



**Italcementi Group**

# sdReport

Sustainable Development **Report 2007**





# Italcementi Group

## Italy



## France/Belgium



## Bulgaria



## China



## Egypt



## Greece



## India



## Kazakhstan



## Morocco



## North America



## Spain



## Thailand



## Turkey



## Trading



# Italcementi Group at a glance

## Italcementi Group Office of the Chairman



Giampiero Pesenti  
Chairman



Carlo Pesenti  
Chief  
Executive Officer



Rodolfo Danielli  
Chief  
Operating Officer

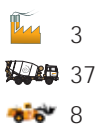


Yves-René Nanot  
Chief  
Development Officer

### USA and Canada



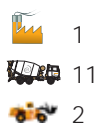
### Spain



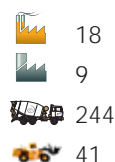
### France



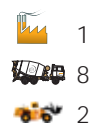
### Belgium



### Italy



### Greece



### Turkey



### Morocco



### Egypt



### Saudi Arabia



### Kuwait



### Mauritania



### Gambia

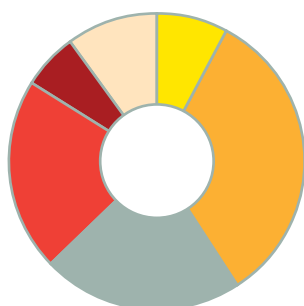


### Sri Lanka



## Breakdown of free float (2007)

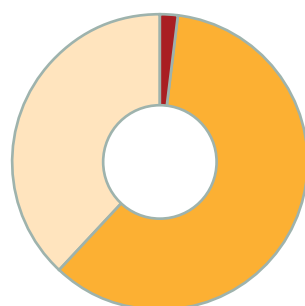
(ordinary shares)



Funds	33%
Banks	22%
Private individuals	21%
Other companies	10%
Insurance companies	6%
Others	8%

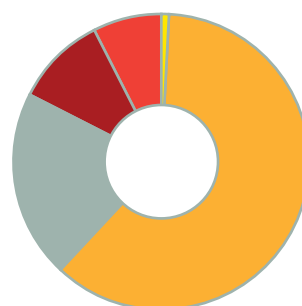
## Ordinary shares (2007)

(survey of shareholders with over 2% of the share capital at December 31<sup>st</sup>, 2007)



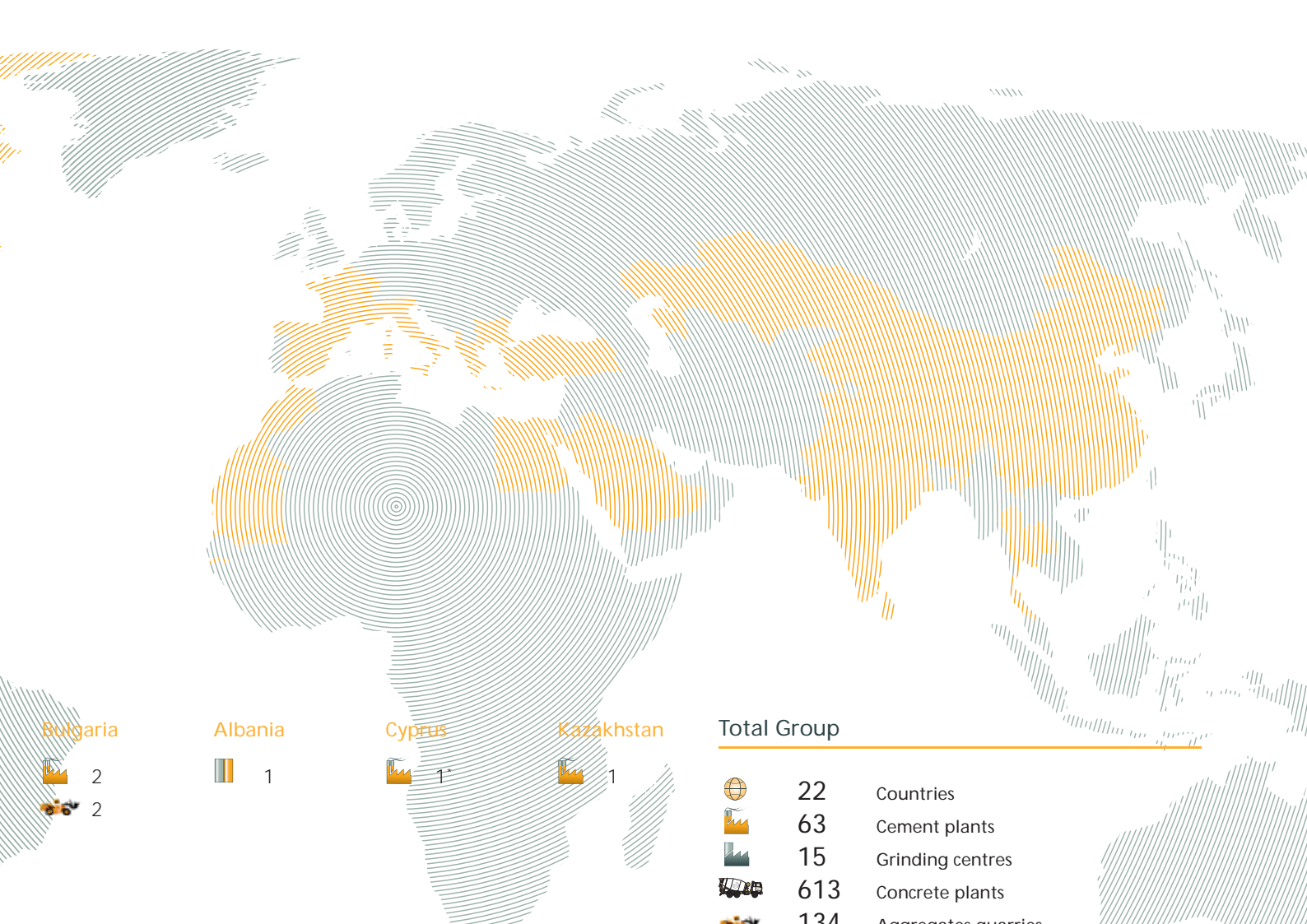
Italmobiliare	60%
Free float	38%
Own shares	2%

## Revenues by area (2007)



Central Western Europe	61.1%
Eastern Europe and Southern Mediterranean Area	20.3%
North America	10.1%
Asia	7.4%
Trading and other	1.1%





#### Bulgaria

 2  
 2

#### Albania

 1

#### Cyprus

 1\*




#### Kazakhstan

 1

#### India

 2

#### Thailand

 3  
 37  
 1

#### China

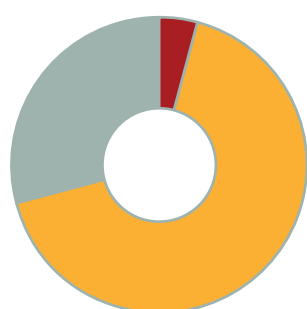
 1




#### Total Group

 22 Countries  
 63 Cement plants  
 15 Grinding centres  
 613 Concrete plants  
 134 Aggregates quarries  
 5 Terminals  
 Over **23,500** Employees  
*(n. of employees in the consolidation area)*  
 Over **6** billion Euro annual Sales in 2007

\* Ciment Québec (Canada) and Arabian Ready Mix Company (Saudi Arabia) JV 50%, Vassiliko Cement Works (Cyprus) not consolidated on a line-by-line basis

#### Revenues by business (2007)



	Cement and clinker	66.7%
	Ready mixed concrete and aggregates	28.9%
	Other activities	4.4%

#### Key economic data (2007)

Revenues	6,009.9 million €
Recurring EBITDA	1,403.9 million €
Cash flow	935 million €
Group Net Profit	423.9 million €

#### Sales volumes (2007)

Cement and clinker	64.6 million t
Ready-mixed concrete	20.5 million m <sup>3</sup>
Aggregates	56.3 million t



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**Italcementi Group**

# sdReport

Sustainable Development Report 2007



ITALCEMENTI HAS EARNED "BEST IN CLASS" STATUS FOR ITS LEADING ENVIRONMENTAL AND SOCIAL PERFORMANCE AND THEREFORE QUALIFIES FOR INVESTMENT IN STOREBRAND'S SRI MANDATES.

[WWW.STOREBRAND.COM](http://WWW.STOREBRAND.COM)

## A turning point



Sustainability is a long term commitment that requires action now. We must be constantly looking ahead to figure out consequences of our strategies, without losing grip on today's needs.

The key words are: responsibility, combining profitable economic performance with the improvement of quality of life and protection of the environment; integrity, placing ethical behaviour at the heart of the business; efficiency, technical expertise and cost management for global effectiveness; innovation, in production, management and social behaviour; and diversity, as a source of energy and value for the Group.

Principles must be transformed into actions, actions must deliver results and progress towards results must be measurable. This is the reason why the Group's policies and procedures, as well as its reporting methodology, are so important.

And at the end of all this, we must ensure transparency and effective communication to all stakeholders, with the aim of sharing what I know we are doing and what will be our ongoing commitments.

In this respect, this edition of Italcementi Group's Sustainable Development report has the ambition to mark a turning point.

Sharper information, quantified performance against targets and external assurance of all major key performance indicators are some of the outstanding new features of this report, as well as open disclosure on all those issues on which we have room for improvement.

Furthermore, last year Italcementi Group recorded many significant milestones in sustainable development: co-Chairmanship of the Cement Sustainability Initiative within the World Business Council for Sustainable Development, joining the Dow Jones Sustainability Index, and our best ever score in safety performance, were the highlights for me, among many others.

Now it is time to boost our efforts and to give our strategies a new impetus. In 2007, Italcementi confirmed its commitment to reinforce and develop the interrelated pillars of sustainable development through more effective governance, by the creation of the Sustainable Development Department at Group level. This new function now coordinates all our activities in the fields of climate protection, environment, industrial hygiene, safety, and social initiatives.

Sustainability needs synergic actions along all the axes. Climate protection and emissions reduction require long term investment such as plant revamping, responsible use of resources, development of innovative products and access to renewable energy.

We are placing people at the core of our health and safety awareness, reinforcing no-compromise targets and making a new commitment on occupational hygiene in the workplace.

Our social responsibility is driving renewed support to communities, taking initiatives aimed at an effective and continued interaction, in respect of rights and cultural values.

We are ready to accept all these challenges leveraging our resources, competences and values to deliver a better and sustainable future to our stakeholders.

Carlo Pesenti  
Chief Executive Officer  
Italcementi Group

A handwritten signature in black ink, appearing to read 'Carlo Pesenti', written in a cursive style.

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# Introduction

## ABOUT THIS REPORT

The principal goal of the Sustainable Development report is to provide reliable information to support the continued promotion of an open and ongoing dialogue between Italcementi Group and an ever growing set of stakeholders.

In order to ensure transparency in the reporting, Italcementi strives towards continuous improvement in the quality, relevance, completeness, understandability and reliability of the information it provides.

This 2007 Sustainable Development report is designed to:

- emphasize the ways in which sustainable development delivers added value for the Group as a responsible actor in the global marketplace;
- communicate how the Group's sustainability approach leads to best working practices, driven by the Group's corporate governance principles;
- provide clear, complete and accurate information on the Group's performance in 2007, describing the progress achieved and the most relevant trends, in order to demonstrate transparency towards all stakeholders.

This report describes Italcementi's performance and evaluates the Group's strategies and activities, highlighting targets achieved and areas where further improvements are possible, and reinforcing long-term sustainability commitments.

