

TABLE OF CONTENTS

1. SUPPLY CHAIN STRATEGY.....	2
2. MAIN ENVIRONMENTAL, SOCIAL AND GOVERNANCE OBJECTIVES	3
3. SUPPLY CHAIN MANAGEMENT SUSTAINABILITY KEY PERFORMANCE INDICATORS.....	4
4. SUPPLIER DEVELOPMENT AND MANAGEMENT.....	5
4.1 MANAGEMENT APPROACH	5
4.2 VENDOR MANAGEMENT CYCLE	5
4.3 SPEND ANALYSIS.....	7
4.4 CRITICAL VENDOR SEGMENTATION	9
4.5 SUPPLIER RISK MANAGEMENT.....	10
4.5.1 SUSTAINABILITY HIGH-RISK SUPPLIERS	10
4.5.2 SUPPLIER SUSTAINABILITY RISK MONITORING AND MITIGATION	11

1. SUPPLY CHAIN STRATEGY

We understand the success of the business is closely linked to the performance of the supply chain. Therefore, aligned with our sustainability strategy and oriented towards the development of a responsible supply chain in terms of decent work, society, environment, and financial performance, we have based our supply chain on five strategic priorities:

Health and safety operation



Prioritize health and safety throughout the entire supply chain by means of the I PROMISE system. Minimize the number of road incidents in operations through our road safety strategy.

Development and collaborative relationship with Suppliers



Guarantee a responsible supply chain by carrying out competitive negotiation processes, strengthening relationships and joint growth with suppliers, reducing risk, and ensuring operation continuity.

Supply Chain Planning



Carry out the integrated business planning process, allowing the best allocation of critical resources to satisfy customers efficiently and profitably. Design our production and logistics footprint, identifying future restrictions and bottlenecks. Create contingency plans to manage disruptions to our supply chain.

Digital Transformation



Transform and automate our supply chain processes, making them highly responsive to changing circumstances and transparent for all parties involved. Facilitate information sharing and decision making.

Increase profitability and market share



Inclusion of operational and commercial strategies that reduce the cost-to-serve, optimize the capital cost, and increase customer satisfaction.

2. MAIN ENVIRONMENTAL, SOCIAL AND GOVERNANCE OBJECTIVES

- **Implement efficient and sustainable transport solutions that contribute to the improvement of the supply chain in the countries where we operate.**

The transport process is a priority in our company's Supply Chain due to its importance for our business model and the high sustainability risk it represents. Therefore, we focus on the implementation of efficient and sustainable transport solutions that contribute to the improvement of the supply chain in the countries where we operate. This strategy allows us to provide extraordinary service to our clients while contributing to the quality of life and the environment of the territories where we have a presence.

We adapt our transportation strategy considering the maturity and context of each region, strengthening its processes and suppliers. The long-term relationships we build with our transportation contractors ensure efficient and safe operations.

TRANSPORT SAFETY AND SUSTAINABILITY MODEL

Governance

- Top Management commitment.
- Road Safety Strategy and committees.

Safe drivers, vehicles and roads

- Driver's training.
- Safety standards and inspections.
- Vehicles monitoring.
- Route charts management.
- Speed limit policy.
- Environmental compliance.
- Vehicles selection policies
- Incident attention and support.



Sustainable transportation means and best practices.

- Promotion of electrical, hybrid and natural gas vehicles.
- Use of the railway and maritime fleet.
- Carbon Footprint management.
- Backhaul network and consolidated cargo for trucks, trains and vessels.
- Minimum payload requirements per truck or rail.
- Optimize vehicles cycle time.

- **Legal compliance and social development of our suppliers and their employees.**

We are convinced that our suppliers are a great ally to make a significant contribution to society as we achieve our company goals. Therefore, we prioritize the implementation of good contracting practices, the creation of trusting relationships, the promotion of transparent practices and responsible behaviors, and the development of our suppliers through our **vendor management cycle** (see numeral 4.1).

