

Directive

Sustainable Procurement - MCS #30

January 2024

Introduction, scope and objective

We are building progress for people and the planet. We work through our supply chain to scale up our positive impact on every market where we operate.

SCOPE

This Directive is the basis for the implementation of the **Minimum Control Standard #30**. It incorporates the **Holcim Accounting and Reporting Principles framework** in definitions and business processes related to purchasing activities.

It applies to Suppliers (companies) and their employees (workers in the value chain) and it **integrates all Group requirements related to due diligence in the supply chain**:

- legal and compliance
- human rights
- working conditions and welfare
- equalities
- health, safety and environment
- climate
- nature (Biodiversity, Land, Waste and Water management, Air pollution)
- security services
- transportation services

The Sustainable Procurement Directive is issued under the framework of the Third Party Due Diligence Directive and the Holcim Procurement Policy. It applies to all Holcim businesses and Countries where we operate.

Sourcing decisions are based upon 3 dimensions:

- Commercial
- Technical
- Sustainability (ESG/H&S)

This Directive addresses the **Sustainability (ESG/H&S)** dimension. Commercial and Technical qualifications are driven according to the Procurement Policy and operating practices.

This Directive adheres to the principles of the Code of Business Conduct and the following Holcim Policies: Procurement, Compliance, Human Rights and Social, Anti-Bribery and Corruption, Health, Safety & Environment, Climate, Nature, Circular Economy, Trading and Security & Resilience.

OBJECTIVES

- Establish the key principles to conduct due diligence in the supply chain, in accordance with OECD guidelines for multinational enterprises and regulatory frameworks, covering a range of issues such as human rights, labor rights, and the environment.
- Ensure proper management of risks & opportunities in the supply chain, related to ESG/H&S performance, that could impact company reputation, supply continuity, people and the environment.
- Govern the duties of the various functions involved in the implementation of the Sustainable Procurement strategy.

ROLES AND RESPONSIBILITIES

- The Procurement function manages the relationship between Holcim and suppliers and leads the supplier qualification process.
- Cross-functional teams at global, regional and local levels, support the Procurement function in the supplier qualification and performance evaluation process.
- Key internal users are responsible for supervising and reporting supplier performance.
- Key internal users do not use disqualified suppliers or suppliers that have not been approved through the qualification process.
- Holcim co-operates in good faith with National Contact Point, when required, to address adverse impacts that might arise from stakeholders with regards to principles and standards contained in the OECD Guidelines.

