

# 2016



## CEMEX European Consultative Committee Meeting

27-28 September 2016

### Executive Summary





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## ► Agenda

Derek O'Donnell, Regional VP HR Europe and Secretary of the ECC, welcomed participants and ran through the agenda. Day one included presentations on Health and Safety, HR, Sustainability, the revised ECC contract, and a review of 'Past Restructuring Programmes' and the status of the 'One Europe Programme'. Day two included presentations on Financial Performance and Investments, and on Cemex's business performance. ■



Derek O'Donnell

## ► Health & Safety



Javier Mota



Muriel Peretti

**Due to illness, this presentation was instead given by Javier Mota.**

In the first 6 months of 2016, there had been no fatalities in Europe. The news for LTIs isn't as positive and, in the first 6 months of 2016, there have been as many LTIs as in the whole of 2015. 2015 ended with 8 contractor LTIs whereas there have already been 10 in 2016. In July, a series of initiatives were launched in Europe to go against this trend. The rate of near miss and hazard cards is almost the same as last year. The sickness absence rates are slightly higher than last year. The health and safety awards aren't just about performance, most important is having good practices. Looking at the awards received in the last year, there was a representative from Europe in almost every category. Javier Mota then presented the key health and safety initiatives for this year. First is All Safe, an initiative where small groups of 3 or 4 people work with a supervisor to review safety in their area and then propose improvements. The pilot for this initiative has been positive. Another initiative is the health and safety Academy, the first in Europe was opened in the UK, and there will be an Academy in every country by the end of 2016. Taskforces have also been introduced for all the Global Tracks: aggregates, cement operations, etc. Most recently we formed Global Health Forum. Javier Mota also highlighted the importance of sharing good practice regarding health and safety to enable learning from others.

Muriel Peretti commented that, in France, near accidents are declared but that this isn't possible on the new software. Javier Mota confirmed that there will be new software, which is currently at the pilot stage and will be in Europe in the second quarter of 2017. Jean-Serge Peret followed up by asking if they would be able to transfer data that hasn't been validated yet, to which Javier Mota stated that this information wouldn't be lost.

Jose Lafuente asked if there is a benchmark for absenteeism. Javier Mota explained there isn't a global benchmark for absenteeism out of CEMEX so we can only measure against ourselves but the figure of 3.3 is not good as is worse than last year. With regards to including employees, in planning initiatives for next year it is done at local level (Country level).

Prompted by Maris Zunda remarking that it's important to not just know how many cards have been issued but also how many issues have been closed and what resources were used, Javier Mota explained that this information wasn't available for this meeting. Javier Mota went on to say that the target for closing cards is at least 85% on a rolling basis. Jean-Serge Peret followed up by saying that what's important is that they're solved, not how many there have been, but they still haven't been shown that information. Derek O'Donnell confirmed that this information is available and will be distributed. ■



## ► Human Resources



Derek O'Donnell



Justyna Kala

Derek O'Donnell began by talking about employee engagement with the current Employee Engagement Index at 71%, an increase of 2% from 2013.

The participation rate in Europe is 75% and figures show that countries that do well in engagement have a higher participation rate. The EEI is driven by 4 out of 50 questions, if people are proud to work at Cemex, that they rarely think about working elsewhere, if they would recommend Cemex as a good place to work, and if they're satisfied with Cemex as a place to work. There is improvement but there's more to do.

At the end of 2016 there will be a pulse check survey where people are asked about how well they were informed about improvement processes, this is to understand how connected people feel to the organisation. There will be a 3-week campaign from the end of November to invite everyone to participate and the survey will consist of 10 questions plus 3 or 4 country-specific questions. There are initiatives looking at improving people's work/life balance, such as options for unpaid leave in Spain, encouraging video conferencing in France, and more flexible working hours for those returning from parental leave in Poland.

Over 7,000 employees have taken ETHOS courses but use of the ETHOS line is very low with just over 40 complaints in total. It is important that people are well-informed that it is a safe way to raise issues. The results of the ethical survey will be available in October.

The penetration of online training is only at 10% and this should be higher as it's very effective and allows people to work at their own pace. Out of nearly 11,000 employees, 9,194 employees have had some training with an average of 15 hours of training.

1,094 staff members left Cemex in 2015. Part of this is down to divestiture but relationships with supervisors, work/life balance and workplace culture are also areas of concern as to why people are leaving.

Jean-Serge Peret pointed out that not complaining to ETHOS means that management are dealing with the issue before it escalates. Derek O'Donnell agreed but wanted to ensure people know it's available to them to use.

