

# SUSTAINABILITY- LINKED FINANCING FRAMEWORK

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# I. HOLCIM SUSTAINABILITY STRATEGY

As the world's global leader in building solutions, Holcim is reinventing how the world builds, to make it greener, smarter and healthier for all. We believe in building progress for people and the planet, advancing society and uplifting communities. We are spearheading the transition toward low-carbon construction, while also promoting a circular economy, from alternative fuels to concrete recycling. We are accelerating green construction and taking a rigorous science-based approach to reach that goal.

## Four strategic sustainability pillars<sup>1</sup> 2020 performance



**CLIMATE AND ENERGY**

**555kg**

Net CO<sub>2</sub> emitted per ton of cementitious material (Scope 1)



**CIRCULAR ECONOMY**

**46m tons**

Of waste reused in operations



**NATURE**

**-8.6%**

Freshwater withdrawn per ton of cementitious material (273l)



**PEOPLE**

**+5.2%**

Beneficiaries of our community investments (6.2m)



## 1.1 CLIMATE AND ENERGY

In 2020, Holcim entered a new era in sustainability with its net-zero pledge. The Science-Based Targets initiative (SBTi) validated Holcim's commitment to **reduce Scope 1<sup>2</sup> and Scope 2<sup>3</sup> greenhouse gas (GHG) emissions by 21%** per ton of cementitious materials by 2030 from a 2018 baseline as aligned with keeping global warming to well below 2°C scenario and with a net-zero pathway. Within this target, Holcim commits to reduce Scope 1 GHG emissions by 17.5% per ton of cementitious material and Scope 2 GHG emissions by 65% per ton of cementitious material within the same timeframe.

To increase transparency and the robustness of its climate pathway, the company added a **new CO<sub>2</sub> target for 2025 of 520 kg** net CO<sub>2</sub> per ton of cementitious material, aligned with

a well below 2°C scenario on the pathway to its SBTi 2030 target.

Holcim also joined the **"Business Ambition for 1.5°C"**, partnering with SBTi to develop a roadmap for aligning climate targets to a 1.5°C future in the cement sector, and pushing the boundaries of green construction.

Going one step further, in October 2021, Holcim became one of the first companies worldwide with a **2050 roadmap validated by the SBTi in line with their new net-zero standard**. This pathway to 2050 is based on scaling up and accelerating our 2030 levers, while deploying next-generation technologies. These technologies include novel binders, zero-emission vehicles, low-clinker cements and scaling up Carbon Capture Utilization and Storage (CCU/S).

Holcim's **2050 Net-Zero Targets** validated by SBTi apply to scope 1, scope 2 and scope 3 emissions, reaching all its operations and value chain:

- Holcim commits to reduce Scope 1 and 2 GHG emissions by 95% per ton of cementitious materials by 2050 from a 2018 baseline.
- Holcim commits to reduce absolute Scope 3 GHG emissions by 90% by 2050 from a 2020 baseline.

Please find out more on our Net-Zero Journey in our dedicated booklet with the full details to follow in our upcoming Climate Transition Report: [https://www.holcim.com/sites/holcim/files/atoms/files/holcim\\_net\\_zero\\_journey\\_booklet.pdf](https://www.holcim.com/sites/holcim/files/atoms/files/holcim_net_zero_journey_booklet.pdf).

### By 2030, Holcim will:

- > accelerate the use of low-carbon and carbon-neutral products such as ECOPact (the world's broadest range of green concrete), ECOPlanet (a global range of green cement) and Susteno (a leading circular cement)

- > recycle 100 million tons of waste and byproducts for energy and raw materials
- > scale up the use of calcined clay and develop novel cements with new binders

- > double<sup>4</sup> waste-derived fuels in production
- > reach 475 kg net CO<sub>2</sub> per ton of cementitious material (kg net CO<sub>2</sub>/t.cem), based on a 17.5% reduction from 2018 baseline value of 576 kg net CO<sub>2</sub>/t.cem

<sup>1</sup> Percentage change compares 2020 results to 2019 results. Information on scope and methodology of data collection, as well as assurance on 2020 reported figures, can be found in the Sustainability Performance Report on our website at [www.holcim.com/sustainability](http://www.holcim.com/sustainability).

<sup>2</sup> Direct emissions from the company operations: decarbonation of raw materials and fuel consumption for cement production.

<sup>3</sup> Indirect emissions from the generation of purchased electricity consumed in the company's owned or controlled equipment.

<sup>4</sup> Compared to 2018 baseline.

In addition, the company integrates in its investment strategy activities which generate sustainable values for all its stakeholders. For example, the acquisition of Firestone, which closed in March 2021, represented a milestone in the company's transformation to become the global leader in innovative and sustainable building materials and solutions. The company aims to set the standards in its market, with its leading technologies including insulating, waterproofing, and cool and green roofing systems. With its innovation focus, and leading level of LEED and other sustainable building certifications, Firestone's technologies are increasingly specified by architects and building developers who are shaping the next generation of buildings.

