

### 1. LafargeHolcim is committed to Human Rights

At LafargeHolcim we believe that every employee, independently if our own or our suppliers', should be treated with respect and dignity; compensated fairly; provided a safe workplace free of discrimination, sexual harassment; and allowed freedom of association and collective bargaining. Our respect for human rights extends into the communities where we operate, also respecting laws and labor practices, ensuring alignment with our standards and code of conduct, many of which exceed the requirements of laws and regulations.

Managing business-related human rights risks is a requirement of doing business in a globalized world. Over the past years, states, companies and civil society organizations have agreed on a clear definition of the role of business with regard to human rights. In line with the UN framework on business and human rights<sup>1</sup>, all businesses are expected to respect human rights in all countries.

LafargeHolcim is committed to going beyond, respecting relevant international human rights standards, including the principles contained within the Universal Declaration of Human Rights, the Core Conventions of the International Labor Organization (ILO) and the OECD (Organization for Economic Cooperation and Development). To demonstrate this commitment, LafargeHolcim is a participant of the United Nations (UN) Global Compact, joined the Call to Action for Business Leadership on Human Rights by the World Business Council for Sustainable Development (WBCSD) and implements initiatives that contribute to the United Nations Sustainable Development Goals (SDGs). Engagement of security services is only made as a last resort through a risk-based methodology. It follows stringent rules of professionalism and integrity, aligned on the Voluntary Principles on Security and Human Rights, for which membership is currently under consideration.

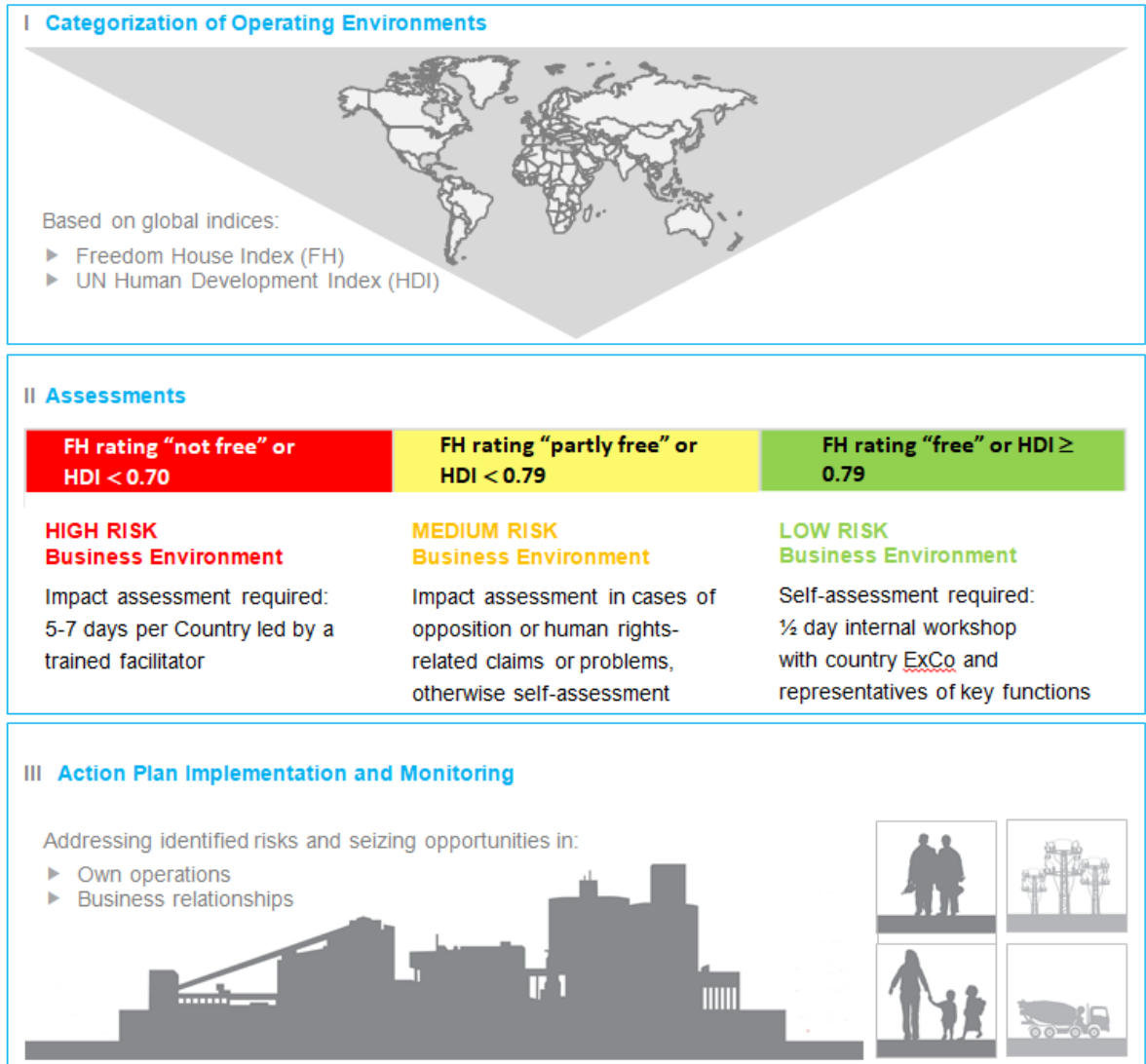
LafargeHolcim human rights due diligence methodology, which was based on the approach from the Danish Institute for Human Rights, has been implemented in the countries where we operate for 5 consecutive years. By implementing this thorough due diligence process, we aim at ensuring systematic identification, prevention and mitigation of human rights risks (referring mainly to the areas of employment practices and community impacts, of our own practices and those of our contractors and suppliers) and seize opportunities throughout the LafargeHolcim Group. As part of our responsibility to respect human rights we actively engage and cooperate to remedy any adverse impacts that we have caused or contributed to.

