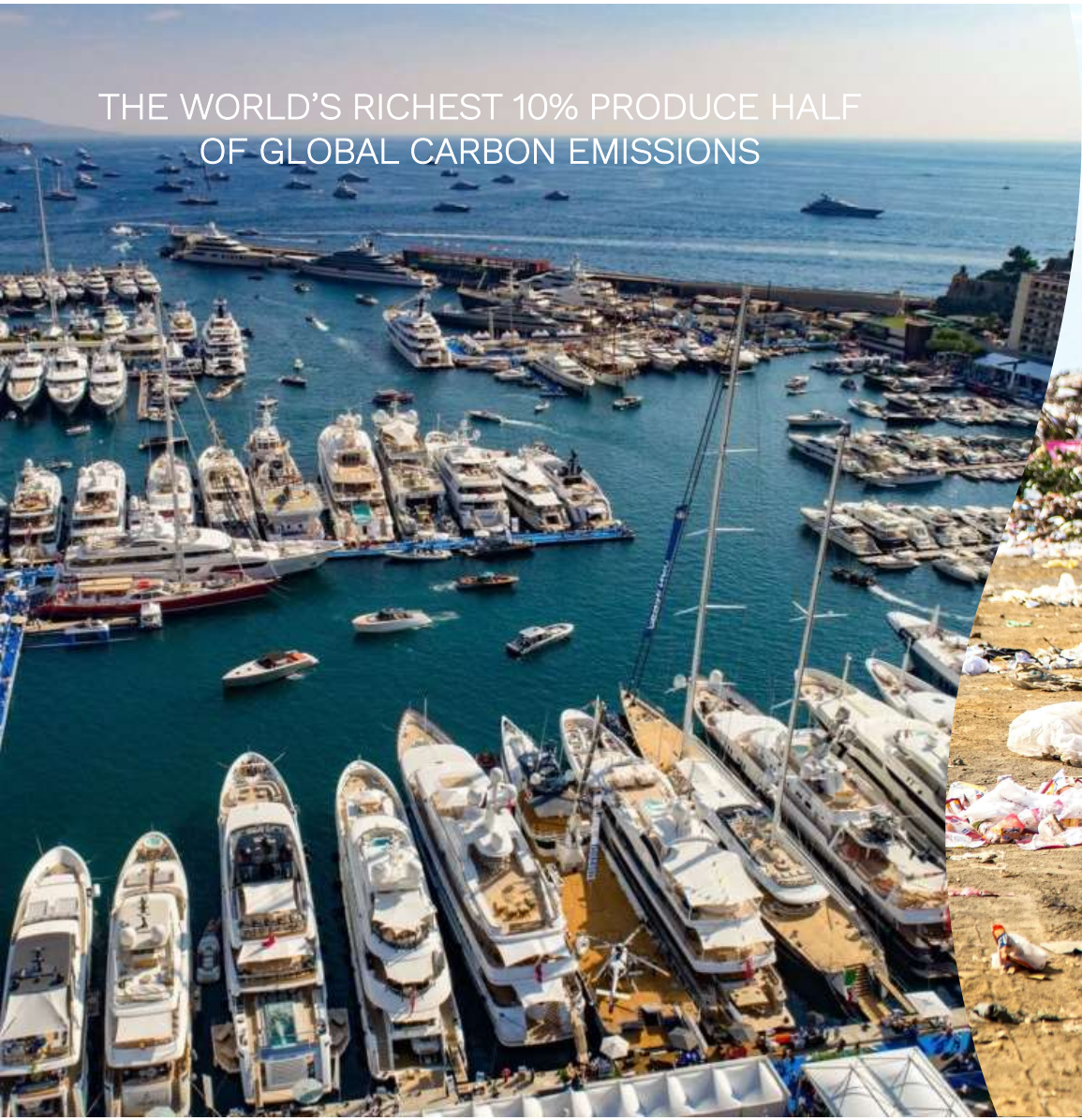
Introducing climate compensated shea

AAK Personal Care

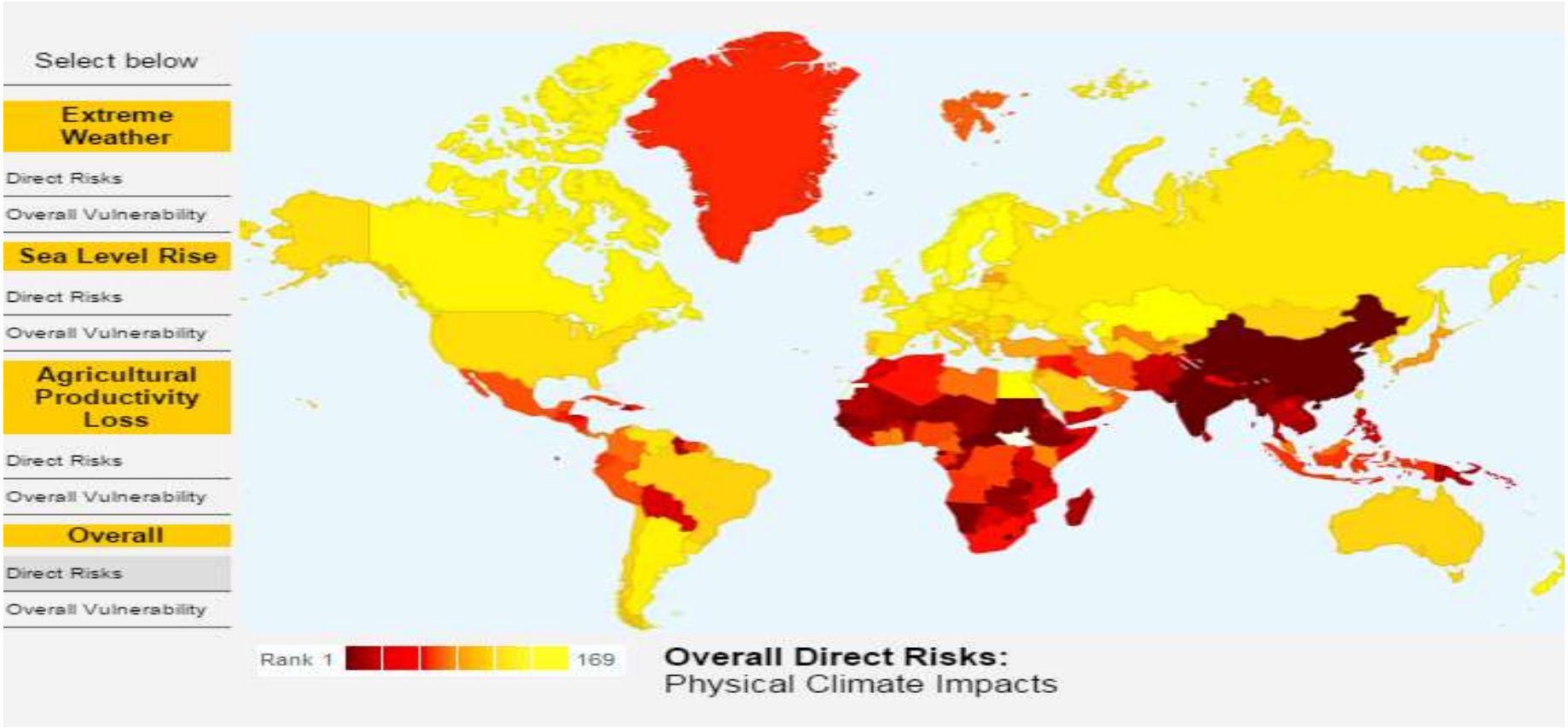
The Co-Development Company

THE WORLD'S RICHEST 10% PRODUCE HALF OF GLOBAL CARBON EMISSIONS



WHILE THE POOREST HALF OF WORLD POPULATION ACCOUNT FOR ONLY 7%

Inequality; the poorest suffer the most from climate change



Companies are taking action

- Setting science-based targets
- Mapping their impact and developing strategies
- And to reach the CO2 reduction targets, companies focus on reductions in their value chain (insetting) as well as buying carbon credits (offsetting)
- CO2 reductions are further encouraged through EU quotas and national taxation on emissions.

AAK is at the forefront of change

- As of December 2023, the SBTi has approved our AAK climate change reduction ambitions, aligned to the 1.5 °C trajectory set out in the Paris Agreement.
- Full details of our targets and progress will be published in the annual sustainability report.

The raw material preparation is a major driver of the total CO2 footprint of a personal care product

Our AAK priority in the coming years is implementing reduction measures within supply chains and offsetting the unavoidable fraction of the impact in the most effective and transparent way.

AAK


AAK has partnered with the FairClimateFund to credibly and fairly reduce emissions and fund climate action in the shea growing region.
FAIR CLIMATE FUND
AAK
The Co-Development Company

FairClimateFund

Focus on clean cook stove projects:

- Improved cookstoves
- Biogas stoves
- Solar cooking
- Pellet cooking

Connect projects to the carbon credits market, help secure funding and scaling

FAIRTRADE CARBON CREDITS™
FAIRTRADE | Gold Standard®

FAIR CLIMATE FUND

AAK

The project in Burkina Faso
Birds Bees and Business

Focus:

- Protecting and reestablishing the shea tree parklands to secure future income for the shea collecting women

Method:

- Conversion to energy efficient cook stoves with less need for firewood
- Cook stoves built from readily available materials. Method learned through training
- Improved cook stoves are safer and healthier to use, reducing smoke inhalation and burns for the women and their families.

