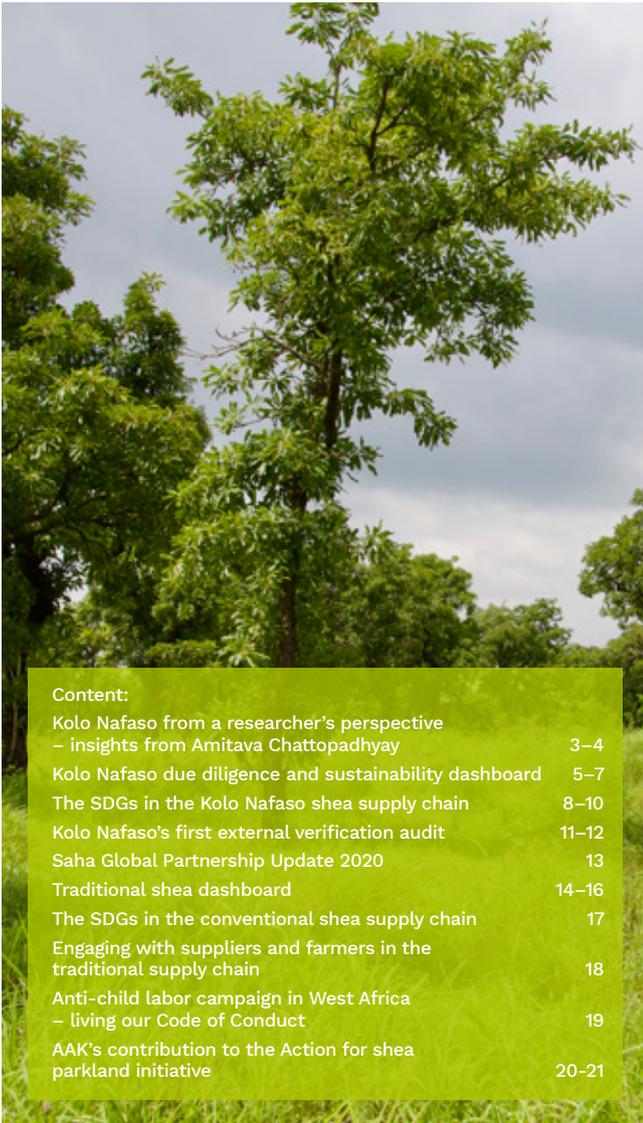


Shea mid-season progress report
March, 2021

Shea mid-season progress report

AAK

Executive summary



Kolo Nafaso
 Kolo Nafaso is AAK's verified shea sustainability program focusing on:

- poverty alleviation,
- women empowerment,

Through direct trade, interest free micro-credits, and training.

Reflection 2020 and outlook 2021

It is with great pleasure we present this new progress report on sustainable shea. It represents our work between July and December 2020 and is the mid-season update of the shea season 2020/2021. AAK is one of the largest players in the shea industry and we are proud to set priorities and drive progress that create positive impact for thousands of smallholder women. Our approach to responsible sourcing of shea is a combination of risk mitigation and our ability to influence the way of working to create positive impact.

Working with a large supply base we have chosen to address responsible sourcing in two ways:

- 1) Our Kolo Nafaso women's group program
- 2) Our traditional supply chain

In 2020/2021 the focus for Kolo Nafaso is to extend the program to more women, while strengthening its credibility and impact. The highlights of Kolo Nafaso this season are:

- An independent researcher's perspective
- More than 320,000 women reached, an increase of 4.5 percent since June 2020 and 39 per cent since last season
- First verification audit completed
- Clean water partnership with Saha Global launched

In the traditional supply chain, the main focus areas for this season have been to strengthen supplier relationships, to improve traceability and to mitigate risk. The highlights of this report are:

- 100 percent traceability to district level achieved
- Supplier engagement strengthened
- More than 30,000 trees planted

Going forward we will do even more supplier trainings to strengthen relationships and the compliance to our sustainable sourcing requirements throughout the supply base.

Even during the extremely challenging times and changing priorities, 2020 has clearly shown us the resilience of our supply chain set up. We are proud of how much we have achieved during this year and look forward to 2021. Our proven agility will ensure we drive relevant progress in our supply chains and be even better in the future!

Kolo Nafaso from a researcher's perspective – highlights from Amitava Chattopadhyay

It's been a long-standing interest of mine to understand how businesses can be a force for good. That desire stemmed from a conversation with a former classmate, a pioneer in social innovation, who cogently argued that there simply wasn't enough money in the form of charitable giving to alleviate poverty on a global scale. Thus, the best way forward was for business to invest behind social innovation, also referred to as sustainability.

