

Holcim Ltd.

Construction Materials Switzerland SWX:HOLN

ESG Risk Rating

25.9

Updated Nov 10, 2022

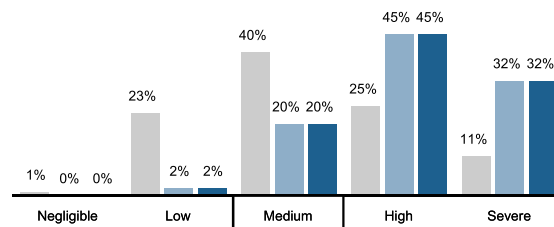
+4.7

Momentum

Medium Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

| UNIVERSE | RANK (1 st = lowest risk) | PERCENTILE (1 st = Top Score) |
|------------------------------------|---|---|
| Global Universe | 7456/15556 | 48th |
| Construction Materials INDUSTRY | 13/142 | 9th |
| Construction Materials SUBINDUSTRY | 13/142 | 9th |

Peers Table

Peers (Market cap \$22.8 - \$31.1bn)

| | Exposure | Management | ESG Risk Rating |
|------------------------------------|-------------|--------------|-----------------|
| 1. CRH Plc | 53.8 Medium | 67.8 Strong | 21.4 Medium |
| 2. Holcim Ltd. | 59.7 High | 62.9 Strong | 25.9 Medium |
| 3. Vulcan Materials Co. | 47.6 Medium | 43.8 Average | 29.0 Medium |
| 4. Martin Marietta Materials, Inc. | 46.9 Medium | 36.1 Average | 31.8 High |
| 5. UltraTech Cement Ltd. | 61.8 High | 47.3 Average | 35.9 High |

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ESG Risk Analysis

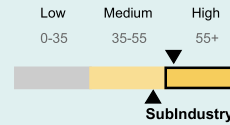
Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

59.7 **+5.8**

High Momentum

Beta = 1.15



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. Cemsuisse, the Swiss cement organization of which Holcim is a member, has targeted carbon neutrality by 2050. Cement companies that find solutions to reduce emissions could minimize carbon-related regulatory risks and increase profitability. They 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 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.

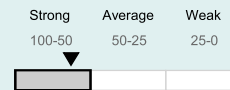
The company's overall exposure is high and is moderately above subindustry average. Emissions, Effluents and Waste, Carbon -Own Operations and Business Ethics are notable material ESG issues.

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

62.9 **-5.7**

Strong Momentum



With a top-level sustainability commitment, Holcim has appointed a chief sustainability officer and integrated sustainability objectives into its long-term performance-based incentives for management. The company's ESG reporting is very strong, as its 2021 Integrated Report and 2021 Sustainability Performance Report are compatible with the comprehensive "in accordance" GRI Standards. Holcim has a relatively high carbon intensity but has implemented best-practice GHG reduction and environmental management programmes. It has an established programme to tackle business ethics issues with board oversight from the audit committee and robust whistleblowing systems. Holcim has solid non-GHG-reduction programmes, but its 2021 total SO2 and NOx emissions went up year over year. It has also recently been involved in air pollution and effluents contamination controversies in several regions.


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 Score Category | ESG Risk Management Score Category | ESG Risk Rating Score Category | Contribution to ESG Risk Rating |
|--|---------------------------------------|---|-------------------------------------|---------------------------------|
| Society -Human Rights Significant Events  | 6.0 Medium | 0.0 Weak | 6.0 High | 23.1% |
| Carbon -Own Operations | 11.3 High | 63.1 Strong | 5.6 Medium | 21.5% |
| Corporate Governance | 9.0 High | 69.5 Strong | 2.7 Low | 10.6% |
| Resource Use | 5.1 Medium | 66.0 Strong | 2.4 Low | 9.3% |
| Emissions, Effluents and Waste | 5.3 Medium | 69.3 Strong | 2.0 Negligible | 7.6% |
| Business Ethics | 6.3 Medium | 74.4 Strong | 1.8 Negligible | 7.1% |
| Occupational Health and Safety | 4.8 Medium | 69.2 Strong | 1.6 Negligible | 6.3% |
| E&S Impact of Products and Services | 6.0 Medium | 92.0 Strong | 1.6 Negligible | 6.1% |
| Community Relations | 3.0 Low | 69.7 Strong | 1.1 Negligible | 4.3% |
| Human Capital | 3.0 Low | 68.6 Strong | 1.0 Negligible | 4.0% |
| Overall | 59.7 High | 62.9 Strong | 25.9 Medium | 100.0% |

Events Overview

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

Category (Events)

 **Severe (0)**

 **High (1)**

Society - Human Rights

 **Significant (0)**

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Events Overview

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

Category (Events)

