

INTEGRATED ANNUAL REPORT

2019



LafargeHolcim



RECORD PERFORMANCE

CHF 26,722 m

+3.1%

Net sales¹

2018: CHF 27,466 m

CHF 6,153 m

+6.5%

Recurring EBITDA (pre-IFRS 16)¹

2018: CHF 6,016 m

CHF 3,047 m

+79%

Free Cash Flow (pre-IFRS16)

2018: CHF 1,703 m

CHF 2,072m

+32%

Net income (pre-IFRS 16)²

2018: CHF 1,569 m

CHF 8,811 m

-35%

Net Debt (pre-IFRS16)

2018: CHF 13,518 m

CHF 3.40

+29%

Earnings per share (pre-IFRS 16)³

2018: CHF 2.63

561kg

Net CO₂ emitted per ton of cementitious material (scope 1)⁴

2019: -1.4%^{4,5}

-5.7%

Reduction in freshwater withdrawn per ton of cementitious material^{4,5}

2019: 299 l

4.3%

Increase in waste reused in operations^{4,5}

2019: 48 million tons

-15.2%

Reduction in long-term injury frequency rate (LTIFR)^{4,5}

2019: 0.67

¹ Percentage change figures compare 2019 and 2018 on a like-for-like basis.

² Group share before impairment and divestments

³ Before impairment and divestments

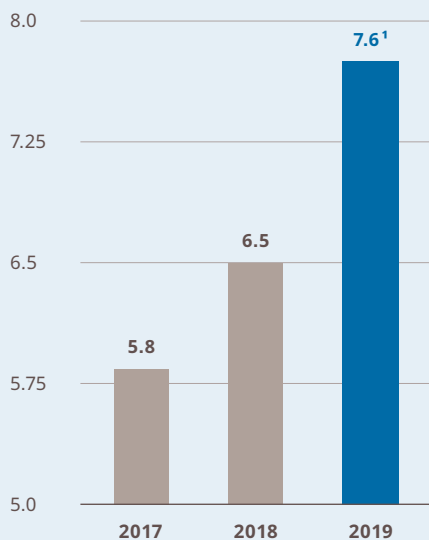
⁴ Information on scope and methodology of data collection, as well as assurance on 2019 reported figures, can be found in the Sustainability Performance Report on our website at www.lafargeholcim.com/sustainability.

⁵ At constant 2019 scope



For more details on any of the topics in this report, please visit: www.lafargeholcim.com

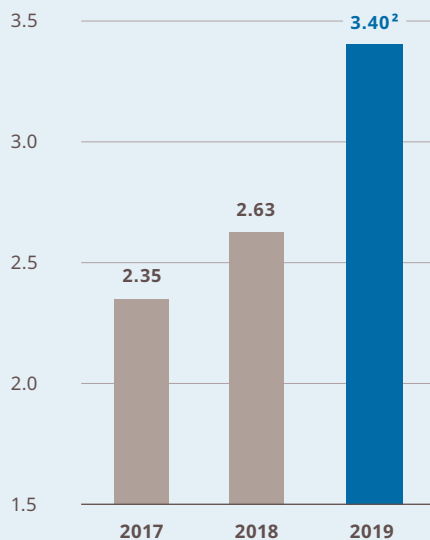
RETURN ON INVESTED CAPITAL (%)¹



¹ Return on invested capital for 2019 post-IFRS 16 is 7.4%.

EARNINGS PER SHARE (CHF)²

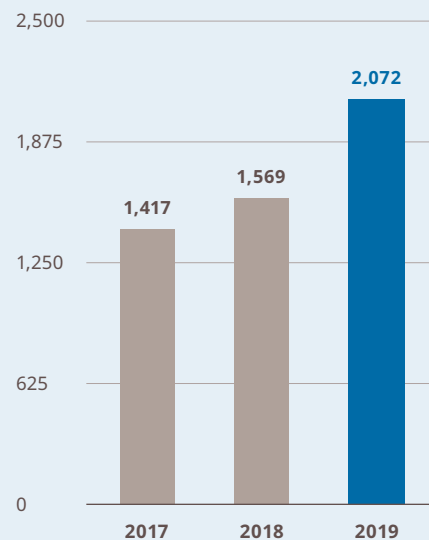
Before impairment and divestments



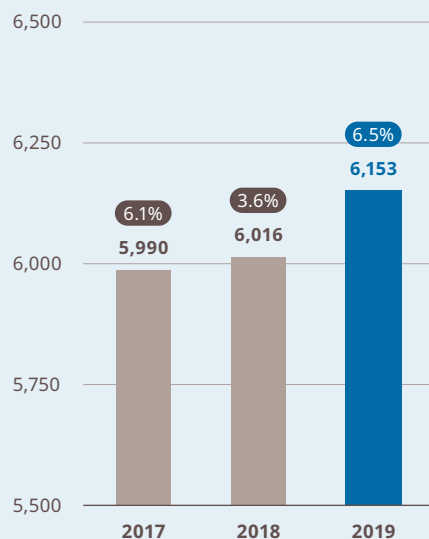
² Earnings per share before impairment and divestments for 2019 post-IFRS 16 is CHF 3.37.

NET INCOME (CHFM)

Group share, before impairment and divestments

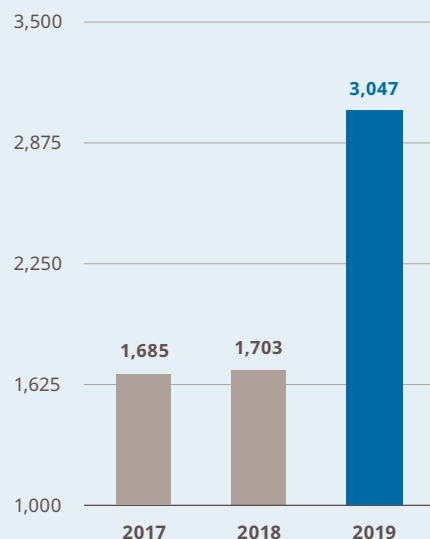


RECURRING EBITDA (CHFM)³

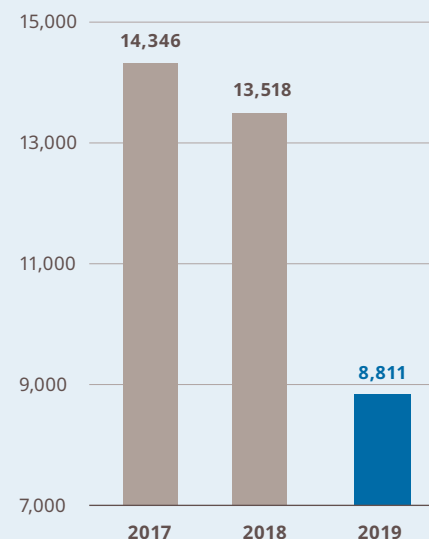


³ Percentage shows like-for-like growth from previous year.

FREE CASH FLOW (CHFM)



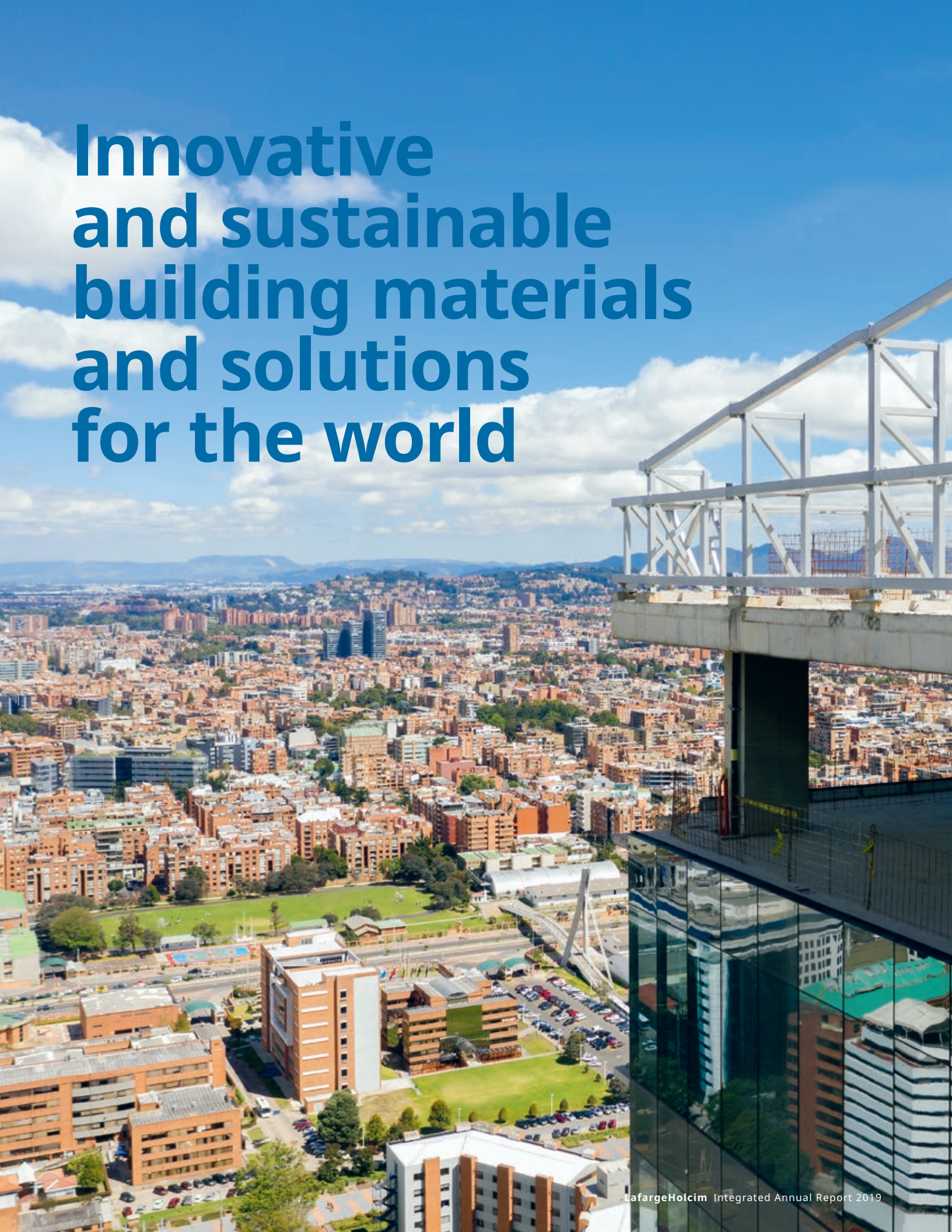
NET FINANCIAL DEBT (CHFM)



Notes

Figures are pre-IFRS 16. Figures for 2017 have been restated due to changes in presentation or in accounting policies. Earnings per share is net income attributable to the shareholder of LafargeHolcim Ltd, before impairment and divestments. Recurring EBITDA excludes restructuring, litigation, implementation and other non-recurring costs. Return On Invested Capital is Net Operating Profit After Tax (NOPAT) divided by the average Invested Capital. The average is calculated by adding Invested Capital at the beginning of the period to that at the end of the period and dividing the sum by 2 (based on a rolling 12-month calculation). The non-GAAP measures used in this report are defined on page 271.

Innovative and sustainable building materials and solutions for the world





↳
Bogota, Colombia
Employee with a customer on top of the American Business Center.

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Towards Integrated Reporting

This report applies the principles of Integrated Reporting. Besides the financial results, the report includes more information on our sustainability performance. Sustainability is central to the strategy and principles of our company.

RECORD PERFORMANCE

2019 was a year of record performance ahead of 2022 targets.

2019 was a very successful year for us and we achieved record results in operating profit, net income, earnings per share and free cash flow.

Our sharp decrease in net debt has significantly strengthened our balance sheet.

We have achieved all our targets for 2019 and have moved our company to a new level of performance.

On top of these very strong financial results, we strengthened our leadership in sustainability by setting more ambitious targets for carbon emissions.

We introduced our first carbon-neutral concrete in key markets and will further focus on expanding our range of low-carbon building solutions.

 Find out more online: www.lafargeholcim.com

2019 PERFORMANCE¹:

3.1%

Net sales growth

6.5%

Recurring EBITDA growth

49.5%

Free Cash Flow to Recurring EBITDA

7.6%

Return on Invested Capital

2022 TARGETS¹:

3–5%

Net sales growth

>5%

Recurring EBITDA growth²

>40%

Free Cash Flow to Recurring EBITDA

>8%

Return on Invested Capital

¹ All figures are like-for-like, pre-IFRS 16

² LafargeHolcim announces Recurring EBIT as its new key performance indicator starting in 2020, replacing Recurring EBITDA. The new indicator provides full transparency and accountability under IFRS 16 as it fully captures operational achievements and better reflects financial discipline on investments. The key performance indicator changes from the previously used Recurring EBITDA growth of at least 5% like-for-like to Recurring EBIT growth of at least 7% like-for-like.

OUR FOUR VALUE DRIVERS



GROWTH

OVER-PROPORTIONAL RECURRING EBITDA GROWTH

- Net Sales up 3.1% and over-proportional Recurring EBITDA growth of 6.5% like-for-like
- Eight bolt-on acquisitions in 2019
- Disciplined investments for future growth



SIMPLIFICATION &
PERFORMANCE

OVERACHIEVING OUR AMBITIOUS TARGETS

- SG&A cost savings program over-achieved with total net savings¹ of CHF 421 million
- Profitability growing in all four business segments
- Recurring EBITDA margin increase from 21.9% in 2018 to 23.0% in 2019



FINANCIAL
STRENGTH

RECORD FREE CASH FLOW GENERATION

- Record free cash flow of CHF 3,047m (+79%), cash conversion of 49.5%
- Net debt reduced by CHF 4.7 billion, deleveraging target over-delivered
- New level of financial strength achieved



VISION
& PEOPLE

EMPOWERING PEOPLE TO DELIVER RESULTS

- Full accountability established with more than 400 P&L leaders
- Strengthening our leadership in sustainability
- New Business School successfully rolled out, all P&L leaders trained

¹ At 2017 FX rate and scope

Building for growth



➤ **Villavicencio, Colombia**
Concrete delivery to a key infrastructure project.



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OVERVIEW

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS

Your company had a very successful 2019.

We have managed to increase Recurring EBITDA by 6.5 percent like-for-like, which significantly exceeds the target of at least 5 percent that we set for ourselves in our Strategy 2022 –“Building for Growth”. Earnings per share grew by 29.1 percent to CHF 3.40 against CHF 2.63 in the previous year.

Two years after the launch of Strategy 2022, we are also seeing a much higher Free Cash Flow.

Cash conversion (cash flow to Recurring EBITDA) rose to nearly 50 percent in the past year and is a clear indicator of the increased financial health of your company. This strength is further supported by a significantly lower debt burden.

We are also getting near our 2022 target return on invested capital above 8 percent; in 2019, this figure was 7.6 percent.

In view of this positive result, the Board of Directors is very satisfied with the financial results for 2019 and is confident about the current financial year 2020.

STRENGTHENING SUSTAINABILITY

We are also optimistic about the progress made in the area of sustainability.

We are among the most ambitious companies in our sector in terms of emissions reductions. In 2019 the Science-Based Targets initiative (SBTi) validated our targets to reduce our global carbon emissions: they are adequate and consistent with the global effort to keep global warming below the '2°C' threshold.

The appointment of a Chief Sustainability Officer to the Group Executive Committee in autumn 2019 is representative of our intensified efforts to even better fulfil our leading role as a provider of sustainably produced construction materials and construction solutions.

Finally the Board decided that one-third of the Executive Committee's performance share rewards will be based on progress in carbon emissions, waste recycling and freshwater withdrawal as of 2020. To more strongly link our sustainability performance with our compensation demonstrates that sustainability is a central part to the strategy and principles of our company.

