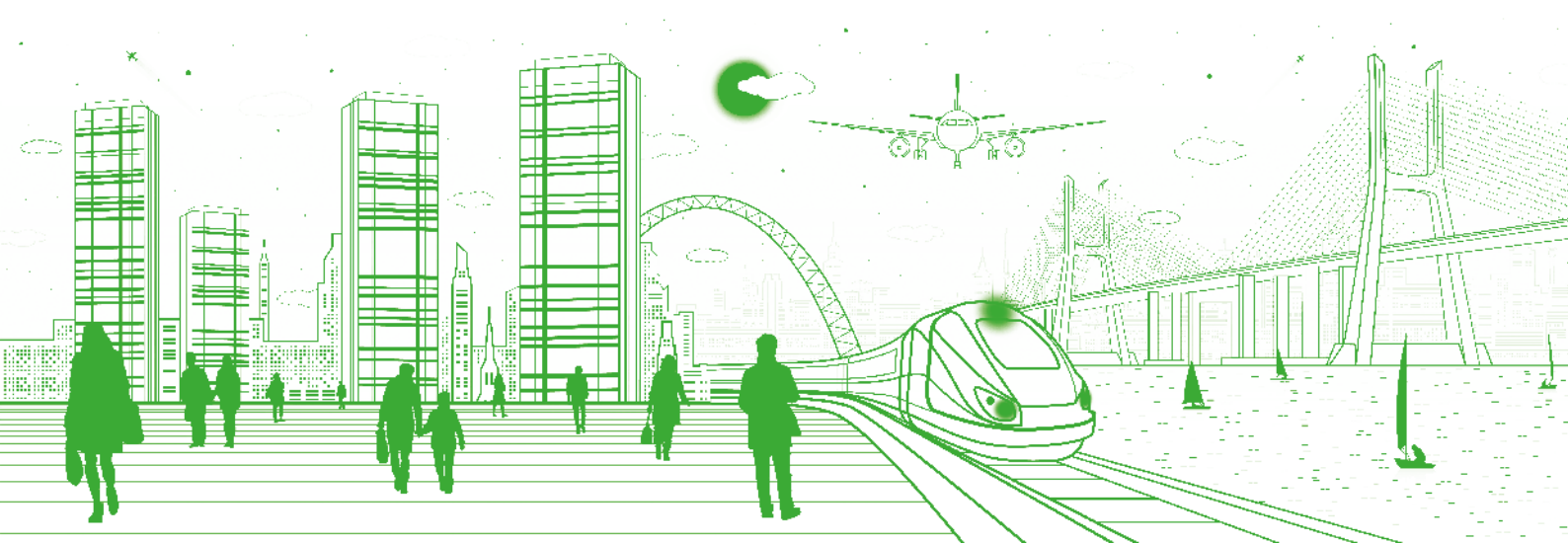


SUMMARY OF THE SUSTAINABILITY REPORT 2017




COLACEM
forte • sostenibile

LETTER TO THE STAKEHOLDERS

In recent years, the building industry has added new words and expressions to its vocabulary. Sustainability, circular economy, industrial symbiosis, urban regeneration, resilient infrastructures, safety of buildings, attention to land consumption, energy efficiency and the ecological footprint are just a few such examples. All this is also the result of the innovative strategies of the most discerning and forward-thinking actors in the industry.

A new awareness has permeated into the construction world: more innovation, more quality, more future. Colacem, with its tradition of rising to the challenge, once again aspires to lead the change, contributing to the advancement of knowledge and technology in the production and use of cement. An indispensable material to ensure the quality of people's lives which can and must be managed correctly.

Colacem has long endeavoured to contribute towards the diffusion of a new building culture, so that cement is used expertly and responsibly, to produce high performance concrete with low environmental impact, ensuring that it is safe and efficient, long-lasting and innovative, capable of creating construction projects that blend into the local area. A greater focus on forward-looking urban planning, in which the use of cement does not equate to overbuilding or land consumption, but the right balance between the needs of mankind and nature.

A lot needs to be done in Italy in the field of sustainability, which is very different from environmentalism as "reactionary utopia". The ecological aspect must not act as a prejudice to any progress, rather it should seek a comparison with the practical aspects of the real world and thus, guide the development of the industry.

Communicating this approach is one of the aims of our Sustainability Report, now in its eleventh edition.

A document that is always intended to be comprehensive, useful and focused on providing information to our stakeholders. The report will provide you with in-depth information about the company's economic trends, all the details related to the management of the industrial plants and the actions aimed at the social aspect. You will also be able to find data and information from our foreign subsidiaries and from Colabeton, the Group company involved in the concrete sector.

In the 2017 Sustainability Report, there is much about what Colacem represents today, but you will also find references indicating what the company will be like in the near future.

We hope you enjoy reading the report.



The Chairman
Giovanni Colaiacovo



The Chief Executive Officer
Carlo Colaiacovo

The Chairman
Giovanni Colaiacovo

A handwritten signature in black ink, appearing to read "Giovanni Colaiacovo".

