

# INTEGRATED REPORT 2016



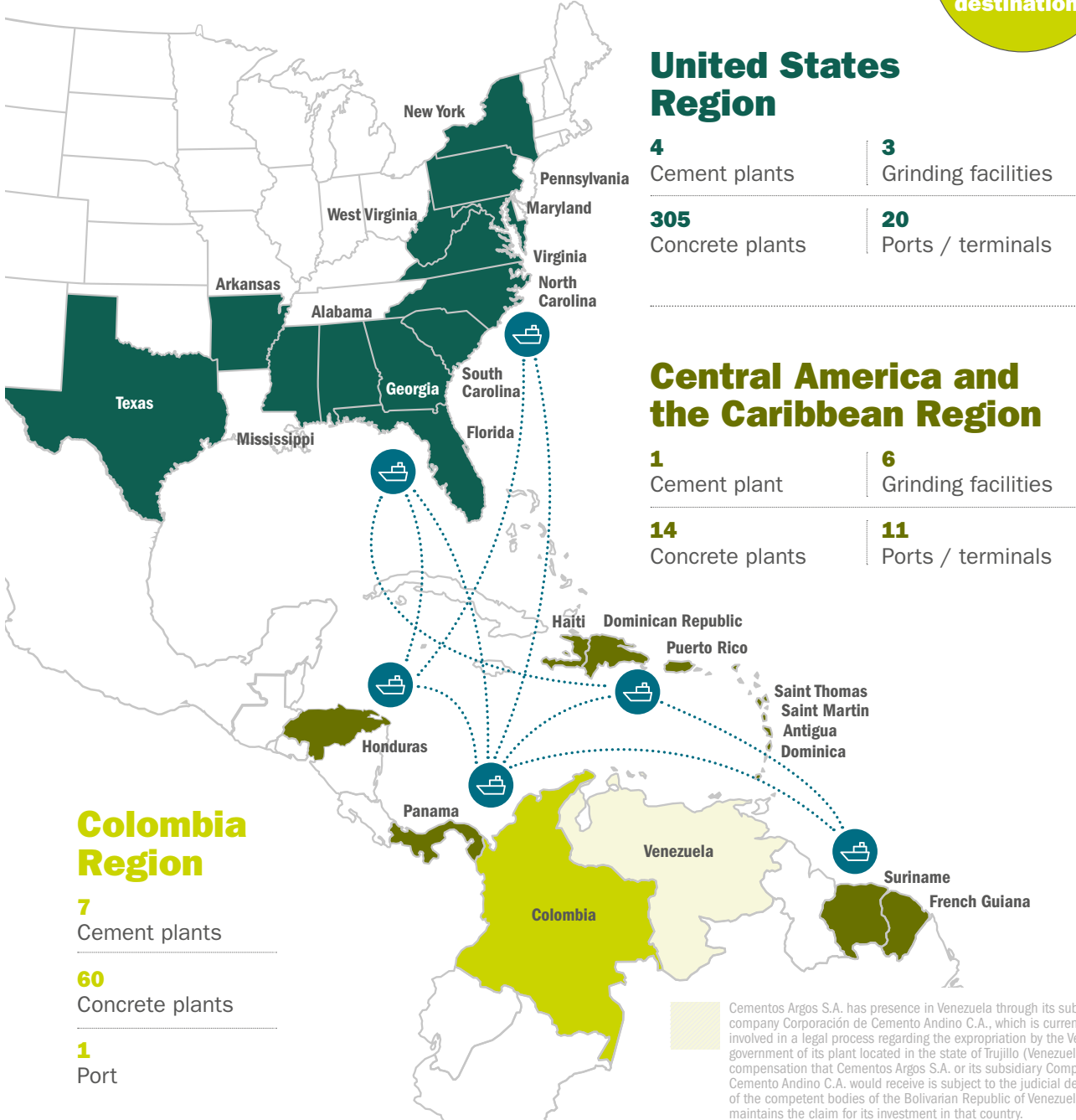


# WHERE DO WE OPERATE?

We export to  
**36**  
destinations

**102-4 102-2 We operate in 15 countries and territories**

Throughout three regions: Colombia, the United States and the Caribbean and Central America



## United States Region

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

## Central America and the Caribbean Region

**1** Cement plant | **6** Grinding facilities  
**14** Concrete plants | **11** Ports / terminals

## Colombia Region

**7** Cement plants  
**60** Concrete plants  
**1** Port

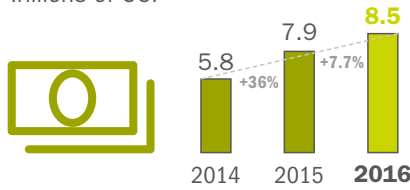
Cementos Argos S.A. has presence in Venezuela through its subsidiary company Corporación de Cemento Andino C.A., which is currently involved in a legal process regarding the expropriation by the Venezuelan government of its plant located in the state of Trujillo (Venezuela). The compensation that Cementos Argos S.A. or its subsidiary Compañía de Cemento Andino C.A. would receive is subject to the judicial decisions of the competent bodies of the Bolivarian Republic of Venezuela. Argos maintains the claim for its investment in that country.

# RELEVANT FIGURES

## Financial results\*

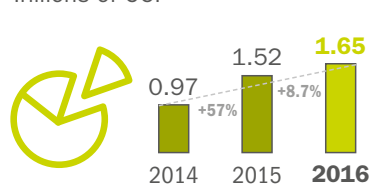
### Revenues

Trillions of COP



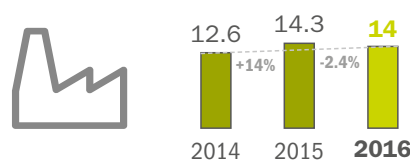
### EBITDA

Trillions of COP



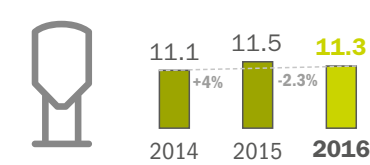
### Dispatched cement volume

Millions of tons



### Dispatched concrete volume

Millions of cubic meters



\*Throughout this report, all percentages are based on financial numbers that can be found in the consolidated financial results (page 94)

## Installed capacity

### Cement



2016  
**24** Millions of tons

### Concrete



2016  
**18** Millions of cubic meters

**12**  
Cement plants

**94**  
Dispatch centers

**+375**  
Concrete plants

**1,276**  
Rail cars

**32**  
Ports / terminals

**+2,700**  
Mixer trucks  
(40 compressed natural gas powered mixer)

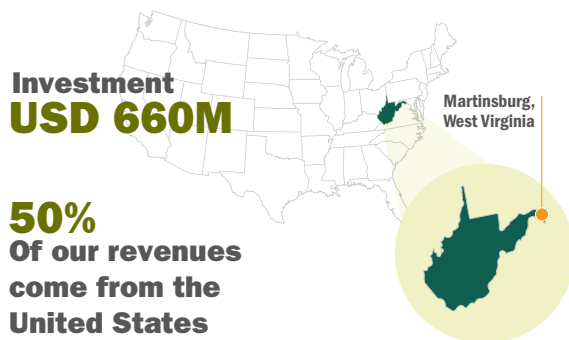
**9**  
Grinding facilities

**5**  
Ships  
**1** permanently leased

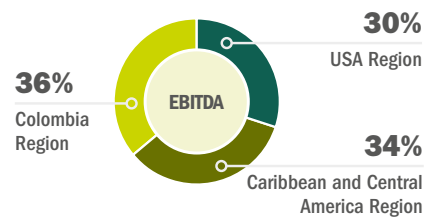
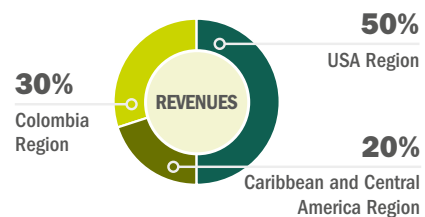
# OUTSTANDING ACHIEVEMENTS 2016

## Asset acquisition

Martinsburg - West Virginia (USA)



## Results per region



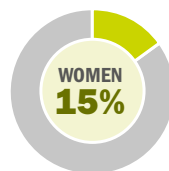
## Innovation

The Argos Center for Innovation was awarded with the Leed Gold recognition

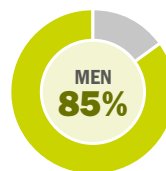


## Human Talent 9,166 employees

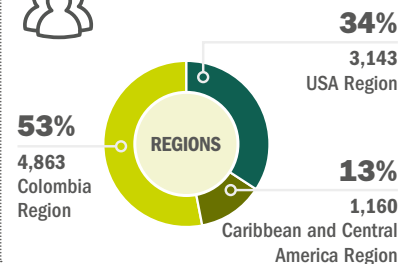
Women 1,337



Men 7,829



Per region



## DOW JONES

We were recognized as the most sustainable cement company by the Dow Jones Sustainability Index and we received the Gold distinction in the RobecoSam Yearbook.



# DEVELOPING OUR BUSINESS

## Innovation

**Ideaxion** | In 2016, **956 employees** actively participated

Ideas:



**294**  
Received



**54**  
Approved



**33**  
Validated



**20**  
Implemented

**15.8%**

Total revenue from innovation

In 2016 we invested over  
**USD 11 million**  
in innovation

## Supply chain management

**711** critical suppliers assessed sustainability criteria.

## Clients

Percentage of revenue generated by recurring costumers.



# CONTRIBUTING TO SOCIETY

We reached **611,417 hours** of training in EDUCA, of which **11.97%** were virtual hours.



**Social investment**

**COP 61,787**  
(**USD 20.5 million**)

## Lost time incident frequency and severity rates vs 2015

### Employees

Frequency **-44%** | Severity **-49%**

### Contractors

Frequency **-52%** | Severity **-36.7%**

# PROTECTING OUR PLANET



We decreased the specific consumption of water by **37%** in the cement business and **13%** in the concrete business compared to 2012.



**6.8%** Substitution of fossil caloric consumption with alternative fuels.



A decrease of **29%** of our specific net CO<sub>2</sub> emissions compared to our baseline.

## USD 64.9 million

Environmental CAPEX and OPEX investments.

Detailed Capex and Opex information: <http://reporteintegrado.argos.co/pdf/2025EnvironmentalStrategy.pdf>

# **INTEGRATED REPORT 2016**

# TABLE OF CONTENTS



- 
- 5** Letter from our Chairman
  - 6** About the Report
  - 8** Management Report

## 01

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### Our Purpose

- 26** How We Create Value
- 28** Value Added Statement
- 32** BEST
- 34** Strategic and Emerging Risk Management
- 36** Sustainability Strategy
- 38** Materiality Analysis
- 40** Sustainable Development Goals-SDGs
- 42** Our Stakeholders
- 44** Corporate Governance
- 50** Ethics and Compliance

## 02

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### Developing our Business

- 56** Profitability and Capital Structure
- 58** Expansion and Consolidation
- 60** Customer Relationship Management
- 62** Supplier Development and Management
- 64** Innovation





# 03

## Protecting our Planet

- 68** 2025 Environmental Strategy
- 70** Energy and Co-processing
- 72** Sustainable Construction and Materials
- 74** CO<sub>2</sub> Emissions and Climate Change
- 76** Other Air Emissions
- 78** Biodiversity
- 80** Water Management



# 04

## Contributing to Society

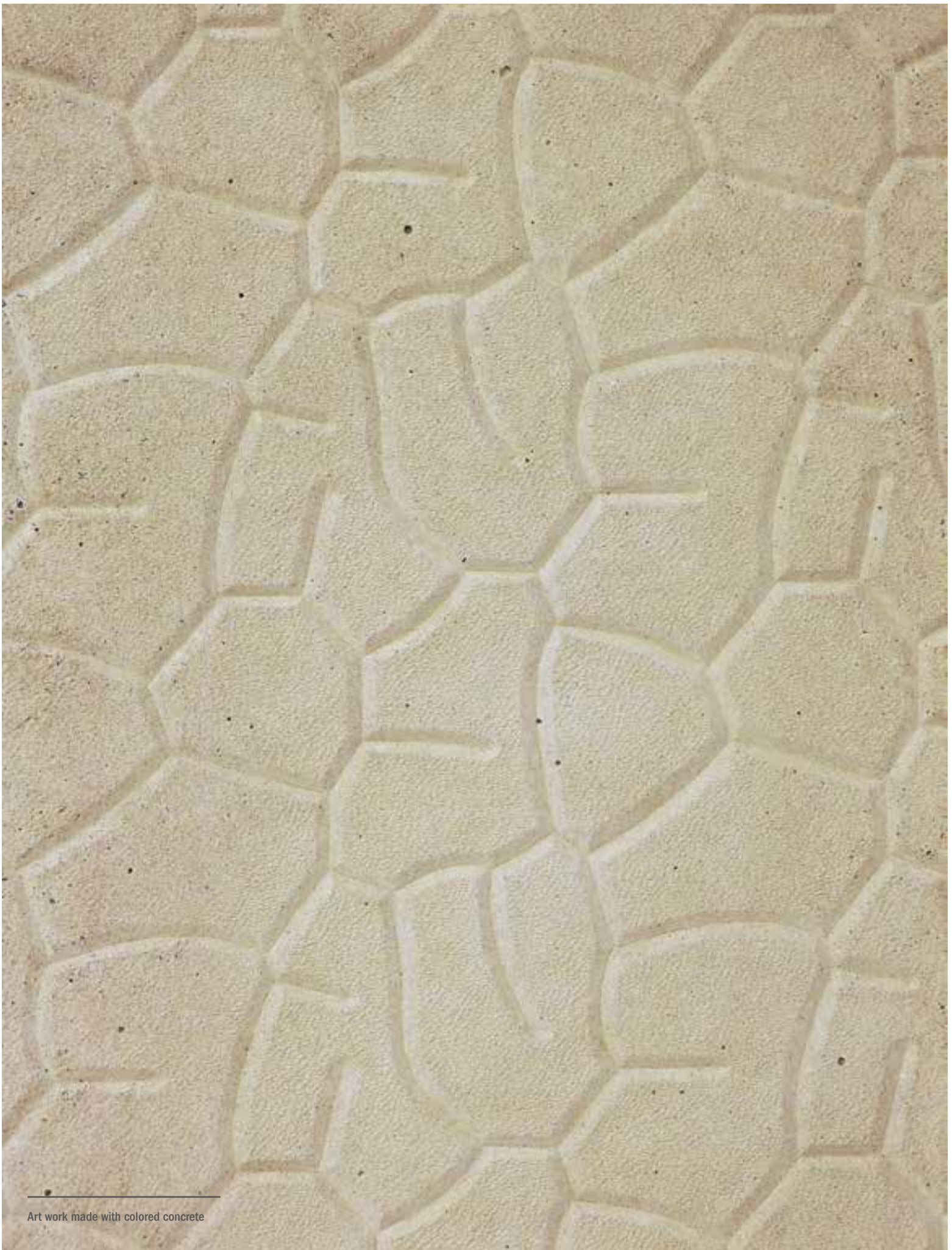
- 84** Occupational Health and Safety
- 86** Talent Management
- 88** Community Engagement
- 90** Human Rights



# 05

## Appendix

- 94** Consolidated Financial Statements
- 102** Separate Financial Statements
- 111** IIRC Index
- 112** Global Compact  
Communication on Progress
- 114** CSI Index
- 116** GRI Context Index
- 124** Independent Assurance Statement



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Art work made with colored concrete



**Dear Stakeholders:**

2016 was a period of important changes for Cementos Argos, one of the strategic businesses of Grupo Empresarial Argos. The successful change of its leadership, the reinforcement and consolidation of its diversification strategy, the realization of several projects and its unique human talent, all enabled the company to obtain positive results and remain one of the leading cement companies in the American continent, in the midst of a challenging and changing environment.

The recent acquisition of the cement plant in Martinsburg, West Virginia, along with eight terminals, is proof of this. These assets have an enormous potential to generate value and have allowed Cementos Argos to broaden its operation from nine to thirteen states and to increase its installed capacity in the United States by 29%.

The company's progress and competitiveness are a result of the strategic coherence of Grupo Argos, in which the long-term value generation for its shareholders is leveraged on its integrity and transparency as axes and inspiring principles of its management.

Furthermore, a strong commitment towards innovation and sustainability as elements for development has enabled Cementos Argos to reach important achievements, such as being recognized as the most sustainable cement company around the world according to the Dow Jones Sustainability Index. This event transcends all results and ratifies the organization's efforts to have increasingly responsible operations, which guarantees the company's sustainability over time.

We foresee a positive 2017, even though the worldwide economy is expected to be challenging and will demand a continuous search for profitable growth in the long-term. We are convinced that Cementos Argos has a solid basis to continue pursuing its growth and that through the responsible application of the BEST (Building Efficiency and Sustainability for Tomorrow) Program we will accelerate it. Additionally, we believe that the company has the capacity to continue capturing the unlimited possibilities that appear in the different markets of the various countries and territories in which it is present. Argos is more than just cement and ready-mix; it is a company that reaffirms its purpose of transforming lives and always finding new and better ways to generate value for all its stakeholders.

We work to build the sustainable future that we dream of. We reaffirm our company's commitment to respect and promote human rights, the principles of the Global Compact and the International Labour Organization. We want to thank all our employees, our management and especially you, our shareholders, for your confidence and support.

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**JORGE MARIO VELÁSQUEZ**  
Chairman

# ABOUT THE REPORT

**102-50 102-32** This is Cementos Argos' 5th Integrated Report. It provides insight into our company's economic, social and environmental performance for the reporting period from January 1<sup>st</sup> to December 31<sup>st</sup> 2016. It has been formally reviewed and approved by our CEO and senior members of the Executive Committee.

Throughout the report, we disclose our business lines by region, clearly stating our sustainability strategy and the management of strategic and emerging risks. Each chapter also includes information on future challenges and goals, as we seek to operationalize our medium- and long-term business strategy.

The prioritization of the aspects included in this report is the result of a thorough and comprehensive materiality assessment developed in 2015, which is further explained in the Materiality chapter. Our stakeholders were consulted in this prioritization process and we aim to address their needs, interests, and aspirations in this report.

Likewise, this report seeks to highlight the interconnected nature of our material aspects and how the appropriate management of each affects the overall performance of the organization. Every reported aspect includes information regarding governance, management approach, and goals, and although they are grouped according to economic, social, and environmental dimensions, there are clear connectors and guiding principles for all of them.

In order to improve our reporting practices and the reading experience for our stakeholders, we have made this report as concise as possible, by presenting the information stakeholders value most without undermining the integrity and comprehensiveness of the exercise. Additionally, our consistency in the use of reporting frameworks allows the reader to compare our data with that of other companies and also to previously reported years.

In order to maintain comparability with the figures published in past reports, they are expressed in pesos and USA dollars at a representative market exchange rate of COP \$3,000.74. GRI Standard indicators are identified in the report with the following symbol: **CODE**. Value chain boundaries of each topic are also identified below the respective title when applicable.

Sustainable Development Goals alignment with our sustainability strategy can be found on page 40 and in each chapter with the UN SDGs logo.

The detailed table of the elements of the Integrated Report framework that are included in this Report can be reviewed on page 111.

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The online version of this report can be viewed at: <http://reporteintegrado.argos.co/?lang=en>

**102-48 102-49 102-54 102-55 Reporting Framework**

This report has been guided by the International Integrated Report Council (IIRC) and is in Core Compliance with the Global Reporting Initiative (GRI) Standard and reporting criteria. Our GRI Content index, which contains supplementary information, is available on page 116.

Click here to see GRI 102-46: <http://reporteintegrado.argos.co/pdf/ApplicationOfGRIPrinciplesAndTopicBoundaryDefinition.pdf>

**This report also aligns with:**

- The Cement Sustainability Initiative (CSI)
- The International Financial Reporting Standards (IFRS)

**Additionally, this document serves as a communication on progress for:**

- The United Nation Global Compact
- The Sustainable Development Goals (SDG)
- The CEO Water Mandate

**Material Topics**

The aspects prioritized in this report are the result of a thorough identification, prioritization, and validation process of the social, economic, and environmental issues that our stakeholders consider to be critical for the organization’s sustainability, an analysis of strategic risks, business

opportunities, sustainability commitments, and the organization’s 2025 Plan. This assessment was conducted in 2015 and will be reviewed in 2017.

**102-51 102-52 Periodicity**

We report to our stakeholders on an annual basis. Our last report was published in March 2016.

**102-49 Scope**

Unless otherwise stated, all cases and data disclosed in this report include the activities of all companies whose figures are consolidated in our financial statements in accordance with international standards in the cement, concrete, and aggregates businesses in Colombia, the Caribbean and Central America, and the USA.

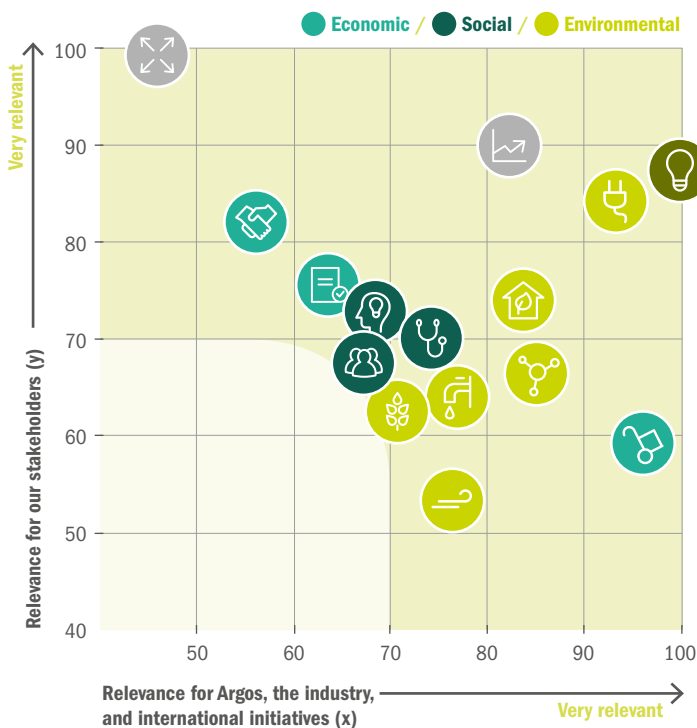
**102-56 Assurance**

Independent assurance for this report has been provided by Deloitte. For more information on our assurance for the current reporting period, please refer to page 124.



**102-53 Contact Point**

For more information on our report, you can contact Cristina Arias, at [cariasas@argos.com.co](mailto:cariasas@argos.com.co).



- 💡 Innovation
- ⚡ Energy and Co-processing
- 📊 Profitability and Capital Structure
- 🏠 Sustainable Construction and Materials
- 🔗 Supplier Development and Management
- 🌱 CO<sub>2</sub> 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

To see our complete list of material topics go to page 38.



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Juan Esteban Calle  
CEO

# MANAGEMENT REPORT

## Dear Stakeholders,

2016 was a year characterized by the achievement of important goals that recognize the commitment of Argos to grow in a balanced and sustainable way, looking forward to offset the environmental impact of our operations and generating, at the same time, positive externalities in all communities and regions we are present. Being recognized by the Dow Jones Sustainability Index as the most sustainable cement producer in the world, inspires us to continue working towards the sustainability of the company, industry and society.

The year that just ended was a period of consolidation of the strategic initiatives that will boost the growth of the company in the near future, and will allow us to be prepared, even more, to face the challenges of a defiant market. During 2016 we highlighted the beginning of the operational excellence program that we called BEST which means, Building Efficiency and Sustainability for Tomorrow.

At the same time, we increased our presence in the cement business in the United States, strengthened the operations in the Caribbean and the Central America Region, achieved international standards of industrial safety and occupational health, and obtained more revenues from innovation, one of our strategic pillars.

The acquisition of a cement plant in the United States, the world's largest economy, expecting to continue its recovery path and driven by infrastructure investment, will have a positive impact in our 2017 results. Additionally, the outstanding performance of the operations in Honduras and Panama, and the expected start of the 4th generation infrastructure program in Colombia, anticipate excellent prospects.

# BUILDING EFFICIENCY AND SUSTAINABILITY FOR TOMORROW

As mentioned before, in 2016 we launched the BEST program with the main purpose of becoming the most efficient player, in both the cement and concrete business, and to achieve a higher return on capital

employed in our operations. We achieved this through disruptive ideas and more efficient production processes, in order to contribute to the achievement of the goals which we set towards growth and competitiveness.



## **Operational transformation:**

Optimize of our network to concentrate production in the most efficient dry process plants.



## **Implementation of new technologies:**

Expand our production capacity, to improve our clinker-to-cement ratio and optimize cost per ton.

## **BEST** Building Efficiency and Sustainability for Tomorrow



## **Alternative fuels:**

Increase their use to reduce fossil fuels consumption contributing to the environment, with the correct disposal of used tires and other urban waste. This allows us to reduce global carbon emissions and improve the cost of energy per ton.



## **Administrative synergies:**

Achieve economies of scale, integrate and standardize processes to achieve efficiency and a disciplined use of resources.



## **Optimize our non-core assets base:**

Focus our capital on cash-flow generation of our core business, including the divestment of non-core assets.

Within this process we identified the company's main gaps, focusing initially on Colombia, where our initial goal is to reduce, in the short-term, the cost per ton by at least USD 6 by the end of 2017. This goal focuses the efforts of all our employees to achieve the operational excellence in this region, and motivates the US and the Caribbean and Central American divi-

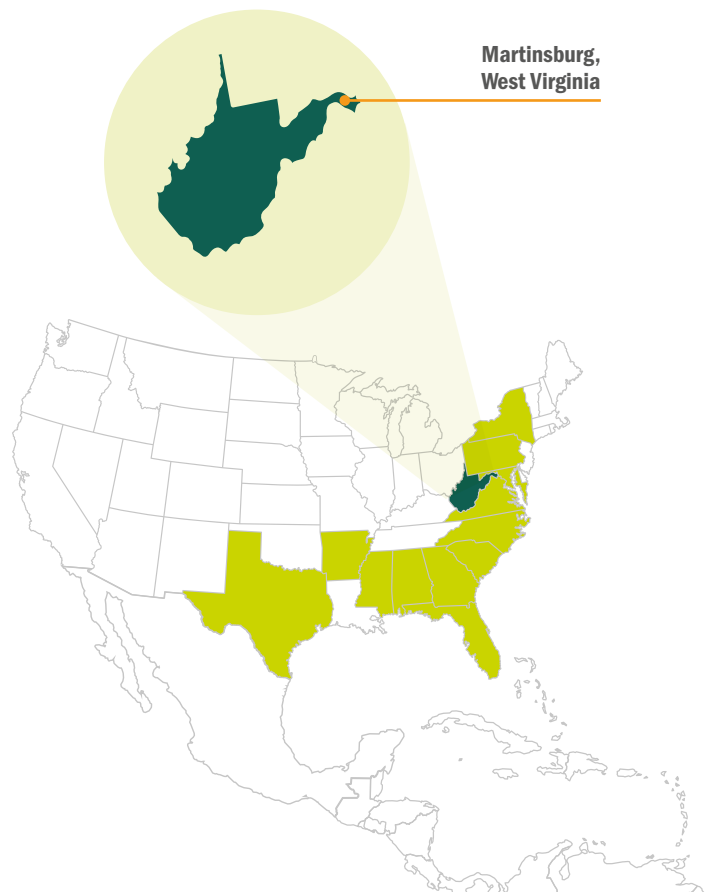
sions to share, exchange and adopt best practices in the business.

Additionally, we are developing a comprehensive review of our value proposition strategy delivered to our clients, through new segmentations. This confirms our commitment to continue improving our value offer to each market segment, through innovation.

# EXPANSION AND CONSOLIDATION

As part of our profitable growth strategy, we highlight the acquisition of a cement plant in Martinsburg, West Virginia, and 8 logistical terminals, which allowed us to increase our cement installed capacity by 29%, reaching 10 million metric tons per year. With this acquisition, Argos expands its presence in the US, from operating in 9 to 13 states, bringing our influence area to around 116 million people and complements the existing operations with mayor operative, technological and logistical strengths. We expect to obtain synergies of around USD 8 million per year in the US.

The transaction, closed in December of 2016, had a total investment of USD 660 million, and it was financed initially with a bridge loan, which will be paid primarily with funds from a divestment plan of non-strategic and non-core assets. This plan began its execution in 2016 and as of January it had reached USD 296 million, coherent with the announced strategy to finance the acquisition in Martinsburg and allowed us to improve the return on the capital employed in our operations. Argos will complete the payment of this bridge loan before the end of 2017.



**Martinsburg,  
West Virginia**

**Martinsburg Plant,  
USA Region**







San Lorenzo Plant,  
Honduras, Caribbean  
and Central America  
Region

The mentioned divestment plan, began with the sale of 20% of the minority stake of Argos Panama. In the same way, the company sold shares of Bancolombia for around USD 140 million and real estate assets close to USD 30 million in Panama and Colombia. Also, Argos is still working in the divestment of energetic assets in Colombia and real estate assets in all regions, valued at around USD 40 million.

We have the discipline, experience and financial flexibility not only to execute strategic acquisitions, but to integrate them to our logistic network. In the same way, we have a know-how that allows us to grow organically in a sustainable way. Considering this, we restarted operations our grinding facility in San Lorenzo, Honduras, which has an annual production capacity of 300,000 tons and will allow us to supply the market in the south of the country.

Also, and considering our BEST program, we decided to postpone the expansion process in Sogamoso, Colombia and instead, implement new innovative technologies in all our operation network, which will allow us to add

## **WE RESTARTED THE GRINDING FACILITY IN SAN LORENZO, HONDURAS, WHICH WILL HELP US SERVE MORE EFFICIENTLY THE COUNTRY'S SOUTHERN MARKET.**

capacity in the different consumption centers all over the country, with a lower investment per ton, optimizing the capital employed and the cash flow.

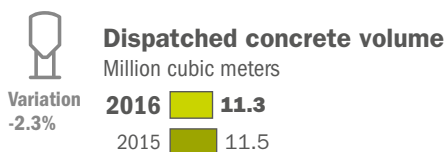
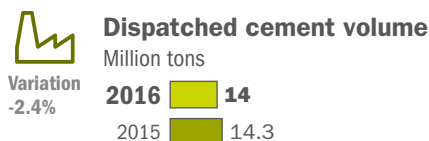
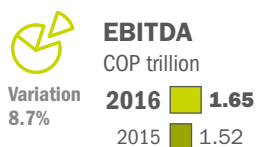
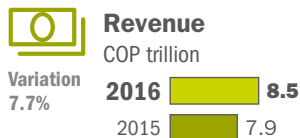
In conclusion, in 2016 we strengthened our expansion strategy and consolidated Argos's presence in the Americas. We continue benefiting through the best practices of our operations, diversity and experience of our human talent in all the regions where Argos is present.

# OPERATIONAL RESULTS

On a consolidated basis, our total revenues reached COP 8.5 trillion, 7.7% higher than 2015, while the consolidated EBITDA increased 8.7% to COP 1.7 trillion, driven mainly by the solid results obtained in the United States and the Caribbean and Central America.

During 2016, aligned with our BEST program, we made some divestment activities and productive transformations that impacted, in a non-recurrent way, the net income before taxes of around COP 55 billion, ending the year with COP 670 billion, 8.5% higher after normalizing the effect of non-recurring expenses. At year-end, the net income closed at COP 420 billion.

We dispatched 14 million tons of cement and 11.3 million cubic meters of concrete, which represents a decrease of 2.4% and 2.3% respectively compared to the previous year. This, as a consequence of the positive results in the United States, the Caribbean and Central America regions, which managed to somewhat offset the slowdown of the Colombian economy.



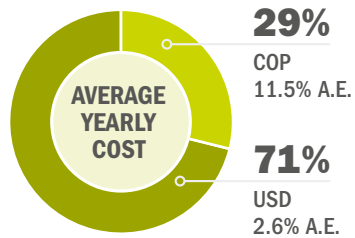
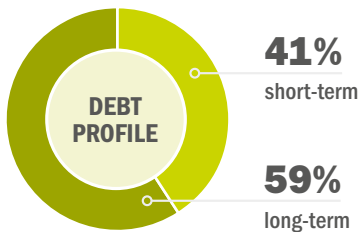
## PROFITABILITY AND CAPITAL STRUCTURE

Our capital structure is focused on maintaining a balance between foreign currencies and debt durations, in order to guarantee financial flexibility to favor expansion and consolidation initiatives and face different financial cycles assuring the business sustainability in the long-term.

Therefore, to improve our debt profile and considering the liquidity conditions of the Colombian market, we issued bonds in the local market for COP 400 billion, serving the purpose of extending the duration and optimizing the

allocation between short-term and long-term debt. The total demand was COP 1.36 trillion, which corresponds to 3.4 times the offered amount.

Additionally, we look forward to maintaining the hedge between the debt in Colombian pesos and US dollars according to the income and EBITDA generation of the assets that supports them. The financial debt closed at USD 2.4 billion, of which 71% was in US dollars and 21% in Colombian pesos, with an annual average cost of 2.9% and 13% respectively.

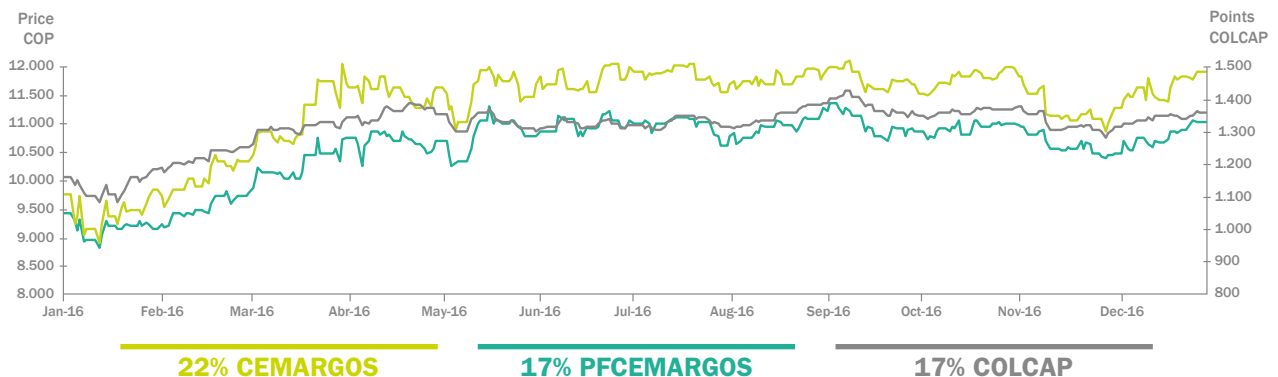


Net debt/(EBITDA + dividends): **3.8x**  
 Financial cycle: **39 days**  
 EBITDA/financial expenses: **4.4x**

By the end of the year, the value of our assets was COP 19.2 trillion, with a 9.8% growth compared to 2015 after including the assets acquired in West Virginia. On the other hand, liabilities reached COP 10.1 trillion, representing 52.6% of the total assets. The net debt / (EBITDA + Dividends) closed the

year at 3.81 times proforma, which includes both the bridge loan to finance the Martinsburg acquisition and the EBITDA contributed from this asset. We expect that with the execution of our divestment plan, the indicator debt net / (EBITDA + DIVIDENDS) will normalize to target levels between 3.2 and 3.5 times.

## EVOLUTION OF SHARES



During 2016, the global stock market had a positive performance characterized by an increase in oil prices, especially in emerging countries.

Regarding Colombia, we highlight the good performance of the main issuers which was supported by the positive variation of the COLCAP Index, despite the volatility caused by internal and external circumstances such as the presidential elections in the US, the BREXIT and the peace vote in Colombia and the announcement of a tax reform, among others.

The COLCAP Index had its best performance in the last five years with a 17% appreciation, similar to the one obtained by our preferred share and surpassed by our common stock which had a 22% gain, because of the solid fundamentals of the US economy that boosted the financial results of the company.

The performance of Argos shares in the stock market, shows how investors recognize and value our diversification strategy which allows us to take advantage of different economic cycles and to have a balance between currencies.