Additional information on the Group's policies, including more detailed data on local initiatives and case studies, is available at the Sustainable Development section of [www.italcementigroup.com](http://www.italcementigroup.com).

## INFORMATION AND DATA COLLECTION

This Report has been edited by the Sustainable Development Department under the supervision of an Editorial Committee and the heads of the key relevant Group functions.

Data were collected by means of a central database and dedicated questionnaires sent to all subsidiaries. For the 2007 edition the majority of data have been accounted using appropriate tools designed according to Group SD accountability procedures, linked to corporate enterprise resource planning architecture.

Updates or additional information to the SD report 2007 will be available at the Sustainable Development section of the corporate website.

## REPORTING SCOPE

The Group's reporting perimeter is subdivided as follows:

- "Mature markets": Italy, France, Belgium, Greece, Spain and North America;
- "Emerging markets": Bulgaria, China, Egypt, India, Kazakhstan, Morocco, Thailand, Turkey and Saudi Arabia;
- "Trading": cement and clinker activities in Albania, Gambia, Mauritania, Sri Lanka and Kuwait, as well as direct exports to markets that are not covered by Group subsidiaries;
- "Other": a category for the operations of the Ciments Français SA sub-holding, also including liquid and solid fuel procurement operations for Group companies.



The business segments that provide the basis for reporting are:

- operations relating to production and sales of cement and clinker;
- operations relating to construction materials (ready-mixed concrete and aggregates);
- other operations such as transport, additives and admixtures for cement and ready-mixed concrete, plastics and clay pipes, mortars, e-business and energy.

The 2007 perimeter has slightly varied compared to last year.

The most significant change in the scope of the present report concerns operations in China, where the Group took control of Fuli Cement in mid-2007 by acquiring the Fuping cement plant in Shaanxi province.

## REPORTING METHODOLOGY

An efficient approach to sustainable development reporting is a key tool for clarity and reliability of information.

A detailed description of the reporting methodology is available on page 43.

## REPORTING STANDARDS

Italcementi's reporting is documented in accordance with the guidelines of Global Reporting Initiative (GRI version "G3"), as well as with those defined by the World Business Council for Sustainable Development and the Cement Sustainability Initiative (WBCSD/CSI), endorsed by Group Policies.

These guidelines have been used for the definition of the report contents.

Since the very first report in 2004, the Group has continuously improved its reporting standards thus ensuring accuracy and consistency of reported results over time.

A specific Appendix (see page 38) provides detailed cross-reference between the current report and the GRI guidelines.

## ASSURANCE

Italcementi Group management is responsible for the reliability of the data published in the report. It has not yet undergone an overall external assurance process. However some data such as those taken from the 2007 Italcementi Group Annual Report have been individually submitted to verification.

Having obtained independent assurance for its Group-wide CO<sub>2</sub> emission performance data in 2006, the Group has decided to extend the external verification to cover its main relevant key performance indicators (KPIs).

As described at page 42, Ernst & Young's review covered the following indicators:

- CO<sub>2</sub> absolute and specific gross emissions;
- dust, SO<sub>2</sub> and NO<sub>x</sub> emissions;
- % of kilns equipped with Continuous Emissions Monitoring systems (CEMs);
- % of alternative raw materials used in cement plants;
- % of quarries providing materials to cement plants, having a rehabilitation plan;
- % of clinker production facilities certified to ISO 14001;
- Lost Time Injuries frequency rate (LTI).

Further improvements in third party verification are under development.

## STAKEHOLDER FEEDBACK

Italcementi Group strongly supports a clear, transparent and interactive dialogue with all those interested in its activities.

In order to encourage dialogue with stakeholders, readers may communicate their own opinion to the Group, make suggestions for any improvement and asking for clarification on any aspect of the Group's activities in relation to sustainable development, sending an e-mail to [sdreport@itcgr.net](mailto:sdreport@itcgr.net).

The feedback provided by stakeholders in 2006, helped the Group to better understand their concerns and main areas of interest.

These comments were taken into consideration during the editing of this report, paying particular attention to human resource management and innovation. Additional information is provided on the corporate website.

## Vision, strategy and corporate governance

Since its foundation in 1864, Italcementi's policy has been driven by a continuous search for business excellence and best practices. Its success has been built upon investment in scientific know-how, development of plants with best available techniques, personnel skills, technological leadership and careful definition of long-term strategic goals.

Sustainable development is an integral part of Italcementi's strategy and working culture and contributes to the successful management of business risks, as well as improving performance and boosting the Group's reputation with stakeholders.

### VISION AND STRATEGY

Italcementi formalised its natural commitment to the protection of the environment and to social responsibility joining the World Business Council for Sustainable Development (WBCSD) in 2000. WBCSD provides a platform for companies to share knowledge, experience and best practices, and to advocate business positions on these issues in a variety of forums, working with governments, non-governmental and intergovernmental organisations.

Italcementi considers business leadership to be a catalyst for change towards sustainability, in particular by promoting the roles of eco-efficiency, innovation and social responsibility.

Italcementi strongly believes in values, such as:

- **responsibility** as long term commitment to sustainability;

- **integrity** as ethical behaviour at the heart of its business;
- **efficiency** as operational excellence through continuous improvement;
- **innovation** in product, application and management;
- **diversity** of local identities as a source of value;

and focuses its growth strategy on:

- renewal and expansion of its existing industrial network;
- small/medium size acquisitions and partnerships in emerging and high growth markets;
- vertical integration with ready-mixed concrete and aggregates;
- development of innovative building products, applications and services;
- initiatives in renewable energy sector.

### Major steps towards sustainable development

Step	Description	Issue
Issue of the Code of Ethics	The Code of Ethics defines the rules of behaviour and the principles applicable to employees and to all those who establish any relations with Italcementi	1993
Joining the World Business Council for Sustainable Development	Italcementi becomes a membership of the World Business Council for Sustainable Development, formalising its commitment to sustainability awareness and responsibility	2000
Launch of the "Zero Accidents" project	Italcementi puts in practice its safety vision at Group level with the launch of the "Zero Accidents" project, building performances on a common safety culture	2000
Creation of the Group Environmental Affairs (GEA) function	The GEA function has the task of establishing guidelines for sustainability and environmental protection and promoting their implementation throughout the Group	2001
Subscription to the Agenda for Action of the Cement Sustainability Initiative	The Agenda sets out a programme of concrete actions focusing on environmental and social aspects	2002
Creation of the Sustainable Development Steering Committee (SDSC)	The role of the SDSC is to translate the Group's vision into specific policies and initiatives throughout the subsidiaries and to support their implementation	2003
Launch of the "Sustainable Development Awareness Programme"	The program aims to integrate sustainability values, knowledge and behaviour into the Group's activities and their adaptation to local contexts	2004

## OBJECTIVES AND IMPROVEMENT TARGETS

Italcementi Group puts its sustainability strategy into action through a series of guidelines, adopted and implemented by all its employees.

Guidelines and good practices in the cement industry have been promoted at global level by the Cement Sustainability Initiative (CSI).

The table on pages 8 and 9 provides a snapshot of Italcementi Group's actions towards sustainability. It reflects both the Group's concerns and commitments and is divided into four sections:

- corporate governance and management systems;
- economic development;
- environmental protection;
- social performance.

These objectives are aligned with the guidelines and good practices for the cement industry that have been defined at global level by the Cement Sustainability Initiative.

The CSI is a member-sponsored programme of the World Business Council for Sustainable Development (WBCSD).

Since its establishment at the end of 1999, the Initiative has provided independent research on the status of the industry and the major sustainability issues it faces.

A comprehensive set of recommendations to improve performance was published by the Battelle Institute in March 2002, and was followed by the launch of the "Agenda for Action" developed and signed by the member companies, including Italcementi Group.

The Agenda sets out a programme of actions focusing on six main work areas:

- climate protection;
- fuels and raw materials;
- employees health and safety;
- emissions reduction;
- local impacts;
- internal business processes.

For each area there are both joint projects and individual actions. Participation in projects is always voluntary.

Italcementi, like the other member companies, reports its own progress on its activities in these areas.








The Agenda for Action raised interest among a number of bodies, including CEMBUREAU (the European Cement Association), and the Australian Cement Industry Federation.



Italcementi Group demonstrated its pro-active commitment to the initiative with its co-chairmanship of CSI until end of 2007.

## Major steps towards sustainable development



Step	Description	Issue
Publication of the first sustainable development report	The SD report, updated and published annually, supports the promotion of an open and permanent dialogue with stakeholders on Group sustainability policies, performances and initiatives	2004
Issue of the Charter of Values	The Charter of Values, translated in all the Group's languages, describes and endorses the basic principles of Corporate Governance, inspired by international references such as the Universal Declaration of Human Rights, the International Labour Organisation and SA8000 standards	2006
Co-Chairmanship of the Cement Sustainability Initiative (CSI)	Italcementi confirmed its long-term commitment to sustainability development through the co-Chairmanship of the CSI	2007
Italcementi earned "Best in class" status from Storebrand SRI	Italcementi earns "Best in class" status for its leading environmental and social performance and therefore qualifies for investment	2007
Independent assurance of Group-wide CO <sub>2</sub> performance data	In order to achieve greater transparency, Italcementi obtains independent assurance for its Group-wide CO <sub>2</sub> emissions performance data	2007
Entrance in the Dow Jones Sustainability Indexes (DJSI)	Following an assessment by SAM (Sustainable Asset Management), Italcementi joins the DJSI, the leading global indexes tracking the financial performance of the leading sustainability-driven companies worldwide	2007
Creation of the Sustainable Development Department (SDD)	Italcementi confirms its commitment to strengthen and develop the interrelated mainstays of sustainable development in a synergic fashion through the creation of the SDD at Group level	2007



































## Objectives and improvement targets

Objectives and targets		Deadline
<b>Management system</b>		
Data collection	Develop structured methodologies for monitoring and reporting data at Group level	2006
Sustainable reporting	Develop and harmonise sustainability reporting at subsidiary level	2005
	Report on environmental and social data relating to Egyptian subsidiaries	2007
 Environmental management systems	Over 90% of clinker production facilities certified to ISO 14001	2010
	100% of our cement plants environmentally audited at least once in 4 years	2011
<b>Economic development</b>		
Customers	Define a standard for customer satisfaction assessment at Group level	2007
Suppliers	Define, at Group level, tools for supplier selection according to criteria including social and environmental issues	2007
	Reach 20% of the "Corporate" suppliers portfolio qualified through the "selection tools"	2009
Subcontractors	Apply equal standards for subcontractor workforces in all subsidiaries	2007
Innovation	Increase the Innovation rate to 3.5 - 5	Long term
Support to communities	Carry out on an annual basis a detailed analysis of contributions made by the Group to social communities	Permanent
<b>Environmental protection</b>		
 Climate protection	Ensure independent assurance of Group-wide CO <sub>2</sub> emission performance data	Permanent
	Reduce the gross emission factor to 711 kg CO <sub>2</sub> per ton of cementitious product	2008-2012
	Reduce the gross emission factor to 690 kg CO <sub>2</sub> per ton of cementitious product	2012
 Responsible use of fuels and raw material	Apply the fuel and raw materials guidelines developed by the Cement Sustainability Initiative	2005-2006
 Air emissions	80% of kilns equipped with Continuous Emission Monitoring for dust, SO <sub>2</sub> and NO <sub>x</sub>	2007
	90% of kilns equipped with Continuous Emission Monitoring for dust, SO <sub>2</sub> and NO <sub>x</sub>	2010
	Reduce dust, SO <sub>2</sub> and NO <sub>x</sub> emission factor to 130, 570 and 1,760 g/ton of clinker respectively	2010
 Landscape and quarrying	70% of own quarries providing raw materials to cement plants to have a rehabilitation plan	2007
	70% of all quarries (including aggregates) with a rehabilitation plan	2010
<b>Social performance</b>		
 Health and Safety	"Zero Accidents" in the workplace	Long term
	Decrease by 5%-on-year the frequency rate of accidents	2007-2009
	Carry out an external audit on Safety management system	2007
	Extend Safety policy to plants under construction	Permanent
	Newly appointed operational managers to dedicate part of their time to Safety training before taking up new position	Permanent
	Develop a tool aimed at assuring the Safety best practices communication for all subsidiaries	2008
	Extend, at Group level, local best practices on industrial hygiene and workers' health	2008
	70% of employees potentially exposed to dust, silica, noise and vibration covered by workplace assesement	2012
Human Resources management	Implement a system for analysing employee satisfaction levels throughout the Group	2007
	Carry out a second Employee opinion survey	2010
	Implement a rational and fair remuneration scheme	2007
	Develop internal communication systems	2007
	Integrate and standardise subsidiaries' human resources guidelines and management systems across the entire Group	2008
 Stakeholder engagement	Increase the number of people trained in programmes for long-term and high level performance	Long term
	Analyse relations with stakeholders at subsidiary level	2006
	Analyse relations with stakeholders at plant level and implement related action plan	2007

