



Responsible sourcing of shea

Risks, mitigations, and associated impacts within the shea supply chain

Shea is a highly attractive and valued cosmetic ingredient

- The shea fruit is about 4 cm.
- A kernel contains 50% oil (shea butter)
- Shea butter has moisturizing, soothing, and antioxidant properties,

- Starts giving fruit after 15-20 years
- 40-50 years to reach maximum fruit production
- Up to 300 years old
- No plantations
- No fertilizers

Shea trees (*Vitellaria paradoxa*) are native to the West African savanna belt that stretches from Senegal to Uganda in the east.



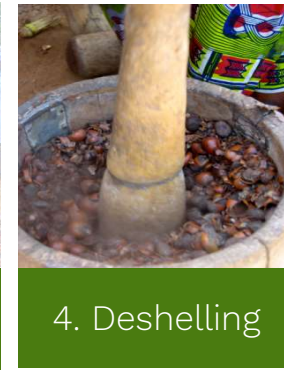
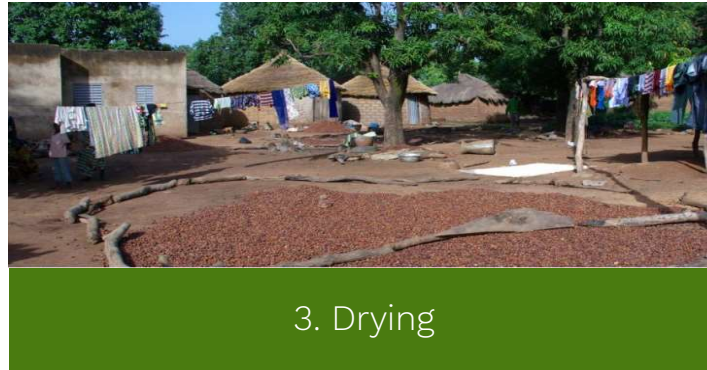
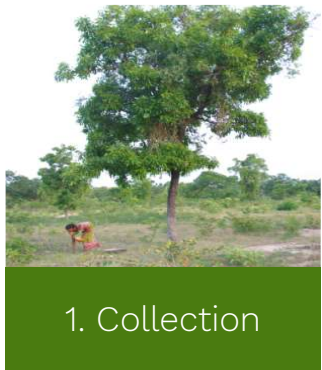
Collection of shea kernels

- Women collect in the bush and parklands
- No picking, only collecting of kernels
- Farmland belongs to the men, and the women collect on their fields
- Approximately 50% of kernels will not be collected



Shea is a critical source of seasonal income for 16 mln women, but how are dry shea kernels produced?

What is the process behind?



5a. Local shea butter production



5b. Sale of dry shea kernels



- Good post-harvest practices are essential for a good quality production

Shea trees have positive environmental benefits

- Grow wild in parkland or in mixed agroforestry systems
- Sequester CO₂ from the atmosphere.
- Help fight desertification
- Facilitate protection of biodiversity
- Manual collection is non-invasive.
- No active use of fertilizers or pesticides.



Shea has social and economic benefits

- Shea supports the empowerment of women.
- 900.000mt of kernels are collected and around 55% exported. The remainder is processed locally or provides a source of oil for households.
- 237 M\$ of economic impact across Africa at a local community level from the shea trade





Climate change mitigation and economic potential of the shea value chain

GSA and FAO are conducting a multi-impact appraisal of the shea value chain in eight countries in West Africa.

Highlights from the study:

- Shea has enormous potential to mitigate climate change in West Africa. Every year, the shea value chain fixes 1.5 million tons of CO₂ in the soil.
- In 2018, every day of work in the shea industry generates USD 1.9 of value added per woman.

Global
Shea
Alliance



Food and Agriculture
Organization of the
United Nations



Shea has proven socio-economic
and environmental benefits.

So, what are the risks?

