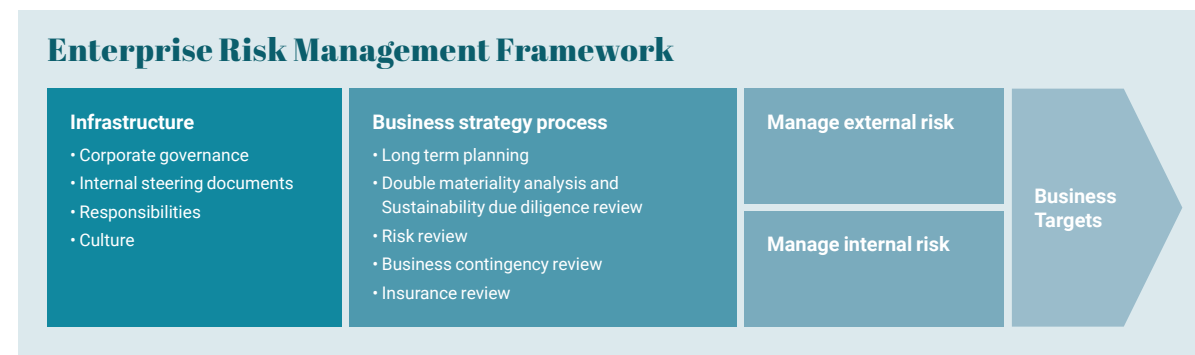


Risks and risk management

To achieve Scandi Standard's financial, operational and sustainability goals, strategy and implementation must have the trust of stakeholders. This includes customers, owners, employees, growers, creditors, regulators, and society at large. To live up to this task, Scandi Standard has an enterprise risk management framework to identify, assess and manage risks.



Scandi Standards overall infrastructure is integral to the risk management framework and supports the work to achieve adopted goals. Internal policy documents guide important business decisions, governance and control of the business. Great emphasis is placed on maintaining a risk culture with clear roles, systematic follow-up and communication.

External risks consist of dynamic market, political and nature-related risks, and must be continuously monitored. Clear responsibilities, decision-making powers, continuous work to identify emerging risks, cyclical reviews of the strategy, and preparedness for disruptive events are all essential aspects of managing external risks.

Internal risks consist of operational, cultural, and reporting risks. Management is guided by the Scandi Standard Code of Conduct and internal governance documents. Cyclical reviews of strategies, preparedness for disruptions and insurance are highly relevant. Still, risk minimisation must be a part in the daily work, and the Code of Conduct and governing documents must be fully implemented through continuous training, strengthening of the risk culture, risk reviews, governance, and control frameworks.

Control Frameworks

Scandi Standard has eight interconnected control frameworks, health and safety, animal welfare, food safety, machine maintenance, IT and financial reporting.

Risk statement and appetite

A company needs to have a structured approach to its risks, and risks can be accepted based on materiality and priority. However, according to this description, risks must always be communicated within the organisation when identified and escalated.

For policies in the areas of food safety, employee safety, animal welfare, and general legal regulations, the Group has zero tolerance for deviations. If anomalies are identified, processes must be improved. Scandi Standard is committed to complying with the rules and closely follows the development of the regulations in all regulatory areas that affect our business.

Scandi Standard accepts moderate market risks for innovation and maintaining market leadership, but generally, the Group will not engage in high-risk ventures that could jeopardise shareholder value. A formalised investment process guides decisions regarding acquisitions or other tangible investments,

The risk appetite related to operational efficiency and production efficiency is low, as disruptions to operations quickly create challenges in managing planned volumes.

Insurance as a risk management tool

Scandi Standard has insurance policies regarding its operations and assets to the extent that applies typically to companies engaged in similar operations. Our insurance strategy is maintaining close relationships with our insurance partners based on transparency, knowledge sharing, and mutual trust.

Sensitivity analysis

Below is a sensitivity analysis concerning essential factors that could affect the Group's financial results. The study is based on data as of December 31, 2024, assuming that all other influencing factors are unchanged.

Sensitivity analysis as of 31 December 2024¹⁾

MSEK	Estimated impact on operating income
<i>In the event of a change of +/-1% on an annual basis</i>	
Average sale price	+/-130 (130)
Cost of goods sold	+/-111 (115)
<i>In the event of a change in exchange rates against SEK by +/-5%</i>	
DKK	+/-1 (1)
NOK	+/-12 (12)
EUR	+/-1 (8)

¹⁾ Figures in parentheses refer to previous year.