## 1.2 CIRCULAR ECONOMY

In our **Cement business**, waste products can be used as a **substitute for fossil fuels and other raw materials**, providing us with an excellent opportunity to address society's waste problem. This process – called co-processing – helps lower GHG emissions by reducing the quantity of fossil fuels and using more efficiently the materials needed in cement manufacturing. This also means less waste in landfills or incinerators.

We follow the circular economy's three principles of Reduce, Reuse and Recycle to build more with less and preserve our ecosystems. Working from design to construction, we build for no waste, using only the materials that are needed and nothing more. With smart technologies like 3D concrete printing, we use minimum materials for maximum strength to lower a building's environmental footprint by up to 60%. We envision entire cities built from modular elements that can be reused again and again.

**Holcim's global waste management business, Geocycle, transformed over 10 million tons of waste into energy or alternative raw materials in 2020, or the equivalent amount of waste from 2 million garbage collection trucks.**

In our **Aggregates, Ready-Mix Concrete and Asphalt businesses**, we use millions of tons of recycled material per year to make our products. Some of our products contain more than 50% of recycled content, and up to 100% for our recycled aggregate brand, AGGNEO. We are especially interested in targeting this aspect of our business as it closes the resource cycle on the built environment, solving the societal issue of construction and demolition waste (CDW).

On its net zero journey, Holcim will accelerate circular construction by increasing the use of recycled materials in its products and processes while recovering materials at the end of their life cycle. In 2020 alone, Holcim reused 46 million tons of waste, making it a world leader in waste solutions – contributing to cleaner cities while preserving earth's finite resources. Wherever possible, we convert construction and demolition waste into new products.

## 1.3 NATURE

On 3 September 2021, the company published its new Biodiversity and Water commitments and announced to becoming nature-positive by restoring and preserving biodiversity and water while bringing more nature into cities.

Holcim's positive impact on biodiversity is based on transformative rehabilitation plans and measured by a science-based methodology developed in partnership with the International Union for Conservation of Nature (IUCN). Preserving water across its business, Holcim targets to replenish freshwater in water-risk areas while lowering water intensity across all its product lines. Holcim will also accelerate the deployment of solutions such as Hydromedia and green roof systems for more liveable urban environments.

**Holcim's nature-positive strategy places it among the top 1% of the 500 largest global companies<sup>5</sup> with science-driven biodiversity targets and the first in its sector with a freshwater replenishment commitment.**

### On its journey to become nature-positive, Holcim commits to:

- > delivering a measurable positive impact on biodiversity by 2030 based on the Biodiversity Indicator Reporting System (BIRS) developed in partnership with IUCN, with:
  - global BIRS baseline completed in all managed land by 2024
  - all quarries with rehabilitation plans by 2022.
- > replenishing freshwater in water-risk areas by 2030, with:
  - 75% of sites to be water-positive
  - 100% of sites to be equipped with water recycling systems.
- > lowering water intensity across business lines<sup>6</sup> by 2030, with:
  - 33% reduction in cement
  - 20% reduction in aggregates
  - 15% reduction in ready-mix concrete.

### Our nature-positive journey:

We will accelerate and optimize our impacts by working with relevant stakeholders including communities, businesses and non-government organizations to increase water use efficiency, ensure enough clean water exists for all, and protect and restore biodiversity. We will make cities greener from foundation to rooftop by developing and deploying the nature-based approach across our products and solutions. We will help shape a world that works for people and the planet.

<sup>5</sup> Review of the top 500 companies of the Forbes Global 2000.

<sup>6</sup> Compared to 2018 baseline, 2030 targets equal to 211 liters/ton of cement, 179 liters/ton of aggregates and 219 liters/m<sup>3</sup> of ready-mix concrete.

**Our action for biodiversity:**

Our operations are strongly linked to natural resources and our business plays a key role in tackling biodiversity loss and degradation. We work with nature in a transformative, rather than traditional, way. By capitalizing on natural processes, endemic species and local adaptation, we strive to take into account the wider landscape and conservation context. Some key actions include buffer zones optimization and creation of habitats not previously found on the site, like green corridors for wildlife connectivity and wetlands.

**At Holcim, we commit to making a measurable positive impact on biodiversity backed by science-based indicators in our managed land, helping to protect natural ecosystems and the livelihoods of those in neighboring communities.**

As forest protection and reforestation are key climate solutions, in our own undisturbed land, we will invest in carbon inset projects, not only to sequester carbon compensating part of our Scope 3 emissions, but also promote climate resilience, protect biodiversity and restore ecosystems. Further, Holcim commits not to open new sites or explorations within protected areas declared under World Heritage, IUCN I and IUCN III.