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<sup>1</sup> In 2011, The United Nations adopted Guiding Principles for the implementation of the framework on business and human rights which is based on three complementary principles: The state duty to protect human rights, the corporate responsibility to respect human rights and the access to remedies in instances of violations. The "corporate responsibility to respect human rights" is defined as a baseline expectation for all businesses in all situations.

## 2. Overview of LafargeHolcim’s due diligence Methodology

LafargeHolcim’s approach is to categorize all Countries according to the human rights risks prevalent in their operating environments, to conduct assessments according to the risk category, and to implement effective follow-up actions.



Systematically identifying and addressing our social impacts is crucial to manage risks and to ensure our operations are sustainable. LafargeHolcim is committed to upholding human rights and to engaging with stakeholders. The Group-wide management approach formalizes and reinforces proactive risk identification.

The implementation of the Group-wide management approach for business-related human rights risks is mandatory in all Countries and needs to be updated every 3 years.

### I. Categorization of Operating Environments

#### Salient risk assessment: Determination of country risk level

The risk level of each operating context with regard to business-related human rights issues is determined based on the [UN Human Development Index \(HDI\)](#) and the [Freedom House Index \(FH\)](#):

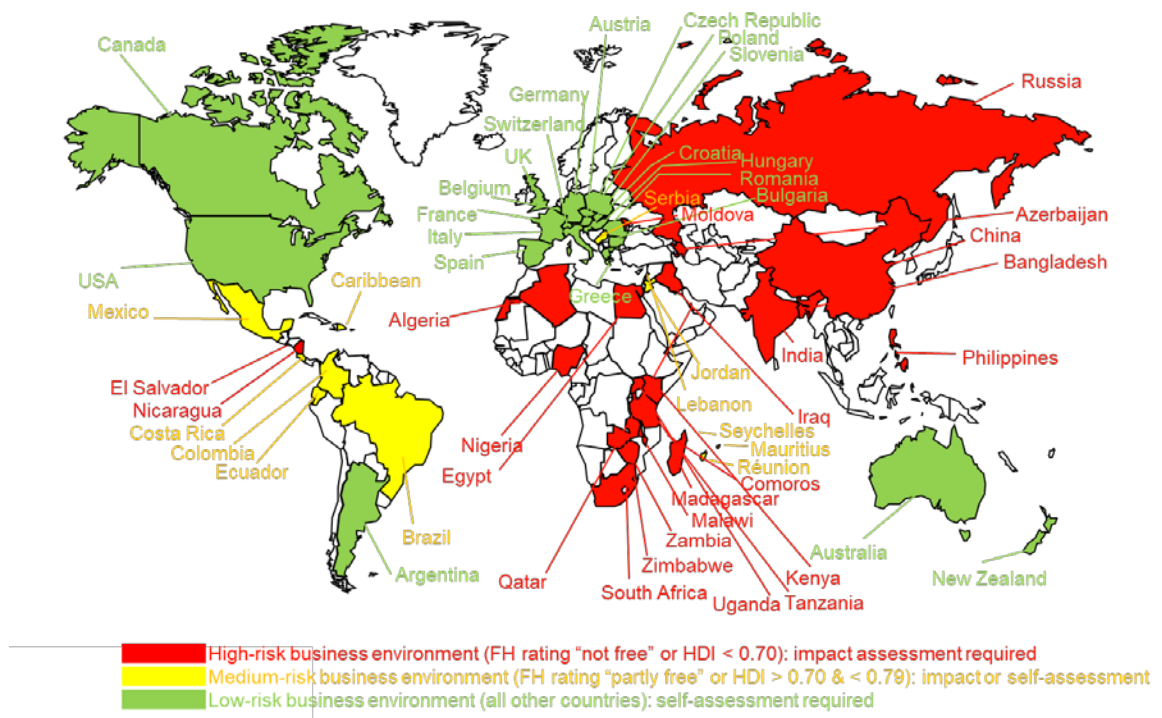
- High-risk business environment: FH rating “not free” or HDI < 0.70 → Impact assessment required

- Medium-risk business environment: FH rating “partly free” or HDI < 0.79 → Impact assessment required in cases of opposition or human rights-related claims or problems, otherwise self-assessment (see criteria below)
- Low-risk business environment: FH rating “free” and HDI ≥ 0.79 → Self-assessment required

Detailed criteria to determine if an impact assessment is required in medium-risk countries:

- Country operations experienced material complaints by stakeholders related to human rights issues in the past 2 years.
