

Opinion on sustainability

Summary

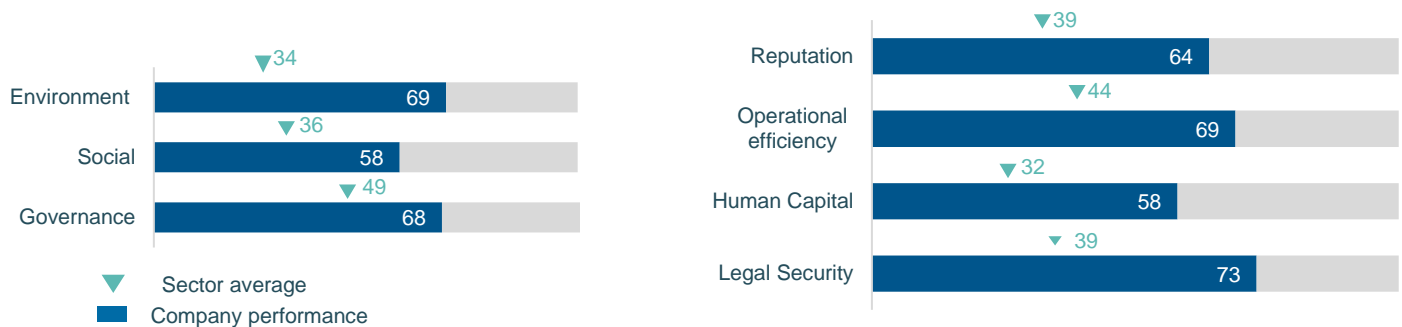


Rank in Sector	1/25	ESG Reporting Rate	98%
Rank in Region	66/1617	Sector Average	73%
Rank in Universe	67/4879		

As of April 21, 2021, LafargeHolcim obtains an A1+ rating, based on an overall score of 65/100. LafargeHolcim ranks within the top 2% of all companies rated by Vigeo Eiris worldwide (4879 in total) and first out of 25 within the sector Building Materials Europe. The company's overall score has increased by 22 points since our non-solicited 2020 review, mainly thanks to an improved reporting and communication to V.E, to new commitments, and to a lower impact of controversies. LafargeHolcim now displays advanced willingness and capacity to integrate ESG factors into its strategy, operations and risk management.

LafargeHolcim Ltd. manufactures cement, aggregates (crushed stone, gravel, sand and recycled concrete and secondary aggregates), ready-mix concrete, precast concretes, dry mortars, roofing solutions, and asphalt products. The Company born from the merger of Lafarge and Holcim in 2015, is headquartered in Rapperswil-Jona, Switzerland. Several acquisitions and divestments have been operated since then. The main recent one is the acquisition of Firestone Building Products (FSBP), a manufacturer of roofing and building envelope solutions.

ESG AND RISKS MANAGEMENT PERFORMANCE (./100)



STRENGTHS

- ▶ Advanced energy transition score and environmental performance
- ▶ Prominent commitment and measures to deal with corruption and anti-competition
- ▶ Board of Directors' governing rules aligned with most stringent governance standards

WEAKNESSES

- ▶ Limited commitment and reporting on how impacts of reorganisation are mitigated
- ▶ Reputation affected by numerous controversies

KEY TAKEAWAYS

Impacts: LafargeHolcim displays an advanced energy transition score. KPIs demonstrating its social footprint and environmental impacts reveal mostly positive trends. Active in waste treatment and recycling services, affordable housing, infrastructure and renewable energy, LafargeHolcim is however considered to have a minor percentage of sales (less than 20%) contributing to UN sustainable development goals.

Risks: The Company's risk management system appears robust and covers the group's most material CSR risks. The company displays robust to advanced capacity to safeguard and enhance its reputation, operational efficiency, human capital cohesion, and legal security.

Management: LafargeHolcim appears to pro-actively integrate ESG factors into its strategy and operations. Its approach is supported by many quantified targets and comprehensive commitments. Convincing means and processes address the most material challenges. KPIs mostly follow positive trends. However, the Company's performance is affected by persistent controversies, to which, on average, the Company communicates but does not report sufficient remediation measures.

Impacts

VALUE CREATION AND SHARING

<p>R&D investments</p> <p>[Increase, Stable, Decrease, undisclosed]</p>	<p>Increase</p>	<p>The Company's investment in Research and Development, normalised to sales, has increased by 0.38 percentage points from 0.36% in 2018 to 0.74% in 2020. This is still below the sector average, which is close to 1% (22 companies in the sector reporting on this indicator for 2019).</p>
<p>Share of investments in activities likely to generate sustainable value</p> <p>[Major, Significant, Limited, None, Unclear]</p>	<p>Limited</p>	<p>Investments dedicated to activities likely to generate sustainable value include:</p> <ul style="list-style-type: none"> ▶ Acquisition in early 2021 of Firestone Building Products (FSBP), a manufacturer of roofing and building envelope solutions, with technologies, including cool roofs, insulation and waterproofing systems, as well as vegetative roofing systems. With this acquisition, LafargeHolcim will benefit from FSBP's position in the high-growth repair and refurbishment segment, and will add 15 manufacturing facilities, 1,800 distribution points, and three R&D laboratories to its network. This transaction is valued at USD 3.4 billion (EUR 2.9 billion at the closure of the acquisition on April 1st, 2021) ▶ LafargeHolcim has dedicated over 50% of its R&D resources (EUR 142.5 million in 2019) to shaping low-carbon and circular solutions. Half of its innovation projects aim at funding building solutions that work for people and the planet, whether they are digital tools to empower sustainability and circular economy, breakthroughs in the chemical processes or shaping the future construction industry through 3D-printing. <p>Investments to mitigate the environmental footprint of the group's processes include:</p> <ul style="list-style-type: none"> ▶ The company states that, in total, CHF 1,026 million were invested in 2020 (EUR 945.9 million) in CAPEX for maintenance and expansion. Figures for 2019 were CHF 1,397 million or EUR 1284,4 million. This includes a 'Sustainability' part, to allow reduce CO2 emissions, to reduce the clinker content in cement manufacturing and to build a circular economy through the 'Geocycle' business (recycling waste). The precise share of this 'Sustainability' part is not yet communicated. However, it includes at least the allocation of CHF 160 million in Europe to reduce the Company's carbon footprint and the allocation of CHF 100m in waste heat recovery across six sites in India. If we compare these amounts with the sum of 2019 and 2020 CAPEX, we can conclude that this represents a bit more than 10%. ▶ Carbon Capture and storage: The company is investing in carbon capture usage storage (CCUS) technology with over twenty CCUS pilot projects in the US, Canada and Europe to develop solutions that can be combined in different ways. The aim is to go further than carbon sequestration and to allow the recycling of captured carbon. Two examples include, <ul style="list-style-type: none"> ○ the next-generation Solidia Cement, which allows the entire industrial chain to reduce the carbon footprint of concrete of up to 70% compared to traditional concrete thanks to a process that cures concrete with carbon dioxide instead of water. ○ Lafarge Zementwerke, a member of LafargeHolcim Group, OMV, VERBUND and Borealis co-signed a Memorandum of Understanding (MOU) for the joint planning and construction of a full-scale plant by 2030 to capture CO2 and process it into synthetic fuels, plastics or other chemicals.
<p>Share of sustainability linked loans and bonds</p> <p>[Major, Significant, Limited, None, Unclear]</p>	<p>Major</p>	<p>LafargeHolcim has issued a EUR 850 million Sustainability-Linked bond in November 2020. Bond investors will be entitled to a higher coupon should the company not meet its target of 475 kg net CO2 per ton of cementitious material by 2030. This bond was swapped into USD and the cost of the swap is also linked to the achievement of the same CO2 target. Additionally, costs for all committed corporate bilateral bank facilities have been linked to LafargeHolcim's ESG performance and a EUR 3 billion commercial paper program for issuance of ESG notes has been established in 2020, bringing the total ESG-linked funding agreements close to CHF 6 billion (EUR 5.5 billion). This represents 51% of Capital market financing of the Group as per 31 December 2020.</p>

