

TABLE OF CONTENTS

1.	SUPPLY CHAIN STRATEGY.....	2
2.	SUPPLIER MANAGEMENT SYSTEM.....	3
2.1	OBJETIVE/SCOPE	3
2.2	SYSTEM SPOTLIGHTS.....	3
2.3	GOVERNANCE.....	4
2.4	SUPPLIER MANAGEMENT CYCLE	4
a.	IDENTIFICATION	5
b.	SUPPLIER SCREENING (RISK IDENTIFICATION).....	5
c.	PRE-SELECTION	7
d.	SELECTION.....	7
e.	NEGOTIATION	8
f.	ASSESSMENT	8
g.	DEVELOPMENT	9

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:

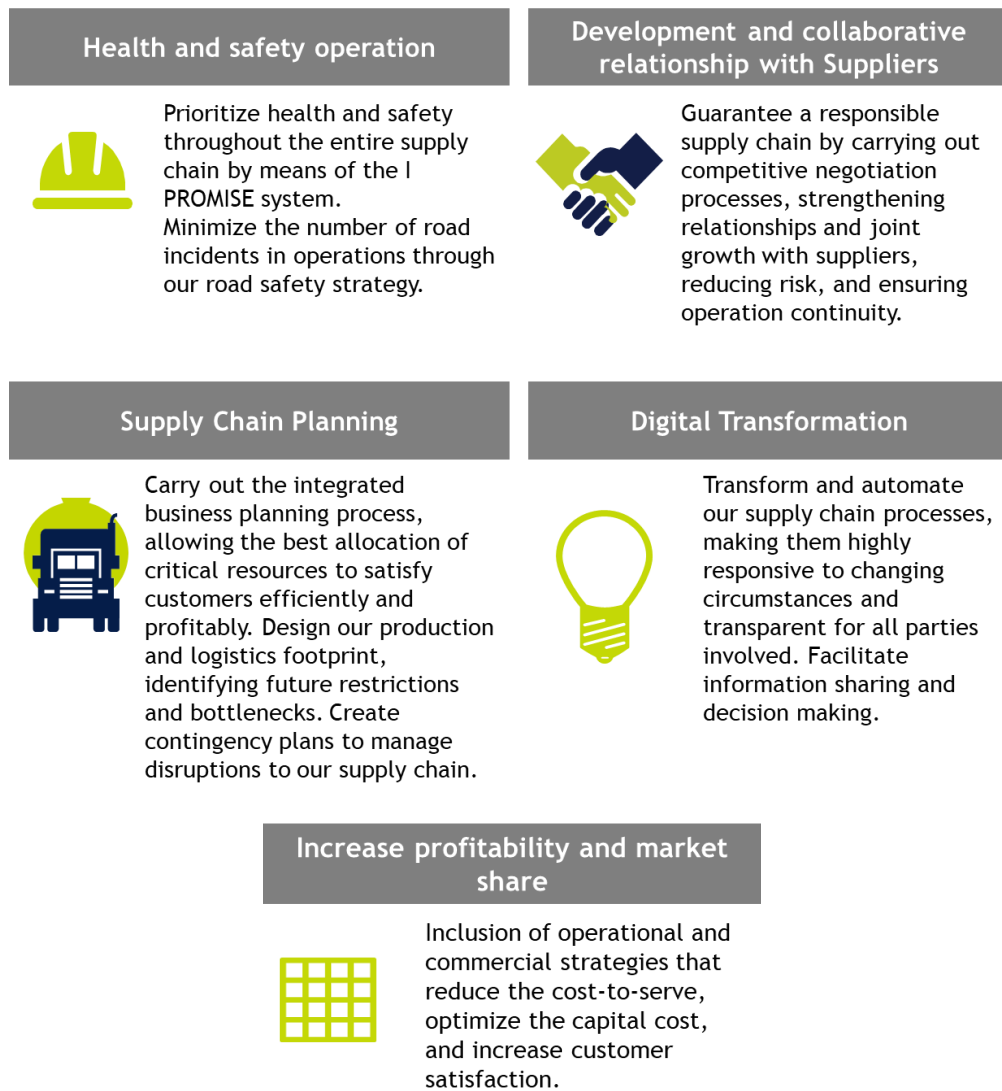


Figure 1. Argos' Supply Chain priorities

2. SUPPLIER MANAGEMENT SYSTEM

We are convinced that our suppliers are a great ally to make a significant contribution to society, but we are also aware of the importance of identifying, valuing, and mitigating our risk exposure. 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 **supplier management system**.