Burkina Faso
Birds Bees and Business

Methodology:

- Carbon emission reduction of the improved cook stoves vs traditional open fires is measured with a prolonged Kitchen Performance Test.
- Carbon credits are issued based on the reductions – Gold Standard and Fairtrade.
- The ownership of the technology (the improved cook stoves) generating the carbon credits is retained in the communities
  - Access to funds, a Fairtrade principle
  - The communities decide how to use the funds

FAIRTRADE CARBON CREDITS™ Gold Standard

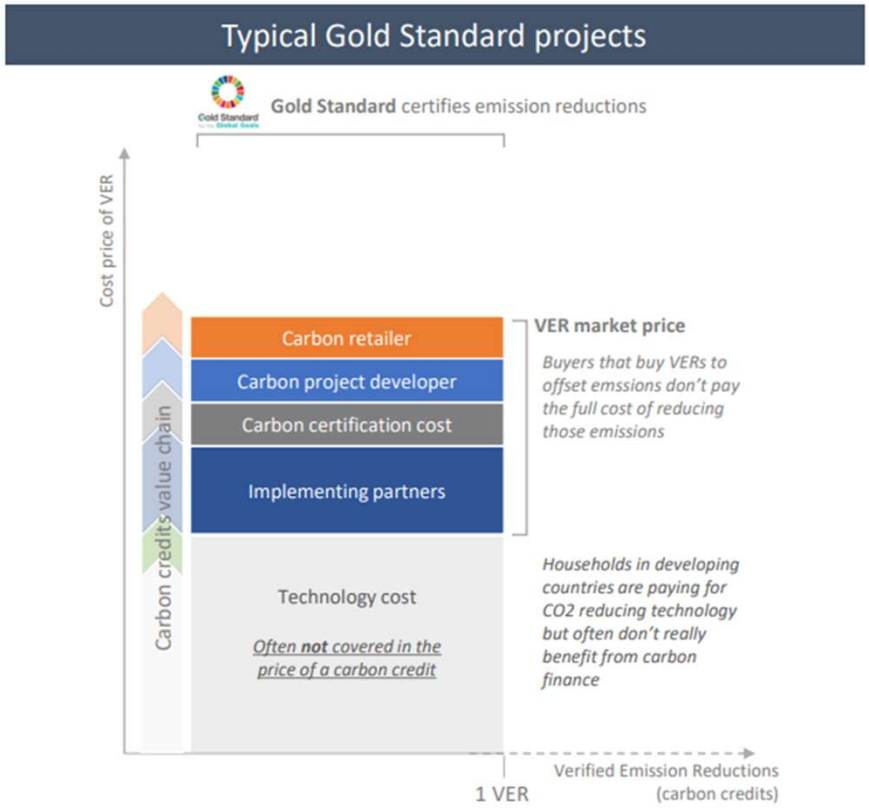
Burkina Faso
Birds Bees and Business

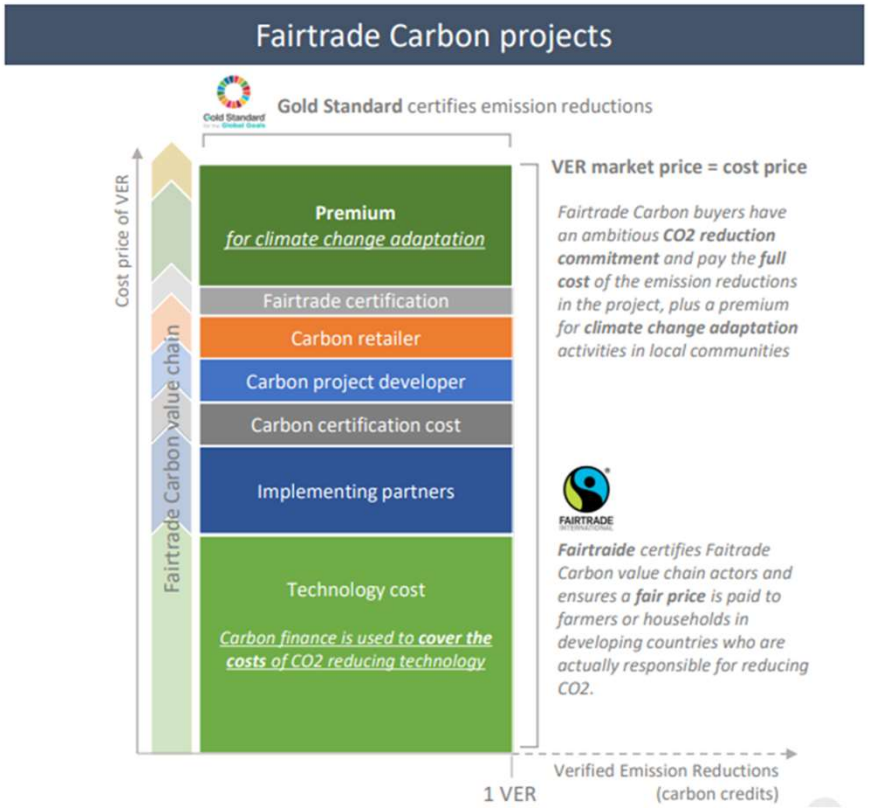
Securing future income:

- The carbon credit Fairtrade premium goes back to the communities for climate adaptation measures, such as tree planting to restore the parklands and secure biodiversity.