 achieved  
 new target

 on going  
 indicator verified by Ernst & Young

 delay  
 WBCSD/CSI issue

Status 2007			Page	Comments
			4,5,43	
			4,5,43	
			4,5,43	
	78%		13	Six additional plants completed the certification in 2007
			14	
			14,15	Italy and France already involved. To be extended to other subsidiaries
			15	
			15	
			11	Group standards defined. Implementation to be extended to subsidiaries
	2.5		18,19	Improving from 2.0 in 2006
			17	
			5,42	
			20	Slightly improving from 741 kg/t in 2006. Most relevant investments are expected to deliver results by the end of the period
	733 kg/t		21	
	AFs 4.2%		22,43	KPIs already in use. Good practices guidance implemented in some subsidiaries to be extended at Group level
	ARMs 5.9%			
				New voluntary stricter internal procedures applied to evaluate CEMs, reducing the rating of some installed equipments. 66% including opacity monitors in North America
	57%		14,15	
	dust 187 g/t			Improved from 2006. Most relevant investments are expected to deliver results by the deadlines set
	SO <sub>2</sub> 638 g/t		24,25,27	
	NO <sub>x</sub> 1,584 g/t			Target achieved for NO <sub>x</sub> , to be consolidated before new target is set
	74%		23,24	
			23,24	
	5.8		6,11,13,28	The Group confirms and reinforces its commitments, while recording its best performance ever in Lost Time Injuries frequency rate in 2007
	-22%		29	
			13	Launch planned in 2008
			12,13	Applied to open building sites
			13,33	Applied to all plant managers or higher levels
			13,29	
			28	Group procedures to be issued in 2008
			30	
			32	
			32	
			31,32	
			31	
			31	Implementation ongoing
			32,33,34	Competencies development and efficiency improvement training
			35,36	Available with details in some subsidiaries and plants. To be implemented as a Group practice
				



## CORPORATE GOVERNANCE AND MANAGEMENT SYSTEM

### Corporate governance

In order to ensure the effectiveness of its operational activities and decision making process, the Group has adopted corporate governance practices and has sought to enhance the efficiency and transparency of its control management systems.

This process requires an accurate definition of the decisional structure and the adoption of a set of rules and principles, that guide and control the actions and behaviour of all employees.

The corporate governance system is conceived as applicable to all the Group's subsidiaries.

### Our standards

Italcementi Group is constantly seeking to evolve its business culture in line with new challenges.

This process encourages and reinforces value sharing among stakeholders.

The Group parent company Italcementi SpA is strongly committed to extending its governance system to all subsidiaries, in order to ensure maximum transparency towards shareholders and stakeholders.

The Group's corporate governance rules are defined both in its "by-laws" and in its voluntary internal codes and regulations.

They are constantly re-examined in light of developments in local legislations and available market "best practices".

### Sources of corporate governance

Code/regulation	Description	Adoption date	Last update
By-laws	Define the company's main rules and the operations of its corporate bodies	1927	2007
Code of Ethics	Defines the rules of behaviour and the principles applicable to employees and to all those who establish any relations with Italcementi	1993	2001
Code of Conduct	Communicates how Italcementi is organised in order to maximise value for shareholders	2001	2007
Treatment of confidential information	Defines procedures for document management, with special focus on treatment of "price sensitive" information	2001	
Internal Dealing	Defines the flow of information to and from the market, in case of operations performed by relevant persons involving Italcementi shares or other financial products issued by controlled companies listed on Italian regulated markets or unlisted but accounting for more than 50% of its asset	2002	2006
Procedural Code for transactions with related parties	Defines procedures for all concerned parties when dealing with Italcementi itself or other related parties	2003	2007
Organisation, Management and Control Model	Aims at preventing criminal offences and administrative liabilities, spreading and consolidating managerial practices, enabling control-oriented culture and promoting an efficient and balanced organisational structure	2004	2006
Insider Register	Lists all the people who may manage or access privileged information that, if disclosed, could significantly influence the price of market instruments	2006	
Charter of Values	Endorses the basics of corporate governance and enhances their principles, with reference to international standards such as the Universal Declaration of Human Rights, the International Labour Organisation, SA8000 standards. It has been translated into all the Group's languages	2006	

Further information is available on the corporate website, at the Investor Relations section.

The Chairman has responsibility for ensuring compliance with the principles of corporate governance and to propose any necessary amendments to the Board of Directors.

An Internal Control Committee, directly reporting to the Board of Directors, is tasked with identifying and managing all the main corporate risks.

In 2007 the Board of Directors appointed, on proposal of the Internal Control Committee, the CEO as the Executive Supervisor of the internal control system, with the role of identifying the main corporate risks and submitting them to the Board of Directors.

The Board of Directors has also appointed a Manager in charge of preparing the company's financial reports, according to legislation and "by-laws".

This manager has the responsibility to:

- define administrative and accountability procedures for drafting the Annual Report as well as any other financial communication;
- certify, through a specific document, the adequacy and implementation of procedures as well as the consistency of Annual and Half-Year reports in representing the true and correct status of the patrimonial, economical and financial assets of Italcementi SpA on other consolidated Companies.

All market information is published in real-time on the corporate website, at the Investor Relations section.

### Group Policies

Italcementi's long term commitment to sustainability aims to combine profitable economic performance with mitigation of environmental impacts and improvements in quality of life for present and future generations.

According to this commitment, Italcementi has defined a set of policies which have been spread and implemented by all the subsidiaries. All employees must endorse and adopt the Group's procedures.

### Environment Policy

The Environment Policy is an integral part of Italcementi Group's corporate mission and is fundamental to business performance as well as productivity, efficiency, quality, health and safety and technological development.

The goal is to mitigate environmental impacts and to improve health and working conditions.

Italcementi Group aims to optimise its use of non-renewable natural resources and promotes the application of environmental standards well beyond local regulations.

The policy is constantly monitored and updated to minimise and prevent any adverse environmental effects of the Group's activities.

The Environment Policy can be downloaded from the corporate website, at the Sustainable Development section.

### Safety Policy

Italcementi Group's Safety Policy is applied to each and every workplace, with the objective of eliminating occupational accidents. This target is pursued by applying the highest safety standards, encouraging a culture of risk prevention and fostering the adoption of responsible behaviours by all employees and those working or having relations with the Group.

Accordingly, the main goal is to achieve Zero Accidents in all the subsidiaries.

The policy is continually audited and updated in order to protect against the hazardous behaviours that may cause most industrial accidents.

The Safety Policy can be downloaded from the corporate website, at the Sustainable Development section.

### Subcontracting Policy

Italcementi Group extends its responsibility for fair, safe and healthy working conditions not only towards its employees but also to subcontractors. Accordingly, Italcementi requires subcontracting companies to:

- observe employment laws and ethical treatment of employees;
  - guarantee adequate health and safety conditions;
  - limit particularly unpleasant or demanding situations and tasks;
  - implement all necessary actions for developing and increasing awareness and professional behaviour.
- Italcementi also monitors all subcontractors' performance.

### Competition Policy

This policy derives from the Code of Ethics and is applied to all subsidiaries and production units of the Group through specific training, communication and internal control programmes.

### Sustainability management structure

In 2007, Italcementi confirmed its commitment to sustainable development integrating its social and environmental management in a corporate Sustainable Development Department (SDD), with four dedicated functions:

- Climate Protection;
- Environment and Industrial Hygiene;
- Safety;
- Social Initiatives.

The SDD reports directly to the Chief Operating Officer and coordinates functionally managers in all the subsidiaries carrying out activities in the above mentioned areas.

The objectives of the SDD are to:

- promote and encourage increasing awareness and responsible use of natural resources;
- contribute to the reduction of the environmental impact of the Group's activities;
- promote the culture of safety and health protection among all employees;
- encourage effective interaction with local communities;
- verify the application of sustainability principles and enforce the adoption of policies by all the subsidiaries;
- support the organisation and realisation of training and awareness programmes on topics related to sustainable development;
- ensure all employees maintain the highest standards of ethical conduct and integrity.

The SDD supports the implementation of procedures by liaising with the relevant Group functions such as Human Resources and CTG (Group Technical Centre). Support to subsidiaries is provided through audits,

site visits, assistance, training, sharing of best practices and activities in the field.

The pillar of Italcementi Group sustainability management structure is the Sustainable Development Steering Committee (SDSC).

The SDSC, chaired by the Group Chief Operating Officer (COO) and co-ordinated by the Director of the Sustainable Development Department, is composed of all the members of the Management Committee and the Directors of Communication and Image and Research and Innovation.

The Sustainable Development Steering Committee ensures proper alignment of all Group's operations by:

- translating the Group's vision into specific policies throughout all subsidiaries;
- supporting and monitoring the Group's sustainability strategy and its implementation by all subsidiaries;
- defining and implementing an external communication programme.

Periodical meetings are organised along the year in the framework of the Management Committee sessions.

### Management system

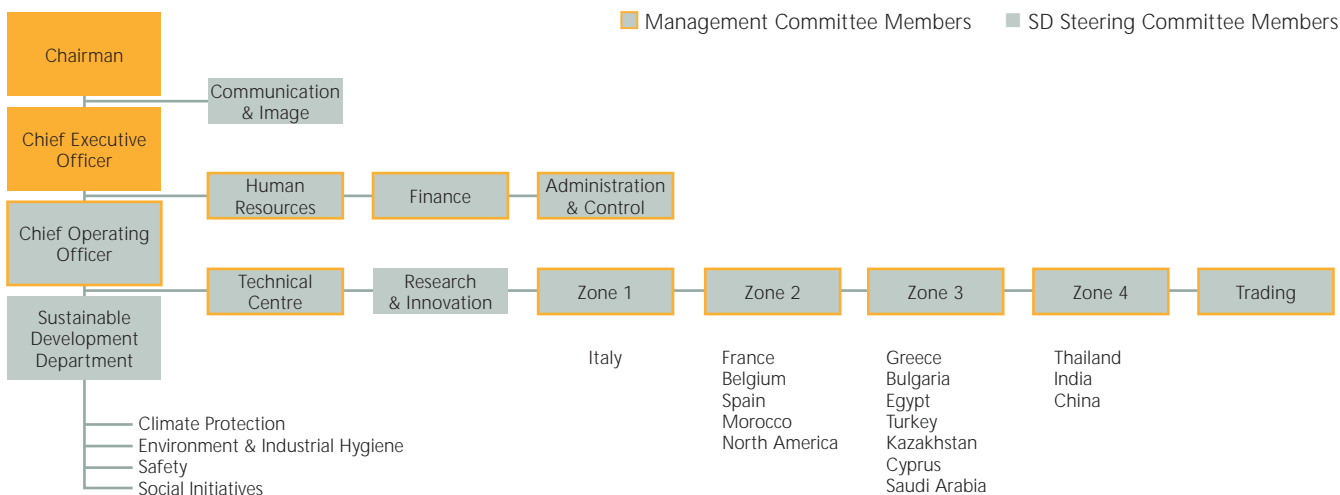
Italcementi's success is mainly due to its approach of global thinking and local action, which ensures flexibility to meet local needs.

