Investments that transform

2021 Value Added Statement

GRUPO ARGOS

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Cementos Argos Martinsburg Plant
United States

About this report

The main purpose of the Value Added Statement -VAS- is to illustrate the relative importance of our externalities. Calculations included in this Statement do not reflect our past, current, or future revenues nor are they part of our financial information.

Our VAS results should be considered illustrative as they are calculated using a customized model based on a set of assumptions. Current approaches may be perfected as new studies are available. In upcoming years, the results of prior VAS assessments may be restated according to new methodological adjustments.

Although we make the effort to provide precise and timely information in this Value Added Statement, we cannot guarantee an exact description of reality. Therefore, no measures should be implemented based on information revealed in this report without prior technical advice and an exhaustive assessment of the specific situation.

For more information on our VAS, please contact Margarita María González, Grupo Argos Director of Sustainability, at mgonzalez@grupoargos.com.

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INTRODUCTION

Thanks to the support and trust deposited in us by our shareholders to manage and monetize their capital, and to the talent of over 13,000 employees, we reaffirm our commitment to and belief in Grupo Argos's capacity for creating comprehensive value, its structural soundness, and the power of the strategy developed and implemented over the last decade to materialize its purpose of positive transformation.

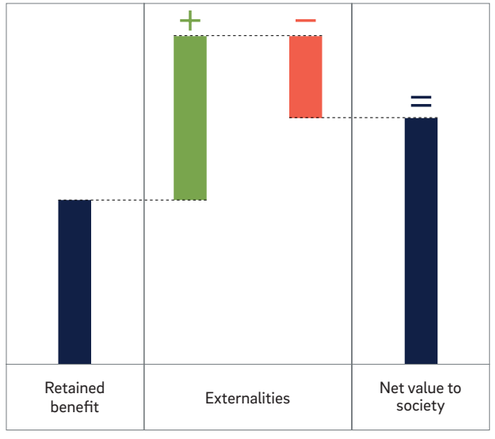
This encourages to give more back to our environment than what we take from it, as we are aware of our responsibility as agents of social transformation. Therefore, we transcend our search for profitable growth, making decisions that consider the risks, opportunities, and impacts of our businesses and investments and contributing to our company's permanence over time.

Our model

Through our business activities, we transform into value the different types of capital - financial, human, natural, social, intellectual, and operational - used in our operations. This transformation makes both positive and negative impacts. To measure these, we developed a VAS model that will allow us to estimate the net value we deliver into our environment during a tax year.

Results are expressed in monetary terms using a bridge graph that starts with a blue bar that represents the benefit we retained during the period.

This benefit is calculated by subtracting income tax, financial expenditures, and dividends paid from Ebitda. The following bars represent economic, social, and environmental externalities, which result in benefits or costs for the corporation.



Assessed externalities

We calculated 9 economic, social, and environmental externalities for our separated analysis of Grupo Argos. These reflect our most important impacts.

1 Economic:

Externalities represented by financial capital flows that allow boosting the economy through payments including salaries, interest payments to banks and investors, shareholder dividends, and taxes paid to the State.

2 Social:

Externalities associated with impacts arising from greater income and benefits for employees that receive increased compensation from the labor market after receiving training, social investment that represents community wellbeing arising from urban planning and education, and costs to employees and their families from workplace injury or illness.

3 Environmental:

Externalities caused by the activities of the company itself (including urban planning) that generate Scope 1 and 2 CO2e emissions, potential water shortages, biodiversity impacts, and benefits resulting from offsetting and rehabilitation programs.

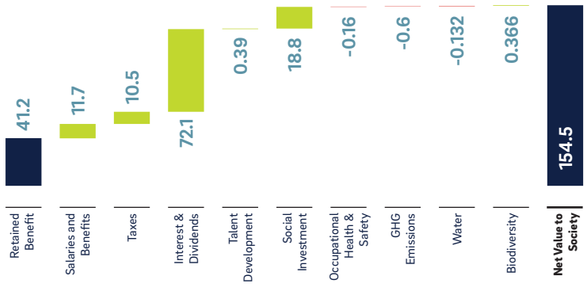
Cementos Argos Mixers
Panama

Results

Given the many different impacts, externalities monetized here respond to the nature of each business, meaning that impact magnitudes cannot be compared to each other.

