

The background of the slide is a close-up, macro photograph of several blue-tinted oil droplets or bubbles. The droplets are of various sizes, with some being very large and filling much of the frame, while others are smaller and scattered. They have a glossy, reflective surface, creating highlights and shadows that give them a three-dimensional appearance. The overall color palette is a range of blues, from deep navy to a lighter, almost white highlight on the droplets' surfaces.

Introducing climate neutral shea

AAK Personal Care

AAK

The Co-Development Company

In order to limit global warming to 1.5C, the world needs to half CO₂ emissions by 2030 and reach net Zero by 2050*

*Intergovernmental Panel on Climate Change (IPCC) , 2018

AAK



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

AAK can drive impact and play an important role for manufacturers in reaching targets to lower emissions

AAK





*AAK has partnered with the
FairClimateFund to credibly and
fairly reduce emissions in the shea
supply base*

AAK

The Co-Development Company

**FAIR
CLIMATE
FUND**

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



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 build from readily available materials. Method learned through training
- Applied not only to the shea boiling stoves but also to stoves used for daily cooking



Burkina Faso Birds Bees and Business

Result:

- Carbon emission reduction vs three rocket stoves is measured, and the use is monitored
- Carbon credits are issued based on the reductions – Gold Standard
- 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





Burkina Faso Birds Bees and Business

Securing future income:

- A climate adaptation premium on the carbon credit price is encouraged to be used by the communities for initiatives like tree planting to restore the parklands and secure biodiversity

