



Shea pre-harvest progress report

June, 2020

The Co-Development Company

AAK

Introduction

In this report we include our progress on responsible sourcing KPI's as well as important updates from our operations in West Africa. It represents our work between February and June 2020 and is our shea pre-harvest report for the season 2020/2021.

This report provides a transparent update about our way of managing the COVID-19 pandemic in our supply chains, as well as how we are mitigating increasing political instability and terrorism risk in some of the countries, we are operating in. This year 2020 has been and still is a challenge for our global community, with impacts on people, health, safety, the environment and the economy.

The first part of the report focuses on our traditional shea supply chain, informing about our supplier engagement during COVID-19 and beyond. We share our updated dashboard, as well as insights to how we are working together with the Global Shea Alliance to plant shea seedlings in the rainy season.

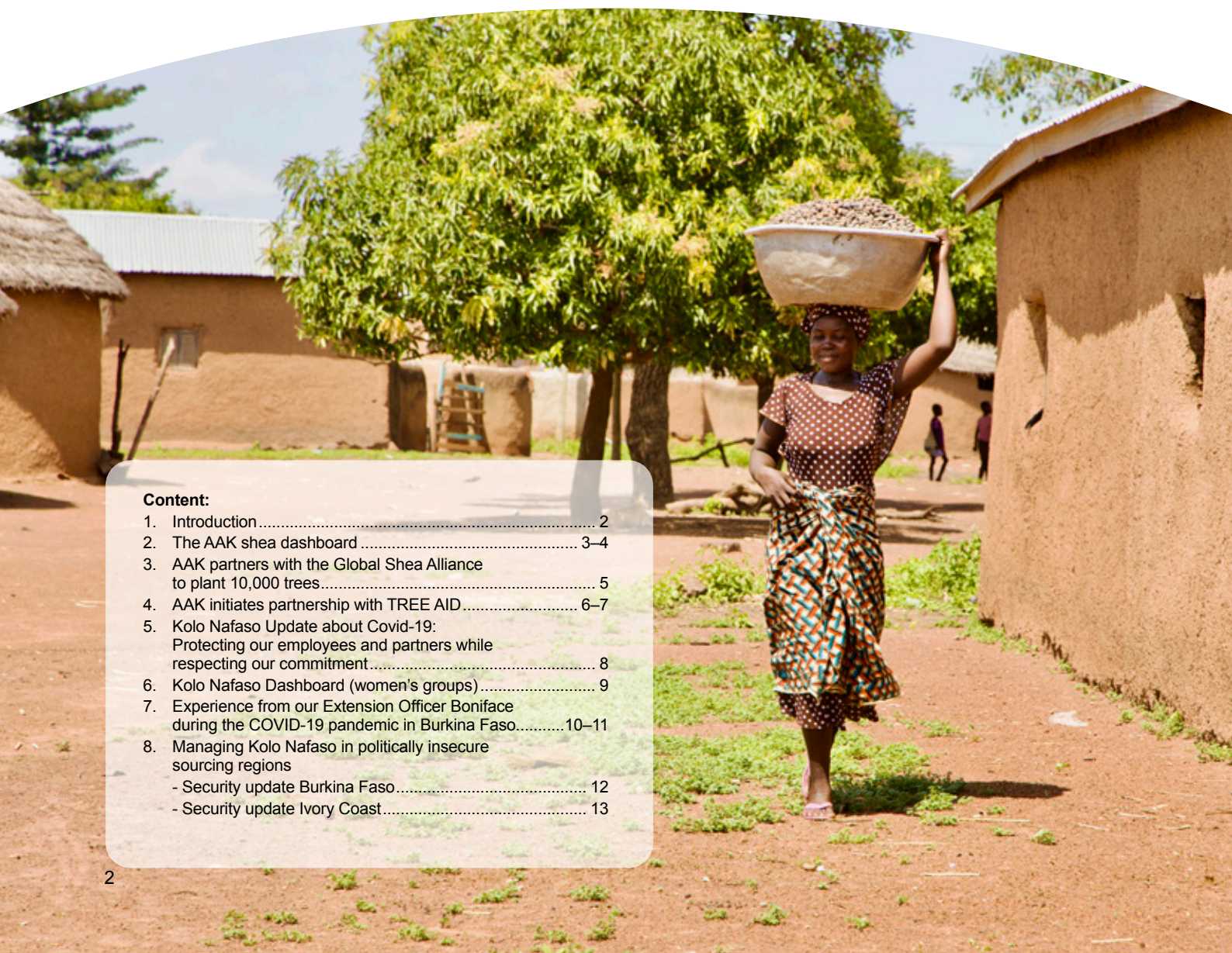
We continue the report with an update of how AAK is managing our Kolo Nafaso supply chain during COVID-19 and how we meet our commitments to our women's groups. We have prepared a small interview with Boniface, one of AAK's Extension Officers in Burkina Faso covering his experience during the lock-down as well as during the re-start of field work. Furthermore, we have prepared an update about security in Burkina Faso as well as Ivory Coast. Security in both countries has been declining over the past year and we have adjusted our way of operating Kolo Nafaso to the local circumstances.

