



Procurement Policy

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1. GENERAL PROVISIONS

1.1 Background

Sollio Agriculture, the Agri-business Division of Sollio Cooperative Group, is a Canadian leader in the agriculture industry. It specializes in supplying farm inputs and providing value-added services that benefit farmers, cooperatives and partners. Its business model combines the strength of a local approach with the power of a national presence to offer innovative products and solutions, promote the adoption of sustainable farming practices, and help local farming families prosper. It has a nationwide presence, 1,300 employees, and annual sales of \$2.8 billion.

1.2 Purpose

The purpose of this policy is to establish and communicate Sollio Agriculture's principles and expectations regarding the procurement of raw materials, goods and services. The philosophy behind this policy is to build strategic partnerships with suppliers as a way of promoting the purchase of products and services that are environmentally, socially and economically responsible.

This policy aims to:

- Define the scope of the policy and the roles and responsibilities of the supply chain group
- Communicate Sollio Agriculture's reference criteria, which support the organization's core business and its social and environmental values
- Inform suppliers of Sollio Agriculture's procurement processes, rules and standards

This policy was designed to foster the success of suppliers who share the same strategic and responsible procurement values as Sollio Agriculture.

1.3 Roles and responsibilities of the supply chain group

The supply chain group is responsible for all activities related to strategic raw material purchasing, indirect procurement, logistics and transportation, and administrative support services for purchases from—and sales to—business units. The group is also responsible for managing the integrated planning process and ensuring the timely availability of raw materials. The group uses best practices to deliver optimal procurement as per Sollio Agriculture's strategic vision.

The supply chain group works closely with internal stakeholders to optimize the end-to-end value chain. They act as collaborators by:

- a) Actively participating in multidisciplinary governance structures established by the supply chain group in order to provide knowledge and technical expertise on goods and services
- b) Providing the group with feedback on the value chain's competitiveness, quality and efficiency
- c) Informing the group of any compliance issues with suppliers

The supply chain group is responsible for administering and enforcing this policy, which can only be amended by the vice-president of supply chain.

1.4 Scope of the policy

This policy applies to all Sollio Agriculture employees and business units involved in strategic raw material purchasing, indirect procurement, logistics and transportation, and administrative support services for purchases from—and sales to—business units. It applies to all suppliers doing business with Sollio Agriculture and its business units.

This policy applies to the following raw material product categories:

- Fertilizers
 - Nitrogen products
 - Potash
 - Phosphorus
 - Other fertilizers
- Crop protection products
 - Insecticides
 - Fungicides
 - Herbicides
 - Adjuvants
 - Other crop protection products
- Feed products
 - Amino acids
 - Medicinal additives
 - Grain
 - Palmitic fats
 - Pharmaceutical products and veterinary services
 - Proteins
 - Vitamins and minerals
 - Other feed products

This policy also applies to indirect procurement for:

- Maintenance, repairs and operations
- Equipment used on sites
- Professional services (consultants, services, training)
- Administrative expenses (insurance, maintenance, office supplies)
- Marketing (advertising, translation)
- Information technology (software, equipment)
- Travel expenses

In addition, this policy applies to transportation and logistics activities required to move the above products, as well as to administrative support.

The above list is not exhaustive and may change over time.

1.5 Responsible practices

Sollio Agriculture is committed to being a responsible company, addressing climate change, and bringing about positive change in agriculture. It aims to have a positive and measurable impact on the environment, in the communities where it operates, and on the wellness of its people across all its activities. To achieve this, Sollio Agriculture has developed a commitment-based corporate responsibility action plan.

The supply chain group is a vital part of that plan. It communicates the principles and expectations of responsible procurement to Sollio Agriculture's suppliers and positions corporate responsibility as a key element of the organization's partnership programs. Sollio Agriculture wants to work with suppliers who share its values and adopt responsible practices.

2. REFERENCE CRITERIA

Sollio Agriculture's procurement approach is based on the following criteria, some of which can be found in the Working Alliance:

- Competitiveness, risk management, and continuous improvement (price, quality, on-time delivery)
 - Optimize life-cycle costs
 - Foster innovation and the use of technology
 - Nurture collaborative relationships and partnerships
 - Increase climate resilience
- Business ethics
 - Comply with applicable laws, regulations, and business practices
 - Combat fraud, corruption and embezzlement
 - Avoid conflicts of interest
 - Disclose all information relating to business ethics
 - Avoid gifts, travel and entertainment
 - Protect assets, personal and confidential information, and intellectual property
- Environmental protection
 - Minimize our environmental footprint (greenhouse gases, water, biodiversity, natural resources)
 - Comply with applicable environmental laws and regulations
 - Help Sollio Agriculture meet its environmental commitments
- Respect for human and animal rights, health, and welfare
 - Respect human and labour rights
 - Promote the principles of diversity, equity and inclusion
 - Ensure worker health and safety
 - Ensure animal health and welfare

Sollio Agriculture expects its suppliers to meet the requirements set out in this policy and to share best practices in strategic procurement and responsible practices.