A complete description of the Group's financial risks can be found on page 127 in the Board of Directors' Report, Note 22. See page 122 of the Corporate Governance Report for information on critical external laws, regulations, and internal governance documents. Climate-related risks including scenario analysis is reported on page 97–99.

A description of the Group's internal control over financial reporting can be found in the Corporate Governance Report on page 127.

External risks

Scandi Standard's external risks are divided into market, political, and nature-related risks.

Market risks

Risks	Description	Handling
Dependence on a few significant customers	The Group's five largest customers accounted for approximately 38 per cent of net sales in 2024, and the ten largest accounted for about 52 per cent.	- Proactive management of annual customer negotiations. - Group management holds regular meetings to review results and financial position, update forecasts, and discuss critical relationship issues. - Annual strategic review of concentration risks and mitigating measures.
New Trends That Could Lead to Lower Demand for Chicken	Demand for the Group's products can be affected by trends in health, diet, animal welfare, slow-growing breeds, ethical values regarding animal husbandry, the environment and climate.	- International and domestic market research. - Investments in product development and value-added product categories. - Group-wide functions for sustainability, quality, and animal welfare.
Changes in retail marketing	The retail sector accounts for over half of the Group's net sales. Retail marketing, both in-store and online, significantly impacts consumer buying behaviours.	- Active work with trade associations and retailers to promote chicken as an attractive protein alternative and stimulate demand through marketing and communication - Continuous focus on market development in price and volume and streamlining production processes.
Volatility in demand	Continuous increases or decreases in specific demands can lead to inventory build-up or discount sell-outs.	- Flexibility by increasing the proportion of frozen products with a longer shelf life. - Group Export function specialising in export sales to balance any oversupply at the best price.
Price competition	The production of chicken-based foods in Nordic and Ireland is consolidated into a few leading producers in each country, with fierce competition for generic products. International imports occur in all markets, except Norway, to varying degrees.	- Significant economies of scale and competitive advantages thanks to high volumes, a broad product range and strong brands. - Transfer of knowledge and practices between countries.
Fluctuations in export prices	Fluctuations in export prices for generic chicken parts sold on export markets can affect the profitability of the Danish business, which has a high share of exports.	- Group Export function specialising in export sales to balance any oversupply at the best price. - Continued focus on driving export sales of processed products and reducing export sales of standard products.
Changes in purchasing costs	The chickens come mainly from external growers in each local market. The Group is indirectly exposed to changes in feed prices, as this is the most significant cost item for the Group's contracted growers. The Group is also exposed to general cost changes, including energy, transport, insurance, and packaging materials.	- The purchasing department works closely with suppliers to manage risks, financial stability, quality assurance systems and delivery capacity. - The Group's business model, which generally enables fluctuations in raw material prices to be passed on to the next stage, provides a reasonable basis for managing price and cost increases over time.
Access to birds to sustain current operations and achieve growth	The chickens come mainly from external growers in each local market. The Group depends on purchasing significant volumes to maintain its existing operations and achieve growth.	- The internal planning process throughout the value chain is continuously monitored. - Continuously cooperate with the contracted breeders regarding investments, legal agreements, and formal follow-up.

Financial risks

Risks	Description	Handling
Currency risks, transaction risks and transaction exposure	Currency risks exist in purchasing input goods, export sales, and intra-group transactions, but our business is mainly conducted in local markets in local currency. Transaction exposure relates primarily to export sales. The translation exposure is the effect of exchange rate fluctuations when foreign subsidiaries' income statements and balance sheets in DKK, NOK and EUR are translated into SEK.	- The Group's central finance function manages financial risks based on the finance policy adopted by the Board of Directors and the risk policies for each country. - The Group's currency risk is hedged by recording certain loans in the subsidiaries' relevant reporting currency. - A balanced combination of variable and fixed interest rates manages interest rate risk. Interest rate risk is managed through fixed loans, derivatives, or a combination. - Refinancing risk is limited by having a well-diversified group of counterparties. - As of December 31, 2024, the Group's outstanding liabilities to lenders, including outstanding interest rate swaps, had a weighted average maturity of 4 (10) months. - As of 31 December 2024, the weighted average maturity of liabilities to credit institutions was 5 (4) years. - For more information, see Note 22.
Interest rate, refinancing, liquidity, credit and counterparty risks	Interest-bearing liabilities expose the Group to interest rate risks, i.e. changes in market interest rates that can hurt financial results and cash flow. Credit and counterparty risk includes the risk that a counterparty to a transaction cannot meet its obligations.	