The Chief Executive Officer
Carlo Colaiacovo

A handwritten signature in black ink, appearing to read "Carlo Colaiacovo".

KEY SUSTAINABILITY INDICATORS

KEY SUSTAINABILITY INDICATORS	UNIT OF MEASUREMENT	2015	2016	2017
GENERAL DATA: PRODUCTION OF CLINKER AND CEMENT				
Clinker	t/year	3,213,786	2,960,377	2,658,578
Cement	t/year	3,463,293	3,128,844	2,883,528
ECONOMIC PERFORMANCE				
Revenue	thousands €	219,411	199,200	192,238
Gross operating margin [Ebitda]	thousands €	882	10,346	3,014
Profit	thousands €	5,644	2,876	1,505
ENVIRONMENTAL PERFORMANCE				
Total and specific energy consumption				
Total energy consumption	GJ/anno	13.803.953	12.345.192	11.217.374
Total thermal energy	GJ/anno	12.134.715	10.825.519	9.818.608
Specific thermal energy	GJ/t clinker prodotto	3,78	3,66	3,69
Total electrical energy	GJ/anno	1.669.238	1.519.673	1.398.766
Specific electrical energy	GJ/t cemento prodotto	0,44	0,44	0,44
Waste recovery in the production process				
Waste recovery as material compared to % total quantity of material used	%	6.4	6.2	5
Waste recovery as fuel compared to % total quantity of fuel used	%	10.1	13.4	16.2
Atmospheric emissions				
Total emissions of CO ₂	t/year	2,773,611	2,494,154	2,237,797
Specific emissions of CO ₂	Kg of CO ₂ /t clinker produced	863.0	842.5	841.7
Emissions of dust, sulphur dioxide (SO₂) and nitrogen oxides (NO_x) related to clinker firing lines				
Total dust emissions	t/year	29.6	25.3	21.4
Specific dust emissions	g/t clinker produced	9.2	8.5	8.1
Total emissions of sulphur dioxide	t/year	49.5	98.2	99.2
Specific emissions of sulphur dioxide	g/t clinker produced	15.4	33.2	37.3
Total emissions of nitrogen oxides	t/year	6,384	4,480	3,198
Specific emissions of nitrogen oxides	g/t clinker produced	1,987	1,513	1,203
Environmental investments				
Investments for environmental protection	thousands €	3,805	4,475	4,841
Expenditures and investments for environment monitoring	thousands €	583	771	715
SOCIAL PERFORMANCE				
Staff				
Total Colacem staff	No.	913	901	878
	No. men	877	865	842
	No. women	36	36	36
Worker health and safety				
Accidents - <i>frequency index</i>	accidents which occurred every million hours worked	17.32	23.16	12.58
Accidents - <i>severity index</i>	days lost for hours worked, multiplied by 1,000	0.37	0,82	0,55

THE FINANCO GROUP AND COLACEM S.P.A.

Colacem S.p.A. is the main company of the Financo Group, a holding of the Colaiacovo families with its headquarters in Gubbio, Italy which employs about **2,000 people**. The core business of **Financo** is the production of cement and concrete. The holding company has also strengthened its presence in other sectors, pursuing a policy of diversification of subsidiary activities, including: the companies **Tracem** and **Inba**, operating in the transport sector; **Santamonica S.p.A.**, owner of the “Misano World Circuit” race track in Misano Adriatico, the **Park Hotel Ai Cappuccini** in Gubbio; the estate of **Poggiovalle** in Città della Pieve. The Group also operates in the media industry with **Tele Radio Gubbio** and **Umbria TV**; insurance brokerage field, with **Grifo Insurance Brokers**.

Colacem S.p.A. is the third largest producer of cement in Italy, with a national production of cement in 2017 of about **2.9 million tonnes**. The company is now present throughout Italy with 7 complete-cycle production sites, 1 factory for the production of pre-mixed products and 3 port terminals. The company headquarters are based in the Italian town of Gubbio (Perugia) in Via della Vittoria, 60.

FACILITIES IN ITALY

- 1 Caravate VA
- 2 Rassina AR
- 3 Ghigiano di Gubbio PG
- 4 Sesto Campano IS
- 5 Galatina LE
- 6 Ragusa
- 7 Modica RG