We have limited the number of stories and anecdotes in this report to highlight the most important developments during the first six months of 2020.

Despite all challenges experienced so far, we are looking forward to this year's shea collecting and buying season. We experience great energy from our colleagues in West Africa, as well as from the women we work with. AAK is determined to make this a great season once again.

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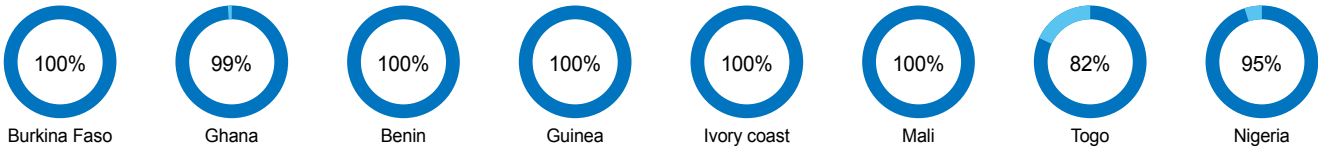
The AAK shea dashboard

Supplier engagement in the traditional shea supply chain

Code of Conduct for suppliers of raw materials



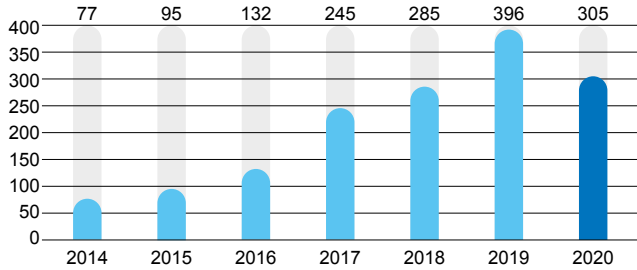
% of suppliers having signed the Code of Conduct – June 2020



Employee statistics

West Africa

Number of permanent AAK employees in West Africa

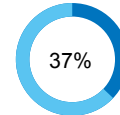


23%
reduction between 2019 and June, 2020

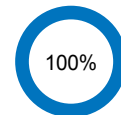
% of employees having signed the AAK Code of Conduct



