



Shea pre-harvest progress report June 2019

The Co-Development Company

AAK



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Introduction

Shea pre-harvest report 2019

AAK is proud to present the latest results of our responsible sourcing activities in our shea supply chains. This is our third shea progress report. Since our last shea progress report published in November 2018 the industry has anticipated the new shea crop. There are many activities taking place in the period between November and June and the women in West Africa are getting ready to collect and process the shea kernels, therefore this report is a pre-harvest report.

We are starting the report with an insight to the changing shea industry, have a look at sustainability activities of the Global Shea Alliance and share with you new findings by the FAO regarding environmental and social impact of the shea industry.

We continue the report with our latest shea dashboard. Presenting our responsible sourcing progress over the last 6 months. One highlight of the dashboard is that we have been able to increase the number of women enrolled in our Kolo Nafaso program by 72 percent, this means we are now

directly working together with more than 230,000 women in Kolo Nafaso. This was only possible due to a great performance from our team in West Africa.

AAK is celebrating 10 years of Kolo Nafaso in 2019. We have taken the opportunity to conduct an impact assessment of our program set up to make sure we are tracking according to our expectations. Our researcher Francois Questiaux is sharing his experience and results of the study.

Finally, we would like to conclude the report with a great example of team work. In the sustainability Partner Program we have been able to invest in the training and construction of rocket stoves in Burkina Faso.

We sincerely hope you will enjoy reading about the progress we have made over past 6 months and are looking forward to this coming harvesting season.

Laura Schlebés
Sustainable Multi Oil Manager, AAK



Change is a constant

While shea has been used for centuries, the industry is far from static and developments may be happening faster than ever before. On the supply side of things, it is driven by, but not limited to, urbanization in West Africa, changes of land use, landowning rights, mobile phone coverage, income distribution, etc. Over the last years, there has been an increase of processing units and factories in West Africa, which has changed the demand and the flow of shea as well.

AAK stays agile in an ever-changing environment. Our best tool is to stay close to the market which is primarily made up of the female collectors and the traders. The traders are not only a business link, but also a link to the 16 million women collectors working upstream in the shea supply chain. These women are the true foundation of the industry.

In May, the 2019 harvest was initiated across West Africa, this on the back of lower than average crop last year. While the crop production isn't fully transparent, the indications

we have and the signals we get through our strong ties with our suppliers look better than last year. Things can still change however, as the rainy season has a big impact on the accessibility and availability of shea. It is evident that the rainy seasons are never the same.

We engage with suppliers throughout the purchasing season, but also during the off-season to ensure we keep ourselves up-to-date on everything concerning shea. The engagement happens through social media, for example WhatsApp, weekly gatherings of key suppliers, organized supplier meetings, and political meetings where we approach politicians together with our suppliers.

Change is a constant and these changes will happen faster and more frequent as we move forward. AAK's team in West Africa is ready.

Kasper Torup-Villadsen,
Head of Sourcing and Trading, AAK West Africa

Global Shea Alliance's perspective on a sustainable shea industry

The shea industry has experienced exponential growth over the past 20 years, with shea exports estimated to have increased by 600 percent. Innovations in the confectionery, bakery, and cosmetics industries have contributed greatly to the increased demand across producing countries, and the trend is expected to continue. Effectively, multi-stakeholder efforts are crucial to developing and implementing strategies that delivers sustainable industry growth.

In 2014, the Global Shea Alliance (GSA), a non-profit industry association that promotes the utilization of shea globally, develops quality standard and ensures industry sustainability, launched a Sustainability Program, hinged on two key areas: women's empowerment and ecosystem protection. The program identifies industry-wide challenges and implements solutions through a multi-stakeholder partnership approach.

Under women empowerment, the program delivers warehouses to women shea collectors whose capacities have been developed through business trainings and linkage to buyers, as well as supplies equipment to ensure the health and safety of collectors. These result in an increase in income for the women collectors. Similarly, partners implement projects that protect shea parklands, such as trainings,

tree planting, and conservation of resources during shea processing.

