



Responsible Sourcing Policy

English

RESPONSIBLE SOURCING POLICY

PURPOSE & SCOPE

Responsible Sourcing has been A&D's hallmark for the past two centuries. Periodically, we integrate state of the art trading and sourcing practices into our plans and policy in order to help promote sustainability within our supply chain. The healthy and strong partnership we have with our suppliers as well as the good linkage in our supply chain has been a key enabler that is helping us purchase responsibly.

An integral part of our policy is to consistently collaborate with our suppliers and share knowledge on how best we can maintain the status quo and improve upon it where necessary so our journey towards 100% responsible sourcing will be a success. As a family business that has been in existence since 1806, we acknowledge that it is important we use resources for its optimum benefit in such a way that we wouldn't compromise the ability of future generation to use that same resource. As traders, we have a responsibility to contribute to improving the livelihood of cocoa farmers and their families, just like other market participants in the cocoa sector.

To ensure that sourcing is done responsibly, our Responsible Sourcing Policy tackles issues on child labor, forest preservation, Good Agricultural Practices, transparency and traceable cocoa value chains. We rigorously engage in frequent discussions with suppliers, learn from each other and share our experiences to ensure that these four key elements are attended to with the utmost attention.

A. Three Guiding Steps in Responsible Sourcing

Albrecht and Dill strives to act responsibly in all of its business activities and partnerships based on responsible sourcing practices strengthen our cocoa supply chain. Business partners help us in reducing risks and increase trust among stakeholders.

The Responsible Sourcing Policy (RSP) of A&D affirms our commitment to working with our suppliers to achieve a long-term, sustainable, and prosperous future for all parties while helping communities and the environment to flourish.

1. Internal Assessment

A&D will verify that suppliers align to and implement the Responsible Sourcing Policy through the use of supplier self-declaration, online assessments, and independent verification including third-party audits and certifications. On a yearly basis, we work together with our suppliers to embark on a performance assessment on cocoa sourcing indicators. To have a current and in-depth information on the situation in our supply chain, a regular risk assessment is undertaken to identify key compliance risks. The indicators are aligned with the elements stipulated in our Supplier Code of Conduct. It includes but not limited to issues on corruption, labor rights, working conditions, human right abuses, and environmental protection.

The continuous expansion of our business is vital to us hence the quest to find new business origins and suppliers. For new suppliers, we engage them in initial sustainability dialogues in order to familiarize ourself with their sustainability practices. An A&D self-assessment of their company's sustainability and procurement practices is requested and through this we identify some synergies as

well as differences and how it could be aligned with our sustainability ambitions for a better future cooperation. The rational is to help us have a fair idea about their previous and current sustainability practices as well as the plans for future so we know where there ought to be improvement. The assessment is done with the help of a well-developed questionnaire by our team of experts taking into consideration sustainable trading practices and due diligence legislations.

2. Areas of Improvement and Adherence

The first step enables us identify areas that needs attention and improvement. We design and implement a strategy based on the results of the assessment to enhance our responsible sourcing practices. Through numerous meetings with suppliers, we come up with a roadmap on how identified, and non-performing areas could be improved. Together with the suppliers, we ensure that such areas are improved over-time and we expect our suppliers to implement and adhere to the designed plan.

We support our suppliers to improve areas where corrective actions are needed. At the end of every season, best practices and areas of low performance are analyzed and lessons learnt from it are shared with suppliers. This sets up a starting point for newer ideas and plans on how to make the supply chain more transparent, and sustainable.

3. External Assessment

Having external assessments is vital due to the complexity of the cocoa supply chain and the heterogenous nature of our clients' sustainable demands. The services of recognized independent audit organizations or standards organization are employed to help us check compliance and conformity of our suppliers with defined standards in the industry. This provides our clients with assurance on how we adhere to responsible sourcing practices throughout our supply chain.