As you know, health and safety is one of our most important values. We set ourselves the target of zero occupational accidents. Unfortunately we did not meet this goal – in 2019, to our great regret, four employees and fifteen contractors lost their lives while performing their jobs.

This is of great concern to us, even though we have made significant progress in reducing the Lost Time Incident Frequency Rate (LTIFR) compared to previous years. It makes us all the more determined to put our efforts into pressing ahead with our safety program “Ambition 0” which aims to completely prevent all fatal accidents.

INTEGRATED REPORTING

This report aims to provide you with more comprehensive and, in particular, more holistic information about our sustainability activities. For this reason, we have modified the report this year and, for the first time, have structured it in accordance with the logic of integrated reporting.

In 2019, LafargeHolcim was again involved in numerous iconic projects around the world. Our unique global presence enables us to conduct global projects for the benefit of whole societies.

I express my sincere thanks to all employees around the world for their great work and commitment.

I would also like to thank the members of the Executive Committee under the guidance of our CEO, Jan Jenisch.

In 2019, they have further strengthened LafargeHolcim as a leading international company for construction materials and construction solutions, and through their commitment have helped us to further expand our leading position in the changing market for construction materials.

Finally, I would like to thank my colleagues on the Board of Directors. Today the Board is broader and more diverse than ever and, with three highly competent women, is one of the leading Boards of Directors in Switzerland in terms of gender diversity.



Beat Hess
Chairman

“We had a very successful 2019 – we are showing that sustainable business is a central component of our strategy.”

Beat Hess
Chairman



OVERVIEW

CEO LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS

2019 was a very successful year for us and we achieved record results in operating profit, net income, earnings per share and free cash flow.

Our sharp decrease in net debt has significantly strengthened our balance sheet. We have achieved all our targets for 2019 and have moved our company to a new level of performance.

Midway through Strategy 2022 "Building for Growth" LafargeHolcim has achieved almost all 2022 targets. The company significantly strengthened its balance sheet and is now well-positioned to continue growing profitably with strong market positions in all regions.

On top, eight bolt-on acquisitions in the attractive ready-mix and aggregates markets have been accomplished in 2019.

Net sales of CHF 26,722 million grew 3.1 percent on a like-for-like basis compared to the prior year, driven by good growth in Europe and North America and good price dynamics across all business segments and higher prices in most markets.

Recurring EBITDA (pre-IFRS16) reached CHF 6,153 million, up 6.5 percent on a like-for-like basis for the full year, driven by our CHF 400 million SG&A cost savings program, good pricing and improvements in efficiencies.

The Recurring EBITDA margin increased from 21.9 percent in 2018 to 23.0 percent in 2019.

Record net income¹ of CHF 2,072 million increased by 32 percent compared to 2018 (CHF 1,569 million), driven by less restructuring costs and financial

expenses as well as a decrease in the tax rate.

Earnings per share² were up by 29 percent accordingly to reach CHF 3.40 for the full year 2019 versus CHF 2.63 for 2018.

Record Free Cash Flow generation (pre-IFRS 16) of CHF 3,047 million (+79 percent) and strong improvement of cash conversion (pre-IFRS 16) reached 49.5 percent, well above the target of 40 percent as defined in Strategy 2022 - "Building for Growth".

This achievement reflects reduced cash paid for tax, financial and restructuring costs as well as improved working capital.

Net debt (pre-IFRS16) was substantially reduced by CHF 4.7 billion (-35 percent) to CHF 8.8 billion at year-end 2019, reflecting the strong Free Cash Flow and the positive impact following the sale of Indonesia and Malaysia.

This resulted in a significant deleveraging with a ratio of net debt to Recurring EBITDA (pre-IFRS16) of 1.4x (2.2x in 2018).

Return on Invested Capital (pre-IFRS 16) was at a strong 7.6 percent in 2019, close to the 2022 target of above 8 percent and compares to 6.5 percent in the previous year. ROIC is now above cost of capital thanks to higher profitability, lower tax rate and disciplined Capex.

On top of these record financial results, we strengthened our leadership in sustainability by setting even more ambitious targets for carbon emissions.

In 2019 we made significant progress in reducing our carbon footprint. Compared to 2018 we reduced our carbon emissions by 1.4 percent to 561 kg in 2019, nearly meeting our 2022 target of 560 kg.

Given this strong progress, we have revised our 2022 target to 550 kg as we move to reduce our carbon footprint to 520 kg by 2030.

In 2019 the Science-Based Targets initiative (SBTi) validated our targets to reduce our global carbon footprint as adequate and consistent with the effort to keep temperatures below the '2°C' threshold agreed at the COP21 world climate conference in Paris.

Compared to 1990 we have already reduced our directly attributable ('scope 1') CO₂ emissions per ton of cementitious material by 27 percent, by far the leader among international cement groups.

In October 2019, Chief Sustainability Officer Magali Anderson was appointed as a member of the Group Executive Committee, underlining our industry leadership with regard to social and ecological responsibility.

In January 2020, we introduced our first fully carbon-neutral concrete in Switzerland and Germany, demonstrating our move toward building a global family of carbon-neutral products.

I congratulate all our employees and teams on these impressive results and would like to thank them for their dedication and efforts in making this possible.



Jan Jenisch
Chief Executive Officer

¹ pre-IFRS16, before impairment & divestments, Group share

² pre-IFRS16, before impairment & divestments

“On top of these record financial results, we strengthened our leadership in sustainability.”

Jan Jenisch
Chief Executive Officer



175 kg CO₂
pro m³ Beton

Durchschnittlicher
Schweizer Beton

0 kg CO₂
pro m³ Beton

EvopactZERO



MEET THE LEADERSHIP TEAM

1 Feliciano González Muñoz
Human Resources

2 Oliver Osswald
Latin America

3 Martin Kriegner
Asia Pacific

4 Magali Anderson
Chief Sustainability Officer

5 René Thibault
North America

6 Marcel Cobuz
Europe



7 **Jan Jenisch**
CEO

8 **Géraldine Picaud**
CFO

9 **Keith Carr**
Legal and Compliance

10 **Miljan Gutovic**
Middle East Africa

Basel, Switzerland. The Executive Committee at SwissBau, the leading trade fair for the construction and real estate industry in Switzerland.

OVERVIEW

A GROWING MARKET

The global building materials market is worth CHF 2.5 trillion annually and it is continuously growing.

FIVE MEGATRENDS DRIVING MARKET GROWTH OF 2%-3% PER ANNUM

The building materials market is a fragmented, CHF 2,500 billion global market. It is forecast to grow 2 to 3 percent per annum, faster than GDP in most countries. While these markets are fundamentally local, they are all being driven by global megatrends such as population growth, urbanization, better living standards, sustainable construction and digitalization.

⊕ Find out more online: www.lafargeholcim.com



1 POPULATION GROWTH

Global population growth and changing demographics – Population expected to grow 22% by 2050 from 7.6 billion to 9.7 billion



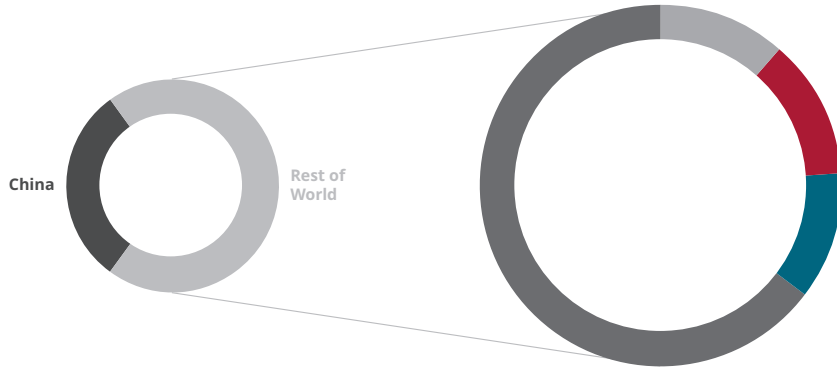
2 URBANIZATION

Urbanization and megacities – Approx. 2.5 billion more people are expected to live in cities by 2050

A FRAGMENTED MARKET – OPPORTUNITIES FOR GROWTH AND ACQUISITIONS

Global building materials market
CHF ~2,500 billion

Building materials market (without China)
CHF ~ 1,750 billion



● Cement	LH market share of ~ 8%	CHF 200 billion
● Aggregates	LH market share of ~ 2%	CHF 220 billion
● Ready-Mix Concrete	LH market share of ~ 3%	CHF 200 billion
● Other building materials		CHF 1,130 billion



3 LIVING STANDARDS

Increased demand for better living standards and more efficient infrastructure



4 SUSTAINABLE CONSTRUCTION

Increased demand for sustainable construction solutions and increasing resource scarcity



5 DIGITALIZATION

Digitalization is opening new avenues for growth & innovation

MATERIAL PRIORITIES

We care about long-term value creation for all stakeholders. In 2019 we conducted a comprehensive review of our material issues, asking external and internal stakeholders which topics were most relevant for future value creation, consistent with our commitment to integrated reporting and accounting for financial and non-financial value in our strategic thinking. The results have largely validated our focus and Strategy 2022 – “Building for Growth”.

WHY MATERIALITY MATTERS

- Stakeholder engagement
- Risk management
- Identify opportunities

METHODOLOGY

- 1 IDENTIFICATION**
of issues and stakeholder groups
- 2 STRATEGIC ALIGNMENT**
of survey/questions using clear criteria, on business strategy and sustainability pillars, aligned to our risk management approach
- 3 ISSUE RATING**
of internal and external stakeholders scored the issues against the defined criteria
- 4 VALIDATION**
of the materiality matrix by senior management

WHAT IS NEW IN 2019

In this assessment, the scope of issues was expanded to include financial and non-financial issues. A selection of internal senior leaders representing a cross section of business functions and regions were surveyed.

Additionally, in depth interviews were conducted with investors, and a range of external stakeholders including customers, suppliers, NGOs, regulators and academia were also surveyed.

Respondents were asked to score issues based on how it would impact the success of the company, or on their relationship with the company, rather than a generic assessment of how important an issue is.

The results of the comprehensive materiality assessment are summarized and shown on the following page.

The matrix depicts the relevance of the topics from the external stakeholder point of view on the vertical axis and relevance for value creation by LafargeHolcim senior management on the horizontal axis.

The results of this exercise have largely validated our focus and strategy.

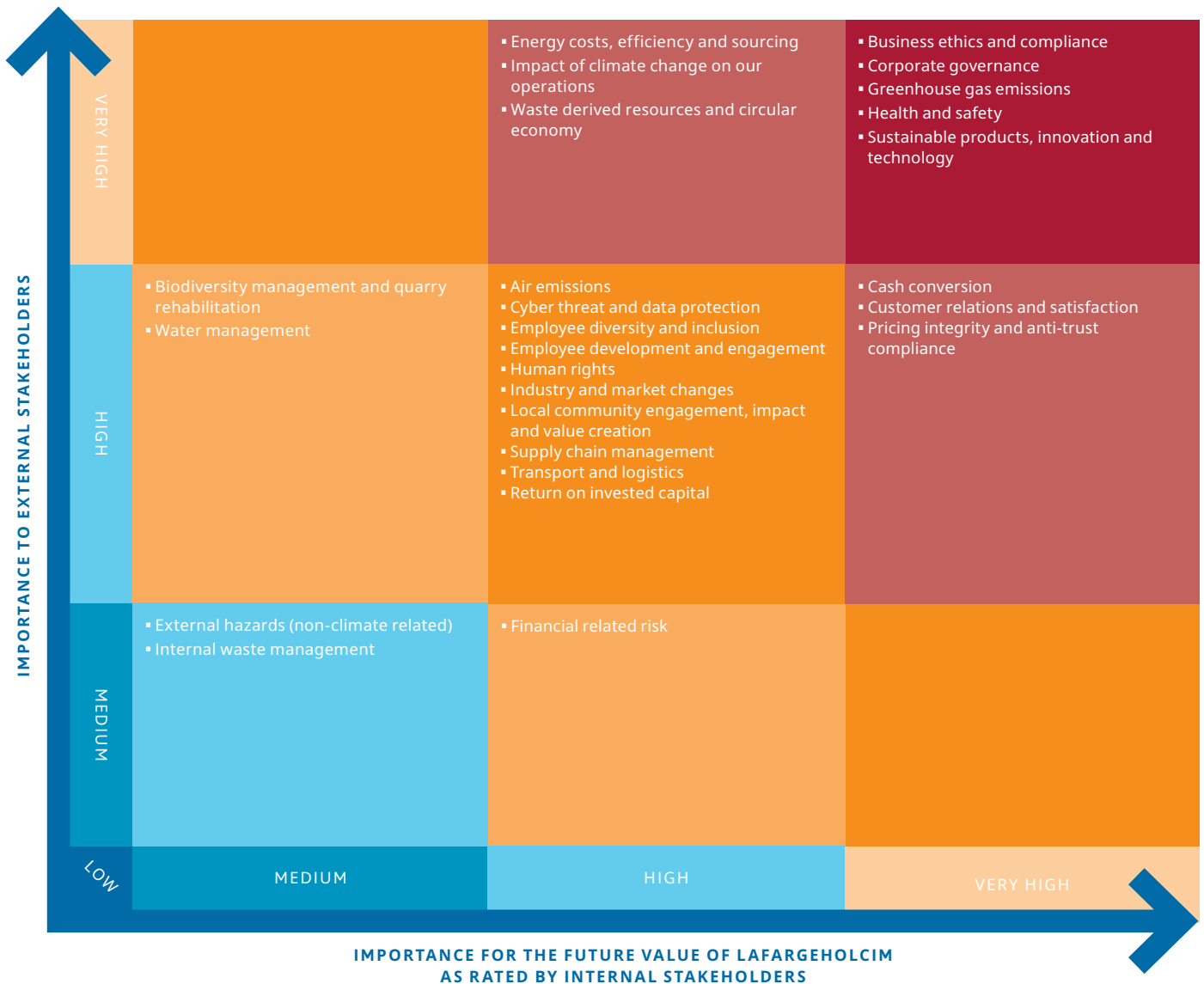
For more on how these material issues are governed, and how they relate to our key risk and control measures, please see the Corporate Governance and Risk and Control section of our annual report, beginning on page 78.

⊕ Find out more about our method and definitions:
www.lafargeholcim.com/sustainability

MATERIALITY MATRIX

The issues that we will focus on in the next 3–5 years in order to create value for all stakeholders.

* Issues within a materiality threshold box are arranged in alphabetical order. For full details on how the assessment was conducted, please visit www.lafargeholcim.com/sustainability.



KEY

- Focus
- Monitor and manage
- Maintain

OVERVIEW

BUILDING FOR GROWTH

RESOURCES

~72,000

Employees

264

Cement and grinding plants

649

Aggregates plants

1,402

Ready-mix concrete plants

170

Patent families in our patent portfolio, balanced across our value chain

40%

Of these patents relate to low-carbon solutions, the most recent focusing on low-carbon products and carbon capture and use from our cement plants

BUSINESS SEGMENTS



CEMENT

From classic masonry cements to high performance products tailored for specialized settings, we offer an extensive line of sustainable and innovative cements and hydraulic binders.



AGGREGATES

Our aggregates serve as raw materials for concrete, masonry and asphalt as well as base materials for buildings, roads and landfills. Our recycled aggregates use crushed concrete and asphalt from deconstruction.



READY-MIX

Concrete is the world's second most consumed substance by volume after water. In this highly competitive and decentralized market, we stand apart through the quality and consistency of our products, the breadth of our portfolio and our innovative solutions.



SOLUTIONS & PRODUCTS

Supported by technical expertise and decades of experience, we deliver targeted solutions to customers' specific needs. Our local market knowledge combined with R&D capabilities allows us to develop and scale up new solutions and products effectively.

