

5 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

5.3 Board and Committee rules and practices

5.3.1 Board of Directors

Duties and responsibilities

In accordance with the law and Lafarge's Articles of Association, the Board of Directors determines the strategic direction of the Company's business activities and ensures its implementation. Subject to the powers expressly granted by law to shareholder meetings and within the scope of the Company's corporate purpose, the Board shall be vested with the power to consider any question concerning the proper operation of the Company and shall determine by its decisions the business of the Company. The Board may conduct such audits and investigations as it deems appropriate.

It also has specific powers under law, and particularly to call shareholder meetings, to approve corporate and consolidated financial statements and the management report, to authorize "regulated agreements", to appoint replacement Board Directors, to appoint the Chairman and Chief Executive Officer and establish his compensation, and to determine Directors' compensation.

It is a collegial body representing all the shareholders collectively, and which is required to act at all times in the interests of the Company.

The Board's internal regulations

The Board's internal regulations define the respective roles and duties of the Chairman

and Chief Executive Officer and of the Vice-Chairman of the Board of Directors, the restrictions to the powers of the Chairman and Chief Executive Officer, the composition of the Board of Directors and its Committees, and the evaluation of the Chairman and Chief Executive Officer, the Board and the Board Committees, as well as the responsibilities of the various Board Committees. It is amended on a regular basis. In particular in February 2009, it was amended to include the obligation for the Chairman and Chief Executive officer to obtain the approval of the Corporate Governance and Nominations Committee before accepting any term of office in a listed company.

As regards the information presented to the Board, the Board's internal regulations state that "at each meeting of the Board, the Chairman and Chief Executive Officer will give a summary of the Company's business during the previous period and of its financial situation, cash flow position and commitments. In addition, the Chairman and Chief Executive Officer will make a presentation of the main development projects in progress, and, depending on their state of advancement, of the principal industrial and financial data relating to such projects." In addition, the Director's Charter presented in Section 5.1.4 describes in its article 11 the terms for the information of Directors. In particular, it provides that Directors are apprised of the financial research reports.

See Section 5.1 (Board of Directors).

The cases of prior approval by the Board of significant investment and divestment transactions and of financial transactions are described in the Board's internal regulations. They are presented in Section 5.3.5 relating to the limitations of the Chairman and Chief Executive Officer's powers.

See Section 5.3.5 (Powers of the Chairman and Chief Executive Officer)

Main activities

During fiscal year 2008, the Board of Directors held eight meetings. The average attendance rate of its members was 94% (these figures take into consideration changes in the composition of the Board throughout the year).

Approximately one week prior to every Board meeting, every Director receive a file containing the agenda for the meeting, the minutes of the previous meeting and documentation relating to each topic on the agenda.

In accordance with the Board's internal regulations, certain issues are previously discussed within the relevant Committees depending on their nature, before being submitted to the Board for approval. These issues notably concern the review of financial statements, internal control procedures, auditor assignments and financial transactions as regards the Audit Committee, the election of new Directors, appointment of senior managers and composition of the Committees as regards the Corporate

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Governance and Nominations Committee, the compensation of Directors and senior managers as regards the Remuneration Committee and general strategic priorities of the Company and the Group as regards the Strategy and Investment Committee. The Committees carry out their assignments under the supervision of the Board of Directors.

In 2008, in addition to the approval of the quarterly, interim and annual financial statements, the preparation of the General Meeting, determination of the compensation of senior managers and other decisions in the ordinary course of business, the Board notably worked on: the follow-up of the Orascom Cement acquisition process and the capital increase of 22.5 million shares reserved to NNS Holding Sàrl (the Sawiris family holding), the sale of the Company's 50% stake in Lafarge Titan in Egypt, the authorization of bond issues, and the divestment of the Cement and Aggregate & Concrete Division in Italy.

In addition, the Board discussed its practices, and initiated the formal assessment described in detail under "Evaluation of the Board and its Committees" below.

5.3.2 The Committees

The Board of Directors has defined, in its internal regulations, the duties and responsibilities of its various Standing Committees, which are:

- the Audit Committee;
- the Corporate Governance and Nominations Committee;
- the Remuneration Committee;
- the Strategy and Investment Committee.

The committees are composed of a minimum of three members and a maximum of ten members nominated by the Board of Directors among its members. The term of office of the Committee members is aligned with their Director office. These positions can be renewed simultaneously.

