



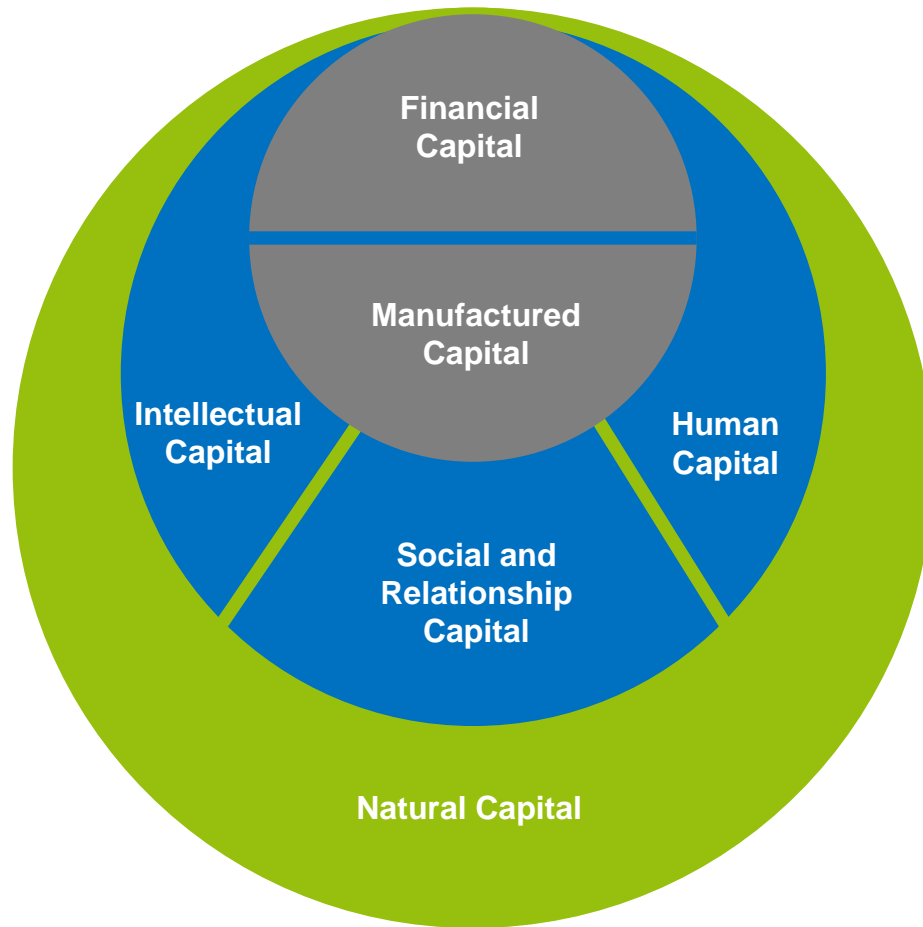
Italcementi Group

Sustainability: **a coherent business language**

Stefano Gardi



The Capitals redefining business value...



Natural Capital are natural assets, as providers of resource inputs and environmental services for economic production and social well being

Social and Relationship Capital addresses stakeholders, community, supply chain, customers, market, authorities, with the aim to retain social license to operate.

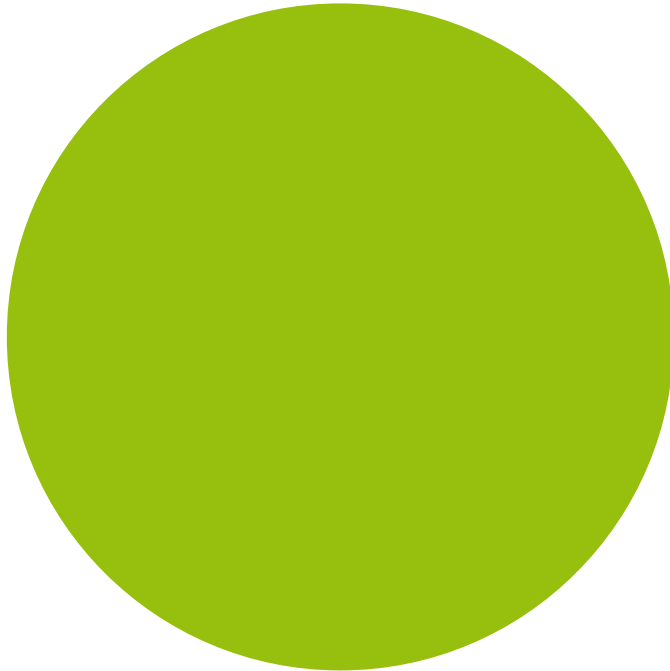
Human Capital consists of the individual's capabilities and the knowledge, skills and experience of the company's employees and managers.

