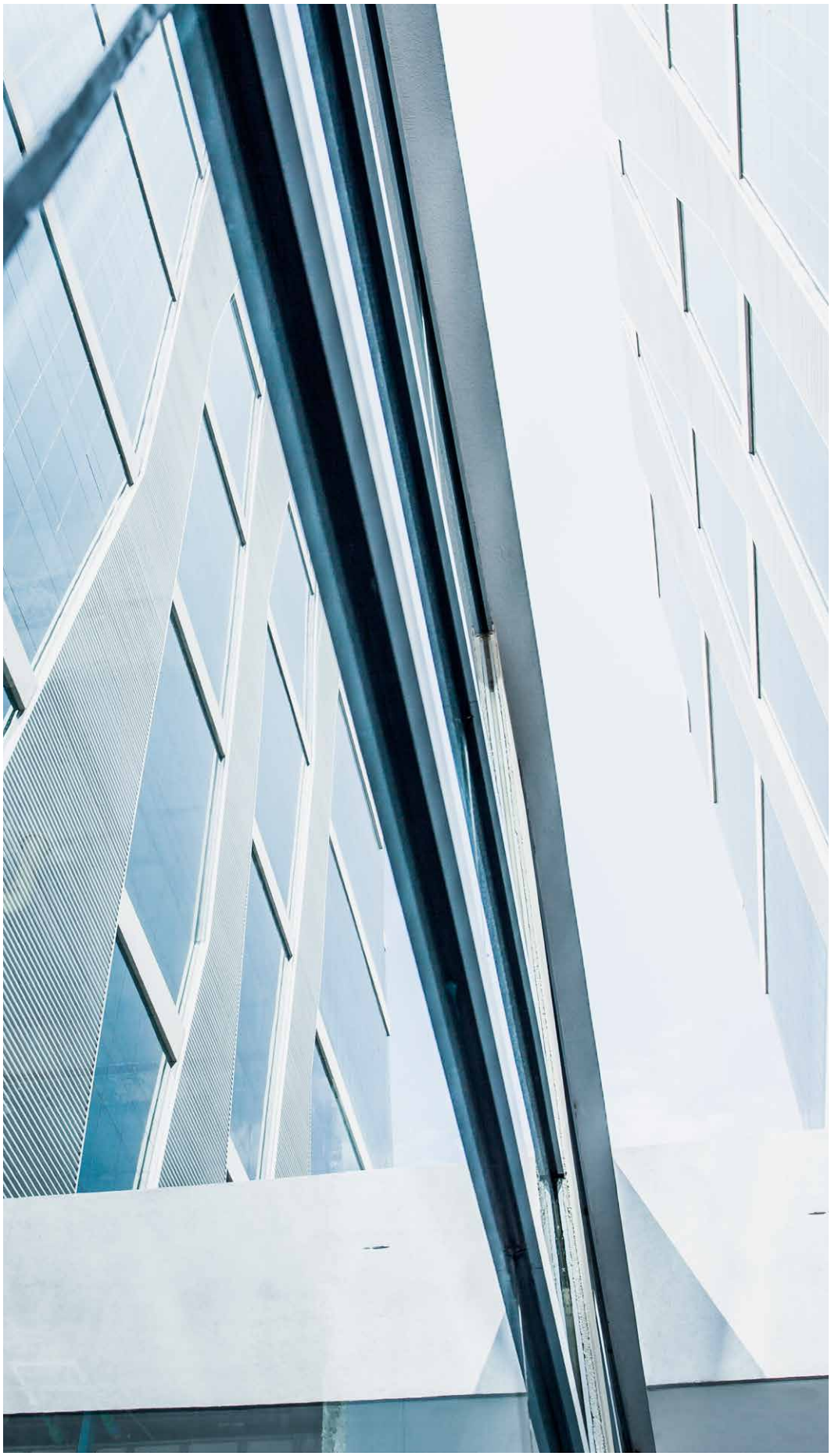


VALUE ADDED STATEMENT

2020

GRUPO ARGOS

Inversiones que transforman

About this Report

This Value Added Statement - VAS, has the purpose of illustrating the relative importance of our externalities. The calculations includes in this Statement do not reflect our past, present or future revenue, nor are they part of our financial information.

