

SUSTAINABLE GROWTH





Sustainability Report
2014

SUSTAINABLE GROWTH





WE ARE

COMMITTED

TO OUR ENVIRONMENT, GENERATING
VALUE IN OUR COMMUNITY.

OUR SUSTAINABILITY APPROACH
STEMS FROM OUR EMPLOYEES, AS
AMBASSADORS OF A RESPONSIBLE
BEHAVIOR, IN LINE WITH THE CORPORATE
VALUES THAT FORM THE ORGANIZATIONAL
CULTURE OF THE COMPANY.

UNACEM, A COMPANY COMMITTED TO WATER MANAGEMENT.

UNACEM WAS THE FIRST

PERUVIAN CEMENT COMPANY

TO MEASURE ITS WATER FOOTPRINT, SEEKING TO
REDUCE ITS IMPACT ON THE ENVIRONMENT AND TO

MANAGE WATER RESOURCES EFFICIENTLY.





WE WORK SIDE BY SIDE WITH

8 SMALL

AND MEDIUM-SIZE BUSINESSES (*PYMES*)
OF OUR SUPPLY CHAIN, IN ALLIANCE WITH
PERÚ 2021, AND HAVE GOTTEN THEM TO
COMPLETE THEIR FIRST SUSTAINABILITY
REPORT ACCORDING TO THE
GLOBAL REPORTING INITIATIVE G4.

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CHILDREN'S HOSPITAL HEADQUARTERS, LIMA.

MESSAGE FROM THE MANAGEMENT

We are committed to developing a business that is responsible towards the environment, so that we will be able to grow as a company while generating value for our stakeholders. This year we feel once again proud for the achievements reached as a result of our sustainable management.

As part of our sustainability strategy, we identified 10 key issues for UNACEM in 2014, after a dialogue process with our main stakeholders and with members of our company, which we will continue to manage and strengthen in the next years.

Among the achievements reached in the key management issues, one of the most important is the reduction of the concentration of greenhouse effect gas emissions per ton of cement produced. Thus, we see ourselves as a company committed to mitigate the impacts of climate change and to environmental protection. Accordingly, we endorsed the Corporate Climate Commitment initiative within the framework of the COP20, the most relevant event on climate change worldwide, which was hosted by Peru in 2014.

Along that line, we have incorporated carbon footprint measurement to calculate the amount of greenhouse gas emissions in order to mitigate them. Likewise, we are also measuring our water footprint, so that we are aware of the amount of water we use in our value chain and in our productive process.

Meanwhile, we continue pursuing our social investment projects for the development of the communities in southern Lima and Condorcocha (located in Tarma, Junin), framed in three lines of actions: Social Infrastructure, Community Relations and Human and Social Development. To implement them we have formed strategic alliances with different local actors, national and international, which enable us to articulate collective initiatives for the development of our area of influence, having invested more than S/. 14.7 million. Furthermore, in 2014 we made donations for over S/. 650,000.

Our commitment includes the construction sector and our *pymes* partners. With the former, we developed the professional training program for construction foremen, masons and self-constructors, in order to formalize and professionalize construction practice and, thus, reduce safety risks in infrastructures. With the *pymes*, in turn, we carried out the project Promoting Transparency in the Supply Chain of Peruvian Companies, in joint efforts with Perú 2021, the Global Reporting Initiative (GRI), the State Secretariat for Economic Affairs (SECO, for its acronym in Spanish) and the Swiss Cooperation in Peru, in order to help eight *pymes* of our value chain complete their first sustainability report as a sustainable management tool for their businesses.

This sustainable business model enables us to be more competitive in the market and to increase our brand value. This reflects on our 2014 economic results, with S/. 1.8 million in net sales, 6.0% more than in 2013, and increased EBITDA by 14.3%.

Another great achievement during this period was the acquisition of Lafarge Cementos S.A., now UNACEM Ecuador, with which we will expand our production capacity and serve new markets and new stakeholders, incorporating the sustainability strategy.

We have obtained these results thanks to the commitment, efforts and motivation of our employees, who with their daily work have enabled us to achieve a performance with high quality standards, through a safe and reliable operation.

Since 2004 we uphold the principles of the Global Compact of the United Nations, and are also fully committed to the Global Reporting Initiative transparency indicators, which are the basis for the development of our entire sustainability strategy.

Eng. Carlos Ugás
MANAGING DIRECTOR
UNACEM S.A.A.

Eng. Armando Casis
GENERAL MANAGER
ASOCIACIÓN UNACEM

We identified

10 KEY ISSUES FOR UNACEM IN 2014, AFTER A DIALOGUE PROCESS WITH OUR MAIN STAKEHOLDERS.

We recognize

THE IMPORTANCE OF BEING A COMPANY COMMITTED TO MITIGATING CLIMATE CHANGE IMPACTS AND TO PROTECTING THE ENVIRONMENT.



SAN RAMON EMBLEMATIC SCHOOL, TARMA, JUNIN.

INSTITUCIÓN

EDUCATIVA

WE ARE COMMITTED



SIXTY YEARS OF WORK CONSOLIDATE OUR
EXPERIENCE IN THE CEMENT SECTOR.

**OWING TO THAT, TO OUR PERMANENT
TECHNOLOGICAL INNOVATION AND**

TO OUR TALENT,

WE ARE NOW LEADERS IN THE INDUSTRY, WITH MORE THAN 50.0%
PARTICIPATION COUNTRYWIDE.



THE ACQUISITION OF
**LAFARGE
CEMENTOS S.A.**

**WILL ENABLE US TO EXPAND OUR PRODUCTION
CAPACITY AND SERVE NEW MARKETS,
AS WELL AS NEW STAKEHOLDERS, INCORPORATING
THE SUSTAINABILITY STRATEGY.**



WITH
MORE THAN 51.0%
PARTICIPATION IN THE PERUVIAN
CEMENT MARKET,

**WE CONTRIBUTE TO THE DEVELOPMENT OF THE NATIONAL
INFRASTRUCTURE AND THE COUNTRY'S GROWTH AND
TO IMPROVE THE QUALITY OF LIFE OF THE CITIZENS.**



OUR SALES REACHED
S/. 1,883.0

**MILLION IN 2014,
WHICH REPRESENTS 6.0% INCREASE
WITH RESPECT TO 2013.**



WE CONDUCT COMPLIANCE AUDITS ON
**HEALTH AND
SAFETY**

**STANDARDS TO DIFFERENT CONTRACTORS,
AS WELL AS EVALUATIONS OF LABOR REGULATIONS
AND ENVIRONMENTAL PRACTICES.**

ABOUT US

Unión Andina de Cementos (UNACEM) a merger of Cementos Lima and Cemento Andino, is a Peruvian cement producer with presence in the United States through the Drake Cement plant, in the state of Arizona, acquired in 2011; and in Ecuador, following the acquisition of Lafarge Cementos S.A. in 2014, today UNACEM Ecuador S.A.

Our management aims to satisfy our clients, offering them innovative products and services with high quality standards. We hold more than 51.0% share of the Peruvian cement market, thus contributing to the development of the national infrastructure and the country's growth; improving the quality of life of the citizens.

THROUGH ITS SUBSIDIARIES, UNACEM OFFERS RELATED PRODUCTS SUCH AS READY MIX, AGGREGATES, DRY MIXES AND INDUSTRIALIZED CONCRETE STRUCTURES AND IT IS PRESENT IN THE ELECTRIC MARKET THROUGH COMPAÑÍA ELÉCTRICA EL PLATANAL S.A. (CELEPSA).

OUR BUSINESS

UNACEM is a key player in the construction sector chain, being the leading company in the production and marketing of cement. Furthermore, it offers related products through its subsidiaries, such as ready mix concrete, aggregates, dry mixes and industrialized concrete structures and it is present in the electric market through Compañía Eléctrica El Platanal S.A. (CELEPSA).

Our two cement production plants, Atocongo (Lima) and Condorcocha (Tarma), have undergone an expansion and upgrading process that has allowed to increase the production capacity to a total of 7.6 million tons of cement, to meet the national demand adequately and timely.





ATOCONGO PLANT

- ▶ Located in Villa Maria del Triunfo, Lima.
- ▶ It is the largest and most modern plant in Peru.
- ▶ 2014 production capacity:
 - 5.5 million tons of cement milling.
 - 4.8 millions of clinker.
- ▶ Serves the markets of Lima, Ancash, Ica, Ayacucho, Apurimac, Loreto and Tacna.



CONDORCOCHA PLANT

- ▶ Located in Union Leticia, Tarma, Junin.
- ▶ It is the plant with the highest location worldwide.
- ▶ 2014 production capacity:
 - 2.1 million tons of cement milling.
 - 1.9 millions of clinker.
- ▶ Serves the markets of Lima, Junin, Huancavelica, Apurimac, Pasco, Huanuco, San Martin, Ucayali and Loreto.

The excellence of our production process enables us to offer our clients high quality cement, with resistance above the standards of the Peruvian Technical Standard (NTP, for its acronym in Spanish) and American Society for Testing and Materials (ASTM).



Packed cement

We offer seven types of high quality cement, with packing that guarantees the preservation of its properties. The most widely used are the traditional Cemento Sol and Cemento Andino. We launched Cemento Apu in 2014.



Cement in bulk

For projects with greater demand, we have cement in bulk, dispatched in big bags or in vehicles directly to the client.



Innovation in our products

Our innovation strategy focuses mainly in the needs of the final user. We conduct market research to identify the reasons why cement is purchased by the clients and what properties they value most in order to define our opportunities.

Once users' needs are determined, we evaluate the proposal based on five parameters that will define if the launching of the product is viable:

- i) **Market:** if it is necessary for the user.
- ii) **Feasibility:** if the manufacturing of the product is viable.
- iii) **Logistics:** if the raw material required is available.
- iv) **Productive:** if the manufacturing resources and capacities are available.
- v) **Economic:** if the price is accessible to the user.

In 2013, thanks to these studies, we were able to identify the need to introduce an economic cement product with high quality standards. Thus, we launched Cemento Apu in 2014, which is the second preferred brand across the country.

We will form an innovation committee in 2015, in charge of implementing the entire strategy.

Furthermore, we provide complementary services that strengthen our distribution chain, as for example, the network of Progre-Sol hardware stores, with more than 290 points of sale. In addition to strengthening the capacities of the hardware entrepreneurs, we are able to reach the entire Peruvian territory with our products.

OUR ECONOMIC PERFORMANCE

2014 was a complicated period for the construction sector, mainly owing to the stalling of mining projects and public infrastructure. Nonetheless, our sales amounted to S/. 1,883.0 million, 6.0% more than in 2013. This good result obeys to the increase of 1.6% in the volume of our ready mix products, as well as to the resumption of cement exports.

We must underscore that gross earnings increased 8.8% and the operating margin, 13.0%. We also fulfilled our goal to increase the EBITDA, which was 14.3% higher than in 2013, owing to operating efficiency and synergies obtained with the merger.

FINANCIAL INDICATORS

(in thousands of nuevos soles)

	2014	2013	VARIATION
Sales	1,882,982	1,775,193	6.0%
Gross margin	830,509	763,437	8.8%
Operating margin	591,389	522,896	13.0%
EBITDA	774,946	678,458	14.3%
Earnings before taxes	319,546	301,439	6.0%
Net earnings	290,113	204,742	41.6%

These results made it possible for us to share and generate value among our stakeholders. We invested more than S/. 19.0 million in development programs and donations to the community and more than S/. 1,000 million in local and foreign suppliers.



DISTRIBUTION OF INCOME AMONG STAKEHOLDERS

(in thousands of nuevos soles)

	2014	2013
Operating costs	1,039,929	988,604
Gross workers' salaries	164,153	140,914
Financing costs/dividends	153,060	90,835
Taxes paid (VAT and income)	161,106	151,344
Donations	19,303	13,286
Purchases to local and foreign suppliers	1,073,214	882,812

OUR SUPPLIERS AND CONTRACTORS

We promote the development of higher quality and safety standards among our main suppliers and contractors by transferring our demands to raise their performance.

We conduct an evaluation process with suppliers that provide us with materials, with those that provide us their services and with those related to the integrated management system (SIG, for its acronym in Spanish).