% of employees trained in first aid



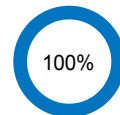
% of target group trained



Anti-corruption



Competition law



Sustainability



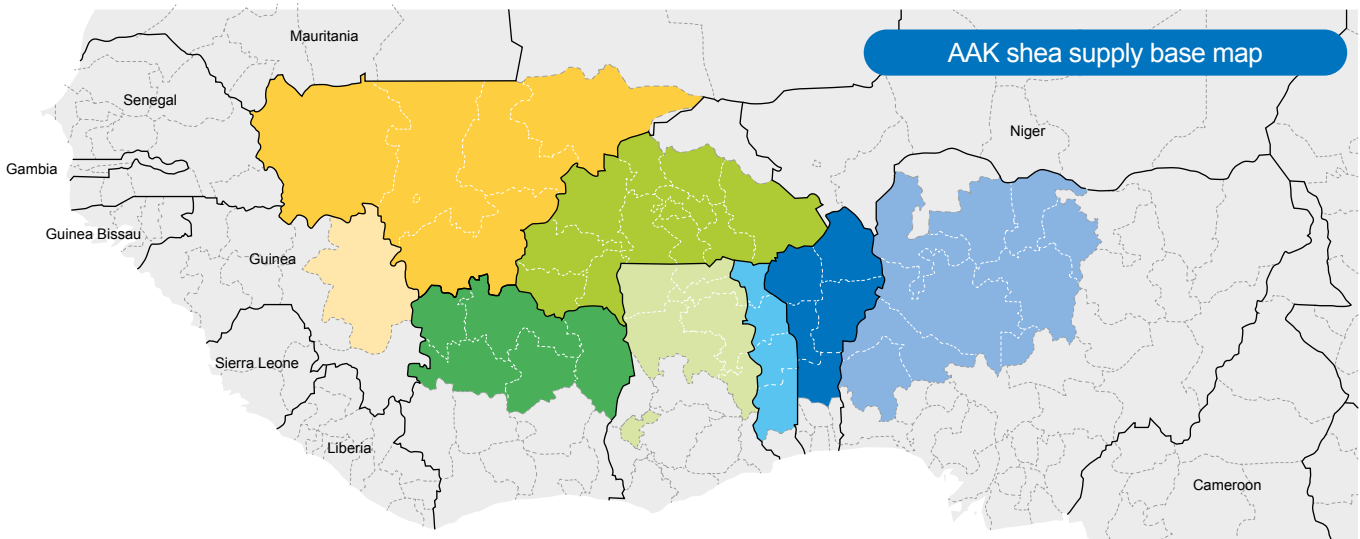
Shea

Numbers of trees planted

2019



4,700



● Guinea ● Mali ● Ivory Coast ● Burkina Faso ● Ghana ● Togo ● Benin ● Nigeria

The AAK shea dashboard, continues

Traditional supply chain:

Code of Conduct for suppliers of raw materials

In the 2019/2020 season our teams have made good progress on the ground to align our Code of Conduct for suppliers of raw materials with our suppliers' way of working. At the end of the second quarter 96 percent of suppliers have signed and committed to the code. This is a big improvement compared to 2019/ 2020 season where 91 percent of the suppliers had signed the code. We still have a few gaps to fill in Ghana, Mali and Nigeria. The team is committed to reach 100 percent before the beginning of the buying season. Our biggest room for improvement can be found in Togo. The uncertain first half of 2020 has made the supplier engagement more challenging than anticipated due to travel restrictions and lock downs. We will aim to do our supplier engagement in Togo as soon as possible.

Furthermore, we have developed a new supplier engagement tool and trainings to empower our business partners to live the Code of Conduct in the bush every day. Our suppliers are crucial representatives of AAK in the bush and we want to give them the tools to live up the expectations. This is part of AAK's due diligence work. Going forward we will be reporting more in depth about our supplier work.

Employee statistics

We have seen a decline in employees for 2020 so far. The number of employees was reduced from 396 to 305, this is a reduction of 23 percent. The number of employees is a snapshot at a certain point in time. At the time of reporting for this progress report, our number of employees was mostly impacted due to seasonal variations and less by COVID-19.

Seasonal variations is something we have experienced throughout the years due to the shea activity calendar. Currently about 8 percent of AAK's total workforce is based in West Africa.

Training of employees

We make sure that every new employee has access to and are provided with relevant training. Some functions in AAK require specific training related to sustainability topics. Currently, 100 percent of our relevant employees in West Africa have received training on anti-corruption, competition law, shea and CSR.

Tree planting

The current number of trees planted has not changed for this report, since all tree planting activities need to be carried out during the rainy season. Please have a look at our planned activities together with the Global Shea Alliance (GSA) on page 5 and our partnership with TREE AID on page 6 to learn more about our plans for tree planting in 2020. We will update about the actual number of trees planted in our next post-harvest progress report.

Traceability

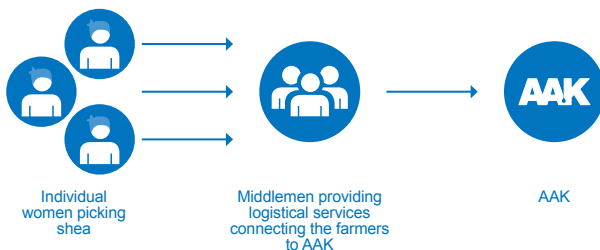
On page 3 you can see our shea supply base map showing the origin of the shea that AAK is buying this season. 100 percent of our shea kernels originate from these regions.

Progressing on responsible sourcing in shea – two parallel supply chains

Traditional supply chain

- No plantations – agroforestry
- Extensive network of middlemen providing logistics
- Important extra income for individual women

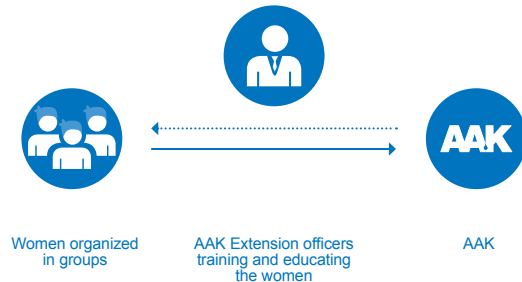
Traditional Shea Supply Chain



Kolo Nafaso – Women's groups supply chain

- AAK has taken responsibility as market leader
- Direct sourcing from women
- Extension officers providing extra training and support

AAK's women groups supply chain





AAK partners with the Global Shea Alliance to plant 10,000 trees

AAK has entered into partnership with the Global Shea Alliance to plant 10,000 seedlings in Ghana under the Action for Shea Parkland initiative.

AAK will mobilize women in its supply chain for the planting exercise that takes place in August this year.

