

## IUCN Private Sector Engagement Preliminary Analysis

**Date: 12 September 2006**

**Staff members involved: Laura Cassiani and Giulia Carbone**

### **PART A: COMPANY INFORMATION**

Holcim is the world-wide supplier of cement and aggregates, including also value added activities such as ready-made mix concrete and asphalt, with:

- 135 cement plants
- 398 aggregate plants
- 989 ready-mix concrete plants
- 111 asphalt plants

In 2005 Holcim cement capacity reached 215.4 million tons.

It employs + 90.000 and operates in over 70 countries on all continents.

The company has also positive growth prospects. Net sales grew by 60% between 2004 and 2005 (pro forma), from 13.2 billion CHF to 21.1 billion CHF (ranging from 63% increase in sales of aggregates to 53% of cement to 34% of ready mix). Holcim is in expansion in emerging markets: China, India, Eastern Europe, Latin America, Africa-Middle East.

### **PART B: CSR INFORMATION**

#### **General:**

Holcim sustainable development agenda has been implemented following the five corporate sustainability priorities (Climate and energy; Occupational health and safety; Community involvement; Stakeholder relations and Sustainable construction), and measured against [defined targets](#).

License to operate is the main driver for the development and implementation of a CSR policy addressing sustainable development, in particular for the environmental and community engagement. With regards to their social/employment policy there is also the strong recognition that their human capital is key to their success.

A strategic role in implementing Holcim policy is played by the Holcim Foundation for Sustainable Construction. The Foundation aims to be a catalyst of sustainability in the construction industry by supporting innovative solutions world wide. To implement this goal the Foundation runs an international sustainable construction competition (Holcim Award); convenes an academic symposium (Holcim Forum); and provides financial support for research and construction projects (Seed Funding).

In 2005 Holcim has received 43 awards (General awards, Product and quality awards, Environmental awards (12 out of 43), OH&S awards, social awards).

According to Sustainable-investment.org, Holcim is listed on the following sustainable indices:

DJSI STOXX

DJSI STOXX ex Alcohol, Tobacco, Gambling, Armaments & Firearms

DJSI World

FTSE4GOOD Europe Index

FTSE4GOOD Global Index

### **Occupation health and safety:**

Given the nature of the business OH&S occupies a very important role in Holcim sustainable development policy. Their policy extends from their employees, to subcontractor, third parties and visitors (and they report in fact on casualties for all the categories).

In their communication Holcim highlights that they do NOT perform as well as they should do. In 2005 they had 30 deadly accidents (including indirectly employed and third parties). To improve the situation, in 2005 they have launched a new programme across the whole Group (Passion for safety) which should improve the performance of the various companies in the group. A new quantitative target has also been added (calling for a 30% decline in lost time injury frequency rate from 2006 to 2009 using 2004 as baseline).

The company puts a strong focus on local knowledge and management of their staff.

### **Stakeholder engagement:**

Holcim has also been very active in stakeholder engagement, throughout the whole company. Holcim has kept track of the importance of different types of relations for Holcim's local operations. Between 2003 and 2005 :

- "Cooperation" increased from being important for 61% of the local operations to 81%.
- "Needs assessment" were conducted in 52% of group companies (from 31% in 2003).
- 77% of the Group companies involved stakeholders in the planning and management of their CSR engagement
- 44% (compared to 24% in 2003) established stakeholder's "Advisory panels"

Holcim has now a policy and guidelines for partnership development with the aim of ensuring that only solid and constructive partnership between the various Holcim branches and NGOs and other organizations are formed, and that there are no conflicts between partnerships.

Organizations with which Holcim group members have established cooperation agreements include Caritas, Inter-American Foundation, American Red Cross, Habitat for Humanity, AIESEC, GTZ, WWF (Hungary), Transparency International et others.

