



LafargeHolcim

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About LafargeHolcim

LafargeHolcim was founded in 2015, following the merger of Lafarge and Holcim, creating a new leader in the building materials industry (supplier of cement, concrete, and aggregates). With a local presence in 90 countries and a commitment to health, safety, and sustainability, we remain an active member of the UN Global Compact, reinforcing the commitment that both legacy companies already had since 2003.

Statement from LafargeHolcim's Chief Executive Officer Eric Olsen:

I am pleased to confirm LafargeHolcim's continued adherence to the UN Global Compact (UNG) Principles as well as its renewed commitment to work with the UN on promoting sustainable development as a Global Compact LEAD company. Hereafter follows a summary of the progress made by LafargeHolcim in 2016 with regard to the following areas:

1. Strategy

LafargeHolcim is committed to creating value for all its stakeholders and has placed sustainable development at the heart of its business strategy. In 2016 LafargeHolcim has announced the 2030 Plan where it outlines its long term sustainability strategy and targets.

This plan was developed by more than 200 colleagues, with input from an external Panel of 10 high-level stakeholders, with participation of LafargeHolcim CEO and Executive Committee.

The 2030 Plan focusses on:

- Innovation
- Climate
- Circular Economy
- Water & Nature
- People & Communities

Corporate functions coordinate the progress towards specific targets in the 2030 Plan. For example, the Diversity and Inclusion targets are driven by Human Resources department. Procurement, Legal & Compliance, Health & Safety and Affordable Housing departments also have specific targets under their responsibilities defined in the 2030 Plan.

During 2016, the countries CEO and regional Executive Committee members have approved local roadmaps, with intermediate targets (2020) in line with the 2030 Plan. At country level, the CEO is ultimately responsible for ensuring its implementation. Sustainable development data and performance information is updated and externally verified on a yearly basis in LafargeHolcim's Sustainability Report.

Regarding risk management, LafargeHolcim has a well-embedded process for identifying risks at both corporate and country level. Sustainability impacts, risks and opportunities for the business are included in the remit of the risk management process and materiality review implementation.

LafargeHolcim rolled out its` Sustainable Procurement Initiative in 2016. A Sustainable Procurement Policy and Directive were approved by the Group Executive Committee and these were launched together with a Guidance and a Supplier Code of Conduct, which has already been communicated to suppliers. A Group Sustainable Procurement Steering Committee (with representatives of different corporate departments) was created to support the roll out and implementation of the process across the company. Similar Steering Committees are being replicated at country level when implementing the Sustainable Procurement Initiative.

In 2016 62 countries started implementing the Sustainable Procurement Initiative, which is a methodology to address risks and opportunities in the supply chain and consists of 6 steps:

1. Communicate the Sustainable Procurement Policy Principles to all employees
2. Communicate the Supplier Code of Conduct to all suppliers
3. Identify potential "SD high risk" suppliers (through a group supplier prioritization methodology)
4. Assess supplier risk and investigate breaches (Self-assessment, fact finding and audit)
5. Mitigate identified risks
6. Track suppliers sustainability performance

This implementation is monitored through the annual Sustainable Procurement Scorecard reported by each country to corporate Procurement & Sustainable Development departments. LafargeHolcim has implemented a corporate platform partnered with a third party to assess suppliers' sustainability compliance, which has more than 3,500 suppliers on board.

All new procurement contracts and renewals of existing contracts have terms and conditions in line with SA8000 and cover the UNGC principles.

In addition, in 2016 LafargeHolcim developed a Supplier Audit protocol (piloted in India) for Procurement personnel to use during supplier sustainability compliance verification. LafargeHolcim also developed an "internal audit process guidance" for Internal Audit personnel to verify the effectiveness of Sustainable Procurement implementation at country level.

Training and engagement sessions related to the Sustainable Procurement Initiative (internal & external) were delivered in 2016 covering more than 500 people worldwide (eg: Sustainable Procurement Forum with suppliers at El Salvador; SP employee training at India, to mention some).