3. SUPPLY CHAIN MANAGEMENT SUSTAINABILITY KEY PERFORMANCE INDICATORS

To measure our management over time, short and long-term goals for Key Performance Indicators (KPIs) are established:

KPIs	2019	2020	2021	Target	Progress against target
Consolidated frequency index (collaborators + contractors) and severity index.	FI: 1.34 SI: 32.96	FI: 1.33 SI: 19.62	FI: 0.96 SI: 24.15	By 2021, we will obtain a consolidated frequency index (collaborators + contractors) of less than 1.2 for every million-man hour worked, and a severity index of less than 24.8.	The frequency index was 0.96, lower than the established goal, representing a decrease of 28% compared to the previous year. Also, the severity index was 0.65, lower than the established goal.
Conduct performance evaluations to 85% of our critical suppliers.	75%	98%	81%	By 2021, we will conduct performance evaluations to 85% of our critical suppliers.	In 2021, there was a decrease on the KPI result as some of our procurement teams were still evaluating these suppliers when we consolidated the data for the report. However, we are expected to achieve 87% of critical suppliers evaluated.
Suppliers' sustainability evaluation	22% * <small>*Value updated in 2021 for the new target</small>	34% * <small>*Value updated in 2021 for the new target</small>	43% * <small>*Target set in 2021</small>	By 2023, evaluate 45% of our suppliers at least once every three years	In 2021, we obtained a sustainable credit with ESG performance KPIs, with suppliers' sustainability evaluation being one of them. We conducted a throughout work of cleaning data and updating our calculation process, so now we are ensuring no suppliers are counted more than once. For 2021, we increased the coverage of our evaluations as more suppliers that have never been assessed before were evaluated this year.

4. SUPPLIER DEVELOPMENT AND MANAGEMENT

4.1 MANAGEMENT APPROACH

We are committed to leadership in the global management of the sustainable supply chain through our relationships with vendors and contractors, which represent our corporate values and principles, including sustainability, innovation, respect for human rights, and compliance with labor and environmental laws. Our influence in this area spans throughout the three geographical areas where we operate (Central America and the Caribbean, Colombia, and the USA), by means of the administration and management of aspects related to vendors and contractors that provide us with goods and services, such as: raw materials, services & mining operation, industrial & MRO, administrative services, logistics, and fuels.

We are aware of the importance of identifying, valuing, and mitigating our risk exposure, hence we continue to apply the complete vendor management cycle through these processes: identification, pre-selection, negotiation, performance appraisal and recognition.

Argos' Supplier Code of Conduct, Procurement Policy, Human Rights Policy, OH&S Strategy, Sustainability Strategy, the Codes of Conduct, and the Sustainable Development Goals (SDG) are some of the guidelines and policies that allow us to identify risks related to legal, environmental, economic and social matters, and mitigate them by fulfilling practices set forth by the Company, which ensure reliability and sustainability of services contracted and goods supplied.

To see our **Procurement Policy** and the **Supplier Code of Conduct**, go to: <https://bit.ly/3wn30gm> and <https://bit.ly/3wDVH2P>.

4.2 VENDOR MANAGEMENT CYCLE

Our management is divided into five stages:



1. IDENTIFICATION

We determine the goods and services required for our operation and the category to which they belong, according to our Category Tree. These group our suppliers into macro-categories which in turn are subdivided into two more specific levels.

Macro-categories:

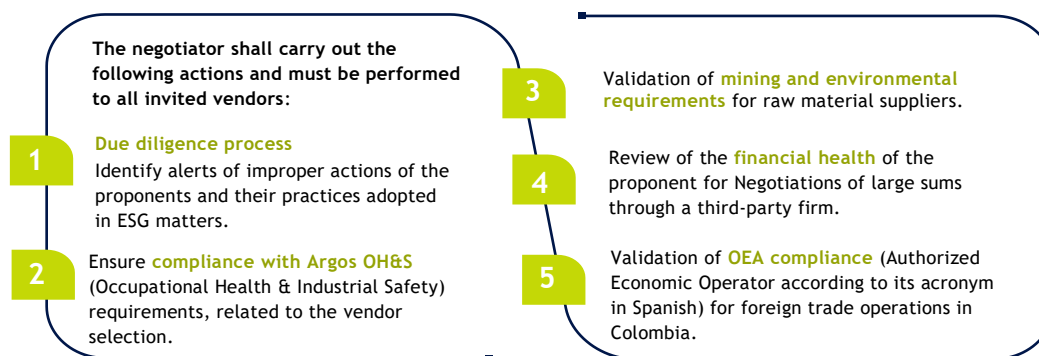
- Mining services and operations.
- Facilities.
- Energy & Fuels.
- Logistics.
- Raw Materials.
- Industrial & Maintenance, Repair and Operations.
- TI/Telecom
- Professional and Corporate Services.