Reflecting these values, the Group has developed its management system to be applied in all its subsidiaries. The set of management principles is described as follows.

### Safety management

Italcementi does not accept any compromise regarding safety and strongly believes in the importance

## Italcementi Group's management structure for Sustainable Development



of ensuring the safety of its employees, subcontractors, third parties, visitors and any other stakeholder touched by the Group's activities.

At the end of 2000 Italcementi formalised a safety policy at Group level, including guidelines and principles for the "Zero Accidents" project in order to create a common safety culture throughout the different subsidiaries, geographical areas and business activities.

This approach is applicable to all the Group's subsidiaries and activities and to all people directly or indirectly involved in the Group's operations.

In term of governance, safety principles and responsibilities are integrated within the definitions of functions for each level of management.

The Group's safety management system is based on strong company commitment, clear organisational accountabilities and leadership to mobilise the workforce through training and communication.

The safety Organisation Model is defined at country, business and plant level to ensure a homogeneous approach to safety management worldwide. It follows the principles of the International Labour Organisation (ILO) on safety management issued in 2004.

The safety function is based on:

- a safety co-ordinator, appointed in each country, to advise and support the local General Manager and to propose operational guidelines;
- local safety "animators" (about 150 full or part time people) at each necessary organisational level;
- safety management committees, at each organisational level, which are decision-making bodies that meet regularly (at least monthly) to ensure the correct implementation of local safety action plans.

Safety training programmes have been developed for all employees and include general training, training on safety tools, legal safety training and job safety training.

Safety management tools have been developed to ensure that all employees are involved in delivering safety management practices:

- highlighting failure points in daily operations such as unsafe conditions and actions that may lead to accidents or incidents. This includes safety inspections and visits, checklists, safety tours, safety meetings, Job Safety Analysis (JSA) and Internal Safety Audits (I-SAFE, Italcementi Safety Audit for Everybody);
- identifying unexpected events such as accidents, incidents or near-misses. This is part of Accident and Incident Management and requires a process of analysis and associated management that has been part of the Group Safety Database since 2003;

- since 2001, subsidiaries have used the Safety Database to feed monthly figures to the Group level;
- safety evaluations based on the Implementation Appraisal Document (IAD), are used to evaluate the implementation level of the "Zero Infortuni" approach for each plant.

The Safety Database is essential to:

- allow calculation of all indicators and figures concerning employees safety, including those for temporary employees, external company personnel and subcontractors;
- record and analyse all work-related accidents at production and distribution sites level, in order to support the implementation of corrective safety measures;
- involve personnel, identify hazardous situations in the workplace that could cause injury or illness and deal with those situations before consequences occur.

### *Environmental management*

Italcementi Group aims to continuously improve its environmental performances, meeting its sustainable development commitments and providing a positive drive to its business.

Supported by subsidiaries, the Group continuously tracks international and national legislation, monitors best practices and develops both long-term strategic plans and annual capital allocation budgets to achieve high environmental standards.

According to its principles and the WBCSD/CSI guidelines, Italcementi considers an efficient Environmental Management System (EMS) to be a fundamental tool to support its overall SD strategy.

In line with its multinational presence, the Group has selected the international standard ISO 14001 as the Environmental Management System reference to be implemented at site level.

The ISO 14001 approach is based on three steps:

- compliance with all applicable standards;
- prevention of potential environmental impacts;
- continuous improvement of performance.

At the end of 2007, 78% of plants (47 out of 60) were certified. In 2007, 6 additional cement plants received the ISO 14001 certification as the recognition of their environmental management.

The Group's next target is to certify at least 90% of clinker production facilities by 2010. The certification processes in Italy and Turkey should be fully completed by the end of 2008. The Group is taking all necessary actions to complete implementation in France-Belgium, North America, India and Kazakhstan.

The chart below provides detailed information on the ISO 14001 implementation status, by country. The Sustainable Development Department ensures the overall implementation of the environmental policy and guidelines across the Group, in close co-operation with subsidiaries through periodic audits. The Group's target is to have 100% of its cement plants audited at least once in 4 years, starting from 2008. The first deadline will be the end of 2011.

Monitoring of performance, with special focus on emissions to atmosphere, is a key tool for environmental management. Following the best practices, Italcementi is strongly committed to implementing Continuous Emission Monitoring systems (CEMs).

CEMs are automatic devices that measure real time emissions 24 hours a day; these measurements are stored in the emission performance database. At the end of 2007, 68 operating kilns (66% of total) were equipped with CEMs covering, at the same time, dust (opacity monitors for North America), SO<sub>2</sub> and NO<sub>x</sub>. Other 21 kilns were only equipped with dust or opacity monitors. The charts at the bottom of page 15 provide further details.

In 2007, the Group decided to apply voluntary stricter internal procedures for CEMs specifications. This stricter specification had the effect of reducing the number of kilns with CEMs that met its specifications, and so reduced the percentage below the 2007 target of 80%. Despite this, the Group is still committed to meeting its more ambitious target of 90% by 2010.

#### Carbon risk management

The cement industry is highly exposed to carbon risk, particularly in regions with CO<sub>2</sub> emission trading or carbon taxation systems in place.

This risk is directly related to the carbon footprint of individual companies, but is also significantly affected by external factors such as the international climate framework (Kyoto and post-Kyoto scenarios), local regulations, and the price of carbon on the international markets.

Experience has shown that the European Emission Trading Scheme (EU-ETS) impacts marginal production costs due to the cost of allowances purchasing and the increased price of electricity, as a result of the cost pass-through by the power sector.

The Group is managing its carbon risk in two ways:

- reduction of the carbon footprint of its products and production processes (preliminary assessment of the carbon emissions and reduction potential of new acquisitions are also foreseen);
- financial risk coverage.

Scenario thinking, made possible by an accurate emissions tracking system put in place at Group level, is driving the financial risk coverage.

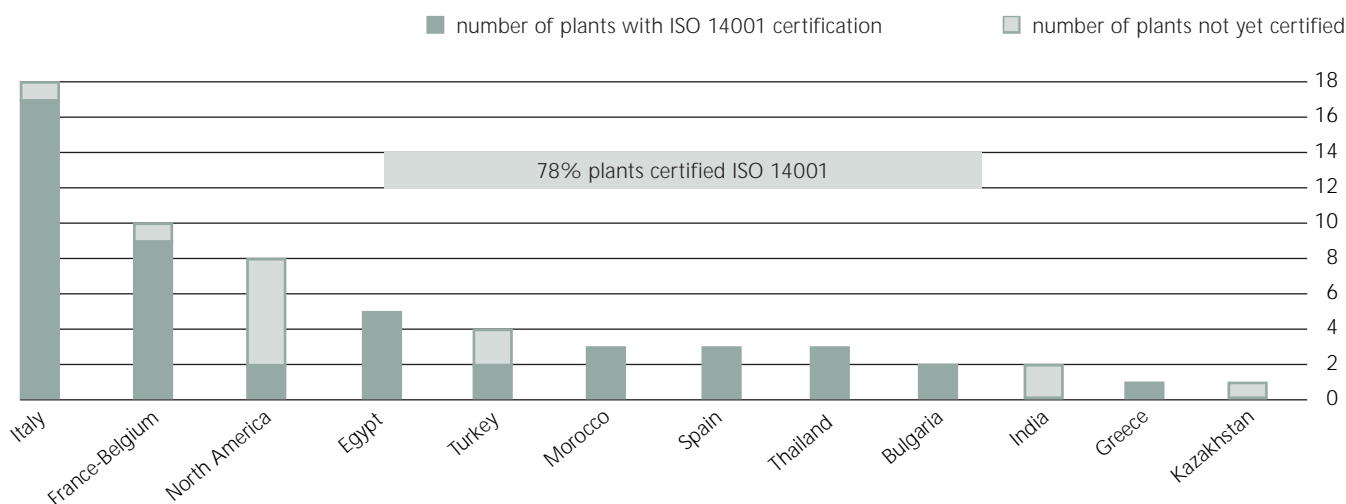
The most appropriate market instruments are taken into account, such as participation in Carbon Funds and access to the carbon derivatives markets.

In addition, the development policy, through the diversification of countries and operations, allows reduction of risk exposure in Europe, while also offering opportunities for developing carbon reduction projects that may be eligible as Clean Development Mechanism (CDM) projects under the Kyoto Protocol.

#### Quality and customer relationship management

Most of Italcementi's subsidiaries have already implemented a Quality Management System in accordance with the ISO 9001:2000 standard.

ISO 14001 certification at cements plants in 2007





Italcementi is committed to improving customer relationships, by collecting information on their perception of the Group's value, in terms of both products and services provided.

The value of the product or service offer is ensured through quality systems and measured by process controls, product standards and, where conducted, customer satisfaction surveys.

Analysis of claims and loyalty level for specific products is systematically used to assess customer satisfaction. Italcementi Group gives high importance to the definition of a standard tool for the assessment of customer satisfaction.

A first initiative was launched in Italy and France in 2005 and 2006, when a questionnaire was developed and distributed to selected customers aimed at assessing their perceptions on topics ranging from the quality of cement bags to the quality of product information and assistance provided by the Group through its on-line services. The feedback from these questionnaires enabled the Group to respond promptly to the customers' needs and to continuously improve its services.

The survey is updated every two years. Meanwhile, an increasing number of subsidiaries are planning to carrying out customer satisfaction assessment.

### Vendor Management

In line with its sustainability commitment, the Group Procurement Department has defined a new "Vendor Management" process for managing supplier assessment.

It follows a step-by-step process of registration, classification, qualification and rating of suppliers

across the world. This is part of the online portal "EASY Supply", put in place at all subsidiaries. For each business category a list of questions has been developed and submitted to all suppliers during their web registration.

A number of these criteria refer directly to the supplier company's social and environmental approaches.

The Procurement Department started to receive feedbacks from an initial subset of suppliers at the beginning of 2008.

Italcementi Group is now committed to:

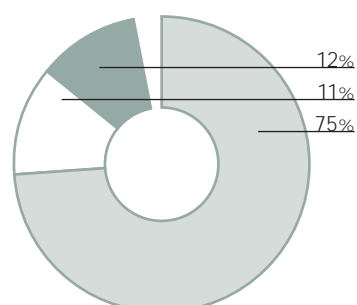
- increasing the number of suppliers involved;
- giving the assessed suppliers a qualification status;
- involving the suppliers in new tenders, on the basis of their ratings;
- promoting its sustainable development policies and culture among suppliers, through an external campaign to keep suppliers informed of group activities in this field.