LafargeHolcim is a founding member of the Concrete Sustainability Council, of the Cement Sustainability Initiative (WBCSD CSI) and participates as a founder member of the Responsible Sourcing Council (The Conference Board).

2. Human Rights

LafargeHolcim's commitment to human rights is part of our Corporate Citizenship policy. The UN Principles provided the foundation for the LafargeHolcim Human Rights Directive and Supplier Code of Conduct issued in 2016 following approval by the Group Executive Committee.

Human rights management is coordinated by the Corporate Citizenship department in collaboration with other relevant functions such as Human Resources, Legal & Compliance and Procurement.

LafargeHolcim has developed a group-wide human rights management system in line with John Ruggie's Guiding Principles that includes comprehensive issue monitoring. Indicators are based on the Danish Institute's Human Rights Compliance Assessment Quick Check.

This methodology includes human rights assessments that cover the following indicators:

Employment practices	Community impact
1. Child labor	9. Community impact
2. Forced labor	10. Land acquisition
3. Freedom of association	11. Security guards
4. Non-discrimination	12. Bribery and corruption
5. Working conditions	13. Support of armed actors
6. Minimum wage	14. Grievance mechanisms
7. Health & Safety	
8. Contract workers	

The business risk level of each country we operate in is assessed using global indices related to human rights and we use this to determine the type of assessment to implement for each country, namely an Impact assessment or Self-assessment.

Impact Assessments are conducted in Group companies that operate in high-risk business environments or in medium-risk countries where human rights related claims occurred in the past. The assessment identifies local impacts, risks and opportunities through consultations with internal and external stakeholders (management, employees, contractors, authorities, communities, business associations, NGOs, and international organizations etc).

Based on the results of the assessments, action plans addressing priority areas are developed to ensure that all identified business-related human rights risks are properly mitigated. Results of human rights assessments are reviewed by the country executive management and corresponding actions and responsibilities are defined. The final report and action plan is shared with the regional Group Executive Committee member. Progress is monitored and reported at local and corporate levels. Impact or Self Assessments are programmed to be repeated after 3 years.

Furthermore, all LafargeHolcim sites are required to be covered by Stakeholder Engagement Plans that includes the establishment of Community Advisory Panels where appropriate. The Sustainable Development function at corporate level supports the countries in addressing potential challenges with site visits, stakeholder engagement activities, cooperation with global and local expert organizations, workshops and training.

3. Labour

LafargeHolcim's commitment to respect relevant international human rights standards includes the principles contained within the Universal Declaration of Human Rights, Guidelines for Multinational Enterprises and the International Labour Organizations (ILO) Core Conventions on Labour Standards, which is reflected in its participation in the UN Global Compact. It is part of the Corporate Citizenship Policy and Human Rights Directive, launched in 2016.

Responsibility and accountability for labour rights lies with the Organisation and Human Resources department of LafargeHolcim and the operating companies, in coordination with the Corporate Citizenship / Social Responsibility department of the SD function.

Employment practices for both employees and contractors are of high importance in LafargeHolcim and are an integral part of all human rights assessments. LafargeHolcim is committed to provide equal opportunities for all its employees and works on strengthening a culture of mutual respect, trust and openness.

With regard to suppliers' working conditions, LafargeHolcim is implementing a Sustainable Procurement Initiative, as mentioned above.

4. Environment

LafargeHolcim is committed to continuously improve its environmental performance and provide positive contributions to society through its activities and engagements.

Climate change is one of today's biggest global challenges. LafargeHolcim intends to be a key contributor towards the development of a carbon neutral construction sector. The entire life cycle of our materials, from production to their use, is taken into account in our actions to mitigate climate change and optimize the use of natural resources. We search for innovative answers, to both reduce the impact of our industrial sites and provide solutions to meet societal challenges. This includes improving energy efficiency in buildings and contributing towards building better cities, aiming to make them more compact, more durable, better connected and more beautiful.