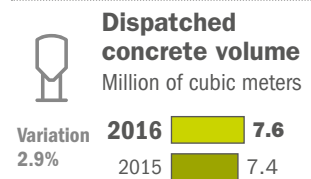
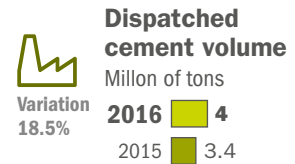
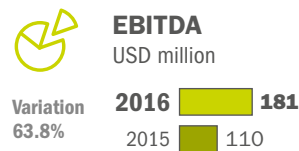
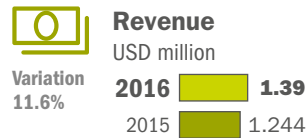
# BUSINESS PERFORMANCE BY REGION

## USA REGION

The US economy continued its recovery path strengthened by the increase of consumer confidence as consequence of a strong labor market with minimum unemployment rates, under 5%, and an improvement in family incomes, which leveraged housing starts and building permits to historical levels since 2008. The need for investment in infrastructure by 2025, which according to the American Society of Civil Engineers (ASCE), is around USD 3.3 billion, gives us positive prospects for the future results of the company and the industry.

Our dispatched volumes of cement in the US grew 18.5% to 4 million tons, boosted by the good performance of the markets where we have presence with an average growth of around 7.9%, mainly in Georgia, Florida and the Carolinas, where the recovery of the residential sector favored a two-digit growth. In the same way, concrete dispatches grew 2.9%, to 7.6 million cubic meters placing us as the leaders of the ready-mix business in the country, despite the adverse weather conditions and the impact of oil prices in the economy of Texas.

According to the Portland Cement Association (PCA), in 2017, cement dispatches in the states where we operate, are expected to grow around 3%. Between 2018 and 2021, an

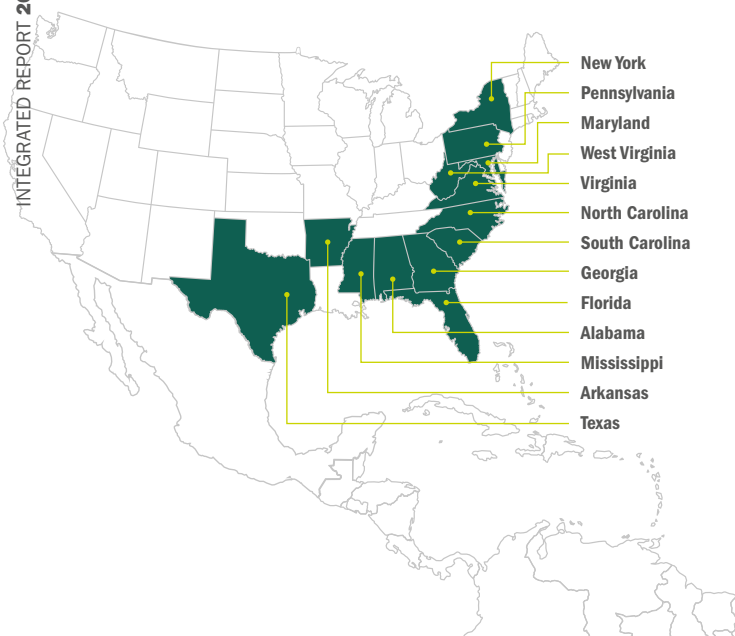


average increase of 3.95% is expected, driven mainly by the commencement of the execution of infrastructure plan, which will be supported by a higher public expense expected to grow average rates of around 4.8% during the mentioned period of time.

The US region reached USD 1.39 billion revenues, 11.6% more than 2015 and an historical EBITDA of USD 191 million, 63.8% more than in 2015, with a margin that for the first time since the crisis, reached a double-digit, closing at 13%.

These results are consequence not only of the operational leverage, but also of the excellent commercial strategy that allowed us to increase market share in the states where we operate and reach price improvement. Our performance in this country is characterized by a constant focus in operational efficiency, which is supported by an optimal logistic network formed by 4 cement plants, more than 300 concrete plants, 2 grinding facilities, 20 ports and logistic terminals, around 1,300 rail cars and approximately 1,800 mixer trucks, which allows us to attend the market in an opportune way.

The most recent acquisition in Martinsburg for USD 660 million, placed us as the major Colombian Investor in the United States, by joining the acquisitions of companies such as





**AS OF TODAY,  
THE US REGION  
GENERATED  
50% OF OUR  
REVENUES AND  
30% OF OUR  
EBITDA.**

Martinsburg Plant, USA  
Region

Ready Mix Concrete Company, Southern Star Concrete and the assets to Lafarge and Vulcan Materials, all made between 2005 and 2014, for a total investment that exceeds USD 2.8 billion.

This plant in West Virginia and its terminals, strengthens, even more, our presence in the US market, while adding new synergies to our logistical network in order to continue adding value to our stakeholders.

Regarding the achievements of the US Region, we highlight improvements in efficiency and sustainability reaching a 14.2% substitution in alternative fuels; the launching of three new value-added products; the operation of the cement and concrete business under one company: Argos USA; the SAP roll-out and the Energy Star certification given to our cement plant in Newberry, reassuring our commitment with energetic excellence. In the same way, we emphasize the participation of Argos in projects such as: The North Tower of the Methodist Hospital in Houston, the Falcons Stadium in Atlanta, the administrative offices of Coca-Cola in Atlanta and the supply of blue concrete to the attraction: "Finding Nemo" in Disney, Orlando.

Also, from an operational point of view, in 2016 we invested USD 23.3 million in projects such



Argos has delivered **60,000 cubic yards** of ready-mix to one of the biggest building sites in Houston, **the North Tower of the Methodist Hospital.**

as: acquisition of 125 mixer trucks, the installation of a new calcinator in Harleyville, that allows us to use natural gas and give us flexibility to face the variation of fuel prices, and a project to use alternative fuels in Newberry to reduce about 30% of fossil fuels usage in 2017 and reach substitution levels of the other cement plants in the country.

In the same way, the US Region made important improvements in our industrial security and occupational health system, which led us to reach significant reductions in our severity and frequency rates, 77.7% and 89% respectively compared to 2016 goals. Frequency and severity indexes closed at 0.4 and 9.18.

Also, the addition of around 200 employees from the Martinsburg operations, to the 3,143 that accompanied us before the acquisition. We are truly convinced that the cultural diversity and the know-how of this team will add value to our company.

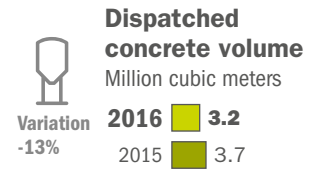
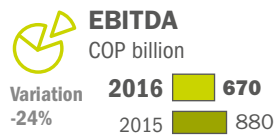
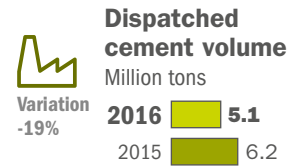
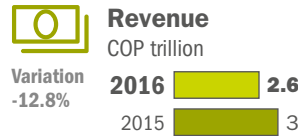
# COLOMBIA REGION

After more than a decade of continuous growth in Colombia, our sector presented a typical deceleration of a cyclical market. This is highly correlated with the performance of the economy that faced a challenging year due to the lower incomes from oil prices and some circumstantial factors, such as the transportation strike, the El Niño weather phenomenon, and the devaluation of the currency, leading to an increase of inflation, which closed at 5.8% and interest rates. The Colombian GDP reached 2%, a stand out in the region and the construction GDP grew 4.1% while the unemployment rate ended at 8.7%, which is slightly above compared to 2015. These fundamentals and the delays in the beginning of the 4G projects, explain the 5.5% decrease in cement dispatches in the national market compared to 2015, closing at 12.1 million tons in 2016.

Infrastructure construction went through a transition period which directly affects, and still does, the demand for materials until the initiation of the most intensive cement phase of the 4th generation concession projects, as well as the multiple private investment programs and the urban development plans.

These circumstances not only impacted dispatches of bulk cement in the market, with a decrease of 7.1%, but also our results, taking into account our leadership in the Colombian market, specifically in the industrial segment, which was the one most affected.

As a result, our dispatched volumes of cement and ready-mix closed at 5.1 million tons and 3.2 million cubic meters, which are 19% and 13% less respectively compared to 2015, resulting in COP 2.6 trillion in revenues, 12.8% lower than the previous year, while the EBITDA closed COP 667.6 billion, with a margin of 25.7%.



The challenging competitive environment, exacerbated by the increase of cement imports, was driven by the global surplus of cement installed capacity and the historical low international freights. Therefore, it is mandatory to accelerate our BEST efficiency program in order to become leaders in competitiveness and offer the best value proposition for the market.

As part of the initial results of this process, we would like to highlight the cessation of our cement plants in Sabanagrande and San Gil, and our ready-mix plant in Mamonal, Cartagena, with estimated savings in fixed costs of COP 30 billion per year. Furthermore, we continue the evaluation of all our assets looking forward to optimize the operations and concentrate production in the most efficient plants.

Also, we are working on the development of new efficient technologies, which will help us add one million tons of installed capacity between 2017 and 2018, lowering our clinker-to-cement ratio. These investments are less intensive in Capex per ton and will be distributed among the plants to further improve our value proposition and time-to-market.

In 2016 we advanced in the implementation of the co-processing of used tires as an alternative fuel in one of our kilns in the Rioclaro plant, Antioquia, with a substitution that closed at 6% at the end of the year, and between September and December reached around 11%. This translates into immediate savings for our operation, as well as the adequate contribution to the disposal of residues in the country. In 2017 our goal is to co-process more than one million tons of used tires. Also, in Cartagena, we started a co-processing project to reassure our commitment with the environment.



Pedestrian bridge, Universidad Eafit, Medellín, Colombia

**CLOSE TO 20% OF THIS REGION'S REVENUES CAME FROM INNOVATION.**

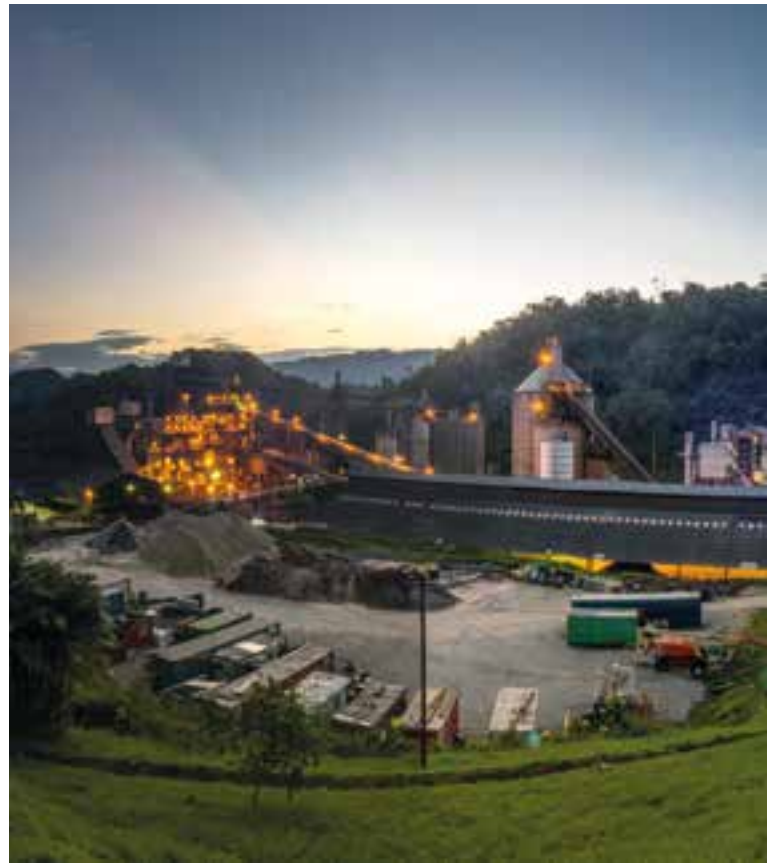
**We were the suppliers for the first bridge in Latam made with ultra-high performance concrete.**

Generating value to our clients continues to be our major objective; because of this, we work constantly to strengthen the value proposition in each of the market segments. In the industrial business, we re-potencialized the concrete portal, through which 12% of the weekly concrete orders were received since its commencement in November. Also, we expanded our industrial portfolio, as we launched innovative products such as micro-cement, road-binder, ultra-high performance concrete and specialized concrete products. This will give us competitive advantages in the sector with the most growth forecasted.

In the retail business, where closeness is a differentiating factor, we generated better proximity with the hardware stores and the master builders through the Liga Argos Futsal, Argos Football Tournament for master builders, among other activities. Likewise, with the Construyá Program, Argos allowed bank entities the disbursement of around COP 15,172 million to be used in house renovations for low income families, benefitting more than 68,000 people.

Throughout the year, we served 7,857 clients, reaching 735 municipalities with a fleet of 691 mixer trucks and 42 distribution centers around the country. Also, we remained one of the most renown brands among cement producers in Colombia, through the consolidation of the commercial model and the support of a recognized value-added proposition. Argos reached a customer satisfaction level of 88.9% and a Top of Mind of 56 points among the general public.

The focus on innovation continues providing positive results in areas such as the generation of 20% of the total revenues, tax benefits and the recognition of Argos by Colciencias as one of the most highly innovative companies in the country, which supports our Research and Development management.



Rioclaro Plant, Colombia Region

Social dialogue, respect and trust are fundamental pillars that have helped us strengthen our relationship with our employees. We celebrated the 10th anniversary of our first collective agreement. Today, we ratify our commitment to the safety of all our employees with the improvement of the frequency and severity indexes in 55.9% and 3.93% respectively compared to our 2016 goal.

We believe that our value proposition, cultural pillars, track record, efficiency focus and promise for innovation and sustainability, will allow us to reap benefits in the Colombian market, which has positive prospects due to the important role infrastructure will have in the coming years.



At the end of 2016, we had signed contracts to supply **40 Functional Units of the 4G program**



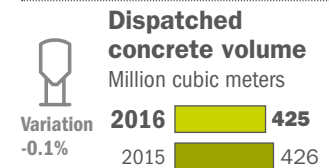
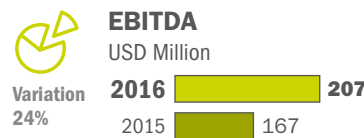
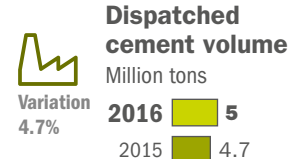
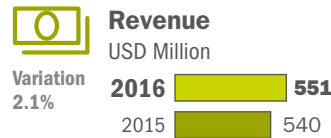
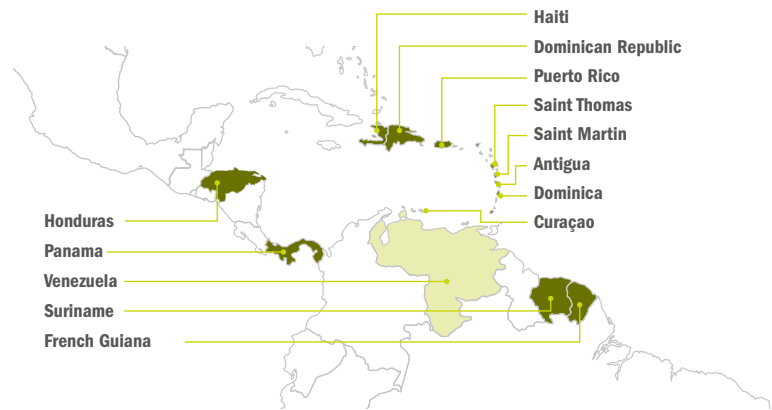
**75%** cement supply contracted share of the total awarded functional units of the first wave.

# CARIBBEAN AND CENTRAL AMERICA REGION

The diverse fundamentals from this region support the stability and growth opportunities, where through our highly profitable operations we adapt our value proposition according to each market's needs.

The divestment of a 20% stake in Argos Panama to Grupo Provienda is consistent with our strategy of partnering with local minority shareholders in this region. Those partners provide value through market knowledge and local networking.

Cement and ready-mix concrete dispatches reached 5 million metric tons, 4.7% higher than in 2015 and 425,000 cubic meters, respectively, driven by the positive performance in Honduras and our trading unit. Revenues closed at USD 551 million and EBITDA at USD 207 million, resulting in a margin of 37.6%, the best margin among all regions.



Durable ready-mix in the *Cinta Costera*, Panama





In Honduras, fiscal discipline and an overall improvement in the macroeconomic environment allowed the central government to design an ambitious infrastructure program through public-private partnerships, focused on improving the energetic supply and roads across the country, which have been designed for concrete construction. These factors support our positive outlook for this market and increase our growth opportunities in it.

As evidence of our confidence, and to continue supporting the Honduran development we restarted our grinding facility in San Lorenzo and inaugurated a distribution center in the northern part of the country. Likewise, we highlight the unification of our Argos Brand in October and our participation in important construction works such as the Civic Center and the road “Carretera del Sur”.

In Panama, the increased fiscal income received from the Canal expansion will boost the infrastructure and housing plans in a country characterized by its high employment levels. This fiscal income will be distributed throughout the country bringing more development to other regions outside Panama City.

In the other countries, we obtained positive results in spite of the adverse weather conditions. Similarly, the positive performance of our trading operation allowed us to continue



Employees at Comayagua Plant, Caribbean and Central America Region

## IN THIS REGION WE SERVED

# 36

**DESTINATIONS FROM 20 SOURCES, THANKS TO OUR CONSOLIDATED TRADING AND SUPPLY NETWORK.**

consolidating a supply network that reached 36 destinations supplied from 20 origins. In French Guiana, we launched the Argos Brand and participated in the Ariane 6 Space Platform project and developed the road binding technology that we will replicate in all of our operations throughout our different geographies.

The implementation of our BEST program in this region resulted by a higher reliability factor by 20 basis points for the kiln in Honduras, a reduction of the clinker-to-cement factor of 150 basis points and an optimization of our best-in-class maintenance expenses in the region, which is translated into higher efficiencies and savings in the production processes.

In the region, as in every other operation, we continue advancing in our commitment for best practices in terms of Safety and Occupational Health with our program I Promise. As a result, the frequency and severity indexes improved 12.6% and 47.5%, respectively, in regards to 2015.

# EMPLOYEES AND OPERATIONS THAT SEEK SOCIAL DEVELOPMENT

Our expectation for the future goes beyond the production of cement and ready-mix. It is coherent to our principle of generating value through diversity and multi-culturalism, which in addition to innovation and sustainability, transforms lives and creates social development.

Daily, we reinforce the development of our human talent as a strategic objective that allows us to reach each one of our goals. Taking this into account, and in line with our humans rights, gender equality and diversity and inclusion policies, we developed training tools that allows us to promote, attract and retain our talent.

Examples of these are the Educa system, through which we have given 611.417 training hours in 2016, the Global Management and Strategic Execution Excellence Program in Harvard USA, in which 55 members from top management of the companies of Grupo Argos participated, and; the Leadership for Equity Program with the University of Berkeley, which

ended its second training cycle with the participation of 35 women executives from Argos.

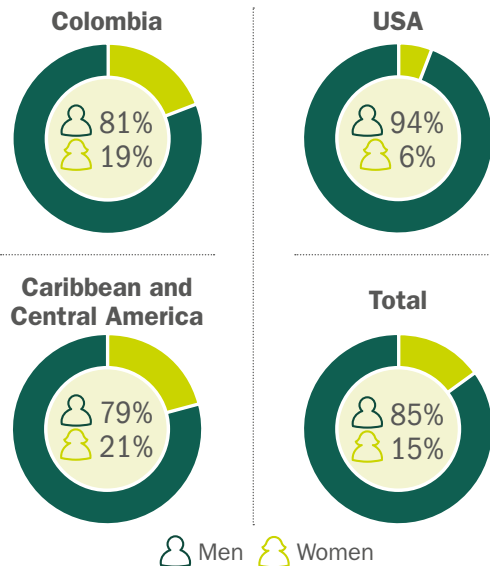
In the execution of our Talent Policy, we gave priority to internal promotion in selection processes, thus, we highlight the appointment of the vice-presidents in both Innovation, and in the Caribbean and Central America Region as part of our succession program. Also the commitment of the organization for gender equality was awarded in the cement business in Colombia with the Equipares certificate, given by the Program of United Nations for Development and the Labor Ministry of this country. And in the same country, our concrete business was again ranked Level II – Silver.

The appraisal model is clearly aligned with our strategy. As proof of this, during 2016 the company increased its coverage to employees in technical and operative levels, and the variable compensation of the top management team was focused in our main corporate goals such as: Industrial Security and Occupational Health, return over capital and DJSI results.

Employees at Rioclaro Plant, Colombia Region



## EMPLOYEES BY GENDER





Argos Center for Innovation, Medellín, Colombia

# ACHIEVEMENTS AND RECOGNITIONS

Among other achievements during the year, we highlight the LEED Certification received by the Argos Innovation Center in the BD+C category (Building Design+Construction), making it, the first project in Latin America to receive 64 points in this category by the US Green Building Council.

Also, and for the fourth consecutive year, Argos was included in the Sustainability Yearbook of RobecoSAM, and for the first time we received the Gold Class distinction thanks to the best practices and the results obtained in the Dow Jones 2016. Likewise, the company was included in the emerging market category as a member of the FTSE4good, which is not only used by investors for decision making, but also is one of the three more important sustainable stock indexes in the global market.

Additionally, the company received the IR recognition, granted by the Bolsa de Valores de Colombia (Colombia Stock Market) due to the best practices regarding relations with investors and the clearness and transparency of information provided to the market and shareholders.

At the end of the year, the Corporate Reputation Business Monitor, Merco, in Colombia, ranked Argos as the fourth Colombian company with the best reputation due to its economic and financial results, quality of its value proposition, internal

reputation, ethical and corporate responsibility, international dimension and innovation. The Shared Service Center started operations in November, looking forward to standardize processes and create synergies. It will allow us to achieve savings of around USD 3.5 million per year.

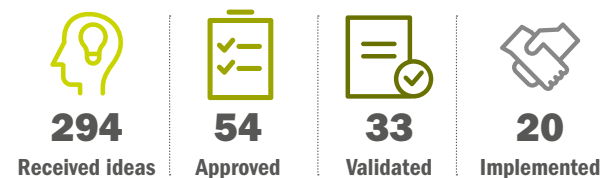
Cementos Argos is a company that recognizes the need to transform and reinvent itself constantly to face the challenges of a dynamic market. In this sense, we obtained 15.8% of our consolidated revenues from innovation and had 33 new validated ideas in 2016 through Ideaxion, our innovation program.

We also want to that as proof of, our commitment to share the best practices and actions with all our stakeholders, in 2016 we made the first recognition event in our supply chain.

## IDEAXION

In 2016 

**956** employees actively participated in our innovation management platform



# TO CONCLUDE

The geographic diversification of our operations is one of our main strengths, which adds to a balanced, flexible and efficient capital structure, and a clear strategy, which will allow us to continue growing in the long-term adding value to our stakeholders.

Thanks to the high performance of the human talent of Argos, we will continue to consolidate our privileged network in the US, accompany the infrastructure transformation of Colombia and continue capturing growth opportunities in the Caribbean and Central America.

We have good prospects for 2017, a year in which our main objective will be to position ourselves as a highly efficient player, in all the

markets where we are present, through the implementation of each pillar of BEST. This will allow us, not only to face the challenges of the industry, but also to reach our expansion and consolidation goals in the Americas.

Thus, we will continue to seek new growth opportunities to add value for the shareholders, customers, communities, employees, suppliers and other stakeholders.

Thank you for joining us through this path, which we will continue to follow with strong and concrete steps to bring Green Light of progress and development to all countries and territories where we operate!

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Employees at Harleyville,  
USA Region



# LEGAL AFFAIRS

With regards to the legal affairs, we report that in 2016, there were no important operations affecting partners or managers.

The detail of the operations carried out with associates are shown in notes No. 37 and 41 of the separate and consolidated financial statements and reports, respectively. The special report referred to in Article 29 of Law 222, 1995 is on the web page. The summary of the operations referred to in the third numeral of Article 446 of the Code of Commerce can be read in the brochure, and the detail of each of these operations can also be found on the web page for investors [www.argos.co/ir](http://www.argos.co/ir). It is important to highlight that this document was part of the information that was available to shareholders during the period provided by law for the right of inspection.

The company has strictly complied with the rules governing intellectual property and copyright, for which it has designed and observed the policies and the necessary controls to ensure compliance and the support of these applications are kept.

Also, the company has strictly complied with the personal data protection law. Likewise, we put on record that Argos did not interfere with the free circulation of the invoices issued by vendors or suppliers.

The effectiveness of the established controls in the company and the existing systems have been verified and satisfactorily evaluated for the purpose of the disclosure and control of the financial information, finding that they function properly.

In 2016, we continued with the implementation of the changes made to the Anti-Money Laundering and Combating the Financing of Terrorism Self-Control and Management System (AML/CFT SCMS), contained in the manual approved by the Board of Directors, and binding to Cementos Argos and its subsidiary companies.

As part of this implementation, employees and suppliers were trained. The effectiveness of the associated controls in the different processes also validated.

In 2016, we complied with reporting to the Colombian Financial Information and Analysis Unit (or UIAF, its Spanish acronym) for the companies required to do so, as well as the compliance officer's reports to the Board of Directors.

The judicial and administrative processes, and in general, the whole juridical situation of the company, resulting from the above mentioned processes, have developed normally without adverse judgement with significant impact.

## **Events post-2016:**

Continuing with the non-strategic asset divestment plan, we continued with the process of divesting most of our Bancolombia shares package, reducing our participation from 4% in 2016 to 0.54% at the end of January 2017.

Cementos Argos, through its subsidiary Wetvan Overseas Ltd., acquired all of the shares of the company Essroc San Juan Inc., which operates a business of clinker and cement production in Puerto Rico. The transaction was made for an amount of around USD 8 million and the seller was Essroc Cement Corp.





# 01

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## Our Purpose

This chapter refers to our Intellectual Capital

# HOW WE CREATE VALUE

## WORLD MEGATRENDS

### External environment



Low energy costs



Vibrant economic growth in the USA



Decreasing logistic costs



Disruptions enabled by technology



Digitalization



Increasing environmental awareness and regulations

## ARGOS STRATEGY

### Internal environment



2015 - 2025 Plan



**BEST:**  
Building Efficiency and Sustainability for Tomorrow



Governance



Strategic and emerging risk management  
See page 34



Sustainability Policy

## INPUTS

### Argos material aspects and International Integrated Reporting Initiative capitals

#### Financial

Profitability and capital structure

#### Manufactured

Expansion and consolidation

#### Intellectual

- Innovation
- Sustainable construction
- Ethics and compliance

#### Human

- Health and safety
- Talent management

#### Social and relationship

- Community engagement
- Customer relationship management
- Supply chain management

#### Natural

- Carbon emissions and climate change
- Other air emissions
- Water management
- Biodiversity
- Energy and co-processing



## BUSINESS ACTIVITIES > OUTPUTS



## OUTCOMES

### Financial

We assure a sustainable investment for our shareholders.

### Manufactured

We seize new market opportunities while optimizing our logistics.

### Intellectual

We create knowledge that adds value along the value chain and for our stakeholders, creating new products and services, and increasing our revenues and operational efficiency while reducing environmental impacts.

### Human

We develop the skills of our human talent while encouraging safe and healthy working environments.

### Social and relationship

We improve our engagement mechanisms with our stakeholders ensuring transparency and receptiveness.

### Natural

We strive to reduce the environmental footprint of our products by reducing energy consumption, CO<sub>2</sub> emissions, other air emissions, and water consumption, and by using alternative fuels and materials.

**In 2016, we created an estimated net value to society of USD 929.3 million according to the monetization of externalities in our Value Added Statement.**

\*See our 2016 Value Added Statement - VAS on page 28




# VALUE ADDED STATEMENT (VAS)

At Argos, we believe in working with others to become part of the solution to many of the global challenges we face today. This is why we strive to create value for our stakeholders through responsible operations and effective management strategies.

The value we create for society is reflected in our financial statements, but we create additional intangible value through the economic, environmental, and social effects of our operations. Such effects are costs and benefits that are involuntarily assumed by society and are also known as externalities.

Conscious of this, we launched an initiative that allows us to assess and actively manage each of the main externalities associated to our operation. Using KPMG's True Value methodology, we developed the Value Added Statement (VAS), a tool that provides important insights on the ways through which we retain, add, or reduce value for the society as a whole.

This approach allows for a wide range of applications within our company, which we will further explore in order to achieve 3 main objectives:

- **1.** Make better informed and more responsible business decisions
- **2.** Manage our risks more accurately
- **3.** Enhance our transparency by presenting our stakeholders more holistic, fact-based information

## The statement

The VAS model is designed to calculate the net value we add to society during a given fiscal year. Final results are portrayed as a financial bridge graph, which begins with the value we retain in the form of earnings. The positive or negative amount in each of the subsequent bars shows the societal value created or reduced by each externality. The final bar represents the net value added to society after all externalities have been accounted for.

The VAS results to date are calculated through a customized model based on a set of assumptions\*.

Current approaches could be refined further as new studies become available. Nevertheless, they reflect the order of magnitude of our added value in monetized terms, which can help us to increase our corporate and societal value over time.



Martinsburg plant, USA Region

**THE VALUE ADDED STATEMENT (VAS), IS A TOOL THAT PROVIDES IMPORTANT INSIGHTS ON THE WAYS THROUGH WHICH WE RETAIN, ADD OR REDUCE VALUE FOR THE SOCIETY AS A WHOLE.**




# METHODOLOGY

During 2016 we went through the following steps:






# EXTERNALITIES






## Economic\*

 <p><b>Salaries and benefits</b> Impacts on the economy deriving from the remuneration of employees.</p>	 <p><b>Interests and dividends</b> Impacts on the economy related to interest and dividend payments to financial institutions and investors.</p>	 <p><b>Taxes</b> Impacts on the economy associated with tax payments to the governments of the countries in which we operate.</p>
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## Social

 <p><b>Talent development</b> Impacts deriving from human capital development enhanced by training programs.</p>	 <p><b>Community investment</b> Impacts of projects on housing, community, and educational infrastructure, scholarships and others.</p>	 <p><b>Health and safety</b> Impacts on workers and communities associated with occupational incidents (injuries &amp; fatalities) and illnesses.</p>
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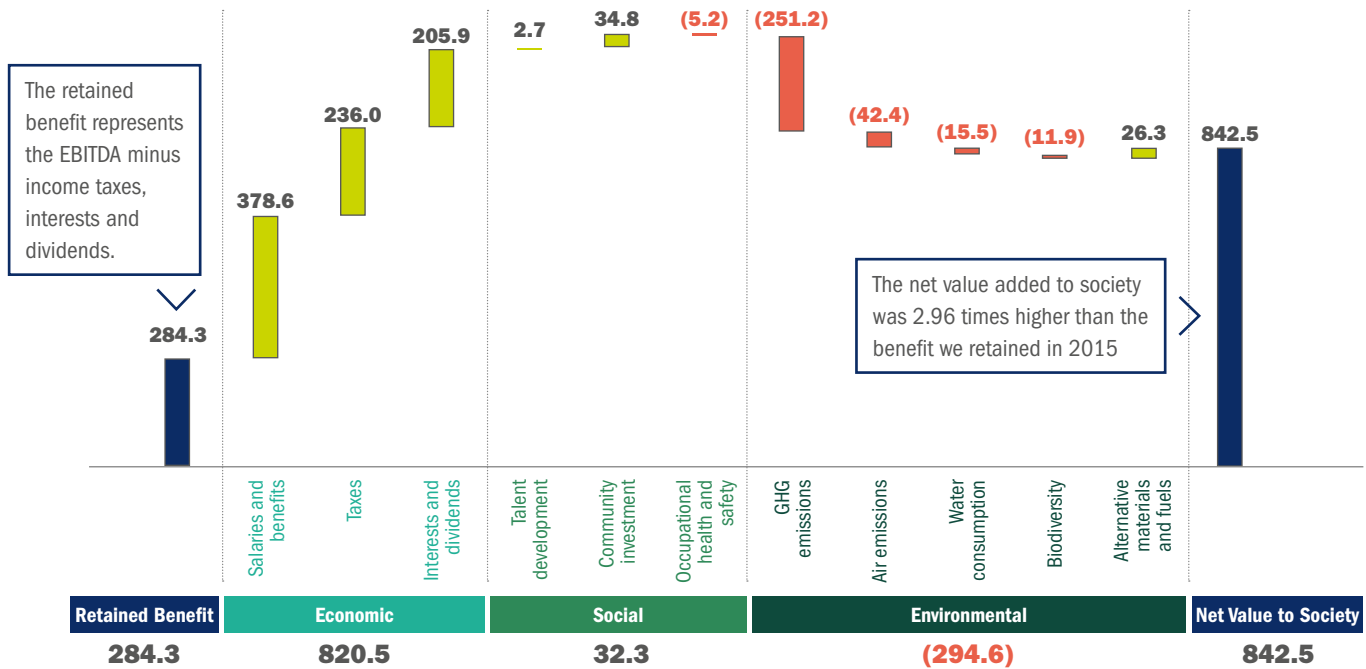
## Environmental

 <p><b>GHG emissions</b> Climate change impact through GHG emissions (Scope 1 &amp; 2).</p>	 <p><b>Air emissions</b> Air pollution impacts associated with Cementos Argos' emissions of NO<sub>x</sub>, SO<sub>x</sub> and particulate matter.</p>	 <p><b>Water consumption</b> Impacts on water scarcity caused by our water consumption.</p>
 <p><b>Biodiversity</b> Impacts on biodiversity via extraction operations and facilities as well as offsets and rehabilitation programs</p>	 <p><b>Alternative materials and fuels</b> Impacts of replacing raw materials and fuels with alternative ones, which results in avoided CO<sub>2</sub> emissions.</p>	

\*The data used for calculating both Retained Benefit and Economic Externalities includes our recently acquired Martinsburg plant in West Virginia, USA, in line with our financial statements. Societal value created by economic externalities was corrected to reflect potential economic inefficiencies, i.e. corruption-related activities in the economy. For more information visit our full VAS report at <http://reporteintegrado.argos.co/pdf/vas.pdf>

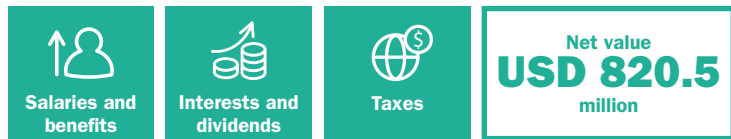
# VALUE ADDED STATEMENT FOR 2015

Figures in USD million  
Positive | (Negative)



## Economic

We create indirect economic effects through increased demand and spending from households and sectors in the economy. These effects arise from the payments regarding salaries & benefits, taxes, interests and dividends.



## Social

The net benefit associated to social externalities accounted for USD32.3 million, which resulted mainly from Community Investment. In 2015, they accounted for 93% of total benefits derived from social externalities.



## Environmental

GHG emissions are currently the most significant environmental externality, accounting in 2015 for 78% of the overall costs to society derived from environmental impacts. However, during this year the increasing use of alternative materials and fuels also allowed us to avoid 10.5% of the societal cost of GHG emissions.