2.1 OBJETIVE/SCOPE

Promote competitiveness, risk mitigation and alignment with ESG standards in our suppliers, based on the relationship and timely communication throughout their life cycle, making them business allies and thus impacting the reliability of the process.

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.

2.2 SYSTEM SPOTLIGHTS



C o m p e t i t i v e n e s s

Segmentation, supervision/monitoring, evaluation, feedback, closing gaps /strengthening and promoting innovation in our suppliers seeking improvements and efficiencies.



R i s k m i t i g a t i o n

Monitor the different controls created for the management of risks that may arise from the relationship with our suppliers, avoiding the materialization of them and eventual reputational impacts.



A l i g n m e n t w i t h E S G s t a n d a r d s

Definition and implementation of standards that guide our suppliers to adopt best practices in environmental, social (OSH, HR, labor) and governance aspects.

2.3 GOVERNANCE

The Human Rights Policy, Occupational Health and Safety Policy and Strategy, Sustainability Strategy, Codes of Conduct, Sustainable Development Goals (SDGs) and GCCA Supply Chain Management Guidance are some of the guidelines and policies we use to identify sustainability best practices for managing our suppliers.

The Sustainability Committee of the Board of Directors directs and oversees supply chain strategic decisions and processes (this includes the review of key performance indicators, strategic definitions and business plans, major investments and negotiation with strategic allies, business partners, joint ventures, among others) that are considered critical and have an impact on the business.

Also, the Board of Directors (BOD), through the Audit, Finance and Risk Committee, is committed to risk management and regularly monitors risks, some of which directly impact the value chain. Likewise, the Board of Directors per se look for the company's orientation, conferring within its functions the permanent review of the strategy, the adoption of the company's policies in economic, social, and environmental matters, the formulation of actions in terms of sustainability, monitoring of strategic risks, monitoring of the internal control system, among others; all of this, is closely related to managing a resilient and sustainable supply chain.

The Procurement Policy contains the mandatory rules and policies governing the acquisition of goods and services, especially the pre-selection, negotiation, and selection of suppliers, as set out in our supplier management system.

The Procurement Committee (Steering Committee) is the body entitled to oversight, approve, interpret, and amend this policy. It's composed of the following persons:

- The President (Chief Executive Officer),
- The Chief Financial Officer,
- The vice-president of Corporate Affairs (former Chief Legal and Sustainability Officer), and
- The vice-president of each Region of Argos.

To see our **Procurement Policy** go to: <https://shorturl.at/aw157>

The Supplier Code of Conduct is a guide of the responsible business principles, behaviors, and values that Argos expects its Supplier to adopt in contractual relationships (Find it here: <https://shorturl.at/bvwx4>)

2.4 SUPPLIER MANAGEMENT CYCLE

Our supplier management system, including the purchasing practices towards suppliers, is continuously reviewed to ensure alignment with the Supplier Code of Conduct and to avoid potential conflicts with best practices and ESG requirements. Also, to ensure the fulfillment of the strategy and the ESG objectives, our team (buyers and other internal stakeholders who engage with the suppliers) are trained in the role they play in the management system.

This management cycle is divided into:

a. IDENTIFICATION

We determine the goods and services required for our operation and the category to which they belong, according to our Category Tree, this groups our suppliers into macro-categories:

Macro-categories:

- Corporative and professional services.
- Energy & Fuels.
- Facilities.
- Industrial & maintenance, repair, and operations (MRO).
- IT/Telecom
- Logistics.
- Manufacturing and trading.
- Mining services and operations.
- Packaging.
- Raw Materials.

b. SUPPLIER SCREENING (RISK IDENTIFICATION)

Argos identifies its significant suppliers to develop tailor-made tools to manage and mitigate associated risks. These are suppliers of goods and/or services that could have a negative reputational, operational or sustainability (ESG) impact in the event of non-compliance with contract requirements or policies.

Based on the company's strategic and emerging risks, industry and commodity standards and trends for supply chain management, we have identified eleven risks (country-specific, sector-specific, and commodity-specific) that could have an impact on our business if they were to manifest themselves in our supply chain.

Social Dimension

- R01 Non-compliance with labor legislation, payment of wages and social security.
- R02 Non-compliance with human rights.
- R03 Impact on the community, inappropriate behavior, or lack of community engagement.
- R04 Inadequate industrial health and safety conditions, improper work practices.

Environmental Dimension

- R05 Non-compliance with legal environmental requirements.
- R06 Lack of environmental impact management
- R07 Inappropriate use of natural resources.

