

Opinion of our stakeholders on the 2006 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 2006 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

Overall, we welcome the new structure of Lafarge’s sustainability report: we especially appreciate the educational background given on production processes and industry context, as well as the five “big sustainability issues” outlined in the report. This makes the report more accessible to a non-expert audience even though it is occasionally overly simplified or non-specific content (especially on emerging countries and local communities).

Last year, we wrote that the report would gain in quality from providing more systematic accounts of gaps and challenges; we note some modest progress on this in this year’s report, in particular the candid account of the controversy related to sand extraction in Brittany. But lack of progress or missed targets need to be disclosed and frankly explained to external audiences: we would expect to find explanations of the causes of such incidents and a discussion of remedial actions.

We also reiterate our call for Lafarge to set all such reporting in its proper context, i.e. by benchmarking data (quantitative and qualitative) against appropriate comparators, such as the group’s own previous performance and commitments (so that progress can be tracked), peers’ performance and targets, best practices from other industries and specific data on local operations.

The fact that sustainable construction as topic has been left out of this report makes it impossible to comment on these specific impacts of Lafarge’s products. Nonetheless, we feel that sustainable construction is the area in which the impact of Lafarge’s contributions to society is the longest term and the most relevant.

Managing direct but also indirect impacts

The direct impacts of Lafarge’s production processes (as opposed to the effects of its products once in use) are also very well covered in this report: we appreciate the impressive progress made on CO₂ and would expect to see the outlook on CO₂ strategy extend beyond 2010. We still call for more reporting on subjects like health, alternative fuels (e.g. the burning of tyres and biofuels), alternative raw materials and reduction of persistent pollutants emissions (heavy metals, dioxines, etc.).

But given its commitment to playing a leadership role in terms of corporate responsibility, Lafarge arguably faces its greatest challenges in managing its indirect impacts, and particularly in using its influence throughout the value chain to advance sustainable construction. The panel understands that Lafarge staff are engaged in leading considerable internal debate about the potential ways forward for sustainable building solutions; we trust that we will be kept informed of progress and we welcome the new section on customers, which focuses on how use of its products can be leveraged to achieve more sustainable outcomes. But there is still room for improvement in reporting on the group’s efforts beyond its operational impacts on a range of areas, including:

- advancing new technologies and system thinking for sustainable building solutions (where we believe that Lafarge has excellent opportunities to bring a positive contribution to the end user in terms of comfort, thermal inertia, acoustic insulation, etc.)
- making effective and transparent use of its political influence to raise industry standards,
- working with other value chain partners in emerging countries to address the needs of low-income customers, and
- addressing the group’s major impacts on local communities, especially in southern countries.

Commitments and engagement

Among the positive aspects of this year’s report are the efforts to listen to stakeholders - in particular employees and customers worldwide. But the group needs to encourage further engagement with workers across the company, so as 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 programme.

The Sustainability Ambitions 2012 are a step in the right direction, whether it be on dust emissions, Nox and SOx, or on health: we particularly welcome the systematic training on local relationship management and the extension of the HIV Aids and Malaria policy to major developing countries (although we would like to see greater preci-

sion on how this will be prioritized across business units), as well as the comprehensive group-wide occupational health programme (provided that the same standards are applied in all countries). We also welcome the target to double the percentage of female senior managers. Though we would emphasize the crucial role Lafarge can play in promoting diversity in general at all levels and we regret that no specific goal has been set on this issue nor on community investment where effectiveness indicators could be developed.

Emerging markets challenges

We would like to see a better appraisal of technical possibilities on reducing volumes of primary resources and limiting the industry’s contribution to climate change while accommodating an anticipated 80% increase in cement demand. Regarding China, we appreciate that the group tries to apply global best practice standards on environment, health and safety, and are pleased to note that this matter has been addressed following our criticism in last year’s report. But while we understand that the group’s pre-acquisition procedures include environmental risk assessment, we would expect Lafarge’s growth strategy to ensure that all sites undergo external environmental audits as part of the routine due diligence process.

In conclusion, as part of rolling out its Sustainability Ambitions 2012, Lafarge should sharpen its commitment to achieving global best practice standards across its operations, identify and disclose any performance gap, and outline its strategy for reaching these goals.

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)