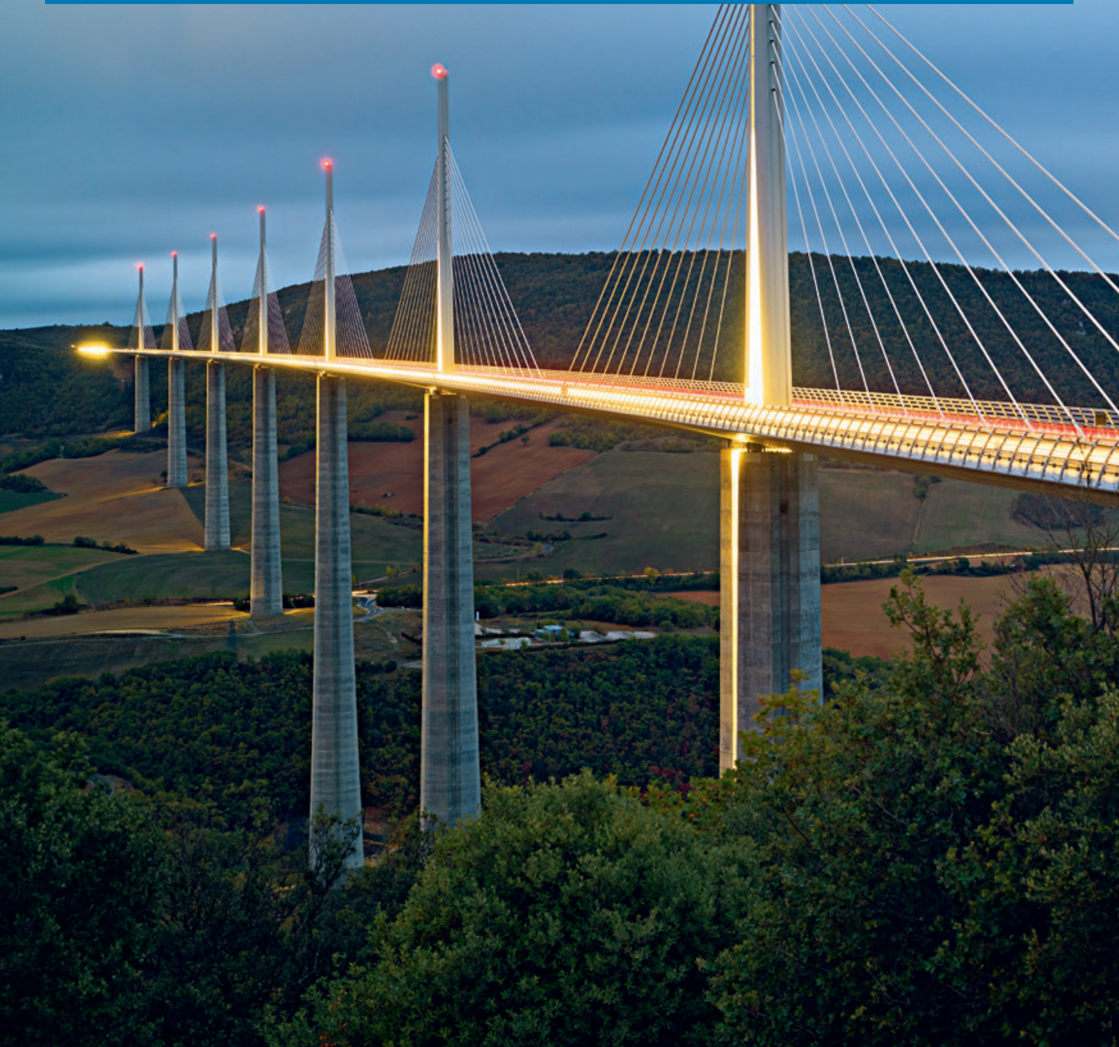
Minimum Control Standards - 2020

LafargeHolcim



Introduction

As a global leader in our industry, LafargeHolcim adheres to the highest of standards when it comes to how we manage and operate our business day to day everywhere around the world. We see it as our ethical duty. At the same time, we ensure our license to operate towards government and authorities as well as our employees, investors and the communities where we work.

With this in mind, we manage a set of Minimum Control Standards that every country and business in our organization must follow – with clear guidance and consequence management.

Minimum Control Standards encompass 62 mandatory controls from Governance and Compliance, Fixed Assets, Revenue, HR, Inventory, Expenditure, IT, Accounting and Consolidation, Tax and Treasury to Sustainability.

These minimum control standards are mandatory throughout our operations.

Each LafargeHolcim employee has an important role in ensuring the implementation and effectiveness of our Minimum Control Standards and thus running the Internal Control System.

It is crucial that we engage them in the Minimum Control Standards implementation and ensure that the right organization is in place to improve control effectiveness.

The Minimum Control Standards are assessed and tested every year in all our businesses across the globe. Our local CEOs and CFOs certify through signed letters to the Group that they are in place and operating effectively.

This booklet aims at supporting the Minimum Control Standards execution and proper understanding of the standards across the organization.

Group Internal Control

MCS Summary and Contents

	MCS	P.	Compliance	Reputational damages	Errors in financials	Operational disruption	Financial losses	Fraud
	HUMAN RESOURCES	**47**						
25	Execution of onboarding, offboarding and transfers of workers	48	●	●	●		●	●
26	Payroll	50			●		●	
27	Compliance with payroll and local labor laws	51		●			●	
28	Employee pension and benefit plans	52			●		●	
	EXPENDITURE	**55**						
29	Management of supplier master data	56					●	●
30	Supplier qualification	58	●	●			●	●
31	Three-way match, two way match and direct vendor invoices	60			●		●	●
32	Payment processing	62	●	●	●		●	●
33	Accrual for expenditures not invoiced	63			●			
	INVENTORY	**65**						
34	Physical stock take of spare parts and materials and volume reconciliations	66			●		●	●
35	Inventory valuation	70			●		●	●
	IT	**71**						
36	Management of access to IT systems	72				●		●
37	Review of IT user access rights to production IT systems	73				●		●
38	Security configuration settings and batch job management	74				●		●
39	Data backup, storage and restoration process	75				●	●	
40	Managing changes to IT systems	76				●	●	

	MCS	P.	Compliance	Reputational damages	Errors in financials	Operational disruption	Financial losses	Fraud
	ACCOUNTING & CONSOLIDATION	**79**						
41	Compliance with accounting and reporting standards (LHARP)	80			●			●
42	Reconciliation of general ledger accounts	81			●			
43	Reconciliation of bank accounts	82			●		●	●
44	Reconciliation of intercompany balances	83			●		●	
45	Manual journal entries	84			●		●	●
46	Impairment of goodwill, intangible assets and PPE	85			●			
47	Transactions in a foreign currency	87			●			
48	Management of legal structure and consolidation hierarchy	88			●			
49	Consolidation of financial statements	89			●			
50	Statutory financial statements	90			●			
	TAX	**91**						
51	Tax risk assessment and reporting	92			●		●	
52	Tax filings and payments	93			●		●	
53	Deferred and income tax calculations	94			●		●	
54	Transfer pricing	95			●		●	
55	Non-income (indirect) taxes	96			●		●	
	TREASURY	**97**						
56	Bank relations	98					●	●
57	Security, handling and recording of cash and checks	100					●	●
58	Secure payment means	101					●	●
59	Financial instruments, borrowings, commitments and working capital schemes	102			●		●	
60	Forex, interest rate, commodities risks monitoring and hedging	104					●	
	SUSTAINABILITY	**105**						
61	Environmental impacts	106		●		●	●	
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Governance and compliance

1 Communication and promotion of the Code of Business Conduct and speak-up culture

PRIMARY OBJECTIVE

Senior management continuously communicate and role model the Code of Business Conduct (CoBC) while promoting a speak-up culture.

RISK
- Poor tone at the top (Step 1, 2)
- Corruption and Bribery (Step 1, 2, 3)
- Money Laundering (Step 1, 2, 3)
- Transactions with sanctioned parties (Step 1, 2, 3)
- Infringement to fair competition regulations (Step 1, 2, 3)
- Data leakage of sensitive information (Step 1, 2, 3)
- Unethical sourcing (Step 2)

IMPACT
- Reputational Damages
- Financial Losses
- Fraud

CONTROL

1. **CEO communication of the CoBC and integrity line to employees at least annually, performance of trainings to risky employees according to the training plan, and acknowledgement of the CoBC by newly joined employee, maintained by HR (or designee).**
2. **Communication of the CoBC for Suppliers to suppliers and outsourced service providers must be documented.**
3. **Remediation by management of any confirmed breach.**

REQUIREMENTS

- The CoBC is communicated to all new employees, with a short introduction, at on-boarding. Employees acknowledge that they have read and understand the policy and this is stored in the employee's personnel file. The method used for acknowledgment is defined by the local legal and HR departments (or designated department). (Step 1)
- At least annually and more frequently as the need demands, the CEO communicates to all employees concerning the values of LafargeHolcim and the CoBC and encourages employees to speak up, report suspected misconduct. (Step 1)
- Employees, with roles and responsibilities that encounter significant CoBC risks or have a function of reducing these risks (as defined by local Legal & Compliance) are to undertake periodic training defined locally. (Step 1)
- The integrity line phone number must be working from all our facilities, the access to the website is available through our network and posters should be placed in all our locations, the Integrity Line is communicated in the Intranet, Internet and Supplier Code of Business Conduct. (Step 1)
- The organization's commitment to integrity and ethical behavior as defined in the Code of Business Conduct for Suppliers is communicated to the suppliers outsourced service providers (Step 2)
- For existing suppliers, the commitment to our CoBC is documented through contractual terms and conditions included in the purchase orders and during the tendering process for the new suppliers. In all other contracts, best efforts are made for inclusion of a clause which recognizes the principles of Anti-Bribery and Corruption, either referring to our Code of Business Conduct or our template clause or not. (Step 2)
- In the event that substantiated breaches occur, remediation (consequential management and effect discipline) must occur in consultation with Group Investigations. This process will be governed by the Country General Counsel at country level and Region General Counsel or Head of Compliance above country level. (Step 3)

Refer to CoBC and Supplier CoBC

2 Compliance with Fair Competition laws and requirements

PRIMARY OBJECTIVE

Follow Group Fair Competition directive and competition law advice and ensure risk-exposed employees are trained

RISK
- Infringement to Fair Competition regulations (Step 1, 2)

IMPACT
- Reputational damages
- Financial losses

CONTROL

1. **Training on fair competition compliance of highly and medium risk exposed employees is completed and is documented by Local Legal Counsel for trainings at country level and Group Legal Competition law for trainings at Group Level.**
2. **Pricing decisions, competitor contacts and sources of market information are documented in accordance with the Commercial Documentation Directive. Advices by Group Legal - Competition Law to Local legal department and business stakeholders are documented.**

REQUIREMENTS

- Employees must comply with the Fair Competition Directive and applicable local competition laws. (Step 1)
- All highly exposed employees must participate in a face to face training every two years; these trainings are organized by the local legal department or if at the Group Level, by Group Legal. All newly recruited highly exposed employees must be trained within 6 months of taking on a job with LH. Participation in the face to face training must be documented using a signed participation list or by any other verifiable means (paper or electronic form) with records retained by the Local Legal or if at the Group level, by Group Legal - Competition Law. (Step 1)
- All medium exposed employees must complete an e-learning training every three years; this e-learning training is provided by Group Legal - Competition Law to all Local Legal. All newly recruited medium exposed employees must be trained within six months of taking on a job with LH. Successful completion of an e-learning training must be documented by a signed declaration of completion (if no automatic certification is generated by the e-learning tool) with records retained by Local Legal or if at the Group level, by Group Legal - Competition Law. (Step 1)
- Employees must comply with Commercial Documentation Directive to ensure pricing decisions, competitor contacts and sources of market information are properly documented. (Step 2)
- Group Legal – Competition Law regularly advises legal and business stakeholders on competition law compliance by guidance papers or any other means, whenever applicable. (Step 2)

Refer to Fair Competition Directive & Commercial Documentation Directive

3 Related party transactions and conflict of interest

PRIMARY OBJECTIVE

Ensure approval of related party transactions by Legal and communication to all employees to declare personal interests that overlap business decisions they need to make

RISK
- Poor tone at the top (Step 2)
- Corruption and bribery (Step 1, 3, 4, 5)

IMPACT
- Reputational damages
- Financial losses
- Fraud

CONTROL

1. **Monitoring by the appropriate person (see COI directive) and the local compliance officer of potential COI situations reported by employees and any resulting actions or requirements with documentations kept by local Legal and Compliance department.**
2. **Ensure COI communication is made annually.**
3. **Review and approval by the legal department before initiating any business deal or arrangement between a LH entity and a shareholder or director's company.**
4. **The privilege information on LH Ltd, the insiders' list is elaborated and handled at Group level - by Legal & Compliance (L&C). Group L&C sends the quarterly communication. The insiders' list is cross-checked with LHink users list.**
5. **The privileged information on a listed Group company, the insiders' list is elaborated and handled at country level - by the Legal department. The country Legal department sends the quarterly communication.**

REQUIREMENTS

- Employees are to assess their own situation and disclose any Conflict of Interests situation to their manager as soon as it becomes apparent. The disclosure will be reviewed as described in the COI directive. (Step 1)
- Training on the COI Directive is a mandatory part of the standard ABC Compliance Training for Employees. (Step 2)
- COI Directive is communicated once a year to enable employees to declare potential conflict of interests. (Step 2)
- Any business deal or arrangement between a LH entity and a shareholder or a director's company shall be deemed a related-party transaction. For companies locally listed, related party transactions are to be reviewed by the legal department before approval or signature. (Step 3)
- For Group privileged information, Group Legal and Compliance lists all employees that have access to that information. For other publicly listed entities, the entity legal department may also need to list employees in the entity that have access to privileged information. These lists shall be updated on an ongoing basis. As soon as privileged information such as consolidated financial data and projects data is available internally a communication informing insiders of their obligation not to trade shall be sent out. The updated list and its previous versions as well as the communication is stored by Group Legal & Compliance (or the applicable listed entity). Permissions regarding access to the folder where the lists are stored and secured must be restricted and controlled. (Step 4)
- Group Companies having Securities listed on a stock exchange shall adopt a binding Insider Dealing and Market Disclosure setting at least equivalent standards and processes designed to ensure compliance by that Group Company and its directors and employees of their respective obligations under applicable laws and regulations. ***Insider Dealing Market Disclosure Directive***. (Step 5)

Refer to Conflict of Interest intranet site (including the COI tool), Code of Business Conduct and Conflict of Interest directive

4 Board of Directors secretarial requirements

PRIMARY OBJECTIVE

The local secretary and the chairperson of the Board of Directors (BoD) ensure that all local corporate legal requirements are met

RISK
- Lack of Board responsibility on financial reporting and internal control (Step 1)
- Absence of control and supervision over remote or small entities (Step 1)

IMPACT
- Reputational damages
- Operational disruption

CONTROL

1. Signing by the BoD chairperson and secretary of a letter to confirm compliance with all corporate legal requirements.

REQUIREMENTS

When required by law, an entity that has a BoD must ensure that all corporate secretarial duties are performed and documented in a timely manner in accordance with the local requirements. On behalf of the BoD, the secretary and chairperson must ensure that the BoD and its Committees (if applicable) operate according to the provisions of the local corporate laws, company's articles of incorporation, bylaws, charters or other corporate governance regulations. This includes in particular that:

- Key corporate documents and records are maintained in accordance with applicable retention policies (local law and Group regulations)
- Meetings of the Board are held at least as frequently as required by local law
- Minutes are taken at the meetings, are approved and are maintained as part of the corporate records
- Shareholder's registers are kept up-to-date
- Annual shareholders meeting occur, if applicable
- Any other local legal requirements (the defined secretary should specify all the local legal requirements or liase with the local legal team to obtain such information and formalize it.)

The BoD chairperson and secretary shall jointly confirm compliance with all applicable corporate legal requirements by signing a compliance confirmation letter as part of the annual internal control certification process. Objective of this control is considered achieved with the following alternative measures:
1) in case the CEO is a member of the board, a certification letter signed by the CEO in his/her capacity of a board member and by the secretary;
2) in case the CEO is not a member of the board, a certification letter signed by the CEO and the secretary, presented in the board meeting with formalized meeting minutes signed off by the chairperson of the board.

5 Health & Safety

PRIMARY OBJECTIVE

Ensure effective implementation of the four pillars of the Health & Safety Management System (Management Review, Objectives and Planning, Operations and Support Processes, Performance Evaluation)

RISK
- Health & Safety issue (injuries, fatalities) or incident (Step 1)

IMPACT
- Reputational damages
- Operational disruption
- Financial losses

CONTROL

1. Ensure annually the HSE policy is correctly applied by verifying the implementation of consequence management, HSIP completion, employees and contractors training plan and Health & Safety KPIs.

