



BUILDING VALUE IN THE LONG RUN

2002 SUSTAINABILITY REPORT

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LEGEND



STAKEHOLDERS EXPECTATIONS*



EMERGING ISSUE



OBJECTIVE



INDICATOR



FOR FURTHER DETAILS...

DIVISION COVERED IN THE SECTION OR CASE STUDY

- Cement
- Aggregates and Concrete
- Roofing
- Gypsum

* STAKEHOLDERS EXPECTATIONS IDENTIFIED THROUGH

- 2000-2002 consultation interviews made by Utopies
- 2002 Feedback session held in Paris on the 2001 Sustainability report
- Further ongoing discussion with our partners (the WWF, the IFBWW, etc.)


BEFORE READING THIS REPORT

This report covers our economic, social and environmental performance over the 2002 period. It is designed for a large range of stakeholders: our employees, shareholders, customers and suppliers as well as end-users, public authorities, trade unions, NGOs, the media and other companies. It has been prepared in accordance with the 2002 Global Reporting Initiative guidelines (GRI): you will find a cross-reference index on the flap. The reason why we decided not to report on some of the GRI indicators is explained in the "How did we report" section (page 56).

CHANGES SINCE THE LAST REPORT

After the publication of our first report in 2001, we consulted our stakeholders in order to improve our approach, and modified it according to their recommendations.


Transparency

The first report was designed as a tool for dialogue: various external views were included even if they had not been endorsed by Lafarge. Consequently, issues were mentioned even if they were not yet taken into account by our management systems. Therefore, several stakeholders found some elements rather unclear as to Lafarge's position. In order to clarify those points in this year's contribution, emerging issues are clearly identified with a  symbol. We are still exploring such questions, and considering policies and management strategies at the Group level. Some of these problems are successfully dealt with at the local level or perhaps without formalized procedure. The section entitled "Sustainability Management" describes how each department functions to attain our vision of sustainability.

Data

Data collection has been improved and a few new indicators have been defined (see Contents). Data consolidation is a long process, especially in the social field. For each on-going issue, we have provided an update of the key data. For more details, please refer to our web-site or to our first Sustainability report, where you will find a comprehensive description of the issues, as well as various external perspectives.

Our objectives

In our first report, we set 17 Group objectives. These objectives are group-wide and result from consolidations of all of our worldwide operations. Therefore, achieving these global objectives does not, imply that each plant will reach the same performance locally. New implementation schedules have been disclosed to clarify them. You will find a follow-up table on page 18 summarizing our progress in 2002. In addition, new social and economic objectives have been defined; they are marked with a  symbol within the report. Each objective will be included in our Sustainability reports until we succeed.

Sustainability and economics

The economic dimension is sometimes overlooked in sustainability reporting, as it was the case in our first report. Whereas companies report in detail on their financial performance, they do not generally explain how their activities contribute to the economy or how their sustainability performance contributes to financial performance. We tried to address these points in particular by studying the business case related to quarry rehabilitation and CO₂ commitments. We have also explored our economic impact locally and at the Group level.

MESSAGE FROM BERTRAND COLLOMB



For a company like Lafarge, progressing in sustainability is like running a marathon: the public would enjoy a start as fast as an 100-meters dash, but we must resist the temptation and go for the long run. A strategy which might seem less spectacular but which we believe is more efficient. In 2001, we published our first sustainability report along with our performance objectives, which were seen by many stakeholders as a good start in the field of accountability. Since then, the image of the marathon has guided both our management approach to sustainable development and the way we report on our performance. In line with our goal to pursue long-term performance, we have decided this year to set only a few new targets (mostly regarding the social issues), in order to focus our efforts and consolidate what is already being achieved. In the same spirit, we focused this second report on the follow-up of our objectives, while the first one was more dedicated to the exploration of the issues and challenges.

GATHERING MOMENTUM WITHIN OUR MANAGEMENT SYSTEMS

Opening this report, you will find a new section in which we try to evaluate how we can gather momentum for our approach within our management systems. Since the publication of our last report, we created a sustainability committee, chaired by Bernard Kasriel, which now oversees all sustainability issues. We also started to root sustainability aspects in our definition of performance at every level, in our policies and corporate departments' objectives as well as in the Cement Division's Advance program. All this fits in the framework of the Leader for Tomorrow project, aimed at strengthening and communicating the Group's "value with values" culture.

Stakeholder engagement is also becoming a formal part of our managerial approach at all organizational levels. At Division and site levels, it is included in the performance programs. At the Group level, we keep progressing in our on-going dialogue with our partner WWF. At the same time new relationships are being developed with other NGOs such as Habitat for Humanity and CARE, or international workers unions federations (i.e. the Federation of Building and Wood Workers). In each field, gathering so many different ideas and views helps us progress and develop appropriate answers to complex challenges such as HIV/ AIDS, the application of the International Labor Organization (ILO) standards or the development of sustainable architecture. We can help drive changes beyond the company's boundaries by bringing other companies to follow in our tracks. We are proud to say that in 2002, Lafarge played its role as an industry leader: first, through the WBCSD cement project which led the industry to set a common agenda for action; second, through our involvement in the WBCSD/ Greenpeace joint call for an international framework based on the Kyoto Protocol, during the Johannesburg Summit.

