

The annual UK Communication Forum took place on Thursday 7th September, and was held for the first time at the UK operation's new head office in Binley, Coventry. It was an opportunity for two-way communication between business leaders and Employee Representatives. The day included business updates, with topics covered ranging from health & safety, sustainability, financial performance, operations, and future plans for the company. In his introduction, Chair Lex Russell emphasised the importance of open discussions and asking questions throughout the day.



In attendance on the day were:

- Presenters/Support:**

Name	Area	Job Title
Lex Russell (Chair)	Materials UK	Director Materials UK
Clare Pickering	GES	Director R2R Service Delivery EMEA
Philip Baynes-Clarke	Cement Operations	Director Cement Operations UK
Craig Williamson	Cement Commercial	Director Cement Commercial UK
Dave Hart	Supply Chain	Director Supply Chain UK and Northern France
Vicki Elliott	Urbanisation Solutions	National Sales Manager
Brin Sandhu		Asphalt Area Manager
Sarah Murphy	Communications	Head of External Communications for EMEA
Andrew Richmond	Communications	Communications Manager UK
Stephanie Horn	HR	Director Human Resources UK
Liz Burns	HR	HR Business Partner

- Employee Representatives:**

Name	Area Representing	Job Title
Richard Jenkins	Supply Chain – Cement	Class 1 Driver (Tanker)
Grant Garner	Supply Chain – Aggregates	Logistics Supervisor
Stephen Porter	Cement Operations & Commercial	Mechanical Senior Technician
Andrew Hoskins	Materials	Operations Manager
Keren Castle	Materials	Sales Executive
Graham Osman	Materials – Marine	Senior Negotiator
Tom Crutchley	Urbanisation Solutions Asphalt	Sales Representative
Paul Whyte	Urbanisation Solutions Building Products	Production Supervisor
Darren Bland	Customer Experience	Senior Sales Agent
Mary-Ann Macinnes Collins	Support Functions	Health and Safety Manager

Key Messages from the Forum

Health & Safety

Lex kicked off the day's presentations with a reflection on Health & Safety. His view is that we need to keep health and safety simple; by caring for each other and looking out for ourselves and each other, we can all play our part in preventing injuries and improving health and wellbeing. Lex also emphasised the need to look at how we can support our colleagues – do we know what problems or difficulties the people around us are trying to cope with at the moment?

- There have sadly been three fatalities in Cemex EMEA this year
- Additionally, across the region there have been 9 LTIs and 35 TRIs
- HiPos (High Potential Incidents) are a focus across the region, not just in the UK – this is important as we can learn from these



As at the date of the meeting, UK incident performance YTD is as follows:

1. **Zero fatalities** – achieved 4 years fatality free on 19th October 2022
2. **3 LTIs**: versus 4 in 2022 YTD
3. **5 TRIs**: versus 1 in 2022 YTD
4. Near Miss Hazard Alert Reporting up 5%
5. High Potential Incidents down 50%

Moving forward, our focus points will include:

- Health & Wellbeing – the work of the Wellbeing Strategy group is being well received, with a calendar of activity covering subjects including menopause, men's health, heart health and sun awareness
- Wellbeing Safety Days – 2 complete, 14 scheduled
- Visible Felt Leadership
- 5S & Reducing Slips, Trips & Falls
- Continuing to promote trust amongst everyone so we all feel we can be more open with each other
- Ongoing work from the 2023 plan such as H&S Academy; machinery guarding; Zero4Life Today for Drivers; Take 5 & Take 5 Together; Learning from HiPos; positive recognition; plus, much more!



Financial Performance



UK Sales at the end of July were on budget and 6% ahead of prior year. As a result, the OCF (profit) is 26% ahead of budget and 7% ahead of the same time last year.

Performance year on year continues to be much better than a few years ago, which encourages investment into the UK from the global business. Cemex is keen to invest in the UK and has faith in the business which is very positive.

All business areas are doing well although Urbanisation Solutions is having the toughest time currently. In general for 2023 so far, volumes are lower than 2022 and have been declining in recent months; while August is always seen as a quiet month, the market slowed down more than expected. Variable cost increases have been lower than expected in fuel, electricity and raw materials but likewise price increases have not been achieved.