The Purchasing Division (DCOM, for its acronym in Spanish) keeps the vendors record data (Vendors Master Record). The evaluation focuses on analyzing the most significant suppliers and establishing if they can be sustainable over time, with the aim that they meet the standards of the integrated management systems (ISO 9001 / ISO 14001 / OHSAS 18001).

In this respect, 83 suppliers were evaluated in 2014, that is, 80.0% of the annual purchase volume.

In the case of contractors, as important allies for the conduction of our activities, we carried out evaluation, monitoring and training activities. The critical services contractors (Atocongo/Conchán unit) were evaluated at least once per semester by the respective user areas. Our contractors are involved in the integrated management system.

We performed compliance audits of health and safety standards to 25 contractors in 2014, and evaluations of labor regulations and environmental practices.

In turn, we have in place Occupational Safety and Health (SST, for its acronym in Spanish) committees under the Industrial Safety and Hygiene Division, which has established the following:

- ▶ SST Committee for Contractors – monthly
- ▶ SST Committee for Mining Concessions – monthly
- ▶ SST Committee for Transport Companies – monthly

Meanwhile and as part of the Occupational Safety and Health Program, educational talks were imparted to strengthen competencies, such as the Leadership in Safety workshop, which took place at the Atocongo plant, with the participation of 25 managers of the contracting companies. Furthermore, safety talks started at the Condorcocha plant, with the heads of contractor companies. All in all, 6,052 hours of educational talks were imparted.

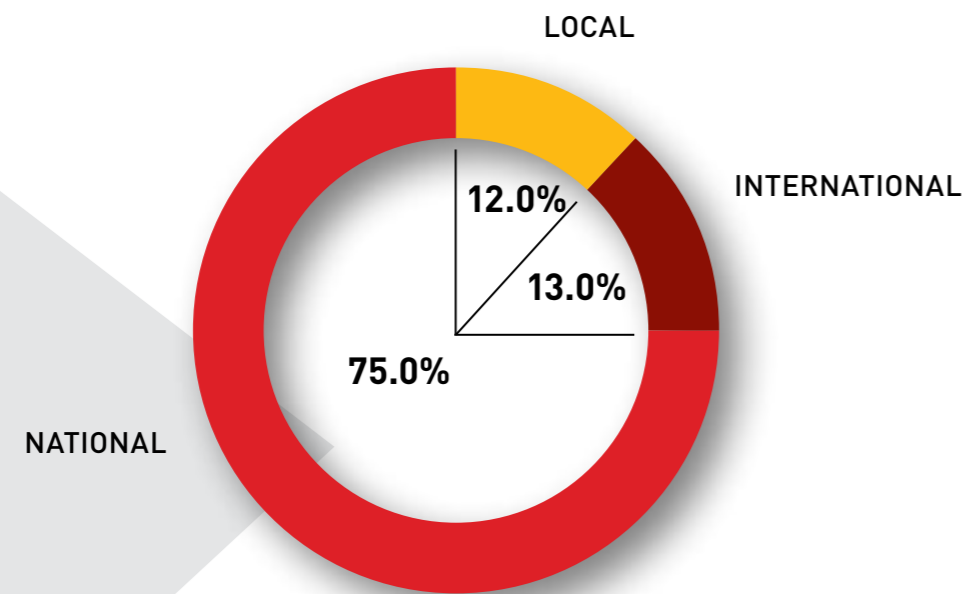
It is worth mentioning that the contractors with whom we work are at the same time our partners in the promotion of local employment. Thus, through clauses in our framework agreements we establish that at least 70.0% of unskilled labor must be local.



In 2014,
83 SUPPLIERS WERE
EVALUATED, REPRESENTING
 80.0% OF THE ANNUAL
 PURCHASE VOLUME.

We had 1,819 suppliers of materials and services in 2014, which represented purchases for more than S/. 1,473 million (18.0% were local purchases). In addition, we had 25 contractors that worked along with us in Atocongo and Condorcocha; 60.0% of them are local.

Distribution of suppliers



CORPORATE GOVERNANCE

Our corporate governance is based on policies and practices that maintain and promote compliance with ethical and transparency principles within the organization.

Our ethics is based on the policies established in the Code of Conduct, which is in line with the corporate values.

Taking into account that UNACEM is listed in the Lima Stock Exchange (BVL, for its acronym in Spanish), we are governed by the Principles of Good Corporate Governance of Peruvian Corporations, guaranteeing the market and our investors a sound management of our activities.

We also safeguard the rights of our shareholders and the transparency of the decisions that are taken in the organization. Thus, we work with a Shareholders' Meeting, in charge of taking decisions and a Shareholders' Office, in charge of ensuring that our majority and minority shareholders are permanently informed.

Our Board of Directors is made up of 12 directors, 3 of whom are independent and who, with their prestige and broad professional experience, provide independent judgment in this governing body and are guarantors of the ethical conduct of the company and its decisions.

challenges
for
2015

Suppliers

- ▶ Continue working with more categories of materials, towards reaching agreements with suppliers not only locally but abroad as well.
- ▶ Optimize volumes and purchase frequencies, towards streamlining acquisition costs.
- ▶ Seek new supply sources to be more competitive.

Contractors

- ▶ Strengthen the main aspects of the framework agreement we enter into with contracting companies, so that our standards are adopted at 100.0%.
- ▶ Continue monitoring compliance of labor regulations by our contractors with respect to the personnel working with them.



«UNACEM looks to the future, is always in the forefront, developing growth, expansion and modernization projects, many of them concerning environmental subjects and aimed at generating improvements in the protection of our environment and in sustainability».

JEFFERY LEWIS

UNACEM PROJECT EXECUTION MANAGER
 HIS MISSION IS TO EVALUATE, PLAN AND SUPERVISE THE EXECUTION AND STARTUP OF THE COMPANY'S PROJECTS.



BOARD OF DIRECTORS COMMITTEE

Auditing Committee

In charge of safeguarding the policies and accounting processes; implementing the internal control system of financial reports; and verifying compliance of standards and legal provisions. It is made up of three directors, two of them independent.



UNACEM COMMITTEES

Management Committee

In charge of implementing the institutional sustainability plans and pursuing the development of the projects.

Integrated Management System Committee

In charge of monitoring, evaluating and following up the actions and strategies established in quality, safety and environmental matters.

Occupational Safety and Health Committee

In charge of gathering the perceptions of the employees regarding occupational safety and health and of proposing permanent improvement strategies in this regard. It is a joint committee, presided by the Operations Manager.

awards and recognitions

- ▶ **Recognition as Exemplary Company for its Social Corporate Responsibility – Latin America 2014**, awarded by the Mexican Center for Philanthropy (CEMEFI, for its acronym in Spanish).
- ▶ **Distinguished as Socially Responsible Company (ESR, for its acronym in Spanish)**, awarded by Patronato Perú 2021 and CEMEFI.
- ▶ **Award for Best Social Corporate Responsibility Practices** in Latin America, in the category of Inter-sector Alliances or Alliances between Companies, granted by the CEMEFI.
- ▶ **Recognition for our participation in the fight against dengue**, granted by the Ministry of Health through the Lima Sur Health Office – DISA II.
- ▶ **Recognition to companies and organizations of the civil society**, granted by the Ministry of Education.

AV. PROLONGACION IQUITOS VIADUCT, LIMA.

SUSTAINABLE MANAGEMENT

**OUR SUSTAINABILITY MANAGEMENT CUTS
ACROSS THE ENTIRE BUSINESS.**

WE FOCUS ON QUALITY AND SAFETY, AS WELL AS ON

RESPECT FOR THE ENVIRONMENT

AND ON PROMOTING THE GROWTH
OF THOSE IN OUR SECTOR OF
INFLUENCE.



OUR STRATEGY IS
FRAMED WITHIN THE

SOCIAL RESPONSIBILITY

POLICY THAT ESTABLISHES THE GUIDELINES FOR
SOUND BEHAVIOR TOWARDS OUR STAKEHOLDERS.

WE USE THE

GRI-G4

APPROACH THAT PROPOSES ANALYZING THE
POSITIVE AND NEGATIVE IMPACTS OF OUR
ORGANIZATION AND OUR ENVIRONMENT'S RISKS,
AS WELL AS INVOLVING OUR MAIN STAKEHOLDERS
TO DEFINE THE KEY MANAGEMENT ISSUES.

WE UPDATED KEY

SUSTAINABILITY ISSUES

THAT RESPOND TO IMPACTS OF OUR COMPANY
AND TO THE PERCEPTION OF OUR
STAKEHOLDERS.

WE ESTABLISHED
RELATIONSHIPS WITH

8 MAIN STAKEHOLDERS,

WITH WHOM WE SEEK TO BUILD A CLOSE
RELATIONSHIP, BASED ON PERMANENT, CLEAR
AND TRANSPARENT DIALOGUE.

IDENTIFICATION OF KEY ISSUES (G4-18)

Our sustainability management has a cross-cutting and business nature and is driven by our Asociación UNACEM (formerly Asociación Atocongo), which seeks and fosters the execution of the corporate sustainability strategy and promotes social investment initiatives in line with our business purposes. The strategy is framed within the Social Responsibility Policy that establishes the guidelines for responsible action towards stakeholders.

In 2014, as part of the permanent improvement process, we updated key sustainability issues that respond to the impacts of our company and to the perception of our stakeholders. Those issues were revised by our different areas and, therefore, will form part of our sustainability management for the next years.

To identify the key issues, we used the Global Reporting Initiative (GRI-G4) approach, that proposes the analysis of positive and negative impacts of our organization and of the risks of our environment, in addition to involving our main stakeholders to define the most relevant management issues.

WE CARRIED OUT THREE DIALOGUE PANELS WITH OUR EIGHT STAKEHOLDERS, WHO EVALUATE AND PRIORITIZED OUR KEY SUSTAINABILITY ISSUES.



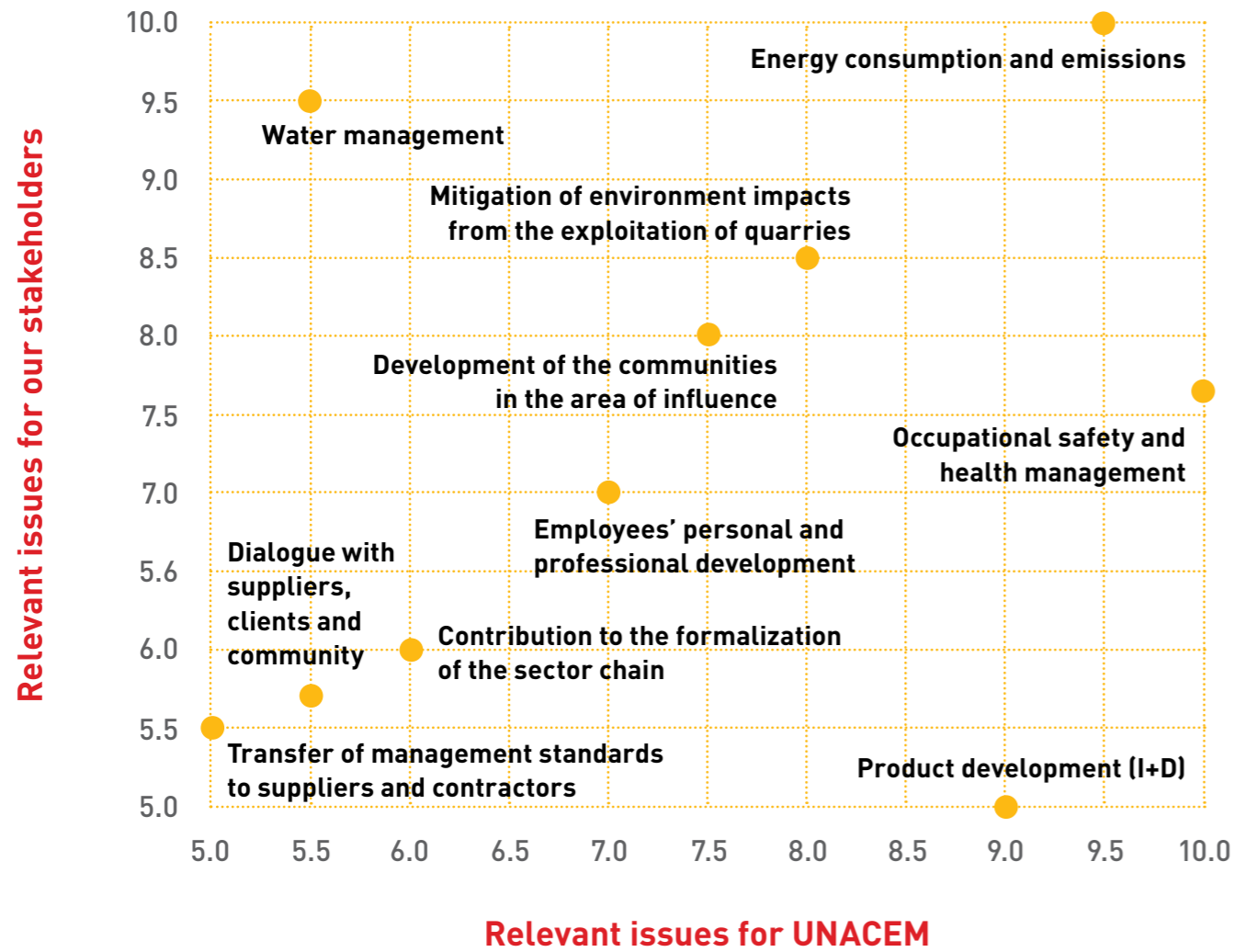
(G4-18)



According to the methodology used, each of the key issues was evaluated and appraised by our internal team and by the stakeholders in order to establish the priority.

