

LafargeHolcim Materiality Review 2019

Summary Report

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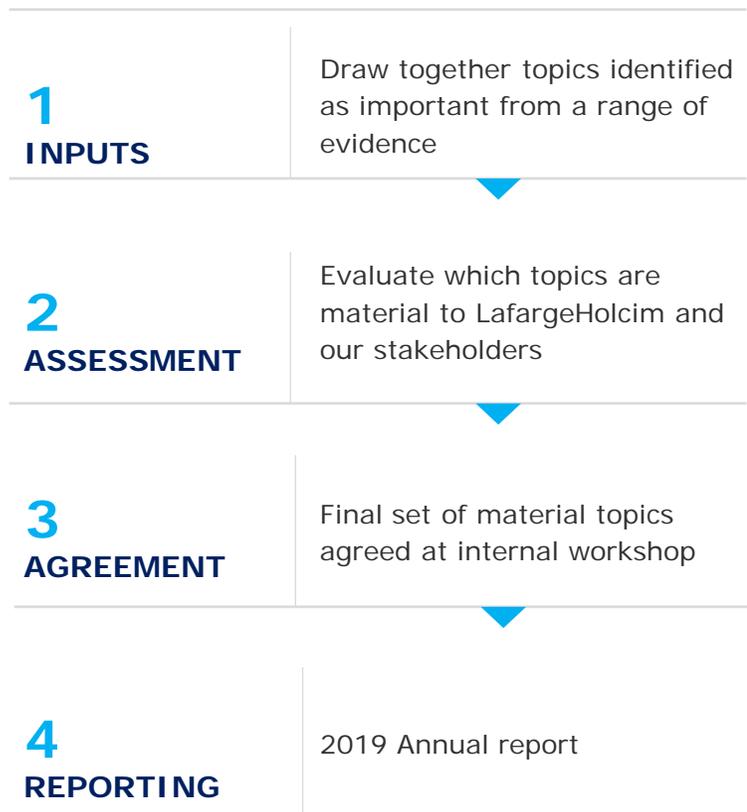
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1. Process and project overview

Executive summary



- As part of LafargeHolcim's move towards integrated reporting, the 2019 materiality process brought together financial and non-financial issues, with a focus on their impact on LafargeHolcim's success and stakeholders' priorities over the next 3-5 years. The 2019 materiality review initiated an integration with the Enterprise Risk Management issues, scoring and definitions.
- LafargeHolcim worked with DNV GL as an independent advisor to conduct the assessment using a systematic materiality process aligned with the GRI and Integrated Reporting Framework. The review included external and internal stakeholder engagement, industry peer research, sector initiatives, and wider sustainability trends. The issues were prioritised using consistent criteria based on the degree of importance to external stakeholders and the potential business impact.
- These results were reviewed and validated by senior management and will inform LafargeHolcim's strategic priorities moving forward.

Final Materiality Matrix



Importance to external stakeholders	Very high		<p>Energy costs, efficiency and sourcing</p> <p>Impact of climate change on our operations</p> <p>Waste derived resources and circular economy</p>	<p>Business ethics and compliance</p> <p>Corporate governance</p> <p>Greenhouse gas emissions</p> <p>Health and safety</p> <p>Sustainable products, innovation and technology</p>	
	High	<p>Biodiversity and quarry rehabilitation</p> <p>Water management</p>	<p>Air emissions</p> <p>Data protection and cyber threats</p> <p>Employee diversity and inclusion</p> <p>Employee development and engagement</p> <p>Human rights</p> <p>Industry and market changes</p> <p>Local community engagement, impact and value creation</p> <p>Supply chain management</p> <p>Transport and logistics</p> <p>Return on invested capital</p>	<p>Cash conversion</p> <p>Customer relations and satisfaction</p> <p>Pricing integrity and anti-trust compliance</p>	
	Medium	<p>External hazards (non-climate related)</p> <p>Internal waste management</p>	<p>Financial related risks</p>		
	Low				
		Low	Medium	High	Very high
Importance for the future value of LafargeHolcim as rated by internal stakeholders					

Key

- Average score > 3.25
- Very high
- 3.25 > Average score > 2.5
- High
- 2.5 > Average score > 1.75
- Medium
- 1.75 > Average score
- Low

*Issues within a materiality threshold box are arranged in alphabetical order.

Engagement overview

Internal and external engagement

Internal Business Leaders Stakeholder Survey

We engaged with LafargeHolcim’s **Senior leadership** (including Exco members, regional CEO representatives and Group management), **Internal business Functions** (including Health and safety, Sustainable development, Corporate communications, Procurement, Compliance, Accounting reporting and controlling, Group Tax, Strategy, Logistics and Innovation) and **Market Areas** (including Cement, Geocycle, Aggregates/Ready Mix and Solutions) in an internal survey to give their views of what issues are important for LafargeHolcim’s success in the next 3-5 years.