Since its launch, the sustainability program has delivered 128 warehouses, being used by 290,000 women shea collectors who have been trained in various business development services, resulting in a 52 percent increase in annual income. Further, more than 16,000 health and safety equipment have been donated to beneficiaries, and over 122,000 seedlings raised for planting across the seven West African countries producing shea.

The GSA's 500 members are working together, and in partnership with donor organizations to ensure that the gains made in sustainability are strengthened and sustained.

Wunmi Osholake,
Deputy Managing Director, Global Shea Alliance

AAK has been a founding member of the Global Shea Alliance and our colleague Kasper Torup-Villadsen is part of the Executive Committee. We are working closely together with our customers and the GSA on the Sustainability Partner Program (see p.p. 12) and looking forward to continuing this partnership in the future.

Environmental and social impact in the shea value chain

As part of its Sustainability Program, the Global Shea Alliance (GSA), in partnership with the Food and Agriculture Organisation of the United Nations (FAO Regional Office for Africa), is conducting a multi-impact appraisal of the shea value chain in eight countries in West Africa, where 99 percent of the exports are from. The study uses the EX-ACT Value Chain tool (EX-ACT VC), developed by the FAO since 2016, to assess the value chain's contribution to climate mitigation, climate resilience, and socio-economic impact both in 2018 as well as under a growth scenario in 2032 in line with consequent sustainable land management investments mobilized through Great Green Wall all over West Africa Sahel (over USD 3 billion before 2030) and other initiatives.

Preliminary assessment results found that shea has enormous potential to mitigate climate change in West Africa. Based on preliminary results, every year, the shea value chain fixes 1.5 million tons of CO₂ in the soil. Relative to production volumes, every ton of shea kernel produced has a negative carbon footprint of 1.04 tons of CO₂. This positive environmental impact of the value chain stems

from its production system: shea trees grow naturally and are integrated with crops on smallholder farms, creating an agroforestry landscape that acts like a carbon sink. With a strategy of expansion of shea agroforestry areas supported by donors and private partners (7 million additional shea trees per year), such carbon footprint should reach 8 tons of CO₂ fixed per ton of shea kernel produced.

In addition, preliminary results of the study showed that, in 2018, every day of work generates USD 1.9 of value added for women. Overall in the region, the value chain has a gross production value of about USD 284 million and a value added of USD 203 million, which is mostly captured at local production level by collecting women and local processors. The gross income per collecting women is USD 75 per year.

The study is currently being finalized and will be published later in 2019. The objective is to leverage this new knowledge about shea potential for climate resilience to gather more investment in the value chain, from tree planting to empowering women, and supporting producing communities through shea purchases.

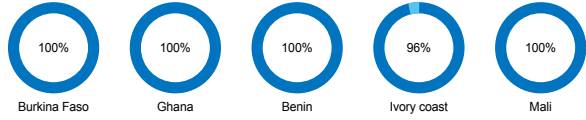
Shea dashboard

TRADITIONAL SUPPLY CHAIN

Supplier engagement



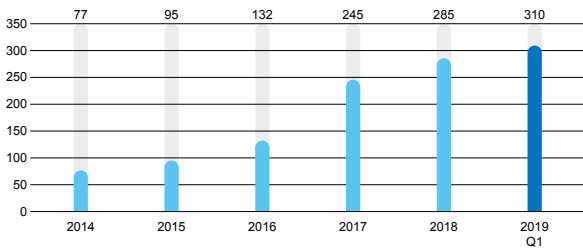
% of suppliers having signed the supplier code of conduct – Q1 2019



Employee statistics

West Africa

Number of permanent AAK employees in West Africa



26% increase between 2017 and 2019, Q1

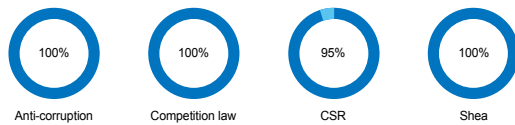
% of employees having signed the AAK Code of Conduct