- Country operations that have become the target of a civil society campaign with a national or international dimension within the past 3 years.
- Country operations in an area with a significant indigenous population and potential related issues.
- Countries to develop new sites, especially in a conflict-affected environment (armed conflict, civil war or other incidence of violence).

According to the categorization, impact assessments are required in 36% of the Countries where LafargeHolcim operates, while 42% of the Countries will conduct self-assessments. The remaining Country operations are in medium-risk business environments where the adequate assessment type has to be determined according to the pre-defined criteria.



### Approach to minority holdings and joint ventures

For subsidiaries and joint ventures, the Human Rights Due Diligence is fully enforceable when LafargeHolcim has management control (i.e. for consolidated Group companies). In companies over which we have no control, we seek the adoption of similar standards of behaviour reflected in our Human Rights Due Diligence, respecting, identifying, preventing and remediating human rights risks. All persons, including service providers, subcontractors, and business partners, are required to act consistently with our Code of Business Conduct when acting on our behalf or in our name.

## II. Assessments

All LafargeHolcim Countries are required to conduct an assessment according to the risk categorization of their operating environment and implement corresponding action plans to address identified risks.

The potential negative impacts assessed concern both the business, and the stakeholders. The UN Guiding Principles on business and human rights require companies to assess their operations' risks to affected stakeholders, not only to business. The aspects are connected – if an issue negatively affects stakeholders it also represents a risk for the business, through effects on reputation, license to operate, work climate, attractiveness for investors and best talents. Nevertheless, it is important to consciously assess both types of risks, which is a priority of the LafargeHolcim methodology.

