



# | CEMEX European Consultative Committee Meeting

22-23 September 2020  
Virtual meeting due to COVID-19



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## Health and Safety

Robert House



After welcome messages from Derek O'Donnell and Jean-Serge Peret, Robert House introduced the health and safety presentation. The CEMEX European operations have had 0 recordable fatalities for H1 of 2020, a first for the company. Hotspot incident areas relate to vehicles and drivers, so this presents an opportunity to improve. A lot of work is being done on contractor management, driver training, and more to combat these incidents. In 2019, the global CEMEX rate for LTIs was 0.6, which is the lowest LTI rate in the industry. In Europe, the rate increased during H1 of 2020, but specific reactions are bringing about improvements. Croatia should be highlighted for having 0 LTIs, as well as Germany and Spain, with their TRI employees.

Regarding key indicators, NMHA-alert levels remain stable across Europe. 90% of reports are closed within a certain period. Sickness/absence rates are reported to senior management on a monthly basis, and will continue to be part of the company strategy going forward. Croatia, the Czech Republic, Poland and the UK have done particularly well in improving their rates, and improvements will continue to be made. A lot of work has been done around machinery guarding and isolation, to reduce incidents concerning people coming into contact with moving machinery. Campaigns have been introduced around equipment safety, as well as expanded site policies, procedures and requirements.

In 2019, CEMEX in Europe received 23 health and safety awards, with at least one European operation recognised in every competition category. Also in 2019, the Health and Safety Ambassador Award was introduced, with individuals recognised from the UK, Czech Republic, Spain and Poland. Regarding COVID-19, 4 key behaviours have been implemented. (1) Identifying symptoms. (2) Informing people about personal hygiene. (3) Physical distancing. (4) Protection of yourself and others. There are campaigns around compliance with these behaviours, plus protocol documents. Element 15 has been developed, which is a specific online training course around health and safety management, alongside global COVID-19 alerts within CEMEX. Finally, there are 600 site COVID-19 coordinators in Europe, with responsibilities around monitoring compliance with protocols and procedures, helping management report deficiencies, supporting the close-out and improvements, and helping to keep CEMEX sites and people safe. □

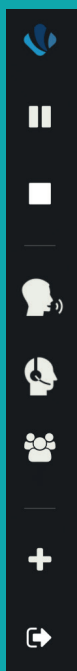
Jose Lafuente asked about the measures CEMEX has adopted in the different countries, after the recent carcinogen announcements about silica. Robert House responded that specific actions have been taken in each country, developed alongside national trade organisations. Examples can be provided outside of this meeting. Jose Lafuente then asked about COVID-19 measures, particularly regarding the protection of higher-risk employees. Robert House replied that the most vulnerable employees have been identified since the start of the pandemic, with all local legal requirements adhered to. Control measures are strictly in place for these employees, and they are monitored on a regular basis.





# HR

Derek O'Donnell



With regards to health activities within CEMEX, this year flu vaccinations will be available in every country, supported by the company, and all colleagues should be encouraged to take advantage. In terms of COVID-19, CEMEX has had 2,000 cases, with 21 fatalities, 1,765 recoveries, and 225 active cases. CEMEX Europe has had 34 of these cases, out of which 9 are currently active, and 3 fatalities. 50 new hygiene and safety protocols have been introduced, including social distancing and employee risk training. All vulnerable employees have been identified. During the pandemic, employees were asked to take holidays, reduce overtime and change schedules and shifts, but no jobs were cut.

Regarding employee engagement, 2 pulse surveys have been conducted, 1 in March and 1 recently, called Returning to Work. RTW was very positive, giving an engagement result of 82% versus the previous full engagement survey in October 2019, which was 72%. The next engagement survey will be 100% online, and runs between 19 October and 8 November. It will be translated into 7 European languages, and computer hubs will be available in factories and plants for employees to use to complete it.

