, more extreme drought, and deadly extreme heat.
Main Outcome	The scenario for Net Zero 2050 involve a long-term strategy for climate neutrality in 2050. Advanced economies will reach net-zero in 2050, followed closely by countries like China and India. An introduction of carbon pricing, both ETS and carbon taxes will enable the transition to lower emission energy.	BAU scenario is dominated by increased physical risk due to the lack of coordinated policy actions. This scenario will be affected by price volatility due to extreme weather events disrupting the crops.
Main impacts on business	Increased carbon pricing enabling a shift towards renewable energy sources. This will lead to higher operational costs and prices on food raw material.	High frequency of extreme weather events leads to scarcity in raw materials and higher prices. Extreme heat can lead to decrease in quality or volume of the raw material. Acute extreme weather events can lead to disruption of either parts or the whole years crop.



## Identified risks and opportunities for AAK

Risks						
Type	Risk	Likelihood	Financial impact	Time-horizon	Description of risk and evaluation	
Transition risk	Laws and regulation	Carbon pricing (Scope 1)	Almost certain	Low	Medium-term	The cost of EUA mandatory carbon credits will increase going forward. The financial impact is however considered low for AAK in short and mid-term and will not be relevant since not many sites are using carbon credits. Aarhus being one of the main ones will apply bioboilers (reducing their climate footprint by 90% and around 15% for the AAK group).
		Regulations (EUA and RECs, carbon pricing) (Scope 2)	Almost certain	Low	Short-term	Increasing the Scope of green electricity stepwise year on year, the impact has already been embedded in SBT roadmaps. Since significant cost is defined in line with our delegation of authority policy it will not reach authorization level, thus, not to be considered to have significant financial impact.
	Technology	Investments in necessary technologies and innovations	Possible	Low	Medium-term	To reach AAK's reduction targets, the company might need to invest in new technology or innovation in order to reach the goals. Costs evaluated and embedded in the SBT roadmap for Scope 1.
	Market	Change in consumer behavior	Possible	Low	Long-term	The risk of consumers changing their behaviors due to climate change and new regulations makes AAK's multi oil setup and close collaboration with customers a strong approach with high adaptability to changes.
	Reputation	Not meeting climate ambition set by AAK	Not likely	Low	Medium-term	Not meeting AAK's own ambitions can lead to bad publicity and thus harming our reputation. However, strong and aligned plans are in place, thus risk considered low.
Physical risk	Acute	National hazards impacting sites and surroundings	Possible	Low	Medium-term	National hazards are likely to increase which can harm AAK's sites such as power outings or higher energy costs. Low risk at site level as also described below.
		Limited availability of water	Almost certain	Low	Medium-term	Water scarcity will happen due to drought events which will affect both raw materials and production sites. We expect several raw materials globally to be potentially affected by increased droughts. Especially India, Mexico and West Africa will need to be monitored as country of origin for specific raw materials.
		Wildfire, wind, hail-storm, seismic hazard, and lightning.	Possible	Low	Medium-term	Extreme acute weather events will disrupt crops of the key raw materials. The risk of wildfires was mostly linked to sunflower with the highest risk until 2030 In Italy and until 2050 In Italy, Hungary and Romania. Tropical cyclones or tornados have been identified as key risks for several raw materials from several origins. Especially soy and coconut from Latin America and South-east Asia could be at risk In the Future. As AAK sources from several origins the overall financial risk Is currently considered low. This risk is low for operations.
	Chronic	Increased sea level	Almost certain	Low-medium	Medium-term	Ports all over the world will be affected in the event of the combination of storm surges and sea level rise. This may impact the shipments of AAK's key raw materials.
		Contamination of land	Possible	Low	Medium-term	Chemicals and pesticides used in agriculture can contaminate soil and disturb biodiversity. Increased salt levels in soils can furthermore disturb existing ecosystems. To be assessed related to key raw materials next year.