LafargeHolcim identified 14 salient human rights issues that are particularly relevant to our business:

### Employment Practices

- Child labor
- Forced labor
- Freedom of association
- Non-discrimination
- Working conditions
- Minimum wage
- Health & Safety
- Contract workers and third parties employment practices

### Community Impact

- Impact on indigenous people, living conditions, water, health, infrastructure
- Land management
- Security guards behavior
- Bribery and corruption
- Engagement with armed actors (in conflict-affected situations)
- Availability of a grievance mechanism (internal and external)

## Impact Assessments

Human rights impact assessments are conducted in Countries that operate in high-risk business environments or in medium-risk countries where human-rights related claims occurred in the past. The goal of the assessment is to obtain a comprehensive overview of the risks and opportunities related to the social impacts of the company's operations, to set priorities and to plan effective follow-up actions.

The specific objectives are:

- To identify impacts, risks and opportunities through consultations with relevant stakeholders (considering our operations and our business relationships, mainly related to suppliers and contractors)
- To conduct a gap analysis of existing mitigation mechanisms
- To set priorities, agree on follow-up actions and define responsibilities

### *Methodology*

Impact assessments take approximately 5-7 days per Country and are led by a trained facilitator<sup>2</sup> with the support of the local responsible for CSR (Corporate Social Responsibility) / SD / Communications. To ensure neutrality, it is required that at the first time a country is conducting a Human Rights impact assessment, a facilitator external from the country (usually from corporate) will go to the country for approximately one week to conduct this process.

Representative sample of sites → Due to time and logistics limitations, during this period maximum two different sites will be assessed, so it is important to make a good selection of the site. These are the criteria to select the sites to be assessed:

- Good distribution in terms of region and business segment
- Inclusion of significant sites in terms of production capacity
- Sites with a history / environment of conflict need to be included

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<sup>2</sup> Corporate, regional or local personnel who have been previously trained to conduct an impact assessment.

- Sites with a potential Human Rights risk (e.g.: high number of child labor happening in the community, in a specific region) must be included.

For the sites not included in this assessment week, the local team involved in the assessment and trained in the methodology should conduct the same process in the other sites to ensure full coverage of the Country operation.

*Train the trainers workshop* → The session will be conducted by the trained facilitator to ensure the local team directly involved in the impact assessment understands the methodology and support needed. This will also guarantee the local team will have the knowledge to conduct a future assessment by themselves.

*Materiality review* → The kick-off of the impact assessment is the materiality workshop conducted with the local Exco before the stakeholder consultations start. This allows to identify potential risks from an internal perspective and raise awareness about Human Rights topics. During this workshop, the discussion will be based on the 14 salient human rights issues for our business, assessing the likelihood of occurrence and the potential impact on the business, according to the local context we are operating.

*On-site consultations* → The key part of an impact assessment is the consultation with internal and external stakeholders (through interviews or focus groups) to identify local impacts, risks and opportunities. The stakeholder mapping (integral part of the stakeholder engagement plan) of a specific site is consulted during the planning to define the list of stakeholders who will be invited to the consultations. These include representatives of local stakeholders, such as employees, contract workers, owner/or managers of contractors companies, truck drivers, trade unions, local authorities, human rights experts, opinion formers (doctors, teachers), universities, neighbors, local communities, NGOs/Associations and/or religious organizations. A separate consultation with female representatives working in the site (employees and contractors) must be conducted.

A crucial added value of the assessment lies in the creation of a safe space for stakeholders to identify and discuss issues openly. This requires full protection of the anonymity of interview and focus group participants, which is especially important for employees, contract workers and community members. Confidentiality has to be ensured not only during the consultation, but also when inviting participants, transcribing interviews and reporting the data. Participant selection has to be randomized and confidential, consultations must not be attended by supervisors, and results have to be anonymized. The consultation process done during the assessment also contributes to designing and implementing community programs and initiatives as part of the Stakeholder Engagement Plan (refer to LafargeHolcim Stakeholder Engagement summary).