To manage our impacts on biodiversity, our mandatory Quarry Rehabilitation and Biodiversity Directive sets out the framework for managing risks, and for protecting and

enhancing biodiversity. The Directive mandates that all our operations have rehabilitation plans available for all quarry sites. In addition, quarries of high biodiversity importance are required to have a Biodiversity Management Plan in place.

**Our action for water:**

We commit to protecting the availability of freshwater resources. Freshwater is a finite resource. Of all the water on earth, just **3% is freshwater and less than 1% is both fresh and accessible.**

**Water is essential for our business production. Of our sites, 23% are in the medium to high water-risk areas. As water is a local resource, we tailor our solutions to local conditions and we prioritize our actions on these sites.**

We consider our total impact on **water resources** in the communities where we operate, particularly in water-risk areas. We optimize and prevent the use of freshwater as well as reduce the risk of depletion or pollution by measuring our operational water footprint, reducing freshwater withdrawal, assessing water risks, engaging with stakeholders on sharing water and providing more water to communities. In 2020, our freshwater withdrawal per ton of cementitious material decreased significantly to 273 liters (compared to 2019 level of 299 liters). This is due to improved water management in identified high water intensity sites, including an improved estimation methodology.

**1.4 PEOPLE**

We respect human rights and empower people and communities to build a better future. We are committed to respecting and promoting human rights in our operations and activities, business relationships and in the communities where we work. Respect for human rights is fundamental to our ability to do business across our 2,300 sites and value chain in 70 countries. We clearly and actively communicate our human rights expectations of employees and business partners through our Human Rights and Social Policy. We regularly interact with stakeholders at all levels – customers, employees, investors and financial institutions, suppliers, regulators, media, non-governmental organizations (NGOs)/development agencies, and academia – to preserve our standing as good members of our communities.

**We are proud to support the communities where we live and work. Over the past five years, we have invested more than CHF 216 million around the world in community projects. In 2020, our community initiatives benefited a total of 6.2 million people and we spent CHF 35.6 million on social investments, inclusive business programs, and donations. Around 5,000 employees throughout the Group spent over 50,000 hours on volunteering programs in their local communities.**

**Responsible sourcing:**

We have short and predominantly local supply chains. With our large geographic footprint, this poses challenges, particularly in countries where business practices are not well regulated. We therefore identify high environmental, social and governance (ESG) impact suppliers and ensure they are qualified to work with us.



### Promoting human rights:

Our approach to managing human rights is fully aligned with the United Nations (UN) Guiding Principles on Business and Human Rights. In February 2020, CEO Jan Jenisch signed the Call to Action for Business Leadership on Human Rights by the World Business Council for Sustainable Development (WBCSD), joining 40 other leaders in sending a clear message on the need to elevate companies' ambitions concerning human rights. Together, our vision is to make human rights more than just a risk and compliance issue for companies – it should be actively promoted as part of a commitment to social responsibility. At Holcim, we promote transformative change in the human rights dimension through such long-standing policies as our Supplier Code of Conduct and our human rights due diligence methodology. At the same time, we champion human rights internally – for example, by setting concrete targets for diversity and inclusion across our operations. We make significant investments to support community development around the world – for example, by providing education and medical care in line with our human rights agenda.

### 1.5 HEALTH, SAFETY & ENVIRONMENT (HSE)

Health, Safety & Environment is a critical success factor for our operational performance and not something we regard as a separate activity. This is why it is seen as a core competency at all levels of Holcim's organization, from site operators to top managers, and as a key component of successful personal performance.

We are committed to:

- creating a healthy and safe environment for all stakeholders based on a true health and safety culture
- maintaining a global Health, Safety & Environment Management System designed to continuously improve our performance and actively manage risk

- targeting operational discipline by instilling a mindset of safe execution and follow-up – communicating openly on relevant health, safety and environmental issues.

**Our strategy Ambition “O”:** To realize this aspiration, the Health, Safety & Environment strategy, Ambition “O”, was launched in 2017 and focuses on seven areas: on-site safety, zero-harm culture, systems and processes, road safety, control of health risks, environmental excellence and contractor partnerships.

#### A fully integrated governance:

Only an integrated approach to Health, Safety & Environment can position our business in the path to success, to protect the people and the environment. To drive a consistent approach of Ambition “O”, processes are embedded in our management systems and include HSE standards, guiding documents and governance systems. The integrated approach includes a fully integrated framework, with audits, self-assessments, periodical reviews and follow up on corrective actions. Each country develops their programs to align with the Group ambitions and achieve the desired outcomes using the HSE Improvement Plan process. Every year, these action plans are reviewed and assessed for effectiveness.

**In 2017, a Health, Safety and Sustainability Committee of the Board (HSSC) was established to strengthen our environmental and social governance.**

Together – and to support the Sustainable Development projects – we have started to ensure the operational excellence for Environment and the footprint of our operations. Natural resource management, pollution prevention and waste management are today our main goals worldwide.

