



SOCIAL ACTION, INNOVATION, REFLECTION AND EXCHANGE LABORATORY

12TH LASAIRE BIENNIAL

“Anticipation and participatory management in companies during periods of crisis and technological change”

THE LAFARGE-HOLCIM MERGER

(by Joël Decaillon – April 2017)

1. MERGER

Although very capital intensive, the cement industry is not highly concentrated. In 2014, the two leading groups in the world were Holcim and Lafarge (first and second according to the applied criteria), and their combined product represents less than 10% of world production, more than half of which is in China.

In April 2014, the two groups announced their merger, initially “between equals,” i.e. 50-50 in the new group. We should point out that in 2016, another giant group (Chinese this time) was created by merger, the CNMB, following a concentration¹ operation in line with the Chinese government’s plan to create competitive multinationals at world level through mergers and radical management reforms.

The two groups are of European origin. Holcim is Swiss and Lafarge is French, and both of them have a strong presence in Europe, but they are both well established outside Europe. The two groups employ nearly 130 000 workers and generate an annual turnover of nearly CHF 30 billion.

93.7% of Holcim’s shareholders approved the increase of capital necessary for the merger with the French group Lafarge during an extraordinary meeting of shareholders held on Friday, 8 May <?>. The aim of this merger is to create a new world number one in the sector.

The merger was completed in July 2015. The new Lafarge-Holcim group, number one in the world for cement, concrete and granulates, should generate more than € 35 billion in turnover in more than one hundred countries with nearly 130,000 employees. Its managers are aiming for savings of € 1.4 billion through what are known as “synergies” upon completion of the

¹ Such large scale mergers have been observed recently in China, in various sectors such as railways and steel making.

integration phase, which is expected to last between 12 and 18 months. But to get there, the two groups had to overcome many obstacles.

CONSIDERABLE CONCESSIONS TO SATISFY THE AUTHORITIES

The European Commission approved the operation in December, in exchange for € 6.5 billion worth of transfers of assets concluded since with the Irish group CRH. They accepted to transfer a significant number of assets (cement works, grinding facilities, etc.) in Europe – activities which overlapped for the most part, but which accounted for 20% of the future group's turnover in Europe and 10 to 15% at world level.

The American Federal Trade Commission (FTC) had given the green light to the two groups on Monday, 4 May 2015. The latter had to sell cement works, terminals and a quarry to obtain the green light for their operation, the FTC had specified at the time.

REVISIONS OF AGREEMENTS FOR THE BENEFIT OF HOLCIM

The project had also been threatened by divergences and doubts on its financial terms. These turmoils had led the two groups to revise it by mutual agreement at the end of March 2015 to change the terms thereof to the benefit of Holcim's shareholders.

In addition to the revision of the exchange parity of the securities, the Swiss group succeeding in securing the governance, as Lafarge's CEO, Bruno Lafont, relinquished the general management of the new group.

Holcim then had to overcome the reticence of its second shareholder, Eurocement, the group of the Russian cement magnate, Filaret Galtchev, which holds 10.8% of its capital. It was the most visible figure of a broader movement of sceptical shareholders about the planned merger.

The latter ended up supporting the project by accepting a director's position in the new entity, joining the first² shareholder, Thomas Schmidheiny (20.1% of the capital).

2. A TURBULENT MERGER

The reasons for the merger, beyond those announced, which have remained very general, seem different to us, depending on the two groups.

In the first part of the 2000s, Lafarge embarked on a voluntary growth policy in all directions.

Difficulties arose in December 2007, when Lafarge acquired the Egyptian cement works Orascom (present in Africa and the Middle East) for € 8.8 billion. The operation was financed by borrowed capital (€6 billion), and through an increase of capital (€ 2.8 billion). At the time, Bruno Lafont, the CEO of Lafarge, was convinced that emerging markets, particularly those that earn their income from oil and gas, were the new Eldorado of cement.

This acquisition, made in the beginning of 2008, and paid for essentially with borrowed money at a time when the cement industry was booming, rapidly proved disastrous.