Each category is analyzed in terms of the impact on the business and the complexity of the market to which it belongs, allowing us to identify the risks associated with each, the controls that need to be implemented from the beginning of our relationship, and the negotiation strategy we should address.



2. PRE-SELECTION

We validate the suitability of suppliers through due diligence and review aspects of Sustainability and financial health to ensure long-term relationships.



*To award the purchase of a good or service to the proponent, the results of the procedures must have been satisfactory.



3. NEGOTIATION

We select high-standard suppliers considering technical, economic, sustainability, and service aspects. Our corporate Procurement Policy defines the guidelines for our contracting processes, ensuring transparency and best practice implementation.

All our contracts with suppliers have clauses stating that:

- Argos can directly inspect or through third parties the supplier's compliance in terms of labor and environmental law, social responsibility best practices, safety policies, among others.
- Argos's suppliers must comply with money laundering and terrorism financing laws and regulations.
- The suppliers shall respect the ten principles of the Global Pact, as well as the rights recognized by the Declaration of Human Rights, the principles of the International Labor Organization and local human rights laws and regulations.
- Argos's suppliers understand and commit to always comply with the Supplier's Code of Conduct.

Insurance policies are required according to the amount and type of contract.



4. RETENTION AND EVALUATION:

- ✓ We carry out knowledge-transfer processes with those suppliers with growth potential.
- ✓ We characterize our suppliers as critical suppliers and suppliers with potential risk in sustainability.

- We measure the management of critical suppliers through performance evaluations in terms of quality, service, occupational health and safety, having constant feedback and identifying key factors for their development.
- We apply the Sustainability Index to suppliers with potential sustainability risks, to identify challenges, opportunities, and to develop joint action plans in environmental, economic, social and Human Rights matters.
- As a strategy to increase the coverage of these evaluations and to get a better understanding of our suppliers' performance, each year we ensure the inclusion of suppliers that have never been evaluated, those that were assessed more than three years ago, as well as those that had action plans the year before.
- ✓ We implement additional controls and development plans to those suppliers belonging to categories where the greatest potential risks have been identified.
- ✓ We have a Transparency Line for Stakeholders to report possible improper actions and to implement the pertinent corrective actions.

5. RECOGNITION

Every two years, through our recognition event “Growing Together” (Creciendo Juntos), we recognize the suppliers that have shown outstanding performance in innovation, sustainability, health & safety, and integral development.

4.3 SPEND ANALYSIS

Argos aims to guarantee transparency, suitability, and sustainability of our supply chain, based on harmonious, fair, and mutually beneficial relationships with suppliers and contractors, thus generating direct impact on business performance in terms of cost, quality, and sustainability.

GRI [204-1] PROPORTION OF SPENDING ON LOCAL SUPPLIERS (USD)

Definitions:

- Local: purchases made at a national level are considered local; therefore, our Region of Colombia purchases from a Colombian supplier it's considered a local transaction.
- Significant locations of operations: those locations where our most important production sites take place.