Detailed roles and responsibilities: Annex 1

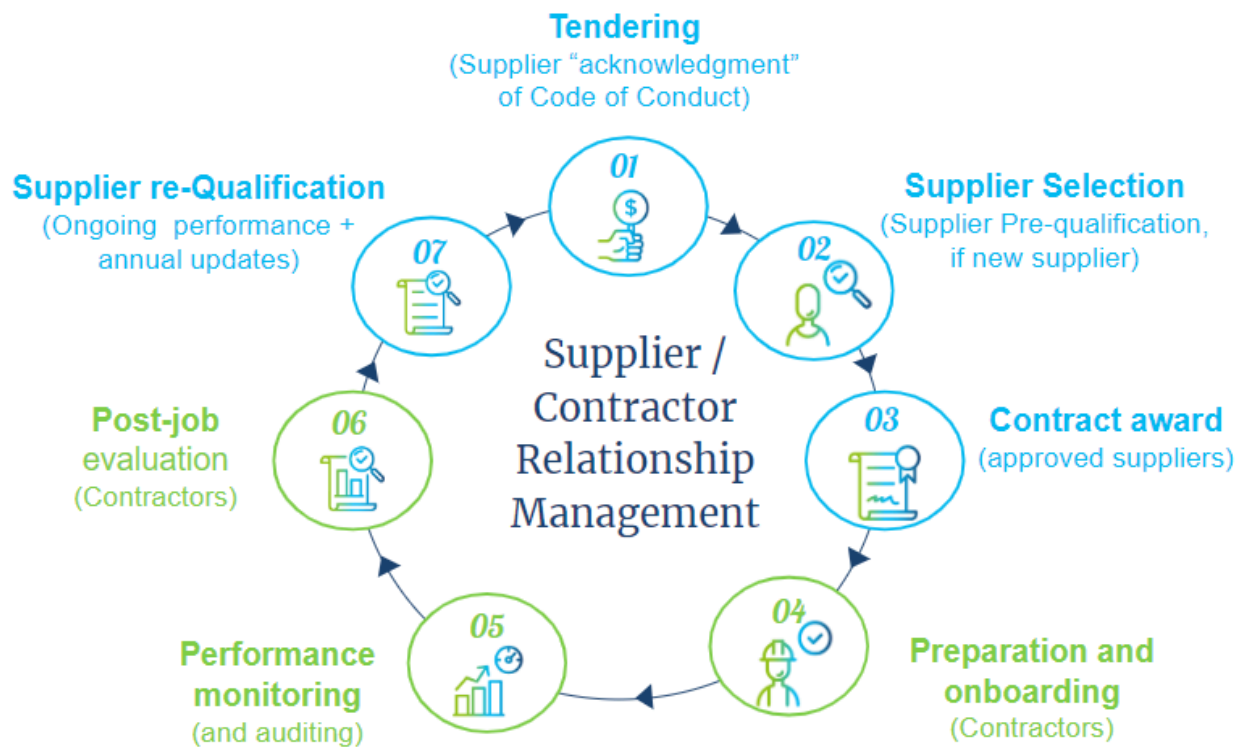
REQUIREMENTS

Sustainability is embedded in the Group Procurement Policy and the daily procurement operation. The sustainable procurement principles are enforced through our Minimum Internal Control Standards linked to three management processes:

1. Suppliers / Contractors relationship management
2. Due diligence in the supply chain (ESG / H&S)
3. Climate and Nature impacts in the supply chain

1. SUPPLIERS / CONTRACTORS RELATIONSHIP MANAGEMENT

We integrate sustainability into our procurement strategy (“Sustainable Competitiveness”) and our relationships with our Suppliers.

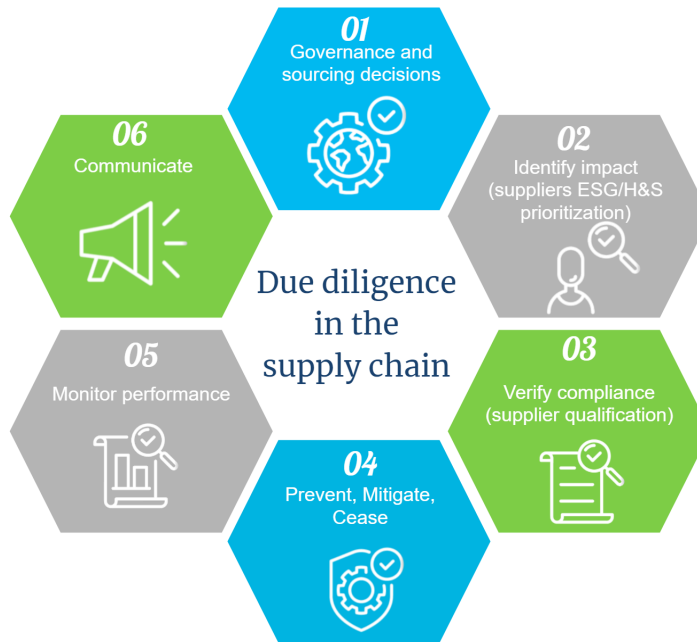


Holcim sustainable procurement practices and methodologies are aligned with the ISO 20400 - Sustainable Procurement and are externally top rated by well known agencies like Robecosam (Dow Jones Sustainability Index-Supply Chain) and Ecovadis.

2. DUE DILIGENCE IN THE SUPPLY CHAIN (ESG/H&S)

*We apply a risk-based approach to **identify, prevent and address** breaches to our Supplier Code of Conduct, in every market where we operate.*

All countries implement the “Sustainable Procurement Management Standard” which provides the foundations to conduct the due diligence process according to the OECD Guidelines for multinational enterprises.