Of the 23 subjects identified as important, we determined that 10 were key to the management. The grid below shows the first quadrant with these 10 issues in order of relevance.

KEY ISSUES GRID (G4-19)



These issues are currently being managed by our areas. Those in which improvement opportunities were identified will be addressed and managed according to their importance.

MANAGEMENT OF KEY ISSUES

Issues	Stakeholder involved	How it is managed
Contribution to the formalization of the construction sector chain (hardware stores and self-constructors)	Clients	Training for self-constructors Network of Progre-Sol hardware stores
Employees' personal and professional development	Employees	Performance evaluation Annual training plan
Occupational safety and health management	Employees Suppliers Contractors	Integrated management system Risk prevention culture
Dialogue with suppliers, clients and community	Suppliers Contractors Clients Community	Dialogue panels Satisfaction surveys Community relations strategy
Transfer of management standards to suppliers and contractors	Suppliers Contractors	Demand for standards in contract Training in safety
Community development in the area of influence	Community Future generations Government	Community relations strategy Social development and infrastructure projects
Mitigation of environmental impacts from exploitation of quarries	Community Environment	Social monitoring project regarding vibrations Technology using silencing system
Water management	Environment Community Government	Water reuse Environmental culture
Energy consumption and emissions	Environment Future generations	Greenhouse gas emission control plan Use of clean energy
Product development (I+D)	Environment Clients	Market research Development of products according to client



PROGRESS IN OUR SUSTAINABILITY MANAGEMENT

In 2014, we established management goals that helped us continue and strengthen responsible actions. These goals were defined in five areas, according to our main stakeholders: employees, community and future generations, environment, clients and suppliers.

EMPLOYEES

2013 Goal

Consolidate our organizational culture currently in process of being formed as a result of the merger.

Improve internal communication in the different areas and plants, in order to be aligned with the goals and to promote a better work environment.

2014 Performance

▶ We continue working on this goal.

▶ We continue working on this goal.

COMMUNITY AND FUTURE GENERATIONS

2013 Goal

Adopt the community-based development approach (DdB, for its acronym in Spanish) in community relations at the Condorcocha plant.

Strengthen work with the communities adjacent to the Condorcocha plant through Asociación UNACEM (AU).

2014 Performance

- ▶ The DdB approach has been adopted in the everyday work with the community and its basic organizations, promoting the development work from a long-term perspective, so that interventions are sustained and do not respond only to immediacy situations. In this respect, community development plans have been prepared for each of the communities and small towns.
- ▶ The introduction of AU in 2014 has sought to strengthen good community management practices through transparency, permanent dialogue and paying attention to the organizations.

ENVIRONMENT

2013 Goal

Measure our carbon footprint to establish strategies towards mitigating emissions.

Foster a greater involvement of our employees with regard to the importance of good environmental management.

2014 Performance

- ▶ Measurement of the carbon footprint has started in the Atocongo and Condorcocha plants. In 2015, we will have the results to establish a plan of action.
- ▶ In-house training was imparted to UNACEM employees regarding the importance of environmental controls in enforcement. The 16th Environment Week was held, which included exhibitions, *pasacalles* (street parades), health campaigns, *ecomovie* and school plays, with the participation of more than 100 employees. Environmental induction continued on a weekly basis, with the attendance of 7,000 people during 2014.

CLIENTS

2013 Goal

Build loyalty and strengthen the traditional hardware store business, redesigning their service and improving our business model.

Double the number of professional training hours for construction foremen, masons and self-constructors.

SUPPLIERS

2013 Goal

Improve suppliers' comprehensive management through evaluations to rate them, according to our code of conduct.

Establish development strategies for national and local suppliers in order to increase their competitiveness, so that they may have the possibility to join UNACEM.

2014 Performance

- ▶ The annual Progre-Sol clients plan was prepared and fulfilled, which included demand generation activations and two loyalty plans.
- ▶ The change of image of the Progre-Sol network started, which includes painting of facades of the more than 290 points of sale. Implementation will be completed during the first quarter of 2015.
- ▶ The pilot plan of the Progre-Sol 2.0 project started and was completed, with the definition of the pillars of growth of the network for the next five years.
- ▶ In 2013, 288 training hours were given, and 384 in 2014.
- ▶ The number of training hours was 33.0% higher than in 2013.

2014 Performance

- ▶ We continue working on this goal.
- ▶ We continue working on this goal.



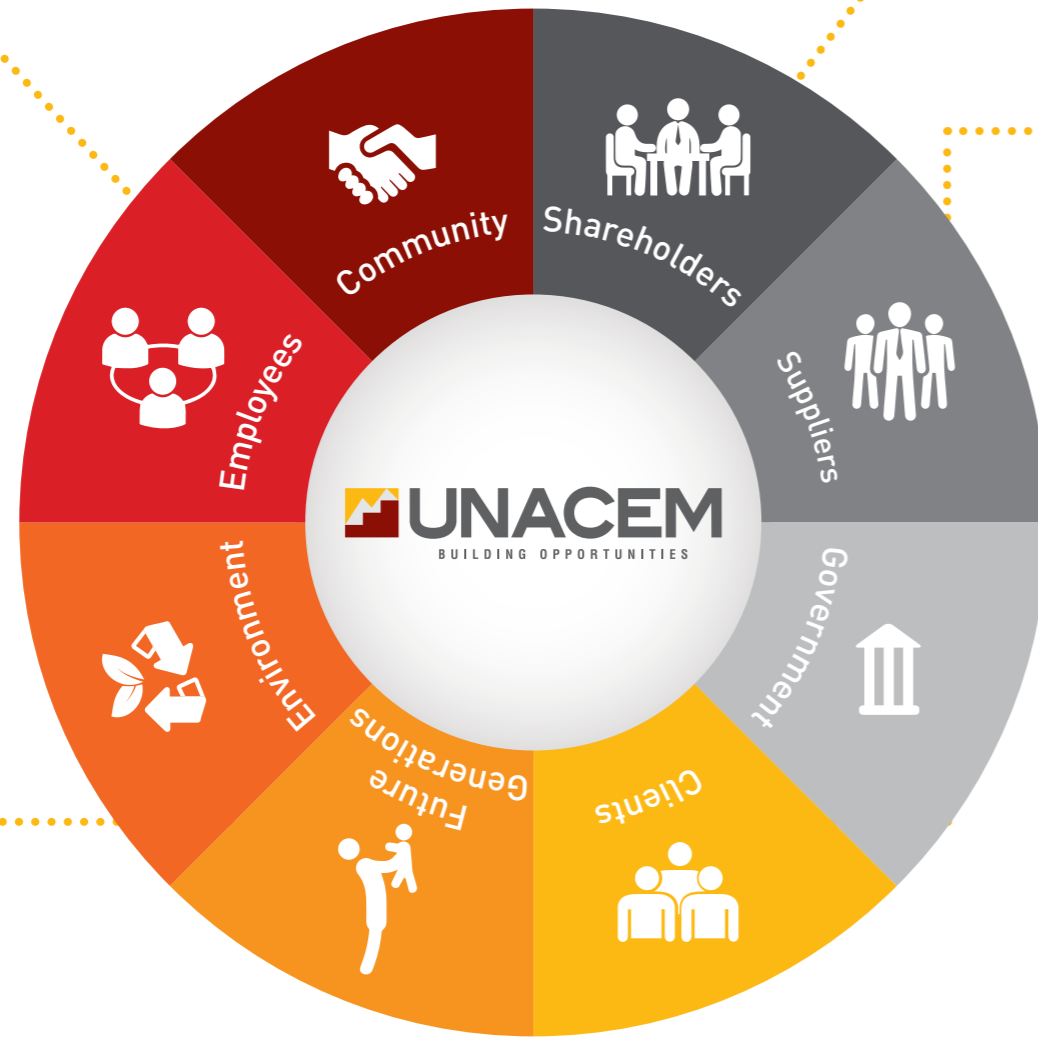
«Before the project, there were issues that were not so important for us. We have worked in raising awareness of what social responsibility is and that has been really good for the company, as it has helped us meet the requirements of the market, favoring in this way all stakeholders and generating commitment».

RICHARD YSHIKI

GENERAL SUPERVISOR OF GRUPO DANSA
CEMENZA, AS PART OF GRUPO DANSA, IS ONE OF THE 5 MAIN DISTRIBUTORS OF UNACEM. DURING THE PAST YEAR, IT PARTICIPATED IN A PROJECT CALLED ENSURING TRANSPARENCY IN THE VALUE CHAIN, DUE TO THIS, 8 PYMES OF UNACEM'S VALUE CHAIN WERE ABLE TO COMPLETE THEIR FIRST SUSTAINABILITY REPORT.

OUR STAKEHOLDERS (G4-24)

Stakeholders



We established relationships with 8 main stakeholders, with whom we seek to grow closer, based on permanent clear and transparent dialogue that may help us strengthen trust. In this respect, we have implemented spaces that enable us to learn about their expectations, their concerns and their needs, so that we may prioritize and incorporate them in our administration.



WE SEEK TO BUILD A CLOSE RELATIONSHIP BASED ON PERMANENT, CLEAR AND TRANSPARENT DIALOGUE THAT MAY HELP US STRENGTHEN TRUST WITH OUR STAKEHOLDERS.

Communication channels with the stakeholders (G4-26)

1	2	3	4	5	6
Employees	Shareholders	Community	Clients	Suppliers	Government
Open doors policy.	Periodical meetings.	Community relations staff.	Website.	Permanent direct relationships.	Sector associations.
Periodical meetings.	Shareholders information office.	Meetings with leaders.	Progre-Sol meetings.		Participation in chambers of commerce.
Virtual means: intranet and emails.	Website with section for shareholders.	Workshops for the community.	Satisfaction surveys.		
Written means: "El Concretito" bulletin, bulletin boards and "En Concreto" magazine.		Social diagnostics.			



Dialogue panels with our stakeholders (G4-26)

In 2014, we continued with our dialogue panels with the main stakeholders in order to learn about their perceptions of our management and identify improvement opportunities. This year, we held three dialogue panels, one of them with organizations from the construction sector and our regulators. We discussed about sustainability opportunities where work needs to be done as a sector to improve social, environmental and operating practices.

As a result of these discussions, strengths were identified with regard to internal management, such as environmental performance (water and reduction of environmental impacts), support to development of the community's social infrastructure and an adequate safety management.

Among the main improvement opportunities proposed was the need to improve the cement distribution system to the clients, work out more training and labor insertion programs for the community and foster, in its capacity as key actor of the chain, construction waste management issues.

