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Our business

Amanco and its markets

The Amanco group is a leading industrial company in Latin America in the production and marketing of fluid management solutions, mainly water (Tubosistemas), and light construction systems (Plycem Construsistemas) that operates within a framework of ethics, eco-efficiency and social responsibility. Its corporate headquarters are in São Paulo, Brazil.

Amanco in Latinoamérica

Our products are sold in 29 countries in the Americas and the Caribbean, that receive supplies from 21 production plants.

Geographical location of plants

	Pipe systems	Construction systems
Argentina	2	
Brazil	4	
Mexico	4	
Colombia	2	
Costa Rica	1	1
Ecuador	1	
El Salvador		1
Guatemala	1	
Honduras		1
Panama	1	
Peru	1	
Venezuela	1	
Total	18	3



*Direct employees

People who appear on the company payroll at the end of the month. Part-time workers are included.

**Indirect employees

Permanent or part-time employees who carry out work related to the company business, but who are contractually linked to a third party that is not on the company payroll. Such workers include security or transport services, canteen or cleaning staff, etc.

* Compound annual growth rate.

→ Employees 2005

Direct	5,362*
Indirect	1,771**
Total	7,133

→ Sales 2005

US\$688 million

Our pipe systems include those for the transport of water, other fluids, gas and electric wires; they include other materials beside plastic, including concrete, iron and copper. Sales reached US\$3,600 million in 2005; and of this, plastic pipes were responsible for 62%, and the Amanco group 26%. Over the next few years, we expect this market to grow at the rate of 1.85%*, with the biggest growth for plastic products, particularly when compared to concrete and iron.

Corporate brand names of Amanco products



Local

- **Pavco** Colombia, Venezuela
- **Plastigama** Ecuador
- **Pavco Vinduit** Peru

Amanco customers

Pipe systems business

	Sales
Building segment	58%
Agricultural segment	14%
Infrastructural segment	26%
Other	2%

Plycem customers

Construction systems business

	Sales
Plycem division (Fiber-cement)	60%
Amatek division (Wood)	20%
Rooftek division (Metal)	15%
Other	5%

Pipe systems

Mission

Produce and sell in an economically viable way complete, innovative, and world-class solutions for the transport of fluids, operating in a framework of ethics, eco-efficiency and social responsibility.



Amanco products

Buildings

- Cold water
- Hot water
- Water tanks
- Wastewater
- Rainwater drainage systems
- Septic tank systems
- Gutters and drainpipes
- Electrical conduits

Infrastructure

- Water pipes
- Sanitary drainage systems
- Rainwater drainage systems
- Gauges and inspection chambers
- Telephone conduits

Agricultural applications

- Agricultural watering systems

Others

- Geosistemas – synthetic textiles for outdoor engineering applications
- Sanitary ventilation systems
- Transport of natural gas in public distribution networks
- Mining segment

Plycem construction systems

Mission

Produce and sell in an economically viable way fiber cement materials for the construction industry, operating in a framework of ethics, eco-efficiency and social responsibility.

Until the end of 2005, Amanco included the Plycem business, leader in Central America in the production and sale of fiber-cement materials. As from the first quarter of 2006 Plycem became independent from the Amanco group, so as to focus on its own opportunities for growth. It is now directly controlled by GrupoNueva. The information presented in this report covers both businesses that are presented as part of the same legal structure.



Plycem products

Fiber cement

- **Fibrolit**
Sheets for ceilings and gutter facings
- **Plystone**
Waterproof sheets
- **Siding**
Tongue-and-groove or overlapping boards
- **Tek facings**
Tongue-and-groove modules with open or mechanical joins
- **Molducem**
Moldings
- **Sevillian roof sheeting**
Corrugated roofing sheets
- **Fortec**
Roofing sheets



With firm steps







► The only constant is change. And in times of rapid change, the Amanco Group, a leader in Latin America's dynamic and challenging pipe systems industry, has a responsibility to set a firm course toward new levels of excellence and sustainability.

The years 2004-2005 on which we are reporting have seen high prices for the majority of commodities, including oil and plastic resins, the growth of emerging countries such as China and India, and improved macroeconomic performance in Latin American countries.

Within this context, and reflecting capacities developed over the last few years, the financial results of the group have been very satisfactory. EBITDA (earnings before interest, tax, depreciation and amortization) grew from US\$67 million in 2003 to US\$84 million at the close of 2005, and the period saw an improvement in working capital from 24% to 21% on sales in 2003 and 2005 respectively. The profitability of assets rose from 3.2% in 2003 to 4% in 2005.

The increased potential of our industry requires new organizational capacities to ensure customer satisfaction. For this reason, we decided to move our corporate headquarters to Brazil, the largest market in the region, and at the same time to redefine the group's strategic focus on this market.

As industry leaders, we have aggressively promoted transparency in public tendering in the water sector as a way to improve market confidence, signing transparency agreements in Colombia and Argentina with our main competitors and bringing other actors into this initiative. We have also promoted dialogue on the issue of water. In 2005 we launched the magazine *Aqua Vitae*, an effective platform from which to improve institutional debate and decisions relating to the more rational and efficient use of water.

Our company's commitment to achieving new levels of market responsibility has presented us with an interesting opportunity to work with lower-income segments of the population, with which we have initiated business projects, incorporating innovations in the design of solutions, alliances and distribution models.

In order to focus our strategy, we have decided to separate the Amanco water management systems and the Plycem construction systems. As from the first quarter of 2006, Plycem will become independent from Amanco. The latter continues to be owned and directed by GrupoNueva, and we shall maintain those synergies that are of value to our common customers.

While working for a sustainable future, we are also capable of adapting rapidly and flexibly to market demands and to our customers' expectations. We are confident that we can improve our capacities and exceed high market expectations. Thus we are taking firm steps to consolidate our leadership as a sustainable business. ►

Sincerely,

Roberto Salas





Message from Grupo Nueva's President and CEO

As I present the Amanco Group's fourth Sustainability Report, I take great satisfaction in looking back over the path that we have taken since the first one was published in 2001. In the last three years, the Amanco Group's EBITDA has grown at an average annual rate of 11.4%, representing an increase of 38% in real terms when comparing 2005 with 2002.

There have been many achievements since 2001, as well as many lessons learned. But I have no doubt that Amanco's most important achievement over recent years has been the incorporation of social and environmental concerns into the company's day-to-day business, concerns that are now given the same importance as logistical or financial issues. Amanco is thus ensuring that the vision of sustainable development and its triple bottom line management strategy is becoming the daily business of all employees and the essence of its business culture. This is the most effective way by which Amanco can realize its vision of improving people's quality of life.

I would specially like to mention Amanco's excellent work in partnership with Transparency International, getting the most important pipe-producing companies in Latin America to sign an agreement to combat corruption in public tendering processes in Colombia and Argentina.

Equally important are the initiatives to promote business models that contribute to breaking the cycle of poverty. I am pleased to note that Amanco is advancing steadily towards its goal of 10% of sales coming from business with low-income segments of the population by 2008.

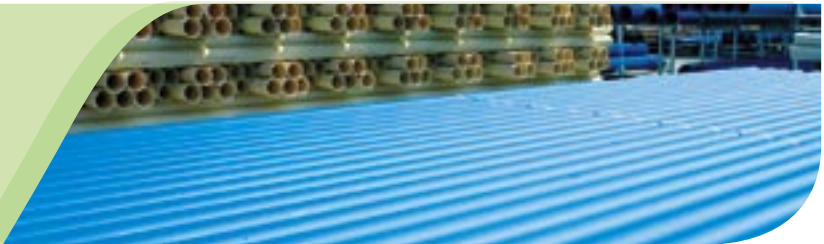
Since its first report, Amanco has gradually progressed from concentrating on internal issues, such as achieving environmental and occupational health and safety certifications, to taking up positions in the societies in which it operates and focusing on issues that are vital for business, such as the population's access to and efficient use of water. In this issue, the publication of the magazine *Aqua Vitae* is a benchmark. Amanco is becoming an active participant in our countries' efforts to ensure the availability of water and the population's access to it.

But none of this would be possible if Amanco were not successful in the markets. And it is! Since the publication of its first report, the group's financial results have improved each year. This proves that we are on the right path. Successful companies in the 21st Century are those that achieve economic success while effectively contributing to improving the societies in which they operate.

Amanco is moving into the future with increasingly ambitious goals for its growth and consolidation based on its social, environmental and economic results. A great deal has been achieved, and much remains to be learned. Thanks to the commitment of all its employees, Amanco can look to the future with optimism.

Julio Moura

Highlights of 2004 and 2005



1 **Amanco's 2005 net sales increased by 16%** over 2004, driven by increases in all regions, but principally due to improvements in Venezuela, Colombia and Mexico. Total sales reached US\$688 million.

2 Value-creating, eco-efficient management **helped us achieve savings of US\$1.99 million** during 2004-2005 through improvements in control processes, water and energy consumption, and efficiency in the use of raw materials.

3 We have achieved the **goal that all of our industrial plants** have ISO 9001, ISO 14001, and OHSAS 18001 certification.

4 We report in this document on how we are **combating corruption**, with the signing of the transparency agreements in water systems sectors in Argentina and Colombia (see page 48).

5 **We participate in and promote discussions of water issues.** In October 2005 we launched *Aqua Vitae*, the first Latin American multi-sectoral magazine focused on this subject (see page 52).

6 **We are beginning to realize new business opportunities with low-income segments of the population.** One Amanco corporate goal is that 10% of its sales will come from business with these sectors of the Latin American population by 2008. In this document we report on different pilot projects we have initiated (see pages 26-29).

Important changes in the Amanco Group in 2004-2005

► In 2005 the Amanco group moved its corporate headquarters to Brazil and opened its office in São Paulo to guarantee greater proximity and ease of access to the market with the fastest growth and business potential in the region.

► In 2005 the process of separating Amanco water systems and Plycem construction systems was started in Central America, and the shares of a number of minority stockholders in both companies were acquired. The separation implies neither a great change in the businesses nor the dismissal of employees. Plycem construction systems will continue to be part of GrupoNueva as an independent company, and Amanco will continue distributing Plycem products.

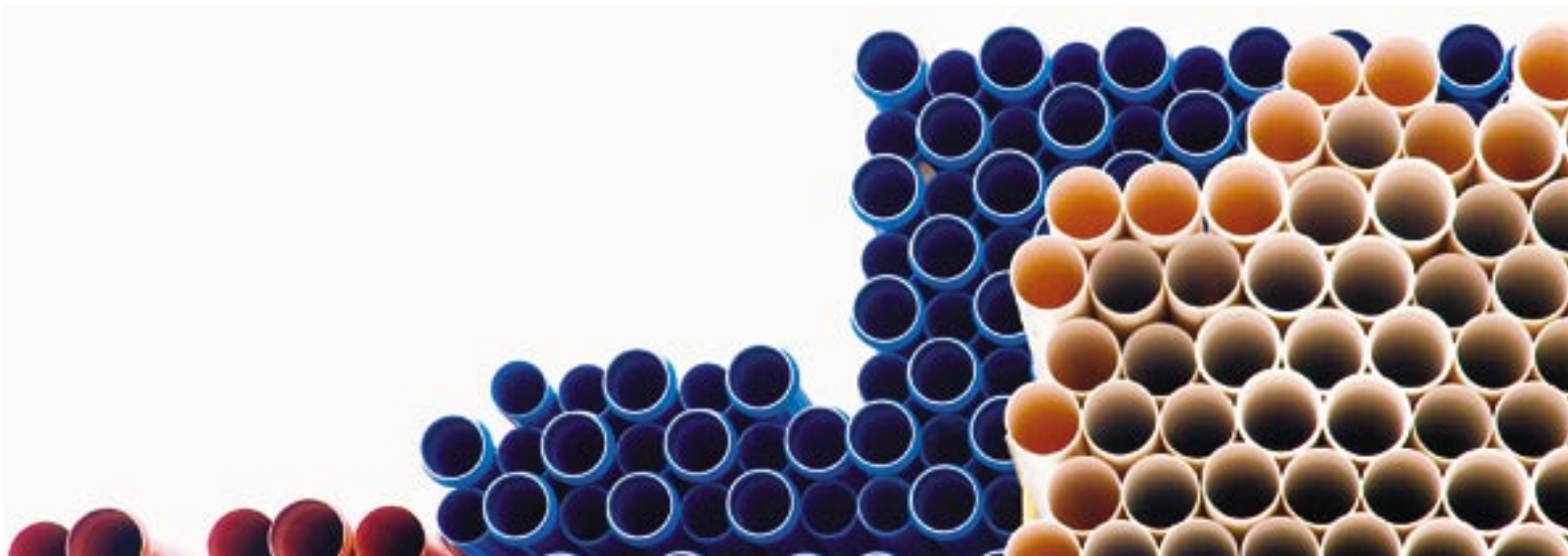
► In 2005 Amanco bought the Argentine company Conectando.

► **The group undertook some changes in its production plants:**

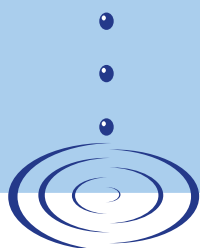
▲ **Brazil:** the Jaboatao plant was closed and a new plant opened in the town of Suape, both in northeast Brazil. Most employees at Jaboatao moved to the new plant in Suape. Amanco helped employees who decided not to continue working with the company with severance pay, medical insurance and training (see page 40).

▲ **Mexico:** the Monterrey plant was moved to new installations. No employee was made redundant, and the new infrastructure allowed us to improve our environmental performance.

▲ **Panama:** the Rooftec business was sold. Amanco developed a severance program for affected employees (see page 40).



Corporate governance



Amanco is a private group that is not traded on the stock market but which voluntarily provides information on the management of its businesses to the societies in the countries in which we operate.

Our corporate headquarters are located in São Paulo, Brazil. The group is controlled by GrupoNueva, a strategic holding company with operations in 15 countries in the Americas in forestry, wood and fiber cement products, pipes, connections and accessories (www.gruponueva.com). Up until 2005, the company was answerable to GrupoNueva's Board of Directors. As from 2006 it will have its own board.

As mentioned, the Plycem companies formed part of the Amanco legal structure until December 31, 2005, when they became a new company with its own board of directors, controlled by GrupoNueva.

In 2003 all GrupoNueva stock was transferred to the VIVA Trust Fund, the objective being for VIVA to manage resources generated by GrupoNueva to promote cooperation between private enterprise and civil society.

Risk management

Amanco decided to adopt world-class standards in corporate governance so as to conduct relations with its shareholders and other stakeholders in an effective and transparent manner. It is through fair, responsible and honest practices that we will fulfill the company's vision, its principles and the triple bottom line management strategy.

In April 2005 Amanco created a Risk and Audit Council to develop and implement processes, methodologies and standards to help us manage business risks. As from 2006, this council will report directly to the company's Board of Directors, being a committee of that body.

Risk management requires a strategic, holistic and integrated view to help us foresee threats and to identify opportunities and maintain or develop competitive advantages.

The functions of this committee include:

- ▶ Ensuring the existence of internal control mechanisms and procedures adapted to the business environment.
- ▶ Ensuring the integrity of the company's financial statements.
- ▶ Ensuring compliance with legal, environmental and tax requirements.
- ▶ Review the state and effectiveness of the management process and compliance with the Business Principles.
- ▶ Discuss and approve proposals relating to the global coverage of insurance policies and the civil responsibility of group directors and executives.



"Companies striving to implement their own strategies and achieve good corporate results can improve the national business climate and economy by promoting ethical, transparent and responsible conduct as part of the best corporate governance practices. By being more ambitious, companies can also have an impact on the region where they operate, if we consider the level to which they manage to convey these messages to stakeholders. This positive environment generates credibility among local and international investors and development for the country, resulting in a positive impact in the society in which we operate."

Rosángela Faria
Risk and Audit Committee
GrupoNueva

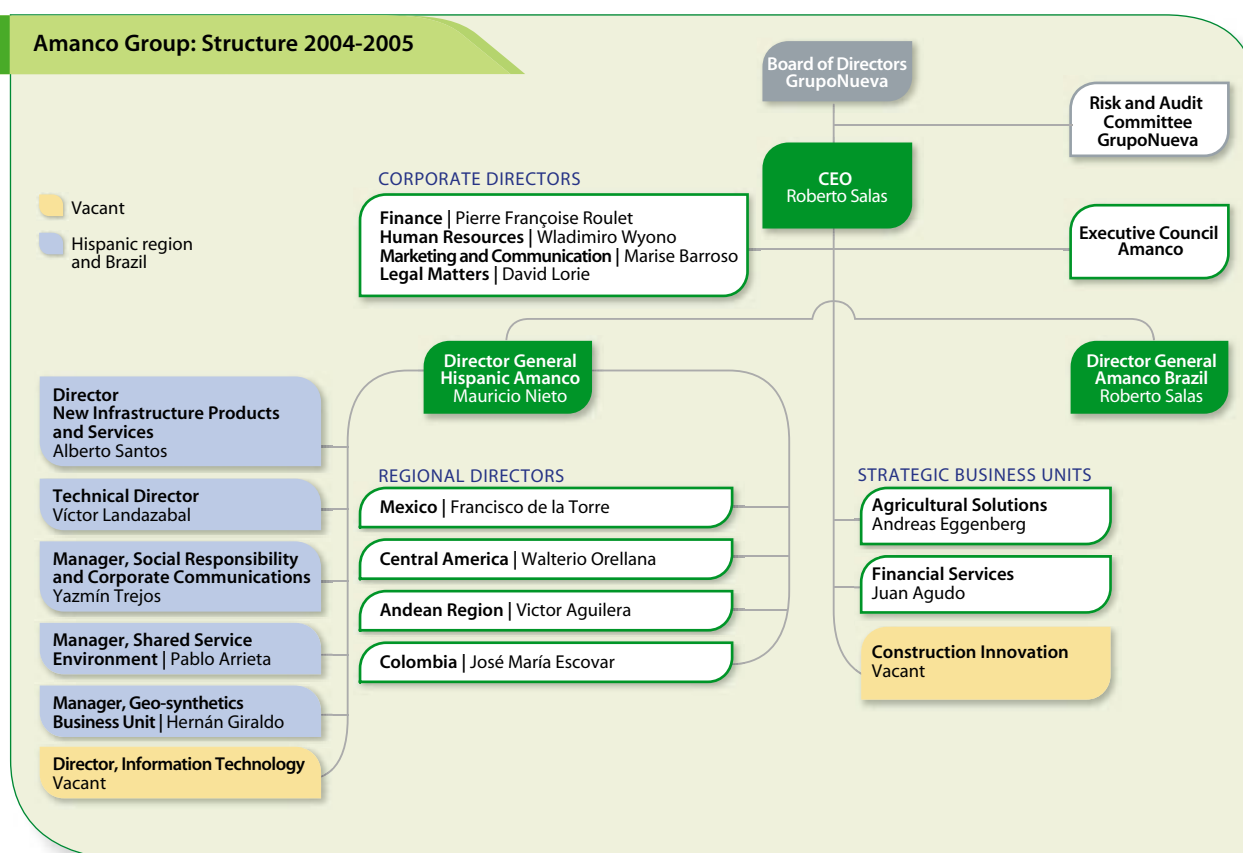


Decision-making and coordination bodies

In 2005 an Executive Council was established, made up of the CEO, the director generals of Hispanic Amanco and Amanco Brazil, the financial director, the director of human resources, and the director of legal affairs.

Amanco's Executive Committee continues to operate as a strategic Latin American body that includes the directors of the strategic business units. At the corporate level there is a committee New Products and Services, and of Materials, and a Technical Directorate.

Amanco Group: Structure 2004-2005



Social and environmental management

Social and environmental management, under the directives of GrupoNueva's Board of Directors, is the responsibility of all Amanco employees, starting with its chief executive officer.

In 2004 we strengthened our commitment in this area by creating the office of the director of Corporate Social Responsibility that is part of the group's Executive Committee. This is part of our efforts to consolidate the integration of Amanco's social and environmental management in its business objectives.

From the corporate governance perspective, we help ensure adherence to our triple bottom line management philosophy with the system by which between 14% and 20% of variable income is paid to members of Amanco's Executive Committee and country managers, depending on their social and environmental performance and based on their level of operational responsibility.