Other production facilities

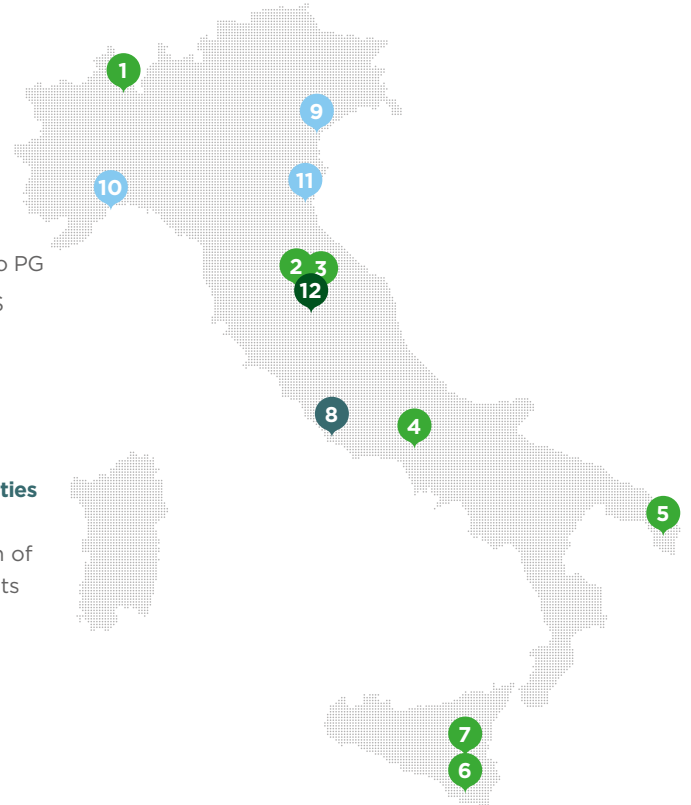
- 8 Salone di Roma, for the production of pre-mixed products

Port terminals

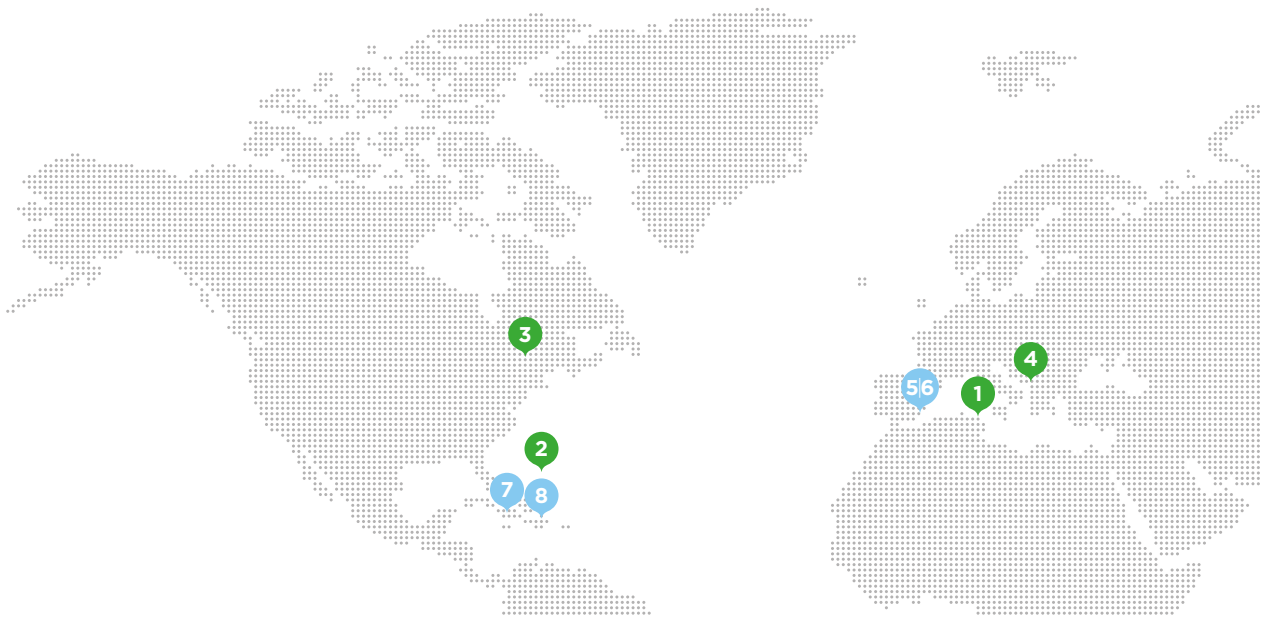
- 9 Mestre VE
- 10 Savona
- 11 Ravenna

General management

- 12 Gubbio PG



FACILITIES WORLDWIDE



- 1 Tunis (Tunisia)
- 2 Sabana Grande de Palenque (Dominican Republic)
- 3 Kilmar-Grenville-sur-la-Rouge (Canada)
- 4 Balldre (Albania)

Port terminals

- 5 Alicante (Spain)
- 6 Cartagena (Spain)
- 7 Kingston (Jamaica)
- 8 Lafito (Haiti)

COLACEM'S COMMITMENT TO SUSTAINABILITY



Colacem is one of the most recently-formed cement producing companies in Italy, yet it has long since established itself as the **third largest company in the Italian market and the first in exports**.

For the most part, the factors behind this rapid growth can be found in the company's **vision, which has always focused on sustainability**.