Opportunity					
Type	Opportunity	Likelihood	Financial impact	Time-horizon	Description of opportunity
Resource efficiency	Energy consumption reduction	Almost certain	Low-medium	Medium-term	By investing in green energy, AAK can reduce our emissions significantly.
	Waste reduction	Almost certain	Medium	Medium-term	Reduction of plastic and improve recycling processes
	Circularity	Possible	Low-medium	Medium-term	Increase by-products from side streams
Energy Source	Sustainable alternatives to boilers	Possible	Medium	Long-term	Hydrogen is growing in Europe which has great potential. Also, bio boilers is a possibility and already work in progress in Aarhus.
Market	Increased demand and volume growth in plant-based foods and natural alternatives to fossil-based solutions.	Possible	Medium	Medium-term	Increase in interest and adoption of plant-based foods, and AAK can strive to be the preferred supplier to plant-based food companies.

## The Physical & Transitional risk on AAK's sites

The physical climate related risks on our operational sites have been assessed by a third party and was finalized during 2021. Please find the result of AAKs operational climate change risk assessments below.



Type of risk	Corrective action
<b>Extreme high risk</b>	No sites identified
<b>High risk (Acute) – Lowest financial response needed.</b> Water exposure presents the greatest risk in Zhangjiagang, China, in terms of flooding and in Louisville US, where the greatest risk is exposure to tornadoes.	China: Inherent risk taken into account in the design of the site, including raised ground level, mitigating actions have been implemented to reduce the risk to a medium residual risk level. In Louisville, US the water treatment facilities have been constructed to withstand higher windspeeds and emergency planning has been updated to handle more severe weather (tornadoes and to limit personal and property damage.
<b>Medium to high (Acute) – No additional financial cost</b> Four medium to high risk sites identified (Karlshamn, Aarhus, Richmond and Jundiaí), all exposed to flooding from high sea level caused by storm.	All sites located in harbors with own dock and safety precautions. All sites have action plans in place, including pumps and other important materials including training to take care of an incident.
<b>Low to medium (Chronic) – Most relevant but not cost significant</b> Limited availability of cooling water due to increased sea temperature at 3 sites in Europe and 2 in the US.  Worst case scenario additional cooling towers, additional electricity consumption.	Karlshamn low risk as they already work on alternative cooling and technical solutions. No financial response to be estimated. Cost wise not significant as it's a natural part of AAKs CAPEX system and daily operational activity planning.
<b>Low risk – not cost significant</b>	All other sites considered low risk and no further corrective action needed.

### Next step

The outcome of the climate change risk assessments on key raw materials will be further assessed and go into a final scenario analysis and strategic response evaluation during 2023. The most significant risks identified are currently addressed in our science-based target roadmaps.

#### Countries where AAK operate:

Belgium	India
Brasil	Mexico
China	Netherlands
Colombia	Sweden
Denmark	Uruguay
England	USA