REQUIREMENTS

Country must ensure that the following 4 pillars of the Health & Safety Management System are in place and operating with regular reviews:

- Management Review: Consequence Management program is in place.
- Objectives and Planning: An annual Health & Safety Improvement Plan (HSIP) is set up following the Group HSIP process. HSIP completion is tracked at the country Exco level and the strategic area of HSIP is tracked in the Group tracking tool.
- Operations and Support Processes: Ensure that all employees and contractors are in scope of the training plan which must meet minimum expectations of classroom and practical per H&S standards.
- Performance Evaluation: Group H&S Audit and annual self-assessment performed at unit level. DSCQP and Incident Reporting and Investigation with incidents correctly classified and action plans kept up-to-date with relevant actions. Road KPIs should be reviewed.

Refer to Group Health & Safety site

6 Risk assessment

PRIMARY OBJECTIVE

Perform and document a robust business and compliance risk assessment at the country / service center level at minimum annually

RISK
- Poor tone at the top (Step 1, 2)
- Misalignment of the organization with business needs and objectives (Step 1, 2)

IMPACT
- Reputational damages
- Operational disruption
- Financial losses

CONTROL

1. **A risk assessment is performed annually and documented per Group Risk management process. Action Plans are defined and monitored for all high risks (as a minimum) in accordance with the Risk management guidelines.**
2. **Country and service center risk assessment reports are signed-off by the Country CEOs or heads of service centers (electronically or physically) and sent to Group Risk Management.**

REQUIREMENTS

- A risk lead is appointed in each country to support the local management with the risk assessment process and to monitor mitigation actions. (Step 1)
- A risk assessment is performed and signed off at least annually and identifies risks with the greatest likelihood of occurring and with the highest potential impact as per the current Group Risk assessment methodology (please refer to Group Risk Management guidelines). Risks (category, class and subclass), risk comments (i.e. explanation), likelihood (current and target), impact (current and target) and risk treatment have to be documented in the current Group Risk assessment tool . (Step 1,2)
- Action plans must be defined for all high risks (at a minimum) in accordance with the Group Risk Management guidelines. Action plans (title and description), owner and due date have to be documented in the risk management tool. (Step 1)
- Update of the status of actions in the risk management tool is done when the risk assessment is performed as per the Group requirement. (Step 1)

7 Mitigation of business risks - Security

PRIMARY OBJECTIVE

Implement security measures and procedures in accordance with the Security & Resilience Policy

RISK
- Inability to protect people, assets, information and reputation from intentional criminal activity, malicious acts and unwanted events (Step 1)

IMPACT
- Reputational damages
- Operational disruption
- Financial losses
- Fraud

CONTROL

1. Ensure that the following requirements are met in accordance with the Security & Resilience Policy:

a. Updated LH Sites Mapping Application and Persons on Board (POB)

b. Annual risk assessment within LH Security and Resilience Risk assessment tool with following elements based on the identified risks (CSRMS):
- **Up to date training records for the security organisation**
- **Dedicated security budget and cost center**
- **Performance evaluation for identified security service suppliers and LH TPDD for security suppliers in scope**
- **Country Travel Security Guide**
- **Travel agency(ies) connected to ISOS and/or any other system used to track travelers**
- **All security incidents reported through LH Security Incident Notification Tool**

c. Country security reports submitted to CCEO

7 Mitigation of business risks - Security

REQUIREMENTS

Country must perform the following tasks based on the Security and Resilience Policy:

1. Capture the ecosystem (people, assets) at country level on an annual basis*
2. Conduct security and resilience risk assessment at country level on annual basis*
3. Implement mitigation and control program based on the identified risks:
   - Appoint and train a Country Security Representative (CSR) and organisation
   - Maintain a dedicated Security budget and cost center comprising labour costs and spend
   - Maintain a Country Security and Resilience Management System (CSRMS)
   - Manage suppliers providing security services in line with LH processes
   - Update the Country Travel Security Guide on an annual basis*
   - Track all business travel bookings
   - Report all Security incidents and learn lessons from critical incidents
4. Send Country Security report to CCEO and GS&R on an annual basis*

Refer to People Security Directive, Security Services with Integrity (SSI) Directive, Terrorist & Organised Crime (TOC) Monitoring Programme Directive

Or more frequently in response to a significant change to the business or risk landscape, or if specifically mandated by Group Security and Resilience Governance requirements.

8 Mitigation of business risks - Group insurance

PRIMARY OBJECTIVE

Follow the Group insurance process to ensure adequate risk coverage.

RISK
- Lack of insurance coverage (Step 1,2, 3, 4, 5)

IMPACT
- Financial losses

CONTROL

1. **Payment of Group insurance premiums is done prior to the due date**
2. **Annual approval by the local ExCo (or designee) of property insurance values for accuracy according to Group methodology, to ensure replacement value cover**
3. **By using Group Risk Insurance Tool (GRIT) Incident Report is submitted within 48 hours by the local ExCo (or designee) for all insurance claims and losses covered by a Group insurance program.**
4. **GRIF is informed before new business activity is put in place**
5. **Local ExCo approves purchase of additional local insurances for risks that are not covered by a Group insurance program**

REQUIREMENTS

The Country must comply with the following 5 priorities:

- Group insurance premiums are paid by the due date with no delay. (Step 1)
- Property insurance values are provided annually to Group Insurance before the due date to avoid under-insurance. (Step 2)
- All claims and losses covered by a Group insurance policy have been timely declared to Group Insurance and Risk Financing (GIRF) within 48 hours of incident. (Step 3)
- Any change in the business that impacts the Group Insurance programs* are communicated to GIRF (e.g. new business activity like installation of building materials, new products with different liability risks such as building material chemicals, etc.). (Step 4)
- For risks that are not covered by Group insurance programs*: (Step 5)
  - Local ExCo must put in place local insurances as required by local regulations (e.g. motor liability, workers compensation insurance)
  - Local ExCo may put in place local insurance for non-mandatory local risks as long as these do not overlap Group insurance programs (e.g. allowed would be fiduciary insurance for local pension fund, trade credit insurance)

Refer to the Group Insurance Directive

**List of Group insurance programs:*
- *Property Damage / Business Interruption (PDBI); Third Party Liability (TPL); Directors & Officers (D&O); Marine Protection & Indemnity and Charterers Liability; Marine Cargo*
- *Construction All Risk / Erection All Risk (CAR/ EAR) – alternative local insurance allowed if cleared by GIRF before project commences*

GIRF is regularly reviewing the risks situation and reserves the right to define other risks to be covered by a Group insurance program (e.g. cyber insurance)

9 Mitigation of business risks - Business Resilience System

PRIMARY OBJECTIVE

Every entity must have a Business Resilience System

RISK
- Inability to protect people, assets, information and reputation from intentional criminal activity, malicious acts and unwanted events (Step 1)
- Supply chain disruption (Step 1)
- Business disruption due to system unavailability (Step 1)

IMPACT
- Reputational damages
- Operational disruption
- Financial losses

CONTROL

1. **Annually, verify that the following requirements are in place in accordance with the LH Business Resilience Directive:**
   a. **Name of ExCo sponsor and coordinator**
   b. **Updated Business Resilience Plan (one page summary)**
   c. **Crisis management plan (CMP) at country level , Emergency response plan (ERP) and Business continuity plan (BCP) available at the location of the risk**
   d. **Specific plans for material risks identified in the LH Security and Resilience Risk assessment tool**
   e. **Post-exercise report which includes objectives, the risk being exercised and the lessons learnt**

REQUIREMENTS

All LafargeHolcim (LH) countries must implement and manage a Business Resilience (BR) programme based on their ecosystem and risk. The Country CEO (CCEO) must determine whether a BR programme is required in addition at the sub-country level, based on the risk . The Business Resilience directive specifically details the implementation requirements for BR.

Each country must:

- Nominate an ExCo Sponsor and a coordinator for Business Resilience
- Nominate a Business Resilience Team (BRT) consisting of primary and alternate members
- Have updated Business Resilience plans at the location of the risk
- Have specific plans where material risks have been identified
- Perform an annual BRT exercise based on your risk assessment

10 Mitigation of business risks - Remediation of deficiencies and non-compliance with MCS

PRIMARY OBJECTIVE

Management process is in place to identify and correct deficiencies found in monitoring the MCS

RISK
- Poor tone at the top (Step 1)
- Misalignment of the organization with business needs and objectives (Step 1, 2)

IMPACT
- Reputational damages
- Errors in financials
- Operational disruption
- Financial losses
- Fraud

CONTROL

1. **Approval by Group Head of Function and Group Internal Control for local control design which do not agree/ comply with MCS requirements/ central description. Validation by Regional IC correspondent of Not Applicable controls. Deficiencies to MCS are approved by Region Head (for Countries) /Group management (for Functions) through the certification process.**
2. **Monitoring by the local ExCo of the progress of all action plans relating to deficiencies to ensure they are resolved and reported to the Group according to Internal Control instructions.**

REQUIREMENTS

Management responds timely and appropriately to any deficiencies identified through monitoring activities of and takes adequate and timely actions to correct deficiencies. This process includes:

- In case a country is not able to design a local control description in compliance with the MCS requirements, (“Requirements” + “Control Description”), the Country internal control manager clears with Regional IC correspondent, uses MCS Design and Implementation non-compliance approval form to seek Group approval. Submission must be done two weeks prior to the CDA deadlines. Approvals are to be uploaded/linked at SAP GRC. (Step 1)
- Controls rated as Not Applicable and split of responsibility among entities and SCs must be formally validated by Regional IC correspondent. (Step 1)
- Deficiencies to MCSs has to be validated by local management, Region Head (for Countries) /Group management (for Functions) through the certification process. (Step1)
- A root cause analysis, a detailed description of the deficiency and the creation of an action plan to remediate the weakness identified. (Step 2)
- Deficiencies are communicated to those parties responsible for taking corrective action, senior management (Step 2)
- Follow-up of corrective actions and progress towards completion. (Step 2)
- Action plans relating to deficiencies are tracked regularly by the local ExCo and to Group Internal Control at least twice a year. (Step 2)
- All deficiencies are tracked in SAP GRC (Step 2)

11 Personal data protection

PRIMARY OBJECTIVE

Ensure personal data/personally identifiable information (PII) managed in the company (acquired, processed, stored and deleted) is handled in accordance with local laws and regulations

RISK

- Unauthorized use of company & personal information (Step 1, 2)
- Data leakage of sensitive information (incl. GDPR) (Step 1, 2)

IMPACT

- Reputational damages
- Financial losses

CONTROL

1. **Train employees in scope, as per the country defined training cycle, on how to comply with local Data Protection laws and regulations as well as on recognizing and reporting data breaches. All newly recruited relevant employees must be trained within 6 months of taking on a job with LH.**
2. **Implement Data Subject Consent Form (in local language, if necessary) for different types of data subjects (e.g. candidates, employees, customers, suppliers) if required by local data protection law. Annual verification with each department that Data Processing Agreements are signed with vendors processing Personal Data on LH behalf.**

REQUIREMENTS

If required by the local data protection and privacy laws and regulation,

- The Data Privacy Notice/Policy is made available to all existing employees and distributed to new employees during the onboarding process. (Step 1)
- Consent is collected and recorded when the employee's image (photo/video) is taken and used by the company.(Step 2)
- Seek advice from the Data Protection Responsible / Legal and Compliance if necessary. (Refer to the control standard on employee onboarding). (Step 1, 2)

If required by the local data protection and privacy laws and regulation,

- Data Privacy Notice/Policy is made available / distributed to all existing, new customers and prospects (either by email, online on a dedicated customer platform or on the company's website, addendum to the existing commercial contract, or it is embedded into the general terms and conditions of the commercial agreement). (Step 2)
- Customer's consent is collected and recorded whenever required. Seek advice from the Data Protection Responsible / Legal and Compliance concerning the collection of customer consents. (Refer to the control standard on customer master data). (Step 2)

If required by the local data protection and privacy laws and regulation, when external vendors have access to personal data/PII handled by a LH entity, seek advice from the Data Protection Responsible / Legal and Compliance concerning implementation of an agreement with the vendors regarding the processing and protection of that personal data/PII. (Step 2)

If required by the local data protection and privacy laws and regulation, a process is put in place and communicated internally to respond to data subject request concerning an individual's personal data processed by the company. Always inform and seek advice from the Data Protection Responsible/ Legal and Compliance concerning how to respond to a data subject request. (Step 2)

If required by the local data protection and privacy laws and regulation, relevant employees are trained to recognize and report data breaches or any incidents relating to personal data which may carry reporting/notification obligations. Country is free to determine which are relevant employees.(Step 1)

Countries are required to define a locally compliance training program for a locally defined cycle. They define what training they want to deliver, and which is the target population within what time period. (Step 1)

Refer to General Data Protection Directive

12 Segregation of duties and user access review

PRIMARY OBJECTIVE

Ensure there is a proper segregation of duties and users have need based access to IT applications.

RISK

- Unauthorized access, disclosure, modification, damage or loss of data (Step 1, 2, 3, 4)

IMPACT

- Reputational damages
- Financial losses
- Fraud

CONTROL

1. **ITSCs annually review and validates the SoD rule set for ERP and provides the confirmation to the Countries / Functions / SSCs.**
2. **Review half yearly, at a minimum, of ERP SoD reports by the Business Process Owners / Local ExCo responsible. Conflicts are removed or mitigated as per the Group requirements.**
3. **Validation half yearly, at a minimum, over users' level of access for all critical business applications and corrective actions taken within one month after the review, if needed.**
4. **Validation half yearly, at a minimum, over dormant users access deletion/revoked, and corrective actions taken within one month after the review, if needed**

REQUIREMENTS

Segregation of Duties: SoD reports are reviewed twice a year (at a minimum). Any conflict of duties identified must be either:

- ITSCs annually review the SoD rule set for ERP to ensure alignment with Group rules and update the local customized objects (transactions) with support from business and provides the confirmation to the Countries / Functions / SSCs. (Step 1)
- Resolved by removing the incompatible duties identified. There is no tolerance for conflicts over risks mapped as "Risk with zero conflicts". (Step 2)
- For other risks, whenever removal is not possible, by implementing a compensating/ mitigating control. These mitigating actions must be documented in SAP GRC in MCS12 and monitored to ensure they are reducing the identified risk. Also mitigating controls must be tested during CT. (Step 2)
- Exceptions, to the "Risk with zero conflicts", have to be reviewed and agreed with IC Regional Correspondent and approved by the Head of Group Internal Control (Step 2)

Business Access Review: At least twice a year, the following occurs for all critical business application*:

- A review of all user accounts to ensure that users have access according to their job roles. Any excessive access that is not required for the performance of their job role should be revoked. (Step 3)
- IT should provide a report for all business users with the level of access for business to review user access rights to ensure that the access is in line with their job role. Propose corrective actions (e.g. revoke access / change access and send a request to IT for such changes) to be supported by the IT team (Step 3) .
- Obtain the dormant user report from IT for all critical business applications and review to ensure that dormant users access is timely revoked / deleted (notify IT to Disable/Delete dormant user ID's). (Step 4)

**Critical business applications are defined and documented as per Annex 06. IT Controls of the Internal Control permanent instructions*

13 Delegation of authorities and approval workflows

PRIMARY OBJECTIVE

Define clear delegation of authority in compliance with Group Delegated Authorities with an adequate approval system

RISK

- Authority and responsibility not clearly and formally assigned (Step 1)
- Unauthorised transactions/ contracts made on the behalf of LH (Step 2, 3, 4)

IMPACT

- Errors in financials
- Financial losses

CONTROL

1. **Approval by the local ExCo (and BoD, if applicable) of the authorization policy which includes GDA requirements.**
2. **Any contractual commitment included in the GDA entered into by the company must bear dual signature of the authorized persons defined in the local delegation of authority matrix.**
3. **Review and approval by the manager responsible for the workflow approval matrix (system or manual) for compliance with the authorization policy. For any manual approval processes the method of documentation are to be defined and evidence must be maintained for each approval.**
4. **Quarterly verification by the manager responsible of users set up in the approval workflows in the ERP (e.g. the users mapped to release groups). Exceptions, if any, should be investigated. Review of users with authorization to update the release groups is performed, errors analyzed and corrected.**

13 Delegation of authorities and approval workflows

REQUIREMENTS

Group Delegated Authorities: The Group defines approving authority in its policies and other Group communication for key transactions and commitments involving LafargeHolcim or any of its subsidiaries. These rules provide a framework to the countries and functions to make their decisions. These rules must be complied with and all approvals must be documented. (Step 2)

Defining the Delegation of Authority Matrix: (Step 1, 2)

- An authorization policy or delegation of authority matrix (DoA) must exist to establish clear lines of authority for the approval of all main transactions within monetary limits and other authorizations in the Country, such as the signing authorities. As monetary thresholds increase, additional approvals from senior levels of management are required, with the highest monetary thresholds requiring Board of Directors and Executive Committee's approval. This DoA is formally documented, kept up-to-date and signed-off by the Executive Committee, and Board of Directors (when applicable).
- Group Delegated Authorities (GDA) must be respected within the country delegation of authority matrix (DoA).
- Responsibilities are clearly stated and communicated within the organization.
- The assignment of responsibilities is clear, including third-party service providers (who carry out activities on behalf of the organization), related to the extent of their decision-making rights.
- DoA is adhered to for every transaction which requires approval.
- The delegation of authority matrix is reviewed at least yearly for compliance with the authorization policy or limits definitions and updated as needed.

