“It is our ambition to contribute to building better cities to help address the challenges of urbanization today and for the coming decades. Our commitment to sustainability is an integral part of this ambition. It underpins our relations with all our stakeholders and informs the choices we make in favor of responsible growth and the preservation of nature.”

BRUNO LAFONT, Chairman and Chief Executive Officer
HIGHLIGHTS FROM 2013

BUILDING THE CIRCULAR ECONOMY
FURTHER REDUCTION IN OUR CO₂ EMISSIONS PER TON OF CEMENT

We recorded a 26% reduction in our CO₂ emissions per ton of cement in 2013 compared to 1990, thanks to kiln energy efficiency, the use of alternative fuels and the reduction in the clinker intensity of our cements.

STRATEGIC PARTNERSHIPS IN MUNICIPAL WASTE TREATMENT AND BIOMASS SOURCING

In 2014 we will continue to develop partnerships to strengthen our municipal waste offer and secure our biomass supplies, in particular through agroforestry projects in emerging markets.

BUILDING COMMUNITIES
LAUNCH OF GROUP-WIDE VOLUNTEERING PROGRAM

Our volunteering program aims to strengthen the Group’s contribution to building better cities and to local communities around our sites. We recorded over 57,000 volunteering hours in 2013, the first year of the program.

PROGRAMS TO PROMOTE EDUCATION AND JOB CREATION

In 2014 we will focus on developing new country-level programs to support education and vocational training, one of the many ways in which Lafarge can contribute to local socioeconomic development.

ACCELERATION OF OUR AFFORDABLE HOUSING PROGRAM

We continue to expand our portfolio of affordable housing projects. By the end of 2014 our objective is to have launched projects in around 20 countries, in particular in Northern and Sub-Saharan Africa, Asia and Eastern Europe.

BUILDING SUSTAINABLY
A SEMINAR FOR THE MICROFINANCE COMMUNITY

We aim to become a main convener among the key actors in the global microfinance market. In 2013 we organized a workshop in the Philippines bringing together actors representing 10% of this sector, to share their experience and best practices.

SOME PROJECTS FOR 2014

“MAKING A NET POSITIVE CONTRIBUTION TO SOCIETY AND NATURE”

BRUNO LAFONT
Chairman and Chief Executive Officer

Today, companies are judged not only on their financial performance, but also on the way in which they manage their business and their capacity to create value for all their stakeholders. We are accountable to our employees and our clients, but also to the communities living in the countries where we operate. In short, we have a responsibility to the planet and to society as a whole.

The United Nations Post-2015 Sustainable Development Agenda is currently outlining new goals to address global challenges, ranging from the eradication of poverty and the reduction of inequalities, to climate change mitigation and adaptation. Companies must be stakeholders in this ambitious project.

This is the context in which we have defined our ambition of contributing to building better cities. Urbanization is the foremost challenge of the 21st century, and requires that we address a range of issues, from housing for all, infrastructure, transport and the living environment to the reduction of greenhouse gas emissions and pollution. We are committed to developing the products and solutions that will make construction better, faster and less expensive and to integrating sustainable development at every level of our business.

It has been our conviction for many years that the success and development of an international Group such as ours depends on adopting a long-term strategy, one that shows respect for communities and for nature, as defined in our Sustainability Ambitions 2020. This program is organized around three main pillars – social, economic and environmental – and includes 34 ambitious objectives.

In 2013 our efforts were geared towards accelerating and scaling up our sustainability initiatives to reach our Sustainability Ambitions 2020 targets. Health and safety remains our number 1 priority. In 2013 we continued to make progress towards reducing the number of accidents, but we will not be totally satisfied as long as there are fatalities, particularly related to transport. Our efforts to reduce our CO₂ emissions and increase the use of alternative fuel are producing results. Sales of sustainable products and services, which represented €1.8 billion in 2013, demonstrate our commitment to delivering innovative solutions addressing market needs.

Our Sustainability Ambitions 2020 program has a clear target: we must embed the imperatives of sustainable development throughout our business to make a net positive contribution to society and nature. We are determined to do so.
COMPANY PROFILE

Lafarge world presence

A top-ranking player in the cement, aggregates and concrete industries, we contribute to the construction of cities around the world. Our innovative solutions provide cities with more housing and make them more compact, more durable, more beautiful and better connected. With annual sales of €15.2 billion, operating in 62 countries and employing 64,000 people, Lafarge is a world leader in building materials.

KEY FIGURES

Revenues
€15,198 m

Net income
Group share
€601 m

Number of countries
62

Number of employees
64,000

Number of sites
1,636

Of which
number of quarries
726

OUR STRATEGY

“Building better cities” expresses our ambition to play a leading role in addressing global trends and challenges. This also translates into having processes that integrate sustainability into the way we do business and working in the interests of society and the planet.

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OUR AMBITION: BUILDING BETTER CITIES

The world’s population is expected to exceed 9 billion by 2050, and roughly 70% of these people will live in towns and cities. Urbanization brings its set of challenges: managing urban density and traffic flows better, providing access to decent housing for all, improving the quality of housing and building infrastructure, while reducing natural resource wastage, pollution and greenhouse gas emissions.

As a world leader in building materials, Lafarge has an essential part to play in this evolution. In 2013, we defined a new positioning which will enable us to meet both the quantitative and the qualitative needs of this extraordinary market through our five key objectives of contributing to building cities with more housing, and which are more compact, more durable, more beautiful and better connected.

STAYING AHEAD THROUGH INNOVATION

Innovation lies at the heart of our strategy and goes beyond Research and Development. It primarily means a customer-centric approach and a thorough understanding of each market, allowing us to develop innovative offers. This is why our new organization has been designed to enhance the promotion of our offer to the building and infrastructure market segments. For each market, we provide products, solutions and services that will deliver added value for our customers and growth for our businesses.

The work of our Research and Development Center, located near Lyon, France, is leveraged by local development laboratories which develop solutions adapted as closely as possible to needs expressed in the countries. Following India, China and France, a fourth laboratory was inaugurated in Algeria in November 2013. A fifth is planned in Brazil in 2014.

IMPROVED PERFORMANCE FOR GREATER COMPETITIVENESS

Alongside innovation, performance is one of our main growth drivers. In order to improve our competitiveness, we are working on reducing our costs, optimizing our supply chain and boosting the productivity of our plants.

Energy accounts for one third of cement production costs (1). We are able to improve efficiency through better procurement management, preventing waste and increasing our use of alternative fuels. In 2013 we reduced our costs by €450 million. We have set a target of increasing our annual cement production by 13 to 15 million tons by 2015. To meet this objective, we have developed operating models for each of our business

1. Before distribution and overhead costs.
France was organized according to our market priorities with a dedicated team supporting technology transfers between countries. Roles within our local development laboratories contribute technical knowledge and market experience. To support our commercial transformation, the Group’s 3,000 sales personnel are undertaking a comprehensive training and development program, 1,400 of whom have been trained so far.

We also continue to promote diversity and professional development through training and career management. An action plan was launched in 2013 to increase the number of women holding senior management positions and allow the promotion of people from different backgrounds (rationality, socio-professional category).

The aim of Ambitions 2020 is to minimize our environmental footprint while maximizing the value created for all our stakeholders.

1,400 sales personnel within the Group have undertaken a comprehensive training and development plan to support our commercial transformation.

People at the Heart of Our Transformation

Human resources are a key element in our strategy supporting our commercial transformation. In 2013 the Research Center in Lyon, expanded in 2013 to optimize the supply of equipment and replacement parts for our plants. We have also implemented an action plan intended to reduce the set-up costs of our plants and sought to raise the professionalism of the supply chain function, which plays a part in all phases of production and distribution.

A Long-Standing Commitment to Sustainable Development

For Lafarge, the ambition of contributing to building better cities entails not only improving the quality of life of city-dwellers but also creating value for everyone. This ambition encompasses our employees and all those stakeholders impacted by our operations, including shareholders, customers, governments and communities situated in the vicinity of our sites.

Our growth and competitiveness are inextricably linked to the quality of living conditions in the places we operate. There can be no sustainable economic development without the preservation of nature.

Our commitment to sustainability translates directly into operational and business performance. Back in 2001 we targeted a 20% reduction in our carbon emissions per ton of cement by 2010 and reached this goal a year ahead of schedule. In 2007 we launched our Ambitions 2012 program which enabled us to move our sustainability practices forward. Encouraged by this success, we have launched a second, broader sustainability program, with more ambitious goals.

Ambitions 2020: Going Further

Our Sustainability Ambitions 2020, introduced in 2012, is the most comprehensive and far-reaching program in the sector. It covers all dimensions of sustainable development - social, economic and environmental - considering them as a whole. Focusing on key issues for our Group, as well as our stakeholders’ expectations, we have identified ambitious, quantified targets for priority action (see Materiality Matrix opposite).

The Ambitions constitute the Group’s roadmap for making a net positive contribution to society and to nature. The aim is to minimize our environmental footprint while maximizing the value created for all our stakeholders.