The Group's target is to have 20% of the corporate suppliers portfolio qualified through the "selection tools" by the end of 2009.

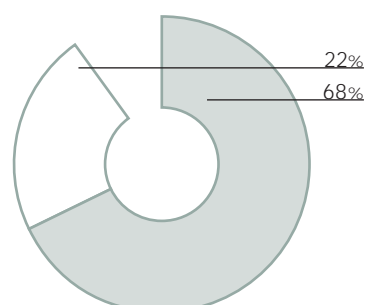
### Kilns covered with emissions monitoring (% of total number of kilns)

■ Continuous Emissions Monitoring system   ■ Opacity monitors   □ Spot measurements

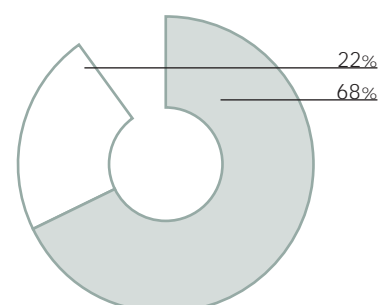
dust



SO<sub>2</sub>



NO<sub>x</sub>



## Economic development

Italcementi Group's main economic goals are long term profitability and growth. These goals are pursued through external development, industrial investments and product innovation, with a balanced portfolio between mature and emerging markets.

This brings economic benefits not only to the Group and its investors, but also to the countries in which the Group operates and invests. Cement plants are important catalysts for local economic development. They typically support infrastructural development and generate job opportunities, give work to local suppliers and make a significant contribution to public revenues.

The multiplying effect of these benefits in the value chain exerts a very positive influence especially on emerging economies.

### ECONOMIC IMPACTS

In line with the 2007 consolidated financial statement of Italcementi SpA and comparative data for the year 2006 and 2005, the economic values reported in this section have been processed according to the IAS/IFRS principles.

#### Customer relations

Like-for-like 2007 Group sales volumes slightly decreased in all businesses. At historical perimeter, Group cement and clinker sales volumes recorded a moderate increase also thanks to global integration of the activities in India and the consolidation of the Chinese Fuping. In this sector, all the emerging markets showed positive trends, thanks to the good performance of Eastern Europe and the Southern Mediterranean area (primarily Morocco and Egypt). In 2007, Group revenues totalled € 6,000.9 million, up 2.5% on 2006 (€ 5,854.1 million). The largest

contribution to growth was granted by the emerging countries of Eastern Europe and of the Southern Mediterranean area (particularly Egypt), which recorded a generalized growth.

This growth further reflects the importance of the Group's activities as a catalyst for economic growth in developing countries.

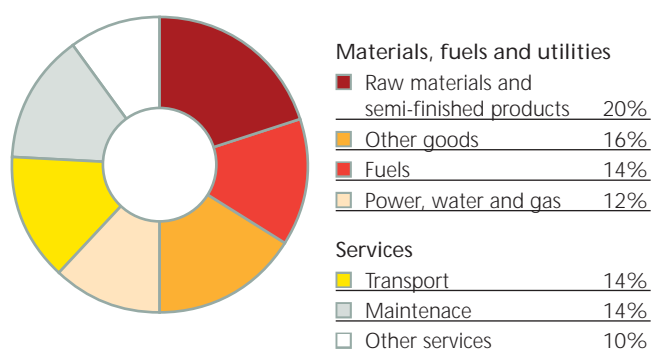
Changes in the consolidation area produced a moderate effect in revenues. The impact of the ready-mixed concrete acquisitions in North America and Egypt, the full integration of Zuari Cement in India (previously consolidated on a proportionate basis until June 1<sup>st</sup>) and the acquisition of Fuping Cement in China was partially reduced by the consolidation of Calcestruzzi SpA and of its subsidiaries based on the interim report as at September 30<sup>th</sup>, 2007.

This decision followed the seizure of all the plants, materials and goods constituting the entire going concern of Calcestruzzi SpA ordered by the Court on January 29<sup>th</sup>, 2008.

In comparison with 2006, the cement-clinker activities

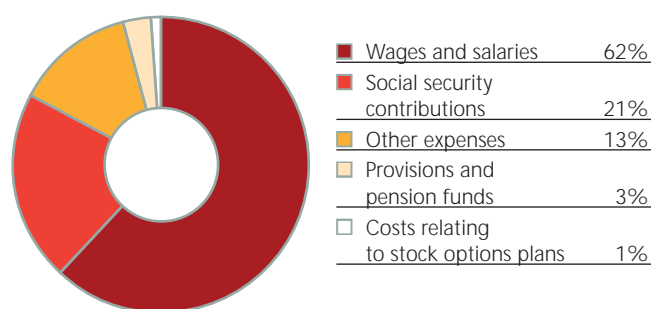
#### Group spending (2007)

Total: € 3,762.5 million



#### Employees expense (2007)

Total: € 953.2 million



grew by almost 4% and the concrete and aggregates business decreased by 0.9%.

Revenues by geographical region reflected progress in Asia (+23.0%), Eastern Europe and the Southern Mediterranean area (+10.1%).

### Supplier relations

In 2007, Italcementi Group spent € 2,344.2 million (€ 2,172.0 million in 2006) on raw materials, fuels, power, utilities and other goods. The increase is mainly due to the higher cost of energy products such as fuels and electrical power. In addition, in 2007 € 1,418.4 million (€ 1,333.6 million in 2006) were recorded in services.

### Personnel

At the end of 2007, the Group accounted 23,706 employees compared to 22,868 at the end of 2006. Employees expenditure increased by 4.6% up to € 953.2 million, compared to € 911.7 million in 2006.

Italcementi Group's benefit plans are valued according to IAS19 and categorised as post employment pension benefits, post-employment medical plans, other long term benefits, and termination benefits. The post-employment pension benefits (Italcementi's largest category of defined benefit plans) are a mix of fully and partially funded retirement plans and unfunded termination indemnities.

Post-employment medical plans, other long-term benefits, which consist mainly of long service awards, and termination benefits are unfunded plans. Italcementi Group has already defined benefit plans in place for its employees in many emerging markets.

### Shareholders

At the end of 2007, the share capital of Italcementi SpA was € 282,548,942 divided into 282,548,942 shares, about 62.7% of which were ordinary shares and 37.3% savings shares. The Group's net shareholders' equity was € 3,479.5 million.

### Support to communities

Group's Sustainable Development Awareness Programme drives subsidiaries in developing initiatives to support local communities. Each plant has to develop an Action Plan in line with the Group guidelines and the local context in order to meet the expectations of their stakeholders.

In 2007, the Group earmarked more than € 6.1 million in favour of local communities, with a special focus on emerging markets.

Donations, charities and sponsorships of cultural, environmental and sports events accounted for about 50% of the total amount while 15% was donated for education programmes.

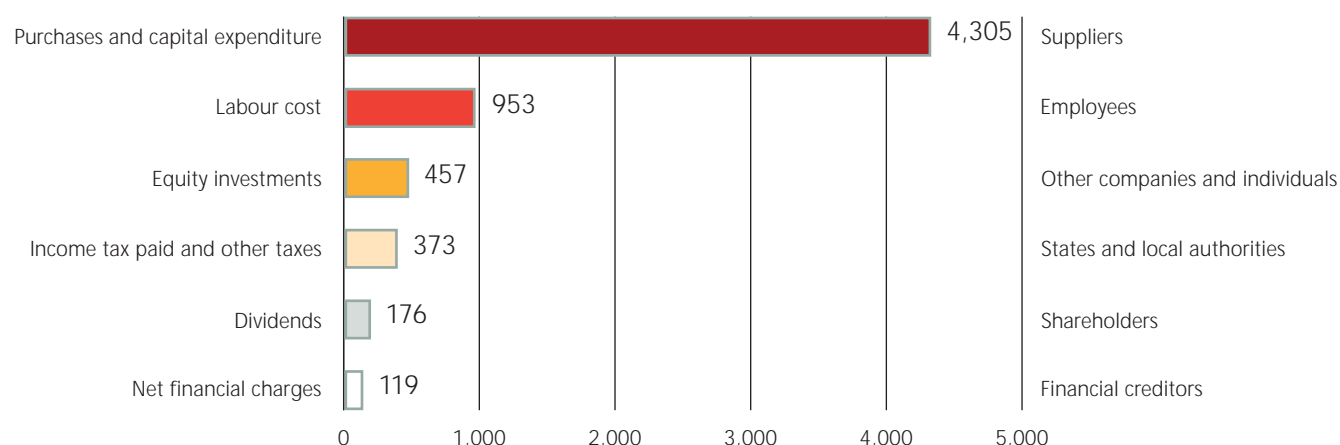
Further information on the Group initiatives is available on the corporate website.

The "Fondazione Italcementi Cavaliere del Lavoro Carlo Pesenti" is currently supporting humanitarian projects and in 2007 raised funds for more than € 500,000. Further information on the Foundation initiatives is available on the corporate website.

### INVESTMENTS

Last year, 2007, was characterised by a high level of investments, overall € 999 million (excluding net debt from acquisition).

### Italcementi Group's economic and financial flows towards stakeholders (million €)



While investments in tangible and intangible fixed assets increased by about 7.5% in 2007 compared to 2006, the Group's progression in financial investments was 70% in 2007.

The Group maintained a significant proportion of its investment level in emerging markets in 2007 (over 30%).

As always, particular attention was paid to environmental protection, safety and improvement of workplace conditions, with investments in these areas totalling over 24% of the Group's total capital expenditure.

Most of strategic industrial investments were for major revamping projects, which also significantly improve plant environmental efficiency and standards. Revamping projects are designed with significant attention to their environmental and safety performance, including innovative approaches to heat recovery, saving indirect CO<sub>2</sub> emissions, low NO<sub>x</sub> combustion, and customised bag filters for dust emissions.

In 2007, new installation and construction projects with a significant positive effect on future environmental performance includes the following:

- new line at Malaga, which began operating in March 2007;
- new line at Martinsburg (USA) with capacity for 5,000 tons of clinker per day;
- new line at Yerraguntla (India) with capacity for 5,500 tons of clinker per day;
- new 5,000 tpd-capacity green field plant at Ait Baha in Morocco.

A number of cement production plants are currently completing the authorisation process, including the following:

- new 7,000 tpd-capacity line at Devnya, which

completed the environmental impact assessment. The environmental authorisation (IPPC) and the construction permit are expected within the 1<sup>st</sup> quarter 2008. During this time, equipment purchasing should be completed;

- new 2,200 tpd-capacity line at Matera, which obtained both the environmental authorisation (IPPC) and building permits. Purchase orders have been placed for raw materials crushing, storage and dosing equipment, raw mill and burning line, with the site activities set to begin in early 2008.

In addition:

- protocols regarding potential new lines were updated;
- several projects in other countries, such as in Kazakhstan, underwent initial screening in 2007 and are currently in the planning phase;
- feasibility studies were undertaken for greenfield plants in other emerging markets.

## RESEARCH AND INNOVATION

The Italcementi Group is committed to supporting research and innovation through its industrial experience and its scientific and technological knowledge.

Economic targets for innovation in 2007 show the progressive involvement of the Group in all countries of operation and a significant growth in terms of turnover and economic margins.

In 2007, four patent applications were filed, 68 knowledge reports were written and 27 technical papers were published.