Maintaining the Delegation of Authority Matrix in the system: (Step 3, 4)

- The DOA is loaded in the ERP workflow approval matrix. This and any subsequent changes require appropriate approval based on supporting documentation.
- Quarterly, a report is run of all users set up in the release groups (authorized approvers) to verify that they are in line with the local approved DoA, which respects the Group Delegated Authorities. The report is reviewed and signed-off by the manager responsible. Access to update the release groups is restricted to authorized users.

14 Litigation disputes

PRIMARY OBJECTIVE

Risks related to legal disputes are assessed and recorded quarterly in the Group Legal Case Management tool

RISK

- Failure in litigation management (Step 1, 2)
- Inaccurate or fraudulent closing entries (incl. judgmental assumptions and estimates) (Step 1, 2)
- Lack of contract management (Step 1, 2)

IMPACT

- Errors in financials
- Financial losses

CONTROL

1. **Quarterly approval by the country Head of Legal (or designee) of the information reported in the Group Legal Case Management tool to Group Legal to ensure all required information is reported, complete and updated with the latest assumptions according to Group Legal requirements.**
2. **Quarterly review by the local CFO (or designee) of the provisions reported in the tool to Group Legal to confirm they correspond with the amounts in the financial statements.**

REQUIREMENTS

- The legal department keeps track of and properly completes the status of all ongoing disputes, including the estimated maximum risk, estimated expected risk, classification of the risk as probable, possible or remote and the related provisions recorded in the financial statements. (Step 1)
- At year-end (minimum), legal letters may be requested from external law firms assisting on disputes to receive updated information regarding such disputes. The legal opinions are reviewed by the legal department and CFO. (Step 1)
- The Group Legal Case Management tool must be updated as per the Group Legal reporting requirements are met. At a minimum provision amounts must agree to the amounts recorded in the financial statements at that date. The loss estimate and the classification are reviewed by the CFO. (Step 2)
- Control must be performed at least every quarter at closing, as well as a requirement for the execution of the Financial Certifications. (Step 2)

Refer to the Group Legal Case Management tool.

15 Review of contracts by finance

PRIMARY OBJECTIVE

Contracts and material commitments are reviewed by Finance

RISK
- Unauthorised transactions/ contracts made on behalf of LH (Step 1, 2)
- Lack of contract management (Step 1)
- Non-adherence to accounting and reporting requirements and standards (Step 1, 2)

IMPACT
- Errors in financials
- Financial losses

CONTROL

1. **Review and approval by local finance of contracts in a foreign currency, leases and all material commitments to ensure proper accounting and disclosure before signing or upon subsequent change.**
2. **Approval by the CFO of the accounting impact of significant leases based on locally defined thresholds and Group Lease Directive (including material, complex and judgmental contracts).**

REQUIREMENTS

- Each entity should determine the scope or defined criteria of contracts to be reviewed by finance based on country's materiality as per SAP-FC report P780-050. For Leases apply the Group Lease Directive. (Step 1,2)
- Contracts are reviewed by finance prior to signing to ensure: (Step 1,2)
  - Contracts in a foreign currency are communicated to the financial department before signature
  - Financial impacts are properly assessed, and are taken into account in the decision making (CAPEX, OPEX, leases per IFRS 16, take or pay, off balance sheet clauses, etc.)
  - All material commitments are communicated to the financial department to ensure proper accounting and disclosure.
  - For IFRS16 before signing the agreement, leases must be formally approved according to the threshold and the approvers defined in the Lease Directive to ensure correctness of the data captured from each contract (or change to a contract), as well as the determination and valuation of the additional valuation parameters (interest rates, probable end date, etc).
- During the RfP process, a financial review must occur to support the business decision to buy or lease an asset, including assessment of the financing method (by treasury) and the potential impacts to the financial statements (from accounting expert). See Lease Directive sections 2.1 and 2.2. (Step 1,2)
- In the case of a volume increase or scope changes during the life of a contract involving foreign currency, all changes must be communicated to finance for further actions. (Step 1,2)

Refer to LHARP 4.2.1 and IFRS16 checklist & simulation model, Lease Directive

Fixed assets

16 Management of titles, licenses and permits

PRIMARY OBJECTIVE

Ensure proper validity, filing and timely renewal of titles, licenses and permits.

RISK
- Lack of valid titles, licenses and permits (Step 1, 2, 3, 4)
- Unauthorized land and quarry usage (Step 1, 2, 3, 4)
- Corruption and bribery (Step 1, 2, 3, 4)

IMPACT
- Reputational damages
- Operational disruption
- Financial losses
- Fraud

CONTROL

1. **Annual approval by local ExCo of the list of permits & licenses key to the business are updated and clear ownership is assigned together with a procedure for management of different types of permit and licenses.**
2. **Annual approval by the local legal team and the quarry (mine planer) and land management officer (or equivalent at your organization) of the existing titles of ownership, mining and surface rights, concessions and permits , including upcoming renewals.**
3. **Approval, half yearly, by the land management officer (or equivalent at your organization) of the land ownership situation, including proposed or planned land activity (acquisition, disposal), and the effect on the relevant licenses.**
4. **Annual approval by stakeholders (see requirements) of the progress of mining activities and the compliance with mining regulations and permit requirements.**

REQUIREMENTS

- For all key permits & licenses (e.g. environmental, operating permits, quarry & mining, production, energy use, vessels & ports, construction), roles and responsibilities are clearly defined within the organization, adequate processes are put in place in order to ensure their validity , proper filing & archiving, timely renewal, and publication (if required). Local laws and regulations, international standards when required, as well as LafargeHolcim Code of Business Conduct, are respected in the management of all permits & licenses related activities. (Step 1)
- Third Party interfacing with public officials to acquire, renew or review titles, licenses and permits are managed through the TPDD tool. (control related to TPDD is covered in MCS30) (Step 1)
- All existing titles of ownership, mining / surface rights, concessions and permits are reviewed at least annually with the local legal team and in consultation with the quarry (mine planner) and land management officer to ensure they are valid. (Step 2)
- The land management officer leads a review of the land ownership situation twice a year (or according to the local requirements). A review of the foreseen land acquisition / disposals is led by the land management officer with the quarry management and the country raw material competent person. These reviews include reviewing all requirements to maintain the relevant licenses and permits. (Step 3)
- Renewal of permits, trigger and exercise of mining rights and permits occurs before the expiration date. (Step 3)
- Meetings with all stakeholders are conducted to review the progress of the mining activities, monitor compliance with the mining regulations and permitting obligations. These include Quarry & Plant Management, Sustainable Development, Environment, Legal and Land Management. (Step 4)

17 Quarry reserves and provisions for restoration and rehabilitation

PRIMARY OBJECTIVE

Ensure that quarry reserves are secured, restoration and rehabilitation requirements are implemented for every quarry and properly recorded in financial statements

RISK

- Restoration / rehabilitation plans not established and/or updated regularly (Step 1)
- Negative or non compensated impacts on biodiversity (Step 3, 4)
- Depletion of our own reserves (Step 1, 4)
- Non-adherence to accounting and reporting requirements and standards (Step 2)
- Inaccurate or fraudulent closing entries (incl. judgmental assumptions and estimates) (Step 4)

IMPACT

- Reputational damages
- Operational disruption
- Errors in financials

CONTROL

1. **Annual reconciliation of the resources and reserves with the total of extracted tonnages transmitted to the accounting department based on the yearly topographic survey and approval by CFO before submitting in the SAP FC. Actions have been initiated whenever the number of years for resources and secured reserves have a useful life of less than 10 years.**
2. **Annual verification by finance and land and quarry management of the validity of the restoration / rehabilitation concept and costs as well as the assumptions used to calculate the provisions.**
3. **Verify if the quarry is classified as high biodiversity importance according to *criteria for biodiversity importance category*. If yes, annual review of BMP by an expert to ensure that actions being implemented properly address the site biodiversity issues.**
4. **Review and validation by legal of contracts relating to the rehabilitation / restoration work prior to signing.**

REQUIREMENTS

- Reserves for cement production sites must be classified according to LHARP and the LH Raw Material reporting standard for cement and clinker and reviewed and validated by a LH raw materials competent person. For aggregates, resource and reserves are classified according to LHARP definitions. The yearly topographic survey and the deposit model (if applicable) are used to estimate the reserves and to reconcile with the total of extracted tonnages transmitted to the accounting department. (Step 1)
- All resources and reserves acquired are correctly reflected in the SAP FC package and do not lead to any impairment issues. Actions have been initiated whenever the number of years for resources and secured reserves have a useful life of less than 10 years. (Step 1)
- A restoration/rehabilitation plan for each quarry operation must be developed according to Group requirements and in line with the intended long-term development of the quarry site, specifying the magnitude and schedule of restoration/rehabilitation work. The plan and its supporting documents are available from both land & quarry management and finance. (Step 2)
- The cost of restoration/rehabilitation work, based on local historical data or estimates given by recognized specialists, is verified and approved by the Country plant management and is included as an annex to the plan, allowing the assumptions to be verified. (Step 2)
- A biodiversity management plan (BMP) must be in place for quarries categorized as of high biodiversity importance (1 or 2) according to criteria for biodiversity importance category. (Step 3)
- At least once a year, finance and land and quarry management, with legal if necessary, meets to review the validity of the restoration/rehabilitation concept as well as the evaluation of related costs and validate assumptions used to calculate site restoration/rehabilitation provisions (discount rate, timing of future cash costs, residual life, etc.). If a revision occurs that impacts a legal guarantee related to rehabilitation, finance will secure the corresponding revision. (Step 2)
- Restoration/rehabilitation work contracts must be reviewed on Legal aspects by an expert prior to signing and are copied to finance for filing. (Step 4)

Refer to LHARP 4.10.2 Site Restoration Costs and the Quarry Rehabilitation and Biodiversity Directive and 6.6.5.3 Raw Material Reserves / 6.6.5.2 Raw Material Resources and criteria for biodiversity importance category.

- *The life (but only for AGG) is defined by 60.6.5.05 Reserves Life [yrs]*
- *Accounting is specified in: 4.10.3 Amortization of Raw Material Reserves / and 4.10.2 Site restoration*
- *Capex classification defines how to report the purchase: 3.1.8.2 Classification of CAPEX*
- *4.2.1 Accounting for Leases under IFRS 16 - defines specific exemptions related to reserves, when we rent the land*
- *3.2.1.2.28 Depreciation and Amortization of Long-Term Operating Assets - defines depreciation of raw material reserves and capitalized mining concessions*

18 Classification and depreciation of fixed assets

PRIMARY OBJECTIVE

Ensure the proper recognition and classification of fixed assets in the financial statements.

RISK
- Inaccurate or fraudulent recording of fixed assets (Step 2, 3)
- Non-adherence to accounting and reporting requirements and standards (Step 1)

IMPACT
- Errors in financials
- Financial losses

CONTROL

1. **Approval by the appropriate finance person to capitalize an expenditure according to the LHARP classifications and assign the proper life and depreciation methods.**
2. **Quarterly approval by the appropriate finance person of the CIP accounts to ensure that only active projects are included (i.e. non viable projects are written off and completed projects are moved to PP&E).**
3. **Approval by the CFO (or designee) of the write-off of all unused, mothballed and idle assets.**

REQUIREMENTS

- Assets are properly classified. ***Refer to LHARP 3.1.1.2.4 Property, Plant and equipment, 4.04 Capitalization, Accounting and Valuation of Assets and 4.02 Accounting for Leases.(Step 1)***
- Depreciation schedules required for different purposes are maintained. ***Refer to LHARP 3.2.3.5 Ordinary depreciation and amortization and 4.4.4 Useful Lives of Property, Plant and Equipment. (Step 1)***
- For mineral reserves, ***refer to LHARP 3.1.1.2.4 (section 3 Land and Mineral Reserves). (Step 1)***
- Capitalization of the expenditure and the timely initiation of depreciation are reviewed and approved by the appropriate Finance person. Journal entries, if needed, have attached the supporting calculation and are signed off by the the appropriate Finance person. (Step 1)
- The person responsible for Construction in Progress (CIP) reviews the status of all CIP to check whether assets are ready for use. Based on this review, finance staff responsible for PPE reclassifies CIP to fixed assets and initiates depreciation within 30 days of the recorded actual finish date. Any journal entries made are reviewed to ensure proper classification and approved. (Step 2)
- Once assets are identified as unused, mothballed or idle, the depreciation and the assumptions should be supported by adequate documentation and properly approved by the CFO. Unused, mothballed and idle assets that have been written-off are supported by adequate documentation and are approved by the CFO. ***Refer to LHARP G 002-13 Mothballing 2013 in section 3.1.1.2.4. (section 2.10 Idle Assets). (Step 3)***

19 Physical verification of fixed assets

PRIMARY OBJECTIVE

Perform periodic verification of the fixed assets to ensure the accuracy and completeness of the balances in the financial statements.

RISK
- Inaccurate or fraudulent recording of fixed assets (Step 1)
- Non-adherence to accounting and reporting requirements and standards (Step 1)

IMPACT
- Errors in financials
- Financial losses
- Fraud

CONTROL

1. **Completion of a physical inventory of fixed assets is performed at least once every three years with counts documented and differences identified and adjusted.**

REQUIREMENTS

- Regular physical inventories of assets are performed on a rolling basis (at least once every three years) and differences in floor to list and list to floor comparisons are identified. Material differences are investigated to identify the root cause and any adjustments needed are approved and recorded.

Revenue

20 Management of customer and material master data

PRIMARY OBJECTIVE

Ensure only authorized personnel can create, modify and delete customer and material master data.

RISK
- Failure in customer master data maintenance (Step 2, 3, 4)
- Transaction with sanctioned parties (Step 1)

IMPACT
- Reputational damages
- Financial losses
- Fraud

CONTROL

1. **Countries identify if there is a need for screening for any new customer to validate they are not designated as having a sanctions risks. When required, a sanctions screening is performed and documented locally.**
2. **Changes to master data are based on approved requests and performed by an authorized user only. Quarterly review and sign-off by the manager responsible for changes to master data for a minimum 25 random samples to ensure such changes were based on approved requests and performed by an authorized user.**
3. **Annually extract a list of inactive customers and ensure they are blocked / deactivated. Exceptions, if any, are documented and approved by the responsible, identified locally.**
4. **Quarterly verification and sign-off by the responsible manager to ensure only users from MDM function have access to change customer and material master data.**

REQUIREMENTS

- Before adding a new customer in countries designated as having a sanctions risk (see Legal & Compliance intranet portal/ sanctions), obtain a sanctions screen (or exemption) from local or regional compliance. Sanctioned entities or individuals cannot be added to the customer master data. There should be an ongoing sanctions screening. (Step 1)
- The addition of a new customer or material and subsequent changes require approval based on a predefined approval process or framework with appropriate supporting documentation. A check is performed to confirm that all required information is completed. (Step 2)
- Quarterly, a master data change for report is run of all creations, modifications and deletions to ensure that all the changes were duly approved and performed by authorized users. If any exceptions are found, they are documented and reported immediately for investigation. Corrective actions are documented and tracked. All exceptions are closed within the locally defined timeframe. As minimum, in SAP the following fields for customer master data should be considered as critical: Customer name, VAT, Bank details, reconciliation account, account assignment group, payment terms, tolerance group and for material master data: account assignment group, valuation class, price control. Other fields can be added locally above the minimum (Step 2)
- Customer records should be reviewed on an annual basis for activity and it is recommended that any record with no activity for a long period (e.g. 18 months) should be deactivated. (Step 3)
- Changes to customer and material master data directly in SAP should only be performed by SCs.(SAP only and whenever possible) (Step 4)

21 Price management

PRIMARY OBJECTIVE

Prevent unauthorized changes to prices, discounts or rebates.

RISK
- Lack of commercial strategy and pricing policy (Step 1)
- Unauthorized commercial commitments and conditions (Step 1, 2, 3)

IMPACT
- Errors in financials
- Financial losses
- Reputational damages

CONTROL

1. Approval per the DoA of standard prices, discounts and rebates, price changes and exceptions to standard discounts or rebates are reviewed and documented.

2. Quarterly verification and sign-off by the responsible manager to ensure only users from commercial function as per DoA / approved BSC users have access to change pricing data.

3. Quarterly pricing master data change report (including pricing condition modifications) is reviewed and signed-off by the responsible manager. Unauthorized change to the master data is investigated and corrective actions taken.

