



## Communication on Progress 2018





## The Ten Principles of the UN Global Compact

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### Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

### Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

### Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

### Anti- corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



Saint-Gobain has been a member company of the Global Compact since 2003. The Group’s Chairman and CEO, Pierre-André de Chalendar, is a member of the Board of the Global Compact France.

Saint-Gobain’s integration of the United Nations’ Sustainable Development Goals (SDGs) in its strategy:



**Relevant documentation:**

This report is based on Saint-Gobain’s Registration Document for the financial year 2018, available at: [https://www.saint-gobain.com/sites/sgcom.master/files/ddr\\_2018\\_-\\_saint-gobain\\_-\\_va.pdf](https://www.saint-gobain.com/sites/sgcom.master/files/ddr_2018_-_saint-gobain_-_va.pdf).

This document is externally verified.

You can find the Group’s code of ethical conduct, the Principles of Conduct and Action, at this address: [https://www.saint-gobain.com/sites/sgcom.master/files/principes\\_fr.pdf](https://www.saint-gobain.com/sites/sgcom.master/files/principes_fr.pdf)



## Implementing the 10 Principles into strategies and operations

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### Criterion 1: The COP describes mainstreaming into corporate functions and business units

Saint-Gobain's model of value creation tends towards a sustainable growth that is shared with the Group's stakeholders (see the full model in the RD 2018, Chapter 1, Section 4).

This vision is embedded in the Principles of Conduct and Action, Saint-Gobain's code of ethics. They are made available to every employee and drive the Group's responsible corporate development. They permeate all activities and operations of the Group and constitute a reference for all.

Within the organization, corporate sustainability is managed at Group-level by the General Secretary and the CSR team. They supervise the operational implementation of corporate sustainability.

The Group's CSR roadmap will be published in 2019 under the supervision of the Board. Its ambition is to drive Saint-Gobain's CSR strategy. The Group has committed to report annually on its performance by publishing the evolution of its indicators. The roadmap is based on 6 priority CSR challenges which were defined in 2016:

- Climate change;
- Responsible business conduct;
- Diversity and inclusion;
- Health and safety.
- Circular economy;
- Local value creation.

➤ RD 2018, Chapter 4, Section 2.1

Finally, in all of the Group's operations, companies comply with local laws and regulations in the

countries where they operate. Saint-Gobain commits as often as possible beyond legal requirements in order to move closer to business best practices and soft law recommendations.

### Criterion 2: The COP describes value chain implementation

CSR risk mapping is done at several levels within Saint-Gobain. The Group's vigilance plan is presented in the RD 2018 and is derived into 3 distinct policies that relate to the Group's activities and purchases:

- The risk evaluation procedure for human rights;
  - The Environment, Industrial Hygiene-Health and Safety at work (EHS) Reference Frame;
  - The Responsible Purchasing policy.
- RD 2018, Chapter 3, Section 1.2

Within the Responsible Purchasing policy, the Suppliers' Charter is used to communicate Group expectations and sets the framework for partnerships that are aligned with Saint-Gobain's CSR vision. Compliance procedures can be engaged where necessary. The signature of the Global Compact by suppliers is valued by the Group.

These tools support Saint-Gobain's sustainable development of its activities while controlling the environmental, social and societal impacts of its processes, products and services along the value chain.



## Robust human rights management policies & procedures

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### **Criterion 3: The COP describes robust commitments, strategies or policies in the area of Human Rights**

Saint-Gobain's values, formalized by the Principles of Conduct and Action, are an essential means of mobilization for human rights due to their reference to international conventions, particularly the International Charter for Human Rights and the applicable conventions of the International Labor Organization. In addition, Saint-Gobain will launch a human rights policy in 2019.

The Group is aware that the field of human rights is constantly changing and that the effective management of potentially negative incidents requires constant, transparent dialogue with the stakeholders involved.

Since 2014, the Group has increased the collection of information on discrimination. Grievance collection systems have been improved to make it easier for employees to come forward. They complement the existing professional alerts system. The aforementioned alert system was additionally opened up to suppliers in addition to Saint-Gobain employees in 2018.

### **Criterion 4: The COP describes effective management systems to integrate the Human Rights principles**

Risk mapping for human rights is presented in Saint-Gobain's duty of vigilance plan (RD 2018, Chapter 3, Section 1.2).

The method selected by Saint-Gobain to identify the risks of actual or potential negative impacts is based on the recommendations of the United Nations, particularly those relating to the Guiding Principles on Business and Human Rights.

