



السويس للأسمنت
Suez Cement
Italcementi Group

United Nations Global Compact:

Communication on Progress (COP) 2015

United Nations Global Compact: Communication on Progress (COP)

Suez Cement Group of Companies (SCGC), comprised of Suez Cement, Tourah Cement and Helwan Cement, is a subsidiary of Italcementi Group and 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.

SCGC's Communication on Progress (COP) update contains all consolidated and quantified references to the numerous initiatives launched by SCC and its affiliates to further support the aims of the Global Compact Principles and Millennium Development Goals. Furthermore, Global Compact Principles inspire Italcementi Group Codes and Policies that we endorse locally.

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.

The firm is 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 while adopting the highest 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, and 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 continuing to address technical and organizational projects and individual behavior.

As part of the new equipment roadmap, SCGC requested five new parts/equipment elevators at the Helwan and Suez Plants. The elevators were successfully installed at the Suez Plant, while Helwan's elevators will be installed in 2016 once the necessary parts are delivered. The elevators are designed to reduce worker risk by eliminating the need to use cranes to maneuver heavy machinery and parts. The risk of falling from height was also mitigated at each plant through the construction of handrail protection at all our cement bag loading operations.

To become one of the safest companies in our industry, SCGC sought to reduce the frequency rate of workplace accidents. In 2015, 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 1.1 lower than ever in the company's history since 2007, that is a sharp reduction of 59% versus 2014 results and can be associated with a generalized inspection program involving all managers and supervisors. Additionally, the severity rate of recorded injuries was 0.11, while the number of days lost without commuting was 708. The Total Recordable Injury Rate (TRIR), including Lost Time Injuries, Restricted Work Duty and Medical Treatment, was 2.1 (lowest value ever achieved for TRIR since 2008) with a reduction of 58% compared to 2014. In addition, Egypt has outstanding performance in near-misses reporting, a key elements to anticipate potential events and assess risks in advance. To celebrate these unprecedented results 40 best performing employees were awarded during the last Country Safety Meeting, January 2016.

Safety awareness programs, inspections and training hours have contributed largely in increasing the safety culture over the plants. In collaboration with the Safety Department, the Development and Training (D&T) Department hosted 9,584 training hours related to safety and security. Throughout 2015, the company conducted more than 41,000 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.

Every year, SCGC actively promotes the **UN World Day for Safety and Health at Work** as an occasion to increase safety awareness to all employees and build always more a culture of prevention and risks management. 2015's theme was the "risk hunting for unsafe conditions". Employees were invited to participate and were given a game poster representing a work topic covering all group activities which included a defined number of risks to be detected. Safety Department received 1652 answer papers and 83 participants were awarded. It is worth mentioning that a good percentage of the people who participated were non technical employees (HR, training, financial and office boys). The participation and commitment to safety at all levels helps inspiring and reminding that each employee plays an important role in promoting safe behavior in everyday activities. For this reason, in addition to the risk hunting game, SCGC top Management required safety inspections by the Plant Managers and their Deputies in each plant. Reports were sent to Managing Director who reviewed and sent them back for corrective actions.

As stated by the Charter of Values and the Sustainability Policy, the company is committed to protecting individuals through valuing diversity and cultural identity. 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.

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 and

Italcementi Group's Procurement Handbook. Of the 106 active suppliers performing operations which involve manpower on site, 90 suppliers (85%) had completed their human rights and quality qualification compliance projects under SCGC's ongoing vendor qualification program, which launched in 2012. All suppliers must provide supporting evidence that their employees are treated fairly and are trained properly so as to maintain a safe working environment. This includes protection and rights mandated in labor contracts, access to social insurance, safe work facilities and the provision of meals and transportation. 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 2015, SCGC again made education and health key priorities and spent € 2,130,600 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. SCGC hopes to build a better future for generations to come in co-operation with local NGOs, United Nations agencies, schools, hospitals and universities. It is therefore no surprise that the Company's CSR program was recognized as one of the Top 10 in Egypt by the Federation of Egyptian Industries (FEI).

One of the most successful projects 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 2015 competition, where each team presented the results of development projects implemented throughout the 2014-2015 academic year. The projects were evaluated by a jury made up of a prestigious group of business leaders in Egypt who ranked them on how successful they were at using business concepts to improve the quality of life and standard of living for those in need and the most impact creating economic opportunities for others. The winners of the national competition were then invited to compete at the prestigious Enactus World Cup that took place in South Africa and involved students from 39 other countries.