Ratio of employee wages and benefits vs shareholder dividends [Increase, Stable or No Clear Trend, Decrease]	No clear trend	The ratio of payments to employees vs. shareholders has deteriorated by 22% during the past 3 years going from 4.0 in 2018 to 3.2 in 2020 (with however a clear increase in 2019). Employee wages and benefits have decreased by 19%, while payments to shareholders have increased by 2.7% over this 3-year period. Of note, a share buyback agreed by the previous management was cancelled in March 2018.
Transparency on tax payments [Major, Significant, Limited, None]	Major	The Company reports on its income tax paid by region, specifically, Asia Pacific, Europe, Latin America, Middle East Africa and North America. The same breakdown is provided for workforce composition, sales and operating profits. The Company also gives an explanation for significant differences between the tax rate actually paid and expected tax rate. LafargeHolcim also discloses the amount of income tax paid by listed companies of the Group (in 10 countries in America, Asia and Africa).
Operations in offshore financial centres (OFC), including non-compliant OECD jurisdictions [No Operation in OFC, Justified Operations in OFC, Unjustified Operations in OFC]	Justified Operations in OFC	The company operates in Bermuda, an IMF offshore financial centre, and it justifies its presence in this country.

SOCIAL & ENVIRONMENTAL IMPACTS

Environmental impacts :

V.E considers LafargeHolcim's direct carbon footprint to be intense and the company therefore receives a **grade D** (on a four-level scale) in this regard. LafargeHolcim's obtains an energy transition score of **72/100**, which is well above the average performance of the Building Materials Europe sector (29/100), composed of 25 companies. This performance results from our assessment of Lafarge-Holcim's efforts to mitigate climate change impacts resulting from energy consumption during its production processes and through the transportation and utilization of its products.

Energy use in the production process [Decrease, Stable or No Clear Trend, Increase]	Decrease	The company's energy consumption for its cement operations, normalised to net sales, has decreased by 31% over five years, from 9,917 MWh/CHF million in 2015 to 6,830 MWh/CHF million in 2019. The trend between 2017 and 2019 is however stable.
Water use in the production process [Decrease, Stable or No Clear Trend, Increase]	Decrease	The company's water consumption, normalised to sales, has decreased but not continuously over five years, from 5,215 m ³ /CHF million in 2015 to 3,218 m ³ /CHF million in 2019. The company's cement-specific freshwater consumption (L/t of cementitious material) has decreased by 7% over the past three years, from 159 L/t of cementitious material in 2018, to 148 L/t of cementitious material in 2020.
VOCs emissions from the production process [Decrease, Stable or No Clear Trend, Increase]	Decrease	The company's VOC emissions, normalised to turnover, have decreased over five years, by 17%, from 332.3 kg/CHF million in 2015 to 275.1 kg/CHF million in 2019.
Emissions of substances responsible for acid rain from the production process [Decrease, Stable or No Clear Trend, Increase]	Decrease	The company's NOx emissions normalised to turnover have decreased by 41% over the last five years, from 11.8 t/CHF million in 2017 to 6.98 t/CHF million in 2019. The Specific NOx emissions (g/ton of cementitious material) have decreased from 1,029 in 2017 to 883 g/t in 2020. The SO2 emissions, normalised to turnover have decreased by 3% over three years, from 1.41 t/CHF million in 2017 to 1.37 t/CHF million in 2019. The Specific SO2 emissions (g/t of cementitious material) has decreased from 206 g/t in 2017 to 189 g/t in 2020.
Dust emissions from the production process [Decrease, Stable or No Clear Trend, Increase]	Decrease	The Company's dust emissions, normalised to sales, have increased over the past five years by 12%, from 490 Kg/ CHF million in 2016 to 551.2 Kg/CHF million in 2020. There is however a decrease between 2018 and 2020. Specific dust emissions (g/t of cementitious material) have decreased from 86 g/t in 2018 to 71 g/t in 2020.

Social impacts:

Organic growth of employment [Positive, Stable, Negative, Undisclosed]	Unclear	The total number of employees in the workforce has declined by 13% over the last three years, from 77,055 in 2018 to 67,409 in 2020. However, the organic growth of employment is not disclosed.
Percentage and trends of women in management [Increase, Stable or Unclear, Decrease or Undisclosed]	Increase	The share of women in senior management positions has increased over the past five years by five percentage points, from 16% in 2015 to 21% in 2020. The Company's 2019 result (20%) was close to the sector average of 19.2% (22 companies in the sector reporting on this indicator for 2019).
Average number of training hours per employee [Increase, Stable, Decrease or Undisclosed]	Decrease	The number of hours of training per employee at non-management level has decreased by 47% over the past three years, from 30 hours/employee in 2018 to 16 hours/employee in 2020. The Company's 2019 result (16 hours) was below the sector average of 20.7 hours per employees (12 companies in the same sector reporting on this indicator for 2019).
Employee turnover [Increase, Stable, Decrease or Undisclosed]	Decrease	The employee turnover rate has decreased by 3 percentage points over the past five years, from 16% in 2016 to 13% in 2020. The Company's 2019 result (16%) was above the sector average of 13.8% (11 companies in the same sector reported on this indicator for 2019).
Accident frequency rate [Decrease, Stable or Unclear, Increase or Undisclosed]	Decrease	The Total Injury Frequency Rate of employees and contractors onsite has decreased by 22% over the past five years, from 0.718 incidents per 200,000 hours worked in 2016, to 0.56 incidents per 200,000 hours worked in 2020. The Company's 2019 result (0.64) was below the sector average of 2.1 (11 companies in the same sector reported on this indicator for 2019). The Lost Time Injury Frequency Rate of employees and contractors onsite has decreased by 50% over the past five years, from 0.2 lost-time incidents per 200,000 hours worked in 2016 to 0.10 lost-time incidents per 200,000 hours worked in 2020. The Company's 2019 result (0.13) was below the sector average of 0.66 (13 companies in the same sector reported on this indicator for 2019).

IMPACTS OF PRODUCTS & SERVICES

LafargeHolcim is considered to have a minor percentage of services contributing to sustainable development (below 20% of total sales in 2019). These services appear to materialise the Group's contribution to UN Sustainable Development Goals number 1 (End Poverty), 3 (Good Health & Well-being), 6 (Clean Water & Sanitation), 7 (Affordable & Clean Energy), 8 (Decent work and economic growth), 9 (Industry, innovation and infrastructure), 10 (Reduce inequalities), 11 (Sustainable Cities & Communities), 12 (Sustainable Consumption & Production), 13 (Climate Action), 14 (Life Below Water), 15 (Life On Land) and 17 (Partnership for the UN Development goals).