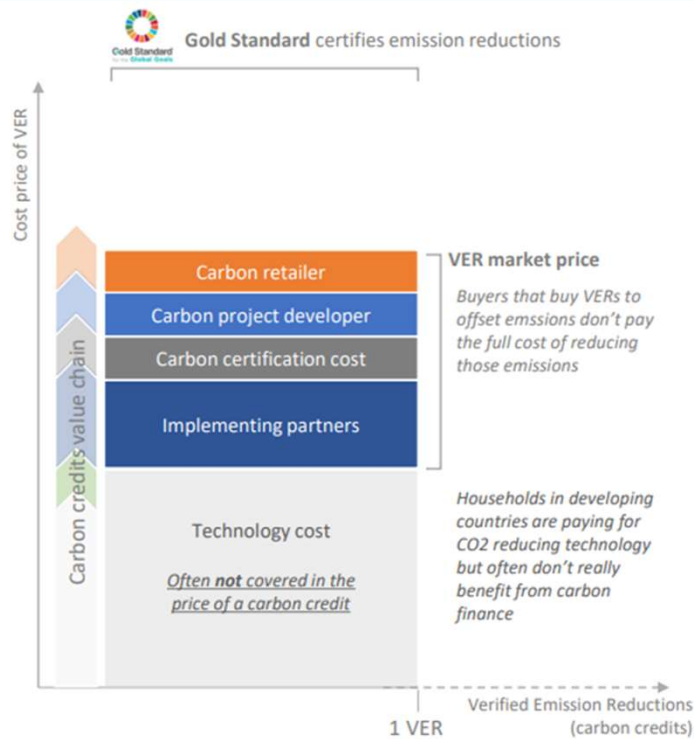


Birds Bees and Business

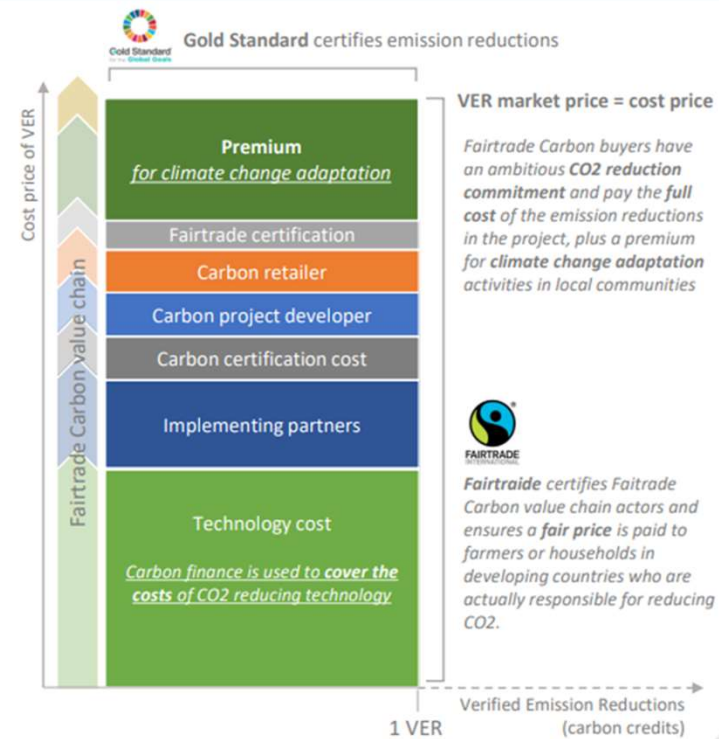
Burkina Faso

FairTrade certified, Gold Standard Carbon Credits

Typical Gold Standard projects



Fairtrade Carbon projects





Partnership benefits

- The carbon credits AAK buys enable us to deliver climate neutral shea
- Meeting industry and society needs to reduce supply chain emissions
- Supporting our customers in reaching their targets
- Through energy efficient stoves – reducing CO2 emissions and improve health and safety conditions
- Adjacent to our Kolo Nafaso supply chain
- Gold Standard and Fair Trade certified – added access to finance through premium
- Community empowerment through training

Win-win-win initiatives!

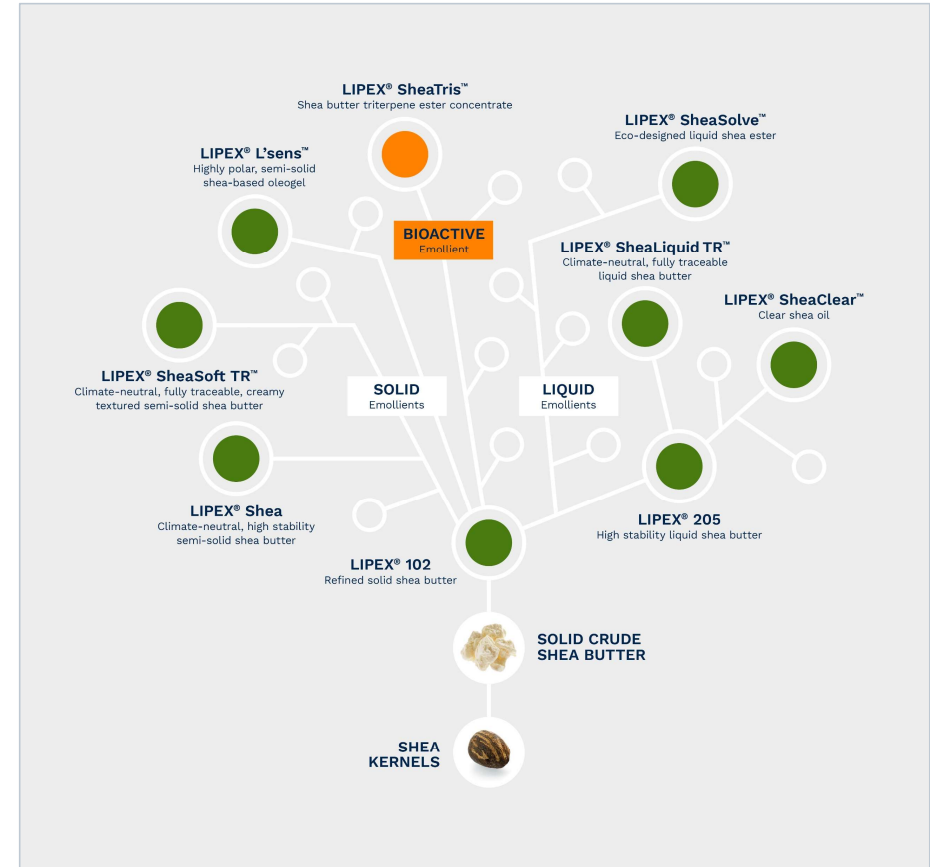


Certified climate neutral shea derivatives

Certified climate neutral shea derivatives

- Climate neutral products: Lipex Shea, Lipex SheaSoft TR and Lipex SheaLiquid TR (January 1st 2023)
- The climate neutral claim is verified and certified by SouthPole. We only get certified when we also engage in inseting initiatives to lower the carbon emissions in our supply chains
- **Verification and Certification:**
 - Product LCAs evaluated cradle to gate and the CO2 foot print determined
 - Our matching purchase of carbon credits