TRACKING OUR PERFORMANCE ON THE FIELD

On the social side, we have achieved significant progress in our health and safety management systems. However, we will remember those who unacceptably lost their lives in accidents in 2002. Regarding sites openings and

closures which occurred since the last report, the feedback from our stakeholders, both from international institutions (i.e. World Bank) and unions, confirms our capacity to manage properly the delicate situations. For the upcoming year, we aim at strengthening the Group social policies, in line with ILO standards, on working conditions, diversity and anti-corruption management. Regarding the environmental aspects, 2002 was a year of consolidation: our CO₂ emissions were independently verified, our responsibility towards product use and procurement was formalized in our new environmental policy, and for the first time we estimated our impact related to transportation. Nevertheless, there is still room for progress, especially where environmental reporting is still incomplete. Our next area of focus will be sustainable architecture.

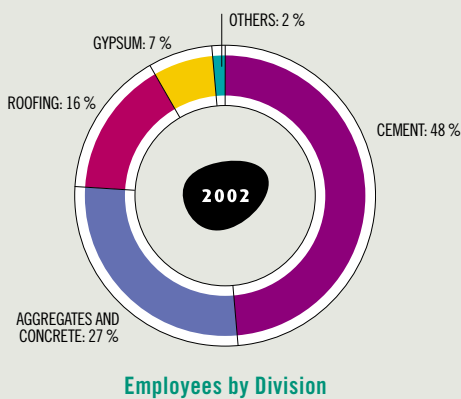
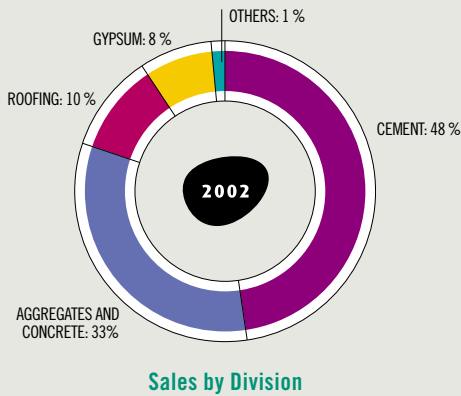
In the economic area, we regretted the European Commission decision to fine us for alleged collusion on prices and markets share on United Kingdom and German plasterboard markets. We vigorously challenged the decision and immediately brought the case before the European Court of Justice in Luxembourg. At the same time, beyond traditional financial reporting, we also started to report on the economic value we create for all our stakeholders. This could be an interesting way to progress towards a real "triple bottom line" reporting in the years to come, in order to further integrate sustainability issues into our daily decisions.

We are on track, running to win the marathon.



BERTRAND COLLOMB
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

OVERVIEW OF THE GROUP'S ACTIVITIES



Lafarge, founded in 1833, is today the world's leader in building materials and each of its four Divisions holds top-ranking positions: n°1 for Cement and Roofing, n°2 for Aggregates and Concrete, and n°3 for Gypsum. In 2002, the Group sales amounted to €14.6 billion.

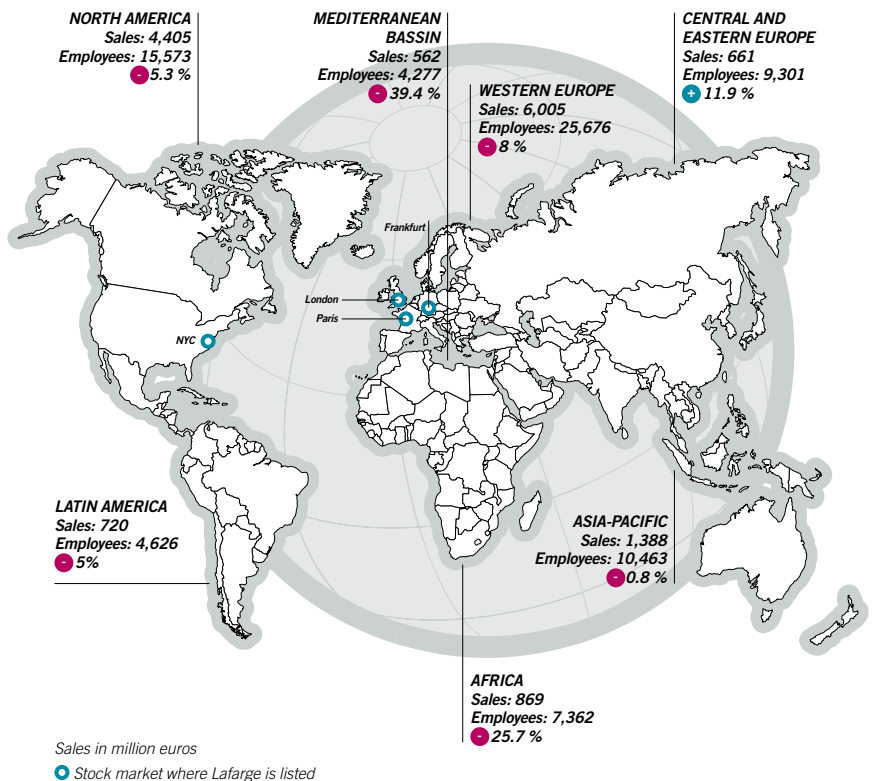
Our strategy is based on performance improvement and growth, especially in emerging markets. Our company is therefore confronted with constant evolution, which requires both strong internal culture and decentralized operational responsibilities.