## TCFD Index overview

Area/target	TCFD recommendations	References in the Sustainability Report 2022
Climate: organization and governance	a) Describe the organization's governance around climate-related risks and opportunities.	Read the Sustainability Governance section at pg 39–40. For a deeper understanding of our climate-related risks and opportunities read the Risk & Opportunity section at pg 70–74. AAK's CDP Disclosures are found at <a href="#">CDP.net</a> .
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	
Climate strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Read the Risk & Opportunity section at pg 70–74 and the CDP Disclosures found at <a href="#">CDP.net</a> .
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	The ongoing work and findings will go into a final evaluation of the potential size and scope of Identified climate related risks and opportunities for AAK during 2023. For more information on other processes and action taken to assess and work with climate related risk please see AAK's Sustainability strategy and priorities at pg 5–9, our climate roadmap on pg 16–19, and the Sustainability and business strategy at pg 35–37.
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Read our Scenario analysis and our identified risks and opportunities for AAK at pg 70–74. The strategic impact of climate change based on climate scenarios will be further assessed during 2023. Strategic Impact of climate change based on climate scenarios to be assessed during 2023.
Risk management	a) Describe the organization's processes for identifying and assessing climate-related risks.	The process of identifying climate related risk is described in the section TCFD and financial impact of climate change at pg 69–75. Next year AAK will disclose the process, risk and impact evaluation related to our key raw materials as well.
	b) Describe the organization's processes for managing climate-related risks.	Read the Sustainability Governance section at pg 39–40. For a deeper understanding of our processes for managing climate-related risks read the Risk & Opportunity section at pg 70–74. AAK's CDP Disclosures are found at <a href="#">CDP.net</a> .
	c) Describe the processes for identifying, assessing, and managing how climate-related risks are integrated into the organization's overall risk management.	Read about our high level governance of climate related risks in the Sustainability Governance section at pg 39–40. AAK also has a risk council that shall identify, mitigate and report risks that can significantly affect the business, including the findings from our climate change risk assessments. Significant financial risk needs to be communicated to the Audit Committee and the Board of Directors in line with AAK's Delegation of Authority policy. AAK is also committed to do climate change risk assessments regularly in line with the AAK Group Environmental policy.
Metrics and Targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Read the sections on our Climate Commitments at pg 16–19, Climate pg 47–48 and Sustainability Governance at pg 39–40. AAK also applied an environmental scoring system to continuously assess the performance on the sites, including climate change mitigation and adaptation.
	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) omissions and the related risks.	The following climate related KPIs are reported in our Sustainability Report: Energy consumption within the organization (GRI 302-1) Direct and Indirect CO <sub>2</sub> emissions, including fugitive emissions (GRI 305-1, 305-2), Greenhouse gas emissions intensity in ton CO <sub>2</sub> per million SEK (GRI 305-4), Reduction of GHG emissions (GRI 305-5), Emissions of ozone-depleting substances (GRI 305-6). Science Based Target results (Scope 1, 2, and 3), see pg 47-49. AAK's CDP report is found on <a href="#">CDP.net</a> .
	c) Describe the metrics used by the organization to manage climate-related risks and opportunities against targets.	Read about Our Climate Roadmap and Science Based Targets at pg 16–19.



# Restatement of information

## Water consumption

Prior to 2020, AAK's water consumption was calculated as a sum of municipal water and groundwater volumes. From 2020 and onward, water consumption calculation has been modified to include volumes of seawater and surface water in line with GRI 303-5. Seawater and surface water are withdrawn exclusively for cooling purposes and discharged to the same source from where it was withdrawn. Consequently, calculation of water consumption has been redefined as the difference between withdrawn water and discharged water. Water consumption data up until 2020 is therefore not comparable to the period thereafter.

## Waste

In 2020, AAK started to report volumes of by-products separately from waste statistics. Waste is reported according to GRI Standard 306 (2016). Volumes of waste before 2020 are therefore not comparable to the period thereafter. The comparable period starts in 2020 and is inclusive of years 2020 and 2021.

## GHG emissions

During 2020, AAK committed to set Science Based Targets. Year 2019 has been chosen as base year to represent the most recent inventory, reflecting activities not largely affected by the pandemic. Scope 1 involves AAK's direct GHG emissions from energy use. Scope 2 involves AAK's indirect GHG emissions from purchased energy, 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>. Methodology and data sources used for GHG emission calculations are IPCC, GHG Protocol\* and DEFRA.

## Scope 1

The Scope 1 emissions are calculated from fuel consumption and associated heating values and emission factors. Combustion from AAK's own vehicles, smaller working machines, and fugitive emissions are included in the GHG inventory. The GHG biogenic emission factors have been defined with support from an external party. Emission factors for biogenic emissions were sourced from the UK Department for Environment Food & Rural Affairs (DEFRA).

## Scope 2

This is the fourth year that AAK has disclosed Scope 2 indirect emissions in GRI Index 305-2, both market and location-based. The Scope 2 data used to compare the GHG intensity rate during 2012–2018, was emissions based on ecoinvent version 3.51). The grid-average emission factors were utilized in the location-based accounting. For markets without a system of guarantees of origins for electricity, AAK has used the grid-average emission factors also for the market-based calculations. For more information, please see GRI Index 305-2.

## Scope 3

During 2022, AAK revisited the Scope 3 greenhouse gas screening 2), with support from a third party, in order to progress on setting Science Based Targets. The Scope 3 screening, based on 2019 data, still shows that about 95 percent of the emissions in the supply chain are connected to Scope 3. In 2021, AAK suppliers were engaged to co-create AAK's emissions inventory, and requested to complete their climate questionnaires in the Carbon Disclosure Project. The initiative provided valuable insights for our Scope 3 target-setting.