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



Climate neutral claims guidance

Claiming climate neutrality

Supporting the customers corporate CO2 reduction targets

- CO2 emissions are lowered in your scope 3

Example:

- If you buy 100MT Lipex Shea => it results in a 320 MT carbon emission, but by applying the credits we set this at 0 scope 3 emissions
- As AAK is compensating the emissions and delivering a carbon neutralised ingredient, the reductions can be claimed as scope 3 reductions according to PAS 2060 (a specification detailing how to demonstrate carbon neutrality produced and published by the British Standards Institution)

On product claims

- The carbon neutral shea contributes a lower total carbon footprint of the formulation
- For reformulations this may be relevant to communicate as a carbon emission reduction %
- The climate neutral shea, can only be communicated on pack, if the only shea in the product is Lipex Shea, Lipex SheaSoft TR, Lipex SheaLiquid TR or Lipex SheaLuxe TR.
- Example: *Contains climate neutral shea.*
- The SouthPole Climate Neutral Product stamp cannot be used unless the consumer product has been neutralised, verified and certified by Southpole

The background of the slide is a close-up photograph of several large, translucent blue bubbles. The bubbles are of various sizes and are clustered together, creating a sense of depth and movement. The lighting is soft, highlighting the smooth, glossy surfaces of the bubbles. The overall color palette is a range of blues, from deep navy to a lighter, almost white blue at the edges of the bubbles.

Thank you!