The Committees are convened by their Chairmen or at the request of the Chairman and Chief Executive Officer by any means possible, including orally. The Committees may meet anywhere and using whatever means, including videoconference or

teleconference. A quorum consists of at least one-half of members present. At least two meetings are held per year.

The agenda for Committee meetings is drawn up by its Chairman. Minutes of the Committee meetings are drafted after each meeting.

For the purpose of their work, the Committees may interview members of Group management or any other Group management member. The Committees may also engage any expert and interview him about his report.

The Committees report on their work to the next meeting of the Board, by way of verbal statement, opinion, proposals, recommendations or written reports.

The Committees may not handle on their own initiative any issue outside of their terms of reference, as defined below. They have no decision-making powers, merely the power to make recommendations to the Board of Directors.

a) The Audit Committee

COMPOSITION

The members of the Audit Committee are as follows:

- Hélène Ploix, President (independent Director)
- Jean-Pierre Boisivon (independent Director)
- Michel Bon (independent Director)
- Jérôme Guiraud
- Juan Gallardo (independent Director)
- Michel Rollier (independent Director)
- Thierry de Rudder

DUTIES AND RESPONSIBILITIES

The Audit Committee has the following duties:

Financial statements

- to ensure that the statutory auditors assess the relevance and consistency of accounting methods adopted for the preparation of the consolidated or statutory financial statements, as well as appropriate treatment of the major transactions at Group level;

- when the financial statements are prepared, to carry out a preliminary review and give an opinion on the draft statutory and consolidated financial statements, including quarterly, semi-annual and annual statements prepared by management, prior to their presentation to the Board; for those purposes, the draft financial statements and all other useful documents and information must be provided to the Audit Committee at least three days before the review of the financial statements by the Board. In addition, the review of the financial statements by the Audit Committee must be accompanied by (i) a memorandum from the statutory auditors highlighting the key points of the results and the accounting options adopted; and (ii) a memorandum from the Finance Director describing the Company's exposure to risk and the major off-balance sheet commitments. The Audit Committee interviews the statutory auditors, the Chairman and Chief Executive Officer and financial management, in particular concerning depreciation, reserves, the treatment of goodwill and consolidation principles;

- to review the draft interim financial statements, the draft half-year report and the draft report on results of operations prior to publication, together with all the accounts prepared for specific transactions (asset purchases, mergers, market operations, prepayments of dividends, etc.);
- to review, where necessary, the reasons given by the Chairman and Chief Executive Officer for not consolidating certain companies;
- to review the risks and the major off-balance sheet commitments.

Internal control and internal audit

- to be informed by the Chairman and Chief Executive Officer of the definition of internal procedures for the gathering and monitoring of financial information, ensuring the reliability of such information;
- to be informed of procedures and action plans in place in terms of internal control over financial reporting, to interview the persons in charge of internal control every half-year and at the end of each financial

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year and to examine the terms of engagement of the statutory auditors;

- to examine the Group's internal audit plan and interview the persons in charge of internal audit for the purposes of taking note of their programs of work and to receive the internal audit reports of the Company and Group or an outline of those reports, and provided the Chairman and Chief Executive Officer has been informed in advance, these hearings may take place, if necessary, without the Chairman and Chief Executive Officer being in attendance.

Statutory auditors

- to listen regularly to the statutory auditors' reports on the methods used to carry out their work;
- to propose to the Board, where necessary, a decision on the points of disagreement between the statutory auditors and the Chairman and Chief Executive Officer, likely to arise when the work in question is performed, or because of its contents;
- to assist the Board in ensuring that the rules, principles and recommendations safeguarding the independence of the statutory auditors are applied and, for such purposes, the members of the Committee have, by way of delegation by the Board of Directors, the following duties:
 - supervising the selection or renewal procedure (by invitation to tender) of statutory auditors, while taking care to select the "best bidder" as opposed to the "lowest bidder", formulating an opinion on the amount of the fees sought for carrying out the statutory audit assignments, formulating an opinion stating the reasons for the selection of statutory auditors and notifying the Board of its recommendation in this respect,
 - supervising the questions concerning the independence of the statutory auditors in line with the methods and in conformity with the procedures described in Section 10.2 (Auditors' fees and services).