REQUIREMENTS

- All price determination processes are defined in a written pricing policy and formalized in sales contracts and/or sales orders, compliant with legal requirements as well as fair competition and anti-bribery and corruption laws and regulations. A price list of all products and services are set by pricing, sales and marketing, taking into account different pricing aspects as per pricing policy, including other providers (e.g. transporters, applicators). A complete list, including effective dates, is communicated to the team responsible for updating the list in the system. No backdating of effective prices is allowed. (Step 1)
- Standard discount and rebate structures are defined for different categories of customers. Each discount or rebate type is documented in the company's policy with specific objectives, clear rules of application that were approved by management and supported by local legal/ compliance. (Step 1)
- Exceptions to standard discounts/rebates are specified in accordance with the company's policy and are authorized by the designated approver. (Step 1)
- Price changes are properly approved, accurately reflected in the system and exception reports are leveraged and reviewed before the sale. Corrective actions are duly closed within the process of the company's policy and documented. (Step 2)
- All employees must comply with the Commercial Documentation Directive to ensure all pricing decisions, competitor contacts and sources of market information are properly documented (MCS 02)
- Pricing master data change report (e.g. SAP Report ZSD_ZPRC for electronic pricing or ZSD577 for pricing condition modifications, VK13 for price changes or S_ALR_87012182/2215), is reviewed. (Step 3)

22 Control of customer credit limits

PRIMARY OBJECTIVE

Grant prior authorization for customers exceeding their credit limit.

RISK
- Unauthorized commercial commitments and conditions (Step 1)
- Lack of customer credit risk monitoring and bad debt (Step 1)

IMPACT
- Errors in financials
- Financial losses
- Fraud

CONTROL

1. Prior to shipment, ensure there is an automated or manual check to prevent shipment/ delivery to customers exceeding credit limit (credit block). Approval as per the local DoA is required to change customer credit limit.

REQUIREMENTS

- Orders exceeding a customer's credit limit are managed according to an appropriate procedure and local DoA.
- No shipments are allowed when customers exceed their credit limit until:
  - An increased credit limit has been properly approved by delegation of authority and updated in the system.
  - The individual order is released following a documented effective approval process to avoid unnecessary disruption.
  - All invoices, deliveries, credit notes and orders are computed to calculate the customer balance and to compare it against their credit limit.
  - Any practice of bypassing a hold on customer shipments (manual shipment, fictive cash customer account, etc.) are restricted and tracked by exception reports. Corrective actions are duly closed within the process of company's policy and documented.
  - In case the sale is covered by a Letter of credit or a bank guarantees received : All letters of credit/guarantees are supported by adequate documentation and any discrepancy is explained. All letters of credit/guarantees are issued/ confirmed by a first class bank accepted by the LH Group before the release of the goods/services

23 Matching of sales orders, shipments and invoices

PRIMARY OBJECTIVE

Match and reconcile sales orders, shipments and invoices to ensure proper revenue recognition.

RISK

- Inefficiency and errors in the sales invoicing process (Step 1, 3, 4)
- Unauthorized commercial commitments and conditions (Step 1, 2, 3, 4)
- Inaccurate or fraudulent revenue recognition (Step 1, 2, 3, 4)

IMPACT

- Errors in financials
- Financial losses
- Fraud

CONTROL

1. **Monthly reconciliation of quantities and correction of any differences identified in the matching of sales order, invoices and shipments, including deviations from weighbridge tolerances, to ensure that all deliveries are invoiced.**
2. **Weekly reconciliation by the billing team of unbilled items and resolution within a week.**
3. **Monthly verification and approval by finance of any sales accrual needed at month-end based on unbilled items.**
4. **Open sales orders with a planned delivery date in the past (not shipped/ invoiced) are reviewed monthly and resolved on a timely basis**

REQUIREMENTS

- All sales orders, shipments and invoices are recorded in the applications. (Step 1)
- There is a pre-defined tolerance threshold at the weighbridge for dispatched goods. at least annually, weighbridges and measurement equipment are re-calibrated as per local regulations. (Step 1)
- Invoices/billing (e.g. quantities, price, discount, rebates, product, customer data) are matched with sales orders, quantities shipped & customer master file information. An automated match is performed between the invoice and order (including all necessary data). (Step 1)
- Any differences are investigated and related adjustments are approved and documented (e.g. returns, redispatch, interco mismatch, cut-off). In addition, any discounts and taxes match the approved parameters in the system from sales order to invoice. (Step 1)
- SAP: All orders shall be processed via SD including any rebates, i.e. no direct FI bookings. (Step 1)
- There is, at least at month end, a follow-up on unbilled items. The report of unbilled items is reviewed weekly by the billing team and all the unbilled items are billed within one week from the date they first appear in the unbilled report and within the same reporting month as the delivery. Every month end, the sales manager receives the information, documenting any follow-up action. Finance verifies and approves the need for a possible adjustment entry (e.g. sales accrual) at the end of the month, based on the unbilled items. (Step 2)
- Accuracy of amounts invoiced are checked when manually calculated, or are accurately calculated by the application system using standard programmed algorithms and established terms of sales (unit price, discount and rebates rate). (Step 3)
- Rules for closure of open sales orders with delivery date in the past must be defined locally in accordance to the sales terms and conditions, but should be resolved at a minimum half yearly. (Step 4)

24 Accounts receivable valuation

PRIMARY OBJECTIVE

Ensure receivable balances are reviewed and provisions are recorded on a quarterly basis.

RISK

- Inefficiency and errors in the sales invoicing process (Step 1, 2)
- Lack of customer credit risk monitoring and bad debt (Step 1, 2, 3)
- Inaccurate or fraudulent revenue recognition (Step 1, 2, 3)

IMPACT

- Errors in financials
- Financial losses
- Fraud

CONTROL

1. **Quarterly review and approval by the designated finance person of the provision for bad debt.**
2. **At minimum, quarterly monitoring by the Credit Committee of the doubtful account balances.**
3. **Recording of write-off approved by the Credit Committee according to the DoA.**

REQUIREMENTS

- The bad-debt provision must consider the risk of debt recoverability at the end of the reporting period every quarter (Step 1, 2):
  - The assessment of the bad debt provision is estimated based on the aging balances, historical experience and current situation (e.g. litigation, bankruptcy) of the debtor
  - Any deviation is clearly documented and justifiable by the Country
  - Provisions are reviewed and approved by the appropriate Country finance person and recorded by the designated department.
  - The Credit Committee meetings are held regularly(at least quarterly) to monitor the doubtful A/R balances.
- Review over specific A/R which indicates uncollectibility is considered for write-off. Uncollectibility is evidenced by significant difficulty of debtor, a high probability of bankruptcy or other situations as defined in LHARP (Step 3).
  - Write-offs are determined by the Credit Committee on the basis of appropriate supporting documents
  - Write-offs for amount above a locally defined thresholds approved by the Country CFO.
  - If receivables are collected after being written off, the amounts collected should be directly credited on the company bank account and the information provided to A/R department.

Human Resources

25 Execution of onboarding, offboarding and transfers of workers

PRIMARY OBJECTIVE

Ensure onboarding, offboarding and worker transfer processes exist and cover payroll changes, recovery of assets, system access termination and comply with legal regulations.

RISK

- Lack of HR management process (induction, move tracking, development, departure, etc) (Step 1, 2, 3)

IMPACT

- Reputational damages
- Errors in financials
- Financial losses
- Fraud

CONTROL

1. **Signing, by the employee and the company, of employment contracts for all employees.**
2. **Notification to IT by HR or the business to request termination of access from all systems before the last working day of user leaving the company. Confirmation by the HR that all assets were recovered from terminated employees and employee system was deactivated prior to final payroll payments.**
3. **Monthly verification by HR that the headcount report is accurate (only active employees, proper coding and classification).**

REQUIREMENTS

- Employment contracts exist for all employees and are signed. Employment contracts with all new employees refer to the CoBC and indicate that disciplinary measures can be taken on the ground of this document in case of a breach. (Step 1)
- A process is in place for HR administration to be informed of all moves of both employees and temporary workers paid through payroll in a timely manner, including on-boarding, off-boarding and changes of position. (Step 2)
- For people changing positions or leaving the company, there is a process to monitor the recovery of all company assets by notifying relevant departments of the change and obtaining confirmation that the assets were recovered. This includes a confirmation from the IT Manager that the employee access is deactivated. (Step 2)
  - User termination process is agreed between the HR /Business and the IT function - HR / business notifies IT on or before the last working day of the user who is leaving the company (e.g. end of contract, resigned, terminated etc.) requesting termination of access from all IT systems
  - Notification is received back from IT in a timely manner confirming that all IT system access is terminated (within 5 working days from the requested date)
- All employee departures follow a strict written procedure ensuring that all legal requirements have been respected (in particular in case of lay-off) and all payroll related payments have been made to the employee, once all company assets have been retrieved. (Step 2)
- Headcount by department and by site is verified monthly by managers for accuracy, ensuring that all employees on the payroll exist and are still employed (employees on leave are coded as such), the pay is coded to the appropriate department and site and the classification of employee, subcontractor and third party personnel is correct. Any discrepancies found should be resolved in a timely manner. (Step 3)

Refer to LHARP 6.11.1 for guidance on operational indicators relating to personnel (FTE).

26 Payroll

PRIMARY OBJECTIVE

Review, validate and reconcile payroll before and after processing every month.

RISK

- Non compliance with HR laws and regulations (Step 1, 2, 3)
- Error in payroll process or unauthorized employee benefit (Step 1, 2, 3)

IMPACT

- Errors in financials
- Financial losses

CONTROL

1. **Monthly payroll approval by Payroll Team for reasonableness and data accuracy prior to processing.**
2. **Reconciliation by Payroll Team of total payments to the payroll journal after payroll processing.**
3. **Half yearly approval by the cost center responsible that the employee costs being charged to their department are correct.**

REQUIREMENTS

- Approval prior to processing payroll:
  - Balancing routine control: For manual and mass uploading imports, the payroll manager should perform data accuracy controls (e.g. verify that the input of total hours worked received from the manager matches with the total hours worked indicated in the payroll system; verify that the total amount of bonus received from HR matches with the total amount in the payroll system). In case of Payroll system integration with any other system, interface should ensure data approval from the source.
  - When bonus or any other payout is processed (with or without payroll), secondary approval should be performed to ensure accuracy of payout, both at individual and total amount to be paid.
  - Analytical review comparing one month to another justifying variance (if any) is performed before bank transfer (analytical review covers payroll exception reports to identify unusual amounts e.g. negative value check, zero value check, significant increase between two months)
- Reconciliation after processing payroll (Step 2):
  - For each payroll, the total payment issued (treasury account) is reconciled with the payroll journal in order to check that amount paid to employees matches with the amount calculated by payroll department
- At least twice a year, cost centre responsible must validate that the employee costs being charged to their department are correct. (Step 3)

27 Compliance with payroll and local labor laws

PRIMARY OBJECTIVE

Ensure payroll and employment practices are compliant with local labor laws. Work permits and work contracts are in place, checked, and up-to-date at all times.

RISK

- Non-compliance with HR laws and regulations (Step 1, 2)
- Error in payroll process or unauthorized employee benefit (Step 1, 2, 3)

IMPACT

- Reputational damages
- Financial losses

CONTROL

1. **Annual review and assessment by HR of key payroll, employment practices, employee liability and laws to ensure compliance. In case of non compliance, notification to finance, legal and compliance to assess any financial impact / provisions /disclosure.**
2. **HR master data / employee files are timely updated in the event of a change.**
3. **Quarterly review, follow up and closure of open compliance actions related to local labor laws and regulations.**

REQUIREMENTS

- The HR department should have an updated information /checklist (of applicable local labor laws and regulation). Annual assessment should be performed to ensure compliance. Any identified gaps are reported, and followed up for timely action. In case of non-compliance with the local regulation, a risk analysis is performed and communicated to the Finance, Legal and Compliance departments to determine the potential needs for provisions, disclosures or actions to achieve compliance. (Step 1)
- HR / employee master data is maintained up to date. Changes are timely updated in the employee files / master data upon notification. (Step 2)
- Actions related to any non compliance are recorded and followed up quarterly to ensure they are timely closed. (Step 3)

28 Employee pension and benefit plans

PRIMARY OBJECTIVE

Ensure employee pensions and post-employment benefit plans are defined according to Group policies and local labor laws with proper calculation and recording.

RISK

- Error in payroll process or unauthorized employee benefit (Step 1, 2)
- Pension fund insufficiently capitalized or mismanaged or with insufficient transparency regarding future obligations (Step 1, 2)

IMPACT

- Reputational damages
- Errors in financials
- Financial losses

CONTROL

1. Any new plans, amendment or de-risking project of current plans must be communicated by the sponsor (local company) to PBGT and approved by the Group CEO and CFO following recommendation of the PBGT. Annually, Pensions and Benefits team to update the list of all pensions and post-employment benefit plans and validate with Group PBGT that they are managed in line with the Group Pension & Benefits Directives.

2. Twice per year, CFO (or designee) should ensure that pensions and post-employment benefit plans are correctly valued within the due date communicated in the ARC pension instructions. CFO (or designee) should provide a sign-off for the actuarial results in the Group actuary tool (GI tool) and ensure that inputs and outputs are correct and proper accounting entries are booked. A reconciliation of the actuarial data is performed by CFO (or designee), with the support of the Group actuary, between the Group actuary tool and the consolidation tool.

REQUIREMENTS

The Group Pension & Benefits directive defines the scope and objective together with the rules for managing the plans. Group ARC issues detailed instructions for reporting of post-employment defined benefits plan. (Step 1,2)

- Section 4.1 of the directive sets the rules for design of pension plans and other post-employment benefits which should be in accordance with the local regulations and market practices.
- Approval rules to be followed for defined in section 4 for each activity (e.g. closing and freezing pension plans, de-risking liability management, de-risking investment strategy, employer funding contribution etc.)
- Reporting for post-employment defined benefit plans should follow the process as per instructions from Group ARC. Actuarial methods and assumptions to be used should be aligned with the instructions
- Reporting should be updated in AON tool - GI as per the instructions for the relevant plans. The local actuary should upload the information related to benefit plans together with actuarial report. The CFO (or designee) should review and sign-off the results and accounting entries. CFO should have control over inputs (mainly employee data), and then outputs (analytic review of the main parameter and final results) in addition to the control performed over the assets valuation.
- The Group oversees the management of its pension plans through the Pension and Benefits Governance Team (PBGT). This interdisciplinary team including finance, human resources and legal specialists acts as a center of expertise in all issues relating to pension and other postemployment benefits and makes recommendations to the Group CEO and Group CFO. The Sponsor (local company) has to inform the PBGT of any project of new plans or amendment of current plans and request Group approval.

Refer to LHARP section 4.5.2.5

Expenditure

29 Management of supplier master data

PRIMARY OBJECTIVE

Ensure only authorized personnel create, modify and delete financially relevant vendor data.

RISK
- Failure in vendor masterfile maintenance (error, fraud, duplicate, etc.) (Step 1, 2, 3)
- Unauthorized access, disclosure, modification, damage or loss of data (Step 1, 3)

IMPACT
- Financial losses
- Operational disruptions
- Fraud

CONTROL

1. **Changes to supplier master data are performed by an authorized user and based on an approved request. Quarterly review and sign-off by the manager responsible for changes to supplier master data for a minimum 25 random samples to ensure such changes were based on approved requests and performed by an authorized user.**
2. **Annually extract a list of inactive suppliers and ensure they are blocked / deactivated. Exceptions, if any, are documented and approved by the responsible identified locally.**
3. **Quarterly verification and sign-off by the responsible manager to ensure only users from MDM function have access to change supplier master data.**

REQUIREMENTS

- A supplier master data management process that defines roles, responsibilities and rules for vendor data management is in place and reviewed when required. (Step 1, 3)
- Each entity should formally define its mandatory and critical fields in SAP/Local ERP, in line with the legal and business requirements. The list should include as minimum legal name, bank details, incoterms, reconciliation account (G/L) and control data (GR-based invoice verification).Other fields can be locally added above the minimum. (Step 1)
- The addition of a new supplier or bank account and subsequent changes require appropriate approval based on supporting documentation. Supporting documentation should include, in addition of the supplier request for change supported by a Bank confirmation (RIB, IBAN, Bank letter of confirmation, Statement etc.). A check is performed to confirm that all required information is completed. Quarterly, a master data change report is run of all creations, modifications and deletions to ensure that all the transactions were performed by authorized users. (Step 1)
- If any exceptions are found, they are documented and reported immediately for investigation. Corrective action is documented and tracked. All exceptions are closed in a timely manner (locally defined) (Step 1)
- Supplier records should be reviewed on an annual basis for activity; any record with no activity for a long period (e.g. 18 months) should be deactivated or blocked for payment and purchase. Suppliers identified as part of the procurement supplier reduction strategies should be deactivated and flagged for deletion. (Step 2)

30 Supplier qualification

PRIMARY OBJECTIVE

Screen and qualify suppliers before their addition to the supplier master data and manage supplier performance.