The innovation turnover grew by 24% compared to the previous year with total innovation investments

## Investments by geographical area (million €)

	Investments in financial assets		Investments in fixed assets		Total	
	2006	2007	2006	2007	2006	2007
Mature markets	7.6	283.5	416.5	384.6	424.1	668.1
Emerging markets	220.5	143.2	98.5	160.9	319.0	304.1
Trading	-	36.8	3.6	3.9	3.6	40.7
Others	40.8	0.7	1.7	2.2	42.5	2.9
Sub-total	268.9	464.2	520.3	551.5	789.2	1,015.7
Variation in fixed assets debt	0.3	-6.7	-16.3	-10.0	-16.0	-16.7
<b>Total</b>	<b>269.2</b>	<b>457.5</b>	<b>504.0</b>	<b>541.5</b>	<b>773.2</b>	<b>999.0</b>

of about € 25 million. In line with its commitment to reducing CO<sub>2</sub> emissions, in 2007, Italcementi created two new products:

- a self-levelling concrete for precasting applications;
- a dry concrete for immediate demoulding.

The Group also developed new blended cements based on sulfoaluminate clinker and secondary constituents and started a study focused on reducing the amount of batching water for concrete mixing.

Research and development, engineering and technical assistance activities for the Group subsidiaries focus on materials and processes.

In collaboration with Politecnico of Milan, Italcementi Group has completed a study on the validation of high-performance limestone concrete through physical and mechanical tests.

The Group has had a Marketing Director for new Products and Applications since 2005. Italcementi aims to anticipate market trends and requirements through sustainable development and resources optimisation. In line with this goal, the Group has launched an "Innovation Project" to develop high-performance products customised to specific user needs. In 2007,

Italcementi launched the TX Active®: a photo-catalytic active principle for cement products reducing air pollution.

Research efforts to improve photo-catalytic activity in the indoor environment found important applications such as the renovation of Umberto I tunnel in Rome. Successful applications were carried out for roadways at Porte de Vanves in Paris.

After the awards got in 2006, TX Active® received in 2007:

- "Les Rocs d'or" at the 12th annual Fimbacte Festival;
- inclusion in New York Times' most innovative ideas;
- inclusion in the Green Spec directory, the most important American directory for eco-sustainable materials (which includes just 2,100 products worldwide).

By early 2009, Italcementi will have completed the ITCLab Innovation and Technology Central Laboratory, comprising an area of 11,000 square metres, 7,500 square metres of which designed for research labs.

Construction methods and materials used reflect Italcementi's commitment to environmental sustainability.

## KEY DATA

### Revenues

In 2007 Group revenues totalled € 6,000.9 million up 2.5% from 2006 (€ 5,854.1 million).

6 billion €

### Investments on environment and safety

In 2007, 24% of total investments on fixed assets were dedicated to environment, safety and improvement of workplace conditions.

24%

### Investments on innovation

25 million €

In 2007 the Group earmarked € 25 million to innovation investments. Innovation turnover grew by 24% compared with the previous year.



## Environmental protection

Italcementi's proactive approach is focused on prevention and mitigation of any potential environmental impact and preservation of natural resources in the development and management of its production facilities.

Italcementi has defined four specific priorities in line with its sustainability strategy:

- climate protection through proper control and management of CO<sub>2</sub> emissions;
- responsible use of resources, such as fuels and raw materials, electrical power and water;
- control and reduction of air emissions, by ensuring the accurate monitoring of all kilns and the adoption of best available techniques for emissions reduction;
- minimisation of landscape and visual impacts, including quarry rehabilitation.

Italcementi is committed to applying guidelines and protocols developed by the Cement Sustainability Initiative (CSI) on climate protection, use of fuels and raw materials, measurement, emissions monitoring and reporting and, for new projects and major upgrades, environmental and social impact assessments. Further initiatives are taken following the Group's vision and principles. Italcementi's primary environmental focus is controlling and mitigating the consumption of raw materials, fuels, electricity and water, as shown in the box at the bottom of the page.

### CLIMATE PROTECTION

The cement industry is aware of its responsibilities in the global fight against climate change.

While its production is both energy and carbon intensive, cement plays a key role in the adaptation to climate change, by building dams and water storage facilities and developing basic public and private infrastructures.

At global level the cement industry, through initiatives such as WBCSD/CSI, is actively working for the implementation of cost effective emission reduction measures. Italcementi is an active member of the CSI, endorses its policies and is committed to respect the relevant action plans.

All the Group's subsidiaries regularly monitor and report their emissions, using a data reporting system at Group level, in line with the WBCSD/CSI protocol for CO<sub>2</sub> inventory in the cement industry. These data are used to track performance, against key performance indicators and to set internal reduction targets.

In support of its two-fold strategy of sustainable expansion in booming emerging cement markets and maintaining high performance levels in mature markets, in 2002 the Group committed to voluntarily reduce its specific carbon emissions down to 711 kg CO<sub>2</sub> per ton of cementitious materials in the period 2008-2012.

Enhanced strategic planning in 2007, focused on CO<sub>2</sub> emission reduction, has allowed the Group to update

### Responsible use of resource (2007)

#### Resource consumption

	raw materials million t	thermal energy million MJ	electricity million kWh	water million m <sup>3</sup>
consumption	91	205,333	7,361	29
mitigation				
use of non quarried materials	5			
alternative fuels and biomass		8,570		
renewable electricity production			218	
recovered water				5

#### Specific consumption

	raw materials t/t cement	thermal energy MJ/t clinker	electricity kWh/t cement	water m <sup>3</sup> /t cement
mature markets	1.43	4,057	129.9	0.50
emerging markets	1.59	4,158	112.5	0.47
Group	1.50	4,110	121.6	0.49

### The European Union's Emission Trading Scheme (EU-ETS)

The Group's European plants are included within the scope of the European Emission Trading Scheme (EU-ETS). The cap on the company's absolute emissions at 17.5 million ton per year for the period 2005-2007, while encouraging cost-effective emissions reductions, has been insufficient to bring major results, due to timing constraints. The cement market has remained robust in the course of 2007 and the Group's reported emissions in the EU were above 18 million ton, slightly higher than allowances received.

A carbon risk management strategy has been put in place by Italcementi including acquisition of CO<sub>2</sub> credits. The Group has had to purchase overall allowances of almost 1 million ton on the market over the three years. The outlook for the next phase of the EU-ETS (2008-12) and the Kyoto commitment period is more favourable, as the Group realises the effects of major planned improvement to its plants.

its target and set a more ambitious goal of 690 kg CO<sub>2</sub> per ton of cementitious materials by 2012.

The Group is committed to reaching these targets by:

- improved thermal efficiency of processes;
- extended use of alternative fuels and biomass;
- increased the use of alternative raw materials and cement blended.

Many plant upgrades are in progress, switching to state-of-the-art dry kiln technology. As part of the modernisation of Group's assets, several new kilns will be operational by 2012, all of which will apply best available techniques.

In the field of energy efficiency, waste heat recovery is being explored as a promising option for electricity production or district heating.

The Group's most ambitious heat recovery project is at Pukrang plant (Thailand) which aims to cover almost 30% of the plants' electricity needs. District heating using excess heat is under advanced study for a few European plants.

In the field of the development of renewable energy, the Group is looking at wind as primary energy source in countries where the potential is higher, such as Morocco or Egypt.

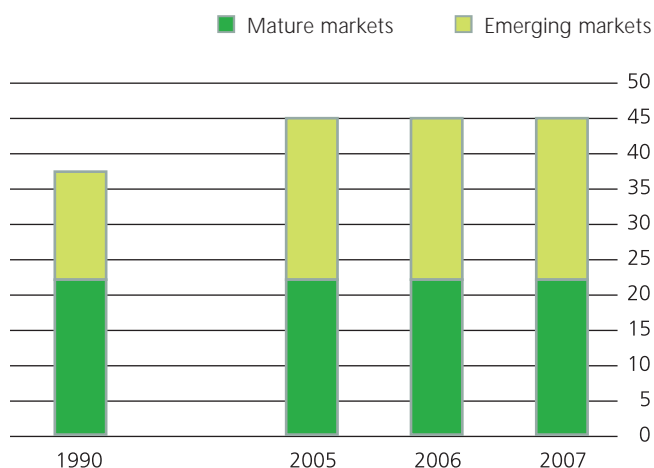
The permitting process has been completed for the construction of a wind farm close to Laayoune (Western Sahara-Morocco) grinding center. In Egypt, the Group, through its subsidiary Italgem, has signed a Memorandum of Understanding with the Ministry of Energy and Electricity aimed at the construction of a wind farm on the Red Sea coast, at Gabal El Zeit, which will eventually have a maximum power up to 400 MW.

The use of carbon-neutral biomass, already used at a number of European plants, is being promoted in emerging markets, where the availability of agricultural waste is high.

While Thailand has already achieved good results, the Group is investigating promising opportunities in India and Egypt where industrial tests have already been performed.

The Group R&D department is participating

### CO<sub>2</sub> gross absolute emissions (million t)



### CO<sub>2</sub> gross emissions

#### CO<sub>2</sub> gross absolute emissions (million t)

	1990	2005	2006	2007
mature markets	22.030	22.393	21.788	21.756
emerging markets	16.053	22.433	23.052	22.971
Group	38.083	44.826	44.840	44.727

#### CO<sub>2</sub> gross specific emissions (kg/t cementitious)

	1990	2005	2006	2007
mature markets	668	708	705	704
emerging markets	820	790	779	763
Group	725	747	741	733

in a sector-wide effort to identify breakthrough technologies in this area. The greatest opportunities lie in new production processes, with the development of high performance cement using innovative admixtures. For clinker substitutes, the research is focused on fly ash (reduction of carbon content of high carbon fly ash or special grinding to increase pozzolanic reaction) and the use of steel slag.

In the framework of the Clean Development Mechanism of the Kyoto Protocol, the Group is investing resources in getting certified emission reductions (CERs) from some projects in emerging markets.

Looking at Group performance in 2007, the positive trend of CO<sub>2</sub> emissions has continued. Thermal consumption has slightly improved as a result of plant optimisation programmes.

Improvements have been minor in mature markets, mainly due to the decrease in the availability of biomass (animal meal) and the constraints in permitting for other fuels with high biomass fraction, such as RDF (refuse derived fuels) or dry sewage sludge.

Subsidiaries in emerging markets concentrated their efforts on reducing the clinker content in cement. The main results were achieved by the Indian subsidiary, decreasing the clinker/cement ratio by 2.5% thanks to an increased use of fly ashes from coal power plants, and by the Egyptian subsidiary, which is progressively raising the percentage of mineral components in cement using limestone and slag. The chart at the bottom of page 21 provides detailed information on CO<sub>2</sub> absolute and specific gross emissions, accounting all total direct emissions while excluding biomass fuels. Net CO<sub>2</sub> emissions, excluding all alternative fuels, are reported directly to CSI.

RESPONSIBLE USE OF NATURAL RESOURCES

Fuels and raw materials

Recognising the cement industry’s environmental footprint in term of consumption of natural resources, Italcementi aims to achieve a rational use of resources, by increasing the use of alternative fuels and raw materials.

In 2007 the total thermal energy used by the Group was equal to 4,904 ktoe, with an average thermal consumption of 4,110 MJ per ton of clinker produced. The fuel mix remained quite stable in 2007 with some local trade-off between coal and petroleum coke, the two most used fuels.

Local availability and suitable market pricing make natural gas the industrial choice in some countries, such as Egypt.