In terms of training, 3,735 trainings took place in Europe year-to-date, all online. This is lower than would be preferred, but still a high level of activity. An 8-week virtual training took place for young managers, called Connect, plus Element 15, functional-area academics and training on unconscious bias. With regards to ethics and values, external private line Ethos is very important. CEMEX has no visibility on the complaints made, and 66 violations were reported in 2019. 5% were related to corporate assets, with some related to environmental and business-integrity assets, and 64% related to diversity and workplace respect. Every complaint is investigated fairly, as no form of abuse is tolerated within the company. □

Bogumila Halas asked about COVID-19 in the CEMEX plants. Derek O'Donnell replied that, if somebody feels ill or has identified symptoms, they must self-isolate and self-monitor, and the company tracks any colleagues they have been in close contact with.

Manuel Molina asked if there will be regulations or protocols drafted regarding working from home. Derek O'Donnell responded that, if homeworking continues, standards will be defined. Currently, the approach to this topic is being developed within the company.

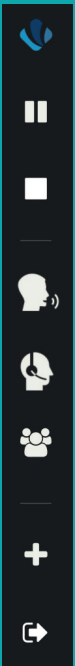
Marzena Stanirowska requested information about help given to the families of employees infected by COVID-19. Derek O'Donnell replied that there are 6 schemes in place for those infected, with their salaries being covered for a period of time. In some countries, there are helplines and doctors, but each country is different.

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HR

Derek O'Donnell



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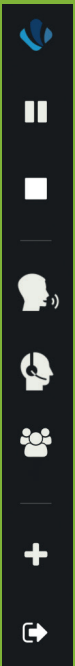
Uwe Pommer asked if Operation Resilience will replace Stronger CEMEX. Derek O'Donnell responded that Stronger CEMEX has largely ended, with no more steps being taken. Operation Resilience represents a new way of looking at the business, driven by the desire to reach investment grade on the stock exchange listing.

Bogumila Halas asked whether remote working would continue after COVID-19, whether employees will be reimbursed for remote-working expenses, and what impact COVID-19 has had on the business. Derek O'Donnell replied that there will be some element of remote working, called hybrid working, and that no reimbursement is currently planned. In terms of losses coming from COVID-19, revenue has taken a huge hit. USD 2bn in sales has likely been lost, with an extra USD 10m in costs associated with the pandemic. However, these amounts shouldn't affect the 2021 budget.



## Customer Experience

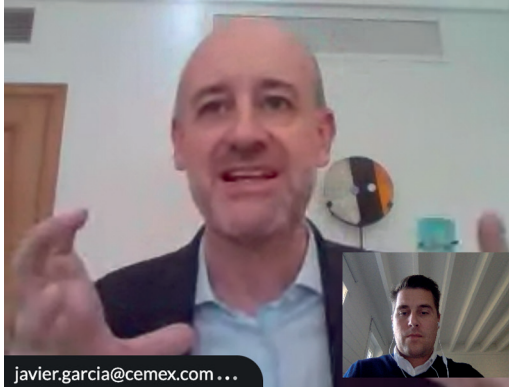
Alberto Salviejo



One of the most important ways of listening to CEMEX customers is through the quarterly NPS survey, where results over 40 indicate a solid customer experience and results over 60 outstanding. In 2017, the results were below 30, and they have improved to 60 in the last 2 quarters. The Q3 survey is currently running, with similar results. Customers recognise the value of CEMEX staff, including care for their business, support for them to continue operations, and the company guarantee as a solid partner for their supply chain. In addition, CEMEX products score 90 in all geographies for quality. However, invoicing is complex and difficult to understand, for example, meaning there are still improvements to be made. System data is being leveraged, to analyse in-depth the root causes of problems stated by customers, so action can then be taken, which was done for invoicing in Q2.