Birds Bees and Business | **Burkina Faso**

FairTrade certifed, Gold Standard Carbon Credits





Partnership benefits

- The carbon credits AAK buys enable us to deliver climate-compensated shea while funding this vital project that reduces emissions while improving health and safety and providing additional environmental funding for local communities.
- The project is in one of our shea supply regions, although not directly within the value chain.
- Gold Standard and Fairtrade certified – added access to finance through the fairtrade premium.
- Community empowerment through training.

Driving impact to make better happen for people and planet

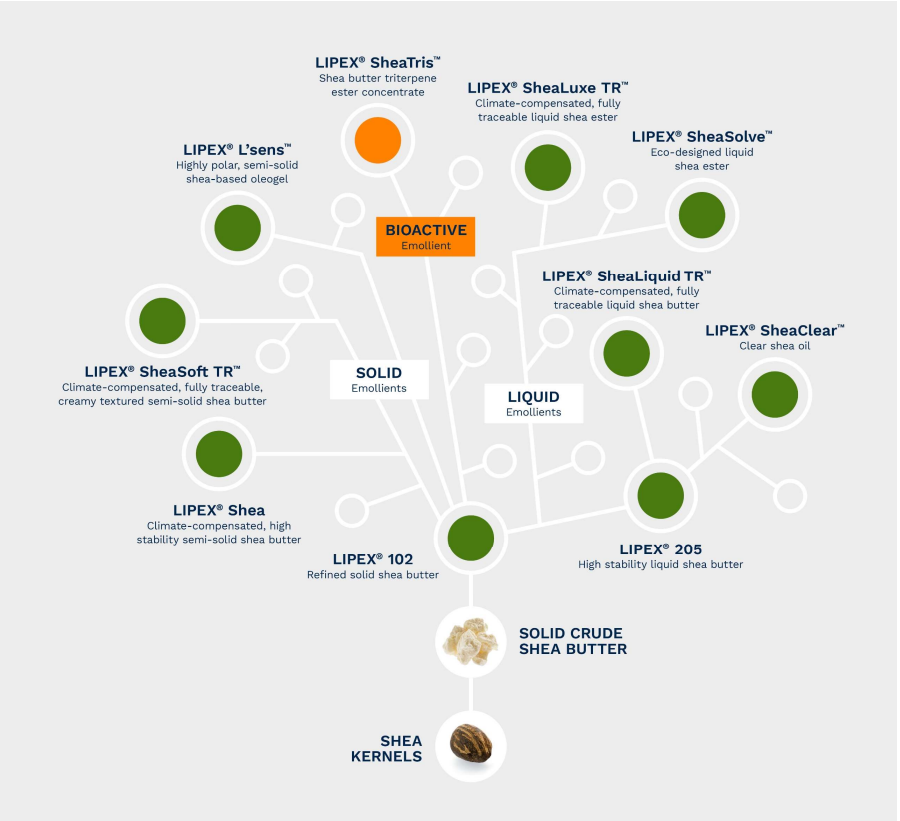
Climate compensated shea derivatives

Climate compensated shea derivatives

- Climate compensated products:
  - Lipex Shea
  - Lipex SheaSoft TR
  - Lipex SheaLiquid TR
  - LIPEX SheaLuxe TR

- Governance:
  - Product LCAs calculate all emissions from cradle to AAK gate to determine the CO2 footprint.
  - Matching purchase of carbon credits

Annual sales volumes per product
x
carbon emission factor
=
carbon credits needed



Thank you!