Share of products & Services contributing to sustainable development [Major, Significant, Minor, Inexistent or Undisclosed]	Minor	Waste management related products and services: <ul style="list-style-type: none"> - The Company recycles construction and demolition waste into new products. In total, LafargeHolcim states to have recycled or reused 100 times more external waste than it has internally generated (46 Mt vs. 0.4 Mt) in 2020. - The Company offers waste management and co-processing services through 'Geocycle', for industrial companies, authorities and municipalities. This service includes about 80 waste pre-treatment facilities, which treat more than 10 million tonnes of waste annually (including almost 2 million tonnes of plastic waste). - LafargeHolcim also offers a wide range of low carbon solutions and has developed an Eco Label to brand their green building materials that comply with lower CO2 footprint and recycled content criteria. For example, in 2020, LafargeHolcim launched its ECOPact green concrete that utilizes recycled material.
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	<p>Transportation Infrastructures: The Company supplies concrete for the construction of transportation infrastructure, including railway lines and train stations. For instance, the Company has recently participated in the construction of public transport network in Athens.</p> <p>Affordable housing solutions:</p> <ul style="list-style-type: none"> - The Company offers affordable housing solutions to populations and governments, including earth-cement building solutions, slum renovation, and collective social housing. - The Company also offers micro-finance programmes to support low-income individuals who want to construct, renovate and extend their homes. This includes access to microcredit via partnerships with the French Development Agency and International Finance Corporation, available in Nigeria, Zambia, South Africa, Kenya, Ecuador, Brazil and Serbia. <p>Renewable energy:</p> <ul style="list-style-type: none"> - The Company provides solutions for a number of clean energy projects, including engineering services for wind towers and foundation systems of wind farms as well as hydropower dams. - The Company, together with partners, has developed wind turbines with 3D printed concrete bases which can reach up to 200 meters, to capture stronger winds, thereby generating 33% more renewable energy per turbine compared to conventional wind towers. <p>The total share of these products and services in the group's turnover is not disclosed. It is estimated below 20%.</p>
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Risks

RISK FACTORS

Lafarge-Holcim's most material risk and opportunity factors relate to:

- Board of Directors
- Business ethics
- Climate change
- Biodiversity
- Local pollution and Atmospheric emissions
- Fundamental human rights and social-economic development
- Employees' health & safety.
- Reorganisation

Our analysis reveals that Lafarge-Holcim's ability to address these challenges varies according to the topics under review (ranging from limited to advanced).

Board of Directors

The composition of the Board of Directors (including the diversity, independence and competency level of its members), as well as its functioning rules (including board members' training and performance evaluation, the frequency of their elections, etc.) could impact its ability to exercise control over the management and foster the company's long terms competitiveness and profitability, as well as shareholders' and other stakeholders' interests.

LafargeHolcim's Board composition and governing rules are in line with international good governance standards. The separation of roles between the Board chairman and the CEO, the majority of independent members of the nomination committee and the high level of independence of Board

members (75%), who are elected every year and operate a yearly assessment of their functioning, may support the Board's ability to exercise effective control over the top-management, including on CSR issues, most of which being discussed at Board level.

Business ethics

Due to the decentralised locations of its activities all over the world, including in several weak governance countries, LafargeHolcim may be exposed to bribery, fraud, unfair competition, breach of trade sanctions or export controls. Risks linked to such failures materialise in significant fines and impact the company's reputation, which has been the case in the past years for LafargeHolcim.

LafargeHolcim now shows an advanced management of corruption and anti-competition related risks.

- ▶ The company's Code of Business Conduct, the Anti-bribery and corruption Policy, the Compliance Policy and the Fair Competition Directive display comprehensive commitments to preventing compliance breaches, under the supervision of the Legal and Compliance Department.
- ▶ The company has instituted a system to ensure that relevant employees are made personally responsible for preventing those breaches. Every country has an annual training plan which is tracked and reported transparently through compliance performance metrics. In addition, internal and external controls initiatives, including risk assessment of company vulnerability, and due diligence in evaluating partners and intermediaries cover all significant parts of the company.
- ▶ The company discloses quantitative data on the corruption and antitrust incidents reported internally and on how they were handled, which remains uncommon. Results are however affected by two anti-trust controversy, of significant severity, to which the Company is considered as not sufficiently communicative. But the main weakness remains related to the critical controversy that has affected Lafarge in relation to its operation in Syria between 2012 and 2014, where the Company was accused of financing terrorism through its payments to the Islamic State In Iraq and Syria, to keep Lafarge's factories running in areas controlled by the terrorist group. This accusation has drawn huge media attention since 2016 and has led the CEO to resign in 2017. Even if French court dismissed crimes against humanity charges against Lafarge, the former CEO and seven former Lafarge executives are still under judicial investigation. In between, LafargeHolcim has taken significant remediation measures to make sure that similar events will not happen again, such as a more rigorous risk assessment process focusing in particular on high risk third parties and joint venture partners, a restricted party screening program, a new sanctions and export control program and further efforts resulting from a benchmarking exercise it has undertaken.

Climate change (including Transportation)

Reducing CO₂ emissions is key for cement companies to continue creating long-term value. Indeed, the cement production process is well-known as energy intensive and high CO₂ emitter due to its requirement for high temperature and to the decarbonation reaction during production, which emits huge amounts of CO₂. To reduce this, producers may replace limestone by other raw materials that are already decarbonated (such as ash, sludge) or that do not contain limestone. In addition, all activity segments of LafargeHolcim need to transport large amounts of heavy material (such as cement, sand, aggregates, concrete, mortar, precast construction systems and asphalt). The cost of transportation can exceed the material and production costs; therefore, transportation has both financial and environmental impacts for the companies in the sector. Moreover, since building sites (where building materials are used) are temporary and due to the just-in-time rule, alternatives to road transport are difficult to organize.

- ▶ LafargeHolcim has joined the Science Based Targets initiative (SBTi) "Business Ambition for 1.5°C". The company published a new strategy with regards to its energy and climate pillars in September 2020. The SBTi has approved LafargeHolcim's commitment to reduce scope 1 and scope 2 GHG emissions 21% per ton of cementitious materials by 2030, from a 2018 base year. In addition, the Company has partnered with SBTi to define its net zero roadmap beyond 2030. The company is also committed to increase the share of energy from alternative fuels, low carbon fuels and biomass to 37% in 2030 (currently representing 20% of the company's energy mix). In addition to the pledge to reduce scope 1 and scope 2 emissions, the Company committed to include scope 3 emissions and to reduce its transportation and fuel-related emissions by 20% by 2030. Most of those commitments can be considered are ambitious.
- ▶ As regards implementation, V.E considers that LafargeHolcim uses state-of-the-art measures in order to reduce energy consumption and GHG emissions from the production processes, i.e.
 - replacing clinker in its final cement products with alternative mineral components such as pozzolan, slag or fly ash which reduces the carbon intensity of the cement.
 - sourcing 20% of its energy from alternative fuels and installing wind turbines and solar panel farms
 - optimizing its power-producing assets (for example by installing waste heat recovery units) across its production plant portfolio.

The Company's portfolio for low carbon solutions has grown in the past few years. In 2020, it has developed and commercialised new solutions such as the 'EcoPact' concrete and the 'Susteno' cement (with recycled aggregates and concrete inside). The company has also launched its Eco Label to communicate the environmental benefits of green building solutions. This Eco Label applies to all cement and

concrete with at least 30% lower CO2 footprint compared to local industry standard or 20% recycled content. LafargeHolcim is also investing in carbon capture usage storage (CCUS) technology, with pilot projects in the US, Canada and Europe.