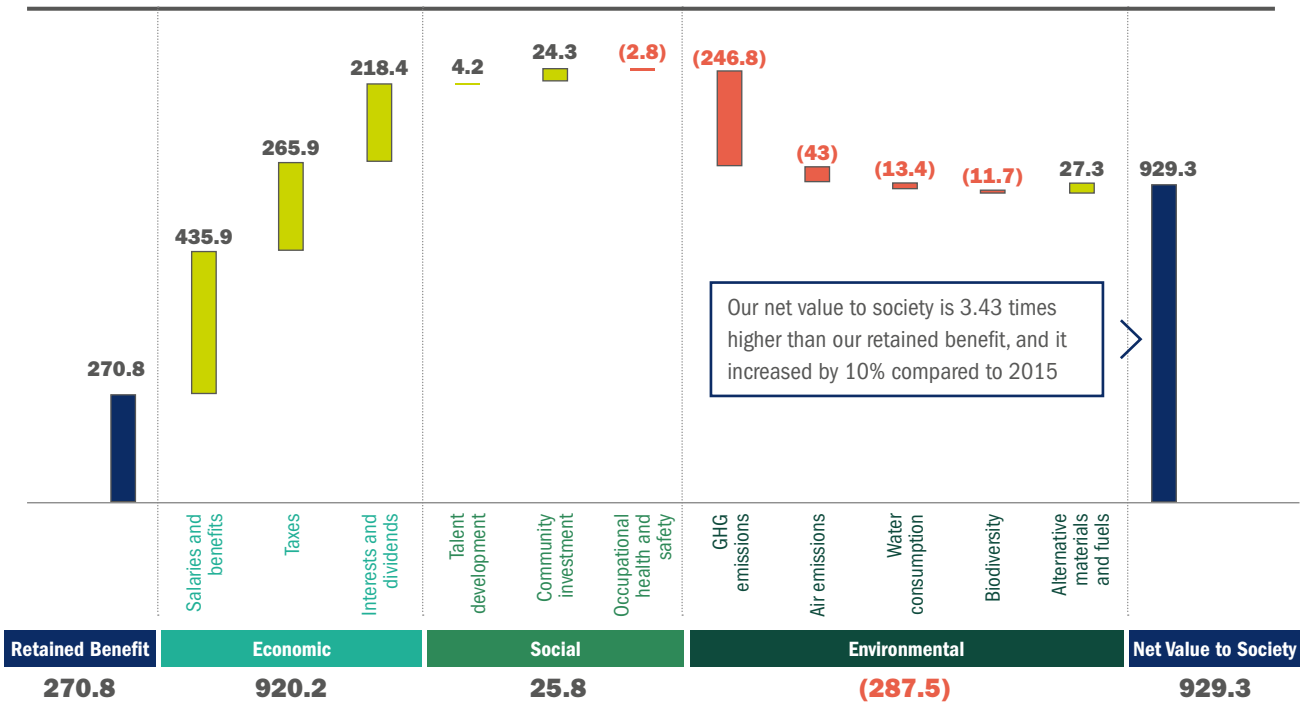
## Net Value to Society

The net value added to society in 2015 was USD 842.5 million, 2.96 times higher than the benefit we retained during the same period.

**Net value USD 842.5 million**

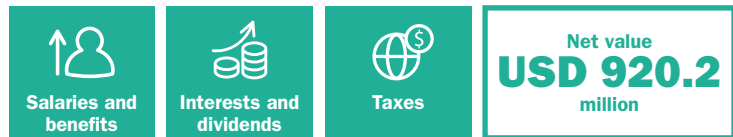
# VALUE ADDED STATEMENT FOR 2016

Figures in USD million  
Positive | (Negative)



## Economic

In 2016, economic externalities accounted for a net benefit of USD920.2 million and increased by 12% compared to 2015.



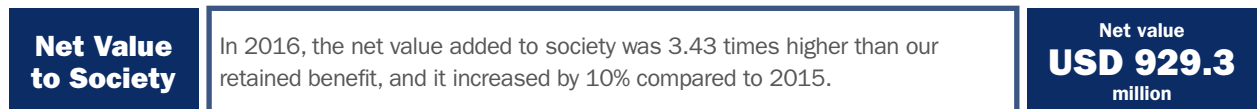
## Social

The net benefit from our social externalities in 2016 derived mainly from Community Investment. Thanks to the I Promise project, the societal cost associated to occupational incidents and illnesses decreased by 47% compared to 2015.



## Environmental

The environmental effects of our operations accounted for a net cost to society of USD287.5 million in 2016. This amount is 2% lower than the net environmental cost in 2015. This result is mostly explained by an 8% decrease of our GHG emissions. Also, by the fact that 11% of the societal cost derived from our GHG emissions was avoided through the use of alternative materials and fuels during 2016. Another significant reduction was the societal cost derived from our Water Consumption, which decreased by more than 13%. There was an additional reduction of almost 2% in the net cost associated to Biodiversity with respect to 2015.



# BUILDING EFFICIENCY AND SUSTAINABILITY FOR TOMORROW: BEST



## OUR MANAGEMENT APPROACH

### What is BEST?

Launched in 2016, BEST is an efficiency accelerator initiative that seeks to achieve organizational excellence and competitiveness.



### Added value to the company

The main purpose of BEST is to generate a positive impact on our productivity and cost reduction throughout our operations. It seeks to continuously make our business model more efficient with a clear focus on return on capital employed.

### Added value to society

BEST is a key element in our strategy that will allow us to increase competitiveness in the long run in order to keep generating value for all our stakeholders.

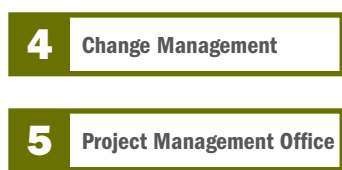
### Governance

BEST has a governance structure led by our CEO and our Executive Committee.

### Leading teams



### Support teams



## 2016 PERFORMANCE

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Through implementation of BEST, we aim to reduce the cost per ton by about six dollars in 2017.



### Operational transformation

Optimize of our network to concentrate production in the most efficient dry process plants.



### Implementation of new and lean technologies

Expand our production capacity, to improve our clinker-to-cement ratio and optimize cost per ton.



### Alternative fuels use

Increase their use to reduce fossil fuels consumption contributing to the environment, with the correct disposal of used tires and other urban waste. This allows us to reduce global carbon emissions and improve the cost of energy per ton.



### Administrative synergies

Achieve economies of scale, integrate and standardize processes to achieve efficiency and a disciplined use of resources.



### Optimization of non operational assets

Focus our capital on cash-flow generation of our core business, including the divestment of non-core assets.



Co-processing at Comayagua Plant, Honduras, Caribbean and Central America Region

**“OUR GOAL IS TO BECOME CHAMPIONS OF EFFICIENCY, WHICH IS THE ONLY WAY TO REMAIN SUSTAINABLE OVER TIME”.**

**JUAN ESTEBAN CALLE | CEO**

Rioclaro Plant, Colombia Region



# STRATEGIC AND EMERGING RISK MANAGEMENT

102-15

VALUE CHAIN BOUNDARIES

Suppliers

Argos

Clients

Society

## OUR MANAGEMENT APPROACH

### Added value to the company

We create value by facilitating a control and prevention environment through the Integrated Risk Management System (IRMS), which establishes a methodological framework that manages events that can affect the achievement of the company's objectives.

### Added value to society


We evaluate impacts that our activities may have on society and the environment, encouraging responsible behavior that contributes to sustainable stakeholder development.

#### STRATEGIC RISKS

1. Decrease of market share or profitability due to inefficiency in the supply chain
2. Loss of licenses or mining titles
3. OH&S impacts on employees, assets, and facilities
4. Impacts on the environment
5. Changes in regulations and standards
6. Information security
7. Effects on reputation
8. Penalties and effects on reputation resulting from investigations for competition laws
9. Interaction with communities in the operations' influence areas
10. Market risks (competition, imports, new incoming products, substitutes, and prices)
11. Country Political Risk
12. Risks associated to variables and financial management (liquidity, market, credit and exchange rate)
13. Impacts on operations by natural events
14. Fraud, corruption and money laundering and terrorism financing
15. Risks associated to the supply, reliability and variability of energy costs
16. Talent, knowledge, and human rights risks when not aligned to our business goals and needs

### Initiatives, commitments, and policies


 Environmental Policy

 Carbon Disclosure Project

 Cement Sustainability Initiative

 Global Compact

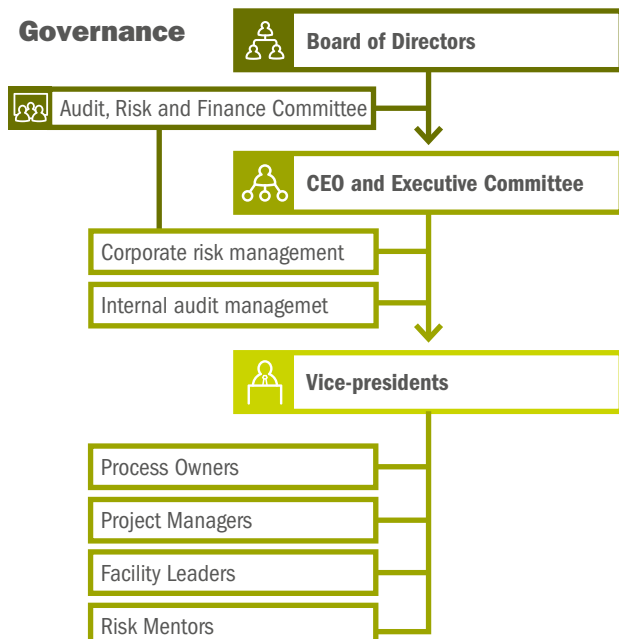
 OHS Policy

 Risk Management, Anti-fraud and Sustainability Policies

 Risk-based Management Models

 CEO Water Mandate

### Governance





### Strategic risks

**A-R11 A-R12** A strategic risk to our company is any significant event with a potential negative impact on our strategic objectives.

Through the Integrated Risk Management System (IRMS), we perform risk identification from a strategic perspective, which means management of risks to processes, projects, and facilities in all our operations, as well as to corporate governance, sustainability, and the continuity of operations. This focus allows us to align relevant aspects such as environmental management, communities, safety, regulations, and financial aspects, among others, with a global management focus that supports the successful execution of our strategy.

### Emerging risks

**A-R11 A-R12** An emerging risk is an event whose nature and consequences are not fully known. They are considered to happen at large-scale and arise from global trends. In this sense, we analyze and monitor them in order to be prepared and reduce the potential impacts on our business.

We have identified 14 emerging risks related to the top global trends, including climate change, innovation, demographic changes, technology, macroeconomic indicators, and new governments and their policies. We have defined their possible impacts and related opportunities for the company, and we have also created action plans that can help us prevent or mitigate them.

**A-R11 A-R12** See full list of strategic and emerging risks: <http://reporteintegrado.argos.co/our-purpose/strategic-and-emerging-risks/?lang=en>



Employee at Roberta Plant, USA Region

102-30

## 2016 PERFORMANCE

- Consolidation of risk-based management models for communities, mining titles, human rights, nature events, and climate change.
- Quantification of strategic risk scenarios.
- Support to the OHS management system, in the definition and implementation of the methodology for the occupational and health risks analysis.
- Risk analysis for our main facilities including, causes, key controls, and action plans.

### 2016 GOAL TRACKING



- We achieved a 90% completion for the basic stage of the risk management maturity model.
- We worked on risk-based management models.
- We developed strategic risk maps by country for the CCA and USA regions.

### 2017 GOALS

- We will consolidate the strategic risk maps for Colombia, CCA, and USA.
- We will reach 65% for the intermediate stage of the maturity model proposed by our international insurance company, Sura.
- We will consolidate the risk-based management models.
- We will consolidate the emerging risks.

# SUSTAINABILITY STRATEGY

At Argos, sustainability is a fundamental part of our business vision. It is one of our eight strategic priorities. This approach ensures durability over time and a competitive position in a market that is becoming more dynamic, producing not only products and services that truly add value for our stakeholders and society, but also establishing a proper manner of behaving and conducting our operations in all the regions where we are present.

## Sustainability Policy

**102-40 102-43** We seek the sustainability of our operations through balance between revenue generation, social development, and the reduction of environmental impacts. This is possible through positive relationships with our stakeholders, our principles of good governance, and the Global Compact.

## Sustainability Strategy



## Value propositions



### Employees

Promote the development and wellbeing of our employees in a global structure of innovation, teamwork, respect, and environmental awareness.



### Customers

Be the best business partner to our customers by providing quality products and services in a responsible value chain.



### Communities

Promote neighborly relations with the communities of influence and support social development.



### Suppliers and contractors

Foster harmonious and equitable relations that honor responsible labor, social, and environmental practices.



### Shareholders

Be transparent in the management of information and seek the greatest generation of value.



### Environment

Develop productive activities in a responsible way, decreasing or offsetting the environmental impacts.



### Authorities

Comply with the law and maintain good relations with different governing bodies.

102-12



Our Sustainability Policy reflects our commitment to national and international initiatives, which include voluntary frameworks on human rights, natural resource management, and transparency.

In order to keep our sustainability strategy relevant and adequate in a changing environment, this year we will update our stakeholder prioritization, materiality analysis and Sustainability Policy.

We believe that the continuity of our business is greatly dependent on how efficient we can be in the use of natural, financial, intellectual, social, manufactured, and human capital. Therefore, we have made our Sustainability Strategy operational by creating the BEST (Building Efficiency and Sustainability for Tomorrow) Initiative, which seeks to optimize resource consumption and maximize benefits for the organization. For more information about BEST, see page 32.

102-13 To see the full list of our memberships and associations go to: <http://reporteintegrado.argos.co/pdf/SustainabilityStrategy.pdf>

102-19 102-20 Governance



102-19 102-20 Our Board of Directors, as our highest governing body, has a Sustainability and Corporate Governance Committee, which oversees the implementation of the Sustainability Strategy, monitors and evaluates the organization’s performance and addresses critical and strategic developments related to sustainability issues.

The Sustainability Vice Presidency is responsible for executing the Sustainability Strategy and assuring that the Board’s guidelines on sustainability are applied throughout the organization. Additionally, our governance structure includes regional Sustainability Liaisons who are responsible for connecting corporate strategies and decisions with local operations.



Quarry rehabilitation at Sogamoso Plant, Colombia Region

# MATERIALITY ANALYSIS

**102-46** An important component of our Sustainability Strategy is the Materiality Analysis through which we identify, prioritize, and validate material topics for our organization. When we determined our material topics, social, economic and environmental impacts were taken into consideration, as well as the boundaries, positive or negative impacts, of each one of them. The level of relevance of each topic for stakeholders, as well as their associated impacts, were taken into consideration in order to

determine which topics were the most important to our organization.

Our materiality assessment, which is performed biannually, takes into consideration the opinions and interests of our stakeholders, as well as the principles and guidelines set by our Sustainability Policy, emerging and current risks and opportunities, our strategic priorities, and our commitment to national and international initiatives. The process is as follows:



## Identification

We research national and international trends and review good practices and innovative approaches. Also, we conduct a detailed peer review, map our risks and opportunities, and finally come up with a list of potential material topics.

This first step is carried out based on research of publicly available information and consultations with our stakeholders.



## Prioritization

In the prioritization phase we contrast the company's strategic priorities and commitment to national and international frameworks with the perceptions of key stakeholders, with whom we hold a series of workshops and meetings.



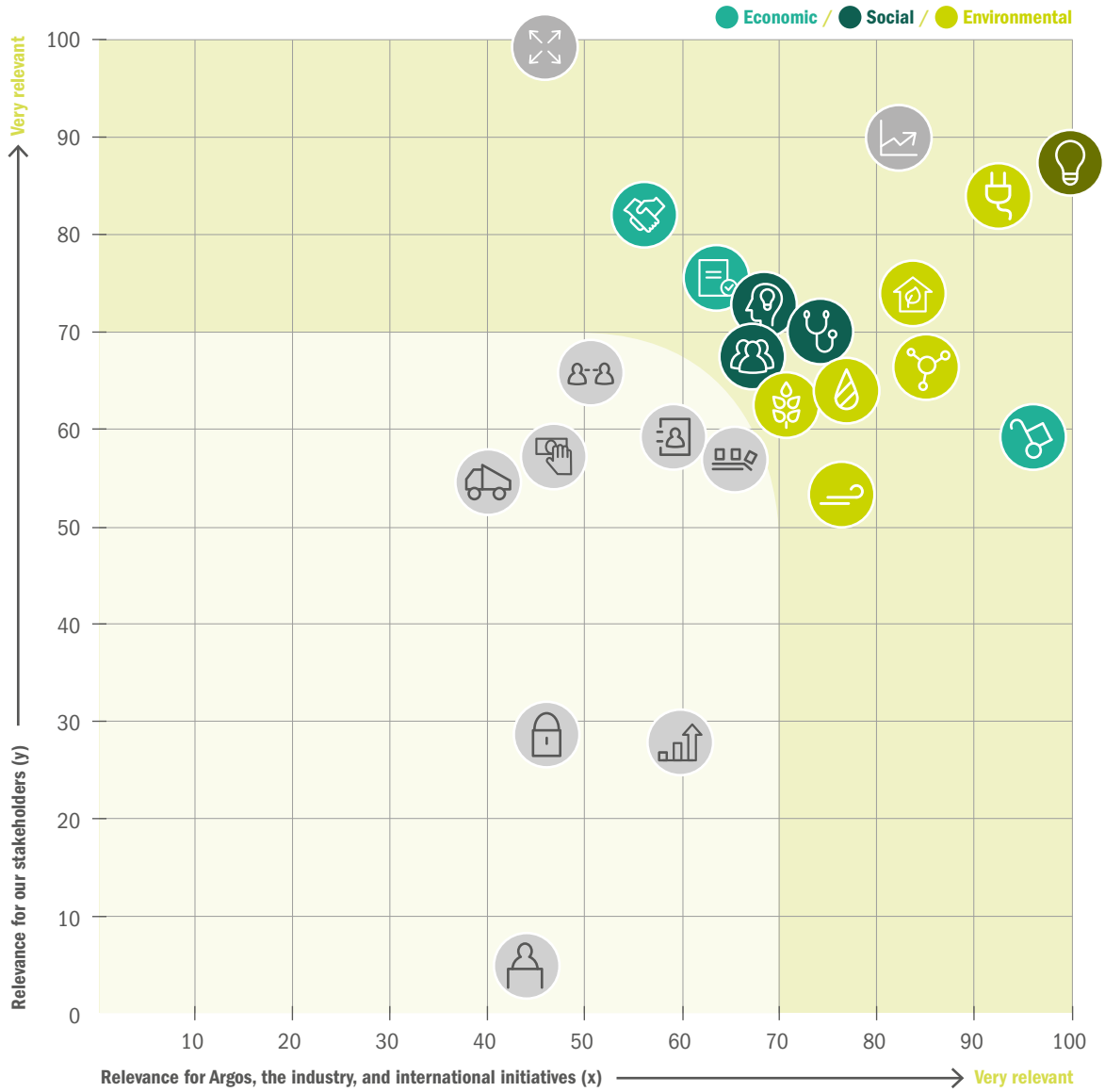
## Validation

In this phase, the results of the identification and prioritization phases are consolidated and taken to the Executive Committee for approval.

**OUR MATERIALITY ANALYSIS, TAKES INTO CONSIDERATION THE OPINIONS AND INTERESTS OF OUR STAKEHOLDERS AS WELL AS THE PRINCIPLES AND GUIDELINES SET BY OUR SUSTAINABILITY POLICY, EMERGING AND CURRENT RISKS AND OPPORTUNITIES, AMONG OTHER INPUTS.**

Employees at Roberta Plant, USA Region





102-47

**Material topics**

- Innovation
- Energy and Co-processing
- Profitability and Capital Structure
- Sustainable Construction and Materials
- Supplier Development and Management
- CO<sub>2</sub> 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

**Other relevant topics**

- Operation Models Standardization
- Human Rights
- Antitrust
- Fight Against Fraud, Corruption, Money Laundering and Terrorism Financing
- Waste Management
- Economic Impact
- Product Safety and Quality
- Political Contributions

# SUSTAINABLE DEVELOPMENT GOALS - SDGs



As part of our commitment to the world's leading sustainability initiatives, this year we began incorporating the SDGs into our sustainability strategy. Through a participative process in which more than 40 employees from all of our regions participated, we identified and prioritized the SDGs that we will be addressing as a company in upcoming years.

We firmly believe that our organization can contribute to the achievement of the goals of Decent Work and Economic Growth; Industry, Innovation and Infrastructure; Sustainable Cities and Communities and Climate Action. On the other hand, we have found that these four SDGs, are perfectly aligned with our current sustainability strategy, which reinforces the

commitment to contributing to society by building dreams that transform the lives of people.

We are aware of the interdependence and the importance of all 17 SDGs, and we are sure that by focusing on the four prioritized SDGs we will be able to create an indirect impact on all SDGs.

In 2017, we will continue to align the SDGs with our strategy and focus on specific goals for each of the four SDGs to which we are committing. Furthermore, we will set a specific target for each goal and determine the KPIs that will allow us to measure our progress. We will develop action plans for the short, medium and long term that will allow us to meet the targets set.

Argos Center for Innovation, Medellin, Colombia





Biodiversity at Panama Plant, Caribbean and Central America Region

## SDGs AND ARGOS' SUSTAINABILITY STRATEGY

Sustainable Development Goal	Argos material topics				
	 <p>Expansion and Consolidation</p>	 <p>Profitability and Capital Structure</p>	 <p>Talent Management</p>	 <p>Occupational Health and Safety</p>	
	 <p>Innovation</p>	 <p>Customer Relationship Management</p>	 <p>Supply Chain Management</p>		
	 <p>Sustainable Construction and Materials</p>	 <p>Community Engagement</p>	 <p>Regulatory Compliance</p>		
	 <p>Energy and Co-processing</p>	 <p>CO<sub>2</sub> Emissions and Climate Change</p>	 <p>Water Management</p>	 <p>Biodiversity</p>	 <p>Other Air Emissions</p>

\*In each chapter of the material topics you will find de respective SDG logo

# OUR STAKEHOLDERS

103-1

VALUE CHAIN BOUNDARIES

Suppliers

Argos

Clients

Society

103-1

## OUR MANAGEMENT APPROACH

### Added value to the company

Our sustainability strategy favors open, direct, and transparent relations that allow us to identify and manage risks and opportunities. This ensures a broader vision for decision-making, thus complying with the value promises set forth in the policy and fulfilling the expectations of our stakeholders.

### Added value to society

102-43 Our vision goes beyond economic, social and environmental responsibility and includes shared value generation for all our stakeholders in order to address common challenges through strategic alliances.

## 103-2 STAKEHOLDER RELATIONS AND GOVERNMENT

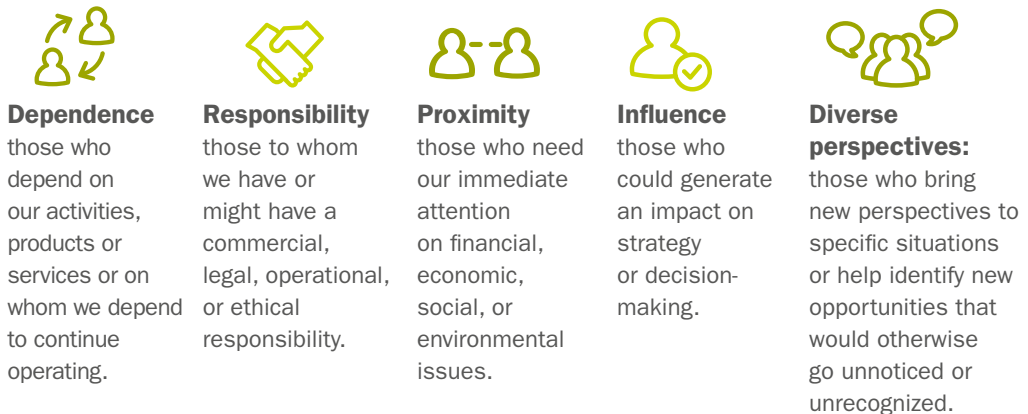
### 102-40 102-43 Main department that manages the engagement with each stakeholder



### Frameworks:

- Code of Good Governance
- Code of Conduct
- AA1000SES
- Procurement Manual
- Environmental Policy
- Talent Policy
- Human Rights Policy
- Diversity and Gender Equality Policy

### 102-42 At Argos we identify our stakeholders based on the following five criteria proposed by the AA1000SES standard:





# 2016 PERFORMANCE

We increased our stakeholder participation by 9.9% in the Dialogues for Sustainability sessions and we held our first session with strategic investors.

102-21 102-43 102-44 See full list of topics discussed with stakeholders at: <http://reporteintegrado.argos.co/pdf/OurStakeholders.pdf>

- During Sustainability Week, we launched I Promise Health and Safety Management System, with active assistance of 3,939 participants, 28% more than in 2015, including communities, suppliers and employees.
- We strengthened our relationship with our suppliers through the “Growing Together” Award which recognizes sustainability and innovation best practices.

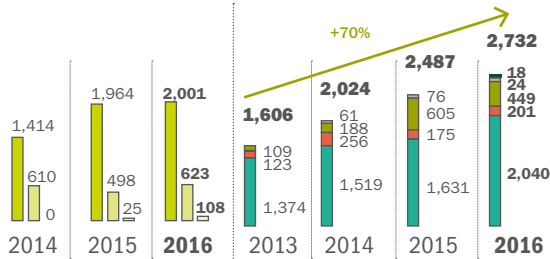
In 2016, 14 suppliers from the CCA and Colombia regions were awarded.

- We conducted a training program for Public Forces on Human Rights, in the Colombian Region.
- We reviewed the corporate methodology for mapping local stakeholders and piloted it in Cartagena, Colombia.

## Upcoming challenges

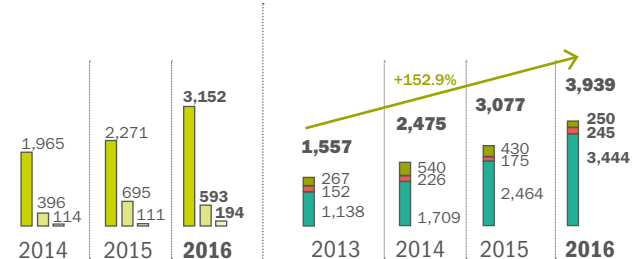
- To design a stakeholder plan specifically oriented to enhancing sustainability practices through new and existing engagement mechanisms.
- To continue incorporating the results from the stakeholder engagement mechanisms into the sustainability strategy.

### Attendance to the Dialogues for Sustainability



■ Colombia ■ Caribbean and Central America ■ USA ■ Employees ■ Suppliers ■ Communities ■ Clients ■ Shareholders

### Attendance to Sustainability Week



## 2016 GOAL TRACKING

- We increased participation in the Sustainability Dialogues. stakeholders in Sustainability Week.
- We increased the participation of We reviewed and update the methodology for mapping local stakeholders.

## 2017 GOALS

- We will design a stakeholder engagement plan.
- We will review and upgrade the Sustainability Policy.
- We will review and upgrade Argos' strategic stakeholders.
- We will focus sustainability dialogues on key local stakeholders and include for the first time suppliers and communities in the USA Region.



Employees at Panama Plant, Caribbean and Central America Region

# CORPORATE GOVERNANCE

VALUE CHAIN BOUNDARIES

Suppliers

Argos

Clients

Society

## OUR MANAGEMENT APPROACH

### Added value to the company

Our corporate governance ensures accountability at every level through an efficient decision-making process that is transparent to all stakeholders, preventing potential conflicts and providing mechanisms for their resolution.

### Added value to society

Our corporate governance practices guarantee that our interactions with all our stakeholders take place in accordance with the highest standards of integrity, transparency, respect, and equality.

#### 102-26 Initiatives, commitments, and policies



New York Exchange (NYSE)



Latin American Companies Circle



Organization for Economic Cooperation and Development (OECD)



Code of Good Governance



Code of Business Conduct



Sustainability Policy



Human Rights Policy



Global Compact

### Upcoming challenges

To maintain the Colombian Stock Exchange IR Seal and the Colombian Financial Superintendence Known and Recurring Issuer certification.



Executive Committee at Panama

In 2016, we implemented the changes we had introduced in our Code of Good Governance in 2015. We continued with the construction of policies that complement those amendments in order to guarantee compliance with the highest industry standards in the corporate governance field. Some of the measures that were implemented were:

- A minimum deadline of 30 calendar days to call regular meetings of the General Assembly of Shareholders and 15 calendar days for extraordinary meetings.
- Creation of mechanisms that allow shareholders to propose agenda items.
- New rules for the Company's securities negotiation by directors, senior management, and employees.
- Update of the Board and its committees' duties.
- Consolidation of the supporting committees of the Executive Committee.

In recognition of our high transparency, compliance, and corporate governance standards, we were awarded the Colombian Stock Exchange's IR Seal for the second year in a row, and we were certified by the Colombian Financial Superintendence as a Known and Recurring Issuer for the third year in a row.

The General Shareholder Meeting is the highest corporate body constituted by shareholders in the company. The ordinary meeting must be held once a year and as many extraordinary meetings should be held as required for adequate fulfillment of all the duties assigned to it by the Corporate Bylaws and the Code of Good Governance.

102-18 102-19 102-20 102-22 **Governance Structure**

**GENERAL SHAREHOLDER MEETING**

**BOARD OF DIRECTORS**

Chairman  
**JORGE MARIO VELÁSQUEZ**

- **Audit, Finance, and Risks Committee**  
3 members
- **Appointments and Remunerations Committee**  
2 members
- **Sustainability and Corporate Governance Committee**  
2 members

**PRESIDENCY**

CEO  
**JUAN ESTEBAN CALLE**

- **Investor Relations Manager**
- **Audit Manager**
- **Risk Manager**

**EXECUTIVE COMMITTEE**

**JUAN ESTEBAN CALLE**  
CEO

- Committees:**
- Finance and Digital Transformation
  - Governance and Procurement
  - Energy
  - Talent
  - Marketing
  - Innovation

**MARÍA ISABEL ECHEVERRI**  
Sustainability VP

- Committees:**
- Energy
  - Talent

**CAMILO RESTREPO**  
CCA Regional division VP

**ERIC FLESCH**  
US Regional Division VP

**TOMÁS RESTREPO**  
COL Regional Division VP

- Committees:**
- Finance and Digital Transformation
  - Governance and Procurement
  - Energy
  - Talent
  - Marketing
  - Innovation

**JUAN LUIS MÚNERA**  
Legal and Corporate Affairs VP

- Committees:**
- Governance and Procurement
  - Marketing

**JORGE IGNACIO ACEVEDO**  
Talent and Organizational Structure VP

- Committees:**
- Governance and Procurement
  - Talent

**CARLOS HORACIO YUSTY**  
Finance VP

- Committees:**
- Finance and Digital Transformation
  - Energy
  - Innovation

**LUCAS MORENO**  
Innovation VP

- Committees:**
- Energy
  - Talent
  - Innovation

**VÍCTOR LIZARRALDE**  
Technical Matters VP

- Committees:**
- Energy
  - Innovation

# BOARD OF DIRECTORS

## BOARD OF DIRECTORS SKILL MATRIX

DIRECTOR	Ability, experience, and expertise										Diversity			
	Independence	Experience on other boards		Risks	Internal control	Corporate finance	Commercial issues	Industry	Crisis management	Legal issues	Experience in ESG issues	Governance/Public Policy	International	Place of origin
Jorge Mario Velásquez	X				X	X	X	X	X	X	X	X	Colombia	M
Camilo José Abello Vives	X					X	X	X	X	X	X	X	Colombia	M
Cecilia Rodríguez González	X	X						X	X	X	X	X	Colombia	F
Claudia Betancourt Azcárate	X	X	X	X	X			X		X	X	X	Colombia	F
León E. Teicher Grauman	X	X	X	X	X	X	X	X	X	X	X	X	Colombia	M
Esteban Piedrahíta Uribe	X	X	X	X	X	X		X		X	X	X	Colombia	M
Carlos Gustavo Arrieta Padilla	X	X						X	X	X	X	X	Colombia	M

All Directors have skills allowing them to perform properly. These include the following: analytical and managerial skills, a strategic view of the business, objectivity, and the ability to assess top managerial situations. In addition, they are able to understand and question financial information and business proposals and work in a global context.

NOTE: According to the previous analysis made by the Appointments and Compensation Committee of the Board, there are no gaps between the profiles of current members and those enshrined in the Code of Good Governance.

**102-23** **102-27** Seven non-executive members compose our Board of Directors. They all have skills and experience related to economic, environmental, and/or social issues, and none of the members are shareholders of a major supplier or customer.

**The minimum required attendance for Board of Directors sessions is 90 percent, and the average during 2016 was 92.38%.**

1 JORGE MARIO VELÁSQUEZ JARAMILLO	2 CAMILO JOSÉ ABELLO VIVES	3 CECILIA RODRÍGUEZ GONZÁLEZ RUBIO
Grupo Argos S. A.   CEO Patrimonial   Non Executive Member since March 2016	Grupo Argos S. A.   VP. Corporate Affairs Patrimonial   Non Executive Member since 2012 (reelected in 2014)	Corporación Bioparque   CEO Independent   Non Executive Member since 2012 (reelected in 2014)
<b>Board Committee</b>		
Appointments and Remunerations	Sustainability and Corporate Governance	Sustainability and Corporate Governance
<b>Number of memberships to other Boards of Directors</b>		
<ul style="list-style-type: none"> <li>■ Cementos Argos S.A.</li> <li>■ Grupo de Inversiones Suramericana S.A.</li> <li>■ Celsia S.A.</li> <li>■ Compas S.A.</li> <li>■ Odinsa S.A.</li> </ul>	<ul style="list-style-type: none"> <li>■ Cementos Argos S.A.</li> <li>■ Compas S.A.</li> <li>■ Pactia S.A.S.</li> </ul>	<ul style="list-style-type: none"> <li>■ Cementos Argos S.A.</li> <li>■ Bioparque Proyectos S.A.S.</li> <li>■ Fundación Botánica y Zoológica de Barranquilla.</li> </ul>
<b>Sustainability skills</b>		
Yes	Yes	Yes
<b>Attended board meetings</b>		
14/15*	14/15	14/15

\*CEO average

Note: None of the Executive Directors is a shareholder of a relevant vendor / customer of the company.



4	5	6	7
<b>CLAUDIA BEATRIZ BETANCOURT AZCÁRATE</b>	<b>LEON E. TEICHER GRAUMAN</b>	<b>ESTEBAN PIEDRAHITA URIBE</b>	<b>CARLOS GUSTAVO ARRIETA PADILLA</b>
Amalfi S. A.   CEO Independent   Non Executive Member since 2009 (reelected in 2014)	Independent Independent   Non Executive Member since 2012 (reelected in 2014)	Cámara de Comercio de Cali   CEO Independent   Non Executive Member since 2012 (reelected in 2014)	Arrieta, Mantilla y Asociados   Partner Independent   Non Executive Member since 2012 (reelected in 2014)
<b>Board Committee</b>			
Finance, Audit and Risks	Finance, Audit and Risks	Finance, Audit and Risks	Appointments and Remunerations
<b>Number of memberships to other Boards of Directors</b>			
<ul style="list-style-type: none"> <li>■ Cementos Argos S.A.</li> <li>■ Gases de Occidente.</li> <li>■ Promigas S.A.</li> <li>■ Sociedad Portuaria de Cartagena.</li> </ul>	<ul style="list-style-type: none"> <li>■ Cementos Argos S.A.</li> <li>■ Continental Gold. (Canada)</li> </ul>	<ul style="list-style-type: none"> <li>■ Cementos Argos S.A.</li> <li>■ Centro de Eventos. Valle del Pacífico S.A.</li> </ul>	<ul style="list-style-type: none"> <li>■ Cementos Argos S.A.</li> </ul>
<b>Sustainability skills</b>			
Yes	Yes	Yes	Yes
<b>Attended board meetings</b>			
14/15	15/15	13/15	13/15



#### 102-24 Nomination and election

The General Assembly of shareholders is the body responsible for electing or removing Board of Directors members and the statutory auditor; it is made up of an odd number of members large enough to ensure the proper performance of its duties, and it has no substitute members. The process to nominate and elect the Board of Directors follows the rules of the Bylaws, the Code of Good Governance, and the applicable law. First, candidates are proposed by the shareholders. Then the Appointments and Remuneration Committee reviews Candidates' profiles to ensure fulfillment of the minimum requirements. The voting process (by slate) is held during the General Assembly every three years. Nevertheless,

directors may be freely reelected and removed by the General Assembly even before their term is over. Some of the new practices included in our Code of Good Governance are:

- Retirement of the company's president at the age of 62.
- Establishment of a maximum age of 72 to serve on the Board of Directors.
- Classification of members of the Board of Directors as executives, independent, and patrimonial.
- For more detailed information, see the Code of Good Governance, Bylaws.



