

# Communication on Progress 2015



COMMUNICATION ON  
PROGRESS

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

We welcome feedback on its contents.



Kerneos Acts as a  
Responsible Enterprise



June 2016



**Jean-Marc Bianchi,**  
Chief Executive Officer

## **DECLARATION OF SUPPORT FROM THE CEO AND PRESIDENT OF KERNEOS**

I am pleased to confirm that Kerneos reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption.

Aware of its corporate and environmental responsibilities, Kerneos has pursued, for a number of years the integration of these universal principles into its strategy, culture and daily operations. Kerneos wants to demonstrate this with a public commitment by joining the United Nations Global Compact.

The commitment by the management at Kerneos is conveyed through the adoption of a Code of Conduct, and the formalization and launch of a Sustainable Development Policy, based around six areas of action and establishing a five-year progress plan and targets.

In 2015, Kerneos gathered policies for its Corporate Social Responsibilities (CSR) under one program, in order to bring coherence to its approach. Kerneos calls this program KARE: Kerneos Acts as a Responsible Enterprise. Accordingly, the KARE Program includes not only the six axes of the Sustainable Development Policy but also initiatives from the following fields:

- Respect for human rights
- Respect for ethical business
- Responsible purchases
- Human resource management
- Health, Safety and Environment
- Community roots and support for local charities

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to sharing this information with our stakeholders using our primary channels of communication.

Sincerely yours.

Jean-Marc Bianchi,  
Chief Executive Officer

Kerneos, the expert in calcium aluminates technologies, offers a varied range of high-tech calcium aluminates binders with the brand names: **CIMENT FONDU®**, **SECAR®**, **TERNAL®**, **PERAMIN®**, **ALAG®**, **CALCOAT®**, **SEWPERCOAT®**, **FONDAG®**, **LDSF®** et **OPTIMET®**.

These products, with numerous properties, are designed for applications within refractory, building chemistry, technical concrete, mining, pipes, wastewater, and metallurgical flux applications.

In combination with other specialist mineral and organic products, including Peramin® polymer powders, Kerneos' product ranges offer innovative solutions and guarantee improved performances. Kerneos aims to act as a partner for its customers, thereby opening up new areas of application, with the aim of meeting the needs of its markets.

Kerneos has around twenty subsidiaries worldwide and its products are sold in more than one hundred countries.

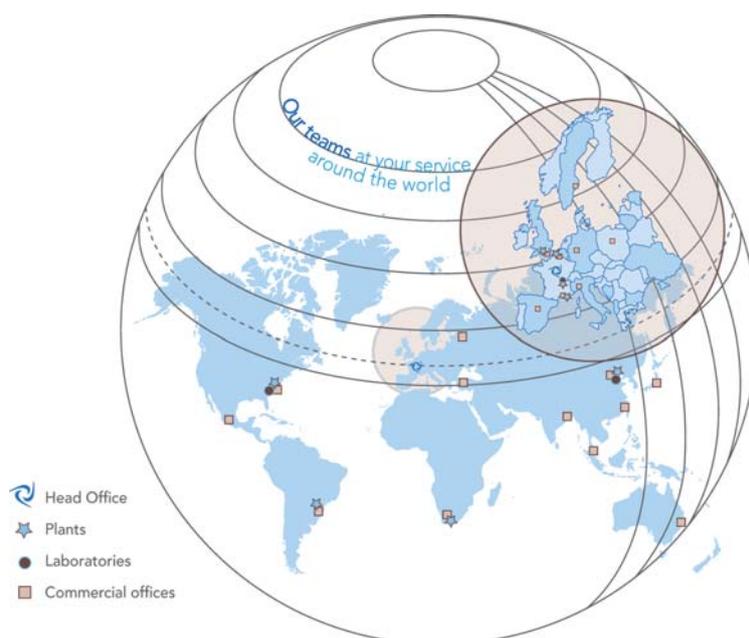
In 2015, Kerneos generated a turnover of 417 million euros and currently employs 1,532 people around the world.

**Since March 2014, Kerneos is controlled by Astorg Partners, a French fund private equity.** Astorg invests in high-potential industrial and service companies, which are backed by management teams combining operational success with an entrepreneurial drive.