- ▶ LafargeHolcim has been able to reduce its energy consumption for its cement operations, normalised to net sales, by 31% between 2015 and 2019. Result in terms of scope 1 and scope 2 GHG emissions, normalised to cementitious production, are more modest, with a 2% decrease between 2018 and 2020. The Company also estimates that its CO2 emissions from transportation has decreased by 4% between 2017 and 2019. However, information provided is insufficient to assess the trend in transport mix.

Overall, V.E now considers that LafargeHolcim performance in managing risks related to those impacts are robust to advanced.

Biodiversity

Rock and sand excavation activities often involve major topographical and land-cover changes, including clearing of pre-existing vegetation. Surface water regimes may be altered because of flow diversions, water intake, and changes to the drainage pattern. Protection of biodiversity has been identified as a key challenge for this industry, since quarrying and related aggregates production activities have important impacts on land, landscape and habitats. Finally, limestone, one of the key raw material used for cement production, is found in geographical regions with high biodiversity characteristics.

LafargeHolcim demonstrates an advanced performance in mitigating negative biodiversity impacts of its activities. The Company's comprehensive commitments found in its 'Quarry Rehabilitation and Biodiversity Directive' is backed by relevant measures to integrate biodiversity issues in the management of its operations, both at managerial and local levels. LafargeHolcim develops a Biodiversity Management Plan (BMP) for each of the operations' sites, depending on the intrinsic biodiversity risks and opportunities. The progress of rehabilitation and biodiversity management activities are monitored and evaluated regularly. The aim of such rehabilitation plans is to achieve viable positive change for biodiversity at the opening, extraction, and the closure phases of the quarries (e.g. improving existing habitat conditions or creating new habitat with a high regional importance). Moreover, some indicators on biodiversity are published and are on a positive trend. This has however not prevented the Company from being confronted to occasional controversies of high severity, to which the LafargeHolcim provides explanations but does not report sufficient remediation measures.

Local pollution and atmospheric emissions

Cement kilns can use high calorific value waste fuels (e.g. used solvents, waste oil, used tires, waste plastics, and organic chemical waste), but this can lead to important emissions of volatile organic compounds (VOCs), polychlorinated dibenzodioxins (PCDDs), dibenzofurans (PCDFs), hydrogen fluoride (HF), hydrogen chloride (HCl), toxic metals and their compounds, if not properly controlled and operated. In addition, this sector consumes much fuel, which results in high emissions of SOx and NOx, which contribute to acid rains. Companies in the building materials sector also face the issue of dust emissions due to the operation of their processing equipment. Finally, noise emissions are commonly associated with all extraction activities and transportation as well as manufacturing activities in the production lines. Extraction also involves blasting activities, which is a significant source of vibrations.

LafargeHolcim demonstrates a robust to advanced management of such emissions. Relevant commitments are confirmed by substantial quantitative targets on NOx, SOx and dust emissions, with 2030 as the target date. Measures reported to reach such targets seem to be mainly limited to monitoring and end-of-pipe ones, while process optimisation look less evident. This can be due to the difficulty to operate process modifications in such heavy and expensive industrial equipment. Nevertheless, even if LafargeHolcim is still confronted to occasional controversies of significant severity on local pollution, the Company has been able to reduce its specific emissions (per ton of cementitious material) of NOx, SOx and particulates over the last five years. On the other hand, no such decrease has been reached in emissions of Persistent Organic Pollutants (dioxin and furans).

Fundamental human rights and social-economic development

Following the economic growth in emerging countries, European companies have settled production sites in those countries, where human rights are considered at higher risks. Quarrying activities often entail significant local impacts on communities, especially the risk of infringement of property rights and resettlement as well as indigenous rights, where local populations have been displaced against their will and often received inadequate resettlement and reparation. The occupation of land, or loan of land (by state) to enterprises to set up plants and factories may threaten local community's rights to land. With presence in around 70 countries across the world and with 14% of its total sales coming from the aggregates segment (most aggregate being produced by blasting hard rock from quarries), LafargeHolcim is particularly exposed to those issues.

LafargeHolcim has issued a formalised and comprehensive commitment to respect human rights in society in its Code of Business Conduct and Human Rights Due Diligence, and the Company's policy on 'Promotion of the social and economic development' addresses most relevant items, such as developing local business and local employment, engaging with local communities and implementing a responsible tax strategy. These commitments do however not refer to reducing negative impacts of business changes. Means allocated to ensure the respect and promotion of human and community rights are particularly extensive, with training programmes, grievance mechanisms, risk and impact assessments (using the UN Development Index and the Freedom House Index), internal audits, stakeholder consultation, community engagement, and socio-economic development initiatives. Those measures seem to be in place in the majority of the company's operations and policies apply to all operations. Besides, the Company reports transparently on taxes paid by region. Here again, the weak point is found in the Company's exposure to occasional controversies of high to critical severity, to which the Company provides explanations but does not report sufficient remediation measures. This accounts for a limited to good assurance on the company's ability to manage related human rights and community risks.

Employees' health & safety.

A key human resources issue for LafargeHolcim in the cement industry is the health and safety of its own workers and contractors. Most tasks performed in the industry involve hazard risks. Employees working at quarries are also exposed to significant noise and vibration emissions resulting from blasting and extraction activities. As a consequence, the lack of adequate health and safety systems may cause accidents, occupational diseases, absenteeism, high staff turnover, interruptions of production, and legal proceedings.

LafargeHolcim shows a robust management of Health and Safety issues, mainly thanks to a comprehensive H&S management system, which covers all individuals active on the Company's premises and which include risk assessments, training programmes, internal H&S audits and employee incentives. Furthermore, in 2019, 40% of the company's countries had site or country level OHSAS / ISO 45001 certifications. The company has also allocated extensive means to address stress at work, including measures to improve ergonomics, employee participation tools, and employee-oriented flexibility and job redesign. Both the Total Injury Frequency Rate and the Lost Time Injury Frequency Rate of employees and contractors have decreased over the past five years and figures look better than the sector averages. On the other hand, LafargeHolcim does not disclose quantitative data on accident severity rates, the Company's Occupational Illness Frequency Rate has increased over the last three years and the yearly fatality rate, although decreasing, remains high compared to the sector. In addition, the Company is involved in persistent controversies (nine currently), some of them of high severity. On average, it appears that the Company's does not report on sufficient measures to remediate these cases.

Reorganisation

LafargeHolcim was formed by the merger of cement companies Holcim and Lafarge in 2015. Following the merger, LafargeHolcim announced several restructuring plans including in France, Central Russia, Belgium and Spain. Ahead of the merger, both Lafarge and Holcim had conducted headcount reductions worldwide. In September 2016, LafargeHolcim announced its reorganization of global functions. Overall, the plan resulted in around 250 net job reductions in corporate functions by the end of 2017. There have been several additional business divestments and acquisitions during the last five years, mainly in Asia. In this context, responsibly managing reorganisations and anticipating future competency requirements appears key to preserve human capital cohesion and ensure internal transfer of skills and knowledge.

LafargeHolcim demonstrates a limited performance with respect to the management of reorganisations. Indeed, the Company commits to informing and consulting employee representatives on reorganisations and to minimising the number of lay-offs. However, no commitment is visible to negotiate with employee representatives, by anticipating and planning reorganisations. The company has allocated significant measures to limit their negative impacts, such as internal mobility programmes, outplacement services, retraining and even individualised follow-up of employees. However, it is not clear whether such measures apply in countries where employees are not covered by strong collective agreements or legal provisions and whether they cover temporary workers. The Company's total workforce has decreased by 11.6% over the past three years, mainly due to sell of companies rather than closure of sites, according to the Company. Nevertheless, LafargeHolcim is confronted to two severe controversies on this topic, including one recent call from an international union federation to improve its labour practices worldwide, instead of reducing its headcounts, while at the same time increasing subcontracting.