² The third is Harris Associates (3.2 %).

Moreover, the exposure of Orascom to the Middle East Market, presented as an opportunity, turned out to be a source of serious problems as of 2011 because of the troubles in the region (for instance, Lafarge's brand new plant in the North of Syria would be occupied by the Islamic State in the autumn of 2014).

Lafarge acknowledged that it was constrained to pay taxes to the members of the Islamic State in order to be able to continue running the cement works of Jalabiya, in the north-east of Syria, between 2013 and 2014.

Following the revelations in the press and complaints³, the management of the group set up an ethics committee.

In its press release, Lafarge-Holcim pointed out that a new Ethic, Integrity and Risks Committee had been created, supervised by a member of the Executive Committee. The group has moreover undertaken to adopt a more rigorous risk evaluation process. "A review programme of third parties at risk, a new control programme of sanctions and exports, and other measures resulting from a benchmark exercise that the group has undertaken" has been set up for high risk third parties and joint ventures in particular.

This issue concerning ethics and socially responsible behaviour is becoming a recurrent consideration in the group's conception and social and environmental role.

The financial crisis, which broke out a few months later, and then the Arab spring would spell the ruin of these plans. In March 2011, Standard & Poor's relegated Lafarge to the rank of speculative issuer. The financial rating agency was worried about the level of debt: € 14 billion. Investors, whose dividend had been divided by two, are fleeing the stock. Savings and asset disposal programmes are multiplying. The prospect of a merger is presented to shareholders as form of exit from the top.

The high level of debt and the disappointing results of Lafarge, owing to a sluggish activity in several key regions of the world, goaded Lafarge to seek a rapprochement with a financially solid competitor so as to cover the debt servicing better.

Holcim is in a different situation, as its plants outside Europe are more sound. That said, the group is faced with two difficulties:

It is very present in India; many say that it is too present in India, which could weaken the group if there were problems in that country;⁴

A Russian shareholder has entered the capital, without the consent of the historical shareholder.

By merging, Holcim dilutes its Indian foothold in a vaster whole, and also dilutes the Russian shareholder.

Furthermore, the group hopes to improve its profitability, linked to the size effect which is always interesting in a capitalist industry, with assets that are not very mobile.

³ SHERPA, a French association that defends victims of economic crimes

⁴ It is worth noting a very questionable social behaviour on the part of the group that has led to several court decisions in India.

The collapse of the price of raw materials and then of oil are weakening Lafarge's customers, particularly in Africa and the Middle East. To these economic cycle difficulties are added those relating to the merger. At the top, Bruno Lafont who saw himself as the CEO of the whole enterprise, has been brushed aside, while the Swiss obtained the majority of the shares. A compromise CEO was found in Eric Olsen, formerly from Lafarge, but an American. The Swiss financial manager was replaced in December 2015.

Some 200 people left in a few months under a voluntary departure plan and then a redundancy plan. "These redundancies were seen in a very adverse light, in spite of the general severance terms," people inside the company acknowledge. Many are worried about the possibility of the headquarters in Paris closing.

Then the cultures have to be harmonised. The French corporate culture is highly centralised and results-oriented, while the Swiss corporate culture focuses on methods and procedures and grants greater autonomy to subsidiaries. It is above all a strategy that was charted, with the restoration of finance as a top priority. "Cement manufacturers have invested greatly in the last twenty years. The return on capital has been too low," the company's CEO concedes. It is no longer a matter of building new plants but of optimising existing ones and upgrading them through innovation.

3. SOCIAL IMPACT

For the European employees of the new Lafarge-Holcim group, the impact from the merger is already being felt with the reduction of the workforce, particularly in France. The shared services centre recently established in Slovakia should be strengthened, the French headquarters of Lafarge is in the process of disappearing, and the closing of the industrial sites of Le Havre and Angoulême has already been planned, whereas the merger had been announced without any sites closing.