The Action for Shea Parkland initiative is part of Global Shea Alliance's sustainability program and aimed at mobilizing the industry to plant 10 million trees over the next 10 years in response to the declining tree population. Across West Africa, the shea tree population is increasingly on the decline due to commercial agriculture, tree removal for charcoal, reduced fallow, and climate change.

Already last year, AAK took action to participate in the preservation of shea parklands in West Africa. In partnership with GIZ, The German Agency for International Cooperation, and its Program for the Protection and Rehabilitation of Degraded Lands and the Strengthening of Local Land in Rural Areas of Burkina Faso, we shared best practices in tree planting and contributed with 4,700 shea tree seedlings. We will continue to plant trees in Burkina Faso in 2020 as well.

AAK and the Global Shea Alliance are proud of this partnership which is a response to the clarion call to stakeholders across the globe to ACT NOW and PRESERVE shea parklands. You can join us under www.actionforshea.com.



Members of a Village Tree Enterprise (VTE) roasting shea kernels for local shea butter production in the Upper East region of Ghana.

AAK initiates partnership with TREE AID



Helen Flower,
Marketing Manager, UK.

In 2019, initiated by our UK commercial team, AAK started its partnership with TREE AID.

“We opted to work with TREE AID because of their aspirations for changing the lives of communities in West Africa, which is obviously an area closely linked with AAK activities. Through the Food Ingredients Europe (FIE) and Food Matters Live (FML) exhibitions, where we engage with stand visitors on sustainability, we opted to plant a tree for each visitor to our stand. In addition to this, pre-COVID, we encouraged visitors to the Customer Innovation Centre in Hull and guests at AAK Roadshows to also support the same scheme.

The scheme was wholeheartedly supported by all including food manufacturers, retailers and academics we interacted with. In total we were able to contribute about 20,000 SEK to TREE AID’s ongoing projects.

Before things changed, the intention was for TREE AID to join us at future roadshows where they could share video footage and information about their projects and how communities have benefited from the work they undertake with support from organisations such as ours.

It has all, unfortunately, quietened down with the way we interact with customers changing during the pandemic. However, we are sure that in the coming months, we will be able to further build on the partnership we have initiated in 2019.” Helen Flower, Marketing Manager, UK.



TREE AID is an international development organisation which focuses on unlocking the potential of trees to reduce poverty and protect the environment in Africa. It is a registered charity in the UK



TREE AID's Melanie Knight, Director of Fundraising and Communications, is introducing two of their projects AAK is indirectly supporting through donations

TREE AID projects AAK is supporting through our partnership

We are approaching planting season and nurseries have been set up on our project sites. The seedlings are growing ready for planting in July-August, after the rains. COVID-19 has thankfully had a limited impact on our work. We are working with our network of locally-based partners, staff and community leaders to ensure our work continues where possible. Our priority is to protect the health of our beneficiaries so we will continue to deliver this vital support only where we do not risk the health of those we work with.

Grow Hope Project in The Upper East region of Ghana

Our Grow Hope Project in The Upper East region of Ghana has been progressing well since it started in 2018. The project is supporting farmers to develop 30 new village level enterprise groups to work with 20 existing groups. This project aims to increase the amount of money these groups are able to make from tree products on their land. The project is aiming to increase incomes for over 300 poor rural households using sustainable forest products, while also reducing threats to the ecosystem.

So far we have developed a further 12 Village Tree Enterprise (VTE) groups who are developing enterprises around sustainably sourced products from shea and baobab trees.

Over recent months TREE AID has delivered training to these VTEs developing skills for efficient collection and to increase quality and quantity of yields. Training focused on harvesting techniques: use of tools/equipment, safety precautions during harvesting, transportation, processing and storage practices to avoid losses, quality checks, warehouse management and record keeping of stored products.

Ghana is a country that sees huge inequality in its distribution of wealth. And although some areas of the country have seen real improvements in living conditions in recent years, there are still over 2.8 million people living in extreme poverty. The Upper East region of the country is one of the poorest areas of Ghana, where people are struggling to survive.

Regreening Koulikoro project

The Regreening Koulikoro project is building on TREE AID's previous regreening programme of work in the region of Mopti as well as the communes of Segou, Samine and Sakoiba in Mali.

Bringing the same approach to the nearby Koulikoro region, this project aims to reverse the devastating effects of deforestation and natural resource degradation in this region of Mali.

Since March 2019, TREE AID has been working in the Koulikoro region to restore this degraded land through planting trees and supporting farmers with tools and training to regenerate trees. By planting trees that can be used by local communities, we will help relieve pressure on the existing tree resources. And in doing so, we will strengthen the resilience of rural families to climate shocks, whilst increasing food security through the establishment of nutrition gardens. This enables a holistic and long-lasting approach to sustainability and change in these areas.

