INTEGRATED REPORT 2016





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About the report

(102-49) Grupo Argos S.A. provides its stakeholders with its annual profit results under the framework of Integrated Reporting. These results include financial, social, environmental and government information, highlighting the performance of the material issues identified for the holding company, in the execution of materiality performed during 2016. The management of these matters is aimed at maintaining the long-term vision and continuing the generation of value to their stakeholders.

Report Recurrence

(102-50) (102-51) (102-52) The Integrated Report is prepared annually, and on this occasion the information covers the period from January 1 to December 31, 2016. The latest version was published in March 2016 and corresponds to the 2015 results.

Reporting framework

(102-54) This report has been prepared in accordance with the GRI Standards: Core option and following the Integrated Reporting framework.

Additionally, this document becomes the Progress Report with which we disclose the progress in implementing the ten principles of the United Nations Global Compact and demonstrates the contribution of the organization to the Sustainable Development Goals. Deloitte & Touche conducted the limited assurance of some of the performance indicators included in this publication.

Scope and coverage of the information

(102-45) At this time, we are disclosing general information about the businesses about the Grupo Empresarial Argos [Argos Corporate Group], maintaining as central focus the management of the holding company as parent company and head office.

(102-45) and (102-49) The information includes Grupo Argos S.A. and its affiliates: Cementos Argos S.A., Celsia S.A. E.S.P., Odinsa S.A., Compas S.A., and Sator S.A.S., specifying in each case the timely scope of the indicators (only holding companies or consolidated with subsidiaries).

Further information about the strategic investments of cement, energy and concessions can be found on the websites <u>www.argos.co</u>, <u>www.celsia.com</u> and <u>www.odinsa.com</u>. The type of data that can be expanded in their respective reports will be indicated throughout this document when applicable.

During 2016 the Urban Development business, Situm S.A.S., was consolidated as a business unit of Grupo Argos, and therefore its figures are included within the holding company's management report.

The figures of the Opain S.A. business, whose acquisition was completed in January 2017, are excluded from this report.

The figures of the Management Report are presented under the International Financial Reporting Standards (IFRS). To maintain comparability with those posted in previous reports, figures are expressed in pesos and dollars at the Prevailing Market Exchange Rate (MER) of COP [Colombian Peso] \$3,000.71.

COMPANY PROFILE





Wax palm. Ceroxylon quindiuense.

(102-48) (102-55) The GRI Table of Contents (See page 129) and the self-declaration of compliance with the Integrated Reporting framework can be found in the Appendices, where it is detailed how this report follows the principles and content of this guide. Similarly, any changes in the figures, coverage and reporting limit of the report are indicated throughout the report when applicable.

Material Issues

Issues of materiality identified in the 2016 exercise are the result of the identification and prioritization of material issues regarding the environmental, social and economic dimensions for the stakeholders and the organization. These issues are:

- 1. Investments with ESG Approach -Environmental, Social and Governance
- 2. Ethics, Conduct and Transparency
- 3. Corporate Governance
- 4. Risk Management
- 5. Human Talent Management
- 6. Climate Change Strategy
- 7. Innovation

External report verification

(102-56) (102-32) The financial information in this report was audited by an independent third party, the firm Deloitte & Touche, in its capacity as Auditor for Grupo Argos. Senior Management reviewed and approved the Integrated Report and on its behalf, Deloitte & Touche conducted the limited assurance of a sample of the performance indicators included in this publication. The independent review report is included in the Appendices of this report (See page 161).

Point of contact

(102-53) This document is posted on the website www.grupoargos.com, but for further information, you may contact Camilo Abello, Vice President of Corporate Affairs (cabello@grupoargos.com), Piedad Monsalve, Manager of Sustainability and Communications (pmonsalve@grupoargos.com) or Margarita Gonzalez, Director of Sustainability (mgonzalez@grupoargos.com).



Letter from the Chairman of the Board of Directors



Dear shareholders:

(102-14) It is my pleasure to address you in order to present to you our management report as part of the corporate commitment of communication and transparency.

For the fourth consecutive year, we developed this report integrating financial results with the progress and challenges in social and environmental issues, following the *Global Reporting Initiative* guidelines, in its "Standard GRI" version, in accordance with the issues that are material or have special importance to the organization and the stakeholders with which we relate.

Throughout these pages you will learn fundamental aspects about the strategy of Grupo Argos, its role as active business manager, the steps taken in the consolidation of road and airport concessions as a third operational pillar and positioning of the holding company as one of the most relevant stakeholders within the infrastructure sector in the region.

Despite the complexity and uncertainty that characterized 2016, we are pleased to announce a positive balance, with significant accomplishments and facts, based on disciplined and consistent action of exceptional human talent, consistency in the execution of the vision, diversification of industries and geographies, simultaneous exposure to developed and emerging economies, proper management of risks, search for synergies and efficiencies and transfer of practices between businesses. In compliance with our Sustainability Policy and taking into account the criteria of adhesion to the United Nations Global Compact and the willingness to contribute from our enterprise role to the fulfillment of the Sustainable Development Goals, the Board of Directors outlines goals and work plans to further the generation of economic, environmental and social value in the long term, in a framework of responsibility, good government, integrity and ethics.

It is very satisfying that Grupo Argos and Cementos Argos have been ratified for the fourth consecutive year in the Dow Jones Global Sustainability Index which recognizes the most outstanding companies in the world for their environmental, social and corporate governance best practices. In addition, along with Celsia, they were included in the 2017 Sustainability Yearbook of RobecoSAM, in which Grupo Argos received a Silver distinction and Cementos Argos obtained a Gold distinction, as the most sustainable cement company of the world.

I would like to conclude by acknowledging the support and collaboration of and permanent dialogue with our stakeholders, which help us strengthen, year after year, our performance as a sustainable business. We appreciate the trust they have placed in us to continue leading the Grupo Empresarial Argos.

We are optimistic about the future and we will work with discipline, passion and commitment to continue strengthening our focus on infrastructure, diversifying mature business with high-potential business, participating in their current development, their projection and growth, and always following the most solid principles of integrity and responsibility.

Many thanks,

Chairman, Board of Directors

COMPANY PROFILE 01





About Grupo Argos

(102-1) Grupo Argos is an infrastructure investment company with presence in cement, energy, concessions and real estate businesses.

It is a corporation listed in the Colombian stock exchange, like its Argos, Celsia and Odinsa subsidiaries.

In addition to its strategic businesses, Grupo Argos has a strong portfolio of investments in the real estate, financial and food industries.

In the Colombian stock market, Grupo Argos is an issuer of common and preferred shares, targeting strategic investors, private investment funds, pension funds and investors in general (individuals and companies). **(102-7)** Creating value for the more than 10,000 shareholders is based on diversifying investments and geographies, with a robust portfolio in different sectors, combining mature businesses and new high potential businesses, with developed markets like the United States and emerging economies, in a framework of integrity, corporate governance, innovation and commitment to sustainability in the three dimensions: economic, environmental and social.

(102-3) (102-4) Grupo Argos is domiciled in Medellin, Colombia, and, through its businesses, has presence in 18 countries and territories: Colombia, United States, Panama, Honduras, Dominican Republic, Haiti, French Guiana, Surinam, Antigua, San Martin, St. Thomas, Curacao, Puerto Rico, Venezuela, Costa Rica, Chile, Ecuador and Aruba.

Matrix of sustainable investments in infrastructure

11,419 direct employees through its subsidiaries			ountries rritories	over 10,000 shareholders		
\$16.3 trillion Capitalization Stock Market	tri	14.6 Illion evenue	\$3.6 trillion EBITDA [Earnings before taxes, depreciati amortization (use indicator of the c profitability of a	on, and ed as an overall	\$45 trillion in assets under management	

01









Martinsburg Plant. West Virginia, United States, acquired in 2016.





↗ 2016, a year of strategy consolidation

We strengthened our third pillar of infrastructure with



We define our role as strategic architect with four focus areas:





We structured a robust portfolio in the infrastructure industry with



Major Milestones



Purchase of Martinsburg

We supported Cementos Argos in the acquisition of the Martinsburg Plant, by US\$660 million which increases the installed capacity of the subsidiary in the United States by 29%.

Odinsa Acquisition With successful Public

Offering of Acquisition of Common Shares (APO), we increased shares in Odinsa from 54.75% to 98.55%.

Opain Acquisition We acquired 30% of Opain, which added to the 35% of shares

of Odinsa, consolidates the control of the concession of passenger and cargos terminals of El Dorado.



Concessions

In Odinsa the financial closure of Pacific 2 was carried out for US\$400 million, after having reached a share of 79% in that concession.

Energy recovery

The power generation business had major operational improvements for the recovery of profitability and efficiency of Celsia, allowing it to move forward with its new business strategy.

Dow Jones Sustainability Indices In Collaboration with RobecoSAM (



ROBECOSAM Sustainability Award Silver Class 2017

Leader in sustainability

We entered for the 4th time the Dow Jones Global Sustainability Index and were recognized in the Sustainability Yearbook of RobecoSam with a silver medal. Argos was featured as the most sustainable cement company in the world.

GRUPO ARGOS

7 2016 in figures **EBITDA Net Profit** Revenue \$1.1 trillion \$3.6 trillion \$14.6 trillion +75% +15% +37% Equity Liabilities Assets S24 trillion S45 trillion 21 +3% +6% +10% **Shares** by business **8**% Concessions **Consolidated Revenue** Billions of pesos 8% Other 14,553 21% 12,700 **Annual growth** 26% Revenue average Energy 9,296 7,629 **58%** 6,681 Cement 14% Concessions **44%** 14% Cement Other 2012 2013 2014 2015 2016 **EBITDA** 28% Energy **Consolidated EBITDA** Billions of pesos 3,620 22% **Annual growth** 3% 3% 2,635 average Real Estate Income Other 2,225 **49%** 13% 1,907 Cement Concessions 1,616 **19%** Portfolio Bank \$16 trillion of land 13% 2012 2013 2014 2015 2016 Energy

10 Grupo Argos | Integrated Report | **2016**

↗ Human Talent







GRUPO ARGOS

Distribution of employees

† 80%	‡ 20 %			
By company	♦	†		
Grupo Argos	80	66		
Cement	1,337	7,829		
Energy	392	1,165		
Concessions	185	87		
Ports	62	160		
Coal	10	46		
Total	2,066	9,353		



GREAI

We are one of the

20 best companies to work at in Colombia according to Great Place to Work



Corporate Practices

Program of Talent and Succession

Program of **Ethical Deliberation**

Corporate Competencies Model

Training in Multilingualism, Leadership, Culture, Human Rights, Diversity and Inclusion, Occupational Health and Safety

Strengthening of diversity



Mobility of Talent between businesses



COMPANY PROFILE

GRUPO ARGOS



34 billion 🐼 in programs of the foundations:

Foundation **Grupo Argos** 12,600 million*

Environmental **conservation and** biodiversity

Reforestation and restoration of forests

Water sources

Social Inclusion

Foundation **Cementos Argos** 14,614 million

- **Educational and** community infrastructure
- Alliances for education
- **Higher Education Grants**
- **Road and housing** reconstruction

Foundations Celsia and Epsa 6,883 million



School infrastructure

in energy and water



Strengthening of capabilities

*\$5,500 million

Grupo Argos Annual Shareholders Meeting 2016

leveraged the management of the Grupo Argos Foundation and 15 other entities, strengthening social, cultural and educational processes.



↗ Our environmental management

C

Goal of the Argos Corporate Group Reduce by 20% direct CO₂ direct emissions for every million of COP revenues in 2025, having 2015 as the base year.

Greenhouse gas emissions

We recognize the risks and opportunities derived from climate change and its effects on business strategy.

We integrated all business activities with a focus on adaptation to the effects of climate change, as well as prevention, mitigation and compensation of the impacts generated.

Direct emissions



10% of reduction

Accomplishments and progress

312 thousand trees seeded in 2016 with potential capture: 771 thousand tons of CO₂.

562 thousand trees seeded in the initiative ReverdeC of Celsia, with:

Restoration of **12 basins** in 16 townships.

Protection of **785 hectares**

with 83.1 km of isolation.

Increase to 6.8% the use of alternative fuels at Cementos Argos.

View Environmental Dimension on p. 95.



GRUPO ARGOS





117 water sources protected.

6 thousand native species

seeded on the river bank with Green Basin water source.

Water source of Cartagena created

to benefit four townships, where 1,300 families live.

Agreement with National Natural Parks

of Colombia to support protected areas and ecosystems.

18 thousand trees

seeded on behalf of the 6 thousand participants in the 2016 Green Race.

Wildlife inventory

in forest plantations to adjust production models and to protect: **30 species of birds 18 of amphibian and reptiles 16 wild mammals**

COMPANY PROFILE



Cement (102-6) ARGOS CEMENT **Industry leader** in Colombia Cement Plants 5th largest producer New York in Latin America Concrete Plants Clinker grinding Pennsylvania 2nd largest producer Ports/Terminals in the southeastern United States Maryland West Virginia One of the two leaders Virginia in Central America and the Caribbean NorthCarolina **CONCRETE** South Carolina Arkansas Leader in Colombia Alabama ć + Georgia 3rd largest producer Mississipp Texas in the United States Florida 9,166 employees 15 countries and territories **36** export destinations Haiti • St. Martin St. Thomas . Ť • 5 ~ 8 Puerto Rico Dominican Antigua Dominica Republic Honduras Curacao Panama Venezuela** 12 **Cement Plants** French Colombia Surinam Guiana Clinker grinding 9 facilities Ports/Terminals of reception 32 🧰 and packaging of cement 379 **Concrete Plants** Sack Distribution 69 Center 5 Ships 985 Railway wagons **Argos has presence in Venezuela through its subsidiary Corporación de Cemento Andino, Cement 24 (millions of tons)

its subsidiary Corporación de Cemento Andino, currently in proceedings by the expropriation of its plant in the state of Trujillo by the Venezuelan government. The indemnification is subject to judicial decisions.

Concrete

(millions of m³)

18 💽





GRUPO ARGOS



5 countries

272 direct employees

1,686 employees in all concessions

Road concessions

National

OPacífico 2 OAutopistas del Café OMalla Vial de los Llanos OSanta Marta-Paraguachón

International

 Autopistas del Nordeste, **Dominican Republic** Bulevar Turístico del Atlántico, **Dominican Republic**

Airport concessions

○El Dorado Airport – Opain, Bogota OMariscal Sucre Airport - Quiport, Quito



* Odinsa assets in Panama and Chile are in the process of divestiture.



222 employees **3** countries

6 port terminals in operation 2 terminals in business and operating agreement

18 docking positions

14.1 million tons of capacity

4.3 million of tons mobilized in 2016

COMPANY PROFILE





\$2.4 trillion of value in books

416 hectares developed in Barranquilla

59 hectares of public space

6



Acknowledgements

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM 4

For the fourth consecutive year, we were ratified in the Dow Jones Global Sustainability Index. Among 3,420 companies that were invited, only 202 entered as the most sustainable companies in the world.



Grupo Argos, Argos and Celsia were recognized again in the Sustainability Yearbook of the RobecoSam company. Grupo Argos received a silver medal and Argos a gold medal as the most sustainable cement company of the world.



Grupo Argos was recognized as one of the 20 best companies to work at in Colombia in accordance with the Great Place to Work institute.



With the seal IR, the Colombia Stock Exchange awarded Grupo Argos as one of the companies listed with the highest standards of transparency and corporate governance.



We are members of the FTSE4good Emerging Index, an index recognized for integrating the environmental, social and corporate governance (ESG) issues in investment decisions.



We entered the Registry of Companies Active in Anticorruption Compliance (EACA, for its Spanish acronym) of the Secretary of Transparency of the Presidency of the Republic.

7 Institutional commitments (102-12) (102-13)



The United Nations Global Compact commits companies to the Sustainable **Development**

Goals.



World Business Council for the Sustainable **Development** and its Colombian chapter, Cecodes.

The CEO Water Mandate

Initiative of the Global Compact to work with companies in sustainability practices related to water.



Circle of Companies of the Latin American Corporate Governance Roundtable.



Grupo Argos prepares its management report under the Global Reporting Initiative, GRI framework, based on the economic. social and environmental issues most relevant to its stakeholders. Grupo Argos has been an organizational ally of GRI since 2014.



→ Board of Directors



The Board of Directors of Grupo Argos is comprised of seven members, of which five meet the criteria of independence established in both Colombian law and the Good Governance Code of the company. None of the members of the Board of Directors is an employee of the organization.

The corporate governance framework in Grupo Argos is included in the Good Governance Code, which is a guide for proper management of its business.

Principles of governance:

- Fair and equal treatment of shareholders and investors.
- Equal, timely and regulated supply of relevant information that these individuals may require for making their decisions.
- **Transparency, fluency and integrity** of the information provided to the market.
- Establishment of clear and general rules for performance by management bodies, members of the Board of Directors and employees.

From left to right:

Above: Carlos Ignacio Gallego Ana Cristina Arango Armando Montenegro Jorge Uribe David Bojanini

Below: Mario Scarpetta Rosario Córdoba, **Chairman**

See Corporate Governance chapter on page 49.





As strategic architect, Grupo Argos leads the development of the vision, management, growth plans and the competitive strategy of the business under its control.

The CEO of Grupo Argos chairs the boards of directors of its affiliates, adhering to the full Good Governance Code and its principle of respect for the minority shareholder.

From left to right:

Juan Esteban Calle, CEO of Cementos Argos

Maria Clara Aristizábal, Urban Development and Real Estate Business Manager

Jorge Mario Velásquez, CEO of Grupo Argos

Mauricio Ossa, CEO of Odinsa

Ricardo Sierra, CEO of Celsia





As support to the governance structure of Grupo Argos, there are different committees:

- Vice President Committees
- Tables of synergy by topics, with participation of different companies
- Sustainability Committee
- Risk Committee
- Central Conduct Committee
- Other committees such as Hiring, Information Security, Procurement, Treasury and Credit, integrated by employees of diverse areas that focus on topics listed by their names.

From left to right:

Ana Mercedes Villegas, Business Management Manager

Alejandro Piedrahita, Vice President of Corporate Finance

Camilo Abello, Vice President of Corporate Affairs

Sergio Osorio, Vice President of Administrative and Human Resources

Jorge Mario Velásquez, CEO of Grupo Argos

MANAGEMENT REPORT 02



Management report of the Board of Directors and the CEO

Shareholders:

We are pleased to introduce the results achieved in 2016, a year that was characterized by the evolution and dynamics in the different businesses that comprise the Argos Corporate Group. We moved forward in the expansion and competitiveness of the cement business, recovering profitability and efficiency in the energy business and we consolidated concessions as the third strategic pillar of the Group, strengthening the *a* holding company as one of the main players in the infrastructure industry in the region.

Although 2016 represented complex uncertainties in various dimensions, the long-term strategy of Grupo Argos to act as holding company balancing business and presence in different markets shows off their excellent work and allows us to maintain an

Simultaneous exposure to developed and emerging economies improves the balance of risks

GRUPO ARGOS

optimistic outlook on the performance of industries where we have presence. We achieved satisfactory results in the majority of our business, totaling revenues of 14.6 trillion pesos, growing 15%, and a consolidated EBITDA of 3.6 trillion pesos, which represents an increase of 37% from the preceding year.

Our model, based on an active business direction, was followed building on strong corporate values around respect for people, institutions and integrity as a business philosophy. We conceived the sustainability of our operations as a balance between economic, environmental and social aspects, where the development of Human Talent becomes relevant as a differentiating element.







Mariscal Sucre Airport, Quito, Ecuador.

Political and economic environment

Various macroeconomic and political factors affected the different countries of South America during 2016, generating a slowdown in the region. The fall of commodities prices in the first quarter, the imbalance in external accounts and the volatility of exchange rates were factors that impacted the majority of the States. All in all, the region grew less than 0.5% and, with exceptions, positive growths were observed, including Colombia with 2% growth. At the same time, Central America and the Caribbean were favored by better fuel prices, given they are net importers, by the flow of remittances and good performance of their business partners.

The United States continued on its recovery path and showed an encouraging dynamic in its indicators. With a positive growth of 1.6%, low levels of unemployment (4.7%) and good performance of the construction industry, which for the first time reached record highs since 2008 in housing starts and building permits for nearly a million housing units.

Regarding politics, 2016 was a year of profound changes, marked primarily by the uncertainty in various geographies and a volatile environment, which, in some circumstances, made the future of the markets and the dynamics of business uncertain. In Colombia, the ups and downs of the peace process and tax reform led to cautious performances by the investing public.

In the midst of these complex scenarios, Grupo Argos is pleased to deliver positive results for 2016. A disciplined and consistent behavior, in addition to the countercyclical contribution of the different markets where we have presence led to positive annual results. The simultaneous exposure to developed and emerging economies improves the balance of risks, allowing reduction of rates of access to capital and facilitating the adoption of best practices and the development of human talent with global standards.



The stock market in Colombia experienced an important recovery in the year 2016, with an appreciation of 17% in the COLCAP index. The performance was positively influenced by investment influx from local pension funds and foreign funds, and especially in the second half, by better insights in the recovery in prices of some commodities. Good recorded results led to both the common shares as well as the preferred Grupo Argos shares recovering by 19%, exceeding the performance of the COLCAP index.





Most notable events

In 2016, Grupo Argos achieved consolidation of the concessions business as its third pillar of infrastructure. Upon acquisition of an additional percentage of Odinsa in a new takeover bid and purchase of 30% of Opain S. A., the company positioned itself as one of the most important infrastructure holding companies of the region.

Grupo Argos closed the year with a shareholding of 98.6% in Odinsa, after purchase of an additional 43.8% to 54.8% with which it culminated in 2015. The value of the transaction amounted to 816 billion pesos, of which, 83%, i.e., 677 billion, was paid with preferred shares of Grupo Argos. This reflects the confidence of the Odinsa shareholders in our organization, enabling them to maintain exposure to the

infrastructure, plus an attractive portfolio of other businesses and geographies with growth potential.

Likewise, we highlight the acquisition, for an amount of 480 billion pesos, of 30% of Opain, dealer of cargos and passenger terminals at El Dorado International Airport, the third largest in Latin America, allowing access to control over 65% of this company (considering that Odinsa already owned 35%).

With these movements, Grupo Argos consolidates a strategic portfolio with approximately 45 trillion pesos in assets under management, focused in cement, energy, road, harbor and airport concessions, urban development and real estate income, which, added to the portfolio investments in the food and financial industries, offers complementarity and diversification in terms of geographies and currencies.

When it comes to our strategic investments, we indicated that the cement business completed the purchase of the cement plant in Martinsburg, West Virginia, and eight logistics terminals, which increased its installed capacity by





29% in the United States, reaching 9.9 million tons, and which today generates about 50% of its income. This acquisition expands the presence of the company from nine to 13 states, adding important operational, technological and logistical positioning itself in a capabilities, privileged way to capture the expectations of increased infrastructure spending. estimated to be close to 1 trillion dollars in the next five years. For this operation, 660 million dollars were invested, funded with a bridge loan being paid, mostly, with resources coming from a non-strategic asset divestment plan that has been in place since 2016. By January 2017, that plan had already reached 296 million dollars.

In the **energy business**, the positive operational results were restarted, generating an EBITDA of over one billion pesos, leaving behind the complex effects of the climatic, regulatory and contractual conflicts that were experienced in 2015, a product of the "El Niño" phenomenon, the lack of gas supply and the regulatory disruption of the electric industry. We highlight the Celsia team's work in efficiency, which contributed to the implementation of improvements and the proposal of regulatory changes. Moreover, Celsia advanced positively in the structuring of its supplementary innovation platform, headed towards exploration of renewable energy, primarily solar, and an attractive set of new business models in incubation around distributed generation, representing a fresh look to an evolving industry.

In **concessions** the most attractive projects were selected and control over them was consolidated, with interests that help build the business model and strengthen synergy operations generating value. Throughout the year, the divestiture scheduled of assets not related to the core businesses was





Highways of the Café, Colombia.

Urban Development in Northern Barranquilla, Colombia.

also developed, leading to efficient rotation of invested capital. In 2016, the financial close of the Pacific 2 Highway Connection project was concluded with participation of international and domestic banking for an amount of 1.2 trillion pesos. Odinsa transitioned from an equity stake of 25% to 79% in this project, which is in process of construction and expected to enter into operation in 2020.

Regarding **airport** matters, Odinsa's concessions grew in cargos and passenger traffic, being recognized by users and companies specialized in the industry. At the El Dorado International Airport work in the second expansion continues for 400 billion pesos, increasing its capacity and service level in the domestic and international docks. The airport served 31.4 million passengers, with a positive variance of 4.7% in respect to 2015. It moved 667 thousand tons of cargos, with a slight decline of 0.6%, remaining the first airport in cargos and the third in passengers in Latin America.

Finally, in the real estate industry, the **Urban Development business** experienced an

Stock control allows strengthening of Synergistic operations generating value

active dynamic and closed negotiations for 1.8 million of m². The strategy was focused on optimizing resources from demand looking to maximize value. This business, formerly developed by the subsidiary Situm, was integrated into Grupo Argos to provide operational efficiency and maintain its focus and expertise.

In regards to **real estate business**, Pactia, which manages rental assets of more than 2.5 trillion pesos and a net leasable area of 504 thousand square feet, became Private Equity Fund, allowing the entry of Pension Fund Protection, with a commitment of investment up to 600 billion pesos, having achieved in 2016 a first contribution of 165 billion pesos. This provides flexibility to fund the expansion plan.

The figures and specific achievements of each business are shown below.



↗ Performance **of the businesses**

Cement

On a consolidated basis, revenue of Cementos Argos at the end of 2016 reached 8.5 trillion pesos, 7.7% more than in 2015. The EBITDA rose 8.7% to 1.7 trillion pesos, leveraged especially for its good performance in the United States, the Caribbean and Central America.

In 2016, Cementos Argos focused on efficiency as a driver for competitiveness, with the goal to be the best operator in the markets where it participates. It seeks effective transformation by taking advantage of productive assets, using more alternative fuels and strengthening the value proposition, plus capturing synergies with other companies of the Argos Corporate Group.

Regional United States

Cement shipments grew 19% and reached 4 million tons, driven by the strong demand in Georgia, Florida and the Carolinas, mainly. The growth in volume of cement in states where Cementos Argos operates exceeded the country's average. Concrete shipments rose 3%, reaching 7.6 million cubic meters, which consolidates the company as a leader in several markets where it participates.

The Regional United States closed with revenue of 1,388 million dollars, 12% more than in 2015, and a historical EBITDA of 181 million dollars, with a EBITDA margin that, for the first time since the crisis, achieved double-digit at 13%.

Regional Colombia

After more than a decade of continued growth, construction experienced a deceleration typical of a cyclical market highly correlated with the performance of the economy, which reduced consumption and cement shipments. The infrastructure is still in transition, and significant consumption is expected between 2017 and 2020. To do this, Cementos Argos executed supply agreements with approximately 70% of the 4G projects experiencing financial closure.

Because of this, regional revenues fell 13% in comparison to 2015. The EBITDA was 668 billion pesos, with a margin of 26%.

Regional Caribbean and Central America

The diversity of this regional provided stability and growth opportunities with profitable operations, in which the value offer was adapted depending on the needs of each market. Volumes allowed income of 551 million dollars, driven by positive behavior in Honduras, Panama and international marketing. The EBITDA of the region closed at 207 million dollars.



Argos Plant in Florida, United States.

02





Alto Anchicayá Hydropower Central Station, Valle del Cauca, Colombia.

Guanacaste Wind Park, Costa Rica.

Energy

On a consolidated basis, revenue of Celsia went from 3.7 trillion pesos in 2015 to 3.8 trillion pesos in 2016, with a 3% increase. Meanwhile, costs decreased by 6%, which drove the consolidated EBITDA to grow to 51%, exceeding a trillion pesos. Net profit went from a loss of 51 billion pesos to a profit of 171 billion pesos in 2016.

The business of power generation had relevant operational improvements, recovering its profitability and advancing its strategy of balance between traditional power generation assets and new business. After the "El Niño" phenomenon, contingency actions were designed to reduce possible future impacts from a new climatic phenomenon. There was active participation in the search for regulatory solutions and a more flexible contractual schedule. Regarding the operation of the thermal generation park, we were pleased to announce the start of operation of the Cartagena re-gasification plant, allowing for gas supply to the Franca Celsia Zone in Barranquilla in a stable manner and independent of local supply, one of the factors that most affected the crisis in 2015.

Central American operations recorded positive financial and operating indicators. In 2016, the region reached an EBITDA of 260 billion pesos, with a growth of 34%.

Aware of technological changes, Celsia explores new business paths and new ways to generate power, primarily from solar and wind sources. For example, projects identified in different regions of Colombia and Panama are under study in solar farms to develop 250 MW of installed power, and construction of the first large-scale solar farm in Colombia was announced, which, with 9.9 MW of capacity, will initiate operations at the end of 2017 in the Valle del Cauca.



Concessions

Consolidated revenue of Odinsa went from 902 billion pesos in 2015 to 1.5 trillion pesos in 2016. Net profit and the EBITDA have relevant positive variations, but they are not comparable on the same basis, since they include the recognition of asset valuations. Therefore, net profit of the controlling participation of Odinsa went from 133 billion pesos to 670 billion in 2016.

The company concentrated on organizing itself as a focused and consistent infrastructure platform, integrated into the culture and values of the Argos Corporate Group, prepared to develop its future competitive strategy in the region.

During 2016, Odinsa's portfolio was thoroughly cleansed, aimed at consolidating its exposure in the road and airport concessions business. In the careful clearance of assets, by sale, acquisition and swapping of shares, it moved from a structure with 13 projects with minority shares to a platform consisting of three road concessions in operation (Highways of the Café, and the Highways of the Northeast and Bulevar Turístico in Dominican Republic), two construction projects (Pacific 2 and Malla Vial del Meta in Colombia) and two large airport assets (Bogota and Quito). Odinsa continues its divestment plan of other non-strategic assets, among which we highlight the sale in 2016 of a minority share in the Sociedad Portuaria in Santa Marta.

As far as road concessions, among others, the increase by 79% of shares in the La Pintada Concession, partnership dealership of the Pacific 2 project (Bolombolo-La Pintada-Primavera), stands out, which reached its financial closure and start of construction. Internationally, Odinsa increased shares in Highways of the Northeast (DNA) and Bulevar Turístico del Atlántico (BTA) corporations, both located in the Dominican Republic, going from 42.5% to 67.5%.



El Dorado Airport, Bogota, Colombia.

MANAGEMENT REPORT

GRUPO ARGOS



Aguadulce Port, Compas, Buenaventura, Colombia.



Urbanism with public spaces in northern Barranguilla, Colombia.

Ports

2016 was a year of consolidation of alliances for Compas with the building of its future growth platform. The construction of the port of Aguadulce in Buenaventura was significant, which with an investment of more than 120 million dollars, constitutes the most modern port terminal of great depth on the Pacific. Consequently, Compas reinforces its presence in the two oceans of Colombia. Likewise, an agreement with APM Terminals, subsidiary company of Maersk Group and globally recognized in the port industry, was achieved to create CCTO (Cartagena Container Terminal Operator) and to operate the terminal in Cartagena. Jointly with APM, work was undertaken for the start of this project to increase the current capacity of the port by three times, specializing in general cargos and containers. We are pleased to report that the project is moving along smoothly.

Total cargos handled in the year decreased by 9%, for a total of 4.3 million tons. For accounting purposes, the non-consolidation of CCTO means that the revenue growth results and EBITDA are not comparable between the two periods, as Compas records its income based on the equity method and not by consolidation.

Because of this, at the end of 2016, the consolidated revenue amounted to 125 billion pesos, a decrease of 22% in comparison to 2015. Removing the effect of CCTO, the Compas revenue would have grown 8%. Likewise, the EBITDA accumulated was 47 billion pesos, with a margin of 38%.