The risk mapping covers the nature of the risks linked to activities and risks linked to the countries in which the group operates. The risks linked to

activities were identified jointly between the CSR teams and the local management teams. The selected salient risks were: forced labor; child labor; freedom of association; the use of recruitment agencies; discrimination.

The method used to identify the risks linked to the countries is based on external sources selected for their relevance. These sources are linked to international institutions such as the United Nations with the Human Development Index, specialist Non-Governmental Organizations such as the Transparency International Corruption Perceptions Index, or foundations such as The Global Slavery Index and the Walk Free Foundation to end forced labor.

In terms of training, the Group e-learning program Adhere focuses on the Principles of Conduct and Action, and by extension thus provides training on human rights (RD 2018, Chapter 3, Section 1.1.3).

### **Criterion 5: The COP describes effective monitoring and evaluation mechanisms of Human Rights integration**

At Group level, the compliance program and the internal audit procedures monitor the evaluation and control of the respect for human rights principles.

A self-assessment questionnaire is also regularly sent out to the management of countries with higher human rights risks, which allows the Group to identify risk management programs and verify that procedures are being applied.

All of our public reporting for the FY2018 in the area of human rights can be found in Chapter 4, Section 2.4 of our Registration Document. In particular since 2014, the Group has increased the collection of information on discrimination. The Group's professional alert systems are finally also designed to collect human rights violation reports (RD 2018, Chapter 3, Section 1.2.5).



## Robust labour management policies and procedures

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### **Criterion 6: The COP describes robust commitments, strategies or policies in the area of labour**

The Principles of Conduct and Action refer to the ILO Standards and incorporate the fundamental rights defended therein:

- Employee rights principle: Group companies must scrupulously ensure that employees' rights are respected. They must promote an active dialogue with their employees. In addition, and without limitation, they must respect the following rules, even if not provided for by applicable local law. They must refrain from any form of recourse to forced labour, compulsory labour, or child labour – whether directly or indirectly or through sub-contractors when the latter are working on a Group site; and they must refrain from any form of discrimination with respect to their employees, whether in the recruitment process, at hiring, or during or at the end of the employment relationship.
- Respect for others principle: "It implies an acceptance of pluralism and other cultures and of people of all origins".

### **Criterion 7: The COP describes effective management systems to integrate the labour principles**

To address social issues specifically, dialogues are held and applied to local priorities. The Group's country CEOs periodically meet employee representatives to exchange views on the strategy and local challenges. In France, besides the numerous meetings held within the companies in particular, the Chairman and CEO of Saint-Gobain chairs the Group Committee (the authority representing employees at Group level in France) and hosts central union coordinators at least once a year. At the European level, the Chairman and CEO chairs the Convention for European Social Dialogue which brings together 70 union representatives from 27 European countries annually. With the aid

of an independent expert, this Convention makes it possible to supplement the national dialogue by dealing with subjects of common interest such as safety or the trend of employment on European industrial sites. These subjects are raised in particular by the members of the Select Committee, which acts as spokesman for the Convention, who benefit from specific training to perform their role.

In an uncertain economic context, Saint-Gobain is committed, as far as possible, to implementing solutions to safeguard employment and only to making job cuts as a last resort. The aim is initially to reorganize to deal with situations on a temporary basis, as in the case of temporary lay-off, or to favor internal mobility agreements which, associated with incentive measures, make it possible to maintain jobs within the Group. When restructuring is inevitable, the employees affected by workforce adjustments benefit from personalized support programs which may result in training associated with retraining, assistance for geographic mobility or support for the execution of a personal project, such as the creation of a business. In France, the Saint-Gobain Développement structure plays this supporting role (RD 2018 Chapter 3, Section 3.3.3).

Countries ensure that the right of association is respected when it is allowed in the country of activity, or try when it is not the case to have employees engage in dialogue in another way. Suppliers are committed to making efforts in this regard through the Supplier Charter to which they adhere. In terms of diversity, the OPEN 4.0 program ("Our People in an Empowering Network") has among its four priorities for action "to pursue the diversification of our teams". Figures on gender, disability, nationality and generations are regularly monitored (RD 2018, Chapter 3, Section 3.3 and Chapter 4, Section 2.4).



**Criterion 8: The COP describes effective monitoring and evaluation mechanisms of labour principles integration**

The compliance program and internal audit procedures allow for the assessment and monitoring of compliance with labour standards. A regular dialogue is held with employee

representative bodies to identify any breaches of labour standards.