COLOMBIA				
Proportion of spending on local suppliers at significant locations of operations	Year			
	2018	2019	2020	2021
Value of total products and services purchased made in the reporting period (USD)	617,122,539	514,557,749	386,966,439	496,914,245
Value of products and services purchased locally (USD)	517,304,420	461,880,903	358,187,331	458,871,723
Percentage of products and services purchased locally (USD)	84%	90%	93%	92%
Number of total suppliers	3,012	3,092	2,644	2,722
Number of local suppliers	2,807	2,913	2,486	2,543
Percentage of local suppliers	93%	94%	94%	93%

CENTRAL AMERICA AND THE CARIBBEAN				
Proportion of spending on local suppliers at significant locations of operations	Year			
	2018	2019	2020	2021
Value of total products and services purchased made in the reporting period (USD)	237,140,835	215,178,116	209,041,147	265,801,238
Value of products and services purchased locally (USD)	179,341,269	163,421,480	117,540,322	138,739,781
Percentage of products and services purchased locally (USD)	76%	76%	56%	52%
Number of total suppliers	1,588	1,612	1,555	1,733
Number of local suppliers	1,233	1,237	1,152	1,310
Percentage of local suppliers	78%	77%	74%	76%

UNITED STATES				
Proportion of spending on local suppliers at significant locations of operations	Year			
	2018	2019	2020	2021
Value of total products and services purchased made in the reporting period (USD)	935,163,767	1,041,014,909	879,882,547	821,884,590
Value of products and services purchased locally (USD)	915,861,716	973,292,559	820,503,156	91,483,128
Percentage of products and services purchased locally (USD)	98%	93%	93%	91%
Number of total suppliers	3,000	3,003	2,621	2,496
Number of local suppliers	2,956	2,944	2,575	2,433
Percentage of local suppliers	99%	98%	98%	97%

TOTAL COMPANY				
Proportion of spending on local suppliers at significant locations of operations	Year			
	2018	2019	2020	2021
Value of total products and services purchased made in the reporting period (USD)	1,789,427,140	1,770,750,774	1,475,890,133	1.661.115.670
Value of products and services purchased locally (USD)	1,612,507,405	1,598,594,942	1,296,230,809	1,419,496,093
Percentage of products and services purchased locally (USDP)	90%	90%	88%	85%
Number of total suppliers	7,600	7,707	6,820	6,951
Number of local suppliers	6,996	7,094	6,213	6,286
Percentage of local suppliers	92%	92%	91%	90%

4.4 CRITICAL VENDOR SEGMENTATION

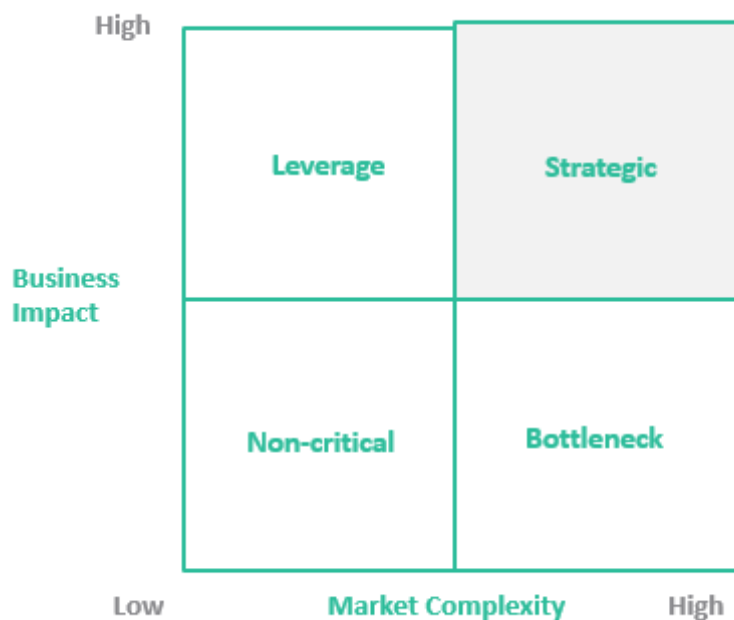
CRITICAL SUPPLIERS

Argos identifies its critical suppliers to develop tailor-made tools to manage and mitigate associated risks.

Critical supplier definition: Refers to the supplier of goods and/or services who can cause a negative impact on reputational, operational, or sustainable (environmental, social and economic) aspects if they fail to or do not comply with the contracting requirements or policies.