RISK MANAGEMENT

LafargeHolcim's risk management system appears comprehensive and covers the group's most material CSR risks.

- ▶ Group-wide risk mapping is conducted once a year by the Compliance Department of which head, the Compliance Director, reports to the General Council, a member of the Executive Committee. The Compliance Department provides each business line with a taxonomy of risks and requires them to assess their exposure. Risks are weighted according to their potential impacts (legal, reputational, financial, operational) and likelihood of occurrence. Some CSR risks are integrated to this mapping such as climate change, water usage, biodiversity, anti-corruption but also anti-money laundering, integrity of business partners, customers, and suppliers, and data privacy.
- ▶ The Ethics, Integrity & Risk Committee (EIRC), CSR, Human Resource Department annually update the materiality matrix where all relevant CSR risks are identified and hierarchised depending on their significance for stakeholders. The matrix update involves the identification of key CSR risks, discussion on measures to prevent and mitigate risks and integration of consent results into definable control elements. The materiality matrix is formulated in consideration of stakeholders such as employees, contractors, shareholders, academics, civil society, regulators, industry peers, and community advisory panels. For internal stakeholders, most of the information is collected from the risk management tool, a digitalised function that supports horizontal and vertical communication across the Group. Through this system, all regional offices exercise ownership and report on local specific risks pertaining to each operation site, regional CEOs and General Counsels have the discretions to decide on regional operation's materiality while Group level Compliance tracks the implementation progress. For external stakeholders, two employees from the Health and Safety and Sustainability team are responsible to ensure continuous dialogue with civil society, academics and communities.
- ▶ Internal and external audits of risk-management processes are in place: The Compliance department controls that all concerned entities have defined adequate mitigation policies for each identified risk, while internal control department checks that processes are in place to back-up these policies. Each business line is responsible for ensuring that processes are correctly applied. For compliance risks, a specific platform (called "Compliance six packs") is in place to record all information on identified risks and update company's status on implementing preventive or mitigation measures.
 - For each process, a generic control plan defines key elements to be checked by operational risks teams. The correct application of CSR policies by all concerned entities, as well as the correct functioning of the CSR department are controlled in this frame.
 - A confidential channel is available to all employees and sub-contractors to report on issues related to anti-corruption, human rights, human resources, business ethics, non-discrimination, health and safety, and any other areas of concerns. The reported cases are investigated and resolved by EIRC Committee.
- ▶ Reporting on risk management is conducted by the Group General Counsel, who is a member of Executive Committee, EIRC Committee, and the functional manager of Legal and Compliance Department, to the Board. This reporting includes some indicators on CSR risk (including carbon emissions' reduction, site restoration, anti-bribery and corruption, sanctions, export, and data privacy)
 - The Chief Sustainability Officer is a member Executive Committee and reports on company's sustainability issues to the Board.
 - Reporting to stakeholders is made via the Registration Document, Company Website and Investor Calls. It includes relevant CSR indicators on key material issues.

REPUTATION

REPUTATION (/100)	64
Management of environmental impacts from the disposal of products	77
Shareholders	76
Protection of biodiversity	69
Integration of social factors in the supply chain	68
Prevention of corruption	63
Management of local pollution	63

Respect for human rights standards and prevention of violations	60
Management of atmospheric emissions	53
Executive remuneration	52
Promotion of the social and economic development	59

OPERATIONAL EFFICIENCY

OPERATIONS (/100)	
Minimising environmental impacts from energy use	83
Environmental strategy and eco-design	78
Board of Directors	76
Audit and internal controls	73
Management of environmental impacts from transportation	56
Protection of water resources	50

HUMAN CAPITAL

HUMAN CAPITAL (/100)	
Non-discrimination and diversity	70
Career management and promotion of employability	67
Promotion of labour relations	63
Improvement of health and safety conditions	61
Respect for freedom of association and the rights to collective bargaining	48
Responsible management of restructurings	38

LEGAL SECURITY

LEGAL SECURITY (/100)	
Product Safety (process and use)	78
Prevention of anti-competitive practices	67

Weak: from 0 to 29

Limited: from 30 to 49

Robust: from 50 to 59

Advanced: from 60 to 100

Management

INTEGRATION OF ESG FACTORS INTO CORPORATE GOVERNANCE

Most factors under review demonstrate LafargeHolcim's advanced willingness and capacity to integrate ESG factors into its governance structure and decision-making processes.

- ▶ **At board level**, the Health, Safety and Sustainability Committee (HSSC) is responsible for the company's CSR strategy. In addition, the Chief Sustainability Officer (CSO), who is a member of the Executive Committee, is also invited as a standing guest to the HSSC to advise the Board on sustainability related issues. Board members are regularly updated on CSR issues and most relevant CSR topics are

discussed at board level. These topics concern, among others, social and environmental impacts, contribution to social development, human rights, business ethics, talent development, health and safety, climate change, biodiversity, carbon emission reduction, circular economy, energy usage and reduction, protection of water resources. Of note, in 2020 subjects linked to a new group-wide strategy on Diversity and Inclusion have been discussed at board level. CSR expertise of some of the Board members may strengthen the Board's ability to integrate ESG challenges into the company's strategic decisions.

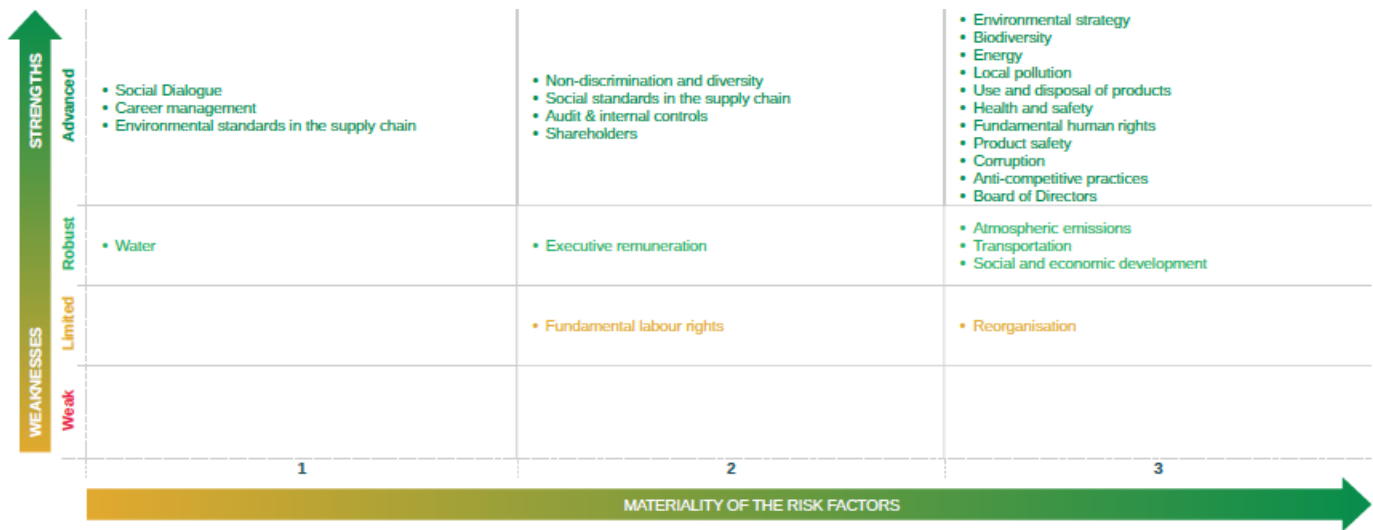
- ▶ Management Committee members, in coordination with HSSC, are responsible for the implementation of the CSR action plan, including the achievement of quantitative environmental and societal targets related to sustainability initiatives. In this respect in 2020, they achieved, among others, the following results:
 - A partnership with SBTi to define company's net zero roadmap beyond 2030 on their pledge to net zero.
 - The launched Ecolabels to offer more low-carbon and carbon-neutral products such as ECOPact green concrete, Susteno cement, and Aggneo recycled aggregates.