Lafarge is present in 75 countries with a work force of 77,000 people.

Most activities are indeed based on local resources and serve local markets.

Thus, the acceptance of our activities by local communities in all regions of the world is a key component of our success.

In this context, our success is based on our ability to manage at best our different assets: our customers, our products, financial capital, human capital and natural resources.



1833
Creation of Lafarge

1956
First operations in North America

1959
First operations in Brazil

1972
Merger with Canada Cement

1980
Acquisition of Coppée

1990
First operations in Eastern Europe

1995
First operations in Asia

1864
Lafarge supplies lime for the Suez Canal

1930
First quarry rehabilitation in Draveil (France), now a protected site

1971
Industry agreement with the first French Minister of Environment on dust emissions

1977
First version of the Principles of Action

1982
Group starts using industry waste as fuel

1992
Lafarge co-founds the French association "Entreprises pour l'Environnement"

A COMPREHENSIVE RANGE OF QUALITY PRODUCTS AND SERVICES

Our mission is to provide builders with products, systems and solutions, which are reliable, innovative and cost-effective. Lafarge offers all construction industry players, from architect to tradesman, from distributor to end-user, a comprehensive range of products for each stage of the building process: cement, lime, aggregates, paving, concrete products, floor screeds, plasterboards, gypsum blocks, sprayable plasters, roof tiles, roofing and chimney systems. To improve building materials, Lafarge places the customer at the heart of its preoccupations, and offers the construction industry and the general public innovative solutions bringing greater safety, comfort and quality (integrated solutions in Roofing for example).

FINANCIAL ASSETS

The access to financial capital is essential for every company that seeks growth. Lafarge's competitive advantage and attractiveness are based on our presence on the various stock markets (Paris, New York, Frankfurt, London), on our inclusion in key indices (Dow Jones, DJ EuroStoxx 50, CAC 40, etc.), on our financial performance and the perception of financial analysts.

HUMAN ASSETS

One of our key factors of success resides in the skills, experiences, diversity, and motivation of our 77,000 employees and thousands of subcontractors and suppliers, but also in our ability to maintain our reputation of a "great place to work" in order to attract new talents (see page 28). Locally or on a global scale, we compete with other industrial companies to attract and retain the best managers, researchers and employees.

NATURAL RESOURCE ASSETS

Natural capital refers to natural resources (land, water, stone, sand) and also includes the Earth's capacity to absorb our emissions and waste. In this domain, Lafarge competes with other extraction companies, as well as land users such as farmers, landscape protection associations, and even future generations.

Our approach regarding natural capital is two-fold:

- First, we intend to protect our natural capital in developing know-how to reduce our negative impacts (in rehabilitating our quarries for example);
- Second, we aim to reduce the cost of access to this natural capital by improving our capacity to obtain permits and gain public acceptance for opening and extending quarries and new plants or for burning waste fuels.

Our competitive advantage in these domains relies on our environmental performance and the way it is perceived by public authorities, activist groups and local communities.

FROM RAW MATERIALS TO BUILDING MATERIALS

- Cement uses limestone as raw material, it is used as a binder in concrete.
- Concrete is a mix made of cement, aggregates, water and chemical additives and is used to construct houses, buildings, bridges, dams, etc.
- Aggregates include various types of sand and rocks in all sizes. Aggregates are the third most consumed resource after air and water. They are used both in concrete and directly as building material for other applications such as roads and rail ballast.
- Roof tiles are made of clay or concrete.
- Gypsum is used in plasterboards for indoor partitions, floors, ceilings and insulation linings as well as for plaster blocks, building and industrial plasters, and self levelling screeds.

All these building materials are made primarily from the raw materials extracted from our quarries.

WASTE RECOVERY SOLUTIONS

Our industrial activity from product design to processes and logistics led us to develop a waste management solution. By transforming waste into a resource, either through re-use as a raw material substitute, or as an alternative fuel, Lafarge provides an important service to local authorities and other companies. Both solutions contribute to financial and ecological savings.

1995
Lafarge co-founds the WBCSD Group's Environmental Policy first internal environmental report
Launch of the international employee share ownership program

1997
Acquisition of Redland strengthens the Group in Aggregates and Concrete and allows it to enter the roofing market

1999
2nd phase of the employee share ownership program

2000
Lafarge selected by the Dow Jones Sustainability Index (DJSI)
Publication of Lafarge and the Environment Launch of the WBCSD study: towards a sustainable cement industry
Lafarge is the WWF's "Conservation Partner"

2001
Acquisition of Blue Circle
Lafarge is No.1 in cement worldwide and listed on the NYSE
Award for our first Sustainability report

2002
Publication of the WBCSD study and agenda for action

3rd phase of employee share ownership program

2003
Launch of Leader for Tomorrow
Lafarge signs the UN's Global Compact
Second Sustainability report





OUR APPROACH TO SUSTAINABILITY

VISION AND
STRATEGY

STAKEHOLDER
ENGAGEMENT

SUSTAINABILITY
MANAGEMENT



VISION AND STRATEGY

"LEADER FOR TOMORROW"

This is a company-wide project designed to reaffirm Lafarge's values, communicate the vision and strategy, modernize the management approach, and develop our performance culture in mobilizing every employee. It was announced in September 2002 after a 4-year period of rapid growth in which the company doubled in size, establishing the Group as the world's number one building material company and significantly increasing its complexity.