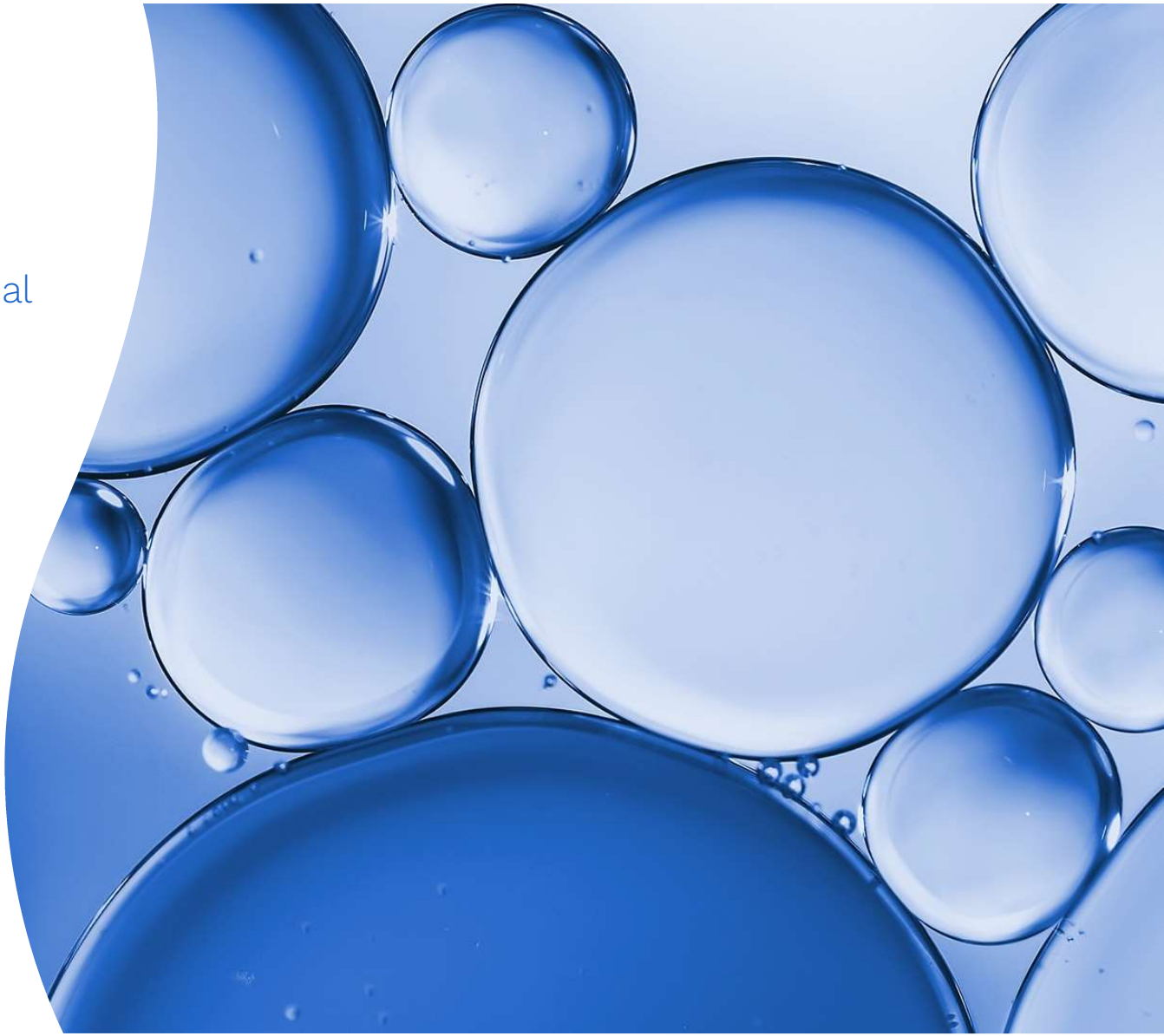
Appendix – backup slides

Appendix Content

1 Global warming; the need for decarbonization of raw material supply chains

2 Measuring carbon emissions