Although the majority of partnerships are established at the local level (hence the need for guidelines), couple strategic partnerships are managed by Holcim HQ. This include :

- The World Business Council for Sustainable Development's Cement Sustainability Initiative (established in 2002) of which Holcim is a member (and co-founder)

- The UN Global Compact
- The partnership with GTZ on a technical project aimed at developing and testing guidelines for co-processing waste materials in cement production (guidelines launched in Summer 2006).

Concretely, Holcim group companies are encouraged to engage in long term actions in three main focus areas:

- Providing education
- Building infrastructures for livable communities
- Supporting sustainable community development

### **Environmental performance:**

Holcim's global environmental policy is structured around 5 targets grouped under three areas:

- Management systems
- CO2 and resources utilization
- Environmental impacts.

Within the area CO2 and resource utilization area, Holcim efforts have been concentrating in particular on diminishing its contribution to CO2 emissions. Specific quantitative targets have been established for CO2 : Reduce global average specific net CO2 emissions (kg net CO2/ton cementitious materials) by 20% using 1990 as a reference by 2010. In 2005 Holcim reported a reduction of 14.7%. The data on CO2 inventory have been independently [assured by KPMG](#). Efficiency and CO2 reduction are achieved mainly by lowering the clinker factor in cement; improving the technology for clinker production and increasing the use of waste materials in clinker production.

With regards to the area of environmental impacts, a new target has been established in relation to NOx , Sox and dust emissions, calling for a reduction of 20% by 2010 with 2004 as a reference (g pollutants/ton cementitious materials).

Finally, the third area for action focuses on management systems. Holcim aims at extending to all group companies ISO 9001 and ISO 14001 certified management system and reporting. It seems that by end of 2006 approximately 90% of the group companies will be in compliance with these targets.

### Biodiversity at Holcim:

Land use and biodiversity is today part of Holcim's environmental stewardship commitment. However it is addressed as a responsibility at the local level (raw material management, ESIA and quarry rehabilitation planning).

It is generally addressed at the local level, with different level of engagement depending on the subsidiary and country. For example Aggregate Industries UK has a specific "Biodiversity Policy" that calls for "... ensuring that [their] activities protect and wherever possible enhance biodiversity in the UK and Channel Islands.". The policy is implemented among other by implementing Biodiversity Action Plan (BAP) across their sites over which they have control of the land; improving the management of priority species and habitat at sites under their control; ensure that local and national BAPs are taken into account in all phases of the site management cycle (planning, operations, restoration and aftercare).

It does not (yet) a “global”/Group priority issue addressed through the definition of global targets.

Although not directly under the heading of biodiversity, Holcim’s Quarry Rehabilitation Guidelines (part of the Raw Materials Management process), are indeed very relevant in how the company will address its biodiversity responsibility at the site level.

The Guidelines serve as a tool for implementing Holcim’s commitment to develop a Rehabilitation Plan for ALL operating cement-related quarries (and communicating them by 2006). The guidelines are structured around 10 global principles and their local implementation/interpretation. They do not contain specific guidance and recommendation in relation to biodiversity management and restoration (only a list of additional resources such as CELB’s, WBCSD and The EBI).

### **Communication about their corporate Sustainable development policy and achievements:**

The main communication tools for Holcim are the Corporate Sustainable Development Report (see below) and the corporate web site.

From the main home page of Holcim’s web site ([www.holcim.com](http://www.holcim.com)) there is direct access to the sustainable development section. The section includes general information about their policy, targets and achievements in the different areas of sustainability (economic, social and environmental) and by key targets (climate change and energy, Occupational health and safety, community involvement and sustainable construction).

The web site is also enriched by [+45 case studies](#) (grouped under “environmental”, “social” and “economic”) which provide a snap shot of what happens in “the field”.

### **Reporting on performance in sustainable development:**

Holcim follows a bi-annual reporting cycle on its sustainable performance. As of today Holcim has reported on their sustainable performance for the last five years of operations.