## Collaboration and transparency

Embedded into our purpose is a strong belief that collaboration and transparency is the way forward when dealing with sustainability. We make every effort to ensure that we are a responsible, trustworthy supplier. Our ability to ensure trust relies on our efforts to collaborate and provide evidence of compliance with standards, rating platforms, and product information.

### Food safety standards

AAK takes a proactive approach by investigating upcoming legislation, scientific progress, and the priorities of the food safety agencies, with the goal of identifying issues that could become emerging customer requirements. We provide visibility to our customers related to the progress made on emerging issues, and we stay fully committed and engaged in searching for and implementing mitigation solutions. AAK uses its influence in the supply chain to ensure implementation of these principles, working collaboratively with our suppliers to ensure continuous improvement, especially on potential substances of concern, such as MOSH-MOAH. This is done by thorough root cause analyses of the issues, committed cooperation with selected suppliers of strategic raw materials, and involvement in process control, especially the application of food-grade lubricants. All AAK plants are certified in accordance with internationally recognized food safety standards and audited by third parties. Critical Control Points (CCPs) are identified, monitored, and recorded, and our food safety management system is frequently audited by local audit teams. Products are not released for delivery before the local Quality Control function has verified that food safety and product specification requirements are met.

## Certifications and awards

Certifications		
Area	Percentage of AAK production sites	Certificate
Food safety	100	FSSC 22000, BRC
Quality	50	ISO 9001
Environment	21	ISO 14001
Energy	11	ISO 5001
Ethics	55	Members of Sedex has passed SMETA audit
Palm oil	100	RSPO

*New site in India excluded from calculations above.*

### ISO 9001 and ISO 14001

AAK sees great value in quality (ISO 9001) and environmental (ISO 14001) certification. These certifications create solid management systems to drive progress towards our quality and environmental goals. The annual evaluation of the AAK Group Environmental Policy has revealed an opportunity to increase focus on the number of ISO 14001-certified sites going forward. Work is ongoing to drive the implementation across our operations, with the aim of having all sites certified accordingly.

### 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's systems, documentation, and facilities against the Ethical Trading Initiative (ETI) Base Code as well as local laws. The audit, lasting up to four days, is carried out on-site by accredited third-party auditors. In 2022, 55 percent of AAK's sites were Sedex members and the aim is that all relevant sites in scope should follow Sedex including regular SMETA audits.

### EcoVadis

EcoVadis is a platform that allows companies to monitor the sustainable performance of their suppliers. This enables us to focus on the AAK management system and how we can make further improvements. AAK is assessed on environment, labor practices, fair business practices, and sustainable procurement. We were awarded a silver rating during 2022.

## Memberships in 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
- Food Drink Europe
- The European Oleochemicals and Allied Products Group/APAG
- The National Institute of Oilseed Products/NIOP
- Plant Based Food Association
- MISTA
- Founding member of the Coconut Roundtable (2022)

## Product information

It is of utmost importance that we make every effort to provide sufficient information about the solutions we sell. Besides Food Safety Management certificates, AAK also provides information sheets, including the following:

- **Product Data Sheet:** This contains information related the characteristics of the product, area of application, nutritional values, shelf life and recommendation for storage, list of ingredients, declarations about allergens, GMOs, labelling, packaging type, and country of origin.
- **Material Safety Data Sheet (MSDS):** This relates to safety issues, often concerning transport and legal requirements for products sold for technical purposes or other industries than food/feed.
- **Product specification:** This contains sensorial and physical-chemical characteristics of the product, ingredients declaration, statements about the presence of allergens, GMOs, and shelf life, which are often part of purchasing contracts.
- **Product Manufacturing Information:** This contains similar information to product specifications, but with the addition of food safety limits and specific information about the production site.
- **Certificate of analysis:** This is provided with the delivery of each product batch, offering traceability information and often the results of the verification tests. The certificate is produced by a local AAK laboratory and confirms its compliance with agreed product specifications.