- ▶ CSR risks are covered by the **internal controls system**, which entails comprehensive risk mitigation processes (these are analysed in detail in the "risk management" part on p 8 of this document).

- ▶ LafargeHolcim has presented its CSR strategy to **shareholders** and investors and this covers some of the most relevant CSR issues. CSR related news are included in the newsletter to LafargeHolcim's shareholders. In addition, LafargeHolcim's investor relations team participates to roadshows attended by CSR. LafargeHolcim also organizes an Investor meeting at least once a year where a detailed presentation of the CSR strategy is made to investors. Topics discussed with shareholders include the company's most relevant CSR challenges related to recycling of waste, carbon emission reduction, energy and water consumption biodiversity, inclusive community development, health and safety, human capital, business ethics and practices with government, employees communities, and suppliers.

- ▶ **Executive remuneration** appears to integrate several CSR components: CSR performance objectives on most of the company's material CSR challenges are considered in the determination of senior executives' variable remuneration. However, quantified targets linked to CSR performance indicators are not disclosed.
 - The Annual Incentive Bonus, is subject to several individual performance objectives, including, health and safety targets such as Lost Time Injury Frequency Rate (LTIFR) and fatalities rate and their cause
 - One third of executive's performance share award is linked to the CSR performance, measured by the following indicators:
 - Climate and energy reduction of CO2 emissions with a 50% weight
 - Circular economy; increased re-use of waste derived resources with a 25% weight
 - Environment: reduction of freshwater withdrawal with a 25% weight

ESG MATERIALITY AND PERFORMANCE MATRIX



ENVIRONMENT

Strengths	Weaknesses
<p>The company's portfolio for low carbon solutions has grown quickly in the past few years. LH has dedicated over 50% of its R&D resources to shaping low-carbon and circular solutions. In 2020, it has developed and commercialised new solutions such as the EcoPact concrete and the Susteno cement. Offering products with a lower environmental impact can contribute to the company's reputation and competitiveness in the construction market, where there is an urgent need to reduce environmental impacts (and especially climate-related impacts) of buildings and infrastructures.</p> <p>The company uses several optimisation measures in order to reduce GHG emissions of its production processes, such as replacing clinker with alternative mineral components, using pre-treated waste and low-carbon fuels as a replacement for fossil fuels, installing waste heat recovery units, and expanding its renewable energy portfolio. In such an energy and emission intensive activity, such measures are an opportunity to reduce operating costs (including those related to carbon credits), enhance the company's efficiency, and ensure procurement security.</p> <p>LafargeHolcim has allocated comprehensive resources to environmental management and has set many quantitative targets as regards its environmental impacts. In addition, the majority of operations is certified in accordance with ISO 14001 standards. Such a strong environmental strategy demonstrates the Company's willingness to lead the market in terms of resources consumption and utilisation. A strong and well implemented environmental management system can reinforce the effectiveness of organisation and processes as well as productivity.</p>	<p>The Company reports limited measures to reduce its atmospheric emissions (other than CO₂), consisting mainly of monitoring efforts. In addition, although emissions of VOCs, NO_x and SO_x, normalised to sales, seem to follow a decreasing trend, the Company's specific dioxins/furans emissions has increased significantly from 2017 to 2019, to come closer to 2015 levels.</p> <p>LafargeHolcim is involved in occasional controversies of significant severity as regards its local pollution, especially in India. Even if the Company has taken specific correction measures, this may expose the Company to reputation and legal risks (if emission thresholds permits are exceeded).</p>

SOCIAL

Strengths	Weaknesses
<p>At Group level, the Company launched a targeted action plan that aims to ensure that 25% of its senior management is comprised of female executives by 2026. The company also committed to reach 25% women in management positions by 2026. To implement these</p>	<p>Although LafargeHolcim has carried out important reorganisations since its merger, the Company's commitment to minimise their negative impacts remains quite vague. While the Company has allocated significant measures to limit their impacts, it has not been</p>

commitments, the company has set up extensive measures to prevent discrimination and promote diversity. This is worth mentioning in a sector where recruiting female talents is a difficult challenge.

The company has issued a formalised and comprehensive commitment to including social factors in supply chain management and set specific targets. In addition, the Company has set up several measures to include social factors in supply chain management, which cover the main purchases. Finally, dedicated social audits are carried out by external auditors and LH reports the percentage of suppliers with ESG breaches who have remediation plans in place, which is quite exceptional.

able to avoid layoffs and is even confronted with two severe controversies. A responsible management of restructuring may reduce the negative effects that redundancies and layoffs generate in terms of workers motivation and internal cohesion. The way restructuring is carried out may also impact the attraction and retention of skills and know-how.

LafargeHolcim is confronted to many serious controversies related to internal social issues (mainly related to Health & Safety) as well as to human and labour rights. The Company usually reports in a detailed way to V.E its position to the cases. However, there is a lack of public communication on those cases and, in its reactions, the Company usually merely reminds its existing measures to avoid such controversy at Group level but does not really report specific initiatives taken to tackle those local events.

