
Buzzi Unicem: a global cement specialist

SBWR's response to Buzzi's press-release published on 10 March 2023



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SBWR's response to Buzzi Unicem (1/3)

On 10 March 2023, a month after we published our [report on Buzzi Unicem](#) and few days after National Agency on Corruption Prevention [designated Buzzi Unicem an international sponsor of war](#), the Company [issued a press-release](#) with a series of arguments defending its position. Below is our response to it

Buzzi's argument

“Buzzi Unicem SpA, a company domiciled in Italy, is not involved in activities carried out by the subsidiary OOO SLK Cement, a company domiciled in Russia.”

“Paying taxes and having employees mobilized are legal obligations in Russia and not affected by our ownership.”

SBWR's response

- Our report did not address a particular legal entity and did not differentiate between the domestic law frameworks of Italy and Russia. We addressed Buzzi Unicem as an international group and its Russian business, which it does through its Russian subsidiary SLK Cement.
 - We recognise that the parent company – Buzzi Unicem SpA – operates under a different legal framework than SLK Cement and may therefore enjoy limited liability for SLK Cement's conduct. However, we are surprised that Buzzi Unicem's response is based on formal arguments.
 - Buzzi's own [Code of Conduct](#), which also applies to its subsidiaries, states “Centrality of the person” as its No2 corporate value. The Code also states “Corporate image”, “Respect for human rights” among others as its “General Principles of Behaviour”.
 - It is not only the legal frameworks that businesses should be guided by, but also by the [UN Guiding Principles on Business & Human Rights](#), which state that businesses should exercise “leverage” to mitigate adverse human rights impacts that are directly linked to their operations.
 - **We are disappointed that Buzzi does not find that the SLK Cement's supplies of its mobilized employees to be a violation of the UN Principles, its own Code of Conduct and arguably an indirect participation in the aggressive war led by the terrorist Russian regime, but rather hides behind the formal arguments.**
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SBWR's response to Buzzi Unicem (2/3)

Buzzi's argument

“Buzzi Unicem ceased any operational involvement in the activities carried out by the subsidiary SLK Cement in Russia, hence has no involvement in the decision-making process related to local initiatives and commercial actions.”

SBWR's response

- According to Buzzi's [2022 full year results presentation](#), [2022 half-year financial report](#) and [trading update September 2022](#), Buzzi continued to consolidate the financial results of its Russian subsidiary in its group accounts. International Financial Reporting Standards ([IFRS 10](#)), in compliance with which Buzzi's consolidated financial statements are prepared, establishes control as the basis for consolidation. According to IFRS 10, a company controls its subsidiary if it has the power, exposure and the ability to affect the subsidiary's returns.
 - Given the above and based on our understanding, consolidating SLK Cement's results into group account suggests that Buzzi still exercises control of its Russian subsidiary. If this understanding is not correct we kindly ask Buzzi to clarify the matter.
 - It came to our attention that the photos, published by the SLK Cement on its vk.com social media platform regarding the supply of its employees mobilized to the Russian army, were removed after we released our report. This casts our doubts about Buzzi's claim of no involvement in operations carried out by SLK Cement.
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SBWR's response to Buzzi Unicem (3/3)

Buzzi's argument

“Buzzi Unicem is also present in Ukraine and despite the financial losses remained in the country, continues to employ people and pay local taxes.”

SBWR's response

- We highly appreciate any actions to support Ukraine and Ukrainian people, affected by the Russian brutal invasion. However, **Buzzi's business operations in Russia are much bigger than its operations in Ukraine.**
 - According to Buzzi's [reports on payments to governments](#), the total amount of taxes, fees and royalties paid by Buzzi's Ukrainian unit during the period 2016-2021 accounts for c.€5m, which is about twelve times lower compared to the same payments from Russian business (c.€62m) for the same period.
 - The point of our report is not to diminish Buzzi's humanitarian efforts in Ukraine, but to draw management's attention to the necessity of standing for international law, moral and ethical business conduct, human rights, UN principles and distancing itself from the terrorist regime, which commits war crimes in a peaceful country.
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**We draw attention of decision makers at Buzzi to the fact that operations in Russia conducted through subsidiary SLK Cement are, in our view, detrimental to the value of the Group's brand. We call on you to formulate an immediate exit plan and act on it in the shortest time frame.
(see Appendix for your peers' Russian exits)**