Political risks

Risks	Description	Handling
Political and geopolitical risks	An increased awareness of climate change can lead to restrictions on emissions that affect the environment, new regulations, or new taxes on, for example, energy and transport. New conditions, such as climate mitigation and adaptation rules, biodiversity, and other areas of sustainability, can lead to unforeseen costs and require substantial investments. Geopolitical risks can also lead to supply chain disruptions or increased costs.	- Active monitoring of regulatory changes, often through industry associations. - Strong focus on sustainability throughout the organisation and value chain. - Certification of the production facilities following global and leading standards. - The Group works actively to ensure resource efficiency in all parts of the value chain in terms of energy and water use and the management of waste and by-products. - Strategic reviews of international suppliers to spread delivery risks. - Crisis management procedures and contingency plans. - Strategic reviews of risks, insurance, contingency plans, suppliers, policy documents, control systems and ongoing development programs.

Nature-related risks

Risks	Description	Handling
Outbreaks of disease in animals	Outbreaks of diseases among animals within the Group, in our home markets, in other geographic markets or among competitors can harm demand for chicken products. An outbreak of avian influenza or similar viruses may lead to a trade ban that restricts the Group's export sales, even if the disease has not been detected in the Group's value chain. Salmonella infection is a constant challenge for the entire poultry industry.	- Nordic chicken has strict animal health and welfare regulations. - The Group has extensive experience and well-developed processes throughout the value chain to prevent disease outbreaks. - A group-wide program regarding quality requirements for animal welfare applies to all contracted breeders, regardless of country. - Strict animal welfare control systems for all animals on arrival at slaughter, stringent food safety control systems. - The Group has adopted scientific climate targets validated by Science Based Targets in 2023, regarding a halving of Scandi Standard's emissions by 2030, both in its operations and the value chain. For more information, see the section on Sustainability work on pages 83-120. - The Group has conducted a double materiality assessment and has started the work to report in accordance with CSRD and ESRS. - Crisis management procedures and contingency plans. - Crisis packages from governments may be relevant in some cases. - The cost of any damage is minimised through insurance solutions where available. - Strategic reviews of risks, insurance, contingency plans, suppliers, policy documents, control systems and ongoing development programs.
Risks associated with climate change	Climate change leading to more extreme weather can negatively affect our value chain, such as feed production and safe management of the flow of goods. Such risks can be chronic or acute and are described in more detail on pages 97–99.	
Pandemic	The outbreak of a pandemic can affect our business in several ways. The Group's sales to restaurants could be negatively affected. High sickness absence can also affect production capacity if employees cannot be at work for other reasons or because of government directives that may affect the ability to maintain production.	

Internal risks

Scandi Standard's internal risks are divided into operational, cultural, and reporting risks.