Further Integrating Sustainability into Our Business Strategy

Our ambitions for sustainability are a key growth driver. Our sustainability strategies directly contribute to our industrial and commercial development in each country.

To do this, we have developed a unique methodology called the Lafarge Sustainability Compass, which we intend to roll out in 2014 in all of our countries. It consists of three phases, the first of which provides countries with an objective assessment of their maturity level in ten main impact areas (water, biodiversity, health and safety, employment, climate change, etc.). Country management teams then identify the key issues for their business and their stakeholders. Finally, by consolidating all this information, countries select the priority areas on which to act. This methodology will enable countries to draw up action plans that take into account local sustainability imperatives, combining growth in their business with ambitious targets for sustainability.

Materiality for Lafarge

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BUSINESS ETHICS

Business ethics is embedded into our governance principles and is the framework of our social and environmental responsibility. It is also a core part of our risk management systems. The Group Executive Committee and Country CEOs are ultimately responsible for ensuring that business ethics policies are implemented in our strategies and operations, under continuous monitoring by the Board of Directors, that also continuously reviews our corporate governance.

Our Code of Business Conduct in Practice: Going Beyond Compliance

Our Code of Business Conduct (CoBC) was first adopted in 2004. To ensure the effectiveness of the CoBC, all newcomers are taken through it upon their arrival in the Group. Specific training modules exist for our employees and we have developed a multi-language awareness booklet, including an e-learning module, available in all countries where the Group operates. As part of our commitment to go beyond compliance on these issues, we are also an active member in working groups and policy advisory committees related to business ethics.

The same high standard of professional conduct is also expected of all of our suppliers worldwide when dealing with Lafarge and our employees. This extended responsibility was formalized in 2013 through the adoption of a supplement to the Code of Business Conduct, aimed at Lafarge suppliers.

Managing the Risk of Corruption

Our dealings with governmental entities mainly relate to our license to operate: i.e. the granting or renewal of permits for our plants and quarries. We have a zero tolerance policy on corruption. In order to avoid any complicity in corruption issues, we have put in place specific procedures on fraud and anti-corruption and rolled out guidelines on gifts and hospitality. Our guidelines on anti-corruption frame our practices with regards to all donations. New, more stringent Group rules were developed in 2013 with regards to contracts with intermediaries. All such contracts must be approved by the Country CEO and those above a certain amount must be signed off by the Group General Counsel and the relevant Group EVP in charge of Operations. Specific rules also apply in certain countries, such as the participation in Political Action Committees in the United States. In 2013 Lafarge was rated “best-in-class” on prevention of corruption by the French Service Central de Prévention de la Corruption.

Pursuing our Efforts on Antitrust

Competition issues are a risk inherent to our industry due to its capital-intensive nature. To address this risk, the Group has put in place a Compliance program since 2007, rolled out in all of our countries. It includes awareness, guidance, reporting and audits, with the Group legal department organizing verification exercises in countries to check compliance with local laws and the Group Competition Compliance Program. In addition, going beyond compliance with local regulations, the Group legal department organizes regular workshops to raise awareness of local management teams with regards to the latest competition cases and policy developments. As part of its advocacy initiatives, Lafarge maintains regular contacts with competition authorities worldwide and well-established organizations such as ICC, in a transparent manner.

Human Rights

Our Code of Business Conduct states that Human Rights must be addressed in business-decision making. In addition, Lafarge adheres to the major business ethics frameworks born from the United Nations: the Universal Declaration on Human Rights, the Declaration on the Rights of Indigenous People and the Guiding Principles on Business and Human Rights (also known as the “Ruggie principles”). As a member of the LEAD project of the United Nations Global Compact, Lafarge is committed to going beyond compliance on these issues. This means embedding the ten principles into our business strategies and operations, taking actions in support of broader UN goals and issues and engaging actively with the UN Global Compact. In 2013 Lafarge Chairman and CEO Bruno Lafont signed the Global Framework Agreement on Corporate Social Responsibility and International Industrial Relations with the UN Global Compact.

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For more information:
http://sustainabilityreport.lafarge.com
As an industrial Group with strong local roots, Lafarge invests in its operations for the long term and thus has a special responsibility towards society. This starts with our own employees, whose health and safety is our number one priority. Our impact on neighboring communities means that we must also play an active part in their socio-economic development. On a local level this takes the form of improving access to health services and education, taking part in urban development and environmental conservation programs and helping create businesses and jobs. These actions are carried out in consultation with local stakeholders and our employees have an opportunity to play a role, through volunteering programs in line with the Group’s values.
HEALTH AND SAFETY

Health and safety is our number one priority. By 2020 we want to attain world-class performance: zero fatalities and virtually no lost time incidents for our employees and contractors.

Our overall safety performance has improved significantly over the last 10 years as we have put in place more comprehensive policies and standards. However, we still need to do more to strengthen our health and safety culture and fully embed it into our business. In 2013 we recorded a strong reduction in our total Lost-Time Injury Frequency rate (LTIFR) – for employees and contractors - from 0.62 in 2012 to 0.49 in 2013. We also saw improvements in our on-site safety culture compared to previous years. Despite these improvements, we remain deeply concerned that we had 26 fatalities.

- Our priorities: Road safety and occupational health

Road safety remains the biggest health and safety issue in the Group. 19 fatalities occurred on roads in 2013, largely among contract transporters delivering product. As part of our Sustainability Ambitions 2020, we are committed to improving transport safety, with a 60% reduction in the number of road accidents per million km against a 2012 baseline. In 2013 we started rolling out road safety workshops in our countries, involving all relevant stakeholders: Country CEO and senior management, Country Supply Chain managers and road contractors. These workshops are aimed at engaging all key players and creating solid action plans to address this topic. Other specialized programs are running in our countries. For example, our business in Greece developed the People Transport Development Program, targeting Lafarge employees and their families, with the objective of creating a safe driving culture throughout the company. Fifty-three sessions were held in 2013, covering employees of all Lafarge sites in the country. In terms of health, we focused in 2013 on occupational health: putting systems in place to establish the medical fitness of our employees and contractors to perform their jobs. We are focusing on three specific areas of risk: noise, dust and ergonomics. Setting objectives and implementing programs in these areas as part of our Sustainability Ambitions 2020. We continue to address challenges such as identifying expertise in countries where there is a lack of industrial hygiene exposure measurements are performed, where some countries have been performing only limited measurements. In 2013 health assessment systems were developed in 60% of our countries. Going forward we will work with those countries that still need to do this and follow up on the assessments performed.

- Progressing towards a world-class health and safety culture

We are convinced that our performance in health and safety is linked to better operational efficiency.

Lafarge has established leadership within its sector and has delivered significant reduction in employee Lost Time Injuries over the last decade. This has been achieved by consistent visible leadership and the deployment of a robust management system.

There is however still a long way to go, in particular to address the major risks associated with road safety and distribution of Lafarge’s products. The number of fatalities is unacceptable and it is disappointing that there was no reduction achieved in 2013. Appropriate actions to raise awareness and deploy training are being taken but there needs to be a renewed focus and urgency if Lafarge is to achieve its ambition of zero fatalities.

Progress is being made with the Occupational Health program but it will take some time to be comprehensively implemented throughout the whole business. Consideration should be given to bringing forward the implementation timeline for the benefit of Lafarge employees and to add value to the business. The focus on culture and integrating Health and Safety into the new Plant Operating Model is welcome. In future reports it will be of interest to hear more of the challenges of delivering continuous improvement in Health and Safety performance as well as sharing the success stories.

Frank Rose
Independent

We are convinced that our performance in health and health is linked to better operational efficiency.

This is why we are seeking to embed health and safety more strongly into our business. For example, it’s fully integrated into POM 2.0, the new operating model for our Cement business, designed to improve plant mastery and competitiveness. Our commitment to health and safety must be renewed every day by each one of our employees, starting from the highest level of responsibility. Indeed, health and safety is first and foremost a leadership issue and this why part of our Group Bonus Plan depends on our managers’ individual performance and results in health and safety. Each country has decided on a targeted program to fit its safety maturity. For example, our business in the Philippines hired a US Occupational Safety and Health (OSHA) outreach trainer to provide advanced industry safety training to more than 40 members of its leadership team.
We believe that business acceleration starts with the development, well-being and engagement of our people as well as strong, constructive social dialog. That is why as part of our Sustainability Ambitions 2020 program, we are committed to enhancing diversity and inclusion, access for women to senior management positions and skills development. In 2013 we continued working towards these objectives, implementing new programs and tools to help countries in their journey.