As part of the partnership with Misr El Kheir Foundation to revamp the Emergency Room in Helwan Public Hospital and improve health infrastructure in the governorate, the Company revitalized the hospital's infrastructure, paid for new equipment and improved staff morale.

In February 2015 SCGC helped inaugurate the Omar Ibn El-Khattab Preparatory School for Boys in Kafr Selim, an impoverished district of Suez Governorate and Kafr El Elw Primary School in Helwan. In Suez, in cooperation with the Takatof Association for Development, the school was completely upgraded and refurbished and more than 800 pupils, including children with special needs, now enjoy brighter, warmer classrooms thanks to this initiative. The project's activities included training courses for the school's 61 teachers, administrative staff and parents. In addition, the partnership resulted in another agreement to implement a school program against violence that aims to put an end to classroom violence and improve education on top of hiring necessary cleaning and security staff. On the other side, Helwan Cement Company (HCC) and the Association for the Development and Enhancement of Women (ADEW) renovated the primary school through the "Madrasti" (My School) project. 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. The contribution from HCC provided also scholarships for 500 students, covering tuition fees, books, uniforms, bags, shoes, etc.

Likewise, SCGC partnered with CARE Egypt to upgrade throughout 2015 three 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 Technical Institute started in 2006. Last year, the Company continued to fund the Institute with a contribution of € 25,000. 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 over 80 students to date (20 in 2015) and provided on-site training to more than 170 others as well as summer internship opportunities.

As part of its comprehensive Corporate Social Responsibility (CSR) Program Suez Cement committed LE 30 million over three years to the Long Live Egypt Fund. In March 2015, the Company's top management handed a cheque to Prime Minister, H.E. Ibrahim Mehleb, during a function at Prime Minister's office. Similarly, under the auspices of the Ministry of Trade and Industry, Suez Cement has sponsored the Egyptian Pavilion at the Italian Expo Milano with a donation worth LE 300,000.

Finally, the Company has always participated in charity activities during the holy month of Ramadan and Eid al Adha (Feast of Sacrifice) by distributing food and supplies to impoverished families living in Maasara, Kafr El Elw and El-Minya.

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 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 2015, SCGC moved forward with the implementation of its company-wide action plans to improve internal efficiencies and modify its energy mix, with two plants now fully converted to coal and alternative fuels from waste, Katameya and Suez. Both plants increased production 44% and reduced their costs 16%. More than 750 million EGP investments are planned to support the future conversion of the Helwan and Tourah plants in the next couple of years with the same expected benefits as the one already obtained in Suez and Katameya. The level of the carbon emissions factor in 2015 was 718 kg CO₂ per ton of cementitious products which we intend to mitigate with the increased usage of waste and the development of cement qualities with lower carbon intensity. In parallel, investments to reduce air emissions are implemented which leverage on the best internationally available technologies, most notably bag house dust filters.

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. Efforts to minimize the carbon footprint of our activities were sustained with a particular focus on the clinker to cement ratio, energy efficiency and utilization of biomass waste. The switch from fuel oil and gas to coal is bringing an additional challenge which will be addressed over the next years.

SCGC has also invested heavily in **renewable energy** efforts through the 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 CO₂ emissions. Subsequent phases are set to boost power generation to 400 MW.

All plants regularly monitor and report their CO₂ 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. The firm has been monitoring and reporting carbon dioxide emissions since 2006, following the adoption of the WBCSD/CSI CO₂ 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**, already 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 20 mg/Nm³, which is well below Egyptian and European standards. In order to fully comply with Italcementi standards for the air emissions (concerning dust) the company has to convert the rest of the electrostatic precipitators (bypass/cooler) to bag house.

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, launched in 2012, with several key goals achieved in 2014, has other two initiatives to be completed by 2016 (Suez line 2 project conversion filters and Kattameya plant cooler). 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's Zoology Department in Cairo and the Architecture and Environment Department of Italcementi Group Technical Centre (CTG) have implemented a **biodiversity plan** (one of the first reports of its kind in Egypt), at the Helwan Limestone Quarry, the largest SCGC quarry. The program's aim is to analyze and monitor biodiversity levels at the quarry in comparison with surrounding areas. The partnership, renewed for another two years, gives the opportunity to better understand the ecosystems and environmental changes, as well as protecting and restoring the habitat and related living species, while taking into consideration the requirements of mineral and raw material extraction. 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 conducts measurements over a period of 2-3 years on a seasonal basis. The ultimate scope 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

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 Air Emissions reduction Alternative fuels Quarry and biodiversity management	EN11, EN18, EN21, 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