Intellectual Capital is the product of R&D and the value created by combining material, financial and human resources.

Manufactured Capital are equipment and tools, human-created and production-oriented.

Financial Capital is understood as the pool of funds available to an organization.

Natural capital



Environmental performance

~ **65%** of Group assets are in countries with low environmental performance

Energy

88% of thermal energy demand still comes from fossil sources. **70%** comes from coal or petcoke, fuels with sourcing and/or handling creating high environmental (and social) concerns.

89% of power demand (including offset) on fossil sources.

Raw materials

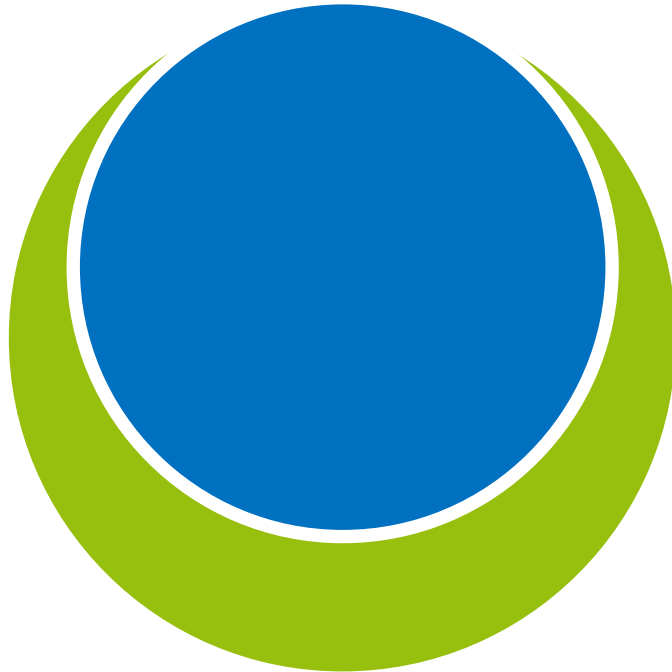
94% of raw materials used to produce cement and almost **98%** of raw materials used to produce concrete are quarried.

Almost **50%** of active quarries lays in high biodiversity areas.

Water

50% of Group water withdrawal are in water stress, scarcity or extreme scarcity areas

Social capital



Business integrity

~ **65%** of Group assets are in in countries of concern for business integrity

Labour and human rights

~ **35%** of Group assets are in in countries of concern for labour and human rights (including H&S)

Political risks...

~ **30%** of Group assets are in in countries of concern for peace and conflicts

Other social and societal risks...

Financial capital



Markets and economics...

Financial context...

Access to credit

Including loans from multilateral development banks (World Bank, IFC, EBRD, IBE, ...), with requirements grounded on sustainable approach to business

Other risks...

Business cannot succeed in a society that fails

Availability of resources is more and more limited and expensive.

Economically and resource efficient, low-polluting, and socially inclusive solutions are strategic priorities for companies, **a condition for staying in business**

Measurement, reporting and verification of Group value (**financial and non-financial as a whole**) are required by governments, financial markets, customer and consumers and, in general, stakeholders

Sustainability is the answer

Integrated value

An iceberg floating in the ocean. The tip of the iceberg, which is above the water line, is labeled 'Profitability'. The much larger part of the iceberg, which is submerged below the water line, contains various business and social factors. The text on the submerged part includes: 'Health & Safety', 'Risk Management', 'Labour Practices', 'Customer Relationship', 'Product Design & Marketing', '...', 'Selection of Business Partners', 'Innovation', 'Corporate Citizenship', 'Industrial & Environmental Efficiency', 'Stakeholder Engagement', 'Public Perception', 'Human Capital Development', 'Business Integrity', and 'Governance'.

