

# Grupo Argos

## The company in brief

Grupo Argos is a Colombian conglomerate with large investments in the cement business via Cementos Argos. Argos is a leading cement and ready-mix concrete producer and distributor, operating in Colombia, the US, Central America, and the Caribbean. Cement production has large impacts on emissions, land and water, and also depends on water and other natural resources.



Tocumen Concrete Plant, Panama (Cementos Argos)

## Why Natural capital

Grupo Argos wanted to develop a way to assess integrated performance management across the group, in order to help make better informed decisions, enable more accurate risk management, and promote transparency and engagement with investors & shareholders.

It was as part of Grupo Argos' efforts to be at the vanguard of sustainability practices and keeping themselves informed of what is happening in that space that they came across natural capital. The CEO of the group at the time began to read the assessments of other companies and decided that they should investigate the process – this led to a year-long benchmarking of methodologies and experiences. From the CEO asking the sustainability team to investigate natural capital it was then approximately six months until members of the team sat down with company representatives that had already started working on impact valuation and representatives from the Big Four.

## Undertaking the assessment

The approach Grupo Argos chose was a [value-added statement \(VAS\)](#) that considers environmental, social and human factors alongside the standard financial accounts, and applies a monetary value to the impacts and dependencies associated with these. Cementos Argos was the first part of the group to develop a value-added statement, in 2016. The time required for the whole assessment process including total impact valuation was six months, assuming between one and three full time employees.

Grupo Argos began with a large internal scoping exercise to determine which issues were most material according to experts from across the company. Departments that were involved included finance, communications, human resources, investor relations, operations, and environment. Eleven material externalities were identified.

## What tools or assessments were used?

Cementos Argos built their VAS using the [KPMG True Value methodology](#). The methodology placed monetary values on social, economic and environmental impacts (externalities), such as talent development, wages and benefits, and water consumption. The model developed is custom for Grupo Argos and its own set of assumptions – and it can be adapted if these assumptions change. External consultants were brought in, and external assurance was sought to verify the process.

## Key challenges

The proliferation of technical jargon that hindered understanding was a major challenge for Grupo Argos during the process. This was solved with the use of educational videos. The team at Grupo Argos also faced scepticism and constraints around the time and resources needed – this was solved by building bridges with and involving other departments in the process, highlighting the importance of a multi-stakeholder approach. The problem posed by the lack of standards was addressed by using the [Natural Capital Protocol](#) as a starting point.

## Outcomes

The statement has provided flexible and fit for purpose information that enables better informed decisions, more accurate risk assessments that provide quantification (going beyond opinion), increased transparency in reporting, higher internal awareness and increased interest & understanding from shareholders.

The information gained from the VAS has so far been applied to pilots for the Water Scarcity Risk Scenarios, and capital allocation decisions (for example comparing the financial and environmental costs of potential investments in machinery). ESG criteria have also been embedded into the due diligence process.



Reforestation volunteers, Colombia (Cementos Argos)

The campaign is being led by the [Institute of Chartered Accountants in England and Wales](#) alongside the [World Business Council for Sustainable Development](#), [IUCN](#) and [Oppla](#).



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[wevaluenature.eu](http://wevaluenature.eu)

[info@wevaluenature.eu](mailto:info@wevaluenature.eu)

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