Jose Lafuente suggested that some people are leaving Cemex due to a lack of compensation and benefits, and asked when there would be an initiative regarding this. Derek O'Donnell replied that they need to ensure they're paying people correctly and that they're attractive to the best employees.

Jean-Serge Peret commented that part of the issue is people understanding the questions in the engagement survey, to which Derek O'Donnell agreed and explained that, as people become accustomed to the survey, there is a slow improvement.

Prompted by Muriel Peretti suggesting that one of the main issues for people is burnout, Derek O'Donnell agreed and suggested that it's about having a trusting relationship with your manager. Muriel Peretti proposed it wasn't that simple and suggested the idea of a charter to ensure there are rules regarding time management. Derek O'Donnell offered that this may be difficult to do on a European level but assured he would look into it.■

## ► Sustainability



Cristina Aparicio

Cristina Aparicio introduced the session by telling the group that Cemex Europe is leading as an example in sustainability but there are still challenges as regulations that are getting stricter and competitors that are also trying to lower their emissions.

As a Global Analysis, CEMEX Stakeholders were asked to rank 20 issues managed by the company according in order to know which ones are more they concerned on and internally was ranked these issues their impact on Cemex. One of this is air quality, Cemex are under regulations in all cement plants but regulations are getting stricter. Compared to the competitors' emissions, Cemex is aligned but are lagging behind slightly, which is something that will require focus.

Looking at biodiversity and land management, if this isn't managed properly, we have seen in other CEMEX Regions that we can have a lot of problems. Cemex could end in the media and could have instances where Cemex ore even struggle to get operational permits due to not addressing stakeholder challenges. Cemex would like to anticipate regulations in biodiversity, increase the land value and get revenue streams. In order to do that, Cemex have partnered with BirdLife, and there are over 35 biodiversity action plans. 36% of quarries in Europe are in areas of high biodiversity and Cemex have the commitment to implement biodiversity action plans for all these sites. The target is to achieve this by 2020 and there has been defined a roadmap to achieve it in agreement with the countries.

Cemex leads in alternative fuels rate. Thermal energy efficiency has improved. The European Union is in the third phase of their CO2 strategy (ETS system) and the goal for Europe is to decrease emissions by 21%.

By 2017, Cemex will face a deficit as a company and, by 2019, Cemex will be in deficit in all of the countries so Cemex needs to keep moving forward in biomass and thermal efficiency. Cemex is currently in negotiations with the EU regarding emissions and are lobbying in defence of the cement industry as well as chairing a working group. The final approval is expected at the end of 2017. In summary, Cemex is performing well, that needs to continue and Cemex Europe is a good example for alternative fuels and biodiversity to other countries. Cemex operates in a challenging region and it's important to keep moving forward. With regards to CO2, Cemex have to keep performing better because, at the end of the period, it will be a struggle.

Derek O'Donnell asked if Cemex can keep the advantage with alternative fuels, to which Cristina Aparicio explained that they are investing a lot but Europe we have to consider permits in some places and also fuels price plays an important role and so they need to ensure it's also economically viable.■



## ► ECC Contract



Jean-Serge Peret

Jean-Serge Peret explained that it had been raised to the group that not all countries had received the contract in their own language and only Spain, France, Germany and the UK had received the training as promised. Jean-Serge Peret suggested that they couldn't comment on the contract as not everyone had been able to read it in their own language or had the correct training to review it. Jean-Serge Peret reassured management this didn't mean they wouldn't sign the contract but that they all needed the correct training first.

Jürgen Winkelmann reassured the group that this wasn't done intentionally and that each country's HR was responsible for providing training and translating the contract. Derek O'Donnell proposed that, while they had translators, it would be a good idea for Jürgen Winkelmann to talk the group through the small changes in the contract before everyone receives it in their own language. Jean-Serge Peret replied that management had the right to do the review but they wanted to explain that they were unhappy with the events and suggested that they have joint training before the next plenary meeting. Jürgen Winkelmann accepted the group's feelings and explained that joint training would be difficult as it would require interpreters.

Jürgen Winkelmann attempted to present the new contract but the representatives were unhappy to proceed so the presentation was terminated. ■

## ► One Europe



Jürgen Winkelmann

Jürgen Winkelmann began the presentation by reviewing past restructuring programmes, as requested by the sub-committee in the meeting earlier this year.

The restructuring programmes started in 2007 and, since 2007, Cemex has decreased from nearly 20,000 employees to 10,440.

The first restructuring programme was downsizing the company after the financial crisis. Construction went down by 80% in some countries and that downturn continued for 5 years. Downsizing was done locally and always in collaboration with local works councils and unions.