External Stakeholder Survey

We engaged LafargeHolcim’s external stakeholder groups, such as Customers from the LafargeHolcim Stakeholder Panel, Industry/Trade bodies, NGOs and development agencies, Regulators and Academia in an external survey to give their views of what issues are important in their relationship with LafargeHolcim.



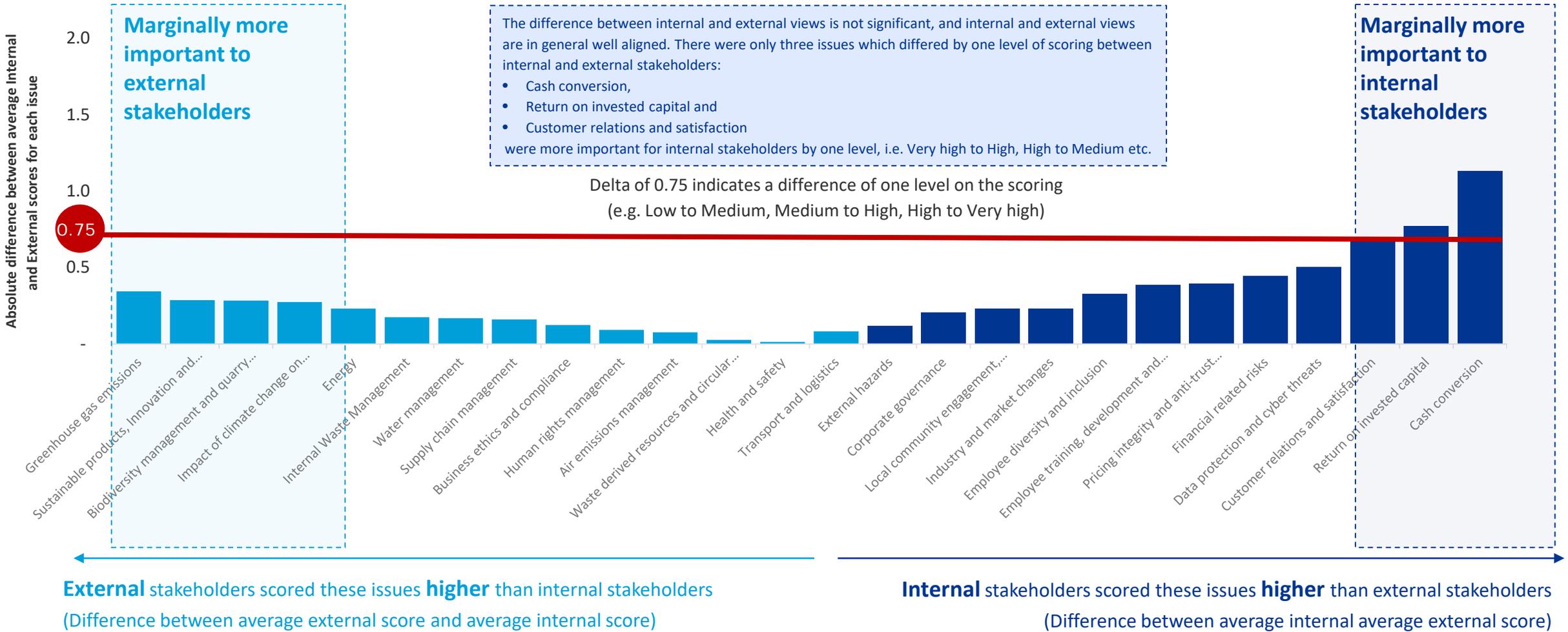
Investor Interviews

To obtain further qualitative and quantitative information from Investors, a key stakeholder group particularly given the transition to integrated reporting, we engaged with 5 investors and investor advisors in 1-hour independent interviews.