Kolo Nafaso – a new way of doing business in shea

I was invited to give a talk at the executive committee meeting of AAK held in Singapore, in early 2018. In my conversations with senior sourcing representatives of AAK, I learned about the Kolo Nafaso programme and wanted to understand more deeply what AAK was doing in terms of creating a sustainable supply chain, working directly with the women from small-holder families in rural West Africa, who collected the shea kernels, the first link in the shea supply chain. My goal for learning more was threefold. First, there was my personal curiosity, the Kolo Nafaso programme seemed to be an interesting and meaningful initiative, that could impact poverty alleviation at scale. Second, I teach a class on strategies for social impact and profit, and this seemed to be an interesting example of just that, and I wanted to write a case study that I could use in my course. The third was that innovations like Kolo Nafaso pose challenges, since they require the balancing

of two motivations: profit and social impact. They also require managing the differences in perspective across functions, within the organization. This hasn't been studied in the management literature, and I saw an opportunity to contribute to the discussion of how to manage the balance by learning from the experience of AAK.

Smart financing interventions with more than one impact

The case study has now been completed, thanks to the access and support provided by AAK. It is based on conversations not only with AAK managers and executives who manage the programme and those responsible for marketing the Kolo Nafaso products, but also the beneficiaries of the programme; the small-holder rural women who pick the shea kernels. There were several eye-opening learnings for me, that I believe will be of great interest and value for students and indeed other businesses attempting to set up a supply chain working with a similar target audience.

First, by structuring the payment for the shea kernels innovatively, AAK has, on the one hand, managed to get money in the hands of the collecting women at the right time. On the other hand, it has converted income that used to be an intermittent flow, i.e., small payments from selling small quantities of the collected kernels at a time, to lump sum payments. These two changes have significant knock on

Progressing on responsible sourcing in shea – two parallel supply chains

Traditional supply chain

- No plantations – agroforestry
- Buying through suppliers and local partners
- Extra income for individual women

Traditional Shea Supply Chain



Kolo Nafaso – Women's groups supply chain

- No plantations – agroforestry
- Direct sourcing from women
- Extension officers providing extra training and support

AAK's women groups supply chain





effects. By paying the “pre-finance” at the beginning of the planting season, AAK has enabled the small-holder women to plant a larger portion of their holdings, as they are now able to pay for farming inputs like, a service to till their fields, buy seeds and fertilizer, and relevant agro-chemicals. The result is greater farm outputs from their existing resources. Likewise, by providing lump sum payments, the women can plan their expenditures and also use some of the funds to set up micro-enterprises, the latter generating further income for them. In sum, the result of the payment innovation is impacting the participating women to generate greater wealth through multiplier effects, alleviating poverty.

Training – a key pillar to drive progress

Second, AAK provides knowledge and training to the women collectors who participate in the Kolo Nafaso programme. The training focuses on how to process and store the kernels after the shea fruit is collected. The new process taught reduces the labor and resource (e.g., firewood, water) inputs required, while at the same time raising the quality of the output. The result is that for the women it’s not only less costly to produce the dried kernels for sale, but given their quality, there is less rejection on the grounds of quality, leading to higher earnings. For AAK, superior quality ingredients translate to better quality outputs.

Third, AAK has instituted processes for buying which have reduced labor requirements while at the same time having knock on positive effects through the ecosystem. By buying directly from the village women, with pickup at the village, the women are saved multiple long journeys to the local market, burdened with the weight of the kernels they carry, with no guarantee that they will find a buyer at a fair price. This physically taxing effort with uncertain outcomes has now been eliminated, freeing up time for the women and reducing uncertainty.

As well, AAK buys by weight, as compared to the traditional middlemen approach of buying by volume (head pan loads or tomato tin loads). The latter is impossible to standardize, enabling the middlemen to take advantage of the sellers. As the women have realized the advantage of selling by weight through their experience with AAK, middlemen too have been forced to adopt this approach, leading to more transparency throughout the supply chain ecosystem, not just the Kolo Nafaso supply chain. This is an important contribution to the entire shea ecosystem.

Financial infrastructure to increase transparency

Finally, AAK requires that all financial transactions occur through banks. By requiring that all funds go through bank accounts, the Kolo Nafaso programme has nudged the previously unbanked women to have bank accounts – a significant contribution as only 11 percent of Africans have bank accounts. Having a bank account opens up possibilities for the women collectors to have access to financial services that wasn’t possible earlier. For AAK the benefit has been a clear and transparent payment system, while at the same time eliminating the financial and safety risks involved in making large cash transactions, particularly in remote areas.