Similarly, all employees in the supply chain group are expected to deal fairly, honestly and objectively with all suppliers. The Working Alliance is a document that provides general guidelines for all Sollio Agriculture employees to help them make decisions that are aligned with the company's values. Adherence to the principles of the Alliance ensures that employees comply with federal and provincial legislation as well as Sollio Agriculture's internal rules and policies.

3. PROCUREMENT PROCESS

In general, goods and services will be procured in accordance with the category-based management process defined in Appendix 1. Exceptions may be made where special circumstances warrant. In such cases, no procurement will occur without the involvement of the vice-president of supply chain, who will ensure compliance with this policy.

3.1 Evaluation of new suppliers

Before Sollio Agriculture commits to a new external supplier for products listed in 1.4, the supply chain group must evaluate the supplier to ensure that it meets Sollio Agriculture's criteria for recognition as a strategic supplier.

The evaluation covers the supplier's performance in terms of sales, product quality, on-time delivery, innovation, financial stability, collaboration, and corporate responsibility.

Supplier selection takes into account market concentration, supplier criticality, country of origin, and industry.

If a supplier does not meet expectations, they are given recommendations for corrective action and must deploy an action plan to meet Sollio Agriculture's selection criteria. The supplier will be reevaluated at least every two years based on the results of the initial evaluation.

3.2 Supplier performance management

The supply chain group is responsible for establishing robust governance structures with strategic suppliers to develop key performance indicators for evaluating supplier performance on a regular basis. Performance evaluations must be well documented and shared with suppliers and business partners to support their continuous improvement and competitiveness. Suppliers must be informed of the impact their performance will have on Sollio Agriculture's decision whether or not to award them new contracts.

3.3 Agreements and contracts

Sollio Agriculture's commercial transactions must be governed by long-term agreements with its business partners. The supply chain group is responsible for managing contracts and supplier relationships. All contracts and contract amendments must be reviewed and approved by the Legal Affairs Department.

In the absence of a signed agreement, purchase orders are considered binding contracts. As with contracts, purchase orders must be in total compliance with the Delegation of Authority Policy.

3.4 Delegation of authority

The approval management process is governed by an internal delegation of authority grid that is set according to requirements specific to Sollio Agriculture.

3.5 Agreement renewals

Agreements can be renewed, but such renewals are subject to the same review and approval rules as for initial agreements. Tacit agreements and renewals are not allowed. All agreements must have a binding end date. The agreement management process should allow sufficient time for the agreement renewal process to be completed before an agreement expires.

3.6 Verbal agreements

Verbal agreements present many control problems and must be avoided. If a verbal agreement is necessary, it should be documented as soon as possible and followed by a written agreement within a reasonable period of time. The agreement should be reviewed and approved by the Legal Affairs Department, and the documentation should include a justification for the use of a verbal agreement.

3.7 Agreement records

Contract records must include an unalterable electronic copy of the entire agreement with a fully executed signature page. If a new contract is signed, an electronic copy will be kept for seven years after the agreement expires.

3.8 Tools to support procurement processes

In managing procurement processes, the supply chain group also applies the principles set out in the following documents:

- The Environmental Policy
- The Packaging Policy for Eco-Design in Accordance with Federal and Provincial Regulations
- The Corporate Responsibility Action Plan
- The Delegation of Authority Policy

This list is not exhaustive and may change as needed.