Challenges faced by the shea supply chain today



Environmental

- Increasing threat to the shea parklands from:
 - Agricultural expansion
 - Fuelwood collection
 - Land use changes
 - Climate change



Socio-economical

- Low incomes and poverty
- Gender inequality and child labor
- Limited access to finance and resources
- Lack of education and training opportunities
- Health and safety



Political tensions

- Supply chain disruption:
- Insecurity for shea collectors and producers.
- Stalling of investment and development in impacted countries
- Market access challenges

Possible mitigation strategies



Environmental

- Tree planting initiatives
- Training on parkland management
- Adoption on energy-efficient cookstoves
- ISCC certification



Socio-economical

- Risk assessment, due diligence and capacity building
- Economic empowerment of women
- Training and access to finance through micro-credits and voluntary savings and loans association schemes.
- Market access through direct trade
- Improved cookstoves



Political tensions

- Diversify markets
- Capacity building



How do we manage and mitigate risks within our AAK shea supply chains?

At AAK, we operate two parallel shea supply chains and carry out risk assessments on both with Proforest

Kolo Nafaso segregated supply chain

No plantations – agroforestry

–

Direct sourcing from women

–

Extension officers providing extra training and support



Traditional supply chain

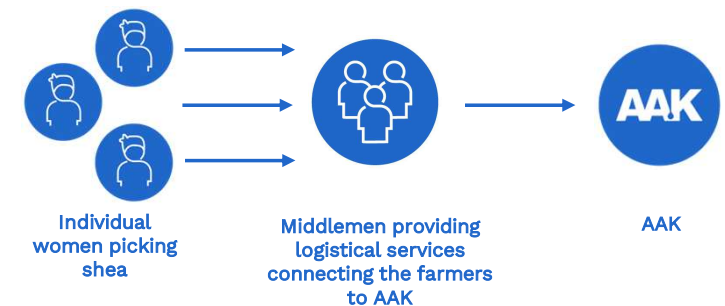
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Buying through suppliers and partners

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Extra income for individual women

