

SUPPLIER MANAGEMENT SYSTEM



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SUPPLIER MANAGEMENT SYSTEM

We believe our suppliers are valuable allies in creating shared value for society. We recognize that the relationships we build across our supply chain carry inherent risks — reputational, operational, and sustainability-related — and that managing those relationships responsibly is inseparable from our business performance. Therefore, our approach goes beyond compliance: we seek to build trusting, transparent, and long-term partnerships grounded in good contracting practices, responsible behavior, and continuous supplier development.

This document describes our **Supplier Management System**. It integrates our governance framework, procurement policies, risk management tools, assessment processes, and capacity-building initiatives into a single, coherent account of how we manage our supply chain responsibly and systematically.

1. OBJECTIVE AND SCOPE

Our supplier Management System is designed to promote competitiveness, mitigate risk and align suppliers with ESG standards; engaging them throughout their entire lifecycle and making them genuine business allies.

The system operates across our three regions: Colombia, Central America and the Caribbean, covering the procurement of raw materials, mining services, industrial and MRO supplies, administrative services, facilities, logistics, and fuels. This system is built on three interlocking objectives:

- **Competitiveness:** Segmenting and continuously monitoring our supplier base, providing feedback, closing performance gaps, and fostering innovation.
- **Risk mitigation:** monitoring controls across the supplier relationship lifecycle to prevent risks from materializing and to protect our operations and reputation.
- **ESG alignment:** setting and implementing standards that guide suppliers toward best practices in environmental stewardship, social responsibility, occupational health and safety, human rights, and governance.

2. GOVERNANCE

Our supplier management system is embedded in a robust governance structure that links board-level oversight with operational procurement practices. The guiding frameworks include our sustainability strategy, human rights policy, OH&S policy and strategy, environmental policy, our Codes of Conduct, the Sustainable Development Goals (SDGs), and the GCCA supply chain management guidance.

2.1. Board-Level Oversight

The highest accountable decision-making body of our ESG Supply Chain Management System is the Board of Directors' Sustainability and Corporate Governance Committee. This committee directs and oversees strategic decisions and processes related to the supply chain, including the review of key performance indicators, strategic definitions, business plans, major investments and negotiations with strategic allies, business partners, and joint ventures.

The Board of Directors (BOD) also monitors supply chain through the Audit, Finance, and Risk Committee, which regularly reviews risks that directly impact the value chain. The BOD delegates the permanent review of strategy, adoption of sustainability policies, formulation of sustainability actions and monitoring of the internal control system.

2.2. Procurement Manual and Committee

The Procurement and Purchasing Manual is the primary instrument for all procurement processes in Colombia, Central America and the Caribbean (CCA). It contains mandatory rules and policies for all negotiations of goods and services in core, specialized and non-core categories, and applies to local, project-based and global purchases alike.

The Procurement Committee is responsible for overseeing, approving, interpreting, and amending this policy. It is composed of the President (CEO), the Chief Financial Officer, the Corporate Affairs Vice President, and the regional general directors.

Compliance with the Manual is mandatory for all Argos employees; non-compliance constitutes a serious workplace infraction. [See our Procurement Manual here.](#)

2.3. Supplier Code of Conduct and Purchasing Practices Review

The Supplier Code of Conduct defines the responsible business principles, behaviors and values that Argos expects all its suppliers to uphold. We continuously review our purchasing practices to ensure they remain aligned with the Supplier Code of Conduct and to avoid potential conflicts with best practices and ESG requirements. [See our Supplier Code of Conduct here.](#)

To operate this commitment, our procurement teams, buyers and all internal stakeholders who engage with suppliers receive ongoing training in their roles within the supplier management system. This ensures that ESG considerations are consistently embedded in every stage of the procurement cycle: from category definition and supplier identification through to contract and evaluation.

3. SUPPLIER MANAGEMENT CYCLE

Our supplier management cycle is a structured, end-to-end process that covers the full lifecycle of supplier relationships: from initial identification and risk screening through to pre-selection, selection, negotiation, assessment, development and recognition. Each stage is governed by clear policies, tools, and accountability mechanisms that together ensure a consistent, transparent and ESG-aligned approach across all our operations.

