

### Welcome

This year's UK Communications Forum took place on 3<sup>rd</sup> September. Due to COVID restrictions the forum was held virtually via Zoom and condensed to one day. The forum was an opportunity for two-way communication between the Business Leaders and the Employee Representatives. It included updates on Health & Safety, Business Results, Sustainability and the different operational business areas, with plenty of opportunity for discussion and answering questions throughout.



In attendance on the day were:

- **Presenters/Support:**

Name	Job Title
<b>Lex Russell (Chair)</b>	Director Materials UK
<b>Carl Platt</b>	Director Asphalt, Paving Solutions, Precast, Modular & Building Products Europe
<b>Philip Baynes-Clarke</b>	Director Cement Operations UK
<b>Craig Williamson</b>	Director Cement Commercial UK
<b>Dave Hart</b>	Director Supply Chain UK and Northern France
<b>Andy Taylor</b>	Director H&S UK & France
<b>Miranda Clegg</b>	UK Sustainability Manager
<b>Clare Pickering</b>	Director MFS & Operational Support
<b>Jamie Pickles</b>	Director Communications Europe
<b>Stephanie Horn</b>	Director Human Resources UK
<b>Nicola Grayson</b>	HR Business Partner

- **Employee Representatives:**

Name	Area Representing
<b>Darrell Collins</b>	Supply Chain - Cement
<b>Liam Fletcher</b>	Supply Chain - Aggregates
<b>Danny Leedham</b>	Cement Operations
<b>James Taylor</b>	Materials
<b>Paul Whyte</b>	Materials
<b>Graham Osman</b>	Materials - Marine
<b>Peter Hoare</b>	Urban Solutions
<b>Sonny Netto</b>	Urban Solutions
<b>Mary-Ann MacInnes Collins</b>	UK Services



## European Consultative Committee (ECC)

The UK Communications Forum members elect three representatives to attend the ECC, along with the elected representatives from across the other CEMEX countries in Europe. Our current ECC employee representatives are Paul Whyte, Graham Osman and Mary-Ann MacInnes Collins who was voted to be the third representative during this year's UK Communications Forum. This year's ECC took place on 22<sup>nd</sup> and 23<sup>rd</sup> September.

## Key Messages from the Forum

*(Please also refer to the supporting presentation slides where applicable)*

### Health & Safety



Andy Taylor opened the H&S session discussing the incident performance, highlighting that the UK have had 6 LTI's in comparison to 3 at this point last year. The increase could be due to a challenging year with distractions such as COVID, the Breedon divestment and the mothballing of South Ferriby Cement Plant. Despite this adversity, the TRI rate remained at a similar level to last year. There have been 23 High Potential's (HI-PO's) incidents this year, which are those that had a significant injury or loss potential.

There are a number of H&S improvements ongoing for 2020, such as guarding and isolation audits, a slips, trips and falls checklist for managers/supervisors and contractor management standardisation. CEMEX are leading the way in the industry by adopting the MP Connect Card for Drivers, which will detail information such as the competency of the driver, site induction records and if a driver holds a valid licence, all of which will help to indicate if contractors are competent to work on site.

The COVID pandemic has made this year very challenging for the business, with 400 absence cases so far in the UK. The Rapid Response Team (RRT) has had to balance the government, industry and CEMEX corporate guidance in order to ensure the business responds in the best way, which has been a difficult with the ever-changing situation. Employees across the business have responded well, including sites introducing some great control measures and procurement have provided fantastic support with sourcing PPE. Although not in the UK, the fatalities across the business shows how important all the work is to keep our employees and contractors safe. A trial is currently being conducted at CEMEX House Rugby with some employees returning to the office but the RRT will continue to tread carefully regarding a return to hub offices and it will only be done when the business is confident it is the right thing to do and it is safe to do so.

Andy thanked the H&S team for their efforts this year and expressed that they had done a great job in supporting the business throughout the COVID pandemic. He also discussed the changes in the H&S team this year, with Derek Hopper sadly passing away, Doug and Callum transferring to Breedon and Martin Shimwell joining the Materials team from Cement Operations. The team are re-establishing the site visits and conducting inspections at all sites by the end of the year.

In closing Andy congratulated the CEMEX Global H&S Award winners and the LTI free sites, all of which is a great achievement.



## Business Results

Clare Pickering gave an overview of the financial performance year to date, explaining that due to COVID the results are significantly behind 2019 and target. Q1 was on target, however April saw a big hit resulting in a loss and 10 million behind target when employees had to be furloughed and sites closed. In May some sites opened whereas competitors remained closed which meant the results improved but they were still under target. Then the results bounced back in June and were better than target, and July was just under target.