RISK
- Ineffective vendor selection process (Step 1, 2)
- Transaction with sanctioned parties (Step 1, 3)
- Unethical sourcing (Step 1, 3)

IMPACT
- Reputational damages
- Financial losses
- Fines and litigations
- Fraud

CONTROL

1. **Screening of potential suppliers by Procurement (or designee) based on the criteria required by Procurement, Sustainability, and Compliance including sanctions and TPDD, must occur prior to entering into a transaction or adding a supplier in the supplier master data or approved supplier list.**
2. **Review of supplier performance by Procurement must occur for critical and strategic critical criteria (including suppliers with high ESG impact) with suppliers not meeting the requirements being flagged as disqualified until action plans are completed, or the supplier is blacklisted if there are ongoing issues.**
3. **Supplier qualification must be updated at least on annual basis for critical and strategic suppliers (including suppliers with high ESG impact)**

REQUIREMENTS

- There are clear rules based on purchasing categories to identify vendors that are required to go through a qualification process. Qualification is performed in line with the Supplier Code of Conduct, DUNS requirements, and certification such as ISOs. (Step 1)
- All service suppliers that represent the company to a government agency, official or owned-enterprise to be screened compliant with the TPDD directive before inclusion in the supplier master data. (Step 1)
- Before adding a new supplier in countries designated as having a sanctions risk (see Legal & Compliance intranet portal/ sanctions), obtain a sanctions screen (or exemption) from local or regional compliance. Sanctioned entities or individuals cannot be added to the supplier master data. (Step 1)
- Supplier qualification should include the following: Health and Safety, Human Rights and Labor, Environment and Bribery and Corruption criteria, as defined in the Suppliers Sustainability Management Standard; Commercial (financial health of the supplier); Technical (goods and services as defined by category teams) and on-going performance evaluation. (Step 1,2)
- In case of poor performing suppliers, the Category Manager agrees with the supplier on a corrective action plan; if this corrective action plan is not followed or not efficient, the supplier is blacklisted. (Step 2)
- During the ongoing qualifications, supplier performance is periodically assessed for at least critical and strategic criteria (including suppliers with high ESG impact) and any supplier that does not meet the requirements must be flagged as disqualified and consequent management applied (ex. replacement). (Step 2,3)

31 Three-way match, two-way match and direct vendor invoices

PRIMARY OBJECTIVE

Reconcile purchase orders, receipts and invoices (3-way match) or approve 2-way match or vendor direct invoices to clear invoices for payment.

RISK

- Fraudulent or incorrect purchase orders (Step 1, 2, 3)
- Lack of control (quality and quantity) of goods and services received (Step 3)

IMPACT

- Errors in financials
- Financial losses
- Fraud

CONTROL

1. **Approval in the system by the designated approver according to the DoA of all purchase requisitions or purchase orders (depending on system design).**
2. **Verification and correction of exceptions by the designated responsible (business or procurement) to the three-way match report and approval according to the DoA if the exception is above the locally defined threshold.**
3. **Approval by the requisitioner or other designated approver per the DoA of any 2-way match invoices to confirm that the amount and workflow are correct and goods or services are received.**
4. **Approval by the designated approver per the DoA in the system of any vendor direct invoices to confirm that the amount and workflow are correct and goods or services are received.**

REQUIREMENTS

Purchases using purchase orders (Step 1, 2):

- Purchasing instruments (purchase request, purchase orders, framework orders or contracts) are approved according to country, regional and Group delegations of authority (involving legal and financial departments when required) prior to entering into a commitment with the supplier. (Step 1)
- Supplier invoices are only cleared for payment after the system automatically matches the purchase order, receipts and the supplier invoice (3-way match) or purchase order and an approved invoice (2-way match). (Step 1)
- Discrepancies between the invoice, PO and receipt are formally identified and the system blocks the payment process if the discrepancy exceeds the locally defined threshold. (Defined thresholds must be documented & approved by local DOA). (Step 2)
- An exception report (exception to 3-way match) is distributed regularly for verification and resolution. Only when the exceptions are cleared and properly explained can the payment be made. If discrepancies exceed a defined threshold, payment requires approval as per delegation of authority. (Step 2)

Purchases using vendor direct invoices (if applicable) with locally defined criteria (Step 2,3,4):

- Any vendor direct invoices (SAP FI invoices) which qualify for payment without a PO are entered into the system and are sent into a workflow immediately for review and approval according to DoA. Vendor direct invoices are discouraged and must be limited. Once the responsible employee reviews the invoice to confirm the amount, that the good or services were received, etc and approved, the invoice is cleared for payment.

32 Payment processing

PRIMARY OBJECTIVE

Approve payments/cash disbursements in accordance with local and Group Treasury Policy.

RISK

- Unauthorised or erroneous processing of supplier payments (Step 1,2)
- Corruption and bribery (Step 1, 2)
- Transactions with sanctioned parties (Step 3)
- Money laundering (Step 3)

IMPACT

- Reputational damages
- Errors in financials
- Financial losses
- Fraud

CONTROL

1. **Approval according to the local DoA of all payments and cash disbursements prior to payment.**
2. **Expenditures falling in the Gift, Hospitalities, entertainment and travel categories are identified through the accounting system. Payment carried out in contradiction to the GHET directive are rejected.**

REQUIREMENTS

- Payments / cash disbursements are approved according to the local and Group Treasury Directive, Group Delegated Authorities and local delegation of authority prior to actual payment. Cash disbursements are generally discouraged. Any cash disbursement should be as per locally defined rules and thresholds. (Step 1)
- Payments related to transactions that did not go through the PO or Direct Invoice process are authorized on the basis of appropriate supporting documents and according to delegation of authority prior to actual payment. (Step 1)
- The payment process ensures that distinct persons are in charge of the following tasks: 1) approval for payment (persons signing the check or issuing payment by bank transfer) and 2) accounting (preparation of bank journal entries). Disbursements should be processed by a member of staff independent from the receipt or matching of invoice process. (Step 1)
- Payments to suppliers that represent the company to government agencies, officials or owned-enterprises have been approved under the TPDD Directive before payment can be made. (Step 1)
- Sponsorship & Donation payments or any payment made directly or indirectly to public official without expecting any consideration in return must be reviewed by Compliance and authorized according to local DOA and Group Delegated Authority. (Step 1)
- All business trips require appropriate authorization and controls, to be adhered by both the line managers and employees. The local travel policies shall include an approval system and process in accordance with Travel and Events directive. (Step 1)
- Payments made as marketing gifts, hospitalities, entertainments and travels for third parties above the threshold defined by countries, and for public officials, have been approved according to rules defined in GHET Directive. No reimbursement for cash payments made as GHET is made. (Step 1,2)

33 Accrual for expenditures not invoiced

PRIMARY OBJECTIVE

Ensure that all accruals for expenditures are properly recorded in financial statements in the correct period.

RISK

- Inaccurate or fraudulent recording of expenditure and accruals (Step 1, 2, 3)

IMPACT

- Errors in financials

CONTROL

1. **All goods receipts (GR) should be recorded before the month end by the responsible locations. Purchasing manager or identified responsible should verify that there are no unrecorded GR at the month end for the goods and services received as per the PO.**
2. **GR/IR account (or equivalent system account) should be cleared monthly (ongoing) before month end closing by the designated person (business or procurement)**
3. **Accruals are booked monthly by the accounting function for all purchases and expenses with pending invoices. Any adjustment to the accruals needs to be approved by the appropriate Financial responsible.**

33 Accrual for expenditures not invoiced

REQUIREMENTS

- There should be a process to review open purchase orders to detect unrecorded goods and services received. Open purchase orders for which the delivery date has passed should be monitored and purchase orders with open quantities that are no longer needed are closed. (Step 1)
- All goods receipts (meeting all specifications e.g. quantity, quality) and the corresponding vendor invoices should be timely recorded in the system. If the goods are received but the invoice is missing, an accrual is created in the application. The accrual is reviewed for reasonableness on a monthly basis by the Purchasing Manager. (Step 1)
- In SAP GR IR clearing account is an intermediary clearing account for goods and invoices in transit. It represents Goods Receipt and Invoice Receipt Account. It's a balance sheet account therefore will have a balance at the end of the period. GR/IR differences should be reconciled by identifying the difference in the account (missing corresponding invoice or GR). The GR/IR ageing should also be reviewed to ensure items are timely cleared. (Step 2)
- For direct purchases (FI Invoice), the responsible department should inform the accounting department before month-end for the invoice not received / recorded. The accounting department reviews the invoices that are missing to determine which expenses should be accrued for proper cut-off. The completeness of the accrual of rendered services and received goods is then validated through a comparison of costs to budget, where applicable, and by reviewing open POs or service orders (if complete review is not possible, certain thresholds based on budget can be defined locally). (Step 3)
- Follow-up: Old accrual entries which were not offset by the system are followed up monthly and cleared by the Purchasing Manager. Any adjustment related to current month accrual is posted by the Accounting personnel and reviewed by the appropriate Financial responsible. (Step 3)

Inventory

34 Physical stock take of spare parts and materials and volume reconciliations

PRIMARY OBJECTIVE

Perform physical stock take of spare parts at least annually and materials at least monthly to ensure that the records reflect the correct descriptions, quantities, and values.

RISK

- Inaccurate or fraudulent recording and tracking of inventory (Step 1, 2, 3, 4)
- Inefficient or incorrect spare parts management (Step 1, 2, 3, 4)

IMPACT

- Errors in financials
- Financial losses
- Fraud

CONTROL

1. **Physical verification of spare parts is conducted annually (or by rotation throughout the year) with counts documented and discrepancy, if any, approved and adjusted according to defined requirements.**
2. **Physical verification of materials is conducted monthly with appropriate measuring equipments and method by stock owners with counts documented and discrepancy, if any, approved and adjusted according to defined requirements. Any discrepancy over 5% for semi-finished and finished goods need to be investigated and documented with justifications. Finance function participates in the physical verification process as observer at least half-yearly.**
3. **An end-of-month production data reconciliation is performed by the Production manager (or delegated person) as per the defined requirements. Finance/controlling verifies the stock reconciliation process locally performed in the plant and when necessary, applies adjustments to the financial statements according to defined DOA.**
4. **Annual independent full stock take of materials (measurements made by dedicated and skillful team of non-stock owner, e.g. 3rd party service, other functions within the company) is performed with differences identified, approved and adjusted.**

REQUIREMENTS

Regular physical stock takes of spare parts and materials are organized by the finance team and performed according to defined procedures.

SPARE PARTS (Step 1)

1. Preparation of physical inventory

- The plant procedure for stock-taking which describes scope, objective, resources and timeline is available and applied.
- Capitalized spare parts are included in the scope.
- Parts with zero /minimum values are included in the scope (e.g. obsolete parts written-off but still in the plant)
- Off-site inventories are included while consigned stock (customer and supplier) are excluded.
- The stocktake planning is validated by the site manager and communicated to all stakeholders.
- Count team is composed of maintenance experts to help identify the status of parts.
- Movement of parts are stopped during the stocktaking (reception, issue, return, etc.).

2. Stocktake

- Stocktaking is made under adequate supervision.
- Count sheets do not show the quantity recorded in the system (blind count).
- Stocktaking process identifies items that exist but are not recorded and items that are recorded but do not exist (i.e. floor to listing and listing to floor).
- Obsolete items are identified during the stocktaking.

3. Follow-up on stocktaking results

- A double count is performed in case of quantity discrepancies.
- Codification, description and label of stocks are checked and updated if needed.
- Stock taking results are reconciled with the data from the inventory ledger by independent people (not those in charge of inventory management).
- This reconciliation is reviewed by the warehouse manager and the finance controller.
- After reconciliation and approval, adjustment entries are recorded in ledgers.
- Discrepancies are analyzed to identify their sources and implement corrective actions.

4. In case full scope stocktake of spare parts is not performed at the year end, monthly or quarterly cycle counts are organized and ensure that all spare parts were included in the yearly stocktake process.

34 Physical stock take of spare parts and materials and volume reconciliations

REQUIREMENTS

MATERIALS (Step 2, 4)

1. Preparation of physical inventory

- There is a layout map to show the scope of the stock take. Off-site stocks are included.
- The stock take planning is validated by the plant manager and communicated to all stakeholders.
- Movement of goods are stopped or controlled during the stocktaking (reception, issue, return, etc).
- Date & the time of measurements have to be recorded.
- Calculating formula should be established & declared.
- All the measured figures must be reconciled from the time & date of the measurements to the end of the month at 24h00.

2. Stock take

- Stocktaking is made under adequate supervision.
- Count sheets do not show the quantity recorded in the system.
- Stocktaking process identify materials that exist but are not recorded and materials that are recorded but do not exist (i.e. floor to listing and listing to floor).
- Obsolete items are identified during the stocktaking.

3. Specific matters

- Measuring methods and instruments must be optimized at the maximum to ensure the reliability of the measures.
- Regular calibration of the dosing equipments and weighing devices according to defined schedule.
- Make all the bulk material heaps to regular geometrical shapes as much as possible.
- Bulk density in loose and compact form of all bulk materials should be measured and agreed. Each stock loose or compacted will use the corresponding density.
- Prior to the verification, production manager and mining engineer should certify the geometrical shape and the zero levels of all the major heaps.
- For all bulk materials, the total stock taken into account should include the 'live' and 'dead' stocks.

4. Frequency

- The raw materials & semi finished and finished goods stock take is performed by Production monthly. At least once per year, the stock take should be performed by an independent expert (eg. 3rd party surveyor or other functions when necessary). Third party survey is mandatory if 1) there is local legal requirement 2) business has challenge to ensure adequate physical inventory due to lack of skills/tools/internal resources.

5. Roles and responsibilities

- Production (stock owner) is primarily responsible for the inventory planning & organization of the stock take to ensure completeness of stock take locations as well as to provide competencies, methodology and tools for the stocktake team. Production team performs the stock take and signs the stock take report.
- Finance/Controlling's role is to ensure reliability of the work done. Finance/ Controlling is not necessarily executing the stock measurement monthly but must be an independent observer on the field as part of the count team at least half yearly.

REQUIREMENTS

Monthly stock reconciliation (Step 3)

- An end-of-month production data reconciliation is performed by the Production manager (or delegated person).
- Stock reconciliation is done between all semi-finished / finished goods stock measured values, products delivered, materials received, and production / consumption figures for the current month. Reconciliations should be performed on a dry basis for semi-finished and finished goods, on a wet basis for the other materials (raw materials).
- The following parameters cannot be adjusted and must be considered as fixed: Semi-finished and finished goods tonnages (Shipments, deliveries and physical measures of stocks), total operating hours for the month for each semi-finished and finished goods manufacturing equipment
- All material physical quantities from stock take inventory are cross-checked with stock information in the data system by independent people (not those in charge of material stock take).
- In case of a discrepancy between the measured physical stock and stock information in the data system for all physical stocks and before proceeding adjustment of production inputs, reliability of the information system, accuracy of stock take and output of the manufacturing lines for the month must be analyzed first. A double count is performed in case of quantity discrepancies.
- Adjustments proposed by the financial controller and production manager and other relevant functions (e.g. logistics) must be validated by the plant manager and other person per local delegation of authorities.
- After approval, adjustment entries are recorded in production reports and accounting ledgers according to the nature of the discrepancy and the decision made by the responsible functions. At least quarterly, the adjustments must be booked in the accounting ledgers.
- Discrepancies are analyzed to identify their sources and implement corrective and preventive actions. Any discrepancy over 5% for semi-finished and finished goods need to be investigated and documented with justifications.
- **Dead stock.** For all products, the total stock taken into account in the production data report includes the live stock (movable automatically with permanent equipment) and the dead stock (non movable automatically). The value of the dead stock is agreed upon between the production manager and the controller.
- **Zero & Full stock**. For bulk products, it is recommended to reach at least once a year a physical zero stock level in order to perform a consistency check between theoretical stock and physical stock. When a full-stock or zero-stock level is reached, discrepancy between book & physical stock must be adjusted.

Roles and responsibilities

- Lab manager is responsible to measure bulk density, calorific value and moisture content at reception and final usage.
- Production and Quarry Managers are responsible to measure physical materials stocks, to propose adjustment of the difference Physical – SAP/JDE when results are out off the defined limits with corrective and/or preventive actions. Must keep record for traceability.
- Plant Managers and Manufacturing Directors (as per local delegation of authorities) are responsible to review and approve production and stock adjustments, and to sign off the adjustment proposal.
- Finance/controlling is overall responsible for the compliance and reliability of the stock reconciliation process locally performed in the plant and when necessary, applies adjustments to the financial statements according to defined DOA.

35 Inventory valuation

PRIMARY OBJECTIVE

Record the proper value of inventory by identifying and providing for obsolete or slow-moving items.