3.1. IDENTIFICATION

We determine the goods and services required by our operation and organize them within a category tree of macro-categories. This classification is the foundation on which all subsequent screening, segmentation, and management decisions are based.

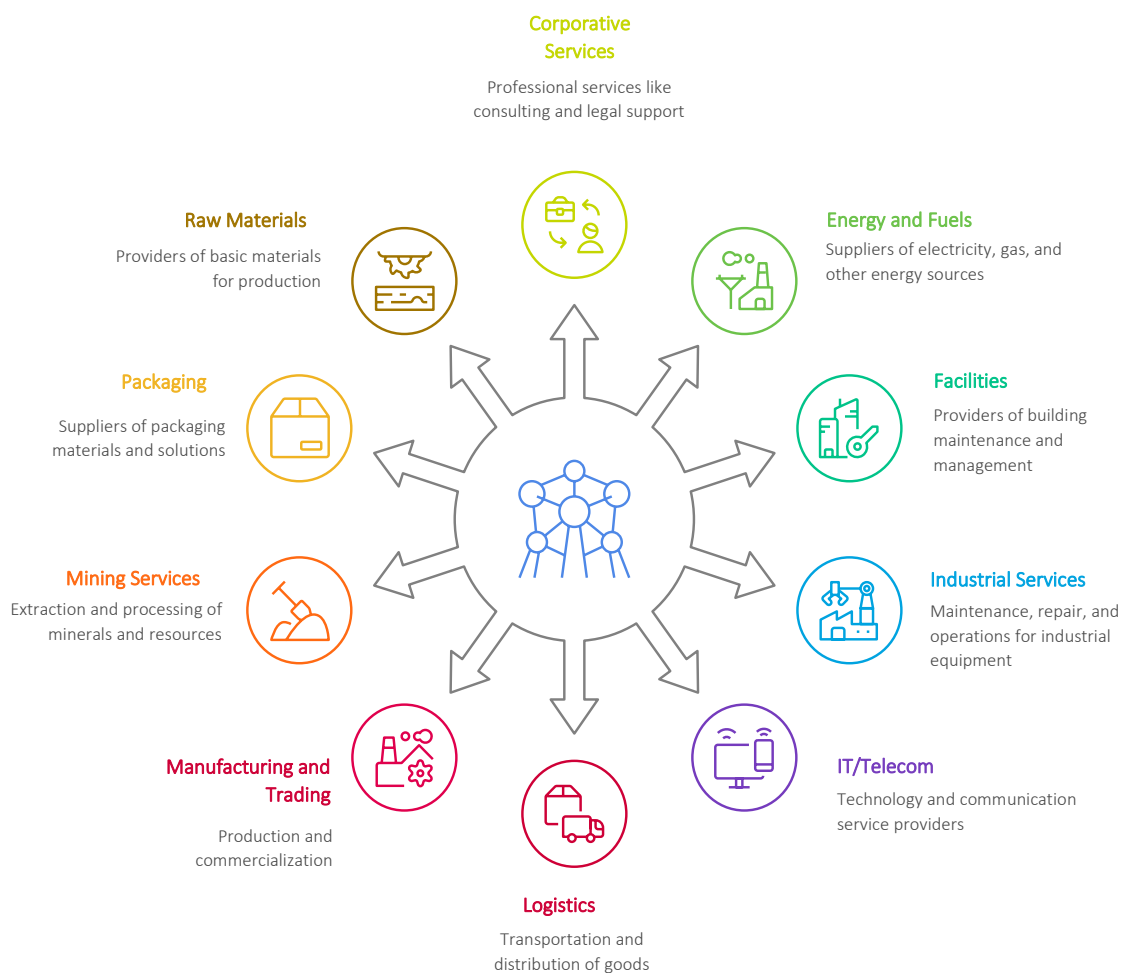


Figure 1. Supplier macro-categories

Within this structure, categories are further classified by type of negotiation responsibility:

- **Core categories** are negotiated exclusively by the Procurement team;
- **Non-Core categories** are negotiated by SUMMA, Grupo Argos digital services center, in Colombia or by users and procurement teams in Central America and the Caribbean;
- **Specialized categories** are negotiated directly by the user area.

