



## United Nations Global Compact: Communication on Progress (COP)

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

SCGC is proud to say it has directly upheld the United Nations Global Compact since 2013, reinforcing locally Italcementi Group adhesion in 2010. Furthermore, Global Compact Principles inspire Italcementi Group Codes and Policies that we endorse locally.

SCGC's Communication on Progress (COP) update contains all consolidated and quantified references to the numerous initiatives launched by SCC and its subsidiaries to further support the aims of the Global Compact Principles and Millennium Development Goals.

This document details relevant local initiatives and achievements being implemented to reinforce SCGC's regional commitment and demonstrate the effectiveness of corporate strategies in the areas of Human Rights, Labor, Environment Protection and Anti-Corruption. Actually, we are dedicated to sustain economic profitability while investing in a better Egypt. In line with Italcementi Group sustainable policies and strategies, our biggest challenge is promoting industrial development and economic performance by adopting high standards of **business integrity**, **social responsibility** and **environmental protection**, improving the quality of life of wide Egyptian community through dedicated development initiatives.

### Business integrity

SCGC follows Italcementi Group's approach to integrity, currently based on four interrelated elements under the wider frame of ethics and sustainability: the Anti-bribery Compliance Program, the Antitrust Compliance Program, a Whistleblowing System, the Enterprise Risk Management Program, supported by the activities of Internal Audit Department.

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 also adopt Organization, Management and Control Model targeting to prevent corruption and bribery.

In 2012, the company began developing the 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 its triennial Enterprise Risk and Compliance Programme (ERM) ensuring better risk management and audit systems. Risk Report, issued twice a year, gives the overview and follow up of main risks and opportunities. Starting from 2014 the Annual Risk Assessment is based on three following metrics: risk and opportunity impacts, probability of occurrence or time horizon and level of control.

Since 2012, an integrated Internal Audit Programme is in place also addressing health, safety, environment, antitrust and anti-corruption and anti-bribery issues over a period of three years. The objective is to better assess and improve risk management control and governance processes by applying systematic and disciplined approach. Risk levels and audit ratings are homogenously defined over five levels. Corrective action plans are discussed with all the involved functions

In 2014, the company outlined guidelines for the internal **whistleblowing** system outlining how employees, directors and third parties working with SCGC can report information or concerns about suspected mismanagement or misconduct. The guidelines clearly set out what types of activities should be reported and to whom and call for the formation of a Compliance Committee.

## **Social responsibility**

Individual rights to personal security and to a healthy, safe and inclusive workplace are seen as ethical priority but also levers for success and profitability.

SCGC considers **safety and security** fundamental values to be integrated in all its activities. With the aim of more ambitious results, the Zero Accidents project launched by Italcementi Group in 2000, 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, SCGC actively promotes the UN World Day for Safety and Health at Work. 2014's theme was "Safe Driving" in order to improve driving habits of SCGC employees and reinforce the company's Driving Code. In order to involve employees and encourage them to set good examples while driving, SCGC launched a photograph competition. The idea was for employees to photograph unsafe driving behaviors. The five best pictures from each plant were recognized during Safety Day events held concurrently across the five facilities. A kid's drawing

contest was also held where youth were asked to draw pictures of unsafe driving behaviors. The top 25 pictures received a prize.

In collaboration with the Safety Department, the Development and Training (D&T) Department hosted two major training programs: First Aid (with a special focus on burns) and Lock Out/Tag Out, i.e. securing equipment before maintenance activities. Throughout 2014, the company conducted more than 37,000 safety orientation and safety training hours for employees and contractors on topics such as the SCGC safety procedures, emergency preparedness, risk assessment and safety inspections. SCGC's ambition is to create relationships with employees and subcontractors based on trust, which will contribute to improve safety dynamics while on site.

In 2014, SCGC's Lost Time Injury (LTI) frequency rate - the number of accidents that resulted in at least 24-hour absence from work per million hours worked - for employees and temporary workers was 1.05. Additionally, the severity rate of recorded injuries was 0.08, while the number of days lost without commuting was 434. The Total Recordable Injury Rate (TRIR) was 5.0 including Lost Time Injuries, Restricted Work Duty and Medical Treatment. Despite the huge efforts deployed and after three years, still 2 fatal accidents were recorded among contractors, stressing once again the duty to never give up in leading safety culture.

In 2010, the Collective Labour Agreement (CLA) came into effect. It comprises a charter that outlines **labour 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.

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. Moreover, all contracts and agreements signed by SCGC include strict human rights mandates covering working conditions, fair treatment and safety as per Egyptian law. In addition, full industrial hygiene assessments are performed yearly

in SCGC plants with the aim to improve working conditions based on corporate principles.