#### 102-27 Training

Board of Directors are expected to undergo specific training sessions through which they are kept up to date on the Company and its subsidiaries, the business they conduct, and the risks associated to their activities. In 2016, the Board received training on sustainability issues including COP 21, the USA political outlook, business strategy, Value Added Special Products (VASP), CO<sub>2</sub> emissions, taxes, and different social aspects.



#### 102-28 Evaluation

Since December 2015, annual evaluations are alternated yearly between external assessments and self assessments. In 2016, we began with the self evaluation process, which is intended to gather results in the first semester of 2017. The results and main findings of the 2016 self evaluation process are disclosed in the Corporate Governance Report.

See: <https://www.argos.co/ir/en/corporate-governance/report-on-corporate-governance>



#### 102-25 Prevention and management of conflicts of interests

Our Code of Business Conduct establishes clear guidelines for the prevention and management of conflict of interest. Our employees and directors are encouraged to restrain from engaging, directly or indirectly, for their on benefit or that of a third party. In situations that compete against Argos' interests and that could affect the freedom and independence of their decisions.

Likewise, the Board of Directors is required to disclose conflicts of interest with the company through their letters of acceptance to their positions, and they, as well as all collaborators, must also disclose any potential conflict of interest on an annual basis. Furthermore, the Audit, Finance, and Risk Committee is in charge of reporting to the Board of Directors on any conflict of interest that it may be aware of.



#### 102-35 102-36 102-37 Compensation

The General Assembly of Shareholders determines the Board of Directors' compensation, taking into account its structure, duties and responsibilities, as well as the personal and professional qualities of its members and the time they dedicate to their activity.

be approved by the General Assembly in an upcoming meeting.

#### Fixed compensation for 2014-2017

**term: COP \$4,500,000** monthly for members of the Board of Directors.

#### Variable compensation for the 2014-

**2017 term:** In addition to the above, **COP 6,000,000** monthly for being part of the Board of Directors committees (does not apply to members of Grupo Argos).

One of the new duties, of the General Assembly is the approval of the Boards' Remuneration and Succession Policy. The Board started the drafting of this policy during 2016 and it is expected to

For more information please refer to: <https://www.argos.co/ir/en/corporate-governance/codes>

For more detailed information please refer to: <https://www.argos.co/ir/en/corporate-governance/codes>



### 102-22 Board committees

There are three board committees that address specific strategic issues in order to support the Board's responsibilities. The members of each committee are appointed based upon the skills and abilities of its members. Some of the responsibilities of the Board of Directors and its support committees are:

- To promote a culture of control and risk management for the entire organization.
- To monitor issues of regulatory compliance, fraud, corruption, money laundering, and the financing

of terrorism, as well as the management of our Transparency Hotline.

- To define and advise on the adoption of different compensation and remuneration programs, as well as assess the effectiveness of such programs.
- To review the Sustainability and Corporate Governance practices implemented by the Company and ensure that employees and directors' behaviors are aligned with the Code of Business Conduct and other internal and legal regulations.

### 102-30 102-29 AUDIT, FINANCE, AND RISK

**Responsibilities:** To define the roles and responsibilities regarding internal control, risk management and evaluation, with clearly established reporting lines. It also assesses accounting procedures, management of relations with the Statutory Auditor and supervises the effectiveness of the internal control architecture and the Integrated Risk Management System (IRMS).

**Members:** Claudia Betancourt, Esteban Piedrahita, and Leon Teicher

**Number of meetings:** 4

**Key decisions made:**

- Redefining of the materiality concept for financial reporting
- Approval of the 2015 financial statements for presentation to the General Assembly
- Approval of the internal audit annual plan and its follow up
- Approval of the Corporate Risk Policy
- Strategic risks review and update
- Gap analysis on financial controls

### 102-32 APPOINTMENTS AND REMUNERATION

**Responsibilities:** To determine the policies and standards for recruitment, compensation, and talent development for members of the Board of Directors and top management.

**Members:** Carlos Gustavo Arrieta and Jorge Mario Velásquez

**Number of meetings:** 3

**Key decisions made:**

- Appointment of Innovation and CCA VPs
- Follow up on the 2016 CEO transition
- Succession policies for top managers

### 102-32 SUSTAINABILITY AND CORPORATE GOVERNANCE

**Responsibilities:** To advise on the adoption, follow-up, and improvement of sustainability and corporate governance practices used within the company

**Members:** Camilo Abello and Cecilia Rodriguez

**Number of meetings:** 2

**Key decisions made:**

- Analysis of Grupo Argos and its subsidiaries' Relationships Policy
- Follow up on the Country Code implementation plan
- Analysis of proposals to be presented for approval by the General Assembly
- Self evaluation process of the Board's performance
- Analysis of DJSI results

For more detailed information please refer to: <https://www.argos.co/ir/en/corporate-governance/codes> | <https://www.argos.co/ir/en/corporate-governance/by-laws>



### 102-31 102-33 102-34 Process to communicate sustainability issues to the Board

These are communicated through the agenda submitted, ahead of time which is developed during the meeting, followed by presentations on each topic to encourage discussion and generate an informed decision by the members. In the event of an urgent situation, a phone and/or emails are used to discuss the issue and make the required decisions.

The main sustainability topics discussed by the Board in 2016 were:

- COP 21 and its relevance to the organization
- Analysis of the DJSI results
- Strategic risks follow up
- Health and safety KPIs follow up

# ETHICS AND COMPLIANCE



103-1

VALUE CHAIN BOUNDARIES

Suppliers

Argos

Clients

Society

103-1

## OUR MANAGEMENT APPROACH

### Added value to the company

Integrity is the guiding principle for the way we do things in harmony with our corporate cultural pillars, knowing that ethical behavior is a shared corporate value that is reflected in the decisions we make as a company.

### Added value to society

Developing our operations in an ethical and transparent manner promotes the strengthening of relations based on trust with all our stakeholders. As a result, we foster better business environments by positively impacting local communities and society as a whole.

### 103-2 102-16 Corporate culture pillars



Group achievement



Respect



Leadership



Learning



Sense of purpose



Flexibility



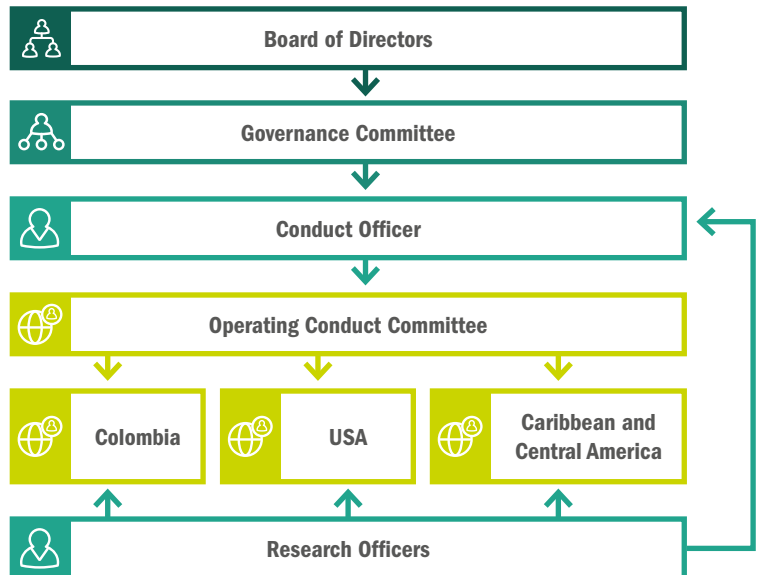
Transcending results

### 103-2 Initiatives, commitments, and policies



Code of Business Conduct

### 103-2 Governance



Employees at Rioclaro Plant, Colombia Region



Employees from different positions have cross-functional roles and belong to different committees to ensure a transparent and ethical environment under the coordination of the Conduct Officer. Five of the nine Vice Presidents belong to the Governance Committee, which supports the Executive Committee.

The Operating Conduct Committee receives organizational reports and represents all regional areas with members who serve as research officers on different categories, such as labor relations, fraud, corruption, money laundering and financing of terrorism, communities, and conflicts of interest. The actions of these officers are transversal to the entire organization and are coordinated by the Conduct Officer, who is a high-level executive.

We are part of the Central Committee of Conduct that Grupo Argos leads and in which strategies, experiences, and good practices are aligned between the enterprises of the group.

We are signatories of the UN Anti-corruption Call to Action, an appeal from business to governments to address corruption and foster systems of good governance.

103-2

## 2016 PERFORMANCE

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- We continued designing and structuring our Global Compliance Program, which provides the policies, guidelines, and protocols that will allow us to more efficiently manage risks associated to fraud, corruption, money laundering and financing of terrorism, as well as noncompliance with applicable antitrust legislation.
- We implemented compliance controls in some of our key operative processes, such as third party relationships, procurement, charitable donations, and political contributions.
- We conducted 222 training sessions on antitrust matters in all of our operations.

## REGULATORY COMPLIANCE

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In 2016, we fully complied with environmental laws and laws related to the supply and use of products and services.

Our Competition Policy defines standards and guidelines for employees in relation to competitors and the market. In general, our compliance and transparency standards exceed minimum legal requirements.

**206-1** Due to Colombia cement market conditions, we report on some current investigations with no final decision for Argos:

- The Colombian Superintendence of Industry and Commerce initiated an investigation on August 21, 2013, regarding five Colombian cement companies, including Argos, for alleged commission of restrictive business practices. Consequently, it also initiated an investigation regarding four of our employees. The evidentiary stage of these proceedings concluded in December 2014. We are addressing the matter with the certainty that we have always fully complied with

the law, and we are confident that Colombian authorities will ultimately recognize this. In May 2016, a request for information issued by the Superintendence of Industry and Commerce was properly answered. The legal action is pending.

- In December 2008, the Superintendence of Industry and Commerce imposed a financial penalty on Argos and two other Colombian cement companies in the amount of COP 923 million each, for alleged restrictive business practices. In the same action, the legal representative of the three companies was fined in the amount of COP 138 million. This ruling was appealed for reversal by Argos and subsequently confirmed by the Superintendence in January 2010. Argos filed a lawsuit against that ruling before the Colombian administrative jurisdiction, and in a decision issued December 3, 2012, the Administrative Court of Cundinamarca ruled that both decisions were invalid, thereby exonerating the company and the legal representative of all fines. The Superintendence of Industry and Commerce decided to appeal, and the final decision is currently pending before the State Council.

## TRANSPARENCY HOTLINE

Our Transparency Hotline is a communication channel for many of our stakeholders. It allows for anonymous reporting and identifies behaviors that

contradict our Good Governance Policy and Code of Business Conduct, as well as all other company Policies and any other internal or external norms.

### Transparency Hotline operation

#### 1. Reception of calls or emails by an external call center

Email: [lintransparencia@argos.com.co](mailto:lintransparencia@argos.com.co)

Colombia: 018000522021

USA: +1(888)5676629

Panama: 011008001571011\*

Dominican Republic: 18001485009\*

Honduras: 8002799378\*

\*Landline phone

#### 2. The call center sends the case to the Research Officers according to a previous classification.

#### 3. The Operating Conduct Committee, led by the Conduct Officer, reviews the cases.

#### 4. The Governance and Procurement Committee reviews the most relevant cases.

#### 5. Cases are resolved and responded to, and corrective actions are taken.

Employee at Honduras offices, Caribbean and Central America Region



## 2016

Communities	Quantity
Impacts on the environment	13
Impacts on mobility	4
Impacts on water	0
Impacts on air	0
Noise impacts	1
Impacts due to vibrations (Peace, rest, and tranquility)	4
Visual impacts	2
Damage/impacts on private property	20
Unfulfilled commitments	5
Road safety	12
<b>Total communications received</b>	<b>61</b>
Tracking of communications received in 2015 that were still open	28
<b>Total communications addressed</b>	<b>89</b>
<b>Total communications closed</b>	<b>76</b>
<b>COMMUNICATIONS CLOSED WITH ADMINISTRATIVE OR LEGAL ACTIONS</b>	<b>1</b>

## 2016

Labor Practices	Quantity
Disrespect, damage to working environment	42
Possible human rights violations, harassment	3
Possible human rights violations, respect to working / personal time balance	0
Possible human rights violations, discrimination	4
Possible human rights violations, freedom of association and collective bargaining	5
Possible human rights violations, fair compensation according to law	0
<b>Total communications received</b>	<b>54</b>
Tracking of communications received in 2015 that were still open	21
<b>Total communications addressed</b>	<b>75</b>
<b>Total communications closed</b>	<b>48</b>
<b>COMMUNICATIONS CLOSED WITH ADMINISTRATIVE OR LEGAL ACTIONS</b>	<b>3</b>

## 2016

Corruption	Quantity
Giving / receiving illegal payments	16
Undeclared conflict of interest	9
Purchasing manipulation, tenders	5
Bribery, Foreign Corruption Practices Act -FCPA	1
<b>Total communications received in 2016</b>	<b>31</b>
Tracking of communications received in 2015 that were still open	14
<b>Total communications addressed during 2016</b>	<b>45</b>
<b>Total communications closed in 2016</b>	<b>27</b>
<b>COMMUNICATIONS CLOSED WITH ADMINISTRATIVE OR LEGAL ACTIONS</b>	<b>3</b>

### 205-2

## IN 2016 WE PROVIDED TRAINING ON TRANSPARENCY ISSUES TO 3,640 EMPLOYEES AND SUPPLIERS.

### 103-2 Upcoming challenges

- To implement of the Global Compliance program in all the regions in which we operate.
- To implement the training and communications plan for compliance matters in all regions.
- To consolidate the Transparency Hotline as the official channel to receive reports related to violations of our Code of Business Conduct in the CCA and USA regions.
- To assess operations in terms of compliance risks (fraud and corruption) in the CCA Region.
- To provide trainings on the organization's policies against fraud, corruption, asset & money laundering and financing of terrorism.

### 103-2

## 2016 - 2018 GOALS



- We will implement a large-scale compliance program.
- We will expand the coverage of the training to other stakeholders outside of Colombia, including suppliers for CCA and USA regions.
- We will structure a training and dissemination plan of the Code of Business Conduct, ensuring that the message reaches all regions and is translated to all the required languages.
- We will audit our Transparency Hotline to improve the effectiveness of feedback and complaint submissions.

The totality of cases and hotline stats can be found in the Corporate Governance Compliance Report at: <http://www.argos.co/ir/en/corporate-governance/report-on-corporate-governance>



The background image shows a modern architectural courtyard. On the left, there are several tall, rectangular pillars in various colors: teal, purple, orange, yellow, and red. In the center and right, there's a large, grey, dome-shaped structure. The building's facade is made of dark glass panels reflecting the sky. The ground is a light-colored paved area with some shadows.

# 02

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## Developing our Business

This chapter refers to our Financial, Manufactured, and Intellectual Capital.

# PROFITABILITY AND CAPITAL STRUCTURE



103-1

VALUE CHAIN BOUNDARIES

Suppliers

Argos

Clients

Society

103-1

## OUR MANAGEMENT APPROACH

### Added value to the company

We manage capital (ordinary and preferential equity shares, short and long-term financial obligations, and ordinary bonds) with a long-term perspective, seeking to maintain a balanced, efficient and flexible capital structure to safely accompany and support the growth process of the organization and ensure its long-term sustainability.

### Added value to society

We contribute to the growth and development of Colombia's capital market and help to attract foreign investments that generate sustainable positive growth for all our stakeholders. The value to society derived from our economic externalities for 2016 was estimated at USD 920.2 million in our Value Added Statement - VAS. See page 28 for further details.

Harleyville Plant, USA Region



### 103-2 Initiatives, commitments, and policies

#### Financial Policies

We seek to ensure a solid financial structure and maintain the Company's exposure to market, liquidity, and credit risks at acceptable levels, according to the nature of operations and the defined policies as well as the exposure limits and defined attributions.

For detailed information on our financial statements see: <http://reporteintegrado.argos.co/pdf/FinancialStatements.pdf>

### 103-2 Governance





Compressed natural gas powered mixer in Houston, USA Region

103-2

## 2016 PERFORMANCE

### Short-term debt profile management

- Refinancing of USD 100 million from short-term debt to long-term debt. The loan has a maturity of three years.

### Debt issue

- In 2016, we issued bonds for a total value of COP 400,000 million. The proceeds are to be used to pay short-term debt and improve the duration of the debt. The average duration of the debt improved from 3.9 to 4.7 years, at a minimum carry cost.

### Enhancement of working capital follow-up

- Greater efforts have been made to instill a monitoring and follow-up culture in the regions.
- Implementation of supply chain finance programs in Colombia and Panama with suppliers.

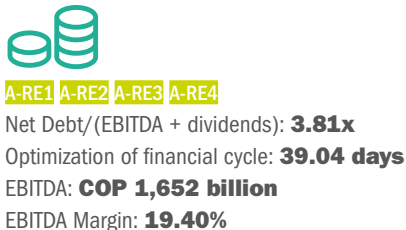
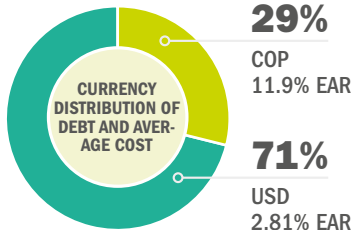
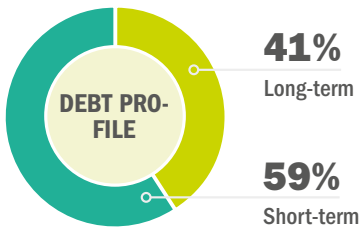
that improve the cash requirements of our vendors, maintaining our cash cycle.

### Martinsburg bridge loan facility

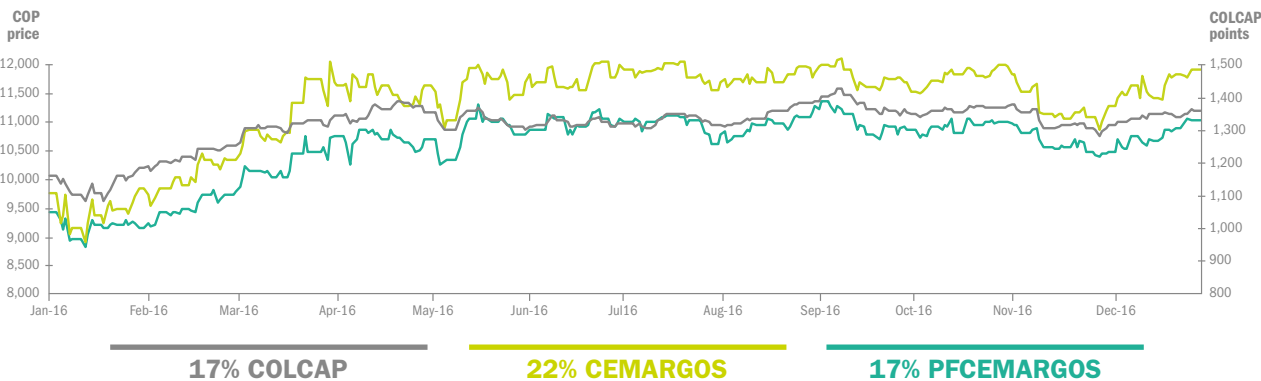
- Use of a bridge loan facility to finance the cement assets in West Virginia, USA (Martinsburg plant). The company will repay this facility with divestments of non-core assets.
- To maintain our high standards for financial excellence, contributing to efficiency and sustainability, under the umbrella of the BEST initiative framework.

See more information about BEST on page 16

103-3



### SHARES PERFORMANCE



# EXPANSION AND CONSOLIDATION



103-1

VALUE CHAIN BOUNDARIES

Suppliers

Argos

Clients

Society

103-1

## OUR MANAGEMENT APPROACH

### Added value to the company

By following a disciplined expansion and consolidation strategy, we ensure value creation and profitable growth within a defined and interconnected region with positive fundamentals.

### Added value to society

We are successfully adapting our operational model to all our acquired assets while respecting local cultures. We are also successfully increasing manufacturing efficiency and competitiveness with sustainability and innovation as our main guidelines. We support the sharing of best practices and learning from our new operations.

### 103-2 A-X1 Initiatives, commitments, and policies

Our expansion principles are:



Defined interconnected geographical area



Strong fundamentals (positive demographics, housing deficit, and infrastructure needs)



Synergy creation and value generation



Maintenance of financial flexibility



Sector focused



Economies with different market cycles

### 103-2 Upcoming challenges

- To find assets that meet our minimum return level and adhere to our principles.
- To ensure that the Argos model is successfully adapted to local operations.

### 103-2 Governance



San Lorenzo grinding facility, Honduras, Caribbean and Central America Region







Martinsburg Plant, USA Region

103-2

## 2016 PERFORMANCE

### 102-10 A-X2 A-X3 Martinsburg acquisition:

We acquired the Martinsburg plant in the USA Mid-Atlantic region for USD 660 million. The assets include a estate-of-the-art cement plant in Martinsburg commissioned in 2009, with eight cement terminals, four of them with water access. With this acquisition, we will add 2.2 million tons to our cement capacity with a plant that complements our existing footprint:



**8**  
Terminals



**2.2 million tons**  
of cement capacity



Transaction value  
**USD 660 million**



Nearly **200**  
new employees



Potential market in the USA:  
around **158 million** people

### Panama minority sale:

We sold a

**20%**

stake of the Panamanian operation for

**USD 126 million**

103-2 103-3

## 2017 GOALS

- We will successfully integrate our new operation.
- We will complete the divestment plan to reduce our leverage to pre-acquisition levels by selling non-strategic real estate assets and energy self generation plants.

# CUSTOMER RELATIONSHIP MANAGEMENT



103-1

VALUE CHAIN BOUNDARIES

Suppliers

Argos

Clients

Society

103-1

## OUR MANAGEMENT APPROACH

### Added value to the company

A close relationship with our clients allows us to understand their needs and deliver compelling value propositions. Being preferred by our customers is the key metric of success and a source of long-term sustainability.

### Added value to society

We contribute to the progress of society by offering high-quality products and services to our customers through a responsible value chain.

### 103-2 Initiatives, commitments, and policies



Argos Commercial Model  
(Go to Market Approach)

### 103-2 Governance



103-2

## 2016 PERFORMANCE

- The creation of the infrastructure business unit allowed the company to consolidate its segment leadership through a team that is exclusively dedicated to this purpose.
- Support for the “Construyá” Financing Scheme, which seeks to provide access to construction materials for low-income families.
- The implementation of the Blueprint tool in Honduras allowed us to track different KPIs across the customer experience.
- Development of a new product portfolio for concrete based on Value Added and Specialty Products.

### 103-2 Upcoming challenges

- To manage new competitive dynamics in the industry.
- To actively participate in 4<sup>th</sup> Generation Infrastructure Projects in Colombia.
- To standardize the customer satisfaction metric among regions.
- To focus our efforts and resources on the tailor-made customer experience we want to provide.
- To continue working in order to become an increasingly customer-centric organization.



Customer, Honduras, Caribbean and Central America Region

102-44 102-43

## CUSTOMER SATISFACTION

Countries where the survey is conducted

### Colombia

**Goal: 82.5%**



### USA

**Goal: 82.5%**



### Caribbean and Central America

Panama

**Goal 82.5%**



Honduras

**Goal 76%**



Dominican Republic

**Goal 82.5%**



Suriname

**Goal 82.5%**



Haiti

**Goal 76%**



See our consolidated satisfaction index: <http://reporteintegrado.argos.co/pdf/CustomerSatisfaction.pdf>



Costumers, Honduras, Caribbean and Central America Region

## A-RC11 PERCENTAGE OF REVENUE GENERATED BY RETAINED CUSTOMERS

	2013	2014	2015	2016
Colombia Region	89%	93%	91%	90.8%
CCA Region			82%	89%
USA Region		90%	95%	94.6%

103-2 103-3

## 2016 GOAL TRACKING

- We strengthened brand positioning in all segments and territories.
- We continued and expanded the loyalty program for customers in the Caribbean Region.
- We established a contact center and customer service line for the Caribbean Region.
- We explored new channels for Colombian retail customers.
- We strengthened our value proposition and the customer information platform for the Colombian 4th Generation Infrastructure Projects.
- We increased the number of proposals and initiatives for digital marketing projects.
- We implemented the Customers Journey Map tool.

103-2 103-3

## 2017 GOALS

- We will launch the Argos Brand in the USA states of West Virginia, Maryland and New York, setting up marketing function in the USA.
- We will go forward with deployment of a customer relationship management tool in the other regions.
- We will revisit the metrics we use for customer satisfaction in order to guarantee they continue reflecting our competitiveness and progress.

# SUPPLIER DEVELOPMENT AND MANAGEMENT



103-1

VALUE CHAIN BOUNDARIES

Suppliers

Argos

Clients

Society

103-1

## OUR MANAGEMENT APPROACH

### Added value to the company

We contribute to the development of suppliers that help us achieve our business objectives while reducing associated risk, ensuring transparency, and building capacity throughout the supply chain.

### Added value to society

We help to increase our suppliers' competitiveness, generating more employment, developing their skills, and supporting community development through long-term business relationships and our capacity-building programs.

### 103-2 Initiatives, commitments, and policies



Argos Goods and Services Procurement Manual



Global Compact



Argos Human Rights Policy



Argos OH&S Policy



Argos Suppliers' Sustainability Index

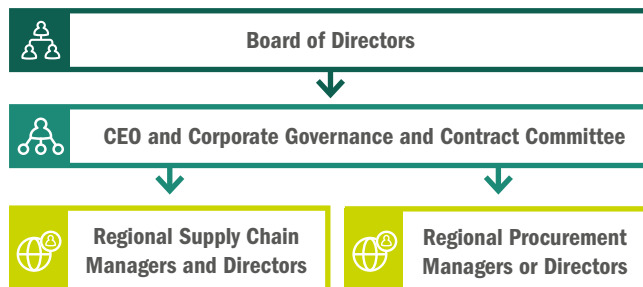


Sustainable Development Goals (SDG)



Sustainability Policy

### 103-2 Governance



Supplier Recognition Program in Colombia



103-2

## 2016 PERFORMANCE

- We started the implementation of a standard platform to assess and audit our suppliers on sustainability and OH&S topics in all regions.
- We increased the coverage of the capacity-building program to 70 more suppliers in the Colombia Region, during the last three years.
- We redesigned and applied the Supplier Sustainability Index to 62 suppliers in all our regions.
- We implemented 89 OH&S audits for contractors within the framework of the I Promise management system in Colombia.

### Upcoming challenges

- To implement standardized capacity-building programs, tailored-made for all regions.
- To increase coverage of supplier sustainability assessments and audits for all regions.

**WE LAUNCHED A SUPPLIER RECOGNITION PROGRAM IN COLOMBIA BASED ON THEIR PERFORMANCE ON SUSTAINABILITY AND INNOVATION. 14 OF THEM WERE RECOGNIZED FOR THEIR EXCELLENT PERFORMANCE.**



Supplier Recognition Program in Colombia

### 204-1 NUMBER OF SUPPLIERS AND SUPPLIER SPEND

	Colombia		CCA		USA	
	USD million	COP billion	USD million	COP billion	USD million	COP billion
Value of total products and services purchased	668	2.0	222	0.66	964	2.8
Value of products and services purchased locally	616	1.8	155	0.46	905	2.7

	Colombia	CCA	USA
Percentage of products and services purchased locally	92%	69.9%	94%
Number of total suppliers	3,867	1,897	6,824
Number of local suppliers	3,645	1,448	6,796
Percentage of local suppliers	94%	76%	99.6%
Number of critical suppliers assessed in sustainability criteria	471	231	9

102-9 Learn more about the development and management of our supply chain here: <http://reporteintegrado.argos.co/pdf/SupplyChainManagement.pdf>

103-2 103-3

## 2016 GOAL TRACKING ● ● ●

- We implemented the sustainability index with adjustments based on experience and results obtained during 2014 and 2015 pilots.
- We provided our suppliers with online tools to assess and suggest sustainability improvement plans.
- We increased the training coverage for our suppliers on Corporate Governance good practices, Code of Business Conduct, Anti-corruption and Anti-bribery Policy, planning and risk assessment, and relationship with communities, as well as the measurement of impacts caused on them.
- We implemented the Supplier Recognition Program in Colombia.
- We continued to implement sustainability best practices derived from initiatives such as the Global Compact and the Cement Sustainability Initiative (CSI).

103-2 103-3

## 2017/2018 GOALS

- We will develop a Corporate Sustainable Procurement Policy.
- We will implement the second version of the Suppliers Recognition Program.
- We will increase the percentage of suppliers trained on sustainability issues.
- We will increase the percentage of suppliers that undergo a screening process before negotiation phase.
- We will increase in 50% the coverage of supplier's Sustainability Assessment.

# INNOVATION



103-1

VALUE CHAIN BOUNDARIES

Suppliers

Argos

Clients

Society

103-1

## OUR MANAGEMENT APPROACH

### Added value to the company

Innovation is how the company maintains its competitive advantage and strengthens the value perceived by customers, shareholders, and employees. Through a long-term commitment to a structure and culture of innovation, we seek to develop leading products and services that satisfy changing and emerging customer needs. Also, innovation as a strategic priority for Argos merges with our core activities and enables processes to achieve industry cost leadership, new business models and more sustainable value proposition.

### Added value to society

Our innovation program develops products, services, and processes that focus on unmet needs in the market, the well-being of our customers, the use of natural resources, and the strengthening of our supply chain and of the communities in which we produce and sell our products.

### 103-2 Initiatives, commitments, and policies



Sustainability, Environmental and Energy Policies.



Strategy-driven targets to achieve innovation outcomes.



R&D Technology Roadmaps.



R&D partnerships with domestic national and international academic institutions and government entities.

103-2

## 2016 PERFORMANCE

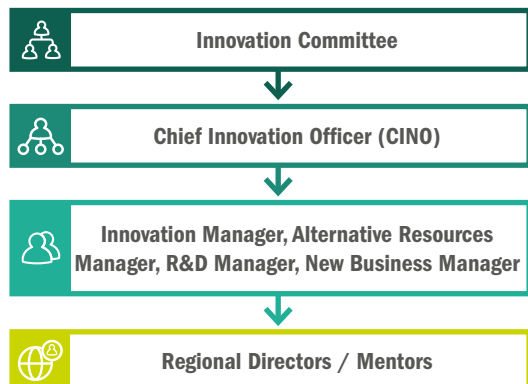
- We achieved 6% alternative fuel heat consumption substitution with used tires on line 2 of the Rioclaro plant in Colombia. The substitution on this line reached historic levels of nearly 11% between September and December.
- We increased the use of alternative raw materials.
- We launched the Emerging Business Opportunities (EBO) Program.
- We carried out five innovation challenges in our cement plants in several countries, including over 400 employees and resulting in more than 200 ideas with associated savings of over USD 4 million.
- Development of four new products: Advanced Concrete, Microcement, Roadbinder and Masonary Cement.

Find some examples of Argos' innovation initiatives here: <http://reporteintegrado.argos.co/pdf/Innovation.pdf>

### Upcoming challenges

- To advance R&D milestones in the use of Supplementary Cementitious Materials (SCMs) to further reduce CO<sub>2</sub> footprint and production costs.
- To focus in the Ideaxion model in order to strengthen our innovation culture and the quality of the ideas from all employees.

### 103-2 Governance



#### A-IN1 TOTAL AMOUNT OF INNOVATION INVESTMENT



In 2016 we invested over

**11 million**  
dollars in innovation.

#### A-IN4 AMOUNT OF SAVINGS DERIVED FROM THE IMPLEMENTATION OF INNOVATION INITIATIVES

	COP	USD
Use of supplementary cementing materials	5,606,813,207	1,836,397
Admixture optimization	924,640,501	302,847
Production process efficiency	4,529,267,589	1,483,469
Organizational excellence	180,534,405	59,130
Use of alternative fuels	492,000,000	161,145
<b>TOTAL</b>	<b>11,733,255,702</b>	<b>3,842,988</b>

#### A-IN3 AMOUNT AND % OF INCOME FROM INNOVATION BY REGIONAL

	COP million	USD million	Innovation as a percentage of revenue
<b>TOTAL REVENUE FROM INNOVATION</b>			
Colombia	518.3	169.8	20.0%
Caribbean and Central America	139.3	45.6	8.3%
USA	690.9	226.2	16.3%
<b>TOTAL</b>	<b>1,348.6</b>	<b>441.7</b>	<b>15.8%</b>

Exchange rate: 3,053.16 COP/USD

A-IN3 For further details on innovation KPIS go to:  
<http://reporteintegrado.argos.co/pdf/Innovation.pdf>

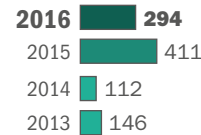


Argos Center for Innovation, Medellin, Colombia

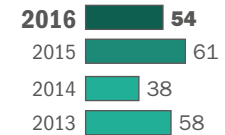
#### A-IN2 NUMBER OF INNOVATIVE IDEAS



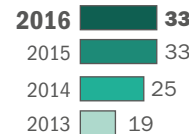
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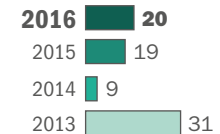
Approved



Validated



Implemented



103-2 103-3

## 2016 - 2017 GOAL TRACKING

- We moved forward on the commencement of Caltek, Argos' new business that will commence limestone production at its own industrial facility in Colombia.
- Commercial operations in Colombia Region of four new products: Advanced Concrete, Microcement, Roadbinder and Masonary Cement.
- We made progress on Greco's concrete recycling operations in Colombia.
- We began the use of alternative fuel in the Newberry, USA and in the Cartagena, Colombia plants.
- We moved forward on the implementation of the EBO model.

103-2 103-3

## 2018 - 2025 GOALS

- We will increase our revenues attributed to innovation products and services, new channels/businesses, or new business models to 20%.
- We will achieve a 18% of heat generation from the use of alternative fuels.
- We will be able to use 7% of alternative materials in the production of cement and 3% in the production of concrete.
- We will fully develop and embed innovation culture throughout Argos' geographical footprint.





# 03

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## Protecting our Planet

This chapter refers to our  
Natural and Intellectual Capital

# 2025 ENVIRONMENTAL STRATEGY

## CLIMATE CHANGE

### Reduce

**-35%** kg CO<sub>2</sub> per ton of cementitious product

**7%** of used materials in cement for alternative materials

**3%** of used materials in concrete for alternative materials

### Substitute

**18%** of conventional fossil fuels for alternative fuels

## BIODIVERSITY

### Rehabilitate

**70%** of disturbed areas in active quarries



#### Biodiversity management

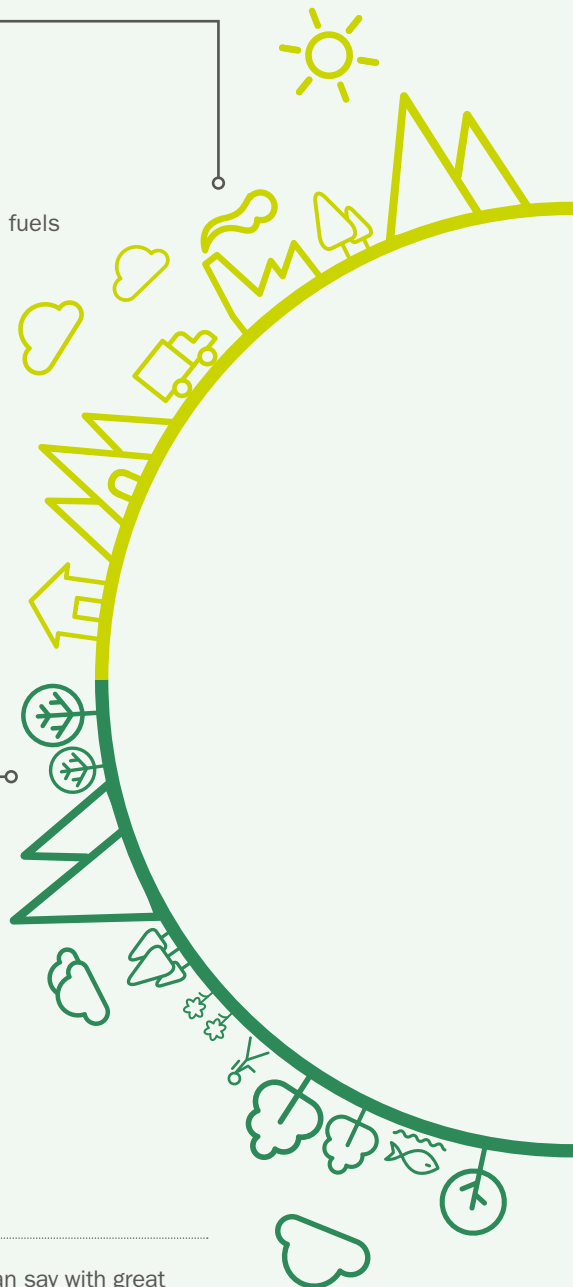
We will identify facilities located in high biodiversity areas

### Have

**100%** Of active quarries with **rehabilitation plans in place**

**102-11** Our environmental actions promote eco-efficiency, manage biodiversity, reduce effects on climate change, promote initiatives related to sustainable construction, and establish an organizational culture that promotes responsible use of natural resources as a function of the quality of life of our stakeholders and in compliance with our Environmental Policy.

