

# CEO WATER MANDATE – 2017 PROGRESS REPORT

## WATER MANAGEMENT STRATEGY

Water is an essential resource for the development of human activities, the functioning of ecosystems and industrial processes. Water resources around the world are currently under growing stress due to the combined effects of three significant challenges: population growth, economic development, and climate change. Argos is well aware of this and, as such, we are committed to managing water adequately with a focus on two main lines of action aimed at ensuring the availability of this resource, both for the company and its stakeholders:

**Efficient use of water:** the correct quantification of the use of water allows us to make informed decisions and implement reduction plans. It will also allow us to report on water-use data to help reflect the company's environmental performance and the economic valuation of water as an important way of achieving an efficient and equitable use of water and of promoting the conservation and protection of water resources.

**Water risk management:** this is achieved by identifying, evaluating, and managing risks associated with water at our facilities and chain of supply through watershed management and collective actions.

## OUR PERFORMANCE IN 2017

Our actions for water management incorporate the guidelines of the six principles of the CEO Water Mandate, an initiative we have been signatories of since 2014. These were our main results in 2017:

### 1. Direct Operations

In line with our water management strategy, in 2017 we continued to formulate and implement measurement and efficient use of water plans. Currently, 100% of our cement and concrete facilities at all three of our regional branches have these plans in place, which aim to constantly improve the quantification and reporting of water consumption of our operations. In this regard, investments and costs totaled approximately USD 800,000 for the optimization and improvement of measurements, water recirculation programs, wastewater treatment, and environmental culture activities related to water at our Colombia, Central America and the Caribbean, and United States branches. As a result of these efforts in 2017, we obtained a specific consumption of water of 413 L/t for the business line of cement and 223 L/m<sup>3</sup> for the concrete business, which represents a decrease of 7% when compared to the concrete business last year. Due to the fact that the cement business achieved the reduction target that was previously set, the target was updated in 2017 to make it even more challenging. The target went from 455 L/t to 256 L/t by 2025. On the other hand, in 2017 there was an approach to the economic valuation of the water at the Toluviejo cement plant, one of the facilities located in an area of water stress, in order to promote an efficient and equitable use of water and to foster the conservation and protection of water resources. The amount that was saved was close to USD 32,000. Likewise, in 2017 we were invited by the Inter-American Development Bank to present our water management strategy as a success story at the Industrial Circular Economy Forum during World Water Week in Stockholm, Sweden. In line with the programs and activities of our environmental policy, we also prepared the Argos Guide to Good Water Management Practices as a tool for the correct management of water resources in our operations.

## 2. Supply Chain and Watershed Management

In terms of watersheds, in 2017 we moved towards a better evaluation of water resources by using the Aqueduct tool to measure the risk of water scarcity at all our active facilities. Based on this analysis, we concluded that 1% of our facilities are located in areas with an extremely high level of water stress, 11% in areas with a high level of stress, 35% in areas with a medium to high level of stress, 25% in areas with a low to medium level of stress, and 29% in areas with a low level of stress. Similarly, in 2017 we continued to participate in the adjustment and formulation processes of the Regulation and Management Plans for Watersheds and Aquifers (POMCAs, for its Spanish acronym) for 20 watersheds at the Colombia regional branch in order to ensure the sustainable use of the soil, water, and biodiversity of these watersheds.

Within our water management strategy, it is important to transcend operational limits and to have a positive impact on the practices and ways in which our critical suppliers manage water resources. This is why, in 2017, we analyzed the water risk for 43 of our critical suppliers (15 in Colombia, 17 in Central America and the Caribbean, and 11 in the USA) using the Aqueduct tool, which allowed us to detect that 6% of the operations of the evaluated suppliers are located in areas under extremely critical water stress conditions, 32% in areas under high stress, 13% in areas under medium to high stress, 14% in areas under medium to low stress, and the remaining 35% are located in areas under low water stress. Similarly, in 2017 we also evaluated the performance of 111 suppliers (83 in Colombia and 28 in the USA) in terms of water-related issues in order to find out the current sustainability situation of our suppliers. For this purpose, we used the supply chain sustainability index designed by MIT to identify the strengths, risks, and improvement opportunities that will allow us to promote an adequate management of water along our supply chain.

