HSEAUD - HSE Audit Program Guide

Group HSE | 2022

Executive Summary

Our Health, Safety and Environment Management System (HSEMS) provides an integrated, structured, proactive approach for overall continual improvement of all HSE processes to prevent any impact on the environment and/or harm to people. Our HSEMS has been validated by a Certification body as being compliant with the ISO Standards on Occupational Health and Safety and Environmental management systems (IS0 45001:2018 and ISO 14001:2015).

ACHIEVING AMBITION "0"

To drive a consistent approach of HSE Strategy Ambition "0", processes are embedded in our management systems and include HSE standards, guiding documents as well as governance systems. Our approach includes a fully integrated framework, with audits, self-assessments, periodical reviews and follow up on corrective actions. Each Country develops their programs to align with the Group ambitions and achieve the desired outcomes using the HSE Improvement Plan process. Every year these action plans are reviewed and assessed for effectiveness. In 2017, a Health, Safety and Sustainability Committee of the Board (HSSC) was established to strengthen our environmental and social governance.

FULLY INTEGRATED GOVERNANCE

Our audit, assurance and performance management program applies to all Group businesses and joint ventures when the Group is either the majority shareholder or the managing partner. Our governance model includes:

- Audits - Group HSE conducts audits at planned intervals to provide an independent assessment whether the units conform to the requirements of the HSEMS standard and other Group HSE standards.

- Gap assessments - As part of our continuous improvement strategy, each unit is required to perform an internal annual HSE gap assessment (self-assessment) following the Group HSE protocol and any additional local regulatory requirements. This contributes to the identification of upcoming requirements as inputs for the HSE Improvement Plan process.

Table of contents

1. PURPOSE

As a responsible employer, the Group shall:

- measure the capacity and capability to implement the Group HSE Standards and to establish the current status of the Health, Safety and Environment Management System (HSEMS) at Units across the Group.

- provide an independent governance process within the HSE function aligned with Group Internal Audit strategy.

- facilitate continuous improvement in HSE performance.

2. SCOPE

This HSE Audit Program applies to all Group businesses and joint ventures when the Group is either the majority shareholder or the managing partner.

The Program covers all Group HSE Standards and is a part of the overall Group HSE audit, assurance and performance monitoring framework.

3. KEY PRINCIPLES

- Audit teams are composed of cross-functional and cross-geographic and include health, safety or environmental experts, operational people, Cement Excellence, A&C performance experts, Geocycle, Logistics and auditors-in-training.

- Auditors-in-training (maximum of 2 per audit team) may include CEOs, Country ExCo members and other functional representatives for learning purposes.

- Audit teams are composed of 6-8 people, depending on the complexity of operations to be audited.

- The presence of the Country CEO in the closing meeting is mandatory (in person or by video/teleconference).

- Auditor training shall be completed by all auditors to ensure their competence.

- An Audit Performance Evaluation will be performed including 360 feedback for all auditors.

- Lead Auditors shall come from outside the audited legal entity to ensure an independent process. The majority of auditors should come from outside the audited country, where possible.

- Each Unit shall be audited based on a 3-5 year audit cycle. See Section 7 Planning & Scheduling for more detail.

- Countries/functions sponsoring auditors will bear all the travel and accommodation expenses.

3.1 GAP ASSESSMENT PROGRAM

Each unit shall perform an internal annual HSE gap assessment following the Group HSE protocol and any additional local regulatory requirements.

The regulatory gaps assessment shall include:

- A register of applicable HSE requirements, originated from e.g.

- regulations, permits, licenses
- standards the unit commits to adhere to (e.g. ISO 45001 and 14001, industry standards)
- agreements with workers and unions
- commitments of the unit or the country to external stakeholders

- Periodic review of requirements and unit's compliance status, at least every three years and in perspective of changes in the requirements framework (e.g. new legislation, new release of standards)

- Identification of upcoming requirements as inputs for the HSE Improvement Plan process

3.2 GROUP AUDIT PROGRAM

Group HSE conducts audits at planned intervals to assess whether the Units conform to the requirements of the HSEMS standard and other Group HSE standards.