The results of our VAS must be considered as illustrative, as they are calculated using a personalized model based on a set of assumptions. Current approaches may be perfected as new studies become available. In upcoming years, the results of prior VAS evaluations could be restated according to new and adjusted methodologies.

Although we make an effort to present precise, timely information in the Value Added Statement, we cannot guarantee a precise description of reality, Thus, measurements cannot be made based on the information disclosed in this report without prior technical assistance and an exhaustive review of each specific situation.

For more information on our VAS, please contact Cristina Arias, Sustainability Manager for Grupo Argos at cariase@grupoargos.com.

Autopistas del Café
Coffee Growing Region, Colombia

Content

Introduction

At Grupo Argos, we always aim to give back more to our environment than we take from it, because we are aware of our great responsibility as agents of transformation in society. Thus, we transcend beyond a quest for profitable growth, as we make desicions that consider the environmental risks and impact generated by our businesses and investments, guaranteeing our company's endurance over time.

Model

2020 was a historical and unprecedented year, in which humanity was impacted by a multidimensional shock, filled with challenges. We witnessed the strength arising from organized work that distinguishes the human talent driving our organization today, and the value of the capacities developed at Grupo Empresarial Argos over decades. This impact valuation exercise reaffirms our superior purpose of transforming positively the lives of millions of people, and generating value for our shareholders and all our stakeholders, even in times of crisis.

Through our business activities, we transform into value the different types of capital we use in our operations, namely financial, human, natural, social, intellectual and operating capital.

To define the net value we deliver to our environment, we measure our positive and negative value using a tool called the Value Added Statement (VAS).

This provides us with a comprehensive overview of how we retain, add or reduce value, and provides us with useful information that allows us to:

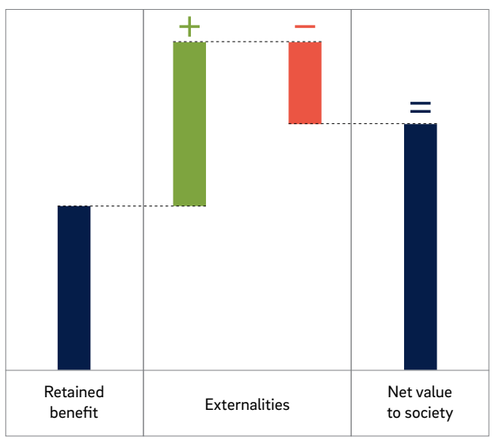
1. **Make decisions** that are more responsible and better informed
2. **Manage risks** more precisely
3. **Enhance transparency** towards our stakeholders

Our VAS model estimates net value during the fiscal year. Results are expressed in monetary terms using a bridge graph.

The graph starts with a blue bar, representing the benefit we retained during the period. This benefit is calculated by subtracting income taxes, financial expenses and dividends paid from Ebitda.

The following bars represent economic, social and environmental externalities, that translate into benefits or costs for society.

These are expressed in dollars and are added up to obtain a net value, which is reflected by the final blue bar.



Grupo Argos employees
Medellin, Antioquia

Economic externalities

- **Salaries and benefits:** Dynamization of the economy through the employee payroll.
- **Interest and dividends:** Dynamization of the economy through interest payments to banks and investors and dividends paid to our shareholders.
- **Taxes:** Dynamization of the economy through tax payments.

Social externalities

- **Talent development:** Improved income and benefits for employees receiving higher compensation within the job market after receiving training.
- **Social investment:** Social benefits returned to the community in the form of housing projects, community and educational infrastructure, scholarships, among others.
- **Health and safety:** costs to collaborators and their families due to workplace injuries, fatalities and illness.