In 2015, Lafarge plans to cut 553 jobs, including 400 in France (closing of Vienne (-59), Montréal (-29), Cairo (-32) and Beijing (-30)) and to create 264 new ones.

In 2015, Holcim assessed the impact of the merger at 180 redundancies, 120 of which in Switzerland.

In 2017, the group announced the effective cut of 250 jobs, including 80 at the Saint-Quentin Fallavier site (France) and 130 jobs at Holderbank (Switzerland) alone.

4. SUBCONTRACTING DIFFICULT TO ASSESS IN CASE OF MERGER

The trade union representatives had serious difficulties in discovering the precise number of jobs that would disappear, given the considerable number of subcontractors, assessed at nearly 35000 at Lafarge (60% from the maintenance activities).

Holcim does not disclose figures.

The subcontracting and outsourcing of labour are issues on which the companies remain very discrete. The communication of companies on subcontracting sheds no light on the company's core activities.

Subcontracting generally falls under “purchasing” and is broached from the perspective of risk management for the principal. He seeks to “make sure” that subcontractors have signed the company’s code of conduct and share the same values on human rights. At best, the principals audit certain subcontractors to verify that they are “socially responsible.”

No link is made between subcontracting and living conditions. The promotion of trade union freedom and collective bargaining does not seem to be considered as a means of ensuring protection for sub-contracting workers.

Systematic subcontracting is particularly active⁵ in this sector of industry, and has accelerated in the last 5 years. It is not limited to general services but concerns all the operating activities of plants: the quarry, maintenance, logistics, even production. This policy characterises a large number of cement works in Europe, and it appears to be the most developed among the largest national and multinational companies.

A social conflict is particularly revealing. Holcim India used very poorly paid temporary staff with practically no rights at the ACC site in India. A solution was obtained under extreme pressure and after years of stalemate.

This recourse to subcontracting is all the more disconcerting as the assessment of the social conditions of the subcontractors is rather negative, particularly in terms of social relations and even more so in the coverage by collective bargaining, and said assessment is all the more negative where subcontracting is the more extensive . Workers of subcontractors are also more exposed to health and safety problems and fatal accidents.

5. HEALTH AND SAFETY

Health and safety problems constitute one of the key challenges for a worldwide group such as Lafarge-Holcim.

Occupational diseases are significant, particularly for the respiratory system, others linked to exposure to physical agents (noise, etc.) and musculo-skeletal problems. Furthermore, in 2014, the activities of the Lafarge-Holcim group caused the death of 65 people: 41 at Holcim, and 24 at Lafarge.

The link between the environment of the workers and health with an environmental policy enhanced on the role and impact of social relations is an essential issue at this time. How to assess the impact of emissions in the air and take account of the exposure of workers to hazardous substances?

The International Federation of Building and Wood Workers and the European Federation of Building and Wood Workers are particularly clear about the importance and commitment for all stakeholders to comply with the fundamental principles of labour rights: in particular the freedom of association, freedom of organisation, the right to collective bargaining for all workers, irrespective of their contractual status, no outsourcing of rights, risks and responsibilities.

⁵ Cf. the survey on social relations, subcontracting, health and safety, climate change, remuneration and social protection. Secafi Alfa - IBB international of workers in the Wood and Construction industries.

6. NEGOTIATING PROCESS

6.1. AGREEMENT ON METHOD AND DIFFICULTIES

An agreement on method was concluded on May 2014 at Lafarge and adopted at Holcim:

- Means and resources for each EWC (expert, translation of documents, travel, very frequent EWC meetings, etc.);
- Means and resources to coordinate the action of EWCs (meetings in Brussels every month);
- Information/consultation stages (the EWCs are informed on every important occasion; decisions of the board of directors, dealings with the competition authorities, decision by the authorities dealings with the transferee, etc.);
- Declarations of intent by management (establishment of a new EWC after the merger, implementation of an international framework agreement);
- An opinion of the EWC only at the end of the procedure.

Europe was particularly impacted by the merger with the important presence of two groups and registered offices, one in France, the other in Switzerland.