As of 2016, we can say with great confidence that our environmental management goes beyond identifying and monitoring environmental impacts, and that it is evolving well towards their prevention, mitigation, correction, and offset.



# ECO-EFFICIENCY

## **Reduce water consumption**

**-30%** per ton of **cement**

**-20%** per m<sup>3</sup> of **concrete**

### **Water-related risk management**

We will identify the plants located in water-stressed areas and we will implement management plans.

## **Reduce other emissions**

**-65%**  
kg SO<sub>x</sub>

Per ton of clinker

**-85%**  
kg dust

Per ton of clinker

We will maintain our emissions at

 **1.35**  
kg NO<sub>x</sub>

Per ton of clinker

## **ENVIRONMENTAL ELEMENT IN ARGOS CULTURE**



Through this pillar, we train our employees to include environmental criteria in decision-making process.

## **SUSTAINABLE CONSTRUCTION**



We will develop products with less impact on the Life Cycle Analysis and a Good Practices Manual for the sustainable use of cement and concrete.

# ENERGY AND CO-PROCESSING



103-1

VALUE CHAIN BOUNDARIES

Suppliers

Argos

Clients

Society

103-1

## OUR MANAGEMENT APPROACH

### Added value to the company

Heat and electricity are critical inputs for our production processes and managing them efficiently and substituting conventional fuels with alternative ones allows us to reduce the use of natural resources and minimize costs and net CO<sub>2</sub> emissions.

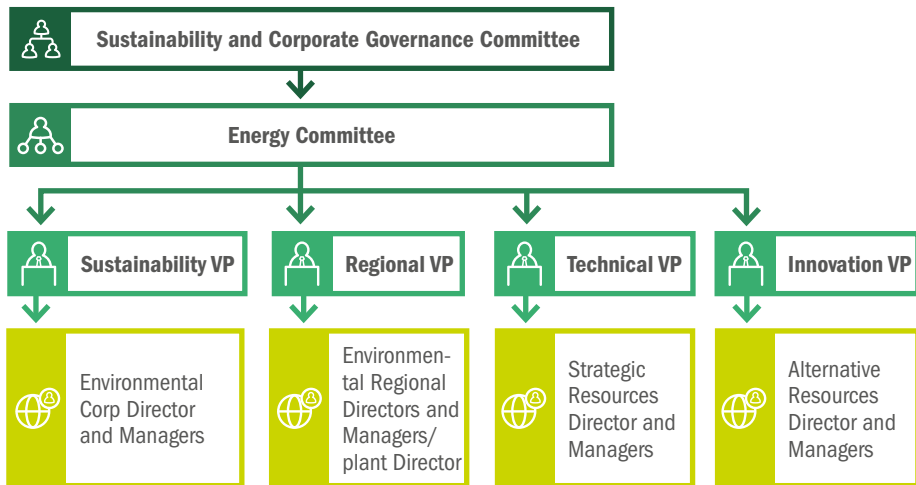
### Added value to society

Through energy stewardship and co-processing, we contribute to society by reducing environmental impact and reducing non-renewable resource use. The value to society for 2016 derived from avoided CO<sub>2</sub> emissions due to fossil fuel substitution was estimated at USD 6.8 million in our Value Added Statement - VAS. See page 28 for further details.

### 103-2 Initiatives, commitments, and policies

- Cement Sustainability Initiative
- Sustainability Policy
- Low Carbon Technology Partnership Initiative
- Environmental Policy
- Energy Policy

### 103-2 Governance



103-2

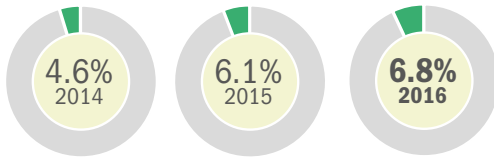
## 2016 PERFORMANCE

- In order to meet our 2025 target, in 2016, we increased the substitution of fossil fuel with alternative fuel, achieving a total substitution of 6.8% at a company level.
- Through the implementation of energy roadmap projects, as well as other initiatives, the company was able to move toward energy consumption reduction across its three regions (see internal energy consumption graphs and reduction of energy consumption table).
- In 2016, at Rioclaro plant's line 2, we successfully achieved a 6% alternative fuel heat consumption substitution with used tires.
- Argos Newberry plant in the USA received EPA Energy Star certification.

### Upcoming challenges

- To minimize the energy intensity of our operations, with emphasis on cost stability, quality, and supply at a reasonable risk, across our three businesses.
- To scale up the use of alternative fuels, in the cement industry while taking into account availability, quality, pre-treatment, and collection routes.

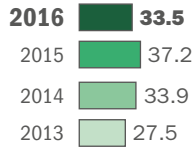
**A-ENE1 SUBSTITUTION OF FOSSIL CALORIC CONSUMPTION WITH ALTERNATIVE FUELS**



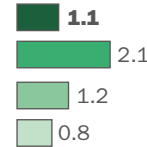
**WE INCREASED THE SUBSTITUTION OF FOSSIL FUEL WITH ALTERNATIVE FUEL, ACHIEVING A TOTAL SUBSTITUTION OF 6.8% AT THE COMPANY LEVEL.**

**302-1 INTERNAL ENERGY CONSUMPTION**

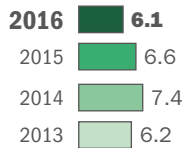
**Cement**  
Consumption of energy (GJ) Millions



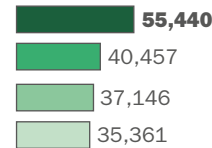
**Concrete**  
Consumption of energy (GJ) Millions



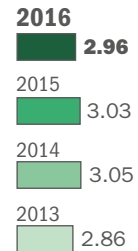
**Energy Generation**  
Consumption of energy (GJ) Millions



**Aggregates**  
Consumption of energy (GJ)



**302-3 CEMENT ENERGY INTENSITY**  
GJ/t



**Note:** This indicator includes all fuels and electrical energy consumed from the moment of extraction at the mine to the time of cement packaging

**302-4 REDUCTION OF ENERGY CONSUMPTION**

	Baseline year	Reduction in energy consumption in MJ by 2016	Type of consumption
<b>Colombia</b> - Energy roadmap thermal efficiency projects	2015	116,628,530	Fuel
<b>Colombia</b> - Energy roadmap electrical efficiency projects	2015	121,149,837	Electrical energy
<b>CCA</b> - Energy roadmap thermal efficiency projects	2015	19,099,290	Fuel
<b>CCA</b> - Energy roadmap electrical efficiency projects	2015	36,172,469	Electrical energy
<b>USA</b> - Energy roadmap thermal efficiency projects	2015	209,132,856	Fuel
<b>USA</b> - Energy roadmap electrical efficiency projects	2015	62,027,413	Electrical energy
<b>ARGOS TOTAL</b>		<b>564,210,396</b>	

Click here for more Energy and coprocessing KPIs: <http://reporteintegrado.argos.co/pdf/EnergyAndCo-processing.pdf>

**103-2 103-3**

**2016 GOAL TRACKING**



- We continued to work on initiatives that enable us to increase the co-processing of tires and other alternative fuels.
- We continued to implement projects that contribute to decreased energy use in order to reach the goals established by our Energy Policy.
- We continued to monitor and analyze different sources of energy that enable us to optimize and ensure the necessary energy resources for our business.
- We continued the study of additives in order to reduce the clinker/cement factor and reduce the consumption of electrical energy in the process.

**103-2 103-3**

**2017 GOALS**

- We will continue implementing energy roadmap projects that are aligned with the Argos Energy Policy.
- We will increase our alternative fuels consumption at our Rioclaro and Newberry plants (Colombia and USA, respectively).
- We will start using alternative fuels in the Cartagena plant in Colombia.

**2025**

- We will reach 18% of heat consumption substitution from the use of alternative fuels.
- We will decrease heat consumption by 10% and electricity consumption by 15% (2013 baseline).

# SUSTAINABLE CONSTRUCTION AND MATERIALS



103-1

VALUE CHAIN BOUNDARIES

Suppliers

Argos

Clients

Society

103-1

## OUR MANAGEMENT APPROACH

### Added value to the company

Sustainable construction constitutes a business opportunity. To satisfy the growing market demand for sustainable products, we will increase the relevance of products with sustainable characteristics in our portfolio and guide our clients to sustainable building materials, including ours, for their projects.

We strategically manage our raw materials needs to reduce reliance on non-renewable raw materials and focus on optimizing our supply chain and mining operations.

### Added value to society

Products with increased sustainable performance in our portfolio will allow us to build a more sustainable infrastructure and urbanization. The value to society for 2016 derived from avoided CO<sub>2</sub> emissions due to use of alternative raw materials was estimated to be USD 20.5 million in our Value Added Statement - VAS. See page 28 for further details.

### 103-2 Initiatives, commitments, and policies



Cement Sustainability Initiative



Sustainability Policy



Low Carbon Technology Partnership Initiative



U.S. Green Building Council



Panama Green Building Council



National Ready Mixed Concrete Association - EPD



Environmental Policy

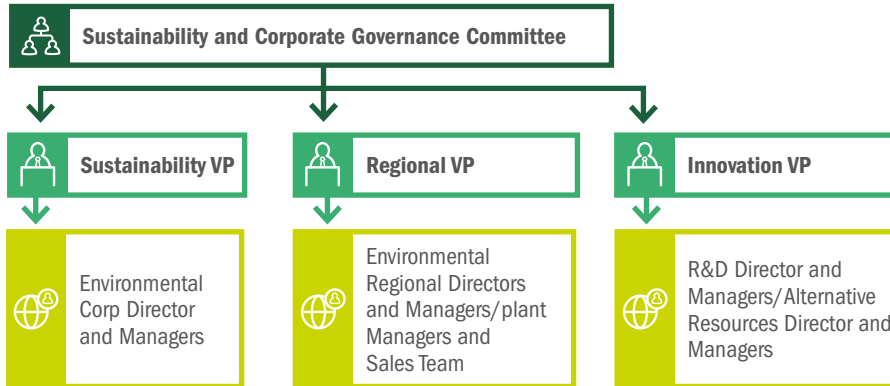


American Institute of Architects

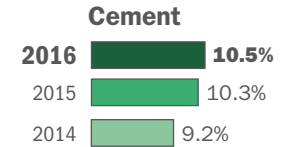
Panama administrative office, Caribbean and Central America Region



**103-2 Governance**



**CSI ALTERNATIVE RAW MATERIALS RATE**



Click here for more sustainable construction and materials KPIs: <http://reporteintegrado.argos.co/pdf/SustainableConstructionAndMaterials.pdf>

**103-2**

**2016 PERFORMANCE**

- The sustainable construction strategy and goals were set.
- Argos Center for Innovation received the LEED® GOLD certification in the category BD+C (Building Design and Construction) by the USGBC becoming one of five certified laboratories in Latin America.
- In 2016 we reached an alternative materials substitution rate (according to our Environmental Policy) of 6.5% and 2.3% in our cement and concrete operations, respectively. There was a slight decrease in this number due to challenges related to supply of alternative materials.

**Upcoming challenges**

- To highlight sustainable characteristics of our products, services, and solutions in our current portfolio and challenge new developments to contribute to the following world needs: climate action, wellbeing, resource efficiency, sustainable cities.
- To train key personnel to guide our clients in the selection of our sustainable building materials for their projects.
- To communicate the sustainable advantages of our cement and concrete products.
- To promote sustainability as a key lever for product innovation using life cycle assessment.
- To support training processes for clients and other stakeholders to actively increase the relevance of sustainable construction in the regions where we operate.

**103-2 103-3**

**2016 GOAL TRACKING**



- We defined our strategy and specific goals for sustainable construction to be achieved by 2025.
- We continued to generate a positive impact on society, and on our customers, by strengthening our portfolio.

**103-2 103-3**

**2017 GOALS**

- We will screen our current portfolio according to the sustainable characteristics defined for the three regions.
  - We will communicate the sustainable characteristics of our products to our clients.
  - We will train the technical advisors for the sales team of our company on how we contribute to sustainability projects with our products.
- 2025:**
- We will achieve 7% of alternative material use in the cement business.
  - We will achieve 3% of alternative material use in the concrete business.
  - We will obtain USD 400 MM in revenues from our portfolio with sustainable features.

# CO<sub>2</sub> EMISSIONS AND CLIMATE CHANGE



103-1

VALUE CHAIN BOUNDARIES

Suppliers

Argos

Clients

Society

103-1

## OUR MANAGEMENT APPROACH

### Added value to the company

Our climate strategy allows us to reduce climate change-related risks while generating new business opportunities through innovation in processes, products and solutions. It also increases operational efficiency and reduces costs.

### Added value to society

Through our engagement with tackling climate change, we contribute to the global challenge of reducing CO<sub>2</sub> emissions and mitigating associated impacts on society. The cost to society for 2016 derived from CO<sub>2</sub> emissions decreased 1.8% compared to 2015 according to our Value Added Statement - VAS. See page 28 for further details.

### 103-2 Initiatives, commitments, and policies



Cement Sustainability Initiative



Carbon Disclosure Project



Sustainability Policy



Carbon Cure

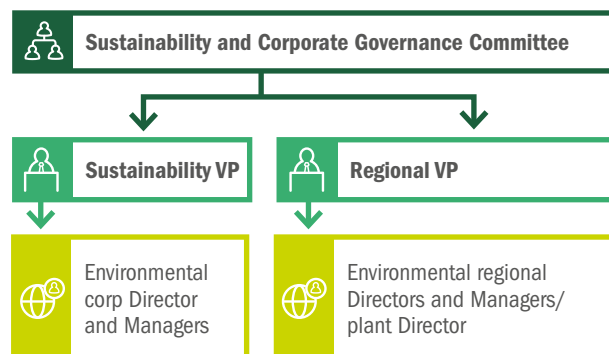


Low Carbon Technology Partnership Initiative



Environmental Policy

### 103-2 Governance



Hydroelectric power station, Francisco Morazán, Honduras, Caribbean and Central America Region

103-2

## 2016 PERFORMANCE

- We developed of the Carbon Footprint BI Model for the automatic calculation of scope 1 and scope 2 emissions in our cement operations in the Colombia Region, in accordance with the methodology of the CSI CO<sub>2</sub> Protocol.
- We formulated CO<sub>2</sub> emission reduction plans for the Colombia, and Caribbean and Central America regions. The plans include annual targets, projects, and initiatives to develop in order to achieve the corporate 2025 CO<sub>2</sub> reduction goal.





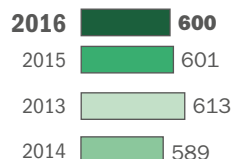
- We participated in the construction of the Road Map of the Cement Industry in Latin America, which is being developed under the leadership of FICEM (Inter-American Cement Federation).
- We established an agreement with CarbonCure Technologies to use captured CO<sub>2</sub> to improve the resistance of some of our concrete mixes and contribute to the reduction of CO<sub>2</sub> emissions. We were the first company in the USA to be able to offer our customers a product with CO<sub>2</sub> capturing and incorporating properties.
- We approved the use of Internal Carbon Pricing to assess project feasibility.
- We ensured compliance and transparency of the information reported by having an external audit performed by PwC for scope 1 and 2 CO<sub>2</sub> emissions.
- The slight reduction in specific net CO<sub>2</sub> emissions across our operations was driven by increasing the use of alternative fuels, specific heat consumption improvement and the implementation of energy road map initiatives (see Energy and Coprocessing section).

### Upcoming challenges

- To start the implementation of CO<sub>2</sub> reduction plans for cement operations in the Colombia, and Caribbean and Central America regions while boosting expected results for the company.

### A-EC1 SPECIFIC NET CO<sub>2</sub> EMISSIONS (kg CO<sub>2</sub>/t CEMENTITIOUS PRODUCTS)

Environmental Policy indicator



**SPECIFIC NET CO<sub>2</sub> EMISSIONS IN 2016 WERE 600 kg CO<sub>2</sub> PER TON OF CEMENTITIOUS PRODUCTS, WHICH CORRESPONDS TO A DECREASE OF 29% COMPARED TO OUR BASELINE.**

### 103-2 103-3

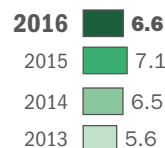
## 2016 GOAL TRACKING

- We developed specific plans for operations that enabled us to make further progress toward the established goal of decreasing CO<sub>2</sub> emissions by 35% by 2025.
- We conducted an external audit of our inventory of CO<sub>2</sub> emissions to confirm the transparency of the report and emissions management.

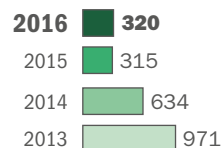
### 305-1 305-2 DIRECT AND INDIRECT EMISSIONS

#### Cement

Direct millions of tons of CO<sub>2</sub>

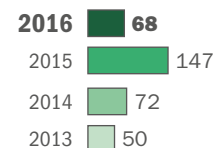


Indirect thousands of tons of CO<sub>2</sub>

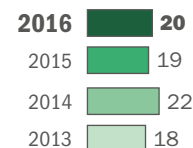


#### Concrete

Direct thousands of tons of CO<sub>2</sub>

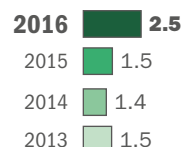


Indirect thousands of tons of CO<sub>2</sub>

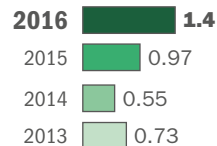


#### Aggregates

Direct thousands of tons of CO<sub>2</sub>

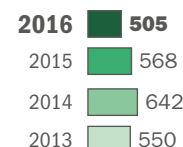


Indirect thousands of tons of CO<sub>2</sub>



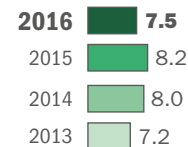
#### Generation of energy

Direct thousands of tons of CO<sub>2</sub>



#### TOTAL EMISSIONS

Millions of tons of CO<sub>2</sub>



Click here for more CO<sub>2</sub> emissions and climate change KPIs and information: <http://reporteintegrado.argos.co/pdf/C02EmissionsAndClimateChange.pdf>

### 103-2 103-3

## 2017 GOALS

- We will formulate the scope 1 emissions reduction plan for USA cement operations.
- We will implement the methodology established by the CSI in the recently published "Cement Sector Scope 3 GHG Accounting and Reporting Guidance".

#### 2025:

- We will reduce CO<sub>2</sub> emissions per ton 35% of cementitious products by 2025 (Baseline 2006).

# OTHER AIR EMISSIONS



103-1

VALUE CHAIN BOUNDARIES

Suppliers

Argos

Clients

Society

103-1

## OUR MANAGEMENT APPROACH

### Added value to the company

By monitoring and controlling the main emissions derived from our combustion and kiln process, we are able to comply with local regulations in the countries where we operate while contributing to our process efficiency through effective operational control.

### Added value to society

We are committed to reducing our specific SO<sub>x</sub>, NO<sub>x</sub> and dust emissions beyond regulation compliance and through mitigation actions in order to reduce impacts derived from our operations.

### 103-2 Initiatives, commitments, and policies



Cement Sustainability Initiative

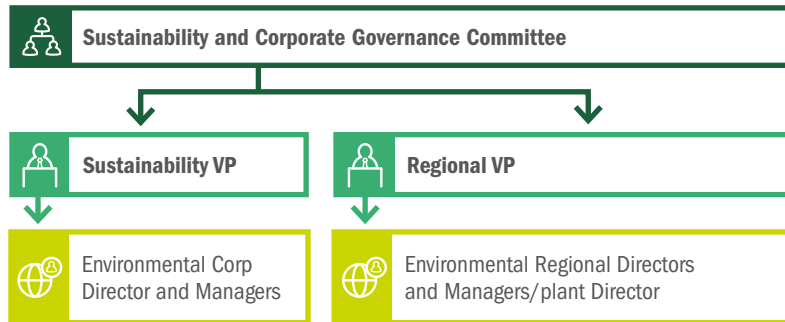


Environmental Policy



Sustainability Policy

### 103-2 Governance



Harleyville Plant, USA Region



# 2016 PERFORMANCE

- In 2016, a total USD 32.5 million was invested in other emissions reduction initiatives across our different plants.
- We reduced dust emissions by 88% (compared to baseline) through installation of high-efficient bag filter systems and bag filter maintenance.
- We reduced SO<sub>x</sub> emissions by 74% (compared to baseline) through plant process initiatives.

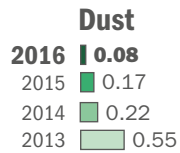
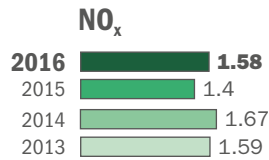
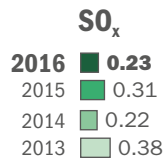
## Upcoming challenges

- To identify and implement mitigation actions to reduce NO<sub>x</sub> emissions.
- To move forward with the actions that the cement industry needs to implement and comply the requirements established by the Minamata Convention on Mercury.

### A-0E1 SPECIFIC EMISSIONS

#### Cement

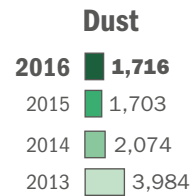
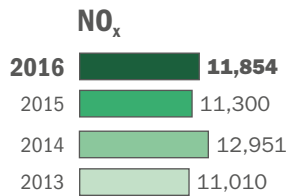
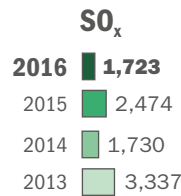
Emissions of atmospheric pollutants  
kg/ ton clinker



### 305-7 ABSOLUTE EMISSIONS

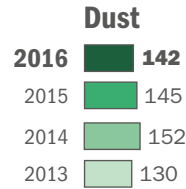
#### Cement

Emissions of atmospheric pollutants | Tons



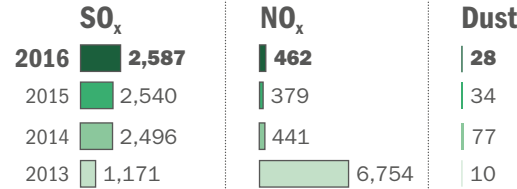
#### Concrete

Emissions of atmospheric pollutants | Tons



#### Generation of energy

Emissions of atmospheric pollutants | Tons



Click here for more KPIs of Other emissions: <http://reporteintegrado.argos.co/pdf/OtherAirEmissions.pdf>

## 2016 GOAL TRACKING

- We achieved stability of the installed Continuous Emission Monitoring System (CEMs) in order to meet the industry operational control standards.
- We continued to move forward by measuring other minor pollutants in our operations.

## 2017 GOALS

- We will implement identified NO<sub>x</sub> reduction initiatives across the Colombia region.
- We will meet CISWI and NESHAP regulation across the USA region.
- We will prepare for the implementation of the CSI Guidance for Reducing and Controlling Emissions of

Mercury Compounds in the Cement Industry.

### 2025:

- We will reduce dust emissions by 85%\*.
- We will reduce SO<sub>x</sub> emissions by 65%\*.
- We will stabilize NO<sub>x</sub> emissions at 1.35kg/t clinker.

\* Baseline year is 2012

# BIODIVERSITY



103-1

VALUE CHAIN BOUNDARIES

Suppliers

Argos

Clients

Society

103-1

## OUR MANAGEMENT APPROACH

### Added value to the company

By properly mitigating the impacts that our operations generate on ecosystems and biodiversity, we ensure the supply of goods and services required for our production processes, while being a good neighbor to communities and other stakeholders around us.

### Added value to society

Through our biodiversity management strategy, we contribute to maintaining the supply of the ecosystem goods and services needed for the wellbeing of our communities and other stakeholders. The cost to society for 2016 derived from impacts on biodiversity decreased 1.7% compared to 2015 according to our Value Added Statement - VAS. See page 28 for further details.

### 103-2 Initiatives, commitments, and policies

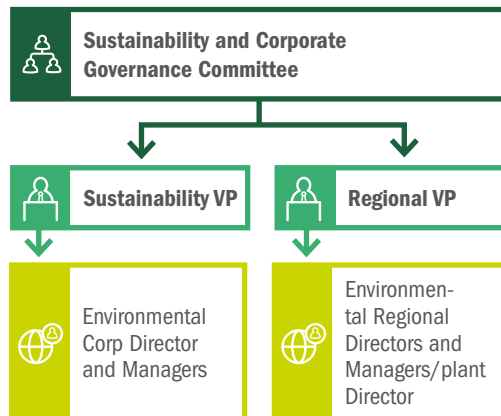
- Cement Sustainability Initiative
- Wildlife Conservation Society
- World Heritage Centre
- Audubon Society
- Parques Nacionales Naturales de Colombia
- Sustainability Policy
- Environmental Policy

103-2

## 2016 PERFORMANCE

- We implemented IBAT (Integrated Biodiversity Assessment Tool) to assess biodiversity-related risks in our facilities.
- We developed guidelines for the development of Biodiversity Management Plans (BMPs).
- In our Central America and Caribbean Region the percentage of quarries with closure plans in place remains the same as 2015 as technical information required for the closure plans is being developed.
- In our USA Region, there was a slight increase in rehabilitated areas in comparison with 2015 due to efforts undertaken at the Newberry quarry.
- In Colombia Region we invested USD 731,310 in biodiversity offset and rehabilitation projects.
- We strengthened our strategic alliances in the three regions:
  - **USA:** We funded conservation projects led by the Audubon Society and the Lube Bat Conservancy with USD 13,000.
  - **CCA:** With the support of the Smithsonian Institute, we developed a BMP for the preservation of a high biodiversity area in Panama.
  - **Colombia:** We engaged in a public-private partnership with Parques Nacionales Naturales (PNN) and the Wildlife Conservation Society (WCS) with the aim of protecting the Saldaña River Basin; we also engaged in the initiative to protect the Andean bear in alliance with Grupo Argos, PNN, WCS, and Corporación Autónoma del Valle del

### 103-2 Governance



Cauca (CVC) and we funded the construction of infrastructure to ensure the protection of biodiversity in Isla Salamanca National Natural Park.

- We maintained Wildlife Habitat Council (WHC) certification for 10 more plants in the USA Region.
- We are industry leaders in biodiversity management, as the DJSI has recognized three years in a row.

### Upcoming challenges

- To define the methodology to measure Net Positive Impact (NPI) in biodiversity for our operations and move forward with its implementation.

#### A-BI1 NUMBER AND PERCENTAGE OF ACTIVE QUARRIES WITH CLOSURE PLANS IN PLACE

	Active quarries	Closure plan	%
Colombia	29	24	83%
USA	3	3	100%
CCA	8	4	50%
<b>ARGOS TOTAL</b>	<b>40</b>	<b>31</b>	<b>78%</b>

#### A-BI2 NUMBER AND PERCENTAGE OF DISTURBED AREAS REHABILITATED AT ACTIVE QUARRIES

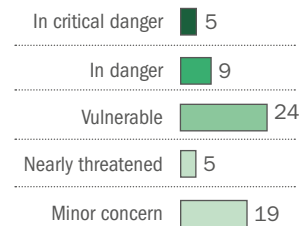
	Disturbed area (ha)	Rehabilitated area (ha)	%
Colombia	180.74	156.53	86.6%
USA	82.2	33.5	40.8%
CCA	19.96	19.39	97.1%
<b>ARGOS TOTAL</b>	<b>282.90</b>	<b>209.42</b>	<b>74%</b>

#### 304-1 NUMBER OF FACILITIES WITH HIGH BIODIVERSITY VALUE

	2015	2016
<b>TOTAL ARGOS*</b>		
Active	335	328
N°	34	31
%	10.1	9.5

\*84% are located in the Colombia Region

#### 304-4 IUCN RED LIST SPECIES AND NATIONAL CONSERVATION LISTS SPECIES WITH HABITATS IN AREAS AFFECTED BY OPERATIONS



Click here for more Biodiversity KPIs:  
<http://reporteintegrado.argos.co/pdf/Biodiversity.pdf>



Forest Reserve, Panama, Caribbean and Central America Region

103-2 103-3

## 2016 GOAL TRACKING



- We defined and applied the Argos Guidelines for the Formulation of Biodiversity Management Plans in all three regions.
- We began the second phase of the soil rehabilitation project with the UdeA University in Colombia.
- We continued to participate in the CSI Biodiversity Working Group.
- We continued with the implementation of rehabilitation plans in Colombia.
- We developed a Biodiversity Management Plan (BMP) for the preservation of a high biodiversity area in Panama based on the results of the Smithsonian Institute study.

103-2 103-3

## 2017 GOALS

- We will develop a rehabilitation plan for the Haiti quarry.
  - We will continue with the soil rehabilitation project with the UdeA University in Colombia.
  - We will prioritize our facilities to develop BMPs based on IBAT results.
  - We will develop a BMP for the preservation of a high biodiversity area in the Magdalena Medio region in Colombia.
- 2025:**
- We will have closure plans in place for 100% of active quarries.
  - We will have 70% of disturbed areas in active quarries rehabilitated.

# WATER MANAGEMENT



103-1

VALUE CHAIN BOUNDARIES

Suppliers

Argos

Clients

Society

103-1

## OUR MANAGEMENT APPROACH

### Added value to the company

Proper water stewardship means taking care of a resource that does not belong to us and is needed for the daily life of neighboring communities and our operations. By carefully taking care of this resource, we ensure long-term business viability and availability for stakeholders near our operations.

### Added value to society

Through our water management strategy, we contribute to preserving the quantity, quality, and availability of this valuable resource for the ecosystem as well as neighboring communities. The cost to society for 2016 derived from water consumption decreased by 13.5% compared to 2015 according to our Value Added Statement - VAS. See page 28 for further details.

### 103-2 Initiatives, commitments, and policies



Cement Sustainability Initiative



CEO Water Mandate

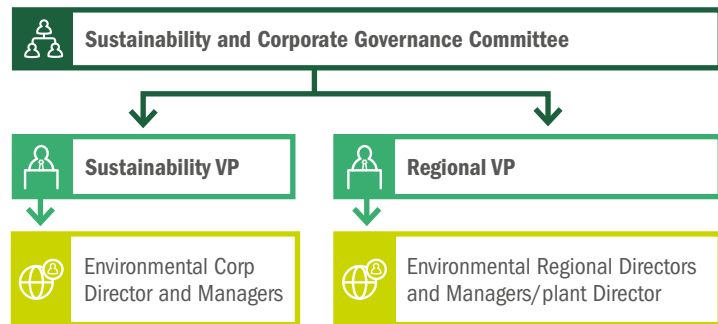


Sustainability Policy



Environmental Policy

### 103-2 Governance



103-2

## 2016 PERFORMANCE

- We continued using the Global Water Tool to assess the global water risk level of our operations and expanded the analysis to our critical suppliers.
- We selected and implemented the Water Risk Filter to assess the local water risk level of our operations.
- We joined the Suizagua III Project, a partnership that will allow us to expand the measurement and management of the water footprint of some of our facilities and critical suppliers.
- We formulated Water Consumption Measurement and Reduction Plans for the cement and concrete businesses in our three regions.
- For the CCA Region, we enhanced the reliability of water monitoring through the installation of measurement devices

Natural reserve, Rioclaro, Colombia



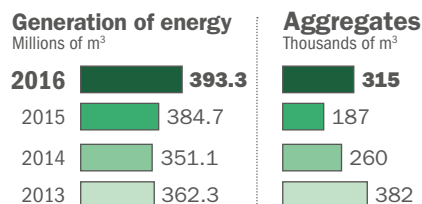
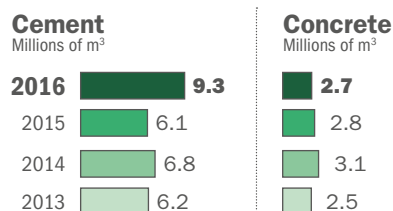
and the establishment of quantification and reporting protocols.

- We are industry leaders in water management, as recognized by the Dow Jones Sustainability Index three years in a row.
- There was an increase in water withdrawal for the cement business as a result of the implementation of the Argos guidance on good practices for water accounting and the formulation of the Water Measurement and Reduction Plans for the facilities, which has allowed us identify and measure significant hidden water flows, especially at the Harleyville and Roberta plants.
- Recycled water volume in the cement business increases due to the identification of large flows of water recirculated at Newberry plant that were not taken into account in previous years. This improvement in the report is the result of the implementation of the Argos water accounting and reporting guidelines and the formulation of water measurement and reduction plans for the facilities.

### Upcoming challenges

- To ensure the long-term water availability, quantity, and quality for the company and its stakeholders.

#### 303-1 TOTAL WATER WITHDRAWAL m<sup>3</sup>



## WE DECREASED THE SPECIFIC CONSUMPTION OF WATER OF THE CEMENT BUSINESS BY 37% AND BY 13% IN THE CONCRETE BUSINESS, COMPARED TO 2012, SO WE SURPASSED THE GOAL THAT WAS INITIALLY SET FOR CEMENT (30%).

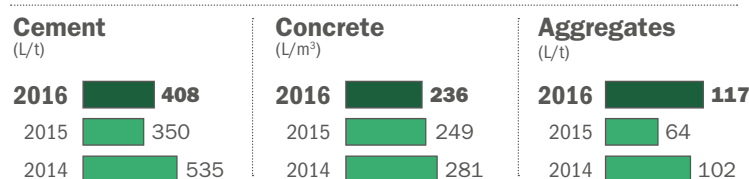
#### 303-3 VOLUME AND PERCENTAGE OF TOTAL WATER RECYCLED AND REUSED

	2015		2016	
	m <sup>3</sup>	%	m <sup>3</sup>	%
Cement	2,468,982	41	7,899,210	85
Concrete	551,966	20	791,235	30
Generation of energy	25,752,257	6.7	19,713,029	5
Aggregates	298,376	159.3	269,696	86

306-1 Click here for more information about water management KPIs: <http://reporteintegrado.argos.co/pdf/WaterManagement.pdf>

#### A-A1 ENVIRONMENTAL POLICY INDICATOR

Specific consumption of water



#### 103-2 103-3

## 2016 GOAL TRACKING

- We implemented a training program based on the Water Reporting Protocol and the Guidance on Water Accounting in the three regions.
- We selected and implemented a local water risk evaluation and management tool for our operations and broadened the scope to our critical suppliers.
- We continued identifying global water risks for our

#### 103-2 103-3

## 2017 GOALS

- We will begin with the implementation of the Suizagua III Project.
  - We will continue assessing our global and local water risks in order to prioritize actions to minimize those identified.
  - We will develop guidelines for proper water management to implement in our operations for upcoming years.
- 2025:**
- We will reduce specific water consumption by 30% in the cement business and 20% in the concrete production.





# 04

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## Contributing to Society

This chapter includes elements  
of Argos' Human and Social-Relationships Capital



# OCCUPATIONAL HEALTH AND SAFETY



103-1

VALUE CHAIN BOUNDARIES

Suppliers

Argos

Clients

Society

103-1

## OUR MANAGEMENT APPROACH

### Added value to the company

At Argos, we are committed to protecting the lives of all our stakeholders. We seek to ensure safe and healthy work conditions for all of our employees, preventing work accidents, occupational diseases, and emergencies so that we all come back home safe and sound. Through leadership, we foster commitment and discipline in order to avoid risks that could affect the continuity of our operations and impact our reputation, productivity, and costs. We firmly believe that the only acceptable number is zero incidents with injuries and zero occupational illnesses.