The Group's new Principles of Action, published in spring 2003 are a result of this project.

STRENGTHENING OUR LEADERSHIP

With a leadership position in each of our business lines, we are now the world leader in building materials. This gives us the strength and the opportunity to shape and develop the future of our industries. Our goal is to strengthen this leadership position by being the best, through our commitment to be:

- the preferred supplier for our customers;
- the preferred company for our employees;
- the preferred partner for our communities;
- the preferred investment for our shareholders.

We believe that Lafarge will only succeed in creating value for all these stakeholders by contributing to economic, social and environmental progress.

Cement, Aggregates and Concrete, Roofing and Gypsum will give us ample growth potential for the next several years. Each of these business lines will contribute by growing faster than the competition and average market trends. Our objective is to grow at double digit rate over the coming years.

We will achieve this by :

- accelerating our organic growth through the development of innovative products, systems and solutions, and through an increasing share of the fast-growing markets in our portfolio,
- conducting acquisitions in the context of continuing consolidation of our industries.

HOW CAN WE MAKE OUR GROWTH SUSTAINABLE ?

In years to come, the trend of growing demand for building materials will continue, particularly to meet emerging countries' needs. Assuming no changes in current practices, the CO₂ emissions from the global cement industry - which are one of its main environmental impacts - could be expected to be quadrupled by 2050*. Construction materials being one of the basic human necessities, we will have to reconcile our ambition to contribute to human development through our products with our commitment to act responsibly toward climate change. Lafarge external growth, since our carbon efficiency performance is better than the industry average, should help limit the overall cement industry's carbon emissions. In addition, we are convinced that Lafarge's worldwide presence associated with global standards encourages the transfer of climate friendly technologies and know-how to emerging countries.

Nevertheless, as industry leader, we recognize our responsibility to research and foster innovative solutions in these three ways:

- Reduction of our net CO₂ emissions (see page 40) through our manufacturing processes.
- Improvement of product value combined with the development of lighter materials and lower carbon content.
- Helping our customers reduce their own carbon emissions through sustainable architecture solutions (see page 44).

*WBCSD Study - Battelle Memorial Institute

STAKEHOLDER ENGAGEMENT

IDENTIFYING, EXCHANGING VIEWS AND ACTING WITH OUR STAKEHOLDERS

Consultation with all types of stakeholders

Our stakeholders are individuals or groups which have an influence on, or are influenced by our activities: shareholders, clients, employees, trade unions, authorities, communities, partner companies, etc.

We dialogue with them at three levels:

- At the local level, dialogue is part of the site's management. It is necessary for opening a site, running a plant and maintaining our "license to operate" within the community.
- At Business Unit level, we also have well-established relationships with stakeholders and try to better understand and address their expectations.
- At the Group level, the stakeholder consultation process beyond the traditional Public Affairs approach is relatively new in Lafarge's history. The consultation of sustainability experts and activists (NGOs, scientists, specialized agencies and analysts) initiated with WWF, before our first sustainability report, continues to help us in better understanding and preparing for future progress.

Responsibilities to our stakeholders are three-fold:

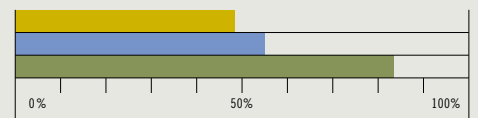
- Provide information they expect within the boundaries of technical feasibility and commercial confidentiality.
- Listen, understand and address their expectations, to assure our "license to operate" as well as short and long-term success.
- Encourage mutual exchange in order to benefit from their committed support and to encourage the integration of sustainability principles in their practices.



"The first report does not make clear whether Lafarge has started in-depth work with stakeholders who are interviewed in the report, and to what extent Divisions and Business Units have been associated with the process. They should define clear stakeholder dialogue procedures and policies, to be applied in each country."

JULIAN ORAM | NEW ECONOMICS FOUNDATION

External stakeholder relations



SAM/DSI ratings for 2002 performance
 ● Industry average ● Lafarge ● Best company

CASE STUDY

STAKEHOLDER DIALOGUE IN PORT LA NOUVELLE CEMENT PLANT IN FRANCE

Since 2000 the cement plant of Port la Nouvelle has initiated a local dialogue. Six meetings have brought together 30 people: Lafarge employees, local authorities, representatives of education, neighborhood associations and members of the medical profession. These meetings are designed to enhance the understanding of production processes and to improve the relationships with the plant staff. Participants set the agenda for each meeting to tackle questions related to the cement plant activities and their impacts on daily local life. Discussions have included smokestack emissions, dust, fuels used in the production process, control procedures, quarries, transportation methods, commercial organization, subcontractors, possibilities of local partnerships, qualifications required for employment in a cement plant, quarry management process and cement production process. At each meeting, Lafarge employees report on emissions and alternative fuels. Satisfying results have been obtained for both the plant and the community. In March 2001, a project was presented to stakeholders for use of animal meal as an alternative fuel, and a system was implemented to prevent unpleasant odors, following comments by community members. This type of dialogue is now standard at all French cement plants and has become the basis for such partnerships in other countries, as part of the Advance Program (see page 12).





