



The CEO Water Mandate



CEMENTOS ARGOS COP 2014-2015

Message from the C.E.O.

This is Cementos Argos first Communication on Progress for the CEO Water Mandate, covering the period of March 2014 – March 2015. Through this communication, we highlight the main initiatives carried out as part of our commitment towards the mandated six lines of action: direct operations, supply chain/watershed management, collective action, public policy, community engagement and transparency.

We will continue adopting and implementing a comprehensive approach to water management, not only across our direct operations but also transcending our operation boundaries in order to make a positive impact across our supply chain, concentrating efforts in engaging communities as well as working alongside other companies and policy makers towards achieving best water management practices.

Finally, I take this opportunity to recognize that through individual and collective action we can contribute to the vision of the UN Global Compact.

Jorge Mario Velásquez Jaramillo

Chief Executive Officer

COMPANY INTRODUCTION

Cementos Argos, is a cement, concrete and aggregates producer with headquarters in Colombia and a network of operations across Colombia, Central America, the US and the Caribbean.

Sustainability has become part of CEMENTOS ARGOS framework for action, in which the balance between generating profitability, promoting social development and protecting the environment is at the core of the Company. For a second consecutive year, we have been included in the Dow Jones Sustainability Index and a silver medal awarded by Robeco Sam.

The company's environmental Policy consists of five main pillars (

Figure 1): Biodiversity, Climate Change, Eco-Efficiency, Sustainable Construction and the Environmental Element in Argos Culture.