Profitability

Health & Safety Risk Management

Labour Practices Customer Relationship

Product Design & Marketing ...

... Selection of Business Partners

Innovation Corporate Citizenship

Industrial & Environmental Efficiency

Stakeholder Engagement

Public Perception

Human Capital Development

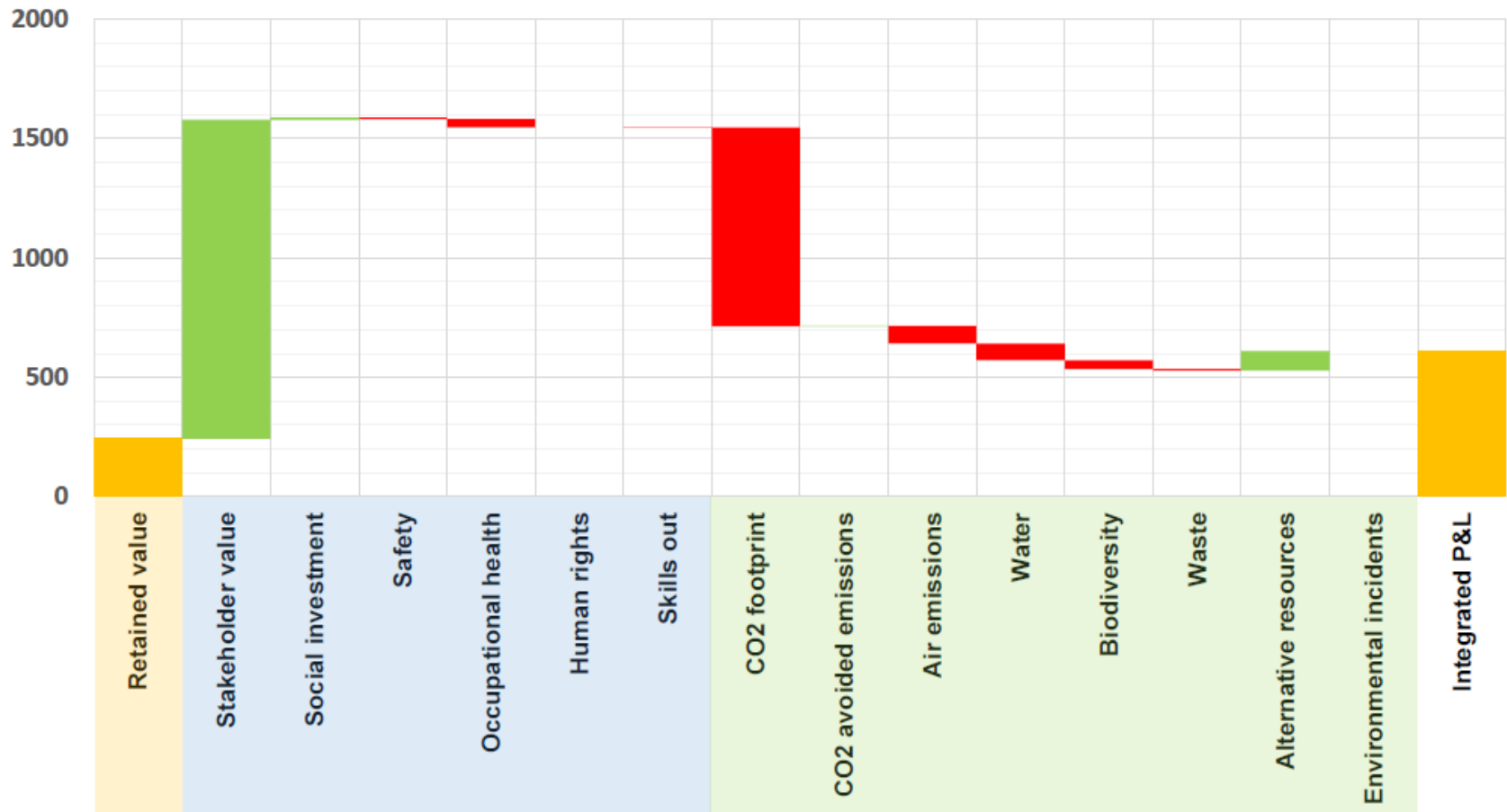
Business Integrity

Governance

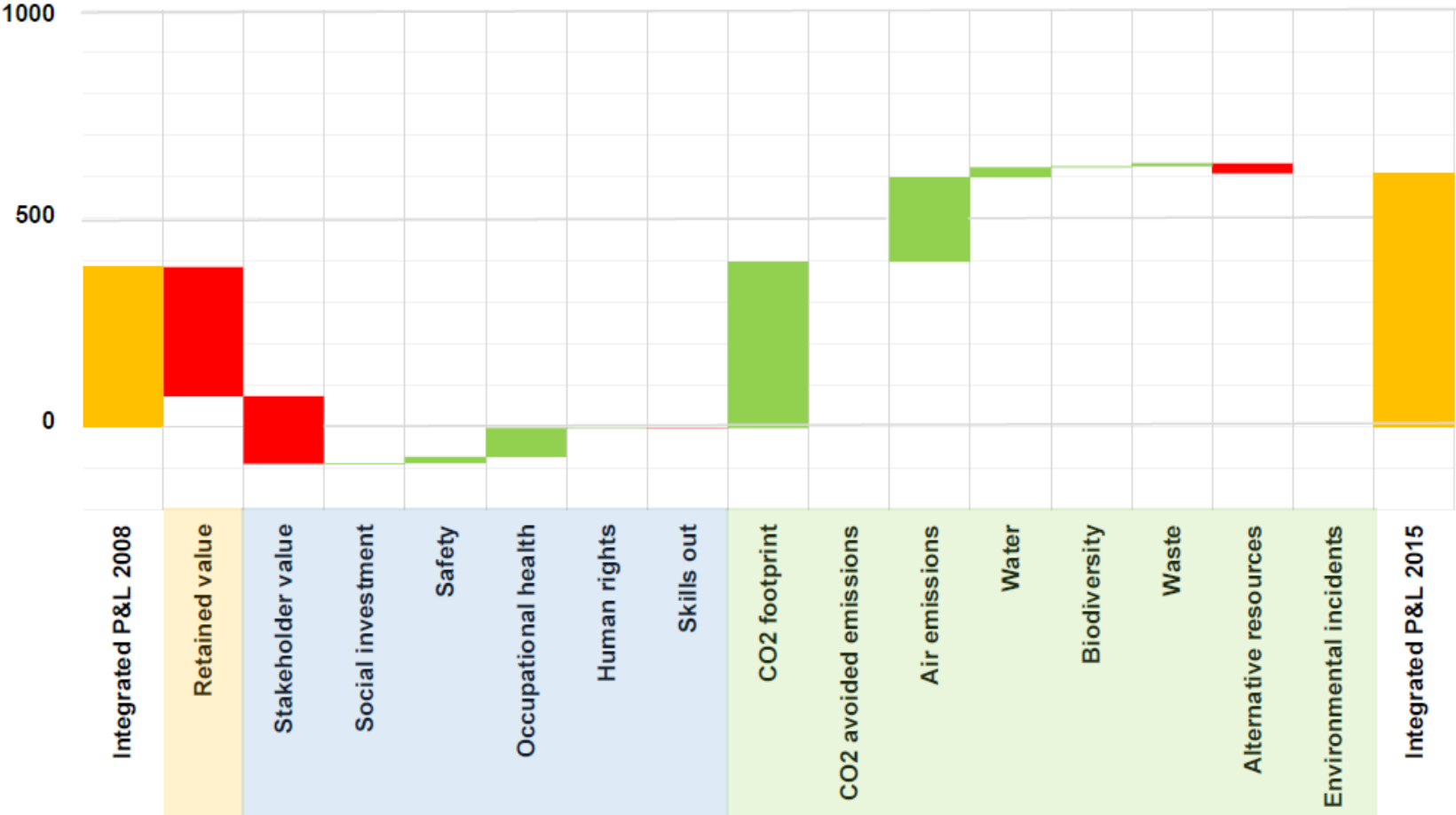
“Extra –financial” issues have short, medium and long-term effects on business performance, and must be included in decision-making processes

