

Frequently Asked Questions – Holcim commitment to sustainable development

1. Why is Holcim committed to sustainable development?

It is important for Holcim to pursue the goal of sustainable development (SD). A commitment to SD, embedded in the organization and supported by transparent communications, is essential to build our brand. It is part of our mission, strategy and business goals as a key element in creating long-term value for the company and all our stakeholders. It provides a conceptual framework within which we can take informed business decisions. These decisions must not only fulfill economic criteria and deliver healthy financial returns. The long-term success of the company depends on our decisions also meeting environmental and social performance criteria.

2. What is your track record on sustainable development?

Holcim has a long history of respecting the communities and environments in which we operate. In terms of our support for the wider SD agenda, we:

- signed the International Chamber of Commerce's (ICC) Business Charter for Sustainable Development in 1992
- formalized our membership of the WBCSD in 1999
- initiated the Cement Sustainability Initiative (CSI), along with two other cement companies in 1999
- co-launched the CSI 'Agenda for Action' in 2002 and co-chaired the production of its 2005 Progress Report
- signed the UN Global Compact in 2003
- are an organizational stakeholder of the Global Reporting Initiative, and report at an A+ level with its sustainability reporting guidelines
- formed a strategic alliance with GTZ (German Technical Cooperation) in 2003
- joined forces with the World Conservation Union (IUCN) in 2007 to conserve biodiversity

3. What are the SD priority issues for Holcim?

Our priorities, which are further described in subsequent answers in more detail, are:

- climate and energy – to reduce our emissions and ecological footprint
- occupational health and safety – to improve our performance
- community involvement – to maintain our 'license to operate'

- stakeholder engagement and partnerships – to work with a variety of stakeholders
- sustainable construction – to assure a more efficient and sustainable use of our products

As the environment in which we operate evolves, our priorities reflect this evolution, and the following topics have joined the list of our priorities:

- resources conservation
- sustainable product and service solutions

4. Why is 'climate and energy' a priority topic?

Concrete is the second most used resource in the world after water. Currently there is no practical substitute for this versatile and durable product for most purposes. As the chief ingredient in concrete, cement is therefore a key requirement of modern society but its manufacture is a resource and energy-intensive process – accounting for 5% of all man-made CO₂ emissions. These result primarily from combustion of fossil fuels (40%) and from the calcination of limestone (50%), a chemical reaction required to produce cement clinker.

Holcim has committed to reduce our global average specific net CO₂ emissions by 20% by 2010, based on 1990 emissions. Our strategy is to build knowledge leadership, reduce the CO₂-intensity of our production process and product use, and participate in the development of international policies and mechanisms.

4.a How will you reach the 20% CO₂ reduction by 2010?

The Group target is differentiated as a specific target for each company, with the aim to reach optimal result at lowest cost, based on the following drivers:

- Substitution of clinker with suitable mineral components in cement
- Fuel switch from fossil fuels to biomass and waste materials
- Improving energy efficiency
- Reducing cement kiln dust disposal and reduction of waste

These reduction initiatives are also important eco-efficiency drivers, enabling us to produce more cement while using fewer resources and producing less emissions per tonne. We are on track to achieving our target – global average specific net emissions had decreased by 16.3% by year-end 2007. Despite a 103% increase in our global cement production between 1990 and 2007, our increase in absolute net CO₂ emissions was only 69%. We monitor and report this performance according to the WBCSD Carbon Dioxide Protocol for the cement industry. PWC provided independent assurance over the key indicators (listed above) of direct CO₂ emissions in the 2007 CO₂ inventory of our global cement operations.

4.b Environmental groups ask for an absolute reduction of CO₂. What is your position?

We have committed to this 'efficiency' objective because we believe that the best way for growing society to achieve an absolute emission reduction while fostering economic and social development is to impose specific energy and CO₂ targets to its consumption and production. On a global level, transport, residential and commercial buildings, and industry each accounts for roughly one third of total final energy consumption. However, industry is decreasing its impact over time due to energy efficiency initiatives, while transport and buildings continue to grow with the increasing impacts of consumption.