**Air emissions** are a key environmental aspect of cement production.

We expect that all our cement sites measure and manage air emissions. In 2020, we monitored dust, NOx and SO<sub>2</sub> emissions from 97% of the clinker we produced; 85% of clinker production is monitored continuously. The vast majority of Holcim plants operate within best practice emission ranges and some are among the best in the sector.

**In 2020, Group dust emissions were around 19% lower than the year before.**

To ensure compliance with stringent company requirements, we expect all our cement plants to have an **environmental management system** in place.

**In 2020, 89% of our cement plants had an environmental management system equivalent to an ISO 14001 certification.**

### 1.6 SUSTAINABILITY DISCLOSURES, MEMBERSHIPS AND RECOGNITIONS

Holcim strives to ensure that it lives up to the responsibilities that come with its presence in many diverse countries. We take action to be a responsible and ethical company, with sustainability as a core value.

#### Global Reporting Initiative (GRI)



Holcim is a member of the Global Reporting Initiative (GRI) community and supports the mission of GRI to empower decision-makers everywhere, through GRI Sustainability Reporting Standards and its multi-stakeholder network, to take action toward a more sustainable economy and world. Our Sustainability Performance Report as well as our Annual Integrated Report are aligned with the GRI standards.

## Task Force on Climate-related Financial Disclosures (TCFD)



As a business leader, we must ensure transparency and action around climate-related risks and opportunities. Holcim therefore supports the voluntary recommendations of the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD). The identification, assessment and effective management of climate-related risks and opportunities are fully embedded in our risk management process, which is subject to continuous improvement.

With the company being identified as a reference in providing effective climate-related financial disclosures, Holcim was invited to participate in the TCFD Preparer Forum for the construction sector and contributed to the promotion of TCFD recommendations for better communication on climate change-related risks and opportunities. The report was launched by the WBCSD in 2020.

## United Nations Global Compact (UNGC)



United Nations Global Compact

With our integrated approach to sustainable development, Holcim aims to embrace the UNGC principles. We strive to implement the ten principles of the Compact and to use it as a basis for advancing responsible corporate citizenship. At the same time, the Compact provides Holcim with the opportunity to further push our own ongoing programs and processes in the areas of human rights, labor standards, the environment and anti-corruption. In order to demonstrate our commitment, we publish a yearly Communication of Progress (COP). All our COP reports are available on the Global Compact website through the following link: <https://www.unglobalcompact.org/what-is-gc/participants/6028-LafargeHolcim>.

## Environmental, Social and Governance (ESG)



Holcim is recognized as a global climate and ESG leader across a range of third party endorsements.

For all our commitments, recognitions and memberships, please visit our dedicated webpage: <https://www.holcim.com/global-citizenship>.



Striatus is the first-of-its-kind 3D Concrete Printed bridge, designed by Block Research Group and Zaha Hadid Architects, in collaboration with incremental 3D and made possible by Holcim for the Venice Biennale in Venice, Italy  
© Chiara Becattini

## II. RATIONALE FOR SUSTAINABILITY-LINKED FINANCING FRAMEWORK

Recognizing the role of sustainable finance in supporting the transition to a low-carbon and more resource-efficient economy, we put in place a **Sustainability-Linked Financing Framework to link our funding with our sustainability objectives, leveraging ambitious timelines to achieve sustainability performance that is relevant, core and material to our business.**

Holcim's previous sustainability-linked transactions on the bond and loan markets have comforted our belief that sustainable finance allows us to mobilize and partner with our stakeholders along our long-term environmental and social commitments.

Recent examples are (i) the **sustainability-linked syndicated revolving credit facility** signed in August 2021 for an amount of EUR 3 billion and a maturity of 5 years, with **environmental and social KPIs** and (ii) **our participation in the CFO taskforce for the Sustainable Development Goals (SDGs)** launched by the United Nations – in order to **align our corporate finance actions to the SDGs. Through this initiative, the group committed to having at least 40% sustainable financing<sup>7</sup> by 2024.**

Future sustainability-linked instruments under this Framework may include public bonds, private placements, promissory notes (*Schuldscheindarlehen*), loans and any other sustainability-linked financing instruments.

This Framework is aligned with the five core components of the Sustainability-Linked Bond Principles published by the International Capital Markets Association (ICMA) in June 2020<sup>8</sup>, and also takes into account the Sustainability Linked Loan Principles, as published by the Loan Markets Association (LMA) in May 2020 and updated in July 2021<sup>9</sup>:

1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Characteristics of the Sustainability-Linked Notes
4. Reporting
5. Verification



<sup>7</sup> Sustainable financing means: any committed financing instrument drawn and undrawn which has a sustainability feature which includes performance-based (sustainability KPI, ESG linked) or use-of-proceed-based products (green, social, transition bonds) incurred by the parent company or consolidated entities.

<sup>8</sup> See: <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-linked-bond-principles-slbp/>.

<sup>9</sup> See: <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>.