Integrated value: a first attempt of IP&L (2015)

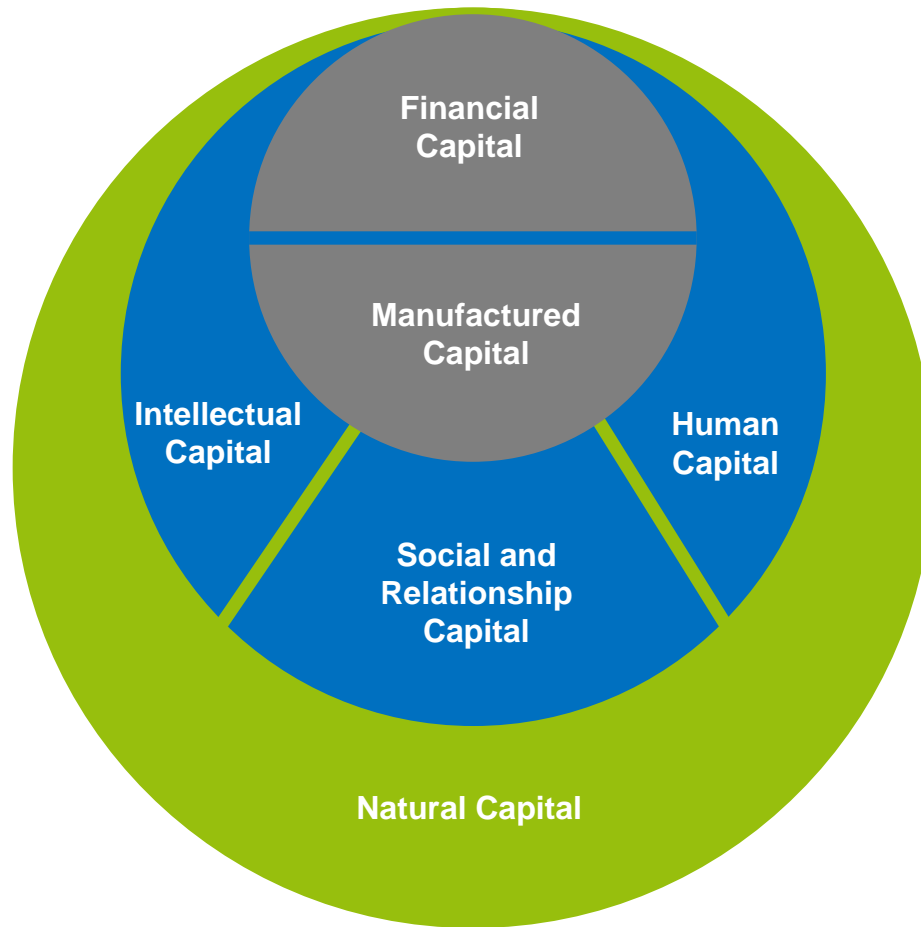
Quick estimate, based on Holcim methodology



Integrated value creation: 2015 vs. 2008



From the Capitals redefining business value...