“Lafarge will have to formalize its relationships with NGOs, beyond the Sustainability report and all year round, with working sessions for example.”

JEAN-PIERRE EDIN | ROBIN DES BOIS
(FRENCH ENVIRONMENTAL NGO)

MAIN ACTIONS SINCE THE LAST REPORT

WBCSD Cement Initiative’s large-scale consultations

The WBCSD Cement Project, involving Lafarge and nine other cement companies, was also a framework for stakeholder dialogue. Seven dialogue sessions were held in Brazil, Thailand, China, Portugal, Egypt, USA and Europe, involving more than 300 people from producers associations, environmental NGOs, development organizations, policy-making bodies, employees, suppliers, customers, etc.

Our stakeholders feedback survey and meeting

To prepare our second Sustainability report, we organized a structured feedback survey based on the previous report. Twenty experts in corporate sustainability across the world were interviewed. The results of the survey were publicly released during a session which involved forty stakeholders from various French and international organizations as well as Lafarge’s sustainability team.

In-depth collaboration with our partner WWF

The global milestone “Conservation Partnership” with WWF started in 2000 to elaborate joint managerial solutions and indicators on relevant issues, such as the reinforcement of the environmental policy at Lafarge, greenhouse emissions, biodiversity, and restoration of ecological stability in forests. Through Lafarge’s support and experience in quarry rehabilitation, WWF has begun “Forest Landscape Restoration” activities in ten major regions of the world. “Forest Landscape Restoration” requires multiple levels of intervention: some activities have been research-based, others are focused on addressing policy issues, while some have begun engaging local communities and other stakeholders to restore their landscapes.

Dialogue on social standards and local development

- We have initiated a dialogue with trade union federations, among which the International Federation of Building and Wood Workers (IFBWW) and the World Federation (see page 31).
- Since the beginning of 2003, CARE - one of the largest human development NGOs is a member of our Africa Health Committee to tackle the HIV /AIDS issue. We conduct ongoing discussions with CARE in a global partnership to set common targets. We plan to extend this agreement to other regions and other development issues (see page 53).
- Our partnership with Habitat for Humanity is a “bottom-up” initiative. Local cooperation at many sites resulted first in regional partnerships, and we are in the process of extending it to a global agreement (see page 34).

Lafarge top executives meet eco-architecture experts

In February 2003, we organized a meeting with various international experts in sustainable architecture, including Bill Browning from the Rocky Mountain Institute (US), Pooran Desai from Bioregional (UK), Michael Braungart from EPEA (Germany), and finally Ray Anderson, CEO of Interface (US). Chaired by Bertrand Collomb, this first meeting at executive level aimed to open a dialogue and identify potential synergies to address the challenges of sustainable architecture.



CASE STUDY

MONITORING BIODIVERSITY IN RESTORED QUARRIES

In Austria, Lafarge and WWF, in partnership with a university and local stakeholders, have designed a biodiversity monitoring system for restored quarries. This system is being implemented in 2003 at the Mannersdorf limestone quarry and will help assess the effectiveness of quarry rehabilitation techniques with respect to improving biodiversity. It will enable Lafarge and WWF to jointly measure the range of plants and animals that can reintegrate a quarried site and their evolution over time.

CONTRIBUTING TO PUBLIC POLICIES

One of our key responsibilities and the related success factors rely on our ability to participate in shaping future regulatory frameworks. The building material sector is not well-known among government circles: therefore Lafarge “public affairs”, or lobbying activities, have a crucial importance at regional, national and international levels.

A formal European network for “public affairs” assembles people in charge of lobbying in the four Divisions and in several national Business Units (today France, Germany, Austria, United Kingdom, Italy, Spain, Turkey, Greece, Romania and Poland). This network composed of 20 people meets once a year (a core group of 10 meets three or four times a year). The purpose is to better coordinate Group positions so that they can be defended at European level by different member states and relayed to different industry federations.

At the Group level

The VP Public Affairs and Environment takes part in many public conferences on strategic issues, especially on climate change and corporate social responsibility (see page 41) and participates in international organizations (such as WBCSD or European Roundtable - gathering 43 CEOs of European leading companies to facilitate stable economic growth); or national associations (such as AFEP, EPE, Institut de l'Entreprise, MEDEF). Lafarge believes that industry in general will benefit from careful consideration of sustainability issues, and aims to engage other stakeholders by sharing our experience. In September 2002 in Johannesburg Lafarge collaborated with BP and WBCSD's President Bjorn Stigson to elaborate the Greenpeace/ WBCSD joint statement on climate change, which supports the implementation of an international framework based on the Kyoto Protocol.

At divisional level

Lafarge's managers are actively involved in industry federations, such as the Council for European Producers of Materials for Construction, European Aggregates Association, Eurogypsum (Association of European Gypsum producers) or Cembureau (the European Cement Makers Association)

At national and local levels

In all countries, managers are also members of industry federations. In North America (US and Canada), for example, Lafarge has a very active government affairs program that addresses international, Federal, and State/Provincial legislative and regulatory matters. Among the issues addressed in 2002:

- the implementation of a plan for the Kyoto Protocol in conjunction with Canadian government,
- the development of environmental management standards with government agencies (air pollution, cement kiln dust),
- a review of health and safety (hazcom) standards, vehicle taxes (off road vehicle user fees), and logistics regulations (US Coast Guard standards).

