

Directive

Sustainable Procurement - MCS #30

January 13 2022

Introduction, scope and objective

We believe in 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 and it **integrates all Group requirements related to third parties**:

- legal and compliance due diligence
- human rights
- health, safety and environment
- security services
- transportation services

The Sustainable Procurement Directive complements the Holcim Procurement Policy, and 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: Compliance, Human Rights, Anti-Bribery and Corruption, Health, Safety & Environment, Climate, Nature and Security & Resilience.

OBJECTIVES

- Govern the duties of the various functions involved in the implementation of the Sustainable Procurement strategy
- Ensure proper management of supply chain risks & opportunities, related to ESG/H&S performance that could impact company reputation, supply continuity, people and the environment.

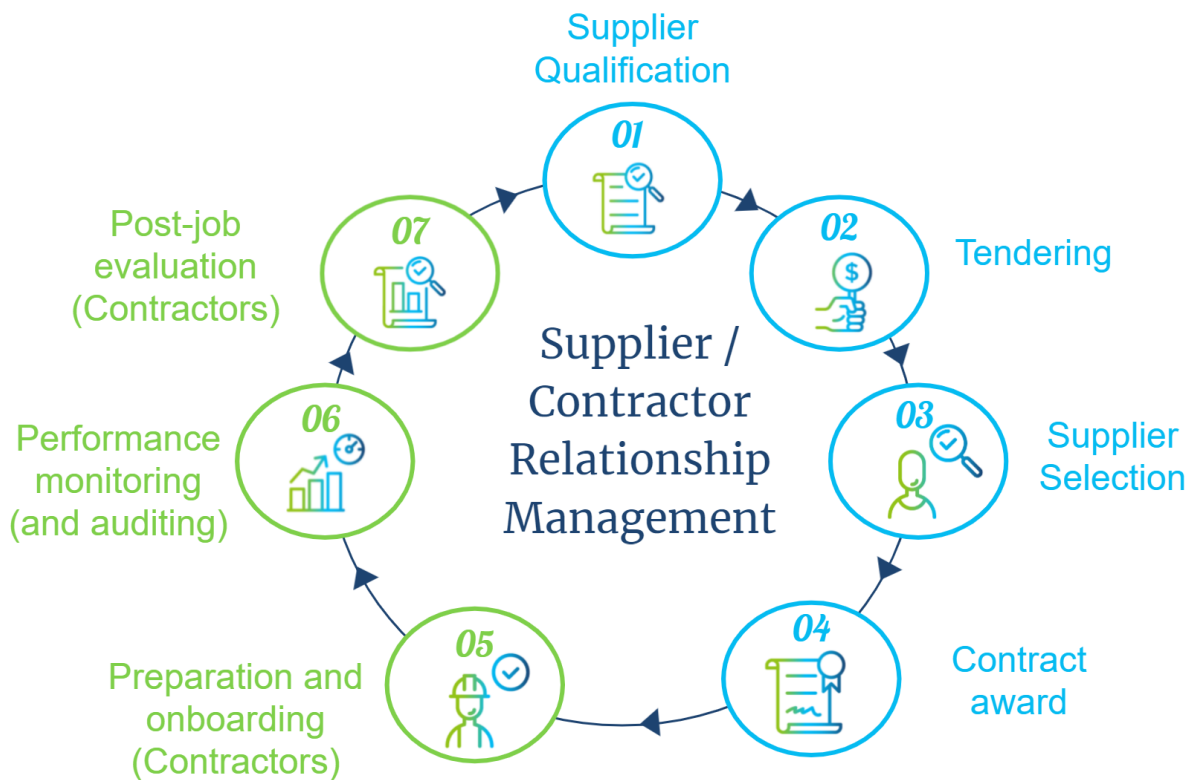
REQUIREMENTS

Sustainability is embedded in the Group Procurement Policy and enforced through our Minimum Internal Control Standards linked to three management process:

1. Suppliers / Contractors relationship management
2. Due diligence in the supply chain
3. Environment and CO2 emissions in the supply chain

1. SUPPLIERS / CONTRACTORS RELATIONSHIP MANAGEMENT

We integrate sustainability into our procurement strategy and our relationships with our Suppliers.



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.

2. DUE DILIGENCE IN THE SUPPLY CHAIN

We conduct due diligence in our supply chain to identify, prevent and address breaches to our Supplier Code of Conduct, in every market where we operate.

To do so, all countries implement the “Suppliers Sustainability 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 aligned with [SA 8000](#).

02 Identify impact (Supplier prioritization)

Procurement, at all geographical levels, applies a three-step screening process to identify potential risk and ESG/H&S impact in the supply chain:

1. ESG/H&S risks related to the product / services provided
2. Risks exposure related to business activities (volumes 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)

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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 high risk procurement categories.

Supplier pre-qualification is conducted before starting a business relationship with the supplier and continues during the business relationship, as a minimum on an annual basis (ongoing 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 and Social Policy → Human Rights Directive

04 Prevent, Mitigate, Cease

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...).

