

SUSTAINABLE PROCUREMENT DIRECTIVE

INTRODUCTION AND SCOPE

At Holcim, we are building progress for people and the planet as the leading partner for sustainable construction. We work through our supply chain to scale up our positive impact on every market where we operate.

The Sustainable Procurement Directive (“Directive”) is the basis for the implementation of the Minimum Control Standard (MCS) 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 Directive is issued under the framework of the Third Party Due Diligence Directive and the Holcim Procurement Policy. It applies to Holcim Ltd. and its affiliates in our consolidated and managed countries (“Holcim”) 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 by the Procurement Policy and other operating practices.

This Directive adheres to the principles of the Code of Ethics and the following policies: Procurement, Compliance, Human Rights and Social, Anti-Bribery and Corruption, Health, Safety & Environmental, Climate, Nature, Circular Construction, Trading, and Security.

OBJECTIVES

- To establish the key principles to conduct due diligence in the supply chain, in accordance with [OECD Guidelines for Multinational Enterprises on Responsible Business Conduct](#) (“OECD Guidelines”) and in compliance with regulatory frameworks, covering a range of topics such as human rights, labor rights, and the environment.

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

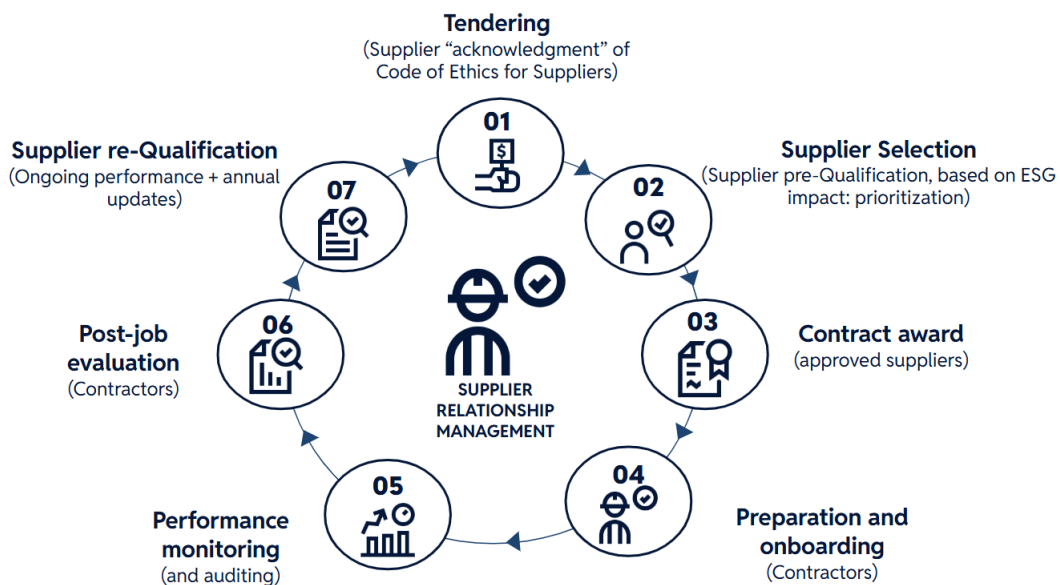
REQUIREMENTS

Sustainability (ESG/H&S) is embedded in the Procurement Policy and the daily procurement operation. The sustainable procurement principles are enforced through our MCS 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

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.

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 Ethics for Suppliers, 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.



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 in 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 Code of Ethics for Suppliers, 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: conducted to verify compliance and identify deviations within very high risk procurement categories.

Supplier pre-qualification is conducted before starting a business relationship with the supplier and continues during the business relationship, at a 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](#).

04 Prevent, Mitigate, Cease (Action Plans and Consequence Management): Procurement works with suppliers to **prevent** potential breaches of our Code of Ethics for Suppliers. It provides guidelines on how they will be evaluated and on what are “zero tolerances” to our requirements. Where needed, it **mitigates** deviations, implementing improvement plans and supporting supplier development. When appropriate, it **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.