01 Governance and sourcing decisions

Procurement integrates sustainability compliance and performance in sourcing decisions, supplier selection and the “procure-to-pay” process. Sustainability is enforced by [contractual terms & conditions](#) .

02 Identify impact (Supplier prioritization)

Procurement, at all geographical levels, applies the standard supplier screening process to identify potential ESG/H&S risks the supply chain:

1. ESG/H&S risks related to the product / services provided
2. Risks exposure related to business activities (transactions and spend; hazard of work and locations)
3. Country risk level, according to the [UN Human Development Index](#) and the [Freedom House Index](#).

Supplier prioritization is conducted for every new supplier (screening) and at least every three years for the full supplier base.

03 Verify compliance (Supplier qualification)

Procurement verifies compliance to our Supplier Code of Conduct, following a 3-step verification process:

1. Self-assessment questionnaire: using qualification platforms such as [Avetta](#) or equivalent.
2. Fact-Finding: collecting evidence to verify potential breaches identified in the self-assessment.
3. Field Audits: to confirm deviations and to verify compliance on very high risk procurement categories.

Supplier pre-qualification is conducted before starting a business relationship with the supplier and continues during the business relationship, as minimum on an annual basis (ongoing re-qualification based on performance).

Countries also apply ongoing human rights due diligence, stakeholder engagement and human rights impact assessments to further identify and address risks and impacts on human rights of suppliers. [Human rights approach](#)

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04 Prevent, Mitigate, Cease (Action Plans and Consequence Management)

Procurement works with suppliers to **prevent** potential breaches of our Supplier Code of Conduct. Provides guidelines on how they will be evaluated and on what are “zero tolerances” to our requirements. Where needed, **mitigates** deviations, implementing improvement plans and supporting supplier development. When appropriate, **ceases** business relationships with non-compliant suppliers that breach “zero tolerance” requirements and/or refuse improvement plans. Holcim reserves the right to **exclude** suppliers that are not compliant with laws and regulations.

Procurement makes available for suppliers the access to our “grievance mechanism line”, an independent platform to raise concerns regarding business practices: [Holcim Integrity Line](#)

05 Monitor performance

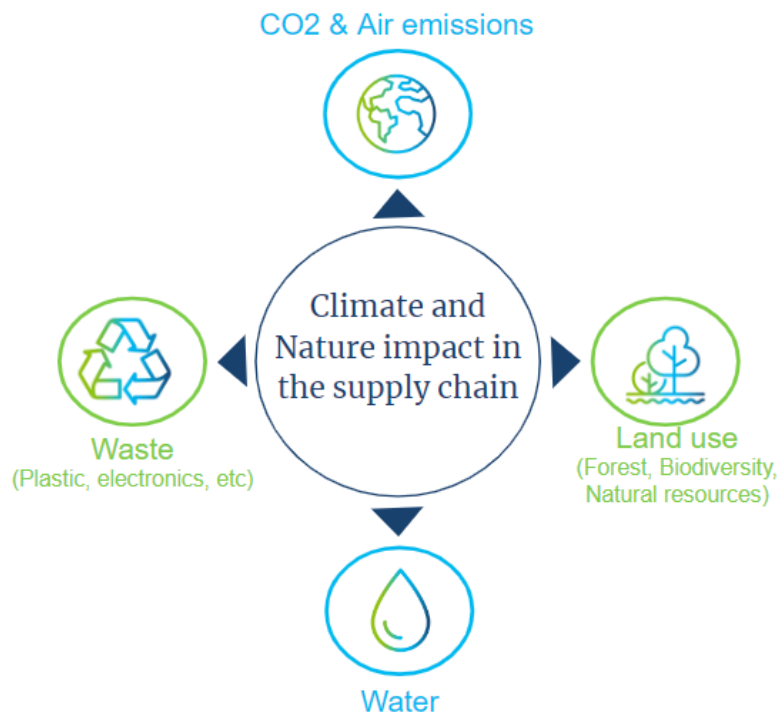
Procurement, in collaboration with key users, monitors suppliers' performance on an ongoing basis conducting regular meetings and evaluations. Performance is integrated in the “Supplier Scorecard”, where sustainability is weighted among other performance criteria (e.g quality, price..). Procurement professionals have annual performance objectives linked to sustainability.

