

Atria Sourcing Policy

Purpose and Scope

Suppliers are an essential part of Atria's value chain. We are committed to establishing mutually beneficial relations with all our business partners. We require our business partners to comply with local legislation and applicable international standards, and to follow the ethical principles set out in the Atria Supplier Code of Conduct.

This document defines the Sourcing Policy of Atria Group (hereafter "Atria"), which outlines the principles and practices for supplier evaluation, selection and monitoring in Atria's supply chain. It is applied in all Atria's sourcing operations, excluding meat sourcing from Atria's contract producers. To complement Atria Sourcing Policy, each business area's quality manuals have more detailed guidelines which specify the procurement and contract procedures, as well as the organisational responsibilities in more detail, covering all procurement activities.

Through this policy, Atria harmonises its procurement principles to ensure an adequate level of risk management in its supply chain in all its business areas.

Approval:

The Atria Sourcing policy is approved by the CEO. It is reviewed annually **by the responsible procurement directors** in each BA and possible changes are approved by the CEO and the Atria Group Management Team as part of the management review of sustainability issues.

Target audience: Public, Atria's procurement organization and supply chain partners

Approval date: 18 January 2021



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Background

Atria Group has strategic procurement in shared categories, as well as operational purchasing of goods and services in each business area.

The food production supply chain, in which the operating environment varies in the sourcing markets of Atria's different business areas, is relatively complicated. The raw material market is characterised by uneven supply and increasing global demand. Among other things, the supply is affected by political decisions, global food consumption growth, success of harvesting seasons and food crises. The large number of players is also typical of this market. For example, in Atria's meat sourcing markets, very large integrated stock companies operate in everything from slaughter, cutting, and meat raw material sales, while small companies only supply meat to the industry.

Sourcing raw materials, as well as other production inputs and services from this non-homogeneous market, involves many risks that have a decisive effect on the profitability and reputation of a company like Atria. Good supply chain risk management is therefore of the utmost importance for the company's success. One risk management area that must be taken very seriously is the choice of business partners. Through this policy, Atria harmonises its procurement principles to ensure an adequate level of risk management in its supply chain in all its business areas.

Supplier types

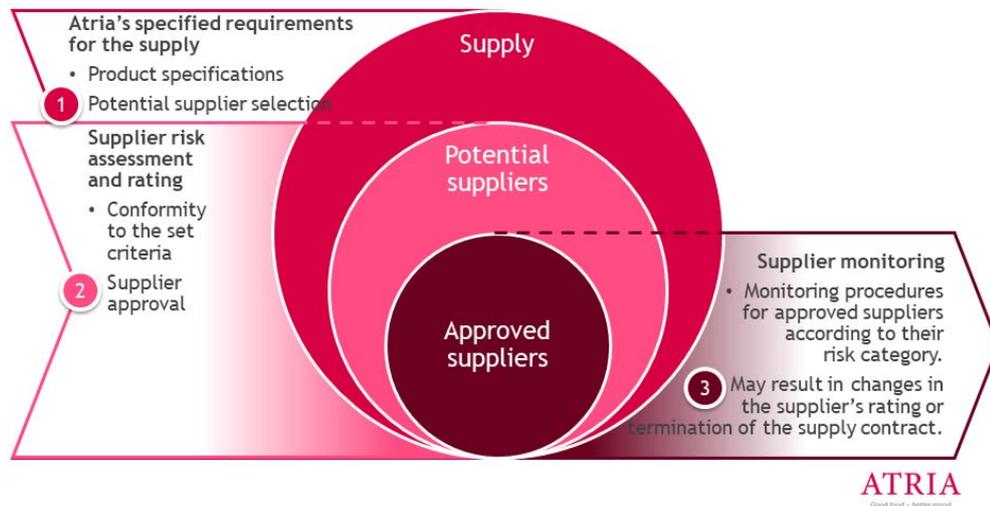
A supplier is a company, entity or person that supplies or is a potential new supplier to Atria in raw materials, packaging materials, ready products or indirect goods and services, hereafter *goods*. Atria's suppliers are roughly divided into five different types based on of their different supply markets, along with the respective required management procedures and expertise:

- Meat raw materials
- Other (edible) raw materials
- Packaging materials
- Contract food manufacturing
- Indirect goods (non edible) and services



Supplier selection in brief

Atria performs the supplier assessment in two phases. The first assessment takes place before selecting new suppliers from the potential suppliers. The second assessment is continuous in nature. Once a supplier has been approved, its performance and operations are subject to Atria’s monitoring procedures. These procedures assess the suppliers’ conformity to the set requirements, as well as their ability to supply in accordance with the product specifications and the contract terms.