OUR FOUR VALUE DRIVERS



VALUE CREATED IN 2019

FINANCIALS

3.1%

Net sales growth (like-for-like)

6.5%

Recurring EBITDA growth (pre-IFRS 16, like-for-like)

49.5%

Free cash flow to Recurring EBITDA (pre-IFRS 16)

7.6%

Return on invested capital (pre-IFRS 16)

NON-FINANCIALS

561 kg

CO₂ emitted per ton of cementitious material

48 m

Tons of waste reused in operations

299 l

Freshwater withdrawn per ton of cementitious material

5.9 m

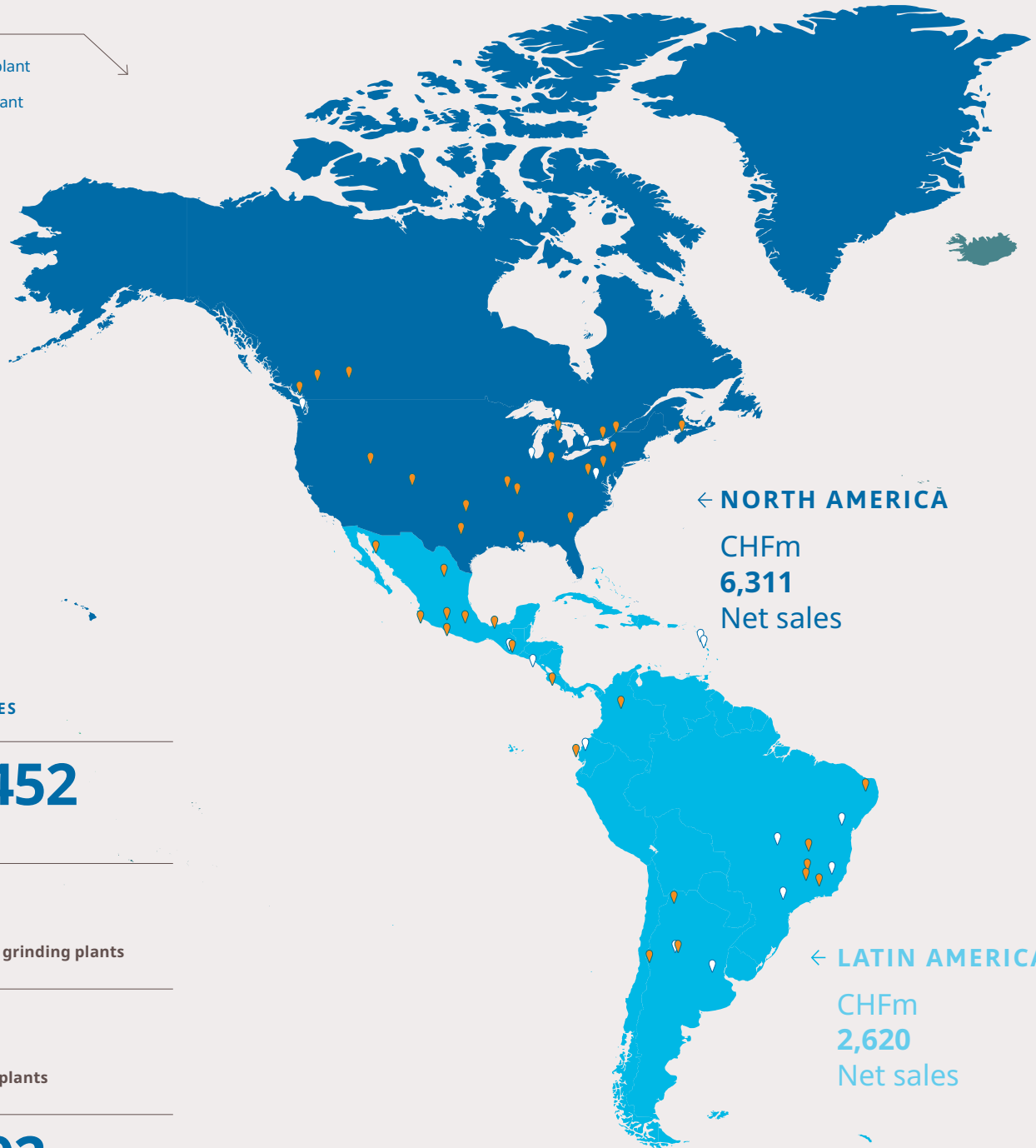
People benefiting from our community investments

OVERVIEW

LARGEST FOOTPRINT IN BUILDING MATERIALS

Grinding plant

Cement plant



KEY FIGURES

72,452

Employees

264

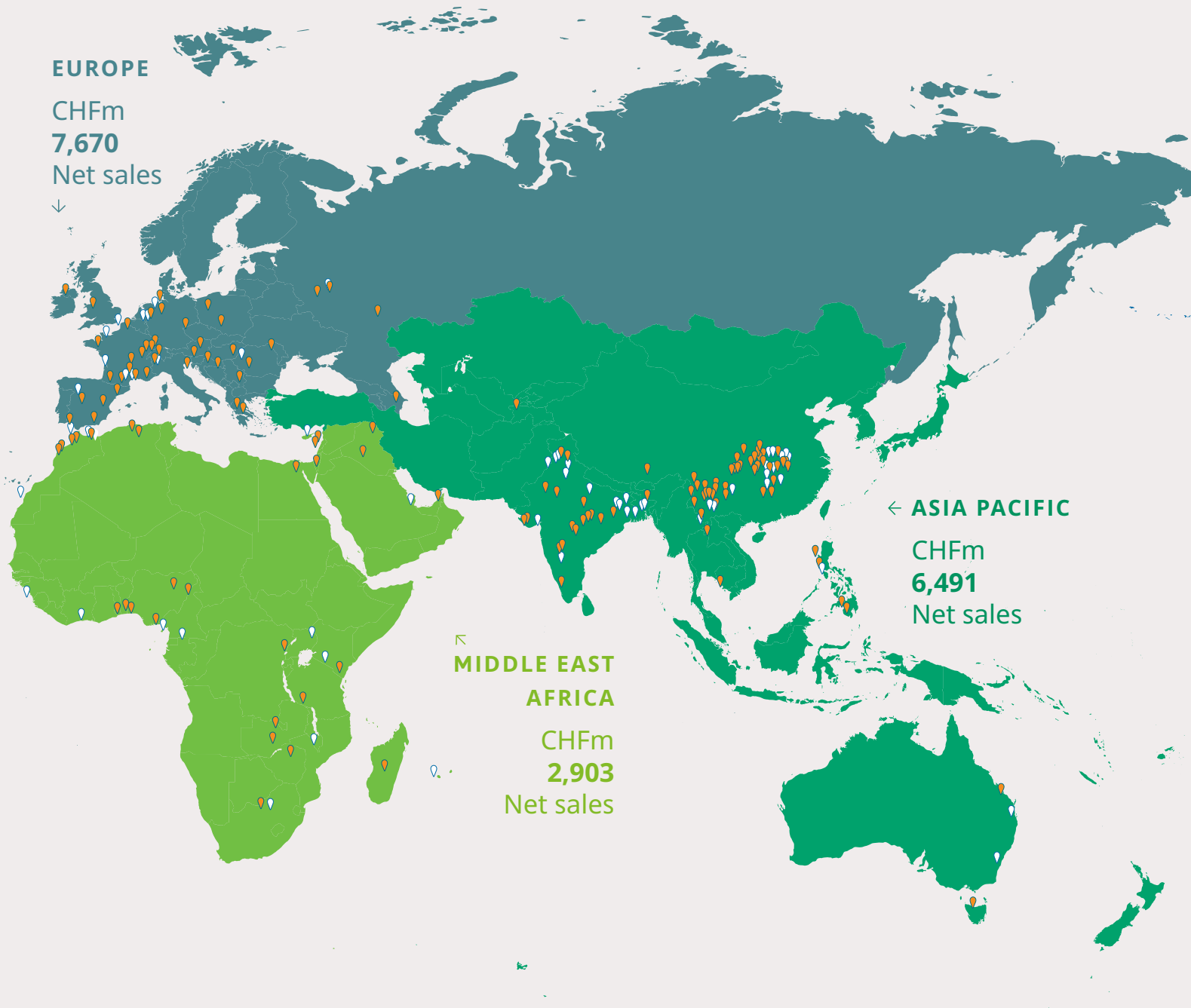
Cement and grinding plants

649

Aggregates plants

1,402

Ready-mix concrete plants



EUROPE
CHFm
7,670
Net sales

← **ASIA PACIFIC**
CHFm
6,491
Net sales

↖ **MIDDLE EAST AFRICA**
CHFm
2,903
Net sales




**Close to our
customers**

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↳
**Minneapolis,
Minnesota, USA**
Employee
facilitating the
digital delivery of
concrete to a
customer.

CEMENT

In 2019, the segment continued its excellent performance, with net sales climbing by 4.0 percent* and over-proportional growth in Recurring EBITDA of 6.1 percent*.

Customers increasingly choose from our range of next-generation cements for specialized characteristics, as well as our ability to tailor them for specific uses.

Our innovative cement mixes are pushing the boundaries of what can be expected from buildings. These cement solutions resist harsh environmental conditions, set more quickly for maximized productivity or use less water for a more economical and sustainable structure.

Our cement customers include construction and public works organizations, manufacturers (producers of ready-mix concrete and prefabricated products), and, via retailers, the general public.

At a basic level, the market can be broadly segmented into bag and bulk cement, with emerging markets generally the largest consumers of bagged cement.

We make cement through a large-scale, capital- and energy-intensive process. Production begins in a rotary kiln, in which limestone and clay are heated to approximately 1,450 degrees Celsius.

Under these extreme temperatures it coalesces into the semi-finished product called clinker. To make traditional Portland cement, gypsum is added to clinker in a cement mill and the mixture is ground to a fine powder. Other high-grade materials such as fly ash, pozzolan, limestone and chemical admixtures can be added to modify the cement for special uses. These products go hand in hand with complementary services such as technical support, order and delivery logistics, documentation, demonstrations and training.

Industrialized countries are mainly bulk markets, as cement is mainly consumed by larger business-to-business customers such as construction companies or building products manufacturers.

Since cement is costly to transport over land, a cement plant is generally uncompetitive outside of a 300-kilometer radius, though cement can also be shipped economically by sea and inland waterways. Most of our plants are located in highly populated areas, benefiting from the ongoing global trend in urbanization.

207.9

Sales of cement (million tons)

2018: 221.9

Recurring EBITDA for Cement grew* by 6.1 percent while net sales grew by 4.0 percent on a like-for-like basis. Volumes grew 0.5 percent on a like-for-like basis compared with 2018.

The North American market grew strongly despite flooding in the Mississippi river system. Eastern and Central European markets were strong with ongoing public infrastructure spending across the region. Volumes for the Asia Pacific region were slightly lower than in 2018 on a like-for-like basis, while in Latin America, demand recovered in Brazil and in Middle East Africa, net sales held close to prior-year levels.

* Like-for-like, pre-IFRS16

↳ **Câmpulung, Romania**
Employee at our cement plant.



↳ Loading operations at our cement plant.



A VISION FOR SUSTAINABLE URBAN LIVING IN ITALY

Buildings and
infrastructure
are fundamental
to society.

CityLife, a new business and residential district in Milan, shows one way forward. To make optimal use of the land available, CityLife was built vertically – while at the same time creating a spacious, beautiful and sustainable urban environment.

AN OASIS FOR MILAN

CityLife covers an area of just 336,000 square meters. Its apartments are home to 4,500 residents. Ten thousand more work in its business towers. Another 700,000 live in the surrounding area. The shopping district is the largest of its kind in Italy and already a destination in its own right.

One of its attractions is that it's one of the largest car-free zones in Europe. Residents and other occupants of

CityLife buildings can reach shops, and other public amenities by public transport rather than car. The M5 metro line connects the neighborhood to popular destinations such as Bicocca University and the San Siro football stadium.

The project has drawn on the talents of world-class architectural firms such as the Studio Daniel Libeskind and Arata Isozaki and Associates, many of whose projects we supplied.

In the section designed by Zaha Hadid Architects, Holcim Italy helped to create an environment of great beauty, fluidity and lightness by integrating the buildings with surrounding gardens, most famously at the building affectionately known as Lo Storto ('the twisted one' - pictured on page 70).



↳ **Milan, Italy**
The CityLife district is one of the largest car-free zones in Europe.

READY TO MEET A CHALLENGE

Holcim Italy has been a trusted partner for many spectacular buildings in the area, including Milan's famous Bosco Verticale (pictured on page 40).

The cement that went into Lo Storto came from our Ternate and Merone plants, where the high proportion of recycled materials and renewable fuels helped the building to obtain the Leadership in Energy and Environmental Design (LEED) Gold standard, the world's leading green building rating system. LEED judges also acknowledged the reduced impact of our construction site operations, our management of construction waste and the low emission levels of our products.

Holcim Italy is one of the few companies that could deliver the kind of high-strength concrete that such projects require. Buildings such as Lo Storto demand structural rigidity to allow for more floor area and leaner elements like pillars, beams and walls. The products supplied for Lo Storto are more than twice as strong as normal concrete products.

"Our customers appreciate the quality of our products and our high level of service. This type of project requires excellence in every aspect – from production to logistics to organization to customer relations. I am proud to work with the people who made this project possible," says Calogero Santamaria, one of our colleagues and a key member of the CityLife team.

"This type of project requires excellence in every aspect."

Calogero Santamaria
Holcim Italy



www.lafargeholcim.com/major-construction-projects

AGGREGATES

The segment continued to deliver in 2019, with net sales growth and improved Recurring EBITDA*.

Our aggregates are used as raw materials for concrete, masonry and asphalt and as base materials for roads, landfills and buildings. As such, they are a key component of construction.

Crushed stone, gravel and sand are all typical aggregates. Most aggregates are produced by blasting hard rock from quarries and then extracting and crushing it.

Aggregate production also involves the extraction of sand and gravel from both land and marine locations. In both cases, the aggregates are processed and sorted to obtain various sizes to meet different needs, or for other physical characteristics such as hardness, granularity, shape and color.

Such characteristics determine the applications for which the various types of aggregates are suited. Because of the high weight of aggregates and cost of transporting them, aggregates markets are nearly always local.

We are also increasingly supplying recycled aggregates, which can be made from construction waste as well as the materials left over after demolition, especially in urban areas. These recycled aggregates replace the need for quarry extraction and contribute to a truly circular economy in building.

LafargeHolcim operates more than 600 aggregates plants worldwide. This segment supplies a broad range of customers that includes concrete and asphalt producers, manufacturers of prefabricated products and construction and public works contractors of all sizes.

LafargeHolcim holds significant reserves of quality aggregates in our key markets: at current production rates our average reserve life in Europe is around 40 years, in Australia around 50 years, and in North America we have an average reserve life of around 100 years.

269.9

Sales of aggregates (million tons)
2018: 273.8

Recurring EBITDA* improved by 3.0 percent compared to the prior year, in line with net sales growth of 3.5 percent on a like-for-like basis.

Volumes were healthy in the United States and Eastern Canada, offset by weakness in Australia and Western Canada.

* Like-for-like, pre-IFRS16

↘
Houston, Texas,
USA
Employee with a
customer on site.





DELIVERING SUSTAINABLE INFRASTRUCTURE IN CANADA

Bridges have been crucially important for societies for centuries. Bridges allow safe passage where previously it was not possible or much more difficult.

To see how bridges have been changing societies and have changed over the last sixty years, take a boat up the St. Lawrence River.

As downtown Montreal approaches on the western shore and the suburbs of La Prairie and Brossard appear to the east, the 3,400 meter Champlain Bridge spans the river to connect the two shores.

REPLACING A NATIONAL ICON

Conceived in 1955, the Champlain Bridge soon became the country's busiest. The rugged truss design – with the bridge deck enclosed in a triangular arrangement of steel girders – is strong, simple and characteristic of its era.