Financial policy

- to be informed by the Chairman and Chief Executive Officer of the financial standing

of the Group, the methods and techniques used to lay down financial policy, and to be regularly informed of the Group's financial strategy guidelines in particular with regard to debt and the hedging of currency risks;

- to be informed of the contents of official financial statements prior to their release;
- to be informed in advance of the conditions of the financial transactions performed by the Group; if a meeting of the Committee cannot be held owing to an emergency, the Audit Committee is informed of such reasons;
- to review any financial or accounting issue submitted to it by the Chairman, the Board, the Chairman and Chief Executive Officer or the statutory auditors;
- to be informed by the Chairman and Chief Executive Officer of all third party complaints and of any internal information criticizing accounting documents or the Company's internal control procedures, as well as of procedures put in place for this purpose, and of the remedies for such complaints and criticism.

Fraud

- to ensure that procedures are put in place for the receipt, retention and treatment of accounting and financial related complaints received by the Company;
- to be informed of possible cases of fraud involving management or employees who have a significant role in internal controls concerning financial reporting.

To enable the Audit Committee to carry out the full extent of its duties, the Board's internal rules state that all pertinent documents and information must be provided to it by the Chairman and Chief Executive Officer on a timely basis.

MAIN ACTIVITIES

During fiscal year 2008, the Audit Committee held four meetings. The average attendance rate of its members was 88% (these figures take into consideration changes in the composition of the Committee throughout the year).

In 2008, the Audit Committee conducted a preliminary review of the statutory and consolidated 2007 annual financial state-

ments, our statutory interim financial statements and quarterly financial consolidated statements for the first three quarters as well as the internal control procedures and our policy on fraud in financial reporting and internal control. The Audit Committee also submitted to the Board the terms of engagement of auditors and their budget for 2008, analyzed the refinancing strategy of the Company following the Orascom acquisition, and the outlook of rating agencies. In addition, it approved the formal self-assessment as further described in "Evaluation of the Board and its Committees" below.

As part of its preliminary review of the statutory and consolidated 2008 financial statements in February 2009, the Audit Committee reviewed the principal items, with a special focus on other operating income and expense, finance costs, tax and goodwill impairment tests. It also reviewed management's assessment of internal controls over financial reporting for 2007, as more described in detailed in Management's Report on internal control over financial reporting (see Chapter 9 Controls and procedures), as well as auditors' assessment of the fairness of our financial statements and on our internal control over financial reporting. Finally, the Audit Committee reviewed the draft dividend payout plan for 2008 and issued recommendations to the Board.

See Chapter 9 (Control and Procedures).

b) Corporate Governance and nominations Committee

COMPOSITION

The members of the Corporate Governance and nominations Committee are as follows

- Oscar Fanjul, President (Vice-President – independent Director)
- Philippe Dauman (independent Director)
- Gérald Frère
- Juan Gallardo (independent Director)
- Michel Pébereau (independent Director)
- Michel Rollier (independent Director)

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DUTIES AND RESPONSIBILITIES

The Corporate Governance and Nominations Committee is responsible, in cooperation with the Chairman and Chief Executive Officer, for ensuring compliance with the Company's corporate governance rules. In particular, it is responsible for:

- monitoring governance practices in the market, submitting to the Board the corporate governance rules applicable by the Company and ensuring that the Company's governance rules remain among the best in the market;
- reviewing proposals to amend the internal regulations or the Directors' Charter to be submitted to the Board;
- submitting to the Board the criteria to be applied to assess the independence of its Directors;
- submitting to the Board, every year before publication of the Annual Report, a list of Directors qualifying as independent;
- preparing assessment of the work of the Board provided for by the Board's Internal Regulations;
- preparing changes in the composition of the Company's management bodies.
- giving its prior approval before the Corporate Executive Officer accepts a Corporate office of a listed company that does not belong to the Group.

The Committee has special responsibility for examining the succession plans for senior management members and the selection of new Directors. It also makes recommendations to the Board for the appointment of the Vice-Chairman and the Chairmen of other Standing Committees.

The choices made by the Corporate Governance and Nominations Committee on the appointments of the candidates to the office of Director are guided by the interests of the Company and all its shareholders. They take into account the balance of the Board's composition, in accordance with the relevant rules laid down in its internal regulations. They ensure that each Director possesses the necessary qualities and availability, and that the Directors represent a range of experience and competence, thereby enabling the Board to perform its duties effectively, while maintaining the requisite objectivity and independence with regard to senior management and any shareholder or any particular group of shareholders.

