

# LafargeHolcim Compliance Program

## Frequently Asked Questions

April 2020



### What steps does LafargeHolcim 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 Reporting. 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 LafargeHolcim?

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 LafargeHolcim 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:

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

“1st Line: LafargeHolcim 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 LafargeHolcim Company*’ states that the CEO of a LafargeHolcim business has full accountability for the management and operations of everything that happens in the business.

### How does LafargeHolcim 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 LafargeHolcim 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 LafargeHolcim compliance program?

Multiple procedures are implemented in the LafargeHolcim group to ensure record keeping, approvals and behaviour:

- The LafargeHolcim 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).
- **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 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).

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

## Does the Code of Business Conduct apply for all employees? How does LafargeHolcim 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 LafargeHolcim operating companies conduct annual communications campaigns to refresh understanding and awareness in the code.

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

- Training and communication is one of the elements of the 5 element compliance program at LafargeHolcim. 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.
- In 2019, a total of 12,695 employees completed role-relevant, face-to-face training in anti-bribery and corruption, and 7,163 employees conducted anti-bribery and corruption eLearning training. Additionally, over 29 000 employees completed another compliance training, such as on the Code of Business Conduct and sanctions and data privacy.

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

- LafargeHolcim 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 LafargeHolcim *IntegrityLine* has external and internal web portal, telephone and backend intake methods and **in 2019, 789 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 2019, over 100 were substantiated and 43 resulted in dismissals.**

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

LafargeHolcim 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.