LEADING BUSINESS ACCELERATION THROUGH SKILLS DEVELOPMENT AND MORE DIVERSE TEAMS

Developing our people is a vital investment and an important lever to ensure continued growth for our Group. As part of our Sustainability Ambitions 2020, to go beyond having all employees trained and qualified for their positions, we have set objectives to have 75% of our positions covered by certification programs and for 75% of our employees in those positions to complete the program. A certification program provides employees with master level skills. Our strategic orientation towards performance and innovation relies on our people to lead business acceleration. In 2013 the Group launched skills development initiatives targeted at specific groups spearheading our performance, innovation and commercial efforts. For example, we launched the “Make it Yours” initiative targeting our Innovation and Performance functions. Through this initiative, we are creating tailor-made Individual Development Programs for employees in key sales and production positions. Once employees have carried out specific development activities, they receive a certificate attesting to their newly acquired skills. 2013 also saw the launch of our new Plant Operating Model POM 2.0 designed to improve the mastery of the basics at our plants and make them more productive and competitive. By the end of 2014 all our plant managers throughout the world will have been trained on POM 2.0. Finally, as part of the overall professionalization of our functions, we launched the Sales Force Effectiveness program targeting marketing and sales teams. In 2013 1,400 marketing managers were trained throughout the world. Benefits of improved sales force effectiveness have been estimated at €105m additional EBITDA(1) in 2015 compared to 2011. Through diversity and inclusion, we aim to create an organization where our employees feel involved, respected and connected. Group performance and innovation thanks to diversity and inclusion is reflected in our Sustainability Ambitions 2020 objectives of having 35% of senior management positions held by women. Although this a challenging target, some of our countries are leading the way, such as Romania, where 60% of senior executives are women. 75% of our countries must also show a high level of diversity and an inclusive work environment. In order to progress on our ambitions, we designed and implemented in 2013 the Diversity & Inclusion Maturity index (see description hereafter).

STRENGTHENING EMPLOYEE ENGAGEMENT

Well-being at work is an essential factor for employee motivation and in turn for Group performance, exhibited for instance by performance, exhibited for instance by an important lever to ensure continued growth for our Group. As part of our Sustainability Ambitions 2020, to go beyond having all employees trained and qualified for their positions, we have set objectives to have 75% of our positions covered by certification programs and for 75% of our employees in those positions to complete the program. A certification program provides employees with master level skills. Our strategic orientation towards performance and innovation relies on our people to lead business acceleration. In 2013 the Group launched skills development initiatives targeted at specific groups spearheading our performance, innovation and commercial efforts. For example, we launched the “Make it Yours” initiative targeting our Innovation and Performance functions. Through this initiative, we are creating tailor-made Individual Development Programs for employees in key sales and production positions. Once employees have carried out specific development activities, they receive a certificate attesting to their newly acquired skills. 2013 also saw the launch of our new Plant Operating Model POM 2.0 designed to improve the mastery of the basics at our plants and make them more productive and competitive. By the end of 2014 all our plant managers throughout the world will have been trained on POM 2.0. Finally, as part of the overall professionalization of our functions, we launched the Sales Force Effectiveness program targeting marketing and sales teams. In 2013 1,400 marketing managers were trained throughout the world. Benefits of improved sales force effectiveness have been estimated at €105m additional EBITDA(1) in 2015 compared to 2011. Through diversity and inclusion, we aim to create an organization where our employees feel involved, respected and connected. Group performance and innovation thanks to diversity and inclusion is reflected in our Sustainability Ambitions 2020 objectives of having 35% of senior management positions held by women. Although this a challenging target, some of our countries are leading the way, such as Romania, where 60% of senior executives are women. 75% of our countries must also show a high level of diversity and an inclusive work environment. In order to progress on our ambitions, we designed and implemented in 2013 the Diversity & Inclusion Maturity index (see description hereafter).

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• a reduction in employee turnover. As part of our Sustainability Ambitions 2020 we aim to be recognized as an Employer of choice in at least 20 countries. In 2013 our businesses in Morocco, Brazil and France were recognized as Employer of choice. Moreover 18 countries, including Poland, Nigeria and India implemented surveys dedicated to well-being at work or employee satisfaction. While the 2013 global turnover resulting from all company departures (including divestments, redundancies, retirements, etc.) was 16.1%, Lafarge continues to attract and retain talents, as the employee turnover rate for those employees choosing to leave the Group (also included in the global turnover) was only 5.3%.

Social Dialogue for a Global and Shared Strategy

Lafarge values the involvement of employee representatives, especially in a rapidly changing business environment. In May 2013 we signed a new Global Framework Agreement with the Building and Wood Workers’ International (BWI) and IndustriALL Global Union covering corporate social responsibility and international industrial relations. At country level, employees and management have regular exchanges on Group strategy. In 2013 82.8% of countries informed their employees on business and strategy. In addition, health and safety and well-being at work remain the topics that are most discussed as part of our social dialogue. At the European level, Lafarge signed a declaration in May 2013 with its European Works Council and the European Federation of Building and Woodworkers on well-being at work which aims to enshrine key principles and promote Group best practices. Today 97.5% of our operations benefit from a Health and Safety committee, contributing to the improvement in our safety results.

Country Maturity Levels on Diversity & Inclusion

In 2013, 75% of our countries used our Diversity & Inclusion Maturity index to assess their performance. This index takes into account various areas such as gender diversity at senior management level, diversity of pipeline to senior management and diversity of Exec members. An annual questionnaire also assesses inclusiveness in the work environment. To enhance their performance, countries have started to develop action plans. For example, Lafarge Central Europe (LCE), currently Level B, plans on improving inclusiveness for new corners with a structured integration process. On diversity, LCE intends to vary recruitments thanks to more flexibility of job design, home office and part-time work.

Community Development and Outreach

Strong engagement with local stakeholders facilitates the delivery of our business objectives and supports the achievement of our Sustainability Ambitions 2020. We have therefore developed a Group methodology and tools to help sites to structure their approach locally.

Our products - manufactured from local resources and sold in neighboring markets - are essential to economic growth in the regions where we operate. In turn, our development is closely linked to communities around our sites. For Lafarge to thrive over the long term so must our communities. We have set ambitious objectives to promote local socio-economic development, including volunteering, job creation and a structured approach to stakeholder engagement. In 2013 we focused on the necessary organization to help countries achieve these ambitions and on embedding stakeholder engagement further into our business. An Integrated Approach to Stakeholder Engagement

Whether we are promoting more sustainable water management or introducing a new alternative fuel, there is a community impact and therefore a need to involve local stakeholders. Engagement is guided by our recently updated methodology and toolkit, which help sites plan, implement and evaluate their actions.

In 2013 52% of site managers met regularly with stakeholders. Over 3,300 meetings took place (a 30% increase on 2012), 28% of which were formal, with the remainder in more informal settings. Around 1,900 community programs were undertaken, focusing on areas such as...
This part of the report is good and contains very useful information. A lot of progress has been made with respect to training as a way of creating employment opportunities. It's particularly good that the company tracks the outcomes of the training courses as relates to post training employment because in the short and long term this is what delivers social and economic benefits to the communities. However some statistics on the type and level of training and indeed the resulting employment could make the reporting complete.

It might also be worth categorizing elements of the community and indicating Lafarge’s focus and the rationale. This is important because the company cannot target all community members at once and to the same degree. By the same token, it is worth considering a two way approach in which Lafarge gives but also receives because this in the long run is more sustainable. In the environmental area communities are very resourceful in providing indigenous knowledge of fauna and flora. They can also be helpful in pointing heritage cites and evading the tension that comes from not being aware of presence of those in the vicinity of quarries. This mutual engagement should be encouraged. One of the most effective ways to deliver socio-economic benefits is to avoid SMEs opportunities. At community level this can be achieved through the supply chain. Yet the report does not reference such an initiative. To the extent that this is being done it is worth reporting if it is not done it is worth adding to the initiatives.

\[\text{SHEILA KHAMA}\\]
\[\text{African Center for Economic Transformation}\]

\[\text{VOLUNTEERING PROGRAM}\\]
\[\text{LAUNCHING OUR GROUP}\\]

In order to help combat local youth unemployment, Lafarge Nigeria has launched a number of educational and vocational training initiatives within the communities around its sites.

The first of these is an 18 month training course at its Ewekoro plant, near Lagos, to train local youths in automation, electrical and mechanical jobs, areas where there is currently a lack of skilled professionals. Classes are given by lecturers from higher education institutions and a pool of key Lafarge staff. Apprentices receive monthly stipends and graduates obtain a diploma attesting to their successful completion of the course.

Lafarge Nigeria has also set up the Blacksmiths’ Empowerment Program, to help young people set up or expand their own blacksmithing business. This activity is a major source of livelihood for small-scale entrepreneurs in the country, but funding for expansion is often difficult to obtain. Through a partnership with a local micro-finance bank, the program provides beneficiaries with low interest loans, training opportunities and a skills upgrade. The initiative rode on our local Suqai cement brand, as a specific solution for precast block making.

Our teams in Nigeria are also working to promote basic education among children living in the communities surrounding our plants. In the last two years, we have renovated 40 classrooms, donated science laboratory equipment to 18 schools and provided 450,000 exercise books for local children. Employees across the country contributed around 2,000 volunteering hours in 2013, in projects related to skills training, education, health and safety, and local job creation. Our teams are also supporting the enhancement of literacy in students through a mobile reading workshop, the Books on Wheels program.