Indicators relating to the Group's diversity, social relations and values are available in the Registration Document 2018, Chapter 4, Section 2.4.



## Robust environmental management policies & procedures

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### **Criterion 9: The COP describes robust commitments, strategies or policies in the area of environmental stewardship**

According to the « Caring for the Environment » section of the Principles of Conduct and Action, « Group companies are to actively promote the protection of the environment ».

The Group wishes to ensure the preservation of the environment, to meet the expectations of the stakeholders involved and to offer its customers the greatest value added for a minimum environmental impact. Our EHS Charter sets a target of zero environmental accidents and to maximize the reduction of the impact of the Group's activities on the environment (RD 2018, Chapter 3, Section 2.4).

Saint-Gobain is engaged in several partnerships for the climate and the environment: the Paris Call for action, the French Business Climate Pledge, the Task Force on Financial Disclosure (TCFD), the Global Climate Action Agenda, the CEO Water Mandate and Caring for Climate. In addition, the Group is a founding member of the "Global Alliance for Buildings and Construction" launched during the COP21, which aims to establish a common roadmap for stakeholders in the sector to promote energy efficient and low greenhouse gas buildings.

Since 2015, the Group has had a Sustainable Resource Management Policy in addition to the Energy, Air Emissions and Climate Change Policy since 2014 and the Water Policy and Standard for water saving and recycling since 2011.

### **Criterion 10: The COP describes effective management systems to integrate the environmental principles**

The Group's environmental strategy is distributed across short- and medium-term objectives which concern the five main environmental challenges identified by the Group: resources; energy, atmospheric emissions and climate; water;

biodiversity and the use of soil; environmental accidents and nuisances. The methodology of the Environment pillar of the WCM makes it possible to identify environmental aspects and gaps and to reduce and control them.

The EHS Department ensures that the Research and Development division integrates health and environmental concerns into its specifications. In addition, the group involves its supply chain in its approach to reducing environmental impact and commits its suppliers to reducing their air emissions and water footprint.

The eco-innovation approach, based on Life Cycle Assessment (LCA), is developed within the Group with a view to understanding the market and seeking solutions.

Based on an innovative and rigorous methodology, the SCORE tool enables the assessment of construction products against sustainable performance criteria, taking into account 21 indicators, grouped into five core categories identified by stakeholders as high-priority: energy and climate, health, materials and circular economy, water, and local value creation. SCORE was enhanced in 2017 and is currently being rolled out across specific Group sites.

Since January 2016, an internal carbon price has been in place in all the Group's activities to help steer CO2 emission reduction actions relating to investments.

### **Criterion 11: The COP describes effective monitoring and evaluation mechanisms for environmental stewardship**

The EvE Standard allows the alerting and management of environmental events.



Saint-Gobain uses a methodology developed internally to estimate the greenhouse gas emissions avoided by its insulation solutions worldwide:

- after three months of use on average, the Group's insulation solutions compensate the emissions linked to their production. Beyond these three months, the gains continue to accumulate;
- the Group's insulation solutions produced and sold throughout the World in 2016 have generated, across their lifespan, a potential cumulated net prevention of over 1,200 million tons equivalent CO<sub>2</sub>;
- the estimated potential prevention of the said solutions corresponds to about

90 times the Group's greenhouse gas emissions in 2016 over the same geographical scope.

The reporting of environmental indicators for the entire Group is available in Chapter 4, Section 2.4 of the Registration Document 2018.



## Robust anti-corruption policies & procedures

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### **Criterion 12: The COP describes robust commitments, strategies or policies in the area of anti-corruption**

The Principles of Conduct and Action state a zero tolerance of Group companies towards corruption. They «must [...] reject all forms of active or passive corruption whether in domestic or international transactions». This code of ethical conduct is a condition of belonging to the Group and refers explicitly to the OECD Convention of December 17 1997 against the bribery of foreign public officials.

The Compliance department is in charge of the subject of anti-corruption.

Saint-Gobain is a member of the forum of committed companies within Transparency International France. In this capacity, the Group is committed to rejecting and combating corruption in all its forms, and to implementing a solid prevention system based on best practices in the corporate world.

### **Criterion 13: The COP describes effective management systems to integrate the anti-corruption principles**

The Group's compliance program is based in particular on the prevention of corruption: a program of actions and best practices is managed and implemented in the Group's subsidiaries, with the objective of preventing the risk related to international commercial transactions, passive and active corruption, as well as relations with public officials and the private sector. It is disseminated through internal policies:

- Policy on corruption prevention ;

- Policy on gifts and invitations ;
- Policy on conflicts of interest ;

And through training tools :

- online: the e-learning training "Act", on compliance with the anti-corruption policy, is intended to be followed by all Group executives;
- in person: compliance seminars are organised throughout the year.

