

CEO WATER MANDATE

CORPORATE WATER MANAGEMENT

Water is a vital resource for the development of all human activities and ecosystems functioning. Currently, this resource is under pressure due to population growth, energy, industrial, agricultural demand and climate change. Therefore, Argos carry out an appropriate water stewardship, to ensure water availability for our direct operations, supply chain & stakeholders.

Our corporate water management allows us to move towards an operative efficiency in the use of this resource, adequate water related risks management in direct operations & supply chain, enhancement of opportunities & reducing the impacts on ecosystems & communities. Thus, we contribute to the generation of sustainable value both for the Company and society.



OUR PERFORMANCE IN 2018

Our corporate water management strategy integrates the guidelines of the six principles of the CEO Water Mandate, initiative of which we are signatories since 2014. These were our main results in 2018:

Direct operations

We advance in the upgrade and implementation of the Water Measurement and Efficient Use plans (2017-2020), focused in the reduction of specific consumptions and quantification and report of water in our direct operations. In 2018 we had specific consumptions of 259 L/t y 228 L/m³ for the cement and concrete business, respectively, which represents a reduction of 38% compared with 2017. Some initiatives carried in the 2018 are:



Water Risk Assessment Guide

To provide operations, important information on how to assess and identify strengths and weaknesses they face in relation to water risks



Water Footprint Board

This tool collects information on consumption, discharges and production of the plants of the Colombia Region, consolidates data and facilitates the tracking of water KPIs.



Water Cost Assessment

Economic valuation of water at Toluviejo, Cartagena and Tampa cement plants, in order to promote efficient use and water conservation.



Water meetings

We identify good practices as: Washers with timer, sensors for aggregates wetting, time restrictions for aspersion that allowed to diminish the consumptions of water at Colombia region.



Model Plant in Water Consumption

With world class performances, the Newberry Plant in the USA Regional continues as a benchmark in efficient water use; it uses only 67 liters to produce a ton of cement.



Suizagua

We continue participating in the Suizagua III project, whose objective is the measurement and reduction of the water footprint and generate concerted actions around water management at Toluviejo, Cartagena and Haiti plants as well as a critical supplier.



Recirculation of water

The cement business recirculates more than all the water it uses, thus decreasing the pressure on this resource. In 2018, we reached 126% of water recirculation.



Water Risks in the Supply Chain

In 2018, we informed our critical suppliers about the result of the water risk assessment, through our supplier's bulletin. Likewise, we launched the University for suppliers, where we share good practices

Management of the supply chain and watershed management

We continue carrying out water risk assessment in all our active installations using WBCSD GWT (global scale), WRI Aqueduct (basins and sub-basins scale) and WWF Water Risk Filter (local scale), since these tools allow us to obtain a total exposure to water risks by plant. From this analysis, it is possible to evaluate, among others, exposure to physical, regulatory and reputational risk. In 2018, we conclude that about 1% of our installations are located in basins with an extremely high water stress level, 10% in basins with high level, 37% in medium to high level, 24% in low to medium level and 29% in low level. Likewise, in 2018 we worked in the processes of adjustment and formulation of the Watershed and Aquifer Management Plans (POMCA's for their acronym in Spanish) in 19 watersheds of interest in the Colombia Region.



Tampa plant

Furthermore, we developed the water risk assessment for our critical suppliers (27 in Colombia, 17 in Caribbean and Central America and 39 in USA) with Aqueduct tool, which allows us to detect that about the 4% of the operations of the evaluated suppliers are in zones of extremely high water stress level, 29% in basins with high stress, 11% with medium to high stress, 12% in zones with medium to low level stress, while the remaining 45% is located in zones of low stress level. This valuable information is used to prioritize and share good practices and strategies of water management with our suppliers.

In the same way, in order to identify strengths, risks and improvement opportunities for proper water management throughout our supply chain, we evaluate the performance of 83 suppliers, 57 in the Colombia Region, 11 in Caribbean and Central America Region and 15 in the USA Region, using the sustainability index in the supply chain designed by the MIT.