### Added value to society

Health and safety are a clear demonstration of our respect pillar, therefore, we prioritize protecting life in all our business activities. We are committed to protecting our employees, but in addition, through leadership, we promote a culture of individual and collective care by raising awareness, evaluating, monitoring, and implementing high standards for our contractors and suppliers, neighboring communities, and others in order to ensure that we all go home safe and sound. The cost to society for 2016 derived from occupational incidents and illnesses decreased by 47% compared to 2015 according to our Value Added Statement - VAS. See page 28 for further details.

### 103-2 Initiatives, commitments, and policies



OIT principles



Talent Management Policy



Cement Sustainability Initiative



Human Rights Policy



Argos Principles and Values



Sustainability Policy



OH&S Policy

### 103-2 Governance



Employee at Honduras, Caribbean and Central America Region

# 2016 PERFORMANCE



- The I Promise Project aims to integrate health and safety management systems with a strong governance structure. It impacts the safety culture of our company and has contributed significantly to a decrease in incidents. Also, it has spread to our value chain, specifically the contractors, suppliers, and communities that are close to our operations.
- 403-1 One hundred percent of our employees in the three regions are currently represented by different OH&S Committees, in which we deal with issues such as the identification of risks that might generate injuries or diseases in the company's activities and facilities.
- Reinforcement of the OH&S management system to continuously improve performance, launched

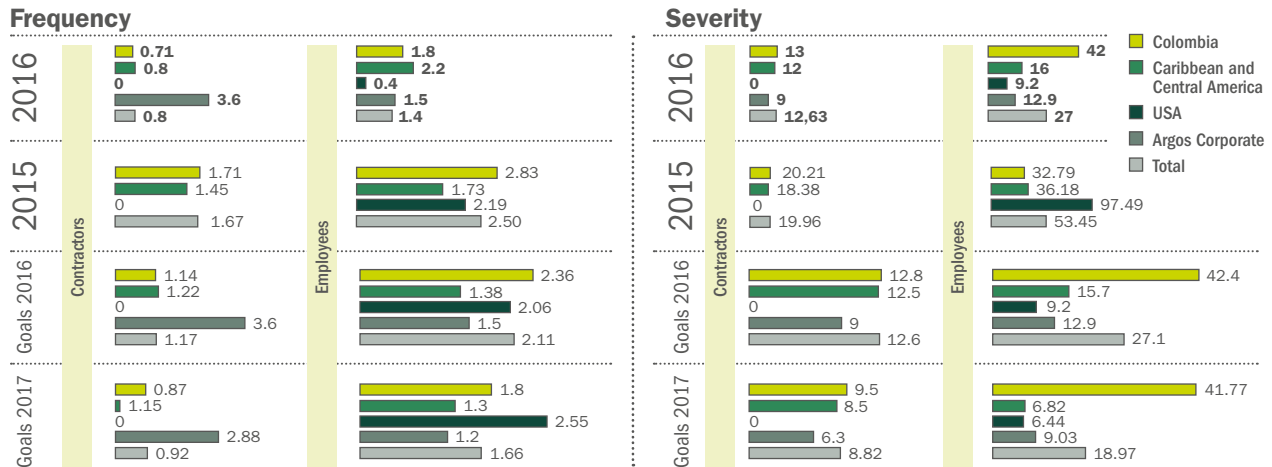
- during Sustainability Week with an attendance of 3,939 people.
- 103-2 Implementation of AMATIA, a user-friendly, digital platform that allows us to document incidents in real time, as well as check frequency and severity rates and observations by operation, business, and country. We are currently investigating 100 percent of lost time incidents, and serious unsafe behaviors in order to learn from our mistakes and prevent risks. We develop action plans that are continuously monitored for fulfillment.
- We developed education activities on road safety during the Sustainability Dialogues, which 2,732 people attended.
- Strengthening of the OH&S structure: All employees involved in the health and safety issues.

**BOTH OUR FREQUENCY AND SEVERITY RATES SAW MAJOR REDUCTIONS DURING 2016. FOR OUR EMPLOYEES, THE FREQUENCY RATE DECREASED BY 44% AND FOR OUR CONTRACTORS IT DECREASED BY 52.1%. THE SEVERITY RATE DECREASED IN 49% FOR EMPLOYEES AND 36.7% FOR CONTRACTORS.**

### Upcoming challenges

- To improve the operational risk field assessment based on these elements:
  - Train people to identify risk
  - Train people to eliminate or control risks
  - Implement effective KPI follow-up strategies.
- To implement life-saving and critical tasks procedures.

## A-S11 EMPLOYEES AND CONTRACTORS LOST TIME INCIDENT FREQUENCY AND SEVERITY RATES



103-2 103-3

## 2016 GOAL TRACKING

- We strengthened the governance structure for OH&S
- We progressively reduced the number of incidents, seeking to become a benchmark in the safety and health sector.
- We closed performance gaps in the occupational health and safety operations.
- We developed a unified management system to track OH&S results in the long run.
- We set up Amatia, the information platform tool.

103-2 103-3

## 2017 GOALS

- We will continue strengthening the governance structure and the health and safety management system.
- We will continue closing performance gaps in occupational health and safety in our operations.
- We will continue reducing the number of incidents and unsafe behaviors seeking to become an example in the safety and health sector.
- We are convinced that the only acceptable figure is ZERO; we will have zero incidents, zero occupational illnesses and zero fatalities in 2017.

# TALENT MANAGEMENT



103-1

VALUE CHAIN BOUNDARIES

Suppliers

Argos

Clients

Society

103-1

## OUR MANAGEMENT APPROACH

### Added value to the company

Talent management is a key element for achieving sustainable results. It allows us to attract, develop, and retain employees to leverage organizational goals.

Because we are committed to the development of the best talent, we offer the best conditions for our employees. Our safe and healthy work sites enable innovation and creativity as a basis for growth.

### Added value to society

We promote our human capital development from a comprehensive perspective, allowing us to contribute to the progress of society via sustainable development and based on our talent strategy. This dynamic results in more engaged employees who are mindful of their environment and possess the skills and abilities required to successfully meet their professional and personal objectives while being good citizens.

The value to society for 2016 derived from human capital development increased by 56% compared to 2015 according to our Value Added Statement - VAS. See page 28 for further details.

### 103-2 Initiatives, commitments, and policies



Sustainability Policy



UN Global Compact and Business for Peace



UN Commitment to Ending Violence Against Women



Women's Empowerment Principles of the Global Compact

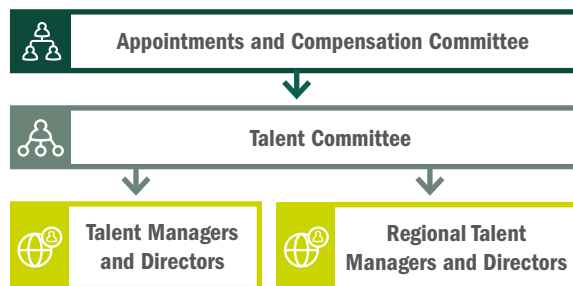


Argos principles and values



Argos Policies: Talent Management, Diversity and Inclusion, Gender Equality, Human Rights, OH&S

### 103-2 Governance



Employees at Rioclaro Plant, Colombia Region



Click here to read more about Argos Policies: <https://www.argos.co/ir/en/corporate-governance/policies>

# 2016 PERFORMANCE

- Our training model, EDUCA, is getting stronger. This year, we reached 66.70 hours of training per employee, for a total of 611,417 hours of training, of which 11.97% were virtual hours.
- We received the Equipares Silver Seal for the concrete business, which we had previously received for the cement business in Colombia in 2015.
- During the Third Global Forum “Business for Gender Equality: Advancing the SDGs,” UNDP held up our company as an example of gender equality in Latin America.
- We were recognized by the DJSI as leaders in the building materials industry with outstanding scoring in Labor Practices and Human Rights, Talent Attraction and Retention and Human Capital Development.
- In Colombia, we were recognized by Merco Talento as the 8th best company to attract and retain talent.
- The sustainable mobility program “The bicycle moves me” was created to promote alternative transportation systems. By the end of 2016, 127 employees participated in the program, traveling 838 KM (520mi) and preventing 137.2 KG in CO<sub>2</sub> emissions.

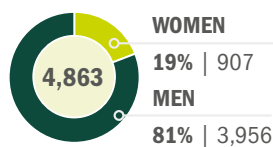
- We continued strengthening the telecommuting program, reaching 85 telecommuters in Colombia. Since the beginning of the program, we have achieved positive results in work environment, retention rate, and promotion in this group of employees. We have shown that alternative work models can contribute to the achievement of the objectives of the organization while offering options that promote work-life balance.

## Upcoming challenges

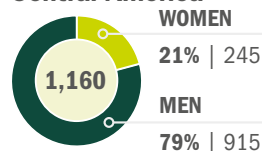
- To be a valuable partner in growth through the integration of new operations.
- To continue to promote the development of our company as one of the best places to work.
- To continue to offer development opportunities.
- To concentrate our efforts on the implementation of strategy that makes us more productive and efficient.
- To review, through the BEST Initiative, the organizational structure in order to generate efficiencies and flexibility, adapting to changing market conditions.

### 102-7 102-8 REGULAR WORKFORCE BY GENDER AND LOCATION

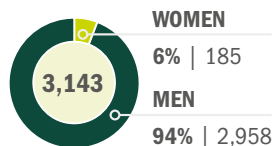
#### Colombia



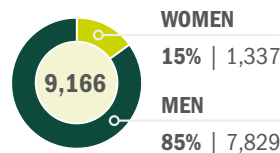
#### Caribbean and Central America



#### USA



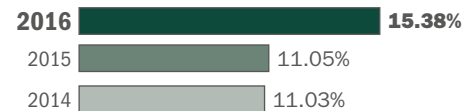
#### TOTAL



### 404-1 TRAINING HOURS BY ORGANIZATIONAL LEVEL

	2013	2014	2015	2016
Level 1: Executive	325	5,213	1,246	982
Level 2: Management	6,271	13,326	12,055	11,626
Level 3: Director	35,575	30,628	35,481	31,352
Level 4: Specialists	125,658	196,787	193,018	199,837
Level 5: Operational	218,023	246,230	310,547	367,621
<b>TOTAL</b>	<b>385,852</b>	<b>492,184</b>	<b>552,348</b>	<b>611,417</b>

### 401-1 TURNOVER RATE



### 103-2 103-3

## 2016 GOAL TRACKING



- We strengthened our Educa training model by expanding the educational offer by 261%.
- We covered 73.70% of employees from the operative to the top management levels in our Performance Appraisal Program.
- We extended our 360 degree feedback coverage to over 300 people in middle and top management positions.
- We strengthened our Cultural Pillars by holding All Aboard events in the USA and French Guiana, reaching 1,301 employees.

### 103-2 103-3

## 2017 GOALS

- We will continue to foster talent development through the appraisal Program, competency model, 360-degree feedback, and internal mobility.
- We will support change management processes like integration of the Martinsburg plant and associated terminals, as well as the new projects seeking synergies and efficiencies such as the Shared Services Center and BEST.
- We will expand the Dual Career Paths model to new areas of the company. This evaluates different paths to promotion and development for employees within Argos.

# COMMUNITY ENGAGEMENT



103-1

VALUE CHAIN BOUNDARIES

Suppliers

Argos

Clients

Society

103-1

## OUR MANAGEMENT APPROACH

### Added value to the company






Our community engagement not only enables Argos to obtain a license to operate; it also provides a legitimacy framework while contributing to reducing, mitigating, preventing, and compensating community-related risks.

### Added value to society

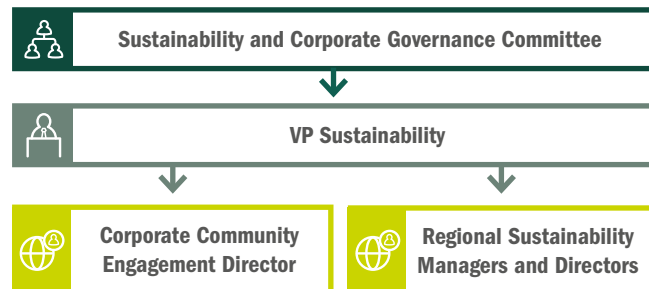
As corporate citizens and members of local communities, we are committed to being a good neighbor by taking responsibility for our impacts and contributing to local development through the design or participation in projects that seek to improve the living conditions of the places where we operate. At Argos we work in order to build dreams that generate development and transform lives. The value to society derived from our community investment projects on infrastructure, low-income housing and education for 2016 was estimated at USD 24.3 million in our Value Added Statement - VAS. See page 28 for further details.

103-2

### Initiatives, commitments, and policies

-  Cement Sustainability Initiative
-  Sustainability Policy
-  UN Global Compact and business for Peace
-  Human Rights Policy
-  AA 1000 Standard

### 103-2 Governance



103-2

## 2016 PERFORMANCE

- We continued improving engagement with our stakeholders through a manual that seeks to reduce subjectivity in the identification, scoring, and management of stakeholders under three variables: dependence, influence, and perception.
- We designed and launched the corporate volunteer program, focusing on local specificities involving all the employees in order to improve their personal and professional competences while addressing social challenges.
- For the Colombia Region, we established relations with the renewed government bodies that should allow us to strengthen alliances and establish public-private partnerships to create more shared value.
- For the USA Region we prioritized operations in terms of neighboring community presence in order to generate more efficient engagement plans and concentrate efforts on the most relevant operations.
- For the Caribbean and Central America Region, we started the implementation of the community complaints system, which became another mechanism to be closer to our communities and respond more effectively to their expectations or inquiries.

Read more about Argos' volunteer program: <http://reporteintegrado.argos.co/pdf/CorporateVolunteeringProgram.pdf>

## Upcoming challenges

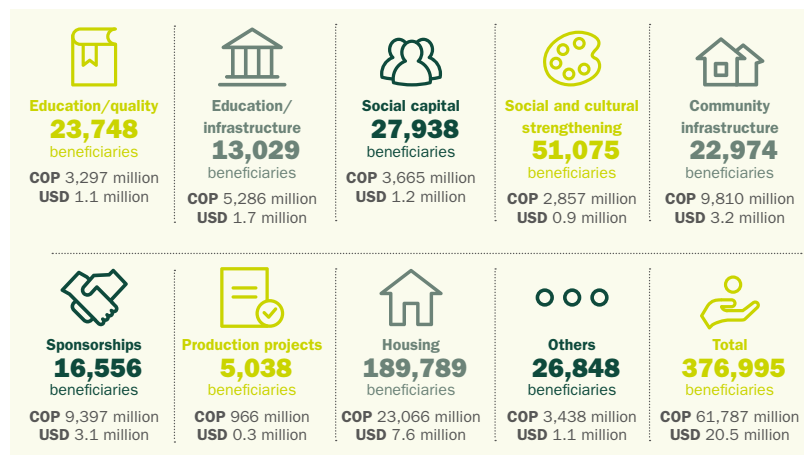
- To maintain the legitimacy of the company among our communities while preventing potential risks through a proactive, not reactive, approach based on periodic, open dialogue.
- To continue adapting programs in communities to generate capabilities that will allow them to be less dependent on our operations in the event we relocate facilities.

**WE DESIGNED A METHODOLOGY TO MEASURE THE SOCIO-ECONOMIC FOOTPRINT THAT WILL ALLOW US TO ASSESS THE EFFECTS OF OUR OPERATIONS ON NEIGHBORING COMMUNITIES.**



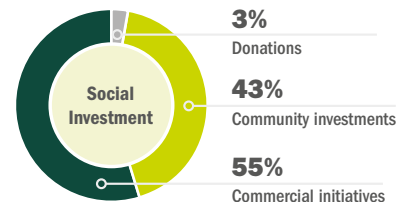
Construction of El Carmelo rural education center, Antioquia, Colombia

## A-COM1 SOCIAL INVESTMENT



**2016**

Regional investment	COP million	USD million
Colombia	56,056	18.7
CCA	5,496	1.8
USA	234	0.07
Total	61,787	20.6



Click here for more information about Community Engagement KPIs: <http://reporteintegrado.argos.co/pdf/CommunityEngagement.pdf>

## 103-2 103-3

## 2016 GOAL TRACKING ● ● ●

- We standardized the community management processes in each country where we operate in accordance with operational structures.
- We enhanced management processes in the USA Region with actions that bolstered our relationships with the community and mitigated our risks and impacts.
- We implemented a socio-economic footprint index to measure our impact on the communities with whom we have direct or indirect relationships.
- We strengthened our public and private partnerships.
- We standardized our methodology to process complaints in our three regions.

## 103-2 103-3

## 2017 GOALS

- We will structure the initiatives in order to have better mechanisms to measure the performance and effect of the programs on society ensuring transparency and better implementation.
- We will structure a baseline for our volunteers program that will allow us to grow and generate greater effects on communities.

### 2025

- We will establish a formal committee to address continuous dialogue on an open basis for all operations with neighboring communities.

# HUMAN RIGHTS

## Added value to the company

Respect and promotion of human rights (HR) are essential for Argos' sustainability strategic priority. Aware of HR risks posed by negative impacts on HR, such as reputational, financial, legal, operational risks, Argos has developed a risk-based human rights model to ensure alignment with the United Nations Ruggie Framework.

## Added value to society


Argos is convinced that the best way of creating value is by ensuring the development of operations and commercial relations (with suppliers, joint ventures, and clients) that are respectful of our stakeholders human rights. Moreover, by committing to promoting HR such as the right to education, and by raising awareness among our stakeholders, we contribute to sustainable development in all countries in which Argos operates.

## OUR COMMITMENT


### Human Rights Policy

"At Argos, consistent with corporate culture, we express our commitment for the respect and promotion of human rights, committing ourselves to conducting our business operations in a manner consistent with the International Bill of Human Rights, the principles and fundamental rights established in the Declaration of the International Labour Organization, and in accordance with applicable laws in the countries or states where these take place; standards and principles that continue to guide our actions, how we achieve results and sustainability at our company."


### Initiatives, commitments, and policies

-  Sustainability Policy


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-  Environmental Policy


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-  Talent Management Policy


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-  Diversity and Inclusion Policy


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-  Gender Equality Policy


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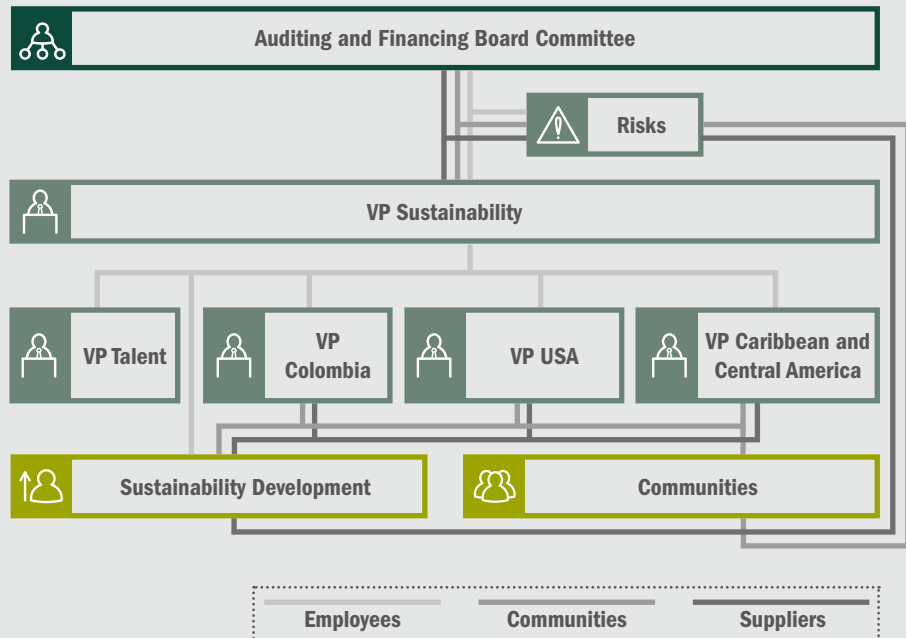
-  Sustainability Index for Suppliers

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-  Anti-Fraud Policy

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-  Code of Conduct




## DUE DILIGENCE


In order to prevent and mitigate negative impacts on our stakeholders' human rights, we use a Risk-Based Human Rights Model. This tool was developed jointly by our Sustainability VP and our Risk Management Department, with insights from other corporate and business units responsible for leading relationships with the stakeholder


groups that we aim to assess. In 2015, we began the implementation of the HR Model by assessing employees' rights with a wider scope in comparison to the analysis that has been done in previous years, going from a corporate analysis to a local level analysis and building corporate as well as country risk maps based on labor HR risks.





## Labor risks analyzed


 Restricting freedom of association and collective bargaining


 Forced labor

 Child and youth labor

 Violence, labor and sexual harassment

 Inequality and discrimination

 Violation of due process and lack of grievance mechanisms

 Violation of quality of life, rest periods, or maternity

 Violation of life, liberty, health, and personal safety

In 2017, the Human Rights Model will continue to broaden its coverage to other stakeholder groups, such as communities and suppliers paying special attention to vulnerable groups such as children, women, ethnic and migrant groups. Regarding neighboring communities and suppliers, we have identified the following human rights issues that will be prioritized when implementing due diligence process:



Right to life



Personal integrity and health



Prohibition of child labor and forced labor



Ethnic rights



World cultural and natural heritage



Property



Environment and water



Freedom of association and collective bargaining



Freedom of movement



Sexual integrity

## MITIGATION AND REMEDIATION

Of the analyzed risks, the only one that had a high residual risk was related to life, liberty, health, and personal safety, due to the high exposure to occupational health and safety hazards and physical safety risks inherent to the industry.

The analysis showed that 42.8% of our country operations reported high exposure. In order to prevent and mitigate these risks, we have implemented the I Promise Program which covers 100% of Argos operations. 2017 highlights include:

1. The I Promise Project concluded with the adoption and launch of the I Promise Management Model.
2. The I Promise Management Model was disseminated among 3,939 employees, contractors, and local communities and authorities.
3. In 2017, a total of 396,818 preventive observations were registered in our system.

4. A total of 140,570 hours of training on health and safety procedures were held.
5. There was a reduction in the severity and frequency rates of 45.68% and 47.84%, respectively.

Moreover, our Transparency Hotline is a grievance mechanism that allows for anonymous reporting of behaviors that are contrary our Good Governance Code and Code of Business Conduct, or any other company policy. Management issues reported through this line enable us to respond adequately to the complaints of our stakeholders and make the necessary decisions in order to respect the rights of our stakeholders and ensure a straightforward and transparent course of action.

In 2016, we received a total of 146 complaints for issues related to labor relations, the environment, community relations, and corruption which were addressed through the appropriate channels.



The image shows a stack of six books, each with a unique geometric pattern on its cover. The patterns consist of various shapes like triangles, rectangles, and lines, arranged in a way that creates a sense of depth and movement. The colors are muted, including shades of beige, brown, and grey. The books are stacked on a black surface, which makes the patterns stand out. The overall composition is clean and modern.

**05**

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**Appendix**

# CERTIFICATION OF THE LEGAL REPRESENTATIVE OF THE COMPANY

Barranquilla, February 24, 2017

**To the attention of the shareholders of Cementos Argos S. A. and the general public:**

As legal representative of the company, I hereby certify that the consolidated financial statements as of December 31, 2016, which have been made public, do not contain any material flaws, imprecisions, or errors that could interfere with understanding of the actual assets and financial position or transactions made by Cementos Argos S. A. during the reporting period.



**Juan Esteban Calle**  
Legal Representative  
Cementos Argos S. A.

# LEGAL REPRESENTATIVE AND CORPORATE ACCOUNTING MANAGER OF THE COMPANY

Barranquilla, February 24, 2017

## To the attention of the shareholders of Cementos Argos S. A.:

We, the undersigned Legal Representative and Corporate Accounting Manager of Cementos Argos S. A., hereby certify that the consolidated financial statements of the company as of December 31, 2016 and 2015, have been faithfully taken from the accounting books and that the following statements have been verified before being disclosed to the shareholders and third parties:

- a) All assets and liabilities included in the company's financial statements as of December 31, 2016 and 2015 exist and all transactions included in those financial statements have been made during the years ending on those dates.
- b) All the economic activities carried out by the company during the years ending on December 31, 2016 and 2015 have been recorded in the financial statements.
- c) Assets represent probable future economic benefits (rights) and liabilities represent probable future financial commitments (obligations), obtained or accrued by the company as of December 31, 2016 and 2015.
- d) All items have been recorded with their proper values in accordance with financial reporting standards applicable in Colombia.
- e) All economic events that affected the company were correctly classified, described, and disclosed in the financial statements.



**Juan Esteban Calle**  
Legal Representative  
Cementos Argos S. A.



**Óscar Rodrigo Rubio C.**  
Corporate Accounting Manager  
T. P. 47208-T



## STATUTORY AUDITOR'S REPORT

### To the shareholders of CEMENTOS ARGOS S.A.:

#### Report on Consolidated Financial Statements

I have audited the consolidated financial statements of CEMENTOS ARGOS S.A. and its subsidiaries which comprise the consolidated statement of financial position as at December 31<sup>st</sup>, 2016, and the related consolidated income statement and other comprehensive income, changes in shareholders' equity and cash flow for the year then ended, and a summary of the main accounting policies and other explanatory notes. The consolidated financial statements as at December 31<sup>st</sup> 2015 which were audited by me and reported on February 25th, 2016 with no qualifications, are included for comparative purposes.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Accounting and Financial Reporting Standards accepted in Colombia; and for such internal control as management determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies, as well as making accounting estimates that are reasonable in the circumstances.

#### Statutory Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with International Auditing Standards accepted in Colombia. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatements in the financial statements. As part of the risk assessments the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriated in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and significant accounting estimates made by management, as well as evaluating the overall presentation of consolidated financial statement.

I believe that the audit evidence that I obtained is sufficient and appropriated to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of CEMENTOS ARGOS S.A. and its subsidiaries as at December 31<sup>st</sup> 2016, as well as the results of all its operations, the changes in its equity, and the cash flows for the year then ended, in accordance with the Accounting and Financial Reporting Standards accepted in Colombia.

These financial statements and notes to the financial statements were translated into English for the convenience of readers outside Colombia from financial statements originally issued in Spanish.

February 24<sup>th</sup> 2017



**Cesar Augusto Arango Vélez**  
Statutory Auditor | T.P. 197463-T  
Designated by Deloitte & Touche Ltda.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**


As of December 31 | millions of Colombian pesos

	Notes	2016	2015
<b>ASSETS</b>			
Cash and cash equivalents	5	\$ 531,666	\$ 545,708
Derivative financial instruments	6	1,420	22,114
Other financial current assets	7	2,301	3,676
Trade receivables and other accounts receivable, net	8	1,318,499	1,071,587
Tax receivable	9	269,904	278,959
Inventories	10	839,247	727,709
Prepaid expenses		78,992	64,268
Assets held for sale or for distribution to owners	18	8,373	10,114
<b>Total current assets</b>		<b>\$ 3,050,402</b>	<b>\$ 2,724,135</b>
Trade receivables and other accounts receivable, net	8	111,920	35,628
Investments in associates and joint ventures	12	79,529	81,857
Derivative financial instruments	6	650	324
Other non-current financial assets	7	1,389,944	1,466,654
Other intangible assets, net	14	1,117,529	1,202,700
Biological assets	11	20,870	20,242
Property, plants, and equipment, net	15	11,078,053	9,373,182
Investment property, net	16	153,976	153,033
Goodwill	17	1,753,268	1,836,087
Deferred tax assets	9	396,172	550,883
Prepaid expenses and other assets		4,490	2,273
<b>Total non-current assets</b>		<b>\$ 16,106,401</b>	<b>\$ 14,722,863</b>
<b>TOTAL ASSETS</b>		<b>\$ 19,156,803</b>	<b>\$ 17,446,998</b>
<b>LIABILITIES</b>			
Financial liabilities	19	2,485,743	1,145,372
Trade liabilities and accounts payable	22	1,118,894	988,134
Taxes, liens, and duties	9	238,443	323,805
Employee benefits	23	146,716	145,041
Provisions	24	88,947	86,055
Other financial liabilities	25	-	45,019
Derivative financial instruments	6	102,555	-
Outstanding bonds and preferred shares	26	475,621	263,840
Prepaid income and other liabilities	25	181,198	154,955
Liabilities associated with assets held for sale or for distribution to owners	18	824	856
<b>Total current liabilities</b>		<b>\$ 4,838,941</b>	<b>\$ 3,153,077</b>
Financial liabilities	19	2,402,996	2,283,782
Trade liabilities and accounts payable	22	9,497	10,495
Employee benefits	23	287,129	245,395
Derivative financial instruments	6	8,901	172,156
Provisions	24	180,670	186,920
Outstanding bonds and preferred shares	26	1,948,877	1,984,955
Other liabilities	25	43,063	8,720
Deferred tax liabilities	9	363,150	663,992
<b>Total non-current liabilities</b>		<b>\$ 5,244,283</b>	<b>\$ 5,556,415</b>
<b>TOTAL LIABILITIES</b>		<b>\$ 10,083,224</b>	<b>\$ 8,709,492</b>
<b>EQUITY (SEE ATTACHED STATEMENT)</b>		<b>\$ 9,073,579</b>	<b>\$ 8,737,506</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>\$ 19,156,803</b>	<b>\$ 17,446,998</b>


Notes are an integral part of the consolidated financial statements.



**Juan Esteban Calle**  
Legal Representative  
(See attached certification)



**Óscar Rodrigo Rubio C.**  
Corporate Accounting Manager  
T.P. 47208-T (See attached certification)



**César Augusto Arango Vélez**  
Statutory Auditor | T.P. 197463-T  
Appointed by Deloitte & Touche Ltda.  
(See attached report)

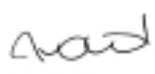



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**


As of December 31 | millions of Colombian pesos

	Notes	2016	2015
<b>CONTINUING OPERATIONS</b>			
Income from operations	32	\$ 8,517,382	\$ 7,912,003
Cost of sales	10	6,595,353	6,097,927
<b>Gross profit</b>		<b>\$ 1,922,029</b>	<b>\$ 1,814,076</b>
Administrative expenses	34	699,310	598,662
Selling expenses	35	263,373	264,387
Other income (expenses) from operations, net	36	79,532	(11,608)
Impairment of goodwill and non-current assets	17	56,517	234
<b>Operating profit</b>		<b>\$ 982,361</b>	<b>\$ 939,185</b>
Financial expenses, net	38	340,828	274,963
Foreign currency exchange gains, net		30,157	33,107
Share of net loss of associates and joint ventures		(1,824)	(787)
<b>Profit before income tax</b>		<b>\$ 669,866</b>	<b>\$ 696,542</b>
Income tax	9	107,354	126,905
<b>Income from continuing operations for the year</b>	<b>39</b>	<b>\$ 562,512</b>	<b>\$ 569,637</b>
Net discontinued operations, after tax	18	-	(13,315)
<b>NET INCOME FOR THE YEAR</b>		<b>\$ 562,512</b>	<b>\$ 556,322</b>
<b>Income for the period attributable to:</b>			
Owners of the parent company		419,970	491,357
Non-controlling interest	31	142,542	64,965
<b>Net income for the year</b>		<b>\$ 562,512</b>	<b>\$ 556,322</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAXES</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Loss on new measurements of defined benefits obligations		\$ (40,019)	\$ (9,982)
Gains (losses) from equity investments measured at fair value		159,965	(257,854)
Income tax on items that will not be reclassified to profit or loss		26,049	3,830
<b>Total items that will not be reclassified to profit or loss</b>		<b>\$ 145,995</b>	<b>\$ (264,006)</b>
<b>Items that will be reclassified to profit or loss:</b>			
Net profit (loss) of cash-flow hedging instruments		15,109	(5,929)
(Losses) gains from foreign currency translation differences		(363,944)	1,235,118
Income tax on items that will be reclassified to profit or loss		(6,391)	(3,534)
<b>Total items that will be reclassified to profit or loss</b>		<b>\$ (355,226)</b>	<b>\$ 1,225,655</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAXES</b>		<b>\$ (209,231)</b>	<b>\$ 961,649</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>\$ 353,281</b>	<b>\$ 1,517,971</b>
<b>Other comprehensive income attributable to:</b>			
Owners of the parent company		(160,716)	836,090
Non-controlling interest		(48,515)	125,559
<b>Other comprehensive income</b>		<b>\$ (209,231)</b>	<b>\$ 961,649</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent company		259,254	1,327,447
Non-controlling interest		94,027	190,524
<b>Total comprehensive income</b>		<b>\$ 353,281</b>	<b>\$ 1,517,971</b>
<b>Earnings per share:</b>			
Basic, net income attributable to owners of the parent	40	364,66	426,65
Basic, net income from continuing operations attributable to owners of the parent		364,66	438,21
Basic, net income from discontinued operations attributable to owners of the parent		-	(11,56)

The notes are an integral part of the consolidated financial statements.

 **Juan Esteban Calle**  
Legal Representative  
(See attached certification)

 **Óscar Rodrigo Rubio C.**  
Corporate Accounting Manager  
T.P. 47208-T (See attached certification)

 **César Augusto Arango Vélez**  
Statutory Auditor | T.P. 197463-T  
Appointed by Deloitte & Touche Ltda.  
(See attached report)

Cementos Argos S. A. and subsidiaries

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

As of December 31 | millions of Colombian pesos

	Issued Capital	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Other comprehensive income and other components	Equity attributable to the owners of the parent company	Non-controlling interest	Equity
<b>Balance as of January 1, 2015</b>	<b>1,558,290</b>	<b>(113,797)</b>	<b>19,131</b>	<b>1,138,498</b>	<b>1,918,364</b>	<b>2,527,149</b>	<b>7,047,635</b>	<b>466,488</b>	<b>7,514,123</b>
Net income for the period	-	-	-	-	491,357	-	491,357	64,965	556,322
Other comprehensive income for the period, net of income tax	-	-	-	-	-	836,090	836,090	125,559	961,649
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>491,357</b>	<b>836,090</b>	<b>1,327,447</b>	<b>190,524</b>	<b>1,517,971</b>
Cash dividends	-	-	-	-	(204,998)	-	(204,998)	(39,683)	(244,681)
Appropriation of reserves	-	-	2,025	16,292	(18,317)	-	-	-	-
Other reserve movements	-	-	-	38,493	(38,493)	-	-	-	-
Business combinations	-	-	-	-	-	-	-	23,005	23,005
Wealth tax	-	-	-	(54,324)	(374)	-	(54,698)	(9)	(54,707)
Other movements	-	-	-	-	(9,883)	(43)	(9,926)	(8,279)	(18,205)
<b>Balance as of December 31, 2015</b>	<b>1,558,290</b>	<b>(113,797)</b>	<b>21,156</b>	<b>1,138,959</b>	<b>2,137,656</b>	<b>3,363,196</b>	<b>8,105,460</b>	<b>632,046</b>	<b>8,737,506</b>
<b>Balance as of January 1, 2016</b>	<b>1,558,290</b>	<b>(113,797)</b>	<b>21,156</b>	<b>1,138,959</b>	<b>2,137,656</b>	<b>3,363,196</b>	<b>8,105,460</b>	<b>632,046</b>	<b>8,737,506</b>
Net income for the period	-	-	-	-	419,970	-	419,970	142,542	562,512
Other comprehensive income for the period, net of income tax	-	-	-	-	-	(160,716)	(160,716)	(48,515)	(209,231)
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>419,970</b>	<b>(160,716)</b>	<b>259,254</b>	<b>94,027</b>	<b>353,281</b>
Transfer to retained earnings	-	-	-	-	209,090	(209,090)	-	-	-
Cash dividends	-	-	-	-	(230,334)	-	(230,334)	(68,448)	(298,782)
Cash dividends on preferred shares	-	-	-	-	(29,811)	-	(29,811)	-	(29,811)
Capitalization of reserves	584,023	-	-	(584,023)	-	-	-	-	-
Appropriation of reserves	-	-	167	358,211	(307,485)	-	50,893	-	50,893
Release of reserves	-	-	-	(50,893)	-	-	(50,893)	-	(50,893)
Changes in ownership with no loss of control	-	-	-	-	-	281,257	281,257	80,557	361,814
Wealth tax	-	-	-	(47,438)	-	-	(47,438)	(37)	(47,475)
Other movements	-	-	(396)	-	4,429	-	4,033	(6,987)	(2,954)
<b>Balance as of December 31, 2016</b>	<b>2,142,313</b>	<b>(113,797)</b>	<b>20,927</b>	<b>814,816</b>	<b>2,203,515</b>	<b>3,274,647</b>	<b>8,342,421</b>	<b>731,158</b>	<b>9,073,579</b>

The notes are an integral part of the consolidated financial statements.