## AAK related abbreviations

Abbreviation	Explanation
APAG	The European Oleochemicals and Allied Products Group
CBE	Cocoa butter equivalent
CNSF	National Forest Seed Center of Burkina Faso
CSPO	Certified Sustainable Palm Oil
DEFRA	Department for Environment Food & Rural Affairs
FFB	Fresh Fruit Bunches
FLAG	Forest Land and Agriculture
FOSFA	The Federation of Oils, Seeds and Fats Association
GSA	Global Shea Alliance
ISCC	International Sustainable and Carbon Certification
NDPE	No Deforestation, no Peat and no Exploitation
NIOP	The National Institute of Oilseed Products
RCPs	Representative Concentration Pathways
SMETA	Sedex Members Ethical Trade Audit
TTP	Traceability To Plantation
VDF	Verified Deforestation-free palm oil
WISH	Women in Shea
WEO	IEA World Energy Outlook Scenarios

## Governance of AAK's material topics

Environment, Climate	Environment, Biodiversity	Social, People	Governance	Product solutions
<b>Impact</b> (actual and potential, negative or positive impact)				
<ul style="list-style-type: none"> <li>• GHG emissions in Scope 1 and 2 reduced by 9 percent since 2019</li> <li>• Improved environmental conditions from AAK's water treatment units</li> <li>• Aim set to recycle 100 percent of our waste 2030</li> <li>• Aim set to have 100 % renewable electricity produced 2025</li> </ul>	<ul style="list-style-type: none"> <li>• Prevention of deforestation through AAK's contribution</li> <li>• Promotion of biodiversity through AAK's contribution</li> <li>• Reforestation and planting of trees.</li> <li>• Sourcing raw materials sustainably</li> <li>• Supplier commitment to No Deforestation, No Peat and No Exploitation</li> </ul>	<ul style="list-style-type: none"> <li>• Employee development</li> <li>• Equality, diversity, and inclusion</li> <li>• Healthy and safe work environment</li> <li>• Better living conditions for people thanks to community engagement programs on sites</li> <li>• Supplier commitment to No Deforestation, No Peat and No Exploitation</li> <li>• Employee wellbeing thanks to the AAKtivate program</li> </ul>	<ul style="list-style-type: none"> <li>• Transparent and responsible business conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Sourcing raw materials sustainably</li> <li>• Developing and delivering healthy product solutions</li> <li>• Providing product traceability</li> <li>• Contributing to the development of plant-based production solution</li> <li>• Contributing to a more sustainable food system</li> <li>• Driving the shift from fossil-based to natural solutions</li> </ul>
<b>Negative effects</b> as a consequence of activities and business relationships				
<ul style="list-style-type: none"> <li>• Disposal to the environment of bleaching earth waste</li> <li>• Emissions from land usage</li> <li>• Disposal of palm oil mill effluents</li> </ul>	<ul style="list-style-type: none"> <li>• Negative environmental effects from sourcing palm oil, coconuts and soy</li> </ul>	<ul style="list-style-type: none"> <li>• Stress and ill health among employees</li> <li>• Workplace injuries</li> <li>• Negative effects from AAK's business on local livelihoods</li> </ul>	<ul style="list-style-type: none"> <li>• Potential corruption, bribes and unethical business practices.</li> </ul>	<ul style="list-style-type: none"> <li>• Pollution from production (suppliers) and use of AAK's solutions</li> </ul>



