

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 investments and meat sourcing from Atria's contract producers. To complement Atria Sourcing Policy, operational units' 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 and application of due diligence in its supply chain in all its business areas.

Approval:

The Atria Sourcing policy is approved by the CEO. It is reviewed annually by **Atria Sourcing Board with representative from** 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

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Introduction

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, growing regulatory demands on sustainability, global food consumption growth, success of harvesting seasons and food crises. The large number of operators is also typical of this market.

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 is 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 and application of due diligence in its supply chain in all its business areas.

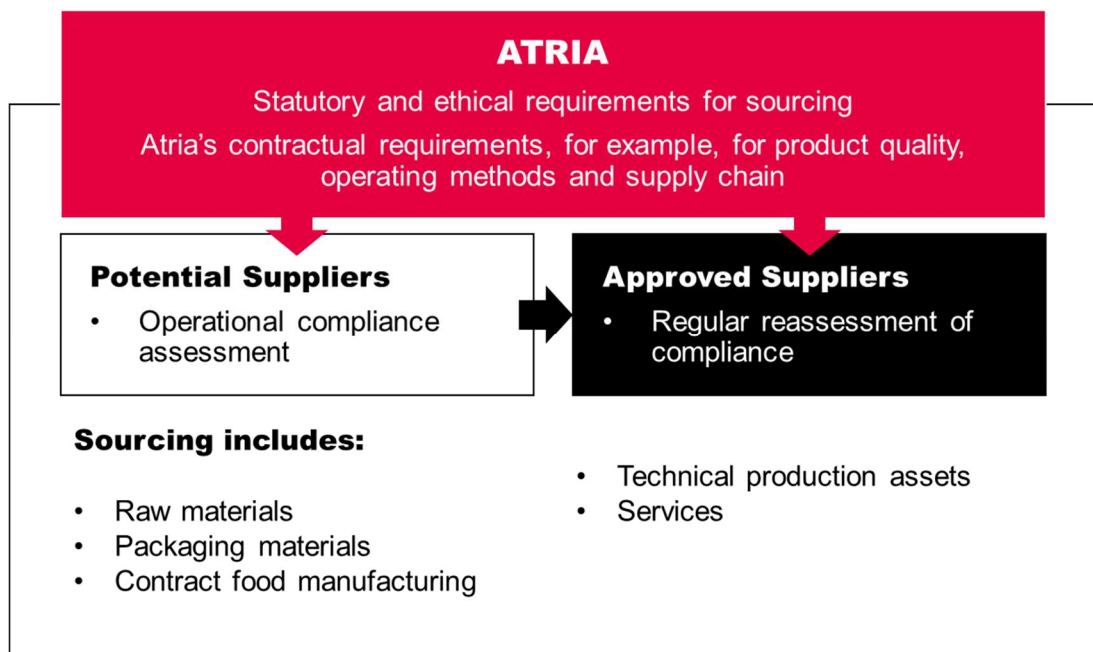


FIGURE 1. Atria's sustainable sourcing



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 following different types based on of their different supply markets, along with the respective required management procedures and expertise:

- Meat raw materials
- Other raw materials
- Packaging materials
- Contract food manufacturing
- Traded goods
- Technical production assets
- Services

Prioritising supplier risk management

Atria prioritises its risk assessment and risk management measures of suppliers according to the business criticality of the supplier relationship which is illustrated in materiality matrix in Figure 2.

Financially significant supplier, business relationship based on partnership				
Repeated purchases from the supplier				
Spend (history or estimate) < 10 000 €/a				
Only occasional purchases				
	Indirect bulk materials or general services with plenty of options on the market	Indirect business-critical materials or services	Materials or services directly related to the supply chain	Food safety and/or business critical raw materials

FIGURE 2. Sourcing materiality matrix according to the supplier’s financial relevance and the business criticality of the goods to be supplied.



The supplier selection, assessment and monitoring procedures described later in this policy are prioritised according to the materiality rating explained in Table 1. This policy defines the minimum requirements for the environment, social, governance and quality (later ESGQ) risk controls applied in Atria Group. Operational units may follow a more rigorous protocol according to their stakeholder requirements.

