



السويس للأسمنت
Suez Cement
Italcementi Group

United Nations Global Compact:

Communication on Progress (COP)

Suez Cement Group of Companies (SCGC) is a subsidiary of Italcementi Group, adhering to the United Nations Global Compact since 2010.

Therefore, the Communication on Progress, yearly made by the parent company Italcementi Group through the corporate Annual Report, contains all the consolidated and quantified references to the many initiatives launched in all the subsidiaries to foster the Global Compact Principles and the Millennium Development Goals.

This document details all the relevant local initiatives and achievements, with the aim to further reinforce the regional commitment and demonstrate the effectiveness of the corporate strategies.

Suez Cement Group of Companies (SCGC) is pleased to confirm and reaffirm its support of all United Nations Global Compact principles in the areas of Human Rights, Labor, Environment and Anti-Corruption.

SCGC, comprised of Suez Cement, Tourah Cement and Helwan Cement, is the largest cement producer in Egypt.

The firm is dedicated to investing in a better Egypt. In line with Italcementi Group sustainable policies and strategies, our biggest challenge is promoting industrial development and economic performance while adopting the highest standards of environmental protection and improving the quality of life of wide Egyptian community through dedicated development initiatives.

The cement industry globally and Suez Cement in particular are aware of their responsibilities in the global fight against climate change. Cement operations are energy and carbon intensive but also provide efficient solutions to build public and private infrastructures and energy efficient housing. This means cement producers can play a key role in humanity's adaptation through the construction of dams and water storage facilities, wind turbines foundations.

In this spirit, SCGC has made environmental protection one of its key corporate pillars. We have numerous long-term projects in the works designed to reduce emissions, pollution and waste.

Last year, SCGC received several awards from the Ministry of State for Environmental Affairs for our comprehensive environmental management and performance programs.

In related news, the Kattameya plant was honored with the "2013 Greenest Company in Egypt" first prize certificate in recognition of our ongoing efforts to reduce the environmental impact of cement production.

Meanwhile, in November 2013, SCGC launched a new state-of-the-art filtration system at Helwan plant. The filter system reduces dust emissions levels to a maximum of 10mg/m³, which is well below Egyptian and European standards.

Furthermore, in light of the fuel crisis currently affecting Egypt, SCGC is working to replace traditional fossil fuels with alternative fuels, and thereby decrease our total carbon dioxide emissions.

On July 25 and 26, 2013, SCGC held special events to launch construction of innovative waste fuel projects at the Helwan and Kattameya plants. Both have been registered with the Clean Development Mechanism Executive Board of the United Nations Framework Convention on Climate Change and have a crediting period of 10 years (ending in 2023).

The purpose of the two projects is to reduce SCGC's reliance on fossil fuels and increase the percentage of energy it produces from refuse-derived fuels (RDFs). Also known as alternative fuel (AF), it is made from agricultural waste that includes rice straw, cotton stalks and municipal sludge. The hope is that RDFs will soon comprise 20% of the plants' energy mix.

In addition, SCGC inaugurated a new waste-processing plant at its Kattameya site in February 2014 that turns pre-sorted waste into fuel. The facility is the first of its kind for Egypt and SCGC's parent company Italcementi Group.

The project, which took almost a year to complete, is worth €5 million Euros. The facility was built in compliance with Egyptian environmental law and produces approximately 35Kt of RDF annually.

The above initiatives are part of SCGC's comprehensive Energy Policy, which is driving company efforts to move toward a low-carbon economy and developing feasible environmental solutions in partnership with the government and other players in the building material sector.

The cement industry is highly exposed to carbon risk, particularly in regions where CO₂ emissions trading systems or carbon taxation are in place. The level of risk is directly related to the carbon footprint of individual companies but it is also significantly affected by external factors such as the international Kyoto and post-Kyoto scenarios, local regulations and carbon prices on international markets. Experience has shown the European Emission Trading Scheme (EU-ETS), even under free allocation, can significantly impact production margins, due to costs incurred making up shortages in emissions allowances. The cost of electricity plays a role as well.

SCGC's carbon intensity-based target for direct emissions is to contain its emission factor per ton of cementitious products. In 2013, the firm's emission factor was 677 kg CO₂ per ton of cementitious products, which was also an improvement compared to prior years (760 kg/t in 2010).

The transition to a new energy mix including solid fuels (coal and pet coke) will have a negative impact on our carbon emissions which we intend to mitigate with the increased usage of waste and the development of cement qualities with lower carbon intensity. In addition, the indirect carbon emissions are also part of our concern and the company is currently developing multi annual plans to reduce its indirect carbon footprint.