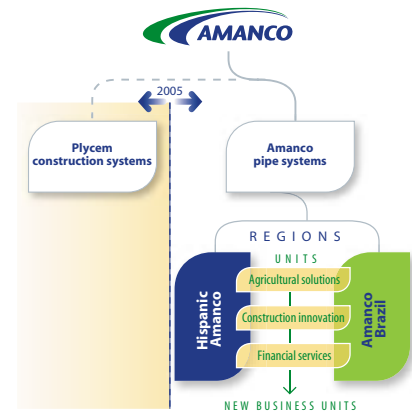


New organizational structure

In October 2005 Amanco adopted a new organization structure that improves our focus on large regions and positions us better in strategic markets. This involved the creation of two geographical regions: Hispanic Amanco, made up of 12 Spanish-speaking countries, and Amanco Brazil. In addition, three new strategic business units were established: the Agricultural Solutions Unit, the Construction Innovation Unit and the Financial Services Unit (see Customer Dimension on page 25).

We expect this new organizational structure to allow us to consolidate a market-based culture based on a thorough and clear knowledge of trends among current and potential customers so as to strengthen our leadership positions on the markets.

Business restructuring process – 2005



Business principles

In 2003 Amanco and GrupoNueva developed their *Declaration of Business Principles*. Throughout 2004 Amanco focused on internal communications and raising awareness of these principles, particularly the identification of gaps that might occur, so as to ensure a strict adherence to, and the implementation of, efficient monitoring systems. The main gaps that were identified related to issues such as diversity, the acceptance of gifts, responding to queries, and the circulation of policies and processes relating to third-party contracts (see page 38). Human resources managers directed the process, and groups were created with representatives from all organizational levels, with direct superiors being excluded so as to ensure free expression.

In 2005 top executives of each company received the results, and a follow-up plan was established with the support and monitoring of the corporate director of human resources. In the cases of gaps in the principles that were common to several companies, the Amanco Group developed a corporate-wide response plan.

Declaration of business principles*

- 1 **Financial results** → we must ensure appropriate financial results; decisions on investments, acquisitions and commercial relations should include social, environmental and economic aspects; no involvement in political matters.
- 2 **Corporate conduct** → we respect the rule of law; we aspire to work to world-class standards; no compensation or endorsement of unethical conduct among employees is tolerated.
- 3 **Our customers** → we work with our partners and suppliers in anticipating the needs of our customers.
- 4 **Our employees** → we aim to attract, develop, reward, and retain competent people; we seek to provide safe and healthy working conditions; we respect human rights and equal opportunities; we value diversity, and do not tolerate discrimination.
- 5 **Our neighbors, communities, and society** → our relations are based on mutual respect and partnerships to ensure the best possible results.
- 6 **Communications** → we aim for ongoing dialogue by emphasizing openness and transparency.
- 7 **Individual behavior** → we expect the highest levels of conduct from all our employees; we consider any type of bribe to be unacceptable.
- 8 **Health, safety and environment** → we promote operational practices that reduce the environmental impact associated with our activities; the health, safety and environment of all our stakeholders is fundamental to our operations.
- 9 **Business partners, suppliers and third parties** → we seek to promote the application of these business principles in all our business relations.

* The complete text of the business principles can be found (in Spanish) at www.amanco.com

Audit systems

All Amanco Group employees have access to a system created by GrupoNueva through which complaints can be channeled. This includes a direct e-mail to GrupoNueva's Risks and Audit Directorate (principios@gruponueva.com). A yearly survey on the observance of the business principles is carried out among different groups of employees. The first of these surveys took place in September 2004, with 361 contributors, and the second in August 2005, with 495 responses. In January 2005, GrupoNueva hired the company Integrity Works to measure the effectiveness of the awareness-raising workshops and other means of communicating the business principles. Information on the results can be found in the publication *GrupoNueva 2006* (www.gruponueva.com).

Business principles: results of the Amanco Group's awareness-raising process

Employees trained (direct and indirect)	5,483
Workshops held	264
Active facilitators	73

Communicating the business principles and raising awareness

Between April and October 2004 all Amanco Group direct employees participated in workshops designed to teach the business principles. The company worked with the non-governmental organization FUNDES in the development of awareness-raising and training methods designed specially for adults. The principles were included as a key component of the Amanco brand (along with the slogan: "By living the business principles, we live the brand!"), and a section dedicated to the business principles was included in each country's orientation programs.





Lessons learned and challenges

The complete integration of the business principles into our operations requires interactive processes, and elimination of gaps requires improved and ongoing communications with our employees if we are to be able to respond to queries and doubts. It is especially important that we identify areas where the company needs a more specific policy to deal with a principle more thoroughly.

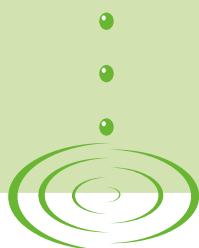
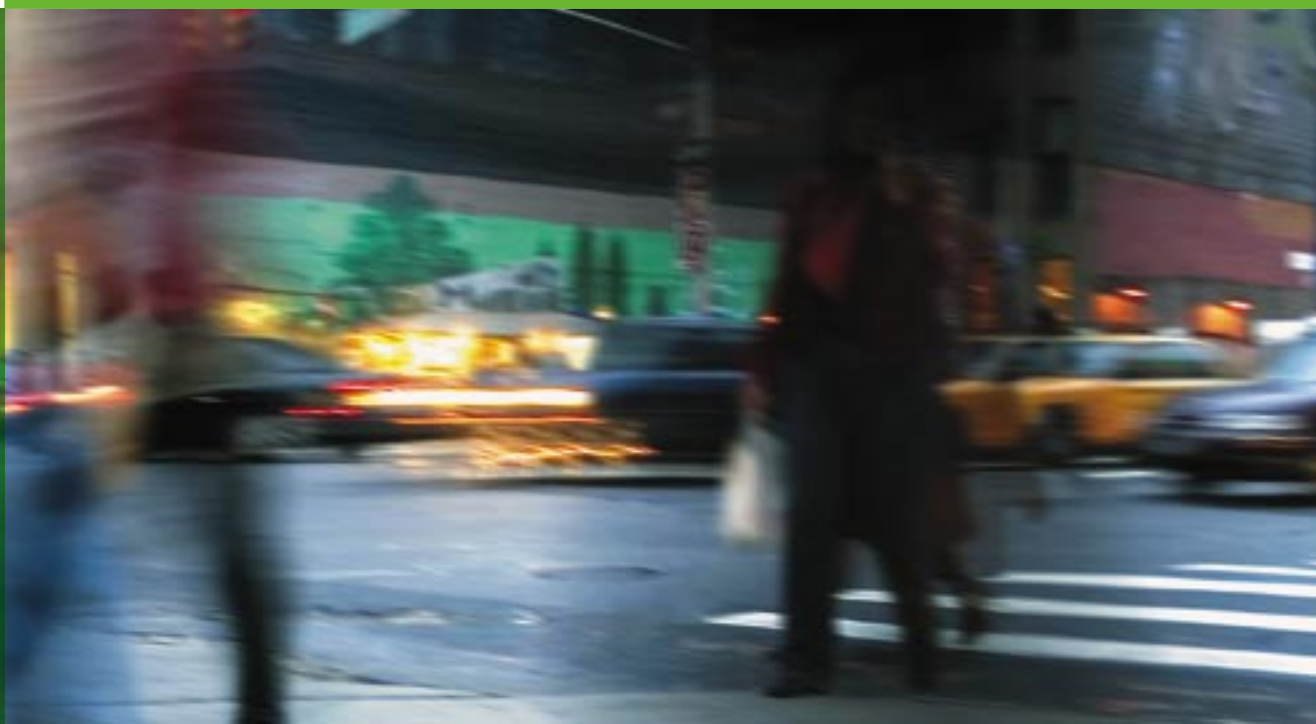
We also need to improve our understanding of the commitments we have made in adopting these principles and establish appropriate action plans to ensure they are observed. For example, we have committed ourselves to respecting human rights, but we do not yet understand all that this implies, and we need an integrated analysis of how human rights apply to our operations and policies.



Fulfillment of commitments

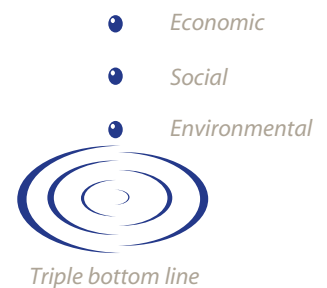
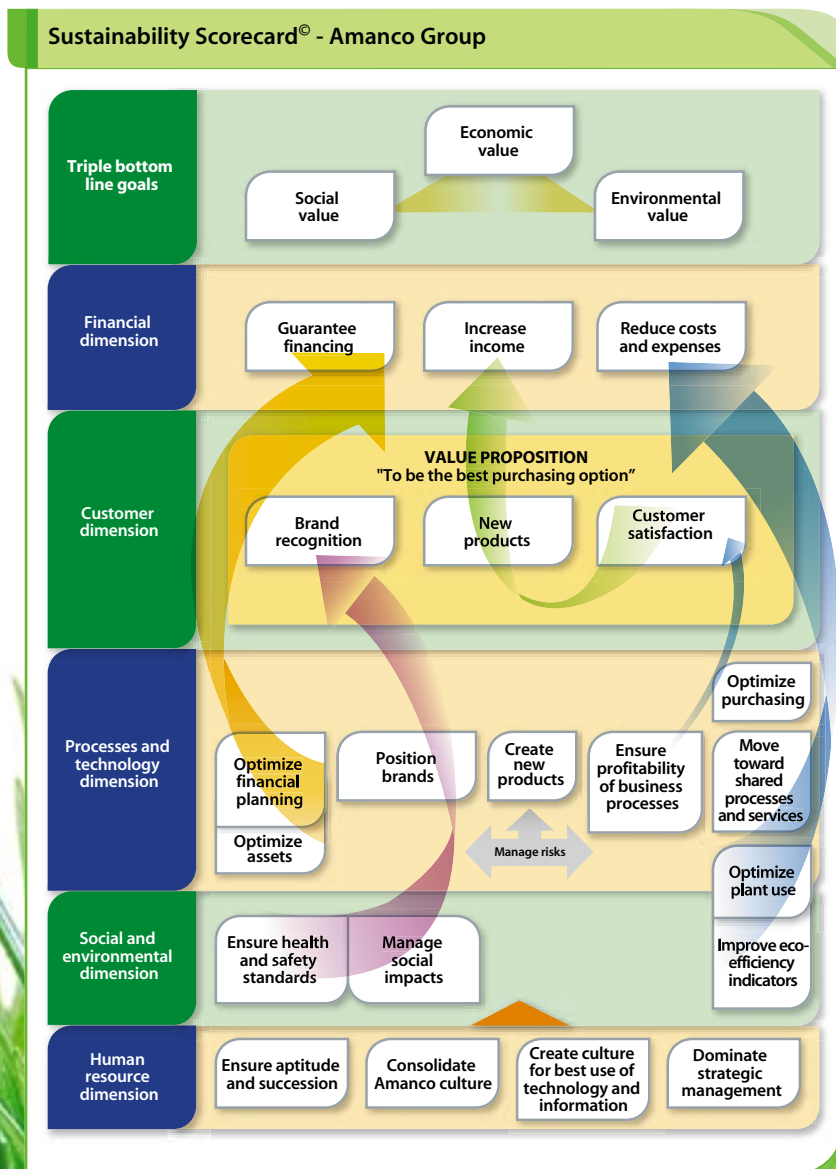
Action	Timescale	Compliance
Previous commitments 2004-2005		
Compliance with the process of transferring the business principle		Yes
New commitments 2006-2007		
Carry out an integrated analysis of how human rights apply to our operations	2006 & 2007	
Develop new workshops to deal with gaps with new participants and follow-up on recommendations	2006 & 2007	

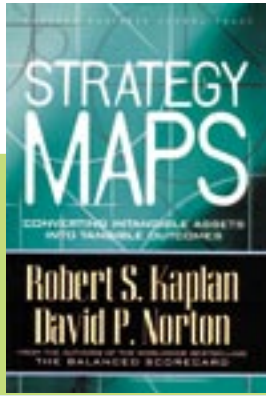
Sustainability Scorecard[®]: our management tool



Our business strategy stands out in that it seeks sustainability not only in the economic dimension, but also in the social and the environmental ones. The Sustainability Scorecard® (SSC) is the management tool we use to define objectives and strategic indicators to measure our performance in implementing this strategy and applying our triple bottom line management tool. In the following chapters we describe how the management of these dimensions enables us to achieve our goals.

The SSC is Amanco's adaptation of the Balanced Scorecard (BSC) developed by Robert Kaplan and David Norton of Harvard University. Unlike the traditional BSC, the SSC incorporates the social and environment dimensions of the company's day-to-day business. The prioritized programs, budgets, risk management systems, internal reports, information systems and the variable remuneration of our employees all respond to the economic, social and environmental objectives defined in the Sustainability Scorecard®.





Amanco is the only Latin American company quoted as an example of managerial innovation by Robert Kaplan and David Norton, world-renowned experts in modern business administration, in their book Strategy Maps.

Benefits of the tool

The SSC enables us to align our business plans with a unique, differentiated, and sustainable strategy, as it both defines the dimensions of the business strategy and guides achievements in the three areas of the triple bottom line strategy: financial, social and environmental.

Challenges

- Optimize the use of this management tool in the promotion of a culture of strategic thinking at all company levels. Some internal paradigms still have to be broken down so as to create opportunities for the participation of our employees.
- Develop management capacity in the clear definition and communication of the value proposition to customers.
- Improve the building of strategic maps in some operations to clearly define the cause-effect relationship between the chosen strategic objectives.
- We currently have social indicators that show us how socially responsible we are in our internal processes. However, we have the challenge of developing the indicators necessary to show how this integral vision of responsibility can be translated into improvements in the broader society.



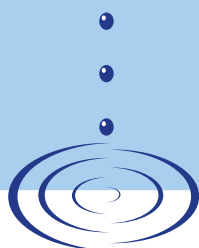
"Placing social and environmental objectives within the SSC allows us to understand how these support the company's value-creation process. The SSC enables Amanco employees to identify on which strategic objectives they are working and how these contribute to the triple bottom line."

Jorge Ramírez

*Manager, Financial Planning
Amanco Group*



Economic and financial dimension



New organization in the financial area

In May 2004 the post of financial director was created. This function was previously carried out directly by GrupoNueva's vice president for finance.

This was done to create for Amanco a more flexible financial situation that will allow it to make better use of its liquid assets; to improve management of bank liabilities; to prepare for more efficient access to the capital required to finance company growth; and, above all, to ensure that the company's management structure is oriented toward the creation of greater value in its operations.

Financial flexibility

The program **AmancoFlex**, was created to generate greater flexibility and guarantee finance for growth and for implementing the group's strategy. Its objective is to "review the group's stockholder structure and the capital/debt structure of all operations" so as to make them more efficient.

By the end of 2005, the AmancoFlex program had managed to:

- Capitalize US\$20 million in Amanco Brazil, with the corresponding reduction of local debt.
- Carry out a public offer of stock that has allowed us to take control of 98.5% of Pavco Colombia and start its delisting on the stock exchange. (This initiative represented an investment of US\$22 million.)
- In Central America re-purchase the shares of some minority stockholders and finish the year with 94.43% of corporate stock, a US\$2.5 million investment. (The companies Plycem Construsistemas and Tubosistemas in Central America were legally separated, giving rise to the new company: Plycem Systems Holding.)



"The challenge for Amanco's finance team is to understand that its role goes beyond that of simply providing figures, and that it is to act as a business partner in the creation of value."

Pierre Roulet
Director of Finance
Amanco Group

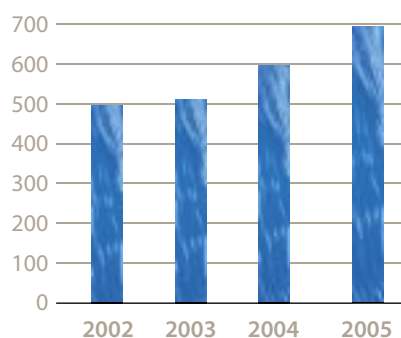


Financial results*

2005 financial results show the effectiveness of corporate actions

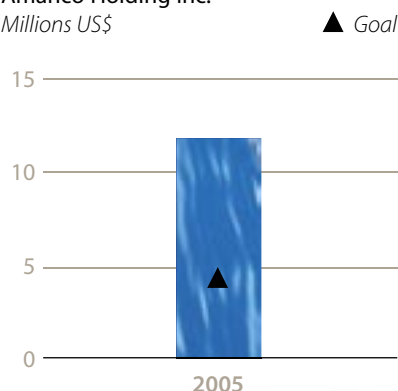
Amanco's net sales in 2005 were US\$688 million; in 2004 they were US\$592 million. Amanco Holding Inc. showed an average growth of 12% over the 2002-2005 period, with a 16% increase between 2004 and 2005, driven by increased sales in Brazil, Mexico, Venezuela and Colombia.

Net sales
Amanco Holding Inc.
Millions US\$



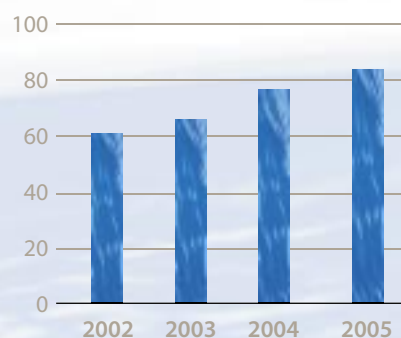
In January 2005 Amanco started evaluating its management with the aid of the Economic Value Added (EVA®) tool that measures wealth creation for stockholders. In 2005 Amanco registered a Delta EVA value of US\$12 million, US\$7 million above the goal established for that year, the result of substantial improvements in all its operations due to improved use and a rationalization of the company's capital investments. In other words, its profitability grew by this amount after having discounted the cost of capital investments.

Delta EVA
Amanco Holding Inc.
Millions US\$



In terms of net income, Amanco grew by 11% over 2004, driven by increases in all regions, but mainly due to improvements in Venezuela, Colombia and Mexico.

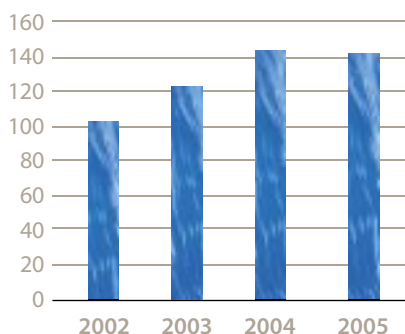
EBITDA**
Amanco Holding Inc.
Millions US\$



* The financial information included in this report covers the activities of Amanco Tubosistemas and Plycem Construsistemas.

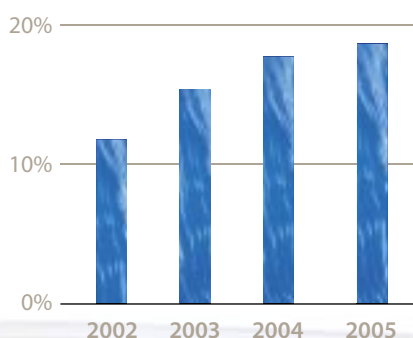
** Earnings before interest, tax, depreciation and amortization. Excludes non-recurring items.

Operating working capital
Amanco Holding Inc.
Millions US\$



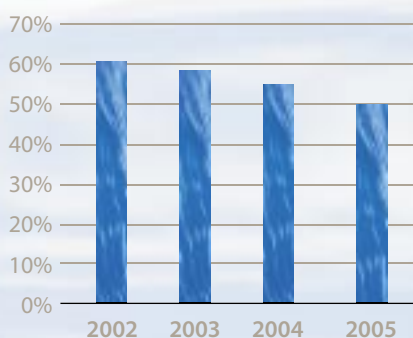
Applying the EVA methodology as a management tool has helped us to rationalize resource use. Results can be seen in the amount of operating working capital, which has remained at the same level since 2004, in spite of a 16% increase in sales.

Total debt/total assets
Amanco Holding Inc.
Percentage



Stock purchases were made from minority stockholders in Colombia and Central America as part of the AmancoFlex project, one of the objectives of which is the simplification of the group's stockholder and financial structure. Some of these operations took place through bank loans, which explains the slight raise in debt.

Equity/total assets
Amanco Holding Inc.
Percentage



As a result of the foregoing, a change took place in the company's capital structure. In using debt to partially finance the purchase of minority stockholdings, the equity/assets ratio dropped from 55% to 51% over the last year.