In an industrial sector that shifts large volumes and with a significant impact inflicted by energy costs, having **extremely efficient factories**, capable of minimising the waste of fuel and raw materials, has been a factor in the company's success.

All this has been made possible by the commitment to constantly focus on the **best technology available** and on the continuous modernisation of the plants, which are now among the most advanced in Europe.

Because, now more than ever, **sustainability means competitiveness**.

COMMUNICATING SUSTAINABILITY



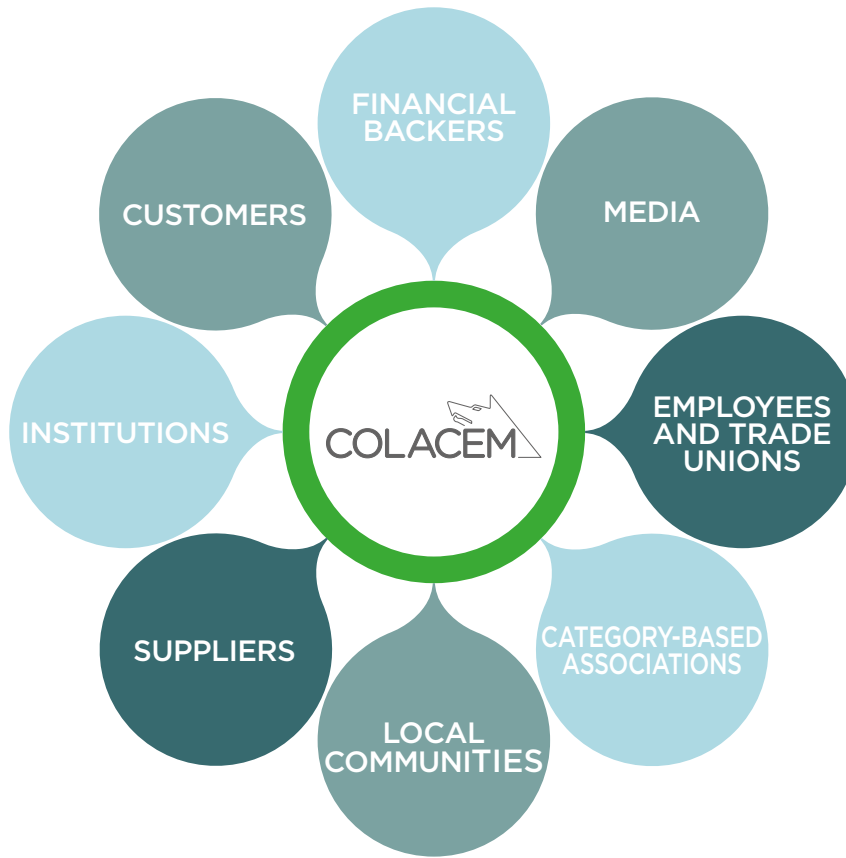
The approach Colacem takes towards its **stakeholders**, especially the **local communities**, is based on **dialogue** and **transparency**. This goal is pursued by Colacem with all the tools currently available: from institutional or marketing publications to the website, from social networks to **factory visits**.

This document is the revised summary of the eleventh edition of the **Sustainability Report** that Colacem has produced annually since 2008. The report, drafted according to the **International Standards of the GRI** (Global Reporting Initiative) and **revised by Deloitte & Touche S.p.A.**, is the most detailed source of how the company generates industry.