As a region, Europe was ahead of budget at the end of July, however August was not as good and volumes are down in most markets. People are nervous about the outlook for the remainder of the year.

As a group, Cemex Global achieved record quarterly profits, with the US and Mexico performing well. The second half of the year is normally stronger than the first, so the Group is in a very positive position.

Sustainability

Cemex continues to be industry-leading in our efforts to improve the sustainability of our operations and products. Our “Future in Action” Strategy is to achieve net zero globally by 2050, with efforts falling under six pillars:



1. Sustainable products and solutions

- Launches over the last year include lower carbon cements, concretes and screeds plus asphalt and block products
- New generation, bio-sourced admixtures
- Solutions such as the BIM plug-in tool and Cemex CO2 footprint tool



2. Decarbonising our operations

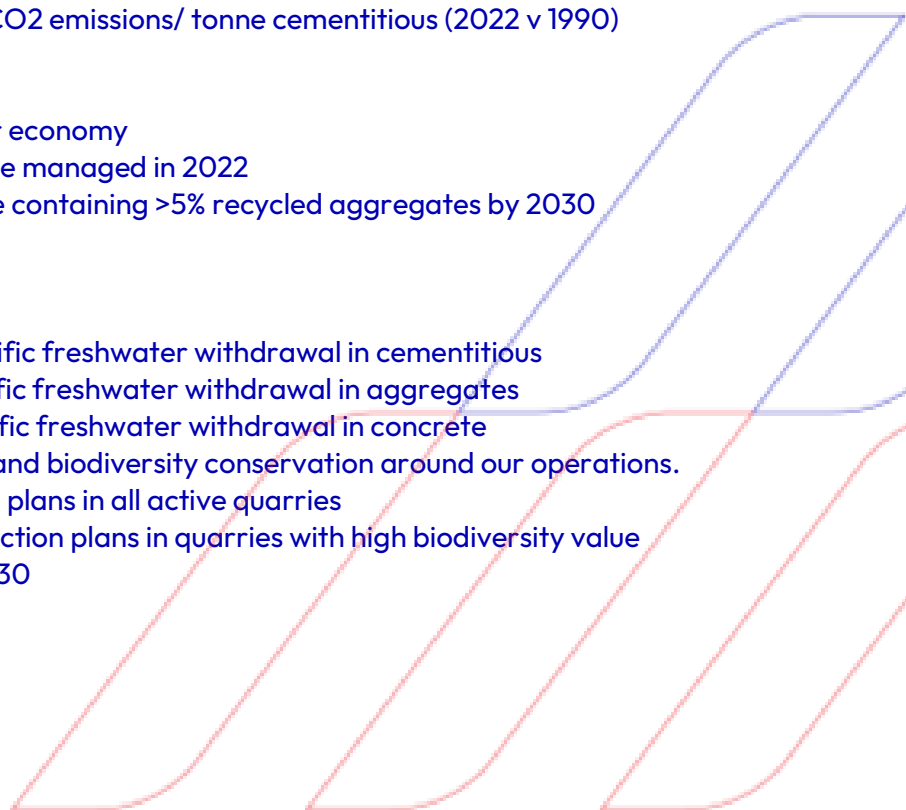
- By the end of 2022...
 - 72% alternative fuel substitution rate
 - 100% of energy supply came from renewable energy
 - 45% reduction in net CO2 emissions/ tonne cementitious (2022 v 1990)

3. Circular Economy

- Over 60 initiatives on circular economy
- Over 11 million tonnes of waste managed in 2022
- Our target is 40% of concrete containing >5% recycled aggregates by 2030

4. Water & Biodiversity

- 2030 targets:
 - 20% reduction in specific freshwater withdrawal in cementitious
 - 15% reduction in specific freshwater withdrawal in aggregates
 - 10% reduction in specific freshwater withdrawal in concrete
- Effective land management and biodiversity conservation around our operations.
 - 100% of rehabilitation plans in all active quarries
 - 100% of biodiversity action plans in quarries with high biodiversity value
 - Nature Positive by 2030