Impact of oil prices

As in other industries around the world, the Amanco Group has been affected by rising oil prices. Fifty per cent of PVC resin, our main input, is made from petroleum-based derivatives. In 2004 we carried out a sensitivity analysis to ascertain the extent to which this affected our competitiveness. We found that the location of Amanco companies in oil-producing countries rather than non-oil-producing ones created a natural buffer effect in the short and medium terms. Despite projected increases in oil prices, most products sold by Amanco will not lose competitiveness in the face of substitutes. However, we recognize the importance of developing options for renewable and sustainable energy sources for our production plants, and of being alert to options for alternative sources of raw materials.

Risk rating

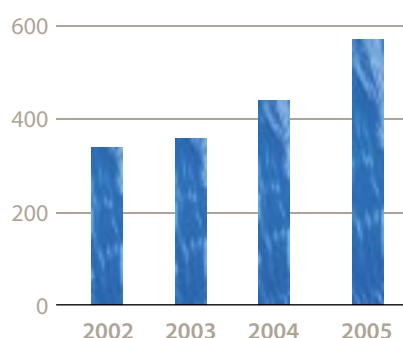
As a result of well-balanced growth in 2004 and 2005, the Amanco group was given a BBB- Investment Grade rating by FitchRatings, a world renowned company specializing in risk evaluation. Thus Amanco is recognized as a low-risk company.

Economic indicators

Most of our expenditures (goods, services, taxes, wages, etc.) remain in the countries in which we operate. We receive no subsidies, and all our capital is generated by our companies or our stockholders. Because of our commitment to report according to Global Reporting Initiative (GRI) guidelines and our desire to be a good corporate citizen, we are including in this publication indicators of our direct economic impacts.

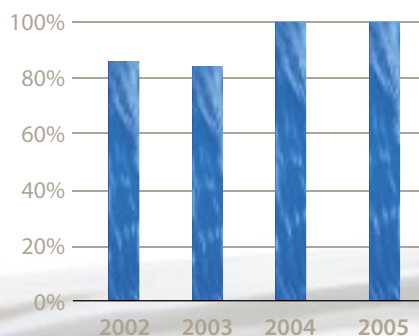
Increases in the costs of goods, materials and services are driven by the increase in sales, the increase in the price of PVC resin in 2005, and the appreciation of some Latin American currencies, particularly the Brazilian real.

Costs of goods, materials, and services
Amanco Holding Inc.
Millions US\$



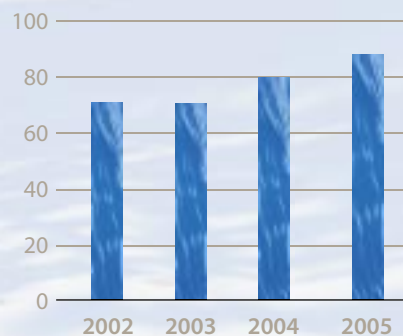
Paid and approved contracts have a 100% fulfillment rate, as in the previous year. This reflects the ethical commitment and the business relationships that Amanco has with its customers, suppliers and employees.

Percentage fulfillment of paid and terminated contracts
Amanco Holding Inc.
Percentage fulfillment



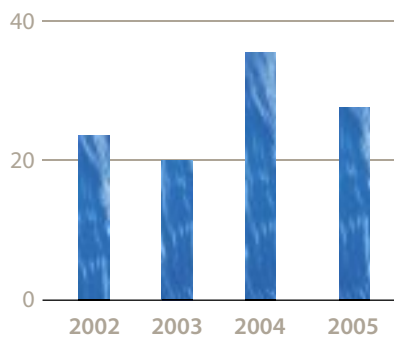
As a result of improvements in company performance, an increase in our labor force, and the appreciation of various currencies, the levels of payments and benefits increased by 10% over 2004.

Payments and benefits
Amanco Holding Inc.
Millions US\$



Monetary flows to providers of capital

Amanco Holding Inc.
 Millions US\$



Amanco has punctually honored all obligations to partners and other creditors. Our dividend policy, developed in accordance with the company's levels of growth, reflects our loyalty to shareholders.

Lessons learned and challenges

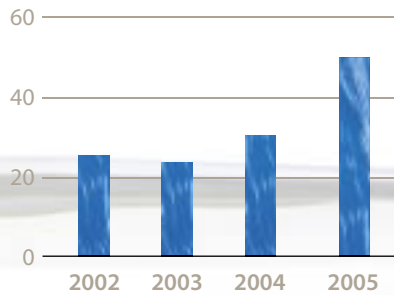
The evolution of Amanco's financial management is reflected in the move from a focus on local operations toward one with a global perspective and the development of organizational capacities necessary for future growth.

Our challenges for 2006

- ▶ Continue to create synergies, not solely in the area of finances, but in all other areas in which the company works, and centralize Amanco's financial management.
- ▶ In order to carry out our strategy effectively, we are faced with the challenge of strengthening so as to ensure a more effective use of the SSC, as well as improving strategic thinking among the finance team.

Taxes paid

Amanco Holding Inc.
 Millions US\$



Taxes paid increased substantially due to growth in income and a reduction in tax credits over 2004.

Donations made

Amanco Holding Inc.
 Thousands US\$



Amanco firmly believes that the best way we can help societies to develop is through projects that drive the growth of the communities in which we operate, rather than through charitable donations.

Customer dimension



In 2004 and 2005 Amanco improved the ways in which it relates to its customers. As the result of a more customer-oriented approach, we increased sales by 16%. We implemented measures to bring us closer to the market and improve access to resources and networks necessary for the implementation of our strategy. We found innovative solutions that allowed us to reach new segments of the market, do business with low-income customers, and introduce new services and products.

Market proximity: New Strategic Business Units

Business Unit for Innovation in Construction

In 2005 we created the unit for Innovation in Construction to develop this market through new alliances, products and services based on trading or do-it-yourself approaches, taking advantage of opportunities offered by market globalization and new supply models.

Business Unit for Agricultural Solutions

The agricultural sector consumes more than 70% of the world's fresh water and needs new forms of innovation and investment to increase efficiency. In 2005 we established our business unit for Agricultural Solutions to seek greater agility and effectiveness in the design and supply of services for our customers. The new unit also strengthens Amanco's growth in this sector, by offering complete solutions and projects that are ready for use and avoid intermediaries.

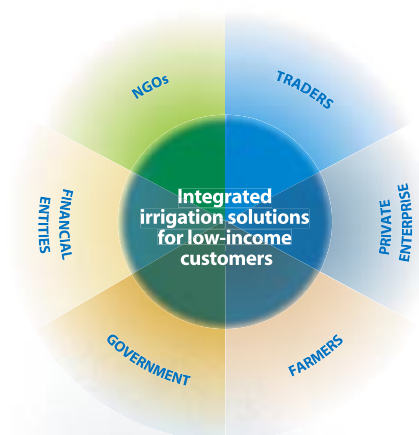
In 2004 Amanco started developing integrated irrigation solutions for low-income segments of the population. The strategy is based on a network of alliances between the farmers, Amanco, financial institutions, governmental and non-governmental bodies, and traders to provide integrated solutions that range from meeting the credit needs of farmers to responding to market requirements.

Business Unit for Financial Services

The lack of access to credit by consumers is one of the main obstacles in the building sector. According to studies by the Central Bank of Brazil, nearly 40 million people in that country do not have access to credit. In 2005 Amanco launched a pilot financial service aimed at the house-building sector. The service was channeled through the **Amanco CredConstrucción**, a credit card to finance building materials, especially geared to low-income customers so that they have better access to quality products.

As a result of this initiative, and with the certainty that our customers and consumers are seeking more integrated products and services, in 2005 the Amanco group created its business unit for Financial Services. This improved access to these types of services made demand more dynamic, strengthened the companies that sell our products and with which we have alliances, and consolidated their preference for Amanco's proposals.

Amanco customers	
	Sales
Building sector	58%
Agricultural sector	14%
Drainage and sewage sector	26%
Others	2%



Business with low-income segments

The low-income segment of the market represents an important business opportunity for Amanco, the size of which had not, until recently, been adequately appreciated. In the course of 2004 and 2005 we learned that we could not do business with this group without a knowledge of its specific needs and of whether these opportunities did in fact represent new channels for company growth. We thus approached it in a systematic manner. Today, these businesses are now part of our strategy. Amanco has set a corporate goal that by 2008 10% of its sales will come from low-income segments. In this report we present some of the pilot projects that we are carrying out.



"I found out about this service because a small truck passed by. The service is good, the products are of excellent quality, better than those previously offered by other suppliers, and I like their presentation."

Karina Hernández Martínez

Owner of hardware store in
Tlaquepaque, Guadalajara
Jalisco, Mexico.

Lessons learned: a new business culture

This segment is a real market awaiting development. We are creating the commitment from the highest management level in each country, and have understood that our effort in this area is not just to sell but to help people create sustainable livelihoods for themselves. We can divide our apprenticeship into three main areas:

1 Generation of alliances

Private enterprise can develop business with the low-income sector through different social actors who complement each other's capacities. The building of alliances requires business models that make sense for the companies, the entrepreneurs, and civil society organizations. It implies learning a new language and understanding how to participate in multi-sectoral dialogue, including partnerships with NGOs, governmental bodies, training entities, etc.

2 Access to credit

We have learned that the main needs of the low-income segment are related to market (national and international) insertion, the building of alliances with traders, and access to financial solutions, or the possibility of establishing links with financial institutions.

3 Made-to-measure solutions

Providing the low-income segment with products and services implies a cultural awareness of this new clientele. We understand that they must obtain benefits that they previously lacked. We must ensure the efficiency and sustainability of these products and services, and, in the medium term, think of self-sustaining solutions.

What have we changed?

We have assembled in Mexico a work team focusing on this group of consumers.

We have created positions within Amanco that increase our capacity to do business with the low-income segment of the market, and in some countries we have appointed coordinators who spend all their time thinking and acting on the development of this market segment.

We have adapted and made more flexible the financial and logistical procedures that affect the value chain and allow us to offer products and services that meet the needs of this sector.

Case 1 | Small hardware stores in Mexico

Quality products for low-income sectors

Amanco Mexico carried out a study that identified more than 36,000 small neighborhood hardware stores scattered throughout the country that offer poor quality products with no brand names that come from the informal sector of the market and are of a very limited variety. The monthly purchases of pipes and connections of these markets are valued at about US\$43 million.

In 2005 Amanco designed a pilot project in the Guadalajara, Jalisco region to serve this segment and developed a portfolio, initially 100 products, including those in the water, sanitary, electrical and bath accessory areas. It developed a direct marketing system by which a salesperson visits the hardware stores to offer them a wider range of better products at an accessible price. This year sales reached US\$277,000 after six months' work. It is too soon to be sure of success; but projections are favorable, and we expect good results.

Background

The low-income population represents 63% of the million houses that are needed annually in Mexico. This group takes care of building or repairing its own houses and buys materials in small, local hardware stores.

New distribution model

Amanco developed a new fleet of vehicles to serve these businesses with a direct system of sales and distribution. There are two types of sales. In the first, a mobile unit carries

a stock of products and makes sales, with people paying then and there. This type of sale is used when opening new routes and seeking new customers. In the second type, once the route has been established and customer confidence has been developed, the salespersons make their visits on set days and take the orders. A mobile unit delivers the goods within 24 hours.

Improvements for the customer

The fact that the direct salespersons carry products in their small trucks and sell them directly eliminates the involvement of intermediaries and the ability to constantly re-stock allows store owners to carry a smaller inventory. The owners see their businesses grow because they have an initial portfolio of 100 better-quality products. As far as customers are concerned, they pay competitive prices for products to which they did not have access previously, and their investment is guaranteed by better quality solutions for their homes. Our products arrive packaged with instructions for correct installation, making do-it-yourself easier. They are promoted through exhibitions at the point of sale that are designed for this distribution channel.

Alliances

We establish alliances with manufacturers who make products that are not among Amanco's range but that are necessary to meet the needs of this new customer. This project also aims to stimulate the development of micro-entrepreneurs, who act as distributors.

→ Voices from the field

"We learned that consumers, no matter their economic status, are primarily interested in having access to quality products at competitive prices. They have commented that they are establishing a heritage to leave to their children when building their houses with quality products. Amanco's task is to deliver products of the best possible quality at accessible prices, in a timely and professional manner, thus having a positive impact on its business as well on quality of life."

Francisco de la Torre
Director General
Amanco, Mexico



"The project is an interesting plan, offering better options for customers in that they get what they need immediately, and anything I am unable to deliver straight away, I note it down and deliver it later. I think that all of us who are participating in this project should focus on customer service."

Fabián Razo
Salesman

"We go directly to the retailer and are making quality products available to a much wider market at accessible prices from local hardware stores. We reduce the customer's need for large inventories, and in this way increase available resources as we visit them each week, whether they buy or not. It is this that ensures a preference for our brand, as well as confidence."

Rodolfo Jacinto
Director, New Businesses
Amanco, Mexico

Case 2 | Irrigation initiative for small, low-income farmers

Alliance between Amanco Mexico and Ashoka

In 2005 Amanco Mexico, together with Ashoka, an international non-governmental organization of social entrepreneurs (www.ashoka.org), developed a pilot project to provide a group of 620 low-income farmers in the states of Oaxaca and Guerrero with advice and more efficient irrigation systems. These farmers have no more than five hectares of land each for agricultural, livestock or forestry use. At the start of the project, 35 hectares of land were involved. Projections are encouraging, and we plan to extend the project over an area of 464 hectares by early 2006.

Background

Farmers around Atoyac de Álvarez in Guerrero did not have the technology to irrigate and make their production profitable or use water in an efficient manner.

Access to credit

It was possible to consolidate support from various sources of finance through the promotion and coordination by Amanco and Ashoka. About half of the cost of the project was obtained from the National Water Commission; 30% was covered by a soft loan for repayment in a year from the Mexican Foundation for Rural Development; and the remaining 20% was paid by the farmers, who also took charge of the installation of the irrigation systems, with Amanco's advice and supervision.

Improvements for the customer

For the first time, 464 hectares of land in this region will benefit from an irrigation system. It is calculated that once the systems are installed, farmers will be able to increase their production of mangos by about 70% and cut water use by up to 60%, when compared to the inefficient watering systems previously used. Projections for 2006 indicate coverage of 1,126 hectares as well as the installation of PVC-based greenhouses developed by Amanco as yet another solution to meet the needs of these farmers.

Alliances

A strategic alliance was established between Amanco and Ashoka and was joined by RASA, a network of sustainable, independent farmers; together they gained the support of financial institutions. Amanco provides the irrigation systems and advice, while Ashoka identifies leaders in marginal agricultural communities, and together with Amanco they obtain support from the Mexican government and NGOs. The sellers of irrigation products provide agricultural advice, guarantee the credit, and support the producers, in addition to promoting sales and paying the financial institution that provided the credit for the irrigation systems.

→ Voices from the field

Inter-sectoral alliances are key to success

"Amanco has a lot to give to the project. It has been able to generate knowledge among small farmers, integrate them in productive processes, and achieve long-term project sustainability."

"The project seeks to support producers from the moment they draw water – through the irrigation systems sold by Amanco – to the marketing of their products. And Amanco has responded very well: it has passed knowledge on to us about marketing, project development, etc., while Ashoka plays the role of intermediary, facilitating inter-sectoral alliances between the civil sector (the project's small farmers), the public sector (the government), and the private sector (Amanco)."

"This is Ashoka's first experience at the international level with a private enterprise where the relationship is a win-win commercial one that we refer to as Full Economic Citizenship™, leaving philanthropy behind and including low-income citizens who are usually excluded and ignored by the market. As they are not usually considered as customers or potential partners, they have no access to basic products and services that could considerably improve their quality of life. An egalitarian situation and growth is created for communities with the assistance of Amanco and Ashoka's social entrepreneurs in Guerrero and Oaxaca."

"Everything has been so new, we are all learning. Now we are thinking of repeating the experience, taking this inter-sectoral initiative to Brazil and India."

Yadira Bayona

Project Coordinator, Ashoka



Case 3 Inter-sectoral alliances lead to higher production in Guatemala

In 2004 Amanco developed the project “Sustainable agricultural communities within reach of a globalized world” to make credit available to small farmers to install drip irrigation systems on their plots. By the end of 2005, the project had generated almost US\$238,529 in sales, exceeding forecasts. We are expecting a 42% increase in 2006. In December 2005 the Inter-American Development Bank (IDB) approved a credit of nearly US\$1 million for Amanco so that other farmers in Guatemala could have access to this initiative through the project “Corporate responsibility in making irrigation available to small farmers.”

Background

Small Guatemalan farmers in the departments of Chimaltenango, Sololá, Quetzaltenango, Quiché and Huehuetenango managed to get a maximum of just two crops a year due to inefficient or non-existent irrigation methods.

Access to credit

Amanco originally gave credit with zero interest and a maximum re-payment period of two years, hoping small farmers would be able to use their larger harvests to pay for the irrigation systems. Later, in 2005, a 7% interest rate for credit was given over the same re-payment period. Amanco makes the irrigation system available through an equipment-selling cooperative. Amanco provides credit to the trader, reducing the risk of delays in payments. Finance

from IDB through its Corporate Responsibility project will assist us in reaching an increasing number of small farmers to help them improve productivity and their quality of life.

Alliances

As facilitator of the process, Amanco involved the non-governmental organization Opción, the dealer Aj Ticonel, IDB, the ministry of agriculture and the organization CentraRSE, the Guatemalan partner of the World Business Council for Sustainable Development.

Results

During 2004 and 2005, 273 farmers benefited from this project, and it is expected to reach 2,000 more over the next four years. Harvests were increased from two to four a year, with an average 33% savings in labor costs. Savings on water, by using it more efficiently, allowed the areas under irrigation to be increased by 50%.

Drip irrigation waters each plant regularly and directly at the foot of the stem, without wetting or splashing the leaves or fruit with soil. This helps them grow stronger and healthier and avoids wasting water to the excess evaporation caused by sprinkler and similar systems. The drip method ensures higher quality crops and encourages farmers to develop non-traditional products. All this helps poor farmers become part of the country's formal economy, as well as increasing output by 22% and increasing sales due to improved quality.

→ Voices from the field



“Before we started using the Amanco system we harvested about 60,000 lettuces, some 2,727 crates. Now our production has increased to 3,333 crates. In other words we have a 22% increase in production.”

Manuel Yax

Leader of the Chirijuyú community and member of the agricultural cooperative Horticultores Unidos

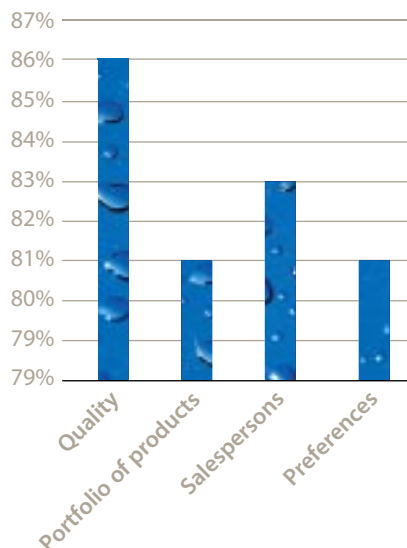
“The farmers who have benefited from the drip irrigation system in Guatemala increased their productivity and competitiveness and have established permanent relations with exporters.”

René Villagrán

Project leader
Amanco, Guatemala

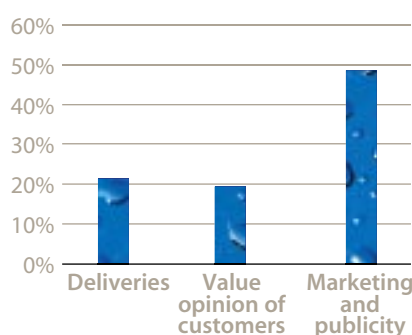
Strengths in customer satisfaction 2004

Percentage



Weaknesses in customer satisfaction 2004

Percentage



Customer satisfaction survey

In our second bi-annual external survey, carried out in 2004, we did not fulfill our commitment to reach 95% customer satisfaction. The weighted index went down by 8% compared with the previous evaluation. This result was mainly influenced by our strategy to place greater focus on key customers who were more profitable (whose level of satisfaction increased by 1%) and was also due to the rapid growth in the number of customers in some markets.

We have carefully analyzed the results of the survey and decided to work with different value propositions according to the needs of our customers, and for this we readjusted our overall goal to a 90% satisfaction rate.

Strengths

The measurement of strengths resulted in similar figures to the previous period: eight out of 10 customers recognize our quality, our product range and the quality of our salespersons. They favor us by preferring our products.