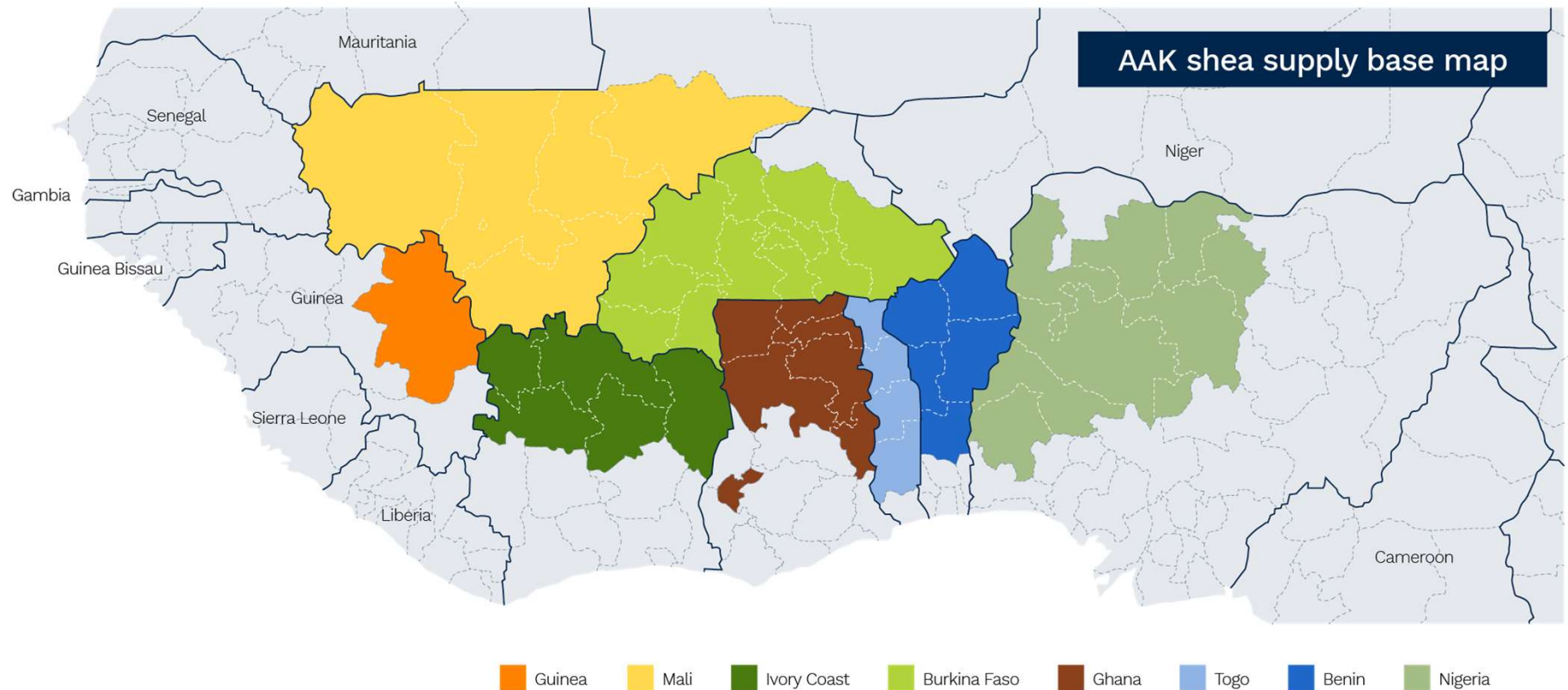


AAK's traditional shea sourcing in 2023



Traditional supply chain – supply base map

AAK is potentially using shea from eight different countries in the shea belt as shown below.



Initial findings from our shea supply chain

Agroforestry and parkland growing



Collected by hand



Local processing



CO2 hotspot

Logistics and shipping



Processing

CO2 hotspot



*Calculated following ISO 14040



The Co-Development Company

29/05/2024

15



Installing biomass boilers at site Aarhus

- 90% lower CO2 emissions for the site
- 16% lower scope 1 CO2 emissions for the AAK group
- Leading to no waste production and circularity: shea meal used as an energy source, ash used for soil fertilisation
- 500 MSEK investment in two new 18 MW boilers. Completion expected end 2023

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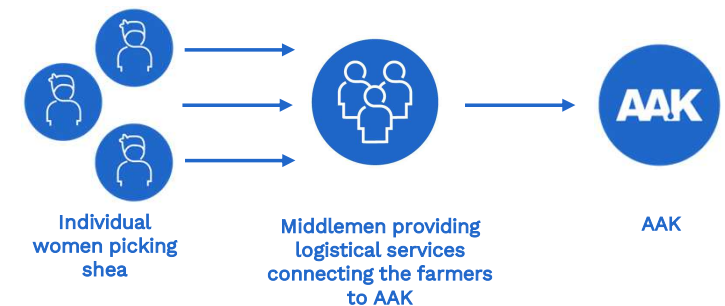
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Extra income for individual women



Working in the program, I see that I'm helping the women achieve something all on their own. Most women in villages see being a woman as a weakness. This program has shown both me and the women that a woman can work just as well as a man.

Taiba Issah—AAK Extension Officer,
Walewale, Ghana

AAK



The unique Kolo Nafaso program has become the biggest smallholder program of its kind

Empowering women and smallholders to improve their livelihoods





Kolo Nafaso's positive economic impact on women's livelihoods





Women collect shea

The security of work and a steady income are giving women a great deal of independence, confidence, and respect. They can buy school supplies for their children and help their husband purchase seeds, or buy millet so that their children have enough to eat.

“With the pre-finance of one bag of shea kernels, I give a share of the money to my husband and it makes me feel proud.”

