

# Stakeholder Panel

## 2010 comment

Now in its ninth year, the Lafarge Stakeholder Panel serves as the company's "critical friends". Through in-depth, robust debate with Bruno Lafont and his executive team, we aim to help the company anticipate and avoid problems, advance the boundaries of best practice, and raise standards across the building materials industry as a whole. We especially value Lafarge's willingness to explore difficult issues with us, and the mutual trust that has enabled Panel members and the executive to speak freely and drive positive change.

### Defining a roadmap

The 2010 Report reflects a move to a more concise format - a response to reader evaluations. While welcome, this succinctness has also come at the expense of explanatory text, often leaving empirical data out of context and making it difficult to understand strategic intent. As such, this report understates how Lafarge has wrestled with challenging issues and developed a clear strategic vision to frame performance reporting. We therefore request that next year's report strike a better balance between data, narrative and forward-looking strategy.

Looking ahead, Lafarge will, in its 2020 Sustainability Ambitions, need to define not only new stretch targets, but also a long-term vision and roadmap for both itself and the building materials industry. Having broken new ground a decade ago, Lafarge has seen its lead narrow with peers, and must now reclaim its leadership position. In so doing, it must move beyond a strategy focused on sustainable building materials to one that embraces sustainable building systems and solutions, and takes into account product and energy lifecycles in a "cradle-to-cradle" manner. This means that while it must raise its game on curbing CO<sub>2</sub>, SO<sub>x</sub> and NO<sub>x</sub> emissions, the greater but more important challenge lies in tackling the 80-85% of impacts that concrete has through building use, as well as the 15-20% generated during materials fabrication and construction. It also means that with political paralysis slowing transition to a low-carbon economy, Lafarge must use its leverage to challenge policymakers and fellow business leaders to drive systemic change across both its industry and its value chain. This is particularly urgent in a rapidly urbanizing world marked by rising physical and social stresses, including poverty, climate change, ecosystem damage, water scarcity and population growth. This creates an imperative for Lafarge to deliver product innovations that strengthen the resilience of both buildings and communities, by providing affordable, energy efficient building systems that support sustainable urban design while withstanding more extreme climate conditions.

We have begun to see evidence of Lafarge's commitment to driving innovation - particularly in the context of cutting CO<sub>2</sub> emissions through new, lower-carbon forms of cement. We now look forward to seeing how the 2020 Sustainability Ambitions will drive the development of real breakthrough technologies and deeper engagement in sustainable construction projects around the world.

We likewise welcome Lafarge's heightened focus on water, and its move to map water risk and manage its footprint. Growing scarcity and competition will translate into significant business risks in the coming decades, with water already a scarce and vital resource in a number of countries where Lafarge operates. This will increasingly form a critical element of community engagement and ecosystems planning.

### Implementing the standards

We commend Lafarge for referencing the Ruggie Report on Human Rights and for the Board-level recognition given to this issue. This must now be followed by a clear set of standards to address human and trade union rights, so as to translate the company's commitment to the principles of the UN Global Compact into day-to-day behaviour right down to site level. This is especially urgent in the volatile regions of the Middle East and North Africa, where Lafarge has significant exposure. We also welcome Lafarge's recognition of the UN Declaration on the Rights of Indigenous Peoples. Reconciling unique indigenous concepts of attachment to land and land tenure with conventional legal systems poses a very real challenge, especially if Lafarge seeks to uphold the principle of "free, prior and informed consent", as encouraged by members of this Panel. In this regard, we appreciate the frank discussion of difficulties in India, and look forward to leading-edge practice.

Finally, 2010 saw Lafarge increase out-sourced employees from 28% to 30% of its workforce. With heightened attention accorded to risks associated with the actions of business partners, such as occurred in the 2010 Gulf of Mexico tragedy, we have pressed Lafarge to improve its due diligence and oversight practices of contractors, suppliers and other partners. We look forward to a clear articulation of the scale, nature, goals and performance of outsourcing activity, as well as how Lafarge selects partners and ensures its standards are effectively rolled-out in co-owned ventures. ■