The audit program ensures that:

- Auditors are objective and the process is impartial the results of the audits are reported to relevant management

- Countries shall support the audit program and ensure:
  - Participating in the coordination, planning and scheduling process
  - Appoint competent auditors to support audit program needs
  - Audits follow the HSE Audit Program, protocol, schedule and tool.
  - Corrective action plans are developed with relevant stakeholders
  - Audit findings are closed in a timely manner
  - Finding closure is supported by evidence including root cause analysis for Level 1 and repeat findings

3.2.1 VERIFICATION AUDITS

- Verification audits are conducted in the lowest performing of audits in each region (based on total number of Level 1, Level 2 HSEMS, and Repeat findings), and subject to discretion of Group HSE.

- All Level 1, Level 2 HSEMS, and Repeat Findings will be reviewed and will include: observations, interviews and documentation to verify corrective actions are on-track or completed correctly to prevent reoccurrence.

- The verification audit team will approve or reopen the findings for all Level 1, Level 2

- HSEMS, and Repeat findings in the Group audit management tool. Pending findings will be reviewed to ensure they are on target with their due dates.

- Findings will be reopened if they are deemed to not be correctly addressed.

3.2.2 HSE CROS AUDITS (WITHIN COUNTRY)

- Countries / Units shall be nominated by Group HSLT to perform internal cross audits.

- Cross audits will follow the same methodology and scope of traditional Group HSE audits (all standards) if on-site.

- Lead auditor may be staffed by the country, and approved by Group HSLT, with audit team members to be from outside of the reporting structure of the audited unit. Audit team members may be from outside the country to meet staffing requirements.

- An external calibrator shall be approved by HSLT, to provide guidance during the audit to review findings and discuss any concerns during debriefs. Calibrators do not need to be present, but are made available during the week for debriefs.

- All findings recorded during cross audits will be tracked in Group reporting tool (iCare).
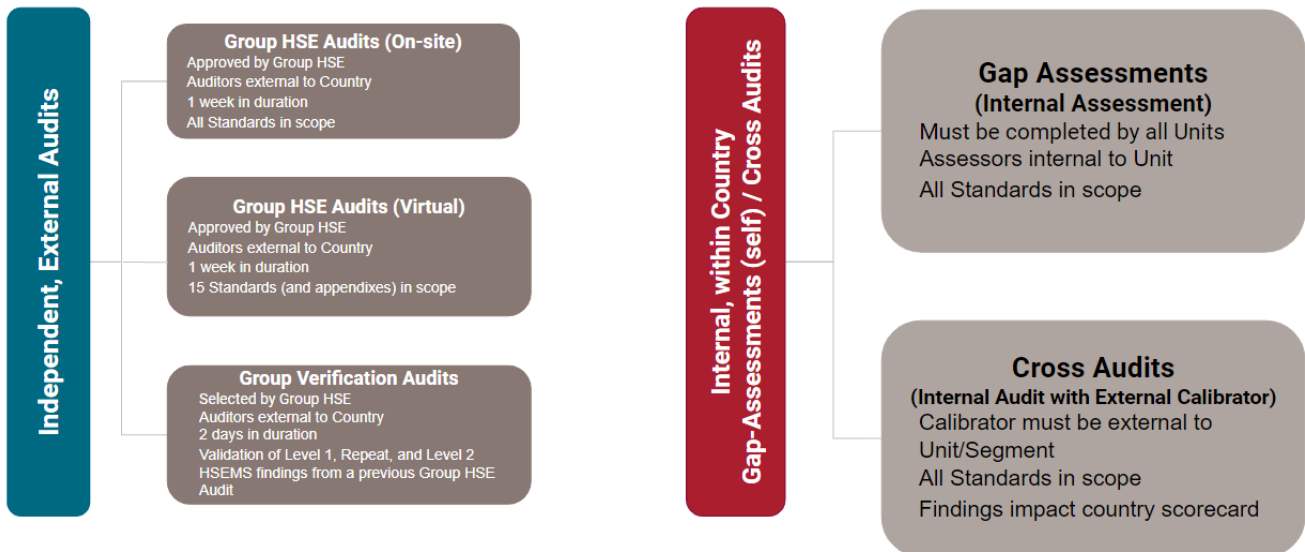
4. ROLES & RESPONSIBILITIES