SCGC is also committed to applying guidelines and protocols developed by the Cement Sustainability Initiative (CSI). All plants regularly monitor and report their emissions using a data reporting system in line with the WBCSD/CSI protocol for CO₂ inventorying. The data are used to track performance against KPIs and set internal reduction targets. Performance monitoring, with a special focus on emissions, is a key tool for environmental management. To achieve this, the company monitors its emissions using Continuous Emission Monitoring Systems (CEMS) – automatic devices that measure real-time emissions 24 hours a day to be stored in an emission performance database. SCGC has eight operating kilns. Each are fully equipped with a CEMS to measure gas emissions according to group standards.

The firm has been monitoring and reporting carbon dioxide emissions since 2006, following the adoption of the WBCSD CSI CO₂ Version 3 Protocol for the cement industry. To assure the quality of process, Ernst & Young will carry out an external audit in 2014 to consolidate SCGC's direct and indirect carbon dioxide emissions at all five plants.

In the field of energy efficiency, waste-heat recovery is being explored as a promising option in terms of electricity production or district heating.

SCGC is committed to preventing or otherwise minimizing, mitigating and repairing any negative environmental impacts from its activities. The Environment Management Systems (EMS) program has further urged SCGC to adopt an environmental policy that reflects management's commitment toward improving the environment where the company operates.

The Environment Policy reinforces SCGC's approach in preserving the environment and society. SCGC strongly recommends the adoption of environmental management systems as an effective tool to prevent risk and prompt continuous improvement. All five plants are ISO 14001 and ISO 9001 certified, in compliance with requirements of the Environment Management System EMS-ISO 14001/2004.

As part of the Company's ongoing efforts to reduce adverse environmental impacts, regular consultations and information sessions are held with local stakeholders. A Compliance Action Plan was launched in 2012, with key goals set to be reached in 2014. The project is worth approximately LE 530 million.

In June 2013, SCGC joined hands with INJAZ to host the celebration of the UN World Environment Day at the Helwan plant, inviting all employees and more than 150 local children to join the celebration. The program included painting and planting activities as well as a session dedicated to waste management, waste recycling and saving energy. Kids of different ages participated in games about the importance of protecting the environment. They also helped create a green corner inside the facility.

Moreover, SCGC is currently implementing four rehabilitation projects. In 2007, SCGC began the first rehabilitation plan by refilling its clay quarry near the Tourah plant, which is the oldest quarry in the country. The other two refilling projects are located in the Suez plant's clay quarry, while the fourth involves planting palm trees around the Kattameya clay quarry to create a barrier between the site and highway.

Driven by the company's ongoing commitment to corporate social responsibility, SCGC has continued to promote social initiatives that focused on key needs of local community members. In 2013, SCGC made education and health other key priorities and spent more than €530,000 on related programs across the country. These initiatives also aim to improve stakeholder relations through dialogue and co-operation. Only projects that contribute to the quality of life for community members, comply with local government policies and the UN Universal Declaration of Human Rights are chosen.

One such project was SCGC's sponsorship of the annual ENACTUS National Competition involving universities in Helwan, Suez and Minya. ENACTUS is an international non-profit organization that brings together students, researchers and business leaders who are committed to entrepreneurship and development.

Similarly, Helwan and Tourah Cement Companies partnered in 2013 with the Misr El Kheir Foundation to revamp the Helwan Public Hospital. The project, worth LE 3 million, is set to tackle the hospital's crumbling infrastructure as well as provide proper medical equipment and maintenance over the next year. An analysis of hospital employee morale will be conducted as well.

SCGC understands that education is a key factor for the development of the country and plays a crucial role in poverty eradication and wealth creation. In 2013, the company continued to fund the Don Bosco Technical Institute in Cairo with an annual contribution of €100,000.

The objective of the program is to promote technical and vocational education. The partnership started in 2006 with the upgrade of Don Bosco's infrastructure and facilities as well as the development of new programs. Graduates of Don Bosco are well known and in demand throughout the industrial sector for their excellent training and professional skills. SCGC has hired more than 25 graduates from the program and provided on-the-job training for another 170 participants as well as summer internship opportunities.

Furthermore, in the past two years, 23 students from the institute have received scholarships thanks to contributions from SCGC. This year the company's support helped revamp the institute's theater. Moreover, SCGC is sponsoring a two-month sewing course for 15 students. SCGC also raised funds for 57357 Children's Cancer Hospital, one of the best cancer hospitals in the region. The donation, which included cash and cement products, is set to enable the hospital to continue to engage in advanced cancer treatment and research. In 2013, 25 SCGC employees from the Helwan, Tourah and Kattameya plants participated in a marathon organized by the hospital.