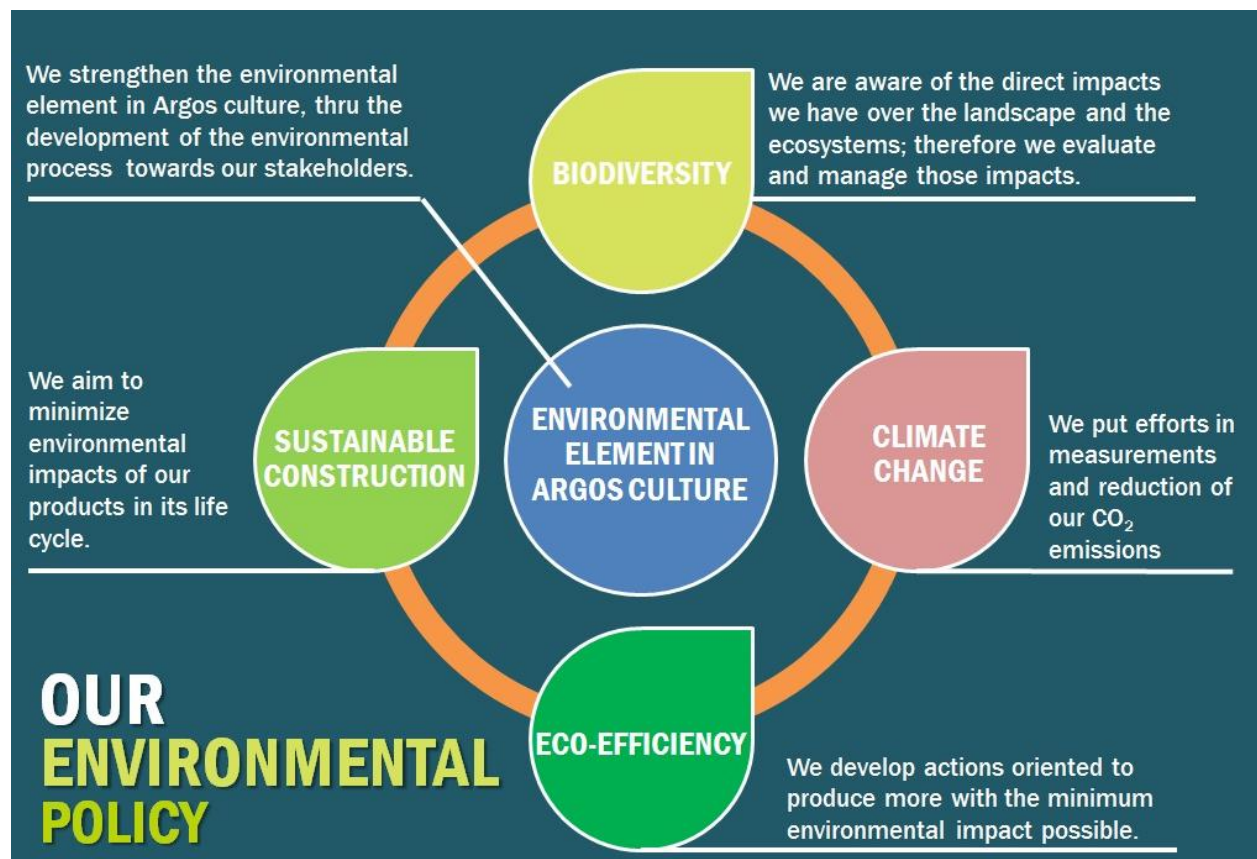


Figure 1 Environmental Policy Pillars

Water related risk and best water management practices are included within the Eco-efficiency pillar. Through the pillar "Environmental Element in Argos Culture" we are committed in raising awareness in environmentally related issues, including water.

Cementos Argos has joined the CEO Water Mandate program with the aim to lead initiatives in direct and indirect water management practices as well as increase our involvement in water risk and awareness programs with suppliers, the communities in the areas where we operate and take action with governments and policy makers in water related issues.

1. DIRECT OPERATIONS

Water used in the direct production of goods and services of the company.

In Argos we are aware that water is a resource that is becoming scarcer and less available in quantity and quality for the different uses that it is required for.

Given our use of this natural resource as raw and auxiliary material in our production processes, we are committed to do so in an efficient and responsible manner, fully managing the risks associated. Therefore, **we** focus our management strategy in two main areas that will allow us to promote long-term conservation of this vital resource, both for the company and for our stakeholders:

- *Efficient water use*

It is achieved through **measurement** consumption in operations and the consequent implementation of **reduction** measures, which consider, among others, technological upgrading, optimizing water reuse processes, lowering water discharges, water loss reduction, and rainwater harvesting. Our goal for 2025 is to reduce the specific water consumption by 30% and 20% for the cement and concrete business respectively.

In 2014 the water withdrawal (GRI-EN8) was 11,504,260 m³ for our businesses: cement, concrete and aggregates. Compared to 2013 an increase in the uptake of water was presented due to the acquisition of new concrete sites in Florida, USA. Also, the percentage of recirculated water / reused (GRI-EN10) in the production process has reach 28.3% in 2014, which is an increase from 27% in 2013.

- *Water risk management*

Considering that consumption of fresh water can generate variable impacts according to the geography where this consumption occurs. We set out to identify, assess and manage water risks of all our operations, prioritizing the plants that are in areas where the supply is less than the required to meet the needs of the area (including all stakeholders), it is said that it is located in water stress.

Therefore in 2014, Argos continued the identification & prioritization of plants located in water-stressed areas using the WBCSD Global Water Tool (GWT), with a 100% analysis coverage of cement, concrete & aggregate sites that are active to date, meaning 296 plants; from which 22% are located in water stressed watersheds (0-1700 m³/(person*year)). This way the Company can establish action plans to address water issues of top freshwater consumers located in water-stressed areas.

Investment in new technologies.

At our Sogamoso Autogeneration Plant in Colombia we managed to reduce the water uptake to 2m³ / hour through investment in heat transfer efficiency in the turbine, which allowed us to achieve this reduction.

Meanwhile, in the Caribbean and Central America Regional continue with the formulation of plans for Integrated Water Management operations, with an investment of USD 133,000, while in the USA Regional has perform a diagnosis of water consumption in cement plants in order to identify opportunities for reduction in the following years.

Awareness of water sustainability in the corporate culture.

The environmental element in the Argos culture is understood as the set of habits and activities based on the respect for the environment and future generations. To adopt our environmental policy challenges us to analyze in detail every aspect of the operation in order to identify opportunities to reduce the impact on the environment and promote continuous improvement.

To promote environmental awareness in Argos, there have been various activities such as publications in mass internal and external communication of the company including the integrated annual report , among others (see: <http://www.periodicoluzverde.com/en/huella-hidrica-en-las-empresas/> and <https://www.youtube.com/watch?v=dgeGwK8nYg8>).

Furthermore, every year Argos conducts the Sustainability Week, which is a space designed to create awareness regarding sustainability issues among the Company's key stakeholders. In the previous year, the topic was water and several activities were developed with the employees, suppliers and local communities regarding the importance of water and its protection.