5. Innovation & Partnerships
 - 40+ ongoing projects
 - 100+ partnerships including RSPB, HiiROC, Climate Impact partners and Carbon Upcycling
 - 30+ EU and country fund applications

6. Promoting a green economy
 - Focusing on:
 - Waste directives for energy recovery
 - Lower carbon cements
 - Clean energy
 - Recycling demolition waste
 - Government and multilateral funding

Business Updates

In addition to the above, the Directors also discussed the following key points:

Urbanisation Solutions

The year so far:

- Asphalt – strong Q1 for Asphalt but then started to soften. However, good signs of recovery in Q3. The high price of gas has hit asphalt hard. Good traction with new Rubbermix solution.
- Paving – business closed last year
- Mortars – ahead of budget and PYTD (prior year to date), driven by margins and price
- Building Products – respectable year for Building Products so far this year, although we are behind budget. Floors and bearers are doing particularly well.
- Admixtures – slightly behind budget and PYTD

Highlights and looking forward:

- UK counts for 50% of Urbanisation Solutions EMEA OCF, which shows its importance and scale
- Vertua sales now represent over 1/3 of all Asphalt volume
- Updating and refreshing of sites is a priority for Asphalt, including customer welfare facilities at collect sites
- Opening of new asphalt plant in Doris Road, Birmingham is a real highlight and means we can now serve the Birmingham market again
- Paperless pilot for Asphalt in September
- 17 years LTI free achieved in July 2023 for Mortars
- Swindon DSM plant approval expected in Sept 2023 to start operating January 2025
- Admixtures – rejuvenated product range with sustainability focus
 - Looking to increase third party sales
- Concrete Products – reducing CO2e across the entire range of products. Applying for Vertua accreditation in the coming months
- Floors – huge increase in performance this year
- Rail – Somercotes set to have a record year in terms of OCF
- Rail – all concrete sleepers made at Rochester are now Vertua



Key priorities:

1. Health and Safety – VFL activity increased
2. Innovative product ranges to meet sustainability roadmap
3. Financial performance – priority is protecting market share, and increasing volume share in concrete products and building products
4. Cost management and efficiencies at site

Cement Operations

The year so far:

- 3million hours LTI free
- UK Cement Operations reached two years LTI free in June

Looking at performance, cement production is aligned with market demand, but clinker production is behind budget YTD, due to a difficult couple of months...



Towards the end of July, a structural failure of the tertiary air (TA) duct at Rugby occurred. This 90-tonne section of ducting is used to transport cooler gases to the preheater tower. The root cause was an inherent design issue from the original plant build, only known following this failure. What followed was a highly complex task involving multiple cranes, rope access teams, structural engineers, and the site engineering & production teams. Additional structural elements have now been installed to prevent this type of incident occurring again. An amazing achievement by all involved to safely bring the matter to a conclusion.

Then, on completion of the TA duct repairs, significant issues were experienced with raw meal flow from the silo. This required a huge effort from all involved to clear the blockages using different methods, including the firing of over 150 Cardox tubes (a blasting method to remove buildup), air lancing and rodding. This caused a further week of kiln downtime, exhausting the remaining clinker inventory, which ultimately impacted cement production rates and product availability. The root cause for the blockage is yet to be determined and during the 2024 major overhaul, internal inspection of this large silo will be completed.



In late August, elevated bearing temperatures were recorded on the cement mill classifier at Tilbury. Repairs were completed promptly and the mill returned to service in the expected time frame.

Clearly a challenging period but most importantly, the activities were completed with no injuries. This is despite the huge complexity of tasks undertaken. It is important to also recognise a highly successful major overhaul in Q1 at Rugby which saw a massive scope of work completed. Well done to all the teams.

Future in Action:

Alternative Fuels – currently, Rugby Plant is operating at an average alternative fuel rate of

70.5% YTD. This has been impacted by unplanned kiln stops but the underlying performance is 78%. Chloride in cement is the biggest hurdle to increased alternative fuel use. Various ideas and plans are in the pipeline to ultimately achieve our target of 95% alternative fuels.