Fifty million cars, buses and trucks cross the bridge each year. Over nearly sixty years of service, this has led to considerable wear and tear, compounded by the road salt that keeps roads clear through Montreal's long winters.

Over time the bridge has demanded ever more frequent maintenance. For this reason, authorities started planning to build its replacement in 2013.

STRENGTH AND SUSTAINABILITY

The towers of the New Champlain Bridge rise 170 meters above the St. Lawrence River. The bridge deck is suspended from cables which are attached to the towers, following the bridge's elegant twin cable-stayed design. The bridge was built in less than four years and opened to traffic in June 2019.

In addition to the six vehicle traffic lanes, the bridge offers different transit options, such as a multi-use corridor for pedestrians and cyclists and a two-lane rail corridor for the electric train, which will come into operation in the next two years.

Its more modern design helped assure quicker construction and a more economical use of materials. The design also promises lower maintenance as well as an expected service life that's more than twice as long as its predecessor.

The Institute for Sustainable Infrastructure has designated the New Champlain Bridge as ENVISION-certified, the prominent North American standard.

**HIGH PERFORMANCE,
LOW IMPACT**

LafargeCanada played a big part in reaching this new level of sustainability. More than 1.5 million tons of sustainably-sourced aggregates were delivered by truck from a nearby quarry to construct the piers and surrounding road infrastructure.

An additional 700,000 tons were delivered by barge for the central jetty, minimizing greenhouse gas emissions related to the transportation of aggregates and reducing traffic on local roads and highways.

More than 165,000 m³ of ultra-high performance concrete, or 22,000 truckloads, were delivered throughout the project. Concrete of these specifications had never been used before in North America, meeting criteria of low heat release and high compressive strength, sufficient for its intended 125-year lifespan.

HIGHLIGHTS

1.5mt

aggregates

165,000m³

ready-mix concrete



[www.lafargeholcim.com/
major-construction-projects](http://www.lafargeholcim.com/major-construction-projects)



↳ Employee at our quarry.

READY-MIX CONCRETE

Strong performance and development of value-added products drove over-proportional growth in Recurring EBITDA of 18 percent*, representing a margin gain of 1 percentage point.

Customers value the quality and consistency of our ready-mix concrete products, the breadth of our portfolio, our expertise in large projects, and our flexibility and reliability. We also offer a range of innovative concretes including self-filling and self-leveling concrete, architectural concrete, insulating concrete and pervious concrete.

We also innovate for sustainable materials and are increasing our portfolio of carbon-neutral concrete solutions. In 2019, we launched Evopact in Switzerland while in Germany we launched Ecopact, both fully carbon-neutral concretes (Find out more on page 56).

Ready-mix concrete is one of the largest markets for the cement and aggregates industries. Buyers of ready-mix concrete are typically construction and public works contractors, ranging from major multinational corporations to small-scale customers.

Concrete is the world's second-most consumed good by volume after water. One cubic meter consists of approximately 300 kilograms of cement, 150 liters of water and two tons of aggregates.

The production of ready-mix concrete is less capital intensive than the production of cement. It is also highly decentralized, since concrete is a heavy product that must be delivered quickly, requiring production facilities to be near the place of use.

As with our Aggregates segment, we are focused on closing the performance gap with other best-in-class performers in Ready-Mix Concrete as part of Strategy 2022 – "Building for Growth".

47.7

Sales of ready-mix concrete (million m³)

2018: 50.9

Recurring EBITDA* grew by 18 percent compared to the prior year. Net sales declined by 0.2 percent compared to 2018 and volumes declined by 2.0 percent, both on a like-for-like basis.

Good demand in North America was offset by softer markets in Mexico and Middle East Africa.

* Like-for-like, pre-IFRS16



✓
Switzerland
Creative exchange
between our
application expert
and architects:
Holcim Ammocrete
concrete is being
used for a family
home.

KEEPING INDIA ON THE MOVE

Infrastructure is critical to keep a growing city functioning and metros play a key role. Nowhere does this have more of an impact than in India.

The country's first metro was opened in Kolkata in 1984. However, high cost and long delays kept subsequent metro projects out of consideration for almost 20 years. When the metro option was revived the population of Delhi had doubled and the number of vehicles on its roads quintupled. The Delhi metro system, opened in 2002, provides for over 1 billion trips per year. That means around 580,000 less vehicles on the roads – and around 855,000 tons of pollutants out of the air.

ACC AND AMBUJA CEMENT, PARTNERS FOR GROWTH

Today several new metro systems are under construction and old ones are being expanded all over India. By 2021, Delhi's metro network will be bigger than the London Underground. Mumbai, Bengaluru, Chennai, Kolkata, Ahmedabad, to name just a few, are also upgrading their urban infrastructure extensively.

↳
Nagpur, India
The city is now home to India's greenest metro.





↙ **Mumbai, India**
 An employee at one of our retail stores completes a transaction with a customer.

LafargeHolcim, through its subsidiaries ACC and Ambuja Cement, is a key enabler of this expansion. In Delhi alone, ACC has already delivered 300,000 cubic meters of concrete, along with other specially developed materials. Ambuja Cement's contribution has also been very important, supplying innovative high-performance materials that enhance the durability of the structures.

The lives of more than 70 million city dwellers are being transformed by projects supplied with ACC or Ambuja concrete.

Through ACC and Ambuja, LafargeHolcim has both the capacity and the presence to supply materials for the largest and most demanding projects in India – and at a pace to accommodate what will soon be the most populous country in the world with more cities with over one million residents than all of Europe put together and overtaking China as the world's most populous country by 2030.

For many, a journey by metro will mean more comfort. "It's better for the city than road transport because there's no traffic or pollution," says Toussef, a resident of the greater Delhi area. "I don't have the troubles of the road, and can be in an environment that is air-conditioned and clean."

It also means that India's rich history can be preserved. Delhi metro's "Heritage Line," for example, carries more than 90,000 people per day beneath iconic sites such as the Delhi gate, Jama Masjid and Red Fort, as well as one of the country's most prominent cricket grounds. The same could not be achieved with roads.

HIGHLIGHT

70m

Lives transformed by ACC and Ambuja metro projects



www.lafargeholcim.com/major-construction-projects

SOLUTIONS & PRODUCTS

In 2019 the segment showed strong, over-proportional growth, with Recurring EBITDA up 20 percent* from the previous year.

Our fourth business segment, Solutions & Products, bundles a range of offers delivering targeted solutions to our customers' specific needs.

Today the segment offers asphalt, contracting services, dry mortars and a range of application specific solutions. The mineral foam Airium® improves the energy performance of buildings through fire resistant and fully recyclable thermal insulation materials. Ductal®, one of our ultra-high performance concretes, can be applied to bridge decks to extend the service life of infrastructure investments.

Through the Solutions & Products segment we also provide a wide range of precast construction systems that can solve a host of building and infrastructure challenges – Basalton, for example, which provides a durable and cost-effective means to protect vulnerable landscapes from storm and rising sea levels.

The Solutions & Products segment gives us a way to leverage our local construction market knowledge, extensive customer base, global key accounts and R&D capabilities.

Solutions & Products also leverages our strength as a global company that can develop and scale up new solutions and products effectively.

This agility is important to this segment especially as nearly all of its offerings fall into markets where spending is growing faster than the general average for construction.

We view Solutions & Products as a growth driver under Strategy 2022 – “Building for Growth” and expect to substantially increase our revenue in this segment over the coming years.

2,248 m

Net sales (CHF)

2018: 2,396 m

Recurring EBITDA* for the segment grew by 20 percent compared to 2018, mainly driven by strong growth in the concrete products business in Australia. Net sales for the segment overall grew by 0.2 percent on a like-for-like basis.

* Like-for-like, pre-IFRS16

↳
Sydney, Australia
An employee
inspects precast
elements.





Galápagos,
Ecuador
Soil stabilization
ensures sustainable
roads at a UNESCO
World Heritage Site.

HELPING FARMERS REACH THE GLOBAL MARKETPLACE

Over a quarter of the bananas traded globally are grown in Ecuador, representing the country's second-largest export after oil.

Compared to oil, however, the banana industry involves far more people. Hundreds of thousands of Ecuadorians are involved in planting, harvesting, washing, packaging and loading bananas for export. The industry is composed largely of small- and medium-sized growers who often sell through cooperatives – a complex arrangement that allows consumers practically anywhere in the world to enjoy this once-exotic commodity.

WHEN THE FIRST MILE IS THE HARDEST

In the rural areas of Ecuador where bananas are grown, around half the roads are built with gravel. These roads are typically vulnerable to both rain and traffic, lasting no more than six months.

Poor rural roads are more than just an inconvenience – they can have devastating effects on rural incomes. A far greater share of produce is vulnerable to damage en route, or products may even be cut off from the market altogether.

A SOLUTION FOR ALL SEASONS

The provincial government of Santa Elena is making a big difference to its farmers with our Agrovia solution. Agrovia is a specially developed hydraulic binder for stabilization of soils and rural roads that is both cost-effective and innovative, allowing roads to be more resistant and durable for pedestrian, animal and vehicular use.

Testing the soil at a major highway project.



Road construction and maintenance costs are up to 40% lower compared to conventionally built roads. They also last three times longer. They avoid the formation of potholes and are far more resistant to heavy rains, so that farmers can continue to produce the whole year round while also spending less time on road repairs.

More stable roads mean that farmers' effective yields are an average of 30% higher. Such reliability is not only critical to the individual farmer but to the reputation of the industry overall.

MINIMIZING ENVIRONMENTAL IMPACT

The benefits of Agrovia go beyond economics. Agrovia combines cement with locally-sourced soils. Since those base materials are 100% local, there's no need to transport quarried rocks or gravel over long distances. For this reason, the solution was also applied in the recent road refurbishments on Ecuador's Galápagos Islands, where having a sustainable, local solution was an absolute priority.

The Agrovia solution has been well received in Ecuador since its debut in 2017, and continuously growing in popularity for rural areas. It is now expanding to Argentina as well – another South American agricultural heavyweight.



www.lafargeholcim.com/major-construction-projects

Creating sustainable value





↙
Milan, Italy
The Bosco Verticale forms an iconic part of the Milanese skyline.

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CREATING SUSTAINABLE VALUE

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SUSTAINABILITY

We are committed to living up to the responsibilities that come with being the global leader in building materials and solutions. We spearhead the transition towards low-carbon construction and are the leader in promoting a circular economy, from alternative fuels to concrete recycling.

With construction and building representing a significant share of CO₂ emissions, our commitment to sustainability leadership begins with carbon.

We are leading the transition towards more low-carbon construction by introducing more low-carbon products and solutions to our customers

worldwide and by being at the forefront of innovation in building materials.

Our business also puts us in a leading position to address society's waste problem and to promote a circular economy.

As building materials draw on natural resources, protecting our environment is also a strategic priority.

And finally, as our business is fundamentally local, we make sure to create value for the communities in which we live and work.

These four strategic pillars of sustainability – Climate & Energy, Circular Economy, Environment and Communities – create value for our business and shareholders and underpin Strategy 2022.

FOUR STRATEGIC SUSTAINABILITY PILLARS¹



CLIMATE AND ENERGY

[+ Find out more on page 44](#)

561kg

Net CO₂ emissions per ton of cementitious material (scope 1)
(Scope 2: 37kg)



CIRCULAR ECONOMY

[+ Find out more on page 48](#)

+4.3%

Tons waste reused in operations
(48m)



ENVIRONMENT

[+ Find out more on page 50](#)

-5.7%

Freshwater withdrawn per ton of cementitious material
(299l)

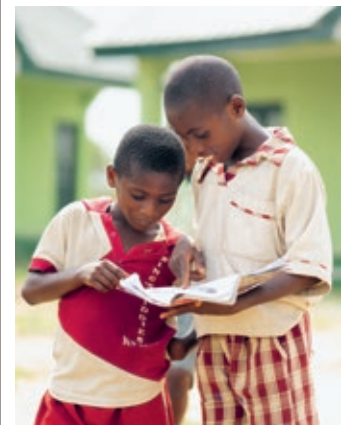


COMMUNITY

[+ Find out more on page 52](#)

+5.4%

Beneficiaries of our community investments
(5.9m)



¹ Percentage change compares 2019 results to 2018 results at the same consolidation scope. Information on scope and methodology of data collection, as well as assurance on 2019 reported figures, can be found in the Sustainability Performance Report on our website at www.lafargeholcim.com/sustainability.



Boyaca, Colombia

The Holcim school at Nobsa has provided low income children an education for over 20 years.



CLIMATE AND ENERGY

LafargeHolcim cement is one of the most carbon-efficient in the world. With our target of 520kg of CO₂/ton of cementitious by 2030, we are among the most ambitious companies in our sector. We are committed to reducing emission levels in line with a 2-degree scenario as agreed at the COP21 world climate conference in Paris.

"We at SBTi are delighted that LafargeHolcim, a global leader in building materials and solutions, has recently joined the group of over 300 industry leaders whose ambitious emissions reductions targets we have approved. By setting goals to reduce absolute scope 1 and 2 emissions, LafargeHolcim has taken a bold step towards building the net-zero economy of the future. With their ambitious targets LafargeHolcim is an industry leader in reducing CO₂."

Alberto Carrillo Pineda
Director Science Based Targets & Renewable Energy at CDP & Co-founder and Steering Committee member of the Science Based Targets initiative

2019 PERFORMANCE

In 2019 our net CO₂ scope 1 emissions (i.e., emissions directly under our control) decreased to 561 kilograms per ton of cementitious (kg CO₂ /ton), or 1.4 percent lower than in 2018.

Given this very strong progress we have revised our 2022 target to be more ambitious in the near term, from 560kg to 550kg, as we move toward our 2030 carbon targets of 520kg. We also aim to reduce our scope 2 emissions (indirect emissions from our electricity consumption) by 65% in the same timeframe.

In 2019 both targets were validated by the Science Based Targets Initiative (SBTi), a leading organization which mobilizes companies to set science-based targets in the transition to the low-carbon economy.

We were also recognized by the CDP, a non-profit organization that enables organizations to manage their environmental impacts. In their latest assessment our score improved from B in 2018 to A minus for 2019, placing us in the CDP's Leadership band.

LEADING THE TRANSITION

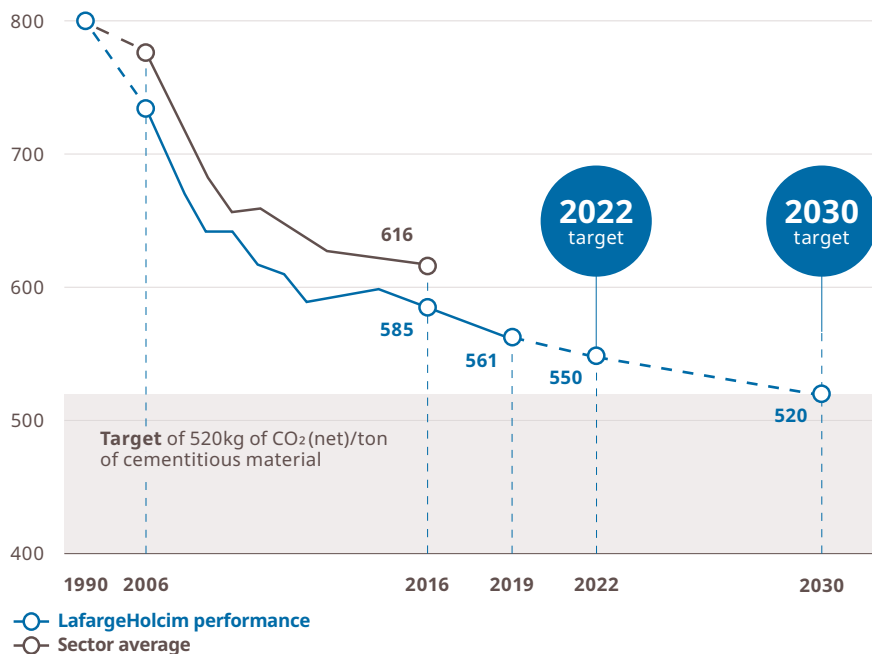
We are not just committed to reducing carbon emissions from our own activities. We aim to lead the transition towards low-carbon and circular construction by introducing more low-carbon products and solutions to our customers worldwide and by being at the forefront of innovation in construction materials and solutions (see "low-carbon solutions" on page 54).