This clear allocation of responsibility ensures that negotiations are always handled by the team with the right level of expertise and authority.

3.2. SUPPLIER SCREENING AND RISK IDENTIFICATION

We identify our significant suppliers to develop tools tailored to managing and mitigating associated risks. These suppliers provide goods or services that could negatively impact on our reputation, operations, or sustainability (ESG) if they fail to comply with our policies or contractual requirements. This screening process combines two complementary lenses: ESG risk analysis and business relevance analysis.

ESG Risk Framework

Based on the company's strategic and emerging risks, as well as industry and commodity standards and supply chain management trends, we have identified ten risks (country-, sector- and commodity-specific) that could impact our business if they materialized in our supply chain.

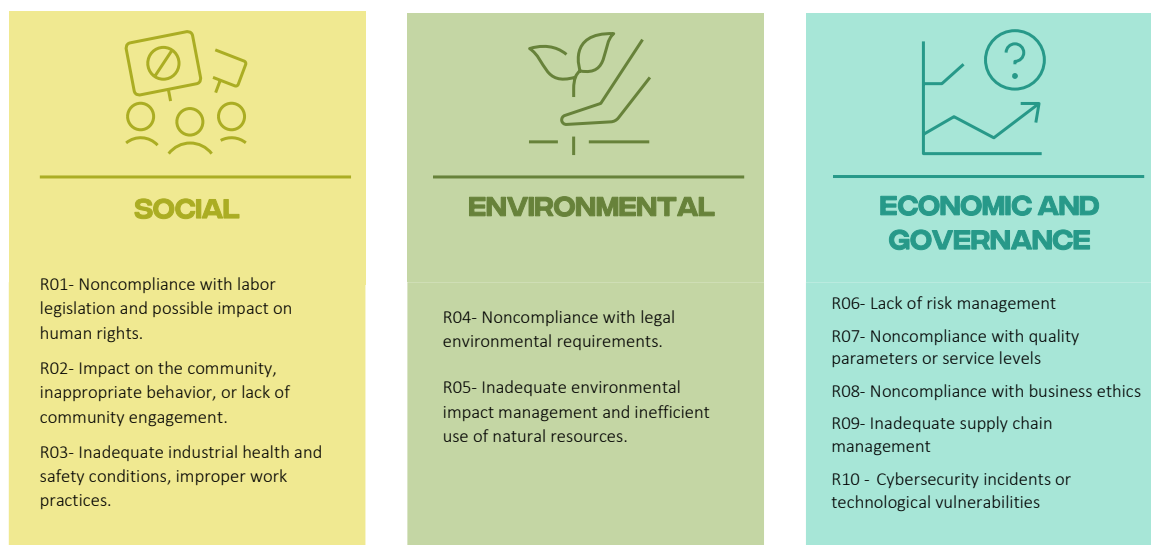


Figure 2. ESG risks in the supply chain

We then map these risks to each purchasing macro-category to identify which categories carry the highest ESG exposure. Strategies to control and reduce inherent and residual risk are embedded

throughout each stage of the management cycle. This approach applies particularly to high-risk categories such as raw materials, mining services, fuels, transport, and packaging.

Business Relevance and Strategic Segmentation

At the same time, we analyze each purchasing macro-category (and the goods or services it contains) in terms of its business impact and the complexity of its market. This allows us to classify our suppliers into four types: Strategic, bottleneck, leverage and non-critical.