Weaknesses

The 2004 survey identified the same weaknesses as in the previous period, with virtually no change under the heading "Deliveries" and "Evaluation of customer opinion," meaning that two out of 10 customers do NOT recognize us as having strengths in these areas. The result under the heading "Marketing and publicity" has been influenced by the growth in the number of customers in some markets.

Actions in response to weaknesses:

- 1 Evaluation of customer opinion: we have included some customers in the strategic planning process.
- 2 Delivery: we continue the program to improve deliveries in coordination with the logistics managers, analyzing the causes of the problems and improving management structures regarding logistics.
- 3 Marketing and publicity: in 2005 we created the directorship on Marketing and Communications at the corporate level.

As part of our strategic reorientation, we are also focusing on the countries with greatest potential (Mexico, Brazil, Peru, Argentina, Costa Rica and Panama) and paying more attention to key customers.

Building alliances: FLUIR Latin American Association of Plastic Pipes

In the coming years, Latin American will have to invest much in infrastructure for water and drainage systems to make them available to everyone. It is the responsibility of the private sector to be prepared for demand and to ensure that the principles of efficiency, ethics and transparency are observed, that appropriate technology is used and that there is an adequate return on investment.

In 2005, Amanco and three other companies in the sector created the Latin American Association of Plastic Pipes (FLUIR) to meet these challenges. The association seeks to:

- Promote the industry by representing the interests of Latin American manufacturers of plastic pipes and connections.
- As private enterprise, face the challenges of meeting demand for water and drainage.
- Establish improved practices in health, safety and environmental management.
- Serve as the reference point for business ethics within the sector.
- Establish norms and standards within the industry.

Infrastructure sector

We provided an important service to the infrastructure sector with the launch in Colombia of biaxial pipes for high-pressure applications. As promised, we were able to demonstrate their advantages regarding resistance and handling when they were put to the test in important projects. In Mexico and Venezuela we launched structured drainage piping for Novafort, allowing us to increase the benefits of this technology. In Brazil we introduced the Celfort line for drainage systems, produced using triple-wall, co-extrusion technology that offers structural advantages and a smooth external surface, enabling immediate use.

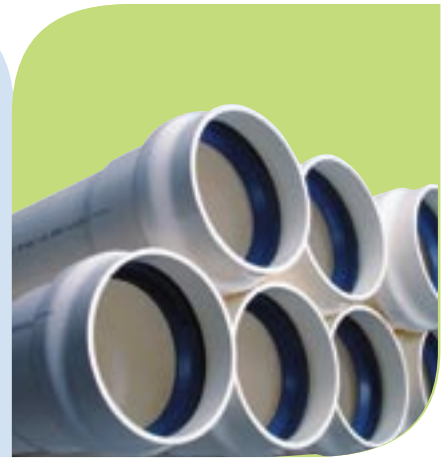
→ New technologies for infrastructure

► **Biaxial** | Colombia

The only technology of its kind in Latin America. "Bio-oriented" PVC pipes that offer advantages in resistance to pressure and impacts, and improved flexibility in the handling and operation of hydraulic systems.

► **Silentium system** | Argentina

A new type of noise-reduction product for drainage. The application of new raw materials allows for different densities of pipe walls, thus helping to reduce noise during regular use.



→ New products with standard technology

► **Amanco Fusión** | Mexico and Brazil

System for hot and cold water that is an economic and effective alternative for traditional metal pipes, avoiding corrosion.

► **Nivel Uno** | Argentina and Peru

Premium sanitary system with new attributes with better handling and more efficient operation.

► **Domestic boxes** | Brazil

Connect to sewage and rainwater systems, making maintenance and cleaning faster and easier.

► **Duramine**

High pressure pipe systems for mining and heavy duty use with safe connections that can be dismantled and are able to withstand high impact and weather conditions as required.

► **Novafort** | Venezuela and Mexico

New system that offers fast and secure installation, with optimum rigidity.

► **Agricultural solutions** | Brazil

High capacity filters and pipes with an incorporated drip system that ensures considerable savings and even delivery of water throughout the crops.





Plycem business

New markets for business

Plycem is setting the foundations for a geographical expansion strategy and growth in sales volumes in non-traditional markets. Market surveys have thus been undertaken in the United States, Mexico, the Caribbean and in various South American countries.

In the United States, the strategy involves the identification of high-potential market niches in which Plycem would have a strong competitive advantage.

Trading partners are being sought in Mexico to allow faster growth in brand penetration, starting with a sales initiative involving products for technical projects.

A trading model has been developed in Ecuador through which products are sold directly from the production plant to four designated distributors, with a support team to advise on the technical specifications of products and distribution to points of sale throughout the country.

A new brand image was created that is more in line with the company's new vision: an international business with a global scope.

Innovation in Plycem products

The TRIMS product has been developed for the North American market, providing an aesthetic accent to the corners of houses built with siding boards. This is a product for external use that provides many advantages over wood, the most widely used product on the market. It is being introduced onto the mass distribution market through a chain operating through an alliance with Masisa S.A.

Tek, a new family of façades of great architectural value, has been developed. These are prefabricated geometrical modules with which professionals can create attractive looks for buildings.

New building systems are also under development to be used both in low-cost housing as well as in multi-storey buildings.

We have also developed new processes in production plants that allow for different finishes, with special emphasis in color applications.



Challenges

The main challenge is to learn to measure our social impact so it can be translated into indicators that ensure we are improving the quality of life of our new low-income customers. We face the challenge of intensifying and systematizing alliances we have made, especially among traders and financial institutions.

We need to constantly innovate in the development of products designed exclusively to meet the needs of our low-income customers. The challenge is to better understand their purchasing behavior and attitude through hands-on research. We expect to include our rural distributors in serving this segment and to expand this program both locally and internationally.

International trends are speeding up the process of turning products into mere commodities. Thus Amanco's challenge lies in building new competitive advantages, incorporating services in the provision of solutions, and responding to the needs of our Latin American customers.

Table of commitments

Fulfillment of commitments 2004-2005

Action	Date	Compliance
Attain 95% customer satisfaction	2004	No (see page 30)
Second external survey of perception of customer satisfaction	2004	Yes
Carry out consultations with customers	2004	Yes
Launch of biaxial pipes on Colombian market	2004	Yes
Simplification of product creation process (PCP)	2004	On-going
Promote and improve processes for innovation	2004	On-going

New commitments 2006-2007

Attain 90% customer satisfaction	2006
Third external survey of perception of customer satisfaction	2006
Extend business initiative with low-income segment throughout Latin America	2007
New product sales to reach 15% of total sales	2007
Successful development of new Strategic Business Units	2007

Human resources dimension



New business challenges require a new focus on human resources. We seek processes and tools that are more regional and less locally focused, greater efforts on the part of our managers in the promotion of superior performance among all our employees, a greater knowledge of our employees and the way in which their work impacts the SSC and the triple bottom line, as well as leveraging the Amanco group's best practices so as to raise our competitiveness on the markets.

We would also like to stress how commitments assumed in previous reports have helped us learn to share methods and resources; we used achievements in the most outstanding operations in each area as examples and standards for the whole group.

Optimizing human resources

Managing change

Changes in the strategic focus of our organizational structure, the creation of the Center for Shared Services (see page 69) and the introduction of new regional leaders have had an impact on employees and the way in which they work and assume their leadership roles.

In Amanco we recognize that our main goal is to generate a process-oriented work culture, which involves building new teams and organizational capacity and promoting changes in our leaders and employees so as to ensure the sustainable growth of our company and our people.

In 2004 nine different leadership skills were identified that define Amanco's expectations among its leaders. These emphasize our values, the market and our employees. In 2005 these skills were used in a holistic exercise carried out with directors in Mexico and in the selection processes for posts such as directors of corporate marketing and communications, information technology, the commercial director in Brazil and new management posts in the area of corporate finance. In 2006 and 2007 this tool will be used in all our operations.

Organizational culture and climate

As a group we did not achieve the 86-point work climate index score we proposed as a goal for 2005. We reached a score of 84/100 points, the same as in 2004. Nonetheless, our operations in Honduras, Ecuador, Venezuela, Costa Rica and Nicaragua did reach our goal. Between 2001 and 2005, performance improved in the area "Mission, Values, and Teamwork," increasing from 7 to 10 points over this period.

Committed to the strengthening of organizational culture and climate, we recognize that the work climate survey we have used over the past five years has come to the end of its useful life. In 2006 we will use a new type of survey that, while allowing internal benchmarking, will also allow us to measure the impact or organizational changes related to our strategy and the consolidation of our culture.



Leadership skills

Commitment to our vision

- 1 Commitment to vision and values
- 2 Passion for sustainable results
- 3 Synergy and teamwork

Commitment to the market

- 4 Customer focus
- 5 Innovation
- 6 Strategic and business vision

Commitment to organizational capacity

- 7 Talent-building
- 8 Drive to ensure superior performance
- 9 Leadership for change

Operational management

Amanco would not be able to respond to its challenges if it did not have an effective management system in place at the operational level. This has allowed us to focus on a management approach that is less local and more integrated as far as human capital, organizational structure and culture are concerned.

Safety and health

In the pipe systems business the work accident frequency index (WAFI) was reduced from 3.9 in 2001 to 1.67 in 2005, while the weighted accident severity index (WASI) went from 46 to 24.8 over the same period. In 2005 in the construction systems business the WAFI dropped to 1.2, while the WASI reached 16.3. These results show progress toward our goal of zero accidents.

Some of our plants have already reached the goal of zero accidents over a year: Venezuela, Brazil, and Argentina (pipe systems), and Honduras and Costa Rica (construction systems).

Approaches that have contributed to the reduction in accidents include:

- Generation of a culture of self-protection and self-management in operations with the help of DuPont's Safety Training Observation Program (STOP);
- An increase in management's commitment to prevention and monitoring;
- Management of reports and indicators;
- Linking of payment incentives for performance with results in accident prevention;
- The OHSAS 18001 certification process.



Amanco Brazil An example to follow

Accessories plant Joinville Norte

Achievement: 1,763 days (4 years and 10 months) without an accident

Connections plant Joinville Sul

Broke its previous record of two years (730 days) without accidents, with a new record of 815 days.

An important contribution to this achievement is the work of the Internal Commission for Accident Prevention in each plant, which operates with 15 employees who are accompanied by two management facilitators.





Diversity

Nationality

There is a wide representation of nationalities on Amanco's management teams. Four nationalities are represented on the Executive Council, while the 17-member Executive Committee has members from nine different countries. There is also a wide variety of nationalities among regional directors. Seven and five different nationalities are to be found in the Central American and the Andean regions respectively, and the Brazil team comprises four different nationalities.

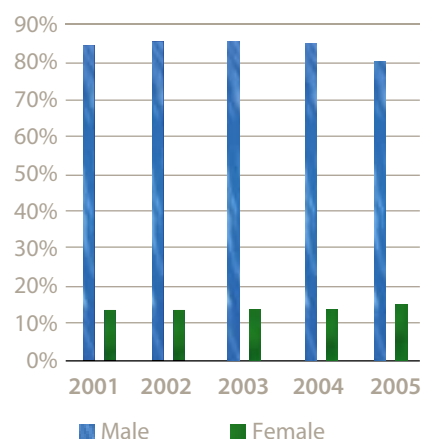
Gender

Our performance is not good on gender diversity. Two women figure among the six highest positions within the group, but percentage of women overall has only changed from 14.2% to 15.8% between 2001 and 2005.

This 15.8% is not representative in that there are wide differences among management, administration and plant levels. And there is an even greater variety among geographic locations. One of the main problems we find in this area is the prevailing customs in some of our operations. For example in Mexico, Costa Rica and Ecuador, women are not hired to work in the plants. One of the gaps identified by our employees in reference to our business principles is the lack of infrastructure such as washrooms and general services for women, in spite of our principle on non-discrimination. Another inconsistency detected was that job profiles indicated gender preferences. The human resources manual has since been changed to specify that no company post requires a specific gender.

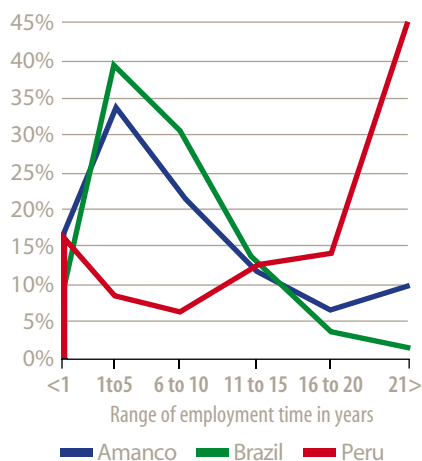
In 2006 and 2007 we will take the following measures to improve in this area: (1) monitor the number of women finalists for management vacancies; (2) monitor the number of women among potential replacements; (3) establish a plan whereby all our installations have facilities for women on the shop floor; and (4) develop action plans to eliminate cultural or procedural barriers that dissuade us from hiring women. We will ensure that at least 35% of vacancies are filled by qualified women; we will determine the percentage of women in the universities and technical colleges from which our employees are hired, and will ensure that this same percentage is reflected in the list of finalists for job vacancies.

**Percentage distribution
 of employees
 By gender, by year**
Percentage



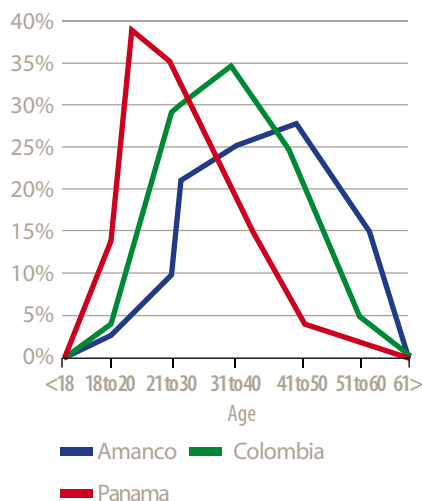
Percentage distribution of employees by length of employment 2005

Percentage



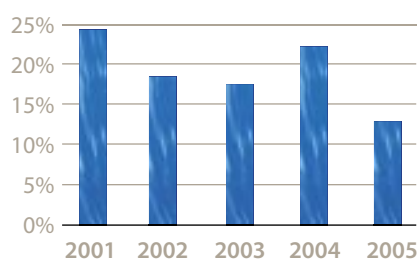
Percentage distribution by age of Amanco employees in general, compared with Amanco Panama and Amanco Colombia 2005

Percentage



Annual turnover 2001 to 2005

Percentage



Information on policies and procedures

In the analysis of gaps in our Business Principles, our employees detected a lack of communication on compensation policies and benefits. They indicated that these were not publicly available and that the benefits and compensations corresponding to different levels in the organization were not clear. As a result, changes were made in management policies; market surveys were carried out in all countries, and the results were made known; health and life insurance policies were also standardized and explained.

Clarification of how to manage gifts offered by suppliers and customers was also requested. As a result, we prepared a policy on conflict of interests that goes into greater detail on desired employee conduct.

We were also asked to hasten and pay more attention to the processing of employee queries and complaints. We have ensured that these are investigated and that the results are made known to interested parties. In one instance, this led to the dismissal of two employees.

In response to a request for the wider circulation of information relating to the hiring of contractors, a policy was developed in Ecuador and research carried out on similar issues in Mexico, Costa Rica and Venezuela.

Demographic data

Employee distribution by length of employment and age

The distribution of employees by length of employment shows a relatively new organization with more than 80% of personnel with less than 15 years' experience. This distribution is not the same throughout our operations. In Amanco Peru, for example, 58% of employees have been in with us for more than 16 years.

In distribution of employees by age, Amanco Panama continues to be the youngest of the group, with Amanco Colombia having the highest average age. The distribution by age within the group is close to a normal curve, reflecting a healthy diversity. However, through the process of analysis of the Business Principles, we noticed that the Human Resources policy considered retirement at the age of 60. As a result, we eliminated the age field in job application forms, and we changed the 60-year age limit to that specified in the law of each country.

Turnover

The turnover rate dropped from 24% in 2001 to 13.2% in 2005. In half of the cases this was at the initiative of the employee, while the rest were at the company's instigation. The leaders in this area are our operations in Argentina, Colombia and Ecuador, with a turnover below 5%. The highest turnover, 24%, was in Amanco Mexico, where we also have the greatest number of employees leaving of their own accord. This situation is particularly notable in the Nuevo León plant, which is affected by migrations to the United States for seasonal jobs.

Basic education

The number of employees who had not completed their basic education fell from 488 in 2003 to 312 in 2005. Of the latter, 62% are in Costa Rica, and for which reason Amanco Costa Rica has implemented two programs: a literacy program and a secondary education program. All our operations have programs that help employees finish their secondary education. These range from agreements with local teaching institutions in some countries to flexibility of the work schedule in others. The ministries of education in each country define what constitutes basic education.

Internal promotion of employees

We filled 40% of vacant positions by internal promotions, compared with a goal of 66%. The need for organizational capacities different from existing ones and the new challenges of our business strategy obliged us to seek new talent outside the company.

Guatemala, Nicaragua, Ecuador, Colombia and Peru exceeded the objective of 66% of openings being met by existing employees. Mexico and Brazil had the least success in this area, with only 40% of new positions being filled internally.

Training

The training index – measuring the number of hours spent on training to improve performance in existing posts – was led by Nicaragua, Colombia and Ecuador. The three have a rate of more than 2% of employee hours spent on training. The most important programs were those relating to raising awareness of the Business Principles, training for ISO 14001 and OHSAS 18001 certifications, and a program in business resources planning by SAP (www.sap.com), a world leader in providing business solutions for all types of industries.



External awards for management quality

In addition to the awards received by Amanco Ecuador and Amanco Brazil as the best companies for which to work, the following distinctions were received by the group for the quality of its management:

2005

Brazil

► Top Amanco prize 2005

Human resources category for the “Health and safety are also our specialty” project.

► Environment category for the “Eco-efficiency in the treatment of effluents” case.

► Mérito Lojista 2004 prize

Sales category, award as the best supplier in the building materials, pipes and connections category.

Guatemala

Letter from the Ministry of the Environment in which Amanco is recognized as an example for Guatemalan industry in environmental management. February 2005.

Mexico

Distinction for Corporate Social Responsibility

awarded by the Mexican Center for Philanthropy (CEMEFI). March 2005.

2004

Brazil

► 5th Prize for Citizens’ Company –

2004, Community Participation category. “Amanco for a better world” case – social projects.

► **Environmental prize** - Special ISO 14001 prize awarded by the magazine Meio Ambiente Industrial.

Colombia

► In 2004 PAVCO was classified as **one of the top ten companies**; out of a total of 228,000 – in occupational health and safety by the social security risk administrator.

► **Professionals in Social Security**, for 2003, awarded in 2004.

► **Pread prize:** Environmental excellence generating sustainable development, awarded by the Department for Environmental Administration from 2001 to 2004. The latest award, received in 2004, applied to the 2003 period.



Pioneers in new unions approach

"What we really seek is the company's economic stability. That way we all win."

"In June 2005 we signed a collective bargaining agreement for 2006, 2007, 2008 and 2009, respecting the agreements and proportional rises, after a short negotiation period. A workers' assembly was called, and the extension was approved by all members before its presentation to the company. I would say that members have accepted it with conviction. Although there is always a certain level of disagreement, the majority have taken on board the benefits and successes of the negotiations. The company does not have to worry about possible conflicts and is able to focus entirely on production and management. I mention this because I am in contact with people in all areas of company operations and am in constant dialogue with them: the love they have for the company is vital. I see them as being in a calm state, with the urge to raise children to be professionals and to be successful in bringing up their families. Work stability is of prime concern to them."

"The Central Unitaria de Trabajadores (a group of trade unions) called us in as pioneers in a new approach to unionism in Colombia to present the Pavco case to union representatives, who were surprised by our positive attitude to the company's economic stability. In this manner we are all satisfied, and that is what we sell. Radical unionists are falling by the wayside, as they do not offer win-win relationships, and the worker always loses out. In these violent times it is important to be very thoughtful."

Pablo Mayorga

President, Pavco Workers' Union,
Colombia

Severance

In May 2005 we announced the transfer of the Amanco group's corporate headquarters from Costa Rica to Brazil. Due to the move, 10 employees will be transferred to other companies and countries of the group, and 23 will leave Amanco after July 2006. For the 23, a support program was developed that includes one year's notice, unemployment insurance in addition to the compensation required by law, a support group for the period June 2005 – March 2006, and assisted severance from March–October 2006.