We engage proactively and transparently with our external stakeholders, including regional and national governments, international organizations and civil society.

In particular we advocate:

- Preserving a level playing field where carbon pricing mechanisms are in place, thereby fostering investment in low-carbon technologies and innovation;
- Developing mechanisms that incentivize carbon efficiency across the construction value chain and strengthen demand for low-carbon products and solutions;
- Building standards that are material-neutral and take lifecycle performance into account.

OUR CARBON EMISSIONS



COMMITTED TO TRANSPARENCY

On page 63 we summarize our 2019 alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

The identification, assessment and effective management of climate-related risks and opportunities are fully embedded in our risk management process and subject to continuous improvement.

We will continue to monitor developments and to update our scenario planning in line with the TCFD's recommendations.

DID YOU KNOW?

LafargeHolcim has reduced its CO₂ intensity by 27% since 1990. This is equivalent to over 40 million tons of CO₂ avoided in 2019 compared to 1990 performance levels, or 8.6 million cars taken off the road.

INVESTING IN LOWER CARBON

In 2019 we allocated CHF 160 million for capital expenditure to reduce our carbon footprint in Europe, increasing our efforts to further improve the carbon efficiency of our products and solutions.

The objective is to reduce annual CO₂ emissions in Europe by a further 15 percent, representing 3 million tons, by 2022. The investment will draw on advanced equipment and technologies that can help increase our use of low-carbon fuels and recycled materials in our processes and products. Further funds are earmarked for the introduction of new carbon-efficient materials and services. Over the next three years, we will work on more than 80 projects across 19 European countries.

In all countries, we are working on products and services to help customers improve the carbon efficiency of buildings and infrastructure across their lifecycle.

In France, for example, the company has recently launched Lafarge360, an integrated offer that includes scoring and carbon footprint modelling, enabling customers to make informed decisions around the environmental impact of their project. Such low-carbon products are a strategic priority of our innovation agenda.

[+ Find out more on page 54](#)

CHF 160m

Investments in low-carbon solutions in Europe

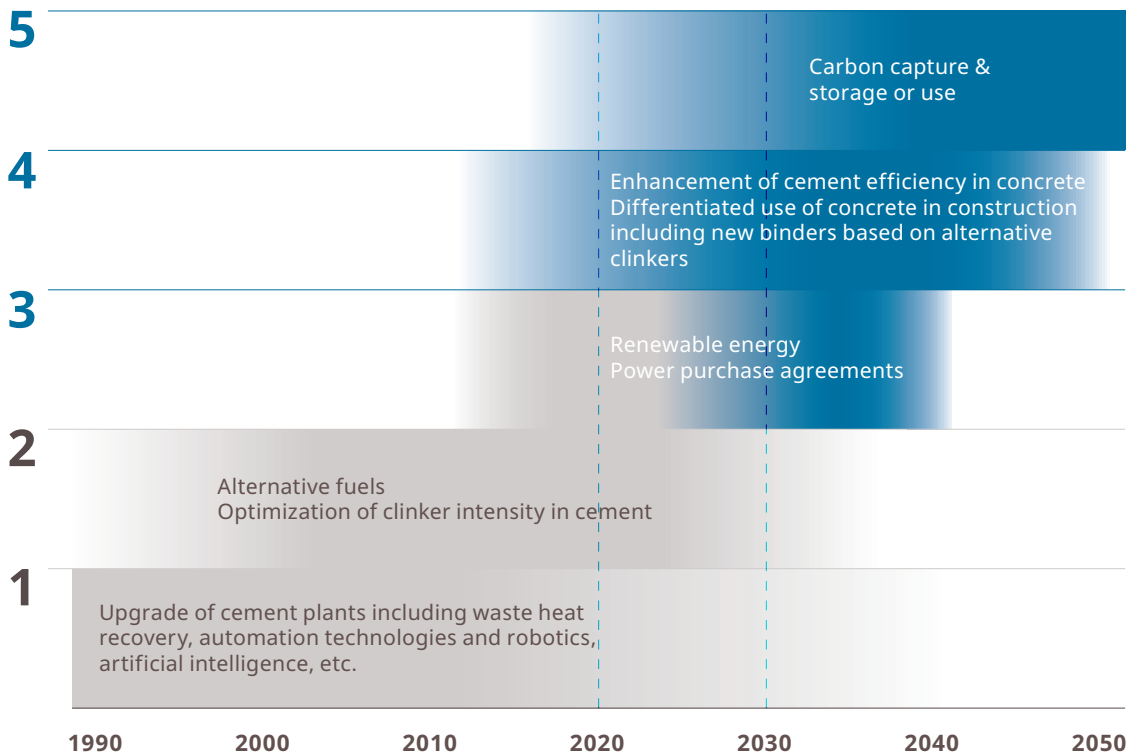
3m tons

Reduction in European carbon emissions by 2022

CO₂ EFFICIENCY ROADMAP

LAFARGEHOLCIM CARBON ROADMAP

Largest contribution in next decade expected from construction value chain



UPGRADE OF CEMENT PLANTS AND ENERGY EFFICIENCY

Cement production is an energy-intensive process. We have modernized our plants and improved our energy efficiency to reduce the carbon intensity of our products and lower our production costs, driving energy consumption per ton of clinker from 4,623 megajoules in 1990 to 3,526 megajoules in 2019, making us among the most efficient in the sector.

DID YOU KNOW?

Our energy consumption has increased three times less than our cement production since 1990.

ALTERNATIVE FUELS AND OPTIMIZATION OF CLINKER INTENSITY IN CEMENT

We also reduce the carbon intensity of our cement by replacing fossil fuels with pretreated waste and low-carbon fuels to operate our cement kilns.

We currently source 20 percent of our energy from alternative fuels, low carbon fuels and biomass. In some of our operations, we've met over 90 percent of our energy requirements with alternative fuels (further information on our Geocycle operations is on page 48). These alternative energy sources not only help reduce our CO₂ emissions – they also divert waste from incineration or landfill.

Our primary carbon reduction lever is to lower the clinker-to-cement ratio. It is during the production of clinker, the

main component of cement, when most CO₂ emissions associated with cement occur. The majority of these emissions are unavoidable, as they result from the chemical reaction that occurs when the raw material (limestone) calcinates into clinker in the kiln. This decarbonation process is our largest source of CO₂ emissions, accounting for 65 percent of our total scope 1 emissions in cement production. Replacing the clinker in our final cement products with alternative mineral components (a significant portion of which comes from waste or byproducts from other industries) reduces the carbon intensity.

Our products currently use an average of 29 percent of constituents to replace clinker, resulting in one of the lowest levels of clinker content (or 'clinker factor') in the sector.

RENEWABLE ENERGY

In 2019, we continued to expand our renewable energy portfolio, adding close to 250 MW equivalent of clean power to our global electricity mix. We also optimized our power-producing assets (for example by installing waste heat recovery units) across our production plant portfolio.

We currently operate 5 waste heat recovery units in 4 countries and plan to increase this to 13 units by 2021, with a larger pipeline to be implemented in phases.

We are also taking advantage of opportunities to generate renewable energy on our land by installing wind turbines and solar panel farms. In October 2019, for example, three wind turbines built on our site in Paulding, OH (US) began delivering 12 million kilowatt hours per year to the plant, eliminating

the emission of at least 9,000 tons of CO₂ annually. In India Ambuja Cement has recently commissioned an onsite solar plant at its Rabriyawas plant. The plant will have a capacity of 11.5 Gigawatt hours per year and will avoid 8,900 tons of CO₂ emissions per year.

LOW-CARBON SOLUTIONS

We have made significant investments in low-carbon solutions, much of it through our Innovation Center in Lyon, France. Today we have a broad portfolio of low-carbon projects including low-carbon clinker, cement, concrete, and binders. We take it as our responsibility as a global leader in building materials to pave the way to low-carbon construction. For more information on our innovation program and products, please see page 54.

CARBON CAPTURE

Apart from our ongoing activities to reduce CO₂ emissions, reducing CO₂ emissions from cement production to zero will require carbon capture and usage or storage (CCUS).

The IEA Roadmap for the cement sector projects CCUS to begin at scale from 2030 onwards.

LafargeHolcim is currently working with a number of partners on five projects in four countries, and plans to increase that number in the coming years.

The potential carbon capture capacity from these projects is approximately 2 million tons of CO₂ per year (see below).

DID YOU KNOW?

One-third of our 2019 net sales comes from our portfolio of sustainable solutions.

PARTNERING TO CAPTURE AND USE CARBON

We're assessing the viability and design of a commercial-scale carbon-capture facility at our cement plants in North America.

This study, undertaken with Svante, Inc and Oxy Low Carbon Ventures, will evaluate the cost of capturing up to 725,000 tons of carbon dioxide per year directly from the plant using Svante's technology, which captures carbon directly from industrial sources at half the cost of existing solutions. Occidental, the industry leader in CO₂ management and storage, would permanently sequester the captured CO₂ underground.

Pairing carbon capture from a cement plant with CO₂ sequestration is a significant step forward for our industry. This joint initiative follows the recently-launched Project CO₂MENT between Svante, LafargeHolcim and Total in Canada at the Lafarge Richmond cement plant, where progress has been made towards re-injecting captured CO₂ into concrete.



CIRCULAR ECONOMY

The volume of waste materials used in our operations rose by 4.3 percent, outpacing our production volume growth as we head toward our 2030 target of 80 million tons.

Waste products can be used as a substitute for fossil fuels and other raw materials, providing us with an excellent opportunity to address society's waste problem.

This process – called co-processing – helps lower greenhouse gas emissions by reducing the quantity of fossil fuels in cement manufacturing. This also means less waste in landfills or incinerators.

We promote the use of recycled materials in our production value chain.

In our Aggregates, Ready-Mix Concrete and asphalt businesses we use around 16 million tons of recycled material per year (mostly recycled aggregates) to make our products. At some sites recycled aggregates represent more than 50 percent of the material used. We are especially interested in targeting this aspect of our business to issues of broad social relevance, such as marine litter (see below).

In 2019 around two million tons of plastic waste were co-processed in our cement kilns and we remain committed to increasing these volumes by actively growing the processing of plastic waste.

DID YOU KNOW?

LafargeHolcim's global waste management business, Geocycle, transformed 10.2 million tons of waste into energy in 2019, or the equivalent amount of waste from 2 million garbage collection trucks.

REDUCING MARINE LITTER

The rise in ocean plastics is a global environmental policy challenge. Without significant action, plastic marine litter could outweigh all the fish in the ocean by 2050.

Geocycle, our sustainable waste management solutions business, has taken a lead in addressing this challenge by partnering with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) on a project to stem marine litter.

Initiated in key urban areas in Egypt, Mexico, Morocco and the Philippines, the project works in a number of ways to stem marine pollution including reducing waste generation, improving waste management and raising public awareness.

Key actions are already underway in the selected countries. Geocycle México, for example, has launched the OLAS clean ocean initiative to play a lead role in fighting marine pollution.

Geocycle and other key stakeholders have developed a focused communication plan for building awareness about this issue and are meeting with government representatives at federal, regional and municipal levels to increase awareness and gain support.

Geocycle has also partnered with GIZ and the Fachhochschule Nordwestschweiz (FHNW) to update the 2006 Guidelines on Co-processing Waste Materials in Cement Production to support further development of environmentally safe pre- and co-processing.

Almería, Spain

Collecting waste plastics at their source is essential to keeping the ocean clean.



ENVIRONMENT

Freshwater withdrawal per ton of cementitious material decreased by 5.7 percent in 2019 due to strong efforts across our cement plants.

Today we are shifting our focus to consider our total impact on water resources in the communities where we operate, particularly in water-scarce areas.

We optimize and prevent the use of freshwater as well as reduce the risk of depletion or pollution by measuring our operational water footprint, reducing freshwater withdrawal, assessing water risks, engaging with stakeholders on sharing water and providing more water to communities (see below).

AIR EMISSIONS

Air emissions are a key environmental aspect of cement production. We expect that all our cement sites measure and manage air emissions. In 2019, we monitored dust, NOx and SO2 emissions from 94 percent of the clinker we produced; 86 percent of clinker production is monitored continuously.

The majority of LafargeHolcim plants operate within best practice emission ranges and some are among the best in the sector. In 2019 Group dust emissions reduced by around 5 percent year on year.

ENVIRONMENTAL MANAGEMENT SYSTEMS

To ensure compliance with stringent company requirements we expect all our cement plants to have an environmental management system in place. In 2019, 86 percent of our cement plants had an environmental management system equivalent to ISO 14001 in place.

WATER MANAGEMENT IN INDIA

Whether it's the communities in the hills of the Himalayas, the deserts in Rajasthan or the coastal areas in Gujarat, water is a critical issue.

On the coastline of Gujarat salinity was seeping almost ten kilometers inland. Groundwater in Rajasthan was being overexploited, resulting in high salinity and fluoride content, making it unfit for human consumption. People in the hills of Himachal Pradesh had poor water quality for cultivation, animal rearing and domestic use. There was heavy erosion of the rich and fertile topsoil, making it difficult to grow produce.

For over 25 years the Ambuja Cement Foundation has worked hard to provide solutions and resolve the issues of these communities. In Gujarat, check dams were built, wells for ground water were recharged and channels were dug to link ponds which help around 200,000 people. In Rajasthan, traditional water harvesting structures like community ponds and tanks were revived, and dykes were constructed for groundwater recharge, increasing soil moisture for crop production in the villages. In Himachal, interventions began with a

watershed project and awareness-raising for harvesting and managing rainwater.

The community has taken ownership of water resource development programs, making water available for both domestic and agricultural uses. By partnering with the government and other development agencies, the Ambuja Cement Foundation has built 426 check dams and over 7000 roof rainwater harvesting structures which, when full, supply close to 55 million cubic meters of water back to the community.

In the community of Kodinar, Gujarat, every 1 rupee invested by Ambuja has resulted in 13 rupees of value back for the community. Today the region is water positive and has seen a drastic decline in soil erosion, with an increase in groundwater recharge and more natural vegetation, and more water available for all uses.

↳ **Gujarat, India**
Every 1 rupee
invested in water
projects results in
13 rupees of value
back into local
communities.



COMMUNITY

We are proud to support the communities where we live and work, with our investments delivering benefits to more than 28 million people over the last five years.

We regularly interact with stakeholders at all levels – customers, employees, investors and financial institutions, suppliers, regulators, media, NGOs / development agencies, and academia – to preserve our standing as good members of our communities.

RESPONSIBLE SOURCING

We have short and predominantly local supply chains. With our large geographic footprint, this poses challenges, particularly in countries where business practices are not well regulated. We therefore identify high environmental, social and governance (ESG) impact suppliers and ensure they are qualified to work with us.

PROMOTING HUMAN RIGHTS

Our approach to managing human rights is fully aligned with the UN Guiding Principles on Business and Human Rights.

In February 2020, CEO Jan Jenisch signed the Call to Action for Business Leadership on Human Rights by the World Business Council for Sustainable Development (WBCSD), joining forty other leaders in sending a clear message on the need to elevate companies' ambitions concerning human rights.

Together our vision is to make human rights more than just a risk and compliance issue for companies – they should be actively promoted as part of a commitment to social responsibility.