Becoming more digital is a pivotal part of CEMEX's customer-experience strategy. 2020 has accelerated digitalisation by 5 or 6 years, due to the pandemic. The digital platform introduced in 2018 represents an increasing part of orders received. Up to 10,000 more customers have chosen CEMEX Go in 2020 as the platform to interact on, because of the speed and simplicity. Specific capabilities have been developed during the pandemic to help customers navigate their way through, and a focus has been put on creating online content so they have access to important materials. An online repository has been developed, so all product information can be accessed and showcased. All these developments and more have been put into the market in less than 8 weeks, with the increase in the low-touch economy. □

Derek O'Donnell asked how the low-touch economy will impact CEMEX. Alberto Salviejo responded that things will be a lot more blended and digital than before, with digital activity growing everywhere. Customer-facing employees will have great development opportunities, for dealing with customers more digitally and over the phone. In addition, the industry will be far more fast-moving, which will present CEMEX with a good exercise in agility.



## BSO

Javier Garcia



The BSO was created as a service organisation in 2011, and comprises several parts.

1. Management and financial services, which are responsible for reporting activities, statutory accounting, compliance at local and country level with tax duties, risk management and insurance activity.
2. Transactional services, focused on ensuring day-to-day operations and processes.
3. Operational support, an advisory role that mixes financials with business knowledge and understanding.
4. Commercial support, including support for the sales force on the administrative front, local knowledge of market dynamics, and the provision of advice on credit management.
5. Internal control, which ensures all internal and external policies are complied with.
6. IT services, responsible for providing support to all operations in their day-to-day work, in terms of connectivity, equipment, etc.

In addition, there are 3 pillars of the BSO in terms of providing services to customers :  
Compliance / Service / Partnership.

Since 2018, the BSO has been evolving, with the announcement that Europe would be managed as 1 region. The transformation of the organisation thus began at the beginning of 2020, and while COVID has meant some things have been done differently, the process, view, purpose and goal have not changed. The first transformation phase involved alignment to the new organisation and the fostering of collaboration. A regional view had to be developed, rather than having 7 countries considering their own situations. This enables more agility in delivering regional projects, initiatives and requests. However, local teams and operations are vital, so this contact must be maintained. Management and financial services were merged with operational support, and a single point of contact was created for all the roles that now have regional responsibilities. □



## Sustainability and CSR

Andrew Spencer



In 2019, conversations began about the growing pressures on the business from society around sustainability and the climate, with the perception from many investors and analysts that concrete and cement were not sustainable. Activist groups were beginning to take action against companies in the industry. As a result, CEMEX has engaged in a lot of activities to improve both the sustainability performance and society's perception of it. The EU Green Deal will have a significant effect on the future business operations. A lot of CEMEX resources are focusing heavily on it, to ensure involvement in the discussions around how laws and regulations will change. In addition, CEMEX will take advantage of any sustainability opportunities arising from this deal.

In 2019, CEMEX made a 2% improvement on CO2 emissions, up to 31%. The goal is to reach 35% by 2030, so the company is getting close. The percentage of renewable power in cement has also improved, with the UK and Poland running on 100% renewable electricity, taking the total to nearly 50%. Additionally, the outreach on social actions has been improved, with 200,000 people added to the 400,000 from 2019. The way CO2 emissions are being measured and calculated have been improved, alongside the measurement of the biomass content of alternative fuels. This has not only reduced the CO2 emissions for external stakeholders but also brought financial benefits to the company. In all plants, there is a CO2 roadmap to take the business up to 2030.

Strong partnerships are being developed across Europe, including conservation initiatives involving thousands of hectares of land. Hydrogen is being burned as a primary fuel in many kilns, with a lot of investment being put into this technology. Great records are also being broken in sustainable transport methods, including in rail freight, a biogas-fuelled truck in southern France, and a hydrogen-powered tugboat in Paris. Earlier this year, Vertua was launched, the first carbon-neutral concrete to be launched on a wide commercial scale. This helps the company to be part of the solution on climate change and sustainability, and not part of the problem. In France, CEMEX Circle was launched, with various other solutions which help sustainability and the circular economy.