Additionally, driven by the company's ongoing commitment to corporate social responsibility, SCGC has continued to promote initiatives that focused on key needs of **local community** members. In 2014, SCGC made education and health a priority and spent over LE 10 million 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 as well as 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. Over 30 government and private universities participated in 2014 competition, where each team presented the results of development projects implemented throughout the 2013-2014 academic year. The projects were evaluated by a jury made up of a prestigious group of business leaders in Egypt.

In February 2015, Helwan Cement Company (HCC) and the Association for the Development and Enhancement of Women (ADEW) celebrated the reopening of Kafr El Elw Primary School, renovated through the "Madrasti" (My School) project financed by Helwan Cement. The program improves educational conditions through the development of school infrastructure to create a healthy environment for youth. A ceremony was held at the school premises where attendees got a chance to see the positive change brought about by the extensive renovations. In addition to renovations, the contribution from HCC provided scholarships for 500 students, covering tuition fees, books, uniforms, bags, shoes, etc.

Similarly, SCGC signed a partnership agreement with Takatof Association for Development to renovate and upgrade Omar Ibn El Khattab Preparatory School for boys in Kafr Selim, Suez Governorate. The development project, worth LE 2 million, seeks to provide students and teachers with a modern learning environment that is conducive to academic success. The funds will be used to finance renovations and upgrades slated for completion in 2015. Likewise, SCGC partnered with CARE Egypt to upgrade five primary and secondary schools in Minya Governorate. The project "*Improving Learning Environment through Community Engagement*" seeks to raise awareness among school staff, teachers and students about the importance of preserving and sustaining educational infrastructure and resources.

SCGC's long-lasting partnership with the Don Bosco Institute started in 2006. Last year, SCGC contributed LE 1 million. The objective of the program is to promote technical and vocational education, upgrade Don Bosco's infrastructure and facilities and develop 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. The funds for the academic year 2014/2015 will cover school fees for 48 students in need and upgrade the centre by reinforcing the external wall, providing an electric generator and sponsoring a Youth Centre catering to recreational, educational and social activities for young people in the neighborhood.

In November 2014, SCGC sponsored the International Conference on “*Responsive Urbanism in Informal Areas*” organized by the Department of Architecture at the Faculty of Engineering - Cairo University (CUFE) in partnership with the Ministry of Urban Renewal and Informal Settlements and UN-Habitat, under the auspices of the Prime Minister. The conference’s goal was to explore effective ways to revamp informal settlements through the use of innovative solutions, new building materials, renewable resources, etc. The conference was also an occasion to raise awareness about the “arcVision Prize Egypt – Women and Architecture Award”, which Italcementi and SCGC launched in 2013 in conjunction with the Society of Egyptian Architects. The national contest recognizes the talent and creativity of female Egyptian architects. Nominees displayed outstanding design excellence and attention to key issues in architecture: technology, sustainability and social and cultural implications. Jenan Azmy was named the 2014 arcVision prize – Egypt winner for her projects that supported the socio-economic development of Egypt as well as improved the quality of life for community members while respecting the environment.

Finally, SCGC was one of the main sponsors of the Revival of the Egyptian Museum Initiative launched on December 15, 2014 in the presence of Eng. Ibrahim Mahlab, the Prime Minister of Egypt, Prof. Dr. Mamdouh Eldamaty, the Minister of Antiquities, and Prof. Dr. Galal Said, the Governor of Cairo. The Revival of the Egyptian Museum Initiative is collaboration between the private and public sector, cultural institutions, experts and volunteers. SCGC sponsored rehabilitation works in the East Wing of the Tutankhamun Gallery.

In recognition of its strong commitment to sustainable development, SCGC's CSR program was recognized as one of the top 10 in Egypt by the Egyptian Federation of Egyptian Industries (FEI).

### **Environmental protection**

SCGC dedicates a substantial part of its industrial investment in a company-wide, comprehensive environmental policy. Environmental protection, compliance with high standards, prevention of potential negative environmental impacts and continuous improvement of performance are some of the company's main targets.

The cement industry globally and Suez Cement in particular are aware of their responsibilities in the global contribution to **climate protection**. Cement operations are energy and carbon intensive but also provide efficient solutions to build public and private infrastructures and energy efficient housing, playing a key role in humanity's adaptation to unavoidable climate challenges.

The CO<sub>2</sub> emission factor gives a measure of SCGC's efforts to reduce its footprint. In 2014, the emission factor was 670 kg CO<sub>2</sub> per ton of cementitious products, improving from prior years (760 kg/t in 2010). The transition to a new energy mix including solid fuels (coal and pet coke) will have a slightly negative impact on carbon emissions, on the other hand heavily mitigated by the increased use of alternative fuels and biomass and the development of cement types 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 improve performance. In this respect, SCGC has also invested heavily in **renewable energy** efforts through energy subsidiary Italgem.

