



Cairo, October 1st 2015

Dear Mrs Ismail,

Thank you for bringing the statement issued by the Habi Center for Environmental Rights to our attention. We appreciate the opportunity to discuss the position of Suez Cement Group of Companies (SCGC) as well as our extensive efforts in environmental protection and sustainability.

We would like to begin by giving you some background on our operations. SCGC is one of the largest and oldest cement producers in Egypt with an industrial network of five production facilities in Suez, Kattameya, Tourah, Helwan and El Minya.

All SCGC plants are ISO 9001 and ISO 14001 certified. They are also subject to comprehensive audits by the Egyptian Environmental Affairs Agency to ensure full compliance with local and international standards.

At SCGC, we are committed to investing in a sustainable business environment and thereby a better Egypt. In line with our sustainable policies and strategies, our biggest challenge is promoting industrial development and economic performance while adopting the highest standards of environmental protection as well as improving the quality of life in Egyptian communities through dedicated development initiatives.

SCGC dedicates a substantial part of its industrial investment in our comprehensive environmental policy. Environmental protection practices, compliance with all applicable standards, prevention of potential negative environmental impacts and continuous performance improvement are just some of the company's overarching goals.

Over the past few years, several major sustainability and operational efficiency projects worth approximately LE 500 million were completed or are in the works.

An example is SCGC's decision in 2014 to shutter Torah Plant 1, opting to use the closure as an opportunity to invest in new and more environmentally sound facilities at Tourah Plant 2. This is in addition to SCGC's long-term plans to reduce fuel consumption via improved production-line capacity and the replacement of

conventional fuels, ie natural gas and mazut, with alternative fuels such as refuse-derived fuels and biomass.

In fact, we were recognized by the Egyptian Environmental Affairs Agency for our efforts. Our Kattameya Plant was named the “Best Cement Plant” in the country for our ongoing green energy projects. Furthermore, plant management was also recognized for their efforts toward building sustainable community and business initiatives.

SCGC has also invested heavily in renewable energy through its subsidiary Italgem. In 2007, Italgem began developing the framework for a wind power project in Egypt. The wind farm is being built at a site in Gulf El Zeit, just north of Hurghada. The initiative is part of SCGC and Italcementi Group’s efforts to boost the percentage of renewable, clean energy our operations use every day.

In November 2013, SCGC launched a new, state-of-the-art filtration system at the Helwan plant. The filter system reduces dust emissions levels to a maximum of 10mg/m³, which is well below Egyptian and European standards.

SCGC’s carbon intensity-based target for direct emissions is to lower its emission factor per ton of cementitious products. In 2014, the firm’s emission factor was 670 kg CO₂ per ton of cementitious products, which was also an improvement compared to prior years (760 kg/t in 2010).

SCGC is also committed to applying guidelines and protocols developed by the Cement Sustainability Initiative (CSI). All plants regularly monitor and report their emissions using a data reporting system in line with the WBCSD/CSI protocol for CO₂ inventorying. The data are used to track performance against KPIs and set internal reduction targets. Performance monitoring, with a special focus on emissions, is a key tool for environmental management.

To achieve this, the company monitors its emissions using Continuous Emission Monitoring Systems (CEMS) – automatic devices that measure real-time emissions 24 hours a day to be stored in an emission performance database. SCGC has eight operating kilns. Each are fully equipped with a CEMS to measure gas emissions according to group standards.

In addition, we are involved in numerous community initiatives as well. We support the 57357 Children’s Cancer Hospital, the Don Bosco Technical Institute and Injaz Egypt. We engage in more local community projects as well. Last year, Helwan Cement Company and Tourah Portland Cement Company partnered with the Misr El Kheir Foundation to renovate the Helwan Public Hospital. The revamp tackled the hospital’s crumbling infrastructure as well as provide much-needed medical equipment and maintenance.

USING STEAM COAL

Moving on, the cement industry is a key supplier of the construction sector, which accounts for 13% of the Egyptian economy. In the past two years, energy intensive businesses, such as cement producers, electric companies, ceramics manufacturers, steel makers and fertilizer firms, have faced a chronic shortage of electricity and fuels like natural gas and mazut.

This has impacted the economy negatively and crippled production at these facilities across the country. To mitigate the impact of the energy crisis and operational stoppages, SCGC began researching alternative fuel strategies. The strategy that proved the most feasible in terms of environmental protection and financing was implementing a new fuel mix strategy that incorporates coal, petroleum coke and waste in order to lower our dependence on traditional fuels.

SCGC chose to invest in coal partly due to the fact that many top international cement firms rely on coal/petcoke energy, even in oil-producing countries like United Arab Emirates and Kuwait. Coal and coal derivative petroleum coke (petcoke), is responsible for 41% of electricity production worldwide. In countries like India, Australia, Germany and the United States, coal is the primary source of electricity.

In 2011, 86.7% of the fuels used by the global cement industry were fossil fuels, according to worldwide rates posted in the “Getting the Numbers Right” database. Around 87.6% of the fossil fuels used were solid fuels, such as coal and petcoke. Meanwhile, some 81% of European cement producers meet their energy needs via coal and petcoke. The rest of their energy comes from natural gas (2%), heavy oil fuels (7%) and RDFs (10%).

Continuous improvements in technology have dramatically reduced or eliminated many of the environmental impacts traditionally associated with the use of coal. Viable, highly effective technologies have been developed to tackle the release of pollutants – such as oxides from sulphur (SOx) and nitrogen (NOx). In many cases, a number of technologies are available to mitigate environmental impacts and allow for zero-solid rejects. The process is complementary to other recycling and composting procedures.

In fact, coal is significantly less dangerous to work with and transport versus petroleum products. The process to extract energy from coal, petcoke and other waste materials is safe and supervised by the EEAA.

We worked closely with the Egyptian government to prove coal energy's inherent benefits and safe use. We commissioned several Environmental Impact Assessments during the permitting process, which included numerous public

hearings and consultations. We had to ensure our facilities met and exceeded local and international standards as well as provide appropriate operational and safety training for all staff involved.

Over two years later, we were given the green light by the Ministry of Environment and recently received the formal permits to use coal energy production in addition to waste and alternative fuels.

We have fully converted the Suez and Kattameya Plants and have been pleased with the results so far. Already we have been able to divert resources to other areas and prevent work stoppages due to supply shortages. Our findings were published in an Environmental Impact Assessment presented to the government and key stakeholders.

We remain at your disposal should you require further information.

Best Regards,

Suez Cement Communication Department