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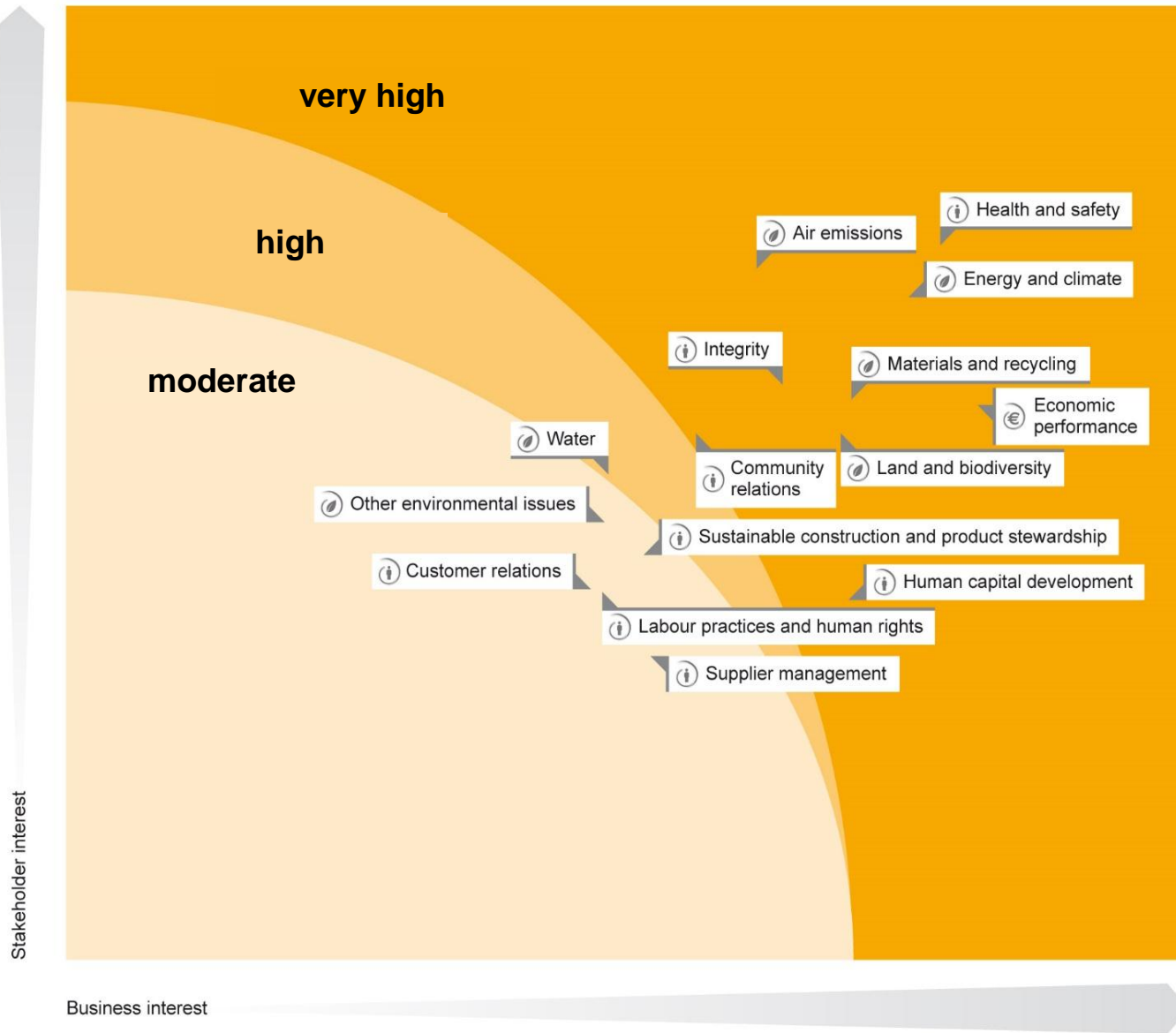
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...through priorities based on materiality ...



Materiality, worked out in conjunction with all the relevant **Functions**, shared with the **Management Committee** and presented to the **Board of Directors**, helps defining:

- **the business case for sustainability**
- business priorities
- business strategies
- targets and ambitions
- MBO
- benchmark and ratings
- structuring the public disclosure

...to a streamlined approach to value creation

Vision, Mission, Values

Vision, mission, and values set the ground for sustainable business

Code of Ethics

Code of Ethics embeds sustainability, not just compliance to health, safety, environment and social legislation

Sustainability Policies

Sustainability Policies are “extensions” of the Code of Ethics

Depending on the **materiality** of the topics, Policies are operationally supported by:

- **Standards**, mandatory in any subsidiary, beyond local legislation, for strategic issues
- **Procedures**, detailing management steps to handle at best relevant issues
- **Guidelines**, to direct operations while leaving room for local adaptation
- **Metrics** and **data** consolidation
- Coherent **target, ambitions** and **MBO** settings
- Extensive public **disclosure**



Thank you!