% of employees trained in first aid



% of target group trained



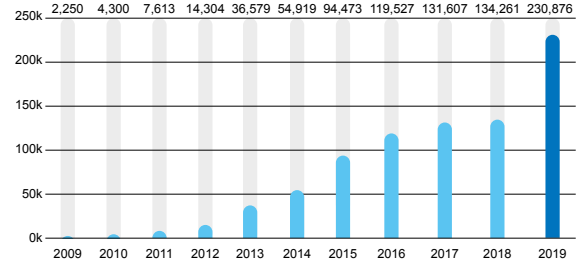
KOLO NAFASO (women's groups)

Direct engagement on women's groups level

72%

increase between 2018 and 2019

Number of women enrolled in Burkina Faso and Ghana

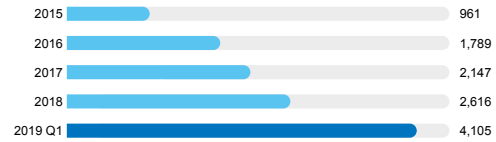


100% traceable and segregated*

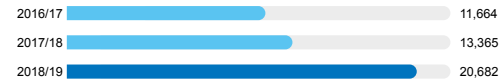
* The shea kernels from the women's groups program (Kolo Nafaso) are fully traceable to women's groups level and kept separated from the ones from the traditional supply chain all the way from sourcing to end product.

AAK engagement level

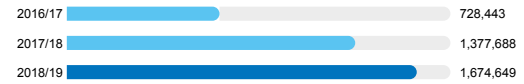
Number of bank accounts AAK has opened for the women's groups



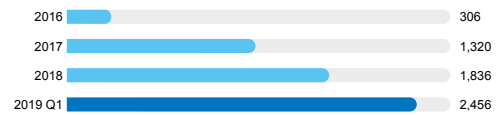
Number of village visits by AAK extension officers



Number of kilometers driven by AAK extension officers



Number of rocket stoves built



Tracking progress

Traditional supply chain:

Supplier Code of Conduct

Our supplier base is dynamic, some join AAK while others leave. Since our last report, we have been able to close the gap. At time of reporting 100% of suppliers in West Africa have signed the code of conduct.

Training of employees

Our employee base in West Africa is continuously expanding. We are making sure that every new employee has access to relevant trainings and working towards closing all gaps. Some functions in AAK require specific training related to sustainability issues. Currently, 100 percent of our relevant employees in West Africa have received training on anti-corruption, competition law and shea. We have been able to close the last gaps compared to Q3 2018 where anti-corruption was still at 95 percent completion and shea was at 96 percent completion. 95 percent of our employees are trained in CSR; this is 1 percent less than in Q3 2018.

Traceability

Below you can see our shea supply base map showing the origin of the shea that AAK is buying this season.

Kolo Nafaso:

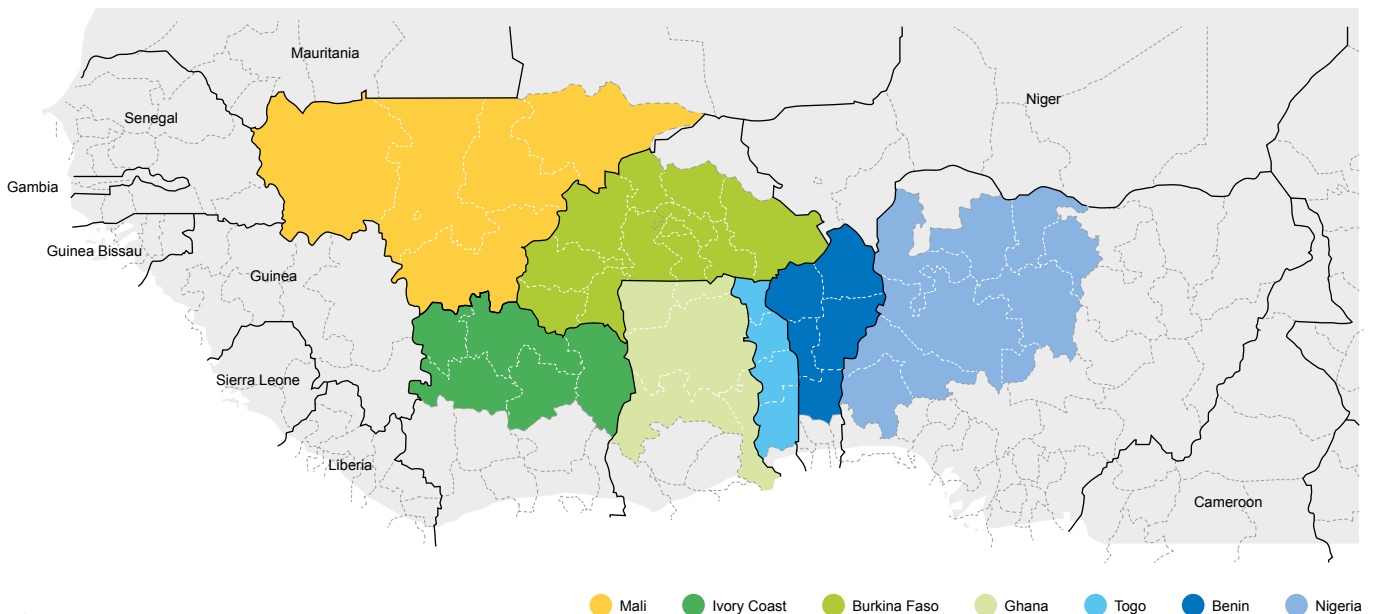
Number of women enrolled

This season we have been able to increase the number of women enrolled in our Kolo Nafaso program from 134,261 in 2018 to 230,876 in 2019. This is an increase of 96,615 women and nearly 72 percent. We are now operating in Burkina Faso, Ghana and Ivory Coast. The increase in membership was possible due to a very strong performance of all teams in West Africa and especially Ghana who have more than doubled their overall number of women enrolled. While we are still expecting to grow the program in the coming years, we do not expect to see the same growth rate.

Traceability

All shea kernels from our Kolo Nafaso program are fully segregated and traceable back to our women groups in Burkina Faso, Ghana and Ivory Coast.

AAK shea supply base map





Helping the women in the bank:
Extension Officer Taiba counting
cash and filling bank forms

Scaling up of Kolo Nafaso in Ghana

Getting started

The women's groups program in Ghana started in early 2015. It was a humble beginning with a limited number of women and groups, where the focus was on getting the process right, training our own staff, and gather as much experience as possible.

Luckily, we didn't start from scratch since we already had a lot of experience from our program in Burkina Faso, so it was more a question of adapting and adjusting to the local context.

After the first season we made a few adjustments to how we worked, mostly on the data management side, where it was clear that to expand and grow the program we needed to have a very strong and scalable structure, and obviously a team of very good people to support that.

In the following seasons we went through good growth rates, further building our experience and trust in our basic structure and processes.

The scaling up

The demand for a sustainable supply chain is increasing rapidly and during 2018 we felt ready for a major jump, which was initiated during the autumn of 2018.

The first challenge when going through such an expansion is to decide which areas to expand into. We need areas with a good shea tree population, but more than anything we need the women, so a certain minimum population density is also required.

A lot of kilometers on the dusty roads of Northern Ghana, mapping hundreds of villages, led to a final decision and the next step; recruiting, hiring, and training additional extension officers.

By the end of 2018 we were ready to go. The organization was in place, the areas identified, and the task of introducing ourselves to thousands of new women could commence.

By April 2019 the numbers we wanted were in – an incredible effort by our extension officers resulted in a doubling

of our numbers; more than 100,000 women registered, organized in groups, with bank accounts opened, ready to receive their pre-finance.

Building foundations

The timing of pre-finance is crucial to the women. The first rains in the spring usually dictate the need for cash among the women since this is the time for ploughing and sowing their farmlands. The exact time of the rains vary quite a bit from region to region, and we do everything we can to time our payments with their needs.