Economic and Governance Dimension

- R08 Lack of risk management
- R09 Non-compliance with quality parameters or service levels
- R10 Non-compliance with business ethics
- R11 Inadequate supply chain management

Then, we identify suppliers with potential sustainability risks by assessing the risks applicable to each purchasing macro-category. For those types of suppliers, we establish strategies throughout the supplier management cycle to control and reduce the inherent and residual risk of their activities. Categories like raw materials, mining services, fuels, transportation, and packaging fall within this description.

Simultaneously, each purchase macro-category (and the goods or services contained in each one) is analyzed in terms of its business impact and the complexity of the market to which it belongs, allowing us to classify our suppliers into four types:

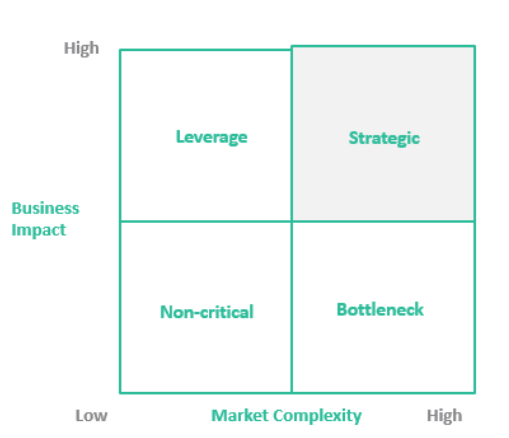


Figure 2. Argos' strategic sourcing matrix.

This segmentation process is carried out annually by the procurement department of each region in conjunction with the business unit. In addition to the ESG criteria listed above, it is also considered a significant supplier due to its business relevance:

- High spend suppliers: those with high spend and those with whom large and significant amounts are negotiated, according to the tiers defined in our Procurement Policy.
- Strategic suppliers: those suppliers in categories identified as strategic in our strategic sourcing matrix, which is built at a regional level, recognizing that geographic location is a key determinant of market complexity. Our strategic matrix by region can be found at <https://shorturl.at/aw157>, pages 17 to 22 (Annex 2). Commodities such as coal fall into this category of strategic suppliers and have special management measures.
- Suppliers that are not substitutable and unique.

Table 1. KPIs for Suppliers Screening

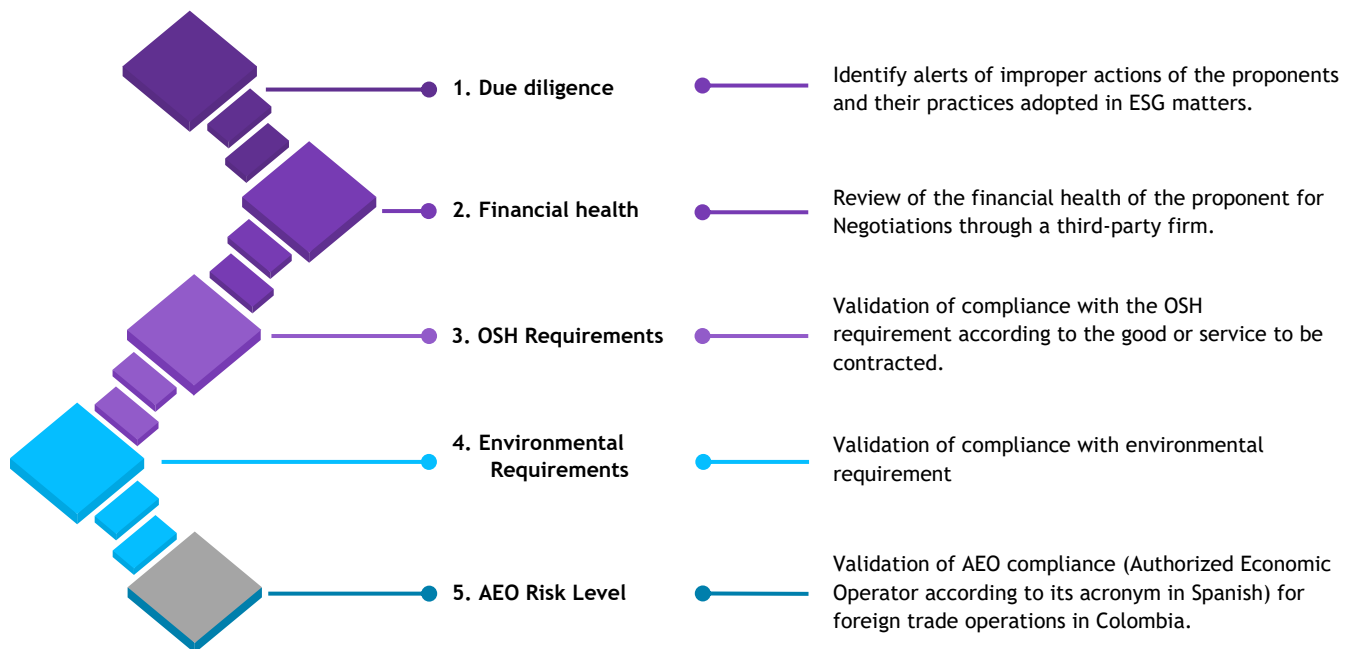
Supplier Screening	Year 2022
Total number of Tier-1 suppliers	6,804
Total number of significant suppliers in Tier-1	1,299
% of total spend on significant suppliers in Tier-1	75,18%
Total number of significant suppliers in non Tier-1	11
Total number of significant suppliers (Tier-1 and non Tier-1)	1,310