LEAD AUDITOR

- Audits HSEMS Standard and Incident Reporting, Classification & Investigation (IRC&I) Standards. He or she shall identify systems gaps and establish the link with the more technical audit findings.

- Lead Auditors shall ensure:
  - Findings that identify trends across multiple standards should be aggregated into a single finding and reference the HSEMS (e.g. A single training finding in Energy Isolation (EI) is referenced to EI however, a training issue that exists for EI & Work at Height belongs to HSEMS).
  - Multiple occurrences of Level 1 findings (see Section 11 Audit Findings for the definition of a Level 1 finding) should be investigated for a link to leadership and referenced to the HSEMS.

- Oversees and coaches the audit team as needed.

- Prepares and submits the final report and conducts the opening and closing meetings.

- Reviews previous audits and identifies any repeat findings. The repeat finding review is performed on the last day of the audit.

- Coordinates the preparation and logistics aspects of the audit.

AUDITOR

- Prepares for, actively participates and carries out the audit; focusing more on the operational standards. He or she is expected to have independent auditing capability.

AUDITOR IN TRAINING

- People participate in the audit as part of their training and development to become full fledged auditors.

CROSS AUDIT CALIBRATOR

- Nominated by country/unit, and Group HSLT approved.
- Provides guidance during the audit to review findings and discuss any concerns during debriefs.
- Calibrators do not need to be present, but are made available during the week for debriefs.

COUNTRY CONTROLLER

- He or she assists in the coordination of audit teams and ensures the general organization of the audit process in his or her countries.
- Makes final decisions on discrepancies with ratings and findings.

GROUP HEALTH, SAFETY & ENVIRONMENT

- Takes responsibility for the overall management of the Group HSE Audit Program and for managing the scheduling of a series of audits.
- Conducts a yearly review of the audit process and implements adjustments as needed to ensure ongoing improvement.
- Liaises with and updates the ExCo on a regular basis regarding audit program progress, results and issues.
- Makes final decisions on discrepancies with ratings and findings.
- Liaises on a regular basis with Group Internal Audits and provides oversight to the overall HSE audit program.
- Maintains KPIs on the overall audit program and contributes to Country Scorecard.

AUDITEE (COUNTRY & UNITS)

- Takes responsibility for ensuring relevant staff and contractors are aware of the audit. Assists the Lead Auditor in preparing the audit and makes staff available to auditors during the audit.
- Defines the corrective action plan and ensures audit requirements are met following the audit.

COUNTRY HEAD OF HEALTH, SAFETY & ENVIRONMENT

- Prepares annual country audit schedule and submits to Group HSE.
- Approves all corrective action plans and timelines
- Ensures closure of findings.

5. APPROACH

- **Audit Type: Onsite, Virtual, Cross, or Verification**. The determination of an onsite, virtual, cross, or verification audit will be made by Group HSE in accordance with a risk-based criteria to be completed for each unit in a Country's audit plan proposal.

- **Audit Duration**: One week (3 days for verification audits)

- **Audit Location & Schedule**: Audit locations & schedule is defined by each country in collaboration with Group HSE. The scheduling process shall be risk based. Final audit schedules are approved and released by Group HSE.

- **Audit Cycle**: The goal is to have all units in each country audited on a 3-5 year cycle.

- **Audit Team**: Audits are conducted by an audit team. The size and composition of the team will depend on the size, product line and scope of the audited unit(s).

- **Audit Protocol**: The team will work with the audit protocol which is developed based on the elements of the Group Standards.

- **Process**: The audit consists of (1) interviews with key people at the unit, (2) on-unit observations and (3) review of program documentation and records.