But SCGC's efforts did not stop there. The cement producer also pioneered the first "arcVision Prize for Women and Architecture" competition in Egypt. The national contest's goal was to recognize and support the talent and creativity of female Egyptian architects. Nominees displayed outstanding qualitative excellence and attention to key issues in building construction: technology, sustainability and social and cultural implications. Winning candidates had implemented developments that reflected and supported the socio-economic development of Egypt.

Moving on, safety and health at work is another key priority for SCGC. The firm considers safety and security fundamental values to be integrated in all its activities. With the aim of more ambitious results, the Zero Accidents project evolved into a more comprehensive safety programme in 2011 that presented safe conduct as a way of living in employees' daily lives, whether at work or in the home. The company's goal is to create safer and healthier working environments by preventing accidents and injuries, in addition to developing communication initiatives to promote a safe, and health-conscious work culture.

Every year, each plant actively promotes the celebration of the UN World Day for Safety and Health at Work. The special day is an occasion to showcase the company's Code of Practice for Driving and promote a number of safety awareness activities as well as sustainable practices to support a greener environment.

In 2013, SCGC celebrated the World Day for Safety and Health at Work with a special teamwork activity – the Graffiti Safety Contest. Outstanding art representing safety at work and home was commemorated at all the plants to be a constant reminder for employees to stay safe at all times. During the event, plant managers together with the Safety Managers presented awards to the best safety inspectors followed by presentations from the Egyptian Society for Road Safety and E-Mokhalifa NGOs.

In collaboration with the Safety Department, the Development and Training (D&T) Department hosted two major training programs: working at heights and the safe use of heavy machinery.

SCGC's ambition is to create relationships with employees and subcontractors based on trust, which will contribute to improvement in safety dynamics while on site. In order to reach that

goal, the company launched a new project that evaluated subcontractors based on their occupational health and safety management systems. The process remains ongoing.

To become one of the safest companies in our industry, SCGC sought to reduce the frequency rate of workplace accidents. In 2013, SCGC's Lost Time Injury (LTI) frequency rate — the number of accidents that resulted in lost time per million hours worked — for employees and temporary workers was 1.3. Additionally, the severity rate of recorded injuries was 0.09, while the number of days lost without commuting was 652. The Total Recordable Injury Rate (TRIR) was 3.5 including Fatalities, Lost Time Injuries, Restricted Work Duty and Medical Treatment.

In terms of fighting corruption, SCGC implemented its own Anti-Bribery Compliance Program in 2013. The program is part of a wider initiative aimed at reducing risks in terms of Corporate Criminal Liability. Within the scope of this project, SCGC will adopt Organization, Management and Control Model targeting to prevent corruption and bribery.

In 2012, the company began developing a local Antitrust Compliance Program to provide a formal framework – guidelines, processes, monitoring and reporting activities – to ensure the business as a whole complies with all applicable antitrust laws. The scheme also identified and minimized risks as well as outlined remedial actions to deal with issues in this regard.

SCGC is implementing an Enterprise Risk and Compliance Program as well to put more efficient risk management and auditing systems in place. With the aim of supporting the initiatives mentioned above, the integrated Internal Audit Program was updated as well. The program addresses health, safety, environmental, antitrust and anti-corruption issues over a period of three years. The goal is to better assess and contribute to the improvement of risk management controls and governance processes using a systematic and disciplined approach.

As stated by the Charter of Values and the Sustainability Policy, the company is committed to protecting individuals through valuing diversity and cultural identity. In 2010, the Collective Labour Agreement (CLA) came into effect. It comprises a charter that outlines workers' rights that are valid worldwide and based on the joint commitment of all signatories. The agreement respects fundamental human rights, promotes improvements in working conditions, develops equitable industrial relations and fosters fair collective bargaining procedures with trade union representatives. Joint forums between trade unions and management are part of SCGC's approach to sustaining constructive dialogue.

The Human Rights Policy reinforces SCGC's commitment to this issue by explicitly supporting internationally proclaimed human rights as inalienable rights of all individuals. The policy also states that the firm will not support any human rights abuses. All incidents that potentially fall into this category are investigated, with appropriate actions taken to rectify the situation should action be deemed necessary.

Diversity is viewed as a source of value in line with the Universal Declaration of Human Rights. Since 2009, SCGC has implemented numerous projects to improve working conditions for employees and subcontractors. They include: first-aid facilities, separated sanitation facilities, dressing facilities, canteens and meal accommodation. Safety awareness sessions were also implemented that dealt with such topics as explaining the dangers of children or families accompanying customers or suppliers to the site and failing to wear appropriate PPE at all times.