RISK
- Inaccurate or fraudulent recording and tracking of inventory (Step 1, 2)
- Inaccurate or fraudulent closing entries (incl. judgmental assumptions and estimates) (Step 1, 2)

IMPACT
- Errors in financials
- Financial losses
- Fraud

CONTROL

1. **Approval of inventory costing, valuation & provisions according to local DoA.**
2. **Half yearly, for hard close events, approval by CFO (or designee) of provisions for obsolescence and slow moving parts and write-offs according to LHARP.**

REQUIREMENTS

- The valuation of each type of inventory is reviewed for consistency with Group Accounting rules. Inventory costs include purchasing costs, conversion costs and other costs incurred in bringing the inventories to their present location and condition (excluding storage costs). (Step 1)
- Purchased products are valued at purchase price less any price deductions such as trade discounts and rebates. Expenses directly related to the acquisition (insurance, import duties, transport and handling costs etc.) are included in the value of the inventory. (Step 1)
- Inventory of own produced finished and intermediate products are valued based on actual cost of goods produced including depreciation and certain distribution costs (transport to terminals, warehousing, bagging, etc.). Standard costing can be used during the year. At year-end, inventories must be restated to actual cost. Standard cost should be updated at a minimum once per year for external audit purposes at Year End (or Hard Close November). (Step 1)
- Inventory provisions are estimated according to LHARP, based on appropriate supporting documents and applied consistently from one year to another. They are approved according to the delegation of authority. (Step 1)
- Review for obsolescence for slow moving parts and related provisions and write-offs are performed for half yearly during hard close events.(Step 2)

Refer to Accounting for value adjustment for different types of inventory

Refer to LHARP 3.1.1.1.6 Inventories

IT

36 Management of access to IT systems

PRIMARY OBJECTIVE

Management of access to IT systems is in place to prevent unauthorized access, disclosure, modification, damage or loss of data.

RISK
- Unauthorized access, disclosure, modification, damage or loss of data (Step 1, 2)

IMPACT
- Operational disruption
- Fraud

CONTROL

1. **Access to the IT systems will only be granted, changed or terminated based upon a correctly authorized access request as per defined procedure.**
2. **In the case of terminations, upon receipt of notification from HR/ business, IT to terminate all user access in a timely manner (3 working days for a power user, such as an administrator role, and 5 working days for a regular user).**

REQUIREMENTS

Note: IT Systems refers collectively to Business Applications and IT Infrastructure (Operating System, Database, Network, interfaces)

Granting/Changing Access (Step 1):

- A formal user access request form has to be filled out for every new or changed LafargeHolcim employee requesting access to LafargeHolcim information systems and the corresponding approvers has to approve it ensuring compliance with segregation of duties (SoD). In case of movers/transfers, either all access rights should be revoked and re-requested, or the approver should confirm whether the existing access is still appropriate and required.
- HR should confirm the identity of all internal users and the sponsor for external users.
- External User IDs and temporary LafargeHolcim employees must have a defined expiration date up to 12 months for these IDs (renewable). Based on the type of ID and associated risks the sponsor may choose to further limit this expiry to a shorter period (e.g. three months). Expiration may be set up at Google / Active Directory level where not supported by the application.

Termination (Step 2):

- The scope of this controls starts from the time HR or Business notifies IT a request for termination of user. The control for business notification to IT is under MCS25. IT to revoke access within defined timeline upon HR / business notification

37 Review of IT user access rights to production IT systems

PRIMARY OBJECTIVE

IT users have appropriate access as per their job role and authorization.

RISK
- Unauthorized access, disclosure, modification, damage or loss of data (Step 1, 2, 3)

IMPACT
- Operational disruption
- Fraud

CONTROL

1. **IT performs a half yearly review of all IT user access rights and permissions for accounts within the production systems.**
2. **Actions are proposed (lock, disable, remove user accounts) if access rights are inappropriate. Access changes performed are documented and appropriately retained.**
3. **Dormant account reviews are performed periodically for all IT users (e.g. user not logged-in for 30/60/90 days) and actions taken.**

REQUIREMENTS

Note: IT Systems refers collectively to Business Applications and IT Infrastructure (Operating System, Database, Network, interfaces)

- This control must cover the review of all IT function users (e.g. OS, DB & Network administrators, AD administrators, application support team from IT and all other IT users who have access to production IT systems). Access review of Business users access to IT systems is covered under MCS12 and therefore not in the scope of this control (Step 1, 2 and 3)
- An IT user cannot review their own access. The review confirms that access is in line with the IT users role and responsibilities. (Step 1)

38 Security configuration settings and batch job management

PRIMARY OBJECTIVE

Security configuration settings are reviewed to provide reasonable technical assurance to prevent any unauthorized access to IT systems. atch jobs are monitored to ensure data integrity

RISK

- Data leakage of sensitive information (incl. GDPR) (Step 1)
- Successful cyber attack (Step 1)
- Lack of data integrity (Step 1, 2)

IMPACT

- Operational disruption
- Fraud

CONTROL

1. **Once a year, the security configuration settings of IT systems are reviewed to verify whether the settings are appropriate and enforced according to the defined security requirements for applications, Operating Systems and Database. Access to identified critical transactions is restricted to users as needed.**
2. **Access to batch job scheduling is appropriately restricted to authorized users and reviewed half yearly.**
3. **Every month the batch jobs and interfaces are monitored and processing errors are timely corrected.**

REQUIREMENTS

Note: IT Systems refers collectively to Business Applications and IT Infrastructure (Operating System, Database, Network, interfaces)

- Minimum Security Baseline requirements are defined in - Security Configuration baseline approved by the Group IT Security responsible. (Step 1)
- ITSC Security officer is responsible to obtain the IT system configuration settings and review them to ensure they are as defined (or stricter) in the Security configuration Baseline.(Step 1)
- For IT systems not managed by LH (e.g. Cloud hosted and managed by third parties) Business or IT should obtain independent audit report (e.g. ISAE 3402) from the service provider at least annually to verify and follow up on any IT internal control deficiency reported. (Step 1)

Critical batch jobs (different from end user scheduled background jobs) are identified (e.g. interfaces between ERP and other critical systems to ensure failures, if any are timely corrected to ensure data integrity). Access to such scheduled jobs is restricted. (Step 2, 3)

39 Data backup, storage and restoration process

PRIMARY OBJECTIVE

Data backup, storage and restoration process is implemented to minimize loss of data

RISK

- Business disruption due to system unavailability (Step 1, 2)

IMPACT

- Operational disruption
- Financial loss

CONTROL

1. **Backup is performed as per the schedule (daily, weekly, monthly etc.). Backup logs are monitored routinely to verify success / completeness. Errors, if any, are reported as incidents and resolved.**
2. **When external media is used, backup is stored offsite and media labeling procedures are defined and followed. When online data replication (e.g. SAN) is setup, data is protected against corruption (ensuring that corrupted production data may not be synced in realtime to the backup).**
3. **Restoration tests are performed at least annually. Failures, if any, are investigated and resolved.**

REQUIREMENTS

The IS_S04 IT Infrastructure and Operations Directive section 5 defines the IT Backup requirements. The local backup and restore procedures should document:

- Scheduling
- Backup rotation
- Retention times
- Testing of restoration process
- Evidence that backup are performed
- Evidence of tests performed regarding the restoration procedure

Backup strategy should be designed taking into into consideration that risk of data loss and data corruption is minimized (e.g. controls to prevent backup data corruption). The restoration should be achievable within the business agreed recovery and restoration time objective. (Steps 1,2, 3)

40 Managing changes to IT systems

PRIMARY OBJECTIVE

Prevent unauthorized changes in IT systems.

RISK

- Unauthorized changes to the IT systems (Step 1, 2, 3, 4, 5, 6)

IMPACT

- Operational disruption
- Fraud

CONTROL

1. **There is verification that the requester is authorized to request changes to the relevant IT systems.**
2. **There is a verification that the requester has followed defined procedure for requesting changes and that the requests are approved as required.**
3. **User Acceptance Test is performed (there may be additional tests for the Unit and Integration Test, if required). Results of User Acceptance Test record who performed the User Acceptance Test and when.**
4. **There is a verification on the release authorization (ensures evidence of who authorized the release and when).**
5. **There is verification that segregation of duties is maintained especially that the developer does not move their own changes into the production environment.**
6. **There is a verification on the existence of test and log evidence to support the assertion of secure movement of changes into production (where changes are applied directly on production systems e.g. a configuration or security setting change, it is reviewed and confirmed for correctness).**

REQUIREMENTS

Note: IT Systems refers collectively to Business Applications and IT Infrastructure (Operating System, Database, Network, interfaces)

- Changes to IT systems should be requested only by authorized approvers (application super users, business process owners) to ensure that only valid changes for business needs are requested (Step 1). To request changes a defined procedure is followed where the approvals are captured and recorded (Step 2). UAT should not be performed by the developer / change responsible to ensure segregation. UAT is generally performed by the application super users or business / function approved testers (Step3).
- The change approval board (CAB) verifies all changes before providing release approval. Changes should not be moved to production without approval. (Step 4)
- Developers should not have change access to production system. The changes in production environment should be moved by administrators (BASIS for SAP ERP) (Step 5).
- Post change monitoring is performed to ensure there changes were correctly implemented (Step 6)

Accounting & Consolidation

41 Compliance with accounting and reporting standards (LHARP)

PRIMARY OBJECTIVE

Implement and comply with all LHARP accounting and reporting standards.

RISK
- Non-adherence to accounting and reporting requirements and standards (Step 1)

IMPACT
- Errors in financials

CONTROL

1. **Confirmation by the CFO of compliance to LHARP and IFRS through financial certification. Any deficiencies identified in a sustainability review conducted by the STAP team are remedied per the agreed timeline.**

REQUIREMENTS

- The Company's Chief Financial Officer is responsible for ensuring that LHARP is sustained in the Company including updating the internal policies for the LHARP change releases. Adherence to Group standards is included in the annual certification letter.
- In the countries where SAP is deployed, the LHARP manual is implemented in the transaction systems of all Group companies. This implementation is certified by the Group STAP team who conducts a detailed review. In the entities where SAP is not deployed, LHARP shall be implemented as per the interim instructions.
- Regular LHARP Sustainability Reviews are conducted by the STAP Team based on an annual plan.Any deficiencies identified must be monitored and remedied by the CFO (or designee).
- The LHARP Manual includes IFRS elements that are relevant for Group reporting purposes. In the case where local circumstances dictate that a specific IFRS, which is not documented in the LHARP Manual, is applied, it is the responsibility of the Company's CFOs to ensure that the IFRS is followed (in addition to LHARP).

Refer to the LHARP Manual

42 Reconciliation of general ledger accounts

PRIMARY OBJECTIVE

Reconcile and review balance sheet accounts and CFO sign-off of the trial balance and non-consolidated financial statements.

RISK
- Inaccurate or fraudulent closing entries (incl. judgmental assumptions and estimates) (Step 1, 2, 3, 4)
- Non-adherence to accounting and reporting requirements and standards (Step 1, 2, 3, 4)

IMPACT
- Errors in financials

CONTROL

1. **Communication and monitoring by the CFO (or designee) of a monthly closing checklist.**
2. **Approval by the designated financial person of income statements, balance sheet accounts, cash flow at least quarterly.**
3. **Approval by the designated financial person of subledger to GL reconciliations monthly.**
4. **Approval by the CFO (or designee) of the trial balance.**

REQUIREMENTS

- The CFO (or designee) prepares and communicates a closing checklist or other document of key activities that must be performed during a close, including who performs the task and the deadline, which is monitored. (Step 1)
- The CFO (or designee) performs an analytical review of the income statement, balance sheet and statement of cash flows to look for variances exceeding the locally defined thresholds (% and amount in local currency) in comparison to the prior year and to forecast or budget. All significant deviations are explained in writing and all errors are corrected prior to final closing. Significant deviations discovered in the review are disclosed in writing. Once completed, the CFO (or designated approver) approves the trial balance and non-consolidated financial statements. (Step 2)
- Every month, each subledger is analyzed for unusual or potentially incorrect balances and this review is documented with any material follow-up actions being resolved immediately. (Step 3)
- The system automatically posts subledger entries to the general ledger and blocks posting of manual entries directly to the general ledger. Any adjustments should be made directly to the subledger. (Step 3)
- The subledger is reconciled to the general ledger monthly to ensure the total balance per the subledger agrees with the total per the general ledger. Any differences are documented, investigated and cleared (all corrections made to the subledger). The reconciliation is approved by the designated finance person. (Step 3)
- For leases under the scope of IFRS16, lease payments must be reconciled between SAP RE-FX and the local vendor accounting in the ERP system. Right of use assets and the Lease Liability account should be reconciled with the sub-ledger (the detail by contract), by comparing fixed asset ledger and GL. (Step 3)
- Balance sheet account reconciliations are to be performed at least quarterly (monthly for high volume accounts or those with material balances). Total of subledger should match with general ledger before closing the month in the system. (Step4)
- Reconciling items must be identified and corrected by the next accounting period (same accounting period if material). The reconciliations should be reviewed and approved by the designated financial person. (Step 4)

43 Reconciliation of bank accounts

PRIMARY OBJECTIVE

All bank accounts are reconciled to the general ledger regularly, signed by the CFO, and adjustments are recorded immediately.

RISK
- Inaccurate or fraudulent closing entries (incl. judgmental assumptions and estimates) (Step 1)
- Non-adherence to accounting and reporting requirements and standards (Step 1)

IMPACT
- Errors in financials
- Financial losses
- Fraud

CONTROL

1. **Monthly bank statements are obtained from the banks and reconciliations with the GL are performed by the finance responsible. Required adjusting entries are booked and all unreconciled items are followed up for closure within 90 days. The CFO (or designee) approves the monthly reconciliation.**

REQUIREMENTS

- A proper segregation of duties is in place between reconciliation, booking and approval activity. The person who performs the bank reconciliations may not have access to recording of transactions in the accounting system or to process cash disbursements or receipts.
- At least monthly, all bank statements are reconciled to the general ledger account timely. The accounts denominated in foreign exchange rates are recalculated according to the month-end rate and the impact is recorded in the general ledger. The bank statement, the GL balance and the related journal entries are attached in the bank reconciliation. Reconciling items (identified differences between the book and bank balances) are followed up timely and are aged. Any adjustments required to the general ledger are recorded before closing. All bank reconciliations (even for inactive or dormant accounts) at each month-end closing are reviewed and approved by the CFO (or designee)..
- All reconciling differences should be identified and any necessary journal entries to resolve the differences should be posted no later than 90 days after the reconciliation is done. The bank should be contacted concerning any bank errors which should also be resolved within 90 days

44 Reconciliation of intercompany balances

PRIMARY OBJECTIVE

All intracompany and intercompany balances are reconciled with the partner to ensure accuracy of the general ledger and proper elimination upon consolidation.

RISK
- Inaccurate or fraudulent closing entries (incl. judgmental assumptions and estimates) (Step 1, 2)
- Non-adherence to accounting and reporting requirements and standards (Step 1, 2)

IMPACT
- Errors in financials
- Financial losses

CONTROL

1. **Signed contract documented and filed for all intercompany transactions.**
2. **Review and approval by the designated financial person of the intercompany and intracompany accounts each month, including a confirmation with each partner (or documentation that balances agree in Reco-Live).**

REQUIREMENTS

- Each intercompany transaction between different legal entities must have a signed contract. Each intercompany invoice must include relevant details for the goods or services provided based on a signed contract. (Step 1)
- All balance sheet and income statement intracompany / intercompany accounts are formally reconciled with each partner unit, including other companies of the LH Group. Reconciling items must be identified and corrected before the end of the close. The reconciliations should be reviewed and approved by the designated financial person. This ensures that intercompany balances are fully eliminated in consolidation. (Step 2)

Refer to LHARP 7.3.3 Reconciliation Policy

45 Manual journal entries

PRIMARY OBJECTIVE

Manual journal entries are properly supported, reviewed and approved by appropriate personnel.

RISK
- Inaccurate or fraudulent closing entries (incl. judgmental assumptions and estimates) (Step 1, 2)
- Non-adherence to accounting and reporting requirements and standards (Step 1, 2)

IMPACT
- Errors in financials
- Financial losses
- Fraud

CONTROL

1. **Ensure that the manual journal entries are approved as per country DoA, by the designated finance person, together with supporting documentation prior to posting.**
2. **Quarterly verification and sign-off by the responsible manager to ensure only approved users from accounting function have access to post manual journal entries. Quarterly approval by the Countries a list of approved persons who can request MJE to the BSCs**

REQUIREMENTS

Scope: Manual Journal Entries are Journal Entries posted by a user/person and are not system triggered /automatic entries in the ERP application (e.g. AP or AR ledger posting).

- Manual journal entries should be posted in the system after they are reviewed and approved. Additionally, entry relating to valuation adjustments should be approved by the CFO. All manual journal entries are required to have adequate supporting information /documentation, appropriate business rationale, recorded within the right month, with the right amount. (Step 1)
- The CFO or designated finance person performs a monthly analytical review of manual journal entries posted. This includes statistics on the number of entries, nature and amount of journal entries to detect any unusual activity as part of the review. Countries define locally the thresholds and unusual items for review. The reviewer is a person other than someone who is posting the entries. (Step 1)

46 Impairment of goodwill, intangible assets and tangible assets

PRIMARY OBJECTIVE

Perform an impairment test for goodwill, intangible assets and tangible assets to ensure that their recorded values are not greater than their recoverable amount.