### III. SELECTION OF THE KEY PERFORMANCE INDICATORS (KPIs)

Recognizing decarbonization as the industry’s main challenge, Holcim is committed to continuously reducing the carbon intensity of cement. Water management has also become a global imperative. As water is essential for cement production, the company launched a nature-positive strategy in September 2021 to protect the availability of freshwater resources. The Framework’s two Key Performance Indicators reflect Holcim’s latest targets in both areas:

#### Definition and methodology for KPI measurement

Holcim uses the Global Cement and Concrete Association (GCCA) Sustainability Guidelines<sup>10</sup> for the monitoring and reporting of CO<sub>2</sub> emissions from cement manufacturing (previously WBCSD-CSI Cement CO<sub>2</sub> and Energy Protocol version 3.1) to calculate CO<sub>2</sub> emissions. Holcim also uses the GCCA guidelines as a reference to measure water withdrawal.

**KPI 1: Net CO<sub>2</sub> intensity expressed as net kg CO<sub>2</sub> emitted per ton of cementitious material (Scope 1)**

**KPI 2: Specific freshwater withdrawal expressed in liters per ton of cementitious material**

The GCCA Sustainability Guidelines for the monitoring and reporting of CO<sub>2</sub> emissions (based on the CEN Standard EN 19694-34) from cement manufacturing and the GCCA Sustainability Guidelines for the monitoring and reporting of water in cement manufacturing are part of a package of guidelines developed to support compliance with the GCCA Sustainability Charter. These documents, in conjunction with the GCCA Sustainability Framework Guidelines, provide guidance to GCCA members to fulfill the requirements

of the GCCA Sustainability Charter relating to Climate Change and Energy, and Environment and Nature.

**Cementitious material** is defined following the Cement Sustainability Initiative (CSI)/GCCA definition: Total clinker produced plus mineral components consumed for blending and production of cement substitutes, including clinker sold, excluding clinker bought.

**Net CO<sub>2</sub> emissions** (kg per ton of cementitious material) are defined as CO<sub>2</sub> emissions from the calcination process of the raw materials and the combustion of traditional kiln and non-kiln fuels.

The KPI 1, net CO<sub>2</sub> intensity expressed as net kg CO<sub>2</sub> emitted per ton of cementitious material (Scope 1), is audited and verified annually on a limited assurance basis by an independent external party.

KPI	United Nations Sustainable Development Goals (SDGs)	EU Environmental Objective
<b>KPI 1: Carbon emissions per ton of cementitious material</b>	 <b>Climate Action</b> Holcim’s targets to reduce carbon intensity and the promotion of sustainable construction, as well as innovative solutions, contribute to this goal.	<b>Climate change mitigation</b>
<b>KPI 2: Freshwater withdrawal per ton of cementitious material</b>	 <b>Clean Water and Sanitation</b> Water is a critical resource for cement and concrete production. Holcim takes an active approach to managing water usage to lower consumption, increase recycling, reduce pollution and protect water-related ecosystems and other industries that rely on water. In addition to targets to reduce specific freshwater withdrawal, the company has developed a wide range of products to build a resilient and sustainable water infrastructure (its bioactive concrete restores marine ecosystems, its Firestone roofing systems contain the urban heat island effect and its Hydromedia permeable concrete recharges groundwater).	<b>The sustainable use and protection of water and marine resources</b>

<sup>10</sup> <https://gccassociation.org/sustainability-innovation/sustainability-charter-and-guidelines/>

**Freshwater withdrawal**, for cement sites, is defined as the volume of freshwater withdrawn from defined sources (surface water: water from rivers, lakes, natural ponds; groundwater: water from wells, boreholes, etc.; quarry water used: water collected in the quarry and used on-site; municipal/potable and third-party water) used for the production of clinker and cement.

The KPI 2, specific freshwater withdrawal expressed in liters per ton of cementitious material, is audited and verified annually on a limited assurance basis by an independent external party.

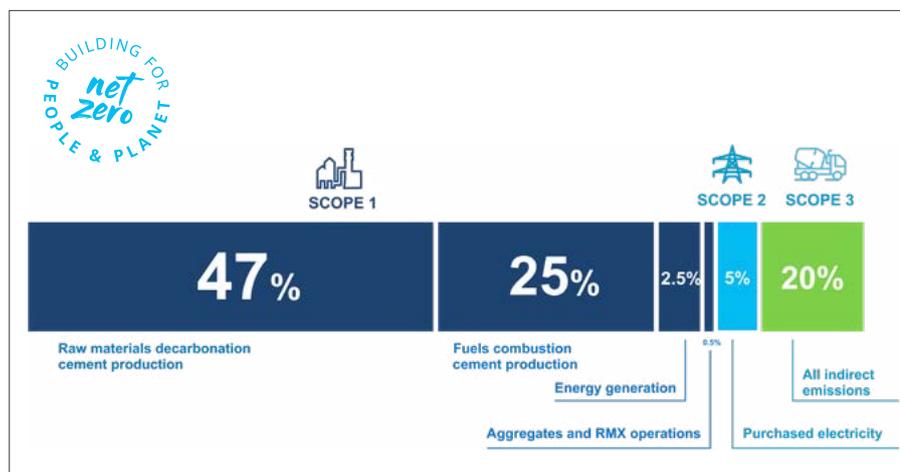
**Rationale**

The cement industry contributes about 7%<sup>11</sup> to global industrial carbon emissions. As the global leader, Holcim has a key role to play