Most of the women we work with have never been to a bank before, and since many are illiterate they need help with counting and distributing the money to the group members. Therefore, it's all hands on the deck, helping the women in the bank, making sure that they get the exact amounts, and that the money are distributed in the villages to the individual group members without mistakes. Both we and the women know that if we don't get this right we will face a lot of unwanted challenges later in the season, so we have a very common interest that helps us in the process.

Looking forward

The big test of all the efforts will come during the summer when the women are ready to sell their harvest. The women are free to sell to whoever they feel have the best deal for them, and it is our job to make sure that AAK is their preferred choice.

We feel confident in our program and we have an amazing team of extension officers, but we also know that we constantly need to adjust and finetune our efforts in line with the women and the challenges they face in supporting themselves and their families through the shea business. We hope and believe that we also this season will be the preferred choice of the women!

Jakob Nybroe,
Women Groups Manager, AAK Ghana



Kolo Nafaso impact assessment

Kolo Nafaso is celebrating its 10-year anniversary this season. AAK initiated the program in 2009 in order to build a direct and lasting business relationship with the shea-collecting women in Burkina Faso. The concept is simple; AAK provides pre-financing, logistics, training and bonus payments to the women, and the women deliver high-quality shea kernels to AAK in a long-lasting supply chain. A win-win concept developed to support the shea collectors beyond the shea season. While we are continuously monitoring the perception of our program and the use of pre-financing and bonus payments, the 10-year anniversary motivated us to do an impact study of our Kolo Nafaso program.

We have partnered with a young professional, Francois Questiaux, specializing in Agricultural Development, to design and execute a helicopter view impact study of Kolo Nafaso. His findings will be used to set the direction for Kolo Nafaso in the future, building on what is good already and strengthening possible shortcomings. For this, he has spent two months in the field in Ghana working and living together with AAK's extension officers and women's groups.

Here he shares his personal experiences and professional results from the field work:

What do two months' field work consist of?

Maybe I should start with what it does not consist of. It's not a safari (although I saw cats and dogs), it's not vacation (although my forearms got burnt several times), it's not tourism (although I went to a lot of new places), it's not backpacking (although I did have a backpack). In other words, it's not another opportunity to pump up your Instagram account with exotic pictures.

Getting settled

I landed in Tamale at the beginning of February, that is, during the dry season. Lucky me, the Harmattan season was more or less over, which meant I didn't have to face giant dust storms and live in a continuously orange environment.

As soon as I got familiar with the city, its market, the office and the colleagues, I started the proper field work. Technically, this consisted of two main phases of three to four weeks each. The first phase focused on qualitative methods: interviews, focus groups, farm visits, mapping, observation, etc. I traveled to each of the seven zones in which AAK operates during that period to collect qualitative data from many women in various communities. The second phase of the field work focused on quantitative data and the elaboration of a questionnaire. The preliminary work was to first test the questionnaire and correct it, after which it was distributed to the whole team (20 extension officers) who carried them out within a week. Efficient, I would say.

The field work

Here is how the field work was done: Every weekday, I would leave for communities where AAK works, located between 25 and 300 km away from Tamale. The night would be spent in guesthouses, but once I got to know the extension officers better, I ended up staying in their house or in their backyard,

if it was too hot. Eventually, I turned out to be in Tamale only during the weekends (which were great!).

A normal day in the field for me is waking up very early, jumping on the motorbike, buying breakfast on my way to the first community, and eating it when there was time (mostly when we wait for some women for a meeting). I spent most of my time with AAK extension officers, who do not only speak the languages of the communities, but also know the people, are familiar with them, and therefore make it easier for me to be introduced to them. In the communities, we would meet several women. Group leader or group member; wife of the chief or single mother; wealthy businesswoman or modest farmer. Basically, any kind. The interview would be done under a neem or a mango tree, the size of the tree depending on the number of people involved in the activity: if you do a focus group with 30 women, you need more shade! We would talk with them: talk about their lives, their activities, their shea kernels business, their opinions, their interests. And in return, they would talk to us as well, asking questions. About anything.