RISK
- Inaccurate or fraudulent closing entries (incl. judgmental assumptions and estimates) (Step 1, 2, 3)
- Non-adherence to accounting and reporting requirements and standards (Step 1, 2, 3)

IMPACT
- Errors in financials

CONTROL

1. **Approval by the Group CFO of the goodwill impairment test template assumptions and MTP cash flow data together with other additional data used for the estimate of value in use. (Group Level)**
2. **At least annually, approval by the Country CFO (or designee) of the impairment tests for other intangible assets with indefinite lives and tangible assets annually or if a triggering event occurs and, if an impairment exists, review of the impairment loss and possible adjustment to the carrying value and useful life (if applicable).**
3. **Notification of impairment issues by the country CFO (or designee) to the Group Reporting & Consolidations team by using the goodwill impairment template at all times as they occur and before the end of November.**

46 Impairment of goodwill, intangible assets and tangible assets

REQUIREMENTS

Cash Generating Unit (Step 1):

- As from January 1, 2019 a CGU (Cash-Generating Unit) for goodwill impairment testing purposes shall represent a reportable segment. This emphasizes the level of responsibility of regional Management with focus on segment performance. As a consequence, the lowest level at which goodwill is monitored for internal management purposes is therefore carried out on a reportable segment level and not anymore based on country or regional cluster level. The reportable segments on which goodwill will be tested for impairment would be as follows:

- North America; Europe; Middle East Africa; Latin America; Asia Pacific (excluding China) and China.

Goodwill: Guidance (Step 1)

- Consequently, all goodwill is tested for impairment by Corporate Reporting in Zug, Switzerland and not by a Group Reporting Unit. The Group goodwill impairment test template will be used to test for impairment. The cash flows contained in the Mid-Term Plan form the basis of the test with additional information required. The calculations and assumptions must be validated and approved by the Group CFO.

Other intangibles with indefinite lives (Step 2):

- At least annually or if a triggering event occurs, a test of impairment of an intangible asset with an indefinite useful life (or an intangible asset not yet available for use) is completed by comparing its carrying amount with its recoverable amount.

PPE (Property Plant & equipment) (Step 3):

- Group companies shall use the goodwill impairment template at all times when assessing PPE for impairment.
- All designated assets are assessed at least annually to determine if there is any indication of impairment. If indicators are present, a formal estimate of the recoverable amount of the asset must be calculated. The review needs to be documented and must be formally approved by the appropriate finance person.
- If it is determined that there is an impairment, the impairment loss must be recognized immediately to the extent that the carrying value is greater than the recoverable amount.
- If there is an indication that an asset may be impaired, the remaining useful life of the asset should be reviewed and adjusted, if needed, even if no impairment loss is recognized.
- Group Reporting & Consolidations should be notified if any impairment issues arise before the end of November.

Refer to LHARP 4.4.3 Impairment of Assets

47 Transactions in a foreign currency

PRIMARY OBJECTIVE

Identify, record and revalue all transactions in a foreign currency and recognize foreign currency gains/losses.

RISK

- Non-adherence to accounting and reporting requirements and standards (Step 2, 3)
- Inaccurate or fraudulent closing entries (incl. judgmental assumptions and estimates) (Step 1, 2, 3)
- Improper management of foreign exchange risk (Step 1, 3)

IMPACT

- Errors in financials

CONTROL

1. **Approval by either ITSC, CFO or designee that the correct Group communicated exchange rates were entered into the ERP system daily or at least monthly.**
2. **Analytical review of the foreign currency gain or loss in the general ledger to ensure all foreign currency transactions were properly revalued using the month end rate.**
3. **Review and approval by the CFO (or designee) of the foreign currency transactions to determine if hedging is required.**

REQUIREMENTS

- Daily exchange rates published by central banks are usually used to record receivables and liabilities relating to the foreign currency transaction (settlements, recognized gains/ losses). The exchange rate used in the ERP system on the last day of the month is the official rate calculated and defined by the Group and communicated to all countries. Exception (i.e. utilization of daily rates from central bank for the last day of the month, instead of the rates communicated by the Group) must be approved by Group Reporting & Consolidation, based on appropriate impact analysis performed on a bi-yearly basis. (Step 1)
- A foreign currency transaction is one that requires settlement, either payment or receipt, in a foreign currency. Such transactions are identified and recorded in the general ledger as a foreign currency transaction (denominated in the currency of the transaction so the ERP system can automatically revalue the transaction until settlement). (Step 2)
- Where a transaction is not settled in the same reporting period as that in which it occurred, it must be revalued using the closing rate of the reporting currency. Any resulting gain or loss must be recognized in the income statement as a foreign currency gain or loss. If recorded in the system in the currency of the transaction (foreign currency), this will be done automatically by the ERP system. If not, this must be done manually. (Step 2)
- Forex (FX) risks must be mitigated by natural hedging as much as possible. If not possible, it must be identified and managed to the maximum extent possible in cooperation with Group Treasury (CFT). (Step 3)

Refer to LHARP 3.2.4.4 Foreign Exchange Losses (Gains), 4.7.1 Accounting for the Effects of Changes in Foreign Exchange Rates

48 Management of legal structure and consolidation hierarchy

PRIMARY OBJECTIVE

Ensure a complete and correct scope of consolidation by proper reporting and disclosure of the legal ownership rights.

RISK
- Non-adherence to accounting and reporting requirements and standards (Step 1, 2)

IMPACT
- Errors in financials

CONTROL

1. **New legal entity and/or any changes in the structure of legal entity must be updated in the Umbrella tool within 3 days of incorporation or change. The GRU CEO (or designee) verifies the legal entity structure and signs off the Umbrella information half yearly according to ARC / Legal Instructions (e.g. May & Nov).**
2. **Approval by the designated finance person together with legal of the consolidation hierarchy percentage of ownership and any put/call liability to ensure correct accounting and reporting treatment (e.g. consolidation method) and reconciliation to the financial investments in the statutory accounts before the start of the country consolidation.**

REQUIREMENTS

- The creation of any new legal entity must be in accordance with the Group Delegated Authorities. The Group Reporting Unit (GRU) CEO is responsible to ensure that all legal entities with direct or indirect control are documented in the Umbrella tool. (Step 1)
- All information in Umbrella tool is updated within 3 days after any changes occurs. (Step 1)
- All information in Umbrella tools compulsory and must be completed accordingly. (Step 1)
- Before the start of the country consolidation, the consolidation hierarchy is reviewed together with the Group Consolidations team to verify the completeness and correctness of the ERP system set-up of the legal entities, the consolidation methods and the legal ownership percentages. If a transaction is considered to be a change in structure (CIS), then it must be documented (legal entity, % of ownership, parent, method of consolidation, etc.). If the transaction meets the threshold, it is recorded as a CIS movement in the SAP FC package. (Step 2)

49 Consolidation of financial statements

PRIMARY OBJECTIVE

Review of the reporting package, including equity and consolidation entries, and approval of the reporting package and supporting schedules before submission to the Group.

RISK
- Non-adherence to accounting and reporting requirements and standards (Step 1, 2)
- Inaccurate or fraudulent closing entries (incl. judgmental assumptions and estimates) (Step 1, 2)

IMPACT
- Errors in financials

CONTROL

1. **Review and approval by the CFO (or designee) of the reconciliation of local equity (general ledger) and local chart of accounts to the reporting package (SAP-FC) quarterly.**
2. **Review and sign-off by the CFO (or designee) of the SAP-FC reporting package before submission as per the requirements.**

REQUIREMENTS

- A review is performed to ensure the amounts reported in the group reporting package (SAP-FC) are correct and complete. The mapping between the local chart of accounts and the consolidation package, if applicable, is formalized and any change is authorized by the designated finance person. (Step 1)
- When a country performs a sub-consolidation, the consolidated reporting package is reviewed for the completeness and correctness of the consolidation, where applicable, including (Step 1):
  - Eliminations, taking into consideration any non-controlling interest calculation
  - Accounting for any deconsolidation, acquisition or merger.
  - Conversion to the reporting currency and related currency translation adjustment are reviewed for reasonableness using the rates published by the Group (and used in SAP FC).
- A reconciliation of local equity (general ledger) to the Group consolidation accounts (SAP FC) is performed at least quarterly and approved by the CFO (or designated finance person). Differences are explained, documented and recorded. (Step 1)
- The country reporting package is reviewed and approved by the appropriate finance person (country CFO or designee) before being submitted to the Group. The CFO (or designated approver) formally signs off on the financial statements to confirm that they have been reviewed, the amounts reported are correct and that all relevant information for disclosure purposes has been included in the appendices. (Step 2)

50 Statutory financial statements

PRIMARY OBJECTIVE

Statutory financial statements are reconciled to Group financial statements, reviewed and signed off by the CFO and statutory audits are completed by April 30th.

RISK

- Non-adherence to accounting and reporting requirements and standards (Step 1, 2)
- Inaccurate or fraudulent closing entries (incl. judgmental assumptions and estimates) (Step 1, 2)

IMPACT

- Errors in financials

CONTROL

1. **Review and sign-off by the CFO (or designee) on 1) the reconciliation between the Group reporting package and the statutory financial statements and all adjustments made and 2) the statutory financial statements, including related disclosures.**
2. **Submission of all statutory audit reports of a calendar year by April 30 of the following year with any exceptions approved by Head of Group AR&FPA before the April 30th deadline.**

REQUIREMENTS

- A reconciliation between the financial statements per the Group reporting package and the statutory financial statements must be performed to ensure amounts are correct and complete. (Step 1)
- Any adjustments made to the SAP-FC financial reporting package (financial statements) to comply with the regulations of the statutory financial statements (e.g. IFRS to a local GAAP) must be documented and approved by the CFO or designated approver. (Step 1)
- The CFO (or designated approver) formally signs off on the statutory financial statements to confirm that they have been reviewed and the amounts reported, including all relevant disclosures, are correct. (Step 1)
- All statutory audits of a calendar year must be completed by April 30 of the following year. Any exceptions must be approved by the Head of Group AR&FPA. The CFO (or designee) ensures that root cause of delays is analyzed and the organization and process is improved for the next year. (Step 2)
- For both the statutory and group audits, a mandatory audit firm rotation is to take place every 10 years the latest (more frequent intervals may be applied by the management). A previously appointed audit firm, after its rotation, cannot be re-elected for a period of at least 3 years. Additionally, key audit partners must rotate every 7 years the latest. A previously appointed key audit partner, after his/her rotation, cannot be re-elected, irrespectively of the audit firm in which he / she might work for. If local regulations of each country of incorporation, dictate a more frequent mandatory rotation of audit firms or key audit partners and / or a longer waiting period for re-election, then local regulations supersede this guidance and the more frequent rotation periods and/or the longer waiting periods should be applied locally. Refer to the Directive of approval of audit, audit-related and non-audit services. (Step 2)

Tax

51 Tax risk assessment and reporting

PRIMARY OBJECTIVE

Track, monitor and reduce tax risks and ensure they are properly reflected in financial statements and disclosures.

RISK
- Lack of proper tax risk monitoring and reporting (Step 1, 2)
- Poor management of tax cases (Step 1, 2)
- Inaccurate or fraudulent closing entries (incl. judgmental assumptions and estimates) (Step 1, 2)

IMPACT
- Errors in financials
- Financial losses

CONTROL

1. **Quarterly review and approval by the country CFO (or designee) of the provisions reported and the full list of uncertain tax position as per the requirement, at the Country/GRU level, and confirmation they agree to the amounts in the financial statements.**
2. **Review and approval of tax risks, at the consolidated Group level, by the Group Head of Tax every quarter to ensure all required information is reported, complete and updated with the latest assumptions. (Group level)**

REQUIREMENTS

At least quarterly, the finance team keeps track of and properly completes the status of all uncertain tax positions, including (Step 1):

- The estimated maximum risk and estimated loss,
- The classification as not probable, probable and virtually certain,
- The amount of the provisions recorded in the financial statements.

Based on this information:

- Provisions must be adjusted accordingly
- Contingencies must be disclosed

This detailed information is reported to Group Tax using the format and tool communicated by Group tax with all balances reconciled to SAP-FC. (Step 2)

Refer to LHARP 7.3.4.04 Tax Risk Reporting

52 Tax filings and payments

PRIMARY OBJECTIVE

Any exceptions to timely tax filings and payments must be approved by the Group Head of Tax.

RISK
- Statutory filings and payments not performed timely (Step 1, 2)
- Poor management of tax cases (Step 1, 2)

IMPACT
- Errors in financials
- Financial losses

CONTROL

1. **Tax Manager and CFO (or designee) to implement a tax calendar with all tax filing and payment due dates.**
2. **Approval of the calendar by the local Tax Manager to ensure that all filings and payment are made on time. If an extension is needed, the local Tax Manager obtains approval from the Group Head of Tax.**

REQUIREMENTS

- A tax calendar, including filing and payment due dates for all taxes, is formally set up by the tax manager and CFO (or designee). (Step 1)
- A process is in place to monitor filings and payments so they are made on time. Entities should be compliant with local rules for timely filing and payment of tax liabilities. Any extension request for filing or payment of taxes shall be approved by Group Head of Tax. (Step 2)

53 Deferred and income tax calculations

PRIMARY OBJECTIVE

The income tax and deferred tax calculations and related documentation are prepared in accordance with the Group consolidation instructions, tax policies, directives and guidance and in line with local tax regulations.

RISK

- Inaccurate or fraudulent closing entries (incl. judgmental assumptions and estimates) (Step 1)
- Lack of proper tax risk monitoring and reporting (Step 1)

IMPACT

- Errors in financials
- Financial losses

CONTROL

1. **Review by the Tax Manager and approval by the CFO (or designee) of all income tax and deferred tax calculations and related documentation at least quarterly.**

REQUIREMENTS

A quarterly review of the income tax and deferred tax calculations and related documentation is performed by the Tax Manager and CFO and includes:

- Appropriate representation on outstanding audits
- Compliance with requirements of tax rulings
- Enacted tax rate changes
- Tax Risks Provisions/Uncertain Tax Positions (UTPs) and exposures including analysis of changes and or expirations, quantification, and probability assessment
- Documented analysis of any temporary differences between the tax basis of an asset or a liability and its carrying amount per the Statement of Financial Position and proofs of all deferred tax balances
- Reconciliation with amounts booked in the consolidation package
- Tax rate reconciliation (prepared, documented, and validated)
- Recoverability of deferred tax assets is justified by supporting evidence
- Account reconciliation ending balances are verified to ensure all accounts requiring reconciliation are identified and ending balances on the reconciliations are correct.

Refer to LHARP 3.1.1.2.7 Deferred Tax Assets, 3.1.2.2.3 Deferred Income Taxes and 3.2.6 Income Taxes and the LH Direct Taxation Directive

54 Transfer pricing

PRIMARY OBJECTIVE

All tax and legal rules regarding intercompany transfer prices and documentation are complied with; transfer prices are entered in the relevant systems; where required, transactions are reviewed by Group Tax. Any exceptions are discussed and approved by the Group Head of Tax

RISK

- Lack of commercial strategy and pricing policy (Step 1, 2)
- Lack of proper tax risk monitoring and reporting (Step 2, 3, 4)
- Poor management of tax cases (Step 1, 2, 3, 4)

IMPACT

- Errors in financials
- Financial losses

CONTROL

1. **Determination and confirmation by Group Tax and Regional Heads of Tax on the methodology used for intercompany transactions. (Regional & Group level)**
2. **Agreement by the Head of Tax on any exception to the Group transfer pricing policy. (Group level)**
3. **Review and analysis by the Tax Manager and approval by the CFO (or designee) to check that the practice of the entity is in compliance with the Group Transfer Pricing Directive.**
4. **Maintenance by the Tax Manager (or designee) of transfer pricing documentation in accordance with local requirements.**

REQUIREMENTS

- Group Tax and the Regional Heads of Tax are analyzing, advising and confirming the transfer pricing methodology for all intercompany transactions. Transfer prices are entered into the relevant systems in order to ensure compliance with the Group Transfer Pricing Directive. (Step 1)
- Any and all intercompany transactions must comply with the arm's-length principle as also required by local laws and regulation. (Step 1)
- Any exceptions to the Group transfer pricing policies for goods sold and services / intellectual property licenses within the Group (including rebates and one offs) should be discussed with Group Tax to evaluate the risk and has to be formally agreed by the Head of Tax (Step 2)
- The practice of the entity is regularly analyzed by the tax manager and the CFO to check compliance with the Group tax transfer pricing policies and rules. Risk analysis is communicated to the finance and legal departments to define potential needs for provisions or disclosures in accordance with the MCS on Tax Risks. (Step 3)
- Transfer Pricing Documentation is drafted, maintained and filed by the local tax team with the support of the Group Head of Transfer Pricing in accordance to local tax regulations and requirements. (Step 4)

55 Non-income (indirect) taxes

PRIMARY OBJECTIVE

Non-income tax returns and related account reconciliations are prepared, reviewed and approved in line with the locally required frequency and local tax requirements.