It is monitored by the compliance network.

A practical guide on the prevention of corruption was also translated into several languages and posted on the Group's website ("ACT for your business: the Anti-Corruption brochure").

### **Criterion 14: The COP describes effective monitoring and evaluation mechanisms for the integration of anti-corruption**

Compliance, and in particular the fight against corruption, is monitored by the internal control.

The CSR risk mapping carried out as part of the Responsible Purchasing Policy focuses in particular on risks related to the fight against corruption. As a result of this mapping, a dialogue with suppliers at risk is initiated, action plans are put in place and Saint-Gobain buyers reserve the right to terminate business relationships that do not comply with their requirements.

Professional alert systems are also available to collect reports related to the fight against corruption.



## Taking action in support of broader UN goals and issues

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### **Criterion 15: The COP describes core business contributions to UN goals and issues**

The Saint-Gobain Group has been involved in promoting sustainable construction through the creation of the "Global Alliance for Buildings and Construction" and through Pierre-André de Chalendar's frequent speeches. In his words, "more than ever before, part of the answer is in our hands as companies". "Thinking responsibly about our acts means that we now need to start considering the product's impacts throughout its entire life cycle, and this applies to the construction industry." (<https://www.linkedin.com/pulse/cop-24-climate-urgency-fade-away-like-media-interest-de-chalendar/>). In this way, the Group seeks to fully integrate sustainable development issues into its business sector.

To integrate the Sustainable Development Goals (SDGs) into its CSR approach, Saint-Gobain has relied on materiality analysis, its dialogue with stakeholders and its knowledge of its value chain. The 17 SDGs have been classified into three levels of linkage with the Group's strategy and activities: strategic, moderate or specific to a particular Group activity or non-priority. Saint-Gobain recognizes the importance of ODD 17, a partnership for achieving the objectives, and is developing multi-stakeholder partnerships to mobilize for the achievement of the ODD (see RD 2018, Chapter 4, Section 2.2).

### **Criterion 16: The COP describes strategic social investments and philanthropy**

All Group employees can be proactive and sponsor actions via NGOs for the Saint-Gobain Initiatives International Corporate Foundation. The Foundation was created in 2008. Over the period 2008-2018, 205 projects received funding, representing a commitment of €10.7 million from the Foundation and 140 associations were supported in 37 countries. Foundations have also been initiated in North America, India or within

certain activities to support local social causes (RD 2018, Chapter 3, Section 4.4.1 and 4.4.3).

Finally, the Group is committed to cultural, artistic, educational and general interest sponsorship actions (RD 2018, Chapter 3, Section 4.4.4).

### **Criterion 17: The COP describes advocacy and public policy engagement**

The Group participates in public debates on the challenges that are strategic for its activity and its environment.

In response to climate change and the risks linked to rising temperatures, Saint-Gobain's goal is to encourage the emergence of low-carbon economies in the countries in which it operates. The Group has engaged in strong climate commitments, in particular the recent Conference of Parties (COPs). Pierre-André de Chalendar attended the COP24 in Katowice, Poland, where he spoke about the key role of companies in response to the climate emergency and Saint-Gobain's involvement in this area. Saint-Gobain is campaigning for the introduction of a carbon price. This carbon price should enable a transition which does not disrupt competition between different companies and countries. As part of the Global Climate Action Agenda, Saint-Gobain is a member of the Alliance of companies for water and climate change. This initiative supports the actions of cities and watersheds involved in the sustainable management of water resources and adaptation to the consequences of climate change. Saint-Gobain upholds the recommendations of the G20 Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). In February 2018, the Group signed up to Science Based Targets.

Saint-Gobain takes part in the debate on the circular economy and is involved in collective initiatives to promote the transition to a circular economy.



For example, at the end of 2017, the Group signed up to the Factor10 program, an initiative of the World Business Council for Sustainable Development (WBCSD) on the circular economy, in particular by co-leading the working group dedicated to the construction sector. A report identifying the challenges and obstacles was published for the COP24. In France, the Group has been heavily involved in the AFEP circular economy working group, which prepared a report and recommendations that were presented at the COP22.

### **Criterion 18: The COP describes partnerships and collective action**

Saint-Gobain acts to favour the emergence of a strong, low-carbon economic growth.