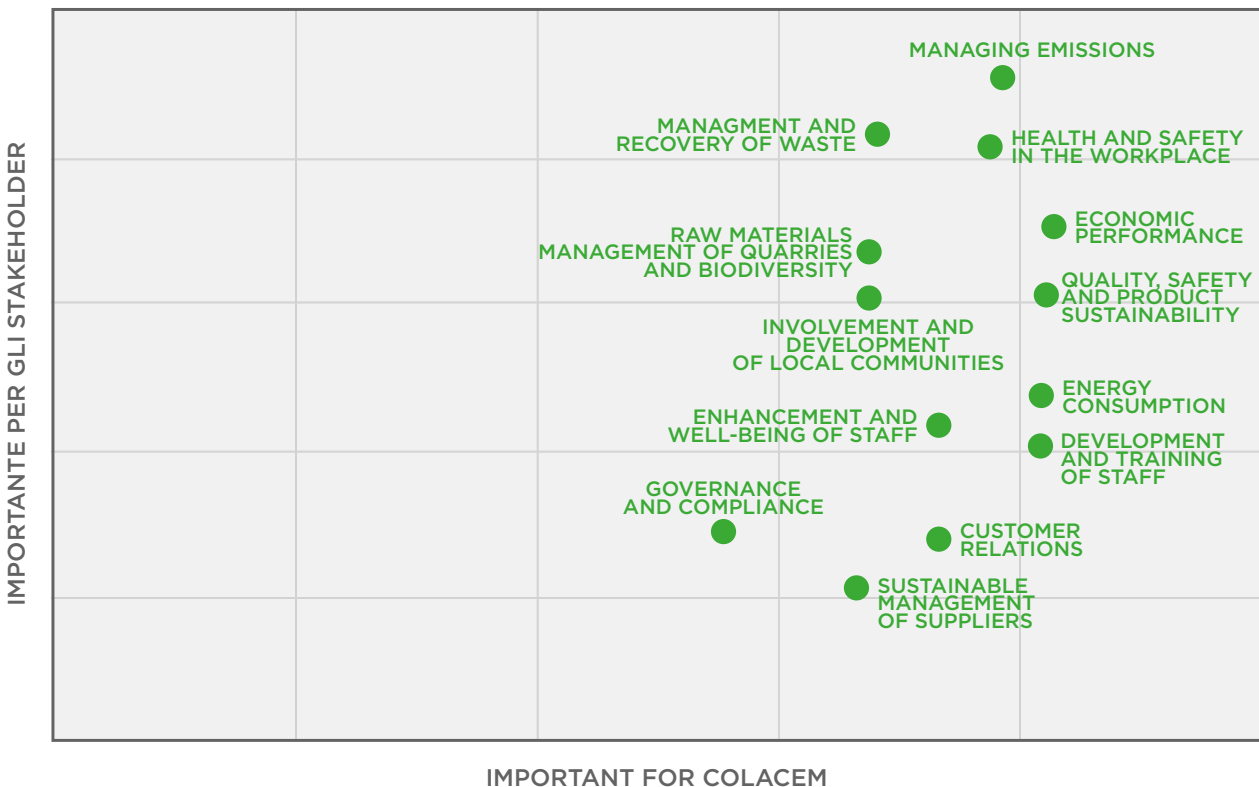
The full version of the report is available on the website www.colacem.it.

MATERIALITY ANALYSIS: WHAT INTERESTS OUR STAKEHOLDERS?

The desire to best meet the **needs of its stakeholders** is a primary goal for the company, thus calling for the **analysis of materiality** to show which issues should be dealt with by the Sustainability Report. The results have shown that the most relevant issues are those listed in the **table** below which compares what is important to Colacem with what is important to the stakeholders.



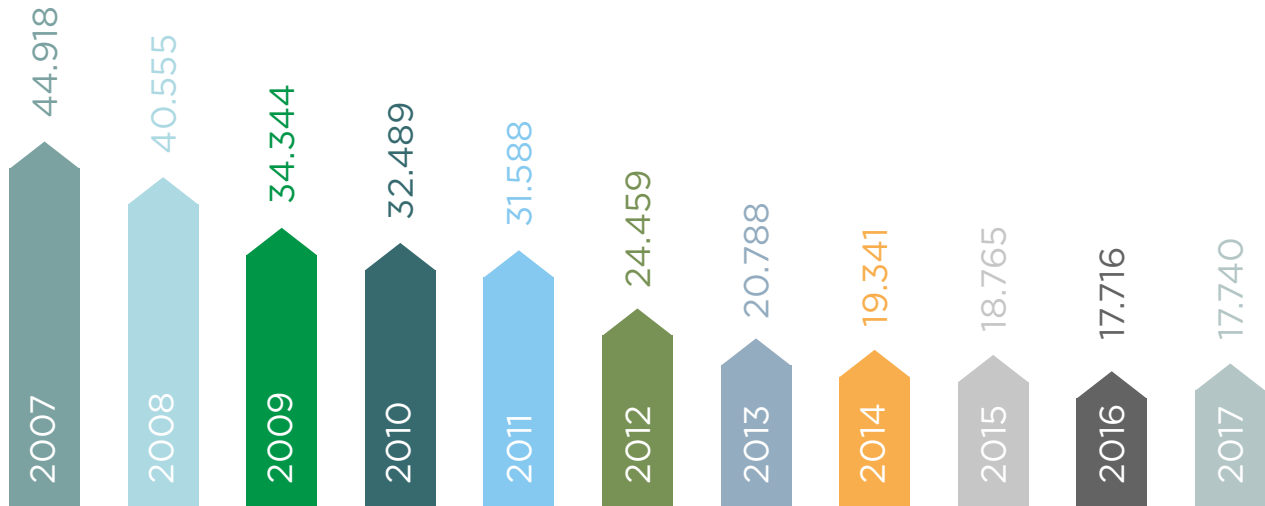
MOST SIGNIFICANT ISSUES



ECONOMIC SUSTAINABILITY

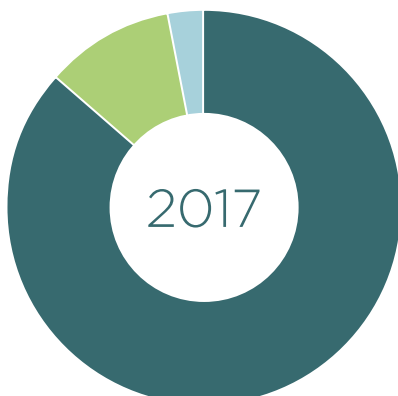
For the **building industry in Italy**, 2017 is the first year of substantial stability following **ten consecutive years of crisis**, recording a slump of about 35% since 2007, for a value of over 63 billion Euros, in addition to the loss of approx. 600 thousand jobs. The sector that suffered the most is undoubtedly the **cement industry** that saw a **60% decline in production** in the same period, with national deliveries falling from 45 million tonnes to less than 18 million. A crisis that has had structural and not economic effects on the production set-up of the entire cement industry.