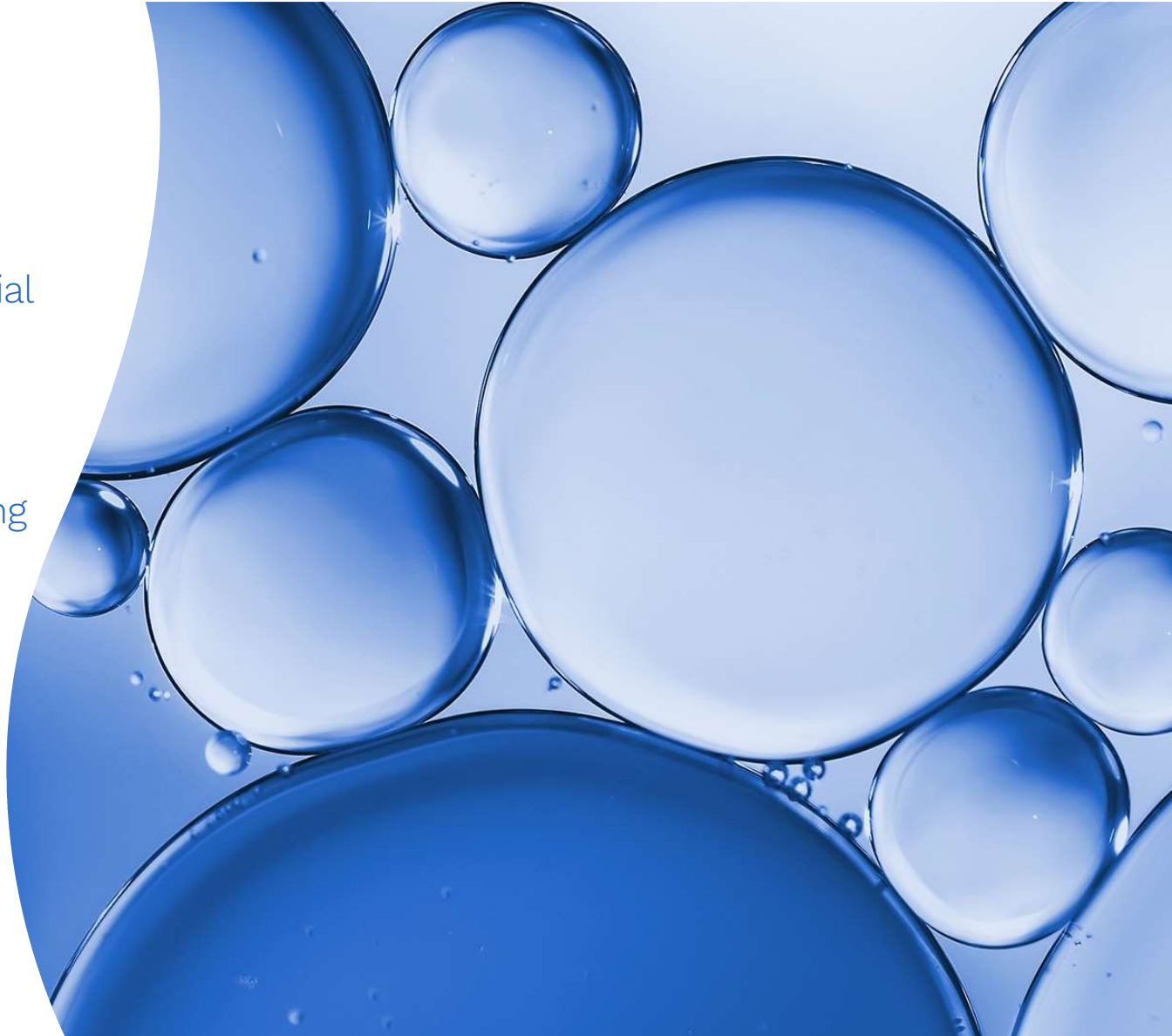


The Co-Development Company

Appendix – backup slides

Appendix Content

- 1 Global warming; the need for decarbonization of raw material supply chains
- 2 Measuring carbon emissions
- 3 Reaching carbon reductions through inseting and offsetting



