

Responsibility and sustainability

Each of our plants is a local operation, with suppliers who may be small or medium sized businesses. We aim to show leadership, using our role in the local economy to promote sustainability and generate economic benefit. 2010 was a very challenging year for everyone in Greece and so it was even more important to adhere to our principles.

Our presence in Greece

Cement manufacture is a specialized operation, requiring a corresponding high level of specialization in those who carry out tasks such as maintenance. Thus the number of established businesses who can provide us with the specialized, top quality industrial services that we require is limited. This gives Heracles particular responsibilities towards its suppliers. We must show leadership and act responsibly to help them develop; at the same time we expect them to share our desire for improvement. Hence, we treat our contractors as part of our family, sharing the good as well as the bad times.

Safety – a priority to be shared

The financial crisis did not change our approach; work which started in 2009 to extend our safety culture to our contractors continued. We are pleased that the safety record concerning our contractors has already improved (see page 19). We implemented the Lafarge global standard on Contractor Safety Management (CSM); our 19 largest contractors were embraced in June and the remainder 63 were included at the end of the year. From January 2011 onwards, all contracted work is subject to this standard.

Financial crisis – mutual support

The crisis means that many contracts have to be renegotiated. This must be a two-way process. The renegotiations that took place in 2010 showed that the right approach can serve mutual interests. It was necessary for us to amend our terms of payment to protect our cash flow. We negotiated a “reverse factoring” arrangement with the banks; Heracles suppliers and contractors were to be granted additional access to bank financing while our payment terms to them were extended.

Code of conduct

In 2009 we had planned to extend our Code of Business Conduct (see page 6) to contractors and business partners. As a priority, we decided to focus just on those who work for us as consultants or business intermediaries. They are now subject to our Code and the remainder of our suppliers will be embraced in 2011.

Environmental and social performance of suppliers

Our supplier evaluation procedures already include questions about handling of materials and waste but we know that a broader approach is needed. The work that we have done to extend our safety standards and culture to our suppliers has made us better acquainted with their culture, how they work and how they allocate responsibilities. This is an excellent basis for the next stage: extending the environmental and social aspects of our sustainability ambitions to all those that work with us.

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CONTRACTORS NOW WORK
TO THE LAFARGE CONTRACTOR
SAFETY MANAGEMENT STANDARD

example

HELPING WITH HEALTH AND SAFETY

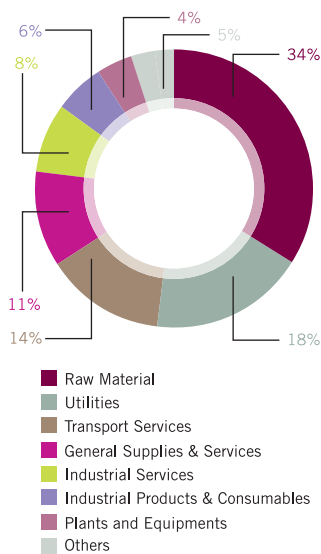
The safety performance of a contractor working for us for many years was not improving as much and as fast as we required. The safety conditions and behaviors at the job site were giving us great cause for concern. Ending the contractual relationship would have had serious repercussions in the local economy. The alternative was an intense improvement program, with explicit commitment from the contractor's management. We first offered full support to our contractors to conduct a gap analysis. With our support they then developed an action plan addressing the identified limitations in equipment, training and safety behaviors; we offered additional training to their staff. In less than six months, we could observe a step change in their mindset and safety performance; the firm continues to work for us and does so to high safety standards. The case demonstrated that being specific, persistent and fair can generate sustainable outcomes.

Spending in Greece

(% of spend)		
	2009	2010
Local suppliers in Greece	74%	73%
Suppliers outside Greece	26%	27%

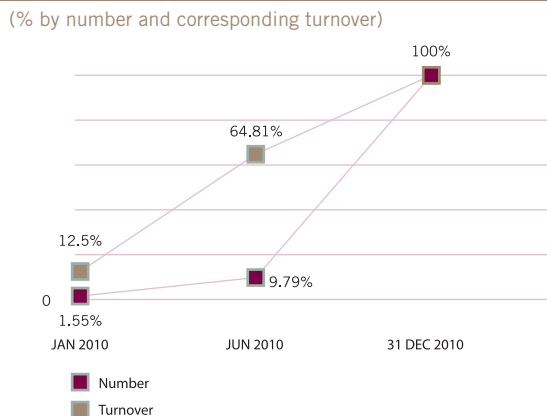
The reduction in proportion of spend in Greece in 2010 is due to the higher price of fuel, which is purchased outside the country, and reduction in the price of contracts in Greece in response to the financial crisis.

Breakdown of our suppliers by type



Raw materials and utilities form the two biggest categories of supply.

Contractors Managed under CSM



By the end of 2010 all contracted work in Heracles was under the contractor safety management standard.