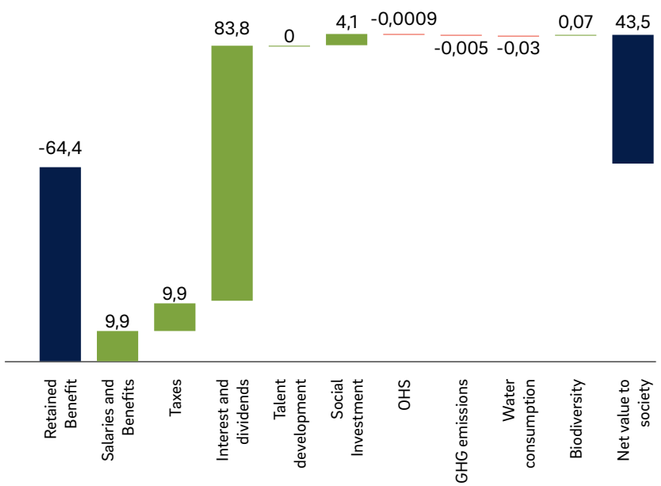
Environmental externalities

- **Greenhouse gas (GHG) emissions:** Impact on the environment and on people from GHG emissions (Scope 1 and 2 CO_2e emissions).
- **Atmospheric emissions:** Impact on people from atmospheric pollution associated with sulfur oxide (SOx), nitrogen oxide (NOx), particulate material (PM), and mercury emissions.
- **Water consumption:** Impact on communities related to water scarcity caused by consumption.
- **Biodiversity:** Positive or negative biodiversity impacts due to extraction activities and installations, together with compensation and rehabilitation programs.
- **Avoided GHG emissions:** Impacts avoided by substituting traditional materials and fuels for other alternatives. Includes prevented emissions from spillage, and emissions prevented by not extracting, producing or consuming natural resources.

Results

Grupo Argos 2020 Separate

Figures in millions of dollars



Grupo Argos scope
- Figures from the Separate Financial Statements
- Includes the Real Estate Business
- Impact of our own operation.

2020 was a year filled with challenges for humanity and our company was no exception. Separate revenue for the year was COP 256 billion, which, despite positive contributions from our cement, energy, real estate businesses, portfolio dividends and some divestments that rose to COP 460 billion, was impacted by COP 204 billion in losses from the concessions business, booked under Grupo Argos revenue using the equity method. This is reflected in an EBITDA of $83 billion. This figure is the main input for calculating retained benefit, the starting point for our VAS.

This year, retained benefit was -USD64.3 million dollars. Its negative value is due to an important drop in EBITDA due to the impact of the concessions business, and a 12% increase in the moving average exchange rate used to convert dollars into financial figures. Notwithstanding this, even during a time of crisis, this year we generated USD 43.3 million in value for society.

In the economic aspect, we brought dynamism to the economy through the payment of salaries, benefits, taxes, interest and dividends, generating an estimated benefit of USD 103.6 million. This is a significant contribution to the country's productivity and competitiveness.

Our conviction of training our collaborators is ongoing. Our education programs, including higher education scholarship recipients, rose to an average of 83 hours per employee. Even so, this externality depends on employee turnover, and, during the year, no employees left for other companies. The cases registered are related to two retirees and another who entered into agreement very close to retirement age.

We contributed to community infrastructure through urban development project built by the Real Estate Business, which, together with citizen culture and athletics units programs, is equivalent to USD 4.1 thousand in estimated community benefits. This impact does not yet reflect our social investment for dealing with the pandemic in hospitals. We are currently researching this multiplier and will include it once the study has ended. This positive externality, minus USD 973 in social costs represented by a minor incident involving a contractor, is equivalent to an estimated USD 4.1 million in net contributions to the social dimension.

In the environmental dimension, the main impact is related to water consumption and greenhouse gas emissions which, together, represent an estimated USD 41 thousand in social cost. Biodiversity results were positive, with an estimated benefit of USD 70 thousand, mainly related to the reforestation initatives implemented by our Real Estate Business, and lower earth movements. This represents an estimated net positive value of USD 28,094.

Although our environmental results were positive, we work continuously to contribute to ecosystem preservation through our businesses and Fundación Grupo Argos. In this regard, and to date, we have planted over eight million trees over the past four years.