Real Estate

During the year 1.8 million square feet were deeded for 217 billion pesos. We point out that the urban development business recognizes revenue once the title deeds occur, while the cash flow is given in accordance with the payment terms specific to each business.

Among relevant transactions there is the Alameda del Rio project with Amarilo and Constructora Bolivar for 108 billion pesos for the development of 183 hectares in Barranquilla. Additionally, the urban planning process for the Riomar project was begun with 249 hectares in that same city, on which mixed uses and a network of parks will be developed in approximately 25% of the net developable area. In Barú, the CalaBlanca project of 66 hectares was granted a a zoning license and an environmental permit.

In real estate income, Pactia reported revenues of 179 billion pesos and an EBITDA of 100 billion pesos, for a net profit of 93 billion pesos. These figures are not comparable, since 2016 was the first full year of operation of Pactia as a separate entity.

7 Year and Results

As a result of the above-mentioned dynamics of our businesses and with growth in all their strategic pillars, Grupo Argos reached consolidated revenue of 14.6 trillion pesos, which represents an increase of 15% against 2015.

The consolidated EBITDA grew to 3.6 trillion pesos, with an increase of 37%. The EBITDA margin increased by 400 basis points, reaching 25%, thanks to good results of the cement business, the consolidation of Odinsa and the recovery of the power generation business.

Revenue, EBITDA and net profit by company

In billions

The consolidated net profit generated by Grupo Argos was \$1.1 trillion, which represents a growth of 75% in comparison to 2015, and net income of the parent company was 589 billion pesos.

GRUPO ARGOS

On a consolidated basis, assets of Grupo Argos amounted to 45 trillion pesos and increased 7% against 2015. Liabilities rose 10% to \$21 trillion. Equity amounted to \$24 trillion, 3% greater than in 2015.

In the separate financial statements, Grupo Argos recorded operational revenue of \$1.1 trillion, an EBITDA of \$518 billion and a net profit close to \$352 billion, which means a 11% decrease year to year. This decrease is generated by the reduction in revenue of financial activity, given the minor divestitures of portfolio made during 2016.

	Income from ordinary activities			EBITDA			Net Profit		
	2016	2015	Var A/A	2016	2015	Var A/A	2016	2015	Var A/A
ARGOS	8,517	7,912	8%	1,652	1,519	9%	563	556	1.3%
CELSIA	3,795	3,692	3%	1,031	684	51%	171	-51	N/A
ODINSA	1,486	902	65%	1,066	308	246%	670	133	404%
Сомрая	125	160	-22%	47	60	-22%	6	5	20%
ΜΡΛΟΤΙΛ	179	45	298%	100	26	285%	93	13	615%
GRUPO ARGOS SEPARATED	1,097	1,144	-4%	518	544	-5%	352	395	-11%
GRUPO ARGOS CONSOLIDATED	14,552	12,700	15%	3,620	2,635	37%	1,132	648	75%

*The figures correspond to the consolidated results of each company and not to the contribution that these businesses make to the Grupo Argos results.





Mariscal Sucre Airport, Quito, Ecuador.

Portfolio Investments

Grupo Sura

In 2016, Grupo Sura posted a consolidated positive performance, with special emphasis on the operating results of the insurance and "asset management" businesses, as well as a better return on investment and a lower tax rate. It should be noted that Suramericana de Seguros, its subsidiary specializing in insurance and trend and risk management, closed the acquisition of RSA Group's insurance assets for 614 million dollars, consolidating the company as one of the leading insurers of the region. At the end of the year, Grupo Sura's strategic investments reached a presence in 11 countries of Latin America, where more than 59 thousand employees serve 44 million customers.

Grupo Sura's consolidated revenue amounted to 19 trillion pesos, growing 36.2% from 2015, and consequently consolidated net profit reached 1.7 trillion pesos, with a growth of 26% from 2015.

In 2016, Grupo Sura was included for the sixth consecutive year as part of the Dow Jones Global Sustainability Index, being the only Latin American company in the Miscellaneous Financial Services and Capital Markets sector industry to be able to enter. Likewise Grupo Sura was announced for the first time in the FTSE4Good Emerging Markets index.

Grupo Nutresa

Grupo Nutresa also had a positive sales dynamic in 2016, both nationally and internationally. At a consolidated level, it closed the year with 8.7 trillion pesos in sales, with a growth of 9.2% over 2015. Gross profit rose to 3.7 trillion pesos, growing 7.9% from 2015 and the operational margin was 9.4%. Regarding profitability, the EBITDA margin stood at 11.9% of sales, which amounted to 1.03 trillion pesos. Consequently, the consolidated net income was 396 billion pesos.

We highlight the retail business expansion, with the construction of an offer of differentiated value to customers, buyers and consumers, and the development of distribution networks, that allowed the company to bring products to more than 519 thousand points of sale in Colombia with well-known and appreciated brands.

In 2016, Grupo Nutresa was included in the Dow Jones Global Sustainability Index and received the Silver Category distinction of RobecoSAM in its 2017 Sustainability Yearbook. Grupo Nutresa is consolidated as the second best company in the worldwide food industry for its sustainability management.





A sustainable organization

Beyond the particular financial results, we report that in the development of our actions regarding sustainability, corporate governance, ethics, conduct and transparency, Grupo Argos obtained a series of recognitions in 2016 that embody the vision of permanent pursuit of value in the long term for you, our shareholders. Taking integrity as the core of our business philosophy, we are based on solid principles that inspire us to continue strengthening ourselves to always act as a good corporate citizen.

In 2016, Grupo Argos and its subsidiary Cementos Argos were included for the fourth consecutive time in the Dow Jones Global Sustainability Index which globally recognizes best practices in economic, environmental and social sustainability. For its performance, Grupo Argos received the Silver Award in the Sustainability Yearbook of the RobecoSAM company. In turn, Cementos Argos received a Gold medal in the same Sustainability Yearbook reaching the highest rating in its industry in the world. Celsia was included for the second consecutive year in this Yearbook as a member.

Children benefitting from support to educational and community infrastructure in Buenaventura, Colombia.



Endangered Oophaga lehmanni frog, endemic to southwestern Colombia, in danger of extinction Research is being done to protect it.

Likewise, Grupo Argos was included in the Emerging Indexes category of the FTSE4Good Index series, which was launched in December 2016 to measure performance in environmental, social and governance practices. The FTSE4Good is a recognized global index that integrates sustainability issues into investment decisions.

The Colombian Stock Exchange (Banco de Valores de Colombia, BVC) renewed the IR Recognition to Grupo Argos, thanks to the voluntary adoption of best practices in disclosure of information and relationships with investors. In 2016, the BVC asked the College of Advanced Management Studies (Colegio de Estudios Superiores de Administration, CESA) to independently assess Colombian issuers. Grupo Argos obtained an 81% score, which is higher than the average rating of the issuers at 67%.

Additionally, Grupo Argos voluntarily participated in the Companies Active in Anticorruption Compliance initiative (EACA), led by the Secretary of Transparency of the Presidency of the Republic of Colombia. After the assessment, Grupo Argos received the highest rating among participating companies.

MANAGEMENT REPORT





In the Argos Corporate Group, we understand that employees are critical in the development of strategy and essential to achieve efficiency and competitiveness of our businesses. Therefore, we maintain policies that allow us to select, develop and retain the best human talent, generating mobility among our subsidiaries, implementing best practices and strengthening diversity. Likewise, we actively seek to ensure the best working environment in our organization.

Since training is a key process for growth, in 2016 we moved forward with important programs, such as the Leadership for Equity with UC Berkeley, where more than 60 executive women from across the Business Group are preparing to play a transformative role. Among others, we conducted a Global Management and Excellence in Strategic Execution program with Harvard University, in which we chose 70 leaders to make strategic decisions, and a program of Ethical Deliberation with the Universidad de los Andes to strengthen values by taking action. We measured our Working Environment index with the Great Place to Work international institute, and got a score last year of 88.5, which is outstanding and places Grupo Argos as one of the 20 best companies to work at in Colombia.

In 2016 the management team of Grupo Argos and its subsidiaries was secured, harmoniously culminating the succession initiated in 2015 under the direction of the Appointments and Compensation Committee of the company's Board of Directors.

In February, Mauricio Ossa assumed the CEO role of Odinsa. In April 2016 succession took place in the Grupo Argos CEO role and Juan Esteban Calle came to become CEO of Cementos Argos. We reiterate our appreciation to Jose Alberto Velez, from whom we received a remarkable organization full of principles and transcendence, foundations on which we are dedicated to continue building a Business Group that generates value for its shareholders and contributes to building a better society.




From top to bottom: Andean Bear. Productive projects in Carmen of Bolivar. Forest plantation in San Onofre.

Our corporate management

In development of our sustainability strategy, the Grupo Argos Foundation in 2016 advanced its focus on environmental conservation through biodiversity management, water protection and inclusion of communities in the care of the environment. During the year conservation projects were developed, which resulted in the planting of 312 thousand trees of native and timber species that captured 771 thousand tons of carbon dioxide, the protection of 411,700 hectares where the Andean bear lives - the only species of bear that lives in Colombia - and retention of 1,730 hectares of watershed.

Among the most significant interventions, we note the donation to Fedesarrollo to establish a fund dedicated to economic research for rural development in Colombia with a final contribution of 2 billion pesos in 2016. We contributed to peace in Colombia by contributing to the Crecer en Paz (Grow in Peace) Foundation for productive projects benefiting peasant families. We promoted the creation of the Cartagena Water Fund and promoted environmental education in more than 100 institutions. In botany, we continue to contribute freely to 1,300 public libraries with the inventory of the wealth of Colombia embodied in the Savia collection, contributing to the knowledge and appropriation of the natural heritage.

Our city transformation initiative continued with its goal of fostering long-term planning scenarios for more sustainable, inclusive, fair and comprehensive environments, where public space is central to the appropriation and enjoyment of the city by its citizens.

MANAGEMENT REPORT





Franca Celsia Zone, Barranquilla, Colombia. Atlantic Tourist Boulevard, Dominican Republic.

Argos Center for Innovation, Medellin, Colombia.

↗Our vision for the future

Diversification allowed an appropriate balance of markets, confirming that the infrastructure as center connector of Grupo Argos investments would ensure that the mixture of industries and geographies translates into healthy balances for our operational results and a cushioning factor for the natural cycles and challenges of the businesses.

During 2016, Grupo Argos worked hard to reinforce its role as a strategic architect, focused on the financial, strategic, management and institutional aspects. This facilitates development of investments favoring consolidation of synergies, strengthening the unity of purpose and direction, and allowing us to strengthen the strategic alignment of our affiliates.

In order to ensure the capture of synergies, we promoted the SUMMA initiative during the year as a shared competency center for all subsidiaries, in order to find efficiencies in transactional processes across the entire Business Group, including procurement, finance, human management and technology. This will allow business management to focus on the development of competitive strategy and SUMMA will facilitate in joining efforts and capturing synergies, which in turn will benefit all shareholders.

Finally, shareholders, we are pleased to share with you these results and advances in the business, reiterating our

appreciation for your ongoing support. We visualize the Argos Corporate Group with great opportunities to accompany the growth of our region, in a consolidation process of acquisitions and appropriate generation of long-term value. To our employees in 18 countries, we express our appreciation for their dedicated work, since they are the real stakeholders that make these results happen.

Board of Directors

Rosario Córdoba, Chairman David Bojanini Carlos Ignacio Gallego Mario Scarpetta Ana Cristina Arango Armando Montenegro Jorge Uribe

CEO of the company Jorge Mario Velásquez

CREATION OF VALUE 03





→Grupo Argos, active manager of its investments

Our strategy



Business related to **infrastructure**



Efficient rotation of invested capital



Diversification geographical

Grupo Argos today

Active holding company as strategic architect

- Arbitration of capital between businesses
- Active involvement in the strategy of each business
- Culture, method and common practices
- Efficient management structure and capture opportunities of joint value
- Balance of listed and unlisted businesses

Emphasis on profitability and efficiency

- Selective growth
- Capture of synergies
- **Consolidation**
- Human talent shared



El Dorado Airport, Bogota, Colombia.





>>

→ How we add value

Highways of the Café Concession, Eje Cafetero, Colombia.

>>> Unique vehicle with exposure to basic infrastructure sectors that offers:

- Regional presence
- Business Units in different degrees of maturity and high potential
- Combination of developed and emerging markets

Synergies among companies looking for administrative and operational efficiency.

We transfer competencies between affiliates.

Unit of purpose:

Corporate and competitive strategy design

- \circ Optimal access to capital markets
- Knowledge of target markets
- Integrity as a philosophy of corporate action

We implement

of human capital.

high standards in:

- Ethics, conduct and transparency
- Corporate governance

We encourage mobility

- Management of human talent
 Innovation
- o innovation
- Sustainability
- Relationship with stakeholders



Sustainability Policy

In order to ensure continuity and preservation of its business, Grupo Argoshas adopted a Sustainability Policy that seeks to ensure that the activity of transforming natural resources into products and services is done by generating value in a responsible manner with a balance among economic profitability, social inclusion and decreased environmental impact, having as a guideline the Global Compact and Good Corporate Governance principles.



Grupo Argos understands stakeholders as those people or groups that can be impacted by the activities of the organization in the pursuit of its goals.

How we interact

Through transparent and regular contact with stakeholders, it contributes to the building of trust, to identifying and managing risk and to the promotion of a positive reputation.

(102-42) In 2016 Grupo Argos updated the process of identifying stakeholders and prioritized them according to their degree of influence. In addition, methodology for dialogue was defined and channels of communication and interaction were established that have a protocol of administration and follow-up.

For the identification, characterization and prioritization of stakeholders, methodologies based on the AA1000 international standard (Stakeholder Engagement Standard) are applied, starting with questions such as: With whom does Grupo Argos have responsibilities or commitments? Which persons or groups influence its performance? Who can be affected by its management?





Shareholders and investors: are the holders of shares issued by the company and who deposit their trust in it for the generation of responsible long-term reliable value. They can either be strategic investors, institutional investors or general investors (individuals or entities), as well as potential investors.

Employees: They are the most valuable asset of the organization and a key success factor in its performance and growth. This group includes all employees of Grupo Argos and its affiliates and businesses.

Suppliers: They contribute to the management of the organization and support it in its commitment to sustainability. The relationship with this stakeholder is governed by integrity, transparency and accountability in the establishment of equitable and sustainable business relationships.

Communities: Grupo Argos, a holding company of sustainable investment in infrastructure, issues guidelines for its affiliates to advise them on how to build constructive relationships in areas of influence where they operate, in order to contribute, from the different management fronts, to the sustainable development of the country. **Guilds, institutions and the business sector:** The relationship with these sectors of the partnership seek to strengthen company goals and contribute to the management of the organization.

Media, influencers and public opinion: They support the identification and follow-up of material issues and dialogue with others stakeholders, based on respectful and constructive relationships.

Government and authorities: As corporate citizens we strictly comply with the law and our obligations. Furthermore, in a framework of transparent dialogue, under principles of integrity and responsibility, we are allies of the State in the generation of conditions of well-being in regions where we operate.

The Board of Directors has provided guidelines regarding the relationship with these groups by way of approval of the Sustainability Policy, the Code of Business Conduct and the Good Governance Code. All areas of the company participate in the management of relationships with stakeholders.

To manage the relationship with stakeholders, Grupo Argos has different mechanisms that allow keeping them informed, consult and dialogue with them about topics of the organization.

In 2016 dialogues and consultations were carried out to identify and prioritize material issues.

Through the Corporate Sustainability Committee and the Communications Synergy Committee, the company seeks to strengthen its Dialogue Systems with Stakeholders, with control boards to measure progress in the implementation of actions, corrections and improvements.

The cement and power generation businesses have their own models of relationship with their stakeholders. Get to know them at <u>https://www.argos.co/en</u> and <u>www.celsia.com</u>.





Loto. Nymphaea sp.

Activities conducted in 2016:

- Dialogue or annual meeting with stakeholders to discuss the management of the organization, as well as its goals and expectations.
- Semi-annual follow-up and assessment of the status, spaces and means of contact with areas of the company involved in the management of stakeholder relationships, in the process of continuous improvement of sustainability practices.
- Press Management, valued at approximately 32 billion pesos, which has allowed strengthening of knowledge about the organization, deepening of the differentiation between Grupo Argos as holding company and its businesses and broadening dissemination of its

management among stakeholders.

- Ongoing contact with journalists to ensure permanent dialogue of disclosure on relevant topics of the organization.
- Grupo Argos conducts quarterly conference results with the investing public to present the most relevant figures of the company within those periods. It is a space in which questions are generated relating to the organization's performance, future projects and in which the organization responds to those questions. In addition, via the area of Investor Relations and email (irelations@grupoargos.com), another communication channel is established to address the concerns of this public.
- There is also a Line of Transparency to which stakeholders can go with the purpose of reporting, anonymously if desired, a breach of the Code of Conduct. This line is administered by an independent third party and the information received is treated with the highest standards of confidentiality.





Materiality

(102-46) During 2016, Grupo Argos carried out a materiality exercise that allowed it to prioritize key sustainability issues aligned with the corporate strategy, the organization's promise of current value and the challenges that sustainability poses for the company.

This exercise was carried out by evaluating the impact that the issues may have on the organization and the influence that may have in the decisions of the stakeholders. The methodology used is based on the GRI (Global Reporting Initiative) Standard.

As part of this process, related global and regional industry benchmarks, international standards of sustainability such as SASB, DJSI and CDP, sustainability initiatives such as ODS, Global Compact, WBCSD, relevant publications in sustainability were taken into account, as well as internal documents of Grupo Argos which allowed us to identify relevant issues for the company today.

Materiality Analysis



GRUPO ARGOS

12 relevant topics were consulted, of which seven were prioritized by stakeholders. Board of Directors and Senior Management participated in the identification, prioritization and validation.



- Importance of environmental, social and economic impacts
- **1 Investments with ESG approach.** Investment management to meet the business goals taking into consideration ESG elements (environmental, social and governmental).
- **2 Ethics, conduct and transparency.** Compliance with ethical standards established for the Business Group.
- **3 Corporate Governance.** Implementation of measures regarding the governance of society, management practices and behavior of employees, management of information, public knowledge of management, in such a way as to ensure respect of the rights of those who invest in the company.
- 4 Risk Management. Identification, assessment and mitigation of risks in the activities of Grupo Argos, considering those that have environmental, social, governmental and reputational impacts, in order to promote an environment of prevention and a risk culture.
- **5 Human talent management.** Development of initiatives to maintain employee motivation, strengthen competencies, retain talent and to promote mobility and succession.
- **6 Climate change strategy.** Strategy to prevent, reduce, mitigate and offset impacts associated with business operations; additionally, identify and carry out activities for adaptation to the effects of climate change.
- **7 Innovation.** Ability to organize and direct resources to create new knowledge, develop products, processes and services or improve existing ones.

Statement of Responsibility. Participation of the *hub* Regional Global Reporting Initiative – GRI in Latin America, in dialogues with stakeholders made in the materiality exercise does not represent a GRI vision regarding the management of any organization. The intention of its participation was the discussion of the main trends of sustainability relevant for the sector that can affect the possibility of generating long term value.







"Aligning material issues with the SDG (Sustainable Development Goals)"

- Investments with ESG approach. SDG 8: Decent work and economic growth SDG 9: Industry, innovation and infrastructure SDG 11: Sustainable cities and communities SDG 13: Climate action
- Ethics, conduct and transparency. SDG 10: Reduced inequalities
 - **SDG 16:** Peace, justice and strong institutions
- 3. Corporate Governance. SDG 16: Peace, justice and strong institutions
 - **Risk Management. SDG 16:** Peace, justice and Strong Institutions
 - Human Talent Management. SDG 3: Good health and well-being SDG 5: Gender equality SDG 8: Decent work and economic growth SDG 10: Reduced inequalities

6. Climate change strategy.

SDG 6: Clean water and sanitation **SDG 13:** Climate action **SDG 15:** Life on land

7. Innovation.

1.

2.

4.

5.

SDG 9: Industry, innovation and infrastructure

To fulfill the commitment with the SDG, Grupo Argos implemented the SDG Compass protocol that seeks to facilitate the understanding of its contribution to the fulfillment of these goals. Following these guidelines, commitments and goals are being defined to integrate current initiatives, determine innovation in processes and technologies, and agree on strategic alliances required for its compliance.

At the same time, Grupo Argos is actively working to identify strategic initiatives aligned with the SDG, to promote valuegenerating activities within their framework.





Arrow Flower. Sagittaria cf. Montevidensis.

In the future

Grupo Argos develops its Sustainability Policy with the conviction of generating responsible value for its shareholders, always seeking balance between its businesses and investments and externalities. Grupo Argos perceives Sustainable Development as a principle of corporate action, where the preservation of biodiversity is a critical part of the vision. For Grupo Argos, sustainability is at the heart of the strategy, so the company sets concrete goals in the different dimensions, based on the identified material issues:

Short Term	Medium Term	Long Term
In addition to ongoing dialogues with Stakeholders and alignment with initiatives within the framework of the Sustainable Development Goals (SDG), Grupo Argos is moving forward with the implementation of its Integrated Human Rights System, to increase its standards of Ethics, Conduct and Transparency, as well as in the quantitative identification of its externalities. Active management of investments with ESG approach and the factors that enhance risks, are pillars in corporate performance.	Human Talent committed to always seek sustainable alternatives to generate value to shareholders. High	Grupo Argos is seen as a leader in conservation and preservation of biodiversity, generating Sustainable Development that produces responsible value for its shareholders, while contributing to close social gaps of inequality and constantly measuring its externalities, and generating positive impacts in society and its environment.



CORPORATE GOVERNANCE 04





(103-1) STAKEHOLDERS WE IMPACT:

Shareholders and investors | Employees | Government and authorities

→ Corporate governance

(103-1) (103-2) (102-26) The corporate governance framework in Grupo Argos is contained in the Good Governance Code. which is a guide for proper management of its businesses. This governance policy is based on the following: fair and equal treatment to shareholders and investors: equitable, timely and regulated supply of the relevant information that they require to make their decisions; transparency, fluidity and integrity of the information provided to the market; and establishment of clear and general rules for the actions taken by the governing bodies, members of the Board of Directors ("Directors") and employees.

The corporate governance practices enshrined in the aforementioned code are subject to constant review and update with respect to the highest international standards in this matter. Therefore, the code is a dynamic tool that gives management a clear and defined framework for business management.

(103-2) When the External Circular 028 of 2014 was issued by the Financial Superintendence of Colombia - by which a new Code of Best Corporate Practices (Country Code) was implemented - Grupo Argos along with its affiliates developed the Policy on Relationships between the Affiliated Companies; this Policy provides a specific statement of the unified purpose that should guide the actions of all companies that comprise the group. (103-2) This policy aims to establish the rules and principles that must be followed by the companies that comprise the Argos Corporate Group, its Directors, managers and employees in their economic, legal, administrative and operational relationships. The foregoing always seeks to contribute to the strengthening of business value, the preservation of corporate reputation, the consolidation of organizational identity and the unification of criteria. During 2016, this Relationship Policy was approved by the Boards of Directors of Grupo Argos' subsidiaries and this puts the company at the forefront of self-regulation in these issues.

(102-18) (102-22) (102-20) (102-19) The company's governance is comprised of different bodies, such as: the General Shareholders' Meeting, the Board of Directors, the CEO and Senior Management. Additionally, the Board of Directors has three support committees, which are designated by the Board and are composed of some of its members. The meetings of these committees are attended by some members of Senior Management, who participate with voice but without vote. In addition, within its governance structure, Grupo Argos has the following internal steering committees: the Steering Committee, composed of the company's CEO and Vice Presidents; committees of Vice Presidents, which are composed of the primary group of each of these; synergy boards, which are developed around topics and staffed by employees of the company and of each of the affiliates; the Central Committee of Conduct, composed of the Vice Presidents of human management and corporate affairs of Grupo Argos and each of its affiliates; and the Sustainability, Risk, Hiring, Data Security, Procurement, Treasury and Credit Committees, which are comprised of employees from various areas of the company and focus on topics listed by their name.

To view the Relationship Policy between linked Companies, please <u>click here</u>.



(103-3) (102-33) (102-31) (102-21) The strategic, relevant and urgent issues that may be subject to discussion by the Board of Directors are previously proposed in the committees supporting the Board, internal bodies described above, the internal committees, focal committees and the synergy boards. Issues of importance for stakeholders are included among these topics. Additionally, the Sustainability and Corporate Governance Committee monitors progress and implementation of corporate governance issues. This year corporate governance indicators were approved, which will serve as basis for the audit that will handle the assessment of corporate governance.

With regard to subsidiaries, the issue of Corporate Governance and possible modifications or adjustments are discussed in the focal committees and synergy boards of corporate governance.



Encenillo in flower. Weinmannia sp.

Critical issues brought to the Board related to economic, environmental and social issues.

(102-31) (102-34) The following matters were submitted to the Board of Directors for consideration, and all the requirements established in the by-laws and the Good Governance Code for approval were met:

- Acquisition of Odinsa.
- Acquisition of Opain.
- Establishment of the Pactia private equity fund and its link to the Fondo de Pensiones Protección S.A. (Pension Protection Fund)
- Approval of the Enterprise Risk Management System
- Analysis of real estate business prospects.
- Analysis of coal business prospects.
- Various issues regarding human resources
- Talent Management.
- Comprehensive Human Rights Management System
- Strategy against climate change and progress on environmental sustainability goals.





Coffee plantation. Coffea arabica.

→ Board of Directors (103-2) (102-18) (102-22) (102-23) (102-26) (102-27) (102-25)

The Grupo Argos Board of Directors is composed of an odd number of members sufficient for the proper performance of its functions and has no alternate members. Currently, the Board of Directors is comprised of seven members, five of whom meet the independence criteria established in both Colombian law and the Good Governance Code of the company. None of the members of the Board is an employee of Grupo Argos, and the Chair is Rosario Córdoba, an independent member.

Sustainability and Corporate Governance Committee

(102-22) (102-20)

- Composed of three members.
- At least one must be independent.
- This committee assists the Board in its role of proposing and monitoring the company's sustainability and corporate governance measures.

Audit, Finance and Risk Committee

(102-22) (102-29) (102-30)

- Composed of three independent members, all with expertise in accounting and financial matters.
- At least one with experience in finance and another in internal control.
- Assesses accounting procedures, the relationship with the Statutory Auditor and oversees the effectiveness of the control and risk management system

Appointments and Compensation Committee

(102-22)

- Composed of three members.
- At least one must be independent.
- Supports the Board in the exercise of its functions associated with the matters of appointment and compensation of the members of the Board and Senior Management.



Action Cordoba, Charing	 Studies Economics, University of Los Andes, Bogota, Colombia Masters in Economics, University of Los Andes, Bogota, Colombia 	 Experience CEO, Private Competitiveness Council of Competitiveness Previous Title: Director of Revista Dinero (Money Magazine)
Said Bojanini	 Studies Industrial Engineering, University of Los Andes, Bogota, Colombia MBA with emphasis on Actuary, University of Michigan, U.S.A. 	Experience • CEO of Grupo Sura • Previous Title: Protection CEO
Calle So	 Studies Civil Engineering, University Eafit, Medellin, Colombia Masters in Business Administration Eafit, Medellin, Colombia 	 Experience CEO of Grupo Nutresa Previous Title: CEO of Compañía Nacional de Chocolates (National Chocolates Company)
Ratio Scarpetta	 Studies Economics, University San Buenaventura Cali, Colombia Masters in Management Sciences, Arthur D. Little Management Institute, U.S.A. 	Experience
Protectistina Arango	 Studies Civil Engineering, University Eafit, Medellin, Colombia MBA, University of Los Andes, Bogota, Colombia 	 Experience Independent investor Previous Title: Financial Management Assistant at Cementos Rioclaro
Pursando Montenega	 Studies Industrial Engineering, University of Javeriana, Bogota Colombia Masters in Economics and Latin American Studies, University of Ohio, U.S.A. 	 Ph.D. in Economics, New York University, U.S.A. Experience Chairman, BTG Pactual Previous Title: Managing Director at Ágora Investment Banking
youte Unibe	 Studies Administrative Engineering, National University, Medellin, Colombia MBA, Xavier University, Cincinnati, Ohio, U.S.A. 	 Experience Independent Consultant Previous Title: Global Director of Productivity and Organizational Transformation, P&G





Structure of the Board of Directors

	ROSARIO CÓRDOBA	DAVID BOJANINI	CARLOS IGNACIO GALLEGO
Company where she/he works	Concejo Privado de Competitividad	Grupo de Inversiones Suramericana S.A.	Grupo Nutresa S.A.
Position	CEO	CEO	CEO
Executive - Non executive	Non executive	Non executive	Non executive
Independent	Yes	No	No
Years on the Board	From 2011	From 2004	From 2014
Board Committee(s) she/he belongs to	Committee of Audit, Finance and Risks, Sustainability and Corporate Governance Committee and Appointments and Compensation Committee	Appointments and Compensation Committee	Sustainability and Corporate Governance Committee
Other Boards of Directors to which she/he belongs	0	3	4
Name of the corporations where she/he participates as a member of the Board of Directors		 Grupo Nutresa S.A. Grupo Bancolombia S.A. Suramericana S.A. 	 Suramericana de Seguros de Vida S.A. Suramericana de Seguros Generales S.A. Tresmontes Luchetti (Chile) Compañía Nacional de Chocolates (Costa Rica)
Name of non-profit entities in which he/she participates as member of the management body	 Universidad Jorge Tadeo Lozano Fundación Santa Fe de Bogota Fundación Semana Governing Board of Fedesarrollo Ruta N Medellín Advisory Board of Innpulsa Mipyme 	 Fundación Para el Desarrollo de Antioquia - Proantioquia Fundación Empresarios por la Educación Corporación Colombia Internacional Concejo Privado de Competitividad 	 Hospital Pablo Tobón Uribe Instituto Tecnológico Pascual Bravo Corporación Pueblo de los Niños Corporación San Pablo
Competencies and experience related to economic, environmental and social impacts	Yes	Yes	Yes
Is shareholder of a substantial customer or supplier?	No	No	No
Percentage of meetings attended vs. meetings carried out	100	100	100



	MARIO SCARPETTA	ANA CRISTINA ARANGO	ARMANDO MONTENEGRO	JORGE URIBE
Company where she/he works	Azurita S.A.	Independent Investor	BTG Pactual	N/A
Position	CEO	Not Applicable	Chairman	Independent Consultant
Executive - Non executive	Non executive	Non executive	Non executive	Non executive
Independent	Yes	Yes	Yes	Yes
Years on the Board	From 2006	From 2009	From 2015	From 2015
Board Commitee she/he belongs to	Sustainability and Corporate Governance Committee	Audit, Finance and Risk Committee	Audit, Finance and Risk Committee	Appointments and Compensation Committee
Other Boards of Directors to which she/he belongs to	4	1	0	2
Name of the corporations where she/he participates as a member of the Board of Directors	 Argos USA Corp. Amalfi S.A. Gestión Fiduciaria S.A. Ontario Graphite Ltd. 	 Distribuciones Agralba S.A. 		 Carvajal S.A. Ingredion INC (Chicago USA)
Name of non-profit entities in which he/she participates as member of the management body	 ABC Foundation Fundación para el Desarrollo Integral – Gerencia de Gestión e Innovación Consejo Empresarial de América Latina (CEAL) Grupo Empresarial Vallecaucano 	 Key for Colombia 	 Fedesarrollo 	 United Way Worldwide
Competencies and experience related to economic, environmental and social impacts	Yes	Yes	Yes	Yes
Is shareholder a substantial customer or supplier?	No	No	No	No
Percentage of meetings attended vs. meetings carried out	100	100	100	100





Passion flower tree. Passion flower tree.

Nomination and selection of the Board of Directors

(102-24) (102-37) During the year 2016, the Appointment and Compensation Committee worked on the drafting of the Appointments, Succession and Comensation Policy of the Board of Directors, which establishes the basic principles, the overall and individual competencies, and limitations for the candidates of the Board of Directors. This policy will be submitted for approval by the Board of Directors in the first semester of 2017.