## Governance of AAK's material topics

Environment, Climate	Environment, Biodiversity	Social, People	Governance	Product solutions
<b>Policies and commitments</b>				
<ul style="list-style-type: none"> <li>• AAK Group Code of Conduct</li> <li>• AAK Group Sustainability Policy</li> <li>• AAK Group Environmental Policy</li> <li>• ISO 14001</li> <li>• ISO 50001</li> <li>• The Roundtable on Sustainable Palm Oil</li> <li>• The Global Shea Alliance GSA</li> <li>• AAK Group Policy and Code of Conduct for Responsible Sourcing of Plant-based Oils</li> </ul>	<ul style="list-style-type: none"> <li>• AAK Group Code of Conduct</li> <li>• AAK Group Sustainability Policy</li> <li>• AAK Group Environmental Policy</li> <li>• AAK Group Policy for Responsible Sourcing</li> <li>• AAK Group Policy and Code of Conduct for Responsible Sourcing of Plant-based Oils</li> <li>• AAK Group Palm Grievance Process</li> <li>• The EU Vegetable Oil and Protein meal Industry</li> <li>• The Federation of Oils, Seeds and Fats Association</li> <li>• The National Institute of Oilseed Products</li> <li>• The Sustainable Coconut Roundtable</li> </ul>	<ul style="list-style-type: none"> <li>• AAK Group Code of Conduct</li> <li>• AAK Group Sustainability Policy</li> <li>• AAK Group Environmental Policy</li> <li>• AAK Group Policy and Code of Conduct for Responsible Sourcing of Plant-based Oils</li> </ul>	<ul style="list-style-type: none"> <li>• AAK Group Code of Conduct</li> <li>• AAK Group Sustainability Policy</li> <li>• AAK Supplier Code of Conduct</li> <li>• AAK Group Code of Conduct for Agents and Distributors</li> <li>• AAK Group Policy and Code of Conduct for Responsible Sourcing of Plant-based Oils</li> <li>• AAK Group Palm Grievance Process</li> <li>• AAK Group Environmental Policy</li> <li>• SEDEX/SMETA</li> </ul>	<ul style="list-style-type: none"> <li>• AAK Group Code of Conduct</li> <li>• AAK Group Sustainability Policy</li> <li>• AAK Supplier Code of Conduct</li> <li>• AAK Group Code of Conduct for Agents and Distributors</li> <li>• AAK Group Policy and Code of Conduct for Responsible Sourcing of Plant-based Oils</li> <li>• AAK Group Grievance management Process</li> <li>• AAK Group Environmental Policy</li> <li>• SBTi</li> <li>• UN Global Compact</li> <li>• ISO 9001</li> <li>• FSSC 22000</li> <li>• ISO 22000</li> <li>• BRC</li> <li>• EcoVadis</li> <li>• Food Drink Europe</li> <li>• The European Oleochemicals and Allied Products Group</li> <li>• Plant Based Food Association</li> <li>• MISTA</li> <li>• CDP</li> </ul>

## Governance of AAK's material topics

Environment, Climate	Environment, Biodiversity	Social, People	Governance	Product solutions
<b>Actions to manage impact</b>				
<ul style="list-style-type: none"> <li>• Measuring and monitoring water use to identify potential savings</li> <li>• Communicating and engaging with stakeholders to promote water efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Continuously increasing the share of deforestation- and conversion free palm and soy in sourcing and offerings</li> <li>• Satellite monitoring of our whole palm supply chain               <ul style="list-style-type: none"> <li>- Extending our verified deforestation and conversion free supply chain commitment to all key raw materials until 2030</li> <li>- Extending satellite monitoring to our Philippine coconut sourcing base</li> </ul> </li> <li>• Planting shea trees</li> <li>• Planting coconut trees</li> <li>• Initiatives in regenerative agriculture in palm</li> </ul>	<ul style="list-style-type: none"> <li>• Self-assessment questionnaire and training for shea suppliers</li> <li>• Continuous updating of policies for suppliers and supplier training and engagement</li> <li>• Leader trainings about awareness of unconscious bias</li> <li>• Continuous work with the AAKtivate program</li> </ul>	<ul style="list-style-type: none"> <li>• The House of Sustainability framework</li> <li>• Continuously embedding ESG related matters in the risk council</li> <li>• Third-party verifications</li> <li>• Supplier score cards and supplier self assessments</li> </ul>	<ul style="list-style-type: none"> <li>• Raw material traceability</li> <li>• Screening of suppliers</li> <li>• Certification of solutions, e.g., food safety, quality, environment, energy, ethics, social and palm specific</li> <li>• ESG parameter on investment activities</li> </ul>
<b>Follow-up of the effectiveness of activities</b>				
<ul style="list-style-type: none"> <li>• Supplier scorecards and evaluations</li> <li>• Quarterly progress review internally</li> <li>• Annual reporting of sustainability KPIs</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier scorecards and evaluations</li> <li>• Quarterly progress review internally</li> <li>• Annual reporting of sustainability KPIs</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier scorecards and evaluations</li> <li>• Quarterly progress review internally</li> <li>• Annual reporting of sustainability KPIs</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier scorecards and evaluations</li> <li>• Quarterly progress review internally</li> <li>• Annual reporting of sustainability KPIs</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier scorecards and evaluations</li> <li>• Quarterly progress review internally</li> <li>• Annual reporting of sustainability KPIs</li> </ul>
<b>How stakeholders are informed about the effectiveness of carried out activities</b>				
<ul style="list-style-type: none"> <li>• Sustainability Report</li> <li>• Stakeholder dialogues</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability Report</li> <li>• Stakeholder dialogues</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability Report</li> <li>• Stakeholder dialogues</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability Report</li> <li>• Stakeholder dialogues</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability Report</li> <li>• Stakeholder dialogues</li> </ul>