In breaking down the results you can see where the key impacts are:

- **Prior Year vs. Actual:** price and fixed costs ahead but volumes significantly down due to COVID and variable cost higher due to inflationary cost
- **Budget vs. Actual:** fixed costs ahead due to savings from furlough benefits and temporary plant closures but not enough to offset volume impact from COVID and difficulty to push price hard in competitive and lower volume market



It is a similar picture for each UK business area, except for Asphalt which is ahead of target and prior year.

The financial end of year projection is to be around 36% behind budget which is a good position considering the impacts on the market due to COVID. The positive action taking by the business to close plants and furlough employees in some areas has enabled the business to recoup some of the losses from lower volumes through fixed cost savings. In addition, deciding to continue operations in other areas of the business and open sites earlier than competitors has limited the impacts of COVID.

## Sustainability

Miranda Clegg opened her session discussing the recent team changes in Sustainability, notably Paul Fletcher taking on the role of Head of Sustainability Europe and Miranda being appointed UK Sustainability Manager.

The 2019 UK highlights included:

- 38.5% reduction in CO<sub>2</sub> emissions
- Increase in alternative fuels usage to 61.5% within cement production
- Consuming 87 times more waste in our operations than we produce
- All products 'Responsibly Sourced' to the standard BES 6001 at the rating of 'Very Good' and above

CEMEX are making strides forward in the industry and the UK are performing ahead of CEMEX Global in alternative fuel usage and waste consumption. In addition, there has been a significant improvement in the number of UK environmental incidents in 2020, with a 50% reduction.



The cement sector is responsible for 7% of the global CO<sub>2</sub> emissions and continues to come under a lot of external pressure about climate change. To reduce the impact CEMEX has on the environment, the Climate Action Strategy was announced in February 2020 which has the ultimate goal of delivering net zero CO<sub>2</sub> concrete by 2050. In support of this the UK has introduced Vertua, the first low carbon concrete range in the industry. This includes Vertua zero where the carbon emissions are further offset by paying national capital partners to support energy renewal services and projects worldwide. In order to achieve the 2050 commitment, it will involve carbon capture which requires significant technology advancement.



Overall, there has been lots of progress and some great news stories and Miranda thanked everyone for embedding sustainability in all business areas.

## Materials

Lex Russell started by discussing H&S, outlining that despite training most accidents are caused because people are not stopping and thinking before acting. Focus is on how to turn those behaviours around including a continued concentration on isolation. There is a need to carry on the learning and positive problem-solving mentality from COVID and promoting strong leadership to improve on H&S.

In terms of financial performance, COVID has had a big impact but some areas of Materials performed really well considering the circumstances. Aggregates and Marine have now recovered and are running to budget but Readymix is 15% behind. Q4 is going to be difficult due to the UK recession and difficult market conditions which could mean investors hold off, causing delays to big projects and further impacting volumes and prices.

Lex went onto discuss the following thoughts and key focus for the rest of 2020:

- **Weaknesses & Concerns:**

- Poor economic outlook with the recession, meaning infrastructure projects such as HS2 are key this year
- Readymix assets are under invested and need to be fixed
- Need to make it easier to do business with CEMEX by combining digital platforms with emotional relationships in order to put CEMEX in the best position

- **Strengths & Opportunities:**

- Strong position gained due to the way that COVID is being handled by the business
- Plans to grow the UK business shows a positive message about the future
- Overall, following the divestment and the future plans for growth in the UK Materials is in a strong position to manage the recession and move into the future.



## Urbanisation Solutions



Carl Platt opened his session saying he is really pleased with how Urbanisation Solutions has weathered a challenging Q2 due to COVID. The financial performance has been resilient in the last few months, with Asphalt gaining market share and Buxton Building Products exceeding budget.

Carl also discussed the current UK opportunities and priorities for the business areas, including:

- **Asphalt:** build new Doris Road plant by Easter 2021, improve customer experience by launching iCollect app in the next 2-3 months and investing in plants to improve plant availability
- **Paving:** looking to achieve positive OCF going forward by adapting the business model to ensure CEMEX get the jobs and they are done right - for example the drill in Lincoln and Selby market
- **Building Products:** £11m investment to build new sleeper factory at Rochester (thanks to the Rail team for the hard work in securing the contract), improve customer experience by looking at the most suitable products and investing in existing plants to improve plant reliability



- **DSM/Specialist Solutions:** £2m investment at Buxton to install a dryer and upgrade the plant, secure house projects to ensure CEMEX has a share of the market and maximise opportunities for Specialist Solutions on sprayed concrete such as HS2 and London tunnels
- **Admixtures:** product development and serious cross selling push to get volume internally and externally.

## Cement Operations

Phil Baynes-Clarke congratulated the teams at both Rugby Cement Plant and Tilbury Grinding Plant for recent LTI free milestones, with 1 year and 12 years respectively. In addition, Rugby Cement Plant and associated quarries of Southam and Kensworth achieved ISO45001 accreditation in June (an ISO standard for management systems of occupational health and safety, replacing OHSAS 18001) - a fantastic achievement. Despite these successes, the recent LTI at Middlegate Quarry which had previously been 22 years LTI free, reminds us all that we must stay alert, and stop and think before completing a task.

