
RISK MANAGEMENT

1. Introduction

1.1. Risk management is one of the key responsibilities of the Board of Directors (“the Board”). The Group’s principal risks and uncertainties – whether under our control or not – are highly dynamic and Acomo’s assessment of and responses to them are critical to the Group’s future business and prospects. Acomo’s approach towards risk management is framed by the ongoing challenge of understanding the risks that the Company is exposed to, what the Company’s risk appetite is and how these risks change over time. The Board assesses and approves Acomo’s overall risk appetite, monitors the Group’s risk exposure and sets the Group- wide limits, which are reviewed on an ongoing basis. This process is supported by the non-executive directors of the Board.

1.2. Risk management within the Group is carried out on the basis of procedures which have been approved by the Board. The Group’s overall risk management focuses primarily on the unpredictability of commodity and financial markets and is aimed at minimizing the potential impact of negative market developments on Acomo’s financial position and results. Identifying, evaluating, and hedging risks are primarily done by the operating companies. The Board and the operating companies’ management apply procedures which cover specific risk areas including exchange rate risks related to foreign currency, interest rate and credit risk exposure, and the use of financial instruments such as derivatives and liquidity management.

1.3. To the extent that any of these risks are realized they may affect, among other matters, the Group’s current and future business and prospects, financial position, liquidity, asset values, growth potential, reputation, and sustainable development (including the impact on food safety, the environment, and aspects of social responsibility). The diversification of Acomo’s portfolio of commodities, geographies, currencies, assets, and liabilities is a source of mitigation for many of the risks the Company faces. In addition, through Acomo’s governance processes and its proactive management approach the Company seeks to mitigate, where possible, the impact of certain risks should they materialize. In particular:

- The Group’s finance policy requires Acomo to maintain sufficient cash and cash equivalents and other sources of committed funding available to meet anticipated and unanticipated funding needs.
- Acomo makes use of credit enhancement products, such as letters of credit, insurance policies and bank guarantees, and imposes limits on open accounts extended.

2. Description of risks¹

2.1. The following is a selection of important risks that have been identified and for the management of which strategies, controls and/or mitigating measures have been put in place as part of Acomo’s risk management practices. They nevertheless involve uncertainties that may lead to the actual results

¹ These descriptions are to be considered as an elucidation of the Annual Report; they will not be updated during the year.

differing from those projected. There may also be current risks that the company has not yet fully assessed and that are currently qualified as 'minor' but that could have a material impact on the company's performance at a later stage. The company's risk-management and internal-control system has been designed to signal and respond to these developments on time, but 100% assurance can never be achieved of course. The top risks and other important risks as derived from these categories during the year under review (and the corresponding mitigating factors) are described in the Annual Report.

3. Definition of risks

Strategic risk

3.1. Risk relating to prospective earnings and capital arising from strategic changes in the business environment and from adverse strategic business decisions.

- Strategic risks including increased competition and vertical integration

3.2. One strategic risk concerns major shifts in the success and credibility of our products in the niche segments we operate in, and Acomo's ability to respond to these adequately. In case there are external or internal developments negatively affecting the credibility of our products and/or segments, Acomo's strategy and reputation could be adversely affected, leading to a poorer overall financial position. Competition and vertical integration of Acomo's customers may put pressure on market share, volumes, and prices, which could have an adverse effect. Attractive markets may attract new entrants. On the one hand, this means our regions of operation receive more (customer and consumer) attention; on the other hand, increased competition can result in pressure on market share, and potentially affect revenue and profitability.

Operational risk

3.3. Risk relating to current operational and financial performance, and capital arising from inadequate or failed internal processes, people and systems, or external events.

- Volatility in the supply, demand, or prices of food ingredients and solutions

3.4. Volatility (both short- and long-term) in the availability and prices of plant-based and natural food ingredients and solutions is one of the main risks for Acomo. Proportional to the scale and speed of the fluctuations, volatility directly impacts the value of the subsidiaries' product positions (long or short). Price fluctuations also affect the risk and behaviour of contract counterparties, particularly regarding the correct execution of signed, but not yet delivered contracts.

3.5. The main causes of such price volatility are (i) agricultural developments, including weather conditions, harvests, long-term planting cycles and so on, and (ii) logistical factors, such as increases in the costs of freight, storage, infrastructure and logistics support, or limitations or interruptions in the supply chain. Both these factors can affect the availability, quantity, quality, and price of our products and may adversely affect our business.