Operational risks

Risks	Description	Handling
Disruptions in production or supply chain	Deviations from the Group's standards can lead to production challenges. There may also be production disruptions due to personnel illness, fire, emissions, or other damage to material resources. Even minor disruptions in production can make it challenging to meet customer requirements, increasing the risk of customers switching suppliers. Sometimes, the customer may also be entitled to compensation. A large part of the Group's products is sold as fresh products, which, due to expiration dates, must be distributed and sold to customers shortly after production.	• Internal governing documents, including the Code of Conduct. • Supplier Code of Conduct applying due diligence principles and a systematic process to assess sustainability and quality related supplier risks. • Systematic work to limit the risk of loss and damage, as well as crisis management procedures and contingency plans to limit the effects of loss and damage. • Fire officers, routine inspections, and fire alarms at all locations. • Constantly focus on improving work processes and quality management systems to ensure high animal welfare, high food quality, and employee safety throughout the value chain.
Process deficiencies regarding employee safety	The production environment can be dangerous, and strict regulations apply to employee safety. Deficiencies in employee safety can affect employee turnover and our ability to attract new employees.	• Strict animal welfare control systems for all animals on arrival at slaughter. • Strict control systems in production, including real estate, machinery, safety, and food safety. • Ongoing Internal and external audits from authorities and customers.
Process deficiencies in product quality and safety	Stringent and comprehensive hygiene and food safety regulations govern the Group's markets. Delivering food that is safe to eat is crucial to the Group's success and survival. If internal production processes or processes in the rest of the value chain do not work as intended. In that case, it can harm product quality and safety, leading to lower sales volumes and less trust in the Group and its brands.	• We conduct regular supplier audits in accordance with our supplier risk assessment and management process. • The insurance procurement process is structured by and executed with the help of a leading insurance broker with access to and experience from relevant international insurance markets.
Process deficiencies regarding animal welfare	Stringent and comprehensive rules for animal breeding govern the Group's markets. Shortcomings in internal production processes or processes in the rest of the value chain regarding animal welfare can lead to reduced demand and action from authorities.	• Process to capture lessons learned and benefit from the experiences of events. • Annual employee survey with follow-up, targeted measures, and succession planning. • Strategic reviews of risks, insurance, contingency plans, suppliers, policy documents, control systems and ongoing development programs.
Insurance risks	The Group is exposed to losses and damages through its operations and assets. The cost of any loss and damage is minimised through insurance solutions in line with industry practice. Insurance is only possible if the insurance solutions that Scandi Standard wants or has committed to have are available, and there is no guarantee that available insurance solutions will be provided with coverage and/or premiums at the desired level.	• Structured process for entering into large cooperation agreements and acquisitions of new businesses. • IT security policy. • Governance processes and procedures for changes in IT systems.
Lack of information and IT security	If an external actor were to bypass our firewalls and security systems, and then block our own access to applications or information, it could lead to extensive production downtime. If roles and responsibilities are unclear within the organisation and its information and IT systems, crucial actions, including controls and changes, may be postponed or not taken until the Group has suffered damage or is accepted by the wrong person.	
Lack of crisis management and contingency plans	Any problems with the quality of products, production processes, animal husbandry or other parts of the value chain can reduce trust in the Group's brands and result in lower sales volumes.	
Decision-making risks related to investments and acquisitions	The Group invests large amounts on an ongoing basis in maintaining and developing the business, including extensive integration agreements with key partners and acquisitions of new businesses. Large agreements and acquisitions of new businesses entail risks in terms of information deficiencies in the acquisition phase and complications in the integration phase.	

Cultural risks

Risks	Description	Handling
Corporate Culture Gaps That Affect Employee Turnover	The ability to attract and retain competent and motivated employees with the right skills is crucial to driving the Group's development and achieving the goals that have been set. Shortcomings in leadership can lead to a culture with higher staff turnover and reduced ability to attract new employees.	- Internal governing documents, including corporate governance and the Code of Conduct. - Active monitoring of regulatory changes, often through industry associations. - internal safety and health control systems. - Onboarding processes and training programs for employees and managers. - Active work with employer marketing, including a graduate program. - Annual employee survey with follow-up, targeted measures, and succession planning. - We conduct regular supplier audits in accordance with our supplier risk assessment and management process. - Systematic work and communication to maintain a healthy corporate culture. - Whistleblower function to enable the reporting of illegal or unethical behaviour that violates the Group's Code of Conduct. - Financial and accounting principles and the Group's framework for internal control over financial reporting. - Audit, including follow-up of results. - Export Control Compliance. - Strategic reviews of business intelligence, control systems, employee satisfaction and ongoing development programs.
Business ethical risks and risks related to health, safety, human rights, environment, and animal welfare (ESG)	Weakened confidence in the Group and its brands because of unethical behaviour, fraud, corruption, or bribery. Risks to health, safety, human rights, the environment, and animal welfare may occur throughout the value chain, including at the Group's facilities. This could jeopardize the Group's reputation, damage confidence in the Group and its brands among investors, customers, and consumers, and make recruiting and retaining employees more challenging.	
Compliance with external laws and regulations, as well as internal governing documents	The Group operates in several countries, meaning many external laws and regulations govern many aspects of the business. Failure to comply with these can have legal and financial consequences and damage the Group's reputation.	

Reporting risks

Risks	Description	Handling
Reporting inaccuracies	Inaccuracies can affect internal and external reporting.	- Finance and Accounting Handbook. - Framework for internal control over financial and sustainability reporting. For information, see the Corporate Governance Report on page 122. - Strategic reviews of risks, policy documents, control systems and ongoing development programs. - Internal and external audit.
IT-related reporting risks	Lack of information security and IT security, including cybersecurity, disruptions, or failures in critical IT systems, can affect internal and external reporting in general and financial reporting.	- IT Security Policy. - Control processes and routines for changes in IT systems.