In recognition of these initiatives, Lafarge Nigeria received three awards at the Nigeria Social Enterprise Reporting Awards in 2013, including the 2013 Most Socially Responsible Company in Nigeria award.
SUSTAINABLE SUPPLY CHAIN

It is our responsibility to ensure that our suppliers respect basic sustainable development principles. In so doing, we promote high standards in sustainability across our entire value chain and ensure reliability in our strategic sourcing.

The United Nations Principles on Human Rights and business (also known as the Ruggie principles) state that as part of their responsibility to respect Human Rights, companies must carry out due diligence to ensure that their commercial partners also respect these rights. Over the past four years Lafarge has worked towards the integration of sustainability assessment into the sourcing process. A sustainable supply chain contributes to our operational performance and helps us deliver on other key business objectives such as the use of 50% of alternative fuels, which requires reliable and sustainable strategic sourcing.

ENSURING RESPECT OF UNITED NATIONS GLOBAL COMPACT PRINCIPLES

As part of our Sustainability Ambitions 2020, we have set an objective for all Purchase Orders to include a requirement for suppliers to adhere to the United Nations Global Compact (UNGC) principles. Third party assessment must also be carried out for critical suppliers. In 2013 we focused mostly on the first objective, which resulted in 99% of our purchase orders including the requirement to adhere to UNGC principles. This result is in line with the objective announced in our 2012 Sustainability Report.

EVALUATING OUR SUPPLIERS’ SUSTAINABILITY PRACTICES

We also continued our efforts to assess critical suppliers based on their sustainability practices. We engaged EcoVadis, a company that specializes in supplier assessments, to carry out a category risk mapping of our suppliers to assess their sustainability risk. As part of this assessment, we are evaluating suppliers on potential risks linked to social, environmental and ethical practices. In 2013 three hundred critical suppliers were assessed by EcoVadis in the US, Canada, France, Algeria, Germany, Greece, Pakistan, India, Bangladesh, China, Malaysia, Philippines, Morocco, and South Africa. It has been challenging to engage suppliers in this new endeavor as they do not yet appreciate the importance that sustainability can play in improving their business. We chose to start implementing this ambition in very diverse countries in terms of Human Rights risks, supplier base and size of our business. In 2014 we aimed to extend the roll-out of this objective to all countries. We have also revised our initial target upwards, with the aim of assessing another 300+ critical suppliers in 2014 and 80% of our total spend by 2020.

In 2013 to help our suppliers go through the assessment process, we held several webinars for 300+ critical suppliers in 2014 and 80% of our total spend by 2020.

We aim to assess another 300+ critical suppliers in 2014 and 80% of our total spend by 2020.

In 2013 Lafarge renewed an International Framework Agreement on corporate social responsibility and international industrial relations with the global labor unions, BWI and IndustriALL. In this global agreement Lafarge reaffirms its commitment to respect the standards of the International Labor Organization, the OECD Principles of Corporate Governance and the UN Global Compact principles. Lafarge also made a commitment to Ruggie’s Guiding Principles for Business and Human rights. In accordance with the Ruggie recommendations, the criteria for the due diligence process are defined in the global agreement with the labor unions.

Labor appreciates that Lafarge, as the first company in the cement industry has taken this important step forward as there is currently no common understanding of a defined performance assessment standard. Lafarge is setting a benchmark for the industry.

We also identified key success factors for implementation, such as including this ambition in purchasing teams’ annual objectives, awareness raising and capacity building for both purchasing teams and suppliers.

CONTRIBUTING TO RAISING THE BAR IN SUSTAINABILITY PRACTICES

Once suppliers have been evaluated, this information will provide the country purchasing teams with an accurate mapping of their suppliers’ practices and will be used to establish corrective action plans when required. The benefit for suppliers is that they will receive feedback on their practices, which will allow them to work with Lafarge on improving performance. They will also be able to use a successful assessment with other potential clients to grow their business.

In 2013 we decided to include sustainability criteria in our tender processes. This commitment has been emphasized in the new code of business conduct that Lafarge requires its suppliers to endorse before doing business with them. This action will be implemented in 2014. Finally, Lafarge is active through the WBSCD’s12 Cement Sustainability Initiative (CSI) working group devoted to supply chain sustainability.

Lafarge has standards and mechanisms in place to audit and control its supply chain. We are impressed that in 2013 Lafarge started with a third party review of hundreds of critical suppliers and more will follow. It would be interesting to learn about the findings and the way Lafarge is dealing with suppliers which do not comply with Lafarge’s standards. Lafarge is dealing with more than 100,000 suppliers worldwide. It will be difficult to guarantee sustainable supply chain management which is in line with Ruggie’s principles, in countries with a critical human rights record.

MARION HELLMANN
Building and Wood Workers International
Successful urbanization is a key challenge of the 21st century. The massive influx of new city-dwellers in the next few decades will generate enormous needs for housing, transport and infrastructure which cannot be achieved at the cost of increased pressure on natural resources, pollution and increased greenhouse gas emissions. These challenges are at the heart of our business. To address them we are developing products and solutions and adapting our production methods, to respond to market needs and take into account sustainability imperatives. To encourage the construction of affordable housing we are working on solutions that are both technical and financial such as the creation of microcredit programs in a number of countries.
SUSTAINABLE CONSTRUCTION AND CITIES

Our ambition is to contribute to building better cities. In all our markets, we are innovating to develop tailor-made local solutions to provide cities with more housing and make them more compact, more durable, more beautiful and better connected.

Increasing urbanization brings many social and environmental challenges. The construction sector as a whole must develop solutions to meet the needs of the world’s populations in terms of decent housing and infrastructure, contributing to an improvement in the quality of life in towns and cities, while ensuring that this is not to the detriment of the natural environment.

With this in mind, we are harnessing our innovation to contribute to building better cities, developing high value-added products and solutions and devising new building systems in partnership with other stakeholders all along the construction chain.

- DEVELOPING SPECIALIZED IN-HOUSE EXPERTISE

Our innovation strategy is supported by our research center near Lyon, France. The world’s leading building materials research facility, its research projects are closely aligned with the needs of our businesses. For example, our research teams are working on solutions for energy efficiency, renovation – particularly in developed countries – and affordable housing, but also innovative binders, recycled asphalt and aggregates. They work in close partnership with our global network of development laboratories. A fourth laboratory was inaugurated in Algeria in November 2013, adding to existing facilities in France, India and China, a fifth laboratory is planned in Brazil in 2014. These facilities allow us to adapt our solutions to meet local needs, constraints and market opportunities.

Our dedicated team of in-house specialists continued to develop the Efficient Building™ catalog of cement-based construction systems, now numbering around 60. An example of a construction system from the Efficient Building™ catalog is the double-skin concrete wall, developed by Lafarge experts working in partnership with French company GBE Innovation. Consisting of a high-performance insulating panel placed between two layers of concrete, this system eliminates thermal bridges, a major case of energy loss in buildings. Furthermore, since interior walls can be left exposed, the thermal inertia of concrete can be used to regulate interior temperature.

- PARTNERING WITH OTHER STAKEHOLDERS IN THE CONSTRUCTION CHAIN

In 2013 we continued to reinforce our high level specialized sales functions: Construction Specialists, deployed in each country, and International Key Account Managers. Liaising with specialists and decision-makers at a very early stage in construction projects, their role is to analyze particular needs and offer appropriate products and solutions. We also continued to develop partnerships with other stakeholders in the construction chain in 2013 through global programs such as WBCSD’s Energy Efficiency in Building (EEB 2.0) initiative and partnerships at the country level. In Morocco, for example, we developed a partnership with Reichen & Robert and Novec, respectively the urban planning agency and engineering design firm in charge of the Zenata new ‘eco-city’ project.

Our research teams are working on solutions for energy efficiency, renovation and affordable housing; but also innovative binders, recycled asphalt and aggregates.

All developments in the area of Sustainable Construction and Cities, registered during 2013, are in the right direction. The scope is becoming broader in Lafarge’s offer – from materials the focus continues to shift to efficient building systems and partnerships with other relevant industry actors are being forged in favor of robust and affordable solutions. The combined set of solutions provided begins to answer a wide scope of societal challenges, not shying away from, until recently insuperable territories, such as informal settlements.

A fearless and holistic approach to the urban context provides fertile ground for innovation, while identifying new markets. Three markets, although demanding, diverse and context-specific, are also potentially rewarding and, in the context of a long-term crisis, can strategically contribute to addressing social inclusion and a more balanced society.

What is next? Efficient building systems, require quantifying real added value of unique and intrinsic qualities (such as thermal inertia) and urban solutions require engaging with transdisciplinary working groups, including stakeholders such as the end user, in order to pave the way to better regulations and to better urban living environments. These next steps may “not be easy,” so I would like to wish Lafarge clarity of focus and resources to continue effectively in this path!

LIVIA TIRONE
Architect

In 2013 we recorded sales of €1.8 billion from sustainable products, solutions and services, generating direct or indirect environmental benefits.

