



**Management Report on the Assurance of the 2007
Progress Report released by members of the Cement
Sustainability Initiative (CSI)**

Dated 1st June 2008



Contents

Introduction	3
This Report	3
Methodology	4
Results	
1. Results from the collation of the five sections of the checklist	5
2. Internal and external verification of data	8
3. Best practice and gaps identified	8
4. Comments and queries arising from the interviews	9
Recommendations	9
Assurance Statement	10
Appendix	
Assurance checklist	



Introduction

The **Cement Sustainability Initiative (CSI)** was formed to help the cement industry address the challenges of sustainable development. The business leaders of a group of major cement companies lead the initiative.

Its purpose is to:

- explore what sustainable development means for the cement industry
- identify and facilitate actions that companies can take as a group and individually to accelerate the move towards sustainable development
- provide a framework through which other cement companies can participate
- provide a framework for working with external stakeholders

A set of key performance indicators was established by the member companies of the CSI during extended discussions from 2002 until 2004. These are fully documented in an interim progress report produced in 2005 (see http://www.wbcscement.org/pdf/csi_progress_report_2005.pdf). Member organisations are required to report progress annually and these results are used by the CSI to report periodically on the progress of the whole initiative.

The CSI needs to ensure that member organisations have management and monitoring systems robust enough to provide accurate information for this reporting and to ensure progress by member organisations, and to ensure that these systems are consistent with agreed guidelines.

The World Business Council for Sustainable Development (WBCSD) have appointed SGS to perform a Sustainability Report Assurance verification of the 2007 Progress Report prepared by members of the CSI.

The objective of this assurance has been to improve reporting practices, verify member progress, and strengthen the value of this voluntary Initiative.

This Report

This report is designed to underpin the Assurance Statement (see page 10) by providing a background on the assurance process and results used to support the Assurance Statement.



It does not include information on the performance or findings of any individual company but draws an analysis of overall results. It includes gaps and best practice only in a general manner.

It includes recommendations for improvement drawn from the findings of visits.

Methodology

The assurance process encompassed the following elements:

- Evaluation of methods of data collection, including requests from the central function to sites for the type and method of data collection
- How data is provided by production sites
- Internal verification and data manipulation methods
- The final accumulation and reporting

This was carried out in three stages.

Stage 1 - Background research and appraisal of reference documents

Stage 2 – Visits to CSI member offices comprising:

- Interviews with relevant personnel
- Document and record inspection
- Confirmation of information sources

The interviews were carried out using a pre determined checklist agreed with WBCSD which reflected the five areas of focus for CSI. These are:

- Section 1: CO₂ and Climate Protection
- Section 2: Responsible Use of Fuels and Raw Materials
- Section 3: Employee Health and Safety
- Section 4: Emissions Monitoring and Reporting
- Section 5: Local Impacts on Land and Communities

The Assurance Process did not include visits to production sites but concentrated on the collection, manipulation and reporting of the data at company head offices. This methodology ensured that the KPI data claims that are made are

reliable and in addition to this would provide confidence to external stake holders.



The assurance programme was carried out in the following member companies: -

- CEMEX, Mexico
- CIMPOR, Portugal
- CRH, Ireland
- HeidelbergCement, Germany
- Holcim, Switzerland
- Italcementi, Italy
- Lafarge, France
- Taiheiyo Cement, Japan
- Titan, Greece
- Siam Cement Group, Thailand
- Votorantim, Brazil

Stage 3 – The collation, evaluation and analysis of completed checklists.

Completed checklists and any additional notes were evaluated and both statistical and specific results analysed.

Results

1. Results from the collation of the five sections of the checklist

Section 1: CO₂ and Climate Protection

As would be expected the compliance with this section of the questionnaire is high. 15 out of 16 sections were scored yes by all member companies. The minor exception was question 1.15 where 2 respondents reported that they didn't submit a formal report to the CSI as they thought the CSI took data from existing publicly available data. However, both companies did submit their CO₂ data. (See Comments and Queries section page 9)

The assurance confirms that all members are using the WBCSD/CSI CO₂ Accounting and Reporting protocol as a basis for data management which produces consistent approach and results. In terms of confidence in the accuracy

of data in this section all member companies incorporated external verification of CO₂ emissions data in their management systems.



