

# BRUNO LAFONT

## CEO of Lafarge group

What I wanted to say is that governance and progress in governance are essential. I think that these subjects are well known. What is most important in governance is what we do, not just the rules we decree. I would therefore like to speak about the relationship between governance and economic success.

What I feel in the 64 countries in which Lafarge operates, which includes developed countries as well as lots of emerging countries, is that economic success is not only linked to the governance of a company or a state, but also to the governance of relations between companies and states, between companies and public players. And among these public players, I would like to pay particular attention to a public player which is increasingly coming to the fore, as urbanisation progresses: towns and cities.

So in this speech, I would like to expand upon the conditions for developing governance, and developing governance in the relationship between companies and public players, which result in economic success. Of course, it could be said that public players and companies have opposing roles, or opposing missions. But actually States, communities and companies have a shared fate. Lafarge has cement works, and when a cement works is in one place, it is no longer possible to move it. Men can move, but not companies, and certainly not equipment.

Success means making a country succeed. It is not about ensuring the success of just the company or just the government, specifically the current government, it is about ensuring success for everyone. And this good relationship really needs responsible public players and responsible companies.

What is it that makes a company more than just a taxpayer, a polluter, an actor to be regulated? What is it that makes a state more than just a regulator, an excessive spender or a powerless, even corrupt, state?

That is the question we are going to try to answer – and I think there are three factors which it is important to examine. Firstly, the level of trust that you manage to create in a system, a country, a city. Secondly, the level of shared responsibility that you manage to create between the players. Lastly, the third element, the quality of execution.

### Trust

I'm going to give some very quick examples, just to show how it can happen. Trust through dialogue; mutual understanding; mutual knowledge. There are too many places where the players do not know each other, do not understand each other and do not talk to each other. There are some absolutely extraordinary examples, which I have personally experienced and which have made this dialogue possible. It may be through a local council or the advisory council of a town in China; it may be the dialogue organised by the state, the government itself, with companies, as in Russia or Nigeria. It may consist of informal contact which enables the real successes that I've seen in Algeria, Indonesia, Mexico, Iraq, and many more countries.

Sometimes success hinges on the quality of the dialogue. It is achieved through regular dialogue, personal commitment at the highest level. And of course, it is not easy. It is not easy because governments have other things to do than visit companies. And companies have other things to do than visit governments.

Trust is also created through the dialogue which companies create with stakeholders: these are not just governments, they can be completely different stakeholders, such as communities. It is this knowledge of our communities which makes us aware of our responsibility and aware of the commitments that we need to make as a company to ensure and contribute to economic success.



Just two examples to illustrate what I am saying. The strategic contract which has joined Lafarge and WWF for the past ten years: it is good to accept dialogue with a non-governmental organisation which challenges us over our environmental targets. There is also the establishment of a panel of stakeholders which I myself take part in once a year.

Lastly, trust also comes through companies getting publically involved in programmes which are strongly recommended by governments. I am thinking of the Global Compact and the OECD's guiding principles on corruption and money laundering. It is also to do with all the issues relating to transparency, and in particular the commitment to reporting in areas which are not purely financial. Of course, this trust is based on openness, knowledge of others and dialogue.

### Responsibility

Companies increasingly ensure the success of State missions, as governance and a sense of responsibility and commitment advance. This means you have to move from contracts and competitive tenders to the implementation of a joint strategy. You have to move from regulation to partnerships, and find forms of solidarity, particularly in times of crisis.

A form of solidarity in a time of crisis: at Lafarge, we have made a commitment not to wipe out more jobs than we create. This is happening gradually, but in practically every country, including emerging countries, we are now committed to creating jobs directly and indirectly. And at the same time, we are increasing our productivity. That is not the only area in which we have forms of solidarity: we talk a great deal with public authorities about health, education, and of course the environment.

I think that responsibility is not only about considering or understanding your impact on the environment. It is also the ability to self-regulate. Governance is not just about applying existing rules, it is about applying the same rules throughout the world, and being capable of getting a head start on official regulations.

That is why Lafarge, for example, committed to reducing its CO2 emissions even though there was not any obligation to do so. And to do it in proportions which were higher than those imposed by European regulations once they were put in place.

### Execution

In terms of execution – and this is also a question of governance – you need to understand that there are knock-on effects, and that companies are essential for ensuring economic success and advances in regulations. And also for implementing state-recommended guidelines concerning well-being and social progress.

I will just give you some examples of what companies can do. When a company is a leader in its sector and a leader in terms of commitment, it can pull along other companies. So for example, global cement producers have all joined forces within the CSI (Cement Sustainability Initiative) to reduce CO2 emissions. This started with an initiative by two or three European cement producers, who have pulled along with them practically all the cement producers from other continents, including China for the past three years. Lafarge has played an important role in bringing about progress in some countries in environmental matters. Why? Because by applying the same standards everywhere, we actually create a local standard, even at a time when such standards do not exist.

I will stop there. I think it is important not to forget economic success. In other words, that States also work in return. That is part of developing governance, and that is part of the result of the dialogue which must be started regarding competitiveness and the appeal of their country. If I say that economic success works well in some countries, it is generally because the government has understood the conditions for competitiveness. It is clear that states must improve compliance with a certain number of rules which enable companies to invest. Because companies create



wealth, they create jobs, they are the ones who create growth. And it is the state, governments, the programmes and strategies implemented by local councils, which will make this growth possible.

There. That is pretty much what I wanted to say. Thank you.