Currently, for the election of members of the Board of the General Shareholders' Meeting must take into account, among others, the following aspects: Directors cannot be older than 72 years old and must have participated on boards of directors, demonstrate specific knowledge in corporate governance, environmental and social matters, as well as experience related to human management processes. In addition, they must contribute some professional expertise which would be relevant for the activities conducted by Grupo Argos.

At the moment of integrating the Board of Directors, it is expected that there will be independent Directors with experience in corporate finance and internal control; those who can demonstrate this experience should be appointed to be part of the Audit Committee. All Directors will have basic skills that will enable them to properly perform their duties. Within these duties are: analytical and management skills, strategic business vision, objectivity and ability to express their opinion, and ability to evaluate senior managers. In addition, they must have the ability to understand and question financial information and business proposals, as well as work in an international environment.

In addition to the core competencies, each Director will have other specific competencies that will allow him/her to contribute to one or more dimensions due to his/her special knowledge of the industry, financial aspects and risks, legal issues, business issues and crisis management. At a minimum, 50% of the Directors elected to a certain time period must meet the requirements to be considered as independent members, and so must state it the moment they accept their inclusion in the list of potential candidates. The independent members shall lose their status as such when they have been board members for three consecutive periods of three years each.

Additionally, during 2016 one of the world's leading consultants was hired for the executive search, in order to define the profiles and skills required for the selection of the Directors, based on which a series of technical and behavioral competencies have been preliminarily determined (e.g.: leadership, strategic vision, global perspective, etc.), all of which will be submitted for discussion to the Appointments and Compensation Committee in order to establish the profiles of the members of the Board of Directors that will be elected in 2018.



Board of Directors Assessment

(103-3) (102-27) (102-28) The Board of Directors is assessed yearly, alternating external evaluations with self-assessments. The external assessment is performed by an independent firm selected by the Board according to management recommendation. These assessments cover both quantitative and qualitative aspects. During 2016, the independent firm AT Kearney conducted the Board of Directors evaluation.

Compensation of the Board of Directors

(102-35) (102-36) Board of Directors' compensation is set by the Shareholders Meeting in accordance with the responsibilities and time spent by its members. These members are paid on a monthly basis, regardless of whether or not they attend Board meetings, as the company considers that their functions are not solely based on attendance, since their performance and functions outside the meetings are of equal importance. Notwithstanding the foregoing, the Directors shall annually attend at a minimum of 80% of the meetings of the Board of Directors to which they are convened. Members who participate in any of the support committees of the Board receive additional compensation for their participation in the respective meetings. The Good Governance Code allows for members of the Board of Directors to be paid in shares of the company, but this option has not been implemented yet.

In the future

(103-2)

Within the next year special importance and priority will be given to develop the Policy for the Management of Operations with Related Parties that shall provide the guidelines to regulate business relationships between Grupo Argos and its affiliates. After the Relationship between Linked Companies Policy is approved, Grupo Argos will move forward to clearly define the guidelines and policies that will determine the framework for corporate performance for transactions between related parties, always keeping the principle of providing value to all shareholders and not to make transfers between linked companies. The transactions are carried out according to market values.

In the short term, Grupo Argos shall continue the implementation of the different policies and practices included in the new Country Code which are still in the approval process; likewise, it shall continue with the consolidation of updates already implemented, which are being disseminated within the organization.

Among the policies that will be submitted for approval of the Board of Directors during 2017 are the following:

- Appointment, Succession and Compensation Policy of the Board of Directors.
- 2 Information Management and Disclosure Policy.
- Administration and Resolution of Conflicts of Interest Policy.

In the medium and long term it shall continue reviewing the various international benchmarks that allow it to be at the forefront of best corporate governance practices, such as the Organization for Economic Cooperation and Development (OECD) and the World Bank, among others. In addition, it shall maintain its active local and regional participation in different forums such as the Circle of Companies of the Latin American Round table of Corporate Governance and the Colombian Stock Exchange Issuers Committee, where various topics of corporate governance for issuers of securities are addressed.





STAKEHOLDERS WE IMPACT:

Shareholders and investors I Employees I Suppliers I Government and authorities I Media, influencers and public opinion



Jaboticaba. Myrciaria cauliflora.

Ethics, conduct and transparency

(102-16) Grupo Argos manages its businesses within a framework of ethics, conduct and transparency, where business activities have integrity as a principle of corporate action, these elements being fundamental in the decision making in compliance of its business strategy.

(103-1) (102-16) Grupo Argos has zero tolerance for fraud, bribery and corruption, which is why the Code of Conduct is the behavioral guide, whose main focus is the principle of integrity understood as responsible, honest, upright, serious, transparent behavior and in accordance with the law and internal policies.

(206-1) This code applies to all the companies in the business group and encourages companies that enter into a *Joint Venture* with Grupo Argos to adopt codes of conduct with equivalent standards. In terms of competition, the company defines the framework of performance of its affiliates and ensures that they have antitrust policies

that govern their participation in the market they operate in. These policies cover the following aspects: restrictive trade practices (agreements and acts), abuse of dominant position, unfair competition and business integrations without compliance with the law. During 2016, Grupo Argos, as parent company, had no investigations related to competition matters.

(103-2) In developing the principles contained in the Code of Conduct, Grupo Argos implemented a Risk Management System for Fraud, Bribery and Corruption - known in Spanish as SARFC, based on national and international best practices, whose purpose is to establish various measures to minimize the occurrence of situations that relate to these risks.

The following describes the Risk Management System for Fraud, Bribery and Corruption:

- \circ Adopted by Senior Management and the Board of Directors.
- Based on risk assessment: risk matrices tailored to the organization's activities.
- Promotion of "culture of compliance" at all levels to promote ethical conduct and commitment to compliance.
- Stages: identification, measurement, adoption of controls and preventive measures, disclosure, documentation and follow-up.

CORPORATE GOVERNANCE





Guayacan flower of Manizales. Lafoensia acuminata.

(102-17) Major guidelines:

- Code of Conduct
- SARFC Policy
- Investigation Manual
- \circ Line of transparency
- $\circ\,$ Gifts and Entertainment Policy

(102-25) (102-17) Main mechanisms:

- Contractual Clauses
- Penalties for non-compliance
- Annual training and required assessment
- Central Conduct Committee, consisting of Grupo Argos personnel and representatives of its affiliates.
- Committees of Conduct, Business Conduct Officers and Investigation Officers in Grupo Argos and Argos, Celsia and Odinsa.
- Line of transparency, free channel that allows anonymous reports, administered by an independent third party.
- Statement of Potential Sources of Conflicts of Interest and Statement of Property and Income
- Training and communication plan with long-term approach directed at members of the Board of Directors, employees and suppliers

Transparency Line Attention - Report - Action



(205-3) During the year, Grupo Argos continued to strengthen ethical and transparent behavior within the organization and towards its stakeholders, by conducting internal and external training for employees and vendors:

- In-Class Training in behavior, LAFT and in the Risk Management System for Fraud, Bribery and Corruption to all employees of the company at all levels.
- Workshop "Ethical deliberation in the corporate environment" with the support of the University of los Andes, directed to employees of the companies of the Business Group.
- Workshop "Decision making with an ethical sense" with the collaboration of the NGO Transparencia por Colombia (Nongovernmental organization transparency for Colombia), directed to suppliers.





Pitanga. Eugenia uniflora.

(205-2) In 2016, 100% of Grupo Argos employees and its Energy, Concessions and Coal affiliates were informed and trained in anti-corruption issues. In the Cement business a total of 3,532 employees of all the categories including the executive level were trained, equivalent to 30%. The Port business updated the Code of Conduct according to the highest standards and will train its employees in 2017.

(103-3) To ensure that the management carried out in this matter is effective, the Internal Audit Area is responsible for permanently assessing the internal organizational control

system through a work plan approved by the Audit Committee, which is defined based on different risk scenarios that the company is exposed to.

(205-3) During 2016, Grupo Argos had no confirmed incidents of corruption.

(205-1) Grupo Argos and all its controlled businesses received training and were evaluated in the risk of fraud, bribery and corruption system.

In the future

(103-2)

In the short term, a technological tool will be implemented. This tool seeks that all companies of the Business Group have a unified mechanism for monitoring the internal organizational control system and whose fundamental basis is an approved model for Enterprise Risk Management. The coverage of the Property and Income Statement will be expanded, which should be filled out for all critical positions and levels of the organization, in addition to Senior Management, as a mechanism of prevention of fraud and corruption. Grupo Argos will continue promoting practices to maintain high standards of Ethics, Conduct and Transparency.





Scale or tree fern. Dicksonia sellowiana.

Acknowledgements

Grupo Argos decided to voluntarily participate in the first pilot of the EACA initiative (Companies active in anti-corruption compliance) (known in Spanish as EACA) led by the Secretariat of Transparency of the Presidency of the Republic of Colombia. The purpose of this initiative is to serve as a tool to enhance the private sector's ability to identify and prevent acts of corruption. This initiative was presented to 12 of the largest companies in the country of which, after the assessment process, Grupo Argos obtained the required qualification to determine that it meets the established standards for the program.

The program, launched by the Secretary of Transparency of the Presidency in 2015, aims to increase the private sector's ability to identify and prevent acts of corruption.

Assessment Committee:

- National Association of Industrials (ANDI)
- National Federation of Merchandisers (FENALCO)
- Confederation of Chambers of Commerce (CONFECÁMARAS)

- Institute of Internal Auditors of Colombia (IIA Colombia)
- The Swedish Companies' Responsibility Network in Colombia.

Team of experts from the Technical Secretariat:

Team of consultants hired through the financial support of the program ACTUE (Anti-Corruption and Transparency of the European Union) - FIIAPP.

Score obtained: 112.55 points (minimum indicator required 100 basic points/over 150 desirable).

Companies evaluated: 12

Additionally, Grupo Argos participated as a panelist at the 4° Ethics Forum of the Electrical Sector, in order to present its compliance practices and share its experience in the EACA initiative.

ECONOMIC DIMENSION 05





(103-1)
 STAKEHOLDERS WE IMPACT:
 Employees | Shareholders and Investors | Suppliers

Investments with ESG approach (Environmental, Social and Governance)

(103-1) For Grupo Argos, managing its investments with ASG approach reflects the importance of having a complete view of its management with the creation of responsible value in the economic, social and environmental dimensions. In this way, the development of its business is

accomplished by constantly seeking value for shareholders in the long term with positive balance in externalities. This approach allows material issues to be considered both in decision making and in business management. At the same time, strategic conversations are promoted that make sustainability a cross-cutting pillar of corporate planning and action.

Consolidation of the Management model of Investments with ESG approach

ESG APPROACHES		
Environmental	Social	Governance
Environmental Managemen System	t ≫ Talent development and retention ≫ Occupational Health and Safety	 Corporate Governance Transparency
Climate Change Recycling strategy	» Stakeholders relationship management	and Ethics » Risks
» Efficient use of water	» Customer Management	≫ Tax Management
 Eco-efficiency Preservation of Biodiversity 	» Supplier relationship management	» Innovation
	 Environmental Management System Climate Change Recycling strategy Efficient use of water Eco-efficiency 	EnvironmentalSocial> Environmental Management> Talent development and retention System> Occupational Health and Safety> Climate Change> Stakeholders relationship management> Recycling strategy> Human Rights> Efficient use of water> Customer Management> Eco-efficiency> Supplier relationship management

The investment management model with ESG approach is comprised of mechanisms that seek to connect the investment and business management with the vision of sustainable development, emphasizing the balance between dimensions and

measuring externalities, where biodiversity preservation becomes backbone of long-term strategy in order to apply the best standards in environmental, social and governance issues framed in a sustainability culture.





(103-2)То ensure the transversality sustainability, of the company has Sustainability Policy (see policy at а https://www.grupoargos.com/Portals/0/ Documents/sustainability-policy-grupoargos.pdf) and a Relationship Policy between linked companies (see policy at https://www.grupoargos.com/Portals/0/ Documents/Policy_Relationships_Affiliated_ Companies.pdf). Additionally, guidelines are defined by the boards of directors of its

affiliates, which are managed from the different committees. Grupo Argos, as strategic architect, actively leads the different committees, including the Sustainability, Risks, Conduct, Human Management and Finance committees. They not only discuss investment management and their commitment to sustainability, but also seek to facilitate inter-company knowledge transfer and collaboration to align the businesses with Grupo Argos standards.

(103-3) Below is the result of the analysis of the level of maturity of each of the businesses, with regard to the targeted level of investment management model with ESG approach.



Grupo Argos exercises leadership to ensure that its businesses implement the best standards in sustainability, investments and business, in order to ensure that the companies continue to create strategic value for the company.





Juanlanas or angel hair. Clematis haenkeana.

(103-2) Initiatives

Synergy

In order to consolidate the role of the holding company, a diagnosis was developed to focus the work on three main points:

- **1** The role of *the* holding company as the driver of the corporate strategy.
- 2 The implementation of a shared services center.
- 3 Designing an operational supply model.

Due diligence with ESG criteria Environmental, Social and Governance

Grupo Argos conducts due diligence for mergers or acquisitions, including in the ESG criteria process, in order to make a good decision that not only reflects the true value of the business, but which also provides a complete diagnosis about the risks of the acquisition.

In 2016, the company worked on the standardization of a rigorous due diligence process for Grupo Argos, in order to identify environmental, social and governance risks in this type of operation. It also allows for the defining of measures that need to be taken to prevent and mitigate these risks.

Findings during the due diligence phases allow for planning and prioritization of the issues that should be explored in more detail either before or after the acquisition. In this way and once the purchase is made, they will provide support to Senior Management to define guidelines that will drive the new business to the sustainability standards of Grupo Argos.

Construction with affiliates

The consolidation of Grupo Argos as a matrix of investments in infrastructure has allowed advances to increase the generation of value and the economic, environmental and social balance towards stakeholders. Thus, in 2016 a project was started to define indicators and long-range goals for the conglomerate, which seeks to redefine the business models to compete strategically.

This has involved working together with the subsidiaries, which connects the strategy of Group and each subsidiary. This work allowed:

- **1** for the establishment of a long-term goal in climate change which was set up to reduce direct CO_2 emissionsby 20% per million Colombian Pesos in revenues for 2025, having 2015 as the base year.
- **2** for the building of work boards with affiliates on material issues.
- **3** for defining a work route in the measurement of externalities for the Argos Corporate Group.





Jazmine. Posoqueria latifolia.

In the future

Grupo Argos advances in the active management of its investments, promoting its efficiency and profitability, always looking for opportunities of proper rotation of capital. The management of investments and businesses will be maintained with a vision of sustainable development, maintaining high criteria and standards that facilitate the right balance between the generation of value and the social and environmental effects of the interventions.

Synergy project:

In the short term, the implementation of a shared services center will be consolidated, seeking not only efficiencies and standardization, but also strengthening the integrity of information, improving service levels, optimizing internal control, increasing value creation and providing greater flexibility to changes in the needs of the business.

For the operational supply model, the information of common suppliers in certain categories and negotiation schemes will be uploaded in a first stage, as well as platforms that will allow more efficiency in the management.

In a later phase the integrated management of suppliers and their development will be sought, where success will be determined by developing and applying a unique relationship and negotiation.

Construction with affiliates:

In the short term, to consolidate the emissions reduction plan, which defines a route to quantify the contribution and the role of each business in the fulfillment of the Business Group goals.

To continue with the project of economic appraisal of externalities in order to identify, in the medium term, the positive or negative effects generated by the development of activities of Grupo Argos and its affiliates. The foregoing, in order to have tools for effective decision-making in the generation of social value and the positioning of the company as a matrix of sustainable investments.





⊼ Risk Management

(103-1) Enterprise Risk Management. risk management is intended to support decision-making in the organization from the establishment of a process that enables identification, measurement, treatment and monitoring of those situations that could affect the achievement of goals, so as to reduce uncertainty, be proactive, maintain a sustainable organization over time, create and protect the generation of value and preserve the image of the organization vis-à-vis its stakeholders. (103-1) Grupo Argos, as an investment matrix, is exposed to its results being impacted by the risks of its affiliates. For this reason, the Enterprise Risk Management. Risk Management System (ERMS) establishes the methodology and guidelines for the management of its own risks and the strategic risks of affiliates, ensuring the unity of judgment and a common process for management in order to allow the analysis of the risks as a conglomerate through consolidation in the Corporate Risk Map.

For more information about the impacts and mitigation plans of strategic and emerging risks, see page 139.

Strategic Risks

GRUPO ARGOS

Holding



Financial Flexibility

Market risk in the portfolio of investments

Cement Business

Supply Chain

- > Licenses or titles
- Market Risks (competition, imports and domestic production)

Concession Business

- Regulatory and/or contractual framework of the concessionaire
- » Variation of vehicular and passenger traffic

Energy Business

- Displacement of traditional business by new technologies
- Structuring the energy portfolio, regulation and climate
- Changes in availability and pricing of energy resources

Real Estate Business

> Dynamic demand

Transversal

Company reputation

- ≫ Human Talent Management
- Changes in geopolitical and/or economic conditions
- Changes in the tax and/or legal laws
- Costs and limits to the development of projects
- Fraud, corruption, money laundering and financing of terrorism

Alliances, mergers or acquisitions





Grupo Argos monitors the risk management of subsidiaries that may affect the strategy, reputation and associated trends of the business.

Orchid. Cymbidium sp.

(103-2) The corporate risk management policy establishes the elements and the overall framework of action for Enterprise Risk Management of any nature that the Business Group faces.

(103-2) In 2016 the policy was supplemented with the incorporation of governance in risk management, where the organizational structure is set with instances, roles and responsibilities that help ensure the proper functioning of ERMS and follow international best practices related to this matter. The responsibility of the Boards and Senior Management of each company on its ERMS and its responsibility for the monitoring of the implementation with consolidated view is noted.

In addition, a corporate methodology for strategic risk management was developed, which considered international standards, primarily ISO 31000 and COSO.







Silver Yarumos. Cecropia telenitida.

In 2016, progress was made in the implementation of ERMS from each one of the pillars of the risk model:

Governance	 Incorporation of risk governance into corporate policy for the Enterprise Risk Management Definition of scales to measure probability of occurrence and impact of risks from a corporate vision Approval of the risk responsibilities matrix where different instances and attributions are established for decision making on risks Implementation of a risk support committee where all risk areas of the companies participate to share best practices and build knowledge in the collective
Methodology and technology	 Implementation of a corporate methodology for the management of strategic risks Development of a tool for consolidation of strategic risks and their causes Decision to acquire software to integrate internal audit, compliance and risk management functions in Grupo Argos, Cementos Argos, Celsia and Odinsa
Culture	Continuity of the campaign "being aware is taking reliable steps" to sensitize employees about the importance of risks and promote their self-management. The campaign was directed to all employees of Grupo Argos and included internal communications, discussions and interactive activities

(103-2) Methodological application and the adoption of actions for the management of identified risks is assured through the defined governance.





Governance of Risk Management (102-11) (102-15)

Gradual panoramic. Guadua angustifolia.

Board of Directors:

Ensure the adoption and proper implementation of a ERMS.

Approve the Enterprise Risk Management Policy, the risk appetite of each organization and the responsibilities matrix for managing the risks. Evaluate and monitor risks in the context of strategic goals and propose corrective actions in accordance with the defined tolerable level, periodically monitoring those actions.

Audit, Finance and Risk Committees:

Assist the Board of Directors in all responsibilities related to risk management oversight.

Review the effectiveness of ERMS by monitoring risk maps, dashboards, limits and indicators, and formulate improvement initiatives as needed to align the risk profile with the strategic goals and defined appetite. Follow-up to the implementation of ERMS with consolidated vision as a Business Group, ensuring that the corporate risk profile is aligned with the overall risk appetite defined for the conglomerate.

Grupo Argos Chief Executive Officer (CEO):

Grupo Argos Chief Executive	e Officer (CEO):	
Responds to the Board of Directors	Actively manages all inducers and	Reports on the risk profile of the
and shareholders for the imple-	factors that enhance risks in order	Business Group, the status of
mentation of the ERMS.	to anticipate their occurrence with	the mitigation plans and overall,
	concrete action plans.	the implementation status of the
		ERMS.

Steering Committees:

Inform about the operation of the ERMS and alert about new identified risks. Report on the operation of the ERMS in their companies and report on risk status and the mechanisms adopted to manage them.

Chief Executive Officers of the Affiliates:

Ensure the implementation of ERMS in their companies.

Report to the Audit, Finance and Risks Committee and to the Board of Directors on the risk profile, progress status of the mitigation plans and overall ERMS implementation status. Actively manage with concrete action plans, anticipating trends and occurrences.



Grupo Argos Enterprise Risk Management Department:

Designs and leads the implementation of ERMS policies, general processes and corporative methodologies that allow permanent identification, measurement and treatment of the risks the Business Group is exposed to. Monitors effective management of risks that can affect the strategy of the business, individually and as a group, and promotes a corporate risk management culture.

Risk Departments of Affiliated Companies:

Lead the implementation of ERMS in their companies, adopting corporate policies and methodologies adjusted to the internal and external context of each entity. Monitor effective management of risks that can affect the strategy of each company, and support corporate management to strengthen the risk management culture. Their responsibility includes the implementation of the methodology at a strategic, tactical and operational level.

Process Owners (Managers/Directors):

Responsible for the application of Enterprise Risk Management in the processes under their responsibility according to policies and methodologies defined for this purpose.

Risk Facilitator:

They are designated employees in each department to facilitate implementation of the ERMS.

All Employees:

Apply Enterprise Risk Management in their processes according to defined policies and methodologies.

Internal Audit Departments:

Evaluate the efficiency and efficacy of the ERMS, generate recommendations for improvement, track the effectiveness of the actions taken to manage risks and evaluate the operation of key controls.

Must alert about the risks that might affect the normal development of work and report events of risks that may have materialized.

Contribute to the identification of new risks during the development of their audit activities.

Compliance Departments:

Lead the implementation of activities for the prevention and detection of the risk of fraud, corruption, money laundering and terrorist financing. Monitor effective management of compliance risks that could affect each company, and support corporate management to strengthen ethics and transparency.





Florentine. Miconia notabilis.

In the future

Short Term	Medium Term	Long Term
Efforts will be focused in the implementation of corporate software for the management of strategic risks, processes, facilities and projects, in Grupo Argos, Cementos Argos, Celsia and Odinsa. This will be done by economic analyses of impacts on major strategic risks, monitoring all reputational risks, having a single map for the entire Argos Corporate Group.	Strengthening of the Risk Culture shall continue, establishing a corporate training plan that includes not only Grupo Argos employees, but also those of Cementos Argos, Celsia and Odinsa. Active risk management impacting the compensation of those responsible will be measured, carrying out a plan with visualization of future trends and scenarios.	Quantitative risk assessment models are expected to be defined




05



East Facade of the Argos Center for Innovation, Medellin, Colombia.

¬ Innovation

(103-1) Grupo Argos is aware that in order to achieve better performance in the long term, operating in dynamic, changing and highly competitive markets, is not enough to continue to manage in the traditional way. It is necessary to be able to respond effectively to current challenges, identify opportunities, and anticipate future trends and risks to generate added value and mobilize the company's differentiation in the market. Grupo Argos sees innovation as a key factor for success of the holding company and its businesses.

Grupo Argos, as a holding company of investments, seeks to allocate capital over time by protecting the environment and ensuring creation of value to the company and its stakeholders in a sustainable way in the long term. This represents a great opportunity to build a close and active relationship with all affiliates. That's "Innovation is reinventing ourselves each day. In a dynamic and demanding world like today, we must deliver new processes and products with high added value that serve the market satisfactorily". Jorge Mario Velásquez, Grupo Argos CEO

why Grupo Argos addresses innovation through three main focal points: synergies, efficiency and culture into the entire matrix including the Cement, Energy, Concessions and Urban Development businesses.

Creating synergies is important to generate competitive advantages and to create different dynamics, where pertinent spaces can host the emergence of new knowledge, develop new products, processes and services or improve existing products. By transferring knowledge and best practices among businesses and implementing new technologies, increased operational efficiencies are generated, and via a culture of innovation these practices are guaranteed to permeate the entire company.



During 2016, the Policy of Relationship between Businesses Linked to the Argos Corporate Group was approved, which provides an overall framework of action to implement and strengthen management and governance practices, always based on integrity as the general principle and, considering at all times, respect for the institutions that every company has implemented. It clearly states the general corporate strategy which lays out that business activities in the Business Group are oriented around several fundamental premises, one of which is the promotion of continuous innovation in each of the activities, companies and businesses.

Additionally, two of the action principles included in this policy are:

- Maintain a long-term vision that incorporates efficiency and innovation, without neglecting the creation of short-term value.
- Consider knowledge and innovation management as critical factors for generating value, promoting at all times the comprehensive development of employees.

See Policy on Relationships between Affiliated Companies of the Argos Corporate Group in: https://www.grupoargos.com/Portals/0/Documents/Policy_Relationships_Affiliated_Companies.pdf

(103-2) Innovation in the affiliates

Grupo Argos businesses have taken innovation as an essential component of their work and this approach has the potential to impact the partnership with the development of new products and services seeking to meet the needs and expectations of stakeholders.

Cement

The Cement business has the Argos Center for Innovation which aims to become a space for the incubation of new business, and create at least two new companies that will develop categories of high value products.

This initiative is an example of how to strengthen the commitment to innovation through the University – Company – State model and with the development of industry, region and country.

Among the most outstanding results in the cement business are:

- Commercial launch of three new advanced products: high performance concrete, micro cement and Roadbinder.
- During 2016, Line 2 of the Rioclaro plant succeeded in replacing 6% of alternative



Colored concrete.

fuel heat consumption with used tires. Replacement reached historical levels of nearly 11% between September and December.

- Increased use of alternative raw materials including synthetic plaster, fly ash and slag.
- Launch of Emerging Business Opportunities.
- Five innovation challenges were implemented in several countries, involving more than 400 employees, resulting in more than 200 ideas with savings in excess of US\$4 million.

GRUPO ARGOS

Energy

In the last year, the energy business has been transformed from being a company of assets from the generation and distribution of electricity to a company that has progressively penetrated new lines of business in three segments: Homes, Companies and Cities, which points to the diversification of income that the business strategy is seeking to 2025.

Among the highlighted facts are:

- In conjunction with the Canada's Advanced Energy Center, we worked on the identification of energy storage systems for generating plants in the different countries in which it operates.
- Invested in photovoltaic generation and marketing for industrial customers.
- Started to trade the thermal districts product.
- Built the second version of the electric bus with Colombian engineering (MIO Electrical, in Cali), which is intended to improve technical and economic performance of the first version built in 2014.
- Evaluated business models to reach other market segments with products such as: development of electric vehicles (bicycles and motorcycles), charging stations for electric vehicles in public places and in commercial fleets, automation of homes and energetic exploitation from urban solid waste.



Solar Panels in Punta Soldado, Valle del Cauca.

More information on subsidiaries' innovation: Cement, click here. Energy, click here.

In the future

In the long term the innovation model from Grupo Argos will be consolidated to build and promote the innovation agenda, new business models and synergies in order to manage opportunities that enable the combination of financial, human and infrastructure capital of two or more companies of the Group.

The above includes:

 Leading the strategic direction and priorities of the innovation strategy in all companies of the Argos Corporate Group, and how it should contribute to the implementation of corporate strategy.

- Leading and supporting the integration of innovation at the corporate level, involving all the functional areas of the Argos Corporate Group.
- Leading the coordination between different companies, areas and functions of the Business Group in terms of strategic projects and innovation.



⊼ Tax performance

During 2016, Grupo Argos, through the Legal Tax Management, was in charge of monitoring and controlling the Corporate Tax Policy, which was released during the year 2015 and which disseminated a series of guidelines and standards geared towards business decisions made by both the holding company, as well as its affiliates and subsidiaries, and making sure that these are aligned with corporate strategy. The foregoing implies that these must occur in a framework of transparency, always pursuing best practices and delivering clear and complete information to stakeholders in a timely manner.

Pillars of the Corporate Tax Policy



https://www.grupoargos.com/en-us/Tax-policy





Hass Avocado American Persea.

With the purpose of setting specific control mechanisms that allow effective compliance of the policy, a series of activities were carried out, which are as follows:

- Creation of a regulatory framework of legal-tax best practices derived from the employment relationship. This work was intended to identify and disseminate the appropriate treatment of withholding taxes for labor, salary and non-salaried payments, so as to determine the correct contributions to the Social Security System of the salary and non-salary payments.
- Comprehensive support to the structural tax reform project. Within the corporate tax functions defined in the Tax Policy of Grupo Argos, support and relationship with the different authorities and associations are defined. As part of the foregoing, Grupo Argos actively participated in the process of structural tax reform, seeking to provide the vision of entrepreneurship and to supporting technical discussions around the process of building regulations. As a result of this management, it was possible to effectively mitigate the adverse impacts of a regulatory change, a risk that was identified and characterized as strategic to the organization. (For details on the organization's strategic risks, please refer to the Risk Management chapter on page 67 of this report).

Building a matrix to calculate deferred tax in the businesses and quantify the impact of deferred tax at Cementos Argos. This tool is intended to know the effect of the recognition of deferred tax on financial statements (both results and equity). It also identifies the items where the differences affecting the deferred tax are concentrated. This matrix is useful for identifying the effects that some operations will generate in the holding company, as well as to mitigate any adverse effects that may be found.

Development of a matrix of legal-tax controls for Odinsa S.A to identify contingencies that may affect the value of the business. An analysis of the main contingencies found and susceptible to modify values allocated to the underlying assets in the acquisition of Odinsa S.A. was conducted. The analysis included, among other things, the value of contingencies, the possibility of occurrence and the adequacy in the information that would allow recommending encumbrances of value. During the analysis of this information, a legal matrix was developed, which allowed for the timely identification and analysis of the company's litigious status.

As a way of guaranteeing compliance with the policy, the Company has the active and permanent support of the Corporate Controller, who is in charge of the Audit and Internal Control departments.

The activities described during the year are part of the general goals set during 2015 for effective compliance with the Grupo Argos Corporate Tax Policy. These activities are not only aimed at exercising specific controls to certain operations, but also enable effective monitoring of certain contingencies and transactions that are relevant for Grupo Argos.





Corota Island, lagoon The Cocha, Nariño. Sanctuary of flora and fauna.

In the future

Short Term

The guidelines and standards relating to the flow of information that will have to be delivered by affiliates and subsidiaries in order to meet the requirements of the structural tax reform must be established. The identification and control of the Rules of Foreign Controlled Entities, the country report, and the master transfer pricing report, among others, are highlighted.

Medium Term

For subsequent years, and taking into account the standards incorporated in the structural tax reform - which are based on practices established in international taxation - Grupo Argos faces a series of major challenges that will entail an update of its Corporate Tax Policy.

SOCIAL DIMENSION 06





STAKEHOLDERS WE IMPACT: Employees | Suppliers

Human Talent Management

(103-1) (103-2) By its nature, talent management at Grupo Argos has the challenge of accompanying mergers, acquisitions, strategic transformation, expansion and value creation of the company, and is with the people with whom it is accomplished effectively. In this sense, we look to have leaders who have the skills, the training and motivation to achieve outstanding performance and development of their employees. (103-1) (103-2) There is a policy of human management built according to the Country Code guidelines, through which we manage talent in order to comply with organizational strategy. We seek to attract, develop, motivate, and retain the best talent, based on inclusion and diversity, respect for Human Rights, compliance with safety and health standards in the workplace and development of best practices in all human processes.



