

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 HeidelbergCement and is the largest cement producer in Egypt. SCGC is proud to say it has directly upheld the United Nations Global Compact since 2013.

SCGC's Communication on Progress (COP) update contains all consolidated and quantified references to the numerous initiatives launched by SCGC and its affiliates 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 that 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. Our biggest challenge is promoting industrial development and economic performance while adopting the highest standards of business integrity, social responsibility and environmental protection to improve the quality of life of wide Egyptian community through dedicated development initiatives in line with HeidelbergCement's sustainable development strategies.

BUSINESS INTEGRITY

SCGC follows HeidelbergCement'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 and 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. The Annual Risk Assessment, which launched in 2014, 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 Program has been put in place that also addresses health, safety and environmental protection in addition to antitrust, 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 by five levels. Corrective action plans are discussed with all involved departments.

In 2014, the Company outlined guidelines of the internal **whistleblowing** system to ensure 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 an 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 program 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 that promote a safe and health-conscious work culture continuing to address technical/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 and Helwan Plant. 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 platforms.

To become one of the safest companies in the cement industry, SCGC increased efforts to reduce the frequency of workplace accidents. In 2016, SCGC's Lost Time Injury (LTI) frequency rate for employees and temporary workers – the number of accidents that resulted in lost time per million hours worked – was 1.1. Additionally, the severity rate of recorded injuries was 0.06, while the number of days lost without commuting totaled 336 days. The Total Recordable Injury Rate (TRIR) was 3.3 including Fatalities, Lost Time Injuries, Restricted Work Duty and Medical Treatment.

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 3,417 training hours related to safety and security. Throughout 2016, the Company conducted 40,072 safety orientation and safety training hours for employees and contractors on topics such as 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.

Road safety was a major priority in 2016. In this vein, SCGC hosted a safety campaign for the public on the Sokhna Road. Company representatives distributed “Mastering Safe Driving” flyers and analyzed unsafe behavior on the roads. They also gave drivers safety tips from the Egyptian Road Authority.

Furthermore, SCGC initiated a program to visit schools near its plants to raise awareness of road safety for children ages nine and above. Company employees also played a game with the students called Safe Road, which was developed by SCGC. The game’s aim is to teach young people basic safety precautions.

Finally, SCGC equipped the majority of Company vehicles and cement trucks with state-of-the-art navigation systems and created mandatory programming to train staff members on how to safely operate their vehicles.

The Safety Pre-Audit Program was another SCGC project that focused on occupational safety and health. The program was conducted by the Safety Team and plant representatives at all SCGC facilities and included technical and non-technical departments. Topics spanned preventing unsafe quarry till packing conditions, safety practices on the job and employees leading by example as safety team leaders.

In addition, SCGC’s Safety Country Committee met every two months. The meetings are led by SCGC’s CEO and involve two hours of discussion about safety inspections, incident reports and action plans to correct unsafe behaviours/conditions.

The Company is committed to protecting individuals through valuing diversity and cultural identity.

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 Company’s Procurement Handbook. All suppliers must provide supporting evidence that their employees are treated fairly and are trained properly so as to maintain a safe working environment under the Supplier Qualification Program, which began in 2012. 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 2016, SCGC again made education and health key priorities and spent more than LE 15 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. SCGC hopes to build a better future for generations to come in co-operation with local NGOs, United Nations agencies, schools, hospitals and universities. In fact, the Company's CSR program was recognized as one of the Top 10 in Egypt by the Federation of Egyptian Industries (FEI).

In February 2016, SCGC unveiled the rehabilitated Emergency Room at Helwan Public Hospital. The project, in partnership with Misr El Kheir Foundation, aimed to improve health infrastructure in the governorate, provide the hospital with new equipment and boost staff morale.

In 2016, SCGC continued to support the Omar Ibn El-Khattab Preparatory School for Boys in Kafr Selim, an impoverished district of Suez Governorate. In cooperation with the Takatof Association for Development, the Company financed training activities for 61 teachers, administrative staff and parents.

In addition, SCGC financed a school program to put an end to classroom violence and improve education on top of hiring necessary cleaning and security staff. Helwan Cement Company (HCC) and the Association for the Development and Enhancement of Women (ADEW) also renovated two primary schools in Tourah and Kafr El Elw governorates. The program improves educational conditions through the development of school infrastructure to create healthy environments for youth.

In 2016, the Company gave its annual contribution of LE 300,000 to the Don Bosco Technical Institute. The objective of the sponsorship program is to promote technical and vocational education for Egyptian youth, upgrade Don Bosco's infrastructure/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 50 students to date 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 donated LE 10 million to the Long Live Egypt Fund. The contribution will go to Egypt's national campaign to end Hepatitis C.

Finally, the Company 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 governorates.

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 2016, 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 and reduced overhead costs. Investments worth more than 750 million EGP are planned to support the future conversion of the Helwan and Tourah plants in the next few years. Carbon emission totaled **729 kg/ton** CO₂ per ton of cementitious products in 2016, which we intend to mitigate with increased usage of waste and the development of cement qualities with lower carbon intensity. In parallel, investments to reduce air emissions are implemented that leverage the best internationally available technologies, most notably bag house dust filters.

In addition, 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.

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**, the Company launched new state-of-the-art filtration systems at our plants, converting raw mill electrostatic precipitators to bag filters. 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 with international standards for air emissions (concerning dust), SCGC is set to convert the remaining electrostatic precipitators (bypass/cooler) to bag house filters.

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.

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, has 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.

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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					
Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to	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

collective bargaining					
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					
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	EN11, EN18, EN21, EN30,	Direct Goal 7

			on of energy management systems Air Emissions reduction Alternative fues Quarry and biodiversity management		
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 environment ally friendly products and applications (TX Active and i.light)	EN2, EN5, EN7, EN18, EN26, EN30	Direct Goal 7
Anti-Corruption					
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