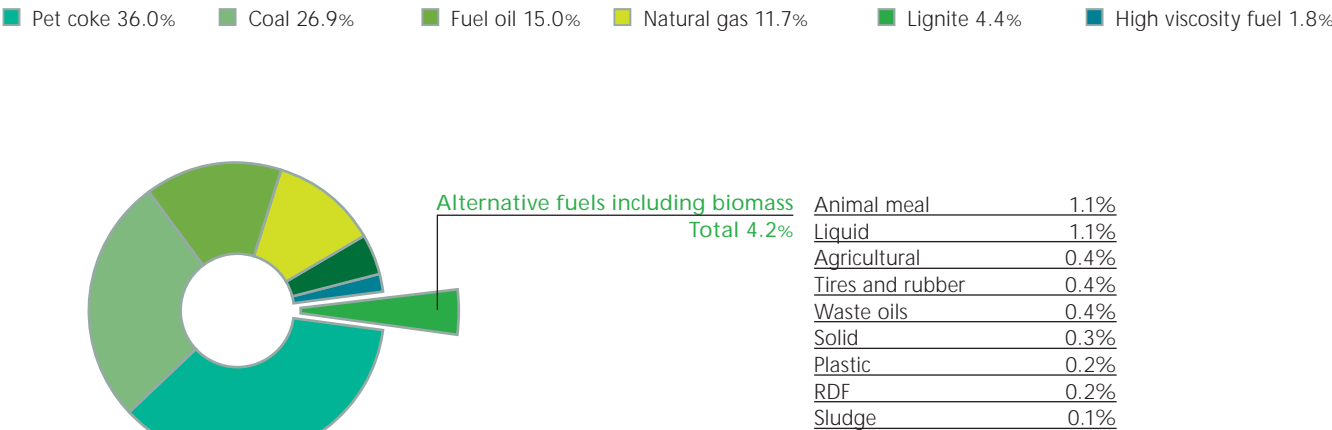
Rapid economic development and growth in the demand of cement have provided the opportunity to maximise production capacity by building more efficient dry process plants, leading to a slight decrease in thermal specific consumption.

However the thermal specific consumption does not show the important difference between mature and emerging countries in 2007, and between 2007 and the previous year.

The new kiln in Malaga commissioned in 2007, and the new kilns planned for 2008 and 2009 in Martinsburg (USA), Yerraguntla (India), Matera (Italy), Ait Baha (Morocco), and Devnya (Bulgaria) will give much more positive results in the mid term.

This will give Italcementi the opportunity to further decrease its specific consumption. In 2007, the total amount of raw materials used by the Group was 91

Fuels consumption in 2007 (% of thermal energy)



million ton, with a specific consumption of 1.5 t per ton of cement produced.

The main natural quarried raw materials are limestone, clay and marl which amount to 88% of total materials used for cement production.

A smaller amount of other natural minerals, such as sand, bauxite and iron ore, may be used as kiln feed. Quarried minerals, such as limestone, pozzolana and gypsum are used as mineral addition to clinker to produce blended cement, thus reducing the quantity of clinker to make one ton of cement, or clinker ratio. At Group level, the clinker ratio is slowly decreasing, and reached 81.5% in 2007.

Some subsidiaries in mature markets have now reached the minimum clinker content that can be sustained leaving limited improvement possibilities. In emerging markets, poor practices in the distribution chain and the often limited expertise of end-users in mixing cement combined with a preference for cement with high clinker content, limit the development of blended products.

### Recycling strategy and by-products

Italcementi is striving to replace non renewable fuels and raw materials with alternative materials. This will lead to an integrated industrial cycle, in which by-products or waste from one industry become valuable inputs for another.

The chart at page 22 details Group fuel mix, as fossil and alternative fuels. In 2007, alternative fuel rate was 4.2%, including 1.6% of biomass fuels.

Italcementi's strategy in mature markets remains to consolidate and raise the use of the alternative

materials and, if possible, to increase the use of Refuse Derived Fuels (RDFs) and biomass fuels.

In 2007 the alternative fuels used in mature markets were:

- solid and liquid waste;
- animal meal;
- waste oils;
- used tires and rubber.

In 2007, alternative fuels made up 7.7% of the fuel mix in mature markets, equal to 180 kt of oil equivalent (ktoe). This is a slight decrease compared with 2006. An increase in RDFs is reported between 2006 and 2007.

In emerging markets like Egypt, India and Thailand, Italcementi is focused primarily on developing local biomass fuels opportunities.

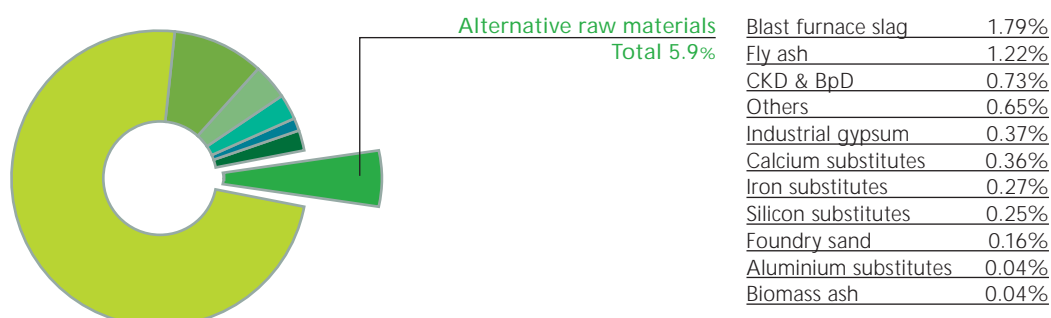
In 2007, the alternative fuel used in emerging markets were limited to scrap tires in Morocco and rice husks in Thailand. The contribution of agricultural by-products has increased the substitution rate in emerging markets to 24 ktoe.

The chart below details Group raw materials mix, as natural and alternative. In 2007, 5.9% of total raw materials consumption did not come from quarries. In particular alternative raw materials represented 31% of the materials added to clinker to make ordinary Portland cement and blended cement and a total amount of 3,433 kt (dry), contributing to saving natural and non renewable resources. The alternative raw materials used in cement include mainly chemical gypsum, slag and fly ash.

Italcementi also recycles dust collected in cement kiln back into kiln feed or cement. Dusts made up 1.2% of the cement produced in 2007.

### Raw materials consumption in 2007 (% of weight)

■ Limestone 74.1%   ■ Clay 9.9%   ■ Marl 3.8%   ■ Natural gypsum 2.8%   ■ Pozzolana 1.3%   ■ Other raw materials 2.2%



## Quarry rehabilitation

Most of the raw materials for cement (limestone, clay, etc) and aggregates are mined in quarries subjected to specific environmental regulations, and administrative prescriptions. Italcementi Group's mining is focused on efficient management of mineral reserves and continuous dialogue with local stakeholders.

Quarry rehabilitation represents a significant part of the contribution that Italcementi makes to conserving biodiversity and protecting ecosystems.

Rehabilitation plans cover the progressive rehabilitation of the soil used or restoration at the end of quarry lifetime.

In 2007, adopting an internal procedure (see page 43) and taking into account CSI guidelines, Italcementi verified that 74% of quarries supplying raw materials to its cement plants had structured rehabilitation plan. Almost all other quarries are waiting for a permit renewal, including rehabilitation plans, or are adopting voluntary mitigation initiatives.

Italcementi has achieved its target of 70% of eligible quarries providing materials to cement plants having a rehabilitation plan by 2007.

Its new target is to extend the procedure to all business sector quarries, including aggregates.

## Water

Cement production requires water for:

- production of "slurry" in wet process kilns;
- nodulisation in semi-dry process kilns;
- cooling off-gases;
- improving the efficiency of process filters;
- controlling fugitive dust;
- cooling mechanical equipment.

In 2007, Italcementi's cement plants and grinding centres used 0.49 m<sup>3</sup> per ton of cement, of which 19% were recovered water. The Group's total water consumption remained stable in comparison to 2006. However Italcementi is striving to improve water management practices and efficient water use.

## Electrical power

Variation in the specific electrical consumption of cement plants is mainly related to:

- the type of process: long dry and long wet kilns need less power than dry preheater or precalciner kilns;
- the type of cement required by the market: high grade and high resistance cements consume more power in the grinding process than other types of cement.

In 2007, Italcementi cement plants and grinding centres consumed 7,361 GWh as total.

The specific consumption was around 122 kWh/t cement. The Group's electricity consumption is levelling versus 2006.

## AIR EMISSIONS

Italcementi is strongly committed to reducing its emissions to the atmosphere, with specific targets on dust, sulphur dioxide (SO<sub>2</sub>) and nitrogen oxide (NO<sub>x</sub>) by 2010, and to monitoring accurately major and minor pollutants.

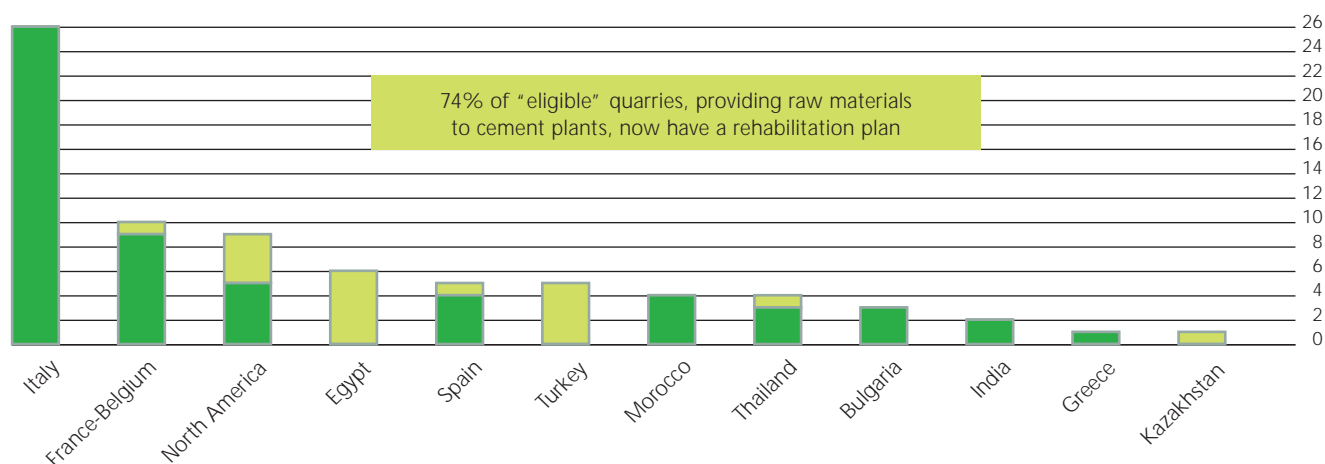
In 2007, the absolute emissions (t) were as follows:

	dust	SO <sub>2</sub>	NO <sub>x</sub>
mature markets	630	19,265	47,086
emerging markets	7,831	12,053	30,784

## Number of quarries with a rehabilitation plan (%)

■ Quarries with rehabilitation plan

■ Quarries with rehabilitation plan under development





Reported data are calculated as for the whole Group clinker production, starting from all available kiln stacks measurements. Kiln stack emissions of SO<sub>2</sub> and NO<sub>x</sub> fully represent the total gaseous release of a cement plant. Other point sources or fugitive emissions are not accounted for dust, even if regularly monitored and controlled.

The charts below illustrate the emissions trends for dust, SO<sub>2</sub> and NO<sub>x</sub>, breaking down data into mature and emerging markets.

The key data box at the end of the environmental protection section provides additional detailed data for:

- dust, SO<sub>2</sub> and NO<sub>x</sub>;
- organics, metals and dioxins.

All emissions are reported according to the Group procedure on "air emissions monitoring" issued in 2007.