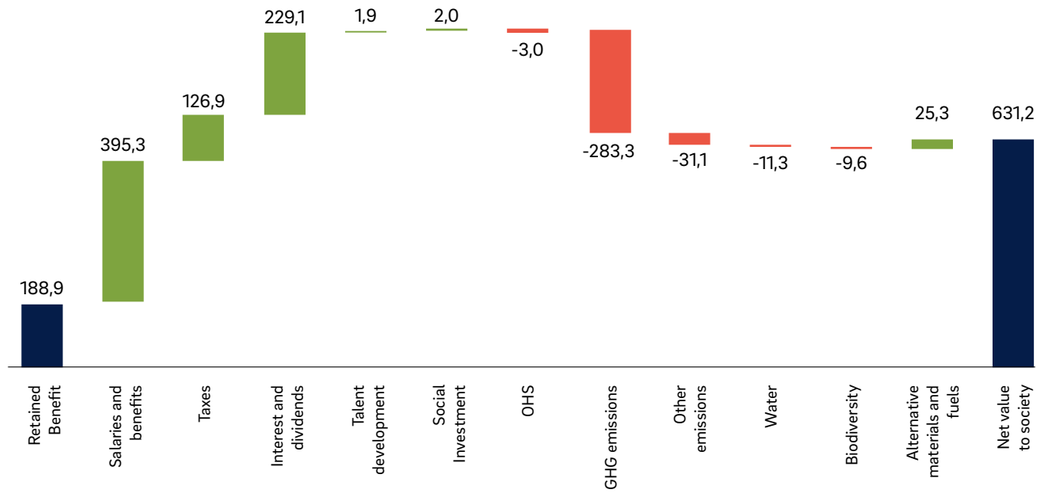
This is the third impact valuation exercise carried out by Grupo Argos as parent company and the sixth for Cementos Argos consolidated.

Due to the diversity of impacts, the externalities monetized hereunder respond to the nature of each business, meaning that impacts are not mutually comparable.

Results

Cementos Argos 2020 Consolidated

Figures in millions of dollars



Cementos Argos scope
- Figures from the Consolidated Financial Statements
- Includes the cement, concrete and aggregate business, in 15 countries of operation.
- Impact of our own operation.

The revitalization of the economy in 2020 meant USD 631.2 million in estimated benefits for Cementos Argos, 3.3 times its retained value. It generated USD 751.3 million in economic value, marked mainly by the payment of salaries and benefits, taxes, and interest and dividends. It also generated an estimated USD 849.5 thousand in net benefits related to social externalities. Greenhouse gas emissions represent 83.7% of the costs generated for society during the period, estimated at USD 283 million. This is proof that the cement industry faces huge challenges in the area of climate change. Thus, within the framework of its environmental strategy, Cementos Argos has developed a set of initiatives that help reduce this impact. For details of its specific goals and actions, see pages 64-65. A monetized example of these efforts is the positive impact made by the substitution of raw materials and fossil fuels for alternatives, estimated at USD 25.3 million. For more details on its climate change management, please see the integrated report at www.argos.co.

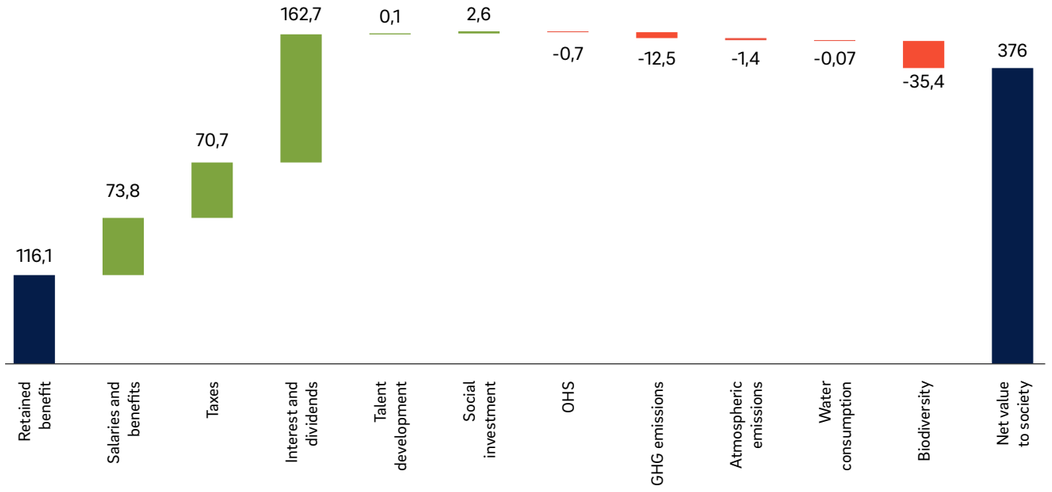
In turn, water consumption, atmospheric emissions and biodiversity impacts represented 3%, 9% and 3% of overall social costs respectivelly. The sum of the environmental externalities represented an estimated total net cost of USD 310 million in 2020.