Phil thanked the Cement Operations employees for their hard work and dedication throughout the COVID pandemic, with everyone playing an important role to ensure the workplace remains safe.

Current key priorities:

- **Asset Configuration:** following the mothballing of South Ferriby Cement Plant, investment of some £7 million will be made at Tilbury to improve clinker ad cement handling facilities, including dock crane, cement silo repairs and an additional cement tanker loading point.
- **Fit for the Future:** priority is to safely complete the £20 million Climafuel (alternative fuel) handling system, upgrade Rugby's control room and install a new plastic packing line to align with customer demand. An overview of recent investments already made was provided and these included a new burner pipe, hydrogen injection system, coal feeders and new laboratory at Rugby.
- **CO<sub>2</sub> challenge:** reducing the CO<sub>2</sub> footprint associated with cement manufacture is of paramount importance. We have a moral responsibility to protect the environment and ensure our products are sustainable. Great progress has been made to reduce our CO<sub>2</sub> footprint over the years, but we must continue to reduce further. The investment in the new Climafuel feed system is aligned with this goal and will reduce CO<sub>2</sub> emissions significantly. Next, we need to identify alternative raw materials that do not generate as much CO<sub>2</sub> during the clinker manufacturing stage and trials will be conducted in the months ahead using waste products from other industries. However, ultimately it will require an innovative CO<sub>2</sub> capture system to reach net zero and we are liaising with companies to develop such a solution.



In terms of performance, COVID impacted cement and clinker volumes as well as alternative fuel usage. Despite this, costs are under control and better than budget due to savings made to protect the operating cash flow (OCF).

## Cement Commercial

Craig Williamson opened his session discussing how COVID impacted the market, with a 20% drop in sales occurring immediately, followed by a 50% drop in April. The market is slowly improving; however, it is





expected to remain markedly weaker with an end of year projection of 16% behind budget and prior year. Although this is a disappointing, it is better than market performance because market share was gained due to competitors closing their operations.

Update on 2019 priorities:



- **Recover Bagged Cement Market Share:** increasing the sales team, doing a brand re-launch and market promotions has resulted in sales being 16% ahead of last year and market share has increased. Further increases should be seen when the new packing line is in place
- **Promote Sustainable Products:** focusing on selling cement with a lower clinker percentage has resulted in a reduction from 80% to 64% of CEM1 being sold but there is still a long way to go

Craig went on to outline the key focus areas moving forward for 2020 and 2021, which includes holding onto prices to get back to the 2019 results, continuing to recover bagged cement market share and promote low carbon cement, as well as maintaining the exceptional customer service levels.

## Supply Chain

Dave Hart started by thanking employees for their response to COVID, everyone has played a significant part in ensuring colleagues and loved ones stayed safe. In terms of H&S the work of the Road Safety Group was acknowledged particularly the road safety awareness campaign regarding distraction – Don't text and drive – was acknowledged along with the efficiency in closing out NMHA. In addition, the Cement Logistics team were congratulated on winning the UK Safety Sword and the CEMEX Global best in sector Award for Road transport. In terms of safety performance, it was good up until the end of June with Cement and Aggregates maintaining their LTI free record but then each area had an LTI and there was also 6 HIPO's. Looking forward the team were asked to remain vigilant and look out for each other and were reminded of the importance of maintaining focus on mental health particularly as we tackle these unprecedented times.

Progress on current key priorities:

- **Customer Service:** performing well across all products achieving on or above target and prior year, except packed cement although this is back on track in August, and there has been a notable reduction in pro rata complaints
- **Sustainability:** despite COVID the rail volumes remain strong and the performance is benefiting from investment in new depots and the rail infrastructure allowing sustained growth. Working together with the Materials General Managers on optimising depot storage to leverage rail capability. Plus, really good cement out of hours performance which benefits H&S, customer experience and the fleet operating costs
- **Digital:** the Supply Chain team are embracing digital tools and technologies like VMI (Vendor Managed Inventory) across the operation to increase efficiencies by providing real time information to help make better decisions
- **EBITDA Growth:** continuous focus on fleet efficiency and the introduction of the sales operational planning process in Aggregates has delivered cost savings with potential for on-going saving opportunities in the future.



In closing, Dave highlighted that focusing on cost control has translated into a good financial performance overall and he thanked everyone for their hard work to achieve this.

## Q&A

Please refer to the Q&A document containing the questions and answers discussed at the forum.



## Close

Lex Russell closed the forum thanking everyone for their contributions and said that everyone should be really proud with what we have achieved in last 4 months. COVID has undoubtedly impacted the business but the steps taken to limit the impact has resulted in a phenomenal achievement compared to other companies and our competitors. We would like to say a massive thank you to all of our employees for their support, effort and commitment, it is really appreciated.

