



EUROPEAN CONSULTATIVE COMMITTEE 14-15 SEPTEMBER 2021

Virtual meeting due to COVID-19





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Robert House

Health and Safety

The CEMEX Global operations have had 8 recordable fatalities for 2020 with Europe recording 0. Globally in H1 2021 there have been 6 contractor fatalities, the majority of which involved moving vehicles and relevant actions, such as driver training and vehicle safety features, are being implemented. The global CEMEX rate for LTIs was 0.5, an industry-leading rate and the lowest to date, and some European countries reporting 0 LTIs for H1 2021. Europe has seen a slightly worsened performance for TRIs with teams working to eliminate these injuries. Improving near-miss reporting has been a particular focus with rates improving across Europe and 97% of all reports are closed out in a timely manner.

On sickness/absence rates, Europe has seen a reduction in rate from 4.8 to 4.0, which has been particularly driven by improvements in Croatia, France and the UK as well as focusing on ways to reduce sickness by looking at the health and wellbeing of employees.

In 2020, CEMEX Europe received 22 individual health and safety awards, demonstrating the company's commitment in making health and safety a priority. Awards have been given across sectors, most improved performance, health and contractor management, and congratulations were offered to all those involved. A number of operations have also continued to achieve LTI-free milestones, with some now up to 20 years free. Various initiatives have been introduced to help achieve long-term injury-free operations with awareness-raising materials and developing the Take 5 approach. Campaigns around Covid-19 also continue to help protect colleagues and their families, including encouraging colleagues to take up the vaccine, and the Covid-19 coordinators were recognised for their work in keeping everyone as safe as possible.

Jean-Serge Peret asked for figures on the Covid-19 infection rates of colleagues. Robert House confirmed that, as of last week, there were 59 active cases, the majority of which were in the UK. The region has seen around 1,500 cases overall with cases rising over the last 7-8 weeks.



Alberto Salviejo

Customer Experience

The most recent NPS survey for Q2 2021 produced an average result of 60 across the region, indicating a strong level of customer satisfaction with product quality and a continued service throughout the pandemic that is valued by customers. There are areas for improvement, including better invoicing, addressing supply chain issues and keeping customers informed of changes and modifications. Comments from customers are quickly reported, analysed and any resulting initiatives can then be reported back to the customer. An internal NPS survey has also been launched to be conducted twice a year and provide valuable insights on how to improve internal services and be more consistent between external and internal customer experience.

CEMEX Go has seen a significant increase in adoption in most markets with a growing share of customers using the application for day-to-day business. Connecting with customers directly through their own platforms is a key focus and a pipeline of around 20 customers in Europe are being developed now to provide seamless connectivity between their own platforms and CEMEX Go. Significant improvements have also been made in removing paper from transactions with around 80% of all invoices now being digitally transferred to customers. Work is also ongoing to help automate the most manual processes that occur, helping free up commercial time taken on certain activities. The ability to engage with customers remotely has helped generate more than \$50m of business over the year and new technologies are also helping launch new products to customers. Sustainability remains a critical part of our activity with high levels of interest from customers regarding low-carbon solutions. New solutions are being marketed to customers and a platform is being set up to allow countries to learn from each other as well as allow the company to be active in promoting products throughout the region.

Uwe Pommer noted a slower rate of adoption for CEMEX Go in Germany and Spain compared to the previous year. Alberto Salviejo explained that adoption levels remain high though the divestment in Spain in the white cement business is why Spain has seen lower adoption rates. Germany has seen high levels of adoption for cement and upcoming investment should improve adoption rates in future, especially for the concrete business. *Next page 5*



Customer Experience

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In response to a question from Uwe Pommer on whether customers are willing to pay more for CO2 reducing materials, Derek O'Donnell stated that society now expects such products and understands that these materials come at a premium. The issue is therefore ensuring that these materials are readily available rather than the cost. Andrew Spencer added that the increase in costs only adds an additional 3% to overall construction costs. Michel André noted the demand from clients for products that lower carbon emissions in construction and that more volumes have been sold in July and August this year compared to January to June, indicating the strong levels of demand for such products.