Transfer to CRH

The EWCs were received on two occasions by the competition authorities in Brussels as parties concerned. Major difficulties emerged to establish a social dialogue with the management of the Irish company CRH. Nothing has been clearly defined to date on the future social conditions at CHR.

Difficulties to obtain quality information upstream on the impact of the merger: more than 650 jobs affected to date (France, Switzerland, Austria), but a certainty that other countries will be affected by the merger. A plan for a new European Works Council was submitted by the EWCs to the respective management boards before the final merger.

6.2. TRADE UNION ACTION

Coordination of the action of the EWCs. Meetings every month in Brussels. Coordination of the trade union action. Link created constantly with the national, European and international trade unions. The FETBB, IBB and IndustriALL are taking part in the meetings of select committees.

Communication is a strategic line because of the importance of the merger:

Information bulletins every month for employees,
Press releases,
World action days (cf. annex)
Contact of MEPs,
Hearing at the ministry of economic affairs in France.

6.3. MERGER IN FORCE AS OF 15 JULY 2015

The opinion of the EWCs was negative, in spite of a certain number of actions taken by the management boards of Lafarge and Holcim. The staff representatives on the EWC were not able to obtain details on the nature of developments on the employment front. The other reason was the lack of guarantees for the employees who are going to leave the two groups to go to CRH, and the lack of information on the impact of the merger in the medium term. At the time of the merger, management undertook to negotiate a new EWC agreement, but without giving a precise date. The two EWCs will stay in place until a new EWC is put in place.

Joint meetings of the select committees continue to be held every month to monitor the effects of the mergers and health and safety issues in the new group.

New deadlines emerged concerning several processes in progress:

- Restructuring operations practically everywhere in Europe, in France;
- The creation of a shared services centre in Slovakia;
- The renewal of the purchasing policy on the basis of a regrouping per country.

Such issues require information/consultation for the EWCs.
The new group would like to work only with the select committees.

A new agreement on method was concluded for the transitional period between the merger (July 2015) and the future EWC agreement, providing for meetings of the select committees every month, recourse to the expert in case of information/consultation, plenary sessions, means of transport, translations of information meetings, etc..

The Special Negotiating Body (30 persons) of the future EWC agreement has been set up and meets every 15 days. On 27 May 2017, the members of the Lafarge-Holcim SNB, with the European Federation of Building and Wood Workers (EFBWW) and the EWC coordinators – signed a new European Works Council agreement with the management of Lafarge-Holcim to establish a framework for the social dialogue between management and workers.

Lafarge-Holcim has activities in 19 European countries (Austria, Belgium, Bulgaria, Croatia, the Czech Republic, France, Germany, Greece, Hungary, Italy, the Netherlands, Norway, Poland, Romania, Slovakia, Slovenia, Spain, Switzerland and the United Kingdom), and the newly created EWC represents more than 20,000 workers from all those countries.

6.4. THE IMPORTANCE OF PUTTING A WORLD CONSULTATION STRUCTURE IN PLACE

The management of the Lafarge-Holcim group has established a world consultation conference that brings together trade union representatives from various countries and representatives from management. The last meeting was held in Hyères on 17 and 19 October 2016. This meeting is the first since the start of the merger process, the first since the merger is in place.

Management provides the financing of these meetings in terms of organisation and travel. The main aim of this conference was to chart the future social dialogue in the Lafarge-Holcim group, by focusing on the particular conditions of health and safety. Some 60 delegates from

various countries throughout the world met in the presence of manufacturers of cement and first rate building materials, at Lafarge-Holcim in Hyères, France. Nevertheless, the trade union representatives were not able to attend in certain countries. Their local management boards opposed a great resistance.