c. PRE-SELECTION

These controls are in place to mitigate the risks that may arise in our procurement processes and the reputational impact that could result from the materialization of these risks. It applies to all potential bidders participating in a selection process for the purchase of goods or services.

To ensure long-term relationships, we conduct due diligence on suppliers to validate their suitability and review their ESG and financial health.

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 and environmental and mining licenses and permits.



The negotiator or buyer must keep the results of these procedures. To award the purchase of a good or service to the proponent, the results of the procedures must have been satisfactory.

Figure 3. Argos' pre-selection process

d. SELECTION

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.

The qualification of the bidders and the supplier selection process is only carried out with the suppliers that have passed the pre-selection process (See Figure 3), according to the criteria defined by the purchasing department.

Qualification is based on mandatory criteria (such as O&S compliance) and desirable criteria depending on the service or product to be contracted. After an analysis of each bidder in terms of risk, experience, technical capacity, O&H and even its results in the last performance evaluation, among other, the bidder that best meets these criteria is selected.

e. NEGOTIATION

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 Compact, 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.

f. ASSESSMENT

To identify risks and opportunities for improvement and to understand the ESG performance of our suppliers, we have several assessment processes. These assessments are based on the type of supplier, either because of its business relevance or because of ESG issues.

- Desk assessments with systematic verification of evidence like the Sustainability Index is applied to suppliers with potential sustainability risks, to identify challenges, opportunities, and to develop joint action plans in environmental, economic, social, and human rights matters. We also use Avetta as a tool to collect information and supporting evidence on our contractors ESG performance in some of the countries where we have presence. Frequently compliance monitoring is carried out in restrictive lists and in the UN and OFAC lists.
- 2nd party onsite assessments like O&H audits to transport suppliers and new contractors are carried out by our teams. For suppliers related to our import and/or export process, by means of a visit to its facilities, we verify that, in those critical outsourced processes, the service provider implements security measures aimed at mitigating risks in the international supply chain.
- 3rd party onsite assessments and assessments (desk or on-site) carried out using standards and methodologies of a recognized industry or multi-stakeholder initiative, like the Uniform Registry of Contractors (<https://ccs.org.co/ruc/>) done by the Colombian Security Council accredited in ISO/IEC 17021-1:2015 by the Colombian National Accreditation Body (ONAC in Spanish), certifies our contractors HSE management system compliance.

From these assessments, corrective actions and opportunities for improvement are identified and communicated to the supplier through a results report, which outlines the items to be worked on in an action plan.

Table 2. KPIs for Supplier Assessments

Supplier Assessment	Year 2022
Total number of suppliers assessed via desk assessments/on-site assessments	1077
% of significant suppliers assessed	82.21 %
Number of suppliers assessed with substantial actual/potential negative impacts	253
% of suppliers with substantial actual/potential negative impacts with agreed corrective action/improvement plan	27,27 %
Number of suppliers with substantial actual/potential negative impacts that were terminated	0

Our target is to conduct performance evaluations to 85% of our critical suppliers (significant suppliers for their business relevance) each year.

We also have two sustainability-linked bank loans where one of the ESG indicators is assessing suppliers' sustainability. Our 2022 target was to assess 44% of our suppliers at least once in the last three years, and this year we reached 52% on this metric.

g. DEVELOPMENT

We take the results of the assessments into account to identify areas for improvement that we should reinforce with our suppliers in accordance with our policies and strategies.

We have reinforcement and feedback spaces where we communicate to our suppliers (either through specific webinars, newsletters, supplier website, etc.) the expectations, processes, and requirements to be considered to maintain a harmonious relationship.

We also open spaces to support the implementation of improvements, either through mentoring with experts from our organization or with the support of other institutions.

Table 3. KPIs for Suppliers Development

Total number of suppliers supported in corrective action plan implementation	69
% of suppliers assessed with substantial actual/potential negative impacts supported in corrective action plan implementation	27,27 %