[CEMENT DELIVERIES IN ITALY 2007-2017] (figures in thousands of tonnes - source AITEC)



Economic and financial situation on 31/12/2017	Year 2017	2016	Difference	Variation % 2017/2016
Revenue	192,238	199,200	(6,962)	(3.5)
Gross operating margin [Ebitda]	3,014	10,346	(7,332)	(70.9)
Profit	1,505	2,876	(1,371)	(47.7)
Cash Flow (Profit+depreciation+value adjustments)	12,736	19,110	(6,374)	(33.4)
Net worth	314,555	332,842	(18,287)	(5.5)
Net financial position towards Third parties	(116,435)	(113,264)	(3,171)	2.8
Technical investments	4,406	2,875	1,531	53.3
Equity investments	7,830	8,055	(223)	(2.8)

CONTRIBUTION TO MAIN STAKEHOLDERS



ECONOMIC VALUE DISTRIBUTED:
218 MLN €

ECONOMIC VALUE GENERATED:
241 MLN €

The contribution of Colacem to the development of the territory, as well as with **the recruitment of local staff** that make up the majority of the company's workforce, is demonstrated in the wider economic business that has been generated. In 2017, the economic value of purchases made amounted to about **160 million Euros**, about **35%** of which involved **local suppliers**. The graph shows how the **added value was distributed** in 2017, when the sole shareholder did not receive any dividend.

STAFF 49,786,170 € 86.5%

FINANCIAL BACKERS 6,043,839 € 10.5%

PUBLIC ADMINISTRATION 1,698.880 € 3%

ENVIRONMENTAL POLICY

SUSTAINABLE USE OF RESOURCES

Any human activity, albeit simple and innocuous on the surface, has an impact to some extent on the environment. This does not mean that we should forego some necessary activity or work (housing, roads, schools, hospitals, etc.) for which **cement is indispensable**.

This is why Colacem's concept of sustainability means **the ability of its plants to produce cement with the highest possible efficiency, minimising the waste of fuels and non-renewable natural raw materials, preventing and limiting the impact on the environment as far as possible**.

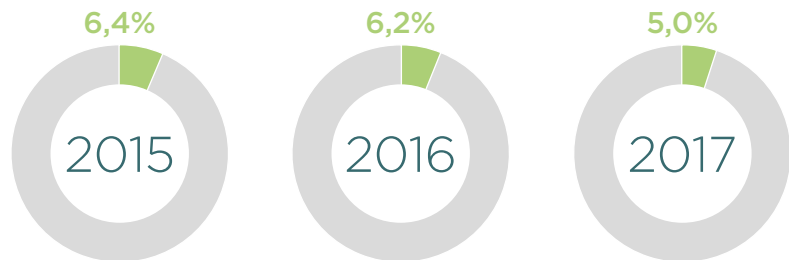


RAW MATERIALS

Cement is a **mixture of marl, limestone, clay and gypsum**, which is ground and fired at around **1450 °C**. In some cases, kaolins, pozzolan and other materials that are all extracted in nature, are also used. In line with the principles of **circular economy**, Colacem manages in part to limit the use of natural raw materials by using non-hazardous materials in the production process, resulting from processing waste from other industries. This is a good practice fostered by the European Community. In 2017, Colacem used about 4.5 million tonnes of raw materials, continuing the downward trend that has persisted for many years. **Non-hazardous waste recovered as material** amounts to about **237,000 tonnes**, representing **5% of the total**.

RECOVERED FROM NON-TOXIC WASTE (tonnes)