At the State level, we worked with various states to obtain training grants, to influence various transportation regulations (ballast water regulations on the Great Lakes), and to influence various tax related issues.



While companies may be pursuing internal policies to improve their social and environmental performance, they are often counter-balanced by cynical lobbying work which seeks to undermine regulatory frameworks that could give teeth to CSR principles.”

JULIAN DRAM | NEW ECONOMICS FOUNDATION

“Lafarge does not behave proactively enough given its reputation and potential for influence for better public governance regarding the government and industrial or environmental orientations to be adopted.”

PIERRE-HENRY LEROY | PROXINVEST



www.lafarge.com

- Results of WBCSD consultations
- Lafarge feedback survey summary and list of stakeholders involved
- Set of local case studies
- WBCSD/ Greenpeace joint statement
- List of Lafarge memberships in industry associations at Division's level
- Lafarge's public position on greenhouse effect

SUSTAINABILITY MANAGEMENT

ADAPTING OUR MANAGEMENT SYSTEMS TO THE SUSTAINABILITY CHALLENGE

Balancing the role of corporate culture and the role of management systems

We believe that sustainability should not be limited to a network of specialists. Each manager should be aware of his or her responsibilities and understand the business case for a sustainability approach instead of just seeing it as a new constraint.

To meet this challenge, it is crucial for managers to understand sustainability and what it means for each business. Indeed, sustainability often means doing things differently rather than “doing more” or “doing less”. Translating sustainability into company culture as well as into formal management systems plays a key role to help balance short and long term priorities.

Balancing short and long-term priorities

Designing answers to complex sustainability challenges such as climate change requires long term vision and adapted management systems. One of the strengths of our industry is that “long term” perspectives are already taken into account in many daily decisions and investments. Quarry lifetime for example can be up to 50 years including a rehabilitation plan, a concrete plant can last up to 25 years. However, timescales taken into account are in many cases much shorter because of elements such as shareholders and financial analysts expectations, annual individual performance appraisals, manager mobility (on average 3 years in one position), etc. Therefore, in some cases, a potential business solution to our sustainability challenges could only prove to be profitable in a period that exceeds the timescale taken into account in our decision making process.

Some stakeholders, such as our partner WWF, challenged us to further address this contradiction, by integrating longer timescales in strategic areas such as scenario planning, research programs or managers’ personal objectives. As a first attempt to do so, we have begun to redesign top management’s agenda in order to specifically address sustainability issues (see page 13) in a pro-active way. This section explains the current state of progress: how sustainability is managed and implemented within the Group, through which channels and to what extent.

THE “INITIATOR”: OUR SUSTAINABILITY MANAGEMENT TEAM

- As defined in our 2001 objectives, a Sustainability Committee chaired by Lafarge Vice Chairman and COO Bernard Kasriel, was created in 2002. Division Directors and Corporate departments meet two or three times a year to decide on sustainability issues and elaborate strategy for the future.
- The Vice-President Public Affairs and Environment, reporting directly to the Group’s CEO, is responsible for coordinating all sustainability issues. Two Vice Presidents assist her:
 - The Vice-President Environment, responsible for shaping the Group’s environmental policies and standards and coordinating the Divisions’ environmental networks.



“We need a more prospective view to 10, 20 or even 50 years because the changes necessitate a very long term perspective for the industry-sector.”

BRUCE VIGON | BATTELLE

“Sustainability is fundamentally an internal process: as long as policies are not included in procedures at all different levels, it will be very difficult for Lafarge to reach the announced objectives.”

JULIAN DRAM | NEW ECONOMICS FOUNDATION

EXAMPLES OF STRATEGIC TOOLS TIME SCALES

- > The Corporate Research Department works on projects to be developed within the next 2 to 5 years. In addition, they conduct an ongoing alert activity on new technologies and long term trends that can affect our businesses.
- > Strategic scenarios are designed until 2010. WBCSD Agenda for Action in the Cement sector gives targets up to 2006.
- > Our CO₂ reduction commitment is set for the 1990-2010 period.



www.lafarge.com

- Principles of Action
- Environmental Policies
- Social Policies Summary

- The Vice-President Social Policies reporting to the Executive Vice-President Human Resources and Organization, is in charge of coordinating social responsibility (health and safety, employees well-being, employee share ownership, plant closures, human rights, community development). Social policies and guidelines are implemented through the Division's organizations by the Human Resources network (about 120 VP) or issue-specific contacts.

**THE GUIDELINES:
PRINCIPLES OF ACTION AND GROUP POLICIES**

- Lafarge Principles of Action, defined at the Group level, reflect Lafarge commitments and vision. Lafarge formalizes its Group policies based on the Principles of Action and major stakeholders expectations. They are adopted at Division and Unit levels through programs incentives, specific objectives and performance measurement tools.
- In 2002, Lafarge has reviewed its environmental policy and published a new version that reflects the increasing expectations of the world around us as well as emerging environmental issues.
- In 2003, the Principles of Action and the Human Resources Policies (written in 1999) will be revised to reflect emerging issues.

