



CDP Investor Research

Cement sector and EU ETS

Signs of an industry failing to
address structural issues?

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CDP: Only Global Environmental Disclosure System

+5,600

Companies in more than 90 countries reporting – over half the world's market cap

827

Institutional investors requesting information – a third of the world's investable capital

89

Global corporate supply chains – US\$2 trillion in annual procurement

533

Cities sharing best practices – 440 million people, 61 leading megacities

Key messages

- ▼ Investors are concerned about this sector
- ▼ Companies outside of EU are making most strides in emissions performance
- ▼ Competitiveness concerns, really?
- ▼ This is about making building construction sector fit for the 21st century – free allowances undermine this

CDP Investor Research Series

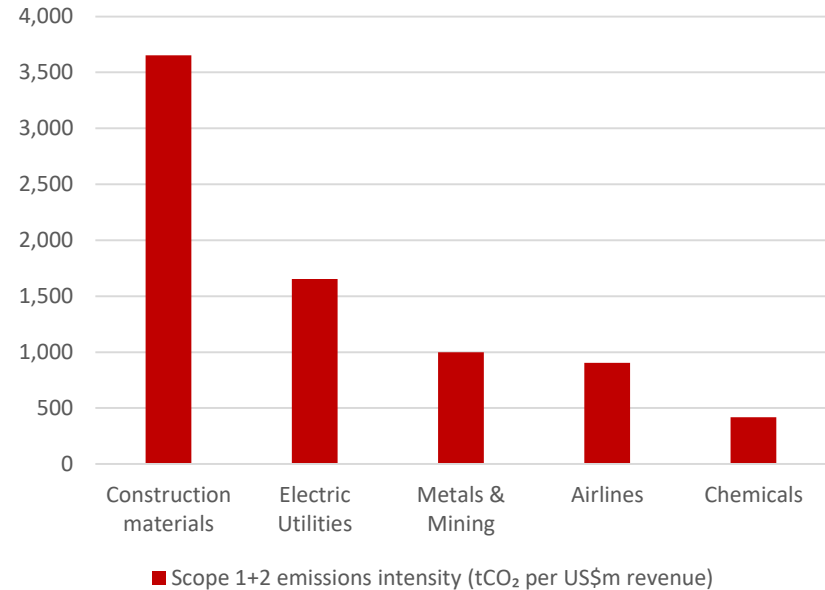
- Focus on **high-emitting industries**, starting with the automotive industry, electric utilities, diversified chemicals, metals & mining and now cement. Forthcoming industries include oil & gas and steel.
- Flags **material climate issues** (carbon and water) within each sector and the potential impact on companies' financial performance.
- Combines metrics to create a **League Table** and highlights **engagement ideas**.
- Research series voted **most innovative research product & no. 1 climate change research house** in 2015 by the Extel Independent Research in Responsible Investment Survey.



Climate drivers in the cement industry

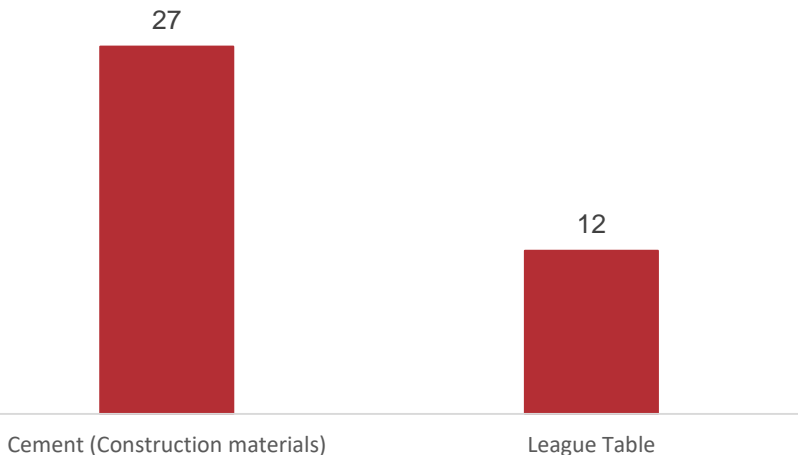
- ▼ The cement industry is amongst the highest emitting and carbon intensive industries.
- ▼ Government commitments at COP21 in Paris are expected to tighten national emissions regulatory frameworks including renewable energy and energy efficiency targets and carbon pricing as policy tools for decarbonization.
- ▼ **There is a continued need for cement products but its current carbon footprint is incompatible with a transition to a low-carbon economy.**

Sector emissions intensities



Scope of research: Company selection

2015 CDP respondents

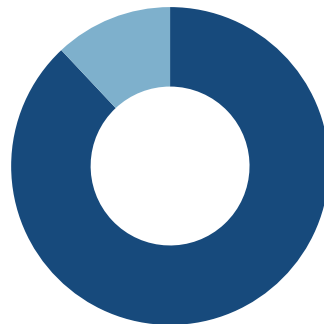


▼ **Largest non-responders:** Anhui Conch Cement (China), Siam Cement (Thailand), Dangote Cement (Nigeria) and Vulcan Materials (USA).



87%

of combined scope 1+2 emissions amongst responding construction materials companies



US\$123bn

in market capitalization (80% of total amongst responding construction materials companies).