During 2004 and 2005 employees were made redundant in Panama, Colombia, Brazil and Costa Rica. The first case was due to the sale of the Rooftec business to Metalco in Colombia, due to the merging of Pavco and Ralco; in the case of the latter two, this was as a result of the transfer of plants to better locations and more modern installations. A total of 451 employees were made redundant, of which 95% took advantage of the assisted severance packages that were offered. These included economic compensation and a combination of the following programs: (1) group exercises and family support to mitigate the impact of the transition; (2) workshops on managing their own business, active retirement, family financial planning, center for career transition, development of résumés, interview training; and (3) training in alternative skills.

Labor relations and freedom of association

Over the last two years we have circulated our position regarding employees' right to freedom of association through the publication of the 2002–2003 Sustainability Report and the communication of our Business Principles.

Twenty per cent of our employees are unionized.

Lessons learned

The benefits of teamwork and shared processes

We have learned through practice the benefits of teamwork at the regional level. This has been demonstrated through the following projects:

- ▶ Vivir la Marca II (Live the Brand II), an internal communications program, by means of which Amanco's principles and values were communicated and discussed with 5,483 employees.
- ▶ The creation of the Center for Shared Services with the participation of 50 employees from 10 countries in the design phase, and 43 employees in five countries during the pilot phase carried out in Colombia.
- ▶ Other examples of tools developed in a participatory manner with a regional scope include the design of leadership capacities and the system of variable remuneration using the EVA and performance management models.

Challenges

The main challenge is the transformation of human resources in general, and especially our leaders, so that they can successfully carry out the following processes: enhancing performance management, remuneration programs, organizational design, talent planning and career development, leadership and technical skills. These processes will be supported by a common technological platform for the whole of Latin America and will contribute to the development of organizational skills that are replicable throughout the region.

The benefits to our employees include a more proactive management of the impacts of change on business, greater employability for multi-functional development, opportunity to impact the business beyond traditional geographical frontiers, and greater exposure to best market practices in business processes and human capital.

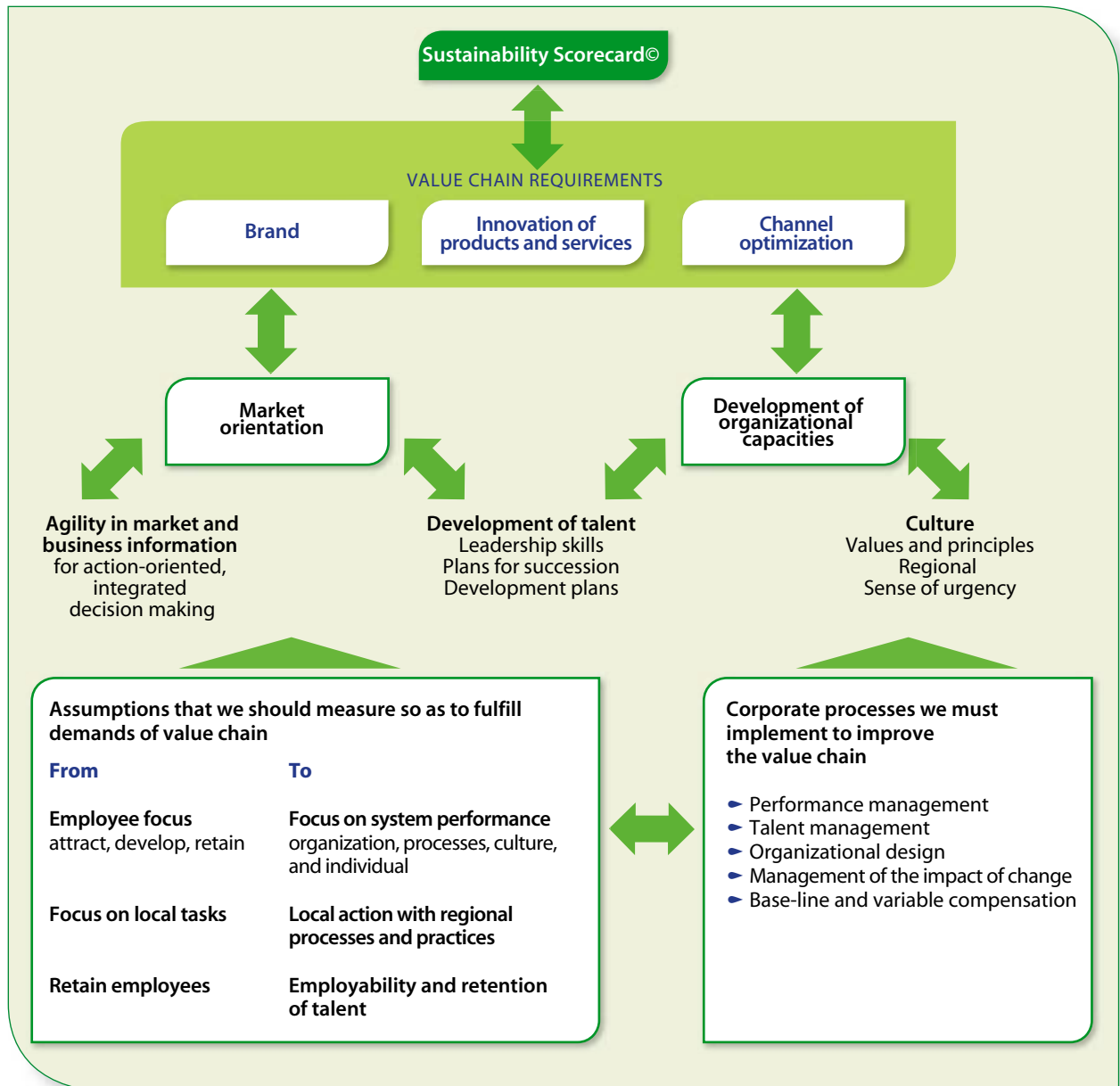


Table of commitments

Fulfillment of commitments 2004-2005

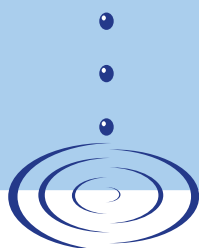
Action	Timeframe	Compliance
Creation of a culture of zero accidents in all our companies	2005	On-going
Assign resources to operations to achieve goal of zero accidents	2004	Yes
OHSAS 18001 certification in all operations	2004	Yes
Adoption of DuPont's STOP program in all group companies, except where other programs are operating successfully	2004	Yes
Implementation of a system of capacity management of key posts in all countries	2005	On-going
Achieve a work climate index of 84 and 86 points in 2004 and 2005 respectively	2004 2005	Yes No
Separate monitoring of departure of employees to determine whether this is voluntary or a company decision	2004	Yes
Identify complementary mechanisms for retirement plans	As from 2004	On-going
Evaluate applicability of Health and Environmental Protection program (PROSAMA) at the end of the certification process. Note: certification process ended in December 2005	2006	On-going
Ensure completion of primary and secondary education of employees in all operations	2005	Yes
Replace two out of three vacancies internally	2005	No (40%)
Create a culture of feedback and appraisal of employees' work	2005	Yes

New commitments 2006-2007

Human resource management		
The main human resource management processes will conform to regional standards:	2007	
Development of organizational capacities		
Development of leadership skills		
Performance management		
Talent management		
Organizational structure		
Base-line and variable remuneration policies		
Occupational health		
Carry out an analysis of our practices in each company in accordance with ILO recommendations, and implement recommendations resulting from this study	2006- 2007	
Gender diversity		
As reported earlier, we will develop activities to meet the following objectives:	2006- 2007	
replace at least 35% of estimated turn-over with qualified women, identify percentage of women in universities and technical colleges from which our employees come and ensure the same percentage in the lists of finalists for job applications		



Social dimension



In 2004 and 2005 Amanco decided to open up and start systematically listening to its stakeholders: neighboring communities, employees, customers, and suppliers. The aim was to learn of expectations and perceptions that would enable the company to consolidate constructive and responsible relationships.

The listening process allows us to work on issues that, according to our stakeholders, have both positive and negative impacts, and we recognize that we have clear opportunities to promote mutual development. We also discovered that our stakeholders want and need to have information on our activities, particularly on our environmental management.

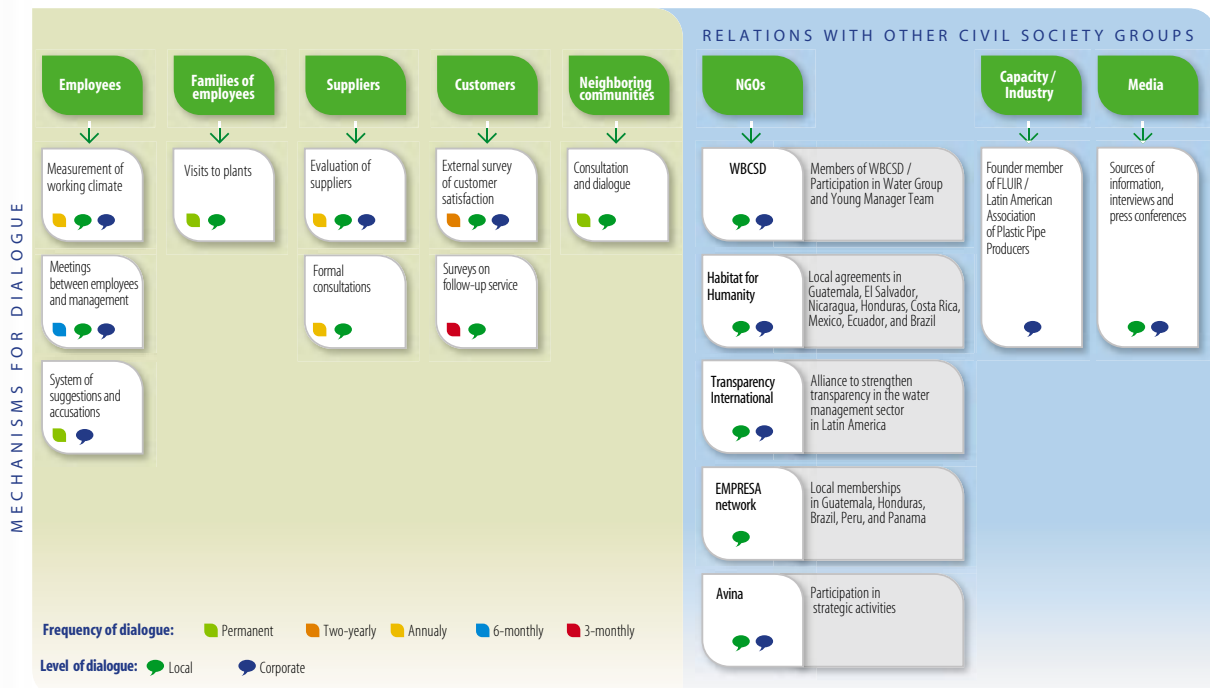
In this section of the report we present the results of our dialogue with the communities around our 21 production plants. The result of these processes with employees (p. 35), customers (p. 30), and suppliers (p. 68) will be found on the corresponding pages.

Social Management

- Understand and manage the perceptions and expectations of our stakeholders and the impacts our operations have on them.
- Reduce risks and maximize opportunities for the company and our stakeholders.
- Strengthen our reputation.

Amanco group: mechanisms for dialogue

Amanco has different mechanisms for dialogue with our principal stakeholders. These vary in frequency of implementation and are applied at the country or corporate (regional) level.





"We had to overcome management's fear of talking to the communities near our plants, and, in so doing, our expectations were surpassed. We found people eager to receive information, with a great capacity for working together. In Amanco we carried out an exercise in self-regulated corporate responsibility that involves a sustained effort on the part of management and improves corporate performance."

Yazmín Trejos

Manager, Social Responsibility and Communications, Amanco Group

Dialogue with neighboring communities

We used the same analytical method in all operations so we could consolidate results at the regional level. The main issues that arose from the dialogue were:

► Transport

Our neighbors told us that the coming and going of vehicles and the parking of trucks in the roads around our plants cause problems such as traffic congestion. We also discovered that our drivers did not behave well toward our neighbors.

Response: We created parking areas in some of our operations, and in those where this is not possible due to lack of space, the loading and off-loading schedule was changed. Given that transport is a contracted service, we met with our service providers to encourage them to improve their behavior, and we are establishing standards of conduct for them.

► Management of environmental impact

Our neighbors were concerned about the possible environmental impacts of our plants and situations that do not actually occur in our operations. We learned that they would like more information on our environmental management, and that they also have concerns regarding the impacts of noise and emissions.

Response: We invited all those neighbors who had been consulted to visit the plants to see our environmental management systems in operation for themselves, so as to dispel any concerns and clarify their perceptions. We also decided that all our plants should have an annual open day for the community and that our neighbors would be informed of any change in operational routines, for example, of a remodeling or the carrying out of a specific project.

► Economic contribution

Responding to the question as to how we have a positive impact on the community, our neighbors identified job creation and purchases from local suppliers as being the main contributions.

Response: During visits to the plants we explain the company's economic contributions in terms of employment and local purchases. All operations must also communicate existing work opportunities through official channels in our communities, and we will promote purchases from local suppliers, so long as these meet established requirements.

► Proactive dialogue

Our neighbors indicated that they would appreciate an open and on-going dialogue with the company.

Response: We provide our neighbors with the opportunity to visit our plants. We shall continue with the dialogue process, which will not stop with this first experience. All our operations should have access to a two-way formal communication channel with their respective communities.



About the process

During this first phase of building dialogue with communities, our own employees carried out a survey among the neighbors of our 21 production plants. We decided to use open questions so as not to limit responses. Each plant identified all neighbors – residential areas, companies and schools – affected by the company's daily operations, to determine with whom it should speak. Before carrying out the survey, each plant contacted local authorities, leaders of neighborhood associations, and municipality representatives to present its community outreach plan.

The exercise included an internal analysis of the results, a rapid response and a visit to the plant by neighbors, so that the results could be made known and decisions taken on the management of priorities.

Social investment

We spend some funds on charitable donations, despite the fact that we generally do not want to relate to communities in this manner. It is sometimes difficult to decide when to support a project of a social nature when faced with requests. In 2006 we shall work on a donations policy that will focus our actions on projects that are linked to our business strategy, and that are self-sustaining.

Lessons learned

We managed to get over the initial fear of talking to the communities through adopting a formal consultation system. When opening a space for dialogue with the community, we were initially concerned that it would result in lists of queries and requests for donations. However, we discovered that the majority of our neighbors want simply to know more about our business and have queries answered.

We obtained new information. For example, in some countries the community appreciates the presence of the plant for its contribution to neighborhood security due to illumination and the presence of security guards. At the corporate level we have learned of the need to communicate our environmental management plan more effectively, as a way to gain the confidence of our neighbors through the implementation of our environmental controls.

Working in an interdisciplinary manner helped us interpret results and define work plans. The integrated team ensures a clear response and an action plan that is linked to our business strategy.

Challenges

We need to understand better how this relationship improves our company, and for this we need to define indicators that measure our performance.

Corporate neighbors: an industrial alliance in León, Mexico

As part of our initiative to listen to the community, at the beginning of 2004 Amanco's plant in León, Mexico, determined that the majority of its neighbors were other companies, together accounting for 1,100 workers and 200 daily visitors. It was decided to include these companies as local stakeholders. Thus, in accordance with the state federal law for civil protection and the León municipal law, we helped to create the eight-company Industrial Group for Mutual Assistance. Amanco presided over its board in 2005. Actions taken by this alliance of industrialists include:

- Training of first-aid brigades and firefighters.
- Support in the case of accidents in any of the plants.
- Training for member companies in accident prevention.
- Programming of macro-simulations.

Transparency agreements

April 2005

The Agreement among the Colombian Association for Sanitary and Environmental Engineering affiliates on the prevention of corrupt practices among pipe-manufacturing companies is signed.

June 2005

The CEOs of the Amanco Group and three other key companies within the sector in Latin America commit themselves to promote anti-corruption agreements within the framework of the regional workshop "Strengthening transparency and integrity in Latin America's water transportation sector."

December 2005

Amanco Argentina, together with eight other pipe companies, sign the first "Integral Agreement on Transparency" in that country in a fight against corruption within the water transportation sector.

Strengthening transparency and integrity in Latin America's water transportation sector

Through the promotion of agreements on transparency, the Amanco group supports the fulfillment of the tenth principle of the United Nations Global Compact that urges companies to fight against extortion and bribery.

In 2004 corruption in public tendering processes was raised at a meeting of the commercial directors of all our operations as a barrier to successfully closing some negotiations. We thus decided to include the issue of fighting corruption in our business plan.

In 2004 and 2005, Amanco began to promote anticorruption agreements with Latin America's water pipe sector, together with Transparency International, an anti-corruption non-governmental organization headquartered in Berlin, Germany.

We have signed agreements in Colombia and Argentina, and we intend to promote similar initiatives in all Latin American countries in which we operate. Thus governments investing in this sector will be able to count on counterparts in business committed to participating in a transparent manner and complying with the tendering processes, thus helping to guarantee more effective investment of public funds.

Amanco recognizes that in carrying out its business strategy it also fulfills a public service in promoting transparency and awareness raising on the issue of water (see page 52).

During development of the agreement, it was necessary to overcome reticence within the sector, such as:

- **Skepticism and distrust in agreeing on rules among competitors.** Although there was resistance from the beginning, an open dialogue allowed companies to gradually establish mutual confidence. The skepticism was overcome by trying to include the greatest number of companies and at least two high-level public tenders in the annual plan.
- **Difficulty in referring to specific corrupt practices in business.** One of the issues that caused the greatest reticence during the first phase of the process was the recognition that various trading practices had resulted in illegal acts. The signatories decided to avoid euphemisms in drafting the principles of the agreement.

"The signing of the agreement promotes confidence in the private sector and the self-regulation of the companies involved at a time when their credibility is being questioned. These agreements also result in Amanco's participating in businesses to which access was previously impossible."

Yazmín Trejos

Manager Social Responsibility and Corporate Communications
Amanco Group

- **Difficulty in defining measures while confronting prices and distribution systems.** The most difficult measures on which to agree were those relating to wide discount margins, as these created gaps which gave rise to illegal practices. With regard to distribution systems, the greatest difficulty was making the agreement known to distributors, intermediaries and sales representatives.
- **Providing information considered confidential.** On some occasions companies resisted providing information needed for drafting the agreement on the grounds that this was confidential. In the case of the Argentine agreement, external auditors provide some information that will determine good practices on the part of the companies concerned.
- **Creation of an ethics committee to monitor compliance with the agreement.** Difficulties arose in defining the functions and independence of this body. It was decided that the committee would include people from outside the industry.
- **Definition of sanctions.** It was difficult for the companies to agree on the type of sanctions to be applied in the case of violations of the agreement. There was skepticism and fear about eventual enforcement.

Benefits of these agreements

The main benefit to Amanco is its participation in tenders to which it previously had no access. We also consider there to be several other benefits:

- The effort defined undesirable practices that are not illegal but which companies want to deter.
- An ethical culture has been promoted within companies by working on the dissemination of the agreement and by seeking the commitment of employees and directors.
- The reputation and the image of the sector have been strengthened in the eyes of the government and other sectors that are economically related and have applauded the initiative.
- Greater confidence has been generated among the companies, with the establishment of an opening for dialogue.
- Stability has been restored in the businesses within the sector.
- The Colombian agreement has resulted in the support of 79 distributors.
- This is the first time that Argentine companies or organizations that operate in the country have publicly assumed a commitment to fight corruption.
- A new form of interaction among companies, civil society organizations and the state was established, which converts the process into a type of alliance for transparency.



"We are motivated by the fact that we are pioneers in the fight against corruption by companies in our country. Another important motivation is thinking that future public tenders will not only be transparent, but that there is also the possibility of establishing a mechanism to specify bidding forms, and that governments, companies and the community are included in discussions."

Gerardo Ourracariet

*General Manager
Amanco, Argentina*



"The agreement has generated expectations regarding its enforcement and the level of achievement within the sector. It has served as a reference point at the national and international levels for other business sectors in the area of self-regulation and has been recognized by third parties such as the government, entities that contract pipe systems and materials for infrastructure, and some media representatives."

Alma Rocío Balcázar

*Colombian Chapter,
Transparency International*

Agreement among ACODAL affiliates on the prevention of corrupt practices among pipe-manufacturing companies

The agreement, signed by 11 companies affiliated with the Colombian Association for Sanitary and Environmental Engineering (ACODAL) in Colombia, on April 12, 2005, establishes the following:

General policy:

Develop and strengthen in companies the culture of paying, not offering, not receiving, not asking for gifts or any other advantages with the intention of persuading anyone to carry out any action that is dishonest, illegal or that could result in the loss of confidence in the company's business activities; we shall carry out practices that provide a guarantee of the honest and transparent development of the sector.