RISK

- Statutory filings and payments not performed timely (Step 1, 2, 3, 4)
- Lack of proper tax risk monitoring and reporting (Step 2)
- Poor management of tax cases (Step 2)

IMPACT

- Errors in financials
- Financial losses

CONTROL

1. **Review and approval of all VAT and indirect tax returns by the CFO (or designee).**
2. **Review and approval by the Tax Manager (or designee) of the reconciliation of current month activity per the tax calculation with the amount in the financial statements.**
3. **Review by R2R team and approval by the Tax Manager of reconciliations of all VAT accrual and recoverable accounts monthly.**
4. **Review and approval by the Tax Manager (or designee) of unusual activity in the VAT reconciliations including VAT litigations in progress.**

REQUIREMENTS

- Value Added Tax (VAT) and indirect tax returns are prepared, reviewed and approved in line with local required frequency and local tax requirements. (Step 1)
- The reconciliation (base revenue, sales, others used to calculate VAT or sales taxes with the recorded revenue, sales, others in P/L) summarizes current month sales activity to produce the monthly accrual needed. Any reconciling items noted during the reconciliation will be evaluated to determine a potential impact on the tax return. The reconciliation summarizes information based on current monthly accruals, quarterly accruals or annual accruals, based on the jurisdiction. Miscellaneous issues (missed payments, audit issues, etc.) are also noted and tracked on the reconciliation. (Step 2)
- The reconciliations for various VAT accrual and VAT recoverable accounts are performed by local R2R personnel. The local R2R team will contact the county Tax Manager if they notice any unusual payments during the reconciliation process. (Step 3)
- VAT payments are made from multipurpose cash accounts. The reconciliations for the cash accounts used to make VAT payments are performed by the local R2R cash personnel as part of their cash account reconciliation process. Any unusual VAT payments during the reconciliation process shall be reported to the tax manager. (Step 4)

Treasury

56 Bank relations

PRIMARY OBJECTIVE

Bank relationship management – including all openings bank accounts – are managed and approved by Corporate Finance and Treasury in compliance with Treasury Directive requirements. All signatory guidelines in the Treasury Directive must be in place.

RISK
- Unauthorized commitment or relationship with banks (Step 1, 2, 3, 4)
- Unsecured payment means and cash transactions (Step 3, 4)

IMPACT
- Financial losses
- Fraud

CONTROL

1. **Approval by CFT of any bank accounts that are opened and notification of closing bank accounts to CFT. (Group level)**
2. **Approval by CFT of any counterparty if not in the "Bank List", monitoring of the credit exposure accordingly with the concentration limit published by CFT . (Group level)**
3. **Annual approval of a list of all bank accounts and optimization plan by local CFO (or designee) based on Treasury directive.**
4. **Annual verification by the local CFO (or designee) of the list of all open bank accounts and authorized signatories for banks (obtained from the banks) and SAP BCM to ensure it is consistent with the DoA.**

REQUIREMENTS

- Any opening of bank accounts shall be approved by CFT. Any closing shall be notified to CFT. (Step 1)
- Information to the banks, including legal and compliance-related questions, needs to be provided in compliance with treasury directive. (Step 1)
- Business relationships with a bank not listed on the Bank List are subject to written approval by Head of Corporate Finance and Treasury (CFT). Within the Bank List, Relationship Banks should be considered over Niche Banks, unless Niche Banks offer a clear advantage. (Step 2)
- In order to limit credit exposure and concentration on any counterparty, the Group will only do business with authorized counterparties accordingly with the Bank List within assigned limits. Counterparty limits are authorized according to the Group Treasury Directive and rules. (Step 2)
- Cash positions shall only be held with counterparties rated at least BBB/ Baa2 by S&P, Moody's or Fitch and any cash investment with banks/financial institutions that are not in the Bank List has to be approved by CFT. (Step 2)
- The country CFO reviews yearly the list of active and inactive bank accounts and ensures that the number of banks and bank accounts is optimized to increase visibility on cash and reduce risks and costs. If it is not optimized, a plan is set up for closing accounts by a specific deadline. (Step 3)

A process is in place to: (Step 4)
- Ensure only joint signatory rights are allowed for any transaction with a bank and each signatory has sufficient seniority to become an authorized signatory
- Inform the bank immediately in case of signatory changes
- Obtain from the banks the list of authorized signatures to confirm it is up to date and consistent with delegation of authority (at least once a year)

57 Security, handling and recording of cash and checks

PRIMARY OBJECTIVE

Employees and assets are secured during the cash issuance and collection process and all transactions using cash or checks are tracked, documented and reconciled.

RISK
- Unsecured payment means & cash transactions (Step 2)
- Unauthorized access, disclosure, modification, damage or loss of data (Step 1)

IMPACT
- Financial losses
- Fraud

CONTROL

1. **Set up by the CFO (or designee) an approval process in line with the locally defined rules, controls and thresholds to safeguard and minimize cash and checks transactions.**
2. **Review and approval by the CFO (or designee) of the reconciliation of the checking and petty cash accounts.**

REQUIREMENTS

- Cash and checks transactions are discouraged. Any cash transactions should be as per locally defined rules and thresholds. (Step 1)
- The cash issuance and collection process is safeguarded (employee and assets are secured). (Step 1)
- There is a local process in place to secure checks and payment by checks. (Step 1)
- All cash transactions are tracked and supported by appropriate documentation. (Step 1)
- A reconciliation of check books and petty cash to the books is performed regularly and differences are investigated. When needed, differences are approved by the appropriate person. (Step 2)

58 Secure payment means

PRIMARY OBJECTIVE

Payments are secured to avoid errors and safeguard assets.

RISK
- Unsecured payment means & cash transactions (Step 1,2)
- Unauthorized access, disclosure, modification, damage or loss of data (Step 1)

IMPACT
- Financial losses
- Fraud

CONTROL

1. **All users with access to SAP BCM and/or internet/mobile banking are approved by the CFO (or designee) as per the local DoA requiring dual approval for payments. They must have a unique user ID and password with appropriate privilege (level of approval or type of transaction access). Sharing of internet banking credentials is strictly prohibited.**
2. **In the BSCs the access is restricted to Treasury operation / Cash bank teams at the level approved by the BSC Head. Users with access to other processes in ERP (MDM / O2C / P2P / H2R) cannot have access to internet /mobile banking or SAP BCM for payment approval.**

REQUIREMENTS

An inventory of all banks should be maintained with list of users with internet banking and SAP BCM access (managed by country or BSC) to ensure controls are applied.

For bank transfers:

- Each user has a unique ID and password for accessing the bank transfer system or BCM (Step 1)
- At least two authorized signatories approve bank payments (Step 1)
- No modification of data is possible along the whole transfer process (e.g. supplier bank data, amount to be paid, etc.) (Step 1)
- Electronic transfers are coded / encrypted by the system for security (Step 1)
- Banks systematically send a confirmation ensuring that the electronic file was received without communication errors (a negative or positive check or the possibility to verify) (Step 1)
- Minimize online fraud risks by reconciling bank and intercompany accounts on a daily basis and refraining from communicating any details regarding the payment process to external parties other than banks (Step 1)
- Manual transfers (i.e. paper based such as fax) must be strictly limited and the bank must call back the treasurer once the paper transfer is received (to reconfirm before payment execution) (Step 1)
- Users with access to internet banking must not have conflicting access with other transactional access in ERP (e.g. Master Data, Upload payment proposal, invoice verification etc.). (Step 1) Users at the BSC are approved by the BSC Head and should not have access to other functional processes in SAP (O2C, P2P, MDM, H2R) (Step 2)

Incorrect payments:

- A process must be in place to prevent incorrect payments (e.g. use of a report to check duplicate payments, stamping invoices as paid when the payment is issued or other automatic system control). (Step 1)

59 Financial instruments, borrowings, commitments and working capital schemes

PRIMARY OBJECTIVE

All financial instruments, borrowings, commitments and working capital schemes are authorized in accordance with the Group Treasury Directive. Outstanding positions are reconciled with counterparty statements

RISK

- Inability to maintain an adequate cash flow and liquidity position to pay obligations (Step 2, 3, 4, 5)
- Non-adherence to accounting and reporting requirements and standards (Step 1, 2, 3, 4, 5)
- Poor debt management or excessive debt (Step 1, 2, 3, 4, 5)

IMPACT

- Financial losses
- Errors in financials

CONTROL

1. **Approval according to local DoA and Group Treasury directive of any new financial instruments, borrowings, commitments and working capital schemes.**
2. **The covenants reported are reconciled with debt contracts and accounting and approved by the CFO who verifies that there is no potential breach of contract.**
3. **Sign-off by the CFO (or designee) of the list of all approved current financial instruments, commitments and working capital schemes.**
4. **Review and approval by the CFO (or designee) of the annual financial commitments disclosure.**
5. **Review by Treasurer (or designee) of the reconciliation of outstanding positions from CFT to counterparty statements.**

REQUIREMENTS

- Financial instruments, borrowings, commitments and working capital schemes (e.g. supply chain financing, factoring, inventory financing) can only be entered into after having been approved by appropriate personnel in accordance with local and Group delegation of authorities and Group Treasury Directive. No financial covenants are accepted in financing contracts, neither any Material Adverse Change ("MAC") or sanction clauses and pledges or provision of other securities (e.g. cash collaterals) ; any exception must be approved by CFT. Existing debt financial covenants are updated and reconciled with the original financing contracts. The ratios reported are reconciled with debt contracts and accounting. Any reporting is approved by the CFO who verifies that there is no potential breach of contract. (Step 1 & 2)
- All payments/disbursements related to borrowings are authorized as per the Group Delegated Authorities and are recorded timely. The Treasury Manager (or designated person) keeps track of all disbursements related to the repayment of borrowings and ensures that both the repayments and the related borrowings are properly recorded, including the recognition of current and non-current portions of the liabilities. (Step 1)
- The list of all approved current financial instruments and commitments is signed-off by the CFO (or designated approver). All instruments, borrowings and commitments must be supported by adequate documentation. (Step 3)
- The annual financial commitments disclosure must be reviewed and approved by the CFO (or designated approver). (Step 4)
- Derivatives outstanding positions sent by the Risk desk from Corporate Finance and Treasury are reconciled with counterparties statements. Fair values are those indicated by counterparty Corporate Treasury Department. (Step 5)

Refer to LHARP 4.09 Financial Instruments section and LHARP 3.1.5 Commitments, Contingencies and Guarantees, LHARP 3.1.2.1.13 for supply chain financing, to factoring LHARP definition and refer to LHARP 3.1.1.1.10 for inventory financing.

60 Forex, interest rate, commodities risks monitoring and hedging

PRIMARY OBJECTIVE

Exposure to foreign exchange, interest and commodity risks are regularly followed-up, hedged and reported according to the Group Treasury Directive.

RISK
- Improper management of foreign exchange and commodity risk (Step 1, 2, 3)
- Improper management of interest rates risk (Step 1, 2, 3)
- Increase in energy costs (Step 1, 2, 3)

IMPACT
- Financial losses

CONTROL

1. **Sign off by the CFO (or designee) of the exposure in foreign currency to be reported on a monthly basis to CFT.**
2. **Notification by the CFO (or designee) to CFT if there is potential foreign exchange or interest rate exposure that may need to be hedged by CFT.**
3. **Review and approval by the CFO (or designee) of the consumption forecast used to hedge energy price exposure on a quarterly basis and notification to the Energy desk if there is any change in the underlying index used to procure the commodity.**

REQUIREMENTS

- Exposure to foreign exchange, interest risks are regularly followed-up, hedged and reported according to the Group Treasury Directive and Foreign Exchange & Interest Rate Risk Management Directive. (Step 1,2)
- The potential foreign exchange exposure is determined by the country and communicated to CFT on a monthly basis. (Step 1)
- Speculation is strictly forbidden. Country financings and deposits are denominated in their functional currency whenever possible. Foreign exchange leasing is not allowed. Foreign exchange exposure must be identified and mitigated by natural hedging as much as possible. (Step 2)
- Foreign exchange exposures are hedged according to the Foreign Exchange & Interest Rate Risk Management Directive. (Step 2)
- Exposure to commodity price risk is regularly followed up, hedged and reported according to the Financial Risk Directive for Energy . (Step 3)

Sustainability

61 Environmental impact

PRIMARY OBJECTIVE

Monitor and manage air emissions, water and waste to identify and address the environmental risks

RISK

- Air emissions (dust, Nox, Sox) above authorized standards (Step 1)
- Excessive waste deposits and soil or water contamination (Step 1)
- Negative or non compensated impacts on biodiversity (Step 1)
- Failure in water management (Step 1)

IMPACT

- Reputational damages
- Operational disruption
- Financial losses

CONTROL

1. **Group monitoring and reporting requirements for emissions, waste and water are followed and an annual management review to verify compliance with Group Directives and local regulations is conducted and documented by Plant Manager, and approved by the Country CEO.**

REQUIREMENTS

- All plants must have an environmental management system in place to ensure that all environmental impacts and risks are effectively managed and mitigated.
- Environmental impacts have to be systematically identified according to the following steps:
  - Identify environmental aspects of activities, products and services over which plants have control and/or influence
  - Assess the risks linked to the identified environmental aspects that may have a significant impact
  - Maintain an up-to-date catalogue of significant environmental impacts during normal and abnormal operations
- Environmental impacts must be systematically managed to sustain and further improve environmental performance, while controlling environmental risks not only of our own operations, but including the supply chain.
- For Cement Plants, install and operate a continuous emission monitoring equipment for dust, nitrogen oxides (NOx) sulfur dioxide (SO_2), Volatile Organic Compounds (VOC), carbon monoxide (CO). Calibrate the monitoring equipment once per year. LafargeHolcim Emission Monitoring and Reporting standard is the reference for continuous and periodic emission measurements and related requirements.
- CO_2 emissions must be regularly monitored.
- The progress of environmental management activities (compliance, circular economy, climate, water and nature, emissions) must be monitored, evaluated and documented as required by the local regulations, or at least on an annual basis.
- All countries and operating plants must report environmental data and KPIs according to LafargeHolcim Environmental Reporting guidelines.

Refer to Environmental Directive for Cement operations and Water Directive

62 Social impact: Human rights & Stakeholders

PRIMARY OBJECTIVE

Implement human rights assessment and stakeholders engagement plan to identify, prevent and mitigate social risks

RISK

- Infringement in human rights standards (Step 1, 2, 3)
- Improper or insufficient stakeholders management (impact & value creation) (Step 4, 5)
- Unethical sourcing (Step 1, 2, 3)

IMPACT

- Reputational damages
- Operational disruption
- Financial losses

CONTROL

1. **Human Rights assessment is performed as per the Group instructions defined in Human Rights Manual and approved by the entity CEO within a timetable agreed with the Group Sustainability**
2. **Action plans for Human Rights risks are reviewed and validated by the Local ExCo at least annually.**
3. **Annually, Stakeholder Questionnaire with updated action plan are submitted by the GRU via ICare and approved by Group Sustainability.**
4. **A stakeholder engagement plan is deployed for all operational sites and the mapping, prioritization of stakeholders and action plan exist and are updated at least every 3 years.**
5. **Social investments, inclusive business and donations are managed according to Group guidelines and Delegation of Authorities.**

62 Social impact: Human rights & Stakeholders

REQUIREMENTS

- All countries must conduct a human rights assessment based on their risk level pertaining to human rights within a timetable agreed with the Group Sustainability team and according to Human rights manual. (Step 1)
- All assessments (impact or self) must result in action plan to address the identified risks. Mitigation actions must be developed for each major risk identified. (Step 2)
- If a critical human rights issue is occurred at any time or discovered during the assessment, it must be reported to the Group Compliance and Group Sustainability teams, in order to support the country to remediate the identified risk. (Step 2)
- Implementation of the Human Rights action plans and KPIs must be reported in the Stakeholder questionnaire, sent by the Group Sustainability team to the countries. This questionnaire shall include a copy of the latest updated human rights action plan. (Step 3)

Refer to Human Rights Directive and Human Rights Manual

- A Stakeholder Engagement Plan is deployed for all operational sites according to communities and stakeholders engagement directive. (Step 4)
- The mapping, the prioritization of stakeholders and the action plan are updated whenever there is significant change in the stakeholder landscape (e.g. new trade union, new NGO) or at least every 3 years. (Step 4)
- Strategic social investments, inclusive business and donations are managed based on the local context and group delegated authorities. (Step 5)

Refer to Communities & Stakeholder Engagement Directive & Strategic Social Investment, Sponsorship and Donations Directive

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