The next restructuring programme was transformation where the idea was to manage the company differently, using the analogy of taking it from being an elephant to a greyhound, so the company became more flexible and quicker. This stage reduced the number of people in the global centre in Spain and addressed the levels within the organisational model.

The next stage was the Asset programme, which looked to reduce the costs of administration by outsourcing it. IBM were brought in as they promised savings of \$100 million a year, which they have gone on to achieve. Addressing Konrad Meier's comments about issues with IBM and that their lack of support is putting the health of employees at risk, Jürgen Winkelmann accepted that there have been issues. Jürgen Winkelmann reiterated that the company needed to make savings and that Cemex's top priority was surviving. Jean-Serge Peret added that only a few people would say they were satisfied with IBM's service. Jürgen Winkelmann replied that they could never assume the good feeling people had before the financial crisis would continue afterwards as they are now in a different situation. Muriel Peretti added that IBM staff are now in India and are difficult to understand. Derek O'Donnell confirmed that these issues should be raised with a country's BSO manager.

Jürgen Winkelmann continued to review the restructuring programmes by moving on to the selling of Ireland, Austria and Hungary, and their looking to sell Croatia. Businesses have also been sold in selected countries. The principle has been to sell assets to buyers where Cemex can ask for a price that goes beyond its price within Cemex. These divestments brought cash into Cemex, which was then used to reduce the financial debt. [Suite page 7.](#)



## ► One Europe

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The next restructuring programme was Wellington, which was a combined selling of assets from one party to another. Holcim gained the western part of Cemex, where they had a gap in their portfolio, and Cemex were able to combine their cement plants in Spain. It also allowed the Czech Republic to become a stronger player in the Central European market.

The next programme was the Move Project. After Wellington, the German headquarters became obsolete so it was closed and moved to Rüdersdorf. The administrative back office was moved to the Czech Republic to take advantage of lower labour costs, and this has achieved savings of €5.2 million.

The employee count has reduced by half since 2007 as has the products being produced. There was no way around these restructuring programmes but it's believed they were done fairly.

Muriel Peretti asked how many Cemex workers were affected by outsourcing to IBM and how many people work at IBM for Cemex. Jürgen Winkelmann confirmed that 283 people lost their jobs in Europe but they weren't allowed to know how many members of staff they have at IBM.

Jose Lafuente raised the issue that direct employment has been replaced with subcontractors and that there are now more external people working in the plants. This destroys the value that Cemex is offering communities and is why they can't agree to restructuring processes. Jürgen Winkelmann agreed that it goes against Cemex's commitment to society but informed the group that subcontractor engagement in some areas has also reduced, such as with drivers. Jürgen Winkelmann told the delegates that the first stage of One Europe is to move operations support and commercial administration under the governance of FSO. Admin positions will then be transferred to a new service centre in the Czech Republic. The principle is that the local BSO and GSO will act complementary with country management and functional experts involved, which should make savings of \$5 million.

The GSO governance model was then shown to the representatives with the idea being that everything will move to Prague except for commercial administration, which will move to Prachovice. Cemex are currently hiring people in the Czech Republic and the majority of people will be in place by 1 October, except for the UK where staff will be in place by 1 November. Efforts are being made to on-board new staff and they have been invited to go to the countries where they are supposed to work.

The commitment is that all employees affected by this move will be treated fairly. Rights will not be reduced and there will be a transparency about the status of the programme.

Prompted by Uwe Pommer's question regarding if people would be receiving a lower salary by moving to the Czech Republic, Jürgen Winkelmann confirmed that no one from Spain, France or the UK would be moving.

Muriel Peretti raised that this is the seventh restructuring since 2008 and this has left administration feeling morally pressured and wondering when the next restructuring plan will come. Jürgen Winkelmann explained that they are now in a period where things are improving so management should now be moving away from restructuring and instead towards growth.

Jean-Serge Peret asked about the commitment to the salaries of new employees and if they had been recruited under the same conditions. Jürgen Winkelmann described the Czech Republic's job market as very competitive for employers with unemployment in Prague at 1.8% and they therefore need to be very competitive with salaries. Petr Votova remarked that Prachovice doesn't have the same low employment rate and asked if new employees would be covered by the collective agreement. Jürgen Winkelmann confirmed that there is a commitment that these conditions will continue and this will be put in writing for the employees.