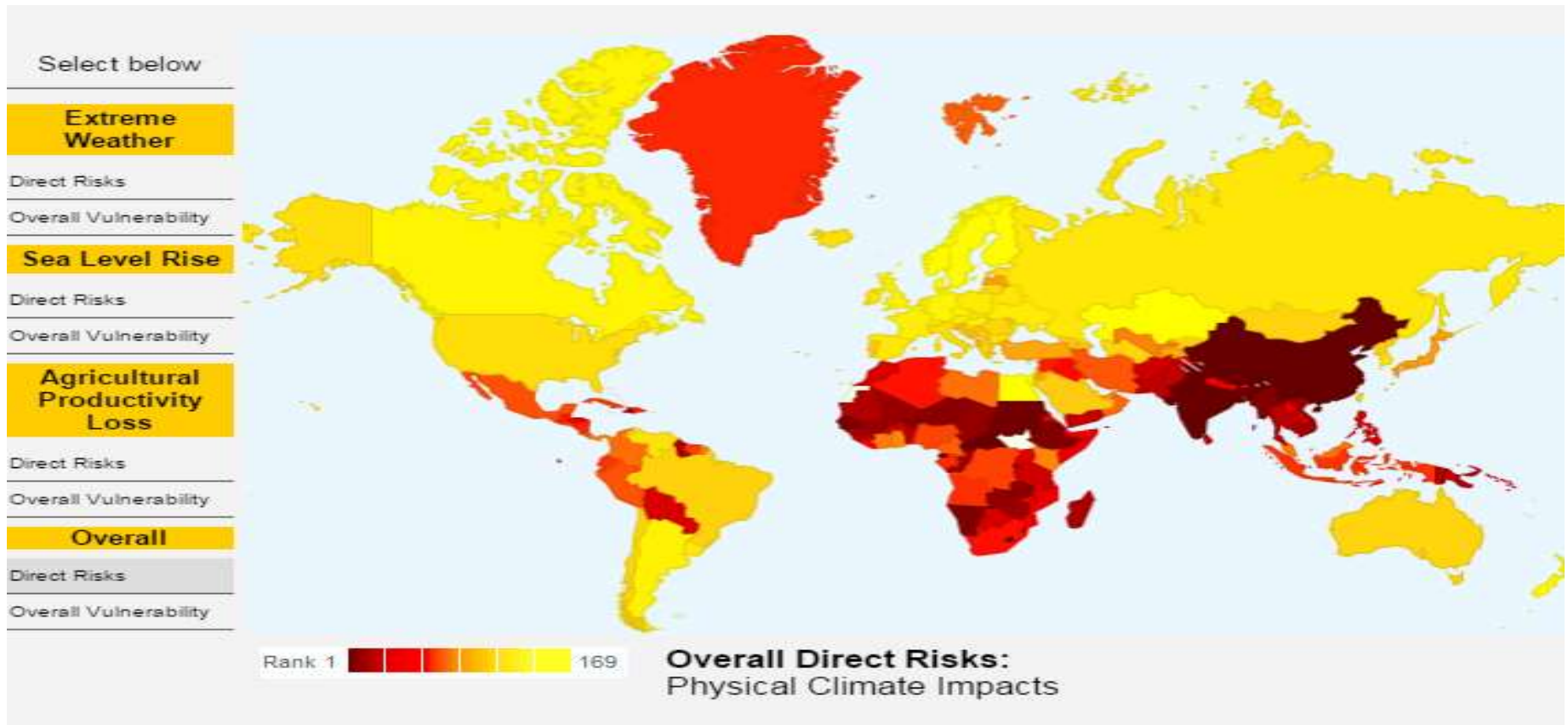
THE WORLD'S RICHEST 10% PRODUCE HALF
OF GLOBAL CARBON EMISSIONS



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

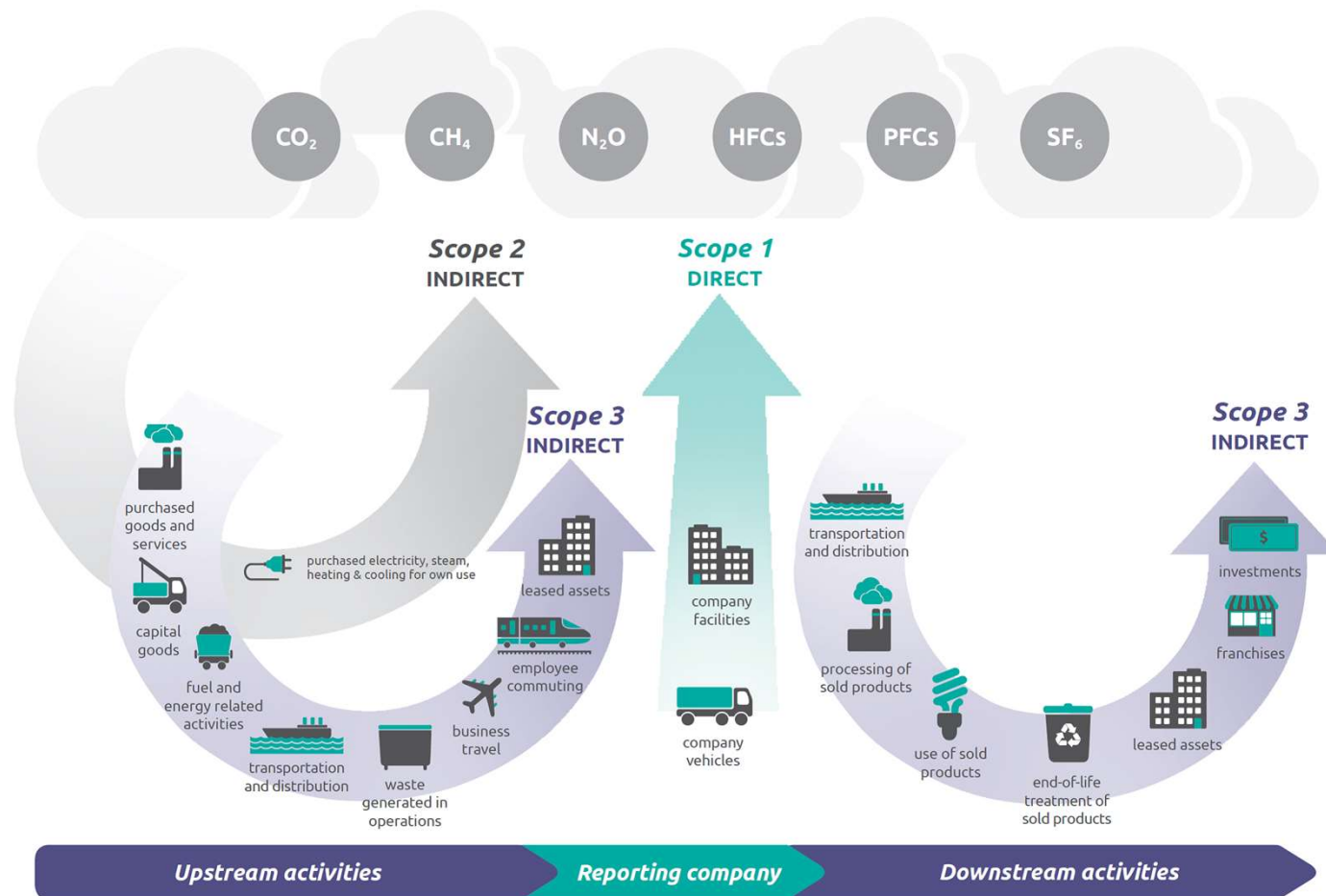
Consumers are taking action

- Changing their shopping behaviour by selecting products with positive or neutral climate impact