*Data analysis and prioritization* → After all planned consultations are concluded, the assessment results are consolidated using a standardized methodology and a systematic overview of the Country's business-related human rights risks and opportunities. The risks are prioritized based on:

- Relevance for the stakeholder, based on the number and variety of stakeholders who mentioned issue as actual risk
- Severity of impact on stakeholders / human rights affected
- Severity of potential impact on the business if issue is not managed / addressed

*Results and recommendation workshop* → In the concluding meeting with the country CEO, a risk graph with prioritized Human Rights areas, details on external stakeholders' perceptions and recommendations for a corresponding action plan are presented. Action plan including closure deadlines will be developed by the local management team.

*Corporate teams support* → If a critical Human Rights issue or violation happened or is identified during or before the assessment, the Corporate Citizenship and Legal & Compliance teams must be informed immediately to be able to support the Country with a proper extraordinary mitigation plan.

Impact assessment update → After 3 years, the full assessment must be updated. In this case, the previous action plan is the starting point for discussion, to verify if the actions implemented have mitigated or not the risk previously identified. In addition, new potential Human Rights risks may be identified. This process is usually done by the local team (if trained in the methodology before).

## **Self-Assessments**

Self-assessments need to be conducted by Countries that operate in low-risk business environments or in medium-risk countries where no human-rights related claims were made in the past. The goal is to ensure that all potential risk areas are reviewed by management and any need for action identified.

### *Methodology*

The self-assessment consists of a half-day workshop with the local management..

Preparation phase → Research about the country's situation and potential risks related to the 14 salient human rights issues for our business, so the facilitator can challenge the participants during the workshop.

Risk assessment by the Exco → In this workshop, representatives of local Exco will be guided through a number of questions that systematically cover the 14 salient human rights issues for our business<sup>3</sup>. Based on the answers, the prioritization tool will automatically rate each human rights area taking into account the likelihood of the risk in the operating context, considering existing mitigation mechanisms, and the severity of the potential impact. This should also be done considering the supply chain context (contract workers and suppliers).

Definition of action plan → In case high, medium or potential risks are identified, an action plan including closure deadlines will be developed. If only low risks are identified, it is not mandatory to develop an action plan. The self-assessment implementation is facilitated by the local CSR / SD / Communications Coordinator.

Self-assessment update → Similar to the impact assessments, after 3 years the full assessment must be updated. In this case, the first action plan is the starting point for discussion, to verify if the actions implemented have mitigated or not the risk previously identified. In addition, new potential Human Rights risks may be identified. This process continues to be done by the local team.

## **III. Action Plan Implementation and Monitoring**

### **Action Plan Development**

Based on the results of the assessments (impact or self), an action plan addressing priority areas (high, medium and potential risks) must be developed by local management. Actions must be taken to remedy the risks identified. This process is facilitated by the CSR / SD / Communications Coordinator.

The objective is to ensure that all identified business-related human rights risks are properly mitigated. Human rights issues within our supply chain and contract workers (especially for traditional and alternative fuels and raw materials) must also be included in the action plan. It is crucial that the plan defines targets, responsibilities and timelines for each action.

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<sup>3</sup> The self-assessment is based on the [Human Rights Compliance Assessment Quick Check](#) developed by the Danish Institute for Human Rights, one of the leading institutions in the field of business and human rights.