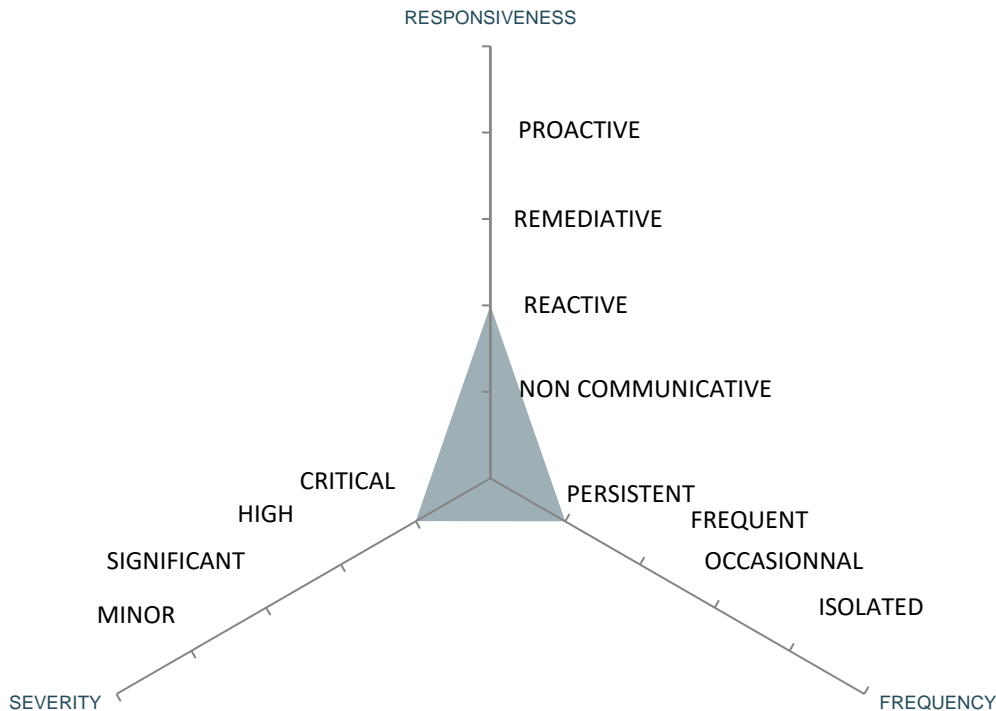
GOVERNANCE

Strengths	Weaknesses
<p>Strong commitment and efficient measures to prevent corruption and fraud contribute to preserve the legal security and reputational asset of a Company. This appears to be the case now at LafargeHolcim after the controversy that has affected the Company in 2016 on its activities in Syria. Indeed, there is now a comprehensive policy on corruption (that includes facilitation payments), a system to ensure that relevant employees are made personally responsible for preventing corruption, internal and external controls initiatives, including risk assessment of company vulnerability, and due diligence in evaluating partners and intermediaries.</p> <p>Good practices observed at Board level (including the high level of independence of Board members, the separation of Board chairman and CEO's role and the fact that CSR issues are discussed at Board level) may ensure its ability to exercise an effective control over the top management.</p> <p>All members of the Audit Committee (which has a comprehensive role) are non-executive directors, and the majority, including the committee's chair, are independent. The internal control system covers most of the CSR risks inherent to the company's business operations, and relevant processes dedicated to management of CSR risks are in place. Finally, only 2.6% or less of total fees paid to the audit firm cover non-audit fees, and CSR reporting is externally audited.</p>	<p>All elements of executive remuneration are disclosed for the CEO, including the fair value estimates of individual grants under the long-term incentive plans. However, the remuneration of other executives is disclosed on a collective basis. Improving transparency on these elements could positively impact LafargeHolcim's reputation.</p> <p>A critical controversy still affects LafargeHolcim in relation to the operation of Lafarge in Syria between 2012 and 2014, where the Company was accused of financing terrorism through its payments to the Islamic State in Iraq and Syria. This accusation has led the CEO to resign in 2017. In addition, the former CEO and seven former Lafarge executives are still under judicial investigation. In between, LafargeHolcim has taken remediation measures to make sure that similar events will not happen again.</p>

DETAILED EXPOSURE TO CONTROVERSIES

ESG Issues: Generic Name	Number of companies facing associated cases within the sector	Company exposure	Company reactivity
Product safety	2	No	N/A
Environmental standards in the supply chain	0	No	N/A
Social standards in the supply chain	2	Yes	Remediative
Corruption	1	Yes	Remediative
Anti-competitive practices	5	Yes	Reactive
Fundamental human rights	3	Yes	Reactive
Fundamental labour rights	1	Yes	Reactive
Non-discrimination and diversity	4	Yes	Reactive
Environmental strategy	0	No	N/A
Biodiversity	4	Yes	Reactive
Water	4	Yes	Remediative
Energy	1	Yes	Reactive
Atmospheric emissions	5	Yes	Remediative
Local pollution	4	Yes	Reactive
Transportation	0	No	N/A
Use and disposal of products	0	No	N/A
Social and economic development	6	Yes	Non Communicative
Board of Directors	2	Yes	Remediative
Audit & internal controls	3	Yes	Reactive
Shareholders	2	No	N/A
Executive remuneration	0	No	N/A
Social Dialogue	2	Yes	Reactive
Reorganisation	1	Yes	Reactive
Career management	0	No	N/A
Health and safety	5	Yes	Remediative

CONTROVERSY MANAGEMENT



As of April 20, 2021, Lafarge-Holcim was involved in 24 controversies, seven of which are considered of high (6) or critical (1) severity.

- As already mentioned previously in this document, the most severe controversy (considered of critical severity) relates to operations of Lafarge in Syria between 2012 and 2014, where the Company was accused of financing terrorism. This accusation has drawn huge media attention since 2016 and has led the CEO to resign in 2017. In addition, the former CEO and seven former Lafarge executives are still under judicial investigation. In between, LafargeHolcim has taken remediation measures to make sure that similar events will not happen again.
- Out of the six high severity controversies, two relate to environmental issues. The first one, which affects biodiversity occurred in 2018 in Indonesia, after a barge delivering coal to the Company's cement plant at Aceh coast spilled around 7000 tonne coals on the beach, damaging marine life and devastating the livelihoods of the community. Even if the Company ensured that all actions were conducted in a timely manner to minimize further environmental impacts, LafargeHolcim merely stated that the responsibility for this incident lied with the company owning the barge. The other controversy relates to dust and VOCs emissions in Nigeria in 2020, which reportedly would deteriorate air quality and expose residents and employees to health problems. On this allegation, the response from the Company was considered proactive since it corrected the local problem with technical adaptations and also developed a new system to better detect further dust emissions.
- The other four high severity controversies mainly affect the Company's management of human resources, with also some effects on human rights and community issues. LafargeHolcim has been accused of violating labour rights in Jordan in 2021, and of abrupt termination of work contracts in Philippines in 2019. Also, in October 2020, press sources reported that a court in Florida has accepted a request for damages worth USD 270 million from LafargeHolcim to over 20 parties from Cuba whose land was nationalised to build a cement plant in 2001 by a company that was taken over later by Holcim. Finally, very recently (in March 2021), IndustriALL Global Union reported that the world union council of LafargeHolcim called the company to respect workers' rights, protect jobs, ensure workers' health and safety at work and drastically reduce precarious work. The demand came out of an online meeting where more than 100 participants from 42 countries discussed union strategies to demand an end to LafargeHolcim's "bad labour practices. On average, on these controversies, the Company

either does not communicate significantly or reports on its position but does not really disclose specific initiatives taken to tackle those local events.

- The 17 controversies of significant or minor severity to which the Company is confronted mainly relate to environmental issues (affecting water, energy and climate change, waste management, and local pollution), and human resources (mainly employees' health & safety). A more limited number of such controversies affects the way the Company handles issues related to communities, anti-competition, social standards in the supply chain, audit and internal controls, and fundamental labour rights. Here again, the Company appears to report its position on these cases although it does, in most cases, not sufficiently report on corrective actions addressing these events.

Based on the high frequency of controversies observed, as well as on their severity and on the company responsiveness to these events, our assurance on LafargeHolcim's ability to ensure balanced relationships with stakeholders is low.