The thoughtful implementation of the Kolo Nafaso programme has reduced the cost to “produce” the dried kernels which AAK buys while at the same time improving quality. This has created important multiplier effects on the income side, to alleviate poverty in the communities where the Kolo Nafaso programme has been implemented. At the same time it has created a stable source of shea for AAK, a key ingredient for the company. Beyond the economic benefits, it has empowered the women and given them dignity. As one of the collectors I spoke to said, “I no longer have to beg, to borrow for emergency needs.”

“Amitava Chattopadhyay is the GlaxoSmithKline Chaired Professor of Corporate Innovation, Professor of Marketing, and Marketing Area Chair at INSEAD. Amitava’s research focus is on branding, creativity and innovation, and social innovation. He has published extensively in leading international journals. He has also published an award-winning book entitled *The New Emerging Market Multinationals: Four Strategies for Disrupting Markets and Building Brands*. He is a Senior Fellow at the NBS Center for Emerging Markets. He has served on the board of the Association for Consumer Research and is a consultant to multinational firms.”



Amitava
Chattopadhyay



Kolo Nafaso sustainability progress

We have reviewed our Kolo Nafaso KPIs for the 2020/2021+ season to better align it with our responsible sourcing approach and with our new purpose “Making Better Happen™”. In 2020/2021 we have furthermore externally audited our Kolo Nafaso program and we would like to reflect the key aspects we are working towards in the program.

Key achievements are:

Deeply understanding our supply base:

- 100 percent traceability to the program and a fully segregated supply chain at origin.

Engaging with suppliers and farmers:

- 4.5 percent growth of Kolo Nafaso compared to our last update in June 2020 with nearly 14,000 women
- 39 percent improvement since last season and more than 90,000 additional women

Driving impact beyond our supply base:

- Established new KPIs on water business funded

DEEPLY UNDERSTANDING OUR SUPPLY BASE

Traceability¹⁾

Traceability to Kolo Nafaso
level 2020/2021:

100%

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

Share of countries, season 2020/2021



Burkina Faso

Ghana

Ivory coast

Nigeria

■ Country level

■ Women's group

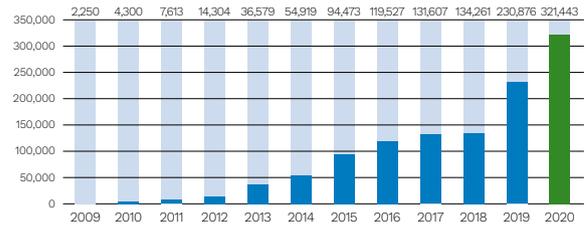
■ District level

■ Woman

ENGAGING WITH SUPPLIERS AND FARMERS

Number of women enrolled

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



Training¹⁾

Ambition 2023/2024:
 Minimum **95%** of all groups trained

Baseline 2020/2021
NEW

Achievement 2020/2021:
18%

¹⁾ Includes quality, health and safety and resource efficiency trainings. Training will be renewed in a cycle of every four years.

Bonus use education

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

First reporting end of season 2020/2021

Percentage of groups having individual financial solution

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

Achievement 2020/2021:
84%
 Baseline 2020/2021 **NEW**

DRIVING IMPACT BEYOND OUR SUPPLY BASE

Number of water businesses funded¹⁾:

Ambition 2024/2025:
15

Baseline 2020/2021:
NEW

Number of people reached through water businesses:

Ambition 2024/2025:
6,500

Baseline 2020/2021:
NEW

¹⁾ AAK is working together with our partner Saha Global to bring entrepreneur water businesses to our Kolo Nafaso communities in Ghana. In 2020 we have supported the Emergency Water Fund and initiated the partnership.

CUSTOMER PROJECTS

AAK is enabling Kolo Nafaso customers to further engage in impact projects that fit with local needs. The projects are funded by customers and supported by in-kind resources of AAK.

Number of rocket stoves built¹⁾

Achievement 2020/2021:
7,098
+20%

Number of trees planted²⁾

Achievement 2020/2021: **900**
 Baseline 2020/2021: **NEW**

¹⁾ Accumulative. Base year 2016/2017. ²⁾ Accumulative.