Environmental and social impact of the Kolo Nafaso program

Environmental impact

- Saving of firewood and reduction of CO2 emissions through training and adoption of energy-saving cookstoves.
 - 2,5 times more efficient
 - Reduction of CO2 emissions by up to 65%.
 - With the support of customers, over 40,000 energy-efficient cookstoves
- Best practice training on steaming shea kernels and the use of shea shells as an alternative to firewood.
- Best practice training on tree planting and care.
 - Over 3,200 trees have been planted in Kolo Nafaso communities through customer impact projects. (almost 150.000 in total)



Social impact

- Poverty alleviation and the economic empowerment of women shea collectors through
 - Direct trade
 - Interest free micro credits
 - Training
- AAK has taken responsibility as a market leader
 - Creating transparency
 - Forging partnerships focused on energy-efficient cookstoves – positive impact on health
 - Village savings and loans associations,
 - Access to clean drinking water,
 - Creating local jobs to support the Kolo Nafaso program

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

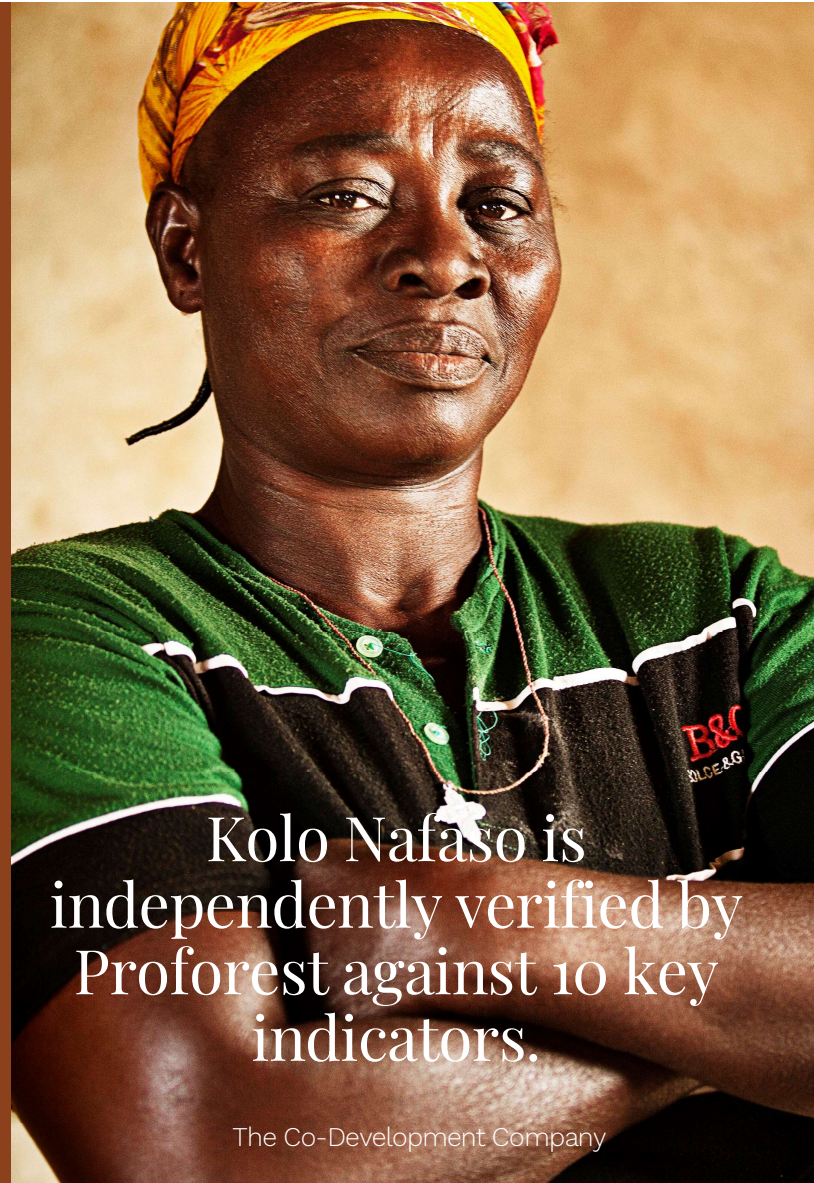
Training

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.

AAK



Kolo Nafaso is
independently verified by
Proforest against 10 key
indicators.

The Co-Development Company

Transparency

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

Financial infrastructure

Number of financial solutions

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.

Bonus

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



Personal Care Shea Tree

The difference between a 100% traceable and a mass balance shea-derived ingredient

The continued growth of our AAK direct sourcing program and an established, responsible conventional supply chain has enabled AAK to offer Kolo Nafaso segregated (traceable) and mass balance shea-based products to its Personal Care customers.