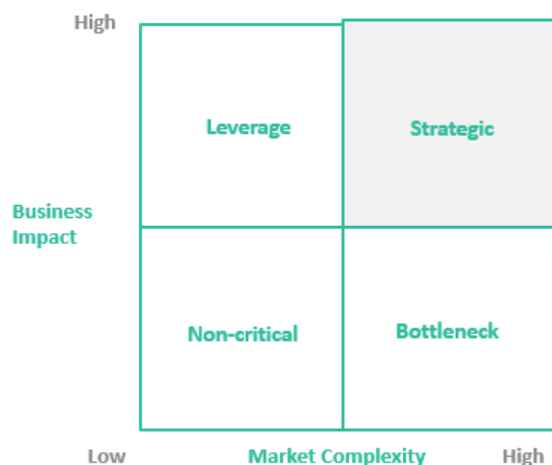


Figure 3. Argos strategic sourcing matrix

This segmentation process is carried out annually by the procurement department of each region in conjunction with the business unit.

A supplier is classified as significant when it meets two conditions: (a) it appears in the spend pareto of the country where it operates, and (b) two or more ESG risk criteria apply to it. In the Colombia regional, a supplier may also be classified as significant based on any of the following additional criteria:

- **Performance risk combined with market dependency:** the supplier received a performance evaluation score below 3.7 in the previous annual cycle and is considered a high-dependency supplier, meaning that equivalent alternatives do not exist or are difficult to source in the market.
- **Expert judgment by the procurement team:** the sourcing specialist responsible for the category determines, based on their market knowledge and operational experience, that the supplier warrants significant-supplier designation.

This multi-criteria approach ensures that the identification of significant suppliers is both systematic and contextually sensitive, reflecting the full complexity of risk across our supply base.

In 2025, we identified 172 significant suppliers, representing 41 % of total spend on significant suppliers, out of a base of 4,358 Tier-1 suppliers.

Supplier Screening	2025
Total number of unique suppliers Tier-1	4.392
Total number of unique significant suppliers Tier-1	172
% of total spend on significant suppliers in Tier-1	41.02 %

Table 1. Supplier Screening

Proactive Supplier Pipeline: Supplier Fairs

Beyond the annual screening of existing suppliers, in 2025 we implemented a structured Supplier Fair initiative across the CCA region (in Panama, Honduras, and Puerto Rico) as a proactive mechanism to expand and renew our supplier base.

Selected suppliers were invited to on-site visits at our plants and offices, where specialists and contract supervisors evaluated their portfolio and assessed their operational fit. These visits also serve as a first introduction to Argos's supplier management system, ESG standards, and contracting processes, ensuring that new suppliers are prepared before any formal relationship begins. Suppliers enrolled on our supplier management platform, Snetwork Sourcing, for regional visibility and those ready for immediate contracting were onboard on SAP.

These fairs delivered concrete results: 33 suppliers registered in Panama (8 enabled in SAP) and 41 in Honduras (10 received on-site, all in SAP onboarding process). Beyond the numbers, the Honduras fair generated spontaneous inter-supplier networking — a positive externality that reflects the broader value these spaces create for the local business ecosystem.