In this path!
We have developed our Affordable Housing Project in response to the enormous challenge of providing the world’s population with decent, sustainable housing. Over the past two years we have developed a unique portfolio of affordable housing projects across a range of geographies, including Northern and Sub-Saharan Africa, Asia and Eastern Europe. By the end of 2013 projects had been launched in 15 countries, benefiting over 120,000 people. While contributing considerable social benefits, this is not an exercise in philanthropy: five projects were already profitable in 2013 and all are expected to deliver additional EBITDA in 2014.

- Structuring our offer
  Our affordable housing offer is organized around four specific market segments:
  - Microfinance to help people in emerging markets to fund the construction, renovation or extension of their homes
  - Earth & cement solutions to improve the durability of traditional earthen homes today used by an estimated 2 billion people
  - Bagged concrete for slum rehabilitation
  - Social housing in emerging markets, as well as developed countries.

- Scaling up our microfinance project
  By the end of 2013 microfinance projects for affordable housing were in place and profitable in Indonesia, Serbia, the Philippines and Zambia. Other projects were also in the pipeline in Morocco, Sri Lanka and Bangladesh. In order to achieve our ambitious objectives in this area, we are working in partnership with local microfinance institutions, banks and retailers. In the Philippines, for example, our affordable housing solutions are today available in over 200 outlets: either banks proposing microfinance loans bundled with building materials – with over 1,000 credit officers trained so far – or retailers proposing materials bundled with microfinance. In addition to products and access to finance, our microfinance offer includes technical support from architects and developers.

Following the launch of a partnership with the French Development Agency (AFD), we announced AFD’s contribution of 5 million euros to the LAPO (Lift Above Poverty Organization) in Nigeria. This will enable low-income families to finance the construction, expansion and renovation of their homes, helping to improve their living conditions.

I am very impressed by Lafarge’s program on Access to Housing. As inhabitants of this planet, every one of us is confronted several times during his or her life with the issue of affordable housing. Of course, the issue is more or less acute depending on our personal wealth and where we live. All of us have seen slums and undignified living conditions.

Lafarge has a very innovative approach to the question, and one that makes business sense. I have seen it mature and grow over the years, since the first project in Indonesia, following the 2004 Tsunami disaster, piloted with CARE Indonesia.

The Access to Housing project has been presented regularly to our Panel. I am delighted to see how it has developed and will continue to bring a much-needed response across all markets. It is flexible and multifaceted.

PHILIPPE LÉVÊQUE
Care

- Construction solutions tailored to local market needs
  In 2013 we continued to roll out our innovative solution to deliver ready-mix concrete in bags to slums in Mumbai, helping to improve the quality and durability of housing in these informal settlements. We also developed solutions adapted to the rural market, with the launch of Durabric in Malawi (see case study p.31).

Our affordable housing offer is not limited to emerging markets. In 2013 we continued to develop construction solutions for the social housing segment in developed markets, optimizing the use of the modular properties of concrete to develop projects such as Les Hauts Plateaux, the vertical housing estate in Béliges, France that was inaugurated in September 2013.

Creating a Community of Microfinance Institutions
We aim to achieve our ambitious objectives in affordable housing by positioning ourselves as the main convenor among the key actors in the global affordable housing offer. In 2013 we organized a workshop in the Philippines bringing together actors representing 10% of the global microfinance market to share their experiences and exchange on best practices.
In the Philippines, to meet growing market needs for green construction solutions, our local teams have developed a new offer for green roofs, working in partnership with Sika, a manufacturer of waterproofing membranes.

This solution targets the mid to high-rise building segment, which represents over 20% of the local construction market, and where developers are increasingly looking for green construction solutions.

Our local teams have developed a complete offer for green roof construction, using lightweight aggregates, custom mix soil and Sika waterproofing membranes.

**Aesthetically pleasing**, green roofs can contribute to more efficient water management, help reduce the ‘heat island effect’ in towns and cities and improve energy efficiency. They can be compared to sponges, since rainwater is captured inside the substrate and stored for future use by vegetation. Depending on the type of green roof and on the season, between 25% and 30% of rainwater can be retained in the soil. By collecting rainwater within the substrate for plants, green roofs also help cool the surrounding atmosphere, since the water in the soil evaporates when the temperature rises.

**Ongoing partnership with Sika** has allowed us to develop a complete solution that meets local market needs, helping developers to improve their LEED performance.1 Roll-out will continue in 2014, via our local construction specialists and Sika’s large applicator network.

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**CASE STUDY**

**GREEN ROOFS: A SOLUTION FOR GREEN CONSTRUCTION**

**SUSTAINABLE CONSTRUCTION & CITIES**

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**CASE STUDY**

**A NEW CEMENT BINDER IN MALAWI**

**ACCESS TO HOUSING**

We have launched Durabric, an earth-cement technology for the housing market in Malawi. This offers a more durable, water resistant, aesthetic and environmentally-friendly construction solution for the growing peri-urban population.

**Durabric is a new cement binder** specially formulated for use in soil-stabilized blocks. Made of 5 to 8% cement extended with soil and/or sand, Durabric blocks offer more durable, water resistant and aesthetic homes than traditional clay bricks. They are also a more environmentally-friendly solution as, unlike clay bricks, they do not require burning, a practice that has harmed the local environment through deforestation and soil degradation.

**Our research & development center in Lyon, France,** had already been working on earth-cement solutions to improve the durability of traditional earthen homes. In a short space of time, our researchers were therefore able to adapt the formula to meet the specific needs of the local market in Malawi, working with our teams on the ground.

**The new Durabric offer** that we have developed for customers, developers and contractors in Malawi is a complete package combining products and services. These include consulting on formulas and soil lab analysis – with the support of our R&D Center – block-making machines via leasing, a training program on block making, plus silos for bigger construction projects lasting six months or more.

**Durabric has so far been used** in the construction of a school in Lilongwe, the capital of Malawi and will be used in 2014 for an affordable housing project called Maziko, which aims to help reduce the acute shortage of formal housing in the country. The program targets urban and peri-urban dwellers owning pieces of land, who will be supported to build houses using Durabric blocks. These pre-designed houses, that can be completed in only 15 to 25 days, will be 20 to 40% cheaper than conventional homes.

1. Leadership in Energy and Environmental Design - a set of rating systems for the design, construction, operation, and maintenance of green buildings.
A pioneer in the field of sustainable development, Lafarge endeavors to reduce its impact on the climate, water, air, raw materials and energy. One of our main priorities is to replace conventional fuels in our cement plants with industrial or household waste, with a target of an average of 30% of alternative fuels by 2015 and 50% by 2020. The circular economy is one of the keys to responsible industrial development. It consists of reusing waste materials from one industry as an input to another in order to conserve natural resources. We also recycle concrete to manufacture aggregates and new concrete. Finally, we have launched numerous programs for responsible water management, quarry rehabilitation and biodiversity enhancement.
Substituting fossil fuels with industrial or municipal waste and biomass to power our cement plants allows us to reduce our environmental impact, generate local economic activity and contributes to plant competitiveness at a time of fast-rising energy costs.

As part of our Sustainability Ambitions 2020 we aim to use 50% non-fossil fuels in our cement plants by 2020, 30% of which should be biomass. In order to achieve these very ambitious objectives, we are increasing our direct sourcing of alternative fuel, in particular municipal and agricultural waste, where we can develop shared value projects that benefit our operations, the environment and the wider community. In 2013 we continued to increase our use of alternative fuel, achieving an average fuel substitution rate of 17.2%\(^1\) over the year and more than 30% in 14 countries. 64 major capital projects to improve alternative fuel usage, plus many smaller ones, were initiated in 2013. We therefore expect further improvements in our fuel substitution rate going forward.

**SCALING UP OUR ALTERNATIVE FUEL PROJECTS**

Municipal waste is a major issue in towns and cities in many emerging markets, where waste treatment facilities are either insufficient or non-existent. In 2013 we continued to develop our municipal waste treatment offer in a number of countries, such as the Philippines, Morocco, Egypt, Pakistan and Romania, working with local partners. We also scaled up our biomass projects, focusing in particular on Sub-Saharan Africa, where local farming activities generate significant amounts of agricultural waste. In 2013 our operators in Sub-Saharan Africa more than doubled their use of biomass as alternative fuel. Our cement business in Benin achieved a particularly strong increase in the use of biomass, reaching 25% in 2013 compared to 8% in 2012, complementing cotton waste - only available on a seasonal basis - with palm kernel shells.

**DEVELOPING OUR RECYCLED PRODUCTS OFFER**

As part of our ongoing efforts to optimize the use of non-renewable resources, we continued to develop our sales of recycled aggregates in 2013. In Canada we launched Sabliss™ low-strength recycled concrete that can be used as a base for paving stones or in utility trenches. Following laboratory trials and in-house pilots, we successfully carried out our first recycled concrete pour at a client site in September, using aggregate RCA for a sidewalk in the City of Mississauga in Ontario, Canada. Commercialization of our first recycled concrete products will continue in 2014, in countries such as the USA, the UK, Canada, Brazil and Qatar. Research is ongoing to optimize mix design and develop suitable admixtures, to allow us to incorporate all grades of recycled aggregate into concrete. Our researchers are also evaluating other recycled materials that could be incorporated into concrete, such as rice husks and plastics from inside computers.