2015 **362.200**
2016 **321.400**
2017 **237.000**



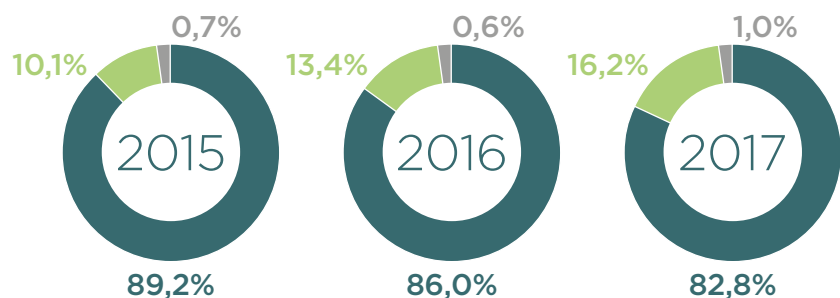
ENERGY CONSUMPTIONS

Cement production is an energy-hungry process. The cost of the **energy component**, whether thermal or electric, represents **more than 50% of the cost** of all purchases made. In 2017, total **electricity consumption** was **1,398,766 GJ** with a consumption index of 0.44 GJ per tonne of cement. For **thermal energy, petroleum coke** is mainly used, a fossil fuel that the company is trying to **replace with SRF**, i.e. Solid Recovered Fuels derived from specially selected and treated non-hazardous waste. In 2017, of the **total 9,818,608 GJ** of thermal energy consumed, **16.2%** was recovered from waste. This good practice of **circular economy**, fostered by the European Community, unfortunately is hindered in Italy by political issues which prevent it from being implemented. In the **best performing countries**, energy replacement with SRF **exceeds 50%**.

COKE FROM FUEL OIL

OTHER FUELS

RECOVERABLE WASTE (SRF)

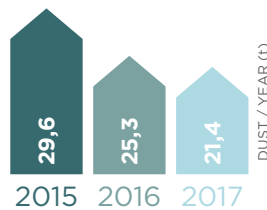


MONITORING AND REDUCTION OF EMISSIONS

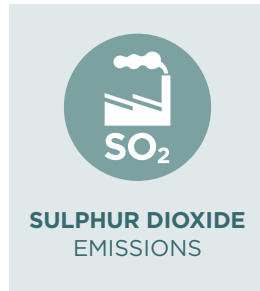
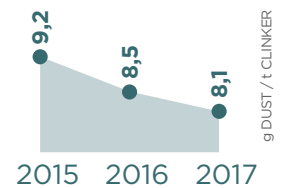
The effectiveness of Colacem's ongoing commitment to **minimise its environmental impact** has been demonstrated above all in the **reduction of dust, SO₂ emissions and NO_x emissions**, with values **well below the legal limits** in each plant. The increase in SO₂ emissions can be attributed to physiological fluctuations, given the minimum level now achieved, if you consider that, in many plants, SO₂ are 200 times below the legal limit. Bear in mind that every Colacem cement plant has **over 20,000 sensors that monitor every single phase 24/7**, from the extraction of raw materials in the quarry to the shipment of the product. The firing lines in the Colacem plants are equipped with specific **Continuous Emission Monitoring systems (CEMS)**, whose data is **constantly controlled by the various Regional Environmental Protection Agencies**, which also oversee the publication. With regard to **CO₂ emissions**, Colacem is authorised, for its industrial activity, to emit **certain amounts of CO₂**, set by the competent national authority, on the basis of the Kyoto Protocol to **combat climate change**. In recent years, as a result of the crisis and thanks also to **numerous energy efficiency measures**, the consumption of CO has fallen drastically, amounting to about 2.3 million tonnes in 2017 with a specific **emission index of 0.842** per tonne of clinker.



TOTAL EMISSIONS



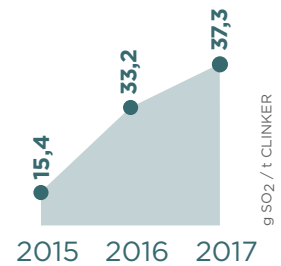
SPECIFIC EMISSIONS



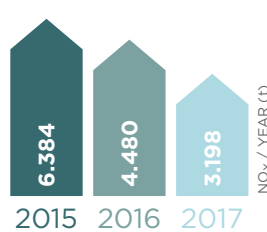
TOTAL EMISSIONS



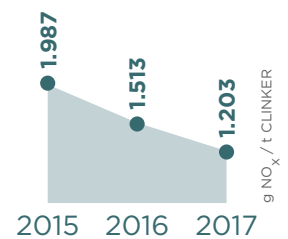
SPECIFIC EMISSIONS



TOTAL EMISSIONS



SPECIFIC EMISSIONS



MANAGEMENT OF EXTRACTIVE AREAS AND BIODIVERSITY

Colacem is aware of how quarrying inevitably causes changes to the state of locations, impacting the environment, local ecosystems and the landscape. The company's goal is, therefore, to **lessen the impact as much as possible**, making an **environmental recovery possible with a new natural aspect, safeguarding biodiversity and ecosystems**, by providing new spaces that can be used by the community. The focus that Colacem places on the management of its quarries and mines is detailed, not just in the previous editions of this report, but also in the **"Guidelines for the Design, Management and Recovery of Extractive Areas"**, published by **Aitec** and **Legambiente**, as well as being featured in **Superquark**, the popular TV programme hosted by Piero Angela broadcast in prime time on Italy's Rai Uno channel.

EXAMPLE OF ENVIRONMENTAL RECOVERY DURING EXCAVATION

Planting in extraction activities, both in quarries and mines, takes place on horizontal descending tracts, from top to bottom, so that environmental recovery interventions can be feasibly implemented at the same time as raw materials are extracted. In short, you do not have to wait decades before you can "see green again". Just a few years after the completion of planting, vegetation is already thriving.



