

Holcim Ltd.

Construction Materials Switzerland SWX:HOLN

ESG Risk Rating

26.3

Last Full Update Oct 2, 2023

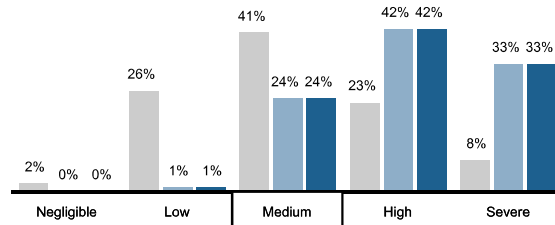
+6.4

Momentum

Medium Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK (1 st = lowest risk)	PERCENTILE (1 st = Top Score)
Global Universe	8486/15652	55th
Construction Materials INDUSTRY	15/140	11th
Construction Materials SUBINDUSTRY	15/140	11th

Peers Table

Peers (Market cap \$25.4 - \$38.9bn)

	Exposure	Management	ESG Risk Rating
1. CRH Plc	53.8 Medium	69.5 Strong	20.6 Medium
2. Holcim Ltd.	59.3 High	61.9 Strong	26.3 Medium
3. Vulcan Materials Co.	46.3 Medium	40.8 Average	29.3 Medium
4. Martin Marietta Materials, Inc.	46.2 Medium	39.1 Average	30.1 High
5. UltraTech Cement Ltd.	54.8 Medium	45.0 Average	32.9 High

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ESG Risk Analysis

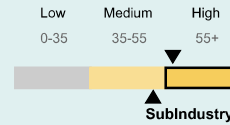
Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

59.3 **+5.7**

High Momentum

Beta = 1.14



Holcim's key product is cement, which is manufactured in an energy-intensive process and results in a sizeable carbon footprint. Stringent carbon regulations worldwide may expose the company to compliance risks. Moreover, its operations rely on large amounts of water for mixing raw materials and cooling equipment. Climate change may affect freshwater availability, exposing Holcim to public scrutiny over its water use or leading to operational disruptions. Regarding business ethics, companies of Holcim's market size are susceptible to anti-competitive practices due to the oligopolistic and capital-intensive nature of the industry. Involvement in public projects can create bribery and corruption incentives. Lastly, Holcim was implicated in funding internationally designated terrorist groups in Syria from 2013 to 2014, for which it pleaded guilty in 2022, resulting in a USD 777.8 mn fine.

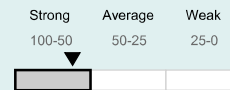
The company's overall exposure is high and is moderately above subindustry average. Carbon - Own Operations, Business Ethics and Resource Use are notable material ESG issues.

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

61.9 **-8.9**

Strong Momentum



Holcim has a board-level health, safety and sustainability committee and integrates sustainability objectives into its CEO's performance-based incentives. The company's ESG reporting is very strong, as it is written in accordance with the 2021 GRI Standards. With regard to GHG reduction, a portion of Holcim's energy consumption is derived from renewable sources, and the company has set net zero and interim targets, as per best practice. Likewise, pertaining to water management, Holcim has implemented initiatives to reduce its consumption and has set targets to reduce its freshwater withdrawal by 2030. In addition, more than 10% of its raw material is derived from waste or by-products from other industries. As for business ethics, the company's board-level audit committee has oversight of these matters and Holcim conducts a yearly compliance risk assessment, among other initiatives.

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	
Society -Human Rights Significant Events 	6.0 Medium	0.0 Weak	6.0 High	22.8%
Carbon -Own Operations	10.8 High	66.6 Strong	5.0 Medium	19.2%
Corporate Governance	9.0 High	65.2 Strong	3.1 Low	11.9%
Resource Use	6.0 Medium	68.5 Strong	2.7 Low	10.3%
Occupational Health and Safety	4.5 Medium	59.1 Strong	2.0 Negligible	7.5%
Emissions, Effluents and Waste	5.0 Medium	69.3 Strong	1.9 Negligible	7.1%
E&S Impact of Products and Services	6.0 Medium	88.0 Strong	1.8 Negligible	6.7%
Business Ethics	6.0 Medium	74.4 Strong	1.8 Negligible	6.7%
Human Capital	3.0 Low	68.6 Strong	1.0 Negligible	4.0%
Community Relations	3.0 Low	74.2 Strong	1.0 Negligible	3.8%
Overall	59.3 High	61.9 Strong	26.3 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