The ECC then adjourned for the evening. ■



Jose Lafuente



Konrad Meier



Benedikt Jodocy

## ► Financial Performance & Investments



Jose Cascajero



Thomas Hunter

## ► CEMEX Business Performance



Jaime Elizondo

Jose Cascajero explained that the financial trend for 2014, 2015 and 2016 was very positive with a positive result in the UK and other countries catching up.

The performance and location of capex has been reduced in 2016 due to strategic capex, but that was in Asia and America, not Europe. Also the foreign exchange volatility has meant instability in cash flow so the business has had to be more defensive. The expectation for 2017 is that the figure will return to that of 2015 if not more.

There are 4 main projects, NOX Reduction emissions in the Spanish Morata plant, the modernisation of the plant in Rudniki in Poland, the new pumping station in Kumas in Latvia and the mineral replenishment in Weichering quarry in Germany.

Half the quarries have below 10 years of reserves so work needs to be done to ensure there are enough reserves as well as exploring new reserves. Capex is a priority for this. Divestments are focused on non-core businesses and real estate properties. Hungary was closed in November 2015 and a final decision on the divestment of Croatia is expected in October 2016.

Jose Lafuente commented that greater investment is needed in Spain and that the process of transformation is alarming. Cemex has 7 plants and can easily supply the Spanish market without any problems but the loss of capital, assets and properties is generating fear. Jose Cascajero confirmed that this had been highlighted to the executive committee. The expectation for this year's budget is to have a process of converging with other countries for investment in cement. Prompted by Jean-Serge's comment regarding strategic capex and quarries needing improvement, Jose Cascajero agreed that the lack of capex had decreased efficiency. Once Cemex regains financial flexibility, there can be a focus on the business ensuring money and time isn't wasted on fixed costs.

Jean-Serge asked if there were plans to transfer assets in other countries in the near future. Jose Cascajero explained that divesting a business is not an easy decision and that Cemex's commitment is to ensure the financial flexibility and sustainability of the group. ■

Jaime Elizondo began by looking at the 4 priorities for tasks that should be achieved. The top priority is health and safety and there being zero incidents.

There have been no fatalities in Europe this year but LTIs are already double what they were in 2015 with 6 months still to go. The next priority is gaining financial flexibility as Cemex are currently spending too much money on paying interest on the debt. Maintenance capex has been reduced and operations are working hard to reduce working capital so there is an expectation that Cemex will be investment grade faster than expected. By the fourth quarter of 2015, the debt was \$15 billion, which had reduced to \$14 billion by the second quarter of 2016 after part of the Philippines operation was sold.

In Europe, ready-mix generates more sales, and there is a commitment to continue to invest in these businesses to allow it to grow.

The EBITDA margin has increased from 9% to 11%. There is still a long way to go but Cemex are on the right path. The markets have been difficult this year and the pound devaluated more after Brexit.

Looking at cement, demand in Europe is moderate, Mexico, India and Philippines are good and Asia is poor. The estimate for 2016 is that the UK won't perform well, which may be due to Brexit reducing investment. France is stable whereas Germany and Poland will grow. The political environment has made Spain difficult and Latvia isn't performing well. [Suite page 9.](#)



## ► CEMEX Business Performance

*Suite de la page 8.*

Immigration could have a positive effect as there will be a need for more housing and schools to be built but this won't be in the short term.

The third priority is customer centricity and a need to be closer to customers. This is something that needs to be part of the company's DNA. There needs to be a focus on customers and what makes them loyal. The first step is to define commercial objectives, segmenting customer needs and then developing values for them. People are key to this initiative and the academies have been developed so people can be trained and supported.

The final priority is to be a global Cemex, there is a lot of knowledge across the business but it's scattered so networks have been developed to allow experts to improve how things are done. The networks are Supply Chain, Cement, Ready-mix, Customer Centricity, and Grow the Pie.

Prompted by Muriel Peretti asking about Cemex's growth, Jaime Elizondo confirmed that there is no doubt that Cemex will restart their growing path but that starts with being investment grade so opportunities still need to be analysed. There are a variety of ways for the company to grow so the most important thing is to be ready for opportunities.

Jean-Serge Peret asked if Cemex had considered joining a large company or if Cemex's solo growth would be sufficient. Jaime Elizondo confirmed that, as far as he knew, merging is not an option.

Given that there were 7 fatalities globally, Sonny Netto asked if all countries have the same health and safety standards. Jaime Elizondo explained that while Cemex practices are the same worldwide, countries have different attitudes towards safety.

Jose Lafuente raised the issue of outsourcing and that it needs to be limited within the company. Jaime Elizondo explained that the most important thing is that the person is trained correctly. There are some specific works related to cement where certain capabilities are needed and there needs to be a focus on how to improve work within cement operations.