## WORLDWIDE NETWORK - LOCAL PRESENCE

In the context of globalization of the construction industry, having suppliers with a truly global activity is critical. Kerneos is a genuine and reliable partner offering local presence, global product availability and a local understanding of customers' requirements and evolution. Kerneos provides:

- Local commercial network covering **more than 100 countries** ready to serve customers
- Marketing and technical experts able to support partners developments and anticipate market needs
- Industrial network of **10 plants worldwide**, all operating under ISO 9001
- **2** central research centers (France, China).
- **1** regional development laboratory (North America)
- **4** application laboratories (Brazil, India, South Africa and Russia)



# 1 KERNEOS SUSTAINABLE DEVELOPMENT POLICY

## POLICY

Aware of its corporate and environmental responsibilities, Kerneos has pursued, for many years, the integration of sustainable development principles into its strategy, culture and daily operations.

The Kerneos Sustainable Development Policy, established to respond to the concerns of its principal stakeholders, revolves around six ambitions, that is, six fields of excellence for which Kerneos intends to progressively improve. The policy is comprised of several commitments that represent tangible

actions. The effectiveness of these actions is evaluated every year with performance indicators with a target established for the next five years.

A centralized team is dedicated to the coordination of all sustainable development actions and the progress of those actions is monitored at the Executive Committee level of the company (a progress review of our performance scorecard is performed every quarter by the Executive Committee).

## 2015 ACTIONS

2015 was a crucial moment for the buy in of this Sustainable Development policy for all of the Kerneos teams worldwide, thanks to a number of training and information initiatives.

A pamphlet on our Sustainable Development Policy was distributed in 2015 to all Kerneos managers so that they could

relay Kerneos' commitments to their teams and explain to them the action plans and monitoring indicators being set up.

In 2015, 80% of managers attended the online training seminar that was prepared by our Sustainable Development Management.

## 2016 ACTIONS

Preparation of a Sustainable Development Report.

## INDICATOR

▶ % of employees trained

Roll out of Sustainable Development Policy

80% of managers

# KERNEOS SUSTAINABLE DEVELOPMENT POLICY

## The 6 key objectives of our policy

Kerneos is committed to a progressive approach built around 6 concrete actions and performance indicator tracking.



Maintain the **diversity of skills** to **ensure innovation**



View **safety and quality** as being at the heart of our **corporate culture**



Guarantee the **sustainable supply of our products** through a wider use of raw materials and **improved energy efficiency**



**Listen to our clients** and understand their **Sustainable Development issues**



Offer our clients a **range of eco-responsible transport**



Integrate **Eco-design** into our **R&D programs** to better serve our clients



Kerneos Acts as a Responsible Enterprise

## 2 PRINCIPLES REGARDING HUMAN RIGHTS

### POLICY

#### Promotion and respect for international human rights law

Kerneos is committed to implementing the laws, conventions and regulations in force in the countries in which it operates. Kerneos adheres to the principles of the 1948 Universal Declaration of Human Rights and avoids any action violating human rights.

Respecting human rights appears among the fundamental principles reaffirmed by the Kerneos Code of Conduct.

#### Avoiding complicity in human rights violations

With a presence in almost 20 countries, Kerneos ensures that the fundamental principles of human rights are strictly implemented in all its subsidiaries by means of regular visits conducted by Executive Management Committee members.

Furthermore, Kerneos acknowledges its indirect responsibility further up the supply chain; therefore, a special section on human rights and working conditions has been included in the Suppliers and Subcontractors Charter.

### 2015 ACTIONS

#### ► Adoption of a Code of Conduct

This code, prepared in 2015, has been distributed to all managers to ensure its promotion. It is available in three languages (French, English and Chinese) to ensure global coverage.

#### ► Appointment of a Compliance Officer

A Compliance Officer was appointed within the organization in order to ensure consistent compliance with the Code of Conduct by the entire Kerneos Group. Further tasks include analyzing potential conflicts of interests, encouraging employees to come forward in the case of doubts regarding

the compliance of a situation with the Code of Conduct, ensuring that employees know where to obtain help and advice when faced with ethical issues in their job, and assisting managers in the reporting of situations that do not conform to the Code of Conduct. The Compliance Officer is answerable to the Group President.

► **Formulation and roll out to Kerneos suppliers** and subcontractors of the Suppliers and Subcontractors Charter in 2015 by the Kerneos Purchasing teams.

## 2016 ACTIONS

- ▶ **Creation of an e-learning module** for raising employee awareness on issues and the module's roll out to employees.
- ▶ **Training purchasers** in assessing a supplier using CSR criteria.

## INDICATORS

▶ % of employees trained

**Code of Conduct launch**

▶ Number of suppliers and subcontractors

**Supplier Charter signature**

Available in **2016**



## Suppliers and Subcontractors Charter

A charter was defined in 2015 with the aim of promoting the rules in our own code of conduct among our partners and suppliers.