Moderate (5)

Anti-Competitive Practices

Community Relations

Emissions, Effluents and Waste

Labour Relations

Occupational Health and Safety

Low (2)

Business Ethics

Energy Use and GHG Emissions

None (8)

Accounting and Taxation

Bribery and Corruption

Environmental Impact of Products

Intellectual Property

Lobbying and Public Policy

Sanctions

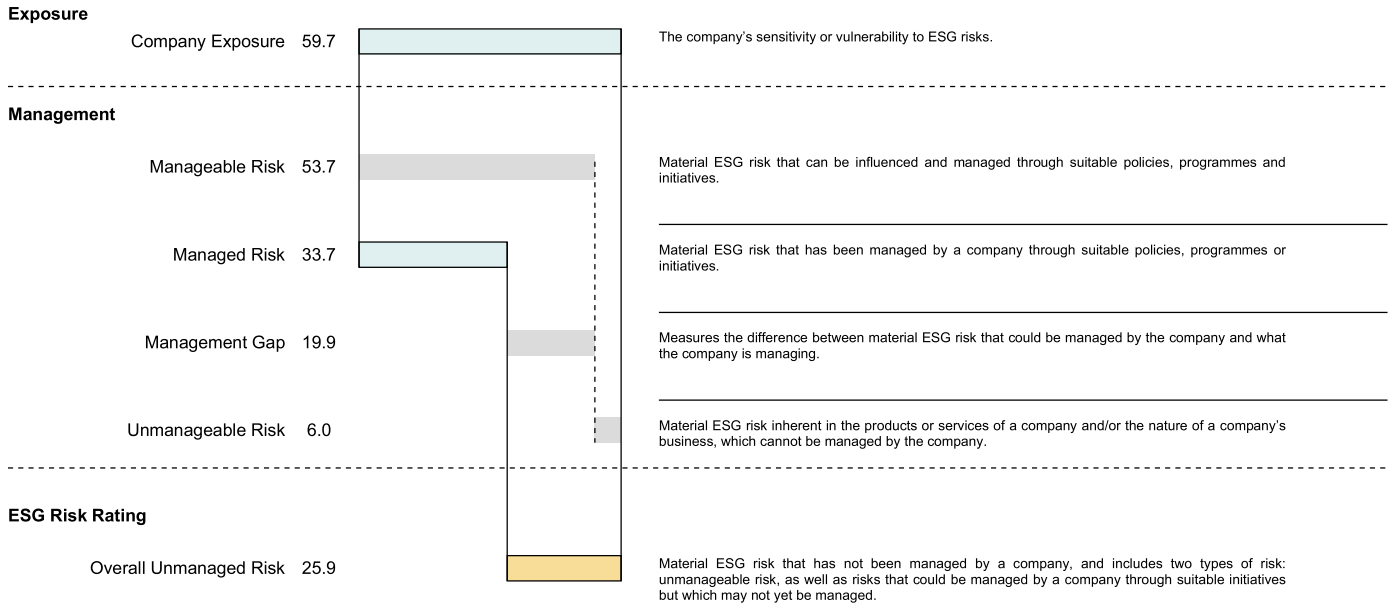
Social Impact of Products

Water Use

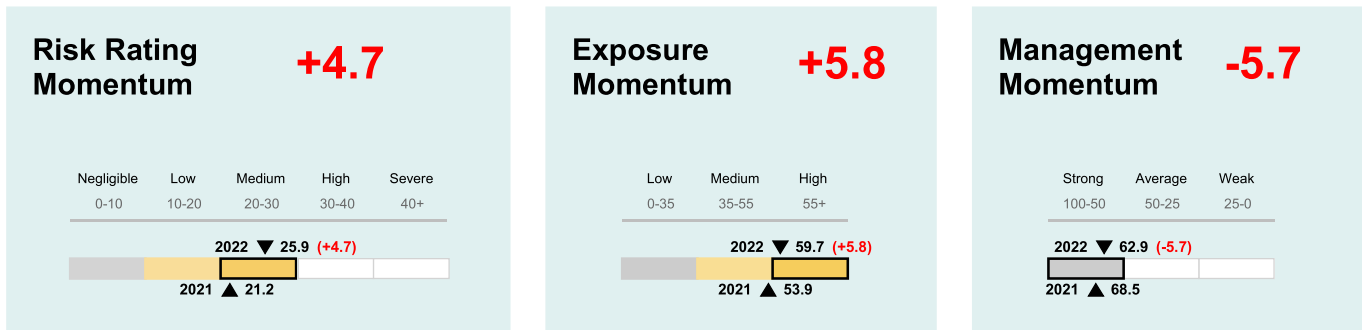
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Risk Decomposition



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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