(401-1) Rotation and hires

(102-7)(102-8)

Number of employees	2016					
in the company	Man	Woman	Total			
Grupo Argos	66	80	146			
Cement	7,829	1,337	9,166			
Energy	1,165	392	1,557			
Concessions	87	185	272			
Ports	46	10	56			
Coal	160	62	222			
TOTAL	9,353	2,066	11,419			

Rotation 2016		Rate	2016			
Rotation	Total	Voluntary	of Hiring	Total number of hirings	Man	Woman
 Grupo Argos 	6%	4%	Grupo Argos	29	48%	52%
e Cement	15%	9%	Cement	1,329	84%	16%
energy	7%	4%	Energy	240	68%	32%
Concessions	27%	16%	Concessions	51	61%	39%
Ports	12%	12%	Ports	26	50%	50%
Coal	13%	6%	Coal	1	0%	100%

Note: from 2016, Situm (Urban Development) becomes a line of business of Grupo Argos. As of the date, the Grupo Argos's information includes Urban Development information.



⊼ Talent and well-being

	(404-2)(103-2)	Challenge		
	Objective Attract, develop, motivate, and retain the best talent.	Have the necessary talent to accompany the development of strategy in mergers, acquisitions, strategic transformation, expansion and value generation of the company.	Finding Employees who have the skills, professional education and motivation.	 Generating Synergies among subsidiaries, through the implementation of best practices and the strengthening of diversity and mobility of talent in our businesses.
Focal points	Talent measurement for succession and mobility	 We understand talent as a strategic resource for the entire Business Group. 	generate an incre	ransfer of knowledge we eased value for shareholders velopment for our employees.
Focal	Training Model and culture	 <u>Cross Programs:</u> Business Ethics. Global Management Program and strategic execution excellence. (Harvard) Leadership for equity. (Berkeley) 	 Emphasis Programs Training: Multi-lingualism. Leadership. Culture. Human Rights, Diversity and inclusion. Safety and Health in the Workplace. 	 <u>Training:</u> Total Investment 1,438 million pesos in 2016. National and international Sponsorships. On average, each employee of the holding company received 49 hours of training in 2016.

(**404-1**)

Average hours of training 2016	Grupo Argos	e Cement	e Energy	Concessions	Ports	Coal
Level 1: Executive	21	98	18	49	0	1
Level 2: Management	76	93	53	44	156	4
Level 3: Midlevel Managers	52	100	56	22	107	7
Level 4: Specialist	37	89	44	33	70	16
Level 5: Other levels	59	56	24	28	17	8
Female	63	91	48	29	68	11
Male	32	62	30	32	32	10

81 Grup

SOCIAL DIMENSION





Plant Argos Florida Employees, United States.

(401-2) Retention, work environment and quality of life	 Grupo Argos was recognized as being among the twenty best companies to work at in Colombia, according to Great Place to Work. We obtained the Level of Recognition "Commitment to equal- ity" in the Grupo Argos Foundation. We promote in all business practices that generate cultural transformations for the achieve- ment of gender equity. 	In 2016 we continued to bet of the healthy lifestyle habits of o employees, the balance between wo and personal life, to the recreating and camaraderie through the progra Activate your rhythm. This progra promotes healthy practices of die sport and rest. Part of these activities are yoga classes, active break participation in athletic races, tal with noteworthy athletes and healt breakfasts.
Performance management	 91.8% of the population with performance measurement supported in the Successfactors tool. <u>Homologation of Performance Management</u> in professional, middle and high management positions at Grupo Argos, Cementos, Celsia and Odinsa. 	 Measurement Criteria: Performan Objectives, Competency Assessme and Development Plan. Focus: Orientation to objective a sults including individual and grou components. Calibration: Performance resu calibrated by human management teams for greater accuracy an objectivity.





Employees of Celsia Hidromontañitas, Compas Cartagena, Argos Honduras and Urban Development Grupo Argos Medellin.

(404-3)	2016														
Performance		Executive Management Directors		Specialist			Other levels		els						
Assessment of the employees	м	w	TOTAL	м	w	TOTAL	м	w	TOTAL	м	w	TOTAL	м	w	TOTAL
Grupo Argos	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	36.9%	100%	63.6%
Cement*	NA	NA	100%	NA	NA	100%	NA	NA	100%	NA	NA	100%	NA	NA	63%
Energy*	NA	NA	89%	NA	NA	100%	NA	NA	100%	NA	NA	99%	NA	NA	94%
Concessions	0%	0%	0%	45	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Coal	0%	0%	0%	181	100%	100%	100%	100%	100%	100%	100%	100%	19%	66%	23%
 Ports 	100%	100%	100%	272	100%	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%

*The Cement and Energy business breaks down the information for performance assessment by level, but not by gender.

(404-3)





(103-2)

Focal points

Equitable and competitive compensation system

O Through salary surveys, market trends were benchmarked on compensation issues and the necessary adjustments were applied to wage curves to ensure competitiveness of compensation both internationally and domestically, fostering attraction and retention of talent. The salary curves of Grupo Argos for middle management and Senior Management are in the 75th percentile and in the 65th percentile for other positions.

- Analysis of total compensation of each of the employees was done, ensuring internal equity and external competitiveness.
- The Organizational Outcome Earnings Premium (known in Spanish as PRO) is focused on rewarding employees for achieving the company's strategic metrics, through of short and long term goals that generate value. This premium benefits 100% of employees. Through

redesign of long term PRO, triennials metrics are proposed, achieving alignment with the interests of shareholders, generating value and stimulating long-term thinking. The number of PRO salaries per level was validated with the affiliates. Accomplishments are recognized by results between a minimum of 80% and a maximum of 110%. It has a mandatory indicator of Audit and Risk Management. The following conditions are necessary to enter the system: closing of the Performance Management cycle and the Ethics and Compliance program.

O A contributory benefit for senior and middle management was designed, through which the company and the employee contribute resources to an institutional plan, in order to have savings that allows them to improve the quality of life at the time of their retirement through a pension.

(SG-SST)

Occupational Health and Safety Management System

 Implementation of the Occupational Health and Safety Management System (OHSMS) with the definition of corporate policies and commitment of Senior Management, through the PDCA cycle.

Plan

- Compliance of 86.5%
 of the work plan.
- Induction of the OHSMS to all direct, temporary and contractor personnel.
- Assessment of hazards in which acceptable levels were found.
- Compliance with 89% of the Training Plan.

Do

- Completion of 100% of medical entrance exams, periodicals and retirement.
- A psychosocial risk study was carried out, covering 89% of the population.
- Update of emergency plans at the Medellín and Barranquilla branches.

Check

- The baseline measurement was performed by the ARL with a system adjustment result of 89%.
- Follow-up has been carried out by Management, which has made it possible to target resources and monitor the process very closely.

Act

- Design of action plans to correct situations detected in internal audits.
- Only one accident has occurred, which was investigated and the respective improvement actions were generated.



 Compensation. Redesign of the long-term Organizational Outcomes Earnings Premium and official approval of the short-term PRO, salary surveys, 2016 design of total compensation, design of benefits for Senior Management and middle management and analysis of internal equity. Labor Relations and Payroll. Analysis of treatment of each of the benefits from the labor, accounting and tax point of view, official approval of the legal positions vis-a-vis the UGPP. Information Technology We consider technology as a process that facilitates human management and for that reason, we are implementing the Successfactors tool, through which we manage human processes: 	Iong-term Organizational Outcomes Earnings Premium and official approval of the short-term PRO, salary surveys, 2016 design of total compensation, design of benefits for Senior Management and middle management and analysis of internal equity. Absenteeism, psychosocial risk (strate- gies and action plan), reinstatement and reincorporation (reinforced stability), ref- erencing the labor integration program. • Labor Relations and Payroll. Analysis of treatment of each of the benefits from the labor, accounting and tax point of view, official approval of the treatment of payroll concepts, study of the legal positions vis-a-vis the UGPP. • Talent. Official approval of performance management processes, learning, suc- cession and career plan, culture and implementation of the Success factors technology platform. 8 Information Technology We consider technology as a process that facilitates human management and for that reason, we are implementing the Successfactors tool, through which we manage	Synergy Tables	•	dize human processes and achieve synergies s, the following working groups are managed:
InformationWe consider technology as a process that facilitates human management and forTechnologythat reason, we are implementing the Successfactors tool, through which we manage	InformationWe consider technology as a process that facilitates human management and forTechnologythat reason, we are implementing the Successfactors tool, through which we manage		 long-term Organizational Outcomes Earnings Premium and official approval of the short-term PRO, salary surveys, 2016 design of total compensation, design of benefits for Senior Management and middle management and analysis of internal equity. <u>Labor Relations and Payroll.</u> Analysis of treatment of each of the benefits from the labor, accounting and tax point of view, official approval of the treatment of payroll concepts, study of the legal positions vis-a-vis the 	Absenteeism, psychosocial risk (strate- gies and action plan), reinstatement and reincorporation (reinforced stability), ref- erencing the labor integration program. O <u>Talent.</u> Official approval of performance management processes, learning, suc- cession and career plan, culture and implementation of the Success factors
Technology that reason, we are implementing the Successfactors tool, through which we manage	Technology that reason, we are implementing the Successfactors tool, through which we manage		We consider technology as a process t	hat facilitates human management and for
			that reason, we are implementing the Su	_
		M		

Employees of Argos Charleston, United States, and employees of Celsia Termoflores Barranquilla, Colombia.

In the future

Diagnosis of current culture and definition of cross-sectional values to strengthen the organizational culture features of Grupo Argos.

Implementation of the approved process of performance management and training, which will generate synergies and strengthen organizational learning and mobility of talent. 2017 work climate measurement and design of the intervention plan on the results of the evaluation of psycho-social risk factors carried out in 2016.

Attraction, development, motivation and retention of talent

Joint implementation between Grupo Argos and its subsidiaries of the Successfactors modules (SAP cloud solution for managing talent in organizations). Design of the diversity and inclusion strategy and monitoring of mobility indicators to enhance talent as a strategic resource of Grupo Argos.

Implementation of human processes at the Comprehensive Corporate Services center.

Learning: will allow having the same platform for the virtual courses of all the companies generating organizational learning and economies of scale. **Employee Information:** will facilitate consolidation of employee information at the Business Group level.

Performance Management: will facilitate the mobility of talent between Grupo Argos and its subsidiaries.







Beneficiaries of sustainable productive projects in Carmen de Bolivar, Colombia.

Contribution to social development

Grupo Argos, aware of its contribution to socio-economic development as a key element in the success of the business and its good relationship with stakeholders, develops initiatives focused on the progress and improvement of the quality of life of society, strengthening its management, among others, with social capital.

	2016				
Social investment of the organization by line of action	СОР	USD			
Environmental Conservation	4,112,497,940	1,370,508			
Botany	1,311,579,672	437,090			
Social Processes	3,182,613,960	1,060,620			
Transformation of cities	2,352,772,679	784,072			
Brand Presence	1,223,167,144	407,626			
Culture	487,645,564	162,510			
Sport	297,499,664	99,143			
Education	168,457,000	56,139			
TOTAL	13,136,233,623	4,377,708			

Note: The social investment of the company is framed in the methodology of the London benchmarking Report, where the resources have 3 typologies:

Charitable Donations: Specific or periodic contributions that are not linked to the business strategy or to the social investment focus defined by the company.

Investments in community:

Contributions linked to the business strategy, either from the foundation or the operation, and that respond to the needs or expectations of the communities of influence of the company.

Business initiatives: Those contributions that, in addition to the social function they fulfill, are closely linked with brand positioning or imply income for the company.

*Including foundation information.

06





Forest plantations in Puerto Libertador, Córdoba, Colombia.

Environmental Conservation

The organization has the Grupo Argos Foundation as a vehicle to maximize the social return of these initiatives, whose focus is environmental conservation and is implemented through three lines of action: O Biodiversity Conservation: the project seeks to protect the Andean Bear, one of the most representative and important species of wildlife of the Colombian ecosystems for its contribution to conservation, especially of the forests. Today this mammal is in the vulnerable state of extinction mainly due to the reduction of its habitat, due to the extension of agriculture and livestock.

- Water Protection: the objective is to achieve, administer, manage, invest, allocate and dispose of financial resources to protect, maintain and preserve the watersheds that supply this resource.
- Social Inclusion: Rural projects in livestock activities and forestry services allow the development of local capacities and the strengthening of productive organizations to boost their commitment to environment care and the implementation of sustainable productive practices.
- Botany: The production and publication of the Savia collection continues, which is free for 1300 public libraries in Colombia. This publication pays homage to the country's botanical wealth and contributes to the knowledge and appropriation of the natural heritage.

For more information on the conservation of biodiversity see the Biodiversity chapter on page 102 of this report.

SOCIAL DIMENSION



Transformation of cities

This Grupo Argos initiative is designed to participate in long-term city planning, seeking to be more sustainable, inclusive, equitable and comprehensive, where public space plays a central role in the appropriation and enjoyment by its citizens.

During 2016 great progress was achieved with projects in two cities:

BarrioConSentido - Cartagena, this project located in the sector with the highest level of poverty in the city, seeks to dignify the life of the population through the recovery of public space, roads, sanitation and educational and recreational infrastructure.

Currently the project is in architectural design, engineering studies and sustainability plan phase.

Urban transformation of the center -Medellín, this initiative was able to rally 35 prominent entrepreneurs and the mayor for the collective construction of the diagnosis and baseline in public space issues, security, education, housing, social conditions and mobility.



Productive projects in rural areas and *render* of Barrio ConSentido in Cartagena.

Social Processes

Grupo Argos develops initiatives focused on the progress and improvement of people's quality of life. Through social processes, skills and abilities in the communities are strengthened.

One of the most outstanding initiatives in this line is Crecer en Paz (Growing in Peace). With the properties donated to the Crecer en Paz foundation as a post-conflict contribution in Colombia, during 2016, income generation projects were carried out through productive activities in sesame, honey, mango and timber with secured marketing channels. This program, established to generate income in the short, medium and long term, benefited 460 rural families of El Carmen de Bolivar, who received technical and business assistance and are grouped together in a producers' association that represents them before different commercial and institutional bodies. In addition, we continued with crops intended for family consumption and not for commercialization, known as pancoger (bread-catch).

For families that do not have an extension of land, the honey production program continues with the establishment of 15 community apiaries where 90 families participate, which obtained a production of around 12 tons of honey, and appreciated in the markets for its quality and purity. This production is equivalent 105 million pesos of income for the producers.





Improvement of educational quality in areas of influence and support to cultural activities for the formation of a discerning public.

Education

06

As a pillar to generate equity and new skills, we participated in improving infrastructure, coverage and educational quality.

Contribution to social development from subsidiaries

Social	2016	
Investment of the organization	СОР	USD
 Grupo Argos 	13,136,233,623	4,377,708
Cement	61,787,603,859	20,590,995
Energy	25,428,412,642	8,474,132
Coal	652,995,540	217,614
 Ports 	907,826,290	297,440
TOTAL	101,913,071,954	33,957,889

Culture

The contribution to culture is a way of contributing to the development of communities, with spaces that satisfy human needs such as recreation and expression, while creating a discerning public and better citizens.

The investment in culture and education corresponds to commitments acquired a long time ago, therefore the company is in a process of reducing these initiatives to concentrate on conservation and preservation of the environment.





Educational and community infrastructure in different regions of the country.

Cement Business

Cementos Argos strives to reduce, prevent, mitigate and compensate the effects it generates in the communities. Through these lines it makes its intervention:

Housing: new housing, improvements, restrooms, basic sanitation

Communitary infrastructure: Roads, aqueducts, tanks, communal lounges, parks, bridges, electrification

Education/Infrastructure: Improvement or construction of educational infrastructure

Education/Quality: contributions to educational programs and/or foundations that work on quality issues

Community Strengthening (social capital): training workshops for the communities and leaders, training in public areas, investment in volunteering. It includes all initiatives that contribute to the creation of social capital, understood as the ability of individuals to work collectively for common purposes, based on aspects such as trust, rules and social networks.

Cement Business							
Social Investment	2016						
of the organization by line of action	СОР	USD					
Education/Quality	3,297,759,613	1,098,993					
Education/Infrastructure	5,286,603,240	1,761,784					
Community Strengthening (social capital)	3,665,969,287	1,221,701					
Social and Cultural Strengthening	2,857,972,275	952,432					
Community Infrastructure	9,810,929,199	3,269,536					
Sponsorships	9,397,299,591	3,131,692					
Productive projects	965,949,409	321,907					
Housing	23,066,664,877	7,687,069					
Other	3,438,456,368	1,145,881					
TOTAL	61,787,603,859	20,590,995					

Productive Projects: Initiatives that generate income

Social and Cultural Strengthening: Investments and/or contributions to organizations that promote different cultural and sporting expressions are classified in this line, and those whose focus is the care and attention of populations or groups of populations with some social or economic vulnerability.

In 2016, Cementos designed the methodology to measure the Socio-economic Footprint Index, which aims to measure the effects of the company's presence in a territory.





Strengthening capacities and skills in communities.

Energy Business

Access to energy: Celsia develops activities that promote the efficient use of energy and allow access to this service in the populations of the areas of influence, through different alternatives such as: expansion of networks, new electrifications, alternative energies and dealings with state funds.

Improving the quality of life: Strengthening of the living conditions of communities bordering the areas of influence, through the execution of infrastructure works, support of community activities of cultural, sport and recreational importance, development of health and zoonosis awareness days which promote good neighborly relations among the inhabitants of the communities and within the organization - community interaction.

Energy Business							
Social Investment		2016					
of the organization by line of action	СОР	USD					
Access to energy	2,933,079,782	\$977,462					
Quality of life	8,556,597,396	2,851,524					
Community Development	7,005,503,481	2,334,615					
Promotion of education	5,891,568,898	1,963,392					
Administrative Expenses	1,041,663,084	347,139					
TOTAL	25,428,412,642	8,474,132					

Community development: Strengthening of capacities and skills in the communities which will strengthen the process of self-management for the development of their territories, in addition to the support for the productive strengthening of the communities, according to the vocations of each region.

Promotion of Education: We develop actions to strengthen the quality of education, including issues of educational infrastructure, pedagogical strengthening, environmental education.

Concession Business

Odinsa is aware that communities are key stakeholders in the structuring, execution and operation of projects, which is why communication channels have been established to maintain good relations with the communities within areas of influence. The contribution to social development and community management is in the process of design. The company is currently designing action plans and defining its lines of intervention in order to have a consolidated strategy and align with Grupo Argos guidelines.



Port Business

Education: COMPAS supports the training of young people from communities of influence in technical and technological careers in port management and development of logistics operations in the supply chain through agreements and alliances to work with the National Training Service (SENA). In the same way, COMPAS has supported the adult training process through continuing education courses in Elaboration of Social Projects.

Water: Through the Fundación Promotora del Canal del Dique, COMPAS has been supporting the strategy for the creation of the Cartagena de Indias Water Fund, which seeks to preserve the ecosystems of the supply system to help reduce environmental and social risks of water supply of the city.

Inclusive businesses: COMPAS supports the creation of inclusive businesses in the communities of Tolú, Barranquilla, Buenaventura (through the Aguadulce Foundation) and Mahates, Bolívar (through the Fundación Promotora del Canal del Dique). Eight businesses supported through the CIFES strategy (Center for Information and Training for Employment and Entrepreneurship of Sucre) and the Tolú Sustainable Agriculture project. An inclusive kiosk delivered in Barranquilla and 15 business units supported in the communities of Buenaventura through the Aguadulce Foundation. 223 beneficiaries during 2016.

Social Investment	2016				
of the organization by line of action	СОР	USD			
Education	253,683,957	83,117			
Water	20,700,599	6,782			
Inclusive Businesses	547,896,396	179,513			
Other	85,545,338	28,028			
TOTAL	907,826,290	297,440			

Port business

Coal Business

Educational Infrastructure: The remodeling of three educational centers was carried out: in the village of Corozalito and Vereda Las Claras and La Lucha, benefiting more than 120 children. Additionally, works were carried out to guarantee the permanent supply of community water. **Community productive projects:** Taking into account the economic situation of the different communities and together with the community leaders, different productive projects were proposed in order to generate income to improve the quality of life of the members of each of these communities. During 2016, steps were taken to develop and implement the following projects:

- <u>Vereda La Iraca</u>: A community-based fish farming project that benefits 20 families.
- <u>Village of Corozalito</u>: Aviculture (chicken for fattening), which benefits 15 families.
- <u>Village of Villanueva</u>: Aviculture (chicken for fattening), which benefits 25 families.

Community Social Management: Seeking the building of bonds of trust and credibility with stakeholders identified within the area of influence. During 2016 the following interventions were carried out:

- Construction of a multi-sports area for recreation and sport in the village of Villanueva, benefiting 420 people.
- Donation of construction materials and household goods to support the victims of the winter wave that occurred in August 2016.
- Installation and adaptation of the necessary infrastructure to guarantee the permanent supply of water in Vereda Las Claras and Vereda La Lucha.

Coal Business						
Social Investment	2016					
of the organization by line of action	СОР	USD				
Community Strengthening	138,788,201	46,252				
Education	172,203,441	57,388				
Housing Improvement	54,784,481	18,257				
Roads	130,000,000	43,323				
Productive	157,219,417	52,394				
TOTAL	652,995,540	217,614				



Human Rights

As part of the strategy of sustainability and responsible value generation, Grupo Argos has been developing a comprehensive system that reflects its commitment and integrity with respect to Human Rights and the implementation of good labor practices in all its subsidiaries.

Work plan

Axis 1: Approval of knowledge

Inventory of Human Rights referents relevant to the company and material to further expand knowledge of each of these issues.

Axis 3: Risk Analysis

Inventory, characterization and prioritization of risks, present in the management of the Group with regard to Human Rights and IHL (International Humanitarian Law).

> (412-2) Employee training hours on policies and procedures relating to Human Rights aspects relevant to the organization's operations



Axis 2: Gaps identification Analysis of gaps and oppor-

tunities for improvement in the face of Human Rights integration into the operations of the company.



Axis 4: Action Plan Proposal of an action

plan for human rights management of all Grupo Argos' operations.

NA 583 44
NA
81
200,744
535

To view the Human Rights information about our subsidiaries: Cement, click here. Energy, click here.

The comprehensive human rights systems, carried out under the United Nations Framework and Guiding Principles, is a permanent process aimed at reducing risks and making human rights management more effective. This process has allowed the implementation of high standards, the definition of policies and guidelines, and the development of initiatives for: labor inclusion, gender equity, eradication of child labor, free association and collective bargaining, work-life balance, fight against corruption and enterprise and post-conflict.

Even so, the company is aware and is committed to closing three gaps found in due diligence:

- **1** Adjust the mechanisms of complaints and claims with a Human Rights perspective. In other words, both the process as well as the content of the complaint respond to the guidelines set forth by the Guiding Principles.
- 2 Strengthen the management of risks and impacts with a focus on Human Rights.
- 3 Establish formal and recorded mechanisms that allow Group suppliers and contractors and their subsidiaries to guide their actions to mitigate risks associated with Human Rights violations.

In the future

Short Term

The gap closure and risk mitigation plan will It is expected that 100% of be implemented, including the determination the subsidiaries will have a of lines of action, roles and responsibilities for human rights management.

Medium Term

Human Rights action plan.

ENVIRONMENTAL DIMENSION 07





(103-1) STAKEHOLDERS WE IMPACT:

Shareholders and investors | Government and Authorities | Communities

Climate Change Strategy

(103-1) Grupo Argos highlights the importance of natural resources for the operation of its subsidiaries and recognizes the risks and opportunities arising from climate change and its effects on business strategy.

(102-11) Aware of the above, it aims to integrate activities with a focus on adaptation to the effects of climate change in all its businesses, as well as prevention, mitigation and compensation of the impacts they generate.

(103-2) To ensure corporate commitment to the effects of climate change, Grupo Argos has steering mechanisms from the Sustainability Committee, in which all its subsidiaries participate. Additionally, these effects are included in the Risk Matrix presented in the risk management chapter on page 67 and in the Appendix on page 139, which details the impacts and mitigation plans of the strategic risks.

(103-2/103-3) Emissions of Greenhouse Gases - GHG

Grupo Argos recognizes that the operations of its subsidiaries are intensive in GHG emissions. For this reason it is promoting the measurement of the carbon footprint as a first step to formulate reduction plans and initiatives that contribute to mitigate the impact generated.

Grupo Argos

In 2016, an environmental goal was established for the conglomerate: reduce direct CO_2 emissions by 20% per million Colombian pesos in revenues by 2025, using 2015 as base year.

Cement

Climate change is one of the pillars of Argos' environmental policy, which aims to reduce CO_2 emissions by 35% per ton of cement by 2025. Likewise, Argos has a climate strategy that allows it to mitigate the risks arising from climate change, while generating new opportunities through innovation in processes, products and solutions. This increases the operational efficiency and reduces costs.

Highlights of the 2016 period:

- $\circ\,$ The specific net emissions in 2016 were 600 kg CO_2 per ton of cementing material, equivalent to a reduction of 29% over the base year (2006).
- Formulation of emission reduction plans for the year 2025 for the regions of Colombia, the Caribbean and Central America, including annual reduction targets and activities required to achieve this objective.
- Reduction of 102,346 tons of CO₂ with the implementation of different initiatives in the three regions where the business operates.
- \circ Establishment of an agreement with *CarbonCure Technologies*, whose purpose is to use the CO₂ captured to improve resistance of some mixtures of concrete and therefore contribute to the reduction of CO2 emissions. Argos was the first company in the United States offer its customers a product with recycled CO₂ without sacrificing its high quality.
- Reduction of around 564 million MJ (megajoules) as part of the implementation of projects established in the energy policy roadmap.
- Replacement of 6.8% in caloric consumption from fossil fuels by alternative fuels.



Solar panel system for the benefit of Valle del Cauca communities.

Energy

In 2016, as part of its environmental policy, Celsia formulated commitments on climate change, which include, among others, the diversification of the generation matrix by promoting alternative non-conventional and low carbon energies, improved operational efficiency and appropriate management of emissions. To ratify its commitment, Celsia has proposed reducing the intensity of GHG emissions associated with the generation of energy by 25% by the year 2025, which implies limiting growth in coal-fired power plants and increasing wind, solar and hydraulics power generation in the company. As a result of the management carried out in 2016, the following is highlighted:

- Start of the first solar project, Celsia Solar Yumbo. This is a 9.9 MW project, consisting of 35,000 solar panels on an 18-hectare site in the municipality of Yumbo, Valle del Cauca (South West of Colombia), which will generate approximately 16 GWh per year, which is equivalent to the monthly basic consumption of energy of eight thousand houses. The solar farm starts construction in March 2017 and will start operating in the third quarter of that year.
- \circ Measurement of the first GHG inventory for operations in Central America.
- Improvements in the thermal efficiency of the Flores IV cycle, through the chemical cleaning of the condenser, which recovered 5.9% of efficiency, which translates into a reduction of the Heat Rate of 1.7%.
- Installation of 180 photovoltaic solar systems in the transmission and distribution business for the power supply of the reclosers (power network protection equipment). These systems are replacing 214 kWh / year of conventional electric power by solar energy.



Concessions

Odinsa seeks to reduce consumption and promote a culture of savings; so during 2016, in addition to its own initiatives, the company added efforts to the Colombian National Government's campaign "Apagar paga" ("Turn off payment"). As a result of the initiatives carried out, there was an approximate reduction of 13.9% in the consumption of electric power at Bogotá's headquarters.

Likewise, it identified the main operational risks, within which are the risks derived from climate change. One of the main risks

identified is the possible involvement of the air operation and the roads due to adverse weather conditions. The business will work to reduce and mitigate the risks and thus contribute to the fluidity of operations by carrying out maintenance work and working hand in hand with authorities.

Ports

A pilot project started in 2016 to switch from conventional lighting to LED lighting in Barranquilla and Cartagena, is now expected to achieve energy savings of 7% and 47%, respectively. Also, the change in hydraulic bands opened by closed chain conveyors was carried out, from using a 30 HP motor to one of 7.5 HP, which reduces energy consumption and particulate matter.

(305-1) (305-2) GHG Emissions per business

	(305-1) Direct Emissions - TonCO ₂ eq		(305-2) Indirect Emissions - TonCO ₂ eq			
	2014	2015	2016	2014	2015	2016
Grupo Argos	676	791	585	51	556	94
Cement	7,305,689	7,839,336	7,172,586	657,574	336,482	342,271
Energy	1,424,644	2,857,802	2,492,314	53,898	63,059	51,333
Urban Development	27	24	Not Applicable*	45	43	Not Applicable*
Coal	24,219	36,650	38,927	104	118	107
TOTAL	8,755,255	10,734,603	9,704,411	711,672	399,758	393,805

The figures for Urban Development in 2016 are included in those of Grupo Argos, since this operation was absorbed into the parent company.



Direct and indirect emissions by business





Thanks to the Carrera Verde, three new trees are planted per participant.

(103-2/103-3) Water Protection

The availability of natural resources, such as water, constitutes an indirect strategic risk for Grupo Argos through its subsidiaries, since these depend on the water resource to guarantee the viability of the operation in the long term. The parent company has the Grupo Argos Foundation, whose intervention model is based on the articulation of public and private resources for environmental initiatives, which foster the development of projects for water resources protection and reforestation of forests as initiatives for adaptation to climate change.

Grupo Argos

Among the main initiatives developed in 2016 are:

• City of Medellin Water fund "Cuenca Verde": Through this fund, 1,730 hectares of watersheds were impacted. 87 conservation agreements with farmers in the area were signed, 117 water sources were protected and 117 ha of forests were restored. In addition, monitoring of actions already implemented was initiated, where changes in the quality and quantity of water resources could be evidenced, as well as the improvement in the quality of life of impacted communities, based on physicochemical analyses, landscape connectivity and man's relationship with the resource. For more information on the project see: www.cuencaverde.org.

 Creation of the Cartagena Water Fund: which seeks to protect the Canal del Dique and the lagoon system, areas that supply drinking water to the city of Cartagena. In 2016 the strategic intervention plan was carried out, which includes the following lines of work:

- Sustainable production systems and land use.
- Strengthening of water governance with stakeholders in the territory.
- Area restoration and conservation.
- · Basic sanitation and good environmental practices.
- Education for sustainable development.
- Reforestation and restoration of forests: 312,813 species of native and forest trees were planted with the support of Tekia, a company 100% owned by the Foundation. The sowing and planting of these tree individuals contributes to a potential capture of 771,000 tons of CO₂. Sowings were made in different areas of the country in order to protect biodiversity and water resources. Native species and forest plantations produce countless environmental services, which benefit populations and may help regulate water resources, food, shade, purer air and associated biodiversity that contributes to our natural heritage.
- **Carrera Verde:** This initiative seeks to mobilize the population of the most contaminated cities of the country, Medellín and Bogotá, to generate environmental awareness and the planting of native species in areas destined to conservation in perpetuity, under the ecological restoration plan. Three trees are planted on each corridor. In 2016 the second version of the Carrera Verde in Bogotá was carried out, which resulted in the planting of 18 thousand trees with the contribution of land corridors, and five thousand more with the contribution by the Botanical Garden of Bogota of native species in conservation areas with a capture potential of 5,520 tons of CO_2 . Positive impacts of the initiative are identified as: capture of CO_2 , increased connectivity and positive perception by the community.





Planting native trees with communities in Panama.

Energy

Among the main initiatives developed in 2016 were:

- **Execution of the ReverdeC Project,** a voluntary initiative of the organization, through which 562,775 new trees were planted in the Valle del Cauca (Colombia), contributing to the restoration of 12 basins in 16 municipalities and the protection of more than 785 hectares with 83.1 km of isolation.
- Development of the agreement with the Farallones Natural National Parks (PPN) of Cali and Las Hermosas, through which Celsia has carried out the inventory and monitoring of water sources and the isolation of 10 water sources that supply the power stations and some community aqueducts, as well as the isolation of 5 kilometers where 20 hectares of the Elsa gorge that supply the Bajo Anchicayá reservoir are protected.
- Alliance with the Fundación Fondo Agua por la Vida y la Sostenibilidad en

el Valle del Cauca (Water for Life and Sustainability in the Valle of Cauca Foundation Fund) through which isolations are made for the protection of native forests, establishment of agroecological and silvopastoral systems, strengthening of rural aqueducts and planting of 15,000 native trees.