- **Audit Team Training**: The audit team members will be trained using an e-learning module prior to each audit. Additional training will be provided by the Lead Auditor during the pre-audit team meeting.

- **Audit findings**: Will be defined as Level 1, 2 & 3. In addition, repeat findings will be identified alongside their level rating (e.g. Level 1R).

- **Audit Report**: The final audit report will be completed according to a defined format.

- **Corrective Action Plan**: The audited unit(s) is responsible to prepare and track progress of the audit report action plan.

For detailed guidance on conducting a virtual audit, please refer to Group HSE Guidance: Remote Visits.

6. HSE AUDIT PROTOCOL

The audit protocol is based on the Holcim Standards. It is the guiding document used by the audit team to facilitate review of the principal sections/requirements and ensure that all sections/requirements of the audit are assessed. It outlines the audit questions to be asked by the audit team to the auditee. It also contains the references to specific standards, where applicable, as well as an evidence guide for each question. The protocol questions are reviewed and updated on a yearly basis.

7. PLANNING & SCHEDULING

Scheduling should be based on a risk based approach.

7.1 GENERAL

- A 3- 5 year audit plan for each country shall be prepared by the Country Head of HSE and submitted to Group HSE, including the Country Controller and Audit Program Manager, for the final global audit schedule.

- Sites may be identified as on a 3, 4 or 5 year audit cycle.

- In some instances, audit frequency can be adjusted according to unit performance and previous audit results. For example, a low performing unit may be audited at a higher frequency. HSE performance may be based on a decline or consistent low performance in leading and lagging indicators, repeat critical incidents, poor results from internal audit or country self-audits or Unit gap assessments.

- The Country Audit Plan shall be updated yearly based on risk, taking into consideration gap assessment results. The Country Head of HSE shall propose an annual schedule of potential audited units in Q3 for the following year.

- Each country is responsible for ensuring all units are audited within the 3-5 year cycle. Group reserves the right to determine where the unit will undergo a full audit or a verification audit.

- If an auditor has committed to participate in an audit, he or she has the responsibility to fulfill this commitment. Once someone commits, participation is mandatory and shall be included as part of the individual's personal objectives and/or as part of the personal development plan. If for a valid reason (emergency/medical), an auditor cannot participate in the audit, he or she is responsible for finding a competent replacement auditor.

7.2 UNIT SELECTION WITHIN AGGREGATES, RMX & OTHER BUSINESS LINES

For Aggregates and RMX units, the following criteria should be applied when forming a cluster for auditing:

- Select a sufficient number of sites within the unit audited so it is representative of the overall cluster.

- Ensure sites are selected based on HSE performance, size of facilities, geographical distances from head office for a representative sample.

- For RMX audits, ensure customer site visits are included as part of the agenda.

- Example: 8 out of 12 or 7 out of 10 sites

The Country Controller and Country Head of HSE shall be involved in this process to ensure the above criteria are respected.

8. AUDIT TEAM

8.1 SELECTION & COMPOSITION

- Audit team selection should take into account the competence needed to achieve the audit objectives within the defined scope.

- At least half the team should come from the HSE community to ensure good team knowledge of standards & technical requirements.

- The other half of the team should preferably be composed of operational and product line technical people.

- The majority of audit team members should be based outside the country being audited or not report to the country being audited.

- Audit team members should be able to work alone. However, in many instances auditors could be asked to work in pairs or more.

- For larger units, audit team members may need to be added to ensure the audit is completed within the one week timeframe.

- Group HSE coordinates the selection and composition of the team including the Lead Auditor. The Audit Program Manager will approve the final audit teams.

- All audit team members shall complete the mandatory e-learning courses before participating in an audit.

- Country Controllers shall not lead audits in their own region but may participate as an auditor.