On the other hand, in 2018 we launched the University for Suppliers, a formation program that allows our suppliers to raise or complement their knowledges and improving jointly their competitiveness and sustainability; water is among the modules taught.

Collective action

At Argos, we understand that water is fundamental for the functioning of industry, society and ecosystems. As a shared resource, we consider the collective action as the most effective mechanism for proper water management. In this way, in a global level we are part of the Global Cement and Concrete Association (GCCA), an organization that represents about the 30% of the cement production capacity around the world, with the objective of promoting a responsible leadership in the production and use of cement and concrete, improve the social and environmental impact of the sector activities and products, and encourage the innovation and the collaboration with partnerships of the industry.

At regional level we continue participating in the project Suizagua Colombia III, a collective action with the National Center for Cleaner Production (CNPML), Quantis and the Swiss Agency for Development and Cooperation, which aims to measure and reduce the water footprint, execute social responsibility actions and generate concerted actions regarding water management with the participation of corporate partners, local institutional actors and communities, specifically in the Toluviejo, Cartagena and Haiti cement plants, as well as in the installations of a critical supplier.

At the local level in 2018 we continue contributing to the discussion of water issues in the working groups of the National Association of Industrialist of Colombia (ANDI), the National Ready Mix Concrete Association (NRMCA) and the Portland Cement Association (PCA) in the Regional USA. Likewise, we continue supporting the society Audubon in the ecosystems conservation and water resources in the southeast of the United States.

Public Policy

At Argos, we are aware of the role and responsibility we have in taking care of water, sustainability and the long-term availability of this resource in the watersheds where we have operations. For this we actively participate in the formulation of 19 Watershed and Aquifer Management Plans (POMCA) in Colombia, which are the main tools of public policy to ensure the sustainable use of soils, water and biodiversity. This participation allows us to plan our operations preserving water, biodiversity and the ecosystem services for our operation and for our stakeholders.

Additional mechanism of contribution and incidence in public politics on water is our participation in commercial associations, which keep us updated about new regulations and changes in existing ones, including the National Association of Industrialist of Colombia (ANDI), the Portland Cement Association (PCA) y the National Ready Mix Concrete Association (NRMCA). Through this we assure that our points of view, contributions and knowledge regarding water management are considered by local governments and have an effective positive effect on the public policy on water.

Community Engagement



At Argos, we have an instrument to systematically track and monitor the concerns of communities and other stakeholders, including those related with water, called Transparency Line, which serves as a direct communication channel to report events that could affect compliance with the law, business policies, guidelines and the corporate code of conduct and good governance.

Likewise, the Transparency Line is a consultation tool, everyone who has concerns about our processes can express their opinions freely, either by name or anonymously. In case of complain, this is addressed immediately through an action plan, to not become a conflict.

As part of our participation in the Suizagua Colombia III Project, we continue strengthening the water management through environmental education programs at educative institutions and surrounding communities of the Toluviejo, Cartagena and Haiti Plants. Additionally, we support with water supply for the community of Source Matelas in Haiti, as well as the cities of Calera and Martinsburg in United States.

Transparency

Annually, through our Integrated Report, we communicate the performance of our strategy of corporate water management strategy and its associated KPI (water withdrawal, recirculation, discharges and consumption), which are aligned with the Global Report Initiative (GRI) and has external verification. Also, annually we report this progress communication to The CEO Water Mandate, in which we detail our advances in six lines of action: direct operations, supply chain and watershed management, collective action, public policy and transparency.

We are committed with the divulgation openly and transparently through the water chapter of the Carbon Disclosure Project (CDP). Through this we show to costumers, investors and stakeholders our commitment with the improvement of water management and identify possible improvement actions with the aim of moving towards a sustainable management of water resources.

Likewise, in 2018 we continue with the annual completion of the Dow Jones Sustainability Index (DJSI) survey, in which we also report our performance regarding water risks related and obtained the highest possible score of the industry (100%) for the fifth consecutive year.