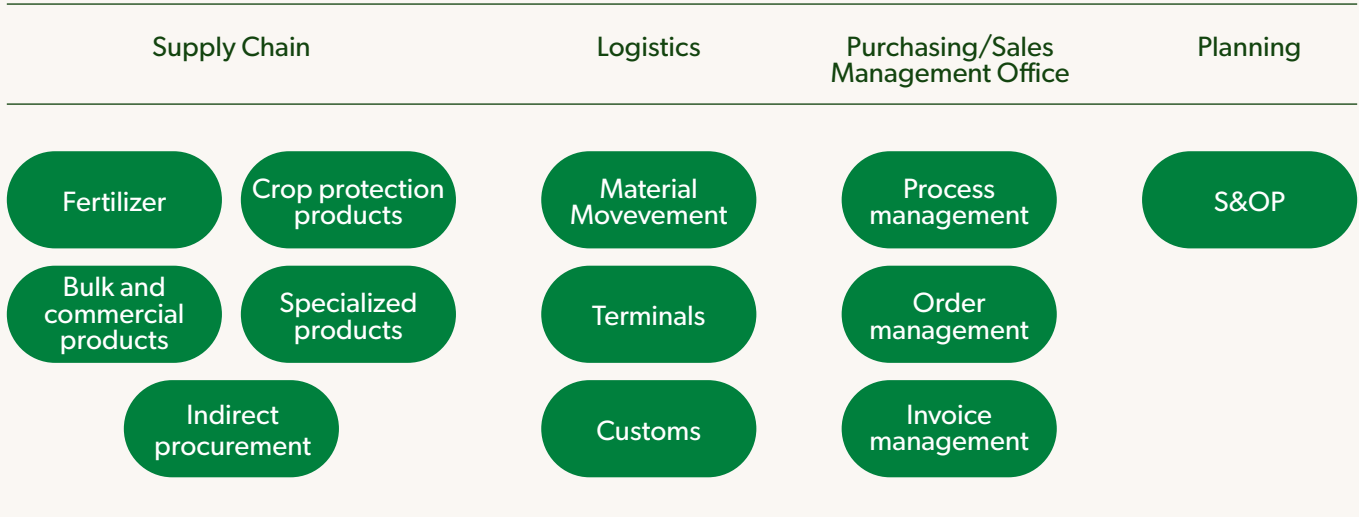
4. IMPORTS

4.1 Customs and import considerations

The supply chain group is responsible for managing the operational aspects of importing. This includes ensuring that customs declarations are timely and accurate, that instructions for suppliers are up to date, and that records are retained in accordance with regulations. All Sollio Agriculture employees involved in operations must comply with import regulations.

APPENDIX 1

The supply chain group



Business Partners

The policy is designed for suppliers who share Sollio Agriculture's values of strategic sourcing and responsible practices.



- Most competitive cost
- Shortest lead time
- Superior quality
- Responsible sourcing

APPENDIX 2

Supply chain group processes

Phase		Output		
Information Base	Category profile	<ul style="list-style-type: none"> • Spend analysis • Load profile 	<ul style="list-style-type: none"> • Market analysis • Supplier analysis 	<ul style="list-style-type: none"> • Cost breakdown • Etc.
Strategy	Strategy development	<ul style="list-style-type: none"> • Volume leveraging 	<ul style="list-style-type: none"> • Emerging markets sourcing 	<ul style="list-style-type: none"> • Calls for tenders
	Strategy implementation	<ul style="list-style-type: none"> • Supplier consolidation 	<ul style="list-style-type: none"> • Outsourcing (V20) 	<ul style="list-style-type: none"> • Etc.
Management	Contract implementation	<ul style="list-style-type: none"> • Negotiation 	<ul style="list-style-type: none"> • Long-term agreements 	<ul style="list-style-type: none"> • Source inspections
	Contract management	<ul style="list-style-type: none"> • Supplier relationship management 	<ul style="list-style-type: none"> • Key business partner with internal stakeholders 	<ul style="list-style-type: none"> • Continuous improvement

APPENDIX 3

Definitions

Business partner

A person, function, community, organization or entity that Sollio Agriculture associates or works with to carry out a joint action in a business, undertaking, negotiation or project.

Contract

A binding agreement between Sollio Agriculture and a supplier to acquire or obtain goods or services.

Contract value

The total amount in Canadian dollars to be paid under a contract or contractual agreement, including:

- The price of the goods or services to be delivered during the term of the contract, including all options and changes
- Outlays and other related costs (travel costs, shipping costs, overhead costs, profit margin, administration costs, tools and materials, duties, etc.) charged by a supplier or entity
- All applicable taxes (including any non-recoverable taxes)

Direct procurement

The acquisition of raw materials and production assets needed to manufacture a company's commodities.

Evaluation criteria

In the context of procurement, a benchmark, standard, or element of comparison against which the achievement, compliance, performance and suitability of a person, solution, activity or product are evaluated in order to select the best supplier. The criteria may be qualitative or quantitative.

Governance structure

The way in which the supply chain group is organized to put processes and control structures in place for decision-making, reporting, and evaluations.

Indirect procurement

Purchases that are needed by a company but that are not used to manufacture its commodities.

Internal stakeholder

A natural or legal person or group of individuals in Sollio Agriculture's environment who have an interest in the company's operations and results.

Life-cycle cost

The total cost of a product over its life cycle, from design to use.

Procurement

The process of obtaining goods and services, from planning to the end of the procurement life cycle.

Procurement strategy

A strategy that specifies, in broad terms, how goods and services will be acquired:

- To obtain the best value
- In accordance with the highest standards in the decision to proceed on a competitive or non-competitive basis
- Using applicable approaches in support of long-term benefits or other objectives, priorities or programs established by Sollio Agriculture

Risk

Uncertainty arising from exposure to undesirable situations and outcomes. It is the expression of the likelihood of an event happening and its repercussions that could impede the achievement of Sollio Agriculture's objectives.

Service

For the purposes of this policy and its related guidelines, a service obtained as a result of formal agreements—such as contracts, memoranda of understanding, and letters of agreement—to further the achievement of specific objectives.

Supplier

A person or legal entity that provides or could provide goods or services.

Sustainable agriculture

For Sollio Agriculture, any model of production that accounts for the human, ethical, environmental, and economic impacts of production, with the goal of optimizing the processes involved and adapting to both climate change and society's ever-evolving expectations of the agri-food industry.

Sustainable agriculture must be a means of establishing minimum requirements and fostering positive outcomes while allowing for compromises and competing priorities.

The Working Alliance

A document outlining Sollio Agriculture's commitment to providing its employees across the country with a safe, caring, and inclusive workplace. It's also a way of establishing a code of ethics so that Sollio Agriculture can be a partner of choice for farming families and fulfill its mission of ensuring their prosperity. It's a tool that serves Sollio Agriculture's corporate responsibility commitments, by ensuring both the well-being of its employees and the good governance of the organization.