The SDGs in the Kolo Nafaso shea supply chain

AAK is connecting our contributions to the Sustainable Development Goals (SDGs) in the shea supply chain based on risk and our capability to positively contribute to certain regional challenges. Our Kolo Nafaso supply chain has been developed to address key challenges locally, mainly focusing on social issues. We have the potential to positively impact several SDGs while addressing these key

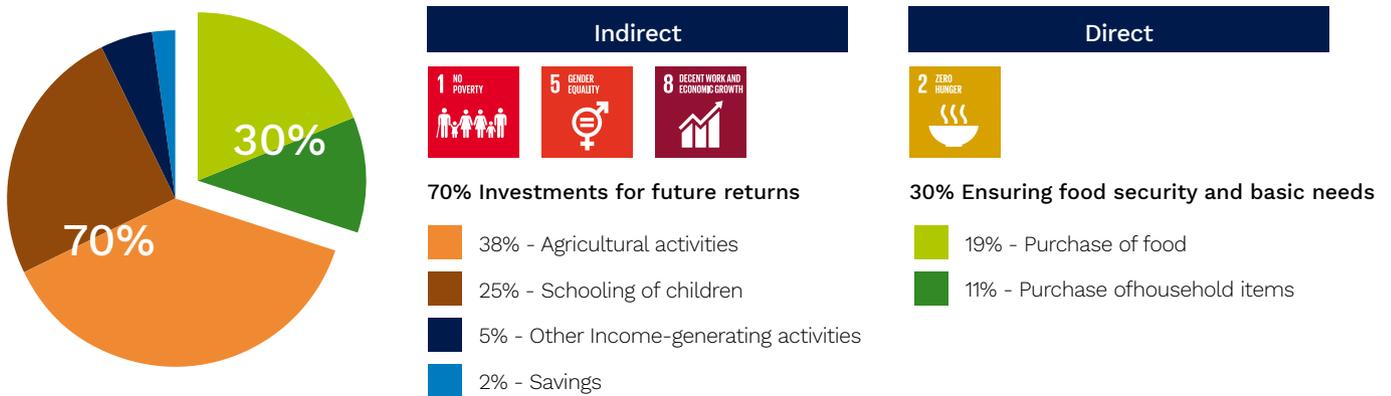
challenges. We are working with primary and secondary SDGs for Kolo Nafaso, these priorities have been identified based on severity of risk locally as well as AAK's reach to mitigate. Please find below an overview of our focused SDGs as well as a detailed description how we are contributing to the more specific targets.

AAK's contribution to the priority SDG's in the Kolo Nafaso supply chain

SDG	Target	AAK's activities contributing to the SDGs	
		<p>Poverty alleviation through:</p> <ul style="list-style-type: none"> • More than 320,000 women have access to pre-financing in times of need • Full ethical and transparent business relationship • Freedom to do business for women, buying guarantee • Three payments per year instead of one 	<p>Direct Trade</p> <p>Pre-financing</p> <p>Bonus</p>
	 	<p>Reduced hunger and improved agricultural productivity through:</p> <ul style="list-style-type: none"> • Investment of pre-financing in food • Investment of pre-financing in agriculture • See figure of page X 	Pre-financing
		<p>Women empowerment through:</p> <ul style="list-style-type: none"> • Confirming the economic value of shea • Strengthening women's role as economic actors in their communities 	Women empowerment
		<p>Improve access to financial services through:</p> <ul style="list-style-type: none"> • Providing minimum 95 percent of groups with an individual financial solution by the end of season 2024/2025. 	Financial solution
		<p>Improved awareness for lifestyles in harmony with nature trough:</p> <ul style="list-style-type: none"> • Steaming of kernels instead of boiling them increasing resource efficiency and reducing energy need, • Training to take care of new tree seedlings and don't cut shea trees 	Training



Indirect and direct impact of the AAK Kolo Nafaso pre-financing



- **70 percent of the pre-financing** money is invested for **future returns**. Investing money in for example agricultural activities will increase food security for the next season and potentially enable the women to sell surplus and make an extra income
- **30 percent of the pre-finance** are invested in **immediate needs**, helping especially lower income families during the low agricultural and low income season in the spring

SDG	Target	AAK's activities contributing to the SDGs	
		<p>Enabling access to safe drinking water through:</p> <ul style="list-style-type: none"> • Saha Global partnership • Ambition to reach 6,500 people by the end of season 2024/2025 	Access to clean water
		<p>Support improvement in energy efficiency through:</p> <ul style="list-style-type: none"> • Training women in rocket stove construction • More than 7,000 stoves constructed since 2016 <p>* Rocket stoves are an additional engagement of AAK together with our customers on Kolo Nafaso, but not part of the standard offering</p>	Rocket stoves*
		<p>Develop quality, reliable, sustainable and resilient infrastructure through:</p> <ul style="list-style-type: none"> • Providing logistic services to more than 320,000 women 	Logistics

Kolo Nafaso’s first external verification audit

With the continuous growth and success of Kolo Nafaso, in 2020 AAK took action to reinforce the Kolo Nafaso due diligence process. AAK contracted Proforest to conduct an external verification of Kolo Nafaso’s standard operating procedure.