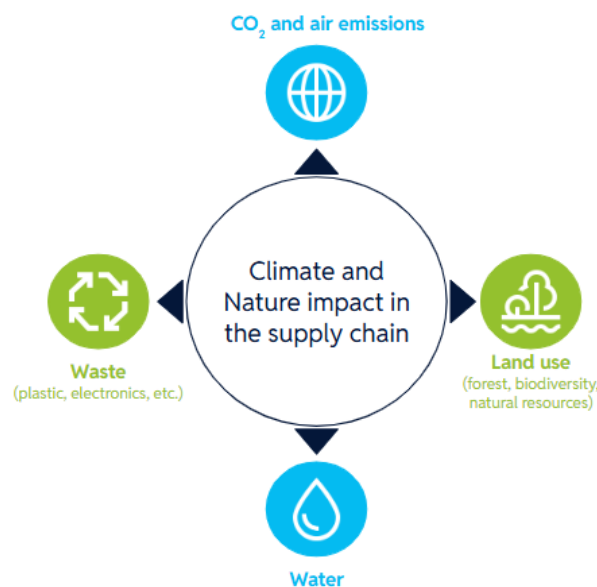
Procurement makes available for suppliers the access to our “grievance mechanism line”, an independent platform to raise concerns regarding business practices: [Holcim Integrity Line](#).

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](#).

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.



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 a 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 monitors 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 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.

Table 1: Country CEO Checklist

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.

ROLES AND RESPONSIBILITIES

- Procurement manages the relationship between Holcim and suppliers and leads the supplier qualification process.
- Cross-functional teams at global, regional and local levels, support Procurement 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 cooperates 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.

DEFINITIONS AND ABBREVIATIONS

Term/Abbreviation	Definition
ABC / TPDD	Anti-Bribery and Corruption / Third Party Due Diligence.
Avetta	The qualification tool recommended by the Group, as alternative to Regional Platforms.
BSC	Business Service Center.
COE	Procurement Center of Expertise.
CoE for Suppliers	Code of Ethics for Suppliers
ESG/H&S	Environment, Social, Governance /Health and Safety:these are the areas where standards are established and where suppliers are expected 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.
Emergency situations	The authorized temporary use of suppliers that have not completed the qualification process, when no approved suppliers can perform the task or provide the material, due to an unforeseeable situation (natural disaster, major breakdown).
FSC/PEFC	Forest Stewardship Council / Programme for the Endorsement of Forest Certification
HARP	Holcim Accounting and Reporting Principles.
HIRA	Human Rights Impact Assessment.
HR	Country Head Human Resources.
HSE	Country Health Safety and Environment.
L&C	Country Legal and Compliance.
OECD	Organisation for Economic Co-operation and Development
PROC	Procurement: • Local categories: Country Head of Procurement.

	Global / Regional Categories: Category Manager responsible.
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).
SD	Sustainable Development: - Country responsible for sustainability topics: Human Rights, Nature, Climate, Circular Economy, ISO Auditors (internal development or externally assigned). - Group SD: external disclosures.
S-Mgr	Site/Unit Manager (a single line manager responsible for a site or a group of sites).
Suppliers	The term 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 Ethics 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.

DOCUMENT CONTROL

Approved by	Chief Sustainability Officer Chief Financial Officer
Related Policies, Directives and MCS	Code of Ethics Code of Ethics for suppliers Compliance Policy Human Rights Policy Anti-Bribery and Corruption Policy Health Safety & Environmental Policy Climate Policy Nature Policy Security & Resilience Policy

	Third Party Due Diligence Directive Conflict of Interest Directive Sanctions and Export Controls Compliance Directive General Data Protection Directive Business Integrity and Speaking Up Directive Fair competition Directive Security Services with Integrity Directive Business Resilience Directive Human Rights Directive Environment Directive CAPEX Directive MCS 1, MCS 5, MCS 30, MCS 61, MCS 62
Other supporting documents	OECD Guidelines for multinational enterprises on Responsible Business Conduct UN Human Development Index Freedom House Index

VERSION CONTROL			
Version Number	Issuance Date	Author	Summary of Changes
Version 1.0	December, 2015	M.Eugenia Ceballos Hunziker (Sustainable Procurement)	Original version. Renamed from “Sustainable Procurement Policy” to Directive
Version 2.0	January, 2022	M.Eugenia Ceballos Hunziker (Sustainable Procurement)	Alignment with latest Policies, Directives, Standards and Tools. Holcim branding. Narrative simplification. Comprehensive consultation among corporate functions and countries Specific principles on environment & CO ₂ for relevant procurement categories. No changes in the principles of the supply chain due diligence (supplier qualification).
Version 3.0	January, 2024	M.Eugenia Ceballos Hunziker (Sustainable Procurement)	Update wording and scope in accordance with new frameworks and regulations: Climate, Nature, EU Corporate Sustainability Due Diligence Directive, ESRS S2 Workers in the value chain. Swiss ordinance Addition of Annex 1 to clarify Roles and Responsibilities across functions and organizations involved in the implementation of this Directive.
Version 3.1	July, 2026	M.Eugenia Ceballos Hunziker	Change of format.

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