



RESPONDING TO OUR STAKEHOLDERS

Building on stakeholder feedback on our 2006 Sustainability Report

We were gratified by the welcome that the panel gave to the new structure of our 2006 report, particularly the Establishing understanding and the Big issues sections. The panel are critical friends. They provide challenge. The table sets out the main challenges from the individual and collective panel comments and how we have responded.

Lafarge sought an external perspective on its sustainability reporting right from the start. Since 2003 we have benefited from the comments of our formal stakeholder panel.

SUMMARY OF COMMENT	LAFARGE ACTION
To be effective and transparent in the use of our political influence to raise industry standards	We set out our approach to managing this issue in Public Policy positions. This includes a fuller explanation of our positions and our processes
To encourage employee engagement to foster employee participation rights and involve local trade unions, especially in environmental compliance, safety, anti-corruption as well as on the Group-wide occupational health program	We have covered this matter throughout our Values and governance, Employees and Health and Safety sections
To elaborate workers' participation and rights including subcontractors in health and safety committees To elaborate on systematic occupational health and safety training	We address these issues in Health and safety, these topics now have a dedicated section of the report
To address the Group's major impacts on local communities, especially in southern countries and to develop effective community investment indicators	We address this topic both in the Relations with our communities and in the Emerging economies sections. We will consider the question of indicators as part of achieving our Sustainability Ambition in this area
To look at how Lafarge can translate sustainability into a value enhancement for customers To look at how Lafarge services low-income customers	We address these issues in our Understanding Lafarge, Customers and Emerging economies sections
To be clear how common standards are assured in the Group-wide occupational health program	This is work in progress. Our approach is outlined at the end of our Health and safety section
To be clear how the HIV/AIDS and Malaria program is prioritised	We have given a fuller account of our current programs. Further progress towards our 2010 Sustainability Ambition target in this area will be given in future reports
To ensure as part of Lafarge's growth strategy that all sites undergo external environmental audits as part of the routine due diligence process and that upgrades to global best practice standards are fully costed into the firm's acquisition strategy	We have given full coverage of this issue in our Managing our environmental impact section. All acquisitions are made on the basis that the plant acquired will be brought up to Lafarge global standards
To extend the outlook for CO ₂ beyond 2010 To review the technical possibilities of reducing volumes of primary resources and limiting the industry's contribution to climate change while accommodating an anticipated 80% increase in cement demand	We have taken these factors into account in the preparation of our Climate change section. We remain focused on achieving our 2010 targets and are working on setting our post-2010 targets
Report more on alternative raw materials	This matter is particularly addressed in the Sourcing and Raw Materials section
To report more on the reduction of persistent pollutants	Data published this year is a first step to better reporting our progress on this matter
To clarify Lafarge's engagement with and progress on Sustainable Construction	We have done this by covering Sustainable Construction fully in the Climate Change: Challenges and solutions section of this report

Opinion of our stakeholders on the 2007 Sustainability Report

Our mission is to serve as “critical friends” who challenge Lafarge’s sustainable development strategy and reporting practices, suggest improvements and form each year an opinion on Lafarge’s accountability. We highlight below key areas of progress made during 2007 and remaining challenges for Lafarge both in sustainable development performance and in its sustainability report. However, we do not verify the data or deliver any kind of assurance on performance.

Communication

The 2007 sustainability report is informative and accessible. We welcome evidence that a wide range of corporate social responsibility initiatives at Lafarge are becoming increasingly integrated within a common set of corporate values that are driven from the top. We also note clear signs of progress over the past few years, with scope for further improvement. For example, Lafarge has made considerable advances in its commitment to environmental protection, though we continue to have strong concerns regarding Lafarge’s reporting on persistent pollutants, which is not yet as clear and transparent as other aspects of reporting. The section on local stakeholder relations is much improved, but needs to go further. Indeed, better communication by Lafarge would help the company to demonstrate its ability to anticipate local problems. One example is the Brittany sands extraction proposal, where studies presently being carried out should be subjected to appraisal and, ideally, conducted in participation with democratically-accountable local organisations and other stakeholders that have a high degree of local legitimacy. The project should proceed only if it is not going to cause significant damage to other activities that are central to the local economy, such as tourism and fishing. More generally, local stakeholder challenges are likely to increase, especially with the Orascom Cement acquisition. More examples of stakeholder dialogue at the regional and national level would therefore be useful as evidence that groupwide good practices are translated effectively at all levels. Some of us feel that Lafarge is not reporting sufficiently on training of its non-managerial staff; we would like to know how the Group promotes and implements skills training for production workers and how it contributes to better employability, given the need to restructure and dismiss staff, which led to 4,846 redundancies in 2007.