How do our policies cover corporate social responsibility issues?

The table below presents how the main sustainability issues identified through stakeholder consultation are currently covered by our various policies.



"The second report become more strategically important if Lafarge would link their Principles of Action to a scientifically sound framework for sustainability."

ANDRÉ HEINZ | THE NATURAL STEP (ENVIRONMENTAL NGO)

"ISIS AM believes that good management of sustainability issues contributes to shareholder value in the long-term: a company's governance of corporate responsibility issues is usually a good indicator of the overall quality of management. We therefore welcome Lafarge's commitment to identifying, assessing, and managing its key sustainability impacts."

CLAUDIA KRUSE | ISIS ASSET MANAGEMENT, FIRST EUROPEAN SOCIALLY RESPONSIBLE INVESTOR, LAFARGE SHAREHOLDER.

ECONOMY	SOCIETY	ENVIRONMENT
Transparency and Integrity ▲	Stakeholder dialogue ■	Air and water emissions, noise ■
Respect shareholders interests ●	Health and Safety ▼	Raw material consumption and substitution ■
Long-term strategy ▲	Wages, benefits, training and career management ▼	Waste reduction ■
Ethical Investment -	Redundancy issues ▲	Quarry rehabilitation ■
International approach with respect of the local specificities ▲	Diversity ▲	Extraction impacts on biodiversity ■
Governance structures ▲	Human Rights in labor (ILO standards) ▲	Energy consumption and CO ₂ emissions ■
Contribution to local development ▲	CSR in Community relationships ▲	Transport -
Competition and pricing -	Suppliers and subcontractors social performance -	Suppliers and subcontractors performance ■
Trend setters ▲	Management systems for bribery and corruption risks -	Minimizing plants end of life impacts ■
		Product stewardship ■
		Sustainable architecture ■
		Products end of life ■

Explicitly covered by our:
 ▲ Principles of action only
 ● Financial policy
 ▼ Human Resources policies
 ■ 2003 Environmental policy



DIVISION PERFORMANCE PROGRAMS

Each Division has a dedicated performance support structure and program, which provides all Business Units with operating responsibilities and objectives, since performance is the principal source of value creation. Performance objectives of Business Units now include sustainability, particularly in the Cement and Gypsum Divisions.

Cement: Advance Program

Advance is a continuous program designed to drive the Cement Division in the spirit of *Leader for Tomorrow* (see page 6). It is a new integrated and transversal approach to performance, much larger than industrial performance alone. It is based on five equally important areas, representing the key value drivers of our business (strategy, marketing and sales, industrial, performance culture and sustainable development).

- Each area is subdivided into factors of success. Regarding sustainable development, four priority factors have been identified for 2003: resource recovery (waste management), CO₂ and climate change, stakeholder relationships and safety.
- For each factor, Business Units will go through a detailed process: self-assessment (with assessment tools provided), prioritization and action plan. The program will be launched and implemented in all Business Units worldwide in 2003. Sustainable development will then be completely integrated into the Cement Division daily management.

Gypsum: “Excellence is our commitment”

A structured management program is in place, supported by a strong internal communication campaign addressing Quality, Safety, Respect for the environment, Innovation, Client satisfaction and Sharing experience.

A SUPPORT ROLE OF CORPORATE DEPARTMENTS

The role of corporate departments is to design Group policies, implement, and roll out transversal tools or programs throughout the company in each strategic area. In this context, the “sustainability team” has the responsibility to assist the other corporate departments in defining their approach to integrate the Group sustainability commitments in their areas. In 2002 we initiated a systematic review to identify the potential role of each department in promoting sustainable development.

The next chart sums up the first results of the review. Next year, three departments (Research, Marketing and Purchasing) will go further in defining responsibilities and specific objectives.