B. Key Focus Area

1. Child labour

We 100% oppose child labor in the cocoa supply chain. Wherever these practices may exist, we set up activities to eliminate those. Through more traceability in our supply chains, collaborations with specialized organizations, and engagement with experts in the field, we do what we can to eliminate child labour, particularly in West Africa. We do so by looking at the main underlying issues of child labour (education and poverty) and trying to make a positive impact. We expect the same from our suppliers, who acknowledge and accept our Supplier Code of Conduct.

Eliminating (the worst forms of) child labour is something we cannot do alone. This is so complex, that governments, dedicated organizations, cooperative leaders, and many different stakeholders need to come together in a multi-layered stakeholder approach to tackle the innermost issues that may result in child labour.

Within our limits, we ensure that our suppliers comply with our approach towards avoiding child labor. Our approach is largely embedded in ICs CLRMS (International Cocoa Initiative – Child Labor Remediation & Monitoring System), together with a campaign for promoting child education

especially in our supplier regions where recognized independent risk assessment has proven evidence of child labor.

1. Deforestation

It is part of our responsible sourcing policy to encourage afforestation and discourage deforestation. We recognize that farming commodities like cocoa has an impact on forests. Thus, we put measures in place to ensure that our suppliers are mindful of sourcing practices that potentially causes harm to forests and the environment. We believe also that deforestation is linked to poverty and education, hence a need to tackle it from this perspective by way of encouraging afforestation and discouraging deforestation to help reduce the amount of GHG in the atmosphere. We continually aim to decrease deforestation caused by cocoa production and back farmers toward Climate-Smart Agriculture practices through effective education and monitoring. Efforts to have GPS points or polygon maps of places from where we source, have been a good enabler in this direction.

2. Embrace transparency

Having an acceptable level of visibility in our supply chain both up and downstream and sharing valuable information internally and externally is of great concern to us. Every part of the supply chain (from the producer through to the last point of delivery) comes with its own information that is worth knowing and sharing with clients and customers. To promote the habit of responsible sourcing, we ensure that our suppliers furnish us with all necessary information so we can in-turn make such information privy to our stakeholders when the need arise.

Although responsible sourcing is just a means to an end, in terms of the bigger sustainability ambitions of A&D, it is an important guide that helps us ensure that impacts linked to our operations and inter-related business practices, has a positive socio-environmental and economic impact. Through effective communication we ensure that the sustainable practices mentioned and agreed on in our supplier code of conduct are complied with. The suppliers undertake to comply with the A&Ds responsible sourcing policy by way of been signatories to A&Ds supplier code of conduct declaration form. Thus, they are expected to put into practice things stipulated in our supplier code of conduct. It is worth mentioning that any sub-supplier of our supplier upon approval is also subject to this responsible sourcing policy.

[More information on fundamental business conduct can be found in our Supplier Code of Conduct¹](#)

C. Strategy towards Responsible Sourcing

In seeking to build a sustainable cocoa supply chain, A&D commits to:

1. Supplier compliance to our Supplier Code of Conduct which prescribes our expectations around no child or forced labor, freedom from discrimination, freedom of association, fair wages and commitment to the well-being of employees.
2. Establish child labour monitoring & remediation systems in our supply chain.
3. Promote child education as a tool for tackling socio-culturally motivated child labor.
4. Achieve traceability in our direct cocoa value chain, by identifying and mapping the farms from whom we are sourcing.

¹ Supplier Code of Conduct can be found in www.albrecht-dill.de

5. No sourcing of cocoa which contributes to the deforestation or degradation of any forest land as defined by national or internationally applicable forest definitions.
6. No sourcing of cocoa from areas that are legally protected for conservation purposes, such as national parks or wildlife reserves.
7. Promote sustainable livelihoods and production for smallholder cocoa farmers in our supply chain.
8. Promote Climate-Smart Agriculture as means to increase productivity while reducing pressure for further land conversion, to build climate change resilience and to reduce greenhouse emissions where possible.
9. Engage our suppliers on the content and expectations of our Code of Conduct and this policy.