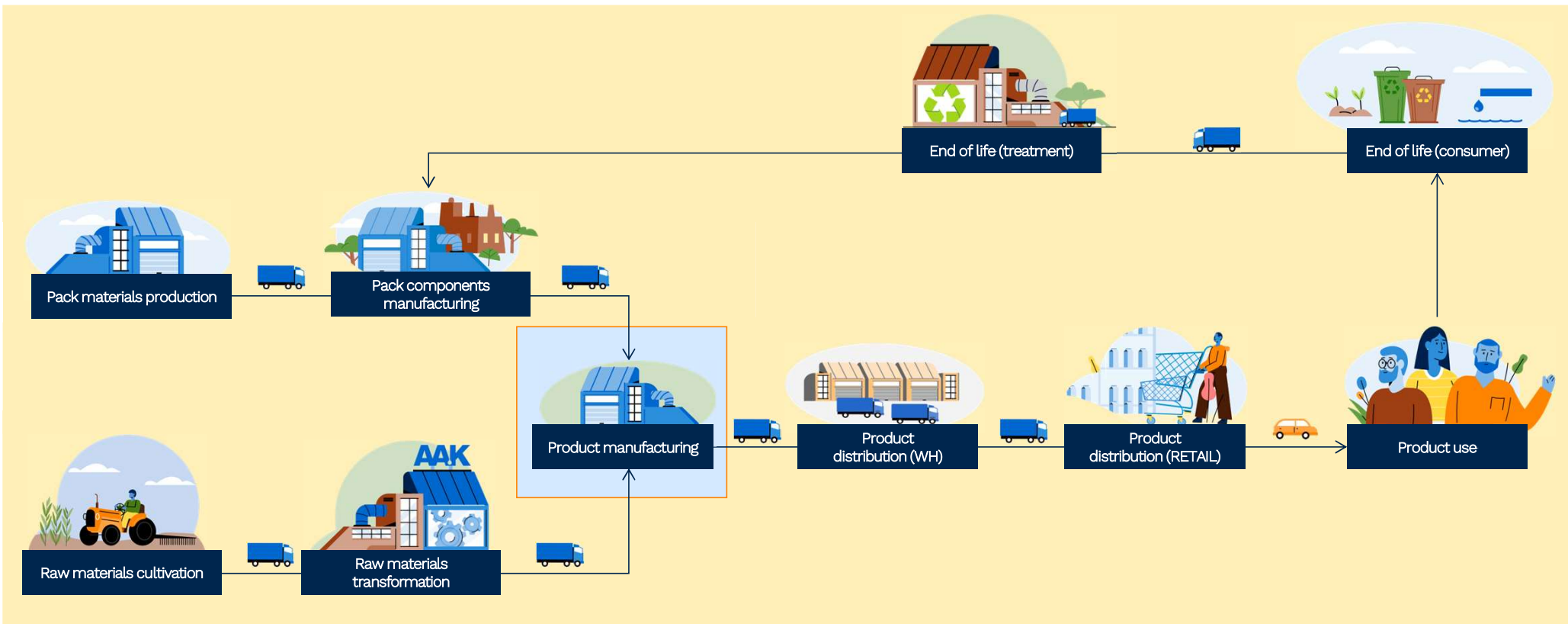
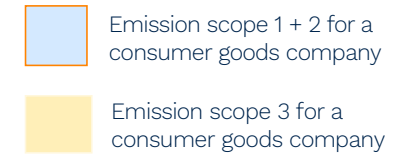
Sources: April 2022 Euromonitor, Mintel, Kline and 2021 China strategy research