Grupo Argos 2021 separated

Figures in millions of USD



Our assets under administration performed well in 2021, an indication that the impacts of the pandemic have been overcome. Revenue grew compared to the previous year due to the good operational performance of the cement, energy, and urban development businesses. Although the roadway and airport concessions business made a reduced contribution to our income compared to the same period the previous year due to the early termination of two of its concessions, EBITDA recovered considerably compared to 2020, with a positive retained benefit of USD 41.2 million.

In light of the above, Grupo Argos delivered USD 154.5 million to society, 3.8 times its retained benefit of USD 41.2 million.

Economic:

We drove the economy by paying salaries, benefits, taxes, interest, and dividends, generating an estimated benefit of USD 94.2 million. This represents 59% of the net value added and embodies a significant contribution to the country's productivity and competitiveness.

Average exchange 2021
$3,747.24

Figures on the Separated Financial Statements

Includes the Urban Development Business

Impact of our own operations.

Social:

We contributed to community infrastructure through urban development works built by our Urban Development Business along with environmental education programs, equivalent to an estimated USD 18.8 million in benefits for the community. Our training programs were equivalent to an average 93.6 hours per employee represent approximately USD 390 thousand in benefts. This positive impact, minus USD 160 thousand in social costs from minor accidents suffered by 4 contractors, is equivalent to a an estimated net social benefit of USD 18.8 million.

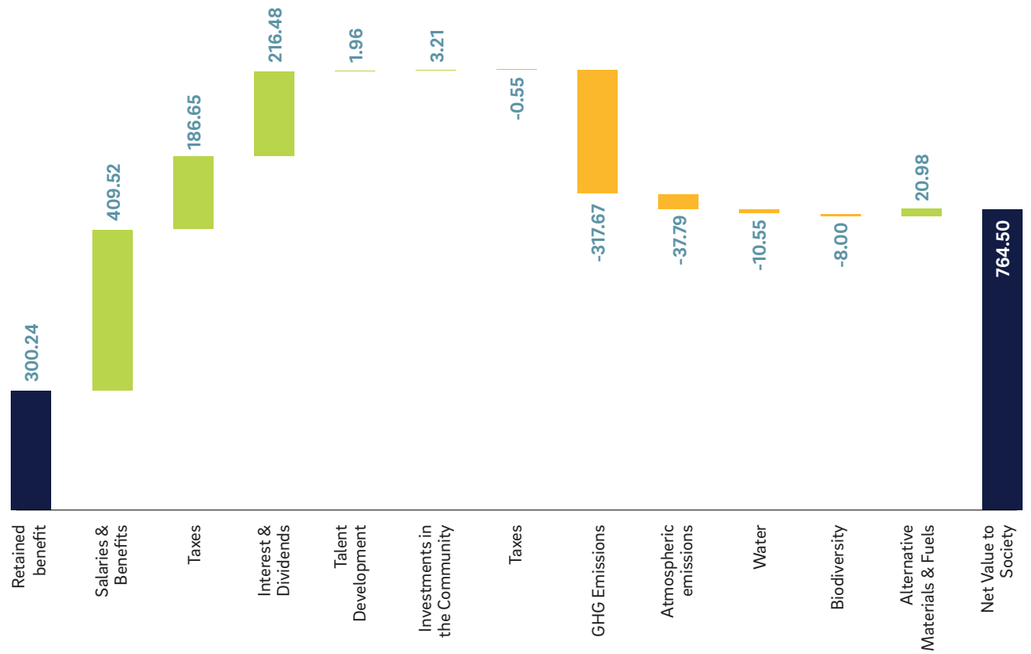
Environmental:

Our main environmental impact was related to water consumpion, with an estimated social cost of USD 132.5 thousand. Biodiversity results were positive as offsetting and voluntary planting programs intervened 80 hectares, a positive externality estimated at USD 366.6 thousand. This dimension therefore has an estimated positive net value of USD 211 thousand.

Although our environmental results were positive, we continue to work towards ecosystem conservation through our businesses and Fundación Grupo Argos.

Cement business 2021 consolidated

Figures in millions of USD



Our cement business had the highest EBITDA in its history, evinced by a substantial increase in retained benefit, which grew 59% compared to the previous year, from USD 188.9 million to USD 300,2 million.