With these results, we will continue strengthening our management to meet the expectations of our stakeholders.



HOSPITAL OF TARMA, JUNIN.

HOSPITAL FELIX MAYORCA SOTU

GROWING WITH OUR ENVIRONMENT



BASED ON OUR ENTREPRENEURIAL CULTURE,
OUR GROWTH GOES HAND IN HAND WITH
THREE SUPPORTING
PLAYERS:

OUR EMPLOYEES, OUR COMMUNITY
AND OUR CLIENTS.



**WE INVOLVE, WE TRAIN AND WE
RAISE AWARENESS AMONG**

OUR EMPLOYEES

**SO THAT THEY BECOME THE PROMOTERS AND OVERSEERS
OF SAFE PRACTICES IN OUR OPERATIONS.**



WE FOSTER DIFFERENT

DIALOGUE SPACES,

**SUCH AS ORDINARY AND SPECIAL COMMUNITY
MEETINGS, NETWORKS AND PLATFORMS FOR THE
PARTICIPATION OF THE CIVIL SOCIETY, IN ADDITION
TO GUIDED VISITS TO OUR PLANTS.**



MORE THAN

33,000 BAGS OF CEMENT

**WERE DELIVERED TO COMMUNITY-BASED ORGANIZATIONS,
TERRITORIAL ORGANIZATIONS AND EDUCATIONAL
INSTITUTIONS FOR SOCIAL INFRASTRUCTURE WORKS
IN THEIR COMMUNITIES.**



**WE TRAIN SELF-CONSTRUCTORS,
CONSTRUCTION FOREMEN AND MASONS
THROUGH OUR**

PROFESSIONALIZATION PROGRAM

IN LIMA AND THE CENTRAL ANDEAN REGION.

OUR EMPLOYEES

We have a highly qualified and motivated human team that enables us to take up the new challenges of the trade successfully. They are our main competitive advantage and so, we continue implementing our competencies-based management model, which provides them with technical and personal skills to grow as personally and professionally within our organization.

The commitment and sense of belonging of our team rest upon our corporate culture and our excellence, responsibility, ethics, commitment and innovation values.



Employee Management

Management system

- ▶ Competencies-based management model
- ▶ Annual Education and Training Plan (PACE, for its acronym in Spanish): develops competencies and skills according to needs.
- ▶ Performance evaluation system: evaluates the growth process.

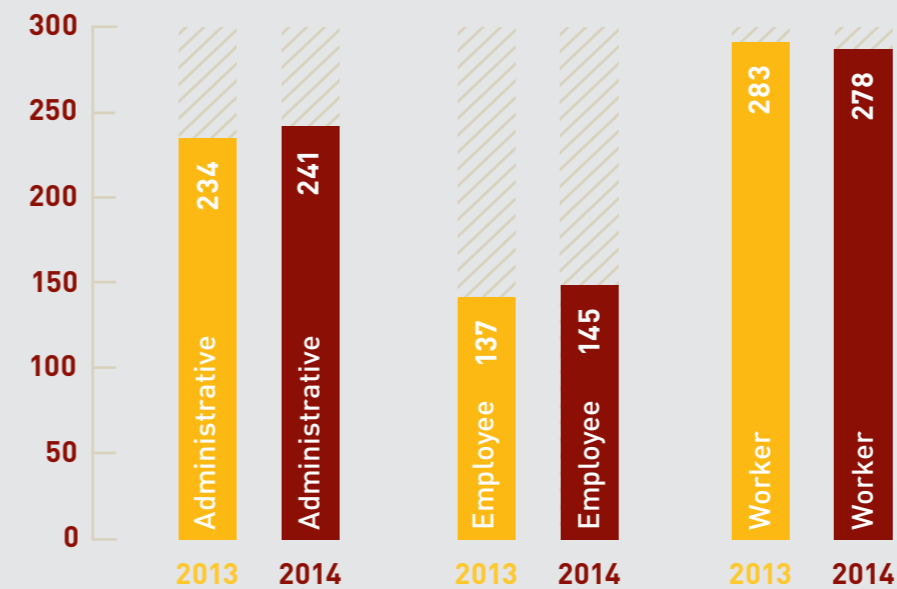
Organizational culture

- ▶ Corporate values: excellence, responsibility, ethics, commitment and innovation.
- ▶ Induction process in our organizational culture.

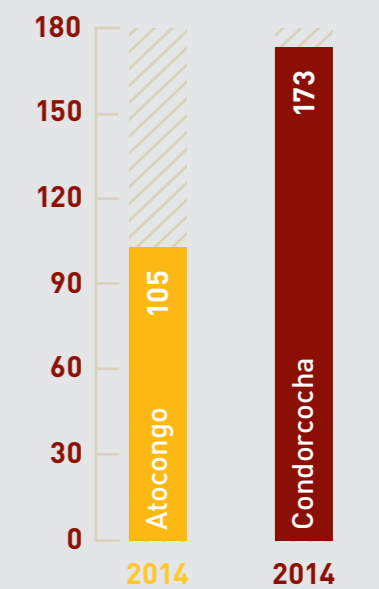
OUR TEAM

At UNACEM we have 664 employees, out of which 42.0% are workers. This large group, together with the group of engineers and technicians, ensure compliance of the quality standards of our products, so that they meet the expectations of our clients.

Employees by category



Workers per plant



challenges for 2015

- ▶ Conduct the performance evaluation process with SAP, using the personnel development module.
- ▶ Continue improving our average man-hours of training in both plants.

COMPETENCIES MANAGEMENT MODEL

Our competencies management model involves job description analysis processes according to the skills required: recruiting and selection, performance evaluation, and education.

As part of the model, employees receive: (i) organizational training courses related to subjects strategic for UNACEM; (ii) specific training related to the job positions; and (iii) skill development, where topics concern the personal development and growth of each employee. Educational activities are performed by in-house teachers, as well as by specialized institutions, in the country and abroad.

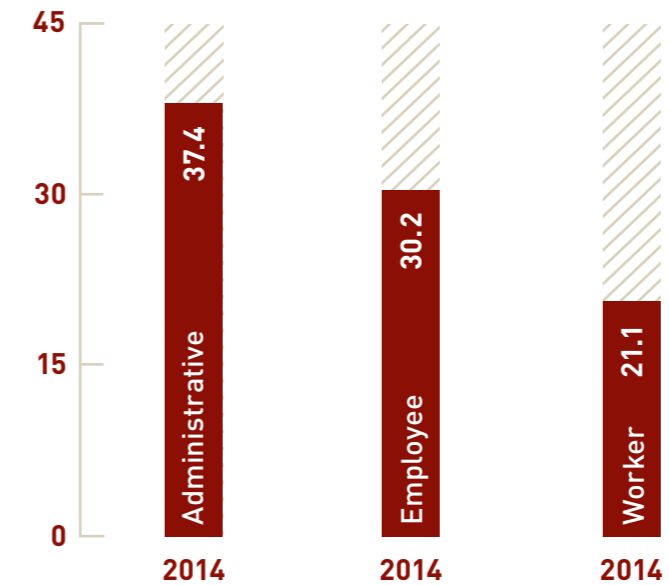
In 2014, 21,153 training hours were given to employees of the Atocongo and Condorcocha plants, representing a total average of 31.86 man-hours.

Our training courses include:

- a) **Organizational:** focused on courses concerning integrated management systems and industrial safety and hygiene. 60.0% of the employees participated.
- b) **Specific:** focused on the skills that each employee required to improve their performance in their position. They were developed based on the needs identified for each one, according to their performance evaluation. A total of 6,784 man-hours were dictated at the Atocongo plant and 3,426 man-hours at the Condorcocha plant.
- c) **Skill development:** training that included a coaching workshop aimed at executives and supervisors of both plants. The main subject was leadership and 70.0% of the target public participated.

Meanwhile, we organized the 22nd Training Program for Professionals in 2014, which gathered 28 young people from different disciplines. Simultaneously, we started the new edition of this program with the participation of 34 recently graduated professionals. These spaces also became a source of talent that has led us to recruiting many young people for the good performance shown.

Average man-hours of training by category



OCCUPATIONAL SAFETY AND HEALTH

Due to the characteristics of our industrial activities and those of the construction sector, there is a high risk level in the safety and health of the personnel involved. To respond to this, at UNACEM we have an occupational safety and health management system that enables us to identify the risks in each process, to evaluate the existing risks and determine the proper control measures. In this way, we strengthen our preventive management, which is extended through the supervision of our contractors in order to guarantee that our standards are met.

14,163
TRAINING HOURS IN THE COMPANY.

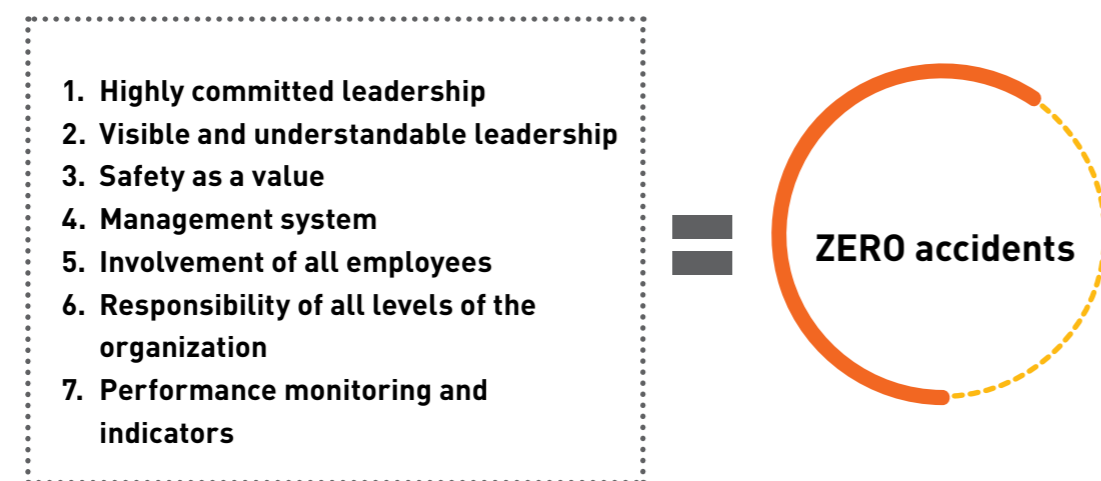
6,368
TRAINING HOURS IN PERU.

622
TRAINING HOURS ABROAD.



The occupational safety and health management system of UNACEM rests upon a culture of prevention. We involve, train and raise awareness of our employees, so that they become the promoters and overseers of safety practices in our operations.

Safety: seven basic management principles



MAIN SAFETY RISKS

Several risks deemed of important level were identified as a result of the environmental risks and impacts evaluations (ERI, for its acronym in Spanish).

RISK	PROCESS STAGES / JOB POSITION
Gaseous fuel	Maintenance
Exposed mobile parts	Raw materials supply Cement dispatch Clinker dispatch Maintenance Port operations Projects, follow-up and measurement of quality and occupational safety and health (CASSO, for its acronym in Spanish) General services
Machine start-up potential	Maintenance Projects
Installation or inadequate equipment potential	Cement dispatch Maintenance
Work surfaces in altitude	Maintenance
Noise (occupational)	Electric power supply Raw materials supply Cement dispatch Clinker dispatch Cement manufacturing Maintenance Projects CASSO follow-up and measurement General services

Processes and activities with a high risk level are managed through the execution of initiatives aimed at reducing them. These initiatives form part of the annual management system program, and follow-up activities take place from time to time to reassess the risk and verify progress.