Measuring carbon emissions

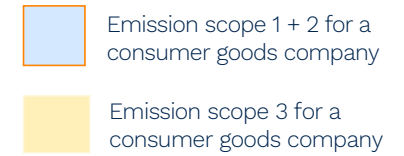
Measuring emissions: understanding Scope 1, 2 and 3



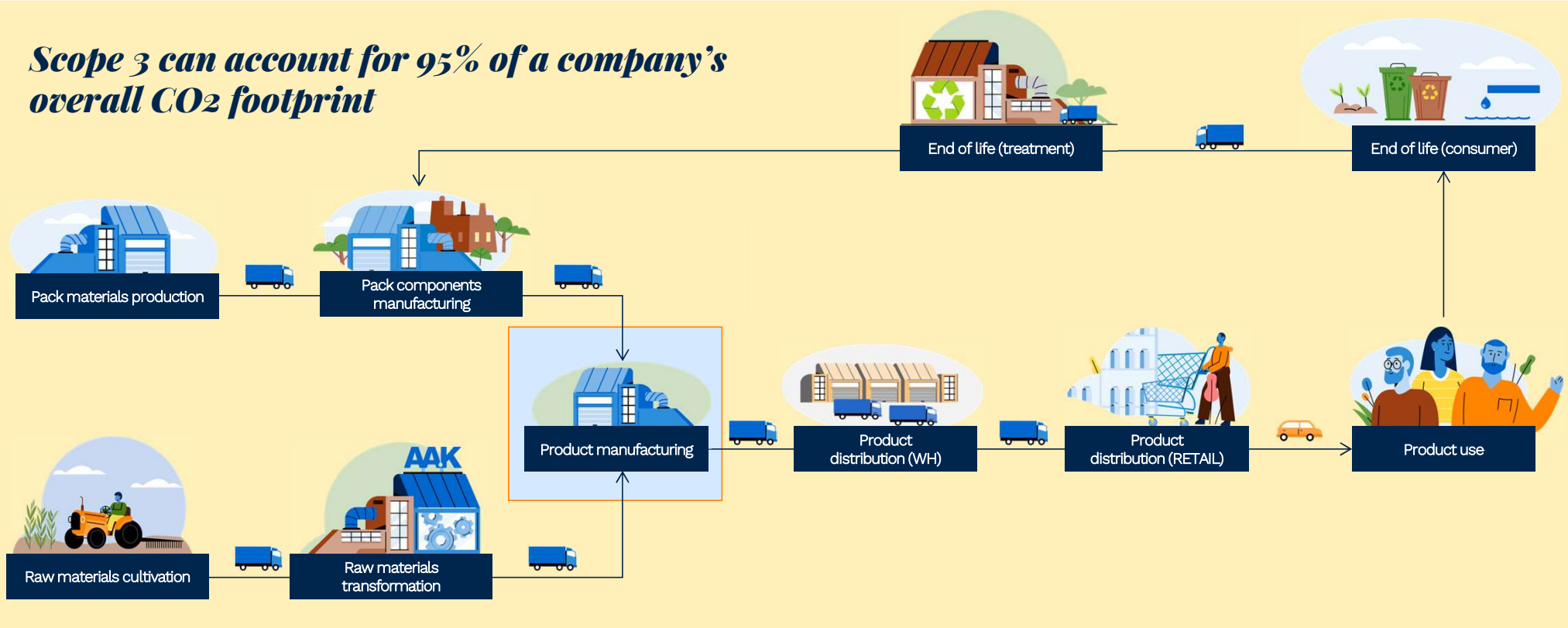
Measuring emissions for a personal care product