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.



Andrew Spencer

Sustainability & CSR

Climate change pressure has significantly increased over the last 12 months and CEMEX has responded by bringing all climate targets forward by 5 years, increasing the 2030 target in reducing CO2 emissions up to 40% and delivering net zero CO2 concrete globally by 2050. The Green Deal has come into force in Europe with a range of ambitions regarding the circular economy, waste management and renovating building stock to be more efficient, and CEMEX will be embracing these as opportunities for improvement. CEMEX will be the first company within the sector to align themselves with the ambition to reduce emissions by 55% by 2030 alongside ambitions for the cement business, aggregates, ready mix and urban solutions with transport and logistics being addressed this week.

Future in Action is the organisation's new climate ambition regarding its commitment to being net zero cement CO2 by 2050. It is comprised of 3 components, (1) to design low carbon products, (2) to create a low carbon value chain and (3) to look at new technologies. A carbon neutral alliance has also been formed at the Rüdersdorf facility to work with over 20 partners in developing new technologies and identify ways to capture CO2 to be converted for use in processes or be stored for the future with an aim to have a test bed in place by 2025. The region has seen improved performance across a number of areas, including a 4% improvement in CO2 in cement with the global 2030 target hit last year. CO2 reduction rates have tripled in the last 3 years and Europe is leading the way in how investors and analysts evaluate the company on its sustainability journey.

Social impact and community engagement remains an important aspect with a full community engagement plan for all cement plants across the region and this programme will be extended this year to help identify close community contacts and where there are opportunities to engage. Community engagement dropped during the pandemic though digital engagement will help improve this. While volunteering also decreased, around 4,000 hours were dedicated to volunteering with 2,000 trees planted, over 80,000m2 spaces disinfected and 35 tons of food delivered.

The benefits of concrete and its CO2 absorption are being formally recognised and the company is now engaging with associations to better understand current research to help further its promotion of concrete as a sustainable construction material. The Future in Action strategy will now be the face of sustainability communication and a number of webinars will be held soon to help keep colleagues informed of progress.

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Sustainability & CSR

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Uwe Pommer commented on the amount of renewable energy required given how energy intensive the industry is. Andrew Spencer agreed, noting that investment is ongoing in CEMEX's own renewable projects with the installation of solar plants as well as looking at the role hydrogen can play. An exercise is currently taking place to identify all roof and green sites for solar and other renewable energy sources with the first installations of CEMEX's own renewable energy plants now commencing in Poland.

Jean-Serge Peret stated that the implementation of electric vehicles would be a positive contribution as well as improving the company's image. Derek O'Donnell confirmed that they are taking the move to hybrid and electric vehicles seriously to improve their carbon footprint and reflect their intentions. Andrew Spender added that they have announced a partnership with Volvo to develop one of the world's first carbon neutral fleets with ambitions to pilot some early solutions.



Jose Cascajero

Growth

Growth remains an active process within the company with a mandate from the executive committee to invest in Europe in all 4 businesses as well as in renewable energies that can support businesses and processes. Investments are either platform to support efficiencies or strategic to support growth. 2020 saw a hard stop in investment due to the pandemic though now the company has proven that the business is sustainable and essential for the economy, investment has resumed at a pace that hasn't affected growth. The growth pipeline has 122 approved projects across Europe with a total investment of \$541m, which is a result of divested assets being redeployed into the business. All projects are highly attractive with an expected average payback of 5 years. A substantial pipeline of over 330 projects with an expected investment of over \$1.5bn are also under development and will be presented to the investment committee for approval. While the pipeline has focused on the largest investments in cement and aggregates, ready mix and urban projects remain a focus, and a number of Clean Energy projects have also been identified.