The commitments presented in that charter are underpinned by the observance of local regulations on labor, safety and the environment as well as by fundamental international texts such as the Universal Declaration of Human Rights, the ILO Declaration of Fundamental Principles and Rights at Work, the OECD Anti-Bribery Convention, and the ILO's Fundamental Conventions.

Through the charter, Kerneos attempts to encourage its suppliers to develop proactive initiatives and move beyond merely sufficient compliance with sustainable development regulations.

# 3 PRINCIPLES REGARDING WORKING CONDITIONS

## POLICY

### Respect for the freedom of association and recognition of the right to collective bargaining

Kerneos places particular attention to the respect of the freedom of association and recognizing the right to collective bargaining. The Group guarantees all rights, stipulated under the law of the country in which it operates, to the bodies representing the staff.

Within this context, Kerneos organizes and facilitates social dialog within the group by prioritizing social dialog at the local level in order to allow the social partners to control all its aspects and take into account the legal provisions of the country.

Notably in France, all discussions between the local or general management and the staff representatives take place at this level. In France, all staff are represented by the elected bodies; in 2015, each of the five site works councils met within the deadlines, and the Central Works Council met three times.

The joint discussions allowed a certain number of agreements to be signed which have improved the working conditions and welfare benefits of the employees

### “ Extract from the Kerneos Code of Conduct:

Kerneos respects its employees' right of association and their right to representation. As an employer, Kerneos is committed to building positive relationships that protect the interests of each party and that foster dialog and the sharing of information. ”

### Employee health and safety

Health and safety are fundamental values that are taken into consideration in all aspects of our business throughout the world. Our Health and Safety Policy defines the values, principles and objectives of Kerneos, along with the methods to implement them.

The ProSafe Program, adopted within all Kerneos companies, has the goal of reinforcing our safety culture and pushing Kerneos to higher global standards in order for it to achieve the target of zero accidents among all our employees and subcontractors.

### Employee development

Through its Human Resources Policy, Kerneos fosters its employees' training and development, and provides fair and motivational salaries as well as working conditions that respect the regulations on working time.

As part of its Sustainable Development Policy, Kerneos wishes to highlight the essential nature of maintaining diversity in skills as a guarantee for innovation. Therefore, Kerneos has set the objective of spending 1.1% of its entire payroll on training. This very important investment clearly reflects Kerneos' ambition to continue the development of all its employees' skills.

## 2015 ACTIONS

### ▶ Collective bargaining

Negotiation of a wage agreement and renegotiation of an investment agreement in France.

### ▶ Employee development

Introduction of various training courses, developed internally and notably allowing employees of all countries to benefit from the same training course and develop their skills together in order to improve synergy and reinforce inter-departmental cooperation, e.g. production campus sessions implemented for production staff.

### ▶ Health & safety

After an assessment of our corporate safety culture in 2013, assisted by the tools and expertise of DuPont, Kerneos established Group-wide action plans and launched 26 groups all led by a member of the Steering Committee. The safety organization was strengthened in 2014 and 2015 through the recruitment of safety professionals at all Kerneos industrial sites.



## 2016 ACTIONS

### ▶ Collective bargaining

Election of staff representatives in France in 2016 and opening of five new negotiations with the social partners.

### ▶ Employee development

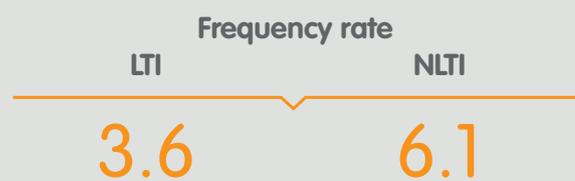
Launch of a "Management Campus" module for managers (within France) and opening of negotiations on the overhaul of the career paths and skills development for factory staff in France.

### ▶ Health & safety

Roll out of standards, such as operational discipline, management standards and inspections.

## INDICATORS

### ▶ Health & safety



### ▶ Employee development



# 4 PRINCIPLES REGARDING ENVIRONMENTAL PROTECTION

## POLICY

Whilst certain Kerneos sites already had their own environmental policy, in 2015, Kerneos wished to formalize a shared environmental policy for all of its entities, aiming to reduce its activities' impact on the environment.

Besides the obligation to observe applicable regulations, it centers on 4 main domains which are:

- Energy efficiency and combating climate change
- Conservation of natural resources and recycling
- Control of airborne emissions
- Analyses of product life-cycles

## 2015 ACTIONS

### ► Environmental performance of our industrial facilities

Yearly monitoring of performance indicators was implemented and the quantitative targets were established for limiting our CO<sub>2</sub> emissions and energy consumption per ton of manufactured product.