Applications: Cementos Argos was a pioneering company in monetizing its externalities. Simultaneously, it has focused on developing applications to quantify its water risk, along with value added calculations for its operations in different countries. Based on this exercise, it has implemented analyses that provide fundamental information for decision making. Cementos Argos is currently developing these applications so as to continue integrating the VAS approach into its decision making process.

Results

Celsia 2020 Consolidated

Figures in millions of dollars



Celsia scope

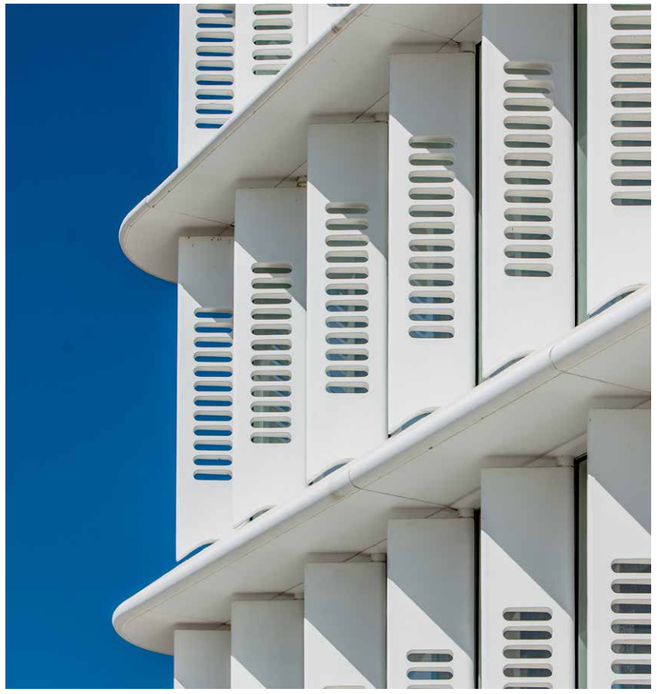
- Figures from the Consolidate Financial Statements
- Impact of our own operations.

Our energy business delivered USD 376 million to society, 3.23 times the retained benefit which was USD 116 million. Economic dynamization was USD 307 million. The dynamization of the economy even during a crisis is a highlight, with a 9.78% increase in the company's labor force, representing a 6.5% increase in the payment of salaries and benefits compared to 2019. Dividend payments had the highest positive impact, equivalent to USD 162.7 million and 13% shareholder profitability. Taxes were reduced this year, due to the sale of free trade zone and Plan5Caribe assets in 2019.

Social impacts were led by USD 2.6 million in social investments, although these investments were reduced by 12% as the budget for Education Promotion decreased due both to a change from a classroom to a virtual model and to a reassignment of resources to deal with the emergency and provide healthcare support. In the area of occupational health and safety, the company continued its "Yo elijo cuidarme" ("I choose self-care") program, reflected in zero employee and contractor fatalities over the last two years, together with a 68% reduction in the employee accident rate since 2019 and an 82% reduction since 2017.

The highest negative impact is USD 35 million related to biodiversity affectations. This is mainly due to the fact that one of our hydroelectric plants is located within a Colombian National Nature Park, declared a high impact biodiversity area after plant construction. This externality does not reflect positive tree-planting actions by the ReverdeC program, which planted 1.4 million trees and intervened 3,884 hectares in 2020 since the program began.

The GHG emissions externality had a value of USD 12.5 million, a 61.91% reduction compared to 2019, due to the sale of the Free Trade Zone assets in 2019, and reduced energy generation at the Colon, Panama, thermolectric compound. This also contributed to low NOx, SOx, mercury and particulate material emissions. Regarding water consumption, the company has an ongoing efficiency plan for the turbines in the Colombia Río Cali I, Prado and Alto y Bajo Anchicayá hydroelectric plants. Costs to society from this externality were USD 77.8 thousand.



Serena del Mar
Cartagena, Bolívar

Applications

Conscious Investment Model

As an investment holding company, we perform a key role in the positive transformation of society. Our investment or divestment decisions have the potential to impact, both positively and negatively, our economy, our planet, and the persons that inhabit it.

Therefore, we developed a methodology for investment acquisition due diligence processes, that allow comparing financial criteria to ESG impact monetization, using the VAS (Value Added Statement) approach.

This model was tested during the due diligence process for acquiring energy assets carried out by our energy business. This allowed us to validate this tool and make investment decisions by incorporating ESG criteria.