06 Communicate

Holcim publicly disclosed regular, timely, reliable, clear, complete and accurate all policies and procedures governing the due diligence program, including annual performance indicators. This information is disclosed for the entire enterprise, and along all geographic areas in our annual disclosures: [Group Sustainability Performance Reports](#).

3. CLIMATE AND NATURE IMPACTS IN THE SUPPLY CHAIN

We identify potential adverse impacts to nature and climate from the products and services we purchase and engage with suppliers to manage those impacts.



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Procurement integrates climate and nature impacts in sourcing decisions considering the “Total Cost of Ownership” with the objective to:

- Reduce CO2 emissions
- Reduce the need of natural resources by promoting circular economy
- Reduce freshwater consumption and pollution, air emissions, waste and plastic
- Promote responsible forestry and responsible mining

Procurement ensures that suppliers identified as having a high environmental impact (with respect to, but not limited to: CO2, energy, water, waste, chemicals, air pollution and biodiversity) take action and demonstrate proof of continuous improvement toward having a recognized Environmental Management System in place (i.e. ISO 14001).

In addition, we set specific requirements and programs for the following very high risk categories:

Transportation

- Countries Logistics Function measures and monitor CO2 emissions through the Transport Analytics Center (for ALL business segments)
- Countries Logistics and Procurement Function identify levers and take actions to reduce CO2 emissions from Transportation (i.e. fleet optimization, network optimization, Eco-Driving)

Fuels and Energy

- Procurement works with cross-functional teams to implement the group strategy of replacing traditional fuels and energy, with locally sourced, non-extractive fuels and renewable energy and to reduce our CO2 emissions.
- Procurement works with cross-functional teams to identify the main source of fuel consumption from equipment and engages with suppliers to improve energy efficiency.

Packaging

- Procurement ensures we do not source fiber containing paper bags from unknown sources and/or fiber coming from any potentially “controversial sources”. All of our kraft paper and paper bags suppliers have FSC/PEFC “Controlled Wood” certificates.
- Procurement works with cross-functional teams to identify and deploy packaging technologies that reduce the need from natural resources, reduce waste and increase H&S standards in the handling of our products.

Extractive materials

- Procurement works with suppliers to deploy **responsible mining practices** and to ensure implementation of a recognized environmental management system to identify and manage the environmental impacts of their operations.

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Country CEO Checklist

CEO must:

- Ensure and enable the implementation of related Minimum Control Standards
- Address and mitigate breaches identified through the supplier due diligence process
- Ensure adherence to the consequence management process established in the Sustainable Procurement Management Standard
- Ensure implementation of the “**Sustainable Competitiveness**” sourcing framework to drive competitive and sustainable sourcing decisions.

Document Control

| | |
|------------------------------------|--|
| Approved by: | Nollaig Forrest / Chief Sustainability Officer Steffen Kindler / Chief Financial Officer |
| Validated by: | Mario Gross / Chief Procurement Office Christoph Harler / Chief Compliance Officer Jeffrey Giesse / Group Head HSE Antonio Carrillo / VP Sustainability |
| Related Policy, Directives and MCS | <ul style="list-style-type: none"> • Code of Business Conduct for employees and for suppliers • Holcim Policies: Compliance, Human Rights, Anti-Bribery and Corruption, Health Safety & Environment, Climate, Nature and Security & Resilience. • Holcim Directives:, Third Party Due Diligence, Decision with Integrity-Conflict of Interest, Sanctions and Export Controls Compliance, General Data Protection, Business Integrity and Speaking Up, Fair competition, Security Services with Integrity, Business Resilience, Human Rights, Environment, CAPEX. • MCS: #1 Code of Conduct, #5 Health & Safety, #30 Supplier Qualification, #61 Environment / Climate / Nature, #62 Human rights and Stakeholders engagement |