Furthermore, concrete steps for reducing our atmospheric emissions were undertaken in 2015. Thanks to the new bagfilter installed in the industrial plant at Fos-sur-Mer (France), dust emissions from chimney have been significantly reduced, far below the current threshold of 30 mg/Nm<sup>3</sup> imposed by regulations that we were already in compliance with.

### ► Environmental performance of products

For many years, Kerneos has been equipped with specialized tools and has had internal expertise for the evaluation of the environmental impacts of its product range according to the Life-Cycle Assessments (ISO 14040 and 14044).

In 2015, Kerneos published two papers on the optimization of the environmental footprint of calcium aluminates during the 14<sup>th</sup> conference of the International Congress on the Chemistry of Cement and the 14<sup>th</sup> conference of the Unified International Technical Conference of Refractories held in September 2015 in Vienna.

Thanks to those assessment tools, Kerneos delineated eco-design criteria for the development of its new products. One such example is the new "eco-design" packaging developed in 2015 for Ciment Fondu®, historical flagship product of Kerneos and sold to traders, which is presented in the example box below.

## 2016 ACTIONS

Following the entry into force of new environmental standards in China over the course of 2015, investments initiated in 2015 will be completed in 2016 which will effectively reduce emissions of dust, sulfur oxides and nitrogen oxides.

## INDICATORS

	Indicator (ratios per ton of product)	2013 amount = base 100	2015 amount
Environmental performance (industrial)	Energy consumption	100	98
	CO2 emissions	100	93
	Emissions of nitrogen oxides	100	61
	Emissions of sulfur oxides	100	81

▶ Environmental certification  
No. of ISO 14001-certified sites

3 out of 12

### An example of a tangible action implemented in 2015: the eco-design of new packaging for Ciment Fondu®, the historical flagship product of Kerneos, sold to traders

The packaging is an integral part of the product's presentation and the sustainable development performance of a product cannot be mentioned without due consideration to its packaging which assumes a key function before, during and after use of the product.

A detailed life-cycle assessment provided alternative solutions and allowed the company to choose, with its suppliers, the option representing the smallest environmental footprint, while guaranteeing the best storage conditions for the product and fulfilling user demands (waste reduction, better handling). This study, which conformed to the ISO 14040 standard on life-cycle assessments, was subject to an external review.

#### ▶ BENEFITS

- **Economic:** long-term preservation and a reduction of cement loss (easy opening/closing system)
- **Health & Safety:** adding a handle which facilitates transport
- **Environment:** reduced carbon footprint

Additional functionalities with LESS IMPACT  
Positive feedback from customers!



# 5

## RESPECT FOR BUSINESS ETHICS AND COUNTERING CORRUPTION

### POLICY

#### Acting against corruption in all its forms, including extortion and bribery

The Kerneos Group's Code of Conduct (see text box opposite) recalls the applicable rules for the following areas:

- Rejection of all forms of corruption
- Respect for anti-trust rules
- Management of potential conflicts of interests

- Confidentiality and observance of intellectual property rights

And, on a more general basis, transparent, fair, honest and law-abiding relationships with trade partners.



#### Extract from the Code of Conduct:

Kerneos will not accept any form of corruption, in accordance with the OECD Anti-Bribery Convention and with the current laws in the relevant country. Regardless of the country, our employees must not, under any circumstances, respond to solicitations or offer, directly or via an intermediary, any financial or other type of benefit, to a public agent or to a private individual, for the purpose of ensuring preferential treatment or influencing the outcome of negotiations to benefit Kerneos.

### 2015 ACTIONS

#### ► Adoption of a Code of Conduct

This Code, formulated in 2015, has been distributed to all employees of the Group and it is also contained in the introductory pack for all new employees.

### 2016 ACTIONS

► **Creation of a training** module dedicated to corruption and anti-trust problems. It will be rolled out to all Group staff who are potentially exposed to these issues.



## Our Code of Conduct, values and rules, guiding our actions

As a means of supporting all company policies, the Code of Conduct is a document designed to govern the behavior of all employees in all places and circumstances, regardless of their duties or positions, on the ethical issues that they encounter in the course of their work.

- It reaffirms the three ethical principles that are fundamental to Kerneos, which are respect for men and women, protection of people and the environment, and financial transparency.
- It formalizes the commitments of Kerneos to its internal and external stakeholders and the fundamental ethical principles that should guide everyone's behavior and actions
- It implements a procedure for drawing attention to risk situations and for managing violations

Observance of the Code of Conduct is compulsory.



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