We firmly believe that we need to make informed, objective decisions, to guarantee long-term value creation whil contributing to the solution of current global challenges. This also helps us avoid errors or omissions that could affect the performance of our portfolio.

Vision of the Future

● Ongoing ◐ Underway ○ Not started

Short Term (0 - 2 years)

- ◐ Include monetization of the CO2 emissions compensation program that sims for carbon neutrality by 2050.
- ◐ An important share of our social investments in 2020 were aimed at attending to the pandemic and the financial stability of our surrounding communities. In 2021 we will make progress with building the multiplier for these investments to present the full impact of our social investments.
- ◐ Apply the VAS methodology to each of our businesses. Some of them have made important progress while others are building a model adapted to their business type.

Medium Term (2 - 5 years)

- ◐ Prepare a consolidated VAS for Grupo Empresarial Argos, keeping in mind the distinct nature of each of our businesses.

Long term (5 years plus)

- ◐ Actively collaborate with companies both inside and outside the sector to build a standardized impact measurement methodology.

Positioning and Communications

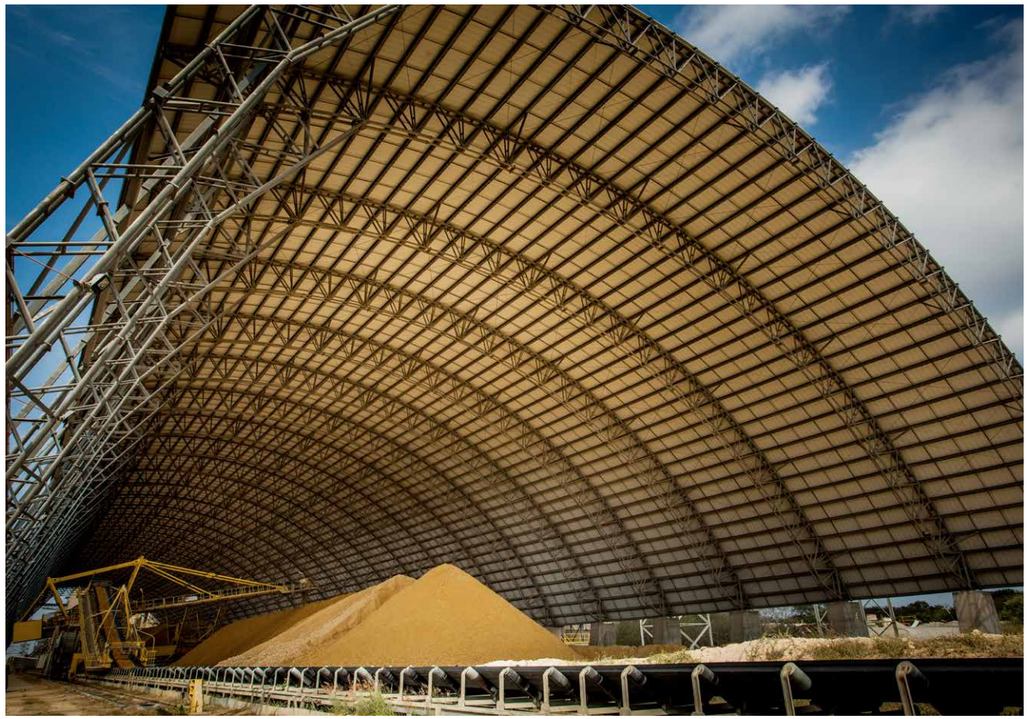
Participation on the Impact Valuation Roundtable - IVR

We will continue IVR participation, a space facilitated by leading impact valuation companies around the world, and created for exchanging experiences, tools and multipliers for measuring externalities. The IVR aims to bring together companies that work on impact valuation to learn about advances, trends, and even controversies arising around impact valuation, intending to fine tune models, improve results and moving ever closer to comparable approaches.

WBCSD Speakers

We participated as speakers in impact valuation training events offered by the World Business Council for Sustainable Development.

Clinker yard, Cementos Argos plant
Cartagena, Colombia



Assumptions and Model Description

Ebitda
22,507,840

Income tax
1,217,349

Financial costs
30,06

Dividends
85,639,465

Retained benefit
-64,379,079

Moving Average Rate
$ 3,691.27

Figures in USD

The model's scope is our own operations, and, therefore, we do not include any positive or negative impact made by our suppliers, such as payments, training hours, CO_2 emissions, accident rates, etc.

