Sustainability Reporting

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Enhancing Capacities to Manage Information from Corporate Sustainability Reporting in Latin American Countries, UNEP & ECLAC

Santiago de Chile - November 9-10, 2017
Argos at a glance

United States Region

- 4 Cement plants
- 305 Concrete plants
- 3 Grinding facilities
- 20 Ports / terminals

Central America and the Caribbean Region

- 2 Cement plant
- 14 Concrete plants
- 6 Grinding facilities
- 11 Ports / terminals

Colombia Region

- 7 Cement plants
- 60 Concrete plants
- 1 Port

Human Talent

- 9,166 employees

Regions

- 34% USA Region
- 53% Colombia Region
- 13% Caribbean and Central America Region
The ability to prosper in a global and increasingly competitive business environment through the adequate management of economic, environmental and social risks and opportunities in order to create value for society and for our Company.

+12 years reporting on sustainability


Sustainability Report  Integrated Report
Main drivers and key benefits

- Regulations
- Stakeholder demand
- Business strategy

Fulfilled expectations & trustworthy relations
Enhanced awareness & performance
What we report
Materiality: process

1. Mapping
   - Megatendencies
   - International frameworks
   - Industry material topics: CSI

2. Stakeholder weighting
   - Mapping
   - Characterization
   - Weighting

3. Research
   - External
     - Stakeholder dialogues
     - Press analysis
     - Rating agencies
   - Internal
     - MEGA (Long term goals)
     - Top Management interviews
     - Strategic and emerging risks
     - Other inputs: Corporate Policies, Impact valuation, Benchmarking, Formal commitments

4. Prioritization
   - Scoring
   - Matrix setup
   - Relevance thresholds

5. Validation
   - VP Sustainability
   - Directive Committee
   - Board of Directors
Materiality matrix 2017

**Priority Topics**
1. Innovation in the Business Model
2. License by Society
3. Profitability and Efficiency
4. Climate Change
5. Talent Management
6. Ethics and Compliance

**Relevant Topics**
7. Energy Mix Management
8. OHS
9. Water and Biodiversity
10. Community Engagement
11. Circular Economy
12. Sustainable Construction

**Emerging / Ongoing Topics**
13. Labor Practices
14. Emissions
15. New Business Opportunities
16. Human Rights
17. Supply Chain Management
18. Logistics and Transportation
Materiality matrix 2016

Material topics

- Innovation
- Energy and Co-processing
- Profitability and Capital Structure
- Sustainable Construction and Materials
- Supplier Development and Management
- CO₂ Emissions and Climate Change
- Expansion and Consolidation
- Water Management
- Occupational Health and Safety
- Talent Management
- Customer Relationship Management
- Compliance
- Community Engagement
- Biodiversity
- Other Air Emissions
TALENT MANAGEMENT

103-1

VALUE CHAIN BOUNDARIES

Suppliers | Argos | Clients | Society

11

WHAT

Boundaries
Sustainable Development Goals: alignment
Sustainable Development Goals: reporting