We commend Lafarge’s treatment of the G3 version of the GRI Guidelines and the NRE law, as well as its detailed response in this year’s Report to the specific comments we had made last year. We particularly welcome Lafarge’s move to share draft unaudited quantitative data with us in advance of publication, which had been one of our requests.

Climate change challenge

We strongly welcome Lafarge’s ongoing commitment to cutting GHG emissions and addressing sustainable building and construction. With its global reach, Lafarge is in a prime position to positively influence the way construction develops across the globe. We appreciate that Lafarge has, at our urging, emphasised sustainable construction following last year’s lack of coverage of this subject. That said, we note that the focus remains overwhelmingly on the energy embedded in the constituent ingredients of concrete,

rather than on the use of buildings while in operation. Insofar as building use is widely estimated to account for 85% of energy consumption, this is where buildings have their main energy and environmental impact. In order to position itself more strongly as a global provider of sustainable construction solutions, Lafarge therefore needs to refocus itself on the period in which buildings are in operation.

Having said this, we understand that all of Lafarge’s efforts to streamline production and make it more sustainable are an ongoing process. Indeed, as cutting GHG emissions involves many industry players and areas beyond the core business of the company, we would like to see more engagement from Lafarge as not only producer / contributor / influencer but also Lafarge as partner and collaborator. This implies, for example, the building materials supplier collaborating with architects and other business partners. It also means collaboration beyond the traditional core business to produce new products and services that enable the introduction of buildings that are efficient and optimal from a local sustainable development point of view. The materials provider cannot simply stand back and leave action to address the ecological footprint of buildings to other industry players. When Lafarge supplies materials to build a football stadium in South Africa, is the company involved in a discussion of ways to make that construction and surrounding transport infrastructure more sustainable and versatile in being adaptable for local development needs?

We are aware that, as the world’s single-largest cement producer, Lafarge has direct influence over fully 0.3% of global CO₂ emissions. This shows the importance of the company’s achievement in having already reduced emissions per unit of cement produced by 16% from a 1990 baseline, and it places continued importance on the commitment to try to meet its target of 20% reduction by 2010. We understand that Lafarge’s expansion in countries outside of Europe makes this target a challenging one, but as a Panel we consider it vital that Lafarge continue to clean up the non standard plants that it acquires. We are, however, aware that as the world’s demand for cement increases, the company’s achievement in cutting CO₂ emissions per unit of production is being outpaced by an ever-growing total volume of production. How best to respond to this raises a range of questions that the Panel would like to examine in future. These include the possibility of urging Lafarge to consider entering into a programme of carbon offsetting.

Growth in emerging markets

As Lafarge expands its presence in rapidly-industrializing developing countries, it must not lose sight of its commitments on sometimes sensitive issues, such as upholding human rights, cultivating strong local stakeholder relations, and fighting corruption.

We welcome Lafarge’s commitment to bringing all acquired plants worldwide in line with Group standards. An ongoing problem for this industry sector, and one where it can play an important leadership role, is in dealing with bribery and corruption. This issue continues to be a severe problem in the building and construction industry, with diverse players and many SMEs involved. This is where we give the strongest encouragement to Lafarge as an international leader in developing its leadership role, catalyzing action through industry associations and voluntary initiatives such as the UN Global Compact. The commitment to supplier audits and reference to Global Compact principles in supplier contracts need to be taken seriously.

The Panel was heartened to see the question of Human Rights placed on the agenda of its last meeting. Next year’s report should include an analysis of the consequences of the Orascom acquisition, in particular outlining clearly in which countries the ex-Orascom assets are located, and how Lafarge will ensure that Human Rights are respected at local level in these countries. In addition, the Group should support local managers in implementing the Code of Conduct. This could be done with the help of a third party monitoring and reviewing process.

Progress on commitments

Sustainable development is clearly more integrated into the core activity of the Group, as evidenced by our most recent meeting with the Lafarge Executive Committee. We welcome this opportunity to see the first progress report against the Sustainability Ambitions 2012, and encourage Lafarge to pursue its efforts. In the context of expanding growth, particularly in emerging countries, Lafarge should, more than ever, ensure that the best standards are applied across all subsidiaries.

MEMBERS OF THE PANEL

- Marion Hellmann (Building and Wood Workers International)
- Jean-Paul Jeanrenaud (WWF)
- Philippe Lévêque (CARE)
- Karina Litvack (F&C Asset Management)
- Cornis van der Lugt (UNEP)
- Alastair McIntosh (Centre for Human Ecology)
- Manfred Reuer (European Works Council)
- Livia Tirone (Architect)
- Simon Zadek (AccountAbility - not commenting the report)