

Holcim Ltd.

Construction Materials Switzerland SWX:HOLN

ESG Risk Rating

21.2

Updated Aug 17, 2021

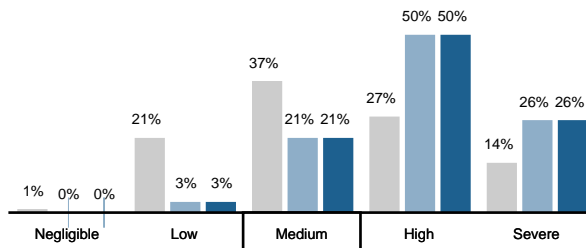
+1.0

Momentum

Medium Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = lowest risk)
Global Universe	3512/13587	27th
Construction Materials INDUSTRY	6/118	5th
Construction Materials SUBINDUSTRY	6/118	5th

Peers Table

Peers (Market cap \$23.9 - \$39.3bn)

	Exposure	Management	ESG Risk Rating
1. CRH PLC	49.0 Medium	67.4 Strong	19.7 Low
2. Holcim Ltd.	53.9 Medium	68.5 Strong	21.2 Medium
3. Vulcan Materials Co.	45.9 Medium	41.2 Average	29.0 Medium
4. Anhui Conch Cement Co., Ltd.	44.5 Medium	31.6 Average	31.9 High
5. UltraTech Cement Ltd	55.2 High	43.4 Average	34.1 High

Holcim Ltd.

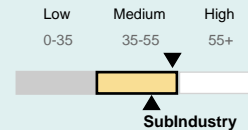
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ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

53.9 **+2.2**
Medium Momentum
 Beta = 1.10



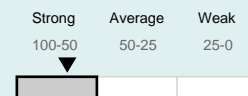
The cement industry contributes about 7% of global carbon emissions and thus faces growing pressure to take measures to transition to a low-carbon economy. The European cement industry must reach carbon neutrality by 2050 to align with the EU Green Deal. Cement companies that find solutions to reduce emissions could minimize carbon-related regulatory risks and increase profitability. Companies in the cement industry also tend to be susceptible to anti-competitive practices due to the industry's oligopolistic and capital-intensive nature, while corruption and bribery are also issues in the industry. Environmental hazards are a further concern as the aggregate production releases high amounts of particulate matter, and the cement manufacturing process releases other harmful emissions – such as NOx and SOx – which may contaminate local water sources and the ground.

The company's overall exposure is medium and is moderately above subindustry average. Emissions, Effluents and Waste, Carbon -Own Operations and Business Ethics are notable material ESG issues.

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

68.5 **-0.1**
Strong Momentum



In line with its top-level sustainability commitment, Holcim has appointed a chief sustainability officer and introduced sustainability objectives with long-term performance-based incentives for management. It discloses solid management policies and initiatives, leading to a lower ESG Risk Rating score than its global peers' average. Holcim has relatively high carbon intensity by sales but has implemented best-practice GHG reduction programmes and environmental management systems. It has an established programme to tackle business ethics issues with board oversight from the audit committee and robust whistleblowing systems. Holcim's solid non-GHG reduction programme and waste management system have reduced its SO2 and NOx emissions and internal waste generation. However, it has been involved in air pollution and effluents contamination controversies in several countries in recent years.

The company's overall management of material ESG issues is strong.

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Material ESG Issues

These are the Material ESG Issues driving the ESG Risk Rating.