Questions to Buzzi's decision makers

Our report was solely based on publicly available information, which we carefully referenced with links to the sources. We recognize that this publicly available information might be misleading, hence we propose that Buzzi's decision makers respond to several questions which would resolve all doubts with respect to its position on the Russian war in Ukraine and involvement of its subsidiaries in the war

Questions:

1. What is Buzzi's corporate position on the Russian invasion of Ukraine?
2. Please explain your rationale to keep doing business in a country, which was declared a state sponsor of terrorism by the European Parliament and whose President is wanted by the International Criminal Court.
3. Has Buzzi and its affiliates, in particular SLK Cement, been conducting any direct or indirect business with Russian state-owned enterprises, sanctioned Russian individuals / legal entities after annexation of Crimea in 2014?
4. Has Buzzi and its affiliates imported / exported any products from / to Russia since 24 February 2022 directly or indirectly (i.e. through third countries and suppliers)?
5. Please comment on compliance with sanctions against Russia by Buzzi and its affiliates.
6. Have products made by Buzzi and its affiliates, in particular SLK Cement, been used in the Ukrainian territories, currently occupied by Russia? What checks and controls you have within your Group to ensure this does not happen?
7. According to the information published by SLK Cement on its corporate page on social media platform vk.com its employees were mobilized to the Russian army. Is participation by these mobilized employees in the war against Ukraine a violation of international criminal law, given the [United Nations resolution](#) deploring the "aggression" committed by Russia against Ukraine?
8. Have Buzzi's Russian subsidiary provided these mobilized soldiers with material and financial aid after they have been mobilized? Why the photo proof of such aid provided in our report was subsequently deleted on SLK Cement's corporate page on social media platform vk.com?
9. Please explain the basis for your consolidation of your Russian subsidiary to your Group accounts if your parent company does not exercise operational control over and has limited information from the Russian subsidiary.
10. What is your long-term plan with respect to SLK Cement?

Appendix: Buzzi's peers' exit from Russia

On 15 March 2023 Global Cement published an [article](#) on main European cement producers that have or had operations in Russia. While Buzzi chose to continue consolidating SLK Cement's profits, Buzzi's main competitors have exited the Russian market. We propose to Buzzi's key decision makers to study these exits as blue prints

One year on, on 15 March 2023, 666 (21%) of 3110 eligible multinationals have withdrawn from Russia, according to the KSE Institute.² Ireland-based CRH led the cement sector exit. It abandoned its Finland-based subsidiary Rudus' ready-mix concrete joint venture, Lujabetomix, on 2 March 2022. Switzerland-based Holcim took longer, but affected its exit on 14 December 2022, agreeing to sell Holcim Russia to local management. One condition of the sale was a rebrand (to Cementum, in February 2023) to withdraw the Holcim name from Russia. Unlike CRH, Holcim's Russian business included multiple cement plants - though the producer stated that it contributed less than 1% of group sales during 2021.

The KSE Institute uses the equivocal label of 'waiting' for companies which have paused investments, or scaled back operations, in Russia, while retaining their subsidiaries. This applies to 500 companies globally (16% of the pre-war total). Germany-based Heidelberg Materials acted swiftly to freeze further investments in HeidelbergCement Russia on 10 March 2022. At that time, its three cement plants were in winter shutdown. In terms of capacity, the 4.7Mt/yr-capacity Heidelberg Materials Russia constitutes 2.8% of Heidelberg Materials. In 2022, Heidelberg Materials suffered a Euro102m impairment on account of its Russian business. CEO Dominik von Achten, announcing the freeze, had described the subsidiary as a 'pure local business with no imports or exports.' Its website has since come offline, but the corporate structure presumably maintains in its frozen isolation.