Regarding ongoing investments in countries, the UK has seen a strong pipeline in urban solutions and therefore investments are being made into rail and asphalt as well as a strong commitment to the marine business. Investments in Germany focus on Rüdersdorf and the commitment to tackling climate milestones. For Poland, the focus is on debottlenecking facilities following the substantial growth it has seen in recent years. The focus in France is on aggregates and looking at investing in plants close to cities to help maintain competitive advantage. Investments in Spain are linked to recovering positions, for the Czech Republic it is reinforcing positions around metropolitan markets, and investments in Croatia are linked to high efficiency separators to improve the clinker factor.

Jean-Serge Peret asked if there would be any investment in increasing recycling capacity. Jose Cascajero agreed that this was an opportunity to be part of the circular economy and that they will ensure they are identifying and investing in the best opportunities. Michele André added that they will need to recycle more as well as use more recycled materials and that this will require an adjustment of the business model.

In response to a question from Uwe Pommer on whether there are plans to add dry mortar production at Rüdersdorf, Jose Cascajero confirmed that they are looking to do this with an investment of up to \$600m that will be confirmed once the relevant permits have been approved.



Business Performance

The global Q2 2021 results show a V-shaped recovery from the pandemic with recovery to 2019 levels of business, particularly with strong performances in the US and Mexico. Europe has been slower to recover with flat volumes though activity is expected to continue to increase to return to 2019 figures. The company has also managed to reduce the leverage ratio of income to debt to below 3 for the first time since the financial crash, indicating a potential return to achieving investment grade by next year. This opens up a new chapter for the company to resume growth with the level of debt no longer being a risk to the company. EBITDA is now around \$3.1bn, highlighting the clear recovery post-pandemic and an increase in capex. The level of debt has decreased from \$17bn to \$9bn and no significant commitments will be paid down in 2022/23.

The Europe H1 2021 results show that cement has improved by 3-4% on last year and is close to 2019 levels. Ready mix and aggregates are showing greater improvements due to the significant drop in volumes during 2020 and volumes still remain below 2019 numbers. The main challenges are increasing input and CO2 costs though results for H1 are positive and are tracking above budget. Costs have increased significantly over the last 3-4 months with fuel and electricity now making up around 70% of total costs. Croatia and Spain have been particularly hit by accelerating costs, and while volumes have increased, the price increase has mitigated this improvement. Electricity costs are expected to be high until renewable capacity comes into the market and is the reason why the organisation is looking to invest in solar.

On the customer experience, the customer satisfaction rate is positive with a score of 57, and CEMEX Go is facilitating digital interaction with customers with the aim of developing an omnichannel model to ensure customers receive the same information regardless of communication type. Sustainability is also of increasing importance for customers and will therefore be focused on to help promote low-carbon products. On what is evolving, the aim is to allow customer systems to connect with CEMEX's and this capability is currently being tested with around 7 customers with an aim to roll this out to all customers who wish to connect in this way. CEMEX Go will also be promoted to one-time users and those who pay in cash, currently around 20-25,000 of customers, to help build loyalty and promote products. Investments have also resumed in digital applications for CEMEX Go as well as updating technology in service centres and the CRM.

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Business Performance

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On climate action, the organisation is making a clear commitment and is viewing the challenge as an opportunity to promote products as essential for the development of society as well as for climate mitigation.

A high demand for low-carbon products is anticipated and the CEO remains committed in leading the industry in decarbonising products with an accelerated target of achieving targets by 2025 and being net zero on CO2 concrete globally by 2050. Intermediate targets will be published in the coming weeks and the aim will be to reach 90% or more alternative fuels in all cement plants in Europe, which will require significant investment in Spain and Croatia. It is anticipated that the company can achieve around 70% alternative fuels by the end of the year compared to a European average of 45%. Low carbon products will have an impact on prices and this will be reflected in the total cost of construction.

Engagement with colleagues is improving and survey data is being used to make improvements. An engagement plan has also been developed to overcome challenges and ensure colleagues remain motivated. Work continues to keep everyone safe with protocols and a focus on mental health.