Section 2: Responsible Use of Fuels and Raw Materials

The majority of responses in this section show high compliance with the requirements. 12 out of 16 sections were scored yes by all member companies. Exceptions were generally minor and not considered to be of a degree that would affect the CSI Progress Report figures regarding energy use, alternative fuels and biomass

In the consumption of alternative fuels and the ratio of clinker to cement production one member company had slightly under calculated. Another found that they had calculated the consumption of alternative materials on a wet basis rather than a dry basis. They intend to amend the calculation used.

One member company under reported as, apart from gypsum, other materials blended with clinker for cement production such as limestone (natural), slag and fly ash (alternative), were not counted in the calculation.

Another had not set specific levels for the use of alternative fuels as it is not required by the CSI Agenda for Action; however they based the amount and proportion of alternative fuel and raw materials taking into account technology, location of facility and product quality.

Section 3: Employee Health and Safety

This section was high scored by almost all member companies with nine out of the eleven companies visited scored fully.

The exceptions were one member company did not specifically communicate the "Safety in the Cement Industry: Guidelines for Measuring and Reporting" within the company, as many of the WBCSD/CSI guidelines for measuring and reporting are already 'standard practice' within their organisation.

The major exception from this was one member company which scored nil in seven questions. These questions covered definitions, implementation and reporting of figures.

Both these members companies have reported safety statistics to the CSI, but they also have well developed internal practices and reporting systems.



Section 4: Emissions Monitoring and Reporting

This section had the most variations in response, although these were mainly of a minor nature. This may be due to the variations in international requirements for reporting on emissions, the European member companies being more consistent in approach.

All member companies scored fully on the questions regarding the annual measuring, monitoring and reporting on major emissions and the public availability of the data.

Two member companies did not publish their own targets. However, one of them plans to publish these in 2008. The other company has already achieved some of the lowest levels reported by all participants.

One member company did not score on question 4.9 regarding the performance of each kiln as, although performance data of each kiln was available, there was no evidence that major changes trigger re-evaluation of emissions.

Two member companies scored nil on the elements concerning the percentage of clinker production covered by a monitoring systems and whether these calculations include the results of low volume pollutants. This was due in part to one or two sites not being reported yet; there was an intention to report on these in future.

One of the member companies felt that the condition to include the results of low volume pollutants is not clearly understood.

It is considered that these omissions would not impact on the reported data for CSI total performance. The CSI Secretariat might address these inconsistencies in interpretation, perhaps with a guidance note.

Section 5: Local Impacts on Land and Communities

This area was the weakest in terms of the ability of companies to show performance data, reflecting a modest but growing understanding of biodiversity issues by industry in general and these cement companies in particular. Only eight member companies scored yes to all 18 sections including three major exceptions.



In terms of best practice, two member organisations could demonstrate that 100% of their sites had community engagement plans. However one member company, although they could show that every site has community engagement activities in both mature and emerging markets, were not in the position to report precise figures.

Two member companies were unable to complete the majority of this section. One company could provide no evidence and the other stated that although the sites individually addressed these requirements, they had not been requested to report details and therefore were not able to report on anything other than the percentage of sites with community engagement plans, quarry rehabilitation plans and the number of active sites where biodiversity issues are addressed as these. This company intends to address the deficiency at the next internal reporting round.

One member company felt that the biodiversity is not very well defined in the Environment and Social Impact Assessment (ESIA) guidelines. They have developed another indicator, estimated to be more precise. A check list is used at the sites. This indicator will be given in the 2007 Corporate Responsibility (CR) report and has been externally audited.

One member company also queried the wording of the question. (See Comments and Queries section page 9)

However there were also some examples of first-class practice in terms of ESIA, quarry rehabilitation and biodiversity research. (See Best Practice section page 8).

2. Internal and external verification of data

Because of the nature of the information and the wide international regulatory requirements, Climate Protection and CO₂ Management was the section which had the highest level of external data verification. All members included external verification of the data in this section either as stand alone data or as part of the external verification of company CR reports.

In addition only one member company had their CR Report externally verified although others had verified partial data included in their CR Reports. All member companies included internal checks and balance management systems to evaluate collated data. Although a specific question was not included

regarding verification of data many of the visits reported details of internal verification systems.