In turn, consistently with its good corporate results, net value to society also increased considerably, from USD 631 million to USD 764.5 million. Considering both values, it generated 2.5 more times value for society in 2021 than the benefit retained by the company, in line with our commitment to create sustainable value

Economic:

The most impactful economic externality is the payment of salaries and benefits that grew 4% year over year. Interest payments decreased due to debt repayments to ensure a proper leveraging ratio, taking advantage of cashflows resulting from increased sales.

Average exchange 2021
$3,747.24

Figures from the Consolidated Financial Statements

Includes the cement, concrete, and aggregate businesses in 17 countries of operation.

Impacts of our own operation.

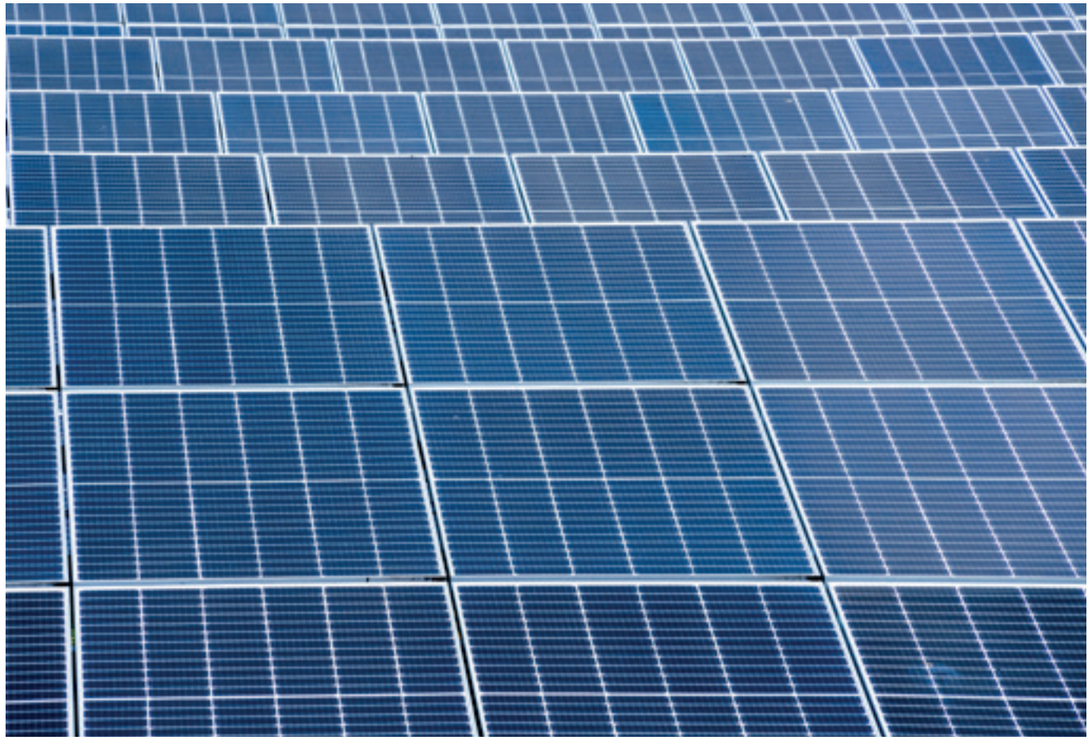
Social:

Net benefits from social externalities were estimated at USD 4.6 million. A highlight of this are community investments that grew 57% along the lines prioritized by the company: housing, educational and community infrastructure, scholarships, and electrical energy supply in Haiti.

Environmental:

Environmental costs are estimated at USD 353 million, 12% higher than the previous year as a result of higher production levels due to the reactivation of the economy. These increased scope 1 and 2 greenhouse gas emissions, atmospheric emissions, and water consumption. We acknowledge climate change challenges and the contributions the cement industry can make based on a circular economy. For this reason we continue developing initiatives to replace traditional materials and fuels for alternative ones, resulting in a positive externality estimated at USD 20.9 million.