Proforest is a not-for-profit organization having expertise in transforming commodity supply chains and sectors through developing awareness about sustainability, helping to generate commitment to better practices, supporting implementation of these commitments and working with the wider community to increase the positive impact. Proforest has offices in Ghana, Brazil, Malaysia and the UK.

AAK and Proforest are long term partners collaborating on responsible sourcing and sustainability topics, with ongoing projects in shea, palm, coconut and soy supply chains. The scope of the verification audit for the Kolo Nafaso standard operating procedure included:

- 10 claims of Kolo Nafaso,
- 25 indicators that support the 10 claims,
- 18 KPIs related to Kolo Nafaso results, some of which are reported for internal and others for external purposes integrated in our dashboard
- For internal purposes, Proforest also audited the compliance with AAK Standard Operation Procedures including document review and women groups and employees interviews.

Verification audits have been conducted on site in Ghana and remotely in Burkina Faso due to travel restrictions. Burkina Faso and Ghana were prioritized since they are the two largest Kolo Nafaso set ups. On the 25 indicators that are providing the proof of the key Kolo Nafaso claims, no non-compliance was observed. 81 percent of full compliance was achieved. We found opportunities to improve regarding alignment of training across countries as well as an accessible grievance mechanism for women. This has provided us with good input on how to make the program even better.

In addition to verifying our claims and strengthening our due diligence work, this first also confirms the high level of control of the Kolo Nafaso supply chain and illustrate the integrity and professionalism of AAK and our ambition to provide transparency to customers and stakeholders.

What’s in it for our customers?

- Contribution to poverty alleviation and women empowerment through training, pre-financing and bonuses as well as transparent way of doing business
- Indirect impact on whole communities through women investing, bonuses and access to water
- Full control of supply chain, strong due diligence and risk management
- Fully verified program by Proforest
- Additional engagement opportunities in line with companies’ sustainability targets (social or environmental)
- Fully segregated supply chain with traceability to women’s groups programs

In 2021, we plan to include Ivory Coast in the verification process and to improve the way we work with focus on grievance mechanism at woman level, as well as further alignment of all trainings across Kolo Nafaso. This way we will make Kolo Nafaso even better!

For customers and stakeholders who wish to consult the full Proforest report, ask your AAK contact or email sustainability@aak.com

Claims

Full compliance		44	81%
Partial compliance		10	19%
Non-compliance		0	0%

Example of indicators per claim



Transparency
Availability of a transparent weighing procedure (including giving copies of receipts with weights to seller).

Financial infrastructure
Number of bank accounts.

Bonus
Availability of records of paid bonuses and their bases for calculation.

Logistics
Record of kernels evacuation from communities indicating dates, names of communities, trucks identification, etc.

Freedom to do business
Systems to ensure freedom of association for Kolo Nafaso program, understood and implemented.

Pre-financing
Percentage of women that received pre-financing.

Direct Trade
Records of direct financial transactions between AAK and women groups are maintained.

Traceability
Segregation system and procedures in place and effective to ensure traceability.

Training
Records of trainings conducted including number of women trained, dates and topics covered.

Long term relationship
Records of dates of women group formation by AAK for Kolo Nafaso are in place.

“The Kolo Nafaso verification audit is a milestone on AAK’s responsible sourcing journey. Despite practical and Covid-related constraints, the overall assessment findings were very positive. The process identified areas of good practice and compliance, and also highlighted some opportunities for improvement along the supply chain within the source countries. AAK’s intention to conduct these external verifications on a regular basis demonstrates a commitment to continuously improve in their quest for responsibly sourced shea.”

Aristotle Boaitey
Principal Project
Manager at Proforest



Saha Global Partnership Update 2020

As Ghana continues to combat COVID-19, Saha Global is similarly working hard to support the partner villages through the Coronavirus Emergency Water Fund (EWF). The EWF, is in line with the national government's initiatives to provide all Ghanaians with free access to clean water during the pandemic. With it, Saha's women entrepreneurs are keeping up with demand for clean water, which has been growing as we approach the dry season, and water customers have consistently shared positive feedback.