There are opportunities ahead in the coming years to commercialise new legislations and rules, e.g. the need of construction developers to offset the biodiversity loss that occurs when new sites are developed for building. Through the global cement and concrete association, there is a global aspiration to deliver carbon-neutral or net-zero concrete by 2050, which CEMEX globally has also committed to. One of the very key and important aspects in getting to both the 2050 and 2030 targets is working in collaboration as a global company, and receiving support from global cement operations and technology. Both CRG and CEMEX Ventures are working on taking R&D to a new level.

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## Sustainability and CSR

Andrew Spencer



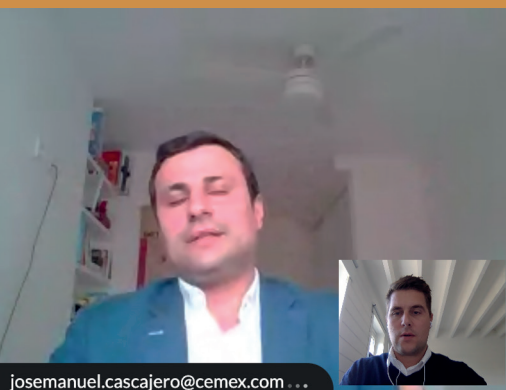
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With regards to the pandemic, a great deal of help has been given to vulnerable members of CEMEX's communities and societies. A lot of purchasing power has been used for PPE for hospitals and other medical units. Over 450,000 square metres of public spaces have been sanitised, and 40 new strategic alliances have been formed with key members of our community. □

Jean-Serge Peret asked about the different means to be used for recycling and material-capture in France. Andrew Spencer responded that the approach has to be careful, as it is easy to have a negative sustainability impact. Helping customers dispose of inert materials will be important, filling void spaces in certain quarries, and extracting good-quality materials to add value for recycled aggregators.

Mladen Radic requested an explanation of the main principles of Vertua. Andrew Spencer responded that Vertua is a wide range of different types of RMX, and all components have a lower carbon footprint than traditional CEM-1 mixes, with a reduction in CO2 of up to 70%.

Petr Votava asked about the timescale for spreading Vertua across Europe. Andrew Spencer replied that Vertua started in the UK in February/March 2020, and was launched in France in the summer. Germany launches 29 October, with Poland coming closely after that. Other European countries will be in Q1 or H1 of 2021.



## Financial Performance

Jose Manuel Cascajero



Over the last 3 years, the asset footprint has been reduced by around 20-25%, with 20% of RMX plants, 20-30% of cement assets, and 30% of aggregates, to ensure that the remaining assets deliver the value added solutions to our customers. 57 projects have been pushed in the last 12 months, purely around new equipment. Regarding the UK, the business needs to be ready to support the construction of the high-speed train, which will be very sustainable for the UK in terms of transport. In addition, over the last 4 years, the railway-sleeper contract has been recovered, with a renewed supply of those sleepers into the UK. Regarding cement in central Europe, Poland is a sold-out market. It imports cement, and there is a plan to increase capacity in the plants there. This first phase of the plan involves investing around USD 2.5m, to increase capacity to around 90,000 tonnes, which is split 40,000 and 50,000 between the 2 plants. This will help address the market growth, mainly driven by infrastructure.

In terms of innovation, the CEMEX role has evolved, and the company is exploring other kinds of opportunities such as energy, i.e. using and producing hydrogen. Partners are being investigated, to explore how to achieve more sustainability in the future. Regarding the financial position, developments in central Europe have been strong on volumes and pricing, but there are challenges in other markets, such as the UK.

