

# SUSTAINABLE SUPPLY CHAIN MANAGEMENT



## Sustainable Supply Chain Management

The company's vision of sustainability, as well as our commitment to the development of the communities where we operate, is reflected in the relationship we maintain with the supply chain, seeking to:

1. Work with local suppliers.
2. Achieve the highest standards of quality and efficiency.

Nearly 100% of the suppliers we work with are local, whom we support to achieve the highest standards of quality and efficiency, as well as to operate under a framework of ethical, social and environmental responsibility, with full respect for human rights. human and consistent with the values that characterize us.

### Sustainable Supply Program

As part of the efforts made by the Supply Management of Arca Continental, the Sustainable Supply Program (PAS) was created with the vision of promoting the comprehensive development of our supply chain through coordinated work with our strategic suppliers for their growth and sustainable development.

The PAS seeks that Arca Continental has a comprehensive and innovative purchasing operation with approved service practices, optimization of financial resources and compliance with standards and processes with a responsible approach that reduce the risks of negative impacts within the environment of our supply chain. The PAS was designed under the following principles:

1. Have a continuous evaluation and improvement process in the elements that make up the sustainability of our strategic suppliers.
2. Consider sustainability as a fundamental part in decision-making for the selection of strategic AC suppliers.
3. Reduce the risks of Arca Continental by having more reliable suppliers with a sense of social responsibility

To measure the performance of our supply chain, a goal has been set to carry out a sustainability assessment of 100% of our strategic suppliers by 2025, which represent 80% of the global spending on materials and services of the highest priority for our operations. Progress on this commitment is described below.

### Supplier engagement

The management of a sustainable supply chain and the promotion of local supply seeks to ensure that suppliers, with special attention to those classified as strategic, accompany us in the development of the business to guarantee supply in the short and long term.

We seek that these types of suppliers have adequate sustainability and social responsibility schemes, so we carry out various actions in operations to validate that they are aligned with this objective. Similarly, we extend our culture of quality to suppliers through support and monitoring programs to ensure compliance with current safety standards. This program includes periodic inspections to verify the conditions of production, storage and distribution.

Suppliers considered strategic due to their volume of operations participate in the Sustainable Supply Program (PAS), which allows us to evaluate them on a recurring basis on environmental issues, business ethics, sustainable supply, labor practices and human rights.

The EcoVadis methodology was selected as it aligns with our supply chain management system and risk management model, in a way that strengthens visibility of potential sustainability impacts on our business. This visibility increases the resilience of our supply chain and helps manage these risks on a day-to-day basis. To provide an evaluation of our suppliers, this methodology follows 7 principles, which are listed below.

1. **Based on evidence:** refers to the fact that the information reported by the providers is only validated if said provider provides evidence on the policies, procedures and management systems that support the credibility to respond to the methodology.
2. **Give importance to the size, location and type of industry:** this refers to considering the material issues for the supplier's industry, the presence in countries with a greater propensity to ESG risks and the territorial extension of the supplier's operations.
3. **Diversification of information sources:** the evaluation is not only based on the documents provided by the provider, but also uses documents and points of view published by NGOs, business coalitions, international organizations, local authorities and data from other third parties (such as CDP or other databases).
4. **Use of technology:** the system is constantly working on using technology that allows us to strengthen the credibility of the evaluations, as well as allowing us to communicate and interact collaboratively with suppliers.
5. **Evaluation by international sustainability experts and specialists:** the documents delivered by the suppliers are analyzed by a team of sustainability experts and specialists who are constantly updated on the best practices at the international level.
6. **Traceability and transparency:** each document used in the evaluation process is supported and can be traced back to its origin. Companies can access the most granular results and every decision that was made to give a vendor a rating.
7. **Continuous improvement:** the methodology is constantly updated thanks to the fact that it uses a management system that allows companies that contract EcoVadis services to give feedback on the controls used to evaluate their suppliers, in addition to the fact that they have a scientific committee in charge constantly implement improvements.

The following table shows a breakdown of the topics on which our suppliers are evaluated.

Environment	Labor Practices and Human Rights	Ethics	Sustainable Supply
<i>Operations</i> <ul style="list-style-type: none"> <li>• Energy consumption and GHG</li> <li>• Water</li> <li>• Biodiversity</li> <li>• Local and accidental contamination</li> <li>• Materials, chemicals and waste</li> </ul> <i>Products</i> <ul style="list-style-type: none"> <li>• Use of products</li> <li>• End of product life cycle</li> <li>• Consumer health and safety</li> <li>• Environmental services and actions to promote env. protection</li> </ul>	<i>Labor Practices</i> <ul style="list-style-type: none"> <li>• Employee health and safety</li> <li>• Labor conditions</li> <li>• Social dialogue</li> <li>• Career and training management</li> </ul> <i>Human Rights</i> <ul style="list-style-type: none"> <li>• Child labor, forced labor and human trafficking</li> <li>• Diversity, discrimination and harassment</li> <li>• Human rights of external interest groups</li> </ul>	<ul style="list-style-type: none"> <li>• Corruption</li> <li>• Anti-competitive practices</li> <li>• Responsible information management</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental practices of suppliers</li> <li>• Social practices of suppliers</li> </ul>

To date, we have assessed the sustainability risks of 43% of our strategic target suppliers. Below, we show the dispersion of ESG risks in our suppliers globally.

### Critical Suppliers ESG risk level map



Based on the evaluations carried out and with the vision of meeting the objectives of our sustainable business strategy, we have established goals for the PAS.

## Continuous Improvement Plans for Suppliers

As part of our commitment to improve the sustainable performance of our business in all its dimensions, we constantly engage with our suppliers to align their sustainability initiatives with our indicators and goals.

For this reason, we ask our suppliers to develop action plans related to the following objectives, which are part of our ESG priorities and objectives and are linked to our sustainable business strategy:

- Reduction of CO2 emissions using energy from renewable sources
- Improve water use and conservation of water sources
- Waste reduction and increased recyclability
- Use of sustainable materials and reduction in the use of materials
- Respect for human rights by preventing modern slavery, human trafficking and child labor
- Promotion of diversity and inclusion in the supply chain

### Closing supplier gaps with critical sustainability risk

We consider suppliers to be at critical sustainability risk by earning an overall rating of less than or equal to 45 points based on the EcoVadis assessment. When a supplier is identified as having critical sustainability risks, a corrective action plan is required for each finding identified in the assessment to stop and mitigate the risks identified. All these suppliers are requested to re-evaluate themselves in a period not exceeding one year to monitor the operation and impact of the actions carried out.