We also launched our concrete recycling project as part of our Sustainability Ambitions 2020, working first on the business case for using Recycled Concrete Aggregate (RCA) to produce new concrete. In 2013 in Canada we launched Sabrill™ low-strength recycled concrete that can be used as a base for paving stones or in utility trenches. Following laboratory trials and in-house pilots, we successfully carried out our first recycled concrete pour at a client site in September, using aggregate RCA for a sidewalk in the City of Mississauga in Ontario, Canada. Commercialization of our first recycled concrete products will continue in 2014, in countries such as the USA, the UK, Canada, Brazil and Qatar. Research is ongoing to optimize mix design and develop suitable admixtures, to allow us to incorporate all grades of recycled aggregate into concrete. Our researchers are also evaluating other recycled materials that could be incorporated into concrete, such as rice husks and plastics from inside computers.

1. Conservation is done based on the proportional ownership of Lafarge. This figure amounts to 15.8% for entities managed by Lafarge or where Lafarge owns 50% equity or more.

Climate change is the single most intractable challenge facing Lafarge, given the chemical composition of its core feedstock (C3A), which inexorably involves the release of vast amounts of long-sequestered carbon. Nothing short of a radical transformation in Lafarge’s basic product can solve this conundrum: any carbon savings squandered out through fuel substitution or efficiency measures, however ambitious, are lost rather than wiped out by volume growth. R&D is the only answer, yet with success still many years off, the only choice is to pedal faster, by cranking up any and all savings that lie on the margins of the limestone carbon cycle. Against this grim backdrop, the good news is that years of experimentation and sustained pressure from this Panel – are bearing fruit: projects to replace fossil fuels with agricultural and municipal waste are multiplying, and the 50% target by 2020 is a real jump from today’s 17%. The emphasis on shared value, as illustrated by the extraordinary Zabbaleen project in Cairo, shows both shrewdness and sensitivity. Solving sanitation woes, while also curbing CO2, is a classic win-win, and capitalizes on the rapid pace of urbanization in emerging markets, thereby neatly meshing with Lafarge’s strategy of Building Better Cities.

The same step-change must now be achieved with sales of recycled aggregates, where the concept is clear but similar problems, though the numbers at this stage still lack context: sales are up 88% over 2012 but without information about their scale relative to total group sales or future growth projections, we cannot judge the pace of progress or impact on the business. The beauty of this project is that it leverages business objectives in the service of sustainability goals – but next year’s report should contain full business 65% so that in actual and expected impact becomes clear.

**KARINA LELYVAK**

*Independent*
Our El Sokhna cement plant in Egypt has joined forces with the Zabbaleen, an informal network of household waste collectors in Cairo, to develop the use of Refuse-Derived Fuels for its kilns. This partnership has allowed the plant to secure a supply of quality alternative fuels, helping to make it more competitive. It has also created local jobs and provided a safe, environmentally sound route for waste disposal in the area.

**OUR EL SOKHNA CEMENT PLANT NEAR CAIRO** is one of the biggest in the world. Facing issues with regards to its access to a reliable natural gas supply, the plant decided to develop the use of alternative fuels, aiming to increase the share of these in its energy mix from 2.2% in 2012 to 10% by the end of 2013. A PARTICULAR AREA OF INTEREST WAS REFUSE-DERIVED FUELS (RDF), i.e. what remains from household waste when all recyclable materials such as plastic, cardboard and metal have been removed. In order to ensure quality and regularity of supply, our teams contacted the local network of Zabbaleen (‘garbage people’ in Egyptian Arabic). The Zabbaleen have served as Cairo’s informal garbage collectors for almost 80 years, with extraction and sales of recyclables representing their main source of income. In a city that produces around 15,000 tons of municipal solid waste every day, they are able to handle large volumes and are also experts in manual sorting, allowing the sourcing of high-quality waste for use as alternative fuel.

A DEDICATED TEAM OF ZABBALEEN WORKERS WAS CREATED to collect, treat and recycle waste for Lafarge Egypt, allowing the creation of over 140 new jobs within the Zabbaleen community. After a series of meetings, site visits and training workshops with our plant teams, they were able to sort waste to produce a high-quality RDF with low moisture and contaminants. Our local teams helped them to create a dedicated waste treatment facility and apply basic safety standards on-site. They also helped them to develop the necessary logistical solutions to facilitate and optimize the transportation of RDF to our plant.

**THIS PARTNERSHIP HAS HELPED TO ENSURE A CONTINUOUS SUPPLY OF LARGE VOLUMES OF RDF** to our El Sokhna plant, making it more competitive. It has also strengthened our relations with local stakeholders, contributed to local economic development and helped to reduce the amount of waste randomly dumped in open sites or burnt, causing pollution to land and air.

**IN 2014, WE AIM TO DOUBLE THE VOLUME OF RDF** provided through the Zabbaleen network, while strengthening health and safety within the community and focusing on the education of Zabbaleen children.

**CO₂ AND OTHER EMISSIONS**

Managing our emissions is a key element of our industrial performance and our environmental stewardship. It is also central to our responsibility towards local communities and public health.

As part of our Sustainability Ambitions 2020 we have set an aggressive target to reduce our net CO₂ emissions per ton of cement by 33% in 2020 compared to 1990 levels. We are also committed to further reductions in our NOx, SO₂, dust and mercury emissions, focusing on those plants where emissions are highest. Finally, in order to reduce potential negative impacts for the communities living around our sites, we have set objectives to improve the visual impact of our operations and reduce night-time noise.

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**CONTINUING TO REDUCE OUR CARBON FOOTPRINT**

At the end of 2013 we recorded a 26% reduction in CO₂ emissions per ton of cement, representing a 203kg reduction in CO₂ emitted per ton of cement compared to 1990 (Kyoto reference year) and around 31.5 million tons of carbon emissions avoided in 2013. In 2013 our emissions from electricity consumption (Scope 2) were stable compared to 2012 levels, at 8.7 million tons, and emissions induced by our activities (Scope 3) amounted to 2.4 million tons. This is the first year that we are reporting on these Scope 3 emissions, focusing specifically on emissions related to the transportation of our products, where the impact is highest and where we can also ensure maximum
In general, I welcome Lafarge’s continued leadership in the sector and in particular Bruno Lafont’s editorial which reiterates the company’s commitment to maintaining shared value, and more importantly to making a net positive contribution to society and the planet.

I am very pleased to see the emphasis on R&D in innovation around materials and construction systems and in particular the development of technologies involving CO2 capture and sequestration.

Although the figures for reductions of dioxins and furan are well on track, the reductions in mercury emissions is relatively unimpressive. It would be

up CO2 & AIR EMISSIONS

In the absence of such an agreement at the 2015 Conference

a weak excuse for lack of progress in reducing mercury emissions.

JEAN-PAUL JEANRENAUD

WWF

PUBLIC POSITION

CO2 & AIR EMISSIONS

We support the conclusion of a global agreement on climate change at the 2015 Conference of Parties in Paris. This agreement should facilitate the implementation of cost-effective CO2 emission reduction initiatives by companies, foster private sector investments in energy efficiency and innovation towards low carbon solutions throughout the value chain, without distorting competition.

In the absence of such an agreement, uncontrolled energy and climate policies are likely to emerge, hindering companies’ competitiveness and ability to take action.

FOR MORE INFORMATION
http://sustainabilityreport.lafarge.com

CONTINUING PROGRESS IN EMISSIONS REDUCTION

1. PERSISTENT POLLUTANT MERCURY / DIOXIN-FURAN

Our emissions reductions from 2010 levels are 63% and 1% respectively for dioxin/furan and mercury.

2. NET AND GROSS CO2 EMISSIONS

In 2013 our gross CO2 emissions per ton of cement were 25.9% lower than 1990 levels and our net CO2 emissions were 26.0% lower than 1990 levels.

3. CLinker Factor

Clinker, the component of cement whose production is responsible for CO2 emissions, has decreased by 14.9% since 1990.

4. Carbon Efficiency in Operations

In 2013 we produced 67% more cement than in 1990 but our net CO2 emissions increased by only 23% over the same period.

5. NOx, SO2 & DUST EMISSIONS

NOx, SO2 and dust emissions have decreased by 17%, 6% and 26% respectively since 2010, baseline for our new reduction targets.

For a more detailed strategy for reducing mercury emissions including a program of implementation, with clear targets and timelines, detailing which heavy emitting plants will be tackled first. It is stated that “actions to reduce emissions can take several years” but this could sound like a weak excuse for lack of progress in reducing mercury emissions.