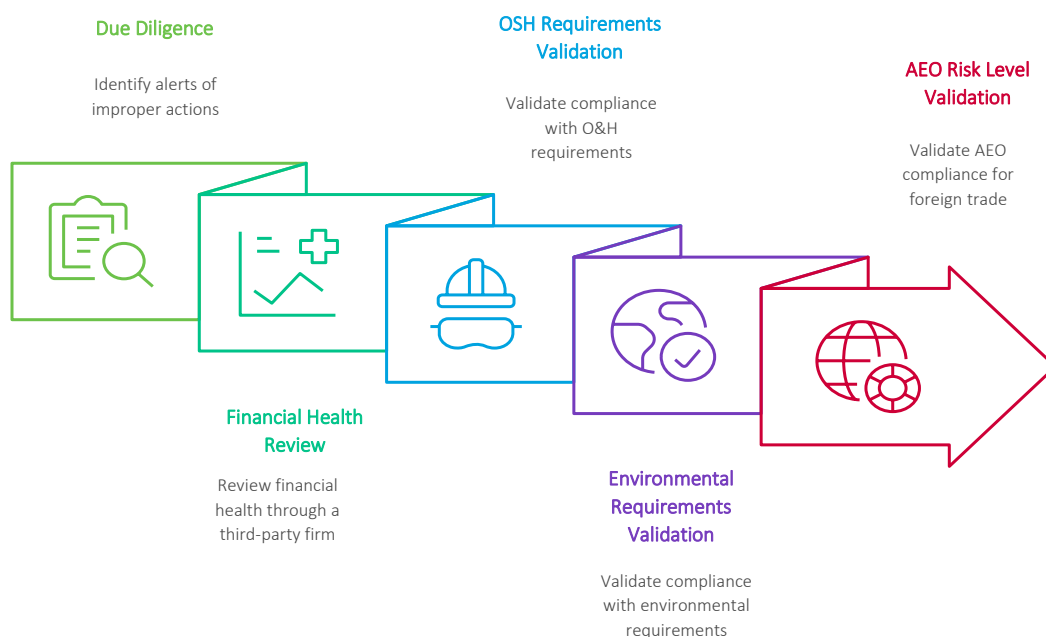
Photo 1. Supplier Fair

3.3. PRE-SELECTION

Before any supplier is invited to participate in a formal selection process, we apply a structured pre-selection protocol that addresses potential reputational, financial, legal, and ESG risks. This protocol applies to all potential bidders, regardless of the category or value of the negotiation.

The pre-selection process consists of five verification dimensions:

- **Due diligence:** coordinated with Argos's Compliance Department, this process validates the absence of improper-action alerts and anti-money laundering or anti-corruption risks.
- **OHS compliance:** verification of industrial safety and occupational health requirements, applicable to all contracting processes where relevant.
- **Environmental and mining license validation:** confirmation of compliance with applicable environmental regulations, licenses, and permits.
- **Financial health review:** conducted via a third-party firm for all major and superior quantity negotiations, and whenever a supplier's profile represents high financial risk regardless of contract value.
- **AEO risk validation:** applicable in the Colombia region, this step validates compliance with Authorized Economic Operator requirements for foreign trade.



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 4 Preselection process

We have established these minimum ESG standards that constitute a threshold for contracting with Argos. Suppliers unable to meet these standards within a defined time frame are excluded from participating in selection processes.

3.4. SELECTION

We select suppliers based on technical, economic, sustainability, and service standards. The formal selection process is carried out exclusively with suppliers that have successfully passed the pre-selection stage. The process is governed by the Procurement Manual and is structured to ensure transparency, comparability, and the application of best practices.

We only carry out the qualifications of bidders and the supplier selection process with suppliers that have passed the pre-selection process according to the criteria defined by the Purchasing Department.

Suppliers with stronger ESG performance are preferred in supplier selection and contract awarding. Qualification criteria include both mandatory requirements (such as OHS compliance) and category-specific desirable criteria. After evaluating each bidder's risk profile, experience, technical capacity, occupational health record, and historical performance, the process selects the bidder that best meets the overall set of criteria.

3.5. NEGOTIATION

All contracts with our suppliers include standard clauses that formalize the ESG commitments established during pre-selection and selection. These clauses establish:

- Argos's right to conduct audits, directly or through third parties, at any time. The scope covers labor law (social security, OHS), tax and customs compliance, environmental law, social responsibility practices, intellectual property, cybersecurity, and personal data protection.
- The supplier's obligation to comply with anti-money laundering and anti-terrorism financing laws and regulations.
- The supplier's commitment to respect the ten principles of the UN Global Compact, the Universal Declaration of Human Rights, ILO principles, and applicable local human rights laws.
- The supplier's commitment to fully comply with the Supplier Code of Conduct, Argos's environmental policy, and its OHS policy.

When negotiations involve specific risks —such as engineering services, financial intermediation, mass data processing, transport, or construction — additional insurance coverage is evaluated on a case-by-case basis.