RISK PREVENTION PROGRAM

a) Atocongo plant:

- ▶ In order to have personnel who are highly aware and knowledgeable of safety standards, we developed an occupational safety and health awareness-raising program. A total of 1,190 employees participated in 2014.
- ▶ A training grid was prepared for the personnel according to the risks of the activities performed. During the year, 52.0% of the educational goal was achieved.
- ▶ Complying with the training grid in safety at work, several prevention courses were conducted, which altogether involved more than 1,190 participants or 6,052 training man-hours.
- ▶ As a result of the above actions, frequency of accidents was reduced in our plants. In 2014, we obtained 12.6 frequency rate, 19.0% less than in 2013 and 39.0% less than in 2012.

b) Condorcocha plant:

- ▶ We implemented the safety training program to raise awareness among our plant employees regarding the importance of the value of respect, as well as of complying with the safety standards and good practices. This program is aimed at employees and contractors. During 2014, 5,811 training man-hours were conducted.
- ▶ We held the Safety Day campaign with the participation of external speakers. Attendees totaled 61 people, between employees and contractors.
- ▶ As part of the safety plan, we passed 80.0% of the inspections programmed for the different areas. Furthermore, we executed more than 80.0% of the incidents reports and complied with 100.0% of the drills programmed.
- ▶ As a result, in 2014 we achieved a reduction of the frequency, severity and accident rates by 29.0%, 71.0% and 81.0%, respectively.

OCCUPATIONAL SAFETY RESULTS

In 2014, we achieved a reduction of the accidents frequency rate by 27.0% compared to 2013. While this result reflects the efforts deployed during the year, unfortunately we registered a fatality.

The incident was the consequence of a traffic accident inside our aggregates reception yard. As corrective measures, we included additional and stricter controls to those already in place, among them: review of our procedures established for that activity; prohibition for personnel to transit on foot while discharge labors are ongoing; greater training in defensive driving and on the importance of complying with safety standards; and implementation of planned labor observations (OPT, for its acronym in Spanish) to verify compliance with safety standards by the personnel.

	2013	2014
Frequency rate	14.1	10.3
Severity rate	141.1	685.8 (*)
Accidents rate	2.0	7.1
Number of fatal victims	0	1

(*) The severity and accidents rates increased as a result of the fatal accident registered.



Atocongo plant

- ▶ Reduce reactive safety rates by 25.0%, without counting the fatal accident.
- ▶ Implement proactive safety indicators associated with compliance of standards and internal procedures.

Condorcocha plant

- ▶ Reduce frequency and severity rates.
- ▶ Improve response capacity of our brigades.

OUR COMMUNITIES

Through Asociación UNACEM, we implemented our community strategy based on three lines of action: social infrastructure, community relations and human and social development. To that end, we formed strategic alliances with different local, national and international actors, that enable us to articulate collective initiatives towards the development of our area of influence.

Our community relations management is based on the community-based approach that seeks to promote a proactive attitude among the communities towards their own development, by strengthening their social fabric.

As a result of the social management, we have positioned ourselves as a key player in the economic, social and environmental development of our area of influence.

Community Strategy

1

Social infrastructure

Contribution of cement and other construction materials.

Technical assistance and support in the preparation of technical docketts.

2

Community relations

Strengthening of the company, community and local government relationship.

Environmental management and health promotion projects.

Strengthening of community-based organizations.

3

Human and social development

Development of skills for employment and entrepreneurship.

Improvement of public education quality and promotion of artistic and cultural activities.

The area of influence consists of five districts of Lima (Atocongo plant) and four of Tarma (Condorcocha plant). In these areas we conduct our main social development actions.



COMMUNITY RELATIONS MANAGEMENT

The community relations management approach focuses on strengthening our ties with the community. Thus, we foster different spaces for dialogue, such as ordinary and special community meetings and networks and platforms for civil society to participate, in addition to guided visits to the plants. Furthermore, we conduct perception studies to gather feedback and learn about the expectations of the community within the area of direct influence with regard to the company and its impacts. In 2014, we conducted four studies in the area of influence of Atocongo. We also relate with them by implementing private social investment programs and projects.

Likewise, we have a management system for complaints and claims for the community, through which we settle inconveniencies before a conflict is generated. By talking to the community leaders and the company staff, Asociación UNACEM follows up to verify that all agreements reached are fulfilled.

13
COMMUNITY MEETINGS IN THE AREA OF INFLUENCE OF CONDORCOCHA.

100
PARTICIPANTS IN EACH MEETING.

+ 70
MEETINGS WITH LEADERS AND AUTHORITIES OF THE AREA OF INFLUENCE OF CONDORCOCHA.

319
MEETINGS WITH LEADERS AND AUTHORITIES OF THE AREA OF INFLUENCE OF ATOCONGO.



Community participation in the Environmental Impact Assessments (EIA)

In 2014, we updated the EIAs and the community relations plans in three concessions of UNACEM, as well as in the Atocongo quarry, the Conchan pier and its conveyor belt. As part of this process, eight participative workshops were conducted with the community in the area of direct influence, complying with the regulations and the procedures. A total of 350 people participated in these workshops and we will hold meetings to validate the documents in 2015.

Furthermore, we carried out an EIA updating at Condorcocha, that demanded the execution of surveys and meetings to raise the awareness of community authorities, leaders and assemblies.



«We want to keep on working with UNACEM because it is a company that offers support to the community development and to improve the quality of life of its neighbors. We share the same feelings. We work as allies».

MANUEL TATAJE ÁLVAREZ

PRESIDENT OF THE WORKS AND CONSTRUCTION COMMITTEE OF COMMITTEE 23, SECOND SECTOR OF TABLADA DE LURIN, VILLA MARIA DEL TRIUNFO.

MAIN PROJECTS WITH THE COMMUNITY

In 2014, we invested S/. 14,728,196 in development programs and more than S/. 648,500 in donations.

a) Social infrastructure: we work in social infrastructure projects to promote the development of community-based organizations, territorial organizations and educational institutions. We provide our support through the donation of bags of cement and other materials (concrete, concrete bricks), as well as advice in the preparation of technical docketts.

Along this line, during 2014 we provided support to beneficiaries of the program *Techo Propio*, of the *Mi Vivienda* Fund under the Ministry of Housing, Construction and Sanitation, specifically to families of Villa Maria del Triunfo, who live in high-risk zones. We distributed donations in cement for the construction of containment walls and housing improvement.

b) Community relations: we promote a permanent dialogue with local actors and encourage citizen participation and organizational strengthening in order to generate a relation of trust between company and community. Our work includes environmental management, health promotion and organizational strengthening programs.

▶ **Healthy Communities Project:** promotes healthy life styles and practices among families, in alliance with the organized community, community health agents and health establishments in the intervened zones.

▶ **Community Environmental Program:** contributes to the consolidation and strengthening of the local environmental management system and the participative platforms for environmental coordination and planning of the Lima Sur municipalities. It is carried out in coordination with the Ministry of the Environment, with which we arrange awareness raising and training activities.

c) Human and social development: we generate opportunities for comprehensive development in the community, through the transfer of technical and entrepreneurial know-how and artistic and social skills that help its members to raise their living standards and their competitiveness in the market. In this line of action are the employability and entrepreneurial programs for young people, as well as work training and youth development; educational projects, and art, culture and sports workshops.

+ 1.2 MILLION SOLES
INVESTMENT IN SOCIAL INFRA-STRUCTURE.

33,000 BAGS OF CEMENT
DONATED FOR 49,150 PEOPLE.

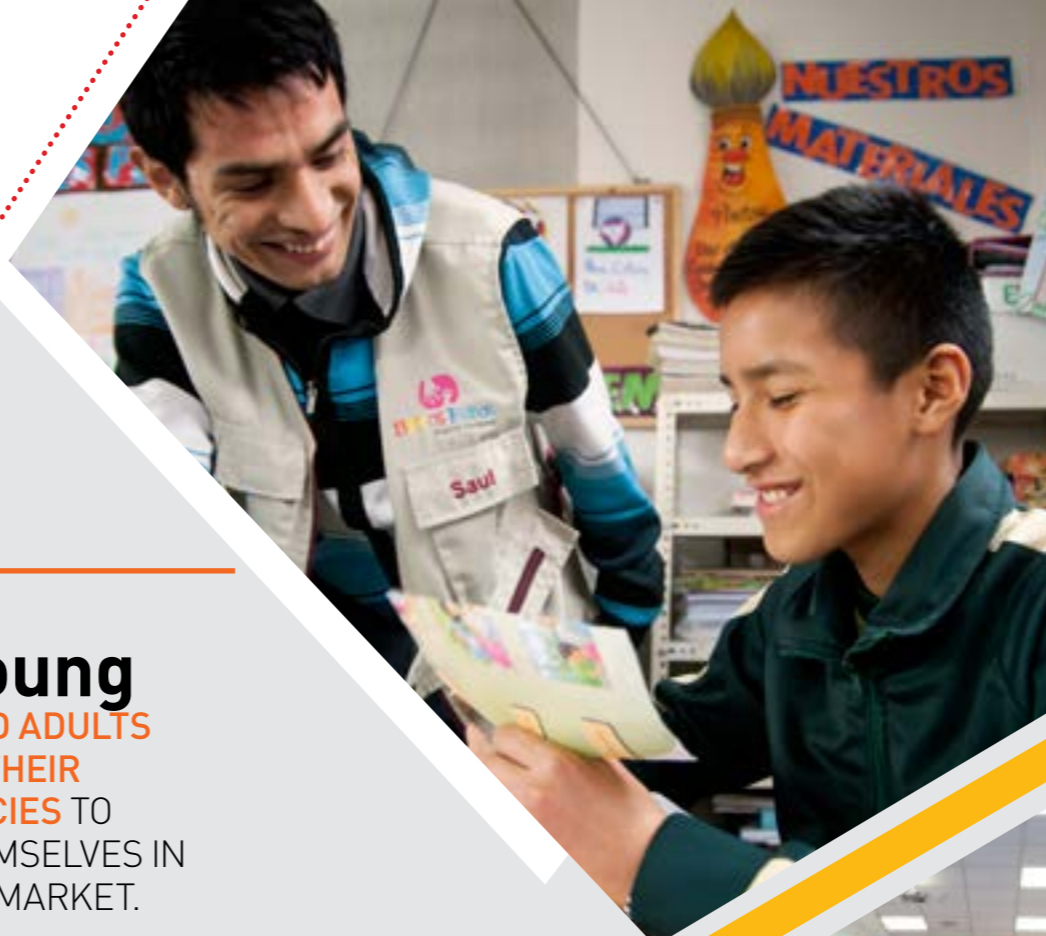
4,046 PEOPLE
IMPROVED THEIR SKILLS AND CAPACITIES THROUGH HUMAN AND SOCIAL DEVELOPMENT PROJECTS.



PROMOTING YOUNG SUCCESS PEOPLE

We seek to improve the quality of life of young people through access to good jobs and through the promotion of sustainable enterprises.

SOME OF OUR PROJECTS



426 young PEOPLE AND ADULTS IMPROVED THEIR COMPETENCIES TO INSERT THEMSELVES IN THE LABOR MARKET.

212 teachers OF PUBLIC EDUCATIONAL INSTITUTIONS OF LIMA SUR STRENGTHENED THEIR TEACHING SKILLS.



WORK TRAINING

We seek to train young people and adults of the community, so that they may undertake new businesses or optimize what they already have.

GOOD TREATMENT

We build social skills in children and adolescents in 4th, 5th and 6th grades and strengthen teachers' skills to exercise a positive discipline and to develop a school for parents.



TECHO PROPIO PROGRAM

We support the community with donations of cement for the construction of containment walls in order to stabilize their land and build their houses, granted through the *Techo Propio* program under the Ministry of Housing, Construction and Sanitation.

MONTESSORI METHOD

We strengthen teachers' skills in different schools, using this methodology that pursues comprehensive education.



ART, CULTURE AND SPORTS

We promote culture, as well as a healthy life style and values through the development of different disciplines. We pursue that children, youngsters and senior citizens of the community use their idle time productively and improve their abilities.

ENVIRONMENTAL EDUCATION

We strengthen the capacities of schools in environmental project management for schools, from the perspective of sustainable development.





SUIZAGUA – ACCESS TO WATER THROUGH THE FOG HARVESTING SYSTEM

We work with Agroindustrial Association of Llanavilla ASALL and the group Peruvians without Water (*Peruanos sin Agua*) in the construction of three reservoirs to store water collected from the several fog-harvesters the community has.



237
COMMUNITY HEALTH AGENTS TRAINED.

WE STRENGTHENED 50 COMMUNITY-BASED ORGANIZATIONS, 289 PUBLIC OFFICIALS AND 23 HEALTH-CARE CENTERS.



