

PURCHASING POLICY AND SUPPLIER EVALUATION



PURPOSE AND GOALS

Brim has established a purchasing policy with the aim of creating a trustworthy and reliable environment for the company's purchasing. The purchasing policy covers all of the company's operating units. Brim emphasizes that the execution of purchasing promotes and strengthens competition in the market. The purchasing policy sets defined measurable goals for the company as a whole.

It is important that managers are aware of the cost of individual purchases in the operation. The execution of purchasing bears a responsibility since the company's funds are being allocated, and therefore there is a strong obligation on handling funds on those who are responsible for and carry out the purchasing.

RESPONSIBLE PURCHASING

Brim's policy is to examine the benefits of utilizing the services available at the company's operating units outside the Reykjavík area, and thus support its local community. This is very important to the company and its staff. The purchasing policy is clear when it comes to selecting suppliers and service providers. Brim sets itself clear, measurable goals and demands that quality, service and competitive prices, as well as competitive perspectives, are always paramount. If these four factors are present, they result in the most economical price at any given time. Thus, we respect the company's suppliers and value their role in the value chain.

The company's purchasing agreements include responsible communication and good business practices as a part of social responsibility. The selected suppliers commit to integrity in their business practices and guarantee that the products they sell, and the services they provide, comply with the provisions of the general laws and regulations that apply to them. These suppliers shall respect the freedom of association and recognize the right of individuals to collective wage agreements. In agreements made, the supplier confirms that they respect international human rights and undertakes to comply with all laws and regulations that apply to their business operations, in Iceland and abroad. The companies guarantee not to be complicit in human rights violations, to work against all forms of corruption and to oppose all slavery, forced labour and child labour. Violation of this provision may result in the immediate termination of a supplier's agreement.

An annual supplier evaluation is carried out by the company to follow the company's emphasis in purchasing and evaluating the reliability of suppliers and service providers, due to external audits. Every year, Brim's employees analyze nearly 100 of the company's largest suppliers. The parties are ABC analyzed according to importance where the relevant party's turnover and operational security weigh heavily, i.e. how important they are for Brim's operations. Items such as registered "complaints", whether "financial claims" have been incurred by the party in question and finally whether regular "meetings" have taken place throughout the year are then examined. Following this, the supplier receives the buyer's evaluation, i.e. "good supplier", "satisfactory supplier" or "problematic supplier". This can lead to a situation where Brim has to end the business relationship or invite the party in question to take corrective action.

ENVIRONMENTAL IMPACT OF SUPPLIERS

Part of Brim's project in recent years, "Cleaner Value Chain in Fisheries", is the collection of data on the environmental impact of the services and goods that Brim purchases from its suppliers. Such data gathering gives Brim the opportunity to build up awareness of greenhouse gas emissions from all of the company's business units and its entire value chain. Thus, the company can make informed decisions to focus on doing business with only those suppliers who have the least negative environmental impact, and thereby help systematically reduce the negative environmental impact of the company's operations.

In 2016, Brim began to include a provision regarding environmental issues in the company's largest purchasing agreements. The provision reads as follows:

"Brim is a party to the climate declaration of Festa Center for Sustainability and the City of Reykjavík, that was signed by 104 companies at Höfði in 2015. With that declaration, the company has committed itself to reducing greenhouse gas emissions over the coming years. Part of that resolution is to map the impact of service providers and their operations on Brim's operations, which will be reflected in the Environmental Statement, published by the company on an annual basis. In order to support these goals, service providers must undertake, at the beginning of each year or on a regular basis, the disclosure of their environmental impact on Brim's operations that passing year."

At the beginning of the agreement, Brim and the contracting party shall map the scope of the transaction and the environmental impact on the buyer's operations during the agreement period, with regards to finding opportunities where the carbon footprint of the transaction can be reduced.

Approved by the Board of Directors of Brim hf. December 17, 2020.