Critical supplier identification process: The segmentation process is performed yearly by the Procurement Department in conjunction with the user area, based on defined criteria as follows:

- **High spend suppliers:** those suppliers with high Spend, and those with whom negotiations of Large and Substantial amounts are held according to the amount ranks defined in our Procurement Policy.
- **Strategic Suppliers:** those suppliers belonging to categories identified as Strategic in our Strategic Sourcing Matrix.



The Strategic Sourcing Matrix is built at a regional level considering that geography is a determining factor in the complexity of the market. To see our strategic matrix by region go to <https://bit.ly/3wn30gm> page 16 (Annex 2).

- Non-substitutable and unique suppliers.

4.5 SUPPLIER RISK MANAGEMENT

Grupo Argos's **Comprehensive Risk Management System (CRMS)** is the theoretical framework under which Argos identifies, measures, and controls risks in the value chain. It contains the policies, objectives, organizational structure, methodologies, strategies, and processes applications for risk management.

Based on the CRMS, the company's strategic and emerging risks, and industry standards for the supply chain management, identified eleven risks that, if manifested in our supply chain, could affect our operation.

Subsequently, we assess the risks applicable to each purchase category, allowing us to identify the suppliers that have a potential risk in sustainability. For these suppliers, we establish strategies throughout the vendor management process to control and reduce the inherent risk of their activities (see numeral 4.2 and 4.5.2).

4.5.1 SUSTAINABILITY HIGH-RISK SUPPLIERS

To the suppliers identified with a potential risk in sustainability, we apply the Supplier's Sustainability Index, a self-assessment tool which was jointly developed with the Massachusetts

Institute of Technology (MIT). This allows us to know the controls and good practices our suppliers carry out in social, environmental, and economic issues.

The suppliers with gaps and improvement opportunities in the Supplier's Sustainability Index or other sustainability related evaluations, are considered as High-Risk Suppliers and we develop retention and strengthening strategies with them throughout the following year.

Based on this assessment, we also update our **Supply Chain Risk Exposure Model** yearly, which gives us a reading of our supplier's reality in managing sustainability issues and allows us to constantly update our controls to mitigate risk.

4.5.2 SUPPLIER SUSTAINABILITY RISK MONITORING AND MITIGATION

As explained above, the control and mitigation of our supply chain sustainability risk is extended throughout the supplier management cycle, starting with the pre-selection stage, where certain ESG aspects established as the minimum standard for contracting with Argos are analyzed.

According to each purchase category and its associated risk, third-party certifications are requested before contracting, thereby guaranteeing proper management in the framework of national regulation and company policies. These certifications include revisions of human rights and business ethics due diligence, occupational health and safety compliance, revision of operating and distribution licenses, environmental and mining licenses and permits.

For contractors, high OH&S standards are required in every negotiation process. Third-party services as the RUC (or Unique Registry of Contractors by the Colombian Security Council) and Avetta are used to support its management. Furthermore, through the **"I Promise" OH&S program**, Argos internal staff constantly performs audit assessments to ensure that those contractors working within the company facilities comply with the required standards. The audit results are recorded and monitored through a software defined for this purpose allowing visibility throughout the company.

Transport suppliers are closely developed and monitored, aligned with our road safety company priority. H&SE audits, training programs, driver certifications, driving simulators, partnerships with local authorities and communities, are some of the strategies we use to develop our suppliers and reduce their inherent risk. Permanent inspections to drivers and vehicles before entering our facilities, GPS vehicle tracking, and road safety audits are methods we use to ensure compliance with our road safety regulations.

As explained in numeral 4.5.1, suppliers identified in potential sustainability risk categories are evaluated yearly through the **Supplier's Sustainability Index (SSI)**, which allows us to identify the main gaps and strengthening opportunities, and to agree on action plans. Other evaluations of more specific issues such as water risk or quality are carried out to certain suppliers.

