Holcim Ltd.

Construction Materials    Switzerland    SWX:HOLN

ESG Risk Rating

21.2

+1.0

Updated Aug 17, 2021

Medium Risk

ESG Risk Rating Distribution

0% 3% 3% 21% 21% 27% 50% 50%

Negligible Low Medium High Severe

ESG Risk Rating Ranking

UNIVERSE

Global Universe

RANK PERCENTILE

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

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Holcim Ltd.
Construction Materials    Switzerland    SWX:HOLN

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

<table>
<thead>
<tr>
<th>Score</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>53.9</td>
<td>Medium</td>
</tr>
</tbody>
</table>

**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.

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ESG Risk Management

<table>
<thead>
<tr>
<th>Score</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>68.5</td>
<td>Strong</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Issue Name</th>
<th>ESG Risk Exposure</th>
<th>ESG Risk Management</th>
<th>ESG Risk Rating</th>
<th>Contribution to ESG Risk Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Score</td>
<td>Category</td>
<td>Score</td>
<td>Category</td>
</tr>
<tr>
<td>Carbon -Own Operations</td>
<td>12.2</td>
<td>High</td>
<td>63.1</td>
<td>Strong</td>
</tr>
<tr>
<td>Business Ethics</td>
<td>6.9</td>
<td>Medium</td>
<td>56.9</td>
<td>Strong</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>9.0</td>
<td>High</td>
<td>68.2</td>
<td>Strong</td>
</tr>
<tr>
<td>Resource Use</td>
<td>5.7</td>
<td>Medium</td>
<td>71.0</td>
<td>Strong</td>
</tr>
<tr>
<td>Emissions, Effluents and Waste</td>
<td>5.3</td>
<td>Medium</td>
<td>69.3</td>
<td>Strong</td>
</tr>
<tr>
<td>E&amp;S Impact of Products and Services</td>
<td>6.6</td>
<td>Medium</td>
<td>92.0</td>
<td>Strong</td>
</tr>
<tr>
<td>Occupational Health and Safety</td>
<td>5.0</td>
<td>Medium</td>
<td>69.2</td>
<td>Strong</td>
</tr>
<tr>
<td>Human Capital</td>
<td>3.3</td>
<td>Low</td>
<td>65.8</td>
<td>Strong</td>
</tr>
<tr>
<td>Overall</td>
<td>53.9</td>
<td>Medium</td>
<td>68.5</td>
<td>Strong</td>
</tr>
</tbody>
</table>

Events Overview
Identify events that may negatively impact stakeholders, the environment, or the company’s operations.

- **Severe (0)**
- **High (0)**
- **Significant (0)**
- **Moderate (5)**
  - Accounting and Taxation
  - Anti-Competitive Practices
  - Emissions, Effluents and Waste
  - Labour Relations
  - Occupational Health and Safety
## Events Overview

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

<table>
<thead>
<tr>
<th>Category</th>
<th>(Events)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>⚠️ Low (4)</strong></td>
<td></td>
</tr>
<tr>
<td>Bribery and Corruption</td>
<td>Business Ethics</td>
</tr>
<tr>
<td>Energy Use and GHG Emissions</td>
<td>Sanctions</td>
</tr>
<tr>
<td><strong>⚠️ None (5)</strong></td>
<td></td>
</tr>
<tr>
<td>Environmental Impact of Products</td>
<td>Intellectual Property</td>
</tr>
<tr>
<td>Lobbying and Public Policy</td>
<td>Social Impact of Products</td>
</tr>
<tr>
<td>Water Use</td>
<td></td>
</tr>
</tbody>
</table>
**Risk Decomposition**

**Exposure**

- **Company Exposure** 53.9
  - The company’s sensitivity or vulnerability to ESG risks.

**Management**

- **Manageable Risk** 47.7
  - Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

- **Managed Risk** 32.7
  - Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.

- **Management Gap** 15.0
  - Measures the difference between material ESG risk that could be managed by the company and what the company is managing.

- **Unmanageable Risk** 6.2
  - Material ESG risk inherent in the products or services of a company and/or the nature of a company’s business, which cannot be managed by the company.

**ESG Risk Rating**

- **Overall Unmanaged Risk** 21.2
  - 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.

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**Momentum Details**

**Risk Rating Momentum** +1.0

- **2021** ▼ 21.2 (+1.0)  
- **2020** ▲ 20.2

**Exposure Momentum** +2.2

- **2021** ▼ 53.9 (+2.2)  
- **2020** ▲ 51.7

**Management Momentum** -0.1

- **2021** ▼ 68.5 (-0.1)  
- **2020** ▲ 68.6
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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