In 2007, Italgem began developing the framework for a wind power project in Egypt. The initiative branded the firm as an industry pioneer since Italgem was the first private investor to attain government approval to generate and sell renewable energy in the country. The wind farm is being built at a site in Gulf El Zeit, just north of Hurghada. The initiative is part of SCGC and Italcementi Group's efforts to boost the percentage of renewable, clean energy their operations use every day. This is in addition to SCGC's long-term plans to reduce fuel consumption via improved production-line capacity and the replacement of conventional fuels, ie natural gas and mazut, with alternative fuels such as refuse-derived fuels and biomass. Italgem has allocated more than €130 million for the first phase of the development slated to produce 120 MW of power when complete – enough energy to cover 40% of SCGC's power needs. It will also reduce the company's CO<sub>2</sub> emissions. Subsequent phases are set to boost power generation to 400 MW. In 2014 Italgem began the construction phase and is confident the project will come online in 2016.

Additional contribution to CO<sub>2</sub> footprint, and to environmental performance at large, comes from strategic decisions such as the one taken in 2014 to shut down the Tourah Plant 1, using the closure as an opportunity to invest in new and more efficient facilities at Tourah Plant 2. These efforts will meet and exceed international benchmarks in terms of environmental performance and energy mix standards. The project to revamp Tourah 2 will involve alternative energy sources to help SCGC cope with Egypt's fuel shortages. The infrastructure development project at Tourah 2 will be implemented with no ill effect on SCGC's overall licensed production capacity, nor will it adversely impact Tourah employees, who will be posted at other SCGC facilities or plants to ensure they are able to support their families and further their careers as the company moves forward.

All plants regularly monitor and report their CO<sub>2</sub> emissions using a data reporting system in line with the WBCSD/CSI protocol for CO<sub>2</sub> inventorying. The data are used to track performance against KPIs and set internal reduction targets. The firm has been monitoring and reporting carbon dioxide emissions since 2006, following the adoption of the WBCSD/CSI CO<sub>2</sub> Protocol Version 3 (the most advanced) for the cement industry.

SCGC has been often recognized by the Ministry of State for Environmental Affairs for our comprehensive environmental management and performance programs. With the aim to improve its **air emissions**, in 2014 the Company launched new state-of-the-art filtration system at our plants, converting raw mill electrostatic precipitators to bag filters. In line with Italcementi Group standard, the newly installed filtering units are designed to reduce dust emissions levels down to 10



mg/Nm<sup>3</sup>, which is well below Egyptian and European standards. The new filters started operation at Helwan plant in July, Kattameya plant in October, Suez plant in November and Minya plant in December. In Suez plant, also the gravel bed filter on clinker cooler has been replaced.

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, even beyond the Cement Sustainability Initiative (CSI) recommendations.

In any case, 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 environmental procedures and operational instructions 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 and manage adverse environmental impacts, regular consultations and information sessions are held with local stakeholders. A Compliance Action Plan was launched in 2012, with several key goals being achieved in 2014. Another two initiatives are set to be completed by 2016. The plan is worth approximately LE 530 million.

Responsible raw material sourcing and proper **quarry management** is a key element of environmental awareness. 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.

In addition, SCGC, in partnership with Ain Shams University in Cairo and the Architecture and Environment Department of Italcementi Group Technical Centre (CTG), is currently overseeing a pioneering pilot research study to monitor **biodiversity** in the Helwan Limestone Quarry. It is the first time in Egypt that a cement company has implemented this type of project. Launched in 2013, the study measures biodiversity levels within the quarry according to a number of indices utilizing sampling methodologies accepted by the scientific community. The

project team will conduct measurements over a period of 2-3 years on a seasonal basis. The aim is to show that a cement plant quarry can host the same or higher levels of biodiversity compared to surrounding areas as long as proper rehabilitation practices are carried out using proven approaches like the ones SCGC has chosen to put in place.

### **United Nations Global Compact: Communication on Progress (COP)**

#### **Human Rights**

<b>UNGC PRINCIPLES</b>	<b>SPHERE OF BUSINESS INFLUENCE</b>	<b>SOURCES OF CORPORATE GOVERNANCE</b>	<b>ACTIONS LAUNCHED</b>	<b>GRI INDICATORS CORRESPONDENCE</b>	<b>CONTRIBUTION TO THE MILLENNIUM DEVELOPMENT GOALS</b>
<b>Principle 1</b> 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
<b>Principle 2</b> 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
<b>LABOUR</b>					
<b>Principle 3</b> 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 Framework 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



<b>Principle 4</b> 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
<b>Principle 5</b> 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
<b>Principle 6</b> 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
<b>Environment</b>					
<b>Principle 7</b> 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
<b>Principle 8</b> 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

<b>Principle 9</b> 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
<b>Anti-Corruption</b>					
<b>Principle 10</b> 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