Jean-Serge Peret pointed out that knowledge is being lost when employees retire or leave, and those employees either aren't being replaced or, when they are, the knowledge isn't being transferred. Jean-Serge Peret also suggested that there should be more training for younger people. Jaime Elizondo agreed that experience and knowledge is being lost but there is a commitment to build a better future. Young people are critical to the future of the company and there needs to be closer working with universities and technical schools.

Roberto Serrano commented that the number of subcontractors is rising faster than the number of employees and that operators are complaining that subcontractors get paid overtime whilst they don't. Roberto Serrano asked that Cemex employees are given more opportunities. Carmen Burgos explained that this is specific to Spain and that people are hired to work a number of hours. Uwe Pommer explained that while health and safety is a priority, there is more contract labour and the workload has increased, which is changing the effect of health and safety. Jaime Elizondo agreed that they should have the people they need, no more or less.

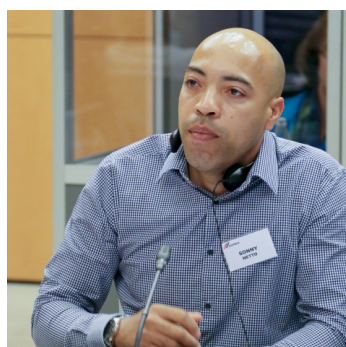
Prompted by Thomas Hunter's question regarding ready-mix business within the UK being a hotspot, Jaime Elizondo said that he hoped there would continue to be more work within the UK.

Konrad Meier explained that clients have changed and contract labour from Eastern Europe means that working hours on construction sites have increased.

*Suite page 10.*



Petr Votava & Miroslav Plachy



Sonny Netto



Carmen Burgos



Uwe Pommer

## ► CEMEX Business Performance

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Jaime Elizondo remarked that, if there's a change in the market, Cemex need to react to this. This doesn't mean people need to work longer hours but have additional shifts. Konrad Meier added that there was an issue with the systems to which Jaime Elizondo agreed and explained that the new RMS is being rolled out.

Muriel Peretti pointed out that Cemex keep saying that their workers are the best but are then getting rid of them with restructuring programmes. Jaime Elizondo replied that he would never stop calling them the most important because Cemex wouldn't exist without them but some things need to be done for the profitability of the company. When people are let go, it's important to manage those processes in the best possible way because it not only causes stress for those leaving but also those who stay.

Sonny Netto commented that, in the UK, contractors are regarded as a hotspot for accidents and they are unable to spend as much time with them as they are their own people. Jaime Elizondo agreed that this is something that needs to be worked on. ■

## ► Any Other Business

With the issue of confidentiality brought up by Miroslav Plachy and Jean-Serge Peret, Derek O'Donnell explained that they need to share confidential information with the representatives to give the full picture but it's important to maintain that confidentiality. Jose Lafuente commented there needed to be more precision about what is confidential instead of limiting information and therefore stopping representatives from defending employee rights.

Jose Lafuente asked how the external expert for training next year would be selected. Jean-Serge Peret confirmed that most of the work would be done during the sub-committee to define what expert is needed and then the company could find or propose someone.

Jose Lafuente asked that, when people receive their training, they send an email to confirm it had been done and if the training was satisfactory.

Wrapping up the session, Jean-Serge Peret thanked Derek O'Donnell for his first time as Secretary of the ECC, and Jürgen Winkelmann for all his years helping the ECC. The Spanish team were thanked for their hospitality, and Derek O'Donnell thanked the representatives for their directness. Jaime Elizondo reminded the representatives to keep telling them where to improve and then brought the meeting to a close. ■



Miroslav Plachy





## ▶ ATTENDEES

### DELEGATES

United Kingdom	Thomas	Hunter
	Ian	Horstwood
	Sonny	Netto
	Paul	Whyte
France	Jean-Serge	Peret
	Muriel	Peretti
	Pascal	Williate
Germany	Uwe	Pommer
	Konrad	Meier
Spain	José	Lafuente
	Roberto	Serrano
Poland	Justyna	Kała
	Barbara	Szyszkowska
Czech Republic	Petr	Votava
	Miloslav	Plachý
Latvia	Maris	Zunda
Croatia	Mladen	Radic

### EXECUTIVES

United Kingdom	Derek	O'Donnell
Germany	Jürgen	Winkelmann
	Benedikt	Jodocy
Spain	Jaime	Ruiz de Haro
	Carmen	Burgos Casas
	Javier	Mota
	Jaime	Elizondo
	Jose	Cascajero
	Christina	Aparicio