3.6. ASSESSMENT

Supplier assessment is a continuous, multi-layered process designed to measure ESG performance, identify risks and opportunities, and provide a basis for corrective action and ongoing development. Our assessment system combines desk-based reviews, second-party on-site audits, and independent third-party certifications.

- **Desk assessments with systematic verification of evidence**, such as the Sustainability Index, are applied to suppliers with potential sustainability risks. These assessments help us

identify challenges and opportunities and develop joint action plans regarding environmental, economic, social, and human rights matters. We also use Avetta to collect information and support evidence on the ESG performance of our contractors in some countries where we have a presence.

- **Second-party on-site assessments**, such as OHS audits for new suppliers, are carried out by our internal teams. Additionally, the Interventor (a contract supervisor appointed by the user area for every contract) performs continuous monitoring of supplier conduct throughout contract execution: verifying proper delivery of services, invoicing compliance, OHS requirements, environmental obligations, and adherence to contracted service levels. This ongoing oversight culminates in a formal supplier performance evaluation, which is mandatory for all contracts.
- **Third-party on-site assessments**, such as the Unique Registry of Contractors (RUC, in Spanish), carried out by the Colombian Security Council, which is accredited in ISO/IEC 17021-1:2015 by the Colombian National Accreditation Body (ONAC, in Spanish). This certification ensures that our contractors' OHSE management systems comply with the necessary standards. RUC auditors also apply the Particular Elements questionnaire directly with the contractor's personnel, providing independent, on-site verification of actual practices in human rights, labor conditions, business ethics, and supply chain risk management.

For suppliers where substantial actual or potential negative impacts are identified — whether through desk reviews, on-site assessments, or contract supervision — corrective action and improvement plans are developed collaboratively. Our target is to conduct assessments to 70% of our significant suppliers each year.

Supplier Assessment	2025
Number of unique significant suppliers assessed via desk assessments/on-site assessments	140
% of unique significant suppliers assessed	81.4 %
Number of unique significant suppliers assessed with substantial actual/potential negative impacts	19
Number of unique significant suppliers with substantial actual/potential negative impacts with agreed corrective action/improvement plan	5
% of unique significant suppliers with substantial actual/potential negative impacts with agreed corrective action/improvement plan	26.3 %
Number of unique significant suppliers with substantial actual/potential negative impacts that were terminated	0

Table 3. Supplier Assessment

3.7. DEVELOPMENT

Assessment results are used to identify gaps, and they are the starting point for development support that help suppliers improve their ESG performance and operational capacity. We engage

with them through multiple channels: webinars, newsletters, and a dedicated supplier website keep the supplier community informed of Argos's expectations, processes, and regulatory updates.

We provide direct support to suppliers with identified improvement needs, either through mentoring from internal subject-matter experts or with partnerships with external institutions, to help them implement corrective and improvement actions.

Supplier Development	2025
Number of unique significant suppliers supported with development measures	5
% of unique significant suppliers supported with development measures	26.3%

Table 4. Corrective action plan support

In 2025, we held the third Diversity, Equity and Inclusion event for suppliers, addressing topics such as inclusive hiring practices, gender-based violence prevention, and DEI best practices.



Photo 2. Third DEI event

3.8. RECOGNITION

At our recognition event, "Growing Together" (Creciendo Juntos, in Spanish), we honor suppliers who have demonstrated exceptional performance in the areas of innovation, sustainability, health and safety, and comprehensive development.

In 2025, we deepened contractor engagement through the SISO Cup (Industrial Safety and Occupational Health recognition program), an annual initiative that invites contractor firms operating in CCA facilities to reflect on and celebrate their safety culture. In this edition, nine

contractor firms and more than 70 people participated in a painting competition expressing how their organizations have strengthened occupational health and safety in practice, evaluated by a mixed jury of internal and external members.

SISO Cup embodies a core principle of our supplier relationship model: safety culture is a shared commitment, built through sustained engagement and mutual accountability. In doing so, it directly reinforces the Development, Collaboration, and ESG Integration pillars of our supplier management system.



Photo 3. Copa SISO



Photo 4. Copa SISO winners