COMMUNITY DIALOGUE SPACES

We participate in different dialogue spaces in order to share our management and new projects with transparency, thus strengthening the relation of trust with the communities both within the area of direct and indirect influence of our operations.

CLEANING PROGRAM

We promote the cleaning of solid waste in critical situation located inside the company, adjacent to the community through community work, to reduce possible health and environmental risks.



COMPREHENSIVE HEALTH CAMPAIGN

We promote outreach mechanisms to reach vulnerable populations with health services for disease prevention and care.

FORMATION OF LEADERS

We strengthen the management and community intervention capacities of the community-based organizations that participate in the programs of UNACEM in: management of meetings; improvement of the organization's performance; management of tools such as work plan, internal regulations and bylaws; and improvement of internal communication.



SOCIAL RESPONSIBILITY SYMPOSIUM

We participated in this platform promoted by Perú 2021, so that the public may learn about the social responsibility initiatives we promote as a company.

CONTAINMENT WALLS

We improve the basic community infrastructure in order to optimize access and safety through the construction of containment walls in communities in a risk situation.



OUR CLIENTS

We share with our main clients and suppliers standards and know-how, so that they may improve their practices in their own environment.

Our main clients are the hardware stores that serve the construction foremen, masons and self-constructors, who represent 55.0% of our sales. Because of the characteristics of this sector, it is this segment that concentrates the greatest informality risks that may affect responsible practices and the soundness of infrastructures.

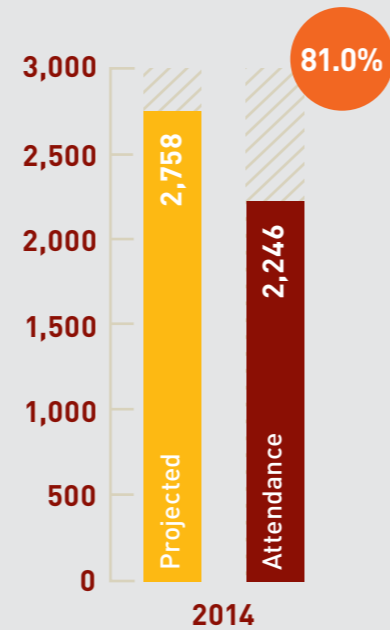
In this respect, we focus on offering opportunities and tools to professionalize their work and make them more competitive in the market. We have our network of hardware stores, Progre-Sol, made up by independent entrepreneurs and we provide training for self-constructors.

Progre-Sol is integrated by more than 290 hardware entrepreneurs countrywide, who are our main sub-distributors. We provide them support for an efficient management of their business, through activities that may generate demand at their points of sale.

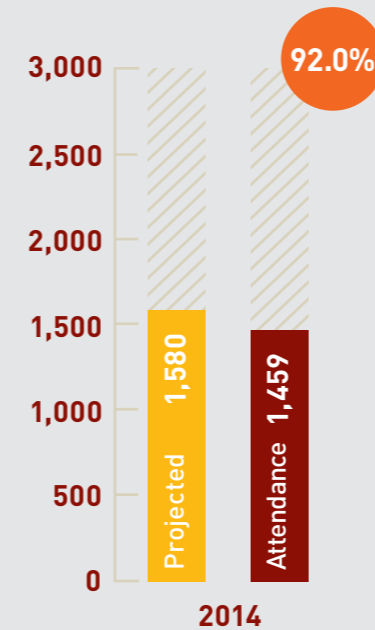
With regard to training for self-constructors, construction foremen and masons, we have a professionalization program for self-constructors in Lima and in the central Andean region. In 2014, we dictated 384 hours of training to 8,379 people.



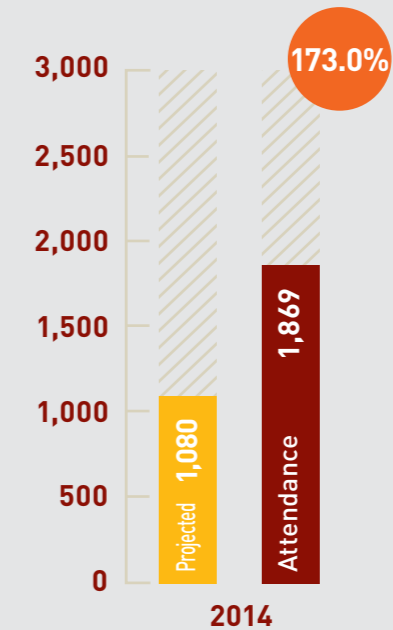
**Training
Cemento Sol, Lima**



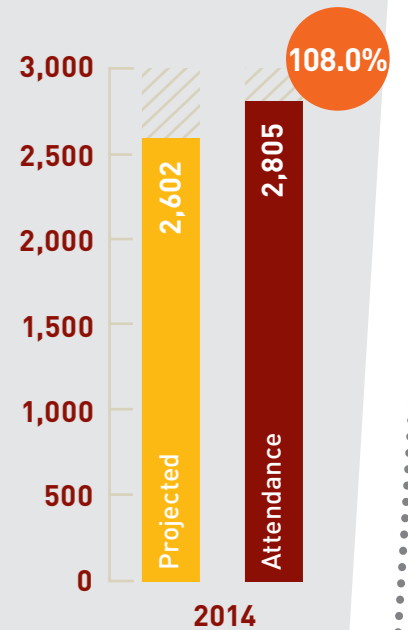
**Training
Cemento Sol, Provinces**



**Training
Cemento Andino, Provinces**



**Training
Cemento Apu, Lima**





Training self-constructors

This segment of the market characterizes for not having any specialized training in construction techniques, as its knowledge is based on family experience. Consequently, a great amount of their houses present construction problems, generating cost overruns and high safety risks.

We detected this problem and eight years ago we created a professional training program to offer self-constructors training in the most important aspects of construction, to professionalize their practice.

Through the Progre-Sol project, construction foremen, masons and self-constructors receive training in the proper use of materials and good practices in construction techniques.

The great milestone in 2014 was the inclusion of the scope of action of the Condorcocha plant. Making use of the merger synergies, professional training

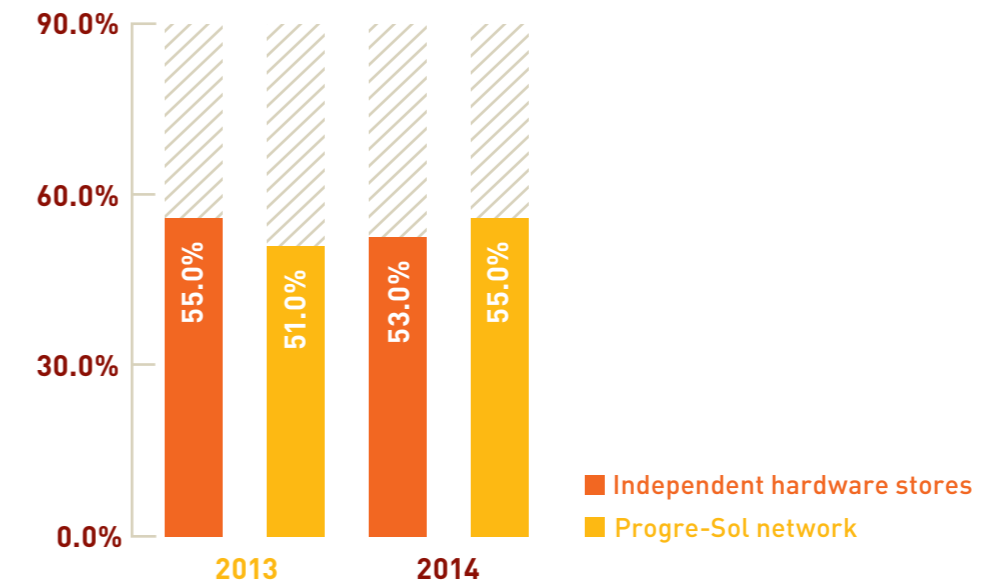
courses were started in the central Andean region. Results surpassed our expectations: 1,869 people attended, against our projection of 1,080 people.

A curriculum was developed with the collaboration of external engineers, to include seven important subjects a construction foreman must be aware of during construction for better performance and return:

- ▶ Foundation fundamentals.
- ▶ Confined masonry.
- ▶ Concrete and its applications in construction.
- ▶ Manufacturing, curing and mixing concrete.
- ▶ Brick walls.
- ▶ Reinforced concrete structures (vertical and horizontal)
- ▶ Housing construction processes.

Our goal for 2015 is to consolidate professional training courses in the central Andes and increase the scope in 20.0%.

Client satisfaction rate



CLIENT SATISFACTION

We measure the satisfaction of our clients on an annual basis and we take care of incorporating their suggestions into our management. One of the most relevant subjects concerned the room for improvement in the dispatch system.

In reply to this concern, in 2014 we improved the rhythm and capacity of dispatch at the Atocongo plant, introducing an additional bagging unit in the dispatch process. We are planning to conduct a study and a specialized consultancy in 2015, aimed at improving the level of service in the dispatch channel to construction companies and in bulk.

ANTAHUARO BRIDGE, TARMA, JUNIN.

ENVIRONMENTAL MANAGEMENT

**WE REDUCE ENVIRONMENTAL IMPACT
BY USING**

**CLEAN PRODUCTION
TECHNOLOGIES,**

**AND BY IMPROVING OUR PLANTS FOR THE
EFFICIENT USE OF RESOURCES.**



OUR ENVIRONMENTAL
**MANAGEMENT
SYSTEM**

FOCUSES ON THE TIMELY IDENTIFICATION OF IMPACTS GENERATED BY OUR OPERATIONS, TO MITIGATE THEM BY ESTABLISHING PREVENTION PLANS.

THERE ARE
**3 HYDROELECTRIC
POWER PLANTS IN
OPERATION:**

EL PLATANAL, CARPAPATA I AND CARPAPATA II,
AND WE ARE CURRENTLY BUILDING CARPAPATA III.

THE MANUFACTURING OF
BLENDED CEMENTS IN BOTH PLANTS HAS ALLOWED
**REDUCING
IN 22.0%**

CO₂ EMISSIONS IN THE PROCESS.

ANNUAL GROUNDWATER
CONSUMPTION HAS BEEN
**REDUCED IN
150,000 m³.**

OUR MANAGEMENT GUIDELINES

We have an environmental management system focused on the timely identification of impacts generated by our operations, in order to establish the corresponding prevention and mitigation plans. This system is based on the culture of respect for the environment that we promote among our employees.

1

Environmental quality

Prevent and control environmental impacts associated to emissions and climate change; efficient use of energy, water and solid waste.

2

Natural and cultural resources

Make use of natural resources in a sustainable manner and use the territory with responsibility by managing biodiversity, the use of the land and of the archeological resources.

3

Environmental certifications

Ensure that our activities and projects have environmental certification (EIA), as required by the environmental regulations and by own initiative (ISO 14001, environmental footprints).

4

Strengthening of capacities

Promote an environmental culture among our employees, providing knowledge for responsible environmental management.



OUR ENERGY AND EMISSIONS STRATEGY IS DEVELOPED IN VARIOUS FRONTS, WHICH HAS ALLOWED US TO REDUCE OUR EMISSIONS TO THE ENVIRONMENT IN APPROXIMATELY 116,000 T OF CO₂ PER YEAR.

ENERGY AND EMISSIONS

The cement industry requires an intensive use of energy. Thus, we reduce greenhouse gas emission concentration levels per each ton of cement produced.

Our strategy covers different fronts, allowing us to reduce our emissions to the environment in approximately 116,000 t of CO₂ per year.

a) Fuel consumption: this is the main greenhouse gas emission generation source in the industry, due to the high temperature (1,450°C) required for the clinker manufacturing process. Since 2006, the Atocongo plant uses a fuel mix with natural gas that generates fewer emissions in its combustion. In addition, alternative fuels are used in the production process; for example, waste incineration.