MAIN ACTIVITIES

During fiscal year 2008, the Corporate Governance and nominations Committee held five meetings. The average attendance rate of its members was 96% (these figures take into consideration changes in the composition of the Committee throughout the year).

In 2008, the Corporate Governance and nominations Committee made recommendations on the appointment of three Directors at the General Meeting held on May 7, 2008 (Messrs Gérald Frère, Jérôme Guiraud and Michel Rollier), on the composition of the different Committees, and on the amendment of the rules applicable to dealings in Lafarge shares. In addition, it initiated the Board's self-assessment described in the "Board and Committee self-assessment" section below.

At its meeting on November 6, 2008, the Corporate Governance and Nominations Committee recommended to the Board the renewal of Directors, which, upon submission by the Board, are to be submitted at the next shareholders' meeting.

c) The Remunerations Committee

COMPOSITION

The members of the Remunerations Committee are as follows:

- Oscar Fanjul, President (Vice-President – independent Director)
- Philippe Charrier (independent Director)
- Juan Gallardo (independent Director)
- Michel Pébereau (independent Director)
- Thierry de Rudder
- Nassef Sawiris

DUTIES AND RESPONSIBILITIES

Remunerations Committee is responsible for examining the compensation and benefits paid to Directors and members of senior management, and providing the Board with comparisons and benchmarking with market practices, in particular:

- to review and make proposals in relation to the remuneration of senior management members, both with regard to the fixed portion and the variable portion of said remuneration, and all benefits in kind, stock subscription and purchase options

granted by any Group company, provisions relating to their retirements, and all other benefits of any kind;

- to define and implement the rules for the determination of the variable portion of their remuneration, while taking care to ensure these rules are compatible with the annual evaluation of the Company Officers' performances and with the medium-term strategy of the Company and Group;
- to deliver the Board with an opinion on the general allocation policy for stock subscription and/or purchase options and on the stock option plans set up by the Chairman and Chief Executive Officer, and submit the allocation of stock subscription or purchase options to the Board;
- to be informed of the remuneration policy concerning the principal management personnel (aside from senior management) of the Company and other Group companies, and to examine the consistency of this policy;
- to suggest to the Board the total amount of Directors' fees for proposal at the Company's shareholders' meeting;
- to suggest to the Board on the allocation rules for Directors' fees and the individual payments to be made to the Directors, taking into account the attendance rate of the Directors at Board and Committee meetings;
- to examine every matter submitted to it by the Chairman and Chief Executive Officer, relating to the questions above, as well as plans for increases in the number of shares outstanding owing to the implementation of employee stock ownership;
- to approve the information disclosed to the shareholders in the Annual Report on the remuneration of senior management members and the principles and methods determining the compensation of said persons, as well as on the allocation and exercise of stock subscription or purchase options by senior management.

MAIN ACTIVITIES

During fiscal year 2008, the Remunerations Committee held four meetings. The average attendance rate of its members was 96% (these figures take into consideration changes in the composition of the Committee throughout the year).

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During the course of 2008, the Remuneration Committee made suggestions to the Board of Directors concerning senior management's remuneration, the performance criteria applicable to the severance arrangements of our Chairman and Chief Executive and the allotment of Directors' fees among Directors for 2008. In addition, it led the discussions on the consequences of the recommendations by the Afep-Medef concerning the compensation of executive Directors.

See Section 5.4 (Compensation).

d) The Strategy and Investment Committee

COMPOSITION

The members of the Strategy and Investment Committee are as follows:

- Michel Pébereau, President (independent Director)
- Michel Bon (independent Director)
- Philippe Charrier (independent Director)
- Philippe Dauman (independent Director)
- Paul Desmarais, Jr
- Pierre de Lafarge (independent Director)
- Nassef Sawiris

DUTIES AND RESPONSIBILITIES

The Strategy and Investment Committee is responsible for advising the Board on the main strategic priorities of the Company and Group and on the investment policy and important strategic issues put before the Board.

It also is in charge of reviewing in detail and giving the Board its opinion on the issues submitted to it relating to major investments, the creation and upgrading of equipment, external growth, or divestments and asset or share sales.

MAIN ACTIVITIES

During fiscal year 2008, the Strategy and Investment Committee held two meetings. The average attendance rate of its members was 94% (these figures take into consideration changes in the composition of the Board and of the Committees throughout the year).