Specific policies cover:

- 1 Types of bribes: the simple bribe, the payment for favors, gifts, hospitality and expenses, establishment of parameters for charitable contributions, sponsorships, and political contributions.
- 2 Structural issues: pricing policies (for company distributors and for public and private contracts), distribution and sales systems, and transparency in contracting processes.
- 3 Measures for the implementation of the policy: the legal representatives of each of the companies signatory to the agreement are responsible for fulfilling the commitments, for internal controls and audits, for human resources (incorporate the anti-corruption policy in work contracts), for communications (circulate the agreement using media both inside and outside the company), and for reporting and consultation (whereby employees can confidentially denounce breaches of the agreement).
- 4 Ethics committee: made up of three members who will take decisions of a purely ethical nature in cases brought to their attention, applying the ethical sanctions defined by the signatories to the agreement.
- 5 Working group to promote the agreement: charged with defining an action plan that establishes, among other things, activities to be carried out, responsibilities and required resources.

Signatories: American Pipe and Construction, Eternit, Colombiana de Extrusión, Flowtite Andercol, PVC Gerfor, Pavco (Amanco Colombia), Celta, Titan Manufacturas de Cemento, Tubotec, Tuvinil, and Pam Colombia.

"This agreement has triggered an awareness among manufacturers of their being an important part of the sector and of the country. An example of this is the initiative of the presidents of these companies to meet with the president of ACODAL to support initiatives that benefit the sector. This includes the recent study financed by these companies and published by ACODAL of a proposal to create a National Solidarity Fund. This would certainly not have come about had it not been for all the synergy created as a result of the agreement."

José Enrique Ángel | *President ACODAL, Colombia*



Sectoral agreement on transparency among companies manufacturing pipes for drinking water infrastructure and drainage in Argentina

The agreement signed in Argentina by nine companies of the pipe-making sector on December 15, 2005, establishes the following:

Principles:

- 1** Transparent tenders: the companies commit themselves to drawing up specifications for the drafting of bidding forms in public tenders.
- 2** Companies commit themselves to fight corruption in all its forms, including different types of bribes.
- 3** Companies are not to make political contributions.
- 4** Companies will operate in such a way that relations with sales intermediaries are clear and transparent.
- 5** Companies will promote the fight against tax evasion.

Signatories: Amanco, Amitech, Krah América Latina, Nicoll Eterplast, Petroplast, Sain Gobain, Steel Plastic, Tigre Argentina, and Tubolac.

Support: Argentine Association of Sanitary Engineering and Environmental Sciences (AIDIS).



Gerardo Ourracariet, Amanco General Manager signs transparency agreement in Argentina, December 15, 2005

Latin America is a region of contrasts and considerable challenges in terms of water issues. Despite having four of the largest rivers in the world, 55 million Latin Americans do not have access to clean water, 116 million people do not have toilets, and only 14% of sewage is treated.

Water: Amanco's role

Amanco plays a leading role in water systems management in Latin America. The resource is thus directly related to our business plan and is an issue of strategic importance that has a considerable impact on our company.

The water challenges faced by Latin America therefore become business opportunities for Amanco that go beyond the present and affect the region's future.

Amanco responds to this reality not just through its products and services, but also by working to make the region's inhabitants aware of the need to use the resource efficiently and to promote the involvement of authorities, private enterprise and civil society.

In our previous Sustainability Report we described the campaign Latin America is Thirsty as the first step taken by Amanco in communicating these challenges. We remain active in water issues, and below describe projects on which we are working:

AQUA VITAE Latin American magazine

The magazine *Aqua Vitae* specializes in water issues with a Latin American and multi-sectoral focus. It seeks to raise awareness of the challenges faced in the management of the resource and to propose innovative alternatives in dealing with them.

Aqua Vitae involves experts and covers and researches into water issues in the region. Articles help develop a platform for the presentation of solutions, the analysis of proposals, and the promotion of an inter-sectoral dialogue based on the reality of Latin America.



"Water is an issue involving many stakeholders that demands every possible type of new initiative in the fields of politics, economics and efficiency of use, as well as a greater effort at dialogue among all stakeholders. Alliances are essential for success, and one of the main challenges to private sector involvement is the credibility of its participation."

Roberto Salas
CEO, Amanco Group

Aqua Vitae throughout Latin America



Circulation: quarterly

Copies: 15,000 to 18,000 per edition

Distribution: free of charge in Mexico, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Colombia, Venezuela, Ecuador, Peru, Brazil and Argentina.

Readership: decision makers, citizens and leaders of companies and organizations.

Available through: local Amanco offices in the above-mentioned countries.

Also available at:
www.amanco.com

E-mail:
aquavitae@amanco.com

Aqua Vitae and its impact



"Aqua Vitae will directly contribute to bringing the water issue to the attention of readers as a priority for the region's development and as a vulnerable resource on which there are demands and limitations. The input of all readers can be sought in improving water management and promoting policies, coordination mechanisms and investments. The magazine should remain a neutral platform, without taking strong positions, with an emphasis on providing information on the water situation in Latin American countries."

Maureen Ballestero

Coordinator of the Global Water Partnership for Central America (GWP-CA), and a member of Aqua Vitae's editorial committee.

"It is gratifying to see that Aqua Vitae is more interested in discussing and bringing up issues that are relevant for the water and sanitation sector than in promoting Amanco products."

Claudio Osorio

Regional Advisor in Risk Reduction, PAHO/WHO-UNICEF initiative for the mitigation of disasters in water and sanitation services. Member of Aqua Vitae's editorial committee.

"Through its campaign 'We pipe water – We bring life' and its magazine Aqua Vitae, we are given a sample of the social responsibility of a private enterprise confronting the issue of water and working with authorities. There is a need for government, the private sector and the general public to work hand in hand to find better ways of using this resource. It is important for companies such as Amanco to set an example by encouraging debate on water and proposing solutions."

Ricardo Sandoval

*Miner
Executive Secretary of the State Water Commission,
Guanajuato, Mexico*

Water in Mexico

Mexico, one of Latin America's most heavily populated nations, has a scarcity of water resources, with more than 10 million people without access to drinking water and 22 million without sewage systems.

According to the National Water Commission, only 13% of drinking water is used at the municipal and domestic level, and of that, between 30% and 50% is lost due to the poor state of the distribution system. The per capita annual consumption of bottled water is 176 liters.

Mexico: Campaign "We pipe WATER – We bring LIFE"

Amanco Mexico launched a publicity campaign "We pipe Water – We bring Life," the objective of which was to transmit the message that every man, woman and child in Mexico should have access to drinking water and a healthy environment.

A survey carried out to determine the level of penetration, recollection and impact of the campaign had the following results:

- We increased Amanco's name recognition by **17 points** (representing a increase of 150%), becoming industry leaders.
- We obtained a **10 point** advantage in purchaser preference over our nearest competitor.
- **The call to take care of water is** what was most liked.
- Those who considered Amanco's publicity "good to very good" went from 67% to **82%**, and 64% of people consulted considered that **Amanco's image improved with the campaign**. The remainder indicated that this remained the same, and no one said that it had worsened.
- Among those who remembered the publicity, **more than 90%** considered it important or very important that Amanco promotes taking **care of water**, that it is **socially responsible**, and that it takes **care of the environment** (this latter aspect receiving the most points).
- As a result of the publicity, **the interest in buying from Amanco doubled**. In this manner a differentiation between Amanco and competitors is being created.



Table of commitments

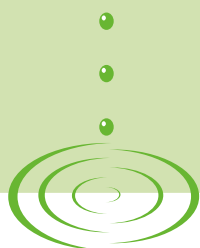
Fulfillment of commitments 2004-2005

Action	Timeframe	Compliance
Dissemination of results of surveys among stakeholders	2004	Yes
Consolidation of a systematized process for consulting and communicating with priority stakeholders	2004	Yes
Implementation of a social management system in our companies	2004	Yes, with the formalization of consultation and dialogue

New commitments 2006-2007

Have a formal, two-way communications channel between our neighbors and our plants	2006-2007	
Establish standards of behavior for drivers of contracted transport	2006	
Program an annual visit by the community to all our operations	2006-2007	
Inform neighbors of possible important changes in the routine of operations	2006-2007	
Inform neighboring community of existing work opportunities in our operations and promote purchases from local suppliers	2006-2007	
Establish corporate policy on donations	2006	
Continue exploring potential alliances with NGOs and international organizations, for development of collaborative business models	2006	
Continue with process promoting transparency agreements in Latin America's water sector. Sign transparency agreement in Mexico	2006-2007	
Develop indicators to measure value generation in transparency agreements	2006	
Strengthen magazine <i>Aqua Vitae</i> as a means for inter-sectoral dialogue	2006-2007	
Promote discussion forums and awareness raising on water issue	2006-2007	

Environmental dimension



Compliance with the law

Amanco is firmly committed to complying with environmental norms in every country in which it operates. In 2005, at the request of GrupoNueva's Board of Directors, various specialized companies carried out external audits on legal issues relating to the environment in all our operations.

The complexity of legal norms in each country requires experts to monitor and analyze. The audits detected some situations of which we were not aware, the majority of which were related to procedures specific to the legislation in each country, but also with excesses in the noise levels outside of our plants in Brazil and Panama, and noncompliance in administrative processes in Costa Rica, Guatemala, and León, Mexico. In each case we are solving the problem to completely comply with the norms.

No Amanco group company has been fined for lack of compliance with environmental requirements. However, in August 2004 we received a formal complaint from the environmental authority in Villa Hermosa, Mexico.

In 2004 and 2005 we had two chemical spills: an organic stabilizer in Costa Rica, and ammonia in Argentina. These events were controlled by our emergency brigades and had no environmental impacts.

The experience in Villahermosa, Mexico

While we were building our plant in Villahermosa, Mexico, we did not adequately evaluate the environmental impacts that noise could have on the local community. Contact with neighbors was limited, and we were not aware of the rapid growth of the community around the factory.

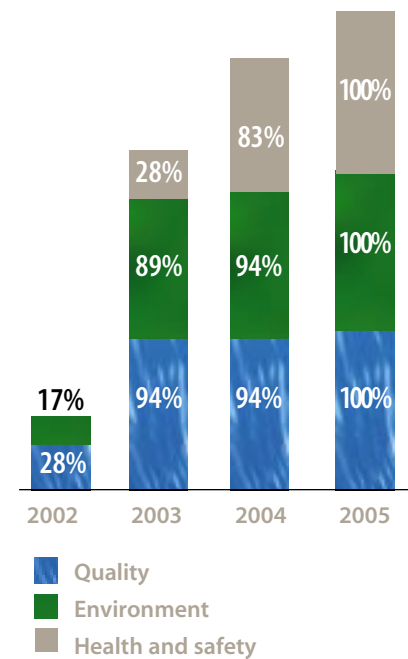
In August 2004 we received a formal complaint from the local environmental authority at the request of neighbors regarding the noise of the plant. Despite the cost, as an indication of the importance we place on this issue, we decided to halt the plant's production process for a month so as to solve the problem and comply with our principles.

In this way we learned an important lesson. We incurred higher costs by suspending work at the plant than we would have done by formalizing communications with the community. A system of dialogue and consultation is currently underway.

Amanco certifications

2002 to 2006

Accumulated percentage of certifications

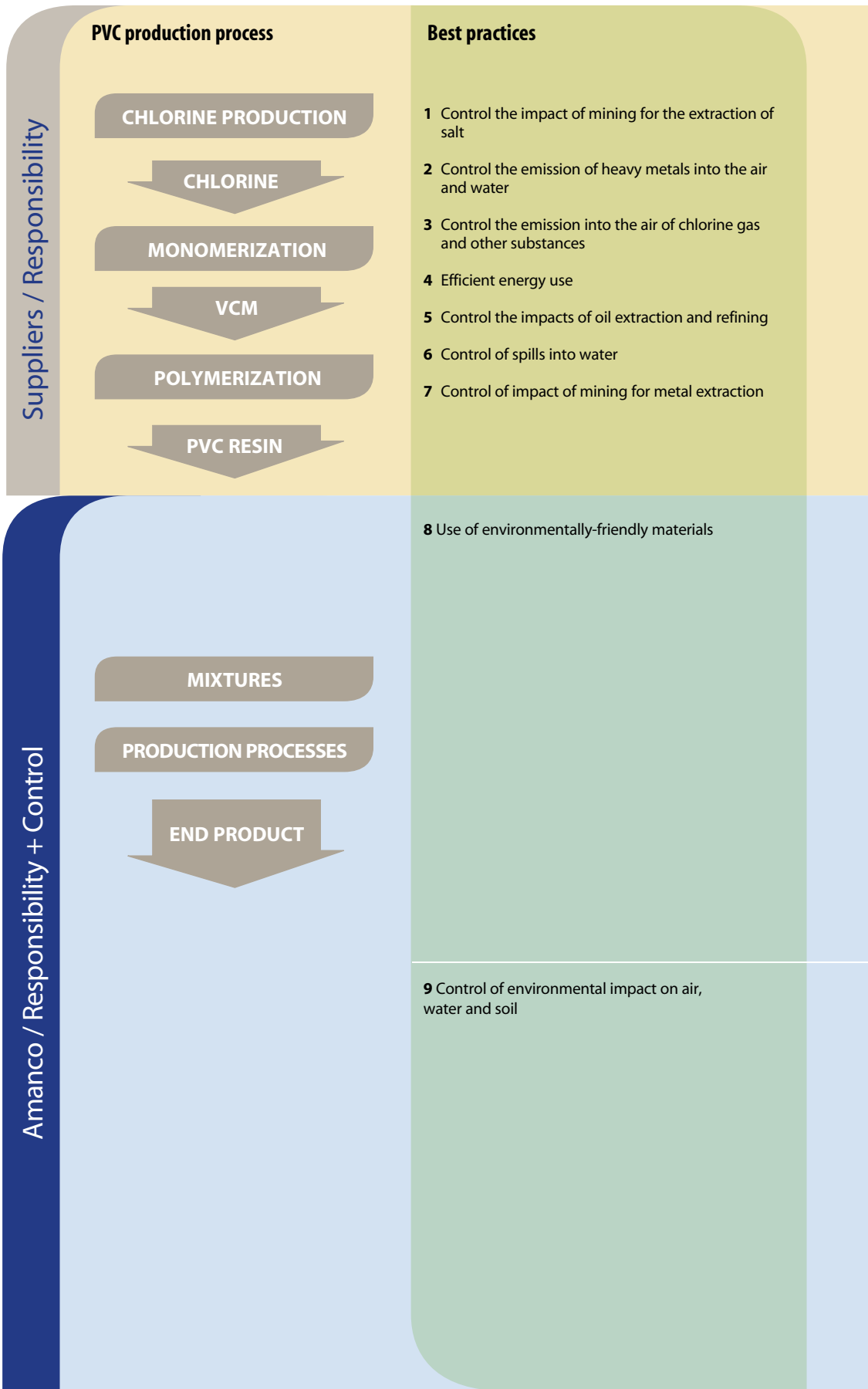


All of Amanco group's industrial plants have ISO 9001, ISO 14001, and OHSAS 18001 certifications.

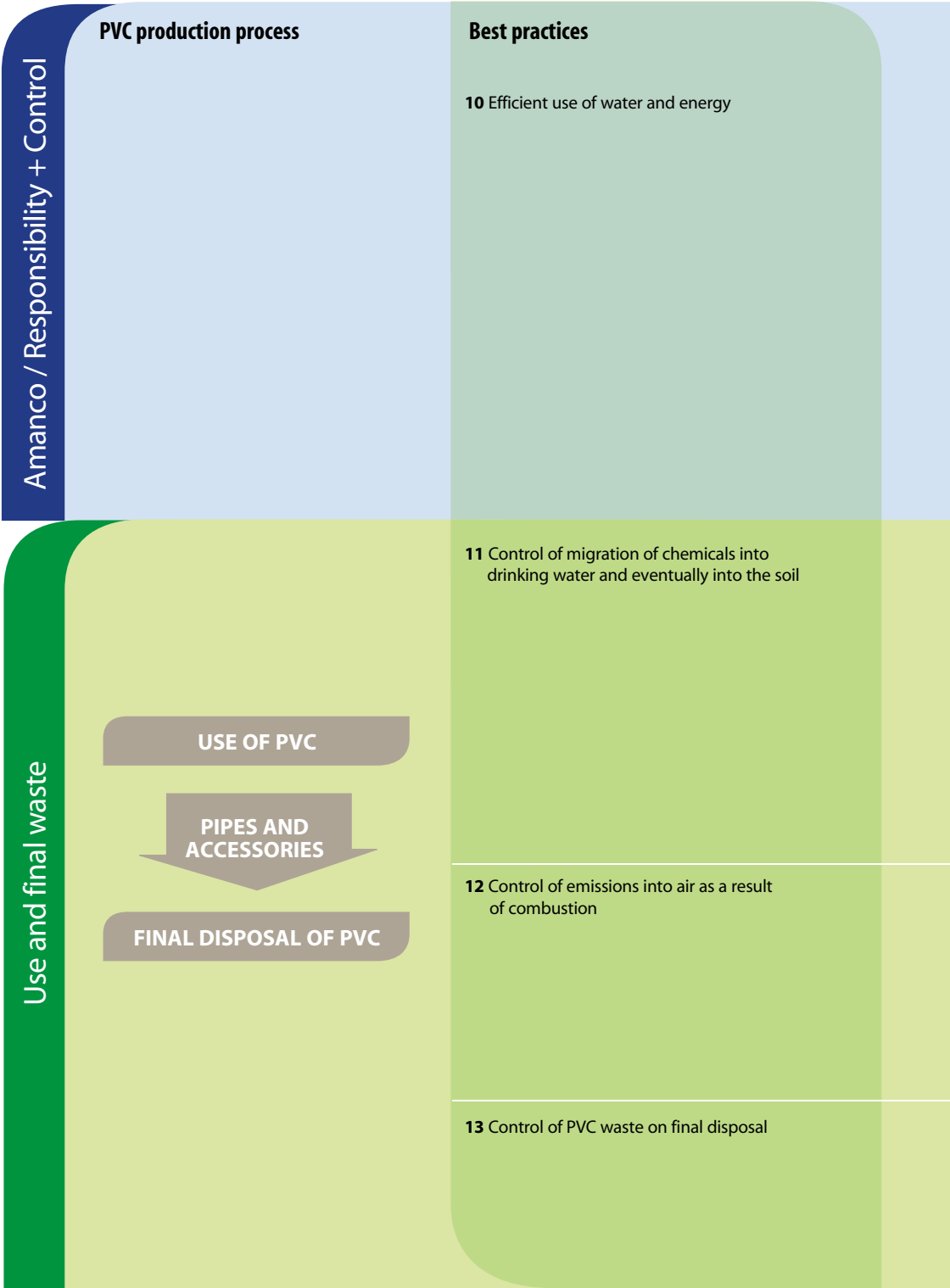


PVC Management

Amanco and Booz Allen Hamilton (BAH) in 2000 identified the main aspects of the PVC lifecycle that could have some impact on the environment or on human health. On the basis of this work we developed the environmental program for pipe systems