Since its launch, the project has already made good progress and is now supporting 21 communities in the region. Just six months in, two tree nurseries have been established and communities are now growing saplings. When mature, these trees are planted out in the surrounding area.

Tree planting is now well underway with 5,102 trees having already been planted out of the planned 10,000 trees. In addition, a staggering 27,396 trees have been regenerated over 69 hectares of land.

As well as planting new trees, TREE AID trained almost 1,500 farmers (over 50 percent of which were women) in Farmer Managed Natural Regeneration – a technique used to regenerate existing trees in the area.

Through this project, we hope to plant 10,000 trees and regenerate 140,000 trees in the region by 2022. We will train local people to sustainably manage and restore their land, aiming to increase the productivity of farmland for 200 rural families, through improved management of the natural resources they rely on to survive.



Kolo Nafaso Update about Covid-19: Protecting our employees and partners while respecting our commitment

We carefully monitor the spread of the COVID-19 pandemic and will continue to adjust our local operations according to developments. Our main priority is to protect the health and wellbeing of people, both our AAK colleagues and the women in the program. In March AAK suspended field work in West Africa in order to limit the spread of COVID-19 as much as possible. During the suspension of field work our main priority was to provide our women's groups with as much necessary information as possible and to stay in touch to maintain the relationship.

The lock-down period overlapped with one of the most important moments in the Kolo Nafaso calendar – the pre-financing period. Women are used to receive this vital income at this period of the year, which is the end of the dry season and an important moment to make investments for the coming farming season. One of our priorities is to manage our business relationship with our Kolo Nafaso women's groups in the best possible way for all parties. So, we needed to find a solution to respect our commitment, pre-finance women and ensure their income. We engaged with the head of women's groups remotely, identifying the amount of pre-financing their groups needed. We had to get creative for the payment procedure this year!

One example from Ghana was, we distributed Personal Protective Equipment (PPE) to the heads of groups to allow them to enter their local banks again and get access to the pre-financing this way. Since we have resumed field work, we first started distributing the pre-financing household per household, to respect social distancing and sanitary precautions. Now, end of June, we are able to distribute at group level again, respecting government regulations that 100 people or less are gathered. This slows down the speed of the work, but it guarantees this important source of income to the women and allows us to respect our commitment to them.

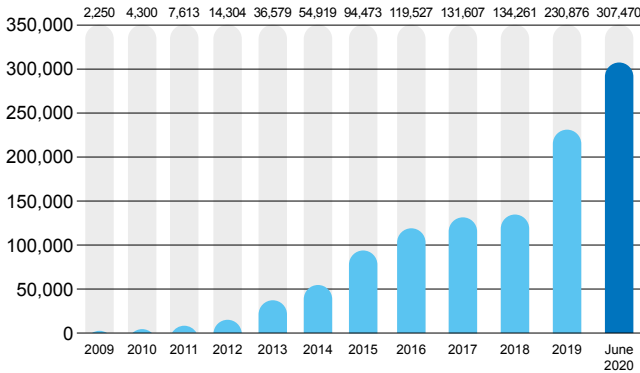
We are currently preparing for the buying season. Fruits have started to fall in some regions and women are starting to gather fruits. The collection of kernels is an individual process and still possible during social distancing, so we do not expect a decline in supply from our Kolo Nafaso program this season. During the buying season we will stay creative and change our buying procedures to still protect our team, our women partners and our Kolo Nafaso commitment.

Kolo Nafaso Dashboard (women's groups)

Direct engagement on women's groups level

Number of women enrolled in Burkina Faso, Ghana, Ivory Coast and Nigeria

33%
increase between 2019 and 2020

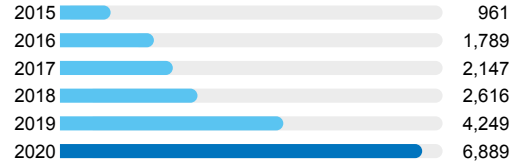


100% traceable and segregated*

*The shea kernels from Kolo Nafaso are fully traceable to the women groups program in Burkina Faso, Ghana, Ivory coast and Nigeria. See the map below for the specific regions our Kolo Nafaso kernels are originating from.