We also took part in the SuizAgua Colombia II project, a strategic alliance with the Swiss Government and several Colombian Companies, including Argos, with the purpose of measure the water footprint of determined operations, develop strategies to reduce water footprint, conduct stakeholder engagement activities related to water issues and promote knowledge and communication (see <http://www.colsuizacam.com/Rev%20Suiza%2085.pdf> (page 10)). This initiative was implemented in two of the facilities located in water-stressed areas (Toluviejo Cement Plant and Mamonal Ready Mix Plant). The activities included: improving infrastructure for water supply in educational institutions located in the area of influence of the plants and training and awareness on water use for the communities and educational institutions in the area of influence of the plants. Within this framework we specifically carried out a second water footprint workshop at the Mamonal sector during February 2015(See Image 1) and we measured the blue, green and gray footprint. As important result at Mamonal plant we managed to reduced the blue footprint by 28%.



Image 1 Second water footprint workshop - Concretos Argos, Mamonal Plant and Zona Franca (February 2015)

Consideration of water sustainability in business decisionmaking.

Argos carries out environmental impact studies (EIS) and designs management plans, as a tool for environmental management including water resources, and according to the regulations of the country of operation.

As part of our merger and acquisitions activities we conduct due diligence activities prior to acquiring a new plant, in which we identify any areas of recognized environmental concern (such as contaminated soil and water), we also review water management practices carried out at the facility to be acquired.

Future

We will continue implementing the actions of efficient water use and water risk management that allow us to move forward in achieving reduction targets set out in our Environmental Policy. Thus, in 2015 we will continue with the identification of water risk in our facilities and the development of management plans, we will standardize procedures for measuring water consumption and will conduct the risk assessment locally for those plants that are located in areas of water stress. In the medium and long term we will formulate specific action plans for the management of local risks and advance in the identification and management of water risk to our critical suppliers.

2. SUPPLY CHAIN AND WATERSHED MANAGEMENT

In terms of watershed management, Argos participates in integrated watershed management initiatives in locations where it has operating sites. In those, we take part in the task forces led by the environmental authorities that are in charge of revising existing and formulating new Watershed Management Plans (Plan de ordenamiento y manejo de cuencas POMCAs, for its acronym in Spanish). The purpose of these watershed management plans is to ensure the sustainable use of soil, water and biodiversity in those watersheds.

Also, Argos worked in collaboration with MIT Sloan Leadership Lab to build a Supplier Sustainability Index (SSI) that allows the Company to evaluate and audit existing as well as prospective suppliers on relevant sustainability metrics. This Index was designed to capture sustainability data while also providing the Company with critical supporting information & suppliers' visions for the future. During 2014 we assessed 18 of our critical suppliers using the SSI survey developed, to determine if suppliers are measuring their water footprint and if they have water consumption reduction initiatives in place. Based on the results, minimum standards will be set and the need for a supplier development program will be established.

3. COLLECTIVE ACTION

Participation civil society organizations and work with governments in water sustainability issues and policies.

Argos actively participates in the Environmental Committees held by National Business Association of Colombia (ANDI – Asociación Nacional de Empresarios y la Industria de Colombia) at a regional and local level. Through this non-profit organization, our company is able to discuss and provide comments on different drafts for the standards published by the Government. Through this same organization, we participate in practical workshops and discussion tables where we provide suggestions on best water management practices.

In our Caribbean and Central America operations, we also participate in meetings held by the Ministry of Environment of the local country (e.g. Panama) where these socialize the government drafts in order for different companies to provide comments on water related policies amongst others.

Development and use of new technologies.

As mentioned previously we worked with the Colombia-Switzerland Cooperation and the “CNPML Centro Nacional de Producción Más Limpia” (National Centre for Cleaner Production) for two consecutive years on two Colombian plants located in water stressed areas. Through this program, we received technical guidance and support from both the CNPML and an audit from the projects results by a Swiss consultant.

Involved in the UN Global Compact's Country Networks.