Since 2004, the Strategy and Investment Committee has been open to all Directors wishing to attend its meetings. In 2008, the Strategy and Investment Committee discussed the Group's medium-term strategic vision and related objectives, as well as certain specific issues concerning the Group's development by activity and region. In particular, the Committee discussed the implementation of cement strategy in China, the positioning of the Group compared to its main competitors, the development plan of the ex-Orascom activities, and the strategy to put in place in the context of uncertainty.

5.3.3 Self-assessment by the Board, Committees, Chairman and Chief Executive Officer

The Board's internal regulations provide that the Board is to hold a discussion at least once a year about its practices with a view to assessing and improving their efficiency and to proceed with the evaluation of the Chairman and Chief Executive Officer. A formal assessment of its operations, the verification that important issues are properly prepared and debated on within the Board, and the effective participation and involvement in the deliberation of each Director, is to take place every two years using a questionnaire approved by the Board.

At the end of 2008 and early 2009, the Board initiated a formal assessment of its organization and practices in accordance with its internal regulations.

The Audit Committee also conducted a self-assessment in the same period.

The outcome of the comments and discussions resulting from this assessment was that Directors consider that the organization and practices of the Board and its Committees are globally very satisfactory. The principal findings and recommendations for potential optimization are as follows:

- regarding the composition of the Board, Directors noted the sufficient diversity of background of its various members and how the necessary balance between Directors qualifying as independent and shareholder representatives had been successfully achieved. A reduction in the

number of Directors was identified as a potential improvement for the future;

- concerning of organization of the Board and its Committees, the breadth of topics covered during meetings was considered satisfactory. The involvement of the Board in the definition of the Group's strategy and the level of information received on the financial condition of the Company were perceived as very positive. The Committees' composition and frequency of their meetings were considered as satisfactory;

- members of the Board noted their appreciation of how discussions of the Board were chaired by the Chairman and Chief Executive Officer regarding direction of debates, strategy and information on the financial situation of the Company or its position regarding competitors. The role of the Vice-Chairman was considered as positive and useful;

- rules relating to the information and role of the Board and its Committees were considered adequate. Improvements and progress made in terms of relevance quantity and availability of information since the last assessment were noted. In future, written information of the Board in between meetings when justified by a certain topic could be considered.

5.3.4 Summary table on the attendance at Board and Committee meetings

The following table shows the number of Board and Committee meetings during fiscal year 2008, as well as Director membership and attendance at these various meetings. One out of the eight Board meetings held in 2008 was convened in addition to the meetings originally scheduled as a result of the acquisition of Orascom Cement. In 2008 the average attendance rate at Board meeting was 94% and the average attendance rate at Committee meetings stood at over 94% (these figures take into consideration changes in the composition of the Board and Committees throughout the year).

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	Board of Directors	Audit Committee	Corporate Governance and nominations Committee	Remunerations Committee	Strategy and Investment Committee
NUMBER OF MEETINGS IN 2008	8	4	5	4	2
Bruno Lafont	8/8	-	-	-	-
Oscar Fanjul	8/8	-	5/5	4/4	-
Michael Blakenham *	5/5	-	4/4	3/3	-
Jean-Pierre Boisivon	8/8	4/4	-	-	-
Michel Bon	8/8	4/4	-	-	2/2
Philippe Charrier	8/8	-	-	1/1	2/2
Bertrand Collomb	8/8	-	-	-	-
Philippe Dauman	6/8	-	1/1	-	2/2
Paul Desmarais Jr **	6/8	-	-	-	2/2
Gérald Frère ***	2/3	-	1/1	-	-
Juan Gallardo	6/8	3/4	4/5	3/4	-
Jérôme Guiraud ***	3/3	2/2	-	-	-
Alain Joly *	4/5	-	4/4	3/3	0/1
Bernard Kasriel	8/8	-	-	-	-
Pierre de Lafarge	8/8	-	-	-	2/2
Jacques Lefèvre *	5/5	-	-	-	1/1
Michel Pébereau	7/8	-	5/5	4/4	2/2
Hélène Ploix	8/8	4/4	-	-	-
Michel Rollier ***	3/3	2/2	1/1	-	-
Thierry de Rudder **	8/8	2/4	-	4/4	-
Nassef Sawiris **	8/8	-	-	4/4	2/2

* Directors whose term of office ended on May 7, 2008.

** Directors appointed on January 18, 2008.

*** Directors appointed on May 7, 2008.