

Stakeholder Panel 2009 **comment**

The panel's purpose is to offer a frank, critical yet constructive review of the strengths and weaknesses of Lafarge's approach to sustainability. We welcome Lafarge's undiminished commitment to sustainability and determination to take a leadership role despite the current economic downturn, and the fact that principles of commercial, environmental and social sustainability are becoming more deeply intertwined in shaping the company's corporate strategy. This report serves a very diverse range of stakeholders. As such, per our advice, Lafarge has produced a more succinct document that combines breadth with depth, through the inclusion of detailed technical information as well as comprehensive web information.

SETTING NEW SUSTAINABILITY AMBITIONS

Lafarge has met some of its 2012 Sustainability Ambitions targets early – a reflection of both impressive success in several areas and the global economic slowdown. We look forward to playing an active role in shaping the next set of Sustainability Ambitions – and to confronting the particular challenges posed by the Group's geographic and economic shift eastward following the acquisition of Orascom Cement.

HEALTH AND SAFETY

We strongly welcome Lafarge's commitment to achieving best practice in Health & Safety management. We note this year's reduction in lost-time injury frequency rate and improvements in contractor incidents, but remain concerned by the deterioration in direct employee fatalities. Beyond transparency and top-level commitment, we expect proactive efforts to create a strong, participatory safety culture focused on anticipating and preventing incidents. The Occupational Health program is a good start, but needs more focus on Risk Assessment and control of workplace exposures to prevent work-related illness.

CLIMATE CHANGE

The disappointing outcome of the Copenhagen Climate Summit in December 2010 has confronted business with a vacuum of political leadership, even as scientific data continue to point to the need for urgent concerted action. With 5% of worldwide greenhouse gas emissions (GHGs), the cement industry must take a lead role in shaping the solution to this challenge. Lafarge has led its industry, not only by wringing efficiencies out of its operating processes, but by engaging with its peers, business partners and political decision-makers to play their part in this effort.

Still, despite steady progress in reducing its carbon intensity, Lafarge faces constraints posed by the geological and chemical properties of cement manufacture. We would therefore welcome a clearer definition of the company's strategy with respect to both breakthrough technologies and innovative products that enable customers to save energy.

PERSISTENT POLLUTANTS

Lafarge has achieved substantial reductions in plant emissions, and shown transparency in dealing with the Ravena mercury emissions controversy in the US – including responding to our requests for full technical information. We welcome Lafarge's partnership with WWF to monitor reductions in persistent pollutants, and will watch for evidence of progress in phasing in best-available technology wherever necessary. This commitment, which we think leads the industry, demonstrates Lafarge's effort to respect both the natural and the social environments in which it operates.

BIODIVERSITY MANAGEMENT

Lafarge has established important expertise on how to conserve and restore biodiversity, and has led its industry through its co-chairmanship of the Cement Sustainability Initiative (www.wbcscement.org). The challenge is now to address biodiversity in the wider context of ecosystems services, and develop and refine practical tools to measure their economic value. Lafarge should also embrace the opportunities brought by biodiversity in the built environment, through development of innovative products (green roofs, pervious concrete etc.) that build on biomimicry techniques to learn from nature.

SUSTAINABLE CONSTRUCTION

Given that the built environment generates 85% of its environmental impact through building occupancy, Lafarge can arguably make a greater contribution to the fight against climate change by focusing on construction solutions. This is hampered by the poor public perception of concrete, which Lafarge should address proactively by showcasing a portfolio of good construction solutions and recycling options, taking account of differing climatic situations. Thanks to its key expertise in the innovative uses of concrete, Lafarge has an opportunity to disseminate its knowledge so as to demonstrate the efficiency of its products and help to raise standards generally across the construction industry.

SOCIAL DIALOG AND FREEDOM OF ASSOCIATION

While Lafarge has rightly focused on job preservation and skills retention in the face of the global economic crisis, we have been concerned

by signs of increasing strike actions. We urge Lafarge to implement standardized measures for monitoring industrial action, in accordance with recognized ILO standards. We would also welcome additional reporting on Lafarge's approach to resolving industrial conflicts. While we appreciate the need for country-specific practices, we expect Lafarge to adopt a stance of neutrality and non-interference when Lafarge employees associate with independent trade unions. Moreover, we note Lafarge's very high reliance on outsourced employees, and have requested, as a matter of urgency, a best-practice policy on outsourcing.

EMERGING MARKETS

In view of Lafarge's growing presence in countries with weak records on human rights and corruption, the panel had asked for stronger policies and reporting, which has been addressed through the adoption of a new Group Security Policy. We remain concerned about worker rights and freedom of association in countries in these locations, and encourage further reporting on this topic.

COMMUNITIES

We are pleased that Lafarge has appointed a dedicated team to handle community relations, and would especially encourage engagement with the emerging debate surrounding prior informed consent and/or consultation over major new developments. We believe that best practice in this area is essential to safeguard Lafarge's reputation with the communities that host its operations.

ANTI-COMPETITIVE BEHAVIOR

Following certain high-profile incidents involving breaches of competition laws, the panel met with Lafarge's senior executives, and had an opportunity to review the group's much-strengthened internal training and controls procedures. This is an area of ongoing risk that will require us to be kept informed of further developments.

LOBBYING CHARTER

The panel has played a robust and challenging role in strengthening Lafarge's lobbying policy, which is to be published on its website. While there may be room to go further, we consider it to be on the leading edge of good practice and commend Lafarge's willingness to adopt most of the panel's recommendations.