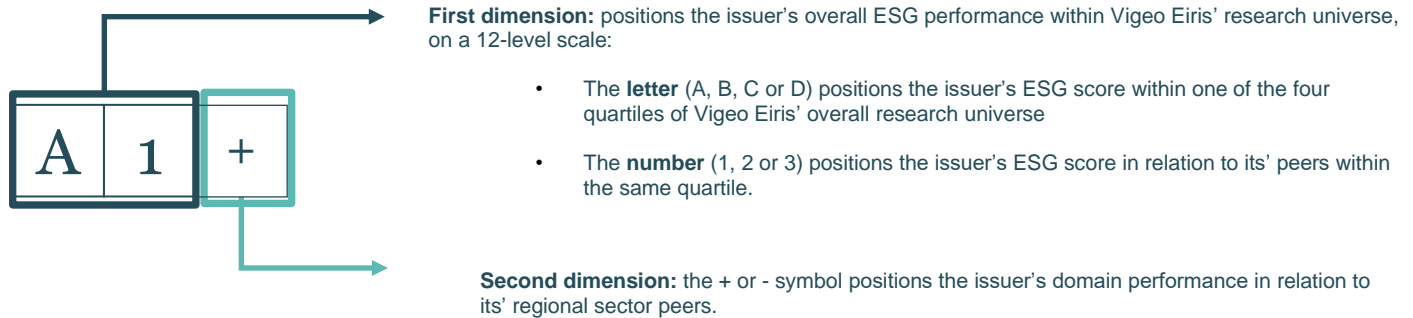
Methodology

Corporate Rating Scale

Vigeo Eiris' consolidated rating scale ranges from A1+ to D3-.

The consolidated rating translates the overall and relative ESG performance of an issuer according to 2 elements:

- Quartile performance and position within this quartile;
- Position in relation to its' peers.



Definition of Strategic Assets

Each sustainability criterion of our rating framework affects issuers' non-material strategic assets with a different intensity. Vigeo Eiris has categorised these non-material assets into 4 classes: reputation, human capital cohesion, operational efficiency and legal security. The intensity of each sustainability driver on each asset class translates into a weight from 0 to 3.

Vigeo Eiris postulates that a correlation exists between an issuer's level of commitment towards each of the sustainability criteria analysed and its ability to protect and develop these 4 classes of strategic assets.

From the ESG scores obtained by an issuer on different sustainability criteria, we infer a level of risk mitigation of these strategic assets. This level is given a score which is calculated using the following formula:

- "R": Level of risk mitigation
- "Y": Asset under review (reputation, human capital cohesion, legal security, operational efficiency)
- "S": Sustainability criteria score for which the weight of the asset X is weighted at 3
- "W": Weight allocated to the asset under review within each sustainability driver

$$Ry = \frac{\sum(Sy \times Wy)}{\sum Wy}$$

Risk Typology – The 4 main categories

Reputation	<ol style="list-style-type: none"> 1. Brand recognition, level and variation of brand image and organisation, its leaders and consulting shareholders 2. Outbreak, persistence, reduction or elimination of rumours, allegations and controversies 3. Licence to operate, degree of social acceptability (approval of the implementation and/ or extension of the company, receipt and maintenance of operational permits and licences from public authorities or ordering parties) 4. Talent attraction 5. Variation of levels of shareholder support and satisfaction
Human Capital Cohesion	<ol style="list-style-type: none"> 1. Stability of labour relations and social conflict mitigation 2. Retention of skills and know how; skills development 3. Attraction and mobilisation of core skills 4. Company culture and values
Operational Efficiency	<ol style="list-style-type: none"> 1. Production cost management (work accidents, competencies, reducing energy consumption etc) 2. Competitiveness of products and services (training, waste reduction, employee training and participation) 3. Organisational and process effectiveness (audits and control mechanisms, environmental strategies etc)

	<p>4. Innovation and preventing production and organisational process techniques from becoming obsolete; prevention of technological obsolescence</p> <p>5. Security and quality of supplies and revenues</p>
Legal Security	<p>1. Recourse and complaints, litigation, legal proceedings, trials and fines</p>

Controversies

We continuously monitor controversies involving the social responsibility of the issuers we assess. We promptly disseminate our detailed opinion on the severity and possible consequences of the controversies in question. This service is designed to inform investors and asset managers about unexpected changes in issuers' risk profiles and enable them to make informed decisions.

We assess issuers' capacity to mitigate risks arising from allegations, media campaigns, lawsuits, or social movements related to environmental, social, ethical, supply chain, human rights and governance issues, which involve their products, services or behaviours. We provide an opinion on issuers' controversy risk mitigation based on the analysis of three systematic factors: the **severity** of the controversy regarding the social responsibility norms and standards applicable to the issuer and the rights and expectations of its stakeholders; the **frequency** of similar allegations involving the issuer; the issuer's **responsiveness** and its ability to take appropriate, corrective and preventive measures. Depending on their topic, controversies are categorised into 106 different themes.

This service provides access to our Controversy Journal, which is permanently available and categorises entries by social responsibility theme and factor, company, sector, and country. It also offers a "Warning List", identifying companies involved in the most critical controversies which, due to the frequency of allegations to which they are subject and/ or their weak level of responsiveness, require issuers to be more vigilant. The reference universe for Vigeo Eiris' controversy analysis is based on our exclusive Equitics© research. The Controversy Database is updated daily and involves correspondence with issuers.

Contribution to the UN Sustainable Development Goals

Vigeo Eiris measures issuers' level of contribution towards the Sustainable Development Goals (SDGs), set by the United Nations in 2015. As these 17 goals are interdependent, complementary and indivisible, Vigeo Eiris has developed an analytical framework, based on its generic reference framework, that companies can use to assess their level of commitment regarding their SDG responsibilities.

The sustainability criteria rated are categorised into 8 themes: Business Ethics, Governance, Wellbeing, Decent Work, Basic Needs, Clean Technology, Natural Resources and Development Tools. The analysis reviews and balances issuers' degree of contribution to the SDGs against their governance, operations, and the specific nature and footprint of their products and services. The assessment is based on the premise that contributing to the SDGs forms an integral part of issuers' social responsibility and must therefore be integrated into their frameworks of commitments, risk management, stakeholder dialogue and reporting.

Vigeo Eiris provides a final opinion on companies' overall level of contribution to the SDGs on a 5-level scale: very positive, positive, marginal, negative or very negative. The reference universe is based on Vigeo Eiris' Equitics© research and is updated at the same time as Equitics©.

Energy Transition Strategy score

By taking into account the size, sector of activity and nature of its products and services, we assess a company's willingness and capacity to adopt a clear, documented and measurable transformation strategy regarding its behaviour, products and services; with the objective of reducing its carbon footprint and creating sustainable value based on low-carbon activities that are in line with international climate objectives such as the 2 degrees policy.

Each issuer receives an Energy Transition Strategy score resulting from the analysis of criteria defining its responsibilities regarding the fight against climate change. These criteria stem from an authoritative framework of international norms and standards and consider the best practices that make up our Equitics© framework: green products, energy, atmospheric emissions, transportation, use and disposal of products, and societal impacts of products & services. The reference universe is based on Vigeo Eiris' Equitics© research and is updated at the same time as Equitics©.

Carbon Footprint

A company's carbon footprint is the total volume of Greenhouse Gas (GHG) emissions in tonnes of CO2 equivalent (Scope 1 + Scope 2) emitted by the issuer.

Emissions

- Scope 1 covers direct GHG emissions originating from sources that are owned or controlled by the issuer.
- Scope 2 covers indirect GHG emissions caused by the organisation's consumption of electricity, heat, cooling or steam purchased or brought into its reporting perimeter.
- Scope 3 covers other indirect emissions (not included in Scope 2) from the entire value chain, both upstream and downstream.

Data

The main source of GHG emissions data is the Carbon Disclosure Project (CDP) and Vigeo Eiris' own company research. When data is not available via these two processes, Vigeo Eiris estimates the Carbon Footprint of the company based on the size and the nature of the issuer's activities, using three main modeling processes: regression analysis, sector-specific factors and average sector emission ratios. The research on non-sovereign issuers is updated twice a year.

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