Society as a whole must therefore commit to lower CO₂ emissions, changing its patterns of behavior to reflect a carbon-constrained world. The focus must be on improving the CO₂ efficiency of societal consumption as well as production in order to tackle the challenge.

4.c Now that the Kyoto Protocol has entered into force, does Holcim strategy change?

Entry into force of the Kyoto Protocol does not fundamentally alter Holcim's strategy, as we have been preparing for a carbon-constrained future for some time. The impact will be more in the political arena than on business. It reinforces the EU's CO₂ reduction targets for 2008-2012 and the necessity for action in other Annex 1 countries. It also gives new momentum to negotiations for post-2012 policy measures.

However, operating in many different regulatory environments – ranging from mandatory absolute emission caps to voluntary, efficiency-based approaches, to no reduction obligations in developing countries – may lead to unfair distortion of competition. This is something we are monitoring carefully. Nevertheless, as we are the most geographically diversified global cement company, we believe we are well-situated to manage this risk. More information on our specific positions with respect to mechanisms to effectively deal with climate change is available at: <http://www.holcim.com/sustainable>

4.d Why is alternative fuels and raw materials (AFR) use important to your business strategy, and a key driver for CO₂ emissions reduction?

Holcim advocates co-processing of waste in clinker production because we are convinced of its sustainable development benefits. The economic imperative to decrease fossil fuel use and costs is matched by the environmental and societal benefits of lower global CO₂ emissions, better waste management and fewer uncontrolled landfills. Our AFR policy guides our behavior.

Our acknowledged leadership position and expertise in AFR means that we are involved in helping develop public policies on waste management and environmental regulations, particularly in developing countries. The Holcim cooperation with GTZ has been a key strategic tool to achieve this. The guidelines developed by this alliance, launched in July 2006, encourage the private sector to develop techniques and know-how regarding co-processing as well as to engage the public sector to apply and maintain environmental standards and OH&S regulations.

4.e What about atmospheric emissions apart from CO₂?

Monitoring and decreasing other atmospheric emissions are also a Group priority. Continuous investment to upgrade plant equipment as well as ongoing maintenance and training are required by our emissions monitoring and reporting (EMR) standard, which is designed to assure high quality review of performance. To encourage continuous improvement, we have set a Group emission reduction target: we will reduce global average specific nitrogen oxides (NO_x), sulfur dioxide (SO₂) and dust emissions (g pollutant/tonne cementitious materials) by 20% by 2010, compared to 2004 levels. Our performance against this target can be found in the CSDR report.

5. Why is 'occupational health and safety' (OH&S) a priority topic?

Holcim places the highest value on ensuring the health and safety of our employees, subcontractors, third parties, and visitors. Yet comparison of our performance with best-of-class companies in similar industries such as mining and heavy manufacturing shows that we have not performed as well in OH&S as they have. We are committed to significant improvements.

We are continuing with the “*Passion for Safety*” initiative, launched in 2005 in cooperation with DuPont. The initiative aims to develop a safe working culture, by changing behaviors and attitudes, using the Holcim OH&S management system. Furthermore, we have carefully analysed the causes of all accidents and have identified the 14 major causes, and are developing directives on fatality prevention to address these causes.

Five cardinal rules with regard to safety have been laid down and there is zero tolerance for breaches and a stringent reporting line. Tight performance management via key performance indicators and strict operational discipline will enable Holcim to move toward its goal of ‘zero harm’.

To that end, and to reinforce the message that company leaders must drive continuous improvement, we have set a new OH&S target: to reduce lost time injury frequency rate by at least 30% per year from 2006 to 2009, using 2004 as a reference, until a rate of less than two is achieved. This new target implies that even good performers in the Group must further improve. Holcim makes no compromise regarding safety. Our people are the basis of our success and our most valuable asset – we must protect them.