Version control

| Version | Date Issued | Author | Update information |
|---------|---------------|--|--|
| 01 | December 2015 | First version | Renamed from “Sustainable Procurement Policy” to Directive |
| 02 | January 2022 | M.Eugenia Ceballos Hunziker / Head Sustainable Procurement | <ul style="list-style-type: none"> - Alignment with latest Policies, Directives, Standards and Tools. - Holcim Branding - Narrative simplification - Comprehensive consultation among corporate functions and countries - Specific principles on environment & CO2 for relevant procurement categories - NO CHANGES in the principles of the supply chain due diligence (supplier qualification) |
| 03 | January 2024 | M.Eugenia Ceballos Hunziker / Head Sustainable Procurement | <ul style="list-style-type: none"> - Update wording and scope in accordance with new frameworks and regulations: Climate, Nature, EU Corporate Sustainability Due Diligence Directive, ESR S2 Workers in the value chain. Swiss ordinance - Include Annex 1 to clarify Roles and Responsibilities across functions and organizations involved in the implementation of this Directive |

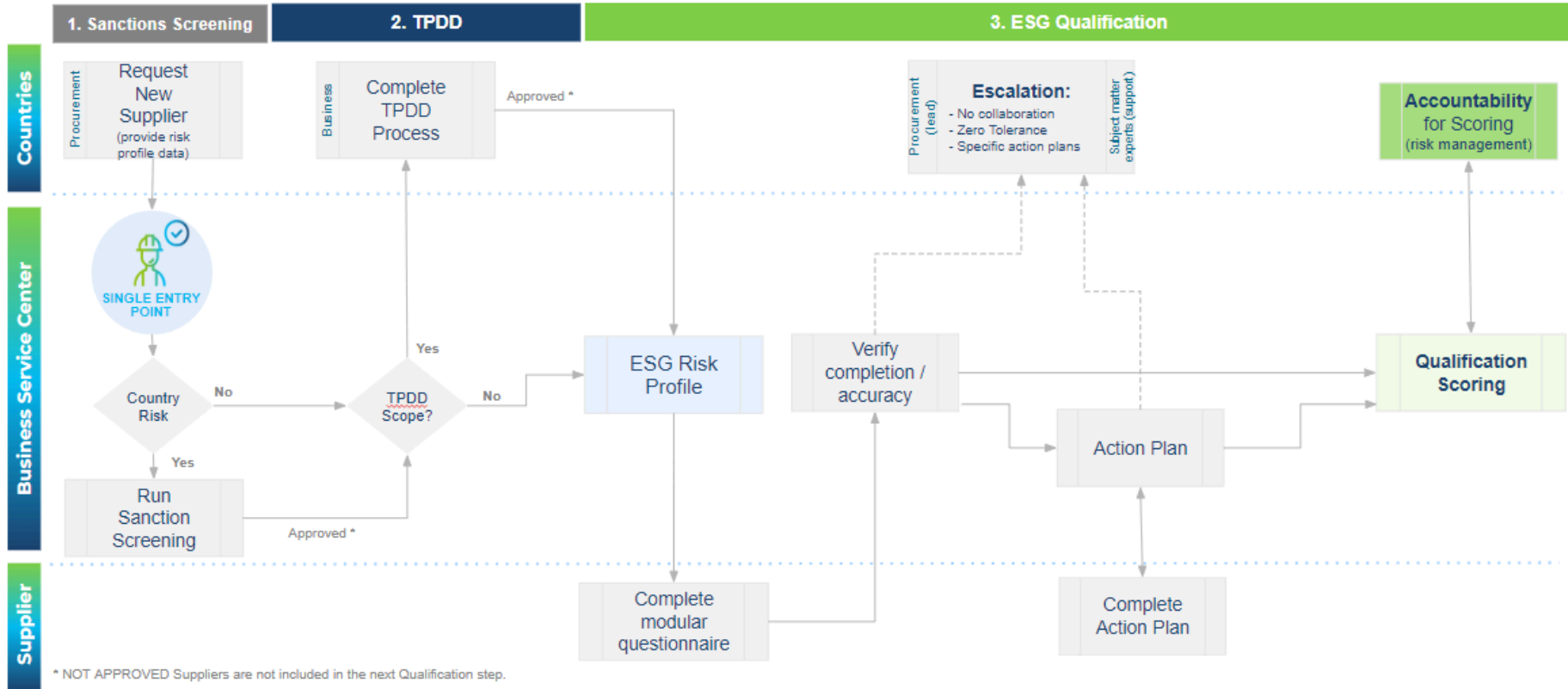
Definitions and Abbreviations

| | |
|-------------------------|---|
| ESG/H&S | Environment, Social, Governance, Health and Safety: These are the areas where standards are established and expected suppliers to adhere and demonstrate performance. "Governance" also includes aspects related to bribery, corruption, competition law, data protection and adherence to local, national and international legislation. |
| Suppliers | The term Suppliers refers to suppliers (and their representative) of goods and services (which includes Contractors and its Subcontractors performing works for or on behalf of Holcim and its associated companies). More stringent provisions might apply to some Contractors, to Transportation companies, to Security Service Providers (Private and Public forces), to suppliers of extractive materials and to suppliers that have a government intermediary function. Provisions are outlined in our governance documents (associated with the risk exposure related to the services and products provided) and communicated to suppliers accordingly. Nothing in this Code is meant to supersede any more specific provision. |