3 Insetting vs. offsetting



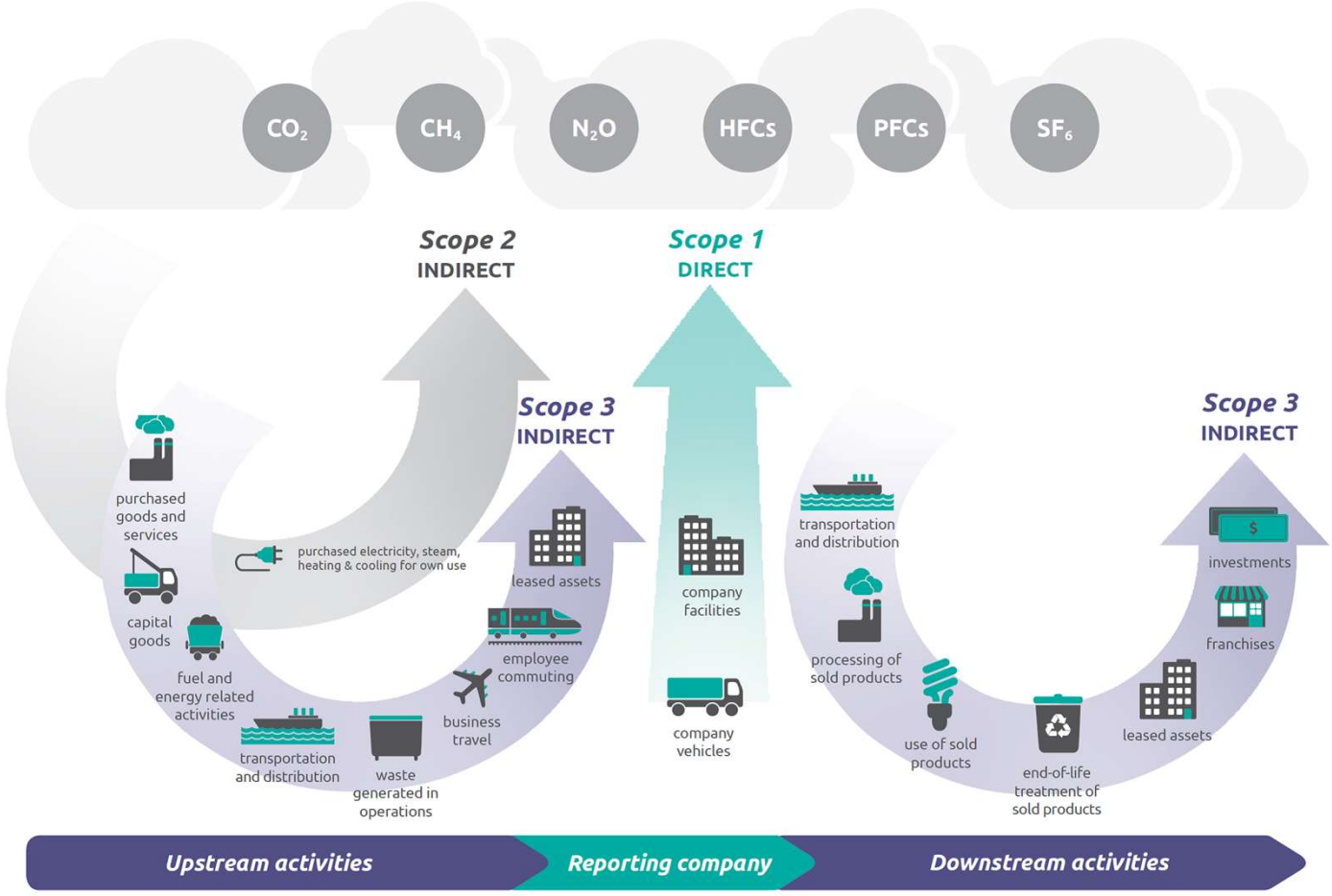
In order to limit global warming to 1.5C, the world needs to half CO_2 emissions by 2030 and reach net Zero by 2050*