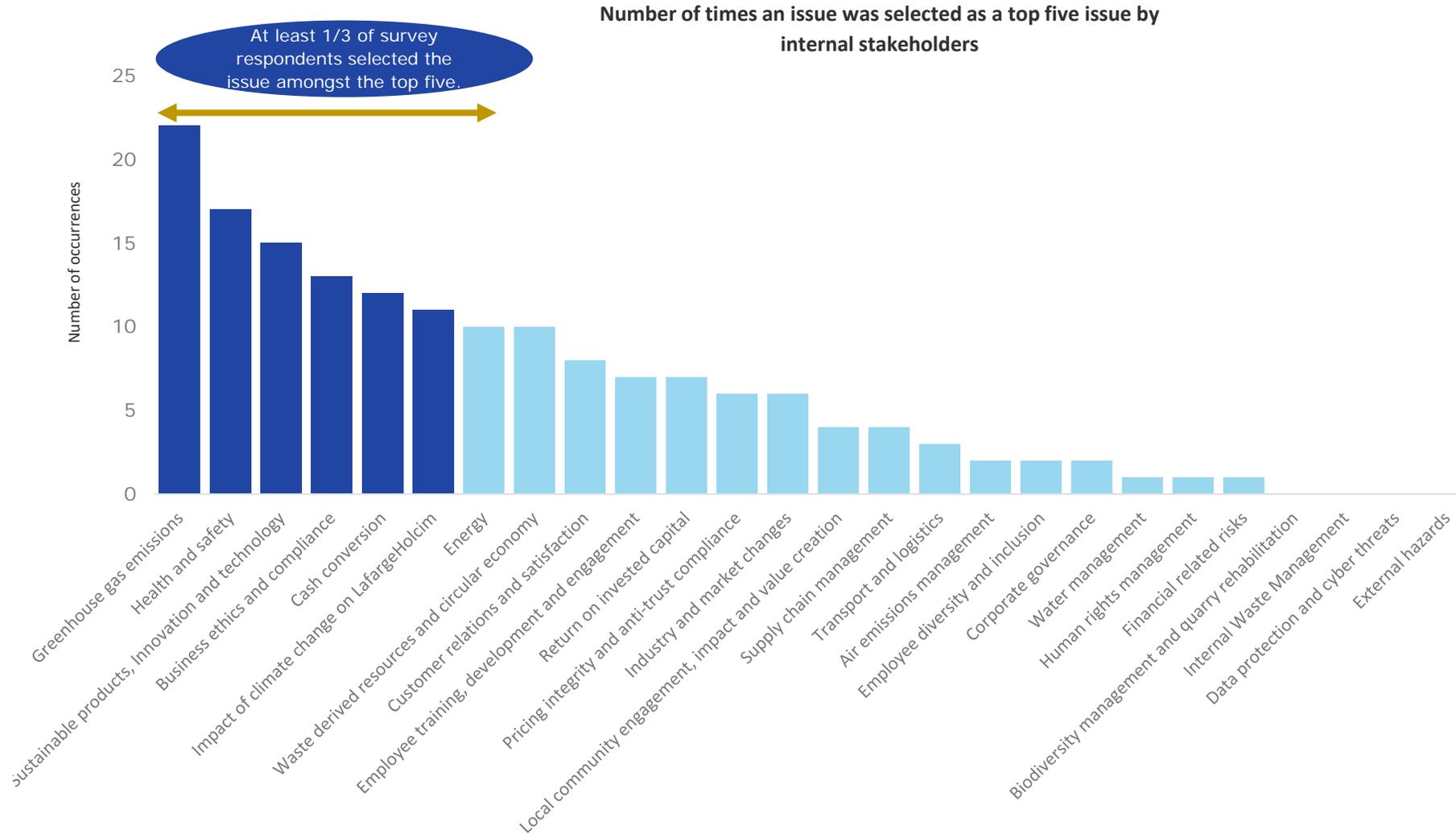
2. Stakeholder group analysis

Internal and external views showed high levels of alignment



*Calculated based on the absolute difference between average internal and external scores per issue: It is evident that the absolute difference is low for all issues. Difference may be due to small sample of investors.

Top five issues selected by internal stakeholders



The top rated issues across all external stakeholder groups were:

Top 5 ranked issues across external stakeholder groups:

	Investors 	Customers 	NGOs 	Suppliers 	Academic institution 	Regulator 
Greenhouse gas emissions	Dark Blue	Light Blue	Green	Purple	Orange	
Sustainable products, innovation and technology	Dark Blue	Light Blue	Green	Purple	Orange	
Business ethics and compliance	Dark Blue		Green		Orange	Yellow-Gold
Health and safety	Dark Blue			Purple	Orange	
Impacts of climate change on LafargeHolcim		Light Blue				Yellow-Gold
Energy		Light Blue		Purple		
Waste derived resources and circular economy					Orange	
Biodiversity management and quarry rehabilitation			Green			
Corporate governance	Dark Blue					
Customer relations and satisfaction		Light Blue				
Local community engagement						Yellow-Gold
Human rights management			Green			Yellow-Gold
Supply chain management						Yellow-Gold



Note: Once stakeholders scored issues as High/Very high importance, we asked them to further select the top 5 issues. The table shows that different issues are important to different groups.*

As the scores indicate:

- Greenhouse gas emissions
- Sustainable products, innovation and technology
- Business ethics and compliance
- Health and safety
- Impacts of climate change on LafargeHolcim

were the top rated issues across all external stakeholder groups.