to address today’s climate crisis. Scope 1 emissions carbon intensity from cement production is thus core, relevant and material to our business. Given the high materiality of Scope 1 emissions in our business (75% of Scope 1 emissions vs. 5% of Scope 2 and 20% of Scope 3 emissions), we have decided to focus on net kg CO<sub>2</sub> emitted per ton of cementitious material as the indicator for our sustainability-linked funding.

In addition, water is essential for cement production and 51% of our cement sites are in the medium to high water-risk areas. In comparison, 12% of our Aggregates and 21% of our Ready-Mix businesses are located in water-risk areas. Therefore, we have decided to focus on the specific freshwater withdrawal indicator in our cement operations for our sustainability-linked funding.

**Holcim CO<sub>2</sub> footprint**



<sup>11</sup> See: <https://www.iea.org/news/cement-technology-roadmap-plots-path-to-cutting-co2-emissions-24-by-2050>.

# IV. CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

## SPT 1

Reduce net CO<sub>2</sub> emissions per ton of cementitious material by 9.7% by 2025 from a 2018 baseline.

## SPT 2

Reduce net CO<sub>2</sub> emissions per ton of cementitious material by 17.5% by 2030 from a 2018 baseline.

## SPT 3

Reduce specific freshwater withdrawal per ton of cementitious material by 33% by 2030 from a 2018 baseline.

**Baseline year for SPT 1 and SPT 3:** 2018.

**Baseline year for SPT 2:** 2018.

This baseline was selected as it presented the most recent year for which data were available when Holcim initiated the validation of its target by SBTi in 2019.

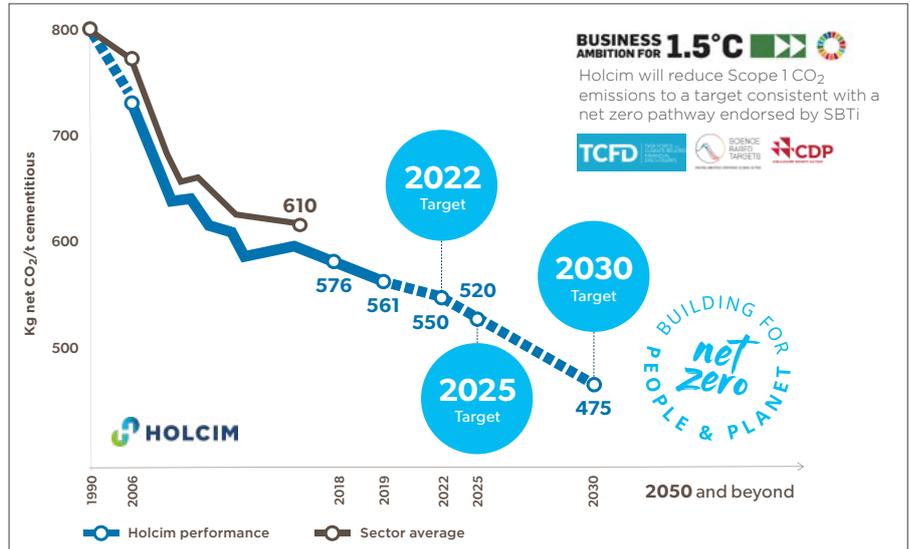
**Target observation date for SPT 1**

31 December 2025.

**Target observation date for SPT 2 and SPT 3**

31 December 2030.

## Our net zero roadmap



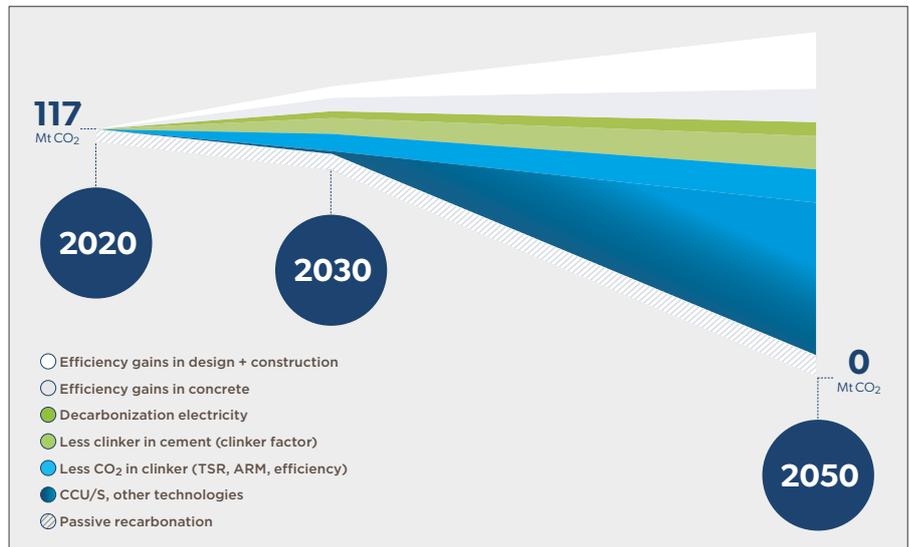
Source: <https://gccassociation.org/sustainability-innovation/gnr-gcca-in-numbers/>.