FUEL CONSUMPTION

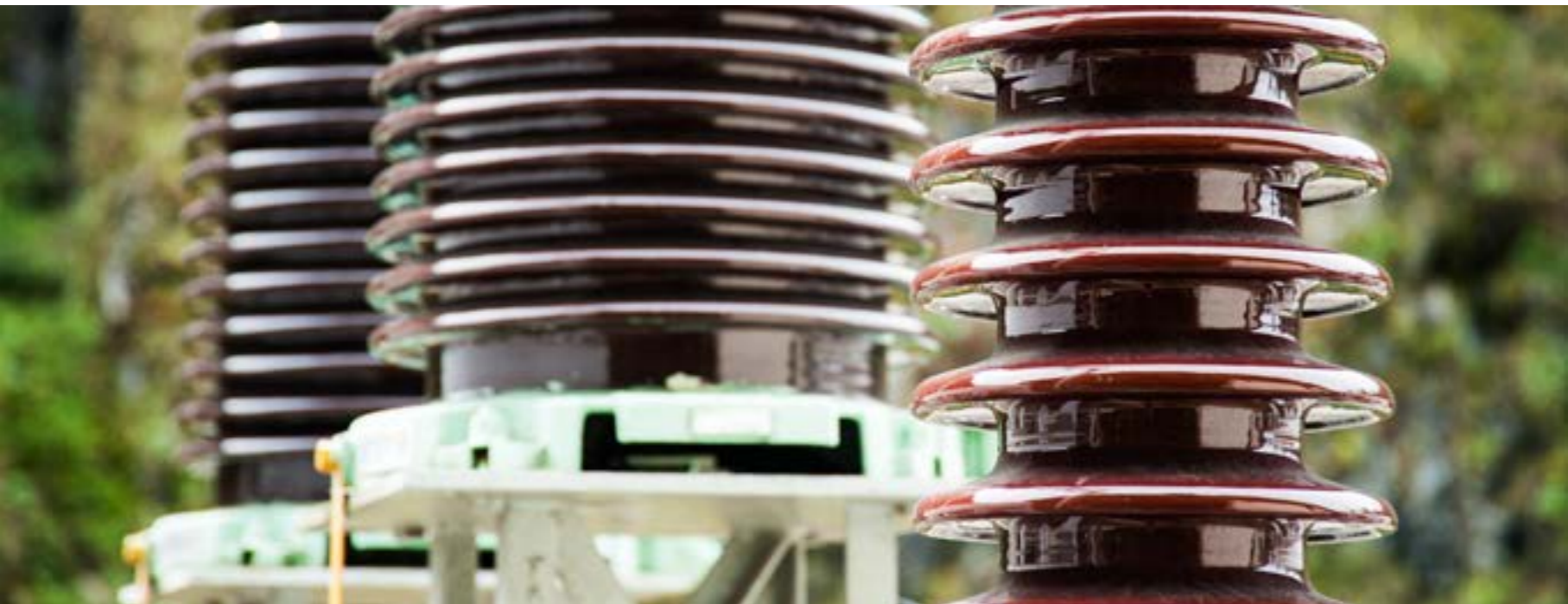
	ATOCONGO	CONDORCOCHA
Coal	215,667 t	240,224 t
Industrial oil	1,406 t	4,565 t
Natural gas	216,639,854 Nm ³	-
Diesel	10,403 gal	-

b) Electric power consumption: the cement industry makes intensive use of energy, thus, we optimize our resources by implementing cutting-edge technology for an eco-efficient production, improving our energetic and environmental performance.

The modernization of the Atocongo industrial plant was completed in July 2013, and the results obtained in 2014 for kiln 1 were a 25.0% reduction in electric consumption and 14.0% in thermal consumption, approximately, per each ton of clinker produced. The new kiln 4 in Condorcocha has allowed the reduction of energy consumption by 13.0%, with 93.0% reduction of greenhouse gas emissions (from energy consumption) and 20.0% (per each ton of cement produced).

During 2014, the Atocongo plant used an average of 97.08 kW-h per ton of cement produced. This value is within the goal set in the integrated management system, which was 100 kW-h per ton of cement produced.

We have three hydroelectric power plants in operation, El Platanal (owned by our subsidiary company CELEPSA), Carpapata I and Carpapata II. We are currently in the process of constructing Carpapata III. In 2014, we used 2,372,519 GJ of hydroelectric power, which represents 94.7%.



ENERGY CONSUMPTION

	ATOCONGO	CONDORCOCHA
El Platanal	1,317,932 GJ	709,640 GJ
Atocongo thermal plant	131,819 GJ	-
Carpapata	-	344,947 GJ
Total	1,449,751 GJ	1,054,587 GJ

c) Improvement of industrial processes: we focus on the manufacturing and sales of blended cements that require less clinker/cement per each ton of cement. The integrated clinker/cement factor is 0.90 in Atocongo and 0.88 in Condorcocha. The manufacturing of blended cements in both plants has allowed reducing 22.0% CO₂ emissions in the process.

Our blended cements include pozzolan, fly ash, limestone and recovered raw flour. In 2014, we launched Cemento Apu to the market with less clinker percentage in its composition: a clinker/cement factor of 0.76.

d) Transportation: we have a conveyor belt between Atocongo and the Conchan pier. This system is using tubular belts 8.2 km long, which has allowed avoiding land transportation of 636,956 tons of material.

It is worth mentioning that during 2014, we emitted 0.741 t of CO₂ per ton of clinker and 0.676 t of CO₂ per ton of cement at the Atocongo plant, and 0.856 t of CO₂ per ton of clinker and 0.718 t of CO₂ per ton of cement at the Condorcocha plant.

With the start-up of operations of cement mill 8, we will increase the blended cements production in 2015 and thus, will emit less CO₂ to the environment.



CO₂ EMISSIONS IN 2014

	ATOCONGO	CONDORCOCHA
Direct emissions of CO ₂	0.74 t of CO ₂ per ton of clinker and 0.68 t of CO ₂ per ton of cement	0.856 t of CO ₂ per ton of clinker and 0.718 t of CO ₂ per ton of cement
Indirect emissions of CO ₂	Undetermined	Undetermined
NO _x	603.64 mg/Nm ³ in kiln 1 751.87 mg/Nm ³ in kiln 2	580.58 mg/Nm ³ in kiln 1 484.91 mg/Nm ³ in kiln 2 499.76 mg/Nm ³ in kiln 3 152.20 mg/Nm ³ in kiln 4
SO _x	1,158.61 mg/Nm ³ in kiln 1 1,578.39 mg/Nm ³ in kiln 2	<3.4 mg/Nm ³ in kiln 1 <3.4 mg/Nm ³ in kiln 2 <3.4 mg/Nm ³ in kiln 3 <3.4 mg/Nm ³ in kiln 4
Particles	17.63 mg/m ³ in kiln 1 28.13 mg/m ³ in kiln 2	2.0 mg/m ³ in kiln 1 115.73 mg/m ³ in kiln 2 20.8 mg/m ³ in kiln 3 5.98 mg/m ³ in kiln 4

RESPONSIBLE WATER MANAGEMENT

The cement production process is dry; therefore, it does not require a great amount of hydric resources. However, we are aware water is scarce and a sensitive matter in the country, so we developed a strategy for its efficient management:

- ▶ Annual groundwater consumption has been reduced in more than 150,000 m³.
- ▶ We have recovered close to 100.0% of the effluents, through the wastewater treatment plant.
- ▶ We continue watering green areas with treated wastewater, which allowed us to reduce consumption of groundwater by more than 16,000 m³ per month.

WATER CONSUMPTION

	ATOCONGO (m ³)	CONDORCOCHA (m ³)
Total water consumption	5,427,391.0	166,602.3
Total water consumption, groundwater source	-	-
Total water consumption, fountainhead and stream source	-	166,602.3
Total water consumption for domestic use	391,744.0	119,929.9
Total water consumption for industrial and mining use	35,647.0	42,231.0
Firefighting system	-	4,441.4
Reused water volume	119,755.1	107,936.9
% reused water	28.0%	65.0%

- ▶ We continued watering dirt roads, industrial plant trails and quarries of Atocongo with treated wastewaters, which avoided extraction of 15,000 m³ water per year.
- ▶ At Atocongo, we have finished the water footprint study with the Suizagua project, in alliance with the Swiss Agency for Development and Cooperation (COSUDE, for its acronym in Spanish), and have started the process in Condorcocha. For additional information on this project you may visit the website: www.suizagua.org.

SOLID WASTE MANAGEMENT

We promote reduction, reuse and recycling of solid waste. Through the campaign "Your role does not end here... Recycle", we encourage segregation and minimization of waste in our facilities, and deliver it to the recyclers association in the community of Atocongo. In 2014, we registered 190.1 tons of donated waste, which strengthens business capacity for waste sales. Additionally, all our non-sellable wastes are disposed of in a responsible manner through companies authorized by the Ministry of Health.



challenges
for
2015

Atocongo plant

- ▶ Maintain specific CO₂ emission per ton of clinker below the goal set: 0.76 t CO₂/t of clinker.
- ▶ Calculate the carbon footprint of UNACEM.
- ▶ Reduce monthly well water consumption below 35,600 m³.

Condorcocha plant

- ▶ Maintain an average flow of 3.8 l/sec of water for human consumption.
- ▶ Reuse 100.0% of treated water from the Waste Water Treatment Plant (PTAR, for its acronym in Spanish).

«One of the five first companies to be motivated in Peru was UNACEM, a very valuable step, as this made other companies follow the same line. This project allowed not only to measure its water footprint, but this evaluation also helped identify the points that needed to be worked out to reduce its consumption and consequently its impact».

CARLA TORANZO

NATIONAL PROGRAM OFFICER FOR THE SWISS EMBASSY
SWISS AGENCY FOR DEVELOPMENT AND COOPERATION COSUDE GLOBAL PROGRAMS.
RESPONSIBLE FOR SUPERVISING THE SUIZAGUA PROJECT, A WATER FOOTPRINT
PROJECT IN WHICH UNACEM IS PARTICIPATING SINCE TWO YEARS AGO.

TARMA CATHEDRAL, JUNIN.

GLOBAL REPORTING INITIATIVE INDEX

**OUR 2014 SUSTAINABILITY REPORT RESPONDS
TO ESSENTIAL COMPLIANCE INDICATORS,**

IN ACCORDANCE WITH THE REQUIREMENTS OF THE

GLOBAL REPORTING INITIATIVE ELABORATION GUIDE.

**THE FOLLOWING TABLE SHOWS WHERE TO
LOCATE THE INFORMATION RELATED TO
GUIDE G4 IN OUR REPORT.**



GENERAL BASIC CONTENTS

GENERAL BASIC CONTENTS	DESCRIPTION	PAGE	EXTERNAL VERIFICATION
STRATEGY AND ANALYSIS			
G4-1	Declaration of the main responsible person for the decisions of the organization on the importance of sustainability for the company	Pages 12-13	Yes Pages 111-112
ORGANIZATIONAL PROFILE			
G4-3	Name of the organization	Unión Andina de Cementos S.A.A.	Yes Pages 111-112
G4-4	Main brands, products and services	Pages 26-27,29	Yes Pages 111-112
G4-5	Company headquarters address	The head office of UNACEM is located at: Av. Carlos Villarán 514, Santa Catalina, La Victoria, Lima.	Yes Pages 111-112
G4-6	Countries where the organization operates	Pages 20-21	Yes Pages 111-112
G4-7	Nature of the ownership regime and legal form	UNACEM is an open stock corporation listed in the Lima Stock Exchange and is regulated by the Superintendencia del Mercado de Valores – SMV, the Stock Market Regulator.	Yes Pages 111-112

GENERAL BASIC CONTENTS

GENERAL BASIC CONTENTS	DESCRIPTION	PAGE	EXTERNAL VERIFICATION
ORGANIZATIONAL PROFILE			
G4-8	Markets served by the organization	Pages 29-30,80	Yes Pages 111-112
G4-9	Scale of the organization, number of employees, operations, sales or net income among others	Pages 20-22, 25, 31, 63	Yes Pages 111-112
G4-10	Number of employees by labor agreement and gender	Page 63 Employees by gender: male: 592; female: 72. Employees by location: Lima: 399; Tarma: 265.	Yes Pages 111-112
G4-11	Percentage of employees covered by collective agreements	Number of employees covered by collective agreement: Atocongo plant: 100.0% employees enjoying the collective benefit; 136 are affiliated to the labor union. Condorcocha plant: 154 people representing 89.0% blue collar workers of the plant.	Yes Pages 111-112
G4-12	Organization supply chain	Pages 32-34	Yes Pages 111-112
G4-13	Significant changes that may have taken place during the period of this analysis regarding size, structure, stock ownership or supply chain in the organization	No significant changes have taken place in the organization in 2014.	Yes Pages 111-112
G4-14	Addressing of the precautionary principle by the organization	Pages 65-66	Yes Pages 111-112