The recently issued report covers 2004-2005 performance. The [2005 Holcim Corporate Sustainable Development Report](#) has been prepared in accordance to the GRI Guidelines.

The assurance on the CO2 data for 2004-2005 is provided by an independent KPMG report.

The 2005 report clearly indicated the reporting boundaries. Furthermore, throughout the report and communication material, Holcim DOES report when data is not available.

## **C. MEDIA AND STAKEHOLDER ANALYSIS**

### **Summary of General Internet Queries**

Approximately 90% of the internet query results focused on **general Holcim business activities** including acquisitions, financial data, earnings, holdings, growth and general business dealings globally.

General perception about Holcim and their business practice is positive. There is substantial data highlighting advancements and enhanced processes to benefit local communities and the global environment. Their image in the press is one of a leader who actively pursues the goal of sustainable development.

### **Negative Press regarding Holcim and CSR**

There are only a few news/articles resulting from the above queries highlighting wrongdoings with regard to Holcim and their CSR objectives:

2002:

Holcim fights **environmental regulation** of business, insists on voluntary self-regulation. Article highlights failure at self-regulation, repeated environmental violations (pollution, toxic carbon monoxide, smog) 1993-2000, CorpWatch August 26, 2002 (Lucy Komisar)

2003:

**Unacceptable danger or negligible risk?** Montana article highlights the research shown regarding the risks of dioxins and health vs. the public perception. The public perceives the risk as much higher than science. MSU Agricultural and Biological Risk Assessment, May 2003, Robert Peterson

2005:

**House probe hangs over Holcim** regarding the operation of a cement factory in Llang, Tibusco. Reports that many residents have respiratory illness in the city. SunStar, October 26, 2005

2006:

In an article highlighting the **significant increase in asthma and lung infections in the Fort Worth Area** where the State of the Air report has been the lowest possible grade for 6 years in a row, three cement plants cited as responsible, Holcim being one of them. "SCR" technology proposed to reduce clinker. Holcim will not implement this new technology on a voluntary basis. It wants government to mandate for all companies. Large cost associated with the retrofit. Community controversy regarding the burning of tires and hazardous wastes in the kilns., fwweekly.com, September 6, 2006 Betty Brink

### **Cites Holcim for clean-air violations. Compliance order pending. US Environmental Protection Agency, July 26, 2006**

**Investigation expands on Big Dig project.** Six employees of Aggregates Limited (a recent acquisition of Holcim) were indicted on federal charges of construction malpractices, submitting falsified documents, etc.. regarding the U.S. state highway project known as the Big Dig. Asphalt and related highway materials were found not to be of the quality per the contract. Boston.com News, May 5, 2006.

Montana Dept of Environmental Quality issuing a permit to Holcim to burn 1.13 million scrap tires along with 16,535 tons of lead smelter slag. **Community controversy and fears** associated with the health risks /air quality. [www.nontoxicburning.org](http://www.nontoxicburning.org), September 11, 2006

**Note on methodology for developing Parts A, B and C.**

The information in the Part A and B (General info and CSR sections) is extracted directly from Holcim's sources (Sustainability reports, web site and material shared with IUCN during their visit).

The information in Section C (Media and Stakeholder Analysis) was generated through an internet search. The following search engines were queried :

1. Google
2. Yahoo
3. Lycos
4. Dogpile
5. Webcrawler
6. MSN
7. Hotbot

The following websites were also queried:

8. [www.reportalert.info](http://www.reportalert.info)
9. [www.cement.org](http://www.cement.org)
10. [www.corporatewatch.org](http://www.corporatewatch.org)
11. [www.notoxicburning.org](http://www.notoxicburning.org)
12. [www.montana.edu](http://www.montana.edu)
13. [www.sunstar.com](http://www.sunstar.com)
14. [www.thehindubusinessline.com](http://www.thehindubusinessline.com)
15. [www.wbcasd.org](http://www.wbcasd.org)
16. [www.economicstimes.com](http://www.economicstimes.com)
17. [www.sustainability.com](http://www.sustainability.com)
18. [www.ethicalcorp.com](http://www.ethicalcorp.com)