No day like the other

Sometimes, other things would show up on the way, making the day inevitably different. An example of such a day was Monday, February 18. Unlike other days, we took a pickup to go to one particular community. After two hours of driving, we were almost there. We were on a slightly good red track, close to Salaga. On the way, some people waved at us. We thought there had been an accident and stopped the car to see what had happened. But no accident. Instead, a woman in labor, with her husband and another older woman, on the side of the track, no house around. We would be told later that they were on their way to the hospital until she realized she couldn't handle it anymore. Soon after, we

(Mohammed the driver and I), together with the family, put the woman in the backseat of the pickup where she gave birth to a charming little boy. Mohammed drove them back to the village where the umbilical cord was cut. We came back later in the day to see if the mother and her son were doing fine. Not only were we happy to see that everyone was doing great, but also, it was confirmed: that boy was charming.

The study results

And what about the outcome of this study? Let's just say that impacts are multiple, and nuances are highly needed when describing them. On the one hand, the field work showed that the pre-financing provided to the women can lead to very interesting business opportunities. Many women use it to venture into other income-generating activities, which in the end lead to an income way larger than the pre-financing. Beside this opportunity of multiplying effect, it also improves the women's perception of their own activities: some started farming their own plot because of the pre-financing, others ventured into small businesses. This all leads to a positive shift of women's perception of their own ability to venture into income-generating activities. This pre-financing is also highly appreciated by families with lower income, as they use it before the agricultural season begins to make ends meet in terms of food. On the other hand, some features of the program do not live up to its full potential. To withdraw money from a bank account can be perceived as a burden by some women. The bonus also leaves some room for improvement. While some women's groups could invest together to renovate boreholes, buy chairs, etc., most of the groups redistribute the bonus to each woman of the group.

In general, the program is valuable because it gives women the opportunity to do reliable business: every year, they know that the pre-financing will come, and they do not have to ask for money from other people of the community. Therefore, they can plan for the year, in terms of agriculture and other income-generating activities. Going forward, the program could consider targeting more community dynamics and gender disparities. Unfortunately, the impact study showed that the financial support given by the program does not, at the moment, lead to empowerment of women in the communities. The power position remains with the husband, even in families with very wealthy women.

The recap

So, two months after my arrival in early February, I could look back on many activities: 3,000 km by motorbike, more than 30 interviews and focus groups with women, several farm visits, calendars and farm mappings, and 122 questionnaires to process. And a baby delivery, by the way. Also, a lot of new colleagues, as I have been working with approximately 20 different extension officers. I am very grateful to them, as they gave me their time while keeping up with their normal tasks and did both in a professional and warmly, friendly way.





Partnership for sustainable livelihoods

As part of our Kolo Nafaso program AAK is committed to engage in projects and trainings to empower the women we are working with directly. To reach as many women as possible AAK is dependent on the help of our customers; together we can make the biggest impact.

In 2019 AAK has found a new Sustainability Partner, Evolution of Smooth (EOS) a US based forward thinking company focusing on sustainable and functional personal care products. EOS made a commitment to feature AAK's Shea Butter as their Hero ingredient. With taking this step, EOS continues to contribute to women's empowerment and supports projects that have a positive impact on lives as well as on the planet.

One of the projects that has been supported in 2019 was the AAK rocket stove training project. AAK has trained shea collecting women in Burkina Faso to build improved stoves (rocket stoves as we call them internally) from locally available material like termite soil, cow dung and straw. AAK conducts extensive training days teaching the women every step how to construct the stoves and replicate them later on their own (see page 14 for the impacts of the rocket stoves).

The AAK Sustainability Partner Program is supported by The Global Shea Alliance (GSA) and The United States Agency for International Development (USAID). The GSA will monitor the implementation of stove trainings, ensuring that the women really benefit from it.