2030 and 2025 targets of respectively 475 and 520 kg net CO<sub>2</sub> per ton of cementitious material (kg net CO<sub>2</sub>/t.cem) are indicative and based on a 17.5% and 9.7% reduction from 2018 baseline value of 576 kg net CO<sub>2</sub>/t.cem. For the avoidance of doubt, the company reserves its right to review the 2030 and 2025 references value of 475 and 520 kg net CO<sub>2</sub> in case of significant change to the group structure based on 17.5% and 9.7% reduction from 2018 baseline, adjusted for such significant change in scope. Same approach applies for the reference value of 211 liters for specific freshwater withdrawal.

Specific CO <sub>2</sub> emissions – net (Scope 1) as published in reporting year (kg net CO <sub>2</sub> /t)	
2017	581
2018 (baseline <sup>14</sup> )	576
2019	561
2020	555
2025 target	520 (9.7% reduction from 2018 baseline)
2030 target	475 (17.5% reduction from 2018 baseline)

Specific freshwater withdrawal at constant 2020 scope (liters freshwater/t cementitious)	
2017	343
2018 (baseline <sup>14</sup> )	317
2019	299
2020	273
2030 target	211 (33% reduction from 2018 baseline)

## Our absolute Scope 1 + Scope 2 emissions pathway



## Recalculation of baseline

The baseline may be recalculated in good faith by the company to reflect any significant change to the group structure or to the KPI calculation methodology in the previous financial year. Information on the recalculation of the baseline will be made publicly available in Holcim's integrated annual

report or sustainability performance report and will be subject to review by an external auditor.

## Historic values<sup>12</sup>

Performance data on net CO<sub>2</sub> emitted Scope 1 as published in the reporting year. Performance data on specific freshwater withdrawal at constant 2020 scope.

## External validation of SPT 2 by SBTi and rationale

SPT 2 has been validated by SBTi as aligned with a well-below 2°C scenario and complies notably with the following SBTi criteria<sup>13</sup>:

- Consistent with the level of decarbonization required to keep global temperature increases to well below 2°C compared to preindustrial temperatures.
- It has been set 10 years from the date of target submission and therefore complies with the minimum five-year and maximum 15-year thresholds of SBTi.
- Like all SBTi-validated targets, it has been developed in line with the GHG Protocol Corporate Standard and notably covers all relevant GHGs. SBTi requires companies to set targets based on emission reduction through direct action within their own operations and/or value chains.
- SPT 2 is in line with SBTi criteria (4.1) as of September 2020.

### Means to achieve the SPT(s):

#### 1. For our climate goals

To reach our 2030 and 2025 CO<sub>2</sub> reduction targets we will invest in proven technologies that leverage our expertise, especially reducing our clinker factor and using alternative fuels instead of fossil fuels (or increasing our “thermal substitution rate”). We are scaling up and accelerating those efforts:

- Reducing clinker factor: it is during the production of clinker, the main component of cement, that the most CO<sub>2</sub> emissions are produced. The majority of these emissions result from the chemical reaction that occurs when the raw material (limestone) calcinates into a clinker in the kiln. This decarbonation process is our largest source of CO<sub>2</sub> emissions, accounting for 47% of our total CO<sub>2</sub> footprint. We aim to reduce our clinker content from 70.6% currently to 68% by 2030. Replacing the clinker in our final cement products with alternative mineral components reduces the carbon intensity. The main reduction will not only come from recycling

construction and demolition waste or byproducts from other industries, but also by investing in calcined clay facilities and developing novel cements with new binders. We expect calcined clay to gradually replace traditional mineral components such as slag or fly-ash.