GRI [308-2] [414-2] NEGATIVE ENVIRONMENTAL & SOCIAL IMPACTS IN THE SUPPLY CHAIN AND ACTIONS TAKEN

COLOMBIA								
	Environmental				Social			
	2018	2019	2020	2021	2018	2019	2020	2021
Number of suppliers assessed	583	323	445	402	642	351	512	447
Number of suppliers identified with significant, true, or potential negative impact	27	30	89	14	2	35	78	16
Number of suppliers identified with significant, true, or potential negative impact with whom agreements were made based on the assessment	0	22	56	8	0	32	46	16
Percentage of suppliers identified with significant, true, or potential negative impact with whom agreements were made based on the assessment	0%	73%	63%	57%	0%	91%	59%	100%
Number of suppliers identified with significant, true, or potential negative impacts with whom the contracting relationship was terminated	0	0	0	0	0	0	0	0
Percentage of suppliers identified with significant, true, or potential negative impact with whom the contracting relationship was terminated	0%	0%	0%	0%	0%	0%	0%	0%

COLOMBIA		
Significant actual and potential impacts identified	ENVIRONMENTAL	SOCIAL
Significant actual negative impacts in the assessments	Lack of measurement, control and monitoring of the use of natural resources	Lack of measurement, control and monitoring of the use of natural resources
Significant potential negative impacts in the assessments	Inappropriate use of natural resources	Affect the community by the supplier/contractor operation, inappropriate behaviors, or lack of community engagement

CENTRAL AMERICA AND THE CARIBBEAN								
	Environmental				Social			
	2018	2019	2020	2021	2018	2019	2020	2021
Number of suppliers assessed	234	157	211	208	233	147	198	219
Number of suppliers identified with significant, true, or potential negative impact	24	50	62	41	8	45	39	36
Number of suppliers identified with significant, true, or potential negative impact with whom agreements were made based on the assessment	0	39	42	23	1	40	15	35
Percentage of suppliers identified with significant, true, or potential negative impact with whom agreements were made based on the assessment	0%	78%	68%	56%	13%	89%	38%	97%
Number of suppliers identified with significant, true, or potential negative impacts with whom the contracting relationship was terminated	0	0	0	0	0	0	0	0
Percentage of suppliers identified with significant, true, or potential negative impact with whom the contracting relationship was terminated	0%	0%	0%	0%	0%	0%	0%	0%

CENTRAL AMERICA AND THE CARIBBEAN		
Significant actual and potential impacts identified	ENVIRONMENTAL	SOCIAL
Significant actual negative impacts in the assessments	Lack of measurement, control, and monitoring of the use of natural resources	Lack of communities' engagement (Local labor hiring, social investment, and social license to operate)
Significant potential negative impacts in the assessments	Inappropriate use of natural resources	Affectation of the community due to the operation of the supplier/contractor, inappropriate behavior, or lack of commitment to the community

UNITED STATES								
	Environmental				Social			
	2018	2019	2020	2021	2018	2019	2020	2021
Number of suppliers assessed	184	189	241	258	175	182	237	255
Number of suppliers identified with significant, true, or potential negative impact	19	5	0	48	1	1	0	1
Number of suppliers identified with significant, true, or potential negative impact with whom agreements were made based on the assessment	0	0	0	35	0	0	0	1
Percentage of suppliers identified with significant, true, or potential negative impact with whom agreements were made based on the assessment	0%	0%	0%	73%	0%	0%	0%	100%
Number of suppliers identified with significant, true, or potential negative impacts with whom the contracting relationship was terminated	0	0	0	0	0	0	0	0
Percentage of suppliers identified with significant, true, or potential negative impact with whom the contracting relationship was terminated	0%	0%	0%	0%	0%	0%	0%	0%

UNITED STATES		
Significant actual and potential impacts identified	ENVIRONMENTAL	SOCIAL
Significant actual negative impacts in the assessments	Lack of knowledge in environmental aspects	Lack of communities' engagement (Local labor hiring, social investment, and social license to operate)
Significant potential negative impacts in the assessments	Breach of environmental requirements	Affectation of the community due to the operation of the supplier/contractor, inappropriate behavior, or lack of commitment to the community

