

	Last update: August 2022
Supplier ESG Requirements and Assessment Procedure	Area: Environmental, Social and Governance

1. Introduction

Vesta is a company committed to all of its stakeholders in environmental, social and governance (ESG) aspects, throughout the lifecycle of its operations, with the aim of creating value and reducing social and environmental impacts.

This document describes the ESG aspects we require our suppliers to incorporate into their daily activities, and our procedure for determining their compliance with these requirements.

2. Objective

To ascertain the extent to which Vesta suppliers take ESG action based on existing laws and regulations and Vesta's Environmental, Social and Governance Policy, Stakeholder Engagement Program and Code of Ethics for Suppliers. These actions are all aimed at ensuring compliance with the law and reducing risks, operating costs and operating impact in the operations of all suppliers involved in Vesta projects.

3. Areas involved:

a) Validation:

- ESG
- Purchasing
- IT

b) Reporting and implementation:

- All Vesta suppliers

The process for assessment, monitoring and oversight of ESG aspects in our supply chain is carried out by our ESG area. For critical contractors and suppliers, these responsibilities are escalated to oversight by senior management.

4. Procedure and Aspects to be Assessed

The activities and initiatives that are assessed in this process are:

- 4.1 Regulatory compliance (federal, state and local)
- 4.2 ESG requirements for suppliers and alignment with Vesta's ESG strategy
- 4.3 Ethics and Anti-corruption
- 4.4 ESG Policy

- 4.5 Environment (energy, water, waste, climate change and resilience)
- 4.6 Hygiene, Health and Safety
- 4.7 Human Rights
- 4.8 Social Aspects

4.1 Regulatory compliance

Vesta considers it vital that its entire supply chain guarantees its compliance with the law in 100% of their operations, with special emphasis on laws governing hygiene, health, safety, human rights and the environment.

4.2 ESG requirements for suppliers and alignment with Vesta's ESG strategy

The core requirements are based on internal values and standards, along with the universal declarations and conventions that Vesta has endorsed. The requirements that suppliers must meet, to the extent possible, are contained in the following documents, which they receive by e-mail and are asked to sign:

- Vesta's Environmental, Social and Governance Policy, aligned with the 10 principles of the Global Compact and the 17 U.N. Sustainable Development Goal (UN SDG).
- Anti-corruption Policy
- Supplier Code of Ethics and Conflict of Interest Form
- Sustainable Sourcing Policy
- Sustainable Construction Checklist (when applicable)
- Policy on Human Rights
- Policy on Diversity, Equity and Inclusion
- Climate Change and Resilience Policy

Vesta expects all employees and suppliers to conduct themselves responsibly and meet these requirements. We also urge suppliers to involve their own value chains and stakeholders in these actions.

Suppliers must also abide by the following requirements and commitments in working with us:

- Ban on slavery and forced labor
- Ban on child labor
- Guaranteed health and safety for employees according to the law
- Work for diversity and inclusion in hiring and contracts
- Ban on inhumane treatment in labor relations
- Pay a living wage

The principles described in this section apply to all commercial relations between Vesta and its suppliers, and compliance with them is considered fundamental to the contractual relationship. Each supplier is responsible for reading, understanding and delivering a signed copy of this statement of responsibility.

The supplier assessment process is linked to our ESG Strategy (aligned with the Vesta Level 3 Strategy), which aims at establishing signed ESG commitments with 35% of our suppliers, including the most critical and essential of them. Through these annual assessments, we intend to reach this goal by 2025.

4.3 Ethics and Anti-corruption

Vesta's goal in this area is for suppliers to have their own ethical and anti-corruption guidelines in place during all phases of their process and interaction with stakeholders.

Vesta asks suppliers to provide at least two of the following:

- A description of the organization's values, principles and standards of conduct
- Mechanisms for advising on and addressing ethical concerns:
 - For those seeking advice on ethical and legal conduct and organizational integrity
 - For reporting concerns about unethical or illegal conduct or lack of organizational integrity
- Operations assessed for risks relating to corruption.
- Communication and training for personnel on anticorruption policies and procedures.
- Confirmed incidents of corruption and measures taken.

4.4 Environmental, Social and Governance Policy

Assessment of this aspect is intended to ensure that suppliers have an ESG policy or a sustainability and/or social responsibility policy in place, indicating the incorporation of ESG criteria into their operations based on their principles, values, mission and vision.

Note: If a supplier does not have its own ESG Policy it may adopt and apply Vesta's ESG policy, to the extent possible, as part of its processes and operations.

4.5 Environment

This category is established to encourage Vesta suppliers to work sustainably, consuming less energy, water and other inputs in their processes and properly managing waste to reduce the environmental footprint of their operations and consequently of Vesta's operations. This aspect is divided into Energy, Water, Waste and Transport. It also encourages suppliers to apply Vesta's Sustainable Sourcing Policy to the extent possible.

4.5.1 Climate change and resilience

This category covers the requirements suppliers must meet as part of Vesta's sourcing process, and the compliance mechanisms in place regarding:

- **Energy**

Including lighting, electrical energy and equipment. All suppliers and subcontractors will be asked to take specific action to reduce energy consumption in their operations and/or to use energy from renewable sources.

- **Water**

All suppliers and contractors will be asked to take specific action to reduce water consumption in their operations.

- **Waste**

Non-hazardous, recyclable and hazardous: Suppliers must have awareness-raising programs and messages aimed at all their employees and members of their value chain, to guarantee responsible handling of non-hazardous, recyclable and hazardous waste.

Waste reduction: Suppliers must have awareness-raising programs and messages aimed at all their employees and members of their value chain on reducing the amount of waste they generate.