The performance of the Procurement function is monitored through a Procurement Dashboard that includes Sustainability as one of the key leading indicators.

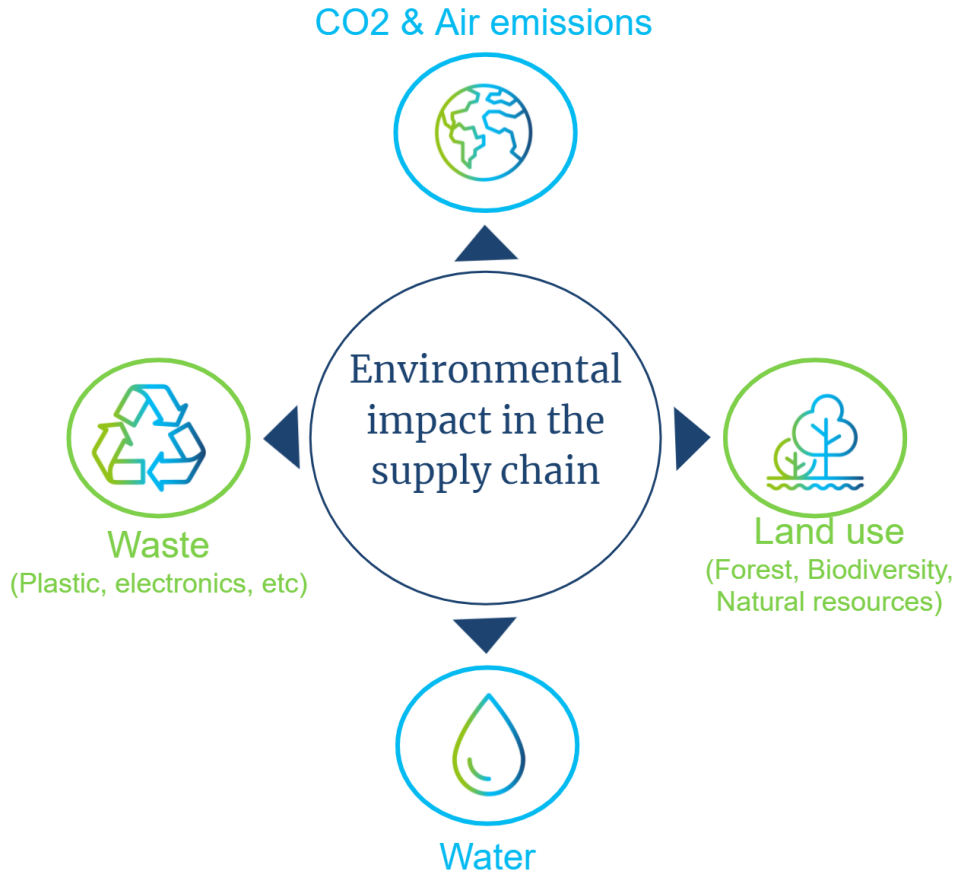
Procurement professionals have annual performance objectives linked to sustainability.

06 Communicate

Sustainable Procurement performance is monitored and reported by all countries and results are consolidated and disclosed ([Group Sustainability Performance Reports](#)).

3. ENVIRONMENT AND CO2 EMISSIONS IN THE SUPPLY CHAIN

We identify environmental impact from the products and services we purchase and



engage with suppliers to manage those impacts.

Procurement integrates environmental compliance in sourcing decisions considering the “Total Cost of Ownership” with the objective to:

- Reduce CO2 emissions.
- Develop the circular economy
- Reduce freshwater consumption and pollution, air emissions, waste and plastic
- Promote responsible forest 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).

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In particular, for the following key 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, in cross-functional collaboration, implements the group strategy to replace traditional fuels and energy with locally sourced, non-extractive fuels and renewable energy, to reduce our CO2 emissions.
- Procurement, in cross-functional collaboration, identifies the main source of fuel consumption from equipment and engages with suppliers to improve energy efficiency.

Packaging

- Procurement ensures we do not source fibre containing paper bags from unknown sources and/or fibre coming from any potentially “controversial sources”. All of our kraft paper and paper bags suppliers have FSC/PEFC “Controlled Wood” certificates.

Extractive materials

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

Country CEO Checklist - When applicable

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 Suppliers Sustainability & Contractors Management Standard
- Enable sustainable sourcing decisions (purchases with low environment and social impact)

Document Control			
Approved by:	Magali Anderson / Chief Sustainability and Innovation Officer Géraldine Picaud / Chief Financial Officer		
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: Decision with Integrity-Conflict of Interest, Third Party Due Diligence, 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, #62 Human rights and Stakeholders engagement 		
Version control			
Version Number	Date Issued	Author	Update information
01	March 2018	Bernard Mathieu - Head Sustainable Development	References to Sustainable Procurement Recommendation changed to Suppliers Sustainability Management Standard
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 - NO CHANGES in the principles of the sustainable procurement strategy

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