*Intergovernmental Panel on Climate Change (IPCC) , 2018

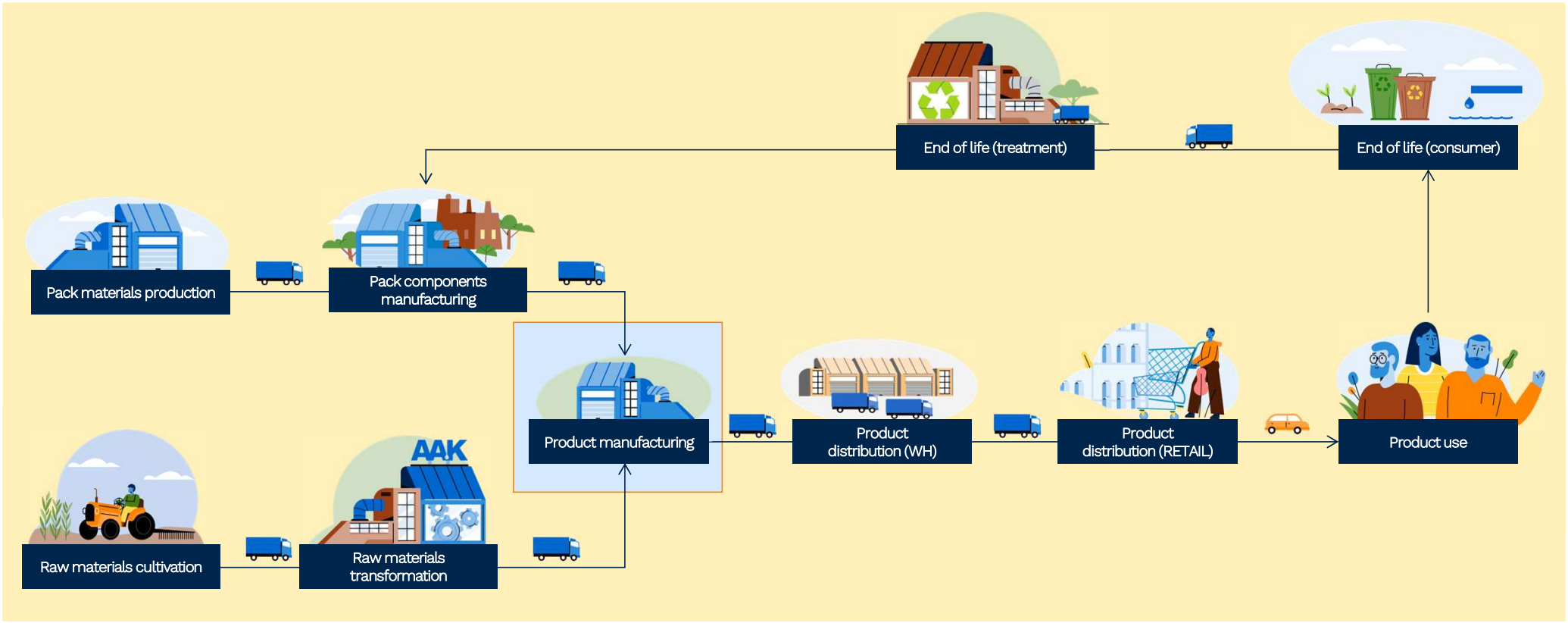
AAK

Measuring carbon emissions

Measuring emissions: understanding Scope 1, 2 and 3



Measuring emissions for a personal care product

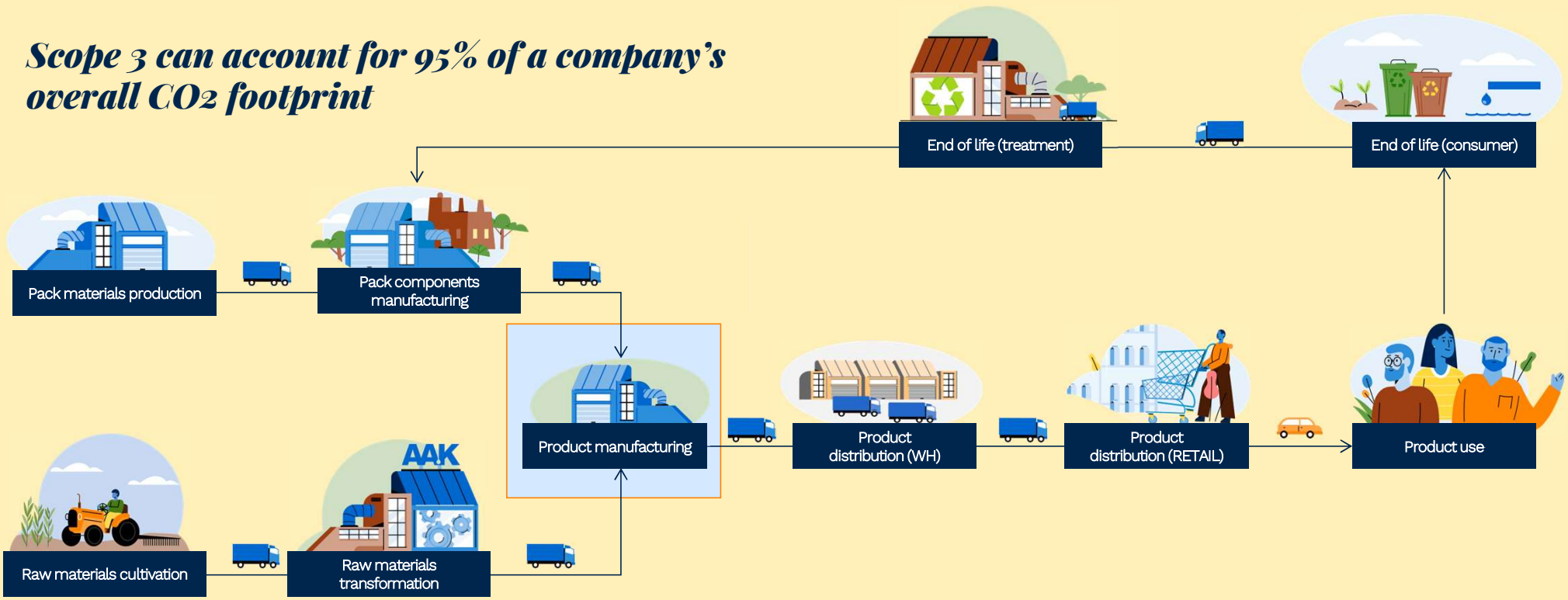


Knowing the hotspots is key to a good impact strategy

Emission scope 1 + 2 for a consumer goods company

Emission scope 3 for a consumer goods company

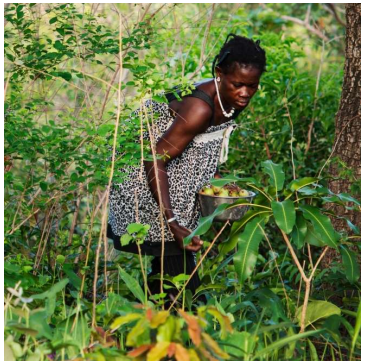
Scope 3 can account for 95% of a company's overall CO_2 footprint