In response to comments made by Jose Lafuente, Sergio Menendez explained that the engagement and satisfaction of people is key with adjustments being made to help support staff through transitions. On the company's footprint, the CEO and Board have expressed an interest in growing the business in both the US and Europe to help balance the portfolio of the company. Muriel Peretti asked about the sourcing of LCC materials. Sergio Menendez commented that the policy is to be able to source materials at the most competitive costs from all operations as well as lower CO2. The trend is also to keep products closer to markets to help prevent supply chain disruptions and the procurement teams have taken advantage of the scale of the company to make bulk purchases. In response to a further question regarding Volvo, Sergio Menendez explained that this is an alliance to develop hydrogen equipment and vehicles that will be required in a low-carbon economy.

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Business Performance

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Jean-Serge Peret commented on the company's positive results and that it would be fair for colleagues to benefit from a salary increase. Derek O'Donnell acknowledged that all employees had agreed to make a contribution through their salary last year to help support the company and that this was all paid back. All employees received a cost of living pay increase in January 2020 and 2021, and a judgement will be made on this again for 2022.

Bogumila Halas asked what was being done to resolve the problem with transport in Poland and commented that the pay increases in Poland didn't reflect the inflation levels experienced in the country. Derek O'Donnell explained that salary increases take macroeconomics and inflation into account with the intention to treat people as fairly as possible. On the transport issue, Sergio Menendez noted the peak in demand which has increased over the past 2-3 months as well as the growing demand for drivers. This is being constantly reviewed alongside how to minimise stockouts and maximise capacity.

Mladen Radic commented that salaries aren't sufficient for workers and that more social sensitivity is required.

Graham Osman remarked that UK government expects construction to increase over the next 5 years and queried the focus on metropolitan markets. Sergio Menendez explained that this focus is to strengthen their presence and continue to drive growth within the industry.



Human Resources

During Covid-19, 52 safety protocols have been developed to ensure the safety of employees and this has been supported by over 2,000 Covid-19 coordinators. CEMEX Go has facilitated safe delivery and 84% of people believe CEMEX has acted positively throughout the pandemic. CEMEX University has also helped people with training on collaborating effectively and supporting emotional wellbeing.

Employee engagement is measured through the quarterly eNPS scheme and the most recent survey produced a score of 32 across EMEA, which is considered as the lower end of very strong, showing that people are willing to recommend CEMEX to friends and family as a good place to work. Survey results are collated and then formed into initiatives to improve the lives of co-workers. This is carried out alongside the full survey that is conducted every 2 years with the next survey to be carried out in October 2022. Of the 10,000 staff across the region, 4,200 received training in 2020. Training includes leadership programmes, functional area academies, operational academies, CEMEX University and standard local training.

54 ethical complaints have been made this year with all matters being investigated and actions implemented if required. A new EMEA ethics committee was formed this year to strengthen the network of local ethical committees and provide assistance with senior violations. Last year saw 144 complaints, with around 50 related to the same country, and it is hoped there has been a reduction this year, though reporting is encouraged and expected in such a large and complicated organisation. On diversity and inclusion, this is an initiative from the top of the organisation to ensure that the company is as diverse as the communities in which it works. Recruitment processes have been redesigned to encourage diversity and there is a focus on unconscious bias with a course available through the CEMEX University on this. A slide for reasons for leaving in 2020 was presented showing that 1,700 people left, with a large number departing due to changes in the portfolio.

Jose Lafuente queried on reasons for leaving. He also noted that outsourcing is increasing and commented that this is concerning for workers.

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Human Resources

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Derek O'Donnell suggested that he meet with Jose Lafuente to go through the points in more detail around reasons for leaving, though it was noted that voluntary leaving is low with many older workers spending their whole careers at CEMEX.