At LafargeHolcim we promote transformative change in the human rights dimension through such longstanding policies as our Supplier Code of Conduct and our Human Rights due diligence methodology.

At the same time we champion human rights internally, for example by setting concrete targets for diversity and inclusion across our operations.

We make significant investments to support community development around the world, for example by providing education and medical care in line with our human rights agenda (see box, right).

DID YOU KNOW?

Over the last five years LafargeHolcim has invested CHF 240 million in community projects.

LAFARGEHOLCIM FOUNDATION FOR SUSTAINABLE CONSTRUCTION

The LafargeHolcim Foundation for Sustainable Construction encourages sustainable responses to the technological, environmental, socioeconomic and cultural issues affecting building and construction. The Foundation stimulates exchange among all players in the construction industry to contribute proactively to tomorrow's built environment.

The Foundation conducted the 6th LafargeHolcim Forum in 2019, where more than 350 experts from 55 countries met at the American University in Cairo, Egypt. Experts from architecture, materials management, engineering,

urban planning and related fields addressed the theme of "Re-materializing Construction" and discussed innovative solutions and progressive approaches related to new materials, the optimization of circular material flows, and the potential of digitalization in the construction industry.

Participants were inspired by presentations and best-practice examples, including keynote speeches from thought leaders such as Lord Norman Foster. Michael Braungart presented his "cradle-to-cradle" concept, which provides important insights for a circular economy.

In recognition of his achievements, LafargeHolcim CEO Jan Jenisch presented the first LafargeHolcim Foundation Catalyst Award to Prof. Dr. Braungart, an accolade conferred to experts who made a substantial, outstanding, and lasting contribution to the advancement of sustainable construction.

Advancing sustainable construction is also the purpose of the international LafargeHolcim Award competition, which the Foundation is currently holding for the sixth time. The award is recognized as the world's most significant competition for sustainable design.

MEDICAL CARE FOR 250,000 PEOPLE

With many of our employees living closer to our facilities than to the nearest hospital, we're fulfilling our duty to support the health of our communities.

In 2019 we offered health services to a quarter-million people in addition to our employees and contractors.

In other words, nearly 250,000 of our employee's dependents and other community members were served by the 66 health clinics we own and manage across 18 countries.

"The Health & Safety of our employees is a core value of our company – and we are proud to extend that commitment to our communities," comments Magali Anderson, Chief Sustainability Officer.

In addition to health clinics, we provide access to education for more than 15,000 people at the 22 schools that we manage.

These benefits come on top of the inherent advantages we already offer (e.g., direct employment, infrastructure development and local procurement) to the communities where we live and work. These social investments are based on long-term strategies and implemented together with specialized partners.

In 2019 we invested CHF 42 million in community projects.

▾
Ambuja Nagar, India
An instructor trains nurses at one of our clinics.



INNOVATION

We are committed to creating new and value-added solutions, with fully half of our innovation projects aimed at finding low-carbon solutions.

Over the next forty years, the world will need 230 billion square meters in new construction – adding the equivalent of Paris every week.

TOWARD CARBON-NEUTRAL CONSTRUCTION

With the strongest innovation organization in the industry and an extended global network of regional labs, reducing carbon emissions is a key priority of our innovation agenda.

Half of our innovation projects are aimed at finding low-carbon solutions, whether they are digital tools to empower greener building, breakthroughs in the chemical processes underlying our cement or shaping the construction industry of the future through our contributions to 3D-printed buildings.

Today, around 40 percent of our patents have a positive impact on our carbon footprint along the value chain.

In addition to providing more low-carbon solutions, we seek to further differentiate our products offering for improved performance and growth and to develop 300 new products per year by 2022, meeting regional needs with custom-tailored products – more than triple the amount we delivered in 2018.

BEING A LEADER MEANS OFFERING MORE

All our customers – whether they buy from ACC, Aggregate Industries, Ambuja, Bamburi, Holcim or Lafarge; or they use one of our global brands such as Airium or Ductal; or even the retail customers of our Disensa or Binastore franchisees – know they are buying from a market leader.

We maintain this position by developing products such as water-resistant materials for houses in rainy or humid regions, for example, or creating tools to literally take concrete pumping to new heights. We develop innovative concrete mixes for optimal flowability and workability, or others that gain strength quickly after pouring. Such innovations create a differentiated customer experience that sets us apart.

Mike Curtis, president of G&C Concrete (US), worked on Boston's One Dalton, which is now New England's tallest residential building at 226 meters. The project required delivery of 70,000 cubic meters of concrete in congested downtown Boston. To make things even more challenging, the demanding timeline called for the completion of two floors each week.

"One of our greatest challenges was finding the ideal high-performance concrete solutions that would help us improve productivity and accelerate placement schedules," he said. "We needed high-strength, self-consolidating concrete mixes that would flow easily through and consolidate around congested reinforcement in the core

walls and the uniquely tapered perimeter columns, as well as an advanced high-early strength concrete for the floor slabs that would allow us to remove the formwork in a short amount of time."

G&C Concrete relied on high-strength Agileflow® self-consolidating concrete mixes, which are custom-designed to achieve optimal flowability and workability, as well as the various strength requirements of the project without the need for vibration.

To achieve the accelerated construction goals of each floor's 11,500-square-foot slab, they also used RAPIDFORCE®. RAPIDFORCE is a proprietary blended cement mix containing silica fume and fly ash, and achieves a rapid specified strength gain of 3,500 psi in only 24 hours.

The customized mixes were ideal solutions for the project's demanding requirements. "Both products delivered huge benefits in terms of labor requirements and time savings," Curtis said.



↳ **Untervaz, Switzerland**
Local innovation labs are key to delivering high-performance materials.



↳ **Malaga, Colombia**
Two employees inspect a newly completed bridge



Basel, Switzerland
Products like Evopact will be key to a more sustainable built environment.

ADVANCING CLIMATE-NEUTRAL BUILDING IN SWITZERLAND

We're promoting sustainable building with EvopactZERO, a resource-saving and climate-neutral concrete.

Holcim Schweiz has taken recycled demolition waste and used it to create EvopactZERO, a climate-neutral concrete that makes an important contribution to sustainable construction.

EvopactZERO uses both the fine and coarse elements of demolition waste, closing the material cycle completely. The fine materials go into the cement, while the coarse materials serve as aggregates for the concrete mix. This product is one of our pioneers in showing how innovation and sustainability drive growth.

Our aim is to reduce net CO₂ emissions per ton of cement sold in Switzerland to 400 kilograms by 2030, and to produce climate-neutral and fully recyclable building materials exclusively by 2050. EvopactZERO is just another step along that path.

Besides reducing carbon emissions, using recycled building materials conserves landfill space and shortens transport routes.

A DIGITAL APPROACH TO BUILDING

In addition to innovative materials, we are increasingly developing tools to enhance the customer experience and engender customer loyalty. ConcreteDirect, for example, is a digital platform that optimizes ordering and delivery of ready-mix concrete.

Customers use the ConcreteDirect app to place, amend and confirm orders in just a few taps. They can view upcoming orders and receive important notifications at their fingertips as well as track the progress of their ongoing deliveries so they always know where their concrete is and when it will arrive.

A COLLABORATIVE APPROACH

Many challenges in our industry can be solved with digital business models, which is why we launched the Maqer platform in 2018.

Through Maqer we connect with digital startups who are pioneering solutions that apply to our value chain.

Maqer has entered into pilot projects with more than 50 innovative technology providers and startups since its launch, in areas like digital backhauling platforms to reduce empty loads, leveraging internal and external data for demand forecasting, predictive maintenance to avoid unplanned shutdowns or financial solutions for our retailers and end-customers in underbanked markets.

Maqer also helps us to drive our “Plants of Tomorrow” initiative, one of the largest roll-outs of Industry 4.0 technologies in the building materials industry.

The initiative covers automation and robotics, AI and predictive maintenance and a host of other technologies. In one pilot, for example, we are testing a tool that assesses the final strength of cement while it is being manufactured, which could shorten customer waiting times by 28 days.

Our open innovation takes a collaborative approach in other ways, too. Through the LH Accelerator program we work with companies that

bring cutting-edge technologies to the construction industry and pair them with the extensive experience of LafargeHolcim, China Communications Construction Company (CCCC) and Sika.

This approach already has proven potential. At our cement plant in Richmond, Canada, we are working on implementing the world’s first full-cycle carbon capture solution (see page 47). CarbonCure – a participant of the LH Accelerator in 2018 – is the partner on that project helping us to sequester the gas indefinitely.

CENTERED ON INNOVATION

Innovation in building materials has been in our DNA for over 132 years.

Today, this is captured by our innovation centers in Lyon, France, and Holderbank, Switzerland, which have pioneered innovative materials for over 30 years. Our network of labs accounts for more than 300 researchers worldwide. Through this research network we deliver locally-tailored solutions backed by global expertise.



↳ **Bogotá, Colombia**
Finding innovative digital solutions has benefits along the entire value chain, from operations to retail.

PEOPLE

Our employees drive excellence in all our operations. They represent LafargeHolcim to our customers, our communities and other key stakeholders.

Our employees are required to demonstrate the highest integrity, in alignment with our code of conduct, and to perform at a consistently high level. Sustaining this robust performance culture is the key goal of our people strategy.

THE KEYS OF A PERFORMANCE CULTURE

Performance requires clear accountability, which we promote for instance by naming 'owners' of profit & loss ('P&L') accounts. In 2019 we nominated more than 300 P&L leaders, the majority of whom came from within the company. This outcome reflects another key value of our people approach: promoting from within.

COMMITTED TO DEVELOPING TALENT

To maintain a robust talent pipeline and ensure that our employees have the capabilities to succeed, we make development a top priority.

One of the key elements in this respect is the LafargeHolcim Business School.

Each year, around 200 top senior leaders and more than 150 emerging leaders gather in different cohorts to attend the LafargeHolcim Business School, thus ensuring momentum and alignment across the company.

Launched in 2018, the LafargeHolcim Business School prepares senior leaders for sustained success in implementing Strategy 2022 – "Building for Growth". The school cultivates effective leadership styles, enhances the dynamic among the senior leader community and provides overarching support to an aligned high-performance culture.

In 2019, we focused on supporting market-facing colleagues by launching the Global Sales Academy with additional learning modules. The Global Sales Academy supports the development of a high-performance sales organization worldwide. The

program is designed for professionals in both mature and emerging markets, supporting global business as well as specific country needs.

LIVING OUR VALUES OF DIVERSITY AND FAIRNESS

It is equally important that Diversity & Inclusion is embedded in our work environment as a focus topic. In 2019, we focused especially on diversity among our engineers and salespeople and on identifying and sharing good practices. In 2020, Diversity & Inclusion will be added as a specific topic to our learning strategy.

All our country operations undertake thorough assessments of our employment practices (including those concerning contractors and suppliers) and develop detailed local action plans when needed. As in previous years, we worked closely with our European Works Council and global unions as well as with diverse local unions and social stakeholders to ensure that the voices of our people are heard and their concerns are properly addressed.

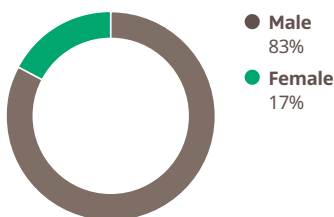
COMPOSITION OF SENIOR MANAGEMENT

1,105

Male
2018: 1,216

224

Female
2018: 252



TOTAL NUMBER OF EMPLOYEES:

72,452

EMPLOYEES BY REGION:

Asia Pacific:
17,505

Latin America
8,871

North America
12,614

Europe
20,880

Middle East Africa
11,277

Other
1,306

INCENTIVIZING BROAD VALUE CREATION

Our compensation policy is designed to attract, motivate and retain talent. We use benchmarking to determine compensation for employees at all levels. Our top 200 leaders participate in a long-term incentive (LTI) compensation scheme that aligns their interests with the long-term success of the company and with shareholders' interests. In 2019 we made an important step by tying the LTI directly to non-financial performance. For more details on our compensation approach, see the Compensation Report beginning on page 116.

↳
Ewekoro, Nigeria
Oluwafunmi Taiwo,
quarry manager.



HEALTH & SAFETY

In 2019 LafargeHolcim continued to improve its Health & Safety performance in all regions, with strong improvement in the long-term injury frequency rate.

We have reduced our road fatalities by 58% vs 2016 and a reduction of 11% since 2018.

We also see a clear improvement in the Lost Time Incident Frequency Rate (LTIFR) of 15.2 percent, with a decreased injury rate of 26% since Ambition "0" was launched in 2017.

In 2019, 4 employees and 15 contractors lost their lives, compared to 19 in 2018. Additionally, 18 third parties died in relation to our operations. We had 7 fatal on-site incidents with three contractors that lost their lives in one incident.

We have maintained our overall improvement of 55% vs. 2016; however, between 2018 and 2019 our progress plateaued.

Our on-site fatalities are now limited to three countries in which we have a focused intervention to drive proactive prevention. Throughout the year, we have rigorously analyzed the remaining risks and are simultaneously addressing the specific actions that will bring us to zero.

These deaths are unacceptable and run counter to our Zero-Harm culture – our vision of running our operations with zero harm to people – which is a core value of our organization. We reinforced the implementation of our strategy with the full deployment and expansion of "One Team, One Program" and launched several others.

We recruited six colleagues to assist our countries in targeting the main risks and identifying the highest priority interventions.

Additional program developments include a new human factors investigation system to ensure we learn from all incidents and drive improvement in all sites.

We undertook a cultural assessment with over 20,000 employees and contractors to establish the baseline of our mindset change journey. Our new global H&S training team developed 13 e-learning coverings our main standards and will work on developing programs to further standardize the way we work.

Our mission to drive cultural change culminates in our annual Global H&S Days. Over this period we mobilize our stakeholders and build the attitudes and behaviors that will help us achieve zero harm. In 2019 we focused on our Minimum Safe Behaviors so that everyone learns and understands the rules that prevent injury.

GLOBAL PROGRAMS TO SAVE LIVES

The road safety program completed its third year in 2019, increasing the number of kilometers driven with trained drivers from 10% in 2018 to 40% in 2019. Kilometers driven with in-vehicle monitoring systems (iVMS) rose from 47% in 2018 to 57% in 2019. To accelerate iVMS implementation, the Middle East Africa region was connected to our Transport Analytics Center in India, with full deployment expected in 2020.

Our new Process Safety Management (PSM) program covered hot material management, grinding and handling of traditional solid fuels, management

of alternative fuels, electrical safety, slope stability in quarries and structural integrity.

In our Design Safety and Construction Quality Program (DSCQP), we invested CHF 76.9 million in safety, including in our Design Safety and Construction Quality Program to eliminate H&S risks linked to the structural integrity of our facilities.

CONSOLIDATING OUR APPROACH ON CONSTRUCTION SAFETY

In 2019 we marked our third year with no fatalities on large capex projects due to consistent H&S support on project preparation and closely reviewing execution. Our approach for construction and demolition projects has been strengthened by launching a new standard and creating visual materials and tools that give clear guidance on H&S requirements. We deployed a broad communication plan with more than 500 employees joining the training webinars globally.

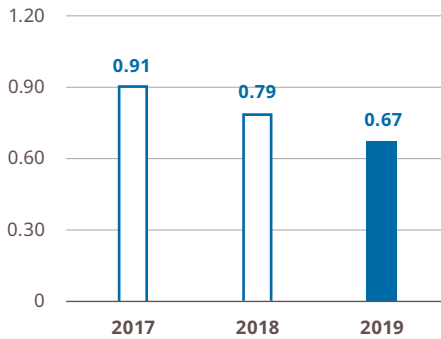
THE NEXT GENERATION OF SAFETY PRACTICES

Robotics and drones are now integrated into our day-to-day activities. A global challenge on "New Technologies in Health & Safety" revealed 265 good practices from 38 countries. We will continue exploring opportunities and testing them in pilot projects.