**Juan Esteban Calle**  
Legal Representative  
(See attached certification)



**Óscar Rodrigo Rubio C.**  
Corporate Accounting Manager  
T.P. 47208-T (See attached certification)



**César Augusto Arango Vélez**  
Statutory Auditor | T.P. 197463-T  
Appointed by Deloitte & Touche Ltda.  
(See attached report)


**CONSOLIDATED STATEMENT OF CASH FLOWS**


As of December 31 | millions of Colombian pesos


	Notes	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>NET INCOME</b>		\$ 562,512	\$ 556,322
<b>Adjustments to reconcile profit:</b>			
Depreciation and amortization		611,602	580,271
Income tax		107,354	126,905
Net financial expenses		378,945	277,165
Provisions, post-employment, and long-term defined benefit plans		13,830	27,950
Net impairment losses		73,183	21,724
(Gain) loss from exchange difference		(64,133)	282,032
Net (gains) losses on fair value measurement		849	10,261
Share of net loss of associates and joint ventures		1,824	787
Net (gains) losses on the disposal of non-current assets		(63,499)	864
Others, net		(45,607)	(32,763)
<b>Changes in the working capital of:</b>			
Increase in inventory		(49,103)	(58,376)
(Increase) decrease in receivables and other accounts receivable		(501,795)	605,170
Increase (decrease) in liabilities and other accounts payable		3,444	(1,110,080)
<b>Total adjustments to reconcile profit</b>		<b>466,894</b>	<b>731,910</b>
<b>Net cash flows from operating activities</b>		<b>\$ 1,029,406</b>	<b>\$ 1,288,232</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash flows used to obtain control of subsidiaries or other businesses	42	(2,088,959)	(43,701)
Acquisition of financial assets		(10,648)	(284)
Proceeds from sale of financial assets		237,787	8,867
Acquisition of investment in associates and joint ventures		(2,890)	(170)
Other charges for the sale or liquidation of investment in associates and joint ventures		2,323	-
Proceeds from the sale of property, plant and equipment, and investment properties		100,676	27,054
Purchase of property, plants, and equipment and investment properties		(746,842)	(688,177)
Purchase of intangible assets		(10,124)	(15,740)
Dividends received		35,360	31,167
Payments from financial derivatives contracts		(33,248)	(106,312)
Collection from financial derivatives contracts		24,456	16,091
<b>Net cash flows used in investing activities</b>		<b>\$ (2,492,109)</b>	<b>\$ (771,205)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loans		6,302,204	3,310,956
Payments of loans and debt instruments		(4,565,265)	(3,123,908)
Proceeds from bond issue		399,218	-
Payment of outstanding bonds		(212,561)	(191,400)
Payments for finance lease liabilities		(30,355)	(44,991)
Dividends paid	30	(292,448)	(241,226)
Dividends paid on preferred shares		(45,082)	(48,325)
Interest paid		(353,667)	(257,037)
Disposals of ownership interests with no loss of control		288,008	-
<b>Net cash flows from (used in) financing activities</b>		<b>\$ 1,490,052</b>	<b>\$ (595,931)</b>
<b>INCREASE (DECREASE) OF CASH AND CASH EQUIVALENT BY OPERATIONS</b>		<b>\$ 27,349</b>	<b>\$ (78,904)</b>
Net effect of foreign currency translation on cash and cash equivalents		(41,391)	98,748
<b>Net (decrease) increase of cash and cash equivalent</b>		<b>(14,042)</b>	<b>19,844</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>552,215</b>	<b>532,371</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>\$ 538,173</b>	<b>\$ 552,215</b>

The notes are an integral part of the consolidated financial statements.

Las notas son parte integral de los estados financieros consolidados.

  
**Juan Esteban Calle**  
 Legal Representative  
 (See attached certification)

  
**Óscar Rodrigo Rubio C.**  
 Corporate Accounting Manager  
 T.P. 47208-T (See attached certification)

  
**César Augusto Arango Vélez**  
 Statutory Auditor | T.P. 197463-T  
 Appointed by Deloitte & Touche Ltda.  
 (See attached report)

# CERTIFICATION OF THE LEGAL REPRESENTATIVE OF THE COMPANY

Barranquilla, February 24, 2017

**To the attention of the shareholders of Cementos Argos S. A. and the general public:**

As the legal representative of the company, I hereby certify that the separate financial statements as of December 31, 2016, which have been made public, do not contain any material flaws, imprecisions or errors that could impede the understanding of the actual assets and financial position or transactions made by Cementos Argos S. A. during the reporting period.



**Juan Esteban Calle**  
Legal Representative

# CERTIFICATION OF THE LEGAL REPRESENTATIVE AND CORPORATE ACCOUNTING MANAGER OF THE COMPANY

Barranquilla, February 24, 2017

## To the attention of the shareholders of Cementos Argos S. A.:

The undersigned Legal Representative and Corporate Accounting Manager of Cementos Argos S. A., hereby certifies that the separate financial statements of the company as of December 31, 2016 and 2015, have been faithfully taken from the accounting books and that the following statements have been verified before being disclosed to the shareholders and third parties:

- a) All assets and liabilities included in the company's financial statements as of December 31, 2016 and 2015 exist and all transactions included in those financial statements have been made during the years ended on those dates.
- b) All of the economic activities carried out by the company during the years ended on December 31, 2016 and 2015 have been recorded in the financial statements.
- c) Assets represent probable future economic benefits (rights) and liabilities represent probable future financial commitments (obligations), obtained or accrued by the company as December 31, 2016 and 2015.
- d) All items have been recorded with their proper values in accordance with the financial reporting standards applicable in Colombia.
- e) All economic events that affected the company were correctly classified, described and disclosed in the financial statements.



**Juan Esteban Calle**  
Legal Representative



**Óscar Rodrigo Rubio C.**  
Corporate Accounting Manager  
T.P. 47208-T (See attached certification)



## STATUTORY AUDITOR'S REPORT

### To the shareholders of CEMENTOS ARGOS S.A.:

#### Report on Financial Statements

I have audited the financial statements of CEMENTOS ARGOS S.A. which comprise the statement of financial position as at December 31<sup>st</sup>, 2016, and the statement of income and other comprehensive income, changes in shareholders' equity and cash flow for the year then ended, and a summary of the main accounting policies and other explanatory notes. The financial statements as at December 31<sup>st</sup> 2015 which were audited by me and reported on February 25<sup>th</sup>, 2016 with no qualifications, are included for comparative purposes.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting and Financial Reporting Standards accepted in Colombia, and for such internal control as management determines is necessary to enable the preparation and presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; as well as making accounting estimates that are reasonable in the circumstances.

#### Statutory Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Auditing Standards accepted in Colombia. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatements in the financial statements. As part of the risk assessments the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriated in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and significant accounting estimates made by management, as well as evaluating the overall presentation of financial statement.

I believe that the audit evidence that I obtained is sufficient and appropriated to provide a basis for my audit opinion.

## Opinion

In my opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of CEMENTOS ARGOS S.A. as at December 31<sup>st</sup> 2016, as well as the results of all its operations, the changes in its equity, and the cash flows for the year then ended, in accordance with the Accounting and Financial Reporting Standards accepted in Colombia.

## Other Information

The financial statements referred to above were prepared by the Management according with the legal requirements of information that applies to the Company as an independent entity, therefore these financial statements do not comprise the adjustments or eliminations that are necessary for the presentation of the consolidated financial statements of the Company and its subsidiaries. These separate financial statements should be read jointly with the consolidated financial statements of CEMENTOS ARGOS S.A. and its subsidiaries.

## Report on Other Legal and Regulatory Requirements

Based on the scope of my audit, I report that the Company's accounting records have been kept according to legal regulations and the accounting techniques; the transactions recorded in the accounting books and the acts by management conform to the bylaws and the decisions of the Shareholders' Meeting and the Board of Directors; the correspondence, account vouchers and books of minutes and shareholder ledger are duly kept and preserved; the management's report agrees with the basic financial statements, the Company is not in default in the payment of contributions to the Integral Social Security System, and the mechanisms for money laundering prevention and control have been implementing in accordance with the instructions from Superintendencia Financiera de Colombia. My assessment of the internal control, performed with the purpose of defining the scope of my audit testing, highlighted the recommendations about internal control which I have properly communicate to the Management in separate communications.

These financial statements and notes to the financial statements were translated into English for the convenience of readers outside Colombia from financial statements originally issued in Spanish.

February 24<sup>th</sup> 2017



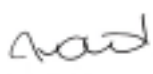
**Cesar Augusto Arango Vélez**  
Statutory Auditor | T.P. 197463-T  
Appointed by Deloitte & Touche Ltda.  
(See attached report)

**SEPARATE STATEMENT OF FINANCIAL POSITION**


As of December 31 | millions of Colombian Pesos

	Notes	2016	2015
<b>ASSETS</b>			
Cash and cash equivalents	5	\$ 117,587	\$ 45,607
Derivative financial instruments	6	-	22,114
Trade receivables and other accounts receivable, net	8	835,952	1,120,302
Tax receivable	9	123,581	158,725
Inventories	10	139,250	134,697
Prepaid expenses		15,818	14,954
Non-current assets held for sale	17	-	2,389
<b>Total current assets</b>		<b>\$ 1,232,188</b>	<b>\$ 1,498,788</b>
Trade receivables and other accounts receivable, net	8	789,885	747,857
Investments in subsidiaries	13	7,082,018	6,609,054
Investments in associates and joint ventures	12	56,420	56,295
Derivative financial instruments	6	650	324
Other financial assets	7	1,371,388	1,453,087
Other intangible assets, net	14	379,227	406,808
Biological assets	11	20,870	20,242
Property, plant and equipment, net	15	2,073,902	1,927,152
Investment property, net	16	105,298	101,674
<b>Total non-current assets</b>		<b>\$ 11,879,658</b>	<b>\$ 11,322,493</b>
<b>TOTAL ASSETS</b>		<b>\$ 13,111,846</b>	<b>\$ 12,821,281</b>
<b>LIABILITIES</b>			
Financial liabilities	18.19	472,596	662,810
Trade liabilities and other accounts payable	21	570,199	599,689
Taxes, liens and duties	9	65,343	152,586
Derivative financial instruments	6	101,135	-
Employee benefits liability	22	72,669	81,777
Provisions	23	28,728	9,403
Other financial liabilities	24	-	45,019
Outstanding bonds and preferred shares	25	475,621	263,840
Prepaid income and other liabilities		72,428	88,525
<b>Total current liabilities</b>		<b>\$ 1,858,719</b>	<b>\$ 1,903,649</b>
Financial liabilities	18.19	240,858	217,227
Trade liabilities and other accounts payable	21	5,766	8,543
Employee benefits liability	22	271,125	231,036
Derivative financial instruments	6	3,239	160,033
Provisions	23	31,848	37,854
Outstanding bonds and preferred shares	25	1,948,877	1,984,955
Other liabilities		15,830	15,830
Deferred tax liability	9	84,389	189,183
<b>Total non-current liabilities</b>		<b>\$ 2,601,932</b>	<b>\$ 2,844,661</b>
<b>TOTAL LIABILITIES</b>		<b>\$ 4,460,651</b>	<b>\$ 4,748,310</b>
<b>EQUITY (SEE ATTACHED STATEMENT)</b>		<b>\$ 8,651,195</b>	<b>\$ 8,072,971</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>\$ 13,111,846</b>	<b>\$ 12,821,281</b>

The notes are an integral part of the separate financial statements.

 **Juan Esteban Calle**  
Legal Representative  
(See attached certification)

 **Óscar Rodrigo Rubio C.**  
Corporate Accounting Manager  
T.P. 47208-T (See attached certification)

 **César Augusto Arango Vélez**  
Statutory Auditor | T.P. 197463-T  
Appointed by Deloitte & Touche Ltda.  
(See attached report)



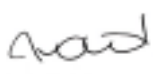
Cementos Argos S. A.

# SEPARATE STATEMENT OF COMPREHENSIVE INCOME


As of December 31 | millions of Colombian Pesos

	Notes	2016	2015
<b>CONTINUING OPERATIONS</b>			
Income from operations	30	\$ 1,623,903	\$ 1,898,076
Costs of goods sold	10	1,113,273	1,199,098
<b>Gross profit</b>		<b>\$ 510,630</b>	<b>\$ 698,978</b>
Administrative expenses	31	314,101	281,472
Selling expenses	32	91,809	90,285
Other income (expenditure) from operations, net	33	69,189	(6,406)
Assets Impairment	15	49,033	-
<b>Operating profit</b>		<b>\$ 124,876</b>	<b>\$ 320,815</b>
Financial income	34	68,002	66,420
Finance charges	35	291,143	236,947
Gain (loss) on the net monetary position, net		2,245	23,784
Net equity in investments income statement		775,441	355,258
<b>Profit before income tax</b>		<b>\$ 679,421</b>	<b>\$ 529,330</b>
Income tax	9	(34,215)	28,834
<b>Income from continuing operations for the year</b>	<b>36</b>	<b>713,636</b>	<b>\$ 500,496</b>
Net discontinued operations, after tax		-	(1,844)
<b>Net Income for the year</b>		<b>\$ 713,636</b>	<b>\$ 498,652</b>
<b>OTHER AFTER-TAX COMPREHENSIVE INCOME</b>			
<b>Items that will not be reclassified after income statement for the period:</b>			
Earnings (loss) on new measurements of defined benefit obligations		\$ (39,240)	\$ (7,562)
Earnings (loss) from equity investments measured at fair value		156,623	(259,221)
Income tax of components that will not be reclassified		29,448	3,836
<b>Total items that will not be reclassified after income statement for the period</b>		<b>\$ 146,831</b>	<b>\$ (262,947)</b>
<b>Items that will be reclassified after income statement for the period:</b>			
Net profit (loss) of instruments in cash flow hedges		15,064	(5,813)
Exchange differences by foreign currency translation		(258,349)	1,146,823
Income tax of components that will be reclassified		(6,392)	(3,536)
<b>Total items that will be reclassified after income statement for the period</b>		<b>\$ (249,677)</b>	<b>\$ 1,137,474</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAXES</b>		<b>\$ (102,846)</b>	<b>\$ 874,527</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>\$ 610,790</b>	<b>\$ 1,373,179</b>

The notes are an integral part of the separate financial statements.

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Legal Representative  
(See attached certification)

 **Óscar Rodrigo Rubio C.**  
Corporate Accounting Manager  
T.P. 47208-T (See attached certification)

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# Cementos Argos S. A. SEPARATE STATEMENT OF CHANGES IN EQUITY


As of December 31 | millions of Colombian Pesos

	Issued capital	Repurchased treasury stocks	Reserve	Other reserves	Retained earnings	New measure-ments of defined benefits obligations	Profits and loss from equity investment	Net earnings cash flow hedges	Exchange differences by foreign invest-ments translation	Income tax equity	Total
<b>Balance at January 1, 2015</b>	<b>1,558,290</b>	<b>(113,797)</b>	<b>16,061</b>	<b>1,138,498</b>	<b>1,934,652</b>	<b>14,522</b>	<b>1,646,124</b>	<b>(9,164)</b>	<b>916,109</b>	<b>(7,462)</b>	<b>7,093,833</b>
Income for the period	-	-	-	-	498,652	-	-	-	-	-	498,652
Other comprehensive income for the period, net of income tax	-	-	-	-	-	(7,562)	(259,221)	(5,813)	1,146,823	301	874,528
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>498,652</b>	<b>(7,562)</b>	<b>(259,221)</b>	<b>(5,813)</b>	<b>1,146,823</b>	<b>301</b>	<b>1,373,180</b>
Cash dividends	-	-	-	-	(204,998)	-	-	-	-	-	(204,998)
Appropriation of reserves	-	-	-	38,493	(38,493)	-	-	-	-	-	-
Wealth tax	-	-	-	(40,604)	-	-	-	-	-	-	(40,604)
Equity in Subsidiaries	-	-	419	2,572	(151,431)	-	-	-	-	-	(148,440)
<b>Balance at December 31, 2015</b>	<b>1,558,290</b>	<b>(113,797)</b>	<b>16,480</b>	<b>1,138,959</b>	<b>2,038,382</b>	<b>6,960</b>	<b>1,386,903</b>	<b>(14,977)</b>	<b>2,062,932</b>	<b>(7,161)</b>	<b>8,072,971</b>
<b>Balance at January 1, 2016</b>	<b>1,558,290</b>	<b>(113,797)</b>	<b>16,480</b>	<b>1,138,959</b>	<b>2,038,382</b>	<b>6,960</b>	<b>1,386,903</b>	<b>(14,977)</b>	<b>2,062,932</b>	<b>(7,161)</b>	<b>8,072,971</b>
Income for the period	-	-	-	-	713,636	-	-	-	-	-	713,636
Other comprehensive income for the period, net of income tax	-	-	-	-	-	(39,240)	156,623	15,064	(258,349)	23,056	(102,846)
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>713,636</b>	<b>(39,240)</b>	<b>156,623</b>	<b>15,064</b>	<b>(258,349)</b>	<b>23,056</b>	<b>610,790</b>
Transfers from the other comprehensive income to retained earnings	-	-	-	-	209,090	-	(209,090)	-	-	-	-
Cash ordinary dividends	-	-	-	-	(230,334)	-	-	-	-	-	(230,334)
Cash preferred dividends	-	-	-	-	(29,811)	-	-	-	-	-	(29,811)
Capitalization of reserves	584,023	-	-	(584,023)	-	-	-	-	-	-	-
Wealth tax	-	-	-	(34,706)	-	-	-	-	-	-	(34,706)
Constitution of reserves	-	-	-	275,750	(224,857)	-	-	-	-	-	50,893
Release of reserves	-	-	-	(50,893)	-	-	-	-	-	-	(50,893)
Changes in participation of subsidiaries without control loss	-	-	-	-	89	-	-	-	-	-	89
Equity in Subsidiaries	-	-	7,273	77,025	177,898	-	-	-	-	-	262,196
<b>Balance at December 31, 2016</b>	<b>2,142,313</b>	<b>(113,797)</b>	<b>23,753</b>	<b>822,112</b>	<b>2,654,093</b>	<b>(32,280)</b>	<b>1,334,436</b>	<b>87</b>	<b>1,804,583</b>	<b>15,895</b>	<b>8,651,195</b>

The notes are an integral part of the separate financial statements.

  
**Juan Esteban Calle**  
Legal Representative  
(See attached certification)

  
**Óscar Rodrigo Rubio C.**  
Corporate Accounting Manager  
T.P. 47208-T (See attached certification)

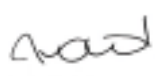
  
**César Augusto Arango Vélez**  
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(See attached report)


**SEPARATE STATEMENT OF CASH FLOWS**

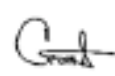
As of December 31 | millions of Colombian Pesos

	2016	2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>NET INCOME</b>	<b>\$ 713,636</b>	<b>\$ 498,652</b>
<b>Adjustments to reconcile profit:</b>		
Depreciation and amortization	156,330	111,194
Income tax	(34,215)	(4,790)
Net financial expenses	273,106	195,861
Provisions, post-employment and long-term defined benefit plans	(19,038)	17,140
Assets impairment (Property, plant and equipment, inventories and trade receivables)	60,804	2,838
Gain on exchange difference	(37,808)	(76,634)
(Gain) loss from fair value measurement	19,516	(4,895)
Participation in the (gain) loss on investments	(775,441)	(355,258)
(Gain) Loss on the disposal of non-current assets	5,183	(2,156)
Other income and expenses not in cash	(59,573)	21,198
<b>Changes in the working capital of:</b>		
Increase in inventory	(10,933)	(20,447)
Increase in receivables and other accounts receivable	60,464	19,776
Decrease in other assets	(29,916)	1,193
Decrease in liabilities and other accounts payable	(1,629)	385,507
Increase (Decrease) in labor liabilities	2,579	16,779
Decrease in provisions	-	(20,045)
Increase in other liabilities	(94,927)	5,092
<b>Total adjustments to reconcile profit (loss)</b>	<b>(485,498)</b>	<b>292,353</b>
<b>Net cash flows from (used in) operating activities</b>	<b>\$ 228,138</b>	<b>\$ 791,005</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash flows from sales of subsidiaries or joint ventures	-	(5,462)
Purchase of equity in associates and joint ventures	(125)	-
Amount received from the sale of property, plant and equipment and investment properties	(3,833)	5,040
Purchase of property, plant and equipment and investment properties	(228,987)	(387,013)
Amount received from the sale of intangible assets	237,637	-
Purchase of intangible assets	(3,394)	(10,831)
Dividends received	334,128	153,390
Net cash flows in investing activities	18,589	215,843
<b>Flujos netos de efectivo originados por actividades de inversión</b>	<b>\$ 354,015</b>	<b>\$ (29,033)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash flows from sales of subsidiaries without control loss	115,327	-
Amount received from loans	2,392,096	1,550,030
Payments of loans and debt instruments	(2,634,672)	(1,704,208)
Payment for finance lease liabilities	(34,360)	(19,782)
Proceeds from bond issue	399,218	-
Payment of outstanding bonds	(212,561)	(191,400)
Interest paid	(272,496)	(192,486)
Dividends paid for ordinary shares	(217,643)	(201,543)
Dividends paid for preferred shares	(45,082)	(48,325)
Other cash flows from financing activities	-	(78,434)
<b>Net cash flows originated from financing activities</b>	<b>\$ (510,173)</b>	<b>\$ (886,148)</b>
<b>Increase (decrease) of cash and cash equivalent by operations</b>	<b>\$ 71,980</b>	<b>\$ (124,176)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>45,607</b>	<b>169,783</b>
<b>CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD</b>	<b>\$ 117,587</b>	<b>\$ 45,607</b>

The notes are an integral part of the separate financial statements

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Legal Representative  
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T.P. 47208-T (See attached certification)

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# IIRC INDEX

Content element	Included Aspects / Chapter	Page
Basis for preparation and presentation	Letter from our Chairman	5
	About this report	6
Organizational vision and operational context	Our foundations	8
	Letter from our CEO	5
Governance	Our foundations	44
	Governance of each material topic	See the first page of each material topic in this report
Business model risks and opportunities	Our foundations	34
Strategy and resources	Our foundations	See the Management Report on page 8
Future projections	Future projections for every material topic	See the Upcoming Challenges sections of each of the material topics in this report

## MATERIAL ASPECTS INTERRELATIONS

Innovation																	
Energy and Co-processing																	
Profitability and Capital Structure																	
Sustainable Construction and Materials																	
Supplier development and management																	
CO <sub>2</sub> 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																	
	Innovation	Energy and Co-processing	Profitability and Capital Structure	Sustainable Construction and Materials	Supplier development and management	CO <sub>2</sub> Emissions and Climate Change	Geographic Expansion and Consolidation	Water Management	Occupational Health and Safety	Talent Management	Customer Relationship Management	Regulatory Compliance	Community Engagement	Biodiversity	Other Air Emissions		

# GLOBAL COMPACT COMMUNICATION ON PROGRESS



This is our Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

We welcome feedback on its contents.

Principles	Progress	Goals	Page
<b>AREA: HUMAN RIGHTS   Vision: Human Rights Policy</b>			
<p><b>1</b> Businesses should support and respect the protection of internationally proclaimed human rights</p>	<p>1. In 2016, we reached 200,912 hours of training on policies and procedures related to human rights. In the Colombian Region, we also trained 100% of local authorities that safeguard operations in Colombia and 65 supplier companies.</p> <p>2. We launched an online human rights toolkit for local mining suppliers.</p> <p>3. We evaluated 637 suppliers in the Colombia, and the Caribbean and Central America Region on human rights areas such as labor practices, including the prohibition of child labor, forced labor, freedom of association and collective bargaining, health and safety, and other related topics such as environmental performance and anti-corruption and transparency practices.</p> <p>4. We disseminated the results of the human rights due diligence process to employees.</p> <p>5. When the due diligence process with employees showed that 48.2% of our country operations had high exposure to the human rights risk of “violation of life, liberty, health and personal safety,” we continued with implementation of mitigation plans through the I Promise Project in all Argos operations.</p> <p>6. As a result of gaps identified in the HR due diligence process with employees, Argos adopted and disseminated a corporate due process procedure.</p>	<p>1. Continue raising human rights awareness among our stakeholders. In 2017, we will launch a human rights course on Educa that will be available to our employees in all three regions. In addition, we will continue to train suppliers and local authorities in order to ensure a supply chain that is both, responsible and sustainable and the development of alliances of trust at local operations.</p> <p>2. Continue to evaluate our suppliers on human rights through screening processes both before and after negotiations in order to monitor their performance.</p> <p>3. Continue implementing the Human Rights Management Model with employees by updating the risks maps and adapting the corporate work plan to local contexts.</p> <p>4. Expand the scope of the Human Rights Management Model by including a human rights approach to the risk analysis processes of communities and suppliers.</p>	90
	<p><b>2</b> Make sure that the company is not complicit in human rights abuses.</p>		
<b>AREA: LABOR   Vision: Talent Management Policy - Equality and Diversity Policies</b>			
<p><b>3</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</p>	<p>1. We respect the right to join or not join unions. There are 16 unions at Argos.</p> <p>2. We believe in dialogue. In 2016 Argos held 306 meeting with unions.</p> <p>3. We continued to build agreement through collective bargaining. In 2016 a total of 6 collective agreements were adopted.</p> <p>4. We believe in the importance of trusting relations with our employees. A total of 180 employees, including union members, the talent management team, and other employees, participated in the Workplace Studies Program event in the Colombia Region.</p> <p>5. Argos values the participation of unions in strategic processes. In 2016 unions actively participated in the implementation of the I Promise Project (health and safety) and in the Equipares Seal (gender equity)</p>	<p>1. Aware of the importance of preparing our employees to address business challenges and achieve our goals, we will continue to strengthen our Educa training model.</p> <p>2. Reinforce our pillars of culture in different geographical areas in which we operate and promote leadership styles that embody the pillar of respect.</p> <p>3. Continue to promote work-life balance initiatives.</p> <p>4. Continue strengthening trusting relationships with our unions, promoting dialogue and capacity-building initiatives.</p> <p>5. Because we believe diversity is a competitive advantage, we will continue to promote respect and intercultural mobility.</p> <p>6. Continue to disseminate the Transparency Hotline as, an anonymous mechanism available to all our stakeholders that allows remediation for human rights cases as well as labor practices, community and environmental impacts, and fraud.</p>	86
	<p><b>4</b> The elimination of all forms of forced and compulsory labor</p>	<p>1. Argos continues to reaffirm its commitment the elimination of all forms of forced and compulsory labor. In 2016, a total of 200,744 hours of training on human rights policies and procedures was given.</p> <p>2. Argos consistently promotes work-life balance; in Colombia, we continued implementing the telecommuting program and the gradual return of maternity leave. In 2017, we launched a benefit for new parents in this Region, which grants paid leave of one hour a day during the month following of the birth of the child.</p> <p>3. The risk of forced and compulsory labor is monitored through the Human Rights Management Model; as a result of the analysis, no operation was identified as having a high exposure to this risk; however, there are opportunities for improvements in regarding the monitoring of overtime.</p> <p>4. We continued to raise awareness among our suppliers of the prohibition of forced and compulsory labor, and we continued to include this criterion as part of our selection and evaluation mechanisms. In 2016, a total of 637 suppliers were evaluated.</p>	

Principles	Progress	Goals	Page
<p><b>5</b></p> <p>The effective abolition of child labor</p>	<ol style="list-style-type: none"> <li>Argos continues to reaffirm its commitment to the elimination of all forms of forced and compulsory labor. In 2016, a total of 200,744 hours of training on human rights policies and procedures was given.</li> <li>The risk of child labor is monitored through the Human Rights Management Model; as a result of the analysis, no operation was identified as having high exposure to this risk.</li> <li>We continued to raise awareness among our suppliers of the prohibition of child labor, and we continued to include this criterion as part of our selection and evaluation mechanisms. In 2016, a total of 637 suppliers were evaluated.</li> </ol>	<ol style="list-style-type: none"> <li>Aware of the importance of preparing our employees to address business challenges and achieve our goals, we will continue to strengthen our Education training model.</li> <li>Reinforce our pillars of culture in different geographical areas in which we operate and promote leadership styles that embody the pillar of respect.</li> <li>Continue to promote work-life balance initiatives.</li> </ol>	
<p><b>6</b></p> <p>The elimination of discrimination in employment and occupation</p>	<ol style="list-style-type: none"> <li>We continue to reaffirm our commitment to the promotion of equality and diversity. In 2016, a total of 200,744 hours of training on human rights policies and procedures was given.</li> <li>The risk of discrimination is monitored through the Human Rights Management Model; as a result of the analysis, no operation was identified as having high exposure to this risk.</li> <li>In 2016, we received the Equipares Silver Seal in recognition of our gender equality practices in the concrete business in Colombia, following up on the 2015 Equipares Silver Seal we obtained for the cement business in this region.</li> <li>In collaboration with UC Berkely, we held the second session of the Leadership for Equality Program.</li> </ol>	<ol style="list-style-type: none"> <li>Continue strengthening trusting relationships with our unions, promoting dialogue and capacity-building initiatives.</li> <li>Because we believe diversity is a competitive advantage, we will continue to promote respect and intercultural mobility.</li> <li>Continue to disseminate the Transparency Hotline as, an anonymous mechanism available to all our stakeholders that allows remediation for human rights cases as well as labor practices, community and environmental impacts, and fraud.</li> </ol>	86
<p><b>AREA: ENVIRONMENT   Vision: Environmental Policy</b></p>			68
<p><b>7</b></p> <p>Businesses should support a precautionary approach to environmental challenges</p>	<ol style="list-style-type: none"> <li>6.8% substitution of fossil fuels</li> <li>6.5% alternative materials substitution in cement and 2.3% in concrete</li> <li>29% reduction in CO<sub>2</sub> emissions per ton of cementitious products</li> </ol>	<p>We have established the following as 2025 goals:</p> <ol style="list-style-type: none"> <li>Reach 18% of heat consumption substitution through use of alternative fuels.</li> <li>Decrease heat consumption by 10% and electricity consumption by 15% (2012 baseline).</li> <li>Reach 7% of alternative material use in cement business.</li> <li>Reach 3% of alternative material use in concrete business.</li> <li>35% reduction in CO<sub>2</sub> emissions per ton of cementitious products by 2025.</li> <li>100% of active quarries with closure plans in place.</li> <li>85% reduction of dust emissions.</li> <li>65% reduction in SO<sub>2</sub> emissions.</li> <li>Stabilization of NO<sub>x</sub> emissions. (1.35kg/t clinker).</li> <li>Reduce specific water consumption by 30% for the cement business and 20% for concrete production.</li> </ol>	
<p><b>8</b></p> <p>Undertake initiatives to promote greater environmental responsibility</p>	<p>Other air emissions reductions:</p> <ul style="list-style-type: none"> <li>88% reduction in dust emissions per ton of clinker</li> <li>74% reduction in SO<sub>x</sub> emissions per ton of clinker</li> <li>1.58 kg NO<sub>x</sub> per ton of clinker</li> </ul> <ol style="list-style-type: none"> <li>37% reduction in water consumption for cement and 13% for concrete</li> <li>Closure plans in place for 78% of quarries</li> </ol>		70 72 74 76 78 80
<p><b>9</b></p> <p>Encourage the development and diffusion of environmentally friendly technologies</p>			
<p><b>AREA: ANTI-CORRUPTION   Vision: Antifraud Policy. Code of Business Conduct. Code of Good Governance</b></p>			50
<p><b>10</b></p> <p>Businesses should work against corruption in all its forms, including extortion and bribery</p>	<ol style="list-style-type: none"> <li>38,46% of our operations were analyzed for corruption risks.</li> <li>2,945 hours of training on transparency and anti-corruption issues for our stakeholders.</li> <li>In 2016, 31 corruption cases were received, 45 were addressed (including pending cases from 2015), and 27 were resolved.</li> </ol>	<ol style="list-style-type: none"> <li>Continue with the training plan and dissemination of corporate policies and their regional annexes in all the countries where we operate.</li> </ol>	50

# CEMENT SUSTAINABILITY INITIATIVE INDICATORS

	2014	2015	2016
<b>EMPLOYEE HEALTH AND SAFETY</b>			
No. of fatalities (directly employed)	1	1	1
No. of fatalities per 10,000 directly employed	1.11	1.08	1.01
No. of fatalities (indirectly employed)	2	0	0
No. of fatalities (3rd party)	0	6	4
No. of lost time injuries (directly employed)	111	62	34
Lost time injuries per 1m man-hours (directly employed)	4.35	2.5	1.39
No. of lost time injuries (indirectly employed - contractors and sub-contractors)	75	42	19
Lost time injuries per 1m man-hours (indirectly employed)	3.49	1.67	0.78
Total no. of lost time injuries	186	104	53
<b>LOCAL IMPACTS</b>			
% of sites with community engagement plans in place	N.D.	55%*	70%
<b>CLIMATE PROTECTION</b>			
Total CO <sub>2</sub> emissions - gross (million tons)	6.59	7.12	6.60
Total CO <sub>2</sub> emissions - net (million tons)	6.44	6.97	6.45
Specific CO <sub>2</sub> emissions - gross (kg/t cementitious material product)	598	614	614
Specific CO <sub>2</sub> emissions - net (kg/t cementitious material product)	589	601	600
<b>BIODIVERSITY</b>			
% of active quarries with closure plan	74	74	78
% of active quarries with high biodiversity value	51	54	48
% of active quarries with high biodiversity value and a Biodiversity Management Plan in place	38	57	63
<b>FUELS AND RAW MATERIALS</b>			
Specific heat consumption of clinker production (MJ/ton clinker)	3,849	3,900	3,755
Alternative fuel rate (%)	4.4%	5.9%	6.5%
Biomass fuel rate (%)	0.2%	0.2%	0.4%
Alternative raw materials rate (%)	9.19%	10.3%	10.5%
Clinker / cement ratio (%)	71.5%	71.5%	72.9%
<b>EMISSIONS REDUCTION</b>			
KPI 3 - Absolute emissions of NO <sub>x</sub> (t/year)	12,951	11,300	11,854
KPI 3 - Specific NO <sub>x</sub> emissions (g/t clinker)	1,679	1,399	1,576
KPI 4 - Coverage rate of NO <sub>x</sub> emissions (%)	100%	100%	100%
Absolute emissions of SO <sub>2</sub> (t/year)	1,730	2,474	1,723
KPI 3 - Specific SO <sub>2</sub> emissions (g/t clinker)	224	306	229
KPI 4 - Coverage rate of SO <sub>2</sub> emissions (%)	100%	100%	100%
KPI 3 - Absolute dust emissions from kiln (t/year)	1,784	1,399	637
KPI 3 - Specific dust emissions (g/t clinker)	219	173	84.7
KPI 4 - Coverage rate of dust emissions (%)	100%	100%	100%
KPI 1 - Overall coverage rate: the percentage of clinker produced in by kilns covered by a monitoring system(continuous or discontinuous measurements) (%)	75%	16%	61%

\*Note: 2015 figure was reviewed taking into account the total amount of sites with engagement plans / Total sites