PEOPLE AND WORK

One of the key factors that has led to Colacem becoming the third largest cement producer in Italy, is undoubtedly **the company's staff**, consisting of highly motivated and hard-working individuals, who are constantly trained, plus their **know-how acquired over time**. Data shows how the ten-year crisis in the industry led to a fall in employment which Colacem has tried to contain as far as possible. Indeed, if you consider that production volumes and revenue have fallen over 60% in a ten-year period, the reduction in the number of staff has, in actual fact, been very small, especially if compared to other sectors in the building industry. In 2017, Colacem employees numbered **878 individuals, 99.5% of them with a permanent contract**. About 96% of the staff are male (a factor common to the entire sector), with an average age of 48 (for men) and 45 (for women), and an **average seniority** in the company of 21 years (for men) and 17 years (for women).

COMPOSITION OF THE WORKFORCE

NUMBER OF EMPLOYEES BY TYPE OF CONTRACT ON 31ST DECEMBER

	2015			2016			2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Employees with permanent contracts	875	36	911	863	36	899	838	36	874
Employees with fixed-term contracts	2	0	2	2	0	2	4	0	4
Total	877	36	913	865	36	901	842	36	878

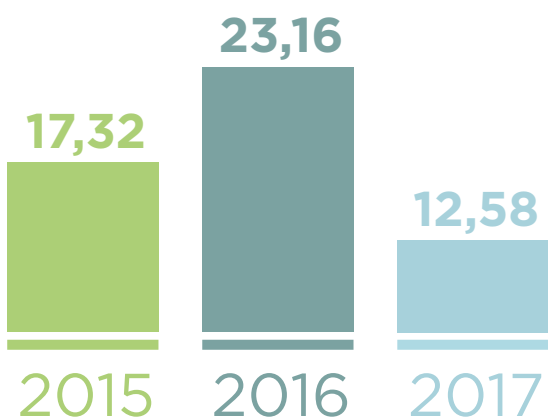
DISTRIBUTION OF EMPLOYEES BY PROFESSIONAL CATEGORY AND TYPE ON 31ST DECEMBER

	2015			2016			2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives	24	3	27	24	3	27	25	3	28
Managers	50	4	54	49	5	54	49	5	54
Office workers	306	29	335	306	28	335	298	28	326
Workers	496	0	496	486	0	486	470	0	470
Total	876	36	912	865	36	901	842	36	878

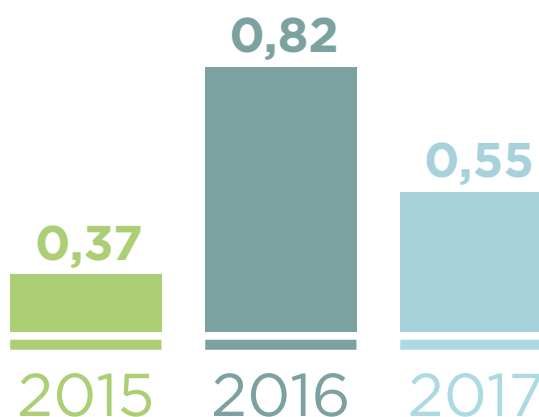
SAFETY IN THE WORKPLACE

The health and safety of workers has always been one of the main goals focused on by the company. This area is, moreover, the one on which staff training has been mainly concentrated in recent years. Since 2016, this area has been promoted with the **"Sicuramente" project**, aimed at preventing accidents and occupational diseases, **with a strong emphasis on the cultural aspects of individuals**, with interventions to **correct conduct**, whilst encouraging a strong team spirit. A cultural evolution that affects the approach to the safety of every individual **not only in the workplace, but also outside it**, in everyday life. The results are excellent and constantly improving.

[FREQUENCY INDEX]



[SEVERITY INDEX]



COLACEM SUSTAINABILITY FIGURES

10.000

customers in the
cement sector

2.500

suppliers

1.000

visitors
to the plants
every
year

11

plants

in

3

continents

3°

largest cement
producer
in Italy

1°

cement
exporter
in Italy

4,4

MILIONI DI EURO

invested in
technology
in 2017

35%

DEGLI ACQUISTI

from local
suppliers

15

MILION EUROS

dedicated to
environmental
protection in
a three-year
period

237.000

TONNES
OF WASTE

recovered from
material

over

40.000

TONNELLATE DI CO₂

saved
by using
biomass

just

8 GRAMMES
PER TONNE OF CLINKER

specific dust
emissions

99,5%

of workers
with permanent
contracts

878

employees
in Italy

8.689

training hours
in 2017

8.000

PIANTE AUTOCTONE

on average
planted for
environmental
recovery



Via della Vittorina, 60 - 06024 Gubbio PG Italy
Tel +39 075 9240253 - svilupposostenibile@colacem.it - www.colacem.it