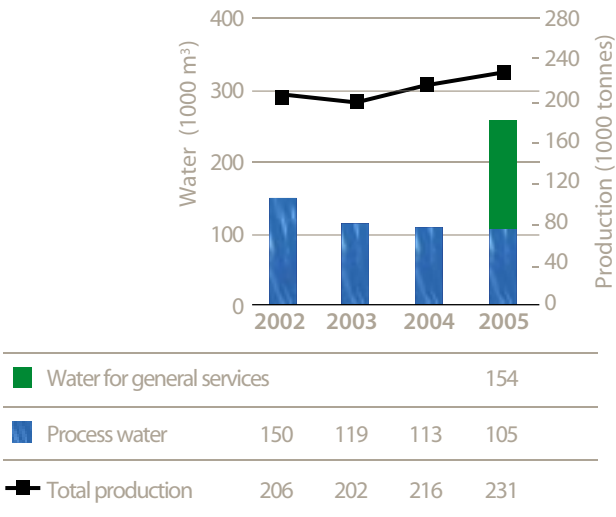


Environmental program Amanco pipe systems	Monitoring and control indicator	Results 2004	Results 2005
1 Evaluation and control of suppliers. We value quality, service, safety, health, environment and responsibility toward neighbors and employees	▶ Percentage of total purchases from suppliers evaluated	▶ 60%	▶ 90%
2 We prefer resin suppliers who certify that PVC resin supplied has no more than 3 parts per million (3 ppm) of residual monomers	▶ Number of PVC resin suppliers evaluated	▶ 10 (total) Only Braskem Brasil does not conform to requirement for residual monomers. Commitment to resolve problem by end 2007	▶ 10 (total)
3 We advise of Amanco's preference for suppliers with ISO 14001 certification	▶ Percentage of ISO 14001 certified suppliers		▶ 37%
Materials Committee, created in 2001, evaluates health and environment risks of all inputs and raw materials used	▶ Percentage of inputs and raw materials with health and environmental risks evaluated	▶ 100% raw materials ▶ Inputs pending evaluation	▶ 100% raw materials ▶ 60% inputs
	▶ Percentage substitution of questionable raw materials or inputs: • Lead-based stabilizers	▶ 85% of pipes in Brazil and Argentina ▶ 0% in accessories ▶ We continue developing substitutes and invite competitors to do the same. Goal: 2007	▶ 100% of pipes in Brazil and Argentina, with change to CaZn stabilizer, representing 95% of Amanco production does not have lead-based stabilizers; 4% remainder due to injection process in Brazilian operations, which will end change in 2007
	• Pigments with heavy metals • Phthalate-type plastifiers	▶ 100% substitution ▶ 100% substitution	
1 All Amanco pipe system operations ISO 14001 certified	▶ Percentage of plants with ISO 14001 certification	▶ 94%	▶ 100%
2 We monitor and control environmental impacts through reports on environmental measures and corporate visits	▶ Compliance with local legal norms and corporate parameters in:	▶ 93%	▶ 98%
3 Compliance with national environmental legislation is ensured through external audits carried out in each of the countries in which we have operations	1 Water effluents (measured twice yearly) 2 Particulate material in the air and noise (measured once a year) 3 Management and generation of waste (monthly report) 4 Management and generation of raw material wastage (includes PVC, monthly report)	Non-fulfillment on noise and effluent in our operations in Brazil, Panama and Ecuador. Non-fulfillment on noise in Villahermosa plant, Mexico that resulted in complaints from community; under own initiative we decided to stop operations until we mitigated noise	Non-fulfillment in Brazil on noise Non-fulfillment of administrative procedures in Costa Rica, Guatemala, and León, Mexico



Environmental program Amanco pipe systems We control water and energy consumption on a monthly basis	Monitoring and control indicator ▶ Eco-efficiency indicators in <i>Sustainability Scorecard®</i>	Results 2004 Reduction in consumption of 2004-2005 period vs. period 2002-2003 ▶ Processing water: reduction 51,428m ³ . We do not have significant discharges of processing water in any of our operations ▶ Processing energy: increase of 25.6 MWh The higher energy consumption is influenced by greater production volume, greater generation of scrap, opening of plants in Costa Rica and Brazil, and launch of new products	Results 2005
▶ We control the risk of migration through: <ul style="list-style-type: none"> • Elimination of phthalates, heavy metals, and lead in our products • Control of residual monomers in PVC resin (3 ppm) • Control of PVC resin into environment 	▶ Percentage elimination of phthalates and pigments with heavy metals in pipe system production ▶ Percentage of PVC resin with residual monomers equal to or below 3 ppm ▶ Percentage of PVC resin used in the process	▶ 100% ▶ 3ppm ▶ 99.94%	▶ 100% ▶ 3ppm ▶ 99.94%
▶ In 2001 Amanco pipe systems evaluated our industrial plants, together with Allianz Risk Consultants (ARC), to define fire prevention program and avoid combustion of PVC in our industrial plants	▶ Percentage compliance with fire prevention program, based on implementation of ARC recommendations	▶ 77%	▶ 84%
▶ Recycling programs	▶ Management of post consumption PVC	▶ Two recycling projects were carried out, one in Colombia and another in Brazil. In both cases the cost of the recycling process was higher than the transformation of virgin raw materials, and it was not possible to determine in which type of products these recuperated plastics could be used	

Water consumption



Reduction of our environmental footprint in the pipe systems production business

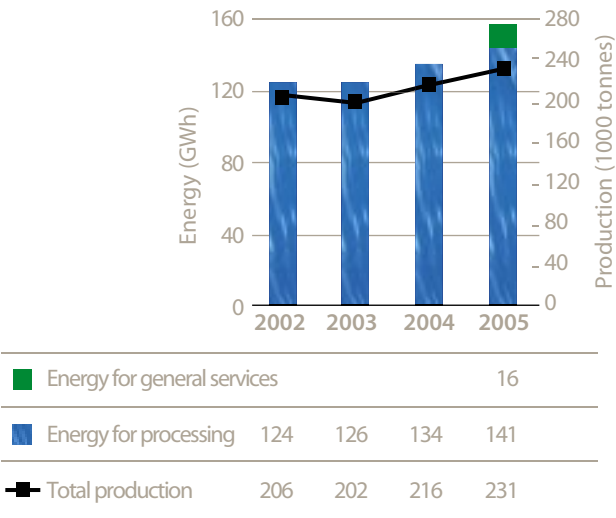
Amanco seeks to reduce its environmental impacts by controlling water and energy consumption and the generation of final waste.

Water

Amanco operations involve closed systems that allow the continual re-use of water. We have no significant discharges of processing water in any of our industrial plants. As from 2005 we check the quality of water in all operations twice a year as a means of controlling the process.

In addition to measuring the consumption of the processes, from 2005 we have been widening the scope of water consumption measurements to include the administrative and general services areas in our plants. The next step will be to include the administrative offices outside the plants, warehouses and our own distribution centers. In 2006 we shall include monitoring of the quality control of sewage at the corporate level.

Energy consumption



Energy

The consumption of energy in processing in the 2004-2005 period increased by 25.6 GWh over the previous period, representing a 10% increase. This increase in consumption was due to a higher production volume, the opening of new plants, and the launch of new products.

At the end of 2005 we created a working group to evaluate alternative energy sources and establish energy-efficiency programs for the plants in 2006.

In 2005, in addition to measuring energy consumption in processing plants, we started monitoring consumption in the administrative and general service sections of company plants.

In Amanco pipe systems, energy used is 100% electric, with the exception of the emergency generators and vehicles. The sources of electricity consumed are hydraulic (80%), thermal (16%) and biomass (4%). This is a favorable situation in that the main form of energy is hydroelectric, classified as causing the least environmental impact in that fossil fuels are not used and only minimal emissions are generated.

Final waste

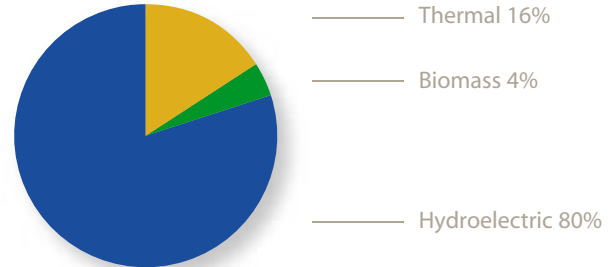
During 2004-2005 we generated 40 more tonnes of final waste than during the 2002-2003 period due to a 9.35% increase in production volume.

We are continuing with the final waste management programs in all our industrial plants, including the administrative areas. These have allowed us to improve the selection of recyclable materials (paper, wood, glass, plastic, metal).

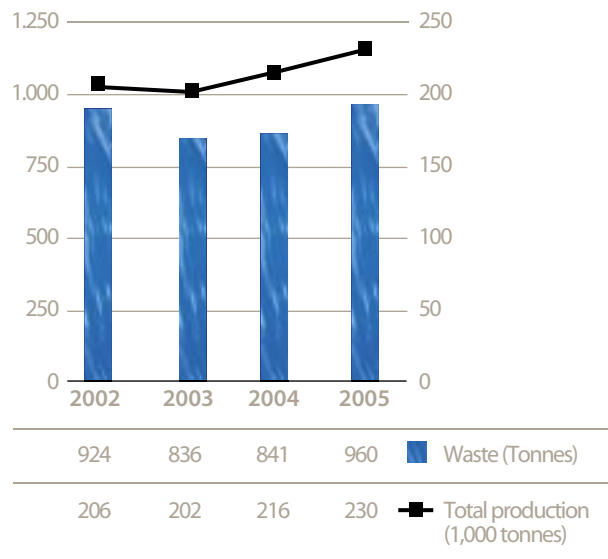
Lessons learned and challenges

Our challenge is to continue strengthening our environmental responsibility over the long term while dealing with changing legal and political contexts in 10 different countries. We have made progress with the integration of external audits of our environmental management systems. We shall continue seeking opportunities in this area by evaluating alternative energy sources and ensuring a more rational consumption and controlled use of materials that affect health and the environment. To improve confidence in our operations, we shall also continue with open and transparent communications with our neighboring communities and governments regarding our environmental systems.

Source of electricity in Amanco pipe systems
 Percentage



Final waste
 Tonnes



→ Suape plant, Amanco Brazil, Model of eco-efficiency

The Suape plant, located in Suape's industrial complex in Pernambuco state, was designed with sustainability and the concepts of eco-efficiency and eco-design in mind. It is characterized by the use of alternative energy sources such as biomass supplied by a sugar cane plantation that sells electricity generated by the combustion of sugarcane waste. It also has a sewage treatment plant that is compact and allows water to be re-used for watering gardens, washing floors and equipment, toilet systems, and finally for cooling in the industrial process.

Table of commitments

Fulfillment of commitments 2004-2005

Action	Timeframe	Compliance
Publication of environmental indicators of geosystems and polyethylene in the next report	2006	To be published in Amanco group's web page
Elimination of lead-based stabilizers in Brazil and Argentina in 100% of extrusion	2004	Yes
Lists of prohibited and permitted substances in all operations	2004	Yes
Evaluation of solvents with volatile organic compounds	2004	We have not found substitutes for these solvents. However, their use and risk to health and the environment are controlled
Report of total water and energy consumption in our processing plants	2004	Yes As from 2005 we are including water and energy consumption in administrative and service areas
Consolidation of an integrated management system	2005	Yes All operations have triple certifications and an integrated system of policy definitions and documentary procedures

New commitments 2006-2007

Establish procedure for local and corporate control of classification and quantities of re-usable waste (wood, paper, glass, metal)	2006
Eliminate use of lead-based stabilizers in the injection process in Brazil	2007
Complete evaluation of organic stabilizers in all operations	2007
Include quantification of water consumption in administrative offices, warehouses, and distribution centers outside our plants	2006
Identify water consumption by source	2006
Have 50% of raw-material suppliers with ISO 14001 certification	2007
Achieve 80% evaluation of production inputs	2006

Reduction of environmental footprint of Plycem's production process

In 2004 and 2005 we developed the following programs in our Plycem plants to improve process efficiency and reduce environmental impacts in a systematic and ongoing manner:

- Water saving program
- Water and waste recycling
- Energy saving program
- Program to reduce the generation of waste materials

Water and effluents

We have implemented complete water treatment systems in all our operations. These include the mechanical separation of solids, as well as chemical and biological treatments. In this way we have been able to solve the problem of controlling the quality of sewage.

In comparing the 2004-2005 period with the previous two-year period we see that the program to save water allowed us to reduce consumption by 33%, equivalent to 130,246m³.

We also achieved a reduction of 52% in industrial effluent, due mainly to its treatment and re-use for watering the plant's green areas. This reduction amounted to 38,980 m³.

Energy and emissions

As far as energy savings are concerned, the programs implemented enabled us to reduce consumption by 13% over the 2004-2005 period, compared with 2002-2003, the saving being equivalent to 20.2 GWh. However, 2005 saw an increase of 10% over 2004 due to the 13% increase in our manufacturing volume.

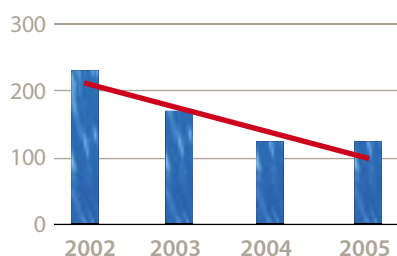
All our operations complied with the requirements established for gas emissions. In February 2005 it was decided to change the type of fuel from bunker to diesel so as to stabilize the gas emissions of our boilers in our Costa Rican plant.

Wastage of raw and other materials

The selection processes of materials destined for final waste has reduced the wastage of raw materials by 47%, from 8,375 tonnes in the 2002-2003 period to 4,404 tonnes in 2004-2005. In the case of other waste products, the reduction was 60%, going from 436.7 tonnes in 2002-2003 down to 173 tonnes in 2004-2005.

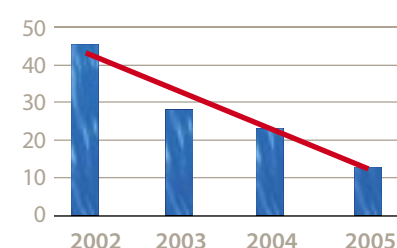
Water consumption

Thousands m³



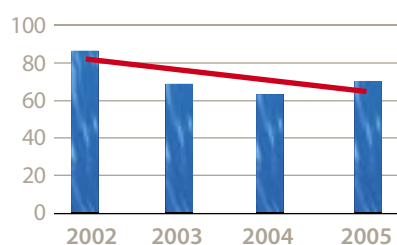
Effluents

Thousands m³



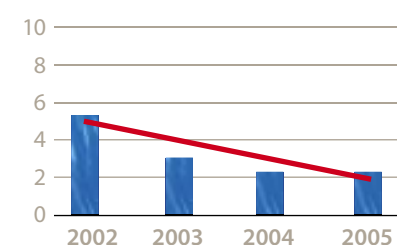
Energy consumption

GWh



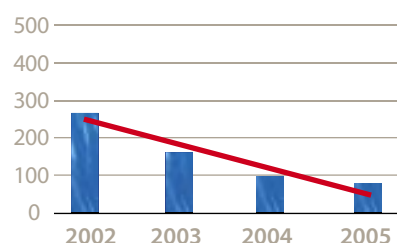
Raw material wastage

Thousands tonnes

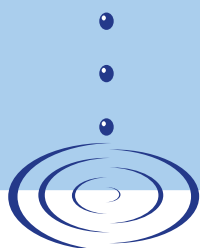


Other waste

Tonnes



Processes and technology dimension



In 2004 and 2005 Amanco recognized the need to broaden dialogue with its main suppliers so as to complete its evaluation system. This effort provided us with the opportunity to improve relations with them and continue strengthening our supply chain.

Amanco's Center for Shared Services was also launched as part of the regional integration process.

Quality and efficiency control process

Evaluation of suppliers

Having a formal evaluation system has allowed us to take measures to reduce environmental, health and safety risks while at the same time providing an opportunity to work with suppliers with low scores and help them improve performance. In addition to establishing an on-going relationship with key suppliers, this system allows us to improve the supply chain, its costs and prices, benefiting both parties.

The Amanco group evaluates suppliers of raw materials and products for re-sale based on six criteria (see box). Since 2002 we have qualified 57 suppliers through visits or self-evaluation processes. This figure represents approximately 90% of raw material purchases and 64% of total purchases. We apply this instrument to the most important suppliers of pipe systems, geosystems, floors and sanitary accessories. The frequency of evaluations is between every one to three years, depending on the particular result of each supplier.

Between 2002 and 2005 the Amanco group consolidated its PVC resin suppliers, reducing the number from nine to six main suppliers, whose plants are located in five Latin American countries and in the United States. We give preference to local suppliers where possible. The purchase of PVC resin accounts for 75% of our raw materials purchases.



"Our suppliers are not just sources of inputs, but also sources of innovation in responding with us to market demands and to the environmental challenges of our industry."

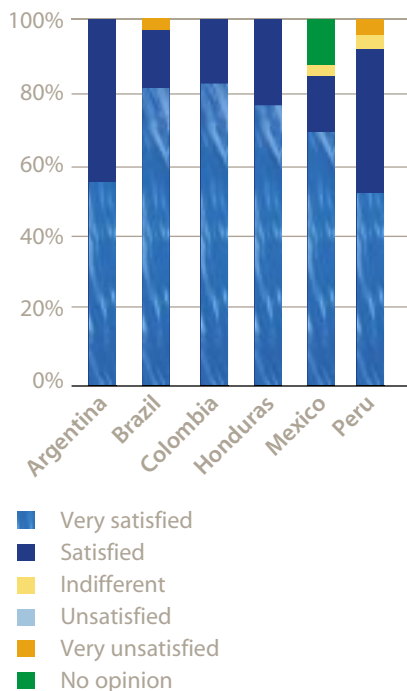
Carlos Montani
Purchasing Manager
Amanco Group

Evaluation of suppliers Cumulative qualification of 57 suppliers between 2003 and 2005

Aspect	Issue	Compliance
1 Service	Level of technical assistance and customer service	89.6%
2 Quality	Quality management systems	87.4%
3 Perception	Internal management of relations with community and competent authorities	83.0%
4 Health	Health management systems	82.7%
5 Safety	Safety management systems	79.9%
6 Environment	Environmental management systems	84.4%
Average points:		85.0%

How do Amanco employers treat you?

Percentage level of satisfaction



"Amanco Colombia has improved enormously on all fronts, and service is a lot more personalized. The person who is currently in charge of the account is very open; we have excellent communications and a much more professional business relationship.

When faced with urgent orders we have not yet managed to adequately align operations with Amanco's planning, but delays in delivery have dropped considerably. I see the inconveniences that are normal for any company faced with production peaks; what is important is the attitude of the customer and the supplier.

Delivery logistics changed considerably. We are complying with the established timetables."

Carlos Josué Durán

Production Manager, INSE S.A.
Amanco supplier in Colombia

Consultations and dialogue with suppliers

In 2004 and 2005 our companies in Brazil, Mexico, Colombia, Argentina, Peru, Honduras and Panama carried out an initial survey among suppliers to identify criteria on which our long-term relations are based. We are also following-up on the integration of formal communication mechanisms. These are the issues that have arisen as a result of these processes:

► Payment terms

Some of our suppliers showed concern regarding information on terms of payment: programming, inconvenient timetables, delays. We understand that this is a matter of considerable importance to our suppliers.

Response: Improvements have been made to payment procedures to suppliers of finished products in Peru, a development made known through meetings. In Mexico the purchasing procedure was reviewed to detect the reason behind delays in payments, and it was found that the main delays occurred in the authorization and dispatch of goods. Each person responsible in all of the plants was spoken to, so as to make the process more agile.

► Delivery of orders

Our suppliers were concerned over issues such as the short notice for the delivery of goods and the lack of planning.

Response: We improved the timetable for the reception of raw materials and inputs, improved communication of delivery dates, and classified the delivery days.

► Communication

Suppliers requested that we improve communications between them and the purchasing department, and facilitate access to contact persons.

Response: We improved information processes and procedures, customer services, and the identification of contact persons. The use of electronic communications has been promoted to ensure that these are more flexible and on-going.

► Information on vision and policies

Our suppliers appreciate the open and ongoing dialogue with the company. They consider that we still need to circulate our policies, and some perceive a distant relationship.

Response: We offer opportunities to visit the plant and follow up on the dialogue process. In some cases our suppliers are included in internal training sessions on environmental management and other issues. We shall establish a formal, two-way communications channel at all plants.

Lessons learned

Our teams in the areas of logistics and purchasing lead the formal consultation process with suppliers in Brazil, Mexico, Peru, Colombia, Honduras, Panama and Argentina, allowing them to assume their part in building the company's social license to operate. This represented a challenge for our employees, as they had to confront a new process of dialogue, and that meant experiencing social management first hand.

We discovered that our suppliers expect a closer relationship and are interested in learning of and sharing our philosophy on social responsibility. We must find an effective means to integrate them in the business model. The results of consultations are mainly linked to internal procedures, thus indicating to us that our responsibility towards them is linked to the daily business of our operations.

Regional integration process

New Center for Shared Services

In 2004 the Amanco group started developing its Center for Shared Services (CSS). We hope that this will provide a technological base and a high-level platform for services that will allow us to be more competitive with lower transaction costs, as well as to redesign processes that will allow the company to be more results focused.

The objective is for the whole of Amanco to use the "Unique Operational Model" (UOM) that transfers and optimizes transactions through its CSS, operating from a shared technological platform. The UOM was designed in 2004 through a participatory process that involved an interdisciplinary group of more than 60 Amanco employees from various countries. In the third quarter of 2005, we began operating the UOM in Amanco Colombia, where the CSS also started operating.