# GRI content index

**Statement of use:** AAK AB has reported in accordance with the GRI Standards for the period 1 January 2022 to 31 December 2022.

**GRI 1 used:** GRI 1: Foundation 2021

**Applicable GRI Sector Standard(s):** Not applicable

GRI Universal Standards 2021			Omission		
GRI Standard	Disclosure Name	Location	Requirement(s) omitted	Reason	Explanation
<b>General disclosures</b>					
<b>GRI 2: General Disclosures 2021</b>					
2-1	Organizational details	34, 74, 88			
2-2	Entities included in the organization's sustainability reporting	34			
2-3	Reporting period, frequency and contact point	34			
2-4	Restatements of information	76			
2-5	External assurance	86			
2-6	Activities, value chain and other business relationships	5-8			
2-7	Employees	54-55	Detailed information about age groups is unavailable.	Data incomplete	AAK intends to collect this information for next years' report.
2-8	Workers who are not employees	54			
2-9	Governance structure and composition	39-40 and AAK Annual Report 2022 p. 48-49, 116, 118			
2-10	Nomination and selection of the highest governance body	39			
2-11	Chair of the highest governance body	AAK Annual Report 2022 p. 48, 117			
2-12	Role of the highest governance body in overseeing the management of impacts	39-40			

GRI Universal Standards 2021			Omission		
GRI Standard	Disclosure Name	Location	Requirement(s) omitted	Reason	Explanation
2-13	Delegation of responsibility for managing impacts	39–41			
2-14	Role of the highest governance body in sustainability reporting	39–42			
2-15	Conflicts of interest	39			
2-16	Communication of critical concerns	39			
2-17	Collective knowledge of the highest governance body	39			
2-18	Evaluation of the performance of the highest governance body	39 and AAK Annual Report 2022 p. 116			
2-19	Remuneration policies	39 and AAK Annual Report 2022 p. 86, 117–118			
2-20	Process to determine remuneration	39 and AAK Annual Report 2022 p. 117			
2-21	Annual total compensation ratio		AAK does not yet report this information.	Information unavailable.	AAK will prepare to report this information for the implementation of ESRS.
2-22	Statement on sustainable development strategy	2-4			
2-23	Policy commitments	28, 30–31, 38, 41, 50, 52, 55–59			
2-24	Embedding policy commitments	28, 30–31, 38, 41, 50, 52, 55–59			
2-25	Processes to remediate negative impacts	17, 21, 27, 36			
2-26	Mechanisms for seeking advice and raising concerns	59			
2-27	Compliance with laws and regulations	59			
2-28	Membership associations	77			
2-29	Approach to stakeholder engagement	35–37			
2-30	Collective bargaining agreements	59			