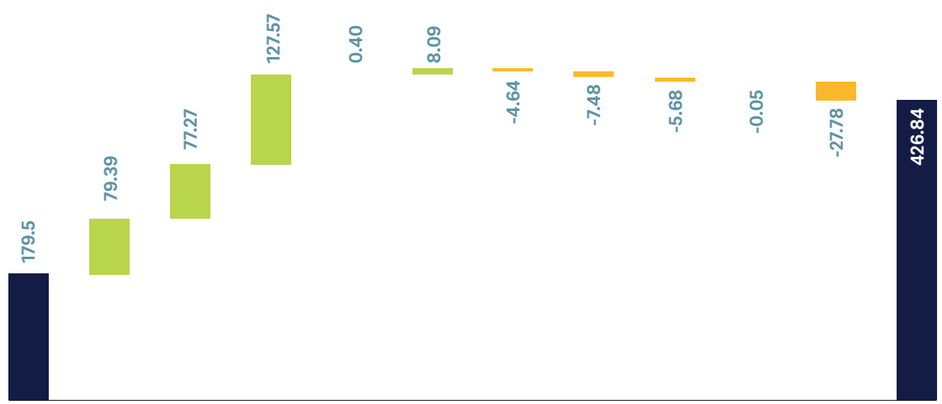
For more details about its climate change management, see the company's Integrated Report at **www.argos.co**.



Celsia Solar La Paila
Valle del Cauca

Energy business 2021 consolidated

Figures in millions of USD



Our energy business delivered USD 426.8 million to society, or 2.4 times its retained benefit of USD 179.7 million.

Economic:

The company drove the economy for an estimated USD 284.2 million, reflecting a growing workforce and salary increases above the level of inflation. This represented an 8% increase in salary and benefits-related costs and expenses compared to 2020. USD 127.5 million in dividend and interest payments represent the highest positive impact, although debt payments decreased. Tax payments also increased due to higher revenue and the sale of the Bahía Las Minas operations in Panama.

Social:

Social investment leads the social dimension to the tune of USD 8 million. This investment grew 206% due to community infrastructure investment processes and the fact that we could restart projects suspended in 2020 because of the pandemic and its associated restrictions.

In the area of occupational health and safety, the company regrets the loss of 6 contractor lives. All events were fully investigated and their causes identified, which allowed us to learn and implement actions. We continue to strengthen a culture of self-care with the "Yo Elijo Cuidarme" (I Choose to Take Care of Myself) program.

Average exchange 2021
$3,747.24

Figures from the Consolidated Financial Statements

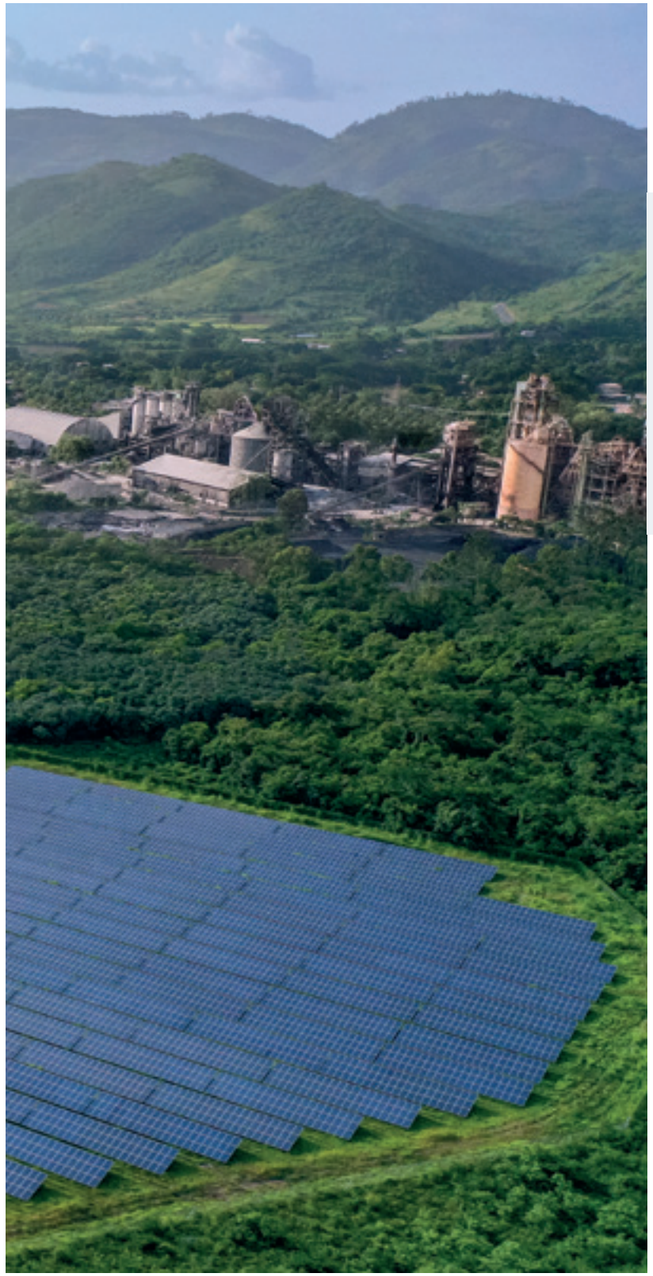
Includes the generation, distribution and transmission businesses in 4 countries of operation.