SDGs AND ARGOS’ SUSTAINABILITY STRATEGY

<table>
<thead>
<tr>
<th>Sustainable Development Goal</th>
<th>Argos material topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 DECENT WORK AND ECONOMIC GROWTH</td>
<td>Expansion and Consolidation</td>
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<td>Profitability and Capital Structure</td>
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<td>Talent Management</td>
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<td>Occupational Health and Safety</td>
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<td>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</td>
<td>Innovation</td>
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<td>Customer Relationship Management</td>
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<td>11 SUSTAINABLE CITIES AND COMMUNITIES</td>
<td>Sustainable Construction and Materials</td>
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<td>Community Engagement</td>
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<td>Regulatory Compliance</td>
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<td>13 CLIMATE ACTION</td>
<td>Energy and Co-processing</td>
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<td>CO₂ Emissions and Climate Change</td>
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<td>Water Management</td>
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<td>Biodiversity</td>
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<td>Other Air Emissions</td>
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<tr>
<td>GRI Standard</td>
<td>Name</td>
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<td>FOUNDATION</td>
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<td>101</td>
<td>Foundation:</td>
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<tr>
<td></td>
<td>a. Reporting principles</td>
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<td>b. Using the GRI Standards for sustainability reporting</td>
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<td></td>
<td>c. Claims related to the use of the GRI Standards</td>
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<tr>
<td>1. ORGANIZATIONAL PROFILE</td>
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<tr>
<td>102-1</td>
<td>Name of the organization</td>
</tr>
<tr>
<td>102-2</td>
<td>Activities, brands, products, and services</td>
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<tr>
<td>102-3</td>
<td>Location of headquarters</td>
</tr>
<tr>
<td></td>
<td>Calle 7D No. 43A-99 (Medellín, Colombia)</td>
</tr>
<tr>
<td></td>
<td>Registered address: Vía 40, Las Flores (Barranquilla, Colombia)</td>
</tr>
<tr>
<td>102-4</td>
<td>Location of operations</td>
</tr>
<tr>
<td>102-5</td>
<td>Ownership and legal form</td>
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<td>102-6</td>
<td>Markets served</td>
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<tr>
<td>102-7</td>
<td>Scale of the organization</td>
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<tr>
<td>102-8</td>
<td>Information on employees and other workers</td>
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</tbody>
</table>
Sustainable Development Goals: awareness
WHAT

Impacts in context

What resources have been used for business activities?
Raw materials

What activities have been done?
$CO_2$ emissions due to production

Output

What has changed as a result of the business activities?
Climate patterns

Outcome

How does the outcome affect society?
Human health, built environment

Impact

Value of impacts

How do people value the change in well-being due to the impact?
Social costs of $CO_2$ emissions in USD

Risks & opportunities

How do I integrate conclusions into my business decisions?
Inclusion of non-financial criteria for CAPEX allocation

Traditional reporting

Impact valuation

Approach that allows for monetizing impacts caused by Argos to society, which are assumed by third parties and are not taken into account in our financial statements

The net value to society created is USD 929.3 million; 3.43 times our retained benefit and 10% higher compared to 2015.

Figures in USD million
WHAT

Impacts in context

VAS Reports 2015-2016
EN: http://reporteintegrado.argos.co/pdf/vas.pdf
ES: http://reporteintegrado.argos.co/pdf/vasES.pdf

Integrated Report 2016
VAS chapter in Integrated Report 2016
How we report
<table>
<thead>
<tr>
<th>Frameworks and guidelines</th>
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<tbody>
<tr>
<td><strong>Global Reporting Initiative</strong></td>
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<td><strong>International Integrated Reporting Council</strong></td>
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<td><strong>United Nations Global Compact</strong></td>
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<td><strong>UN Sustainable Development Goals</strong></td>
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<td><strong>Social and Ethical Accountability (AA1000SES)</strong></td>
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<td><strong>AccountAbility</strong></td>
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Integrated Reporting on video
Challenges

- Collecting data: the reporting burden
- Responding to all frameworks in a single document
- Translating technical stories to everyday language
- Disclosing performance gaps
- Evidencing the business case of sustainability
Trends and evolving practices

**WHAT**

<table>
<thead>
<tr>
<th>Concise</th>
<th>Reporting only on what counts</th>
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<tbody>
<tr>
<td>Readable</td>
<td>More graphics &amp; quantitative data</td>
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<tr>
<td>Strategic</td>
<td>Differentiated formats &amp; messages</td>
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<tr>
<td>Value Creation</td>
<td>Increased focus on valuing impacts</td>
</tr>
<tr>
<td>Transparency</td>
<td>More fact-based reporting</td>
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<tr>
<td>Balance</td>
<td>Reporting on challenges and gaps</td>
</tr>
<tr>
<td>Integration</td>
<td>Telling (the) one (and only) story</td>
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</tbody>
</table>
Questions