6. Why is 'community involvement' a priority topic?

Holcim’s involvement with neighboring communities has always been a mainstay of our social engagement. Our Group companies engage in many activities and projects within their local spheres of influence, some of which have continued for decades. We encourage our Group companies to engage in longer-term action in three main focus areas:

- Providing education for society’s future

- Building infrastructure for livable communities
- Supporting sustainable community development

To ensure project success, companies undertake structured stakeholder needs assessments to analyze the current situation as well as to map stakeholders' needs and expectations. In 2007, 65% of Group companies conducted structured needs assessments in the communities close to their plants, and 85% involved stakeholders in the planning and management of their CSR engagement. Lessons learned in the field show that there is no "one size fits all" approach to stakeholder needs assessments. Application of the model depends very much on the local stakeholder landscape. To ensure that our local CSR initiatives make a different and create value for our stakeholders as well as for us, we are developing a tool to measure return on social investment. Our approach is demonstrated in many case studies which are available on our website.

7. Why is 'stakeholder relations' a priority topic?

Developing and maintaining strong relationships are important parts of doing business. We recognize the importance of identifying, meeting with and listening to our stakeholders. To maintain a deep understanding of the range of sustainability issues we face, Group companies engage in systematic dialogue with stakeholders to help define our priorities.

Many SD challenges cannot be addressed by industry alone. Building relationships with different sectors of society are needed to tackle the challenges of the triple bottom line. The value of our cooperation with GTZ is one such example – documented in a case study on our website. We also believe it is important to engage in responsible lobbying, and contribute to public policy development in areas where we have expertise. More information about our approach is available on our website. Where feasible we also invest in strategic memberships that help achieve a more sustainable future. Our involvement in the WBCSD's Cement Sustainability Initiative and the UN Global Compact, for example, reflect this trend.

8. Why is 'sustainable construction' a priority topic?

We sell cement that others use to build structures that may last for decades, even centuries. Studies have shown that more than 90% of the lifetime environmental impacts of concrete occur during the use of the product. Yet, in most cases, we have little influence over construction methods and processes. What is our responsibility then?

We therefore promote the use of sustainable, eco-efficient products to our customers, such as composite cements containing mineral components – cement constituents that are not derived from clinker production. They include blast furnace slag from steel manufacture, fly ash from coal-fired power generation, and natural pozzolan and limestone. Around 75% of cement types produced by Holcim contain significant amounts of these materials.

We have also established the Holcim Foundation for Sustainable Construction to promote more sustainable choices in construction and to contemplate the role of the cement industry in a more sustainable global future. The Holcim Foundation is an opportunity for us to contribute to sustainable progress beyond the boundaries of our business, and even our industry.

8.a) Wouldn't it be better to investigate alternatives to concrete – such as sustainably managed timber - instead of trying to make cement more 'sustainable'?

There is currently no practical substitute for this versatile, durable and cost-effective product for most purposes. We therefore have a duty to ensure that cement is produced both profitably and responsibly, and to prepare our business for a future in which environmental and social issues are increasingly important. There is a huge demand for cement, and we are committed to meet customer demand in ways that minimize damage to the environment. This is why we have placed sustainable development firmly within our business strategy, and why we have made the commitments we have. We recognize that in the longer-term alternative materials and construction methods may be developed, and we are committed to working in collaboration with our customers and partners to develop innovative solutions to their needs.

9. How does Holcim reconcile the ultimate aim of creating value for shareholders with your support for sustainable development?

The solid financial position of Holcim and our commitment to SD go hand-in-hand. We do not believe there is a conflict between sustainability and profitability. Ultimately, only a sustainable business will be able to maximize profits over the long term. Balancing economic, social and environmental factors is a vital part of that process. Strong operational performance and continuous growth generate shareholder value. At the same time, our business activities have a direct economic impact and benefit the communities in which we operate. We see our commitment to sustainable development as providing many business opportunities.

10. Where can I find more information about Holcim and SD?

Holcim publishes Corporate Sustainable Development Reports (CSDRs) each second year, supplemented by further information and regularly updated performance data on our website: www.holcim.com/sustainable/