- Geopolitical risks

3.6. We operate in a number of geographic regions and countries, some of which are categorized as developing, complex or having unstable political or social climates. As a result, we are exposed to a wide

range of political, economic, regulatory and tax environments. Some countries with more stable political environments may nevertheless change policies and laws in ways that affect both the availability of products and the reliability of supply. We have no control over changes in policies, laws, and taxes.

- Inability to attract, develop and retain talent

3.7. The availability of experienced and professional traders and other staff is crucial for the ongoing operation and growth of the Group. If we are unable to attract, develop and retain the right people, our ability to conduct our business may be significantly impaired.

- Cyber risks

3.8. A cyber security breach, incident or failure of Acomo's IT systems could disrupt our business, result in the disclosure of confidential information, damage our reputation, and create significant financial and legal exposures.

- Climate change and ESG disclosures

3.9. Changes in temperature and rainfall patterns, with an increase of droughts, are affecting yields, product quality, and prices of natural food products. Food products such as spices, cocoa, nuts, tea, and coffee are highly sensitive to changes in growing conditions. These products can only be produced in narrowly defined agroecological conditions and, hence, in a limited number of countries.

- Human rights

3.10. The Acomo companies source food ingredients and products from a wide range of countries of origin with varying levels of regulatory stringency concerning labour conditions. Regardless of the legal requirements, the Group considers respect for human rights of paramount importance.

3.11. Human rights infringements may lead to severe reputational damage and loss of customer confidence. We aim to prevent and address any negative impacts we may have on the rights of those whom we employ, do business with, or interact with along our supply chain. Labour rights – including child labour, excessive hours with low wages, and human trafficking – are often the leading human rights concerns for agricultural companies.

- Food safety and recall risks

3.12. Group companies trade in a wide range of (perishable) food products, naturally leading to food safety and recall risks with regard to imported and delivered products. Our operations are subject to food safety and environmental laws. Food safety laws may result in increased costs or, in the event of non-compliance or incidents, in significant losses arising from litigation and imposition of penalties and sanctions, reputational damage and loss of business, and having licenses and permits withdrawn or suspended.

- Health, safety, and environmental risks

3.13. It is our fundamental responsibility as a company to minimize the environmental impact where we operate and ensure the well-being of employees in the workplace. Non-compliance with health and

safety or environmental standards may lead to severe reputational damage and loss of customer confidence.

Financial risk

3.14. Risk relating to financial loss due to the financial structure, cash flows, and financial instruments of the business, which may impair its ability to provide an adequate return.

- *Fluctuations in currency exchange rates*

3.15. Foreign currency exchange rate fluctuations are constant and difficult to predict. Producer country of origin currencies tend to increase in correlation with rising prices of food ingredients and products. Similarly, decreases in natural food product and ingredient prices are generally associated with increases in the US dollar relative to local producer currencies. The sales transactions and operating costs of the European subsidiaries are mainly in euros, the rate of which fluctuates against the US dollar, whereas Acomo's purchase transactions can be denominated in US dollars.

- *Liquidity risks*

3.16. Liquidity risks concern the availability of financing and risks related to interest rate developments. Failure to access funds (liquidity) would severely limit Acomo's ability to engage in desired activities. While the Group adjusts the minimum internal liquidity threshold from time to time in response to changes in market conditions, this minimum internal liquidity target may be breached due to circumstances beyond the Group's control, such as general market disruptions, sharp movements in commodity prices, or operational problems that affect suppliers, customers, or the Group.

Compliance risk

3.17. Risk of non-compliance with relevant laws and regulations (including food safety), internal policies, and procedures.

- *Government laws and enforcement*

3.18. As a diversified trading, sourcing, and distribution company conducting transactions globally, we are particularly exposed to the risks of fraud, corruption, sanctions, and other unlawful activities both internally and externally. New government measures, including increased regulations on food safety and regulations on sanctioned countries, may have a major impact on our business and financial position and can present a threat to activities within a relatively short time frame.

3.19. Fraud is a deception that is deliberately practiced to secure unfair or unlawful gain and include deceit, concealment, skimming, forgery, or alteration of (electronic) documents. Acomo maintains a zero-tolerance approach for its companies, employees, and business partners with regard to fraud. Bribery is illegal, and it can cripple Acomo's longstanding reputation of conducting business with integrity.

3.20. Recent highly publicized incidents of food fraud have shaken confidence in the (organic) food value chain. Hence, it is of the utmost importance to provide assurance about the safety, authenticity, and quality of food products (integrity). Food fraud can lead to decertification and negatively impact business continuity.