— MANAGING OUR OTHER EMISSIONS

Our Sustainability Ambitions 2020 program includes demanding new targets for reductions in our NOx, SO2 and dust emissions, set against a new baseline year of 2010. In 2013 we achieved significant reductions in all emissions: -26% for dust, -6% for SO2 and -17% for NOx (see graphs p. 39). These improvements were achieved through a program focusing on those plants where emissions were highest. We installed new bag filters to reduce dust emissions at plants in Romania, Moldova, Russia, Uganda, and Tanzania, and introduced NOx and SO2 abatement technologies at two of our plants in the USA. There are also nine ongoing projects to reduce NOx emissions at plants in China.

As part of our Sustainability Ambitions 2020, we also aim to reduce mercury emissions per ton of clinker by 30% compared to 2010 levels, a very ambitious target. This year we are reporting on these emissions against the new baselines for the first time, recording a slight reduction of 1%. In 2013 we focused on identifying the sources of mercury at those plants where emissions are highest. Rigorous screening is carried out of alternative fuels and raw materials, to limit mercury concentration. Challenges occur where higher levels of mercury are found in the natural raw materials used by a plant. In such cases, process changes involving the installation of mercury abatement systems need to be implemented. In 2013 two such systems utilizing carbon injection were installed, resulting in a ten-fold reduction in emissions at these installations by year-end. Actions to reduce emissions can often take several years to implement and take effect. We therefore see considerable potential for further, more significant reductions in our mercury emissions going forward.
Biodiversity

Effective quarry rehabilitation, facilitating the protection and promotion of local biodiversity, is key to maintaining good relations with the local stakeholders around our operational sites and to securing our license to operate.

20% of our quarries are situated in or near areas of local biodiversity sensitivity.

37% of these quarries have implemented Biodiversity Management Plans.

Managing biodiversity and restoration over the long term is beneficial both for Lafarge and the environment. Quarry restoration is essential to our license to operate. The most cost-effective way of implementing this at our sites is to work closely with local wildlife NGOs, universities and other local stakeholders to identify the most suitable local species. These will have a much higher survival rate and will also help to enhance local biodiversity, for the benefit of our local communities.

In 2013 Lafarge won several awards for biodiversity and restoration. Our Sepolno Gravel Pit in Poland was awarded the European Aggregates Association (UEPG) prize for restoration by an independent panel of experts. Our Racos Quarry in Romania also won the UEPG special award for biodiversity (see opposite).

Progress towards our objectives

As part of our Sustainability Ambitions 2020, we have set an objective for 100% of our quarries and cement plants to implement Biodiversity Management Plans in line with Group standards. By the beginning of 2013 these were already in place at all sites located in or near international biodiversity sensitive areas. During 2013 we identified those quarries situated in areas of local biodiversity sensitivity, using a methodology developed during our partnership with WWF International and through consultation with site personnel. In total 20% of our quarries are situated in areas of local biodiversity sensitivity, 37% of which have already developed a Biodiversity Management Plan. Our objective is for these plans to be in place at all locally sensitive quarries by the end of 2015. The number of quarries with rehabilitation plans at the end of 2013 remained stable at 85%, as gains in some areas were offset by changes due to mergers, acquisitions and divestments. We aim to accelerate the development of rehabilitation plans in 2014.

Our biodiversity strategy

In 2013 we developed a Group strategy for biodiversity, in close consultation with our International Biodiversity Panel. This strategy, which will be published in 2014, includes commitments related to opening new quarries in protected areas and the development of a methodology to demonstrate net positive impact through quarry rehabilitation. In 2014 we will focus our efforts on driving the implementation of Biodiversity Management Plans in locally sensitive areas. These should involve projects between our operations and local stakeholders, including local environmental NGOs and universities, to build strong relationships between our sites and local biodiversity experts.

Case study

RACOS QUARRY - ROMANIA

The Lafarge Racos Quarry is located in the Pusenii Mountains in Romania, a protected area known locally as the “small Colorado canyon”. The site has been used as an aggregate quarry since 1890 and in 2011, Lafarge and Geopark Puseni, the custodian NGO of the area, started a new partnership to develop an ecological restoration plan. The aim was to preserve the unique geology of the area and promote local biodiversity, implementing constant biodiversity monitoring to limit the potential impacts of quarrying.

A biodiversity management plan

The IUCN red list was used to identify species of predatory birds using the new habitat and a detailed biodiversity Management Plan was drafted in partnership with Geopark Puseni and specialists from the local Faculty of Ecology and Forestry. This plan was also presented to local stakeholders, including local authorities, representatives of local environmental agencies, the agency for mineral resources, land owners and representatives from local NGOs.

The project has rehabilitated habitats, controlled and removed invasive species and ensured the planting of local species to enhance local biodiversity and create the optimal habitat for vulnerable species of birds.

Public position

Biodiversity

Through appropriate planning for resource extraction and rehabilitation programs, our extracting practices can have a positive impact on biodiversity protection and ecosystem management. We seek to enable raw material sourcing and extraction close to production sites. This is achieved through coordinated planning and efficient allocation of licenses to operate. In addition, we consider that quarry rehabilitation is the best way to protect biodiversity, as opposed to financial compensation.

For more information:
http://sustainabilityreport.lafarge.com
WATER

Good freshwater availability is a critical social, environmental and economic issue. As a water-using company and a visible stakeholder in communities, we are committed to reducing our water impacts and enhancing water management in the wider water basin.

As 25% of our cement production is located in areas of water scarcity, we have both a social obligation and a business interest in managing our water impact in a responsible way. As climate change and demographic growth put increasing pressure on this essential resource in certain parts of the world, our water use and discharge and relationship with our local communities on this issue matter more than ever before.

Our efforts to improve water efficiency have allowed us to reduce water consumption per ton of cement by 10% since 2010. We have been measuring and reporting the water footprint of our industrial sites for several years and continue to promote the reduction of water footprint through best practices such as rainwater harvesting, reuse of waste water and water recycling.

> PREPARING THE GROUND FOR STAKEHOLDER ENGAGEMENT

In 2013 we focused our efforts on our cement operations in high-risk water basins, situated mainly in Northern and Sub-Saharan Africa, the Middle East, India and Pakistan. As part of our Sustainability Ambitions 2020 we are committed to continuing to reduce the water footprint of our operations in these zones, but also to promoting more responsible water stewardship in the wider water basin, working with the local stakeholders around our production sites. Understanding the water challenges within the basin and identifying stakeholders is the first step towards initiating any engagement on water-related issues. In 2013 we therefore prepared a detailed ‘Basin ID’ for each plant to analyse the basin in which it operates: physical characteristics, regulatory framework, current users and concerned parties, as well as any existing water initiatives. This work was carried out by our in-house environmental teams, working in partnership with local experts and NGOs. Based on this preparatory work, we will start working in 2014 on the development of partnerships in these priority basins, defining the appropriate type and level of local engagement for each water basin.

> STRUCTURING OUR APPROACH TO MAXIMIZE SHARED VALUE

We have identified five potential areas in which we could contribute to more sustainable water management. These are as follows:

- Facilitating access to water for local communities
- Contributing to improvements in water quality
- Helping to reduce the risk of flooding
- Protecting and promoting biodiversity in aquatic habitats
- Raising awareness on water-related issues through local volunteering actions and communication campaigns.

We continue to promote the reduction of water footprint through best practices such as rainwater harvesting, reuse of waste water and water recycling.

For example, in Algeria pipes and water points installed by our M’sila cement plant in a very arid region of the country have helped to provide the local community with easy access to water for domestic and farming purposes. Another example is in Greece, where we have set up a partnership with a local soft drinks company near our Volos cement plant to reuse their waste water in our industrial process. This partnership has allowed us both to reduce freshwater consumption at Volos and eliminate discharge of wastewater into the sea by the soft drinks company. Going forward, the Water Steering Committee set up in 2013 will provide advice and support to countries as they develop appropriate local initiatives around their sites in 2014 and beyond.

> PUBLIC POSITION

WATER

Water policies need to cover three essential aspects: resource availability, quality and ecosystem management. Relevant public policies need to be implemented locally. They should aim at maximizing benefits for all stakeholders equitably through coordination on water, land and other resource management, without jeopardizing ecosystems. Such public policies should result from dialogue between all stakeholders, including the private sector.
• Our Stakeholder Panel

For the last decade, the Lafarge Stakeholder Panel has served as the company’s group of “critical friends”, by supporting Lafarge on its sustainability journey, challenging its approach to sustainability, helping it anticipate emerging issues, testing its understanding of the boundaries of good practice, and pressing it to exercise leadership in the building materials industry(1).

In this Statement, we comment on progress achieved during 2013 as well as the direction Lafarge has embarked on for the future.

On the positive side, we appreciate the integrated, business-driven focus of this report, which conveys Lafarge’s holistic approach to sustainability as a core element of its underlying commercial strategy. We appreciate Lafarge’s move to introduce country-level reporting in this year report, following our recommendation last year. Tools such as the “Sustainability Compass” (p. 9) and the “Country Maturity Levels on Diversity & Inclusion” chart (p. 18) also constitute very interesting and innovative mechanisms for external communication – and have great potential to help Lafarge prioritize and monitor its sustainability objectives internally.