TABLE 1. Minimum ESGQ risk assessment and management measures according to sourcing materiality.

Materiality	Risk assessment and management	Examples
High	<ul style="list-style-type: none"> • Regular meetings with the supplier • Supplier self-assessment in selected issues • Third party verification or audit in critical issues • Framework contracts including specifications and Supplier Code of Conduct • Delivery control measures in accordance with the operating unit's protocol 	<p>Certifications</p> <p>Verified sustainability reports</p>
Medium	<ul style="list-style-type: none"> • Supplier self-assessment in selected issues • Country and industry risk review in supplier management system • Framework contracts including specifications and Supplier Code of Conduct • Delivery control measures in accordance with the operating unit's protocol 	
Medium low	<ul style="list-style-type: none"> • Country and industry risk review in supplier management system • Written agreements • Delivery control measures in accordance with the operating unit's protocol 	
Low	<ul style="list-style-type: none"> • Written agreements • Continuous monitoring procedures not necessary 	



Supplier selection

Atria’s supplier selection starts from the defined business needs, for which procurement or a buyer search the supply market for a suitable solution. The potential suppliers are assessed against the set requirements. The suppliers that are approved are subject to continuous monitoring during and depending on the nature of the business relationship. Supplier selection steps are illustrated in Figure 3.

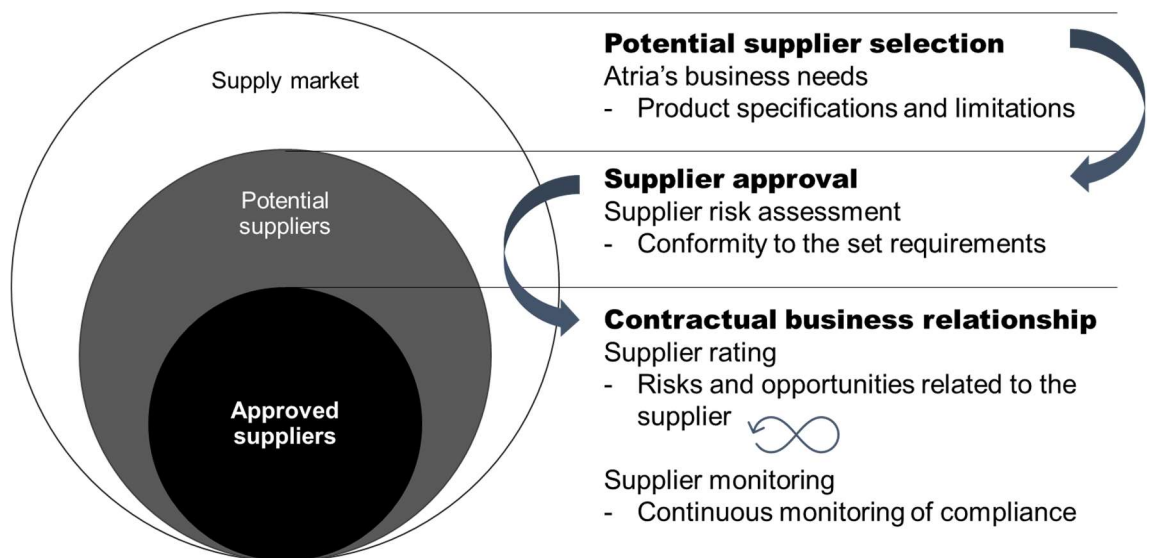


FIGURE 3. Illustration of Atria’s supplier selection steps

Potential supplier selection

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

Approval of a new supplier

New suppliers are assessed according to their materiality and risk aspects described in this policy. Depending on the materiality of the business relationship represented in materiality matrix (Figure 2), the risk assessment and management procedures vary (Table 1). The procurement or the buyer of the goods or services is always responsible of the final approval of the supplier.

Contractual business relationship

Supplier approval is confirmed by a written contract following the Atria’s Decision Making Policy.