CDP League Table for cement companies

League Table rank	Company	Country	Market cap 2015 (US\$m)	2015 cement production (m Tonnes)	League Table score	Emissions performance	Energy & material management	Carbon cost exposure	Water resilience	Carbon regulation supportiveness	CDP Performance Band (i)
1	Holcim	Switzerland	21,400	140 (iii)	3.9	A	B	A	B	B	B
	LafargeHolcim	Switzerland	28,861(ii)	256	4.1						
2	Shree Cement	India	6,002	16	4.5	A	B	B	D	A	C
3	Lafarge	France	19,675	116 (iii)	4.7	B	B	A	B	B	C
4	CRH	Ireland	22,615	20	5.0	C	B	A	A	C	C
5	Cementos Argos	Colombia	4,608	13	5.5	C	D	B	A	B	B
6	HeidelbergCement	Germany	14,519	82	6.0	D	C	B	B	D	A
7	CEMEX	Mexico	10,846	68	6.6	D	C	C	C	B	B
8	Ultratech Cement	India	12,526	44	7.0	D	C	D	E	A	C
9	Buzzi Unicem	Italy	2,986	25	7.7	D	D	D	C	D	B
10	Taiheiyo Cement	Japan	3,874	18	8.2	D	C	D	E	E	D
11	Cementir	Italy	1,029	10	8.4	E	C	E	D	E	D
12	Italcementi	Italy	3,078	43	8.7	E	D	E	D	E	B

Weighting for each area

30%

25%

20%

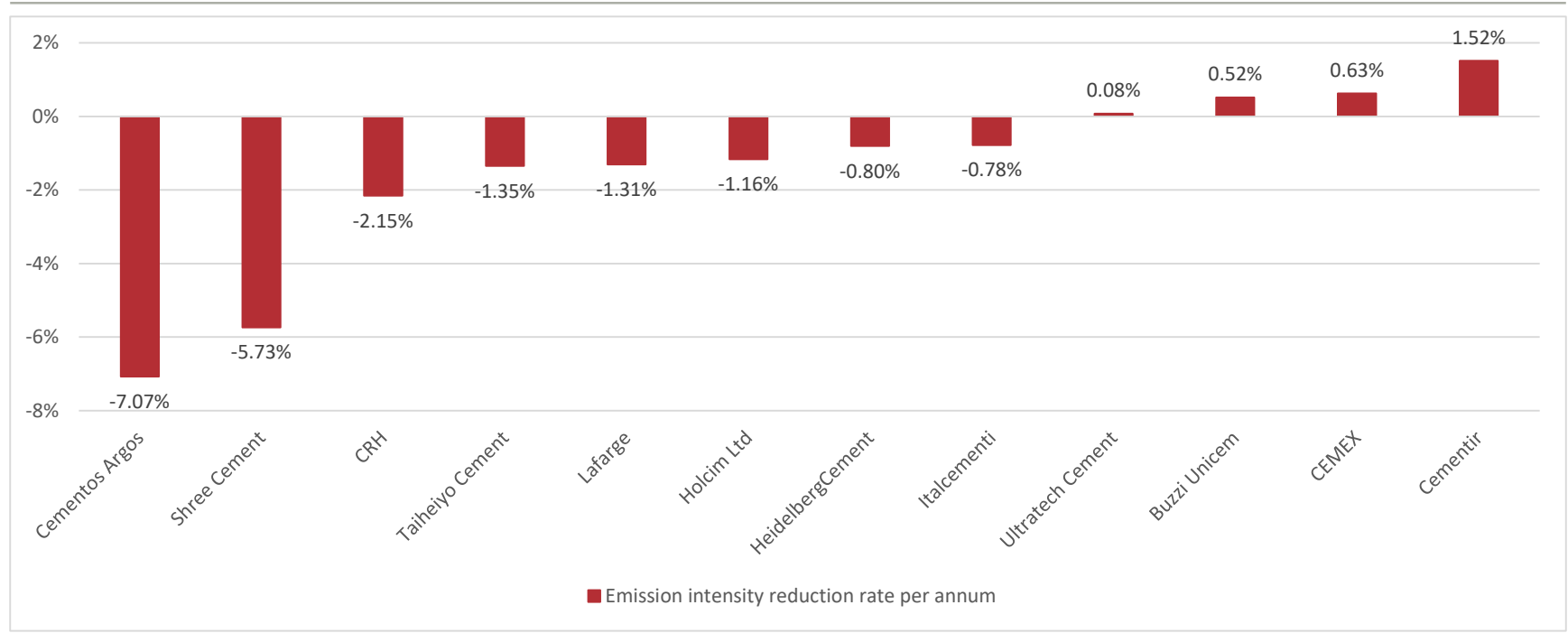
10%

10%

5%

- (i) This is the CDP annual performance band (A to E) awarded to companies that respond to CDP's climate change questionnaire. The distribution of A to E is awarded relative to 2,233 companies that responded to CDP in 2015.
- (ii) (ii) Calculated over the period going from 1 January 2016 to 23 May 2016.
- (iii) (iii) 2014 production figures.

Metric 1: Reduction in cement production emissions intensity (2008-2014)



Metric 3: Company use of internal CO₂ price

Company	Internal carbon price rank	Current use of internal carbon price	Internal carbon price disclosed	Price level (US\$ / tonne of carbon-equivalent)
Holcim	1	Yes	Yes	32
HeidelbergCement	2	Yes	Yes	23
Buzzi Unicem	3	Yes	No	
CRH	4	Not currently but expected within 2 years		
Italcementi	4	Not currently but expected within 2 years		
Lafarge	4	Not currently but expected within 2 years		
Shree Cement	4	Not currently but expected within 2 years		
Cementir	8	Not expected within 2 years		
Cementos Argos	8	Not expected within 2 years		
CEMEX	8	Not expected within 2 years		
Taiheiyo Cement	8	Not expected within 2 years		
Ultratech Cement	8	Not expected within 2 years		

Carbon cost exposure: Company CO₂ emissions by country