Our commitment to environment goes beyond climate change. That is why we have defined the 2030 Plan, an ambitious roadmap covering the management of natural and social capital, and addressing our positive and negative impact on water and nature. We use tools such as Environmental Product Declarations to assess the lifecycle impact of our products and to guide product innovation.

A comprehensive list of environmental indicators against which LafargeHolcim sets performance targets and measures progress is available on our website. Our environmental indicators are measured according to WBCSD / CSI guidelines, and most notably the consolidation of CO₂ and energy data is consistent with the WBCSD/WRI cement CO₂ protocol. LafargeHolcim participates to CDP and DJSI, consistently scoring among the best performers in the sector.

In addition, LafargeHolcim developed and uses a pioneering approach - the Integrated Profit and Loss statement - to track progress and support decision making, accounting for financial, social and natural capital.

Internal awareness-raising and training on environmental stewardship for management is part of internal communication and LafargeHolcim's training activities.

5. Anti-Corruption

LafargeHolcim is committed to supporting and enabling the healthy growth of communities in which we operate. Abiding by the rule of law and setting an example on how to conduct ethical business is one way for us to put this commitment into action.

For that purpose, LafargeHolcim has developed a comprehensive Compliance Program with a Code of Business Conduct and specific policies and procedures against fraud and corruption. Policies are in place to ensure transparency and compliance with national and international regulations and targeted training is conducted to ensure this is embedded into our operations..

Both the Code of Business Conduct and other policies of the group provide guiding principles against which to make decisions, covering all aspects of our operations. Non-compliance with the code and policies of the company may be subject to disciplinary sanctions including termination of employment. LafargeHolcim has developed and is implementing on a risk based approach, a comprehensive, mandatory third party due diligence process seeking to screen relevant partners for compliance risks with regards to bribery and corruption, sanctions and money laundering. Moreover, the group is completing the development and application of a whistle-blowing system (Integrity Line) that is widely accepted and applied in most of the countries.

Country operations, with the support of the Legal & Compliance Team, are responsible for ensuring that their managers and employees are fully aware of their responsibilities under the written policies of the group, and for the implementation of appropriate measures.

Dialogue is also maintained with anti-corruption organizations and business organizations to foster continuous improvement.

6. UN Goals

As a major player in the industry, LafargeHolcim has a role to contribute to sustainable products and building techniques through product and process innovation. The 2030 Plan LafargeHolcim has established in 2016 contributes to almost all of the SDGs (Sustainable Development Goals): 14 out of the 17 SDGs.

LafargeHolcim aims to link its Corporate Citizenship / Social Responsibility engagement with its business activities. Country operations focus on projects in collaboration with stakeholders where the expertise can contribute to achieving greater impacts. LafargeHolcim makes significant Strategic Social Investments in the communities in which we operate, in the areas of infrastructure, health, employment, education and environment. "Inclusive Business" initiatives focusing on shelter, such as our Affordable Housing program and sanitation have continued to be rolled out globally during the year.

LafargeHolcim constructively contributes to the climate change policy debate to develop effective regulatory incentives to improve energy efficiency and CO2 intensity.

LafargeHolcim has a number of corporate strategic partnerships with ICRC, WBCSD and UNGC, and it is an active member of the Carbon Pricing Leadership Coalition. Furthermore operating companies engage in many local and regional partnerships.

7. Outlook on the future:

In 2017 we will continue progress towards our 2030 Plan. Fatalities within our business remain unacceptably high and we will refocus our efforts to ensure progress in 2017. The challenge presented by climate change is transforming our business. The speed of innovation across the entire business – from our manufacturing processes to product solutions - is accelerating to address these challenges, creating more value and enhancing competitiveness.

Sustainability will remain a key driver of value creation in LafargeHolcim: we will leverage the most geographically diverse operational portfolio and proven expertise of our teams to fulfil even more ambitious goals. LafargeHolcim will be at the forefront of the sector in ensuring the needs of customers and markets in over 90 countries are met in a sustainable way.

Sincerely yours,



Eric Olsen, LafargeHolcim Chief Executive Officer