1 Potential supplier selection

The first limiting factor in choosing a supplier is Atria’s own business needs and specific requirements for the goods provided.

2 Approval of a new supplier

New suppliers are assessed according to the risk criteria described in this policy. Depending on the type of supplier previously specified, the criteria may have different weights in the approval process.

3 Supplier rating according to their risk category

Approved suppliers are rated according to the opportunities and risks related to the business relationship with them. The supplier evaluation criteria are described at a general level in the next section. More detailed business-sensitive limit values by supplier type are controlled by the responsible procurement organisation.

Written framework agreement /contract

A written framework agreement/contract is concluded with approved suppliers. The framework agreement describes the business operations between the supplier and Atria, and defines the risk distribution between the parties. The agreement also includes the Atria Supplier Code of Conduct as an attachment, which the supplier undertakes to follow. By



signing the document, the supplier confirms their commitment to comply with the Atria Supplier Code of Conduct.

An approved supplier is registered in the business system, and purchases are only possible from approved suppliers.

Supplier assessment criteria

Atria's suppliers are evaluated and rated according to the opportunities and risks related to the business relationship with them. Supplier assessment criteria at a general level are described in this section. The significance of a single criteria for different types of suppliers varies. An overall assessment determines the supplier selection and monitoring needs during the business relationship.

i. Size of the supplier

Atria estimates that larger suppliers present a lower risk than small companies. The reason is that larger companies usually organise their own risk management and have more to lose if they are accused of fraud or illegalities.

Opportunities related to the size of the supplier are the ability and resources to carry out possible joint development projects.

The supplier's latest financial statements are used to assess the size of the supplier. Sales are the measure of the supplier's size. If the supplier belongs to a company group, it is the whole group's turnover that determines its size.

ii. Supplier's home country

The supplier's home country defines the company's political and legal operating environment. If the supplier belongs to a company group, the supplier's home country determines the level of risk, not the parent company's home country.

Atria's procurement system includes a tool that assesses country-specific responsibility risks such as the degree of corruption or the ratification of international standards for human rights or working conditions.

Suppliers owned by companies registered in tax havens are avoided.

iii. The supplier's financial situation

The financial situation of the supplier is of great importance when determining its risk level. A company that has a difficult financial situation may find it difficult to maintain product quality, security of supply and in exceptional cases, have a greater tendency to take illegal measures to avoid bankruptcy. A supplier that has had a difficult financial situation for an extended period should be avoided. If the supplier belongs to a company group, the financial situation of the group is decisive.

To assess the supplier's financial situation, audited financial statements are required for assessment: The development of net sales, equity ratio and operating profit over a period of three years are assessed. Generic industry benchmarks are used in the estimation.



iv. Legal compliance

The supplier's legal compliance is a prerequisite for all business operations with Atria. In signing the Atria Supplier Code of Conduct, the supplier agrees to follow all applicable legislation and international standards, e.g. related to antitrust, anticorruption and GDPR. Business with legally non-compliant or sanctioned companies is always a reputation risk to Atria, and may lead to administrative sanctions or export restrictions, for example.

If a supplier has participated in irregularities, Atria will assess the risks associated with continuing the business with that supplier with special care. In the risk assessment, the nature, severity and timing of the irregularity, and the possible corrective actions undertaken by the supplier, are all considered.

For example, we cannot accept human rights violations from our suppliers, even in the slightest degree. On the other hand, a notice of a minor irregularity in the context of regular regulatory oversight may be a less serious matter if the company demonstrates that it is remedying the irregularity.

v. Supplier's reputation

Atria only works with suppliers that have a good reputation and are legally compliant. Atria uses all available information to determine if the supplier has a good reputation, or if a previously good reputation has deteriorated.

Compliance may be determined by the supplier's sufficient internal policies, programmes and practices, for example. Issues that affect a supplier's reputation may include: problems with product specifications; working environment issues; any official sanctions received; or even serious suspicions of illegal action. If the company's reputation is linked to questionable events, the risk of continuing the business is assessed.

vi. Supplier's ownership structure

Suppliers with complicated ownership structures with multiple partners that are not easily identifiable carry a greater risk than companies that have only a few owners who are easily identifiable.