AAK engagement level

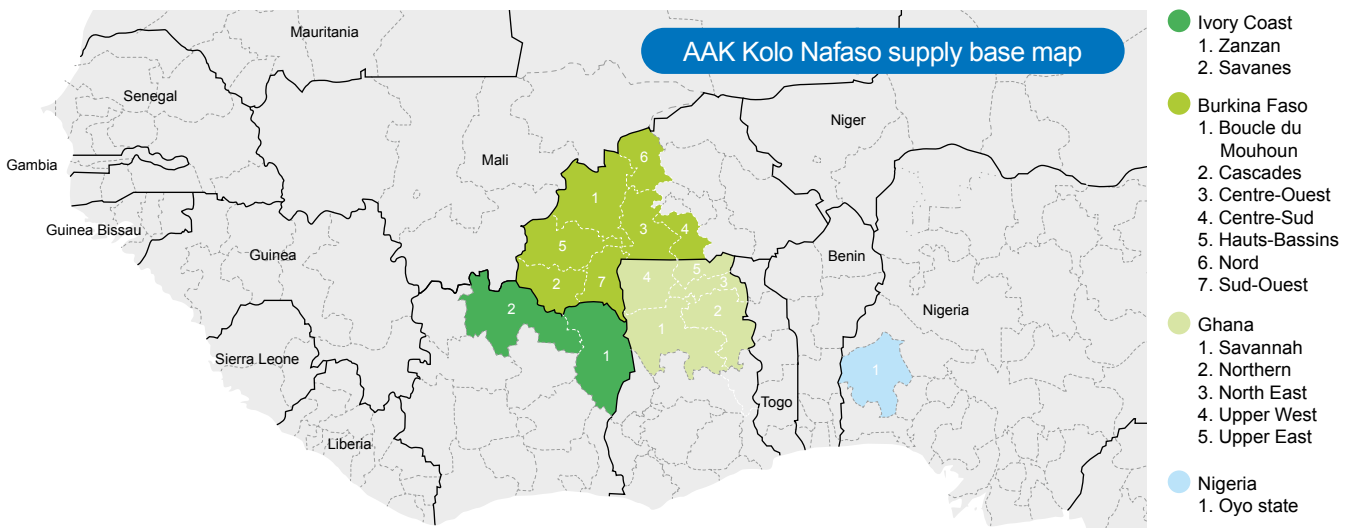
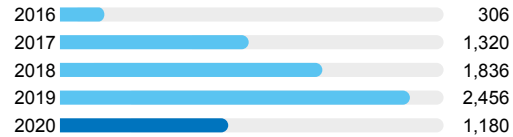
Number of bank accounts AAK has opened for the women's groups



Number of village visits by AAK extension officers



Number of rocket stoves built



Kolo Nafaso

The first few months of the 2020/2021 season have been more challenging for our Kolo Nafaso team than the year before. But we have still been able to use the momentum from the 2019/2020 season to grow the program. We are now counting 307,470 members as part of our program. This is an increase of 33 percent compared to the previous year. We are happy to see that our direct sourcing program is continuously increasing the reach we have in West Africa.

Even though we had to slow down on our direct engagement in the form of village visits, as shown in the dashboard, we have been able to find new ways to maintain the relationships with the women's groups. You can read more about this in the article on page 8.

Traceability

This season we are very happy to report that we have started to expand the program into Nigeria as well. This means Kolo Nafaso is now present in four countries: Burkina Faso, Ghana, Ivory Coast and Nigeria. Our priority this season is to live up to our commitments to our existing Kolo Nafaso members, but we will still continue to grow the program at the same time.

We have furthermore slightly changed our regional focus in Ivory coast due to changing political stability. You can read more about this in the article on page 13.

Experience from our Extension Officer, Boniface Traore, during the COVID-19 pandemic in Burkina Faso



Right when we were able to start our Kolo Nafaso field work again, after a suspension period in April and first week of May to keep staff and communities safe from COVID-19, we connected with our Extension Officer Boniface from Burkina Faso to hear how he has experienced the lock-down period and how he feels about resuming field work again:

How did you experience not being able to go out into the bush in April/May because of the corona virus?

The period in April and May 2020 has been very long and painful for us and lead us to delay our activities (collecting pre-finance requests, distributing bonuses and paying out pre-financing).

How did you spend the time?

I have spent all the time at home with the family, when all external contact was forbidden because of social distancing.

What was the best thing and what was the most difficult?

The best thing was to spend more time with the family itself. The most difficult was not to be able to go to work, stay at home was becoming harder day after day as I'm used to working in the field.

Do you have the idea that you have been well informed by AAK during this period?

Yes, we were informed by the management through emails. We received for example information about new hygienic rules to manage the disease. I felt well informed.

Do you have any questions or concerns at that time?

Yes, I had some concerns, since part of my family had remained isolated in Bobo-Dioulasso due to travel restrictions between cities. And me and my direct family were staying in quarantine in Dano.