AUDITING OUR H&S PERFORMANCE

The H&S audit program measures our ability to implement H&S Standards and ensures effective H&S management

LOST TIME INJURY FREQUENCY RATE (LTIFR)¹



	2017	2018	2019 ¹
Employees	0.94	0.9	0.76
Contractors on-site	0.89	0.69	0.58

¹ Assurance on 2019 figures for LTIFR and fatalities can be found in the Sustainability Performance Report on our website at www.lafargeholcim.com/sustainability.

Employees and Contractors on-site

across our company. Over 200 audits were conducted since the program started, providing an independent governance process that aligns with Group Internal Audit.

In 2019, 72 audits were conducted across 37 countries. This year’s focus was on the training and coaching of auditors. We now have a pool of 65 qualified lead auditors. Over 400 employees – more than half of them from operations – have participated as auditors in 2019, further contributing to knowledge-sharing across facilities, product lines and borders.

REPLICATING WITH PRIDE

After the tragic incidents in India from earlier in 2019, it was critical to implement a program that would change behaviors. India proudly copied Mexico’s ‘More Boots- Less Pants’ program and enhanced its effectiveness through a digital tool.

Boots on Ground (BOG), as the localized initiative is called, has been implemented in all plants in less than three months with the objective of putting more leaders in the field to improve operational discipline and empowerment, drive safe frontline behaviors and improve compliance with H&S rules.

Since the program started in July (ACL) and September (ACC), 246,752 hours of plant tours were made by the plant management, with an average of 2,903 hours per day in December. The digital tool helps ensure that all parts of the plant are visited, observations are recorded and actions are closed according to a fixed timeline.



Jamul, India
The Boots on Ground initiative improves operational discipline and drives safe behaviours.

RISK AND CONTROL

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.

RISKS

LafargeHolcim operates in a constantly evolving environment which exposes the company to different external, operational and financial risks.

We make continuous efforts to prevent and mitigate those risks.

A comprehensive risk management process and Internal Control framework is deployed throughout the company (see page 68 for further information), with appropriate governance and tools.

Through this process we identify, assess, mitigate and monitor the company's overall risk exposure to all types of risks, whether under our control or not.

RISK MANAGEMENT PROCESS

The risk management process is structured around several coordinated approaches conducted within the company (both bottom-up and top-down risk assessments) and addresses all strategic pillars, financial and non-financial targets.

These risk assessments are used as a basis for the Group risk map, which is updated every year and submitted to the approval of the Executive Committee and the Audit Committee. The risk management includes several stages:

- Risk identification and assessment
- Risk mitigation
- Verification & Remediation
- Monitoring & Reporting

Additionally, LafargeHolcim has a robust fraud prevention program in place to prevent, deter, and detect fraud. It includes the LafargeHolcim Integrity line, which enables employees anywhere in the world to anonymously exercise their whistleblowing rights and report any breach of the rules laid down in our Code of Business Conduct.

Further information is provided in Legal & Compliance risk (page 64) and Internal Control (page 68).

The risks on pages 64 to 67 are considered material to our strategy and our value creation. This list is not exhaustive and represents the main risks and uncertainties faced by LafargeHolcim at the time of 2019 integrated report preparation. Other risks may emerge in the future and/or the ones stated here may become less relevant. More details on the potential impact and on our response to mitigate these risks are on pages 100 to 114.

ROLES & RESPONSIBILITIES

LafargeHolcim has a clear organizational structure to ensure the implementation of the risk management and internal control system, following the governance, policies and framework defined by the Group. This organization is built on the 'three lines of defense' model.

Under the first line of defense, operational management has ownership, responsibility and accountability for identifying, assessing, managing and mitigating risks. They are equally responsible and accountable for the deployment of the mandatory controls standards defined by the Group.

The second line of defense consists of Group corporate functions such as Legal,

Compliance, Internal Control, Risk Management, Security and Resilience, IT, Sustainability and Health & Safety. These functions monitor and facilitate the implementation of effective risk management processes and internal controls by operational management to ensure the first line of defense is operating as intended. The second line of defense also assists in the development of policies, processes and controls to mitigate risks and issues.

The third line of defense is Group Internal Audit (GIA). As an independent function, GIA provides assurance to the Board of Directors and Executive Committee on the effectiveness of the first and second lines of defense and on governance, risk management and internal controls.

Through the Audit Committee and the Health, Safety and Sustainability Committee (HSSC), the Board of Directors oversees LafargeHolcim risk management, Internal Control and climate change related risks.

More details of the Audit Committee and HSSC are disclosed in the Corporate Governance section on page 82.

ETHICS, INTEGRITY & RISK COMMITTEE

The Ethics, Integrity & Risk Committee is composed of two sub-groups: (i) Ethics & Integrity and (ii) Risk. The Committee is responsible for overseeing the risk assessment process, activities performed by assurance functions, oversight on the effective investigation and remediation of Code of Business Conduct violations and the rigorous implementation of third-party due diligence and sanctions & export control programs.

ENVIRONMENT AND CLIMATE CHANGE

Our sustainability ambition focuses on Climate & Energy, Circular Economy, Environment and Communities. The ambition articulates our efforts to improve the sustainability performance of our operations and puts the focus on developing innovative and sustainable solutions for better building and infrastructure.

Task force on Climate-related Financial Disclosures (TCFD)

As a business leader, we must ensure transparency and action around climate-related risks and opportunities. LafargeHolcim therefore supports the voluntary recommendations of the Financial Stability Board (FSB) Task force on Climate-related Financial Disclosures (TCFD).

The identification, assessment and effective management of climate-related risks and opportunities are fully embedded in our risk management process. In the table below we map where the recommended TCFD disclosures can be found in our report.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ALIGNMENT


GOVERNANCE	STRATEGY	RISK MANAGEMENT	METRICS AND TARGETS
Disclose the organization's governance around climate related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Board oversight ⊕ Page 83, 101	Risks and opportunities ⊕ Page: 44-47, 103-4	CO₂ risk identification ⊕ Page: 100, 103-4	Reporting CO₂ metrics ⊕ Page: 44-47, SPR*
Management's role ⊕ Page 83, 101	Link to financial planning ⊕ Page: 103-4	CO₂ risk management ⊕ Page: 101, 103-4	Details Scope 1, 2 and 3 ⊕ Page: 44-47, SPR*
	Scenario planning ⊕ Page: 103-4	Integration into overall risk ⊕ Page: 85	CO₂ targets ⊕ Page: 44-47

* SPR refers to the 2019 Sustainability Performance Report, available on www.lafargeholcim.com/sustainability





KEY EXTERNAL RISKS

RISK	POTENTIAL IMPACT	OUR RESPONSE
Market changes 	Drop in market demand may impact sales volumes, prices and/or industry structure.	LafargeHolcim maintains a globally diversified portfolio with leading positions in all regions and a good balance between geographies which helps limit our exposure to any particular market.
Political risk 	Operating in many countries around the globe expose us, directly or indirectly, to the effects of economic, political and social instability.	Mitigation measures are taken to adapt the Group's activities and to protect our people and assets. Dedicated directives enforced across the Group as well as country-specific action plans have been implemented to enhance crisis management process, security of people and assets and business resilience.

KEY OPERATIONAL RISKS

RISK	POTENTIAL IMPACT	OUR RESPONSE
Greenhouse gas emissions & Climate change 	LafargeHolcim is exposed to a variety of regulatory frameworks to reduce emissions. In addition, a perception of the sector as a high emitter could impact our reputation, thus reducing our attractiveness to investors, employees and potential employees. Based on TCFD framework and risk categorization, LafargeHolcim assesses all climate-related risks. See page 67 the most relevant risks associated with our business.	LafargeHolcim has already reduced its net carbon scope 1 emissions per ton of cementitious material by 27% compared to 1990 and remains the best performer among international peers. LafargeHolcim cement is one of the most carbon-efficient in the world. With our target of 520 Kg of CO ₂ /ton cementitious by 2030, we are among the most ambitious companies in our sector. This target is aligned with the 2° scenario (Paris Agreement, United Nations) and has been validated by the Science Based Targets Initiative (SBTi).
Legal & Compliance risks 	Violation of laws and regulations covering business conduct (bribery, corruption, fraud, unfair competition, breach of trade sanctions or export controls, unauthorized use of personal data) could lead to investigation costs, financial penalties, debarment, profit disgorgement and reputational damage.	The Group maintains a comprehensive risk-based compliance program which aligns with the legal requirements expressed through national legislation such as the US FCPA, UK Bribery Act and French Sapin II laws. The compliance program has dedicated resources at local, regional and Group level with central steering. It covers several risk areas: Business Integrity and Compliance, Pricing Integrity and Anti-Trust Compliance, Sanctions & Trade Restrictions, Data Protection and Privacy. Group Legal manages all competition investigations and enforcement cases, tracks all Group-relevant commercial litigation cases and provides support to operating companies in dispute resolution.
Energy prices (including alternative fuels) 	Increase in energy prices could adversely impact our financial performance, since the increase may not be passed on (fully or partially) in the sales price of our products.	Optimizing fuel mix and energy efficiency, as well as the use of alternative fuels, is a key area of focus at all our plants. At Group level, we use derivative instruments to hedge part of our exposure and avoid volatility.
Raw materials (including mineral components) 	Failure to secure long-term reserves or licences and permits as well as to obtain raw materials (including mineral components) from third parties at the expected cost and / or quality may adversely impact variable costs and financial performance and impair our long-term growth outlook.	We apply a range of tactics including monitoring of permitting process, strategic sourcing, changing input mixtures and maintaining minimum long-term reserve levels. International seaborne sourcing is used as an import alternative to offset local risks. In addition, our research is devoted to finding ways to mitigate this risk while lowering our environmental footprint, e.g. by using waste-derived materials.

KEY OPERATIONAL RISKS

RISK	POTENTIAL IMPACT	OUR RESPONSE
Sustainability 	<p>Failure to meet our environmental, social and governance (ESG) standards may expose us to regulatory sanctions and conflicts in the communities where we operate resulting in penalties. It could also reduce our ability to access new resources and impact our social licence to operate. Additionally, the failure to effectively manage and embed effective sustainability practices may impact investor confidence in LafargeHolcim.</p>	<p>Sustainability risks are fully embedded in our risk assessment process and response to the most material risks include close monitoring of targets at the country level and a clearly articulated set of mandatory policies and standards.</p>
Sustainable products, innovation and technology 	<p>Innovation is a key factor for long-term success of the company and crucial to maintain our competitive position and fulfill future customer needs, particularly low carbon performance and circular economy.</p>	<p>LafargeHolcim has an important range of products and brands considered as sustainable low carbon products and solutions. The Group is continuously developing new products with higher CO₂ savings potential.</p>
Health and Safety risk 	<p>Injury, illness or fatality could lead to reputational damage and the possibility of business interruption.</p>	<p>We conduct our business in a manner that creates a healthy and safe environment for all stakeholders – our employees, contractors, communities and customers – built on a sound health and safety culture with a robust Health and Safety Management System, dedicated resources in each Country we operate and regular audits.</p> <p>In early 2020, due to the Coronavirus (Covid 19) outbreak, the priority in the Group's Chinese operations including the joint venture company Huaxin Cement Co. Ltd. has been given to implement all necessary measures to protect the safety of all employees and their families. The outbreak, which has delayed the development of infrastructure projects, notably in the province of Hubei which represents one-third of the Group's total capacities in China, may have implications on operating results. It is however too early to quantify the risk..</p>
Information technology and cyber threats risk 	<p>An information or cybersecurity event could lead to unavailability of critical IT systems and the loss or manipulation of data, financial loss, reputational damage, safety or environmental impact.</p>	<p>We established policies and procedures for IT security and governance as well as internal control standards that are followed Group-wide for all applicable systems.</p>

STRATEGY DRIVERS

 **GROWTH**

 **FINANCIAL STRENGTH**

 **CLIMATE & ENERGY**

 **ENVIRONMENT**



 **SIMPLIFICATION & PERFORMANCE**

 **VISION & PEOPLE**








 **CIRCULAR ECONOMY**

 **COMMUNITY**




KEY OPERATIONAL RISKS

RISK	POTENTIAL IMPACT	OUR RESPONSE
Joint ventures and associates 	Participation in joint ventures or associates without controlling interest could impair the Group's ability to manage joint ventures and associates effectively, implement organization efficiencies and its controls framework, including its full compliance program.	In subsidiaries where we have joint control we seek to govern our relationships with formal agreements to implement LafargeHolcim controls and programs. A Group subsidiary has an investment in a joint venture which owns a cement plant in Cuba. The Trump Administration allowed the waiver of Title III of the Helms-Burton Act (formally known as Cuban Liberty and Democratic Solidarity Act of 1996) to lapse as of 2 May 2019. Previously, Title III had been waived by every Administration since President Clinton waived it shortly after the Act became effective. Title III allows certain persons to file lawsuits in U.S. courts relating to certain property allegedly confiscated by the Cuban government since 1959. To date, no Title III lawsuits have been filed against the Company.
Talent management 	Without the right people, LafargeHolcim will be unable to deliver its growth ambition.	We have a global talent review and succession planning process to evaluate current and future talent. We invest significantly in developing both functional and management skills across all LafargeHolcim countries and corporate functions.

KEY FINANCIAL RISKS

RISK	POTENTIAL IMPACT	OUR RESPONSE
Credit rating risk 	As in the course of our business we use external sources to finance a portion of our capital requirements, our access to global sources of financing is important. The cost and availability of financing are generally dependent on our short-term and long-term credit ratings.	Our Executive Committee establishes our overall funding policies aiming to safeguard our ability to meet our obligations by maintaining a strong balance sheet.
Liquidity risk 	Lack of liquidity could impact our ability to meet our operational and/or financial obligations.	Individual companies are responsible for their own cash balances and the raising of internal and external funding to cover the liquidity needs, subject to guidance by the Group. The Group monitors its liquidity risk by using a recurring liquidity planning tool and maintains cash, readily realizable marketable securities and unused committed credit lines to meet its liquidity requirements.
Interest rate risk 	Movements in interest rates could affect the Group's financial results and market values of its financial instruments.	The exposure is mainly addressed through the management of the fixed/floating ratio of financial liabilities.
Foreign exchange risk 	Translation of foreign operations into the Group reporting currency leads to currency translation effects.	The Group may hedge certain net investments in foreign entities with derivatives or other instruments.
Credit risk 	Failure of counterparties to comply with their commitments could adversely impact the Group's financial performance.	The Group periodically assesses the financial reliability of customers. Credit risks, or the risk of counterparty default, are constantly monitored.
Insurance 	The Group could be impacted by losses where recovery from insurance is either not available or non-reflective of the incurred loss.	We place insurance with international insurers of high repute, together with our internal captive insurance companies. We continuously monitor our risk environment to determine whether additional insurances will need to be obtained.
Group's pension commitments 	Cash contributions may be required to fund unrecoverable deficits. External factors might cause these contributions to increase materially from year-to-year. Similarly, the Group's financial results may be impacted.	Where possible, defined benefit pension schemes have been closed and frozen. Significant actions continue to take place to further reduce and eliminate those schemes and related risks.