EWF Results to Date

To date, the EWF has met all of the program's goals around water access, knowledge and practice of handwashing, and social distancing protocols at the business. Furthermore, Saha have seen a 9x increase in clean water consumption across all communities participating in the program. Saha implemented the EWF in 225 villages (with approximately 100,000 residents), where 99 percent of the 1,000 people surveyed in person reported consistent free water access. These results are consistent with Saha's field staff's observations. As a result, 94 percent of the women entrepreneurs qualified for end-of-the-month bonus payments

in October. Since June, this number has stayed consistent, with 94–96 percent of entrepreneurs qualifying for bonuses each month. Monthly payments and bonuses from June to October have all been successfully distributed. From June–October, the entrepreneurs across these 225 water businesses have treated over 8 million liters of water.

As for EWF-specific behavior change initiatives, over 97 percent of water customers and village VIPs reported that the entrepreneurs wear masks and follow social distancing guidelines while working at the water businesses. On-the-ground observations by Saha's field staff confirm this. Saha staff members have observed that 92 percent of entrepreneurs wash their hands frequently at the Saha business. In addition, 93 percent of water customers surveyed about hand hygiene knowledge and practice said they know how to wash their hands properly.

AAK has started to support Saha Global's work in 2020 and contributed to the EWF. Going forward we will be funding new water businesses in our Kolo Nafaso communities in Ghana. You can follow the ambitions and progress in our Kolo Nafaso dashboard.

Testimonies from water entrepreneurs

Saha Global has asked some of their water entrepreneurs to tell about their achievements and positive stories as an entrepreneur.

Why did you choose to become an entrepreneur?

“People knew me as a hard worker so the community nominated me.”

What is something you are now able to do, that you weren't able to do before you were a water entrepreneur?

“I can now buy sandals, clothes and books for my children.”



Mrs. Zulfaw
from Tolon, Northern Ghana

Can you tell a story about someone in the community who has received water from you and how it has improved their life?

“(A man from the village), he is fetching water so much. He is typhoid patient, after treatment from the hospital he takes the water very serious.”



Mrs. Maymunatu
from Gonja Central Distric, Northern Ghana



Saha Global is an NGO that gets clean drinking water to the poorest people in the most remote parts of the world. Their mission is to reduce waterborne disease so that children do not die before they turn five. Saha works in the northern region of Ghana where the goal is simple: get poor people to drink clean water. Saha partners with entrepreneurial women in the villages and sets them up with a chlorinating business that provides clean water that all can afford.



Traditional shea

In this progress report we are presenting our updated sustainability KPIs for the traditional shea supply chain. During 2020 AAK has launched a new purpose “Making Better Happen™”. This was an excellent opportunity to reflect on our responsible sourcing progress and reporting in the traditional shea supply chain which covers 55–90 percent of AAK’s total sourced shea volumes depending on the season. The updated dashboard, reflects this approach and includes only KPI’s and due diligence work-streams fit for purpose.

Going forward our focus will be on providing traceability information to continue to better understand our supply base, reporting about supplier and supply chain engagement through new tools implemented locally (read more about this in the supplier engagement article on page 18) as well on the impact beyond our own supply base through tree planting in the shea belt as well as through local job creation with wider impact on families and the economy. Our new external KPI’s are better reflecting the true engagement with our supply chain and suppliers in West Africa and the journey we are on together towards compliance with our Policy for Responsible Sourcing of Vegetable Oils as well as creating positive impact.

Our key progress in the season 2020/2021 was:

Deeply understanding our supply base:

- 100 percent traceability to district level on sourced volumes

Engaging suppliers and farmers:

- Foundation for our future supplier relationships in West Africa established.
- Supplier self-assessments and trainings established

Impact beyond our supply base:

- In 2020/2021 31,370 trees planted and a total of 36,070 trees planted since 2019/2020. This represents an achievement of 24 percent of our overall ambition to plant more than 150,000 trees by season 2024/2025.