4.6 Hygiene, Health and Safety

It is important for Vesta that suppliers meet occupational health and safety standards, and thus reduce occupational risk in their operations and processes, including, to the extent possible, aspects such as:

- Occupational safety and health systems.
- Identification of hazards, risk assessments and incident investigation.
- Occupational health services.
- Employee participation, consultation and communication on occupational health and safety.
- Employee training on occupational health and safety.
- Promotion/communication on health for employees
- Prevention and mitigation of occupational health and safety impacts directly linked to commercial relations
- Employees covered by an occupational health and safety system.
- Work-related injuries.
- Work-related ill health.

Ministry of Labor Standards:

Additionally, suppliers must meet all official standards issued by the Ministry of Labor and Social Planning that apply to them based on the scope of their industry, with particular attention to the following standards:

- NOM-031-STPS-2011 Construction – occupational health and safety conditions.
- NOM-021-STPS-1994 Requirements and characteristics of labor risk reports

- NOM-017-STPS-2008, Personal protection equipment – selection, use and handling in the workplace.

4.7 Human Rights

Vesta promotes respect for human rights in all of its commercial relations and encourages its suppliers and commercial partners to abide by the same principles, paying particular attention to situations of conflict and high risk.

Accordingly, Vesta's actions shall include the following:

- Promoting integrity in the way we do business, conducting ourselves in a trustworthy, respectful, honest, fair, impartial and legal manner, and above all, with zero tolerance for corruption in any form, either direct or indirect. The document that expresses our ethical commitment and serves as the guide that regulates the conduct of all those who work at or relate to the company, is the Vesta Code of Ethics.
- Fostering a human rights commitment across our entire value chain, in which we communicate our policy to suppliers and other stakeholders who interact with the company.

4.8 Social Aspects

At Vesta, we consider ourselves a part of the communities around us, so we implement collaborative projects involving dialogue with them, recognizing the needs and different cultural, environmental, economic and social contexts in which we operate; recognizing at all times criteria of human rights, gender equity and, above all, transparency.

We forge positive, meaningful ties with our stakeholders in order to build long-term relations, reinforcing mutual trust with each of them. That is why for Vesta, it is important to incorporate social aspects into every project we develop.

5. Performance Evaluations

- 5.1 **Diagnosis:** The purchasing area sends out a questionnaire to suppliers through Oracle, which includes all the documents mentioned at the start of this procedure, so they can sign and accept them. This diagnosis results in a rating of the status of each suppliers' ESG actions.

The supplier evaluation is based on:

- The risks of the country where they operate
- The risks of the industry to which they belong
- The risks of the specific operations they perform for Vesta

If the supplier does not receive a passing grade in this diagnosis and evaluation, Vesta reserves the right to terminate the commercial relationship with them through an extraordinary rescission of the contract.

Vesta may also decide not to pursue this alternative, and instead adopt alternative measures if the commercial partner can credibly promise to adopt the measures necessary to avoid future noncompliance in a reasonable period of time.

- 5.2 Each year, **Vesta selects a number of suppliers**, based on the amount of business they do with the company, to perform this diagnosis.

Based on the results, these suppliers are asked to participate in the ESG Audit Process by filling out the Supplier ESG Checklist (Annex I), which evaluates their level of compliance/progress against the abovementioned requirements.

- The review is performance by PIIMA JV, an independent sustainability consultant (www.piima.mx).
- Using the results of the evaluation, an Action Plan is formulated to address the recommendations and next steps for improving ESG practices.
- The supplier is given one month to begin the Action Plan and up to six months to complete it. If necessary, it may request an extension of up to one year to complete the plan.
- Once these deadlines have passed, the ESG area and PIIMA will contact the supplier for a final review and draw up the final report.

5.3 Vesta Supplier ESG Checklist

This audit will gradually be applied to all of Vesta's suppliers until 100% have been audited. The selection of the suppliers to be audited will always depend on how critical they are to Vesta.

DEFINITION: A critical suppliers is one who represents a high volume of spending and importance in Vesta's productive process.

On the Vesta Supplier ESG Checklist, each supplier must describe the way in which its services, products and operations meet the abovementioned requirements, and indicate the environmental and health benefits that Vesta gains from acquiring them.

5.4 Risk assessment and classification by supplier:

The checklist uses a scale of 0 to 5 to indicate the level of compliance with the stated ESG requirements. This level in turn indicates to us the degree of risk involved for Vesta processes and operations.

Depending on the results, assessments are set at different intervals:

- 0% to 50% compliance: annual assessment

- 51% to 74% compliance: biannual assessment
- 76% to 100% compliance: triennial assessment

Additionally, those that have been designated “critical suppliers” are ranked in order of their volume of sales:

- **Level 1:** low sales volume
- **Level 2:** moderate sales volume
- **Level 3:** high sales volume
- **Level 4:** very high sales volume

On this basis, Vesta evaluates the extent of the negative risk posed by the suppliers’ ESG actions and strategies. Each of the eight categories in the Supplier ESG checklist is assigned a weighting.

This weighting is obtained in proportion to the scores of each point on the checklist and the highest possible grade (180 points).

All of these values are then added together and the supplier is categorized according to the level of negative ESG risk they present to Vesta:

Score	Risk
0%-33.29%	Significantly negative risk
33.3%-66.69%	Moderately negative risk
66.7%-100%	Insignificant negative risk

Through this classification, we can identify those suppliers who may pose a substantial risk to Vesta.

6. Recommendations

NOTE: This procedure will be updated each year to optimize processes and maintain continuous improvement.