In 2006 and 2007 the Amanco group will replicate the Colombian UOM experience in the other countries and will operate through Amanco's CSS, using a common technological platform and processes that are also shared. By the end of 2007, all countries in which we operate will be part of the system.

Challenges

In 2004 we committed ourselves to favor suppliers with ISO 14001 certification. We have instances of suppliers with a good environmental record but without this certification. We will thus encourage them to develop criteria that guarantee, through certification, the quality of their environmental management.

Once operating through the CSS, we will be able to take advantage of the group's synergy in a more systematic manner. We hope to consolidate relations with suppliers of other products and services, just as we have done in the case of our resin suppliers. The survey revealed the key issues with our suppliers, and we hope to deal with these and thus improve our performance.



"The main challenge at this stage in the implementation is to work in a synergic manner, so that the integration of the processes and the regions really generate value. We must make decisions and analyze their geographical impact and their impact on processes, so we can all share the successes."

Pablo Arrieta
Project Manager
Amanco Group

Table of commitments

Fulfillment of commitments 2004-2005

Action	Timeframe	Compliance
Favor suppliers with ISO 14001 certification	2004	In process

New commitments 2006-2007

Evaluate suppliers from whom we buy products for trading	2006
Evaluate suppliers from whom we buy products for trading	2006
Follow-up on results of survey and open formal, two-way communications channels with our suppliers	2006-2007

Report scope and profile



Scope and organization of this report

This is our fourth *Sustainability Report*. It is structured according to our management model: the Sustainability Scorecard®. The information published herein includes the activities of Amanco and its pipe and construction systems for the years 2004 and 2005. We also report according to the guidelines of the Global Reporting Initiative (GRI), exercising our right to flexibility, and on our progress in applying the principles of the UN Global Compact. On pages 75, 76, and 77 we present a summary of these two instruments and indicate the locations of the pertinent information in the report.

Coverage of information for each business

	Financial and economic dimension	Human resource dimension	Social dimension	Environmental dimension	Processes and technology dimension	Customer dimension
Pipe systems	100%	100%	100%	100% of production plants of our pipe systems business in their PVC and PE extrusion and injection processes	100%	100% (except geosystems and flooring in Colombia)
Plycem construction systems	100%	100%	100%	100% of construction systems business in manufacture of Plycem fiber-cement products	100%	100%

Note:
Environmental dimension: the report does not include information on processes controlled at the local level that include rotomolding, PVC soldering, Teflon bands, accessories in Brazil, floorings in Colombia, and products manufactured by third parties.

A critical view of the previous report

We fulfilled our commitment to distribute the previous Sustainability Report covering 2002–2003 through formal presentations and discussion groups with our employees, customers, suppliers, and neighboring communities in every country in which we operate.

We systematized the conclusions of these discussion processes, and this allowed us to identify the following challenges for this report:

- Translate our corporate discourse into a language that is simpler and more easily understood
- Offer a more graphic and reader-friendly presentation
- Present our SSC management model in a more comprehensible manner





Report circulation

Given the positive feedback during the process of dialogue and discussion on our previous report, we shall continue with the same approach of guided group discussions with employees, customers, suppliers, communities and the general public. This publication will also be available in printed form and on our website, where we have a special section on information relating to this report.

Factors that affect comparability of the report

Changes carried out in 2004 and 2005 in some of our production plants affect the comparison between this report and previous ones (see page 7).

Since 2005, in addition to measuring the consumption of processes, we have broadened the scope of environmental indicators to include the administrative and general services sections in our plants. We are reporting in absolute terms, according to the GRI guidelines.

External verification

In compliance with the GRI principle of auditability, we designated PricewaterhouseCoopers (PwC) as external auditor of this report's contents. In addition to reviewing all the background documentation, PwC paid a verification visit to Amanco Mexico in December 2005 as part of the audit. The conclusions of this process can be found in the verification report on page 74. PricewaterhouseCoopers audited the financial information presented in this report, the results of which can be found on page 73.

Table of commitments

Fulfillment of commitments 2004-2005

Action	Timeframe	Compliance
Distribution and discussion of this report with priority stakeholders	2004	Yes
Updating of financial, social, and environmental indicators on our website	2004	Yes
Publication of 2004-2005 <i>Sustainability Report</i>	2006	Yes

New commitments 2006-2007

Distribution and discussion of this report with priority stakeholders	2006
Updating of financial, social, and environmental indicators on our website	2006
Publication of 2006-2007 <i>Sustainability Report</i>	2008



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Free translation from Spanish of the "Report of Independent Auditors" addressed to Amanco Holding Inc. and signed by PricewaterhouseCoopers on April 18, 2006, in San José, Costa Rica

"Report of Independent Auditors"

Messrs
Amanco Holding Inc.

We have audited the consolidated financial statements of Amanco Holding Inc. for the years ending December 31st, 2002, 2003, 2004, and 2005, from which the selected financial information was included in the 2004-2005 Sustainability Report, in accordance with International Standards on Auditing. In our reports dated January 31st, 2003, January 30th, 2004, February 28th, 2005, and March 3rd, 2006 respectively, we express unqualified opinions on the financial statements from which selected financial information was included in the 2004-2005 Sustainability Report.

In our opinion, the selected financial information on pages 3, 5, 7, 20, and 21 contained in the 2004-2005 Sustainability Report, relating to figures in millions of United States dollars and EBITDA percentages, net sales, working capital, total debt over total assets and equity over total assets, is consistent in all significant aspects with the consolidated financial statements from which they were derived.

For a better understanding of the financial situation of Amanco Holding Inc., and the results of their operations for the indicated periods, and of the scope of our audits, the selected financial information should be read together with the financial statements from which it was derived together with our audit reports.

PricewaterhouseCoopers
April 18th, 2006



(A free translation from the original prepared in Spanish)

Santiago, April 18, 2006.

Messrs

Amanco Holding Inc. (Grupo Amanco)

Report on Independent Limited Assurance Review - Sustainability Report 2004-2005

We have been asked by Amanco Holding to perform an independent limited assurance review on its 2004- 2005 Sustainability Report.

The preparation of the 2004-2005 Sustainability Report is the responsibility of Grupo Amanco management. Our responsibility is to express conclusions on the consistency and reliability of the quantitative data and financial and non-financial information included in the report, based on our assurance work and the limited scope described in the following paragraphs.

Basis and objectives of the assurance work

Our work was performed in accordance with the ISAE 3000 standard for assurance engagements, as related to limited assurance, set forth by the International Federation of Accountants. Such standard requires that we plan and perform our work so as to obtain a limited degree of assurance that the information contained in the 2004-2005 Sustainability Report:

- Is consistent with the supporting evidence presented by management; and
- Has been prepared in accordance with the content guidelines established in Section C, of the 2002 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI).

Scope of the assurance work

A limited assurance work consist in enquiries to Company staff and applying analytical procedures and testing on sample basis of the information sources used in the preparation of the report, as well as the analysis of systems, processes and procedures used in compiling the information.

In carrying out our work, we visited the group's operations in the Federal District of Mexico and the plant in the city of León in Mexico (PVC and PE extrusion). Given the limited nature of the assurance work, no other visits were made to other subsidiaries, plants or countries in which the Grupo Amanco has operations.

We also examined, on a sample basis, the data and information contained in the Report, as follows:

- For the information in the sections "Highlights of 2004 and 2005", "Corporate Governance", and "Sustainability Scorecard", through:
 - Review of supporting documentation of the published information.

- For the data in the sections "Customer Dimension", "Human Resources Dimension", "Social Dimension", "Environmental Dimension", and "Processes and Technology Dimension", through:
 - Verification, on a sample basis, of the consolidation of data and other aggregated information; and
 - Verification, on a sample basis, of the existence of internal or external evidence that support the presented information.
- For the data in the section "Economic and Financial Dimension", through:
 - Checking that the financial information contained on pages 3, 5, 7, 20, and 21 of the Sustainability Report is derived from or is consistent with the audited financial report at December 31, 2005.

Conclusion

- Based on the results of the application of the previously mentioned assurance procedures, nothing has come to our attention that leads us to believe that the Grupo Amanco's 2004-2005 Sustainability Report does not have adequate supporting evidence of reported data, and that it has not been prepared in accordance with the content guidelines established in Section C, of the 2002 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI).

Recommendations

Grupo Amanco presents a consistent performance of continuous improvements of their Sustainability Reports, which are prepared on a bi-annual basis. In this context we consider that Grupo Amanco should further continue its progress by:

- Consolidating the Sustainability Report processes with routines and procedures to be embedded in the company's systematic and continuing reporting practices;
- Reviewing and improving current internal controls of reported data and information so as to ensure quality in the information flow between the plants and the headquarter; and
- Systematizing the data generation on human resources through the implementation of a unique reporting and consolidation system.

Luis Perera Aldama
Partner

GRI Indicators and Global Compact Principles

The Amanco group is committed to the principles of the Global Compact and reports on its economic, environmental and social performance according to the Global Reporting Initiative (GRI) indicators.

The GRI was launched in 1997 as a joint initiative of the US non-governmental organization, Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Programme (UNEP) with the goal of enhancing the quality, rigor, and utility of sustainability reporting. The initiative has enjoyed the active support and engagement of representatives from business, non-profit advocacy groups, accounting bodies, investor organizations, trade unions, and many more. Together, these different constituencies have worked to build a consensus around a set of reporting guidelines with the aim of achieving worldwide acceptance.

GRI Indicators	Global Compact Principles	Page
1 Vision and strategy		
1.1 Vision and strategy regarding sustainable development	Principle 8: Promote greater environmental responsibility	3-5, 15-16
1.2 Declaration of CEO with the principle elements of the report		3-4
2 Organizational profile		
2.1 Name of the organization		Inside front cover
2.2 Products, services and brands		Inside front cover
2.3 Operational structure		7, 10 – 11
2.4 Major divisions, operating companies, and subsidiaries		Inside front cover, 7, 10 -11
2.5 Countries in which the organization operates		Inside front cover
2.6 Nature of ownership, legal form		9
2.7 Markets served		Inside front cover, 25 - 32
2.8 Scale of reporting organization		Inside front cover, 20
2.9 Stakeholders and key attributes		45
Report scope		
2.10 Contact person		78
2.11 Reporting period		71
2.12 Date of previous report		71
2.13 Boundaries of report and limitations on scope		71
2.14 Significant changes in the company since previous report		7
2.15 Basis for reporting on subsidiaries, strategic alliances		9 – 11
2.16 Explanation on the nature and effect of any re-statements of information provided in previous reports		None
Report profile		
2.17 Decisions not to apply GRI principles		Not applicable
2.18 Criteria/definitions used in any accounting for economic, environmental, and social costs and benefits		Explained in each dimension
2.19 Significant changes in measurement methods		Not applicable
2.20 Policies and internal practices to provide assurance on accuracy, completeness, and reliability		71- 72
2.21 Policy and practice on independent verification		72
2.22 Means to obtain additional information		78 website: www.amanco.com

GRI Indicators	Global Compact Principles	Page
3 Governance structure and management systems		
3.1 Governance structure		9 – 12
3.2 Percentage of independent directors		See GrupoNueva 2006 www.gruponueva.com
3.3 Process for determining expertise of board members to guide the strategic direction of the company, including issues related to environmental and social risks and opportunities		See GrupoNueva 2006 www.gruponueva.com
3.4 Board-level processes for identification and management of economic, environmental, and social risks and opportunities		10, 15 - 16 See GrupoNueva 2006 www.gruponueva.com
3.5 Linkage between executive compensation and achievement of company goals		10
3.6 Organizational structure and key individuals responsible for oversight, implementation, and audit of policies		10, 12
3.7 Mission and values statements, and internally developed codes of conduct		Inside front cover 11 – 12
3.8 Mechanisms for shareholders to provide recommendations		See GrupoNueva 2006 www.gruponueva.com
Stakeholder engagement		
3.9 Basis for identification and selection of stakeholders		Inside front cover (values), 45
3.10 Approaches to stakeholder consultation		11, 12, 30, 35, 38, 46-47, 68
3.11 Information generated by stakeholder consultation		11, 12, 30, 35, 38, 46-47, 68
3.12 Use of information resulting from stakeholder engagement		11, 12, 30, 35, 38, 46-47, 68
Overarching policies and management systems		
3.13 Application of the precautionary principle	Principle 7: Preventive approach that favors the environment	Inside front cover (vision), 11, 15-16, 57 – 65
3.14 Voluntary and other initiatives subscribed to by the company		11 – 12, 48 – 51, 57
3.15 Memberships in national and/or industry and business associations		30, 45
3.16 Management of upstream and downstream impacts		58 – 61
3.17 Management of indirect economic, environmental, and social impacts		58 - 61
3.18 Major decisions regarding the location of operations		7
3.19 Programs and procedures pertaining to economic, environmental, and social performance		15, Information under each dimension
3.20 Certification of management systems		57
4 GRI content index		
Table identifying location of each elemen of GRI and Global Compact		75
5 Economic indicators		
EC1 Net sales		20
EC2 Geographic breakdown of markets		Inside front cover
EC3 Costs of all goods, materials, and services purchased		22
EC4 Percentage of contracts paid according to agreed terms		22
EC5 Total payroll and benefits		22
EC6 Distributions to providers of capital		23
EC7 Increase/decrease in retained earnings at end of period		Not applicable
EC8 Taxes paid		23
EC9 Subsidies received		None
EC10 Donations to community, civil society, and other groups		23
EC11 Supplier breakdown		67
Environmental performance		
EN1 Total materials use other than water	Principle 8: Promote greater environmental responsibility	67
EN2 Percentage of materials used that are wastes from external sources	Principle 8: Promote greater environmental responsibility	We do not use recycled materials from external sources
EN3 Direct energy use	Principle 8: Promote greater environmental responsibility	62 – 63, 65
EN4 Indirect energy use	Principle 8: Promote greater environmental responsibility	63
EN5 Total water use	Principle 8: Promote greater environmental responsibility	62, 65
EN6 Location and size of land in biodiversity-rich habitats	Principle 8: Promote greater environmental responsibility	Irrelevant given the location of plants in urban or industrial areas

GRI Indicators	Global Compact Principles	Page
EN7 Major impacts on biodiversity	Principle 8: Promote greater environmental responsibility	Information unavailable to us
EN11 Total amount of waste	Principle 8: Promote greater environmental responsibility	63, 65
EN12 Total amount of waste	Principle 8: Promote greater environmental responsibility	62, 65
EN13 Significant discharges to water	Principle 8: Promote greater environmental responsibility	57
EN14 Significant spills of chemicals, oils, and fuels	Principle 8: Promote greater environmental responsibility	58 - 61 Identification of environmental impact is also a requirement for approving the manufacture or sale of any product
EN15 Percentage of product that is reclaimable at the end of products' useful life	Principle 8: Promote greater environmental responsibility	Not applicable; our products have an estimated useful life of 50 years
EN16 Incidents of and fines for non-compliance	Principle 8: Promote greater environmental responsibility	57
EN17 Initiatives to use renewable energy sources and to increase energy efficiency	Principle 9: Develop and disseminate environmentally innocuous technologies	62
EN22 Total recycling and reuse of water	Principle 8: Promote greater environmental responsibility	62, 65
EN33 Performance of suppliers relative to environmental components	Principle 8: Promote greater environmental responsibility	59, 67
Social performance		
LA1 Breakdown of workforce by situation, type, employment contract		Inside front cover
LA2 Net employment creation and turnover rate		38
LA3 Percentage of employees members of trade union	Principle 3: Respect the freedom of association and right to collective bargaining	40
LA4 Policy on information, consultation, and negotiation with employees over changes in operations	Principle 3: Respect the freedom of association and right to collective bargaining	40
LA5 Recording and notification of accidents and diseases		36
LA6 Description of joint health and safety committees		Joint commissions at the level of each individual company
LA7 Absentee rates, injuries and work-related fatalities		36
LA8 Policies or programs on HIV/AIDS		We do not have policies programs on HIV/AIDS
LA9 Average hours of training per year per employee		39
LA10 Policies and programs on equal opportunities	Principle 6: Elimination of discrimination in respect of employment and occupation	11, 37 - 38
LA11 Composition of senior management and corporate governance bodies	Principle 6: Elimination of discrimination in respect of employment and occupation	37
HR1 Policies that deal with human rights relevant to operations	Principle 1: Respect the protection of human rights	11, 13
HR2 Evidence of consideration of human rights impacts as part of investment and procurement decisions	Principle 1: Respect the protection of human rights	Not applicable in our system to evaluate suppliers
	Principle 2: Ensure non-complicity in human rights abuses	
HR3 Policies and procedures to evaluate and address human rights performance of suppliers/contractors	Principle 1: Respect the protection of human rights	Not applicable in our system to evaluate suppliers
	Principle 2: Ensure non-complicity in human rights abuses	
HR4 Policies and procedures to prevent all forms of discrimination	Principle 1: Respect the protection of human rights	11, 37 - 38
HR5 Policies that ensure the freedom of association	Principle 3: Respect the freedom of association and right to collective bargaining	11, 40
HR6 Policies excluding child labor	Principle 5: Uphold the effective abolition of child labor	11
HR7 Policies to prevent forced and compulsory labor	Principle 4: Uphold elimination of forced and compulsory labor	11
SO1 Management of impacts in local communities		45 - 47
SO2 Policies, procedures/management systems addressing bribery and corruption	Principle 10: Work against corruption in all its forms	11, 48 - 51
SO3 Policies dealing with political lobbying and contributions		11
SO7 Policies to prevent anti-competitive behavior		11, 48 - 51
PR1 Policy for preserving customer health and safety		Not applicable
PR2 Policy related to product information and labelling		We have no formal policies
PR3 Policies on consumer privacy		We have no formal policies
PR8 Policies and procedures related to customer satisfaction		30

Your comments are welcome
and we appreciate your interest in our company

Please contact:

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Brooklin, Nova, São Paulo –SP

Brazil



We would like your feedback

Our objective is to present a detailed report on our work toward sustainable development, and rising to the challenges and the requirements we propose to make every day a better one. We place great importance on the help you can give us in evaluating our performance and meeting our goals. Your feedback will help us improve the content of our next reports. Thank you very much!

1 How much of our 2004-2005 Sustainability Report did you read?

☐ All ☐ Nearly all ☐ Some parts ☐ None at all

2 Do you think the report contains precise and pertinent information on Amanco's work in the following areas? (mark as many as necessary).

- ☐ Activities relating to Amanco's general performance regarding environmental, social and economic fields
- ☐ Means to improve our general performance
- ☐ Amanco's advances in the environmental, social and economic fields
- ☐ None of the previous

3 How would you qualify this report in general?

☐ Excellent ☐ Very good ☐ Good ☐ Bad ☐ Very bad

4 How do you suggest we improve the next report?

5 Please make any additional comments.

6 You are (indicate just one option):

- ☐ Amanco employee
- ☐ Amanco supplier
- ☐ Amanco customer
- ☐ Member of a community near one of our companies
- ☐ Government employee
- ☐ Work in the private sector
- ☐ Member of a civil society organization
- ☐ In the academic/educational sector
- ☐ Student
- ☐ Other

7 Personal information (optional):

Name

Address

City

Postal code

Country

For more information on our companies, please visit our websites at:

www.amanco.com
www.gruponueva.com

Thank you!

You can also send your comments to:

E-mail: info@amanco.com





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Brazil



Vision

To be recognized as a leading industrial group made up of companies that create economic value and operate in a framework of ethics, eco-efficiency, and social responsibility, while improving our neighbors' and our region's quality of life.

Values

Our customers

All our employees are constantly trying to anticipate and meet the changing needs of our customers through our products and services and working to world-class standards.

Our employees

Mutual respect is the basis for the relationships among all employees of our companies. We respect each one's individuality and integrity. We promote teamwork as the best way to relate to one another. We develop a work environment that fosters maximum synergy between our employees and companies for the achievement of our goals. We afford opportunities for their professional development, as well as training and motivational programs to help improve

their skills and to attract and retain the best employees. We provide healthy and safe working conditions. Passion and enthusiasm are essential attributes of our people. Our employees are key players in the group's efforts toward sustainable development.

Our communities

We interact ethically and responsibly with our communities in Latin America and work to improve the quality of life of present and future generations. Society affords us opportunities. Therefore, we devote part of our efforts and talents to improving society. Our businesses promote social and environmental responsibility in all our operations and among all with whom we do business.



This report has been prepared with environmentally friendly materials.

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