Traditional shea sustainability progress

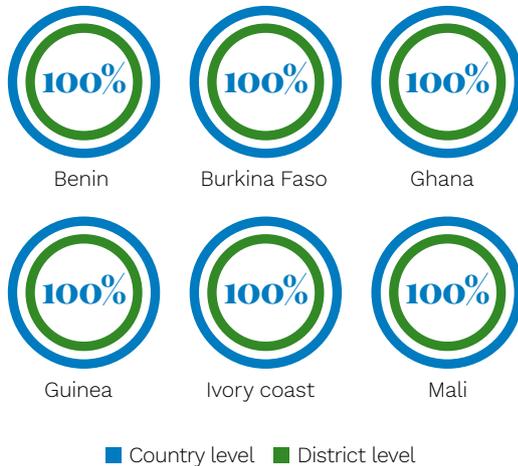
DEEPLY UNDERSTANDING OUR SUPPLY BASE

Traceability¹⁾

Ambition country level:
Minimum **95%**

Ambition district level:
Minimum **95%**

Achievements 2020/2021:



Percentage of traditional volumes ISCC certified²⁾:

Achievement 2020/2021:



- 1) We have the ambition to achieve 95–100% traceability to country and district level within our full supply base. Data collection is based on supplier input and still subject to continuous improvement.
- 2) Market driven under AAK umbrella.

ENGAGING WITH SUPPLIERS AND FARMERS

Suppliers completed self assessment

Achievement 2020/2021:

Ambition 2022/2023:
100%



Suppliers completed supplier training

Achievement 2020/2021:

Ambition 2024/2025:
100%

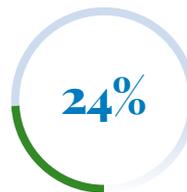


DRIVING IMPACT BEYOND OUR SUPPLY BASE

Number of trees planted³⁾:

Ambition 2024/2025:
150,000 trees

Achievement 2020/2021:
+31,370 trees



Accumulative. Base year 2019.

The SDGs in the traditional shea supply chain

The 17 Sustainable Development Goals are guiding all United Nations Member states on the 2030 Agenda for Sustainable Development. AAK is prioritizing our contributions to the SDGs in the shea supply chain based on risk and our capability to positively contribute to certain regional challenges.

Key challenges in the shea supply chain are:

- Traceability and transparency
- Shea collector poverty
- Health and safety risks eg sun exposure or snake bites
- Economic value of shea
- Longer term loss of the shea belt

For our conventional shea supply chain, we have prioritized goal 15 target 15.2 and 15.3, addressing the main environmental challenges we have identified in the shea belt. Furthermore, we have prioritized goal 8 target 8.7 focusing on human and labor rights in the shea supply chain and we are contributing to goal 17 target 17.9 through our newly initiated multi stakeholder partnership for tree planting. This prioritization is based on experiences in the field as well as our potential to positively impact.

The SDG's in the conventional shea supply chain

SDG	Target	AAK's activities contributing to the SDGs	
		<p>Take immediate and effective measures to eradicate child labor though:</p> <ul style="list-style-type: none"> • Zero tolerance policy on AAK yard level • Supplier engagement and education, including awareness campaign 	Anti-child labor
	 	<p>Promote the implementation of sustainable management of all types of forests and combat desertification:</p> <ul style="list-style-type: none"> • Supporting the "Action for Shea Parkland Management" driven by the Global Shea Alliance • 36,070 trees planted since 2019/2020 • Ambition to plant 150,000 trees until the end of season 2024/2025 	Tree planting
		<p>Enhance international support for implementing effective and targeted capacity-building through Tree planting initiatives and trainings with:</p> <ul style="list-style-type: none"> • Global Shea Alliance, • the national association of women collectors in Benin (FNPK-Benin), • GIZ in Burkina Faso • Tree Aid in Ghana 	Tree planting partnership

Engaging with suppliers and farmers in the traditional supply chain

In the season 2020/2021 AAK has taken significant steps to help our traditional shea suppliers improve the way they are working with us, improve transparency and their understanding of our Supplier Code of Conduct requirements. AAK understands that we are working in a sector that is more informal than other industries and therefore suppliers need different support.

We have developed the following supplier engagement tools for suppliers of raw materials in shea in 2020/2021:

- Supplier questionnaire and self-assessment
- Supplier Code of Conduct training session

The supplier questionnaire and self-assessment is a document based on AAK's Code of Conduct for Suppliers of Raw Materials and is the first step of our supplier engagement journey. The goal is for suppliers to be able to confidently and truthfully assess their compliance with AAK's Code of Conduct for Suppliers of Raw Materials. Our ambition is to engage all supplier by the end of season 2022/2023 and transform this tool into a working score card with 80% of suppliers showing improvements by 2025.

The updated traditional shea dashboard now reports on the ambitions and progress linked to our supplier engagement activities.

Insights from Benin:

In Benin, we had the pleasure to gather our traditional shea suppliers in our AAK yard in Parakou in July 2020 for the training on the AAK's Code of Conduct for Suppliers of Raw Materials as well as the self-assessment exercise. All activities have been executed with full respect of the Covid-19 measures.