KEY FINANCIAL RISKS

RISK	POTENTIAL IMPACT	OUR RESPONSE
Multi-employer pension plans (MEPP) 	<p>The Group participates in a number of union-sponsored multiemployer pension plans in the US. These plans are subject to substantial deficits due to market conditions and business actions, plan trustee decisions, plan failure, as well as actions and decisions of other contributing employers. The Group has essentially no control over how these plans are managed. Therefore, cash contributions could be required in the future to satisfy any outstanding obligations under these plans which might have a material impact on the Group's reported financial results.</p>	<p>The Group has undertaken a review of all these plans with the goal being to fully understand the plans' financial circumstances, as well as all the options available to mitigate risks and reduce the Group's actual and potential financial obligations.</p>
Goodwill and asset impairment 	<p>A write-down of goodwill or assets could have a substantial impact on the Group's net income and equity.</p>	<p>Indicators of goodwill or asset impairment are monitored closely through our reporting process to ensure that potential impairment issues are addressed on a timely basis. Detailed impairment testing for each cash-generating unit within the Group is performed prior to year-end or at an earlier stage when a triggering event materializes.</p>
Tax 	<p>Due to the uncertainty associated with tax matters (e.g. potential changes in applicable regulations in certain countries and increased scrutiny by governments and tax authorities in response to perceived aggressive tax strategies of multinational corporations), it is possible that, at some future date, liabilities resulting from audits or litigations could vary significantly from the Group's liabilities.</p>	<p>Risks are reviewed and assessed on a regular basis in light of ongoing developments with respect to tax audits and tax cases, as well as ongoing changes in legislation and tax laws. Intercompany charges within the Group follow Organisation for Economic Cooperation and Development (OECD) and local arm's-length standards. The LafargeHolcim Group Tax Policy and Transfer Pricing Directive provide the binding rules for all countries where we operate.</p>

Based on TCFD framework and risk categorization, LafargeHolcim assesses all climate-related risks. The most relevant risks associated with our business are summarized in the table below:

CLIMATE-RELATED RISKS

TRANSITION RISK	
Policy and legal	• Increased pricing of GHG emissions
Technology	• Unsuccessful investment in new technologies
Market	• Changing customer behavior
Reputation	• Stigmatization of sector
PHYSICAL RISK	
Chronic	• Increased severity of extreme weather events such as cyclones and floods
Acute	• Changes in precipitation patterns and extreme variability in weather patterns

INTERNAL CONTROL

As part of Strategy 2022 – “Building for Growth”, LafargeHolcim’s Internal Control framework defines mandatory ‘Minimum Control Standards’ to clarify and reinforce the responsibility of businesses in the countries.

Every country and business in our organization must follow these standards with clear guidance and consequence management should these standards not be met completely. These standards encompass controls on Governance and Compliance, Accounting and Consolidation, Tax, Treasury, Fixed Assets, Inventory, Revenue, Expenditure, Human Resources, IT and Sustainability. They are managed and checked by our Internal Control team with control owners in all our businesses across the globe. Our local CEOs and CFOs certify through signed letters to the Group that the Minimum Control Standards are in place and operating effectively.

LafargeHolcim Internal Control system aims at giving the Board of Directors and management reasonable assurance concerning the reliability of financial reporting, compliance with laws and internal regulations, and the effectiveness and efficiency of major company processes. Each LafargeHolcim employee has an important role in running the Internal Control System to ensure the implementation and the effectiveness of internal controls.

GROUP INTERNAL CONTROL ENVIRONMENT

LafargeHolcim aims to have an effective Internal Control system at each level of responsibility and promotes a culture of robust internal control, supported by the commitment of the Board of Directors and management. The Minimum Control Standards are used as a baseline for the mandatory compliance within the Group and the main reference for LafargeHolcim Corporate Governance Framework. The following key documents are part of the Minimum Control Standards and supports the internal control environment:

- The Group Delegated Authorities defines approving authorities within the Group.
- The Code of Business Conduct covers guidance and provides examples to help when confronted with challenging situations.

INTERNAL CONTROL MONITORING THROUGHOUT THE GROUP

The Group is committed to maintaining high standards of internal control. It tests and documents adherence to mandatory “minimum internal control” standards. This work is implemented at country and at Group levels and encompasses:

- a description of key processes affecting the reliability of the Group’s financial reporting, and that of the parent company;

- a detailed description of mandatory controls defined in the Group’s Minimum Control Standards;
- tests of controls to check the operational effectiveness
- an annual internal certification process to review the main action plans and to confirm management responsibility for the quality of both internal control and financial reporting
- a formal reporting, analysis and control process for the information included in the Group’s Integrated Report.

The implementation of action plans identified through the activities described above, as well as through internal and external audits are followed up by relevant Senior Management. The outcome of such procedures is presented to the Audit Committee.

MINIMUM CONTROL STANDARDS THAT EVERY COUNTRY AND BUSINESS IN OUR ORGANIZATION MUST FOLLOW



Delivering returns to shareholders



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72 Capital market information



↳
Milan, Italy
Lo Storto was the first tower completed as part of the iconic CityLife project.

CAPITAL MARKET INFORMATION

2019 has been a very successful year for LafargeHolcim. The share price rose by 33%, outperforming the Swiss Market Index.

The LafargeHolcim share closed at CHF 53.7 at the end of the year, representing an improvement of 32.6 percent over 2018. This was well above the performance recorded by the Swiss Market Index, which was up 26.0 percent over the same period. LafargeHolcim's share price increased by 36.6 percent on the Paris stock exchange, while in comparison, the CAC 40 increased by 26.4 percent.

The average trading volume amounted to approximately 2.4 million shares per day on the SIX Swiss Exchange while trading volumes significantly reduced on the Euronext Paris.

CHF 53.7

Closing price at
31 December 2019
+33%³

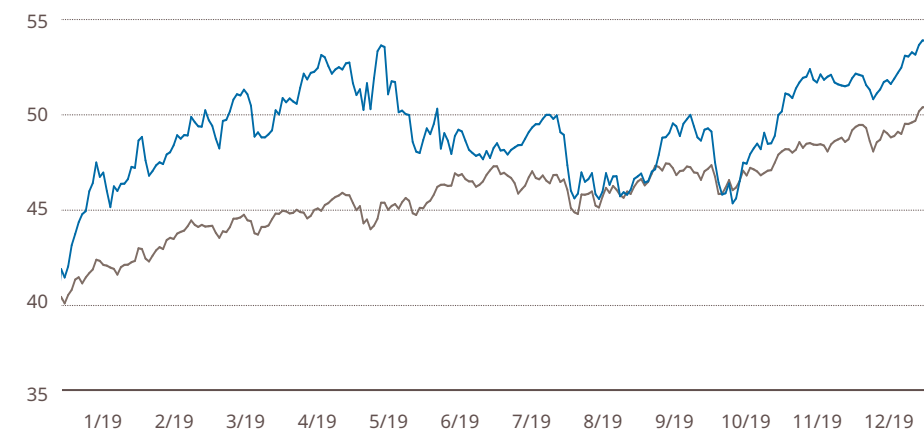
CHF 33.1 billion

Market capitalization at
31 December 2019
2018: CHF 24.6 billion

CHF 2.00

Dividend 2019¹

PERFORMANCE OF LAFARGEHOLCIM SHARES VERSUS THE SWISS MARKET INDEX (SMI) IN 2019^{2, 3}



● LafargeHolcim SW in CHF
● Swiss Market Index (SMI) in CHF

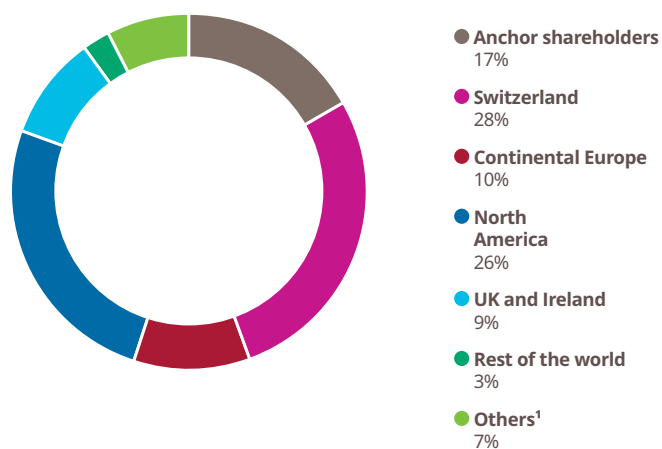
¹ For the 2019 financial year, the Board of Directors is proposing a cash dividend of CHF 2.00 per registered share, subject to approval by the shareholders at the Annual General Meeting on 12 May 2020. The dividend will be fully paid out of the foreign capital contribution reserves and is not subject to Swiss withholding tax. The dividend will be paid as from 20 May 2020 (ex-dividend date on 15 May 2020).

² SMI rebased to LafargeHolcim SW share price at 1 January 2019.

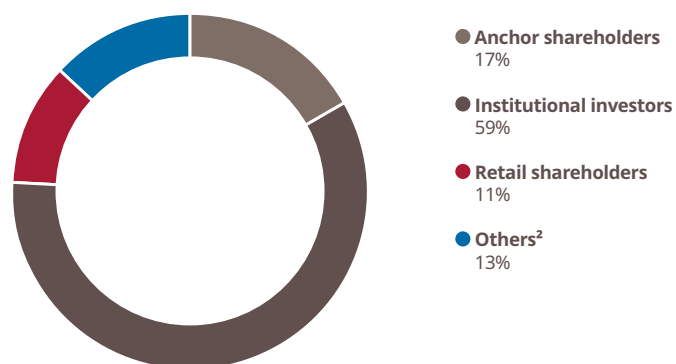
³ Prices adjusted to reflect: spin-offs, stock splits/consolidations, stock dividend/bonus, rights offerings/entitlement.

A diversified shareholder base – (31 December 2019, in % of shares outstanding)

SHAREHOLDER BASE BY GEOGRAPHY



SHAREHOLDER BASE BY INVESTOR CATEGORY



¹ Includes employee shares, treasury shares and trading accounts

² Includes employee shares, pension fund and treasury shares

WEIGHTING OF THE LAFARGEHOLCIM REGISTERED SHARE IN SELECTED INDICES

Index	Weighting in %
SMI, Swiss Market Index	2.72
SPI, Swiss Performance Index	1.80
SLI, Swiss Leader Index	3.79
STOXX Europe 600 Construction	9.14
STOXX Europe Large 200	0.36
STOXX Europe 600	0.28
STOXX Global 1800	0.06
FTSE4Good Europe Index	0.10
SXI Swiss Sustainability 25 PR	3.26

Sources: SIX, STOXX, FTSE as of year-end 2019

Additional data

	ISIN	Security code number	Telekurs code	Bloomberg code	Thomson Reuters code
SIX, Zurich	CH0012214059	1221405	LHN	LHN:SW	LHN.S
Euronext, Paris	CH0012214059	1221405	LHN	LHN:FP	LHN.PA

CAPITAL MARKET INFORMATION
CONTINUED

LISTINGS

LafargeHolcim is listed on the SIX Swiss Exchange and on Euronext Paris. The Group is a member of the main large indexes on the SIX Swiss Exchange (SMI, SLI and SPI). The LafargeHolcim share is also included in the socially responsible investment index, SXI Switzerland Sustainability 25.

FREE FLOAT

Free float as defined by the SIX Swiss Exchange and the Euronext stands at 83 percent.

Dividend policy

Dividends are distributed annually. For the 2019 financial year, the Board is proposing a payout from the capital contribution reserves in the amount of CHF 2.00 per registered share, subject to approval by shareholders' at the annual general meeting. The payout is scheduled for 20 May 2020, to be paid out of foreign capital contribution reserves not subject to Swiss withholding tax.

SIGNIFICANT SHAREHOLDERS

Information on significant shareholders can be found on page 265 of this report.

DISCLOSURE OF SHAREHOLDINGS

Under the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FMIA), whosoever, directly, indirectly, or acting in concert with third parties, acquires or disposes of shares in a company incorporated in Switzerland whose equity securities are listed, in whole or in part, in Switzerland and thereby attains, falls below, or exceeds the threshold of 3, 5, 10, 15, 20, 25, 33⅓, 50, or 66⅔ percent of the voting rights, whether or not such rights may be exercised, shall notify the company and the stock exchanges on which the equity securities in question are listed.

KEY DATA LAFARGEHOLCIM REGISTERED SHARES

Par value CHF 2.00	2019	2018	2017	2016	2015
Number of shares issued	615,929,059	606,909,080	606,909,080	606,909,080	606,909,080
Number of dividend-bearing shares	613,693,581	596,625,426	598,067,626	606,909,080	606,909,080
Number of treasury shares	2,235,478	10,736,847	9,698,149	1,152,327	1,338,494
Stock market prices in CHF	2019	2018	2017	2016	2015
High	54	60	60	57	73
Low	40	39	51	34	48
Average	49	50	56	47	63
Market capitalization (billion CHF)	33.1	24.6	33.3	32.6	30.5
Trading volumes (million shares)	602.8	625.3	574.6	615.0	449.1
Earnings per share (EPS) in CHF	3.69	2.52	(2.78)	2.96	(3.11)
EPS before impairment and divestments in CHF	3.40	2.63	2.35	2.10	-
Cash earnings per share in CHF ¹	7.97	5.01	5.04	5.44	5.22
Consolidated shareholders' equity per share in CHF ²	51.33	50.41	51.87	50.88	51.79
Dividend per share in CHF	2.00³	2.00	2.00	2.00	1.50

¹ Cash EPS calculated based on cash flow from operating activities divided by the weighted-average number of shares outstanding.

² Based on shareholders' equity — attributable to shareholders of LafargeHolcim Ltd — and the number of dividend-bearing shares (less treasury shares) as per 31 December.

³ Proposed by the Board of Directors to be paid out of foreign capital contribution reserves not subject to Swiss withholding tax.

REGISTRATION IN THE SHARE REGISTER AND RESTRICTIONS ON VOTING RIGHTS

On request, purchasers of registered shares are entered in the share register as voting shareholders provided that they expressly declare that they acquired the shares in their own name and for their own account. The Board of Directors will enter individuals whose requests for registration do not include an express declaration that they hold the shares for their own account (nominees) in the share register as shareholders with voting rights, provided that such nominees have concluded an agreement with the

company concerning their status and are subject to recognized banking or financial market supervision. The Board of Directors has issued the applicable Registration Regulations which can be found on the LafargeHolcim website.

Each LafargeHolcim share carries one voting right.

Information on LafargeHolcim registered shares

Further information on LafargeHolcim registered shares can be found at: lafargeholcim.com/investor-relations →

CURRENT RATING (27 FEBRUARY 2020)

Rating Agency	Long-term rating	Short-term rating
Standard & Poor's Ratings Services	BBB, outlook stable	A-2
Moody's Investors Service	Baa2, outlook stable	P-2

Financial reporting calendar

Trading update for the first quarter 2020

30 April 2020

Annual General Meeting of Shareholders

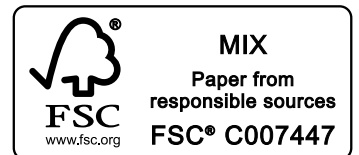
12 May 2020

Capital Markets Day

27 May 2020

ABOUT THIS DOCUMENT

This extract is an integral part of the LafargeHolcim 2019 Integrated Annual Report. The complete LafargeHolcim 2019 Integrated Annual Report (English only) is available at www.lafargeholcim.com. This extract is available in English and German. The English version is legally binding.



ABOUT LAFARGEHOLCIM

LafargeHolcim is the global leader in building materials and solutions and active in four business segments: Cement, Aggregates, Ready-Mix Concrete and Solutions & Products. It is our ambition to lead the industry in reducing carbon emissions and accelerating the transition towards low-carbon construction. With the strongest R&D organization in the industry and by being at the forefront of innovation in building materials we seek to constantly introduce and promote high-quality and sustainable building materials and solutions to our customers worldwide - whether they are building individual homes or major infrastructure projects. LafargeHolcim employs over 70,000 employees in over 70 countries and has a portfolio that is equally balanced between developing and mature markets.

More information is available on www.lafargeholcim.com

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Ranked in the leadership band for 2019 for best practice in carbon disclosure



Carbon emissions targets validated as science-based in 2019



For TCFD-guided disclosures on our climate-related risks and opportunities, see page 63

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