GENERAL BASIC CONTENTS

GENERAL BASIC CONTENTS	DESCRIPTION	PAGE	EXTERNAL VERIFICATION
ORGANIZATIONAL PROFILE			
G4-15	Letters, principles or other external initiatives of economic, environmental and social nature the organization subscribes or endorses	Pages 12-13	Yes Pages 111-112
G4-16	National or international associations and organizations for social promotion to which the organization pertains	See 2013 Sustainability Report: www.unacem.com.pe/wp-content/uploads/2014/04/Reporte-Sostenibilidad-2013B.pdf	Yes Pages 111-112
MATERIAL ASPECTS AND COVERAGE			
G4-17	Entities appearing in the consolidated financial statements of the organization and other equivalent documents	Our financial report shows the economic results of our subsidiary companies UNICON and CELEPSA. However, this report will only deal with UNACEM's performance. See our 2013 Annual Report http://www.unacem.com.pe/DocDescargables/MAYRS/2013/En/2013%20Annual%20ReportB.pdf	Yes Pages 111-112
G4-18	Process followed to determine report contents and coverage of each aspect	Pages 44-45	Yes Pages 111-112
G4-19	Material aspects identified during definition process of report contents	Page 46	Yes Pages 111-112

GENERAL BASIC CONTENTS

GENERAL BASIC CONTENTS	DESCRIPTION	PAGE	EXTERNAL VERIFICATION
MATERIAL ASPECTS AND COVERAGE			
G4-20	Coverage of each material aspect in the organization	This Sustainability Report addresses the management of the Atocongo and Condorcocha plants of UNACEM. While the company has other units, they will not be included in this document.	Yes Pages 111-112
G4-21	Boundary of each material aspect outside the organization	The material aspects identified apply to our operations in Atocongo and Condorcocha, as well as the stakeholders we relate to.	Yes Pages 111-112
G4-22	Consequences of re-statements of information in previous reports and their causes	The definition of indicators corresponds to those reported in the previous report.	Yes Pages 111-112
G4-23	Significant change in the scope and coverage of each aspect with respect to previous reports	In 2014, aligned with the GRI-G4 guide, we only reported the management of material aspects to our organization. The scope of these aspects has not changed in relation to the previous year, as we reported the performance of our both plants.	Yes Pages 111-112
STAKEHOLDER ENGAGEMENT			
G4-24	Stakeholders related to the organization	Page 52	Yes Pages 111-112
G4-25	Basis to select stakeholders with whom to work	To determine stakeholders and subjects to be reported and managed, a materiality process was conducted in line with that suggested by the Global Reporting Initiative (GRI) in each of the companies of the group included in this report.	Yes Pages 111-112

GENERAL BASIC CONTENTS

GENERAL BASIC CONTENTS	DESCRIPTION	PAGE	EXTERNAL VERIFICATION
STAKEHOLDER ENGAGEMENT			
G4-26	Organization's approach on stakeholder engagement (frequency, participation in the elaboration process of the report, among others)	Pages 53-54 We have regular contact with our stakeholders through the spaces described in page 21 of this report. In the case of our clients we measure their satisfaction level annually.	Yes Pages 111-112
G4-27	Key problems and concerns raised through stakeholder engagement	We have not reported problems or concerns during stakeholders engagement.	Yes Pages 111-112

ANNUAL REPORT PROFILE

G4-28	Reporting period	2014	Yes Pages 111-112
G4-29	Date of last report	2013	Yes Pages 111-112
G4-30	Reporting cycle	Annual.	Yes Pages 111-112
G4-31	Point of contact to respond to concerns that may arise on the report contents	Social Responsibility and Communications: comunicaciones@ asociacionunacem.org	Yes Pages 111-112
G4-32	Option chosen for report	Essential.	Yes Pages 111-112

GENERAL BASIC CONTENTS

GENERAL BASIC CONTENTS	DESCRIPTION	PAGE	EXTERNAL VERIFICATION
ANNUAL REPORT PROFILE			
G4-33	Organization policy and practices in force regarding external verification of report	In accordance with the Global Reporting Initiative (GRI) G4 version, at the time of publication, such institution has verified report compliance only with respect to indicators G4-17 to G4-27 in the GRI table and text. Verification of the whole document was not performed.	Yes Pages 111-112

GOVERNANCE

G4-34	Governance structure of the organization	Pages 35,37	Yes Pages 111-112
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ETHICS AND INTEGRITY

G4-56	Values, principles, standards and rules of the organization, such as codes of conduct and ethics	Our corporate values have undergone an updating process in 2014; thus, they will not be included in this Report.	Yes Pages 111-112
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SPECIFIC BASIC CONTENTS

MATERIAL ASPECTS	DESCRIPTION	PAGE	EXTERNAL VERIFICATION
ECONOMIC PERFORMANCE			
G4-EC1	Direct economic value generated and distributed	Page 31	Yes Pages 111-112

SPECIFIC BASIC CONTENTS

MATERIAL ASPECTS	DESCRIPTION	PAGE	EXTERNAL VERIFICATION
EMPLOYEE DEVELOPMENT			
G4-LA9	Average of training hours per year and per employee, by gender and by employee category	Page 65	Yes Pages 111-112
G4-LA10	Skills management and lifelong learning programs that support employability of employees and assist them in managing career endings	Pages 64-65	Yes Pages 111-112
OCCUPATIONAL SAFETY AND HEALTH			
G4-LA5	Percentage of total workforce represented in formal joint management – worker health and safety committees that help monitor and advise on occupational health and safety programs	100.0% of our employees are represented in the Safety and Health Committee.	Yes Pages 111-112
OWN INDICATOR	Accident frequency rate, severity rate, number of accidents and number of people killed	Page 69	Yes Pages 111-112

SPECIFIC BASIC CONTENTS

MATERIAL ASPECTS	DESCRIPTION	PAGE	EXTERNAL VERIFICATION
ENERGY			
G4-EN3	Internal energy consumption	Pages 91-93	Yes Pages 111-112
G4-EN7	Reduction of energy requirements for products and services	Page 93	Yes Pages 111-112
OWN INDICATOR	Description of optimization of the cement production processes	Page 93	Yes Pages 111-112
EMISSIONS			
G4-EN15	Direct greenhouse gas emissions (scope 1)	Page 94	Yes Pages 111-112
G4-EN19	Reduction of greenhouse gas emissions	Page 91	Yes Pages 111-112
G4-EN21	NO _x , SO _x and other significant atmospheric emissions	Page 94	Yes Pages 111-112
WATER			
G4-EN8	Total water collection by source	Page 95	Yes Pages 111-112
OWN INDICATOR	Number of participants to be trained for self-construction	Pages 81-82	Yes Pages 111-112
G4-PR5	Survey results to measure client satisfaction	Page 83	Yes Pages 111-112

SPECIFIC BASIC CONTENTS

MATERIAL ASPECTS	DESCRIPTION	PAGE	EXTERNAL VERIFICATION
TRANSFER OF STANDARDS AND DIALOGUE WITH SUPPLIERS AND CONTRACTORS			
G4-LA14	Percentage of new suppliers examined according to labor practices criteria	Page 34	Yes Pages 111-112
G4-EC9	Percentage of expenses in places with significant operations corresponding to local suppliers	Page 32	Yes Pages 111-112
OWN INDICATOR	Training and follow-up initiatives regarding contractors management	Pages 32-33	Yes Pages 111-112
DEVELOPMENT OF COMMUNITIES AND DIALOGUE PROCESSES			
G4 - EC7	Development and impact of investment on infrastructures and types of services	Pages 70-71,75	Yes Pages 111-112
G4 - S01	Percentage of operations where development, impact assessment and participation of the local community programs have been set up	Page 71	Yes Pages 111-112
OWN INDICATOR	Dialogue processes with the community	Pages 53,71-72,75	Yes Pages 111-112
DEVELOPMENT OF PROJECTS (I+D)			
OWN INDICATOR	Number of new products launched to the market	Page 29	Yes Pages 111-112



Lima, March 13, 2015

Messrs
UNACEM
La Victoria, Peru
Lima.-

Dear Sirs,

Please find below the procedure followed for the Third Party Checking of your 2014 Sustainability Report, in line with the Core Application Level required by the Global Reporting Initiative (GRI) G4 Guidelines:

- The 2014 Sustainability Report has been thoroughly read and examined, taking the GRI – G4 Guidelines for the Preparation of Sustainability Reports as a basis.
- It has been reviewed, and comments and remarks for correction have been made.
- A second review and analysis of the final version of the 2014 Sustainability Report has been made.

The following aspects were considered in the analysis:

- Application of the **GRI principles for content and quality definition** in the preparation of the Sustainability Report.
- Compliance with the **aspects and indicators** that need to be reported to comply with the Core Application.
- **Recommendations** for future sustainability reports.

Below is a brief description of the aspects considered in the analysis:

- **Principles for Content and Quality definition for the Sustainability Report.**

The 2014 Sustainability Report of **UNACEM** follows the GRI principles for the preparation of sustainability reports, both the ones concerning content definition and the ones related to quality in the preparation of reports.

With regard to materiality, the Report addresses some material aspects and indicators. However, for future reports, we recommend to go deeper into the materiality process with regard to the Indicators referring to Social Dimension-Human Rights and to Social Dimension-Society Performance.

As for stakeholders' participation, you apply a strategic and management approach generating different formal dialogue spaces in order to be informed about their expectations and concerns, thus being able to prioritize them and incorporate them in your administration.

With regard to the Sustainability Context, the report informs about cross-cutting sustainability management across the entire business. It has in place corporate policies, management systems and compliance of Global Compact Principles since 2004.



Regarding thoroughness, the Report presents the economic, social and environmental management of the company, reporting these practices in its two plants: Atocongo and Condorcocha.

The Report of **UNACEM** has considered the quality principles for the preparation of the report, that is, comparability, accuracy, periodicity, clarity and reliability. The presentation of the Report is accurate, clear and comprehensive for the stakeholders. The Report clearly establishes a publication of annual periodicity. The information contained is reliable with regard to balance. We do recommend not only to emphasize the positive aspects of the management, but also to include the challenges it faces, as a learning opportunity.

▪ **Report Indicators**

The Report offers 15 Performance indicators. The Main and Additional indicators are distributed as follows: 03 indicators about Economic Performance, 06 indicators about Environmental Dimension, 04 indicators about Social Dimension-Labor Practices and Work Ethics Dimension and 01 indicator regarding Responsibility over the Product and 01 regarding Social Dimension-Society Performance.

▪ **Recommendations**

As part of the analysis, please find below some suggestions regarding aspects that can be improved:

- ✓ Extend the good responsible management practices to the companies that form part of your value chain.
- ✓ Prepare a comprehensive analysis on the financial consequences and other risks related to climate change.
- ✓ Human Rights Performance is a highly relevant aspect in business management. We recommend prioritizing this performance in your materiality process.
- ✓ Monitor the evolution of Social Responsibility management in your operations.
- ✓ Promote “accountability” by preparing sustainability reports for your value chain, with special emphasis on your clients, Progre-Sol distributors and sub-distributors.
- ✓ Follow-up the 2015 challenges taken up in this report.
- ✓ Finally, we value positively the effort of **UNACEM** to report on its management progress using the new GRI G4 Guidelines.

Perú 2021 is a leading organization in the promotion of social responsibility in Peru and has not participated in the preparation of this Sustainability Report. After having examined the Report, we may confirm that the 2014 Sustainability Report of **UNACEM** meets the requirements to comply with the level.

G4 Core Application: “Third Party Checked”

Sincerely,

Henri Le Bienvenu Mercado
General Manager
Perú 2021



2014 SUSTAINABILITY REPORT

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