| Zero Tolerance breaches | Breaches to the Holcim Code of Conduct requirements that are not tolerated (e.g Child Labour) and lead to an immediate termination of the business relationship. Breaches to non-zero tolerance requirements do not lead to immediate termination of business relationships but are to be addressed via action plans and ongoing performance evaluation (e.g. poor water management systems in place). If breaches are not remediated in the agreed timeframe, it could lead to termination of business relationships. |
| HARP | Holcim Accounting and Reporting Principles |
| HIRA | Human Rights Impact Assessment |
| PROC | Procurement: <ul style="list-style-type: none"> - Local categories: Country Head of Procurement - Global / Regional Categories: Category Manager responsible |
| L&C | Country Legal and Compliance |
| SD | Sustainable Development: <ul style="list-style-type: none"> - Country responsible for sustainability topics: Human Rights, Nature, Climate, Circular Economy, ISO Auditors (internal development or externally assigned) - Group SD: external disclosures |
| HR | Country Head Human Resources |
| S-Mgr | Site/Unit Manager (a single line manager responsible for a site or a group of sites) |
| S-CC | Site Contractor Coordinator (a Holcim Supervisor or Manager that has a general understanding of the scope of the work being performed by the contractor. The Holcim Site Contractor Coordinator is nominated by the Unit Manager) |
| BSC | Business Service Center |
| COE | Procurement Center of Expertise |
| HSE | Country Health Safety and Environment |
| Avetta | The qualification tool recommended by the Group, as alternative to Regional Platforms |
| Emergency situations | Authorize temporary use suppliers that have not completed the qualification process, when none of the "approved" suppliers can perform the task or provide the material, due to an unforeseeable situation (natural disaster, major breakdown) |
| ABC/ TPDD | Anti-bribery and Corruption / Third Party Due Diligence |