The framework contract describes the business operations between the supplier and Atria, and defines the risk distribution between the parties. The contract also includes the Atria Supplier Code of Conduct as an attachment, which the supplier undertakes to follow. By



signing the contract, the supplier also confirms their commitment to comply with the ESG matters further described in Atria Supplier Code of Conduct.

An approved supplier is registered in the business system, and purchases are only possible from approved suppliers. Minimum checks, including the financial information needed to register the supplier are carried out for all suppliers through the Purchase Ledger onboarding process. Monitoring tool in supplier management system and Purchase Ledger monitoring process, covering selected risk suppliers, verifies regularly the suppliers' status concerning certain financial risks e.g. ownership of the company and being subject to sanctions.

Approved suppliers are internally *rated* according to the opportunities and risks related to the business relationship with them. 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.

The supplier assessment aspects 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.

Supplier assessment aspects

Atria's suppliers are evaluated and rated according to the opportunities and risks related to the business relationship with them. The aspects for supplier assessment are described in this section at a general level. The significance of a single aspect 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 for joint development projects are proportional to the size of the supplier - indicative of capability and resources.

The size of the supplier is assessed through the supplier's latest financial statements. 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. When 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 is always prohibited with sanctioned companies. Business with legally non-compliant companies is always a reputation risk to Atria and therefore continuity of the business with that supplier shall be assessed with special care. When doing the risk assessment, the nature, severity and the duration of the breach, 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.

Compliance may be determined by the supplier’s sufficient internal policies, programmes and practices, for example.

The Purchase Ledger monitoring process verifies regularly the suppliers’ status concerning certain financial risks e.g. ownership of the company and being subject to sanctions.

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.

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 food safety, including food fraud and food defence, 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 a trader, or the supplier use subcontractors to deliver the goods, the supplier is obliged to provide Atria with the same information that is required from direct supply.

ix. Sustainability and ethical values

When 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 further discussed in Atria Supplier Code of Conduct. Meat suppliers also agree 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. The supplier’s commitment to sustainable development can be determined from internal policies, targets and development programs, that are science based and aligned with Paris agreement. Third party verified emissions and/or sustainability reports also serve as evidence of compliance and level of performance.



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 has continuous monitoring routines for its approved suppliers in connection with the deliveries, as well as regular monitoring of more generic compliance against the set requirements.

Regular supplier assessment combines the information from different monitoring routines (i-v) that are described at a general level later in this policy. The routines for each supplier type are determined in more detail by risk category in the responsible procurement organisation’s guidelines. As a result, the assessment takes a position on the supplier’s internal rating, whether cooperation can be continued, and whether there is a need for a supplier self-assessment, an audit or other development measures.

i. Delivery control

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 operating unit.

Deviations in deliveries or quality may lead to claims against the supplier. The procurement is responsible for Atria being compensated for the lack of the deliveries’ quality. Deviations in the quality are documented. Deviation records are used in the regular supplier assessment.

ii. Regular meetings with the (high materiality) suppliers

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 supplier 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.



iii. Internal assessment

Internal stakeholders’ reports for selected suppliers’ performance are collected regularly. Internal assessment collects information from internal stakeholders on security of supply, quality of the deliveries, and the supplier’s ability to cooperate and innovate.

iv. Supplier self-assessment

Supplier self-assessment questionnaires are used to gain more information and gathering verification documents for the supplier risk assessment purposes.

Onboarding assessments take place before entering new supply contracts. In general questionnaires include the following themes:

- Quality
- Environment
- Labour & Human rights
- Business ethics
- Supply chain control
- Industry-related issues

As a result of regular assessment of the approved suppliers, selected suppliers may be asked to complete a follow-up information request on selected themes.

The supplier’s sustainability and quality risks are assessed based on the answers to the completed self-assessment. If necessary, the documentation provided by suppliers is checked by Atria’s experts and further actions are agreed with the procurement. The information provided by the suppliers also serve as pre-audit information if an audit is needed.

v. Audit of the supplier

Audits are carried out according to a plan that is updated and resourced in connection with the regular supplier assessment. Atria’s procurement with respective representatives or a third party appointed by Atria performs the audits with the appointed suppliers.