

# Holcim compliance program

## Frequently asked questions

March 2022

### What steps does Holcim take to prevent, detect and correct compliance risks such as bribery and corruption?

The Compliance Policy specifies a system of adequate procedures to do this. These procedures are structured into a five element, compliance program which is as follows:

- Risk Assessment. The compliance program is based on a review of the risks present in the business. The compliance risk assessment enables the development of controls that target and mitigate the identified and assessed risks.
- Controls. Controls include the policies, directives, entity level and transactional internal controls, guidance and advice to the business through which mitigation measures are structured and implemented.
- Training and Communication. The implementation of controls and the recognition of risks require that the compliance function communicate and train employees. Such communication and training is developed and delivered on a risk –basis across the group.
- Monitoring and Follow-up. The conduct of risk assessments, the implementation of controls, and the delivery of training and communication is monitored and reported to the first line management, executive management and the governing bodies of the group. There is provision for an alert system, warning of possible breaches in the code of business conduct, laws and regulations, an investigation capability, ongoing functional review of the performance of the compliance program in specific geographies, internal audit and continuous improvement.
- Organization and Governance. The group assigns roles and responsibilities sufficient to support the requirements of the compliance program and provide oversight of such resources through the governance of the Compliance Functional Council and the Ethics, Integrity and Risk Committee (EIRC).

### Who is accountable for anti-bribery and corruption compliance in Holcim?

Every employee, manager, officer or director of the company is responsible for their actions and the requirements for compliance apply equally on all.

- Bribery and corruption risk is addressed through the compliance program. This is a 5 element, structured set of behaviorally based activities that line managers are required to implement in their business.
- The operational management in Holcim is accountable for the conduct of business. This accountability flows from the Group CEO to the Head of Region, to the Country CEOs and subordinate P&L leads.

- The Compliance Policy<sup>1</sup> states:  
“With respect to its role as a compliance assurance provider, the Compliance Function (together with the Legal and Internal Control Function) forms the *second line of defense* under the "Three Lines of Defense" model:  
  
“1st Line: Holcim business and management *owns, implements and operates business controls to ensure compliance* with laws, regulations and policies (including supervisory controls).”
- The ‘*CEO Checklist – Managing Compliance risk in a Holcim Company*’ states that the CEO of a Holcim business has full accountability for the management and operations of everything that happens in the business.

### How does Holcim assess that the compliance procedures, specifically those for prevention of bribery and corruption, are adequate to the level of risk?

- The first element of the Holcim 5 element compliance program is risk assessment. It sets the conditions by which the rest of the program is both designed and assessed for adequacy. The compliance risk assessment<sup>2</sup> (CRA) is conducted annually at a country level and aggregated for oversight purposes to region and group.
- The CRA is integrated with group risk management, to provide at country, region and group levels a single, integrated view of risk. The CRA includes a specific risk for ‘business integrity’ which includes a specific sub-risk manifestation for bribery, corruption and influence peddling. The bribery, corruption and influence peddling manifestation is assessed against nine separate risk triggers and 24 risk scenarios.
- The process first assesses inherent risk, then assesses residual risk by applying the mitigating impact of risk controls, of which there are 8 categories assessed across each of the three lines of defense.

### Is record keeping and formalized approval processes included in the Holcim compliance program?

Multiple procedures are implemented in the Holcim group to ensure record keeping, approvals and behavior:

- The Holcim policy landscape is the group architecture for controls, and includes policies, directives and internal controls standards that are applied in operating companies across the group. The policies, directives and internal control standards set requirements, which in many cases **include record keeping (documenting), approvals and behavioral guidance**.
- The **Code of Business Conduct** is the overarching operating guide to behavior.
- **Accurate record keeping** is an identified requirement in the **Code of Business Conduct** (section 2.4).

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<sup>1</sup> The policy includes anti-bribery and corruption in scope.

<sup>2</sup> Inclusive of bribery and corruption risk

- **Record keeping and approvals are required under the Minimum Control Standards (MCS)** of the group (a set of 62 control standards that are mandatory in every operating entity) and reviewed on an annual basis).
- There is a documented **Group Delegation of Authority (GDA)** that specifies levels of authority required for decisions.
- The GDA and MCS are subject to Internal Controls effectiveness testing and reporting (2nd line of defense) and internal audit (3rd line of defense).

### Does the Code of Business Conduct apply for all employees? How does Holcim ensure that employees are aware and understand the requirements of the Code of Business Conduct?

Every employee is given a copy of the Code of Business Conduct (which includes behavior requirements in relation to anti-bribery & corruption) and introductory training when they are inducted to the company. In those countries where written acknowledgement is permitted, this is obtained.

The Code of Business Conduct is available in multiple languages, is available on corporate websites and in hard copy.

CEOs of Holcim operating companies conduct annual communications campaigns to refresh understanding and awareness of the code.