## 3. Collective Action

At Argos, we firmly believe that through our water management strategy we are contributing to the preservation of the amount and quality of a shared resource that is vital to our stakeholders and ecosystems. This is why we recognize a tool, through collective action, that allows us to contribute more effectively to the management of water. In 2017 we worked actively on the SuizAgua Colombia III project, a collective action together with the National Center for Cleaner Production (CNPML, for its acronym in Spanish), Quantis, and the Swiss Agency for Development and Cooperation. The main purpose of this project is to measure and reduce water footprints, carry out social responsibility actions and generate concerted actions related to the collective management of water with the participation of corporate partners, local institutional actors, and the community. This project has been implemented at the Toluviejo, Haiti, and Cartagena cement plants, which are facilities under a high degree of water stress. Similarly, in 2017 we were members of the Steering Committee of the CEO Water Mandate as representatives of Latin America and took part in activities related to the oversight of strategic, administrative, and financial agreements and we also continued to base our water management strategy on its six lines of action.

As part of the World Business Council for Sustainable Development (WBCSD), we continue to participate actively in the Cement Sustainability Initiative (CSI), a global effort by 24 large cement manufacturers operating in over 100 countries who are committed to sustainable development. Locally and regionally, we continue to participate in and contribute to the discussion of water-related issues in the work groups of the National Association of Industrialists of Colombia (ANDI, for its acronym in Spanish), the Ready Mixed Concrete Association (NRMCA) and the Portland Cement Association (PCA) in the United States regional branch. We also continue to support the Audubon Society in their efforts to conserve the water resources and ecosystems of the Beidler Forest in the southeastern United States.

#### **4. Public Policy**

Because we are aware of our responsibility to have a positive impact on the conservation of water in order to ensure its sustainability and availability in the long term, we participated actively in 2017 in commercial associations that keep us up to date on new regulations and changes to existing ones. Such associations include the National Association of Industrialists of Colombia (ANDI), the Ready Mixed Concrete Association (NRMCA) and the Portland Cement Association (PCA). Participating in these processes is essential to ensure that local governments take our views into account and to have a direct impact on public policies related to water.

Also, as we mentioned, in 2017 we participated actively in integrated watershed management initiatives by monitoring and participating in the formulation of 20 Plans for Watersheds and Aquifers (POMCAs) in Colombia, which are the main public policy tools to ensure the sustainable use of soil, water, and biodiversity. Doing this allows us to plan our operations while respecting the territories, water, biodiversity, and the ecosystemic services of the areas where we operate.

#### **5. Commitment to the Community**

At Argos, we have a transparency line as an instrument to systematically monitor and keep track of the concerns of our stakeholders, including communities, related to water issues. This line was designed as a channel of communication to report events that might affect compliance with the law, corporate policies, guidelines, and the code of business conduct and good governance. In the event of a complaint, this is addressed immediately through a letter or plan of action in order to avoid any conflicts. We also continue to support the community of Cabaret in Haiti by supplying water, as well as the cities of Calera and Martinsburg in the US.

During 2017 we consolidated our participation in the SuizAgua Colombia III project, a strategic alliance between the Swiss government and several Colombian companies, including Argos, through which we have collaborated with our stakeholders at the Toluviejo, Cartagena, and Haiti plants to strengthen the environmental culture related to water at the nearby schools and communities.

#### **6. Transparency**

On our Integrated Report, we report annually on the progress of our water management strategy and its associated performance indicators. This information is in line with the Global Reporting Initiative (GRI) and is verified independently. We also report on the status of the commitments and KPIs developed by the CSI and the six lines of action of the CEO Water Mandate. On another topic, in 2017 we voluntarily reported our water management performance to the Carbon Disclosure Project (CDP) and obtained a category "B" rating, which highlights Argos' efforts to measure its impact in order to reduce it and its implementation of a policy, clear strategic framework, and goals and objectives related to water. Similarly, we continued participating in the annual Dow Jones Sustainability Index (DJSI) survey, where we also disclosed our water risk management performance and we obtained the highest possible score (100%) for the fourth year in a row.