- Forest isolation of 20.1 km of areas surrounding the Cucuana and Amaime hydroelectric power stations, 12 hectares of livestock reconversion and the protection of six water sources that supply community aqueducts.
- Planting of 12,000 native trees in the vicinity of the Dos Mares hydroelectric power station in Panama, thus contributing to the conservation of the Chiriquí River basin.
- Linking and contribution to the Rios Tulua y Morales Foundation, an entity that carries out programs for the conservation and protection of these watersheds through reforestation, isolation and conservation of strategic areas for water resources.

For more information on water protection management carried out by the Energy business, click here.

To consult other relevant indicators of Grupo Argos' businesses, see the Appendices to this report, page 156.





Quinine Cinchona pubescens.

In the future

Short Term

- Consolidate the emission reduction plan, which will define a route to quantify the contribution and role of each business in meeting the emissions target of the Business Group.
- Continue to implement restoration actions in watershed margins, conservation agreements with communities, sanitation and education and awareness actions, within the framework of the Medellín City Water Fund project, "Cuenca Verde".
- Carry out the measurement of the carbon footprint (scopes 1 and 2) in the Concessions business.

Medium Term

 Strengthen funding mechanisms for the conservation and management of strategic areas through the strengthening of sustainable production systems, ecosystem restoration and conservation, institutional coordination, basic sanitation and education for sustainable development.





We work on the protection of the Andean bear, a species vulnerable to extinction.

Conservation of biodiversity

Grupo Argos understands the importance of biodiversity in the provision of environmental services for the operation of its subsidiaries and the well-being of its stakeholders. Conscious of the impacts generated by the operation on ecosystems, it has a sustainability policy that ratifies its commitment to natural capital.

Grupo Argos not only ensures the responsible environmental management of subsidiaries, but through its foundation, it promotes voluntary initiatives with the government, private organizations and the community to identify areas with high biodiversity value in Colombia and species vulnerable to projects developed in the long term to prevent its extinction. Likewise, initiatives are promoted to strengthen water governance based on the conservation of biodiversity, and environmental education is being established as the main focus to generate a link with the community from the perspective of knowing the diversity of the environment.

Biodiversity management provides opportunities to establish economic models that promote conservation and development through compensation schemes, create publicprivate partnerships that guarantee a collective and regional impact, strengthen natural capital by supporting the production of goods and environmental services and ecosystem resilience that makes the economic viability of business positive.

This is how Grupo Argos and its subsidiaries are developing projects and direct actions that are aimed at contributing to the conservation of biodiversity.





In agreement with the National Parks, it is making progress with the protection of habitats.

Grupo Argos

- Conservation of the Andean Bear Project "Conservamos la Vida" ("We protect life"): This project seeks to protect the Andean Bear or Spectacled Bear, one of the most representative and important species of wildlife of the Colombian ecosystem for its contribution to conservation, especially the forests. This mammal is in a state of vulnerability to extinction due mainly to agricultural extension and livestock. A complete diagnosis of the presence of the Andean Bear in the western mountain range was made in 2016, for which a study area of 411,700 hectares was selected and it was found that this species is present in 74% of the area. This information will permit the implementation of management plans for the protection of the species. In addition to this project, more public and private partners were brought in and important information for the species and the conflict with man was brought to light. Positive impacts of the project are identified such as: increased connectivity, decreased bear-people conflict, positive perception of the species and its function. For more information on the project see: http://www.conservacionosoandino.org/
- Inventory of wildlife on Foundation forest plantations: This project seeks to identify the biodiversity associated with forest plantations and how it can be integrated into the management of more sustainable production systems. In 2016 the characterization of different biological groups and the identification of focal species that serve as a basis for adjusting production models were conducted. Positive impacts of the project are identified, such as: analysis of diversity of the company's productive systems, positive perception by the community and decrease in land use conflicts.
- Agreement with Colombian National Natural Parks: this agreement seeks to advance the country's conservation goal of two million hectares to 2018. Positive impacts are identified, such as: protection of habitats and increased connectivity.

The monitoring of project management is carried out through success indicators and in committees that are continuously carried out among the partners. Each of the projects is focused on continuous improvement and in order to analyze the processes, an internal follow-up is carried out, establishing the routes that will enable them to meet proposed objectives and generating synergies to give sustainability to the different processes that the Foundation carries out.

For more information on habitats protected or restored by Grupo Argos, see indicator 304-3 in the Appendices to this report, page 157.





Cement

Proper management of the impacts generated by Argos on ecosystems and biodiversity is an essential element to ensure the provision of goods and services required for its production processes, while ensuring to be a good neighbor to the communities and other stakeholders around it. This is how biodiversity is one of the pillars of its environmental policy, whose goals for 2025 establish that 100% of mining operations have an established closure plan and that 70% of the intervened area released in the active quarries be rehabilitated.

The following are highlighted as result of the management carried out in 2016:

- The percentage of quarries with established closure plan reached 78% and 74% of the area intervened in active quarries was rehabilitated. In this last point, it exceeded the target goal projected to 2025.
- Acquisition and implementation of the IBAT tool (*Integrated Biodiversity Assessment Tool*) to assess the risks of biodiversity in the facility.
- Obtaining the highest score in the biodiversity component of the Dow Jones Sustainability Index for the third consecutive year.

Energy

Celsia's operations are found in ecosystems that include mangroves, fog forests, high Andean and humid areas, which, because of their richness and great biodiversity value, must be preserved to guarantee the sustainability of the territories and, therefore, of the organization that makes use of these ecosystem services. Through the Biodiversity component of its Environmental Policy, Celsia promotes biodiversity knowledge, conservation, recovery and enrichment, through alliances with public, private and community entities with sustainability criteria. Monitoring of flora and fauna in six hydroelectric plants.

The following are highlighted as result of the management carried out in 2016:

- Formulation of the ecological restoration plan for 13.52 hectares of the San Andrés de Cuerquia Hydroelectric project, which included the protocol for the transplantation and reintroduction of trees and tree ferns that were the object of the partial lifting of the closure.
- Advances in the restoration of degraded and/or protected areas in the different areas of influence, where 194 hectares were reforested with more than 21,000 forest individuals of native species planted in collaboration with third parties.
- Signing of an agreement with Icesi University of Cali, which, for the first time, will allow a permanent Biological Research Station in the Anchicayá river basin, an area of great environmental importance and one of the best preserved in the Farallones National Natural Park of Cali.
- Monitoring of flora and fauna at six hydroelectric plants in Colombia, which allowed us to become familiar with the state of conservation of these species in the diverse ecosystems. The studies were carried out with the participation of indigenous and Afro-descendant communities and where nearly 200 species of flora, 14 species of mammals, 92 species of birds, four species of amphibians and three species of reptiles were found.



Coal

In 2016, Sator, aware of the importance of wildlife in natural ecosystems and in compliance with its corporate guidelines, established a wildlife Passage Station in the area of influence of the open pit coal project located in the municipality of Puerto Libertador. The station will provide care, treatment and information to determine the most appropriate location of the species in the area, according to the principles of conservation with compassion, where each individual will be guaranteed maximum welfare possible in order to be incorporated back into their natural environment. Finally, one of the priority activities will be education and training at all levels, from the employees of the company to the communities near and far in the area.

For the technical design, construction and acquisition of the necessary equipment for Estación de Paso (the Passage Station), an investment of 180 million pesos was made.

For more information on biodiversity management conducted by businesses in 2016, go to the following links:

Cement, click here.

Energy, click here.



Ruda in bloom. Route graveolens.

In the future

Short Term

- In the next two years the "Conservamos la Vida" project, whose goal is to protect the Andean Bear, hopes to progress in the following activities:
 - Consult with communities in the implementation area.
 - Carry out interventions of productive arrangements in 49 farms.

- Restore ecosystems in 90 hectares.
- Undertake an environmental education program in 17 educational institutions.
- In 2017, the forest management plan will be undertaken in Foundation plantations, according to the species identified in the wildlife inventory to guarantee the permanence of the species in the territory.

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Grupo Argos S.A. and subsidiaries Consolidated Statement of Financial Position.

(In millions of Colombian pesos).

		As of	Restated 2015		As of
	Notes	December 31st 2016	As of December 31st	As of January 1st	December 31st 2015
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	6	1,921,472	1,840,319	995,507	1,671,818
Derivative financial instruments	7	1,420	38,054	23,067	38,054
Trade accounts and other accounts receivable	8	2,355,898	2,038,237	1,319,186	2,071,974
Inventories, net	9	1,069,615	902,218	650,462	902,218
Tax assets	10	351,534	398,432	188,947	398,432
Biological Assets	••••••	-	-	304	
Other Financial Assets	11	2,303	44,206	332,545	212,681
Expenses paid in advance and other non-financial assets	12	198,478	259,541	218,876	267,912
CURRENT ASSETS		5,900,720	5,521,007	3,728,894	5,563,089
Non-current assets held for sale	13	350,872	10,142	7,725	104,882
TOTAL CURRENT ASSETS		6,251,592	5,531,149	3,736,619	5,667,971
NON-CURRENT ASSETS Trade accounts and other accounts receivable	8	2,560,227	316,539	52,726	217,495
Trade accounts and other accounts receivable	8	2,560,227	316,539	52,726	217,495
Inventories, net	9	42,583	24,146	29,508	24,146
Merchant Credit	14	3,023,544	3,132,582	2,100,651	3,202,793
Intangibles, net	15	1,615,009	1,710,366	1,308,835	2,095,782
Properties, plant and equipment, net	16	18,258,476	17,087,908	15,049,694	17,935,551
Investment Properties	17	2,273,994	2,403,554	2,316,485	1,669,342
Investments in associates and joint ventures	18	8,443,355	9,296,502	6,933,098	8,348,382
Derivative financial instruments	7	650	324	168	324
Deferred Tax	10	758,382	767,054	417,462	769,633
Biological Assets	20	20,870	20,243	66,970	20,243
Cash restricted	6	-	10,019	-	10,019
Other Financial Assets	11	1,482,552	1,760,886	2,357,571	1,800,702
Expenses paid in advance and other non-financial assets	12	18,340	19,129	7,409	12,631
TOTAL NON-CURRENT ASSETS		38,497,982	36,549,252	30,640,577	36,107,042
TOTAL ASSETS		44,749,574	42,080,401	34,377,196	41,775,013



	Notes	As of December 31st 2016	Restated 2015		Ac of
			As of December 31st	As of January 1st	As of December 31st 2015
LIABILITIES				1	
CURRENT LIABILITIES					
Financial Obligations	21	3,407,874	3,264,839	1,594,526	3,305,497
Liabilities for employee benefits	24	202,657	190,722	135,449	184,662
Provisions	25	328,471	306,708	99,531	307,137
Business liabilities and other accounts payable	26	1,567,365	1,800,807	1,247,086	1,881,144
Tax liability	10	169,270	264,623	167,637	264,623
Derivative financial instruments	7	102,555	-	-	-
Bonds and compound financial instruments	27	760,339	410,660	516,837	573,120
Other non-financial liabilities	28	480,889	471,619	292,036	472,226
CURRENT LIABILITIES		7,019,420	6,709,978	4,053,102	6,988,409
Liabilities associated with non-current assets held for sale	13	191,699	856	856	856
TOTAL CURRENT LIABILITIES		7,211,119	6,710,834	4,053,958	6,989,265
NON-CURRENT LIABILITIES					
Financial Obligations	21	6,363,559	4,988,915	3,077,275	4,948,257
Deferred Tax	10	1,580,512	1,831,534	1,247,315	1,616,905
Liabilities for employee benefits	24	440,950	369,072	381,203	369,072
Provisions	25	298,565	211,721	314,132	202,401
Business liabilities and other accounts payable	26	319,950	128,859	17,968	65,391
Derivative financial instruments	7	8,901	172,155	126,704	172,155
Bonds and compound financial instruments	27	4,644,438	4,590,566	4,681,156	4,419,113
Other non-financial liabilities	28	246,984	102,655	25,984	102,655
TOTAL NON-CURRENT LIABILITIES		13,903,859	12,395,477	9,871,737	11,895,949
TOTAL LIABILITIES		21,114,978	19,106,311	13,925,695	18,885,214
EQUITY					
Capital Stock	29	53,933	51,510	51,510	51,510
Share placement (issue) premium	29	1,354,759	680,218	680,051	680,218
Retained Profit	•••••	8,898,455	8,776,976	9,188,809	8,936,938
Reserves	30	2,743,764	2,606,859	2,430,615	2,606,859
Profit for the year	•••••	589,466	326,830	-	301,000
Other components of equity	31	(21,305)	458,886	(197,005)	241,008
	30		2,028,667		1,975,078
Another comprehensive result EQUITY ATTRIBUTABLE TO CONTROLLERS	50	1,987,756 15,606,828	14,929,946	2,136,513 14,290,493	14,792,611
New controlling interacto		0.007.700	0.044.444	6 1 6 1 0 0 0	0.007.400
Non-controlling interests	33	8,027,768	8,044,144	6,161,008	8,097,188
TOTAL EQUITY		23,634,596	22,974,090	20,451,501	22,889,799
TOTAL LIABILITIES AND EQUITY		44,749,574	42,080,401	34,377,196	41,775,013

The accompanying notes are an integral part of the financial statements.

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Jorge Mario Velásquez Jaramillo CEŌ Legal Representative (See attached certification)

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Claudia Patricia Álvarez Agudelo Accounting and Tax Manager T.P. 69447 - T (See attached certification)

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Daniel Augușto Bernal Jaramillo Statutory Auditor T.P. 94411 - T Appointed by Deloitte & Touche Ltd. (See attached report)


Grupo Argos S.A. and subsidiaries Consolidated Statement of Income

Years ended December 31st.

(In millions of Colombian Pesos, except profit per share).

	Notes	2016	Restated 2015	2015
INCOME FROM ORDINARY ACTIVITIES	34	14,552,884	12,700,304	12,579,678
Cost of ordinary activities	35	(10,431,474)	(9,724,072)	(9,631,045)
GROSS PROFIT	•••••	4,121,410	2,976,232	2,948,633
Administrative Expenses	36	(1,305,050)	(975,411)	(952,819)
Cost of Sales	37	(269,888)	(271,058)	(271,716)
STRUCTURE EXPENSES		(1,574,938)	(1,246,469)	(1,224,535)
Other expenses, net	38	(110,434)	(104,530)	(93,087)
Financial expenses, net	39	(971,602)	(728,719)	(727,350)
EARNINGS BEFORE TAXES		1,464,436	896,514	903,661
Income tax and CREE		(332,434)	(248,195)	(260,506)
NET PROFIT		1,132,002	648,319	643,155
Attributable to:				
CONTROLLING INTEREST		589,466	326,830	301,000
Non-controlling interests		542,536	321,489	342,155
PROFIT PER SHARE FROM CONTINUING OPERATIONS	40			
Attributable to the common shareholders of the parent company:				
Basic, profit from continuing operations	•	717	410	377
Diluted, profit from continuing operations		717	410	377

The accompanying notes are an integral part of the financial statements.

Jorge Mario Velásquez Jaramillo CEO Legal Representative (See attached certification)

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Claudia Patricia Álvarez Agudelo Accounting and Tax Manager T.P. 69447 - T (See attached certification)

Daniel Augusto Bernal Jaramillo Statutory Auditor T.P. 94411 - T Appointed by Deloitte & Touche Ltd. (See attached report)



Grupo Argos S.A. and subsidiaries Statement of other comprehensive income

Years ended on December 31.

(In millions of Colombian Pesos).

	2016	Restated 2015	2015
NET PROFIT	1,132,002	648,319	643,155
ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO PROFIT AND LOSS	207,764	(528,046)	(796,567)
Profits and losses of equity investments	229,390	(523,104)	(703,513)
New measurements of defined benefit obligations	(44,398)	(9,095)	(10,696)
Deferred taxes on equity investments	(495)	(39)	(38)
Taxes deferral for defined benefits	27,369	4,121	732
Net shareholdings in associates and joint ventures	(4,102)	71	(83,052)
ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT AND LOSS	(312,629)	1,596,340	1,126,745
Net income from instruments in cash flow hedges	9,721	411	(15,391)
Differences in currency conversion due to business abroad	(465,065)	1,475,668	1,022,350
Deferred taxes on cash flow hedges	(6,391)	(3,534)	20
Net shareholdings in associates and joint ventures	149,106	123,795	119,766
OTHER COMPREHENSIVE INCOME, NET OF TAXES	(104,865)	1,068,294	330,178
TOTAL COMPREHENSIVE INCOME	1,027,137	1,716,613	973,333
Attributable to:			
CONTROLLING INTEREST	619,802	862,899	316,404
Non-controlling interests	407,335	853,714	656,929

The accompanying notes are an integral part of the financial statements.

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/Jorge Mario Velásquez Jaramillo CEO Legal Representative (See attached certification)

Vandia Patricia alvos

Claudia Patricia Álvarez Agudelo Accounting and Tax Manager T.P. 69447 - T (See attached certification)

Daniel Augusto Bernal Jaramillo Statutory Auditor T.P. 94411 - T Appointed by Deloitte & Touche Ltd. (See attached report)

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Grupo Argos S.A. and subsidiaries

Consolidated Statement of Changes in Equity Years ended December 31st. (In millions of Colombian pesos).

	Capital and share placement premium	Legal Reserve	Other Reserves	Another comprehensive income	Accrued income	Profit for the year	Other components of equity	Attributable to owners of the parent company	Non-con- trolling Interests	Total Equity
BALANCE AS OF JANUARY 1, 2015 RESTATED	731,561	29,665	2,400,950	2,136,513	9,188,809		(197,005)	14,290,493	6,161,008	20,451,501
Profit/loss for the period	•	1	•			326,830		326,830	321,489	648,319
Other comprehensive income for the period net of tax				536,069		-	1	536,069	532,225	1,068,294
COMPREHENSIVE INCOME OF THE PERIOD				536,069		326,830		862,899	853,714	1,716,613
Issuance of capital and convertible instruments	167							167		167
Dividends decreed in cash					(212,565)			(212,565)	(297,432)	(509,997)
Appropriation of reserves	1		177,192		(177,192)		1	1		1
Other movements in reserves	1	1	(948)	1	1	1	1	(948)	1	(948)
Equity method of investees	1		1	(215,872)	(826)	1	1,297	(215,401)	1	(215,401)
Transfers to retained earnings	1	-		1	21,145	1	1	21,145	1	21,145
Transfer from other comprehensive income	1	-	1	(230,816)	122,091	1	108,725	1	1	1
Changes in accounting policies	-	•		-	604	-	37,788	38,392	-	38,392
Purchases and sales to non-controlling interests		ı		I		I	261,235	261,235	337,125	598,360
Business Combinations	-		-	-		-	1	1	719,768	719,768
Other variations	1		1	(197,227)	(165,090)	1	246,846	(115,471)	269,961	154,490
BALANCE AS OF DECEMBER 31ST 2015 RESTATED	731,728	29,665	2,577,194	2,028,667	8,776,976	326,830	458,886	14,929,946	8,044,144	22,974,090
BALANCE AS OF JANUARY 1ST, 2016	731,728	29,665	2,577,194	2,028,667	8,776,976	326,830	458,886	14,929,946	8,044,144	22,974,090
Profit/loss for the period			1			589,466		589,466	542,536	1,132,002
Other comprehensive income for the period net of tax				30,336				30,336	(135,201)	(104,865)
COMPREHENSIVE INCOME RESULT OF THE PERIOD			1	30,336	1	589,466		619,802	407,335	1,027,137
Issuance of capital and convertible instruments	676,964		ı	1	1		I	676,964	ı	676,964
Dividends decreed in cash		•			(234,896)	•	1	(234,896)	(286,944)	(521,840)
Appropriation of reserves	-	-	136,905	' () L	(136,905)	-		- 000 - 000	1	-
Equity method of investees Transfers to retained earnings	•	• •	• •	114,598	309 000	(326,830)	(4/9,000) -	(304,988)		(304,988)
Transfer from other comprehensive income	-	•		(177,586)	28,194		149,392	-		-
Purchases and sales to non-controlling interests	1				1	1	(151,492)	(151,492)	(434,173)	(585,665)
Business Combinations	1		,	1				Ţ	348,768	348,768
Other variations		•		(8,259)	156,086		1,495	149,322	(51,362)	97,960
BALANCE AS OF DECEMBER 31, 2016	1,408,692	29,665	2,714,099	1,987,756	8,898,455	589,466	(21,305)	15,606,828	8,027,768	23,634,596

The accompanying notes are an integral part of the financial statements.

M N/and

[/]Jorge Mario Velásquez Jaramillo CEO Legal Representative (See attached certification)

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Claudia Patricia Álvarez Agudelo Accounting and Tax Manager T.P. 69447 - T (See attached certification)

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Daniel Augueto Bernal Jaramillo Statutory Auditor T.P. 94411 - T Appointed by Deloitte & Touche Ltda. (See attached report)





Grupo Argos S.A. and subsidiaries Consolidated Statement of Cash Flows

Years ended December 31st.

(In millions of Colombian pesos).

	2016	Restated 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
NET PROFIT	1,132,002	648,319
Adjustments by:		
Adjustments by restatement	-	(5,164)
Income tax expense recognized as profit or loss for the period	332,434	260,506
Equity in earnings of associates and joint ventures	(539,998)	(297,656)
Financial expenses recognized as profit or loss for the period	1,039,415	667,297
Interest income recognized as profit or loss for the period	(77,859)	(46,398)
Expenses recognized with respect to employee benefits and provisions	43,047	71
Net profit from sale of properties, plant and equipment	(51,783)	(11,591)
Disposal of investment properties	(71,584)	(11,723)
Net profit from disposal of investment properties	780	(16,232)
Net profit from fair value arising on investment property	(79,286)	
Net profit arising from the sale of available-for-sale non-current assets and other assets	(8,920)	(16,195
Impairment loss on financial instruments, measured at fair value	(8,487)	44,505
Profit for purchase in advantageous terms	(233,198)	
Net impairment of non-current assets recognized as profit or loss for the period	92,716	20,153
Depreciation and amortization of non-current assets	1,083,520	902,994
Unrealized exchange difference, recognized as profit or loss, on financial instruments	16,123	327,603
Other adjustments to reconcile income results for the year	(144,131)	(3,804
	2,524,791	2,462,685
CHANGES IN WORKING CAPITAL:		
Trade accounts receivable and other accounts receivable	(317,661)	(692,840)
Inventories	(167,397)	(243,229
Other assets	(154,232)	127,331
Business accounts payable and other accounts payable	(233,442)	512,993
Provisions	21,763	
Deferred Income	-	47,558
Other liabilities	219,250	(36,074
CASH GENERATED BY OPERATIONS	1,893,072	2,178,424
Wealth Tax paid	-	
Income Tax paid	(343,570)	(263,178
Dividends received	140,322	109,697
NET CASH FLOW FROM OPERATING ACTIVITIES	1,689,824	2,024,943



Restated

	2016	2015
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Financial Interests received	90,737	46,398
Acquisition of properties, plant and equipment	(1,110,343)	(935,633)
Proceeds from the sale of properties, plant and equipment	303,991	73,156
Acquisition of Investment Properties	(10,926)	(8,114)
Proceeds from the sales of investment properties	105,562	19,473
Acquisition of intangible assets	(212,106)	(33,452)
Proceeds from the sales of intangible assets	-	21,355
Acquisition of other non-current assets	-	(28)
Proceeds from the sale of other non-current assets	-	1,119
Acquisition of control of subsidiaries	(1,965,306)	(861,039)
Sale of subsidiaries with loss of control	-	6,942
Acquisition of interests in associates and joint ventures	(68,864)	(886,351)
Proceeds from the sale of interests in associates and joint ventures	290,133	364,531
Acquisition of financial assets	(229,981)	(1,343)
Proceeds from sales of financial assets	710,532	164,216
(Payments) collections from financial derivative contracts	(8,792)	(90,218)
NET CASH FLOW USED IN INVESTMENT ACTIVITIES	(2,105,363)	(2,118,988)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bond issue	399,218	-
Payment of bonds and commercial papers	(212,561)	(191,400)
Increase of other financing instruments	1,728,837	1,430,527
Proceeds from the sale of ownership interests in subsidiaries that do not result in loss of control	288,008	-
Purchase sale transaction of shares between controller and non-controller	(138,926)	598,360
Dividends paid	(549,914)	(509,997)
Interest paid	(1,052,142)	(683,327)
NET CASH PROVIDED BY FINANCING ACTIVITIES	462,520	644,163
NET INCREASE IN CASH AND CASH EQUIVALENTS	46,981	550,118
Cash and cash equivalents at the beginning of the period	1,856,846	995,507
Restatement of cash and cash equivalents in 2015	-	175,009
Effects of changes in exchange rates on cash and cash equivalents held in foreign currency	24,153	136,212
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (NOTE 6)	1,927,980	1,856,846

The accompanying notes are an integral part of the financial statements.

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Jorge Mario Velásquez Jaramillo CEO Legal Representative (See attached certification)

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Claudia Patricia Álvarez Agudelo Accounting and Tax Manager T.P. 69447 - T (See attached certification)

Daniel Augusto Bernal Jaramillo Statutory Auditor T.P. 94411 - T Appointed by Deloitte & Touche Ltda. (See attached report)



Certification of the Legal Representative of the Company

Medellin, February 24, 2017

To the shareholders of Grupo Argos S.A. and the general public

In my capacity as Legal Representative, I certify that the consolidated financial statements as of the closing date of December 31, 2016 that have been made public do not contain any vices, inaccuracies or material errors that could prevent the Company from being aware of the true financial position or operations carried out by Grupo Argos S.A. during the corresponding period.

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Jorge Mario Velásquez Jaramillo CEO Legal Representative



Certification of the Legal Representative and the Accounting and Tax Manager of the Company

Medellin, February 24, 2017

To the shareholders of Grupo Argos S.A.

The undersigned Legal Representative and the Accounting and Tax Manager of Grupo Argos S.A. (hereinafter the Company) certify that the Company's consolidated financial statements as of December 31, 2016, 2015 restated and January 1, 2015 have been faithfully taken from the accounting books and that before being placed at your disposal and third parties we have verified the following statements contained in them:

- a) All assets and liabilities included in the Company's financial statements as of December 31, 2016, 2015 restated and January 1, 2015 exist and all transactions included in said statements have been made during the years ended on those dates.
- b) All economic events carried out by the Company during the years ended December 31, 2016 and 2015 have been recognized in the financial statements.
- c) Assets represent probable future economic benefits (rights) and liabilities represent probable future economic sacrifices (liabilities), obtained or payable by the Company as of December 31, 2016 and 2015 restated and January 1, 2015.
- d) All items have been recognized for their appropriate values in accordance with the Accounting and Financial Reporting Standards accepted in Colombia.
- e) All economic events affecting the Company have been correctly classified, described and disclosed in the financial statements.

Jorge Mario Velásquez Jaramillo CEO Legal Representative

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Claudia Patricia Álvarez Agudelo Accounting and Tax Manager T.P 69447 - T



Fiscal Reviewer's Report



To the shareholders of GRUPO ARGOS S.A.:

Report on consolidated financial statements

I have audited the accompanying consolidated financial statements of GRUPO ARGOS S.A., which comprise the consolidated statement of financial position as of December 31, 2016, the income statement and other comprehensive income, changes in equity and consolidated cash flows for the year ended on that date, and a summary of significant accounting policies, as well as other explanatory notes. The consolidated financial statements as of December 31, 2015, which are included for comparative purposes only, were audited by me and on them I expressed my opinion without reservations on February 29, 2016.

Management's Responsibility for Financial Statements

Management is responsible for the preparation and correct presentation of these financial statements in accordance with the Accounting and Financial Reporting Standards accepted in Colombia and for the internal control that management considers relevant for the preparation and correct presentation of the financial statements free of significant errors, whether due to fraud or error; selecting and applying appropriate accounting policies; as well as making accounting estimates that are reasonable in the circumstances.

Tax Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with the International Auditing Standards accepted in Colombia. Those standards require that you comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves developing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the professional judgment of the auditor, including his assessment of the risks of material misstatement in the financial statements.



In the risk assessment, the auditor considers the Company's internal control that is relevant to the preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in accordance with the circumstances, but not with the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the accounting policies used and the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained gives me a reasonable basis for expressing my opinion.

Opinion

In my opinion, the accompanying consolidated financial statements, taken from the accounting books, fairly present, in all material respects, the financial position of GRUPO ARGOS S.A. as of December 31, 2016, the results of its operations and its cash flows for the year then ended, in accordance with the Accounting and Financial Reporting Standards accepted in Colombia.

Change in financial policy and restatement

Without qualifying my opinion, as mentioned in note 5 to the consolidated financial statements, during the year ended December 31, 2016, Grupo Argos S.A. changed its accounting policy for the subsequent measurement of its investment properties and finalized the process of allocation of the purchase price in the acquisition of control of Odinsa S.A. Until December 31, 2015, the Company measured its investment properties using the cost model and for the acquisition of Odinsa, preliminary values were used as permitted by the Accounting Standards applicable in Colombia. At December 31, 2015, the effect of the change in the policy on investment properties and the updating of the purchase of the subsidiary Odinsa in the total assets was \$305,388 million, liabilities \$ 221,097 million and in the statement of income was \$5,164 million

Daniel Augusto Bernal Jaramillo Statutory Auditor T.P. 94411 - T Appointed by Deloitte & Touche Ltd.

February 24th 2017

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Grupo Argos S.A. Separate Statement of Financial Position

As of December 31.

(In millions of Colombian pesos).

			Rest	ated	
	Notes	2016	2015	As of January 1st	2015
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	6	179,358	311,454	165,978	311,454
Derivative financial instruments	7	-	15,940	-	15,940
Other current financial assets		-	-	15,165	-
Business accounts and other accounts receivable	8	243,494	190,971	206,469	190,971
Current tax assets	9	23,272	40,873	4,520	40,873
Inventories, net	10	81,488	9,448	17,729	9,448
Expenses paid in advance and other non-financial assets	11	6,660	1,050	2,644	1,050
CURRENT ASSETS		534,272	569,736	412,505	569,736
Non-current assets held for sale	12	-	-	-	94,740
TOTAL CURRENT ASSETS		534,272	569,736	412,505	664,476
NON-CURRENT ASSETS					
Business accounts and other accounts receivable	8	4,166	3,382	6,134	3,382
Inventories, net	10	42,583	24,146	29,508	24,146
Intangibles, net	13	5,917	8,489	8,788	8,489
Properties, plant and equipment, net	14	25,551	82,850	19,238	82,850
Investment Properties	15	1,867,447	2,010,817	2,233,525	1,781,868
Investments in associates and joint ventures	16	5,264,298	5,264,507	4,913,923	5,264,507
Investments in subsidiaries	17	8,119,398	7,254,483	6,111,620	7,230,280
Other non-current financial assets	18	1,131,567	1,109,427	1,550,470	1,109,427
TOTAL NON-CURRENT ASSETS		16,460,927	15,758,101	14,873,206	15,504,949
TOTAL ASSETS		16,995,199	16,327,837	15,285,711	16,169,425



			Rest	ated	
	Notes	2016	2015	As of January 1st	2015
LIABILITIES					
CURRENT LIABILITIES					
Financial Obligations	19	5,920	123,415	-	123,415
Liabilities for employee benefits	21	11,776	8,510	8,455	8,510
Provisions	22	1,921	1,265	1,863	1,265
Business liabilities and other accounts payable	24	92,004	178,431	137,410	178,431
Tax liabilities	25	5,562	10,547	470	10,547
Bonds and compound financial instruments	26	139,132	5,296	30,429	5,296
Other liabilities	27	46,770	20,883	27,501	20,883
TOTAL CURRENT LIABILITIES		303,085	348,347	206,128	348,347
NON-CURRENT LIABILITIES					
Financial Obligations	19	550,033	550,028	23	550,028
Deferred Tax	28	132,865	132,852	120,965	119,431
Liabilities for employee benefits	21	13,075	6,819	23,744	6,819
Bonds and compound financial instruments	26	766,243	1,006,588	1,006,231	1,006,588
TOTAL NON-CURRENT LIABILITIES		1,462,216	1,696,287	1,150,963	1,682,866
TOTAL LIABILITIES		1,765,301	2,044,634	1,357,091	2,031,213
EQUITY					
Capital Stock	29	53,933	51,510	51,510	51,510
Share placement issue premium	29	1,354,759	680,218	680,051	680,218
Retained Profit		8,699,863	8,665,839	8,912,360	8,603,670
Reserves	30	2,743,764	2,606,859	2,430,615	2,606,859
Profit for the year		351,820	395,462	-	371,801
Other components of equity	30	466,622	169,118	2,418	130,033
Other comprehensive income	30	1,559,137	1,714,197	1,851,666	1,694,121
TOTAL EQUITY		15,229,898	14,283,203	13,928,620	14,138,212

The accompanying notes are an integral part of the financial statements.