Impacts of our own operations.

Environmental:

The main estimated negative externality (USD 27.7 million) is associated with biodiversity and, specifically, with the intervention of 78Has more of grassland compared to 2020, due to the construction of projects like the Sahagun 500 kW substation, its gas pipeline, and the Tesorito Thermal Generation Plan. In parallel, we carry out ongoing biodiversity conservation actions with our ReverdeC water basin recovery program, which has planted over 3 million trees in 2021, 1.5 million more than the previous year, equivalent to 1,013 hectares.

The externality associated with GHG emissions had an estimated value of 7.4 million, a 40% reduction compared to 2020. This occured because 2021 had the highest levels of hydroelectric and wind power generation in recent years, growing 28% and 11.4% respectively. The structured closing of the Bahía Las Minas coal plant resulted in a reduction in thermoelectric generation.



Celsia Solar Comayagua
Honduras

Outlook

● Permanent ◐ Ongoing ○ Not begun

1 Short Term

Analyze the externalities of each business to determine updates to multipliers and the inclusion of new impacts, if applicable. ●

Apply the VAS approach to each of our businesses. Some of them have made significant progress while others are building a model adapted to their type of business. ◐

2 Medium Term

Carry out a consolidated VAS exercise for Grupo Empresarial Argos, being aware of the distinct nature of each of our businesses. ○

3 Long Term

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

Benefits

We firmly believe that we need to make informed and objective decisions to guarantee the creation of long-term comprehensive value while helping to solve current global challenges. In this sense, tools like the VAS help us to:

Make more responsible and better informed **decisions**

Manage risks more precisely

Be transparent towards our stakeholders

As an asset manager, we understand that our investment or divestment decisions can potentially have a positive or negative impact on our economy, our planet, and the people that inhabit it. Therefore, we have developed a Conscious Investment Model, an approach that includes the VAS, to be applied during the due diligence related to mergers, acquisitions, or divestments, and that allows comparing financial criteria against the monetization of ESG impacts. This helps prevent mistakes or omissions that could affect our portfolio's performance.

Model Assumptions and Description

The model's scope covers our own operations and therefore does not include any positive or negative impacts from our value chain.

EBITDA
112,044,978.25

Income tax
1,994,135.95

Financial costs
23,321.23

Dividends
68,830,004.98

= Retained benefit
41,197,516

Figures in USD
Average exchange rate for 2021
$3,747.24

Retained benefit:

The result of subtracting income tax, interest, and dividends paid by the company from Ebitda. This information is available in out financial statements that can be found in our Integrated Report under Separated Financial Statements as at December 2021.

Economic externalities:

Salaries and benefits, taxes, interest and dividends

The result of subtracting income tax, interest, and dividends paid by the company from Ebitda. This information is available in out financial statements that can be found in our Integrated Report under Separated Financial Statements as at December 2021.

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

Multiplier: The indirect effect, defined as increased demand and consumption in a local economy resulting from an injection of liquidity. This effect consists of:

- **GAV (Gross Added Value):** The percentage of initial expenditures injected across different sectors of the economy through increased consumption and spending by stakeholders. GAVs are taken from OECD input-output tables.
- **Backchaining:** Consists of one sector's capacity to directly drive other related sectors through the demand for intermediate consumer goods. We used OECD input-output tables developed by W.W. Leontief to interpret the interdependency between different sectors of the economy.