We are starting pre-financing this week. Do you feel well informed and ready to go back to the bush?

Yes, ready to go back to the bush to meet the women groups.

Do you now wear protective equipment?

Yes, I always wear my helmet and a mask. And we bring soap to wash our hands before and after activities.





My Name is Boniface Traore

- ◆ I was born on June 04, 1971 in Cocody / Abidjan (Ivory Coast), but my parents are Burkinabe and came back to Burkina when I was 9 years old.
- ◆ This is my third season as Extension Officer with AAK and Kolo Nafaso in Burkina Faso.
- ◆ I am the eldest son of a family of seven, my father was an accountant and is now retired and my mother was a housewife.
- ◆ I am married and have four children.
- ◆ For my hobby, I like traveling, reading and I also like spending time with my family at home when I get the time.

What will be different about your work in the bush now?

What is very different is not being able to greet people as usual. I see a risk that people could feel a lack of consideration or respect from us, but a little explanation will hopefully fix things as everybody is aware of COVID-19.

How did women react to the delay in pre-financing and to changes in collaboration with them?

For the delay in pre-financing, opinions are divided according to the villages and municipalities. But we can see, that even if women's groups have complained about not receiving the pre-financing in April, they understand that is not an usual season. We are doing our best to catch up the time we have missed this year.

What are you hoping for in the next shea season?

I hope that God can save us from such an epidemic situation for the next season, to make a good shea season.

Would you like to share anything else?

I just wish the best and a lot of courage to the whole Kolo Nafaso team in order to face this year's shea season, which will be different to what we are used to.

Managing Kolo Nafaso in politically insecure regions

Political instability and the risk of terrorism attacks has been a reality in the shea belt for a long time. AAK has experience handling this in the conventional as well as our Kolo Nafaso supply chains. Recently the security situation has become more serious in some of our Kolo Nafaso sourcing countries. We had to make changes in the way we operate our Kolo Nafaso program in Burkina

Faso and Ivory Coast. In this report we would like to give an update about the way we are managing and mitigating the political insecurity in our sourcing regions while making sure our employees are staying safe and ensuring a market outlet for our women's groups and supply security for our customers.

Security update in Burkina Faso

In Burkina Faso, the Kolo Nafaso Program works with more than 3.400 Women's Groups spread over the entire Burkinabè territory except in the North and East of the country.

Since 2015, Burkina Faso has experienced an increasing number of terrorist attacks. From 2018 there was even a spike in terrorist activity and this political and security risk has had an impact on how we run our Kolo Nafaso program and how we keep our employees safe.

Despite the terrorist risks, the Kolo Nafaso Program continues its activities on the ground based on the strict security instructions given by the AAK Burkina Faso management and also with the assistance of the local police.

The security forces continue to fight daily to prevent the spread of jihadist insurgencies. A state of emergency has been declared in six of the 13 regions by May 2020. The risks of kidnapping and attacks are particularly high in the north, center and east of Burkina Faso. The situation is likely to worsen with the approach of the presidential election this year 2020.

Apart from the terrorist risk, our Kolo Nafaso program is mainly exposed to risk from organized crime and banditry in certain areas. In the beginning of 2019, an external security audit in Burkina Faso led us to implement a permanent security monitoring process for our field work in the bush.

Specific instructions are given to the team on the field regarding strict work schedules, routes and days to avoid field work. Instructions can be permanent or temporary. It can be for example:

- Limit hours in the communities (for weighing shea or other activities);
- Ban of villages to visit, until further notice from local police authorities;

- Do not pass by specific roads;
- Inform the police about our planned activities in some specific villages, etc.

Communication links are open 24/7 between our team on the field, the office and the security coordinator. In case of a reported incident or any military operation in our areas, special instructions are applied. In these cases, we temporarily stop our day-to-day activities and wait for the official confirmation that the area is safe to resume field work. This way of working has allowed us to have a year without facing any reported incident due to the security context in 2019. In 2020, we reinforced the prevention strategy by clearly aligning planned weekly activities with the recommendations of the security coordinator.

The women we are working with are very understanding about us occasionally postponing Kolo Nafaso activities due to security risks. They are aware of the current situation and participate in warning our extension officers of any security rumors spreading in the bush. The women are also grateful that we are maintaining our relationship throughout these more challenging times. We are keen to live up to our promise to provide a guaranteed market outlet for their shea kernels for as long as possible.

To conclude, even if the security situation is serious, thanks to the very good cooperation and communication between crucial local stakeholders (women, local authorities, security and defense forces, the team on the field and the AAK office), as well as a very careful and risk averse program management approach, we are still able to continue our activities of the Kolo Nafaso Program in Burkina Faso and maintain a high security of supply for our customers.