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Jorge Mario Velásquez Jaramillo CEO Legal Representative (See attached certification)

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Claudia Patricia Álvarez Agudelo Accounting and Tax Manager T.P. 69447 - T (See attached certification)

Daniel Augusto Bernal Jaramillo Statutory Auditor T.P. 94411 - T Appointed by Deloitte & Touche Ltd. (See attached report)

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GRUPO ARGOS

Grupo Argos S.A. Separate Statement of Income

Years ended December 31

(In millions of Colombian pesos).

	Notes	2016	Restated 2015	2015
INCOME FROM ORDINARY ACTIVITIES	32	1,097,423	1,144,357	1,096,781
Cost of ordinary activities	33	(458,681)	(471,838)	(470,163)
GROSS PROFIT		638,742	672,519	626,618
Administrative expenses	34	(127,184)	(114,032)	(114,335)
Cost of Sales	35	(2,043)	(3,888)	(3,888)
STRUCTURAL COSTS		(129,227)	(117,920)	(118,223)
Other net income (expenses)	36	(4,560)	(23,318)	(3,089)
Net financial income (expenses)	37	(131,696)	(107,219)	(107,219)
EARNINGS BEFORE TAXES		373,259	424,062	398,087
Income Tax and CREE	28	(21,439)	(28,600)	(26,286)
NET PROFIT		351,820	395,462	371,801
		-	-	-
EARNINGS PER SHARE (*)				
Basic, attributable to common stockholders	38	428	496	466
Diluted, attributable to common stockholders	38	428	496	466

(*) figures expressed in Colombian pesos

The accompanying notes are an integral part of the financial statements.

M Mans

Jorge Mario Velásquez Jaramillo CEO Legal Representative (See attached certification)

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Claudia Patricia Álvarez Agudelo Accounting and Tax Manager T.P. 69447 - T (See attached certification)

Daniel Augusto Bernal Jaramillo Statutory Auditor T.P. 94411 - T Appointed by Deloitte & Touche Ltd. (See attached report)

GRUPO ARGOS

Grupo Argos S.A. Statement of other comprehensive income

Years ended on December 31.

(In millions of Colombian pesos).

	2016	Restated 2015	2015
NET PROFIT	351,820	395,462	371,801
ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO PROFIT AND LOSS	55,779	(588,203)	(562,546)
New measurements of defined benefit obligations	(5,005)	774	774
Deferred tax for defined benefits	787	263	263
Profits and losses of equity investments	139,884	(288,995)	(288,994)
Deferred Tax for equity investments	38	(38)	(38)
Net share in other comprehensive income	(79,925)	(300,207)	(274,551)
ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT AND LOSS	(182,645)	572,825	527,092
Effect of cash flow hedges and deferred tax	(6,341)	6,341	(6,487)
Net share in other comprehensive income	(176,304)	566,484	533,579
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAXES	(126,866)	(15,378)	(35,454)
TOTAL COMPREHENSIVE INCOME	224,954	380,084	336,347

The accompanying notes are an integral part of the financial statements.

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Jorge Mario Velásquez Jaramillo CEO Legal Representative (See attached certification)

Vandia Patricia alvos

Claudia Patricia Álvarez Agudelo Accounting and Tax Manager T.P. 69447 - T (See attached certification)

Daniel Augusto Bernal Jaramillo Statutory Auditor T.P. 94411 - T Appointed by Deloitte & Touche Ltd. (See attached report)

Statement of changes in separate equity Grupo Argos S.A.

Years ended on December 31. (In millions of Colombian pesos).

	Capital and premium in placement of stocks	Legal Reserve	Other reserves	Other comprehensive income	Other components of equity	Accrued income	Profit for the year	Total Equity
BALANCE AS AT 1 JANUARY 2015 (RESTATED)	731,561	29,665	2,400,950	1,851,666	2,418	8,912,360	•	13,928,620
Period income				I	I		395,462	395,462
Other comprehensive income for the period, net of income tax	1			(15,378)	1			(15,378)
COMPREHENSIVE INCOME FOR PERIOD 2015 (RESTATED)				(15,378)			395,462	380,084
Issuance of capital and convertible instruments	167							167
Dividends decreed in cash	1			1	1	(212,565)		(212,565)
Appropriation of reserves	1	-	177,192	1	-	(177,192)		1
Other movements in reserves	1		(948)	1	1			(948)
Equity method by other variations in equity	1	1	1	I	127,615	1	1	127,615
ы.		1		I		21,145	1	21,145
Effect on disposal of financial instruments measured at fair value through ORI	I	1		(122,091)	I	122,091	1	I
Equity method by other variations in equity by restatement	I	I	I	I	1,297	I	I	1,297
Adjustment of restatements by policy change	1			1	37,788	1		37,788
BALANCE AS AT 31 DECEMBER 2015 (RESTATED)	731,728	29,665	2,577,194	1,714,197	169,118	8,665,839	395,462	14,283,203
Period income	1			1		1	351,820	351,820
Other comprehensive income for the period, net of income tax	1			(126,866)			1	(126,866)
COMPREHENSIVE INCOME FOR THE PERIOD				(126,866)			351,820	224,954
Issuance of capital and convertible instruments	676,964			I	1			676,964
Dividends decreed in cash	1	1	1	1		(234,896)	1	(234,896)
Appropriation of reserves			136,905	I		(136,905)		1
Equity method by other variations in equity	1	1	1	I	297,504	1	1	297,504
Transfers to retained earnings	1			1	1	377,631	(395,462)	(17,831)
Effect on disposal of financial instruments measured at fair value through ORI	ı		I	(186,864)		186,864	I	T
Transfers from retained earnings to ORI, by liquidation of subsidiary companies			I	158,670	ı	(158,670)		ı
BALANCE AS AT 31 DECEMBER 2016	1,408,692	29,665	2,714,099	1,559,137	466,622	8,699,863	351,820	15,229,898

The accompanying notes are an integral part of the financial statements.

MN/MN

Jorge Mario Velásquez Jaramillo CEO Legal Representative (See attached certification)

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Claudia Patricia Álvarez Agudelo Accounting and Tax Manager T.P. 69447 - T (See attached certification)



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Grupo Argos S.A. Cash flow statement

Years ended on December 31. (In millions of Colombian pesos).

	2016	Restated 2015	2015
OPERATING CASH FLOW			
NET PROFIT	351,820	395,462	371,801
Adjustments by:			
Income tax expense recognized as part of profit or loss for the period	21,439	28,600	26,286
Participation in the income of subsidiary companies	(352,840)	(170,943)	(168,114)
Investment properties valuation income	(66,307)	(44,747)	-
Financial expenses recognized as part of profit or loss for the period	153,714	111,480	111,480
Interest income recognized in period profit or loss	(16,392)	(20,818)	(20,818)
(Profit) loss on disposal of property, plant and equipment	(4,012)	16	16
Net profit for sale of investments	(23,725)	(300,393)	(300,393)
Profit from the sale of noncurrent assets available for sale and other assets	-	(10,019)	(10,019)
(Profit) loss on disposal of investment properties	(11,550)	13,502	(8,401)
Loss, net for the valuation of financial instruments measured		10,721	10,721
at fair value through profit or loss	-	·····	·····
Inefficacy of the instrument over the coverage of cash flow	-	625	625
Valuation of derivative financial instruments	(1,311)	(16,565)	(16,565)
Net loss (recovery) for provisions recognized in the period profit or loss	2,235	(8,334)	(8,334)
Depreciation and amortization of noncurrent assets	3,412	2,593	2,895
Difference in change not performed, recognized in profit or loss on financial instruments	(5,637)	(725)	(725)
and others	50,846	(9,545)	(9,545)
CHANGES TO THE WORKING CAPITAL:		(0,010)	(0,010)
Commercial accounts receivable and other accounts receivable	(182,486)	(78,848)	(78,848)
Inventories	9,211	13,642	13,642
Other assets	(5,622)	1,098	1,098
Commercial Accounts Payable and other accounts payable	(210,676)		(59,849)
Other liabilities	24,688	(35,570)	(35,570)
CASH GENERATED BY OPERATIONS	(314,039)	(169,072)	(169,072)
Dividends received	244.743	202.264	202.264
Wealth tax paid	(8,260)	(9,668)	(9,668)
CASH FLOW FOR OPERATING ACTIVITIES	(77.556)	23.524	23,524
CASH FLOW FOR INVESTMENT ACTIVITIES	(11,000)	20,024	20,024
Acquisition of property, plant and equipment	(5,727)	(64,573)	(64,573)
The proceeds from sale of property, plant and equipment	(0,121)	560	560
Acquisition of investment properties	(230)	(32,400	(32,400)
The proceeds from the sale of investment properties	121,770	18,803	18,803
Acquisition of intangible assets	(25)	(1,908)	(1,908)
Acquisition of intelligible assets	(138,926)	(1,021,161)	(1,021,161)
The proceeds from the sale of shares in subsidiary companies	(130,320)	609,475	(1,021,101) 609,475
Acquisition of shares in associated and joint ventures	- (65,974)	(73,162)	(73,162)
The proceeds from the sale of shares in associated and joint ventures	••••••	95,206	
· · · · · · · · · · · · · · · · · · ·	188,149	95,206	95,206
Acquisition of financial assets	(187,141)	455.240	4 5 5 2 4 0
Proceeds from sales of financial assets	472,745	155,349	155,349
CASH FLOW FROM (USED IN) INVESTMENT ACTIVITIES	384,641	(313,811)	(313,811)
CASH FLOW FOR FINANCIAL ACTIVITIES			
(Decrease) increase of financial obligations	(209,156)	673,419	673,419
(Decrease) increase of other financing instruments	-	(25,364)	(25,364)
Dividends paid to owners	(229,929)	(212,565)	(212,565)
NET CASH FLOW (USED IN) FROM FINANCING ACTIVITIES	(439,085)	435,490	435,490
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(132,000)	145,203	145,203
Cash and cash equivalents at the beginning of the period		400 070	165,978
	311,454	165,978	
Effects of variation in the exchange rate on cash and cash equivalents CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (SEE NOTE 6)	311,454 (96) 179,358	273	273 311,454

The accompanying notes are an integral part of the financial statements.

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Jorge Mario Velásquez Jaramillo CEO Legal Representative

Legal Representative (See attached certification)

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Claudia Patricia Álvarez Agudelo Accounting and Tax Manager T.P. 69447 - T (See attached certification)

Daniel Augusto Bernal Jaramillo Statutory Auditor T.P. 94411 - T Appointed by Deloitte & Touche Ltd. (See attached report)

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Certification of the Company's Legal Representative

Medellin, February 24, 2017

To the shareholders of Grupo Argos S.A. and the general public

In my capacity as Legal Representative, I certify that the financial statements separated as of the closing of 31 December 2016 that have been made public, do not contain material defects, errors or inaccuracies that could prevent the real asset situation or the operations performed by Grupo Argos S.A. from being known during the corresponding period.

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Jorge Mario Velásquez Jaramillo CEO Legal Representative



Certification of the Legal Representative and the Tax Accounting Manager of the Company

Medellin, February 24, 2017

To the shareholders of Grupo Argos S.A.

The undersigned Legal Representative and the Tax Accounting Manager of Grupo Argos S.A. (hereinafter called the Company) certify that the Company's separate financial statements as at December 31, 2016, 2015 restated and January 1, 2015 have been faithfully taken from the accounting books and that before being made available to them and to third parties, we have verified the following statements contained in them:

- to) All assets and liabilities included in the financial statements of the Company as at 31 December 2016, 2015 and restated at January 1, 2015 exist and all the transactions that are included in those statements have been performed during the years ended in those dates.
- b) All the economic facts made by the Company during the years ended on 31 December 2016 and 2015 have been recognized in the financial statements.
- c) The assets represent probable future economic benefits (rights) and the liabilities represent probable future economic sacrifices (obligations) obtained or by the Company at 31 December 2016 and 2015 and restated at January 1, 2015.
- d) All items have been recognized for their appropriate values in accordance with the Rules of Accounting and Financial Information accepted in Colombia.
- e) All the economic events affecting the Company have been properly classified, described and disclosed in the financial statements.

Jorge Mario Velásquez Jaramillo CEO Legal Representative

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Claudia Patricia Álvarez Agudelo Accounting and Tax Manager T.P. 69447 - T



Report Statutory Auditor



To the shareholders of GRUPO ARGOS S.A.:

Report about the separate financial statements

I have audited the attached GRUPO ARGOS S.A. separate financial statements, which comprise the status of the separate financial situation as at 31 December 2016, the income statement and other comprehensive income, of changes in stockholders' equity and cash flows separated by the year finished on that date and a summary of the significant accounting policies as well as other explanatory notes. The separate financial statements as at 31 December 2015, included for comparative purposes only, were audited by me and I expressed my opinion without reservations on 29 February 2016.

Management Responsibility on the financial statements

Management is responsible for the preparation and correct presentation of these financial statements in accordance with the Rules of Accounting and Financial Information accepted in Colombia, and by the internal control that management considers relevant for the correct preparation and presentation of the financial statements free of significant errors, either by fraud or error; selection and application of appropriate accounting policies; as well as, making accounting estimates that are reasonable in the circumstances.

Liability of the Statutory Auditor

My responsibility is to express an opinion on these financial statements based on my audit. I made the audit in accordance with the International Standards Audit accepted in Colombia. Those regulations require that the audit complies with ethical requirements and plans and performs the audit to obtain reasonable assurances about whether the financial statements are free of significant errors. An audit consists of developing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The selected procedures depend on the auditor's professional judgment, including his assessment of the risks of significant errors in the financial statements. In the risk assessment, the auditor considers the Company's internal control which is relevant for the reasonable preparation and presentation of the financial statements in order to design auditing procedures that are appropriate under the circumstances, but not with the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the accounting policies used and the significant accounting estimates made by Management, as well as assessing the overall presentation of the financial statements.

I believe the audit evidence obtained provides a reasonable basis to express my opinion.

Opinion

In my opinion, the separate attached financial statements taken from the accounting books reasonably present, in all the significant aspects, the financial situation of GRUPO ARGOS S.A. as at 31 December 2016, the result of its operations and its cash flows for the year ended on that date in accordance with the Rules of Accounting and Financial Information accepted in Colombia.



Other issues

The separate attached financial statements were prepared to comply with the legal provisions of statutory information the Company is subject to as a separate and independent corporate entity and, therefore, they do not include the necessary adjustments and eliminations for the presentation of the financial situation and the consolidated results of the Company and its subordinates. These separate financial statements should be read along with the GRUPO ARGOS S.A. consolidated financial statements and its subordinates.

Change in policy and restatements of financial statements

Without qualifying my opinion, such as mentioned in note 5 to the separate financial statements, during the year ended on 31 December 2016, GRUPO ARGOS S.A. changed its accounting policy for the subsequent measurement of its investment properties and completed the allocation process of the purchase price in the acquisition of control of Odinsa S.A. As of 31 December 2015, the Company measured its investment properties using the cost model and for the acquisition of Odinsa preliminary values permitted by the applicable Accounting Standards in Colombia were used. By 31 December 2015, the effect of change in the investment properties and the updating of the purchase of the subsidiary Odinsa in total assets was \$158,412 million, liabilities \$13,421 million and the income statement was \$23,661 million.

Report on other legal and regulatory requirements

According to the scope of my audit, I report that the Company has undertaken their accounting according to the legal standards and technical accounting; the operations recorded in the accounting books and the acts of administrators are adjusted to the statutes and the decisions of the Shareholders Assembly and the Board of Directors; the correspondence, receipts of accounts and the minutes books and record actions are properly kept; the management report of administrators is properly aligned with the basic financial statements, and the Company is not in default for contributions to the Comprehensive Social Security System. My assessment of internal control, performed for the purpose of establishing the scope of my audit evidence, did not reveal that the Company has not followed adequate internal control measures and the preservation and custody of its assets and those of third parties that are in its possession.

My recommendations on internal control and other affairs have been communicated to Management in a separate report.

Daniel Augusto Bernal Jaramillo Statutory Auditor T.P. 94411 - T Appointed by Deloitte & Touche Ltd.

February 24, 2017





GRI Content Index

"Compliant - Essential" option with the GRI Standard

GRI Standard Rationale	GRI Reference Description	GENERAL PRINCIPLES CONTENT Location in the report or response	External check	Advanced Global Compact Criteria	SDG
101	Rationale: a. Principles of reporting b. Using the GRI standard for the Integrated Report c. Declarations of use of the GRI standard		V		
Organization P	rofile	· · ·		· · ·	
102-1	Name of the organization	About Grupo Argos. Pg. 7	\checkmark		
102-2	Activities, brands, products and services	Our investments. Pg. 8	\checkmark		
102-3	Headquarters of the organization	About Grupo Argos. Pg. 7	\checkmark		
102-4	Name of the countries where the organization operates or conducts significant operations	About Grupo Argos. Pg. 7	\checkmark		
102-5	Nature of the property system and its legal form	Grupo Argos S.A.	\checkmark		
102-6	Markets served (with geographical breakdown, by sectors and types of customers and recipients)	About Grupo Argos. Pg, 7 Company Profile. Pages 15 to 18	\checkmark		
102-7	Size of the organization (employees, operations, sales, capitalization, products and services offered)	About Grupo Argos. Pg. 7 Our investments. Pg. 8 2016 in figures. Pg. 10 Management Report. Pg. 23 Human talent management. Pg. 80 Appendices Pg. 129	V		
102-8	Employee information	Human Talent Management. Pg. 80 Appendices Pg. 129	\checkmark		8
102-9	Supply Chain of the organization	The supply chain of Grupo Argos a holding company concentrates administrative services providers (office supplies), third parties for cleaning and maintenance services and the service provided by brokers and trust companies that manage and sell the company's shares in different stock markets. Suppliers are segmented by the size of the operation, by incidence in processes and level of risk and by representativeness and external influence. To get to know the supply chain of the cement and energy subsidiaries refer to their Integrated Reports published on their websites. Payment data to suppliers of goods, services and materials can be found in the indicator 201-1 located in the annex of this report on page 129.	V	2	
102-10	Significant changes in the size, structure, the equity ownership or the supply chain of the organization that may have taken place during the period of analysis	Our investments. Pg. 8 Management report. Pg. 23	\checkmark	2	
102-11	Precautionary principle	Sustainability and materiality. Pg. 42 Climate change strategy. Pg. 96	\checkmark		
102-12	External initiatives	Institutional commitments. Pg. 19	\checkmark		



GRI Standard Rationale	GRI Reference Description	GENERAL PRINCIPLES CONTENT Location in the report or response	External check	Advanced Global Compact Criteria	SDG
102-13	Partnerships	Institutional commitments. Pg. 19	V	18	
Strategy	·	• -	•		
102-14	Statement of the person responsible for the decisions of the organization on the importance of sustainability for the organization	Letter from the CEO. Pg. 5	V	19	
Ethics and inte	egrity	•	•	• • •	
102-16	Values, principles, standards and rules of behavior of the organization	Ethics, conduct and transparency. Pg. 58	V	12, 13 and 14	16
102-17	Internal and external mechanisms for counseling on ethics	Ethics, conduct and transparency. Pg. 58	V	12, 13 and 14	16
Governance					
102-18	Governance structure of the organization, including the committees of the senior governing body	Corporate governance Pg. 50	V	1	5
102-19	Process by which the senior governance body delegates its authority in Senior Management and in certain employees for questions of an economic, social and environmental nature	Corporate governance Pg. 50	V	1, 20	
102-20	Executive or leadership positions in economic, social and environmental affairs	Corporate governance Pg. 50	V	1, 20	
102-21	Consultation processes among the interest groups and the senior governance body as regards economic, environmental and social affairs	Corporate governance Pg. 50	V	1, 20	16
102-22	Composition of the senior governance body and its committees	Corporate governance pg. 50	V	1	5, 16
102-23	Indicate if the person presiding over the senior governance body also has an executive role	Corporate governance Pg. 50	V	1	16
102-24	Processes of appointment and selection of the senior governance body and its committees	Corporate governance Pg. 50	V	1	5, 16
102-25	Process by which the senior governance body prevents and manages potential conflicts of interest	Corporate governance Pg. 50 Ethics, conduct and transparency. Pg. 58	V	1, 2, 20	16
102-26	Roles of the senior governance body and Senior Management in the development, approval and updating of the purpose, values or mission statements, strategies, policies and objectives related to the economic environmental and social impacts of the organization	Corporate governance Pg. 50	V	1	
102-27	Actions that have been taken to develop and improve the collective knowledge of the senior governance body related to economic, environmental and social affairs	Good governance Pg. 50	V	1, 20	4
102-28	Processes to evaluate the performance of the senior governance body in relation to the governance of economic, environmental and social affairs. Please indicate if the assessment is independent and how often it is carried out	Corporate governance Pg. 50	V	1, 20	
102-29	Role of the senior governance body in the identification and management of impacts, risks and opportunities of an economic, social and environmental nature	Corporate governance Pg. 50	V	1, 20	16
102-30	Role of the senior governance body in the efficacy analysis of the risk management processes of the organization in regards to the economic, environmental and social affairs	Corporate governance Pg. 50	V	1, 20	



GRI Standard Rationale	GRI Reference Description	GENERAL PRINCIPLES CONTENT Location in the report or response	External check	Advanced Global Compact Criteria	SDG
102-31	Please indicate how often the senior governance body analyzes the impacts, risks and opportunities of an economic, social and environmental nature	Corporate governance Pg. 50	V	1, 20	
102-32	Please indicate which is the committee or the most important position that reviews and approves the organization's sustainability report and ensures that all the material issues are reflected	About the report. Pg. 3	V	1, 20	
102-33	Process for transmitting major concerns to the senior governance body	Corporate governance Pg. 50	V	1, 20	
102-34	Nature and number of significant concerns that were relayed to the senior governance body; also describe the mechanisms used to address and evaluate them	Corporate governance Pg, 50	V	1, 20	
102-35	Compensation policies for the senior governance body and Senior Management	Corporate governance Pg. 50	V	1	
102-36	Processes to determine compensation	Corporate governance Pg. 50	√	1	
102-37	Explain how the stakeholder's opinion is solicited and taken into account in terms of compensation, including, if applicable, the results of voting on policies and proposals related to this issue	Corporate governance Pg. 50	V	1	16
Relationship w	ith stakeholders	•			
102-40	List of stakeholders in the organization	How we interact. Pg. 42	V	21	
102-41	Employees covered by collective bargaining	See Appendices. Pg. 129	V		8
102-42	Identification and selection of stakeholders	How we interact. Pg. 42	V	21	
102-43	Focus of the organization on participation by stakeholders	See Appendices. Pg. 129	V	21	
102-44	Questions and key problems that have arisen from the relationship with stakeholders	See Appendices. Pg. 129	V	21	
Reporting prac	tices	-			
102-45	Entities included in the consolidated financial statements of the organization or equivalent documents, and which ones are not included within the scope of the current report	About the report. Pg. 3	V		
102-46	Process that has been followed to determine the content of the report and the coverage of every aspect	How we interact. Pg. 42	V		
102-47	Material issues of the organization	How we interact. Pg. 42	V		
102-48	Re expressions of information from previous reports and their causes	About the report. Pg. 3	V		
102-49	Significant changes in the scope and the coverage of each aspect with respect to previous reports	About the report. Pg. 3	V		
102-50	Reporting period	About the report. Pg. 3	V		
102-51	Date of the last report	About the report. Pg. 3	V		
102-52	Reporting cycle	About the report. Pg. 3	V		
	Point of contact to resolve questions that	About the report. Pg. 3	V		
102-53	may arise about the report's content				
	may arise about the report's content Option to conform to the GRI standard	About the report. Pg. 3	√		
102-53 102-54 102-55		About the report. Pg. 3 About the report. Pg. 3	√ √		



GRI Standard	GRI Reference Description	SPECIFIC CONTENTS Location in the report or response	Omission	External Verification	Advanced Global Compact Criteria	ODS
Material issue:	Ethics, conduct and transparency	Standard aspects: Anti-corruption and anti-competitive behavior Ethics, conduct and transparency. Pg. 58 ✓ 3, 4 and				
103	Management Approach (DMA)	Ethics, conduct and transparency. Pg. 58		\checkmark	3, 4 and 5	16
103-1	Explanation of the material issue and its limits	Ethics, conduct and transparency. Pg. 58		\checkmark		1
103-2	The management approach and its components	Ethics, conduct and transparency. Pg. 58		\checkmark	3.4 and 5	16
103-3	Management approach evaluation	Ethics, conduct and transparency. Pg. 58		\checkmark		16
205-1	Number and percentage of sites that have evaluated the risks associated with corruption and significant risks detected	Ethics, conduct and transparency. Pg. 58	There are no significant risks reports identified in this assessment process	V	12, 13 and 14	16
205-2	Communication policies and procedures and training on the fight against corruption	Ethics, conduct and transparency. Pg, 58 100% of the members of the Board of Directors were informed and trained on matters pertaining to organizational policies and procedures to fight against corruption	There are no reports about the number and total percentage of business partners who have been informed about the organization's policies and procedures to fight corruption	v	12, 13 and 14	16
205-3	Confirmed cases of corruption and actions taken	Ethics, conduct and transparency. Pg. 58		\checkmark	12, 13 and 14	16
206-1	Number of legal proceedings for causes related to monopolistic practices and against free competition and their results	Ethics, conduct and transparency. Pg. 58				16
Material issue:	Innovation	*	•		•	
103	Management Approach (DMA)	Innovation. Pg. 73		\checkmark		9
103-1	Explanation of the material issue and its limits	Innovation. Pg. 73		\checkmark		9
103-2	Management approach and its components	Innovation. Pg. 73		\checkmark		9
103-3	Management approach evaluation	Innovation. Pg. 73		\checkmark		9
Material issue:	Investments with ESG approach	Standard aspects: Economic Performance		•`		
103	Management Approach (DMA)	Investments with ESG approach. Pg. 63		\checkmark		9
103-1	Explanation of the material issue and its limits	Investments with ESG approach. Pg. 63		\checkmark		9
103-2	Management approach and its components	Investments with ESG approach. Pg. 63		\checkmark		9
103-3	Evaluation of the management approach	Investments with ESG approach. Pg. 63		\checkmark		
201-1	Direct economic value generated and distributed, including revenue, costs of exploitation, compensation to employees, donations and other investments in the community, retained earnings and payments to capital providers and governments.	See Appendices. Pg, 129		~	15	9
Own indicator	EBITDA Net Profit Net debt/EBITDA	See Appendices. Pg. 129		\checkmark	15	9



GRI Standard	GRI Reference Description	SPECIFIC CONTENTS Location in the report or response	Omission	External Verification	Advanced Global Compact Criteria	ODS
Material issue:	Risk Management					
103	Management Approach (DMA)	Risk Management. Pg. 67		\checkmark		
103-1	Explanation of the material issue and its limits	Risk Management. Pg. 67		~		
103-2	Management approach and its components	Risk Management. Pg. 67		\checkmark		
103-3	Management approach evaluation	Risk Management. Pg. 67		~		
Own indicator	Strategic Risks	See Appendices. Pg. 129		\checkmark		
Own indicator	Emerging Risks	See Appendices. Pg. 129		~		
Material issue:	: Climate change strategy	Standard as	pects: Energy an	d emissions		
103	Management Approach (DMA)	Climate change strategy. Pg. 96		~	[13
103-1	Explanation of the material issue and its limits	Climate change strategy. Pg. 96	•	~		13
103-2	Management approach and its components	Climate change strategy. Pg. 96		~		13
103-3	Management approach evaluation	Climate change strategy. Pg. 96		~		13
302-1	Internal energy consumption	See Appendices. Pg. 129		~	9, 10 and 11	7, 13
302-4	Reduced energy consumption	See Appendices. Pg. 129		~	9, 10 and 11	7, 13
305-1	Direct GHG Emissions (Scope 1).	Climate change strategy. Pg. 96		~	9, 10 and 11	13, 14
305-2	Indirect GHG Emissions (Scope 2).	Climate change strategy. Pg. 96		~	9, 10 and 11	13, 14
303-1	Total water intake according to the source	See Appendices. Pg. 129		~	9, 10 and 11	6
303-3	Percentage and total volume of recycled and reused water	See Appendices. Pg. 129		~	9, 10 and 11	6
Material issue:	: Human talent management	Standard aspects: Employment, jo	: b management, h d training, diversi	-	in the workplace	•,
103	Management Approach (DMA)	Human talent management. Pg. 80	u training, uiversi		[8
103-1	Explanation of the material issue and its limits	Human talent management. Pg. 80		· ·		8
103-2	Management approach and its components	Human talent management. Pg. 80		~		8
103-2	Management approach evaluation			 ✓		8
401-1	Total number and rate of Hiring and average turnover of employees, broken down by age group, sex and region	Human talent management. Pg. 80 Human talent management. Pg. 80 See Appendices. Pg. 129		 ✓	6, 7 and 8	0
401-2	Social benefits for full-time employees that are not offered to temporary or part-time employees, broken down by locations of significant activity	See Appendices. Pg. 129		~	6, 7 and 8	8
401-3	Levels of return to work and retention after maternity or paternity leave, itemized by sex	See Appendices. Pg. 129	There are no reported rates of return to work and retention	~	6, 7 and 8	5
402-1	Minimum notice periods of operational changes and their possible inclusion in collective bargaining agreements	In Grupo Argos and its affiliates, we support change processes in the organization, crafting communication plans to promptly report their reach and impact. On the other hand, a minimum number of weeks of notice is not established before implementing significant operational changes that could substantially affect workers and their elected representatives.			6, 7 and 8	
	Average annual hours of training per	Human talent management. Pg. 80				



GRI Standard	GRI Reference Description	SPECIFIC CONTENTS Location in the report or response	Omission	External Verification	Advanced Global Compact Criteria	ODS
404-2	Skills management and continuing education programs that promote the employability of workers and help them manage the end of their professional careers	See Appendices. Pg. 129			6, 7 and 8	8
404-3	Percentage of employees receiving regular performance and professional development assessments, broken down by sex and by professional category	Human talent management. Pg. 80 See Appendices. Pg. 129		~	6, 7 and 8	5, 8
405-1	Composition of governing bodies and breakdown of staff by professional category and sex, age, minority membership and other indicators of diversity	See Appendices. Pg. 129			6, 7 and 8	5, 8
405-2	Relationship between the base salary of men with respect to women, broken down by locations of significant activity	See Appendices. Pg. 129			6, 7 and 8	5, 10
Biodiversity						
103	Management Approach (DMA)	Biodiversity conservation. Pg. 102				14
304-3	Habitats protected or refurbished	See Appendices. Pg. 129	The status of the area at the end of the reporting period is not described		9, 10 and 11	6, 14, 15
Own indicator	Actions for biodiversity management	Biodiversity conservation. Pg. 102			9, 10 and 11	14
Contribution to	social development	<u>.</u>			:	
103	Management Approach (DMA)	Contribution to social development. Pg. 87				
415-1	Value of political contributions, by country and recipient	In 2016, no political contributions were made because it was not an election year			17	16
Own indicator	Social investments	Contribution to social development. Pg. 87				
Human Rights	·					
103	Management Approach (DMA)	Human Rights. Pg. 94				
412-2	Hours of training of employees on policies and procedures related to those aspects of Human Rights relevant to their activities, including the percentage of employees trained	Human Rights. Pg. 94			3, 4 and 5	
Tax performand						
Own indicator	Taxes paid	See Appendices. Pg. 129			15	9
Health and safe	ety in the workplace					
403-2	Type and rate of injuries, occupational diseases, days lost, absenteeism and number of work-related fatalities by region and by sex	See Appendices. Pg. 129			2, 6, 7 and 8	3

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(201-1) Economic value generated and distributed

201-1 Economic value generated and	 Grupo Argos 	sog	Cement	nt	Energy	gy	Concessions	ions	Coal	_	Pc	Ports
distributed	СОР	USD	сор	USD	сор	USD	сор	USD	сор	USD	СОР	USD
Economic value generated (VEG, for its acronym in Spanish)	1,097,424,000,000	365, 721,446	8,517,381,575,502	2,838,455,424	3,794,910,000,000	1,264,670,695	1,485,594,449,436	495,080,981	69,123,000,000	23,035,548	125,508,802,031	41,826,368
Operating income	1,097,424,000,000	365,721,446	8,517,381,575,502	2,838,455,424	3,794,910,000,000	1,264,670,695	1,485,594,449,436	495,080,981	69,123,000,000	23,035,548	125,508,802,031	41,826,368
Economic value distributed	574,720,054,453	191,528,023	13,089,617,203,371	4,362,173,353	2,952,693,000,000	983,998,120	280,012,200,022	93,315,315	73,628,086,734	24,536,889	99,123,601,199	33,033,382
Payments made to suppliers of goods, services and materials	126,252,477,025	42,074,201	5,567,941,640,694	1,855,541,402	1,830,990,000,000	610,185,589	329,661,829,877	109,861,276	62,307,282,534	20,764,180	52,950,951,542	17,646,141
Salaries and legal and extra-legal benefits for employees	33,370,879,349	11,120,994	1,415,233,942,627	471,633,028	203,937,000,000	67,962,915	37,749,790,299	12,580,286	5,381,831,104	1,793,519	19,103,089,168	6,366,190
Social Benefits	1,592,865,178	530,829		1		1	1	1	151,430,036	50,465	1	
Payments to capital providers (applicable to financial obligations and short and long term indebtedness. Excludes CxP)	363,953,941,611	121,289,275	5,161,846,938,000	1.720,208,530	651,954,000,000	217,266,580	137,512,000,000	45,826,488	1,383,930,363	461,201	14,114,186,803	4,703,616
Payments to governments.	36,413,657,668	12,135,014	882,654,041,981	294,148,399	208,279,000,000	69,409,906	50,112,579,846	16,700,241	3,750,617,156	1,249,910	12,047,547,396	4,014,899
Investments in the community	13,136,233,623	4,377,708	61,940,640,069	20,641,995	57,568,000,000	19,173,129	1	I	652,995,540	217,614	907,826,290	302,537
Economic value retained	522,703,945,547	174,193,423	-4,572,235,627,868	-1,523,717,929	842,182,000,000	280,672,574	1,205,582,249,414	401,765,665	-4,505,086,734	-1,501,340	26,385,200,832	8,792,986
EBITDA	518,336,000,000	172,737,785	1,651,748,003,276	550,452,394	1,031,375,000,000	343,710,322	1,065,830,468,860	355,192,761	15,319,000,000	5,105,125	47,527,003,360	15,838,586
EBITDA covenant <i>calculation</i>	NA		1,796,393,215,399	598,656,057	NA		NA		NA		NA	_
Net Profit	351,821,000,000	117,245,918	562,511,840,166	187,459,581	171,034,000,000	56,997,844	670,201,764,120	223,347,729	8,858,000,000	2,951,968	5,985,334,921	1,994,640
Net Profit/EBITDA		0.68		0.34		0.17		0.63		0.58		0.13
Net Debt	1,262,227,000,000	420,642,781	6,839,103,655,839	2,279,161,817	3,506,675,000,000	1,168,615,094	2,350,151,000,000	783,198,310	35,136,000,000	11,709,229	151,943,283,535	50,635,777,38
Net Debt/EBITDA		2.44		3.81		3.40		2.20		2.29		3.20

For the purpose of calculating the net debt/EBITDA leverage indicator in the Cement business, the following adjustments are made in EBITDA.