In many cases it will not be necessary to launch new engagement activities, as actions can be aligned with existing processes. For example:

- Address findings and develop solutions in Community Advisory Panel (CAP) meetings.
- Mitigate risks through site-specific engagement activities defined in the context of the Stakeholder Engagement Plan
- Target vulnerable groups identified in the assessment through ongoing CSR activities such as collaborative projects in Strategic Social Investment focus areas
- Reinforce grievance mechanisms as an early warning system for concerns among employees, contractors and communities – most effectively through anonymous systems
- Make use of employee dialogues and collective bargaining processes to address risks and to develop constructive solutions.
- Reinforce human rights / equal opportunities trainings for employees to disseminate information about identified risk areas, raise awareness for policies and processes, collect feedback and engage in constructive dialogue
- Take advantage of existing relationships with suppliers, contractors and customers to mitigate potential risks in the value chain
- Carefully consider identified risk areas when screening investments as well as in commissioning processes and feasibility studies for Capital Expenditure (CAPEX) projects

### **Monitoring**

Progress monitoring of each action is crucial to ensure good risk management. Regular (e.g. quarterly) status updates, including on-time closure rate by the functions in charge of implementation are done. The CSR / SD / Communications Coordinator at the country is responsible for the coordination of this process and for overall oversight of action plan implementation.

High risk issues will be periodically and actively followed up (e.g. monthly) by Group SD and Legal & Compliance teams directly with the country. High risk actions closure must be validated by Group SD.

In order to anticipate developments in the operating environment, identified priority areas should be continuously monitored, e.g. through periodic interviews / focus groups with key stakeholders. Impact or self-assessments should be repeated after 3 years, with a special focus on high risk action closure to ensure it has mitigated the identified risk.

### **Reporting**

Following an impact assessment, regular updates about human rights issues and allegations are included on a site-level communication with stakeholders. Reporting on human rights risk management needs to be clear and easily accessible to local stakeholders, ensuring the anonymity it requires. This is added to the stakeholder engagement plans and can be done through written updates in local languages, or using our local engagement channels such as oral presentations at the community advisory panel to allow access to people with limited literacy.

Countries report on processes to manage business-related human rights risks and implementation of the action plans through an annual Stakeholder Questionnaire submitted to Group Sustainable Development. Information on the management approach is publicly reported through LafargeHolcim's Group Integrated Annual Report.

## **3. Varia**

Roles & responsibilities → Accountability for human rights at LafargeHolcim is cross-functional and includes leaders responsible for our human rights approach (Executive Committee: Chief Sustainability Officer), integrity and security (Executive Committee: Head Legal and Compliance), working conditions

(Executive Committee: Head Human Resources) and procurement (Executive Committee: Chief Financial Officer).

In our subsidiaries, the Country CEO is the main responsible for ensuring human rights issues related to our operations and business relations are respected, in addition to guarantee a proper implementation of the human rights due diligence, the sustainable procurement and other standards related to social issues. The execution rests with the CSR / SD / Communications country coordinator. It must also be supported by the country Exco (Executive Committee), local Human Resources team and representatives from functions such as Legal & Compliance, Procurement, Logistics, Health & Safety, Geocycle, Operations and Communications.

Complaints, disputes and grievance mechanism → LafargeHolcim's Human Rights Due Diligence is complemented by a global "Integrity Line," a whistle-blowing mechanism available on our website, enabling all employees and their families, , contractors, suppliers, business partners, community members and other stakeholders to report any integrity-related concerns in 38 languages. The hotline service is operated by an external third party and is a safe, anonymous and confidential way that allows individuals to report possible Code of Business Conduct violations or raise compliance-related questions. All grievances must be treated without any retaliation.

Participation of an independent observer → LafargeHolcim can decide to invite an independent observer, such as a NGO partner, to participate in selected consultations. Independent supervision enhances the credibility of the assessment for civil society and other external stakeholders and can trigger useful inputs for LafargeHolcim. Observers should be experienced, well-regarded experts, and terms of engagement need to be clearly defined in advance.

#### **4. Conclusion**

Systematically addressing business-related human rights is good risk management and necessary to maintain our sustainability leadership. Proactive identification and mitigation of these risks is the expected standard of conduct for companies and necessary to implement our group strategy.

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This Human Rights Commitment & Methodology document was approved by the Group Executive Committee in April 2020.

Responsible Group Executive Committee Member: Chief Sustainability Officer

Last update: June 2020