GRI Universal Standards 2021			Omission		
GRI Standard	Disclosure Name	Location	Requirement(s) omitted	Reason	Explanation
<b>Material topics</b>					
<b>GRI 3: Material Topics 2021</b>					
3-1	Process to determine material topics	35–36			
3-2	List of material topics	37			
<b>Economic performance</b>					
3-3	Management of material topics	69, 79–81			
<b>GRI 201: Economic Performance 2016</b>					
201-2	Financial implications and other risks and opportunities due to climate change	69–75			
<b>Anti-corruption</b>					
3-3	Management of material topics	58–59, 79–81			
<b>GRI 205: Anti-corruption 2016</b>					
205-1	Operations assessed for risks related to corruption	39			
205-2	Communication and training about anti-corruption policies and procedures	55–59			
205-3	Confirmed incidents of corruption and actions taken	59			
<b>Materials</b>					
3-3	Management of material topics	79–81			
<b>GRI 301: Materials 2016</b>					
301-1	Materials used by weight or volume	49			
<b>Energy</b>					
3-3	Management of material topics	49, 79–81			
<b>GRI 302: Energy 2016</b>					
302-1	Energy consumption within the organization	49			
302-3	Energy intensity	49			
302-4	Reduction of energy consumption	49			
<b>Water and effluents</b>					
3-3	Management of material topics	50, 76, 79–81			
<b>GRI 303: Water and Effluents 2018</b>					
303-3	Water withdrawal	50, 76			
303-5	Water consumption	50, 76			

GRI Universal Standards 2021			Omission		
GRI Standard	Disclosure Name	Location	Requirement(s) omitted	Reason	Explanation
<b>Biodiversity</b>					
3-3	Management of material topics	79–81			
<b>GRI 304: Biodiversity 2016</b>					
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	55			
<b>Emissions</b>					
3-3	Management of material topics	47–48, 76, 79–81			
<b>GRI 305: Emissions 2016</b>					
305-1	Direct (Scope 1) GHG emissions	47–48, 76			
305-2	Energy indirect (Scope 2) GHG emissions	47–48, 76			
305-4	GHG emissions intensity	47–48, 76			
305-5	Reduction of GHG emissions	47–48, 76			
305-6	Emissions of ozone-depleting substances (ODS)	47–48			
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	47–48			
<b>Waste</b>					
3-3	Management of material topics	49–50, 76, 79–81			
<b>GRI 306: Waste 2020</b>					
306-2	Management of significant waste-related impacts	49–50, 76			
<b>Supplier environmental assessment</b>					
3-3	Management of material topics	52, 79–81			
<b>GRI 308: Supplier Environmental Assessment 2016</b>					
308-1	New suppliers that were screened using environmental criteria	52			
<b>Occupational health and safety</b>					
3-3	Management of material topics	53–54, 79–81			
<b>GRI 403: Occupational Health and Safety 2018</b>					
403-9	Work-related injuries	53–54			
<b>Training and education</b>					
3-3	Management of material topics	53–55, 79–81			
<b>GRI 404: Training and Education 2016</b>					
404-2	Programs for upgrading employee skills and transition assistance programs	53–55			

GRI Universal Standards 2021			Omission		
GRI Standard	Disclosure Name	Location	Requirement(s) omitted	Reason	Explanation
<b>Diversity and equal opportunity</b>					
3-3	Management of material topics	54, 79–81			
<b>GRI 405: Diversity and Equal Opportunity 2016</b>					
405-1	Diversity of governance bodies and employees	54 and AAK Annual report 2022 p.48–51			
<b>Non-discrimination</b>					
3-3	Management of material topics	59, 79–81			
<b>GRI 406: Non-discrimination 2016</b>					
406-1	Incidents of discrimination and corrective actions taken	59			
<b>Child labor</b>					
3-3	Management of material topics	55–56, 79–81			
<b>GRI 408: Child Labor 2016</b>					
408-1	Operations and suppliers at significant risk for incidents of child labor	55–56			
<b>Local communities</b>					
3-3	Management of material topics	79–81			
<b>GRI 413: Local Communities 2016</b>					
413-1	Operations with local community engagement, impact assessments, and development programs	7, 26–32, 55–58			
<b>Supplier social assessment</b>					
3-3	Management of material topics	52, 79–81			
<b>GRI 414: Supplier Social Assessment 2016</b>					
414-1	New suppliers that were screened using social criteria	52			

# Auditor's opinion regarding 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 sustainability report for the year 2022 and that it is prepared in accordance with the Annual Accounts Act.

## **The scope of the examination**

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 different and substantially 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, April 4, 2023  
KPMG AB

Jonas Nihlberg  
Authorized Public Accountant



# 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 4,000 employees support our close collaboration with customers through 25 regional sales offices, 16 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 more than 150 years.



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

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