Jose Lafuente requested more information on the potential partnerships and alliances, particularly in Spain. Jose Manuel Cascajero replied that the alliances are related to the energy explorations, largely to support local communities. As such, while they are with big companies, they are only with the energy divisions. There is no vertical integration being explored. □

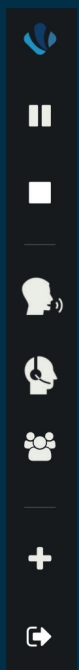
Uwe Pommer asked about the divestments in Europe. Jose Manuel Cascajero replied that, at the beginning of 2020, there was the UK. In addition, there are ongoing negotiations in France, plus the white-cement divestment in Spain. These are the only divestments in Europe.

Jean-Serge Peret asked about the company policy for 2021 around vehicles and CAPEX as vehicles are getting older. Jose Manuel Cascajero replied that mobile equipment is one of the main requests of capital in the region, and the assessment is that around USD 50m is needed yearly to fulfil the orders with customers. In 2021, around 1.5 times the regular allocation will be provided for. By 1 January, all operations will have the equipment with them, or with orders and a lead time for delivery.



## Business Performance

Sergio Menendez



In terms of LTIs, while the rate is higher than last year, 98% of the sites in Europe are accident-free. This is something that must be reduced until it's eliminated. However, August was the first month in company history without LTIs, which is extremely positive. More recent positives include the way people have connected to Element 15, and the new protocols related to COVID. A big shift has been made to digital transactions and e-commerce, with CEMEX Go being vital, as it is already used by 50% of all orders received. Some competitors have announced similar efforts recently, but as the timeframe is 1-2 years after the introduction of CEMEX Go, CEMEX is strongly differentiated.

Regarding Operation Resilience, it is a programme with 4 elements.

1. Performance. One measure for EBITDA growth is margins, and CEMEX targets a 20% margin by 2023. This can be achieved by achieving efficiencies in energy, productivity, production and customer service.
2. Optimising the business portfolio, including divestments and reinvestments. The priority now is to grow.
3. Achieving investment-grade capital structure. The target is to go from over 4 to below 3 by 2023, by reducing debt and growing EBITDA.
4. The sustainability agenda. The original target for a 35% reduction of CO2 emissions by 2030 will be achieved this year in Europe, so a new target for Europe will be issued, in line with the EU's recent statement about a 55% reduction by 2030.

In respect of the H1 results for CEMEX globally, for H1 2019 volumes were at USD 1.169bn. For 2020, the H1 results are at USD 1.137bn, so a drop of 3% year-on-year despite the pandemic, which has created close to USD 8m in additional costs. In terms of EBITDA, the drop versus 2019 is being mitigated. The drop is around 4% year-on-year. Free cash flow is still negative compared to 2019. Debt is around USD 10bn, and, to get to investment-grade, this must be improved. There won't be any significant commitment to pay that debt in the next 4 years, either. For the next 4 years, there are no significant debt maturities. That allows us to keep executing on our plan. □

Jean-Serge Peret asked about the CEO's statement of there being USD 280m in investments this year, and how much of this is at a European level. Sergio Menendez responded that the USD 280m referred to cost savings, not to divestments. Jose Manuel Cascajero added that, in 2020, the only divestment that has been accounted for is in the UK, at USD 235m. Europe's share of investment is usually proportionate to its size globally, so it should be around 30-40%.

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Uwe Pommer asked about receiving a report about the targets that have been achieved in Stronger CEMEX. Sergio Menendez replied that a summary of the achievements can be shared. These achievements include variable costs coming down, such as in energy and fuel use, in cement, RMX, aggregates and urban solutions. These form part of a USD 100m impact for 2020.

Graham Osman asked whether work is in place to react appropriately and assist the business in the case of a Brexit deal or lack thereof. Derek O'Donnell responded that a well-constructed team is in place to react at short notice. Andrew Spender added that a UK team is working on all of the potential risks associated with Brexit, and making sure all contingency measures are in place. The focus is around supply chain, with the possibility of increasing the inventory levels of certain at-risk goods, to ensure adequate coverage.

## Business Performance

Sergio Menendez





After concluding remarks from Jean-Serge Peret and Derek O'Donnell, the meeting was then concluded.

