



ANIMAL PURCHASE POLICY

HKSCAN

1 SCOPE AND OBJECTIVES OF THE POLICY

This Animal Purchase Policy covers the whole HKScan Group, all its employees working on behalf of the Group's businesses or functions with its producers including the whole supply chain.

The purpose of this Animal Purchase Policy is to:

- secure that HKScan's business is operated in a sustainable way;
- provide all employees and other stakeholders of HKScan Group with clear and concise guidelines on how to do business with HKScan's animal producers;
- provide guidance on how to manage the animal producer base of HKScan; and
- define responsibility areas within the Group relating to animal procurement.

2 RESPONSIBILITIES

The Board of Directors of HKScan Group has approved this Animal Purchase Policy. The Management Team of HKScan Group is responsible for the introduction, implementation and appliance of this Policy in the HKScan Group.

The members of the Extended Management Team of HKScan Group are responsible for the implementation of and compliance with this policy in their responsibility areas.

The SVP Animal Sourcing and Producer Services is responsible for:

- a) drafting and updating the Animal Purchase Policy of the HKScan Group,
- b) making approved terms and guidelines accessible to all relevant employees in the HKScan Group, and
- c) ensuring follow-up on the compliance of this Policy.

3 GENERAL GUIDELINES

3.1 General

HKScan Animal Purchasing is based on contract production. Group Animal Sourcing and Producer Services -organization (later AS/PS) (in co-operation with relevant business and functions) is responsible for selecting the best animal producers for HKScan, for entering into contracts with the producers on behalf of HKScan, and for managing the producer relationships all in all.

3.2 Contracting

HKScan purchases animals only from producers with a valid contract. Different contractual forms can be used, depending on purchasing situation and relationship with the producers.

HKScan makes contracts with new producers only when there is a clear business need. Contracting must follow overall HKScan guidelines set by SVP AS/PS and approved according to the Approval Framework. In general HKScan follows a principle of transparency related to contract forms and templates. Individual contracts are negotiated between HKScan and producers individually on confidential basis.

Contracting parameters like exclusivity and notice period of each contract type are defined and maintained in a separate contracting guidelines attached to this Policy.

Representatives of Animal Sourcing and Producer Services –organization are responsible for ensuring that valid contracts are in place with all animal producers.

All purchasing contracts shall be saved to electronic contract archive (ECA). Approval of all contracts must follow the Approval Framework of HKScan Group.

3.3 Pricing and payments

Animal purchase prices are set by HKScan, according to valid and approved contracts and pricing structures. HKScan AS/PS -organization is responsible for defining and maintaining pricing structures and implementation of them. Approval takes place according to HKScan approval guidelines.

Pricing decisions, following the agreed contracts, pricing structures and relevant price lists, are done by HKScan AS/PS in collaboration with business representatives from relevant business segments on daily and weekly basis. HKScan can deviate from predefined pricing models and prices lists in extraordinary situations (related to e.g. animal diseases) or other force majeure situations. This requires always a case-specific decision and approval from this Policy's owner.

Contract templates and pricing models are discussed with representatives of animal producers through established co-operation forums. Final pricing decisions are also in such cases made solely by HKScan and approved according to Approval Framework.

All purchased animals are paid using HKScan payment system, using HKScan processes and systems, and according to approved HKScan terms and conditions.

3.4 Purchasing volume

HKScan animal purchasing volume is defined based on current and forecasted market/customer demand and consequent anticipated sales volumes. HKScan AS/PS –organization is responsible for implementing necessary purchasing strategies and measures to ensure the correct purchasing volumes short- and long term.

3.5 Quality and sustainability

As a part of sustainable and responsible supply chain of the HKScan Group, the duty of the animal producers is to meet high standards of quality and animal welfare within the contract production. HKScan AS/PS is responsible for defining the standards and requirements on behalf of HKScan Group. Standards and requirements for sustainability including animal welfare are discussed with representatives of animal producers through established co-operation forums. HKScan AS/PS organization is responsible for ensuring implementation of the standards and requirements by the producers. The co-operation forums are responsible for defining and initiating activities to continuously improve quality and sustainability of HKScan primary production.

4 LAWS AND REGULATIONS

HKScan Group requires that every producer (including the whole supply chain) shall follow the current legislation and regulations in force, as well as such voluntary branch regulation that is decided to be enforced. HKScan does not tolerate any illegal or unethical treatment of animals, or any failure to comply with set sustainability standards. The Group only co-operates with producers who fulfil the requirements. More detailed practical guidance on the current legislation and regulations may be given by the Group Legal Function.

If an employee or a producer becomes aware of any non-compliance with this Policy or any laws and regulations, the employee shall promptly notify Legal Function of HKScan Group.

5 DISPUTE RESOLUTION AND AUDITING

In case HKScan and producer enter into a dispute, controversy or some disagreement arising out of or relating to contract, or the breach, termination or validity thereof the parties may together appoint a neutral trusted person/body to help resolution between the parties. This is suggested as the primary method for dispute resolution. However, this clause shall in no way limit the rights of the parties to dispute resolution methods as agreed in valid contract between the parties.

Auditing of contracts and contracting practices is possible, and can be executed through assignment from Board of Directors / Audit Committee of HKScan.

6 SUPPLEMENTING GUIDELINES AND INSTRUCTIONS OF THE ANIMAL PURCHASE POLICY

Guidelines and instructions under this Policy may be given separately.