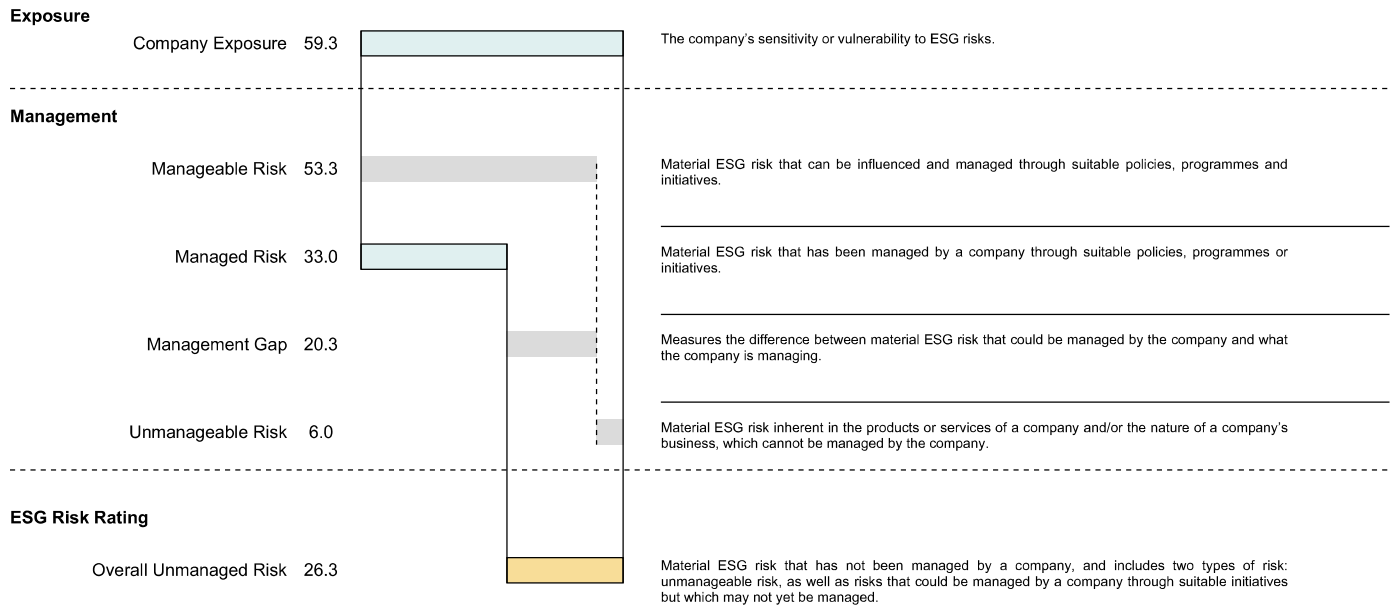
Social Impact of Products

Water Use

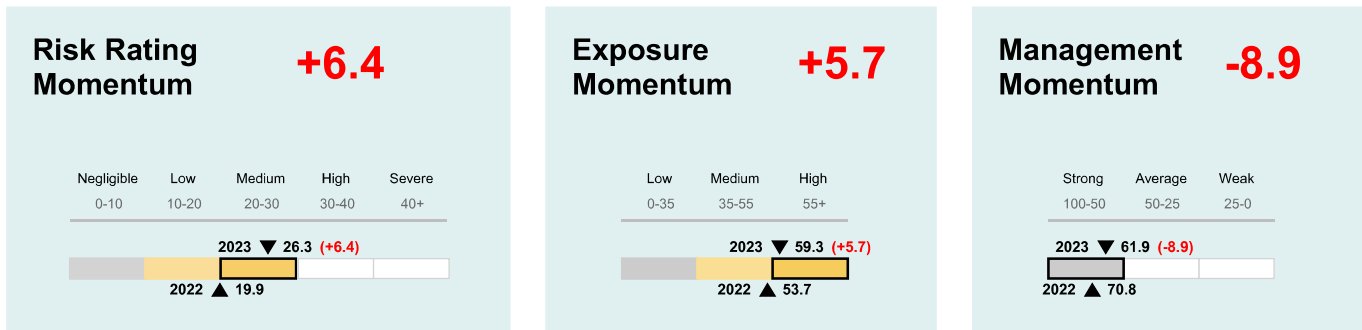
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Risk Decomposition



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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