Watch the following video to learn more!



[Link to video in Youtube AAK PC channel](#)



Introducing climate compensated shea

AAK Personal Care

AAK

The Co-Development Company



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



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

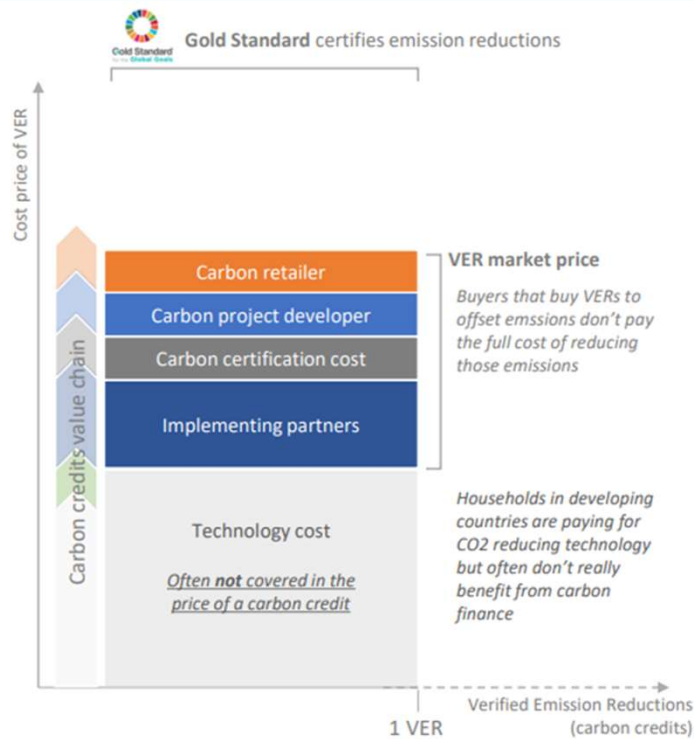
Methodology:

- 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

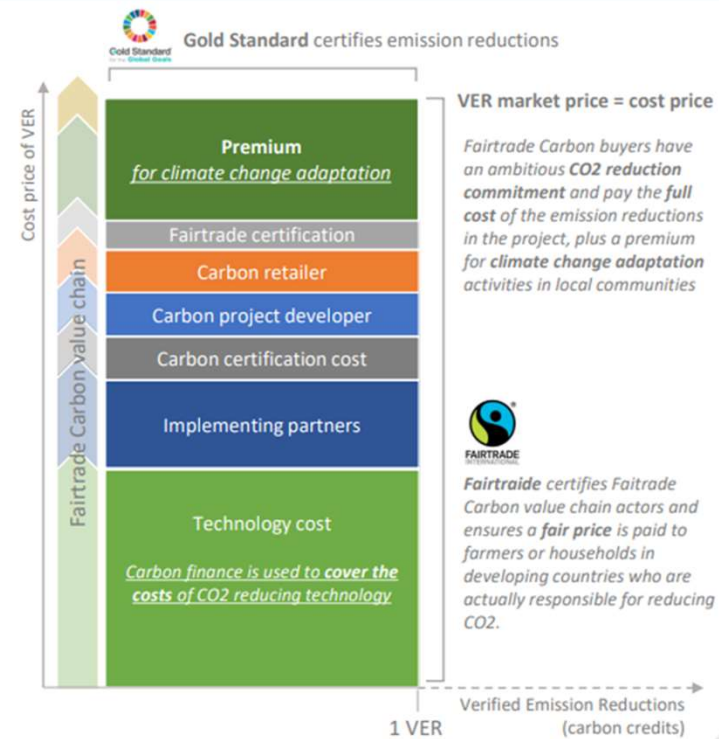


FairTrade certified, Gold Standard Carbon Credits

Typical Gold Standard projects



Fairtrade Carbon projects





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



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.

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

$$\begin{array}{c} \text{Annual sales volumes per product} \\ \times \\ \text{carbon emission factor} \\ = \\ \text{carbon credits needed} \end{array}$$