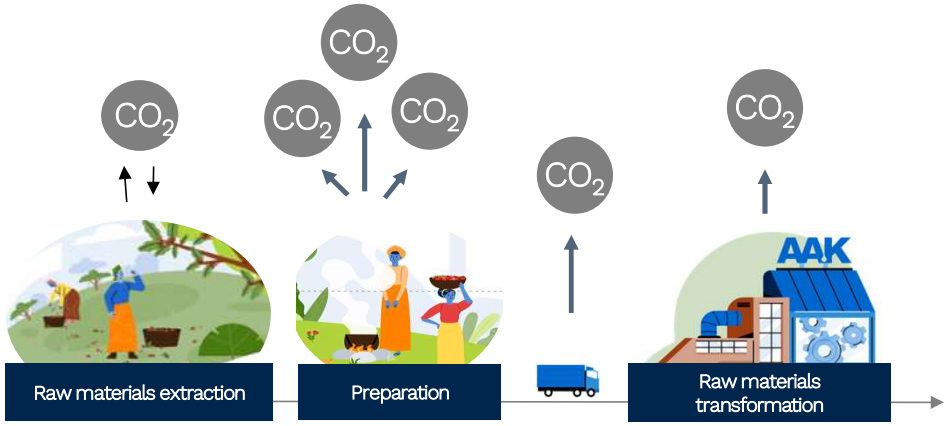
Raw material cultivation (FLAG) can account for 80% of scope 3 emissions*

For the shea supply chain, the hotspots are the local processing and logistics

Agroforestry and parkland growing → Collected by hand → Local processing (CO2 hotspot) → Logistics and shipping (CO2 hotspot) → Processing


Measuring the carbon emission (CO2/MT)

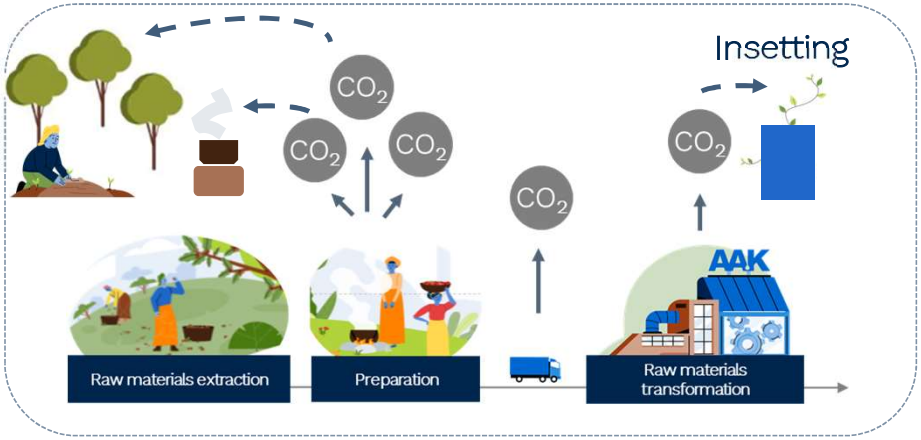


Example Lipex® Shea has a carbon emission factor of 3,17 cradle to gate

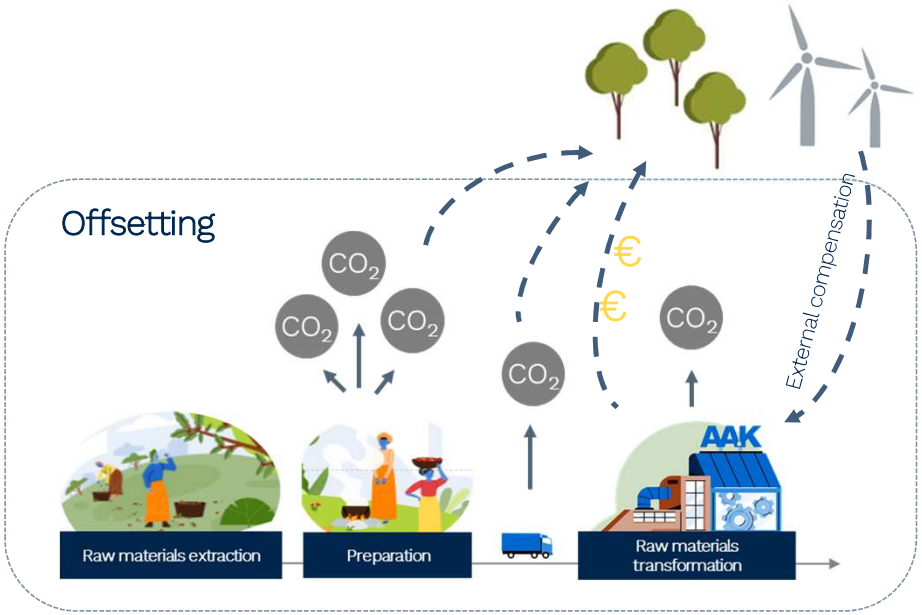
1 MT Lipex Shea = 3,17 MT CO2

Insetting vs. offsetting

Insetting vs. offsetting



- Improved cook stoves
- Biobiolers
- Reducing transportation
- Tree planting – internal compensation



- Buying carbon credits to compensate for the CO2 generated.
- The carbon credits are based on CO2 reductions generated somewhere outside our value chain