### Does Holcim conduct regular training on anti-bribery and corruption?

- Training and communication is one of the elements of the 5 element compliance program at Holcim. Every country has an annual training plan which is tracked and reported transparently through compliance performance metrics (known internally as the compliance '6-pack').
- Training is conducted through e-learning and face-to-face courses. The face-to-face courses are designed based on the principle of role-relevancy – what is it the employee needs to know in order to manage risks in their daily tasks.
- Holcim implements a training cycle (updated every three years) which requires each operating country to run assorted e-learning and face-to-face courses each year. High and medium risk exposed employees undergo training every year; all employees at least once every three years.
- In 2021, a total of 5,295 employees completed role-relevant, face-to-face training in anti-bribery and corruption, and 30,408 employees conducted anti-bribery and anti-corruption (ABAC) and other business integrity eLearning training.
- In addition to training employees in ABAC, when the third-party due diligence process uncovers a red flag that is amenable to adequate mitigation through the training of the third-party's employees, that training may be mandated under the contract of engagement and provided externally through specialist ABAC firms.

## Does Holcim have a mechanism by which employees can report concerns regarding misconduct?

- Holcim operates a global whistleblowing line (internally known as *IntegrityLine*) to facilitate employees, customers, suppliers and other stakeholders to report any concerns, including corrupt conduct. The Holcim *IntegrityLine* has external and internal web portal, telephone and backend intake methods and **in 2021, 860 reports were made.**
- Every report is reviewed by a dedicated group investigation team, and recommendation made to a triage committee as to how it should be handled. When a report is assigned for investigation, the investigation is conducted in accordance with the relevant laws and protections of the whistle blower and the subject, privacy and the confidentiality of the matter. The entire process falls under the governance of the group Ethics, Integrity and Risk Committee, a sub-committee of the Audit Committee.
- Of the reports **in 2021, 138 were substantiated and 38 resulted in dismissals.**

## How can employees of Holcim consult and seek advice on ethical issues they encounter during their daily work?

Holcim has two primary mechanisms by which employees can consult on ethical issues:

- Compliance is part of the legal department, and in operating companies, the general counsels and their teams are in the front line for driving lawful and ethical behavior. The company employs close to 300 in legal and compliance across the group. Most of these specialists are in the operating companies. Employees have ready access to legal and compliance specialists in every business, with whom they can consult.
- Employees can also seek advice through the *IntegrityLine* (which has an 'ask a question' function) or also write directly to either group compliance or group investigations for advice.

## How does Holcim verify that the compliance program is implemented in the operating businesses of the group?

The *monitoring and follow-up element* of the Holcim Compliance Program includes five separate mechanisms to check implementation of the program in operating entities. These are as follows:

- Compliance 6-Pack. Holcim implements a system to monitor compliance implementation through the tracking of metrics linked to key performance indicators. There are 6 specific metrics and they are tracked in all Holcim operating countries. The 6-pack tracks performance metrics for training, communications and third-party due diligence; and, assurance metrics for internal audit, internal controls and risk assessment actions.
- Compliance Functional Reviews. Holcim Group Compliance working with Region General Counsels conducts periodic functional reviews of the implementation of the compliance

program in selected countries. The Compliance Functional Review provides a wholistic view of implementation in a country than augments the view provided through the other mechanisms.

- Testing of Compliance MCS. The Holcim Internal Control Function independently tests the implementation of all the MCS in a country, including the compliance MCS. This is certified by the country CEOs on an annual basis.
- Internal Audits. The Holcim Internal Audit Function conducts audits of the operating entities which include the compliance controls and related MCS in the scope of the audit. The resulting findings and any applicable management actions are reported and tracked by Group Compliance through to close-out.
- Holcim IntegrityLine. The Holcim whistle blower mechanism (addressed earlier in this FAQ) provides alerts to possible control failures or misconduct.

In addition to the mechanisms designed into the Holcim Compliance Program, Holcim's external auditors also conduct independent reviews of the compliance controls throughout the year and perform deeper investigation on selected operating entities each year.

### How does Holcim maintain and update the compliance program to meet the requirements of changes in law and regulations, and in best practice?

Holcim promotes continuous improvement to ensure that the Holcim Compliance Program remains fit-for-purpose and delivers a system of adequate procedures. Each of the elements of the Compliance Program – risk assessment, controls, training and communications, monitoring and follow-up, and organization and governance - is reviewed and assessed by the Compliance Functional Council<sup>3</sup>, which meets quarterly, and presents recommendations for program adjustments to the Ethics, Integrity and Risk Committee for decision.

In addition, Holcim engages external compliance expertise to periodically review the Holcim Compliance Program and benchmark it to leading peers. The latest external review was engaged in 2020.

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<sup>3</sup> The Compliance Functional Council comprises the Chief Compliance Officer, the Region Compliance Officers, Group Compliance specialists, the Head of Group Investigations and other specialists by invitation.