ANNEX 1 - CROSS-FUNCTIONAL ROLES AND RESPONSIBILITIES

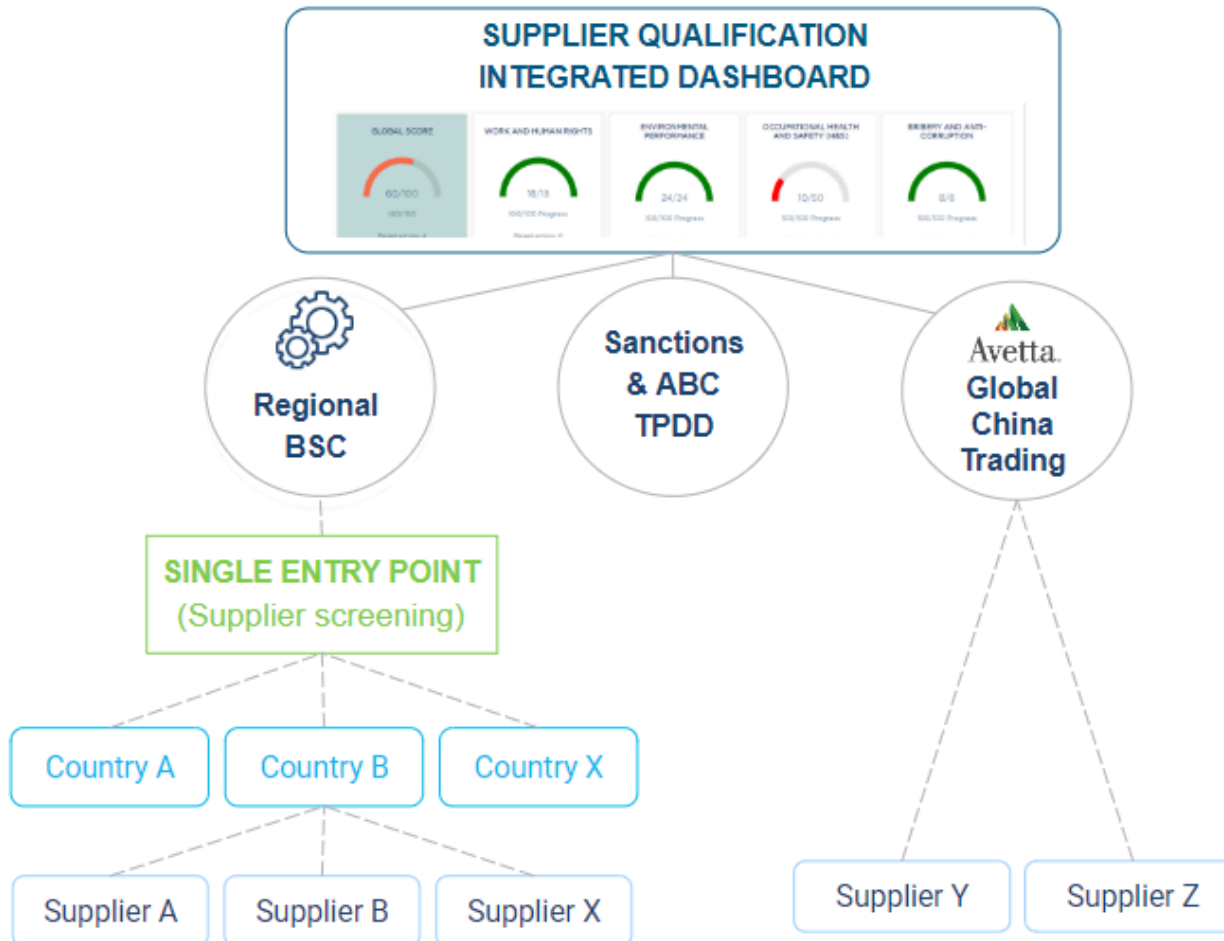
1- OVERVIEW: INTEGRATED PROCESS AND REPORTING

- a) **Process:** Holcim implements an efficient “Supplier Due Diligence” process, triggered by “modules” based on supplier risk profile identified via a “SINGLE ENTRY POINT” platform enabled by the “Business Service Centers”, who also provide admin support on activities related to this process.



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- b) **Reporting:** Holcim implements a Dashboard integrating all modules of the supplier qualification process, and providing a holistic overview of the risk profile of an individual supplier and the full supplier base, at country, region and group level.



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2- DETAIL ROLES AND RESPONSIBILITIES PER MAIN ACTIVITIES

RASCI matrix to define roles across functions in each step of the supplier due diligence process.

R: Responsible for performing the task - **A:** Accountable to ensure the action is successfully completed - **S:** Support to execute the task - **C:** Consulted for their expertise - **I:** Informed to stay aware and make decisions