Cemert EBITDA	1,651,748,003,276
Effect of pro forma acquisition Martinsburg (January-November)	132,247,891,322
FX effect by EBITDA consolidation in USD at closing exchange rate	20,363,407,083
Dividends 12 months portfolio of investments	32,760,727,884
Covenant calculation EBITDA	1,796,393,215,399
Net Debt/EBITDA	3.81





How we interact

(102-43) (102-44)

Group stakeholders	Medium	Frequency of interaction	Topics of interest	Location in the Integrated Report	
	Annual Shareholders Assembly		Investment Management with ESG Focus – Environmental, Social and Governance		
	Integrated Sustainability Report	Annually	Corporate Governance	1. Investments with ESG Focus - page 63	
	Dialogue with stakeholders		Ethics, Conduct and Transparency	2. Corporate Governance - page 50	
Shareholders	Report of results with conference call	Quarterly	Risk Management and audit and control	3. Ethics, conduct and transparency - page 58	
	Electronic Bulletin for stakeholders	Monthly	Human Talent Management	 4. Risk Management - page 67 	
	Telephone hotline and email managed by the Investor Relations department			5. Human Talent Management - page 80	
	Website	Permanent	Relationship with Investors	7	
	Twitter and LinkedIn				
	Grupo Argos Dialogue	Monthly	Ethics, Conduct and Transparency		
	Focus Newsletter		Corporate Governance	1 In	
	Virtual billboards	Weekly	Investment Management with ESG Focus – Environmental, Social and Governance	 1. Investments with ESG Focus - page 63 2. Corporate Governance - page 50 	
Employees	Intranet	_	Risk Management and audit and control	3. Ethics, conduct and transparency - page 58	
	Emails			4. Risk Management - page 67	
	Transparency Line	Permanent		5. Talent Management	
	Hotline		Human Talent Management	Human - page 80	
	Special Bulletins	Based on need			
	Twitter and LinkedIn	based on need			
	Integrated Sustainability Report	Annually	Investment Management with ESG Focus – Environmental, Social and Governance	1. Investments with ESG Focus - page 63	
	Dialogue with stakeholder		Corporate Governance	 2. Corporate Governance - page 50 	
Suppliers	Transparency Line	Contribution to Social Development		3. Contribution to Social Development - page 87	
	Hotline	Permanent	Ethics, Conduct and Transparency	3. Ethics, conduct and transparency - page 58 4. Climate change strategy -	
	Exclusive customer service email			page 96	
	Website		Climate Change Strategy and water	5. Human Talent Management - page 80	
	Electronic Bulletin for stakeholders	Monthly		management - page ou	



Average stakeholder	Middle	Frequency of interaction	Topics of interest	Location in the Integrated Report	
	Integrated Sustainability Report	Annually	Investment Management with ESG Focus – Environmental, Social and Governance		
	Dialogue with stakeholder		Corporate Governance	 Investments with ESG Focus - page 63 	
Media, influencers and	Face-to-face or telephone conversations to meet requirements on organizational issues	Permanent	Ethics, Conduct and Transparency	2. Corporate Governance - page 50 3. Ethics, conduct and	
public opinion	Website	Innovation Relationship w	Innovation	transparency - page 58	
	Transparency Line		Relationship with Investors	 4. Innovation - page 73 5. Biodiversity Conservation - 	
	Electronic Bulletin for stakeholders Monthly Press Releases Based on need			page 102	
	Press Releases Based on need Biodiversity Twitter and LinkedIn Permanent Investment Mage	Biodiversity			
	Twitter and LinkedIn Permanent Integrated Sustainability Report Investment Management Annually Social and Gover Contribution to S				
	Integrated Sustainability Report	Annually	Investment Management with ESG Focus – Environmental, Social and Governance	1. Investments with ESG Focus - page 63	
Community	Dialogue with stakeholder		Contribution to Social Development	2. Corporate Governance - page 50	
	Transparency Line		Corporate Governance	 3. Contribution to Social Development - page 87 	
	Website	Permanent	Ethics, conduct and Transparency	3. Ethics, conduct and transparency - page 58	
	Twitter		Diadiuseritu	 4. Biodiversity Conservation - page 102 	
	Electronic Bulletin for stakeholders	Monthly	- Biodiversity		
	Face-to-face meetings in follow-up to agendas with topics of mutual interest	Deserves	Corporate Governance	1. Investments with ESG	
	Delivery of reports and answers to requirements	Based on need	Innovation	Focus - page 63 2. Corporate Governance - page 50	
Government and authorities	Website	Permanent	Relationship with Investors	3. Ethics, conduct and	
	Flacture in Dullatin for stalvalialders	Monthly	Ethics, Conduct and Transparency	transparency - page 58 4. Innovation - page 73 5. Contribution to Social	
	Electronic Bulletin for stakeholders	Monthly	Contribution to Social Development	Development - page 87	
	Face-to-face meetings in follow-up to agendas with topics of mutual interest	Permanent	Investment Management with ESG Focus – Environmental, Social and Governance	1. Investments with ESG Focus - page 63 2. Corporate Governance -	
Associations, institutions	Delivery of reports and responses to requirements		Contribution to Social Development	page 50 3. Ethics, conduct and	
and business sector	Website	Monthly	Corporate Governance	transparency - page 58 4. Biodiversity Conservation -	
	Electronic Bulletin for stakeholders	Monthly	Ethics, conduct and Transparency	page 102 5. Contribution to Social	
			Biodiversity	Development - page 87	



Risk Management

Strategic Risks

Risk Strategic	Description of risk	Description of impact	Company	Type of impact	Mitigation Plan
Failure to comply with the business plans of the subsidiaries	Performance impairment of the subsidiaries due to adverse market, economy, regulatory changes, geopolitical and/or environmental conditions, including climate change, etc.	 Decrease in cash flow Loss of value of investments 	Grupo Argos	Financial	 Diversified investment portfolio Periodic analysis of risks that could affect the performance of business plans Periodic strategy committees between Grupo Argos senior management and the subsidiaries Active involvement of Grupo Argos senior management in the Boards of the affiliates
Loss of financial flexibility	Loss of financial flexibility due to an inadequate composition of the debt/equity relationship	 Increase in the cost of borrowing Limitation of access to the capital market Impairment of the company's reputation 	Grupo Argos	Economic Reputation	 Structure of indebtedness with a duration adjusted to the flows of the investments Conservative leverage structure Periodic monitoring of the evolution of capital structure by Senior management and the Board of Directors
Market risk of the investment portfolio	Impairment of the value of portfolio investments due to exposure to adverse variations in market conditions	- Decrease in the value of investments	Grupo Argos	Economic	 Portfolio investments in companies of financial solidity and high trading Ongoing tracking by Senior Management and the Board of Directors.
Damage to the company's reputation	Significant image impairment of the companies that compromises the confidence of stakeholders	 Image negative to stakeholders Negative impact on the value the companies' shares 	All	Reputation	 Existence of the Corporate Good Governance Code structured on the basis of best practices Adoption and application of ethical practices and corporate transparency in the Business Group Permanent strengthening of the internal control system and crisis management plans Analysis of situations that could affect the reputation of the Business Group and definition of mitigation plans



Strategic Risk	Description of risk	Description of impact	Company	Type of impact	Mitigation Plan
Management of human talent not aligned or committed to the achievement of corporate strategy	Inability to attract, develop and retain human talent with the competencies required in the companies	 Loss of knowledge Difficulty in achieving strategic objectives 	Common	Economic Reputation	 Characterization of the existing and required human resource Conducting internal satisfaction surveys and organizational climate Development of programs of attraction and development of competencies Execution of instructional, education and training plans Competitive compensation schemes
Changes in economic and/ or geopolitical conditions	Adverse changes in the macro-economic and/ or political environment in the countries in which the companies operate	 Impairment of the financial results of companies Difficulty in strategy development of the businesses 	Common	Economic	 Monitoring and permanent report to senior management on the markets and political conditions of the environment in which the company operates Diversified portfolio
Changes in the legal or tax regulation	Adverse changes in the regulatory environment in legal, tax, environmental, accounting aspects, among others, in the countries in which companies operate	 Impairment of the financial results of companies Fines, penalties or legal action for breach of new regulations 	Common	Economic	 Monitoring and permanent report to senior management of changes in regulation applicable to companies Active involvement through associations in the analysis of projects of regulatory changes
Cost overruns in projects	Delays in the execution or failures in the estimation of the necessary resources of projects	- Increased costs that affect financial viability	Common	Economic	 Identification and analysis of the risks associated with projects Follow-up to the execution of the project
Fraud, corruption, money laundering and terrorist financing	Improper practices by employees, partners, suppliers and customers, related to acts of fraud, corruption, money laundering and terrorist financing	 Impairment of the reputation of the companies to stakeholders Fines, penalties or legal action against companies and their officers Negative impact on the value of the companies' stocks 	Common	Economic Reputation	 Training on activities to prevent and detect situations of fraud, corruption, money laundering and terrorist financing Audit activities to assess the internal control system associated with the detection and prevention of fraud, corruption, money laundering and terrorist financing
Errors or omissions in partnerships, mergers or acquisitions	Faults in the processes of valuation and/ or due diligence on partnerships, mergers or acquisitions	Decrease in the value of investments Negative impact on the value of the companies' stocks	Common	Economic Reputation	 Prior due diligence and risk analysis on potential investments with the participation of multidisciplinary teams Advice of experts in the investment decision-making Creation and development of action plans on identified risks, once investments are made



Strategic risks of subsidiaries that impact Grupo Argos risk 1

Strategic risk	Description of risk	Description of impact	Company	Type of impact
Supply Chain	Decrease in the market share and/or expected profitability by inefficiency in the supply chain for demand			
Loss of licenses or titles	No collection, penalties or loss of licenses, permits, certifications or concessions required for the operation for breach of legal, mining or environmental parameters		Cement Argos	
Competition, imports, new entrants	Market risks (competition, imports, new entrants, substitutes and prices)			
Failures in the business strategy	Failures in the commercial strategy of the businesses and in the processes of delivery of products and services that affect the final consumer			
Inadequate structuring of the energy portfolio	Inadequate structuring of the energy portfolio that reduces the competitiveness of the company		Celsia	Economic
Changes in the availability and price of the energy resources	Changes in the availability and price of energy resources that generate increase in the operating costs or make some assets unviable		_	Economic
Breach of contract and/or regulation by the concessionaire	Possible non-compliance with contractual obligations or tax rules that generate economic sanctions and affect the reputation of the company		Odinsa	Economic Reputation
Variation in vehicle and passenger traffic	Decrease in traffic expected by economic conditions in the region or country that affects income generation			Economic
Increase in vacancy	Increase in the vacancy of property assets that affect revenue generation or the value of investments		Other	Economic
Decrease in the use of port facilities	Decrease in the use of port facilities that affects revenue generation		investments	Economic



Emerging risks

Emerging risk	Description of risk	Description of impact	Mitigation Plan
Crisis in emerging markets	Vulnerability of emerging markets due to imbalance in external accounts, tax accounts and geopolitical instability	Possible impairment of Grupo Argos revenue due to less economic growth and depreciation of currencies	Geographic diversification and sectoral investments Increased exposure to the U.S. economy Permanent monitoring of performance and sectoral and macroeconomic trends
Crisis of confidence in the institutionality of companies and the State	The business environment has been affected by scandals of public and private corruption, which could generate an atmosphere of distrust by the shareholders	Possible impairment of Grupo Argos income due to a decrease of infrastructure projects	 Existence of the structured Corporate Good Governance Code based on best practices Continue with the application of ethical practices and transparency in the Business Group
Restrictions on flow of goods and capital	Tendency of governments to implement protectionist measures in the countries that are investment hotspots	Possible negative impact on Grupo Argos revenues due to the difficulty in repatriating the dividends generated in those countries	Geographic diversification and sectoral investments Permanent monitoring of regulatory changes in the countries where investments are made
Ineffectiveness in the attraction and retention of <i>millennials</i>	Generation with a new vision of the world influenced by technology and globalization that constantly seeks new job opportunities	Difficult to find and retain the appropriate person for the positions, which can affect the company's achievement of objectives	 Characterization of the existing and required human resource Conducting internal satisfaction surveys and organizational climate Competitive compensation schemes

GRUPO ARGOS

Ethics, conduct and transparency

(205-2)

Employees that have been		Gru	upo Argos		
informed and trained on the organization's policies and	Total annulauses	Employee	es informed	Employe	es trained
procedures to fight corruption	Total employees	No.	%	No.	%
Executive	6	6	100 %	6	100 %
Managerial	18	18	100 %	18	100 %
Directors	29	29	100 %	29	100 %
Specialists	60	60	100 %	60	100 %
Other levels	33	33	100 %	33	100 %
TOTAL	146	146	100 %	146	100 %

Employees that have been		E	NERGY		
informed and trained on the organization's policies and		Employee	s informed	Employe	es trained
procedures to fight corruption	Total employees	No.	%	No.	%
Executive	9	9	100 %	9	100 %
Managerial	27	27	100 %	27	100 %
Directors	36	36	100 %	36	100 %
Specialists	730	730	100 %	730	100 %
Other levels	755	755	100 %	755	100 %
TOTAL	1557	1557	100 %	1557	100 %

Employees that have been		CO	NCESSIONS		
informed and trained on the organization's policies and	Total annulau an	Employe	es informed	Employe	es trained
procedures to fight corruption	Total employees	No.	%	No.	%
Executive	5	5	100 %	5	100 %
Managerial	14	14	100 %	14	100 %
Directors	27	27	100 %	27	100 %
Specialists	45	45	100 %	45	100 %
Other levels	181	181	100 %	181	100 %
TOTAL	272	272	100 %	272	100 %

Employees that have been			COAL		
informed and trained on the organization's policies and	Total annulaus as	Employe	es informed	Employe	es trained
procedures to fight corruption	Total employees	No.	%	No.	%
Executive	0	0	NA	0	NA
Managerial	2	2	100 %	2	100 %
Directors	3	3	100 %	3	100 %
Specialists	12	12	100 %	12	100 %
Other levels	39	39	100 %	39	100 %
TOTAL	56	56	100 %	56	100 %

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	Income Tax and Occasional Gain	nd Occasional	Weat	Weatth Tax	Industry and	stry and Commerce	Property Tax	ty Tax	Sales Tax	Тах	отнек	Ш	ТОТАІ	Ĩ
Grupo Argos	СОР	USD	COP	USD	COP	USD	сор	USD	COP	USD	cop	USD	сор	USD
Holding	•	•	8,260,320,000	2,752,789	3,240,988,440	1,080,074	23,603,491,228	7,865,969	1,308,858,000	436,183		•	36,413,657,668	12,135,014
Colombia	1		8,260,320,000	2,752,789	3,240,988,440	1,080,074	23,603,491,228	7,865,969	1,308,858,000	436,183			36,413,657,668	12,135,014
Cement	178,568,489,410	59,508,746	48,347,194,000	16,111,918	29,381,743,697	9,791,597	46,721,776,517	15,570,241	555,806,236,731	185,224,909	23,828,601,627	7,940,988	882,654,041,982	294,148,399
Colombia	55,492,046,130	18,492,972	48,347,194,000	16,111,918	25,476,757,344	8,490,243	7,470,193,259	2,489,475	242,981,793,000	80,974,767	384,556,090	128,155	380,152,539,823	126,687,531
The U.S.A.	1			1	2,105,475,118	701,659	38,275,837,211	12,755,594	173,879,206,925	57,946,022			214,260,519,254	71,403,274
Honduras	63,929,528,868	21,304,801			1,188,576,031	396,098	219,623,609	73,191	46,568,158,820	15,519,047	23,121,445,481	7,705,325	135,027,332,809	44,998,461
Panama	53,054,701,308	17,680,716		1	1				51,059,056,528	17,015,658			104,113,757,836	34,696,374
Surinam	1			- 1	1		1		3,458,747,797	1,152,643			3,458,747,797	1,152,643
Curacao	1			1	1				250,173,034	83,371			250,173,034	83,371
Haiti	3,222,119,853	1,073,786			595,471,202	198,443	84,404,386	28,128	7,144,420,029	2,380,910	138,035,635	46,001	11,184,451,104	3,727,268
Puerto Rico	330,024,087	109,982		1	1				5,546,284,085	1,848,324			5,876,308,172	1,958,306
Dominican Republic	1,107,588,167	369,109		1	1	- 1	1	1	23,578,044,317	7,857,489			24,685,632,484	8,226,597
Saint Martin	1				1	•	1	•	805,868,187	268,559			805,868,187	268,559
Antigua and Barbuda	26,212,347	8,735		1	I	I	1	1	534,484,009	178,119		1	560,696,356	186,855
Saint Thomas	1				3,120,738	1,040	1				1		3,120,738	1,040
Guyana	1,406,268,650	468,645		1	12,343,263	4,113	671,718,052	223,853			184,564,421	61,507	2,274,894,386	758,119
Energy	194,471,316,291	64,808,434	36,042,858,234	12,011,443	7,638,049,298	2,545,414	1,697,495,951	565,698		•	72,960,674,810	24,314,471	312,810,394,584	104,245,460
Colombia	188,673,000,000	62,876,119	36,042,858,234	12,011,443	7,592,455,503	2,530,220	1,343,029,833	447,571			68,419,326,442	22,801,046	302,070,670,012	100,666,399
Panama	4,937,483,901	1,645,439	1		45,593,795	15,194	314,423,644	104,783			4,356,698,758	1,451,889	9,654,200,098	3,217,305
Costa Rica	860,832,390	286,876	1		1		40,042,474	13,344			184,649,610	61,535	1,085,524,474	361,756
Concessions	13,335,422,000	4,444,089	7,408,470,000	2,468,906	3,876,174,396	1,291,752	271,897,000	90,611	•	•	91,877,804	30,619	24,983,841,200	8,325,977
Colombia	13,335,422,000	4,444,089	7,408,470,000	2,468,906	3,876,174,396	1,291,752	271,897,000	90,611			91,877,804	30,618,69	24,983,841,200	8,325,977
Coal	•	•	496,540,000	165,474	46,498,497	15,496	62,865,657	20,950	119,100,000	39,691	3,025,613,002	1,008,299	3,750,617,156	1,249,910
Colombia	1		496,540,000	165,474	46,498,497	15,496	62,865,657	20,950	119,100,000	39,691	3,025,613,002	1,008,299	3,750,617,156	1,249,910
Ports	4,993,127,604	1,663,982	1,521,601,000	507,080	1,390,355,628	463,342	1,474,233,210	491,295	2,413,675,236	804,368	232,639,956	77,528	12,025,632,634	4,007,596
Colombia	4,993,127,604	1,663,982	1,521,601,000	507,080	1,390,355,628	463,342	1,474,233,210	491,295	2,413,675,236	804,368	232,639,956	77,528	12,025,632,634	4,007,596
TOTAL													1,272,638,185,224	424,112,355

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(102-7) (102-8) Labor Indicators

Number of employees in the company		2013			2014			2015			2016	
			TOTAL		M	TOTAL		M	TOTAL			TOTAL
		M										
	M			Μ			Σ			Σ	M	
 Grupo Argos 	30	49	62	37	62	66	31	57	88	66	80	146
 Cement 	6,735	1,071	7,806	7,774	1,200	8,974	7,968	1,279	9,247	7,829	1,337	9,166
Energy	808	270	1,078	830	286	1,116	1,071	358	1,429	1,165	392	1,557
 Urban Development 	26	12	œ	33	18	51	29	17	46	NA	NA	NA
 Concessions 	NA	NA	NA	NA	NA	NA	NA	NA	NA	87	185	272
Coal	609	45	654	60	19	79	56	13	69	46	10	56
 Ports 	268	80	348	277	81	358	280	87	367	160	62	222
TOTAL	8,476	1,527	10,003	9,011	1,666	10,677	9,435	1,811	11,246	9,353	2,066	11,419

Number of employees in the company by job category			2015					2016		
	Executive	Managerial	Directors	Specialist	Other levels	Executive	Managerial	Directors	Specialist	Other levels
 Grupo Argos 	£	6	21	33	20	9	18	29	60	33
 Cement 	10	129	306	2,197	6,605	10	125	312	2,229	6,490
Energy	10	33	28	592	766	6	27	36	730	755
Urban Development	1	ß	c	21	16	NA	NA	NA	NA	NA
 Concessions 	NA	NA	NA	NA	NA	2	14	27	45	181
Coal	1	4	5	14	45	0	2	ю	12	39
 Ports 	Ð	14	Ø	73	267	ß	13	7	60	137
TOTAL	32	194	371	2,930	7,719	35	199	414	3,136	7,635

2015	•	Grupo Argos	SO	•	Cement		-	Energy		Urbar	Urban Development	pment	Concessions		Ports			Coal	
	Σ	Ν	н	Δ	Ν	F	Σ	N	F	Σ	×	F		Μ	M	н	Σ	×	۰
Level 1 Executive	ى م	'	Ŋ	თ	4	10	o	4	10	4	1	-		4	4	ы	4	'	-
Level 2 Managerial	4	ى ك	თ	110	19	129	20	13	33	m	0	IJ		13	4	14	4		4
Level 3 Directors	7	14	21	224	82	306	16	12	28	N		m		Ø	N	00	7	m	ß
Level 4 Specialists	ത	24	33	1,519	678	2,197	402	190	592	റ	12	21		41	32	73	00	9	14
Level 5 Other levels	Ø	14	20	6,106	499	6,605	624	142	766	14	0	16		216	51	267	41	4	45
TOTAL	31	57	88	7,968	1,279	9,247	1,071	358	1,429	29	17	46		280	87	367	56	13	69
Level 1 Executive	100 %	% 0	100 %	% 06	10 %	100 %	% 06	10 %	100 %	100 %	% 0	100 %	ΥN	80 %	20 %	100 %	100 %	% 0	100 %
Level 2 Managerial	44 %	56 %	100 %	85 %	15 %	100 %	61 %	39 %	100 %	80 %	40 %	100 %		93 %	7 %	100 %	100 %	% 0	100 %
Level 3 Directors	33 %	67 %	100 %	73 %	27 %	100 %	57 %	43 %	100 %	67 %	33 %	100 %	<u>.</u>	75 %	25 %	100 %	40 %	60 %	100 %
Level 4 Specialists	27 %	73 %	100 %	% 69	31 %	100 %	68 %	32 %	100 %	43 %	57 %	100 %		56 %	44 %	100 %	57 %	43 %	100 %
Level 5 Other levels	30 %	20 %	100 %	92 %	8 %	100 %	81 %	19 %	100 %	88 %	13 %	100 %		81 %	19 %	100 %	91 %	% 6	100 %
TOTAL	35 %	65 %	100 %	86 %	14 %	100 %	75 %	25 %	100 %	63 %	37 %	100 %		% 9/	24 %	100 %	81 %	19 %	100 %

2016	•	Grupo Argos	SO	•	Cement		•	Energy		 Urban Development 	•	Concessions	SU	•	Ports		•	Coal	
	Σ	8	F	Σ	>	⊢	Σ	>	⊢		Σ	>	⊢	Σ	>	⊢	Σ	>	⊢
Level 1 Executive	ы	4	9	0	1	10	00	4	o		ß	'	IJ	4	4	IJ	0	0	'
Level 2 Managerial	10	00	18	106	19	125	16	11	27		10	4	14	12	-	13	7	0	ы
Level 3 Directors	10	19	29	222	06	312	24	12	36		16	11	27	4	m	7	1	2	m
Level 4 Specialists	22	38	60	1,509	720	2,229	506	224	730		26	19	45	32	28	60	7	ы	12
Level 5 Other levels	19	14	33	5,983	507	6,490	611	144	755		30	151	181	108	29	137	36	m	0 C
TOTAL	99	80	146	7,829	1,337	9,166	1,165	392	1,557		87	185	272	160	62	222	46	10	56
Level 1 Executive	83 %	17 %	100 %	% 06	10 %	100 %	89 %	11 % 1	100 %		100 %	% 0	100 %	80 %	20 %	100 %	% 0	% 0	% 0
Level 2 Managerial	26%	44 %	100 %	85 %	15 %	100 %	59 %	41 % 1	100 %		71%	29 %	100 %	92 %	8%	100 %	100 %	% 0	100 %
Level 3 Directors	34 %	66 %	100 %	71 %	29 %	100 %	67 %	33 % 1	100 %		59 %	41 %	100 %	57 %	43 %	100 %	33 %	67 %	100 %
Level 4 Specialists	37 %	63 %	100 %	% 89	32 %	100 %	% 69	31 % 1	100 %		58 %	42 %	100 %	53 %	47%	100 %	58 %	42 %	100 %
Level 5 Other levels	58%	42 %	100 %	92 %	8 %	100 %	81 %	19 % 1	100 %		17 %	83 %	100 %	% 62	21 %	100 %	92 %	8%	100 %
TOTAL	45 %	55 %	100 %	85 %	15 %	100 %	75 %	25 % 1	100 %		32 %	68 %	100 %	72 %	28 %	100 %	82 %	18 %	100 %

(102-7) (102-8) Number and percentage of employees by job category and gender





Percentage of employees in the company by job category			2015					2016		
	Executive	Managerial	Directors	Specialist	Other levels	Executive	Managerial	Directors	Specialist	Other levels
Grupo Argos	6 %	10 %	24 %	38 %	23 %	4 %	12 %	20 %	41 %	23 %
Cement	0 %	1%	3 %	24 %	71 %	0 %	1%	3 %	24 %	71 %
Energy	1%	2 %	2 %	41 %	54 %	1%	2 %	2 %	47%	48 %
 Urban Development 	2 %	11 %	7 %	46 %	35 %	NA	NA	NA	NA	NA
Concessions	NA	NA	NA	NA	NA	2 %	5 %	10 %	17 %	67 %
Coal	1%	6 %	7 %	20 %	65 %	0 %	4 %	5 %	21 %	70 %
 Ports 	1%	4 %	2 %	20 %	73 %	2 %	6 %	3 %	27 %	62 %

Number of employees in the company by age

	under 30	between 30 and 40	between 40 and 50	between 50 and 60	over 60	TOTAL
Grupo Argos	33	55	33	22	3	146
Cement	1,075	2,625	2,736	2,167	563	9,166
Energy	214	423	476	377	67	1,557
Urban Development	NA	NA	NA	NA	NA	NA
Concessions	65	121	64	20	2	272
Coal	4	21	13	12	6	56
Ports	40	66	60	48	8	222
TOTAL	1,431	3,311	3,382	2,646	649	11,419

2016

2016

Percentage of employees in the company by age

	under 30	between 30 and 40	between 40 and 50	between 50 and 60	over 60	TOTAL
Grupo Argos	23 %	38 %	23 %	15 %	2 %	100 %
Cement	12 %	29 %	30 %	24 %	6 %	100 %
Energy	14 %	27 %	31 %	24 %	4 %	100 %
Urban Development	NA	NA	NA	NA	NA	NA
Concessions	24 %	44 %	24 %	7 %	1%	100 %
Coal	7 %	38 %	23 %	21 %	11 %	100 %
Ports	18 %	30 %	27 %	22 %	4 %	100 %

Number of employees in the company by type of contract	2015	ß	2016	9
	Undefined	Fixed	Undefined	Fixed
Grupo Argos	87	⊣	145	-
Cement	9,247	0	9,166	0
Energy	1,421	œ	1,532	25
Urban Development	44	0	NA	NA
Concessions	NA	NA	268	4
Coal	60	6	51	ы
Ports	366	⊣	220	5
TOTAL	11,225	ដ	11,382	37