Assumptions: We started by calculating all monetizations for economic externalities assuming fully efficient local economies as regards resource distribution and economic impact. We then apply corrections for economic inefficiencies, to take into account external corruption-related actions - which we do not participate in - within the countries where we operate.

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

Social externalitys:

Occupational Health & Safety (OHS)

Input: Workplace illnesses and accidents (serious, moderate, and fatalities) and workplace illnesses of employees and contractors. The cement business only includes employees.

Multiplier: The social costs of injuries or fatalities according to the study done by Safe Work Australia (2015), which estimates average costs to employees and communities on rehabilitation and medical care, administrative expenses, and current and future income lost.

Assumptions: Since monetization factors were expressed in Australian Dollars (AUD) for 2013, we adjusted the currency and the GDP so as to reflect overall costs for each region.

We did not consider the cost of accidents or workplace illnesses for the company, as we assume that these are already reflected by our financial results.

Talent development

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

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

Assumptions: We carry out monetization based on the annual turnover rate and average hours of training of our employees. The effects of talent development become an externality once employees leave the company and receive a higher income in the job market because of their higher qualifications. This approach allows monetizing this effect as the impact on the local economy arising from the additional salary received by employees when they get a new job.

Training for employees that remain at the company results in higher productivity and efficiency and, therefore, its effects are already reflected by our financial statements.

Pacífico 2
Bolombolo, Antioquia

Community investment

Input: Investments made along the following lines: Low-cost housing, community infrastructure, educational infrastructure, and scholarships.

Multiplier: Social Return on Investment (SROI). The following is the SROI multiplier used for each line of investment.

Low-cost housing: For Colombia, the Caribbean, and Central America we selected an average of four multipliers from different studies, while we used the calculations by Mitchell & McKenzie (2009) for the United States.

Community and educational infrastructure: For Colombia we chose Clavijo et. al. (2014) as a reference. 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 used the OECD (2017) private internal return rate for investments in education. The Chile multiplier was used for Colombia, the Caribbean and Central America..

Assumptions: We used the SROI to calculate community benefits brought by a specific project in a given location as a ratio 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 benchmark or performing approximations to adjust to local realities.

For the energy supplied in Haiti by our subsidiary Cementos Argos, we assumed that savings on electrical bills by beneficiaries will result in increased internal spending throughout different sectors of the country's economy. We thus used energy prices for Haiti from the Bloomberg New Energy Finance Industry Intelligence Database and calculated the boost to the economy of this expenditure using the same multiplier for our economic externalities.

Cementos Argos Newberry Plant
United States

Environmental externalities:

Greenhouse gas (GHG) emissions

Input: Tons of Scope 1 & 2 CO2 emissions.

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

Assumptions: The EPA CSC is equal to 31.66 USD after adjustments for imflation and applying the 4% discount rate according to the options provided by the study. However, estimates vary according to the discount rate applied, which determines the present value of future damages.

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

Atmospheric emissions

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

Multiplier: The 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 yields, material corrosion, and water acidification.

Due to data availability, we calculated the negative impact of particulate matter (PM) based on the cost of PM10 (related to particular size), while the impact of sulfur oxide SOx emissions are based on SO2. This 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 used by the study.

The scope of mercury emissions for our cement business covers 90% of our operations.

Water consumption

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

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

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

Cementos Argos Sogamoso Plant
Boyaca

Guanacaste Wind Farm
Costa Rica

Biodiversity

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

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

Assumptions: We excluded areas of the concrete plants that had been built on previously built-up areas, and we therefore assume that they have no additional impact on biodiversity.

Alternative fuels and materials

Input: Tons of alternative fuels and materials used and the tons of traditional fuels and materials no longer used in productive 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 byproducts, we do not include the negative impact of manufacturing them.

Updates to the Model

Our model is constantly updated and refined, using the most recent approaches and studies for our impact assessment.

We carry out a comparative analysis each year to identify opportunities for improvement in any of the following areas:

- Definitions and measurement tools for inputs,
- Calculation methodologies,
- Multipliers.

No changes were made to calculation methodologies or the multipliers used in 2021.

Pacífico 2
Bolombolo, Antioquia

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