We started the day with the self-assessment exercise.

Following the self-assessment, we gave a refresher presentation of the AAK Code of Conduct. Most of the questions we received from our suppliers were on the environment and the sustainability of shea as a resource, the traceability data required and how to comply with the AAK Code of Conduct in general.

We realized from our discussions that we still have the responsibility and need to really explain concepts like no-child labor, human rights, anti-corruption, etc. to our suppliers, and how they can behave every day to comply with our expectations. These concepts can sometimes be complex and intimidating for our suppliers operating in the West African context.

Our suppliers have understood the need to gradually enforce all principles of the CoC to ensure that the business relationship with AAK remains strong. I look forward to this new supplier engagement journey ahead of us in the next few years.



Guillaume Noirot
Countries Manager Togo,
Benin and Nigeria



Child labor awareness campaign in West Africa – living our Code of Conduct

There are more than 150 Million children in the world still engaged in child labor, with 72.1 million children in Africa, accounting for the world's highest regional score (ILO: International Labor Organization). 71 percent of these children work in the agricultural sector.

This global situation puts AAK's operations in West Africa under a potential risk of child labor and requires risk assessments, due diligence, education and training to avoid it. In 2020 we have taken important steps towards enforcing our Code of Conduct at yard and office level and do not allow any presence of children there.

Prevention of child labor might be well integrated in many parts of the world, but we still need to make an active

effort in West Africa to roll it out to every level of society. To improve the understanding of AAK's rules, and to play a more active role in educating closest stakeholders, AAK has launched an education campaign about child labor in 2020. Our West Africa team displayed posters in offices, yards, weight bridges, central and bush warehouses to reach as many people as possible. The posters are used as a tool to engage discussion around child labor with the different stakeholders.

Through this campaign, AAK reaffirms its commitment to no-child labor to all stakeholders of the supply chain focusing on suppliers, drivers and tradesmen. We will further investigate best practices to prevent child labor in every stage of our West African operations where relevant.

AAK's contribution to the Action for Shea Parkland Initiative

In 2019/2020 AAK contributed to the rejuvenation and regeneration of shea parklands in Burkina Faso by planting 4,700 trees. In the previous shea progress report AAK communicated the commitment to further support the planting of 10,000 shea trees in 2020/2021 as part of Action for Shea Parkland Initiative founded by the Global Shea Alliance (GSA).

The targets for this initiative are ambitious and require sector wide contribution to preserve the shea parklands for future generations. The key targets are:

- **Planting 10 million shea trees over a period of 10 years in Benin, Burkina Faso, Côte d'Ivoire, Ghana, Guinea, Mali, Nigeria and Togo**
- **Protecting existing stock of shea trees**
- **Promoting natural regeneration**
- **AAK is committed to plant 150 000 trees by the end of season 2024/2025.**

So far in 2020/2021, AAK has developed tree planting partnerships in three countries including shea women producers federations, shea suppliers, NGOs, customers and private actors to play an active role in the regeneration of the shea landscapes.

In total AAK has supported the plantation of 31,370 shea trees in 2020 in partnership with different stakeholders and 36,070 trees in total since 2019.

From planting to growing.

Planting a tree is only one step on the journey of the rejuvenating of shea parklands. Some of the trees won't survive due to:

- bush fires,
- lack of maintenance,
- cattle,
- drought during the dry season.

The success of our initiatives is depending on collective effort that can only be reached through the engagement of all stakeholders and proper long term monitoring.



Benin

- Partner: National Association of Women Collectors (FNPK)
- **Trees planted in 2020/2021: 2,400**



Burkina Faso

- Partner: Kolo Nafaso communities, shea cooperatives, private shea actors and GIZ.
- **Trees planted in 2020/2021: 16,970**



Ghana

- Partner: GSA and Action for Shea Parkland Partnership
- **Trees planted in 2020/2021: 12,000**

Everything

we do
is about

Making Better Happen™

AAK specializes in plant-based oils that are the value-adding ingredients in many of the products people love to consume. We make these products better tasting, healthier, and more sustainable.

We enhance their sensory experience – by giving the silkier mouthfeel in premium chocolate, the juicier texture in a plant-based burger, and the puffier appearance in a lower-fat pastry.

We can also optimize their production by substituting existing ingredients with plant-based equivalents that give better efficiency. AAK's value-adding solutions enable our customers to be successful in a better way.

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

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



Explore more at
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