Argos is signatory of the United Nations Global Compact. Within the framework of the Global Compact Net Colombia (see <http://www.pactoglobal-colombia.org/>) the Environmental Principles Task Force was created with the purpose of managing the technical knowledge among the task force members. This facilitates the integration of environmental considerations in the organizations' activities, spread good corporate environmental practices, share and analyze successful case studies as well as lessons learned from the application of environmental principles in the organizations. Argos has been participating in this task force and additionally has expressed its interest in participating in a small committee that was proposed in the past meeting of April 9th 2014, with the purpose of implementing actions in Colombia that allow to move forward in the development of the six lines of the CEO Water Mandate.

Support water initiatives.

In addition to the CEO Water Mandate, Argos is part of the Cement Sustainability Initiative (CSI) of the World Business Council for Sustainable Development (WBCSD) in which we actively participate and provide input to best practices and water related standards for the cement industry, as part as the working water committee task force 9 (TF9). As part of the SuizAgua project we are sponsors of the third international workshop on water footprint (held in Medellin, Colombia). The objective of the Seminar is to exchange knowledge around the application and standardization of the water footprint concept at a business level. It also provides a space to share best water management practices from diverse sectors. Experts from Switzerland will also share their knowledge and experience (see: <http://seminariohuellahidrica.org/>).

4. PUBLIC POLICY

As mentioned previously, Argos is able to discuss and provide comments on different drafts for the standards published by the Government through the Environmental Committees held by National Business Association of Colombia (ANDI – Asociación Nacional de Empresarios y la Industria de Colombia). We also work in collaboration with the Ministry of the Environment and Sustainable Development, as well as the Regional Autonomous Corporations in evaluating and providing comments for environmental related regulation projects, including water.

5. COMMUNITY ENGAGEMENT

Water and sanitation challenges in the communities where we operate.

As part of our water management strategies, we implement continued the identification and prioritization of plants located in water-stressed areas using the WBCSD Global Water Tool (GWT). This way the Company can establish action plans to address water issues, not only for top freshwater consumers located in water-stressed areas, but also address water access issues in the communities where we operate.

Be active members of the local community.

Argos is an active member of the local community in which it operates, encouraging our employees to take part in volunteering activities that provide benefits to the local communities, including water management and awareness related initiatives. An example is our participation in International Beach Clean Up Day (Dominican Republic) where we joined in the celebration of “International Beach Clean Up Day”. During this activity our employees and their families, as well as community members, took part of the cleaning day, picking up solid wastes from the sandy beaches and sharing awareness in terms of waste management to avoid contamination of the water (Image 2)



Image 2 Dominican Republic – International Beach Clean up Day (September 2014).

As part of the SuizAgua (Swiss-Water) stage 2 project, part of the activities with the communities was improving infrastructure for water supply at educational institutions located in the area of influence of the plants (Mamonal and Toluviéjo). Two specific projects were developed, at one institution we provided infrastructure with water drinking points for the students and school community (Image 3).



Image 3 School Water Drinking Points

The second project was the installation of rain water collection systems, which also serve as water storage during dry seasons. (Image 4)



Image 4 Rain water collection and storage system

Finally, through the SuizAgua project we provided training and awareness on water use for the communities as well as educational institutions in the area of influence of the plants. (Image 5)



Image 5 Educational and water awareness projects with schools and communities

Water-resource education and awareness with local stakeholders.

During December 2014 a volunteering activity took place at the four Antilles isles in which Argos employees shared with children from different schools a coloring book called “Let’s learn coloring – how to take care of the water”. Through this activity, we were able to raise awareness on water related risks and share ideas on how to use water in a responsible manner during our daily activities. Approximately 190 student took part in this activity (Image 6). The schools visited were: “Ulla F. Muller” School (St. Thomas), “Bob the Builder Playschool” (St. Maarten) “Methodist Agogic Centre MAC” school (St. Maarten) “Foundation Mixed School” (Antigua)



Image 6 Antilles Isles – How to take care of water – Let's learn coloring!

Work with public authorities and their agents to support water related issues.

Aware of the water access and sanitation challenges in the communities where we operate, we are currently structuring a water supply project consisting of three aqueducts in the area of influence of our Cairo plant. Once the project designs are approved, we will be working with the local environmental authority in order to obtain construction permits. This community water supply project will include awareness workshops with the local community in order to share best practices in terms of water use.

6. TRANSPARENCY

The sustainability information, aligned with the Global Reporting Initiative (GRI) can be found on the Cementos Argos website, where the consolidated indicators can also be found on the GRI Content Index of the integrated report. The GRI has undergone the verification by Deloitte.