Clinker Factor – in the last 18 months, the existing cement portfolio and recipes have been optimised to target the lowest possible clinker factor. A further reduction in clinker factor is expected in 2024, following the revision to the UK concrete standards which will allow the use of multi-component cements. However, to achieve our collective targets of 57% clinker factor, investments are required at Rugby and Tilbury.

Cement Commercial

- Market conditions have declined since last year with the UK Construction market expected to shrink 7% in 2023.
- Bulk cement volumes are lower than both 2022 and budget.
- Bagged cement volumes are stronger and are ahead of budget.
- Price remains at historical highs but down on budget.
- Growth of imports by non-domestic producers is a concern.
- Cemex will continue to create customer value through exceptional customer service and innovative, lower carbon products.

Materials

- Lex began with a recap of 2022 priorities for materials.
- Good progress has been made against the majority of these; employee engagement, customer experience, commercial and financial focus and Future in Action
 - However – there was a bad run of H&S incidents at the start of the year.
- So far, there has been excellent performance during 2023 – despite price being lower than budget, we have seen lower variable costs and lower haulage costs.
- First half volume has been stronger than budget but expect decline in second half and to finish year around budget.



Remainder of 2023 / looking ahead to 2024:

- Health & Safety – we are safer if we care for each other
- Customer service and cost control – even more critical if volumes decline
- Reduced market demand – July and August have seen lower volumes per day, some of which is holiday impact
- Capex initiatives (i.e. Swinderby Replant) – very fortunate that we have been supported with CapEx investment in the UK
- HS2 volumes – Parkfield landfill started in August along with Alrewas Aggregates and Readymix, but it has been a slow start
- 2024 is still an unknown picture – dependent on inflation and interest rates impacting market demand

Supply Chain



Health and safety

- 0 LTIs across supply chain – whole function has reached 1 year LTI free! (cement, aggregates, rail and sea)
- TRI – zero YTD
- NMHA - Excellent NMHA close out performance (100%).
- HIPOS – 4 YTD – up one on 2022
- Highlights: Zero 4 Life for Drivers being rolled out, School Safety Events, Safety & Wellbeing Days, SSOW to videos & Road Safety Week

Customer service

- Generally seeing an improvement in external NPS across all product lines
- Focusing more on internal responses as feel treatment is different
- Internal participation is low, but NPS results have improved
- Investing in storage bays + silos at certain locations to make improvements

Sustainability

- 2023 Rail volume in line with 2022 and saving 15kt of CO2
- Barge into Fulham – 75% CO2 saving through a reduction of 5k vehicle movements
- Proactive + sustained communications regarding reducing CO2
- First train into Parkfield Road
- Trial of hybrid blower for cement deliveries
- MPG across Cement + Aggs fleets better than 2022

Cement supply chain

- Plans to grow out of hours
- New Volvos with new Cemex livery & latest safety features
- Pilot with tanker auto lids
- Apprentice scheme restarts September
- Driver of the Year event in September
- Digital Tools – e.g. The Driver Handbook, Convey

Aggregates and Asphalt supply chain

- Focus on fuel efficiency
- Fleet Investment >£1M- 13 new trailers + 3 tippers
- Apprentice scheme restarts September
- Out of Hour Aggregate deliveries growing
- Driver of the Year event in September
- Successful Supply Chain Supervisor Academy
- S&OP process
- Optimise Cost to Serve / Manage Dove availability
- Support Materials Strategy

Q&A

Please refer to the supporting Q&A document for the responses to the questions put forward by employees from the different business areas.

Close

Everyone should very be proud of our industry leading position and as a UK Leadership Team we are very appreciative of the effort and commitment of our employees. We will

continue to do our utmost to look after and care for our employees and in return we ask that you look after and care for yourselves and your colleagues. Thank you to the Employee Representatives for their attendance and the open and honest discussion which was enjoyed during the day.

Please feel free to contact your line manager or the relevant business unit director at any time with any questions you may have – these do not need to wait until the annual forum!

Further Information

If you would like to discuss any of the points in more detail, please get in touch with the Employee Representative for your business area.