| Activity | PROC | L&C | SD | HR | S-Mgr | S-CC | HSE | BSC | COE | Avetta |
|---|------|-----|----|----|-------|------|-----|-----|-----|--------|
| Communication and Engagement | | | | | | | | | | |
| Communicate Supplier Code of Conduct to Suppliers (CoC) | R | I | C | I | A | I | I | S | | |
| Request acknowledgment of CoC during tendering process | R | C | C | I | A | I | I | S | | |
| Negotiation and Contracting | | | | | | | | | | |
| Ensure contracts are awarded to “approved suppliers” suppliers, according to Holcim Due Diligence process: Sanctions, TPDD, ESG and H&S Approved = “Green flag” (qualified) or “Yellow flag” (conditionally qualified WITH Risk Mitigation Action Plan) | R | C | S | I | A | I | S | S | | |
| Include Terms & Conditions to adhere to Supplier CoC in Contracts & POs | R | A | C | I | I | I | C | S | | |
| Qualification | | | | | | | | | | |
| “Screen ESG/H&S risk profile” for NEW suppliers | A | C | C | I | I | I | C | R | I | S |
| Prioritize “active” supplier base (at least every 3 years) | R | C | C | I | A | I | C | S | S | |
| Onboard suppliers to complete supplier qualification questionnaire (pre-qualification and annual updates) | A | C | C | I | I | I | C | R | | (R) |
| Review ESG / HSE answers and follow-up with suppliers for completion | A | C | S | C | I | I | S | R | | (R) |
| Propose ESG /HSE improvement action plan | S | I | C | C | A | C | C | R | | S |
| Agree with supplier the Action Plan, KPIs and consequences | R | C | C | C | A | I | C | S | | S |
| Trigger “Fact-finding” verifications based on breaches or incidents | S | C | C | C | A | C | C | R | | S |
| Conduct Fact-Finding (request evidences to supplier) | S | C | S | C | A | S | S | R | | (R) |
| Trigger “Audit” verifications based on breaches, incidents or SP process | R | C | C | C | A | I | C | S | | |
| Conduct ESG Audits in supplier site (or assign subject matter experts, internal or external) | R | C | S | C | A | I | I | S | | |

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| Activity | PROC | L&C | SD | HR | S-Mgr | S-CC | HSE | BSC | COE | Avetta |
|---|------|-----|----|----|-------|------|-----|-----|-----|--------|
| Conduct H&S Audits on Suppliers (or assign H&S experts) as per Sustainable Procurement Management Standard - Annex 4 | S | C | C | I | A | S | R | I | | |
| Conduct Human Rights Impact Assessment (HRIA), including Contractors | S | C | R | S | A | S | C | I | | |
| Conduct HSE Audits on Holcim sites, including Contractors | S | C | S | C | A | S | R | I | | |
| Ongoing verification of H&S, Working conditions and Welfare of Contractors (Boots on the Ground: BoG) | S | I | S | C | A | R | S | I | | |
| Performance monitoring and improvement | | | | | | | | | | |
| Conduct periodic performance review meetings with supplier | R | C | S | I | A | C | S | I | | |
| HSE Contractors Management: Preparation, Onboarding, Performance, Post-job (as per HSE standards and guidelines) | I | C | I | I | A | R | S | I | | |
| Implement program for strategic suppliers of extractive materials | R | C | S | S | A | S | S | I | | |
| Ensure implementation of actions assigned from HRIA, HSE Audits and BoG | S | C | S | C | A | R | S | I | | |
| Reporting | | | | | | | | | | |
| Enable a dashboard to monitor integrated supplier's due diligence performance | A | C | S | C | I | I | I | S | R | S |
| Enable a dashboard to monitor country Sustainable Procurement performance | A | C | S | I | I | I | I | S | R | S |
| Disclose Holcim SP performance according to legal requirements & Frameworks | A | C | R | I | I | I | I | S | S | S |
| Risk management | | | | | | | | | | |
| Trigger decision to block supplier due to non-compliance / non-collaboration offering alternative sources to ensure business continuity | R | C | C | C | A | S | C | I | | |
| Escalate decision to country EXCO when alternative sources are not available and breaches poses high risk for the company | R | C | C | C | A | I | C | I | | |
| Block Supplier in the ERP system (based on cross-functional decision / approval) | A | C | C | C | C | S | C | R | I | |
| Emergency situations (see "Definitions") | S | A | C | C | R | I | C | I | | I |
| Ultimate decision and accountability to block / replace suppliers and/or to use non qualified suppliers lies with Country CEO | | | | | | | | | | |