With the help of EOS we were able to build 1200 additional stoves in 2019, and have a direct impact on the life of these 1200 women. The AAK rocket stoves are about 2,5 times more efficient than the conventional fire places, saving wood and protecting women and their families from smoke and heat. The highpoint of this partnership is the successful spread of knowledge and the empowerment of women to

use their stoves beyond shea kernel processing, creating free time for extra economic opportunities.

In AAK we are looking forward to a long lasting sustainability partnership with EOS and many more initiatives that have the biggest positive impact for the shea collecting women and for the planet.

EOS is committed to investing in the communities from which we source. Our fuel-efficient stove project in Burkina Faso is a great example of how we can make a positive impact in the lives of women shea collectors. We look forward to continuing to support the use of shea from registered cooperatives and the further development of sustainable practices in West Africa.

Laura Bierbaum, VP of PR and Corporate Communication, EOS

Rocket stove impact study



Together with two customers AAK has trained 5,892 women and built as many rocket stoves with locally available materials since 2016 in Burkina Faso. Between February and April 2019 AAK has conducted an impact study of our rocket stove project with the help of the NGO Nitidae. We wanted to assess our project and get a transparent and independent analysis on the success we were observing in the bush.

Nitidae assessed the rocket stoves, amongst others, according to the following KPI's:

- satisfaction level of women,
- efficiency (through WBT water boiling tests) compared to traditional three stone stoves*
- adoption rate or usage level



“In the group, aside of the shea activity, we also do “soubbala” (local spice made from seed of a natural tree *Parkia biglobosa* called *néré*). To prepare the soubbala we need a lot of wood. With the improved stove, we need 2 time less wood. That is how we can do everyday the soubbala activity. The other advantage is the security. The pot does not move on the improved stove unlike on the 3 stones stove.”

Dah Yeri Pauline, Village of Batie, Group Tietador



Satisfaction of the women and impact

We are really satisfied and proud of the results:

94.5% of women are satisfied with the project

The women interviewed listed many advantages of the rocket stoves. The most important one is reduced fuel wood consumption.

On average the rocket stoves have

2.5 times the thermal efficiency compared to traditional three stone stoves.

This is confirmed by the testimonies of women.

As **71%** of the women interviewed said that they collect the fuel wood in the bush, the increased efficiency of stoves has a direct impact on their life.

76% state using the rocket stoves frees up time in their day, because they cook faster and need less fire wood.

For the women who buy fire wood, the rocket stoves have a positive impact on household finances.



93% of women interviewed think that it is easier to cook with rocket stoves.

95% of women answered that rocket stoves generate less smoke than the traditional ones.





Degree of adoption

We are also satisfied with the degree adoption of rocket stoves.

92% of women interviewed still use at least one rocket stove even after months or years.

84% of women say they built new rocket stoves after the training for themselves or other women.

23% of women say they have been asked to build rocket stoves for other people as a favor.

The study has observed a small but not negligible trend of women selling stoves they built themselves. Even if it is a small percentage of the women interviewed, it shows how this training can lead to a new income generating activity.



“With the three stones that I used there is a very big difference: the three stones took a lot of wood, the wind carried the fire, the food is not cooked on time.”

Aminata Fofana, Village of Batie, Group Djiguya



“There is a lot of advantage in it, it does not take a lot of wood, we tried the big one there the other day. It did not take a lot of wood: I was the one cooking. Before with the three stones, it was difficult to prepare with the pot of size 30 inches. Now with improved stove, we use two or three woods instead of fifteen. It allows us to rest more since we gather less wood in the bush and it is economical.”

Kambou Deborah, Village of Bouroum Bouroum, Group Sigbedabo

In the future:

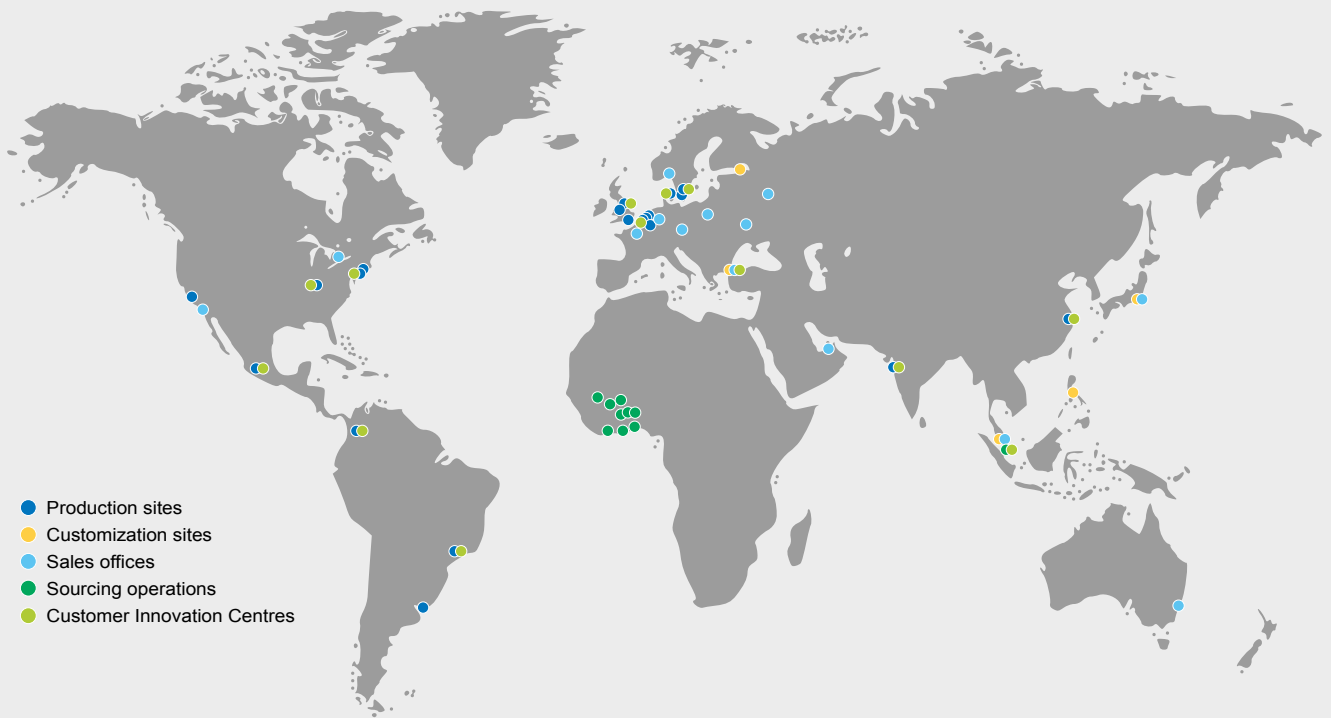
continuous improvement and reach more women

In the near future, we will use the impact study to improve the project and training method even further. For example, at the moment mainly small sized rocket stoves are used for daily cooking activities. We will look at possibilities to provide more big stoves used for shea boiling activities.

Furthermore, the study showed that women who had stopped using the stoves because they found it difficult to maintain them. We will look into a way to include some refreshment trainings.

But of course, the most important is to continue the project with more customers on board, reach more and more women involved in our Kolo Nafaso program and multiply the positive impact on forest and women livelihood.

*protocole available on: <http://www.cleancookstoves.org/our-work/standards-and-testing/learn-about-testing-protocols/>.



We are AAK

AAK is a leading provider of value-adding vegetable oils & fats.

Our expertise in lipid technology within foods and special nutrition applications, our wide range of raw materials and our broad process capabilities enable us to develop innovative and value-adding solutions across many industries – Chocolate & Confectionery, Bakery, Dairy, Special Nutrition, Foodservice, Personal Care, and more.

AAK's proven expertise is based on more than 140 years of experience within oils & fats. Our unique co-development approach brings our customers' skills and know-how together with our own capabilities and mindset for lasting results.

Listed on the NASDAQ OMX Stockholm and with our headquarters in Malmö, Sweden, AAK has more than 20 different production sites, sales offices in more than 25 countries and more than 3,700 employees.

We are AAK – The Co-Development Company.



AAK