(102-41) Employees covered by collective bargaining

Employees covered by collective bargaining				2015							2016			
	Grupo Argos	Grupo Cement Argos	Energy	Urban Development	Concessions Ports	Ports	Coal Grupo Argos	1	Cement	Energy	Urban Development	Concessions Ports	Ports	Coal
Total number of employees in the organization	80	9,247	1,429	46		69	367	146	9,166	1,557		272	56	222
Total number of employees covered by collective bargaining	1	2,949	686	1	ΥN	1	110	1	2,350	1,040	NA	ı		35
Percentage of employees covered by collective bargaining	% 0	32 %	% 69	%0		% 0	30 %	% 0	26 %	67 %		% 0	% 0	16 %



Staff turnover rate				2015							2016			
	Grupo Argos	Cement	Energy	Urban Development	Concessions	Ports	Coal	Grupo Argos	Cement	Energy	Urban Development	Concessions	Ports	Coal
Staff turnover rate	6.80 %	11.05 %	6.30 %	4.30 %		7.40 %	5.80 %	6.16 %	15.38 %	7.00 %		27.21 %	12.61 %	12.50 %
Voluntary staff turnover rate	1.10 %	7.44 %	2.30 %	% 00.0	,	5.40 %	1.40 %	4.11%	8.56 %	4.43 %		15.81%	6.31%	12.50 %
Employees removed by mutual agreement	4	NA	16	o		0	0	4	355	თ		13	0	Ч
Employees removed by pension or termination of contract	N	67	с С С	N	Ϋ́	N	o	0	NA	10	NA	13	H	0
Employees removed by voluntary resignation	4	NA	34	0		20	ħ	0	NA	69		43	14	4
Employees terminated	0	NA	7	ο		4	0	С	NA	9		ß	ø	0
Chaff turnouce who				2015				_			9100			
distributed				CTOZ							0102			

Energy Urban Development	Concessions	Ports	Coal	Grupo Cen Argos	Cement Energy	gy Urban Development	Concessions	Ports	Coal
43.75 % 0.00 % 1	NA	44.44 %	25.00 %	11.11 % NA	18.33 %	% NA	33.78 %	42.86 %	0.00 %
34.72 % 0.00 %		25.93 %	0.00 %	55.56 %	23.13 %	%	35.14 %	46.43 %	28.57 %
16.67 % 0.00 %		11.11 %	0.00 %	11.11%	7.50 %	9	20.27 %	3.57 %	57.14 %
3,47 % 0.00 %		14.81 %	0.00 %	22.22 %	0.83 %	%	9.46 %	7.14 %	0.00 %
1.39 % 100.00 %		3.70 %	75.00 %	0.00 %	0.21 %	20	1.35 %	0.00 %	14.29 %
31.94 % 0.00 %	•	29.63 %	0.00 %	66.67 %	16.04	%	52.70 %	39.29 %	0.00 %
68.06 % 100.00 %		70.37 %	100.00 %	33.33 %	33.96	%	47.30 %	60.71 %	100.00 %
94 % 0.00 06 % 100.0	% 00 %	~ 		29.63 % 70.37 %	29.63 % 0.00 % 70.37 % 100.00 %	29.63 % 0.00 % 66.67 % 70.37 % 100.00 % 33.33 %	29.63 % 0.00 % 70.37 % 100.00 %	29.63 % 0.00 % 66.67 % 16.04 % 70.37 % 100.00 % 33.33 % 33.96 %	29.63 % 0.00 % 66.67 % 16.04 % 52.70 % 70.37 % 100.00 % 33.33 % 33.96 % 47.30 %

APPENDICES

GRUPO ARGOS

Staff Hiring rate by age and gender				2015							2016			
	Grupo Argos	Cement	Energy	Urban Development	Concessions	Ports	Coal	Grupo Argos	Cement	Energy	Urban Development	Concessions	Ports	Coal
Under 30	ы	469	63	2		20	5	თ		88		29	12	0
Between 30 and 40	00	412	50	0		00	4	14		111		15	7	4
Between 40 and 50	σ	247	24	0		2	0	7		36		9	ഹ	0
Between 50 and 60	0	124	വ	0	NA	0	0	4	A	4	NA	4	ы	0
Over 60	0	13	0	0		0	0	0		4		0	0	0
Female	12	213	46	7		13	0	15	r	77		20	13	4
Male	4	1.051	97	2		17	m	14		163		31	13	0

								-						
Staff Hiring rate by age and gender				2015							2016			
	Grupo Argos	Cement Energy	Energy	Urban Development	Concessions	Ports	Coal	Grupo Argos	Cement	Energy	Urban Development	Concessions Ports	Ports	Coal
Under 30	31.25 %	31.25 % 37.00 % 43.80 %	43.80 %	50.00 %		66.67 %	66.67 %	%	32.32 %	36.67 %		56.86 %	46.15 %	0.00 %
Between 30 and 40		50.00 % 32.56 % 34.70 %	34.70 %	50.00 %		26.67 %	33.33 %	48.28 %	33.91 %	46.25 %		29.41 %	26.92 %	100.00 %
Between 40 and 50		18.75 % 19.56 % 16.70 %	16.70 %	0.00 %		6.67 %	0.00 %	6.90 %	21.73 %	15.00 %		11.76 %	19.23 %	0.00 %
Between 50 and 60	0.00 %	9.78 %	3.50 %	0.00 %	N	0.00 %	0.00 %	13.79 %	10.30 %	1.67 %	AN	1.96 %	7.69 %	0.00 %
Over 60	0.00 %	1.11 %	1.40 %	0.00 %		0.00 %	0.00 %	0.00 %	1.74 %	0.42 %		0.00 %	0.00 %	0.00 %
Female	75.00 %	75.00 % 16.83 % 32.00 %	32.00 %	50.00 %		43.33 %	0.00 %	51.72 %	16.1 %	32.08 %		39.22 %	50.00 %	100.00 %
Male	25.00 %	25.00 % 83.17 % 68.00 %	68.00 %	50.00 %		56.67 %	100.00 %		48.28 % 83.95 %	67.92 %		60.78 %	50.00 %	0.00 %





(401-2) Company benefits for full-time employees

Mandatory company benefits for full-time employees	• Grup	o Argos	e Ce	ment	e Pe	ower	• Ai	rport	P	orts	• 0	Coal
Do you have any of the following company benefits mandatory for all full-time employees?	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Social Security	Х		Х		Х		Х		Х		Х	
Pension Fund	Х		Х		Х		Х		Х		Х	-
Other (Vacations, premium services, layoffs, interests, parafiscal contributions)	Х		Х		Х		Х		Х		Х	

Voluntary company benefits for full-time employees	• Grupo Argos	Cement	Energy	Conces	sions	P	orts	•	Coal
Life Insurance	Х	Х	Х	Х		Х		Х	
Medical Insurance	Х	х	Х		Х	Х		Х	
Accident Insurance	Х	Х	Х		Х		Х	Х	
Health aids	Х	Х	Х		Х		Х	Х	
Marriage assistance	Х	х	Х		Х		Х		Х
Food assistance	Х	Х	Х		Х	Х			Х
Holiday bonus	Х	х	Х		Х	Х		Х	
Flexible working hours	Х	Х	Х		Х	Х	-	Х	
Sponsorship for study	Х	х	Х	Х		Х			Х
Actions	Х	х	Х		Х		Х		Х
Other	Х	Х	Х		Х	Х	-	Х	

401-3 Maternity or paternity leave

Ports

Carbon

2015	Employees who to maternity or p		Employees enjoyed m paternit	aternity or	work after co	no returned to mpleting their paternity leave	in the organ 12 month completed t	who continue nization after s of having heir maternity nity leave
	М	w	М	W	М	W	М	W
Grupo Argos	0	3	0	3	0	3	1	1
Cement					NA			
Energy	32	10	29	10	29	10	25	7
Urban								
Development	0	1	0	1	0	1	1	0
Concessions					NA	×X		
Ports	5	4	5	4	5	4	1	7
Coal	1	1	1	1	1	1	2	2
2016	Employees who to a maternity leave	or paternity	Employees enjoyed m paternit	aternity or	work after co	no returned to mpleting their paternity leave	in the organ 12 month completed t	who continue nization after s of having heir maternity nity leave
	М	W	М	w	М	W	М	W
Grupo Argos	2	4	2	4	2	3	0	1
Cement					NA			
Energy	22	13	22	13	22	9	19	13
Urban Development		```````````````````````````````````			NA	·`	:	
Concessions	4	10	4	10	4	10	1	4



404-1 Average annual hours of training per employee,

itemized by sex and by job category

2015	Grupo Argos	Cement	Energy	Urban Development	Concessions	Ports	Coal
Number of hours of training level 1	117	1,246	154	14		7	62
Number of hours of training level 2	815	12,055	2,131	408		97	401
Number of hours of training level 3	2,183	35,481	893	145		106	611
Number of hours of training level 4	2,632	193,018	43,354	2,414		1,358	1,586
Number of hours of training level 5	1,366	310,547	23,763	1,713		1,844	1,131
Average hours of training level 1	23	125	15	14		1	62
Average hours of training level 2	91	93	65	82		7	100
Average hours of training level 3	104	116	32	48		13	122
Average hours of training level 4	80	88	73	115	NA	19	113
Average hours of training level 5	68	47	31	107		7	25
Number of hours of training by gender (female)	5,794	115,571	19,184	2,152		1,153	1,374
Number of hours of training by gender (male)	1,318	436,776	51,292	1,318		2,259	2,415
Average hours of training by gender (female)	102	79	124	127		13	106
Average hours of training by gender (male)	43	21	108	88		8	43

2016	Grupo Argos	Cement	Energy	• Urban Development	Concessions	Ports	Coal
Number of hours of training level 1	124	982	162		247	4	-
Number of hours of training level 2	1,374	11,598	1,419		622	46	313
Number of hours of training level 3	1,520	31,234	2,028		601	48	322
Number of hours of training level 4	2,227	198,712	32,022		1,500	968	840
Number of hours of training level 5	1,935	361,790	17,927		5,115	1,162	658
Average hours of training level 1	21	98	18		49	1	0
Average hours of training level 2	76	93	53		44	4	156
Average hours of training level 3	52	100	56		22	7	107
Average hours of training level 4	37	89	44	NA	33	16	70
Average hours of training level 5	59	56	24		28	8	17
Number of hours of training by gender (female)	5,070	122,244	18,659	_	5,318	685	680
Number of hours of training by gender (male)	2,110	482,072	34,900	_	2,767	1,543	1,453
Average hours of training by gender (female)	63	91	48		29	11	68
Average hours of training by gender (male)	32	62	30	_	32	10	32



404-2 Programs aimed at promoting employability of workers and management at the end of their professional careers

Grupo	Argos
arupo	AIG03

	Grupo Argos
Programs to improve employee skills	Programs in leadership training with workshops in corporate strategy with Harvard University, leadership for equity with the University (of California) at Berkeley, business environment, knowledge management, development of people, leadership, culture and Human Talent management.
	English training programs, innovation workshops, Excel, climate and culture dialogues, ethical deliberation in business, graduates in international financial reporting standards, IFRS, tax reform, total compensation, sustainability.
	Training programs on issues related to Occupational Health and Safety in the Workplace: Hygiene and industrial safety regulations, alcohol and drug policy, hot accident prevention, preventive driving, stress management, fire control, what to do in case of fire, seismic movement, threat calls, public risk, training for brigade members, investigation of accidents and work incidents, among others.
Programs aimed at promoting the employability of workers and management of the end of their professional careers.	There is a retirement plan for Senior Management which consists of a payment made at the end of their work life, once the conditions established are met.

404-3 Employee performance

Employee performance								2	2015						
		Executiv	е		Manage	erial		Direct	ors		Specia	list		Other lev	els
	м	w	TOTAL	М	W	TOTAL	м	W	TOTAL	М	w	TOTAL	м	w	TOTAL
 Grupo Argos 	0 %	NA	0 %	100 %	100 %	100 %	100 %	100 %	100 %	71 %	95 %	89 %	100 %	100 %	100 %
Cement	NA	NA	100 %	NA	NA	100 %	NA	NA	100 %	NA	NA	100 %	NA	NA	53 %
Energy	NA	NA	0 %	NA	NA	45 %	NA	NA	94 %	NA	NA	100 %	NA	NA	94 %
 Urban Development 	0 %	NA	0 %	100 %	100 %	100 %	100 %	NA	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Concessions									NA			4		*	
Coal	0 %	NA	0 %	100 %	NA	100 %	100 %	NA	100 %	100 %	100 %	100 %	100 %	100 %	100 %
 Ports 	100 %	100 %	100 %	100 %	100 %	100 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %

Employee performance								2	2016						
		Executive	e		Manage	erial		Direct	ors		Specia	list		Other lev	els
	м	W	TOTAL	м	w	TOTAL	м	W	TOTAL	м	W	TOTAL	м	W	TOTAL
 Grupo Argos 	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	36.90 %	100 %	63.60 %
e Cement	NA	NA	100 %	NA	NA	100 %	NA	NA	100 %	NA	NA	100 %	NA	NA	63 %
Energy	NA	NA	89 %	NA	NA	100 %	NA	NA	100 %	NA	NA	99 %	NA	NA	94 %
 Urban Development 		*	4	*	·			*	NA						
Concessions	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Coal	0 %	0 %	0 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	19 %	66 %	23 %
Ports	100 %	100 %	100 %	100 %	100 %	100 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %



(405-1) Composition of governance bodies (Board of Directors)

Members belonging to a governance body (Board of Directors)	Men	Women	Under 30	Between 30 and 40	Between 40 and 50	Over 50	Minority Groups
Grupo Argos	71,43 %	28,57 %	0 %	0 %	14 %	86 %	0 %
Cement	71,43 %	28,57 %	0 %	0 %	29 %	71 %	0 %
Energy	71,43 %	28,57 %	0 %	0 %	14 %	86 %	0 %
Concessions	71,43 %	28,57 %	0 %	0 %	86 %	14 %	0 %
• Ports	100 %	0 %					

(405-2) Ratio between the salary of men and women

2015	Units	Grupo Argos	e Cement	Energy	Urban Development	• Concessions	Ports	e Coal
Level 1 Executive	Ratio	NA	NA	1,03	NA		1,33	NA
Level 2 Middle management	Ratio	1,11	0,95	1,25	1		1,38	1
Level 3 of Managers	Ratio	1	0,92	1,22	0,97	NA	1,33	0,71
Level 4: Specialists	Ratio	1	0,99	1,14	1,05		1,32	1,17
Level 5: Operational	Ratio	1,48	1,09	0,97	1,36		1,27	1,18

2016	Units	Grupo Argos	Cement	Energy	Urban Development	Concessions	Ports	e Coal
Level 1 Executive	Ratio	NA	NA	0,84	2 	NA	1,24	NA
Level 2 Middle management	Ratio	0,94	0,84	1,44		0,98	1,44	NA
Level 3 of Managers	Ratio	0,97	0,94	1,09	NA	1,14	1,14	0,64
Level 4: Specialists	Ratio	1,04	0,98	1,14		1,14	0,88	1,2
Level 5: Operational	Ratio	0,67	1,08	1,08		1,31	1,22	0,94



(403-2) Type and injury rate, occupational illnesses, days lost, absenteeism and number of work-related fatalities by region and by gender

					20	016						
	Unit	• Grup	o Argos	Cement	e Er	nergy	Conc	essions	Port	s	• c	oal
		М	W		Μ	W	М	w	М	W	Μ	W
	1	: :			EMPL	OYEES		: :	:		::	
Total cases of work-related accidents and illnesses	Number	-	-	34	23	15	2	13	3	-	1	-
Days of absence by work-related accidents and illnesses	Days	-	-	661	547	39	1	47	15	-	11	-
Sick leave number for common illness	Cases	25	57	4	830	390	46	478	128	N/A	84	15
Sick leave days	Days	117	205	-	4,616	2,198	478	2,538	771	N/A	528	481
Total hours worked	Hours	169,260	230,248	24,413,394	2,912,257	1,062,661	217,820	622,950	593,714	N/A	143,714	31,216
Total days worked	Days	21,158	28,781	NA	342,618	125,019	27,228	77,869	365	N/A	17,964	3,902
Casualties	Number	-	-	1	-	-	-	-	-	-	-	-
					CONTR	ACTORS						
Total cases of work-related accidents and illnesses	Number	4	1	19	159	1	3	3	19	N/A	11	-
Days of absence by work-related accidents and illnesses	Days	20	7	306	13,964	7	17	3	138	NA	142	-
Sick leave number	Cases	36	37	NA	1,006	181	NA	NA	N/A	N/A	149	14
Sick leave days	Days	122	142	NA	4,678	675	t NA	NA	N/A	N/A	626	60
Total hours worked	Hours	516,543	95,073	24,230,568	3,681,050	291,529	184,840	186,960	1,350,804	N/A	513,240	43,285
Total days worked	Days	64,568	11,884	NA	433,065	34,298	23,105	23,370	365	N/A	64,155	5,411
Casualties	Number	-	-	-	2	-	-	-	-	-	-	-

	302-1 Internal el	302-1 Internal energy consumption (GJ)		302-4 Reduced e	302-4 Reduced energy consumption	Ę	303-1 Total water collection (m ³)	ollection (m ³)		303-3 Percenta	303-3 Percentage of recycled and reused water	d reused water
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Grupo Argos	9,507	11,552,36	10,759,06	Not Reported	Not Reported	Not Reported	1,055,90	956,36	78,458,64	Not Reported	Not Reported	Not Reported
Cement	40,816,337,40	40,816,337,40 44,331,467,81 39,205,325,04	39,205,325,04	1,368,307	262,29	564,210,40	11,504,259	10,606,830	13,407,142,70	28	274	214
Energy	15,459,434,22	15,459,434,22 27,014,948,79 21,489,700,58	21,489,700,58	2,666,29	4,057	107,857	10,190,279,490	13,422,864,475	12,538,445,474	0,04	0,02	0,01
Concessions	NA	NA	2,455,35	NA	NA	78,45	NA	NA	2,661	Not Reported	Not Reported	Not Reported
Urban Development	1,195,68	1,043,29	NA	Not Reported	Not Reported	NA	47,322,00	81,726,00	NA	Not Reported	Not Reported	NA
Ports	26,022,20	11,133,55	9,897,41	Not Reported	Not Reported	Not Reported	26,831	54,584	141,140,10	Not Reported	Not Reported	Not Reported
Coal	128,790,91	187,495,04	211,939	Not Reported	Not Reported	Not Reported	105,102,00	103,559,40	107,202	Not Reported	Not Reported	Not Reported
FOTAL	56,441,287	71,557,641	60,930,076	1,370,973	4,319	672,146	10,201,964,060	13,433,712,131	12,552,182,079	0,07 %	0,25 %	0,23 %

Climate change strategy

Notes:

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 (102-48) The water collection data of the coal business for 2015 was re-expressed due to the fact that the direct collection of rainwater sources had not been considered.

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- (102-48) The energy consumption data of the Ports business for 2015 was re-expressed due to changes in the calculation methodology.
 In 2016 Strum (IIrban Development) became a
 - In 2016, Situm (Urban Development) became a line of business of Grupo Argos. For this reason, the indicators of Grupo Argos now include Urban Development data.
- Since 2015, the energy business figures include operations of the company in Central America.

- The increase in the water collection of the Ports business is due to the increase in storage areas of coal and by-products and to the change of a flow meter.
- Energy consumption reported by the Concessions business corresponds to the administrative offices and tolls of Corozal, Circasia, Tarapacá I, Tarapacá II, Pavas, San Bernardo, Santágueda and the Calarca scale.
- The total water collection reported by the Concessions business corresponds to: i) surface sources: Santágueda toll and ii) municipal water: tolls of Circasia, Tarapacá II, Pavas, San Bernardo, Santágueda and the Calarca scale.





(304-3) Biodiversity Conservation

Location of protected or restored habitat	Purpose of the restoration or conservation	Collaboration with a third party to protect or restore this area	Size of the protected or restored area by direct action of the company (hectare)	2016 Progress
Antioquia/Rio Negro, Belmira, San Pedro de Ios Milagros	Strengthen the integrated management of water basins and governance of water resources through the financing of long-term conservation actions and through the pooling of relevant stakeholders in water management.	EPM, Postobón, Cornare, Valle de Aburrá Metropolitan Area, Nutresa y Medellín City Council.	12.4	7,250 trees planted for the restoration of supply basins for the population of Medellín.
Farallones Natural National Park in Cali, Valle del Cauca	Restore areas affected by wildfires.	Natural National Parks	3.4	1,024 trees of native species planted to restore the area.
Parque Nacional Natural Farallones de Cali, Tatamá y Munchique	Conduct diagnosis of the presence of the Andean Bear to define the consultation and implementation phase of conservation and restoration areas.	Natural National Parks Corporación Autónoma del Valle, Smurfit Kappa, Wildlife Conservation Society y Celsia.	411.700	With the diagnosis undertaken, it was found that the Andean Bear is present in 74 % of the study area and is exposed to risks related to: pressure from cattle of 25%, selective logging of 21%, corn crops of 9 % and mining of 8 %.
Roncesvalles, Tolima	Undertake restoration process in compensation areas.	Celsia	5.28	5,807 trees planted in compensation areas.
Prado, Tolima	Undertake restoration process in compensation areas.	Celsia	6.8	10,000 trees planted in compensation areas.
Rio Claro, Antioquia	Restoration in area degraded by mining	Cementos Argos	0.63	750 trees planted.
Belmira, Antioquia	Undertake restoration of basin protection areas: Fondo de Agua de Medellín (Medellin Water Fund) (Cuenca Verde)	Cementos Argos and Celsia	0.18	700 trees planted in waterside areas.
Cairo, Santa Barbara - Antioquia	Plant trees in the Cairo planting area	Cementos Argos	0.18	200 trees planted.
Union, Versailles and Roldanillo - Valle del Cauca	Undertake the restoration of basin areas in the Valle del Cauca department with the ReverdeC program	Celsia, Epsa and conTREEbute	77.45	85,202 native trees planted for the protection of banks.
Mount Lebanon. Cordoba. Hacienda Centenario	Conduct planting of species to generate shade and protection of basins in livestock areas	Tekia	24.26	26,700 individual trees planted to generate connectivity between cattle pastures and also benefit the cattle through the shade.
Palo Alto - Sucre (Hacienda Belén)	Conduct planting of species to generate shade and protection of basins in livestock areas	Tekia	0.11	130 trees planted.
Puerto Libertador, Córdoba	Plant trees in livestock areas and forest plantations	Tekia	1.81	2,000 trees planted.
Guasca, Cundinamarca El Retiro, Antioquia Encino, Santander	Undertake restoration in basin areas and natural reserves for life in the Carrera Verde program	Fundación Natura	20.9	Over 23,000 native species planted in different regions of the country in order to promote the care of forests and to adapt reclaimed areas to conservation in perpetuity.



Self-assessment of the application of principles and content of the Integrated Report

The 2016 Integrated Report has been prepared following principles and elements of the *International Integrated Report Council (IIRC)*, to properly inform stakeholders about material issues that impact the organization's ability to create value and its coordination with the strategy and business model, taking into account the different risks and opportunities presented in the Business Group.

Additionally, there have been advances in the completion of the Integrated Report by submitting a report that clearly and concisely informs about the most significant issues concerning the holding company and relationships that exist between these, the business model, the strategy and the manner in which the holding company creates value in the short, medium and long term, as well as the stakeholders that we impact by the management of material affairs.

On the other hand, efforts have been made to include in a comprehensive and balanced way all the impacts, both positive and negative, and the way in which they are taken into account in the process of creating value in the holding company and in investment or divestment decisions. In addition to this, progress was made in monitoring the management and goals set in previous years, as well as in the future projection and setting of goals for the short, medium and long term.

With regard to stakeholder engagement, Grupo Argos' 2016 integrated report provides information on the nature, mechanisms, and quality of the organization's relationships with its key stakeholders in the "How we relate" section, including how and to what extent the organization understands, takes into

account and responds to the expectations and legitimate interests of stakeholders to generate a value proposition and maintain permanent dialogues. Also, throughout the report it is highlighted how the management of material issues responds to these expectations and interests.

The 2016 report seeks to present information that is constant over time and in a way that demonstrates the historical comparison of the holding company and its subsidiaries, as well as with other industry organizations by creating it in the context of the *Global Reporting Initiative (GRI)* under the GRI Standard version, in accordance with the essential option.

The reliability of the report is reflected in the audit of the financial and accounting information conducted by Deloitte & Touche, an independent third party acting as Grupo Argos Statutory Auditor. In addition, the same firm conducted the limited assurance of a selection of sustainability performance indicators presented in the GRI Content Index.

Below are the elements of the Integrated Report framework that have been applied in the making of this report.



Content element	Aspects included	Section
	Business Model and its relationship	How we create value/Business mode
	with the creation of value	and Investments with ESG approach
Organizational vision and operational context	Grupo Argos stock portfolio	How we create value/ Investment portfolio
	Geographic presence of conglomerate companies	About Us/About Grupo Argos
	Structure of the Board of Directors and the Steering Committee	About Us/Good governance
	Committees and responsibilities of the Board of Directors	About Us/Good governance
Corporate Governance	Good practices with the Board of Directors: nomination, election, compensation, training and evaluation of the Board of Directors	About Us/Good governance
	Codes and guidelines for ethical behavior in the conglomerate	About Us/Ethics, conduct and transparency
Business Model	Business Model and its relationship with the creation of value	How we create value/ Business model
	Strategic risks and mitigation activities of the conglomerate	Economic dimension/ Risk management
Risks and opportunities	Risks and opportunities of the conglomerate in ESG aspects	- Management Report - Who We Are - How we create value - Economic dimension - Environmental dimension - Social dimension
	Business model for obtaining results	How we create value/ Business model
Strategy and resources	Sustainability Strategy	How we create value/investments with ESG approach How we create value/ How we relate
	Financial Performance of the subsidiaries	 Management report How we create value/Investments with ESG approach Economic dimension/Tax performance
Performance and results	Performance and results for the holding company and its subsidiaries in the context of the triple account	 Management report How we create value/Investments with ESG approach How we create value/Innovation Environmental dimension/Climate change and biodiversity strategy Social dimension/Human talent management, contribution to socia development and Human Rights

APPENDICES



Future projection in the relationship with Stakeholders	About Us/How we relate
Future projection in the management of ethics, transparency and anti- corruption mechanisms	Economic dimension/Ethics, conduct and transparency
Future projection in the intellectual capital management	How we create value/Investments with ESG approach How we create value/Innovation
Future projection in the protection of the natural capital	Environmental dimension/Climate change strategy Environmental dimension/Biodiversit
Future projection in human capital management	Social dimension/Human talent management and Human Rights
Future projection in the social capital management	Social dimension/Contribution to social development
Contextualization and progress of the comprehensive report	About the report
Identification of the material issues in sustainability and value creation	About Us/How we relate
	relationship with StakeholdersFuture projection in the management of ethics, transparency and anti- corruption mechanismsFuture projection in the intellectual capital managementFuture projection in the intellectual capital managementFuture projection in the protection of the natural capitalFuture projection in the protection of the natural capitalFuture projection in human capital managementFuture projection in the social capital managementContextualization and progress of the comprehensive reportIdentification of the material issues in

In conclusion, there has been positive progress vis-a-vis fulfillment of the Integrated Report framework with respect to 2015 and the necessary considerations have been taken to ensure the integrity of the framework. Even so, the Business Group is aware of the challenges and opportunities for improvement with the goal of moving closer to compliance with this framework.

Sincerely,

Camilo Abello Vives Vice President of Corporate Affairs



Deloitte.

Independent Review Report

Independent Review of the 2016 Grupo Argos Integrated Report.

Scope of our work

We have reviewed the adaptation of the contents of the 2016 Grupo Argos Integrated Report, taking into account the guide for preparation of sustainability reports of the Global Reporting Initiative (GRI) under the GRI Standard version.

Verification standards and processes

We have conducted our work according to the ISAE 3000 standard - International Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accounts (IFAC).

Our review work consisted of formulating questions to the Management, as well as to the various Grupo Argos departments that have participated in the preparation of the Integrated Report and in the application of certain analytical procedures and sampling review tests as described below:

- Interviews with Grupo Argos staff in order to understand the principles, systems and management approaches applied in preparation of the report.
- Analysis of how the Report content, structure and indicators are defined based on the materiality exercise, according to that suggested by the GRI Standard methodology.
- Evaluation of the processes used to collect and validate the data presented in the report.
- Checking, by means of tests based on the selection of samples and review of the evidence of quantitative and qualitative information corresponding to the GRI and specific indicators included in the integrated report and its proper compilation from the data provided by the information sources of Grupo Argos.

Confirmation that the Integrated Report has been prepared according to the GRI Standard methodology in its "Core" version.

General concepts

It is confirmed that the report meets the requirements of the essential option of the general concepts of the GRI Standard version.

Specific concepts

We reviewed the management approach and GRI and specific indicators of the material issues (See Appendix 1).

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Responsabilities of the Grupo Argos and Deloitte Management

 Preparation of the 2016 Integrated Report, as well as its content, is the responsibility of the organization, which is also responsible for defining, adapting and maintaining the management and internal control systems from which the information is obtained.

• Our responsibility is to issue an independent report based on the procedures applied in our review.

 This Report has been prepared exclusively in the interest of the organization according to the terms of our service proposal. We do not assume any liability to third parties other than the company's management.

• We have carried out our work in accordance with the standards of independence required by the Code of Ethics of the International Federation of Accountants (IFAC).

 The scope of a limited review is substantially lower than that of an audit. Therefore we do not provide audit opinion on the Integrated Report

DELOITTE & TOUCH LTDA. Jorge Enrique Múnera D. Partner



A member firm of **Deloitte Touche Tohmatsu**

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Conclusions

As a result of our review there has been no evidence to suggest that the Integrated Report contains significant errors or has not been prepared according to the guide for preparation of sustainability reports of the Global Reporting Initiative (GRI) under the GRI Standard version.

Recommendations

In addition, we have presented our recommendations to Grupo Argos regarding areas of improvement to consolidate the processes, programs and systems related to sustainability management. The most notable recommendations are:

 Conduct periodic monitoring of progress in the management of material issues, which will make the reporting process more efficient at the end of the year.

Material issues	GRI and/or Grupo Argos specific indicator		
Investments with ESG approach	201-1 Specific EBITDA, net profit, net debt/EBITDA		
Risk Management	Specific Strategic risks Specific Emerging risks		
Ethics, transparency and competency	205-1, 205-2, 205-3		
Climate change strategy	302-1, 302-4, 305-1, 305-2, 303-1, 303-3		
Human talent management	401-1, 401-2, 401-3, 404-1, 404-3		

APPENDIX 1

APPENDIX 2 Declaration of Independence

Deloitte is one of the largest companies in the provision of professional services in auditing, taxes, consulting and financial and sustainability counseling to public and private organizations in various industries. With a global network of member firms in more than 185 countries, Deloitte offers world class skills and high quality services to its customers. Approximately 250,000 professionals are committed to being a standard of excellence. We confirm our independence from Grupo Argos. All of our employees conduct annual updates to the Ethics Policy where we duly declare that we have no conflicts of interest with Grupo Argos, its subsidiaries or its stakeholders.

Every area in Grupo Argos participated in the making of the Integrated Report, coordinated by the Sustainability and Communications Management.

Journalistic and graphics editing: Workshop Edition www.tallerdeedicion.co



Some photos of the Integrated Report pay homage to the botanical wealth of the Andean region, contained in volume five of the *Savia Collection* presented in 2017 and it will be available for free in every public library in Colombia. With this collection, Grupo Argos contributes to the knowledge and appropriation of the natural heritage.