9. COMPETENCY PATH AND TRAINING

9.1 AUDITOR QUALIFICATIONS

All auditors shall complete the following minimum training requirements prior to participating in an audit:

- Conducting Audits e-Learning
- Writing and Rating FIndings e-Learning
- Critical Control Management Program e-Learning

9.2 LEAD AUDITOR QUALIFICATIONS

All lead auditors shall complete the following minimum training requirements prior to participating in an audit:

- Have participated and successfully completed the defined Group HSE audit training course.
- Have participated in at least two audits with an experienced Lead Auditor.
- Have at least 3 years of experience in HSE or 5 years of experience in an operational role.
- Have been endorsed by Group HSE and Country Head of HSE.

10. MEETINGS

The following meetings shall be run as part of audit process:

Name	Purpose	Timing
Pre-audit meeting	First meeting of auditors at the unit to review documents and an overview of the process. Brief training is run by the Lead Auditor during this meeting.	**Before the audit**
Opening Meeting	Conducted by the Lead Auditor using the template supplied to align on the audit process	**First day of audit**
Daily debrief - Audit team	Alignment on findings; progress discussion.	**Days 2-4**
Daily debrief – Audit team + unit	To ensure alignment on any factual discrepancies and maintain transparency.	**Days 2-4**
Draft Report Preparation	Finalize findings & ratings. Review previous audit reports to discover repeat findings.	**Day 4**
Closing meetings	Deliver finding + Level ratings. Alignment on facts of observation.	**End of audit week**

The closing meeting provides the audit team the opportunity to present their findings. The closing meeting should address the following:

- The Lead Auditor will present the closing meeting using Group templates.

- The closing meeting should not be a duplication of the discussions held during the daily debrief meetings. It confirms the findings and may summarize the debrief discussions if needed.

- The Lead Auditor facilitates the meeting but all team members should be invited to discuss findings during the meeting.

- Typically, an audit closing meeting should last no more than 1.5 hours.

- The Country CEO shall participate in the meeting (in person, by phone or via videoconference)

- The unit manager will determine who attends the meeting.

- All factual discrepancies on audit findings SHALL be settled while on-site with the audit team and unit. Daily debriefs and the final closing meeting should enable the unit opportunity to align on the facts. After the audit week the unit will only make requests for:

  o   wording to be clarified or

  o   levels to be modified.

If agreement can not be reached between the lead auditor and the unit, the Group Audit Program Manager will intervene.

11. AUDIT FINDINGS

Audit findings are classified as follows:

Type of Finding	Description
Standard	A finding involving inconsistency with Group Standards or Procedures. This includes management systems and technical findings, if they are deviations from documented Group Requirements.
Regulatory	A finding involving non-compliance with laws, ordinances, or regulations that are external to the Company. These include government regulations and international treaties.
Other Comment	These findings are recommendations not within the scope of regulations or standards that an audit team may make to manage a risk at the facility.

LEVEL 1:

- Reasonably could result in substantial harm to employees, contractors and/or public, or the environment, even if they are not violations of regulations or Group HSE Standards or

- Reasonably be considered a violation of HSE regulations or Group Standards which could result in substantial civil fines, criminal prosecution or major adverse publicity.

LEVEL 2:

- Conditions/circumstances that are significant, but are unlikely to lead to substantial civil fines, criminal prosecution, substantial harm to persons or the environment, or major adverse publicity, or

- Gaps in compliance procedures or awareness that could result in noncompliance with specific HSE requirements or permit conditions, or
- Patterns of activity that reflect a lack of awareness or attention to HSE requirements and operating constraints at the facility.

LEVEL 3:

- Conditions and circumstances that do not meet the criteria for a Level 1 or 2 finding but provide advice to improve aspects of the operation. Low risk hazards/behaviors identified.