Issue Name	ESG Risk Exposure	ESG Risk Management	ESG Risk Rating	Contribution to ESG Risk Rating
	Score Category	Score Category	Score Category	
Carbon -Own Operations	12.2 High	63.1 Strong	6.0 High	28.4%
Business Ethics	6.9 Medium	56.9 Strong	3.2 Low	15.0%
Corporate Governance	9.0 High	68.2 Strong	2.9 Low	13.5%
Resource Use	5.7 Medium	71.0 Strong	2.5 Low	11.6%
Emissions, Effluents and Waste	5.3 Medium	69.3 Strong	2.0 Negligible	9.3%
E&S Impact of Products and Services	6.6 Medium	92.0 Strong	1.7 Negligible	8.2%
Occupational Health and Safety	5.0 Medium	69.2 Strong	1.7 Negligible	8.1%
Human Capital	3.3 Low	65.8 Strong	1.2 Negligible	5.8%
Overall	53.9 Medium	68.5 Strong	21.2 Medium	100.0%

Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

Category (Events)

5 Severe (0)

4 High (0)

3 Significant (0)

2 Moderate (5)

Accounting and Taxation

Anti-Competitive Practices

Emissions, Effluents and Waste

Labour Relations

Occupational Health and Safety

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Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

Category (Events)

Low (4)

Bribery and Corruption

Business Ethics

Energy Use and GHG Emissions

Sanctions

None (5)