The following key words were used in the queries:

- Holcim, cement, construction materials, sustainability, hazardous waste, ozone, emissions, safety, occupational hazards, environment
- The above searches were queried under both general web and news searches

## PART D: PRELIMINARY ASSESSMENT OF COMMITMENT TO CSR

Environmental/Social Policy	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Unsure
Supply chain Policy	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Unsure
CSR activities programme	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Unsure
Commitment to external processes and standards	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Unsure

### Narrative Assessment

#### Key findings (Giulia Carbone analysis):

Holcim is characterized by a high level of decentralization in the implementation of the sustainable development commitments and targets. This could represent a great opportunity as the cooperation could develop very rapidly in concrete projects in the field. However, it could also become a liability due to lack of control by headquarter on individual group's companies performance.

The strong accent on local implementation (following global guidelines) allows for creativity of management, specific response to specific problems, better relationships with host communities, concrete results.

The company seems to have adopted an incremental approach in implementing sustainable development in their company. New targets are added as performance improves in the initially identified areas.

Their approach between individual commitments vs. a cooperative approach (through a sectoral platform) seems to be well balanced. Their work with the WBCSD Cement Sustainability Initiative does not seem to undermine their individual corporate commitment (note that they clearly indicate in their targets those that are part of their CSI commitment and those that are made exclusively by Holcim).

Biodiversity does not appear as a priority issue for the company. Possibly this is the key driver for their approach to IUCN. The lack of report on their performance on this issue (no target and no indicator specific to biodiversity are mentioned in the global report), should not represent a hold back factor for IUCN engagement but should be considered as an indicator of their interest in partnerships that would bring some value added to their company.

What seems to be lacking is site specific information about threats to biodiversity (as well as conflicts with local communities over use of natural resources and local pollution). Obviously such global inventory would be very expensive. However, from IUCN perspective it could be interesting to obtain data about a sample of quarries through IUCN Regional and National offices. This information could provide a better insight not only about the credibility and potential liability of engaging with Holcim, but also provide material (and base line information) for developing the joint work programme.

Finally, the sustainability report provides a good over view (and in some cases also detailed information) about the group companies' performance. However it should be kept in mind that the figures are aggregate and that could hide major mismanagement situations. Furthermore, only the data on CO2 has been assured by a third party.

## PART E: Potential Enhancement of IUCN Mission or Programme

The purpose for IUCN:

Long-term objective:

### ▪ IUCN Priority Sector Analysis

- Biodiversity Dependant
- Large Footprint
- Developing 'Green Enterprises'
- Investment Industries

### ▪ IUCN Priority partner Analysis

Practices transparency ?  Yes  No

Is committed to quality in their operations?  Yes  No

Is publicly committed to conservation?  Yes  No

Has policies, procedures and practices in place to ensure the achievement of environmental goals and have a track record in implementing these?  Yes  No

### ▪ Risk Identification

*(Outline the main risks of engaging with the business under headings of: are financial loss, damage to the reputation of IUCN and potential drain on management resources)*

- Financial Risk
- Damage to IUCN's reputation : being a large foot industry, extremely decentralized, it will be difficult to keep a tight control over all Holcim's operations. Possibly their three major areas of sustainability conflicts are related to CO2 emissions, loss of biodiversity, conflicts with local communities over access to land.
- Drain on management resources :

### ▪ Benefits of engaging

Challenge: the need for concrete will increase, and therefore the potential biodiversity loss due to extraction and concrete production. An engagement with the biggest player in the industry could become exemplary for other similar engagement (for example with smaller cement companies in emerging countries such as China, where the cement extraction business is mostly in the hand of local businesses).