The main aim of that conference was to chart the path for work and dialogue in Lafarge-Holcim. Based on the results of the conference, the delegates adopted the “Declaration of Hyères” unanimously. “We appreciate the determination of the company to enter this social dialogue, but must see more serious commitments, appropriate solutions, and ultimately, a written agreement,” the declaration stated. The delegates exchanged the latest news on the situation of workers in the group’s production sites in Europe, Asia, Africa, Middle East and Latin and North America. Delegates from all regions expressed their concern with regard to excessive recourse to precarious labour, which leads to impoverishment, the violation of rights, and the multiplication of occupational – far too often – fatal accidents for workers.

Commenting on the results of the conference, Mathias Hartwich, Manager for mechanical engineering and materials of Lafarge-Holcim pointed out: “I am proud to be part of this worldwide network. We have made significant progress, we have taken basic decisions and will initiate the social dialogue with the company as soon as it says it is ready for it. I am glad to have seen all those marvellous people attend and we are going to go forward in the coming months – I am largely convinced. But we still have a long way to go.”

These world meetings provide an opportunity to strengthen the trade union network and lay the first foundations of what could be a world council composed of representatives from all continents. It could constitute a sort of “supervisory council” of the merger and, beyond the merger, a body for strategic reflection to tackle the problems to do with the sustainability of the cement industry in the face of ecological and public health constraints (at work and in town) requiring sustained initiatives for research and development. These will in any event be necessary under the ineluctable expansion of Chinese engineering in the sector.

A subsequent meeting is to be held in India this year.

BIENNIAL QUESTIONNAIRE

(Answers by Feliciano González Muñoz - Lafarge-Holcim

Head of OHR Europe - Head of professional relations in the group and social policies)

1. Which factors have in the last years caused major changes in companies and groups?

- Introduction of new technologies or new forms of organisation.
- Redefinition of the scope of the company or the group: refocusing on the core activities, absorptions, mergers, demergers, etc.
- Fluctuations of activity brought about by the economic crisis.

New conception of units “above the country” as service centres or business clusters.

2. What methods of intervention have employee representatives used in the face of these changes?

- Negotiation of agreements with the trade unions.
- Information and consultation of elected bodies.
- Other forms of participation in the decision-making process, e.g.:
 - o Presence of employee representatives in the boards of directors or supervisory boards,
 - o Creation of specific bodies to discuss restructuring operations...

3. Is there a trend of overlapping of or uncertainty about what falls under negotiation and what under consultation?

The concepts of consultation, negotiation, and information are becoming more widespread and are overlapping. The central theme pertains to the terms and channels of a solid social dialogue.

4. At what levels did the intervention by employee representatives take place?

- Site
- Enterprise or company
- All the group’s companies at national level
- All the group’s companies at European or world level.

All levels.

5. How are the coordination and cooperation organised between these different levels?

- Are there strategies by employers to pit different sites in competition, particularly through the threat of relocation?
- Is solidarity expressed by common positions? At which level?

Coordination is based on respect for the responsibility and purpose at each level of the dialogue. The management of countries and employee representatives are responsible for issues concerning the countries. Real trans-nationality strengthens the dialogue in an international, European or world body.

6. What issues did the intervention of employee representatives address? What were the results?

- Defence of employment, wages and working conditions
- Counterproposals on the strategy of the company or the group

Respect for employee rights, quality of information and the consultation process.

7. What resources do employee representatives have for technical proficiency in issues for situations of anticipation and intervention in the event of technical changes, mergers or restructuring operations?

- Access to economic and social information (at which level?)?
- Training of representatives
- Recourse to experts inside or outside the trade union

8. In the event of restructuring, how were employee representation bodies recomposed in the new scope of companies and groups: trade unions, elected bodies, European Works Councils, etc. To what extent did this reorganisation lead to tensions, transitional disorganisation or the reconstruction of solidarity?

A process to adapt to the different styles of dialogue was intense. A new corporate culture requires also a change in the social dialogue culture. A more intense social dialogue framework has been put in place to monitor the process closely.

9. Based on the experience of the last ten years, i.e. by comparison with the previous situation prior to the economic crisis, to what extent and in what areas did employees see an improvement or a deterioration in their capacity to anticipate and intervene with regard to changes in the company or the group?