	2014	2015	2016
KPI 2 – Coverage rate continuous measurement: the percentage of clinker produced by kilns which have installed continuous measurement for dust, NO <sub>x</sub> and SO <sub>2</sub> . (%)	68%	87%	91%
KPI 3 -VOC / THC - Absolute emissions (t/year)	N.D.	91.23	251.60
KPI 3 -VOC / THC - Specific emissions in (g/t clinker)	N.D.	26.28	50.29
KPI 4 -VOC / THC - Coverage rate (%)	N.D.	43%	67%
KPI 3 -PCDD / F - Absolute emissions (mg/year)	N.D.	54.31	24.03
KPI 3 -PCDD / F - Specific emissions in (ng/t clinker)	N.D.	20.08	4.15
KPI 4 -PCDD / F - Coverage rate (%)	N.D.	34%	77%
KPI 3 Hg - Absolute emissions (kg/year)	N.D.	166.2	224.4
KPI 3 Hg - Specific emissions (mg/t clinker)	N.D.	40.63	36.24
KPI 4 Hg - Coverage Rate (%)	N.D.	51%	82%
KPI 3 HM1 (Cd + TI) - Absolute emissions in (kg/year)	N.D.	172.3	26.3
KPI 3 HM1 (Cd + TI) - Specific emissions (mg/t clinker)	N.D.	33.63	4.84
KPI 4 HM1 (Cd + TI) - Coverage rate (%)	N.D.	63%	82%
KPI 3 HM2 (Sum of Sb, As, Pb, Cr, Co, Cu, Mn, Ni, V) - (kg/year)	N.D.	514	2678
KPI 3 HM2 (Sum of Sb, As, Pb, Cr, Co, Cu, Mn, Ni, V) - Specific emissions (mg/t clinker)	N.D.	100	432
KPI 4 HM2 (Sum of Sb, As, Pb, Cr, Co, Cu, Mn, Ni, V) – coverage rate (%)	N.D.	63%	82%
<b>WATER</b>			
Total water withdrawal according to source (m <sup>3</sup> )	N.D.	10,606,830	13,407,143
Total water discharge according to quality and destination (m <sup>3</sup> )	N.D.	2,532,501	4,823,563
Total water consumption (m <sup>3</sup> )	N.D.	8,074,329	8,583,580
% Of plants with recirculation system	N.D.	72%	72%
% Of sites with process water – aggregates	N.D.	100%	100%
% Of sites with water recycling system – aggregates	N.D.	80%	33%

# GLOBAL REPORTING INITIATIVE CONTENT INDEX

## General Content

GRI Standard	Name	Location in the Report	External verification	UN Global Compact (advanced)	SDG
<b>FOUNDATION</b>					
101	Foundation: a. Reporting principles b. Using the GRI Standards for sustainability reporting c. Claims related to the use of the GRI Standards				
<b>1. ORGANIZATIONAL PROFILE</b>					
102-1	Name of the organization	Cementos Argos S.A.	X	Required for COP	
102-2	Activities, brands, products, and services	3	X	Required for COP	
102-3	Location of headquarters	Headquarters: Calle 7D No. 43A-99 (Medellín, Colombia) Registered address: Vía 40, Las Flores (Barranquilla, Colombia)	X	Required for COP	
102-4	Location of operations	3 and 14	X	Required for COP	
102-5	Ownership and legal form	Corporation	X	Required for COP	
102-6	Markets served	14	X	Required for COP	
102-7	Scale of the organization	87	X	Required for COP	
102-8	Information on employees and other workers	87	X	Required for COP	8
102-9	Supply chain	63	X	2 and required for COP	
102-10	Significant changes to the organization and its supply chain	Purchase of the Martinsburg plant in the USA	X	2 and required for COP	
102-11	Precautionary principle or approach	68	X		
102-12	External initiatives	37	X		
102-13	Membership in associations	37	X	18	
<b>2. STRATEGY</b>					
102-14	Statement from senior decision-maker	Letter from our CEO	X	19	
102-15	Key impacts, risks, and opportunities	34	X	19	
<b>3. ETHICS AND INTEGRITY</b>					
102-16	Values, principles, standards, and norms of behavior	50	X	12 to 14	11, 16
102-17	Mechanisms for advice and concerns about ethics	52	X	12 to 14	11, 16
<b>4. GOVERNANCE</b>					
102-18	Governance structure	45	X	1	
102-19	Delegating authority	45	X	1, 20	
102-20	Executive-level responsibility for economic, environmental, and social topics	45	X	1, 20	
102-21	Consulting stakeholders on economic, environmental, and social topics	43	X	1, 20	16
102-22	Composition of the highest governance body and its committees	45	X	1	5, 16
102-23	Chair of the highest governance body	46	X	1	16
102-24	Nominating and selecting the highest governance body	48	X	1	5, 16
102-25	Conflicts of interest	48	X	1, 20	16
102-26	Role of highest governance body in setting purpose, values, and strategy	44	X	1	
102-27	Collective knowledge of highest governance body	46	X	1, 20	3

## General Content

GRI Standard	Name	Location in the Report	External verification	UN Global Compact (advanced)	SDG
102-28	Evaluating the highest governance body's performance	48	X	1, 20	
102-29	Identifying and managing economic, environmental, and social impacts	49	X	1, 20	16
102-30	Effectiveness of risk management processes	49	X	1, 20	
102-31	Review of economic, environmental, and social topics	49	X	1, 20	
102-32	Highest governance body's role in sustainability reporting	49	X	1, 20	
102-33	Communicating critical concerns	49	X	1, 20	
102-34	Nature and total number of critical concerns	49	X	1, 20	
102-35	Remuneration policies	48	X	1	
102-36	Process for determining remuneration	48	X	1	
102-37	Stakeholders' involvement in remuneration	The General Meeting of Shareholders establishes and sets remuneration taking into account the structure of the Board of Directors and the obligations of its members, as well as their personal and professional qualifications, time devoted to their role, and size and complexity of the company's operations. An amendment to the bylaws submitted to the General Meeting of Shareholders 2015 approved the development of the Remuneration and Succession Policy for the Board of Directors.	X	1	16

## 5. STAKEHOLDER ENGAGEMENT

102-40	List of stakeholder groups	36	X	21	
102-41	Collective bargaining agreements	26%	X		8
102-42	Identifying and selecting stakeholders	42	X	21	
102-43	Approach to stakeholder engagement	42	X	21	
102-44	Key topics and concerns raised	43	X	21	

## 6. REPORTING PRACTICE

102-45	Entities included in the consolidated financial statements	Notes to financial statements	X		
102-46	Defining report content and topic Boundaries	38	X		
102-47	List of material topics	39	X		
102-48	Restatements of information	7	X		
102-49	Changes in reporting	7	X		
102-50	Reporting period	6	X		
102-51	Date of most recent report	7	X		
102-52	Reporting cycle	7	X		
102-53	Contact point for questions regarding the report	7	X		
102-54	Claims of reporting in accordance with the GRI Standards	7	X		
102-55	GRI content index	7	X		
102-56	External assurance	7	X	Required for COP	

## Specific Content

GRI - Standard	Name	Location in the Report	Omissions	External Verification	UN Global Compact (advanced)	SDG
A-RI1	Strategic Risks	35				
A-RI2	Emerging risks	35				
<b>MATERIAL TOPIC: INNOVATION</b>						
103	Management approach	64				
103-1	Explanation of the material topic and its boundary	64				
103-2	Management approach and its components	64				
103-3	Evaluation of the management approach	65				
A-IN1	Number and percentage of investment in innovation	65		X		9
A-IN2	Number of ideas: a) received b) approved c) validated and d) implemented (consolidated)	65		X		9
A-IN3	Number and percentage of income from innovation by region	65		X		9
A-IN4	Savings as a resulting from implementation of innovation initiatives (consolidated)	65		X		9
<b>MATERIAL TOPIC: ENERGY AND CO-PROCESSING</b>						
103	Management approach	70			9 to 11	
103-1	Explanation of the material topic and its boundary	70			9 to 11	
103-2	Management approach and its components	70			9 to 11	
103-3	Evaluation of the management approach	71			9 to 11	
302-1	Energy consumption within the organization	71		X	9 to 11	7, 8, 12, 13
302-3	Energy intensity	71		X	9 to 11	7, 8, 12, 13
302-4	Reduction of energy consumption	71		X	9 to 11	7, 8, 12, 13
A-ENE1	Substitution of fossil caloric consumption with alternative fuels	71		X	9 to 11	7, 8, 12, 13
<b>MATERIAL TOPIC: PROFITABILITY AND CAPITAL STRUCTURE</b>						
103	Management approach	56				
103-1	Explanation of the material topic and its boundary	56				
103-2	Management approach and its components	56				
103-3	Evaluation of the management approach	57				
A-RE1	Net Debt /(EBITDA + Dividends)	57		X		8
A-RE2	Optimization of financial cycle	57		X		8
A-RE3	EBITDA	57		X		8
A-RE4	EBITDA Margin	57		X		8
<b>MATERIAL TOPIC: SUSTAINABLE CONSTRUCTION AND MATERIALS</b>						
103	Management approach	72			9 to 11	
103-1	Explanation of the material topic and its boundary	72			9 to 11	
103-2	Management approach and its components	72			9 to 11	
103-3	Evaluation of the management approach	73			9 to 11	
301-1	Materials used by weight or volume	<a href="http://reporteintegrado.argos.co/pdf/SustainableConstructionAndMaterials.pdf">http://reporteintegrado.argos.co/pdf/SustainableConstructionAndMaterials.pdf</a>		X	9 to 11	8, 11, 12

## Specific Content

GRI - Standard	Name	Location in the Report	Omissions	External Verification	UN Global Compact (advanced)	SDG
301-2	Recycled input materials used	<a href="http://reporteintegrado.argos.co/pdf/SustainableConstructionAndMaterials.pdf">http://reporteintegrado.argos.co/pdf/SustainableConstructionAndMaterials.pdf</a>		X	9 to 11	8, 11, 12
301-3	Reclaimed products and their packaging materials	<a href="http://reporteintegrado.argos.co/pdf/SustainableConstructionAndMaterials.pdf">http://reporteintegrado.argos.co/pdf/SustainableConstructionAndMaterials.pdf</a>		X	9 to 11	8, 11, 12
306-2	Total weight of waste by type and disposal method	<a href="http://reporteintegrado.argos.co/pdf/GRI-TABLE_WasteManagement.pdf">http://reporteintegrado.argos.co/pdf/GRI-TABLE_WasteManagement.pdf</a>	How the waste disposal method has been determined is not disclosed.	X	9 to 11	3, 6, 11, 12
A-CSM1	Percentage of use of alternative materials	<a href="http://reporteintegrado.argos.co/pdf/SustainableConstructionAndMaterials.pdf">http://reporteintegrado.argos.co/pdf/SustainableConstructionAndMaterials.pdf</a>		X	9 to 11	8, 11, 12

### MATERIAL TOPIC: SUPPLIER DEVELOPMENT MANAGEMENT

103	Management approach	62			2	
103-1	Explanation of the material topic and its boundary	62			2	
103-2	Management approach and its components	63			2	
103-3	Evaluation of the management approach	63			2	
308-1	New suppliers that were screened using environmental criteria	<a href="http://reporteintegrado.argos.co/pdf/SupplyChainManagement.pdf">http://reporteintegrado.argos.co/pdf/SupplyChainManagement.pdf</a>		X	2, 9 to 11	9
308-2	Negative environmental impacts on the supply chain and actions taken	<a href="http://reporteintegrado.argos.co/pdf/SupplyChainManagement.pdf">http://reporteintegrado.argos.co/pdf/SupplyChainManagement.pdf</a>		X	2, 9 to 11	9
414-1	New suppliers that were screened using social criteria	<a href="http://reporteintegrado.argos.co/pdf/SupplyChainManagement.pdf">http://reporteintegrado.argos.co/pdf/SupplyChainManagement.pdf</a>		X	2, 6 to 8 2, 3 to 5 2	5, 8, 9, 16 9 9
414-2	Negative social impacts on the supply chain and actions taken	<a href="http://reporteintegrado.argos.co/pdf/SupplyChainManagement.pdf">http://reporteintegrado.argos.co/pdf/SupplyChainManagement.pdf</a>		X	2, 6 to 8 3 to 5 2	5, 8, 9, 16 9 9
204-1	Proportion of spending with local suppliers	63		X	2	9, 12

### MATERIAL TOPIC: CO<sub>2</sub> EMISSIONS AND CLIMATE CHANGE

103	Management approach	74			9 to 11	
103-1	Explanation of the material topic and its boundary	74			9 to 11	
103-2	Management approach and its components	74			9 to 11	
103-3	Evaluation of the management approach	75			9 to 11	
305-1	Direct (Scope 1) GHG emissions	75		X	9 to 11	3, 12, 13, 14, 15
305-2	Energy indirect (Scope 2) GHG emissions	75		X	9 to 11	3, 12, 13, 14, 15
305-3	Other indirect (Scope 3) GHG emissions	<a href="http://reporteintegrado.argos.co/pdf/CO2EmissionsAndClimateChange.pdf">http://reporteintegrado.argos.co/pdf/CO2EmissionsAndClimateChange.pdf</a>		X	2, 9 to 11	3, 12, 13, 14, 15
305-4	GHG emissions intensity	<a href="http://reporteintegrado.argos.co/pdf/CO2EmissionsAndClimateChange.pdf">http://reporteintegrado.argos.co/pdf/CO2EmissionsAndClimateChange.pdf</a>		X	9 to 11	13, 14, 15

## Specific Content

GRI - Standard	Name	Location in the Report	Omissions	External Verification	UN Global Compact (advanced)	SDG
305-5	Reduction of GHG emissions	<a href="http://reporteintegrado.argos.co/pdf/CO2EmissionsAndClimateChange.pdf">http://reporteintegrado.argos.co/pdf/CO2EmissionsAndClimateChange.pdf</a>		X	9 to 11	13, 14, 15
201-2	Financial implications and other risks and opportunities due to climate change	<a href="http://reporteintegrado.argos.co/pdf/CO2EmissionsAndClimateChange.pdf">http://reporteintegrado.argos.co/pdf/CO2EmissionsAndClimateChange.pdf</a>		X		13
A-EC1	CO <sub>2</sub> Net specific emissions	75		X	9 to 11	3, 12, 13, 14, 15
<b>MATERIAL TOPIC: OTHER AIR EMISSIONS</b>						
103	Management approach	76			9 to 11	
103-1	Explanation of the material topic and its boundary	76			9 to 11	
103-2	Management approach and its components	76			9 to 11	
103-3	Evaluation of the management approach	77			9 to 11	
305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions	77		X	9 to 11	3, 12, 14, 15
A-OE1	Specific SO <sub>x</sub> emissions and reduction goals Specific NO <sub>x</sub> emissions and reduction goals Specific emissions of dust and reduction goals	77		X	9 to 11	3, 12, 14, 15
<b>MATERIAL TOPIC: EXPANSION AND CONSOLIDATION</b>						
103	Management approach	58				
103-1	Explanation of the material topic and its boundary	58				
103-2	Management approach and its components	58				
103-3	Evaluation of the management approach	59				
A-X1	Description of the company's expansion process aligned with the organization's strategic Mega	58		X		8
A-X2	Number and location of expansions carried out in the reporting period	59		X		8
A-X3	Description of the new business consolidation process by performance of business plans	59		X		8
<b>MATERIAL TOPIC: OCCUPATIONAL HEALTH AND SAFETY</b>						
103	Management approach	84			6 to 8	
103-1	Explanation of the material topic and its boundary	84			6 to 8	
103-2	Management approach and its components	84			6 to 8	
103-3	Evaluation of the management approach	85			6 to 8	
403-1	Workers representation in formal joint management-worker health and safety committees	85		X	6 to 8	8
403-2	Types of injury and rates of injury, occupational diseases, lost days, absenteeism, and number of work-related fatalities	<a href="http://reporteintegrado.argos.co/pdf/OccupationalHealthAndSafety.pdf">http://reporteintegrado.argos.co/pdf/OccupationalHealthAndSafety.pdf</a>	Data is not broken down by gender; total is presented by years.	X	2, 6 to 8	3, 8
403-3	Workers with high incidence or high risk of diseases related to their occupation	<a href="http://reporteintegrado.argos.co/pdf/OccupationalHealthAndSafety.pdf">http://reporteintegrado.argos.co/pdf/OccupationalHealthAndSafety.pdf</a>		X	6 to 8	3, 8

## Specific Content

GRI - Standard	Name	Location in the Report	Omissions	External Verification	UN Global Compact (advanced)	SDG
A-SI1	Employees and contractors Lost Time Incident Frequency and Severity Rates	85		X		
A-SI2	Number of injuries and fatalities of contractors and third parties	<a href="http://reporteintegrado.argos.co/pdf/OccupationalHealthAndSafety.pdf">http://reporteintegrado.argos.co/pdf/OccupationalHealthAndSafety.pdf</a>		X		

### MATERIAL TOPIC: TALENT MANAGEMENT

103	Management approach	86			6 to 8	
103-1	Explanation of the material topic and its boundary	86			6 to 8	
103-2	Management approach and its components	87			6 to 8	
103-3	Evaluation of the management approach	<a href="http://reporteintegrado.argos.co/pdf/TalentManagement.pdf">http://reporteintegrado.argos.co/pdf/TalentManagement.pdf</a>			6 to 8	
202-2	Proportion of senior management hired from the local community	<a href="http://reporteintegrado.argos.co/pdf/TalentManagement.pdf">http://reporteintegrado.argos.co/pdf/TalentManagement.pdf</a>		X		8
401-1	New employee hires and employee turnover	87		X	6 to 8	5, 8
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	<a href="http://reporteintegrado.argos.co/pdf/TalentManagement.pdf">http://reporteintegrado.argos.co/pdf/TalentManagement.pdf</a>		X	6 to 8	8
402-1	Minimum notice periods regarding operational changes	Timely communication of organizational changes is an essential element to achieve goals. Thus, we have a strategy of internal means that allows us to cover all of employees and geographies. An advance notice in number of weeks before putting organizational changes into practice has not been standardized. However, there are formal communication channels with employee trade unions, including meetings with a defined frequency.		X	6 to 8	8
404-1	Average hours of training per year per employee	<a href="http://reporteintegrado.argos.co/pdf/TalentManagement.pdf">http://reporteintegrado.argos.co/pdf/TalentManagement.pdf</a>		X	6 to 8	4, 5, 8
404-2	Programs for upgrading employee skills and transition assistance programs	<a href="http://reporteintegrado.argos.co/pdf/TalentManagement.pdf">http://reporteintegrado.argos.co/pdf/TalentManagement.pdf</a>		X	6 to 8	8
404-3	Percentage of employees receiving regular performance and career development reviews	<a href="http://reporteintegrado.argos.co/pdf/TalentManagement.pdf">http://reporteintegrado.argos.co/pdf/TalentManagement.pdf</a>		X	6 to 8	5, 8
405-1	Diversity of governance bodies and employees	<a href="http://reporteintegrado.argos.co/pdf/TalentManagement.pdf">http://reporteintegrado.argos.co/pdf/TalentManagement.pdf</a>		X	6 to 8	5, 8
405-2	Ratio of basic salary and remuneration of women to men	<a href="http://reporteintegrado.argos.co/pdf/TalentManagement.pdf">http://reporteintegrado.argos.co/pdf/TalentManagement.pdf</a>		X	6 to 8	5, 8, 10

## Specific Content

GRI - Standard	Name	Location in the Report	Omissions	External Verification	UN Global Compact (advanced)	SDG
<b>MATERIAL TOPIC: CUSTOMER RELATIONSHIP MANAGEMENT</b>						
103	Management approach	60				
103-1	Explanation of the material topic and its boundary	60				
103-2	Management approach and its components	60				
103-3	Evaluation of the management approach	61				
417-2	Incidents of non-compliance concerning product and service information and labeling	No incidents were identified during the reporting period		X		9 and 16
417-3	Incidents of non-compliance concerning marketing communications	No incidents were identified during the reporting period		X		9 and 16
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No incidents were identified during the reporting period		X		9 and 16
A-RCL1	Percentage of income from retained customers	61		X		9
A-RCL2	Customer Satisfaction	<a href="http://reporteintegrado.argos.co/pdf/CustomerSatisfaction.pdf">http://reporteintegrado.argos.co/pdf/CustomerSatisfaction.pdf</a>		X		
<b>MATERIAL TOPIC: ETHICS AND COMPLIANCE</b>						
103	Management approach	50			12 to 14	
103-1	Explanation of the material topic and its boundary	50			12 to 14	
103-2	Management approach and its components	50			12 to 14	
103-3	Evaluation of the management approach	52			12 to 14	
419-1	Non-compliance with social and economic laws and regulations	No lack of compliance with social, economic, or environmental laws and regulations was identified during the reporting period.		X		9 and 16
307-1	Non-compliance with environmental laws and regulations	No lack of compliance with social, economic, or environmental laws and regulations was identified during the reporting period.		X	9 to 11	9 and 16
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	51		X		9 and 16
205-1	Operations assessed for risks related to corruption	5 of our operations were assessed during the reporting period, accounting for 38.46% of our total operations.		X	12 to 14	9 and 16
205-2	Communication and training on anti-corruption policies and procedures	100% of our Executive Level (President and Vice Presidents) were trained on transparency and anti-corruption matters. Link	Data is not broken down by region, employee type, or percentage.	X	12 to 14	9 and 16
205-3	Confirmed incidents of corruption and actions taken	No incidents of corruption were confirmed during the reporting period		X	12 to 14	9 and 16
415-1	Political contributions	No political contributions were made in the reporting period		X	17	9 and 16
A-ETH1	Environmental, social, labor and human rights complains.	53		X		
A-TAX1	Taxes paid by country	<a href="http://reporteintegrado.argos.co/pdf/EthicsAndCompliance.pdf">http://reporteintegrado.argos.co/pdf/EthicsAndCompliance.pdf</a>		X		
<b>MATERIAL TOPIC: COMMUNITY MANAGEMENT</b>						
103	Management approach	88			12 to 14	
103-1	Explanation of the material topic and its boundary	88			12 to 14	



## Specific Content

GRI - Standard	Name	Location in the Report	Omissions	External Verification	UN Global Compact (advanced)	SDG
103-2	Management approach and its components	88			12 to 14	
103-3	Evaluation of the management approach	<a href="http://reporteintegrado.argos.co/pdf/CommunityEngagement.pdf">http://reporteintegrado.argos.co/pdf/CommunityEngagement.pdf</a>			12 to 14	
203-1	Infrastructure investments and services supported	<a href="http://reporteintegrado.argos.co/pdf/CommunityEngagement.pdf">http://reporteintegrado.argos.co/pdf/CommunityEngagement.pdf</a>		X	16	2, 5, 7, 9, 11
413-1	Operations with local community engagement, impact assessments, and development programs	<a href="http://reporteintegrado.argos.co/pdf/CommunityEngagement.pdf">http://reporteintegrado.argos.co/pdf/CommunityEngagement.pdf</a>		X	12 to 14, 16	
413-2	Operations with significant actual and potential negative impacts on local communities	<a href="http://reporteintegrado.argos.co/pdf/CommunityEngagement.pdf">http://reporteintegrado.argos.co/pdf/CommunityEngagement.pdf</a>		X	12 to 14	1, 2
A-COM1	Social investment	89		X		
A-COM2	Income from commercial initiatives with social impact	<a href="http://reporteintegrado.argos.co/pdf/CommunityEngagement.pdf">http://reporteintegrado.argos.co/pdf/CommunityEngagement.pdf</a>		X		

### MATERIAL TOPIC: BIODIVERSITY

103	Management approach	78			9 to 11	
103-1	Explanation of the material topic and its boundary	78			9 to 11	
103-2	Management approach and its components	78			9 to 11	
103-3	Evaluation of the management approach	79			9 to 11	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	79	Detailed information required for each operational site owned, leased, managed in, or adjacent to, protected areas and areas with high biodiversity value outside protected areas is not disclosed due to confidentiality constraints.	X	9 to 11	6, 13, 14, 15
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	79		X	9 to 11	6, 13, 14, 15
A-BI1	Number and percentage of active quarries with closure plans in place	79		X	9 to 11	6, 13, 14, 15
A-BI2	Number and percentage of disturbed areas rehabilitated at active quarries	79		X	9 to 11	6, 13, 14, 15

### MATERIAL TOPIC: WATER MANAGEMENT

103	Management approach	80			9 to 11	
103-1	Explanation of the material topic and its boundary	80			9 to 11	
103-2	Management approach and its components	80			9 to 11	
103-3	Evaluation of the management approach	81			9 to 11	
303-1	Water withdrawal by source	81		X	9 to 11	6
303-3	Water recycled and reused	81		X	9 to 11	6, 8, 12, 13
306-1	Water discharge by quality and destination	81		X	9 to 11	3, 6, 12, 13, 14
A-A1	Specific water consumption (L/ton or L/m <sup>3</sup> )	81		X	9 to 11	6

## Independent Review Report

Independent Review of the Integrated Report 2016 of Cementos Argos

### Scope of our work

We conducted our review of the adaptation of the contents of Cementos Argos 2016 Integrated Report align to the GRI Standards for the preparation of Sustainability Reports of the Global Reporting Initiative (GRI).

Compliance with the guidelines of the Cement Sustainability Initiative (CSI) was also reviewed for some environmental indicators that were included in the scope of the verification (See Annex 3) and the results of the Value Added Statement -VAS that the company develops (See Annex 4)

### Standards and verification processes.

We conducted our work in accordance with ISAE 3000 - *International Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC)*.

Our review work consisted in formulating questions to the Directors and the various areas of Argos Cements who participated in the development of the Integrated Report and the application of certain analytical procedures and review testing sample described below:

- Interviews with staff members of Cementos Argos to know the principles, systems and management approaches used to develop the report and calculate the indicators.
- Analysis of how the process of definition of the content, structure and indicators was defined, based on the materiality exercise according to the GRI Standards.
- Evaluation of the process to collect and validate the data presented in the report.
- Checking, by testing based on sample selection and review of evidence of quantitative and qualitative information corresponding to the GRI and Argos internal indicators included in the integrated reporting and proper compilation from the data supplied by the sources of information of Cementos Argos in Colombia.

### Confirmation that the Integrated Report has been prepared in accordance with GRI Standards: Core option.

#### General aspects

It was confirmed that the report meets the requirements of the Core option of the general aspects of the GRI Standards.

#### Specific aspects

We reviewed the management approach and GRI and internal indicators of the material issues identified by the company and the validation of DJSI indicators. (See Annex 2).

### Responsibilities of the Management of Cementos Argos and Deloitte.

The preparation of the 2016 Integrated Report and its contents are the responsibility of the organization which is also responsible for defining, adapting and maintaining management systems and internal control, which information is obtained.

Our responsibility is to issue an independent report based on our review procedures applied.

This report has been prepared exclusively in the interests of the organization in accordance with the terms of our proposed services. We do not assume any liability to third parties other than the company Direction.

- We have performed our work in accordance with the Independence regulations required by the ethic code of the International Federation of Accountants (IFAC).
- The Scope of a limited Review is substantially less than an audit. Therefore we don't provide an audit opinion about the sustainability report.

DELOITTE & TOUCHE LTDA.  
Jorge Enrique Múnera D.  
Partner

Medellin, March 2017

## Conclusions

As a result of our review, there was nothing that make us believe that the integrated report contains significant errors or has not been prepared in accordance with the GRI Standards in its Core version.

## Recommendations

Additionally, we have presented our recommendations to Cementos Argos regarding areas for improvement to strengthen processes, programs and related sustainability management systems. The most important recommendations concern:

- Continue strengthening the process of standardization of reporting protocols in the different regions where the company operates.
- To continue perform a periodic monitoring of progress in the management of material issues, which will make the reporting process more efficient at year end.

## ANNEX 1 Declaration of Independence

Deloitte is one of the largest companies of professional services in audit, tax, consulting and financial advisory and sustainability to public and private clients in multiple industries. With a globally connected network of member firms in more than 185 countries, Deloitte brings world-class capabilities and high quality service to its customers. Approximately 250,000 professionals are committed to becoming the standard of excellence.

We confirm our independence from Cementos Argos. All our employees perform annual updates to the Ethics Policy which promptly declare that we have no conflicts of interest with Cementos Argos, its subsidiaries and its stakeholders.

## ANNEX 2

Material Issues	GRI or Internal Indicators
Innovation	A-IN1, A-IN2, A-IN3, A-IN4
Carbon Emissions	305-1, 305-2, 305-3, 305-4, 305-5, 201-2, A-EC1
Sustainable Construction and materials	301-1, 301-2, 301-3, A-CSM1
Biodiversity	304-1, 304-4, A-BI1, A-BI2
Energy and co-processing	302-1, 302-3, 302-4, A-ENE1
Water	303-1, 303-3, 306-1, A-A1
Other emissions	305-7, A-OE1
Compliance	206-1, 205-1, 205-2, 205-3, 307-1, 415-1,419-1, A-TAX1
Customer relations	417-2, 417-3, 418-1, A-RCL1, A-RCL2
Expansion and consolidation	A-X1, A-X2, A-X3
Profitability and capital structure	A-RE1, A-RE2, A-RE3, A-RE4
Occupational health and safety	403-1, 403-2, 403-3, A-SI1, A-SI2
Communities management	203-1, 413-1, 413-2, A-COM1, A-COM2
Talent Management	202-2, 401-1, 401-2, 402-1, 404-1, 404-2, 404-3, 405-1, 405-2
Supply Chain Management	308-1, 308-2, 414-1, 414-2, 204-1

DJSI Indicator
DJSI. 2.3.7 EP - Waste and 306-2

## ANNEX 3 – CSI

As part of the verification process of the CSI environmental indicators, we performed calls to Argos operations; the selection took into account quantitative and qualitative variables, as it sought cover operations in the three regions where the company operates:

- Cartagena Seca – Colombia
- Yumbo – Colombia
- Piedras Azules – Honduras
- Panamá
- Harleyville – USA
- Atlanta – Usa
- Zona Golfo – USA
- Miraflores – Panamá
- Caimito – Panamá
- Calle 80 – Colombia
- Fontibón – Colombia
- Mina arroyo de piedra - Colombia

In the calls, personnel responsible for internal reporting and data collection was interviewed, validating the consolidation process and sending that information to the corporate level.

### Criteria

For our review we considered the following CSI guidelines:

- WBCSD's CO<sub>2</sub> and Energy Accounting and Reporting Standard for the Cement Industry : The cement CO<sub>2</sub> and Energy Protocol
- WBCSD's CO<sub>2</sub> and Energy Accounting and Reporting Standard for the Cement Industry : Emissions monitoring and reporting
- WBCSD's Guidelines for the Selection and Use of Fuels and Raw Materials in the Cement Manufacturing Process
- WBCSD CSI Environmental and Social Impact Assessment (ESIA)
- WBCSD Guidelines on Quarry Rehabilitation

### Assessment indicators and information consolidation process

- We test based on samples for evidence calculations to measure the following indicators:

Indicators	Scope
<b>WATER</b>	
Total water withdrawal according to source	2016
Total water discharge according to quality and destination	2016
Total water consumption	2016
% Of plants with recirculation system	2016
% Of sites with process water – aggregates	2016
% Of sites with water recycling system – aggregates	2016
<b>BIODIVERSITY</b>	
Number and % of active quarries with Closure Plan in place	2016
Number and % of active quarries with high biodiversity value	2016
Number and % of active quarries with high biodiversity value and a Biodiversity Management Plan in place	2016
<b>CLIMATE PROTECTION</b>	
Total CO <sub>2</sub> emissions - gross (in million tonnes)	2016
Total CO <sub>2</sub> emissions - net (million tonnes)	2016
Specific CO <sub>2</sub> emissions - gross (kg CO <sub>2</sub> / t cementitious material)	2016
Specific CO <sub>2</sub> emissions .net (kg CO <sub>2</sub> / t cementitious material)	2016

<b>COMBUSTIBLES AND MATERIALS</b>	
Alternative fuels rate (%)	2016
Specific heat consumption of clinker production (MJ/ t clinker)	2016
Biomass fuel rate (%)	2016
Clinker / Cement Ratio (%)	2016
Use of alternative raw materials (%)	2016
<b>REDUCTION OF EMISSIONS</b>	
KPI 1 – Overall coverage rate :the percentage of clinker produced in by kilns covered by a monitoring system(continuous or discontinuous measurements) (%)	2015-2016
KPI 2 – Coverage rate continuousmeasurement : thepercentage of clinker produced by kilns which have installed continuous measurement for dust NOx and SO2. (%)	2015-2016
KPI 3-Absolute dust emissions from kiln (t/year)	2016
KPI 3 – Specific dust emissions f (g/t clinker)	2016
KPI 3-Absolute NOx emissions (t/year)	2016
KPI 3 - Specific NOx emissions (g/t clinker)	2016
KPI 3 - Absolute SO <sub>2</sub> emissions (t/year)	2016
KPI 3 - Specific SO <sub>2</sub> emissions (g/t clinker)	2016
KPI 4 - Coverage rate of dust emissions (%)	2015-2016
KPI 4 - Coverage rate of NOx emissions (%)	2015-2016
KPI 4 - Coverage ratefor SO <sub>2</sub> emissions (%)	2015-2016
KPI 3 -VOC / THC - Absolute emissions (t/year)	2016
KPI 3 -VOC / THC - Specific emissions in (g/t clinker)	2016
KPI 4 -VOC / THC - Coverage rate (%)	2016
KPI 3 -PCDD / F - Absolute emissions (mg/yr)	2016
KPI 3 -PCDD / F - Specific emissions in (ng/t clinker)	2016
KPI 4 -PCDD / F - Coverage rate (%)	2016
KPI 3 Hg - Absolute emissions (kg/year)	2016
KPI 3 Hg - Specific emissions (mg/t clinker)	2016
KPI 4 Hg - Coverage Rate (%)	2016
KPI 3 HM1 (Cd + Tl) - Absolute emissions in (kg/year)	2016
KPI 3 HM1 (Cd + Tl) - Specific emissions (mg/t clinker)	2016
KPI 4 HM1 (Cd + Tl) - Coverage rate (%)	2016
KPI 3 HM2 (Sum of Sb, As, Pb, Cr, Co, Cu, Mn, Ni, V) - (kg/year)	2016
KPI 3 HM2 (Sum of Sb, As, Pb, Cr, Co, Cu, Mn, Ni, V) - Specific emissions inmg/tclinker	2016
KPI 4 HM 2 (Sum of Sb, As, Pb, Cr, Co, Cu, Mn, Ni, V) – coverage rate (%)	2016

## Conclusion

- The WBCSD CSI guidelines for reporting CO<sub>2</sub> emissions, energy, emissions (NO<sub>x</sub>, SO<sub>x</sub>, and dust), water and biodiversity are applied properly.
- The system of internal reporting and consolidation procedures of information for CO<sub>2</sub> emissions, energy, emissions (NO<sub>x</sub>, SO<sub>x</sub>, and dust), water and biodiversity are functioning and provide appropriate information be disclosed.

## ANNEX 4 – VALUE ADDED STATEMENT

### Scope of our work

Review the included indicators for the construction of the Value Added Statement model, which allows to measure the societal value that the company creates.

### Verification processes- Our review work has consisted of:

- Interviews with Cementos Argos staff to learn about the principles, systems and approaches used for the preparation of the Value Added Statement
- Analysis and identification of indicators used to prepare the Value Added Statement that are part of the verification process (GRI Standards, DJSI and / or CSI)
- Checking, by means of tests of review of the quantitative and qualitative information corresponding to the additional indicators that are not part of the verification process (GRI Standards, DJSI and / or CSI),:

Number of lost time injuries - short absence
Number of lost time injuries - long absence
Average salary (men & women)
Average retirement age in the region (men)
Average retirement age in the region (women)
Average departure age (men)
Average departure age (women)
Electricity provided to local communities
Extreme water scarcity areas
Scarcity areas
Water stress areas
Areas with sufficient water reserves
Water abundant areas
Net impacts to biodiversity per type of ecosystem (affected areas, restored areas, offset areas)

### Conclusion

We have performed a verification process for all the indicators for 2015 and 2016 that were necessary for Argos to develop its Value Added Statement. .





**ARGOS**