CRITICAL CONTROL MANAGEMENT & REPEAT FINDINGS:

- Critical Controls and Repeat Findings will receive special attention.
- Repeat findings are those that:
    - were identified in the previous Group HSE or Group Internal Audit which a corrective action has not been completed as planned or that are substantially similar in nature to one that was identified in the previous independent audit.
    - (e.g. Machine Specific LOTO procedure missing for a ball mill and the unit only fixed this specific example instead of systematically completing machine specific LOTO procedures for all equipment)
- For Critical Control Management, auditors will request the Unit to provide evidence that Critical Controls are effectively implemented to prevent Priority Unwanted Events (PUEs).
- Absence of Critical Controls, or failure to meet their performance criteria, will be under strong consideration as Level 1 findings.
- Prior audit findings without evidence of closure will be considered as repeat findings. Repeat findings will also be under strong consideration for an increase in Level (e.g. Level 2 on previous audit becomes a Level 1R)
- All findings will be calibrated to ensure consistency across all Group companies and *are subject to change by Group HSE*

Audit findings should include the following:

- Concise description which can be understood by all stakeholders.
- Recommendation on how to address the finding. The unit may decide to implement the recommendation or go with another solution.
- Picture representing the finding (optional). Written description should be capable of explaining the circumstances without a picture.
- Classification level shall be the result of an audit team agreement.
- Reference to Group HSE Standards or local regulations.

All findings will be reported in the Group Audit Management Tool.

12. AUDIT REPORTS

Once findings have been entered into the Audit Management Tool, iCare, a standardized audit report shall be generated by the Lead Auditor.

The following timelines will be followed after the closing meeting:
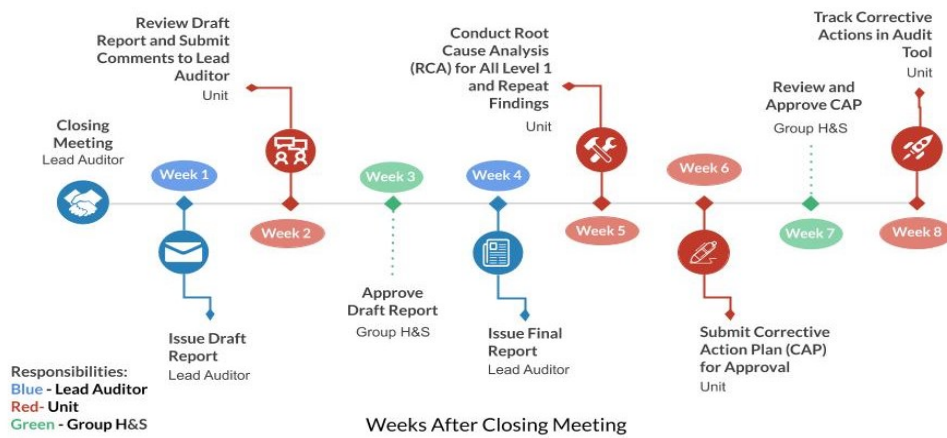
In addition, sites are required to perform a Root Cause Analysis (RCA) for all Level 1 and Repeat findings prior to submitting their Corrective Action Plan.

13. PROGRAM EVALUATION, QUALITY CONTROL & IMPROVEMENT PROCESS

The Audit Program Continuous Improvement Process includes the following elements:

- Annual review with the HSE Audit Steering Committee to identify and implement improvement opportunities.

- Feedback process through 360 degree feedback.

- Group HSE will review all reports and provide feedback to lead auditors during the draft report period.

- Reports and findings calibrated through an internal process which foresees reviews by the Group Audit Program Manager and the HSE Country Controllers.

14. RECORD RETENTION

All records of audit reports and corrective actions should be maintained at unit & country for a minimum of five years or longer if required by local law or regulation.

15. DOCUMENT CONTROL

Issue Date	Section Revised	List of Changes	Revised by	Approved by
09 - 2016		New Group Program Guide		
06- 2021	All	Revised Program Guide, in alignment with Group HSE-MS, to include virtual audit requirements, and organizational changes such as Country Controllers		
12-2021	3.2 Audit Program	Updated attachment to include cross audits and language in "Approach".	Trent Hesselschwardt (Group Audit Program Manager)	

| 03-2022 | All | Updated format as per Holcim Branding Guidelines | **Trent Hesselschwardt (Group Audit Program Manager) Quyen KIEU (Group HSE Audit Program)** | |