Governance in emerging markets - a Holcim perspective

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Bernard Mathieu, Head of Sustainable Development
Holcim at a glance

Presence on all five continents in ~70 countries

2013 net sales of CHF 19.7 bn

Operating EBITDA of CHF 3.9 bn

Holcim is one of the world's leading suppliers of cement and aggregates (crushed stone, gravel, and sand), as well as further activities such as ready-mix concrete and asphalt including services.
Customer Commitments and Sustainable Development: Holcim commits to create value for all stakeholders

Our Customer Commitments

1. We are easy to do business with
   We keep things simple for our Customers in everything we do.

2. We keep our promises
   We deliver on the promises we make to our Customers; we ask for feedback and always act upon it.

3. We create value
   We understand who our Customers are, what drives their business and what they value; we build lasting relationships and find the best possible solutions to their needs.

Our vision is to be the most customer focused company with the highest customer loyalty in our industry; to create more value for our customers and higher and sustainable returns for our company.

Our Sustainable Development Ambition 2030

Sustainability Enhanced Solutions
Grow our portfolio of sustainability solutions to 1/3 of revenues in 2030

Climate
Acting to cap the carbon footprint across the lifecycle

Resources
Minimize the use of primary resources
Show a positive impact on water and a positive change on biodiversity

Communities
Invest strategically and develop ‘inclusive business’ models to create positive social impact and business returns

To provide foundations for society’s future
Holcim – well balanced global portfolio

Sales volumes per region 2013 (million t or m³)

Asia Pacific
- Cement 70.3
- Aggregates 25.2
- RMX 10.9

Latin America
- Cement 25.0
- Aggregates 10.2
- RMX 8.0

Europe
- Cement 26.7
- Aggregates 74.1
- RMX 12.3

North America
- Cement 11.7
- Aggregates 42.8
- RMX 7.5

Africa Middle East
- Cement 7.9
- Aggregates 2.2
- RMX 0.8

CHF 19.7 million net sales 2013

27.6% Asia Pacific
15.6% Latin America
16.5% North America
4.4% Africa Middle East

CHF 3.9 billion op. EBITDA 2013

22.9% Asia Pacific
12.0% Latin America
22.7% North America
6.9% Africa Middle East

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Our global portfolio brings about opportunities – but also significant challenges

- Majority of our employees are in emerging markets
- Inherent social, human rights and compliance challenges
- Two speed economy
- Attraction and retention of talent is a growing challenge
- Long term business - societal license to operate is critical
- Widespread and diverse supplier base – mainly local
- Increasing scrutiny on how MNCs conduct their business
The need for global standards and corporate responsibility is embedded in our strategy

**Goal**
- Creation of Value

**Strategy**
- Product Focus
- Geographic Diversification
- Global Standards Local Management

**Mindsets**
- Sustainable Environmental Performance
- Cost Management
- Customer Excellence
- Leadership
- Corporate Social Responsibility

**Base**
- People
It starts with a zero tolerance approach to non compliance infringements…….

Formalized into binding policies and directives…….
…..and backed up with a strong tone from the top, training and a global reporting and advice tool

Integrity Line

Dear Colleagues,

In today’s world, carrying out Holcim’s activities requires us to act with integrity and in strict compliance with the law regardless of challenge or consequence. That’s the way Holcim does business.

Over the past few years, we have been constantly raising the bar for our professional practices. We have successfully implemented new policies and processes in governance, ethics and compliance. As part of these efforts, we are committed to ensuring an open culture of integrity where all employees feel secure in seeking advice and in raising concerns.

As a Holcim employee you have the responsibility to raise compliance and ethics concerns through our established channels. If you see any behavior or practice against our Code of Conduct, you are encouraged to speak to your line manager, local legal or compliance counsel or a human resources representative to voice concerns. An alternative option for reporting concerns or asking questions is the Holcim Integrity Line, a secure phone and web-based ethics advice and reporting system supported by an independent provider. The Integrity Line is available for you to ask compliance-related questions or make a report 24 hours a day, seven days a week.

Regardless of the way you choose, we stand by our promise of a retaliation-free environment for anyone who comes forward in good faith to report suspected violations.

Every employee will have my support and the support of the management in defending our Code of Conduct and promoting our values.

Regards,

Bernard Fontana
CEO of Holcim Ltd
Addressing the challenges in implementing policies

- Resources
- Effective training
- Country culture and practices
- Support to operations
- Consistent consequence management
- Communication
- Leadership from the top is critical
Our CSR strategy engages the community....

- Building capacity of people and organizations through social engagement and investment
- Developing business solutions to social problems
- Engaging employees worldwide for Sustainable Development
- Ensuring promotion of global social standards
Promoting global labor standards.....

- Contract Workers Directive issued in 2012
- Formalizes the obligations of Group companies i.r.o
  - compliance with national legal regulations
  - Holcim global standards
  - ILO core labor conventions
- Provision made for auditing of adherence
- Included in scope of CSDR assurance
Human Rights assessments

- The methodology is based on a global risk mapping and pilot assessments conducted between 2010 and 2012.
- Implementation to date:
  - 6 human rights impact assessments completed
  - Manual and tools communicated to all Group companies
  - Face-to-face and online trainings delivered
- Appropriate assessments in line with the risk categorization of the operating environment are planned in all Group companies.
...and sustainable supply chain management

1. Supplier Code of Conduct
   Supplier Code of Conduct approved by Holcim EXCO and communicated to all suppliers and Group Companies

2. Supplier prioritization
   High risk suppliers to be prioritized by Group Companies and Corporate Procurement based on assessment of business, safety, environmental social and legal risk

3. Risk assessment
   Continuous evaluation of risk exposure through self-assessment / fact finding / verification, as determined by Group Companies

4. Risk mitigation
   Supplier development or replacement, as determined by procurement and other relevant functional experts

5. Scorecard
   Continuous performance tracking for the Holcim Corporate Sustainable Development Report.