The smaller the supplier, the more important it is to analyse the owner to assess the level of risk. With a family business, it is of the utmost importance that Atria know the owner's background and reputation, as well as past and other business operations. Persons who have been in the represented industry for a relatively short time, and who have a past or are simultaneously active in other industries, carry a greater risk than those who have been active only in the represented industry for many years. Regular meetings with the owners is a prerequisite for Atria to be able to accept a family-owned supplier.

Atria avoids suppliers owned by persons who have previously been involved in fraud or other illegal activities, or who have been publicly suspected of such activities.

As a minimum acceptance criterion, responsibilities in the supplier organisation must be clearly defined and documented, including execution powers.

vii. Risks associated with food safety

When the product sourced is to be used in Atria's food production, attention to the risks associated with product safety are to be considered.



Suppliers certified according to a GFSI-recognised standard (eg. BRC, IFS, FSSC 22000, EFSIS) are automatically approved from a food safety perspective.

viii. Supplier’s upstream activities and use of subcontractors

We expect full transparency in upstream activities. The supplier must have a system in place to ensure the legal compliance of its upstream activities.

The more complex and longer the supply chain, the better procedures are required of the supplier to identify and prevent supply chain liability risks. The more transparent the supplier is about the supply chain and the applicable risk management procedures, the lower the risk from Atria’s perspective.

When sourcing is made through an agent, or the supplier use subcontractors to deliver the goods, the supplier is obliged to provide Atria with a report on the reliability and legal compliance of the manufacturing process of the goods it transports.

ix. Sustainability and ethical values

In signing Atria Supplier Code of Conduct, a supplier agrees to follow and develop its operations in accordance with the principles of economic, social and environmental sustainability. In meat procurement, supplier also agrees to comply with Atria’s Animal welfare policy.

Supplier’s commitment to sustainable development is seen as securing long-term operating conditions for the future. Supplier’s negligence in these matters is not only a reputational risk for Atria, but it can also mean mismanagement and risk exposure in operational performance. These issues can be assessed in the supplier meetings, especially when meeting with supplier’s management representatives.

x. Collaboration with Atria/Previous performance

A supplier with long-term cooperation with Atria that has delivered good quality with good delivery security and fault-free documentation, and has otherwise been a reliable supplier, also carries a lower risk in the future than new suppliers.

Monitoring the suppliers

Atria continuously monitors its suppliers in connection with deliveries, as well as information in the market and the media. Monitoring routines for each supplier type are determined by risk category in the responsible procurement organisation’s guidelines. The monitoring routines are at a general level as follows:

i. Quality assessment of the goods delivered

Atria has quality assessment procedures in place for goods delivered to Atria.

Atria’s operational process is responsible for the recipient control of the goods. Factors included in the recipient control vary depending on the goods delivered and they are specified in the instructions of the receiving department.

Non-compliances in quality lead to claims against the supplier. The procurement is



responsible for Atria being compensated for the lack of the deliveries' quality. Notes on the quality are documented and used in the assessment of the supplier.

ii. Annual assessment

The procurement of each type of supplier is responsible for carrying out and documenting the annual assessment of the suppliers in its area of responsibility.

The assessment is made against the risk criteria described in this policy with a varying emphasis on different types of supplier. As a result, the assessment takes a position on the supplier's rating, whether cooperation can be continued, and whether there is a need for a supplier audit. The supplier assessment leads to actions accordingly, for which the procurement is responsible for following up.

iii. Regular meetings with the supplier

Atria's representatives meet approved suppliers regularly. Meetings can take place at the supplier, Atria's places of operation or virtually depending on cost and time constraints, as well as the nature of cooperation.

Meetings have a pre-communicated agenda. Atria's representative ensures that the meetings are recorded, and that all parties receive a copy of the minutes. At least the following points will be discussed at these meetings:

- the quality of deliveries
- delivery security
- shared view of the market situation
- the supplier's financial situation
- potential changes in the ownership structure or management of the supplier
- other possible issues identified in the annual assessment
- the need for on-site factory visits or audits

Atria's procurement representative is always present at the supplier meetings. Other representatives may come from Atria's own experts or management team.

iv. Audit of the supplier

Atria's procurement with respective representatives or a third party appointed by Atria makes regular audits with appointed suppliers. Audits are carried out according to a plan that is updated in connection with the annual assessment of suppliers.

v. Other available information

Atria is a member of the boards and committees of trade associations. Information from these associations concerning the companies in the market that may affect Atria's assessment of its suppliers shall be communicated further to Atria's procurement.