Subjects which were not changed or raised in the course of the last few years were presented urgently for revision. The adaptation of the social frameworks and agreements constituted a central theme of the social dialogue.

10. Is there a change in behaviour in these areas by the management of companies or groups? Is there a desire to include or exclude employee representatives from change management?

There is a trend towards understanding that the social dialogue with all the social stakeholders, in particular employee representatives and the trade unions, is fundamental for the success of the company and the sustainability of the organisation. The social dialogue is presented increasingly as an intrinsic element of corporate values.

ANNEX
INTERLOCUTORS

Feliciano González Muñoz
Lafarge-Holcim
Head of OHR Europe
Head of professional relations in the group and social policies

Pierre Cuppens
General Secretary of ACV-BIE
Vice-President of the IBB

Yvan Laplace
Expert Alpha-Secafi
Expert for the Lafarge EWC

Pascal Queru
Syndex expert

Jean-Michel Gillet
FETBB coordinator for the Lafarge EWC
National secretary and treasurer at the CFDT

Pascal Roussel
Building Federation - CFDT

Sylvain Moreno
Lafarge-Holcim
Central trade union representative at the CGT

Marina Mesure
Head of the European project “for a fair and responsible posting” at the FNCSBA - CGT

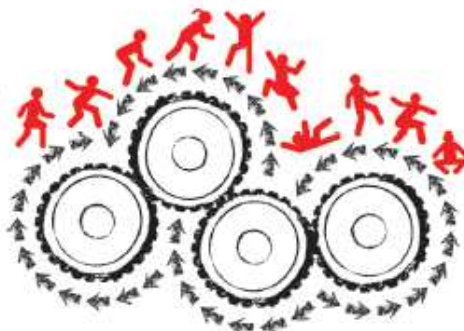
Philippe Springinsfeld
Officer of the EWC at Lafarge-Holcim
Central trade union representative at the CFTC



JOURNÉE MONDIALE D'ACTION

LafargeHolcim s'est engagée à garantir des « lieux de travail sûrs, sains et inclusifs ». La société a proclamé que la santé et la sécurité constituaient « un facteur de réussite critique » pour sa performance opérationnelle, chose que les travailleurs et les syndicats apprécient.

Il n'en demeure pas moins que plus de 300 personnes sont mortes au cours des quatre dernières années en travaillant pour Lafarge et Holcim. Près de 90% des victimes étaient employées par des sous-traitants ou des tiers.



Ce 7 octobre, à l'occasion de la Journée mondiale pour le travail décent, les travailleuses et travailleurs aux quatre coins du monde demandent la fin du travail précaire.

Le travail précaire englobe le travail en sous-traitance, temporaire, informel, ainsi que d'autres formes d'emploi irrégulier offrant des salaires, des conditions de travail, une sécurité d'emploi et une protection sociale inférieures, de même que des conditions de santé et de sécurité inférieures à celles d'un emploi régulier, direct.

Les travailleurs de LafargeHolcim demandent que l'entreprise :

- Engage un dialogue avec les syndicats à l'échelon international aux fins d'aboutir à un accord qui couvre tous les sites de l'entreprise et garantisse la protection des normes internationales fondamentales du travail (Accord-cadre international) ;
- Mette sur pied un comité conjoint syndicat-employeur chargé de veiller au respect de l'accord-cadre international ;
- Améliore les conditions de santé et de sécurité pour tous les travailleurs employés directement ou indirectement, à travers la mise sur pied de comités de santé et sécurité conjoints, avec des représentants syndicaux présents sur tous les lieux de travail ;

Nous demandons que LafargeHolcim cesse de recourir au travail précaire et arrête de faire passer le profit avant la vie des travailleurs !

LAFARGEHOLCIM, RESPECTEZ LES DROITS DES TRAVAILLEURS !

www.facebook.com/UnionsatLafargeHolcim

www.industrialunion.org

www.bwint.org

www.efbww.org



European Federation
of Building
and Woodworkers