Security Update in Ivory Coast

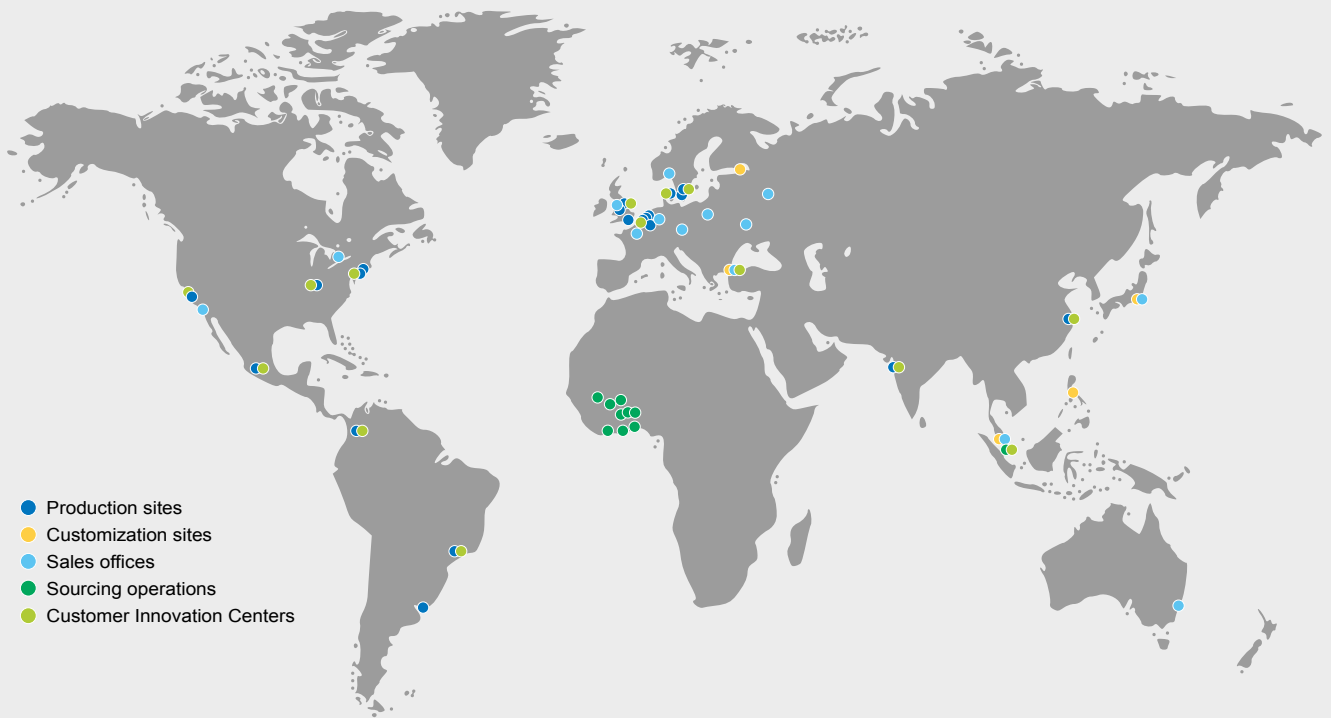
Kolo Nafaso expanded into Ivory Coast in April 2019. After a promising first season, the team was ready to strengthen our presence in the villages we had established a relationship with already and to expand the program further North-East, along the border of Burkina Faso and Ghana. Unfortunately, by December 2019 terrorism risk increased rapidly in the expansion area and part of our existing program area. As a consequence, it became increasingly risky for our extension officers to work in the field. We had to face the decision to change our plans and to adapt our strategy.

Compared to our Kolo Nafaso program in Burkina Faso, the program in Ivory Coast was at a very different state in its development. Therefore, we have decided to change the expansion region to the Center-North part of the country instead, where the security risk was considerably lower. This was a tough decision for us for several reasons, the most important being that we had to leave groups we had started

working with in 2019. Leaving groups is something that is not in line with our Kolo Nafaso philosophy to build long term and reliable partnerships with the women's groups. In order to mitigate this, we passed by every village to explain we had to pause our partnership, hoping to be back one day. The threatened area is a very promising one with a high density of shea, we would have loved to create a stable market outlet for the women there.

Today, we are positive about the expansion of the program in the Center North region, as the initial phase is looking promising. This adjustment of our Kolo Nafaso expansion strategy in Ivory Coast has taught us important lessons and gives us a better understanding of the shea regions in the country, which is crucial for our growth strategy going forward. We still hope that we will be able to go back to the North-East in the near future.





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 3,800 employees.



We are AAK – The Co-Development Company.