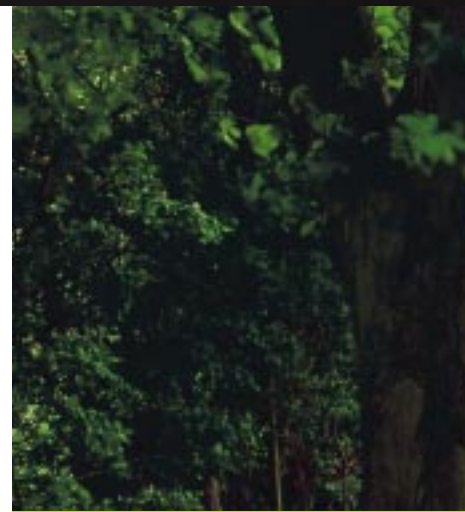
INTEGRATION OF SUSTAINABLE DEVELOPMENT INTO CORPORATE DEPARTMENTS AGENDA

CORPORATE DEPARTMENTS	IDENTIFICATION OF EACH DEPARTMENT ROLE IN PROMOTING SUSTAINABLE DEVELOPMENT, GIVEN THE GROUP'S COMMITMENTS AND ISSUES ANALYSIS	<i>Compliance with international and national legal standards</i>	<i>Projects targeted on sustainability in 2002, beyond compliance</i>	<i>Integration of formal sustainability objectives</i>	<i>Tool-Design for group-wide sustainability</i>	<i>More on page</i>
STRATEGY	- Develop business models to tackle long term issues. - Integrate sustainability factors in country risk assessments.	■	■	■		6,7 and 33
FINANCE AND CONTROL	- Gain know-how in CO ₂ trading. - Explore economic accountability tools and reporting systems that integrate externalities.	■	■			24 and 25
RESEARCH	- Integrate sustainability criteria into product risk assessment and development. - Develop research programs targeted at sustainable development issues.	■	■	■		40
HUMAN RESOURCES	- Develop social management framework. - Implement Key Performance Indicators and reporting systems on social policies (Focus on Health and Safety in 2002).	■	■	■	■	26-35
PUBLIC AFFAIRS*	- Ensure coherence between the Group's analysis of sustainability issues stakeholders outreach and various lobbying activities.	■	■	■	■	9 and 41
ENVIRONMENT*	- Develop stakeholder dialogue at corporate level. - Implement the Environment Policy into Lafarge operations.	■	■	■	■	8 and 10
PURCHASING	- Integrate sustainability criteria into the decision-making process: subcontractors identification, contracts. - Monitor contractors performance based on sustainability criteria.	■	■			31
MARKETING AND E-BUSINESS	- Identify customers sustainability expectations as well as health and safety requirements. - Promote sustainable development among customers, eco-architecture being the main issue.	■				44 and 45
LEGAL AFFAIRS	- Ensure alignment of corporate governance policy with the Group commitments. - Manage and anticipate legal risks related to sustainability issues.	■				20 and 21
INVESTORS RELATIONS	- Answer socially responsible investors' questions. - Increase "traditional" investors' awareness regarding sustainability.	■	■			18-19
COMMUNICATION	- Communicate the Group's sustainability commitment. - Develop local stakeholder dialogue.	■	■			7
AUDIT	- Keep on integrating environmental health and safety criteria into site audits. - Develop processes to audit the sustainability approach. - Monitor sustainability performance self-assessments.	■	■			27 and 42
	■ Yes No					

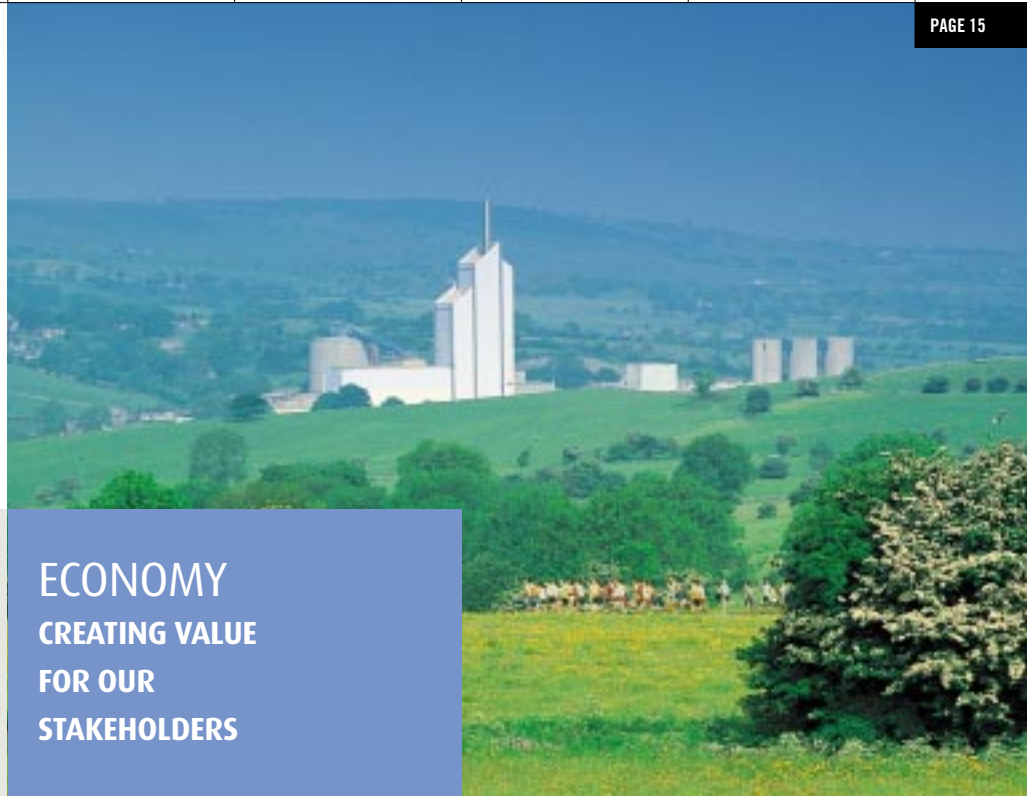
* A single corporate department is in charge of both areas.



SOCIETY
MAKING A DIFFERENCE FOR
OUR EMPLOYEES AND LOCAL
COMMUNITIES



ENVIRONMENT
REDUCING
OUR ECOLOGICAL
FOOTPRINT



**ECONOMY
CREATING VALUE
FOR OUR
STAKEHOLDERS**

FOLLOW-UP OF OUR PERFORMANCE