Regarding outsourcing, Derek O'Donnell stated that this can sometimes be necessary within the organisation. In response to a comment from Uwe Pommer that over half of those leaving were in the UK, Derek O'Donnell confirmed that this was a result of the sale of a third of the business in the UK where almost everyone transferred to the new business. Uwe Pommer also noted that no mention had been made of Stronger CEMEX or Operation Resilience. Derek O'Donnell responded that Stronger CEMEX was a move to a more regional model and he thanked representatives for their support in bringing in such a fundamental change to how the business is run. Operation Resilience is about streamlining the business and will put \$34m into the business.

Petr Votova remarked that the previous question regarding a pay increase had not been addressed and queried whether the increase in volumes would be reflected in a pay rise in the Czech Republic. Derek O'Donnell stated that they had no remit to discuss pay negotiations in this forum and it will be discussed at the negotiations that commence next week.



Working Smarter

With the agreement with IBM coming to an end in 2022, Working Smarter, which is part of Operation Resilience, is a strategic view of how CEMEX should operate in the future with targets on growth, strategy and how to adapt. The focus of Working Smarter is on how back-office functions will work into the Operation Resilience initiative by looking at best practices in back office functions and shared services as well as capitalise on changes made with more remote working over the last 18 months. The main aim is to automate and simplify as many processes as possible to create a better work-life balance for all as well as reduce costs and build a more resilient BSO.

For IT, IBM has been retained for a small number of services with HCL to now provide most services with Axians providing the network. On HR, payroll and additional HR administrative support will be provided by TCS and EY. For finance and accounting, the current contract with IBM has been renewed for a further 5 years with a more flexible agreement at a lower cost and no penalties for leaving the service early. A saving of over \$30m across the 5 years is also expected along with additional savings on switching to HCL and TCS. The ServiceNow platform will be introduced to help manage all services and Success Factors will need to be fully rolled out. There is also a focus on ensuring that all European countries are working under the same SAP.

The GSO and BSO have been merged into the Global Enterprise Services with 2 regional arms and a global business excellence team. The concentration will be on delivery teams to improve processes and efficiencies with the 2 delivery centres situated in the Americas and EMEA. Whilst some services can be provided locally, others will need to be available at a local level, though most BSO employees will be reallocated. The HR transformation will look to help transform and adopt best practices and technologies, and more information on this will come in the coming months. This is similar for IT and processes, which will focus on improving IT systems. Transformation will be introduced gradually and it is expected around 80-85 people will be impacted, though the net figure will be 40-45 as approximately 40 new positions will be created, with the majority of those affected in the UK and Czech Republic.

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Working Smarter

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Muriel Peretti queried who would be impacted by job losses and voiced concerns regarding transitioning to the new SAP. On job losses, Javier Garcia explained that this is still to be determined and it is hoped that more information will be communicated by the end of the month. Regarding the transition to the new SAP, Javier Garcia acknowledged the complications caused by change and confirmed that changes will be implemented gradually with the migration handled carefully.

Uwe Pommer asked if they would now have individual contracts with all service providers and commented on the additional workload for colleagues caused by transitions. Javier Garcia confirmed that they would now be working with 3-4 different providers rather than just IBM though the new platform will assist with this. On the additional workload caused by transitioning, Javier Garcia acknowledged this was a risk but that the resources are in place to help manage this and that the overall goal is to simplify the workload for all teams. Muriel Peretti added that while the changes will bring savings, the organisation also needs to be aware of the burnout it can cause for workers and the additional training that will be required. Javier Garcia advised that they are not looking to overwhelm people with changes and that all efforts will be put in place to avoid burnout.

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-19. 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.



Any other business

Jean-Serge Peret noted that no country figures were provided for the Czech Republic* and asked if this information had not been received. Derek O'Donnell confirmed that he would look into this further.

Jean-Serge Peret commented there had been little discussion regarding homeworking. Derek O'Donnell explained that they will start to move to a more office-centric environment and a new policy on hybrid working is expected to come from Corporate with more flexible working anticipated.

AFTER CONCLUDING REMARKS FROM JEAN-SERGE PERET AND DEREK O'DONNELL, THE MEETING WAS THEN CLOSED.

* These information was sent later to the ECC participants, given the late response from data responsible in Czech Republic