3. Best practice and gaps identified

The level of scoring was high. Within the maximum overall possible score of 1012 points over 92 questions there were only 46 nil scores (4.5%) recorded. 23 of these (2.3%) were in Section 5: Local Impacts on Land and Communities and 20 of those were from two member companies.

Although this result does not show the extent to which member companies fail in major requirements it does demonstrate the level of consistency with the use of WBCSD/CSI protocols for sustainability management and requirements of the CSI.

In terms of best practice and gaps the key elements were both from Section 5: Local Impacts on Land and Communities. Member companies with excellent systems for ESIA were highlighted and examples of cutting-edge pilot projects on biodiversity research were seen. On the other hand as we have seen, some companies are lagging behind in reporting and so their level of compliance in this area cannot be measured.

An additional example of best practice is in the management of data. Some member companies have developed extremely good systems for automatic collection and collation of data from sites whilst others are manually transferring information from site reports which could increase the risk of mistakes in final figures. As there was not a specific question on this subject information was not collected on all member companies and so we cannot comment on the level of risk.

4. Comments and queries arising from the interviews

During interviews, queries on the evaluation and CSI requirements were made.

- There is no definition of what a 'community engagement plan' is
- Some companies may be reporting on just cementitious materials and some not. This is under discussion within the CSI Task Force Climate Protection.
- Q5.17 question doesn't answer the issue. This should reflect 2 things: 1) how many sites have been screened for biodiversity issues 2) have these issues been addressed. The KPI is wrongly worded.
- In Section 5, although the guidelines are in place. In some cases the results are N/A as they haven't needed to be used as there have been no changes.



- Question – is there a requirement for a report? Or does the CSI use publicly available information for their collated report?¹

Recommendations

In terms of confidence in members companies' reporting data it may be advisable to require members to work towards full verification of publicly available data. Assurance of CR Reporting is now becoming mainstream and this would not be an unreasonable request.

The best and worst results are in Section 5. It would be advisable to set up a group to exchange best practice on these issues and to agree definitions and indicators.²

There were some examples of very good quality automatic data transfer systems. CSI may wish to move towards a requirement for members to install automatic transfer of data or to set up a group to transfer knowledge.

¹ CSI have clarified that there is no requirement for members to submit a formal CO2 report. Members are publicly reporting CO2 data in their CR Reports.

² The CSI is re-activating a group to revisit definitions and potential revisions to KPIs based on better current understanding of biodiversity concerns developed in the past five years.



SGS Assurance of 2007 data supporting progress by members of the Cement Sustainability Initiative (CSI)

INDEPENDENT ASSURANCE STATEMENT

Nature and Scope the assurance

SGS SA was commissioned by the World Business Council for Sustainable Development (WBCSD) to conduct an independent assurance of the data supporting progress by members of the Cement Sustainability Initiative (CSI) for use in the CSI Progress Report 2007. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the evaluation of methods of data collection, internal and external verification, data manipulation methods and the final accumulation and reporting of results to the CSI.

Our responsibility is to express an opinion on the reliability of the data produced by members and to confidence that data used by CSI in their Progress Report 2007 can be relied upon to be accurate within the scope of verification set out below.

The assurance comprised a combination of interviews with relevant employees, documentation and record review and confirmation of information sources. The assurance process included eleven core members of the CSI, providing global representation.

Statement of Independence and Competence

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS SA affirms independence from both the CSI and its member companies who were the subject of the assurance, being free from bias and conflicts of interest with the organisations, their subsidiaries and stakeholders.

Project Personnel

The assurance process used teams local to each location, assembled based on their knowledge, experience and qualifications for this assignment.

Verification/ Assurance Opinion

The wide breadth of the membership included in the assurance process ensures that the results reflect the practices of the core membership and demonstrate that the WBCSD/CSI protocols which provide a consistent approach to data management are at the core of members' practices.

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data provided by the named member companies verified is accurate and reliable. In our opinion this can be extended to information and data drawn from this and used by the CSI in their Progress Report 2007.

SGS

A handwritten signature in black ink, appearing to be 'R. J. Weaver', written over a light grey rectangular background.

Signed:
For and on behalf of SGS SA
R. J. Weaver
Business Manager – SSC UK (19 June 2008)