Environmental Impact of Products

Intellectual Property

Lobbying and Public Policy

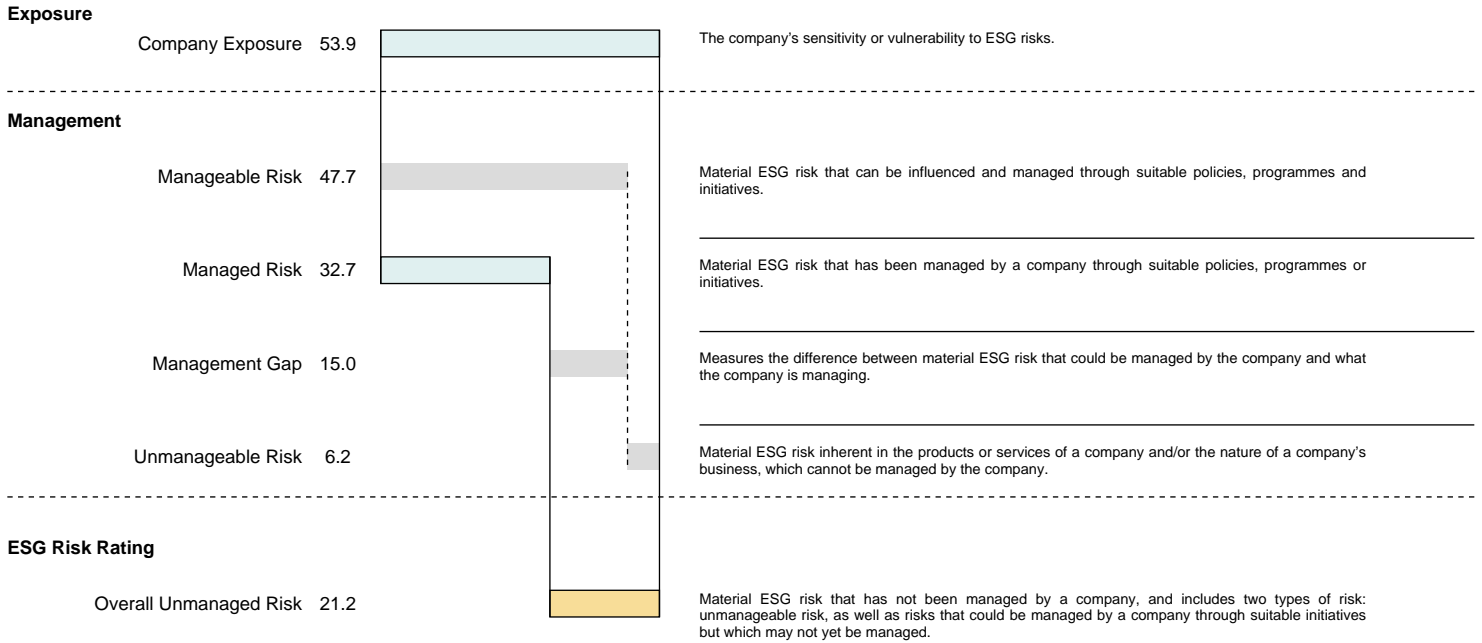
Social Impact of Products

Water Use

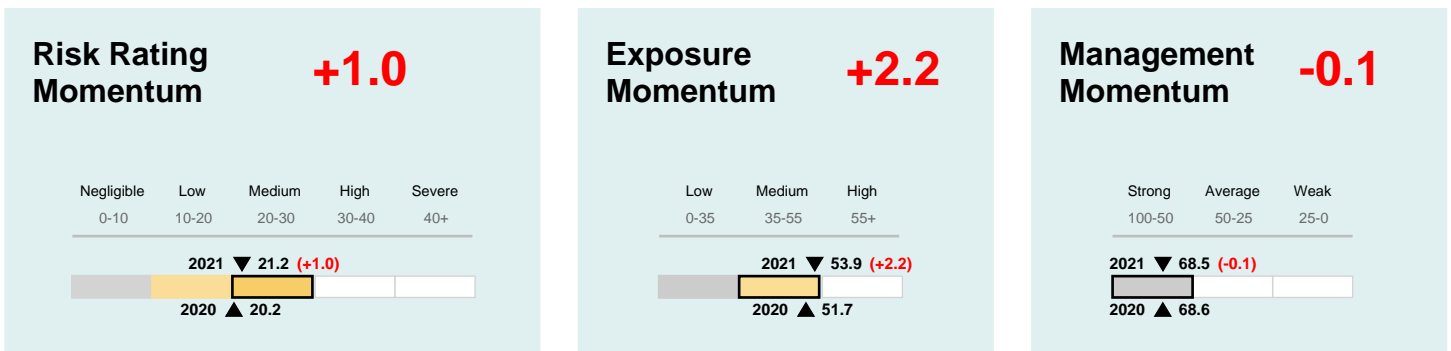
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Risk Decomposition



Momentum Details



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GLOSSARY OF TERMS

Beta (Beta, β)

A factor that assesses the degree to which a company's exposure deviates from its **subindustry's** exposure on a **material ESG issue**. It is used to derive a company-specific issue exposure score for a material ESG issue. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

Corporate Governance Pillar

A pillar provides a signal about a company's management of a specific Corporate Governance issue.

ESG Risk Category

Companies' **ESG Risk Rating scores** are assigned to five ESG risk categories in the **ESG Risk Rating**:

-  **Negligible risk:** enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors
-  **Low risk:** enterprise value is considered to have a low risk of material financial impacts driven by ESG factors
-  **Medium risk:** enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors
-  **High risk:** enterprise value is considered to have a high risk of material financial impacts driven by ESG factors
-  **Severe risk:** enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors

Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

ESG Risk Rating Score (Unmanaged Risk Score)

The company's final score in the **ESG Risk Rating**; it applies the concept of **risk decomposition** to derive the level of **unmanaged risk** for a company.

Event Category

Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

Event Indicator

An indicator that provides a signal about a potential failure of management through involvement in controversies.

Excess Exposure

The difference between the company's **exposure** and its **subindustry** exposure.

Exposure

A company or **subindustry's** sensitivity or vulnerability to ESG risks.

Idiosyncratic Issue

An issue that was not deemed material at the **subindustry** level during the **consultation process** but becomes a **material ESG issue** for a company based on the occurrence of a Category 4 or 5 event.

Manageable Risk

Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

Managed Risk

Material ESG Risk that has been managed by a company through suitable policies, programmes and initiatives.

Management

A company's handling of ESG risks.

Management Gap

Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

Management Indicator

An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

Material ESG Issue

A core building block of the **ESG Risk Rating**. An ESG issue is considered to be material within the rating if it is likely to have a significant effect on the enterprise value of a typical company within a given **subindustry**.

Subindustry

Subindustries are defined as part of Sustainalytics' own classification system.

Unmanageable Risk

Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.

Unmanaged Risk

Material ESG risk that has not been managed by a company, and includes two types of risk: **unmanageable risk**, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (**management gap**).

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