- Increasing the use of recycled fuels: taking a circular approach, we will reduce the carbon intensity of our cement by substituting fossil fuels with pretreated non-recyclable and biomass waste fuels to operate our cement kilns. Preparing, recovering and recycling fuels and materials in our processes allows us to divert waste from incineration or landfill and improve the waste management hierarchy at local level. To increase this “thermal substitution rate” (TSR) we will be investing in co-processing facilities and process improvements. We aim to increase our TSR from 20.9% currently to 37% by 2030.
- Increasing the use of alternative raw materials: the use of alternative sources of materials is a key lever to further reduce our CO<sub>2</sub> emissions. Waste materials and byproducts from other industries can be used to replace some of the limestone in the production process. These materials can include recycled “fines” from demolition waste, air-cooled slag and waste lime. We are working with innovative companies to keep on raising the standards and developing new alternative material streams.
- Increasing the use of green building solutions: we are expanding our offer of green products worldwide as part of our net zero journey. In 2020, we gave a special push to green building with our EcoLabel, which transparently brands all cement and concrete with at least 30% lower CO<sub>2</sub> footprint compared to local industry standard or 20% recycled content. Building on the success of ECOPact, we recently launched a new green product, ECOPlanet, which is a global range of green cement delivering at least 30% lower carbon footprint with equal to superior performance compared to traditional cement. To keep a full pipeline of sustainable solutions, our Innovation Center in

Lyon, France, dedicates over 50% of its resources to green construction and over 40% of its patents are in this area.

In addition, we continue to explore other technologies to reduce our CO<sub>2</sub> emissions – and carbon capture, usage and storage (CCUS) is one of them (our 2030 and 2025 targets exclude the use of CCUS). Net zero carbon cement will require effective carbon capture technology and we are currently piloting over 30 CCUS projects across Europe and North America. Over the next ten years, we will explore CCUS technologies to reach the scalable and cost-effective solutions the industry needs to meet the net zero ambition. Our objective is to develop a handful of solutions for use and storage that can be combined in different ways and environments. However, no single solution will be perfectly scalable, as different environments present different conditions, from local partners to geological conditions that are favorable for storage.

#### 2. For our freshwater goals

To reach our 2030 specific freshwater withdrawal reduction target, Holcim has developed an action plan based on three main levers:



##### Improve water use efficiency

Optimize water use process at sites



##### Shift to non-freshwater withdrawal

Replace freshwater with sea or treated wastewater



##### Maximize rainwater harvesting

Use harvested rainwater to meet site water requirements

- Specific freshwater withdrawal reduction: we will improve our water usage efficiency by reducing leakages and optimizing our processes. Our sites in water-risk areas will be equipped with recycling systems. When possible, we shift our water usage from freshwater to non-freshwater. In some countries, during heavy rains, we use harvested rainwater, while in others we use sea or treated municipal wastewater.

<sup>12</sup> Source: Holcim Integrated Annual Report 2019 & 2020.

<sup>13</sup> SBTi Criteria and Recommendations: <https://sciencebasedtargets.org/wp-content/uploads/2019/03/SBTi-criteria.pdf>.

<sup>14</sup> The baseline may be adjusted to reflect significant changes in group structure or KPI calculation methodology.

## V. CHARACTERISTICS OF THE SUSTAINABILITY-LINKED NOTES

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Unless otherwise stated, the proceeds of Holcim's Sustainability-Linked Notes will be used for general corporate purposes.

**Any series of Sustainability-Linked Notes may refer to one or more Sustainability Performance Targets and/or to one or more Target Observation Dates. The structural characteristics of any Sustainability-Linked Bond, including the impact of Holcim's KPI performance compared to the applicable SPT, will be specified in the transaction documentation.**

## VI. REPORTING

Holcim will communicate annually on the relevant KPIs and SPTs, making up-to-date information and reporting available on its website<sup>15</sup>.

Holcim's integrated annual report and sustainability performance report will include the performance of the selected KPIs, including baselines and recalculation where relevant, covered by an assurance statement of an external auditor.

Following a target observation date, a verification assurance certificate confirming whether the performance on the KPIs meets the relevant SPTs will be published on Holcim's website.

Any information enabling investors to monitor the level of ambition of the SPTs (e.g. any update of Holcim's sustainability strategy or the related KPI/ESG governance, and more generally, any information relevant to the analysis of the KPIs and SPTs) will also be published on Holcim's website.

In addition, Holcim will publicly disclose its environmental and climate-related data through the CDP Climate and Water Disclosure questionnaires on a yearly basis.



<sup>15</sup> See: <https://www.holcim.com/sustainability-reports>.

## VII. VERIFICATION



This Framework and the associated annual reporting will benefit from three layers of external verification:

**Pre-issuance verification: Second-party opinion by a recognized ESG agency** on the alignment of the Framework and the associated documentation with the Sustainability-Linked Bond Principles, including an assessment of the relevance, robustness and reliability of selected KPIs, the rationale and level of ambition of the proposed SPTs, the relevance and reliability of selected benchmarks and baselines, and the credibility of the strategy outlined to achieve them, based on scenario analyzes, where relevant.

**Post-issuance verification: An assurance statement by an auditor or external verifier** on the KPIs information included in our integrated annual report and sustainability performance report annually.

**A verification assurance certificate** confirming whether the performance of the KPI meets the relevant SPT, published on Holcim's website following a target observation date.

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