Knowing the hotspots is key to a good impact strategy



Scope 3 can account for 95% of a company's overall CO₂ footprint



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

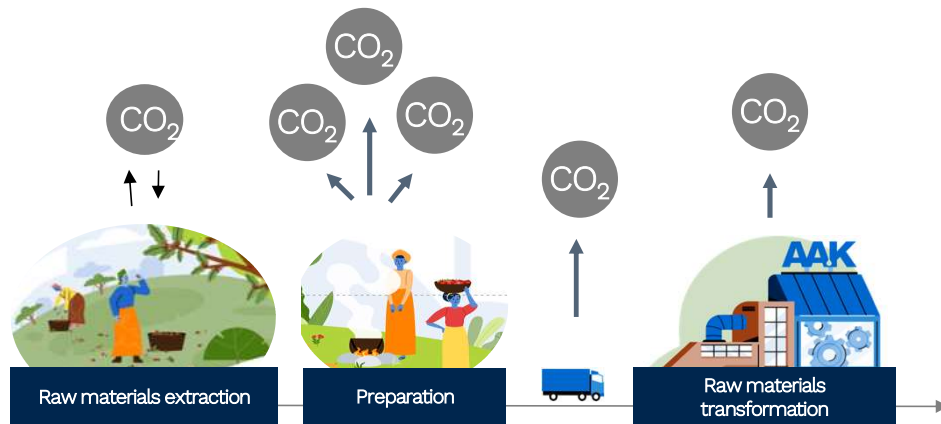
AAK



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



Measuring the carbon emission (CO₂/MT)

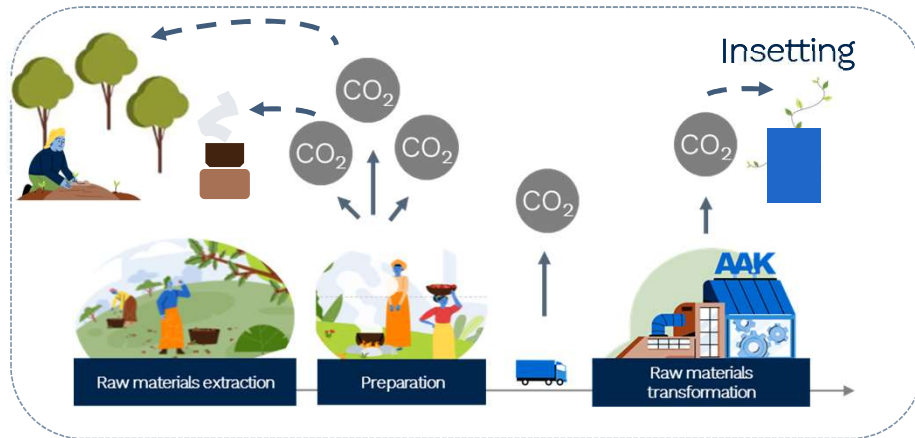


Example Lipex[®] Shea has a carbon emission factor of 3,17 cradle to gate

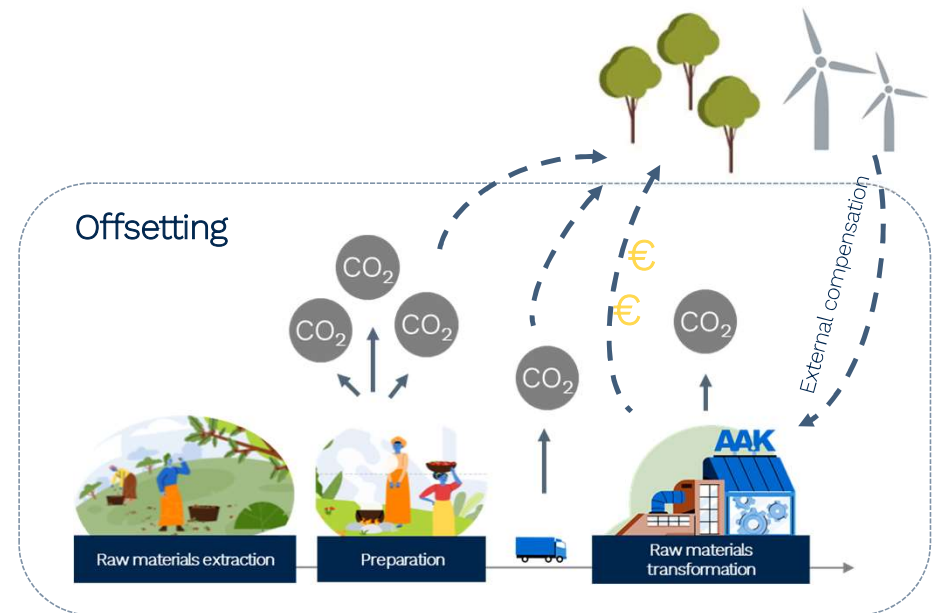
1 MT Lipex Shea = 3,17 MT CO₂

Reaching carbon reductions through inseting and offsetting

Insetting vs. offsetting you cannot reach net zero through insetting alone



- Improved cook stoves
- Biobolers
- 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