Retained Benefit

Calculated by subtracting income tax, interest and dividends paid by the company from Ebitda. This information is available in our financial statements found in the Separate Integrated Report as at December 2019.

Economic Externalities

Salaries and benefits, taxes, interest and dividends

1 **Input:** Payments effectively made during the year to our stakeholders: employees, authorities, financial entities, investors and shareholders.

2 **Multiplier:** Indirect effects, defined as increased demand and consumption in a local economy arising from an injection of liquidity. This effect consists of:

- **GVA (Gross Value Added):** The percentage of initial expenses injected into different sectors of the economy through increased consumption and expenditures by stakeholders. GVAs are taken from OECD input-output tables.
- **Backward chaining:** The capacity of a sector to directly drive other related sectors through a demand for intermediate goods. We use OECD input-output tables, based on an analysis of input-output tables developed by W.W. Leontief, as an instrument to interpret the interdependency of different sectors of the economy.

3 **Assumptions:** We calculate all monetizations of economic externalities initially, assuming fully efficient local economies as regards resource distribution and economic impact. We then correct for economic inefficiencies, to consider corruption-related activities in the countries where we operate and in which we do not participate.

We calculate this correction using Transparency International's Perception of Corruption Index for each country, which reflect the manner in which external conditions can affect the company's social value creation.

Social Externalities

Occupational Health and Safety (OHS)

1 **Input:** Work-related illnesses and accidents (severe, moderate and fatalities) and occupational illnesses of employees and contractors. The scope only extends to employees in the cement business.

2 **Multiplier:** The social cost of injuries or fatalities according to the study by Safe Work Australia (2015), whcih estimate average costs to the employee and the community of rehabilitation and medical care, administrative expenses and current and future lost income.

3 **Assumptions:** As monetization factors are expressed in Australian dollars (AUD) for 2013, we adjusted for currency and GDP, so as to reflect overall costs for each of our regions.

We do not consider the costs of accidents or illnesses to the company, as we assume these are already reflect in our financial results.

Talent Development

1 **Input:** The number of employees that leave the company, and the number of hours of training during the period.

2 **Multiplier:** The social return on education rate for a given level of education (Montenegro & Patrinos, 2014).

3 **Assumptions:** We monetize this externality by taking our yearly turnover rate and the average hours of training provided to employees. The effects of talent development become an externality once collaborators leave the company and receive a higher income in the job market due to higher qualifications. This approach allows us to monetize these effects as the impact on the local economy of the additional salary received by the employee when he or she gets a new job.

Training of employees that remain in the company results in higher productivity and efficiency and, as such, their effects are already included in our financial statements.

Community Investments

1 **Input:** Value of investments made in: low cost housing, community infrastructure, educational infrastructure and scholarships.

2 **Multiplier:** Social Return on Investment (SROI). The following is the SROI multiplier used for each investment type.

- **Low-cost housing:** for Colombia, the Caribbean and Central America we select an average of four multipliers from different studies, while for the United States we use the calculations by Mitchell & McKenzie (2009).
- **Community and educational infrastructure:** For Colombia we chose Clavijo et. al. (2014) as a reference point; whereas, for the Caribbean and Central America, we used average multipliers for Brazil, Mexico and Argentina published by Standard & Poor's (2015). Calculations for the United States are based on Cohen et. al., (2012).
- **Scholarships:** We use the OECD private internal rate of return for investments in education (2017). For Colombia, the Caribbean and Central America, the Chile multiplier was used.

3 **Assumptions:** We used the SROI to calculate the benefits to the community of a specific project in a given location, in respect of each monetary unit invested in the project. We applied a specific SROI for each region or country where we operate, selecting the closest methodological reference or performing approximations to adjust to local realities.

For the energy supplied in Haiti by our subsidiary Cementos Argos, we assumed that electrical bill savings for beneficiaries gives rise to increased internal expenditures in many different sectors of the country's economy. Thus, we took the price of energy in Haiti from the Bloomberg New Energy Finance Intelligence Database and calculated the economic dynamization of that expense using the same multiplier as for our economic externalities.

Río Claro, Antioquia

Environmental externalities

Greenhouse Gas (GHG) Emissions

1 **Input:** Tons of Scope 1 and 2 CO2 emissions.