*Please note the sample size per stakeholder group was limited.

Data is presented in order of importance to stakeholders.

3. Appendices

List of potential material issues stakeholders were asked to score

1. Environment

Issue	Sub-issue
Greenhouse gas emissions	Operational GHG Emissions impacts (Emissions from Process vs Combustion vs Electricity), CO2 reduction programs (alternative fuels, alternative Raw Materials, MIC), Carbon intensity of products,, Exposure to emerging / evolving carbon regulations (carbon pricing).
Energy	Energy consumption, Energy costs, Energy efficiency, Low-carbon energy sourcing (note: Waste to fuels is included under "Waste derived resources and circular economy").
Impact of climate change on LafargeHolcim	Risk from extreme weather events on operations, risks from transitioning to low carbon fuels, carbon pricing, etc in alignment with the TCFD: transition risk, physical risk. Resilience planning
Water management	Water-use efficiency, Water security and stewardship (incl. water related projects), Freshwater withdrawal/consumption in water stressed areas.
Air emissions management	Air emissions monitoring, Emissions management, Air pollutants reduction program, Regulatory compliance.
Waste derived resources and circular economy	Use of waste derived resources (waste as fuels, mineral components, alternative raw materials, recycled aggregates)
Biodiversity management and quarry rehabilitation	Operations in areas of High Biodiversity value, Biodiversity enhancement, Sustainable land use, Regulatory compliance.
Internal Waste Management	Waste deposits, Risks of soil and groundwater contamination through inadequate waste management, Hazardous waste management
Transport and logistics	Transport efficiency, Environmental impacts of transport and logistics
Sustainable products, Innovation and technology	Digitalisation, carbon capture and storage, other new and innovative technologies as part of the transition to a low carbon and materials efficient economy. Portfolio diversification, Sustainable/Low carbon products.

List of potential material issues stakeholders were asked to score

2. Social

Issue	Sub-issue
Health and safety	Occupational health and safety, Contractor and employee safety, Accident prevention and zero-harm culture; Employee health, employee work-life balance
Local community engagement, impact and value creation	Community engagement strategy, social projects for communities, local development, grievance mechanisms, community investment and donations, employment of local communities, infrastructure development, local procurement
Human rights management	Due Diligence, Operations in conflict affected and high-risk areas, Artisanal and small-scale mines, Child labour, Forced labour, Freedom of association and collective bargaining, working conditions, employee satisfaction
Employee training, development and engagement	Employee training, Human capital development, talent recruitment and retention, employee development
Employee diversity and inclusion	Anti-discrimination based on Race and Ethnicity, Religious and Spiritual Beliefs, Sexual orientation, gender diversity, disability

List of potential material issues stakeholders were asked to score

3. Strategic and operations

Issue	Sub-issue
Corporate governance	Tax transparency & disclosure, Ownership and control, incentives linked to sustainability, JVs governance (where the group does not have controlling interest) due to governance complexity, compliance program efficiency
Business ethics and compliance	Anti-bribery and corruption, Whistleblowing, Involvement with political and public bodies, lobbying activities, Code of Conduct, conflict of interest, insider dealings, third party due diligence, regulation changes
Pricing integrity and anti-trust compliance	Anti-competitive practices, ability to document pricing decisions
Customer relations and satisfaction	Customer relationship management and customer satisfaction measurement and management.
Data protection and cyber threats	Personal data protection, data governance in compliance with GDPR requirements, outdated IT systems increasing vulnerability to successful cyber attack and loss of critical data
Supply chain management	Supplier code of conduct, supplier prequalification process, business interruption due to supply chain disruptions, raw materials depletion, increase in raw materials costs, unavailability of certain raw materials such as micro mineral components (lack of suppliers, high demand)
External hazards	Ability to identify, anticipate and reduce impact of natural disasters, political risk (including security concerns) and major macroeconomic crisis
Industry and market changes	Ability to increase Group's resilience to pricing pressure, capacity expansion of other players, shifts in industry structure, product substitution, drop in market demand

List of potential material issues stakeholders were asked to score

4. Financial risks

Issue	Sub-issue
Cash conversion	Ability to convert profits into available cash. It is defined as Free Cash Flow divided by Recurring EBITDA.
Return on invested capital	Ability to efficiently use invested capital. It is defined as Net Operating Profit After Tax (NOPAT) divided by the average Invested Capital.
Financial related risks	Tax legislation changes, scrutiny by governments and tax authorities, tax litigations, Pensions, Financial markets (interest rate risk, currency, commodity price, liquidity, credit)

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