

November 2008

Comments by Transparence-International (France) on Lafarge's 'Code of Business Conduct Workshop'

(translated from French)

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The fight against corruption is a priority for the international community today because the lack of integrity and transparency is one of the main obstacles to development; in particular, to the development of the poorest countries. Corruption hinders good governance and threatens democracy – indeed, it undermines the very basis of democracy itself. Moreover, we are increasingly seeing its damaging effects on international efforts in the field of environmental protection and climate change.

The Lafarge Group's commitment to say no to corruption should therefore be considered an integral part of its commitments in the area of social responsibility. Just as governments have a duty to ensure that progress is made in the fight against corruption – in particular by making sure that their representatives abstain from any improper solicitation – companies also have a responsibility to adopt honest, transparent practices and to promote them to all their employees in all the regions in which they operate.

We note that compliance with laws and regulations is the underlying principle for all the policies of the Lafarge Group. It is important for all the Group's managers to familiarise themselves today with the relevant standards regarding the fight against corruption. These standards have undergone considerable developments over the past ten years, and non-compliance with them entails major risks (legal, business, financial and in terms of reputation), threatening the very survival of companies, as demonstrated by a number of widely reported scandals.

France and the United States are two countries that are particularly active in prosecuting bribery of foreign public officials committed by companies whose headquarters are based within their borders or which are listed on their financial markets¹. An act voted in November 2007 in France further increased the range of corrupt practices abroad that are punishable by law². According to Lafarge's 2007 sustainable development report, 31% of the company's sales are in countries where the risk of corruption is considered to be high or very high.

The presentation module for Lafarge's Code of Business Conduct provides a good overview of the risks of corruption with which the Group's employees may be confronted. It is clear and as comprehensive as possible, considering that attention had to be given to the other

¹ In 2008, the United States has already opened enquiries into 103 companies for bribery of foreign public officials. Some relate to companies that are not American but conduct business in the United States (e.g. Siemens, BAE Systems). 19 enquiries have already been opened in France, mostly involving high-profile companies (Alstom, Total, Thalès).

² Act of 13 November 2008 on the fight against corruption

subjects covered in the Code of Business Conduct. The risk of active bribery of a public official – for which the consequences are the most severe – is addressed effectively by the fictitious scenario described. The risk of conflict of interest is also very well explained.

The elements that we believe should definitely be covered by this type of training are included:

- ✓ explanation of the regulations in force;
- ✓ explanation of the applicable penalties in the event of non-compliance with the regulations;
- ✓ employees are encouraged to ask for advice if they are unsure as to how to behave;
- ✓ it is clearly indicated that anyone who raises the alert in good faith will never be punished and that compliance with anti-corruption regulations has precedence over winning a contract;
- ✓ the risks associated with dealings with officials are emphasised.

Lafarge should supplement this general presentation on the risk of corruption with other, more detailed training tools which cover the areas of risk and principles for behaviour that we believe should be brought to the attention of managers:

- ✓ risks of compliance associated with joint ventures and acquisitions;
- ✓ obtaining operating rights for quarries and other licences;
- ✓ contributions to political parties and charities;
- ✓ the correct way to behave in response to extortion attempts (small facilitation payments, customs or tax extortion) – a risk highlighted by the analysis carried out by TI France in 2003-2004;
- ✓ regulations in force for giving and receiving gifts and invitations;
- ✓ risk of passive corruption (purchases).

We encourage Lafarge to continue its efforts in training managers to handle the risks of corruption wisely, as we believe that this is the key to an effective prevention plan. These efforts should particularly target the new units recently acquired by the Group in regions with a high risk of corruption (in particular Africa and the Middle East).