2 **Multiplier:** Carbon social cost (CSC), which reflects the harm to society from GHG emissions during their life in the atmosphers. We use the estimate published by the United States Environmental Protection Agency (EPA, 2016).

3 **Assumptions:** The EPA's CSC is equal to 31.66 USD after adjusting for inflation and a 4% discount rate applied according to the options provided by the study. However, estimates vary depending on the discount rate applied, which defines the current value of future harm.

This cost includes changes in net agricultural productivity, human health, material damages from an increased risk of flooding, and the value of ecosystem services due to climate change.

Atmospheric Emissions

Input: Mercury, sulfur oxide (SOx), nitrogen oxide (NOx), and particulate matter (PM) emissions.

Multiplier: TruCost (2013) social cost of atmospheric emissions.

Assumptions: This cost includes the impact on human health (approximately 90% of the total cost), forest and agricultural performance, material corrosion and water acidification.

Due to data availability, we calculated the negative impact of particulate material (PM) emissions based on the PM10 cost (related to particle size), while the impact of sulfur oxide SOx emissions is based on SO2. The scope also includes nitrogen oxide (NOx) emissions. The impact of atmospheric emissions depends on the population density of the areas where we operate. As an assumption, we use the average cost of atmospheric pollutants from study.

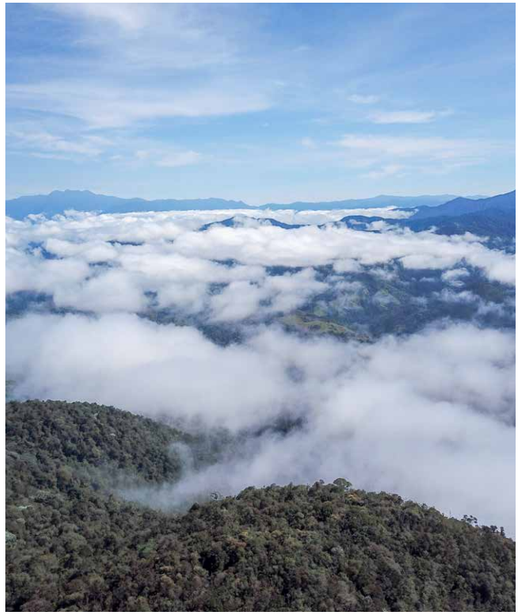
Currently, mercury emissions for our cement business extend to 90% of operations.

Water Consumption

Input: Water consumption for all operations, including direct, non-consumer use and indirect use (value for recreation, biodiversity, groundwater recharge, waste assimilation).

Multiplier: The social cost generated by water consumption in a specific territory according to the TruCost (2013) Natural Capital at Risk study.

Assumption: This approach assumes that the social cost deriving from water use varies depending on its level of scarcity in a given territory. Thus, we classify water supply sources for our operations according to their water stress level, defined using the WRI Aqueduct Tool, as the ratio between the total water uptake by industry, agriculture and domestic sector, and the total water available in a given basin. The higher the level of water stress, the higher the social cost of water.



Tatamá National Nature Park

Biodiversity

Input: Total hectares affected and rehabilitated classified according to ecosystem type.

Multiplier: Estimated annual benefit of restoration projects in different ecosystems around the world (TEEB, 2009).

Assumptions: We exclude concrete plant areas, as these were established on previously built-up areas and, therefore, we assume that they produced no additional biodiversity impacts.

Alternative Materials and Fuels

Input: Tons of alternative materials and fuels used and tons of traditional materials and fuels no longer used in production processes.

Multiplier: Carbon Social Cost (CSC), the same multiplier used for greenhouse gas emissions.

Assumptions: Given that the alternative materials and fuels used are waste or subproducts, we do not include the negative impact of manufacturing them.

Updates to the Model in 2019

We constantly update and refine our model, aiming to use the most recent approaches and studies for our impact valuation.

We perform an annual comparative analysis to identify opportunities for improvement in any of the following aspects:

- Measurement definitions and tools for inputs,
- Methods of calculation,
- Multipliers.

In 2020 we had no changes in calculation methodologies or multipliers used. As regards inputs, thanks to teamwork by the environmental, alternative resources and sustainability area, biomass was included as an alternative fuel.

In alternative materials and fuels, the substitution factors for ash and tires, and the emissions factor for iron were updated.

Pacífico 2
Bolombolo, Colombia

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