In terms of areas for further improvement, we reiterate our earlier recommendation that Lafarge better contextualize and benchmark its performance against external standards, and have great potential to help Lafarge contextualize and benchmark its performance against external standards, and we remain concerned that conflicts persist with a substantial minority of these.

We recognize that progress is being made on health and safety, but there is still a long way to go. And we were disappointed to see the number of fatalities has not reduced.

We appreciate Lafarge’s implementation of the “Ruggie Principles” on business and human rights in its supply chain, where it is setting a leading standard within the cement industry. Once the new supplier assessment tools are in place, we expect to gain additional insights into how Lafarge works with those suppliers that fall short of its expectations.

We appreciate Lafarge’s move from a product-based approach to a more systemic approach focused on urban resilience. We recommend that more be done to build networks to provide better and more affordable solutions and systems that leverage Lafarge’s capacity. This would enable Lafarge to by reaching deeper and wider into more vulnerable and challenged communities.

Building the Circular Economy

We welcome the progress made on energy conservation and resource management. Lafarge has initiated very creative, innovative strategic partnerships involving municipal solid waste and plant waste as feedstocks into its plants. Apart from a slow start on curbing mercury emissions – where we hope to see fuller detail on planned remedies, we are pleased to see that Lafarge is on track with its 2020 commitments on water, CO2, and air emissions.

Lafarge is also making progress in developing biodiversity action plans for its plants, but its approach on quarry restoration needs greater attention paid to high-value biodiversity, especially karst systems. We encourage Lafarge to explore how its circular economy strategy can be leveraged more effectively to deliver more tangible results in respect of its commitment to create net positive value(2).

Building Sustainably

We welcome the positive value(2).
REPORTING METHODOLOGY

The rules for calculating the KPIs are consistent at Group level. Social data for 2013 in this report is based on the most important we have: the information at the corporate level and the controlled entities; the procedures and process for the reporting of the group consolidated information, is not fairly presented in all material aspects thereof.

We conducted the following procedures in order to provide limited assurance that the information is complete:

- examination of the internal control and risks management process;
- identification of the persons, within the Group, in charge of the procedures of internal control and risk management;
- collection, treatment, compilation, internal control of the information;
- verification of the explanation in case of omission and misstatements likely to call into question its sincerity, in all the required information.

We verifed that the information covers the consolidated perimeter’s contribution to the consolidated information, their localization, and societal issues.

...
## Key Performance Indicators

### Building Communities

<table>
<thead>
<tr>
<th>Issue</th>
<th>Indicators</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Scope</th>
<th>Ambition 2020/21</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Turnover</strong></td>
<td></td>
<td></td>
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<tr>
<td>Full-time employees</td>
<td>43,702</td>
<td>41,349</td>
<td>37,968</td>
<td>Cement</td>
<td>Group</td>
<td></td>
</tr>
<tr>
<td>Part-time employees</td>
<td>23,242</td>
<td>21,780</td>
<td>25,099</td>
<td>A &amp; C</td>
<td>Group</td>
<td></td>
</tr>
<tr>
<td><strong>Employee Diversity and Skills</strong></td>
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<tr>
<td><strong>Health and Safety</strong></td>
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<tr>
<td>Fatalities (employees)</td>
<td>8</td>
<td>5</td>
<td>3</td>
<td>Group</td>
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<td></td>
</tr>
<tr>
<td>Fatalities per 10,000 employees</td>
<td>1.1</td>
<td>0.77</td>
<td>0.87</td>
<td>Group</td>
<td></td>
<td></td>
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<tr>
<td>Fatalities (sub-contractors)</td>
<td>17</td>
<td>12</td>
<td>11</td>
<td>Group</td>
<td></td>
<td></td>
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<tr>
<td>Fatalities (total party)</td>
<td>24</td>
<td>25</td>
<td>26</td>
<td>Group</td>
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<td></td>
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<tr>
<td><strong>Lost Time Injuries</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Lost Time Injuries (employees)</td>
<td>93</td>
<td>105</td>
<td>72</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lost Time Injuries per 1 million manhours (employees)</td>
<td>0.63</td>
<td>0.75</td>
<td>0.54</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lost Time Injuries (sub-contractors)</td>
<td>62</td>
<td>51</td>
<td>51</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lost Time Injuries per 1 million manhours (sub-contractors)</td>
<td>0.58</td>
<td>0.47</td>
<td>0.44</td>
<td>Group</td>
<td></td>
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<tr>
<td>Lost Time Injuries per 1 million manhours (total)</td>
<td>0.61</td>
<td>0.62</td>
<td>0.49</td>
<td>Group</td>
<td></td>
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</tr>
<tr>
<td><strong>Community Development and Outreach</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Site managers mapping stakeholders</td>
<td>10%</td>
<td>50%</td>
<td>69%</td>
<td>Cement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site managers developing action plans</td>
<td>58%</td>
<td>55%</td>
<td>48%</td>
<td>Cement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site managers meeting regularly with their local stakeholders/representatives of local communities</td>
<td>78%</td>
<td>87%</td>
<td>96%</td>
<td>Cement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site managers running corporate social responsibility actions</td>
<td>56%</td>
<td>67%</td>
<td>57%</td>
<td>Cement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of hours of volunteering to locally selected projects</td>
<td>N/A</td>
<td>N/A</td>
<td>57,139</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Employee Diversity and Skills</strong></td>
<td></td>
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<tr>
<td><strong>Social Dialogue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Employees working on (1) 8h shifts</td>
<td>15%</td>
<td>16%</td>
<td>14.3%</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees working on (2) 8h shifts</td>
<td>9.4%</td>
<td>8.2%</td>
<td>9.3%</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Training and Skills Development</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Hours of training</td>
<td>1,612,839</td>
<td>1,577,588</td>
<td>1,537,774</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hours of training for management staff (average per person)</td>
<td>41</td>
<td>39</td>
<td>37</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entity contracting security agencies</td>
<td>N/A</td>
<td>N/A</td>
<td>52.5%</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Countries that have implemented the Competition Compliance Program</td>
<td>96%</td>
<td>100%</td>
<td>100%</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases from suppliers who have agreed to respect communities and workers’ human rights</td>
<td>N/A</td>
<td>N/A</td>
<td>99%</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of suppliers assessed by third party on CSR issues</td>
<td>68</td>
<td>74</td>
<td>74</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entities contracting security agencies to protect personnel and property</td>
<td>98%</td>
<td>99%</td>
<td>91.9%</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Diversity

<table>
<thead>
<tr>
<th>Issue</th>
<th>Indicators</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Scope</th>
<th>Ambition 2020/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women in senior management positions</td>
<td>15.8%</td>
<td>16.4%</td>
<td>18.6%</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women in Management positions</td>
<td>31%</td>
<td>45%</td>
<td>37%</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women in Management positions</td>
<td>70%</td>
<td>76%</td>
<td>76%</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men in management positions</td>
<td>25%</td>
<td>30%</td>
<td>37%</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women in Management positions</td>
<td>N/A</td>
<td>N/A</td>
<td>52.5%</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men in Management positions</td>
<td>75%</td>
<td>75%</td>
<td>75%</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Employee Turnover</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee turnover rate</td>
<td>N/A</td>
<td>14.2%</td>
<td>16.1%</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voluntary employee turnover rate</td>
<td>N/A</td>
<td>4.0%</td>
<td>5.3%</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hires</td>
<td>7,400</td>
<td>5,544</td>
<td>6,891</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resignations</td>
<td>2,770</td>
<td>2,996</td>
<td>3,264</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirements</td>
<td>776</td>
<td>910</td>
<td>980</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redundancies</td>
<td>4,308</td>
<td>3,298</td>
<td>2,825</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deaths</td>
<td>125</td>
<td>98</td>
<td>114</td>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male / Female fatalities</td>
<td>3398/39</td>
<td>24W/2F</td>
<td>24W/29</td>
<td>Group</td>
<td></td>
<td></td>
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</table>

### Employee Turnover

<table>
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<tr>
<th>Issue</th>
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<th>2013</th>
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</tbody>
</table>
Energy efficiency

| Total energy consumption (GJ) | 2011 | 2012 | 2013 | Scope | Applications 2013/2014
|------------------------------|------|------|------|-------|---------------
| Cement                       | 485.4| 481.9| 473.2| Group  | 100%
| Alternative materials        | 10.27| 10.32| 9.98 | Group  | 100%
| Specific energy consumption of clinker production (GJ/t clinker) | 3.85| 3.65| 3.23| Group  | 100%
| Clinker intensity            | 71.02| 72.66| 71.84| Group  | 100%

Energy Consumption and Resource Management

|----------------|-----------|------|------|------|-------|---------------
| Biomass fuels  | Alternative fuels | 32.8%| 33.9%| 34.3%| Group  | 100%
| Biomass fuel rate | 4.7%   | 5.6% | 6.5% | Group  | 100%