The Charter of Values states the fundamental values in which SCGC firmly believes in and that drive all corporate governance codes. It identifies SCGC commitments including honesty, fairness, integrity, transparency and mutual respect when managing operations as well as relations with stakeholders and markets. All SCGC policies reference these guidelines.

We are pleased to participate in the United Nations Global Compact and offer our wholehearted support for future endeavours under the auspices of the agreement.

United Nations Global Compact: Communication on Progress (COP)

Human Rights

UNGC PRINCIPLES	SPHERE OF BUSINESS INFLUENCE	SOURCES OF CORPORATE GOVERNANCE	ACTIONS LAUNCHED	GRI INDICATORS CORRESPONDENCE	CONTRIBUTION TO THE MILLENNIUM DEVELOPMENT GOALS
Principle 1 Businesses should support and respect the protection of International human rights within their sphere of influence	Employees, contractors, subcontractors, customers and suppliers	Corporate Governance Framework Charter of Values	Sustainability Policy Human Rights Policy Safety Policy and Safety Management Handbook Social Initiatives Policy	HR1,HR2,HR3, HR4	Indirect: Goal 1-8
Principle 2 make sure they are not complicit in human rights abuse	Contractors, subcontractors, customers and suppliers	Corporate Governance Framework Charter of Values	Human Rights Policy Safety Policy and Safety Management Handbook Social Initiatives Policy	HR1,HR2,HR3, HR4	Indirect: Goal 1-8

Labour

UNGC PRINCIPLES	SPHERE OF BUSINESS INFLUENCE	SOURCES OF CORPORATE GOVERNANCE	ACTIONS LAUNCHED	GRI INDICATORS CORRESPONDENCE	CONTRIBUTION TO THE MILLENNIUM DEVELOPMENT GOALS
Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Employees, contractors, subcontractors, customers and suppliers	Corporate Governance Charter of Values Collective Labour Agreements	Follow-up of the Collective Labour Agreements with workers and union representatives	HR5, LA9, LA4, LA5	Indirect: Goal 3,6,7,8
Principle 4 The elimination of all forms of forced and compulsory labour	Employees, contractors, subcontractors, customers and suppliers	Corporate Governance Charter of Values Collective Labour Agreements	No existing situation of forced or compulsory labour within Suez Cement and its affiliated companies	HR2, HR7	Indirect: Goal 2,4
Principle 5 The effective abolition of child labour	Employees, contractors, subcontractors, customers and suppliers	Corporate Governance Charter of Values Collective Labour Agreements	Human Rights Policy Implementation of the Safety Best Practice "Waiting area for customers and suppliers"	HR1, HR3, HR6	Indirect: Goal 2,4
Principle 6 The elimination of discrimination in respect of employment and occupation	Employees, contractors, subcontractors, customers and suppliers	Corporate Governance Charter of Values Collective Labour Agreements	Sustainability Policy	LA2; LA14; EC5; HR2; HR4; EC7	Direct Goal 3

Environment

UNGC PRINCIPLES	SPHERE OF BUSINESS INFLUENCE	SOURCES OF CORPORATE GOVERNANCE	ACTIONS LAUNCHED	GRI INDICATORS CORRESPONDENCE	CONTRIBUTION TO THE MILLENNIUM DEVELOPMENT GOALS
Principle 7 Businesses should support a precautionary approach to environmental challenges	Employees and communities	Corporate Governance Charter of Values	Environment Policy Ongoing implementation of environmental management systems Ongoing implementation of energy management systems	EN18, EN30	Direct Goal 7
Principle 8 Undertake initiatives to promote greater environmental responsibility	Employees and communities	Corporate Governance Charter of Values	Open door events and stakeholder engagement activities	EN18, EN30	Direct Goal 7
Principle 9 Encourage the development and diffusion of environmentally friendly technologies	Employees and communities	Corporate Governance Charter of Values	Marketing innovative and environmentally friendly products and applications (TX Active and i.light)	EN2, EN5, EN7, EN18, EN26, EN30	Direct Goal 7

Anti-Corruption

UNGC PRINCIPLES	SPHERE OF BUSINESS INFLUENCE	SOURCES OF CORPORATE GOVERNANCE	ACTIONS LAUNCHED	GRI INDICATORS CORRESPONDENCE	CONTRIBUTION TO THE MILLENNIUM DEVELOPMENT GOALS
Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery	Employees, contractors, subcontractors, customers and suppliers	Corporate Governance Charter of Values	Sustainability Policy Implementation and training of the Anti-Corruption Compliance Programme	SO2, SO3, SO4, SO5	Indirect goal 1-8