The Group belongs to the ETC (Energy Transition Commission), a group of 30 figures from the energy and climate community. Pierre-André de Chalendar is one of the commissioners. The aim of the ETC is to accelerate the move to a low-carbon energy system that enables strong economic growth, while limiting global warming to levels well below 2°C. In November 2018, the ETC published a report entitled “Mission Possible: reaching net zero carbon emissions from harder-to-abate sectors by mid-century”.

Saint-Gobain has been a member of the LEVEL(S) steering committee for over two years. The committee is an instrument developed by the European Commission in conjunction with the industry and the public sector and aims to establish a “common language” for sustainable construction, in order to take it beyond energy efficiency.

Market transformation also means changing the entire construction market value chain. Many stakeholders share this desire to promote more sustainable buildings. Saint-Gobain is building partnerships with them. The Green Building Councils (GBC) are a vital partner in this regard. The

GBCs form a global network of national associations of construction market professionals and players. The GBC network offers a fast path for the deployment of sustainable construction technologies and dissemination of good practices, particularly via education for market players. The Group is a member of 42 local GBCs worldwide, a partner of the European network of GBCs (ERN), and chairs the Corporate Advisory Board of the World Green Building Council (WGBC). In 2018, Saint-Gobain provided active support for a number of WGBC campaigns.

The Group is a founder member of the Global Alliance for Buildings and Construction (GABC) and sits on its steering committee.

No methodology has yet been published for setting emissions reduction targets for the construction industry. This item of data is essential for Saint-Gobain to position its contribution and its impacts, both positive and negative, on a 2°C trajectory. This is why Saint-Gobain has mobilized and committed itself to the Global Alliance for Building and Construction, jointly with other players in the construction value chain, and supported the CDP's “We Mean Business” campaign.

The challenge of developing a circular economy being a local one, Saint-Gobain organizations in the countries spearhead or take part in initiatives with local stakeholders: industrial stakeholders involved in an area, customers, local authorities and communities. For instance, The Commitment to Green Growth for flat glass signed by the trade associations in 2017 could lead to the collection and sorting of 80,000 tons of cullet per year in 2025 for the whole of the subsidiary in France.

Finally, Saint-Gobain engages in promoting a local and inclusive development through on-the-ground actions. These are described in the Registration Document 2018, Section 4.3.



## Corporate sustainability governance and leadership

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### Criterion 19: The COP describes CEO commitment and leadership

CSR is fully integrated into the strategy by the Group's top management. Pierre-André de Chalendar renewed his commitment to sustainable development in 2017 by stating the need of “a changing world, reinventing ourselves whilst remaining true to our values”:

“Saint-Gobain, for a long time, has been committed to limiting the effects of climate change through its solutions. Designing the materials we use in a context of climate change, rapid urbanization and high demographic growth; helping to build energy-efficient buildings which protect the health and well-being of occupiers; allowing the transition towards a low carbon economy, and making this transition acceptable to the greatest number; being a stakeholder in new mobility; controlling the impact of our industrial operations; reducing the intensive use of resources by recycling materials... All these have become more than expectations: requirements.”

- RD 2018, “A Message from Pierre-André de Chalendar, Chairman and CEO of Saint-Gobain”

### Criterion 20: The COP describes Board adoption and oversight

Among the Board of Directors' Committees, the Strategy and CSR Committee ensures that corporate social responsibility issues are taken into account in defining the Group's strategy and implementing it.

Under the aegis of the Board of Directors, a CSR dashboard lists the key issues for the Group, their indicators and the objectives to be met at the short-/medium-term. A CSR roadmap will be launched in 2019 presenting the key challenges for the Group and the approach, the tools, the objectives and indicators associated with them.

In February 2018, the Directors were able to participate in a half-day seminar on climate change and its consequences for companies.

### Criterion 21: The COP describes stakeholder engagement

The Group is attentive to its ecosystem in order to regularly update CSR policies and action plans. In order to manage a constructive, transparent and trustworthy dialogue with our priority stakeholders, they are factored in into the Group's long-term strategy (see RD 2018, Chapter 2, Section 1.4).

In 2015, the completion of the Group's materiality matrix required the full collaboration of internal and external stakeholders. This matrix is the basis of the Group's priority challenges.

The CSR roadmap to be launched in 2019 will describe the integration of stakeholders' expectations for each priority issue.

Finally, the graph found in Chapter 4, Section 2.3 of the Registration Document 2018 shows the distribution of net sales and value added by stakeholder.