Compared to 2006, dust emissions improved slightly in 2007, decreasing in mature markets and stabilising in emerging markets.

The increasing installation of high efficiency fabric filters or modern electrostatic precipitators, combined with proper operational conditions and maintenance programs, has already started delivering very low levels of dust emissions in mature markets.

Dust emissions in emerging markets are still higher. However, relevant investment plans are being implemented as well, with positive results expected to be effective in line with Group emission reduction targets.

In 2007, the emissions of SO<sub>2</sub> slightly decreased within the Group, especially in mature markets; the trend is still uncertain in emerging markets.

SO<sub>2</sub> emissions are difficult to control, as mainly affected

by the nature of quarried raw materials locally available. Nevertheless, the ongoing investments in lime injection, the most promising technique for SO<sub>2</sub> abatement, are expected to improve the performance in all plants where it is relevant and applicable.

NO<sub>x</sub> emission are decreasing at Group level, both in mature and emerging markets.

The increasing application mainly in Belgium, France and Italy of SNCR technology, using urea or ammonia injection to control NO<sub>x</sub>, is the main reason for NO<sub>x</sub> decreasing in mature markets. Moreover, optimised operating conditions and continuous emissions monitoring play a key role.

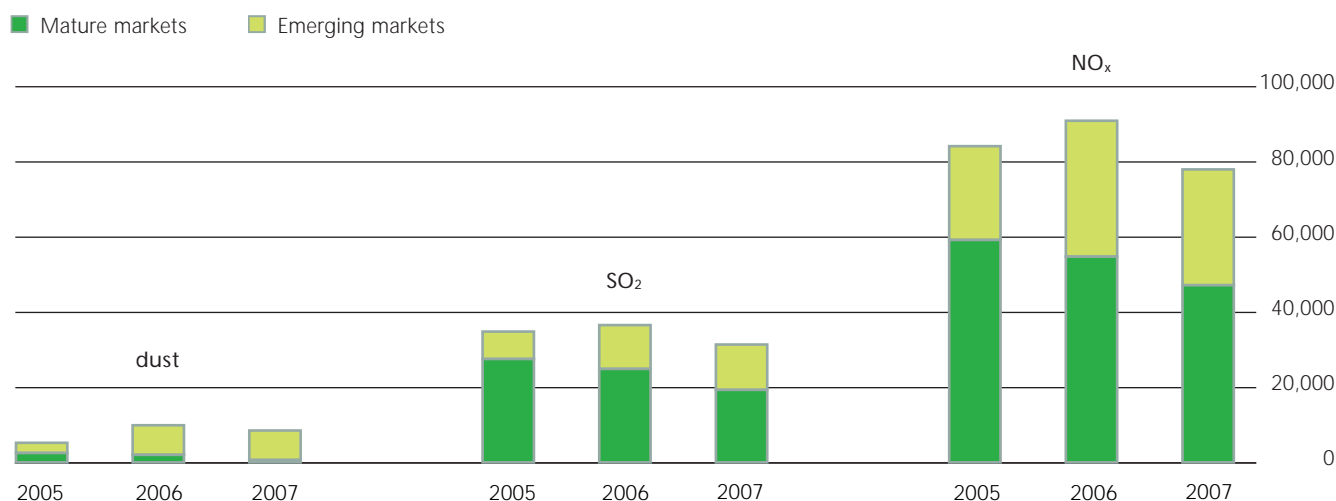
The situation in emerging markets is less clear: while recording lower emissions than the mature markets and despite the ongoing investments, emerging markets are expected to show an increasing trend in next few years, as a result of the necessary changes in kiln non-optimal operating conditions and further improvements in monitoring.

As a consequence of Group actions, the reduction target set for NO<sub>x</sub> has been achieved in advance and will be updated once current performance has been consolidated.

Specific emissions of organics, metals and dioxins have been consolidated for the first time in 2007, although they have been extensively monitored previously. Recorded levels are in line with best practices.

Accurate and reliable monitoring is a key factor in air emissions control. Italcementi is following a schedule to extend at Group level a systematic analysis of pollutants, focusing on continuous emissions monitoring systems (CEMs) and

Air emissions 2005, 2006, 2007 (t)



"fingerprinting" of organics, metals and dioxins. All installed CEMs measure at least dust, SO<sub>2</sub>, NO<sub>x</sub> emissions, and may also measure other minor pollutants. "Fingerprinting" always includes volatile organics, full set of metals and dioxins, but may be extended to include other minor elements.

In 2007, continuous emissions monitoring for dust, SO<sub>2</sub> and NO<sub>x</sub> covered 48% of clinker production. The coverage is 89% including all the available spot measurements.

By the end of the year, "fingerprinting" of organics, metals (mercury, thallium and cadmium) and dioxins covered 34% of clinker production, limiting to the same coverage the overall monitoring rate.

Detailed programs towards implementation and upgrade of CEMs and extended "fingerprinting" activities are planned from 2008 on.

## OTHER ENVIRONMENTAL ISSUES

### Waste management

Production waste is collected, sorted and stored in dedicated areas according to the dispositions set in Environmental Managements Systems implemented on sites and to local regulations. Collected waste is sold for further use or recovery or disposed of by local registered companies.

### Noise

As a heavy industry, the cement industry requires large mechanical equipment, and some stages of the production process are a source of intense noise. Cement plants and grinding centres should therefore be equipped with adequate noise reduction devices, especially where operating facilities are located close to urban areas. Italcementi has performed a relevant number of studies

to assess the noise impact of its plants and to identify effective technological solutions to protect both workers and local communities.

### Transport

The production of cement requires transporting large quantities of raw materials and products by road, rail, river and sea.

This may have significant environmental impact associated with the creation of access routes, concerns about road safety and increased dust and other atmospheric emissions.

Noise pollution and traffic congestion are also significant issues, particularly in urban areas.

One of the most implemented way to reduce the adverse effects of transporting raw materials is to connect quarries and production plants using belt conveyor and tunnel installations.

This solution minimises road transport of materials, resulting in a significant reduction in dust emissions to the atmosphere.

### Revaluing the landscape

Italcementi pays careful attention to its relations with local communities, particularly when planning the locations of its plants.

Like quarry rehabilitation, building a new site involves a redefinition of the landscape that has clear impacts.

Italcementi aims at integrating its plants within the surrounding landscape in order to mitigate their visual impact through innovative planning and architectural design.

Restyling operations on Italcementi plants are increasing their intrinsic value and transforming them into key landmarks on a new skyline that are both innovative and sensitive to their environment.

## KEY DATA

# 733

kg CO<sub>2</sub>/t

## Climate protection

In 2007 specific CO<sub>2</sub> emissions decreased from 741 to 733 kg CO<sub>2</sub> per ton of cementitious product.

## Saving of fossil fuels

In 2007, 4.2% of overall thermal demand was supplied through alternative sources, meaning a saving of 205 thousand tons of oil equivalent (consolidating previous year results).

# 205

thousand tons of oil equivalent

# 5.3

million tons

## Saving of natural raw materials

In 2007, 5.9% of raw materials was non-quarried, meaning a saving of 5.3 million tons of natural resources (1.6 million tons more than 2006).

## Quarry rehabilitation

At end 2007, 74% of quarries supplying materials to cement plants have rehabilitation plans.

# 74%

		2005	2006	2007	
				coverage <sup>(1)</sup>	
Mature markets					
dust	g/t clinker	101	84	26	78%
SO <sub>2</sub>	g/t clinker	1,116	1,040	803	96%
NO <sub>x</sub>	g/t clinker	2,402	2,290	1,962	96%
Emerging markets					
dust	g/t clinker	186	306	304	100%
SO <sub>2</sub>	g/t clinker	503	453	467	87%
NO <sub>x</sub>	g/t clinker	1,720	1,405	1,194	87%
Group					
dust	g/t clinker	126	199	187	89%
SO <sub>2</sub>	g/t clinker	952	757	638	91%
NO <sub>x</sub>	g/t clinker	2,207	1,863	1,584	91%
organics	g/t clinker	<sup>(2)</sup>	<sup>(2)</sup>	49	34%
metals <sup>(3)</sup>	mg/t clinker	<sup>(2)</sup>	<sup>(2)</sup>	29	34%
dioxins <sup>(4)</sup>	ng/t clinker	<sup>(2)</sup>	<sup>(2)</sup>	18	34%

<sup>(1)</sup> as percentage of clinker production

<sup>(2)</sup> not reported as representing less than 30% of total clinker production

<sup>(3)</sup> sum of mercury, cadmium and thallium

<sup>(4)</sup> sum of dioxins and furanes as I-TEQ

## Social performance

Italcementi Group is strongly committed to improving its employees' quality of life, supporting local communities and cooperating with customers and suppliers.

Diversity is a source of value for the Group: while hiring, developing and promoting individuals, Italcementi does not discriminate on the grounds of race, ethnicity, gender, sexual orientation, socio-economic status, age, physical abilities, religious and political beliefs.

Health and safety of employees, as well as the environment they live or work in are of paramount importance for the Group.

Key labour rights issues such as child or forced labour, discrimination, freedom of association and collective bargaining are managed through the Group's human resources policies according to the standards of the "International Labour Organisation" (ILO) and "Building and Wood Workers' International" (BWI).

The Group has clearly stated its "commitment to protect the individual by valuing diversity and cultural identity, professional growth and safety at work" in the Charter of Values.

### HEALTH AND SAFETY

#### Safety in the workplace

Italcementi makes no compromise regarding safety, as one of the main corporate values and part of the core business strategy for the Group.

All Group subsidiaries are required to be in compliance with local workplace and safety legislation.

Historical and cultural differences may lead subsidiaries in some countries to develop slightly different approaches to safety.

Therefore to ensure one single methodology, Italcementi leveraged a Group-wide safety policy which all subsidiaries are required to follow.

The Group safety policy was implemented at the end

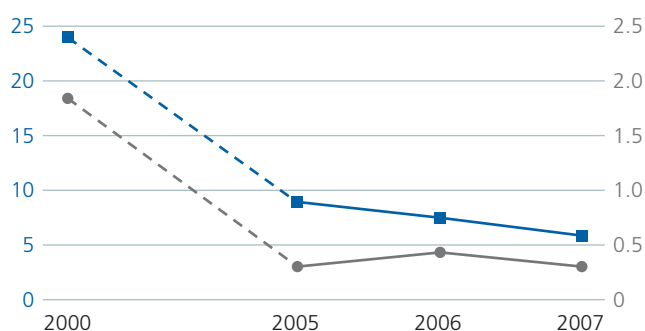
of 2000 through the "Zero Accident" project in order to create a common safety culture throughout the different subsidiaries, geographical areas and business activities. This approach is applicable to all Group subsidiaries and activities and to all people directly or indirectly involved in the Group's operations.

The initiative brings together all necessary programmes required to establish a consistent safety management system at all subsidiaries, hinging on a substantive corporate safety philosophy and requiring a continuous increase in people's awareness.

Since the launch of the "Zero Accidents" project, there has been a significant improvement in the Group's performances. From 2000 to 2007, the Lost Time Injuries (LTI) frequency rate, calculated as lost days in a year per million hour worked, registered a 75%

#### LTI frequency and severity rates of accidents

● Severity rate ■ Frequency rate



	2000	2005	2006	2007
<b>Frequency rate</b>				
Cement	23.5	6.8	7.0	3.6
Aggregates	26.0	13.4	7.5	9.6
Concrete	20.1	13.7	10.2	13.4
Group	23.5	8.3	7.4	5.8
<b>Severity rate</b>				
Cement	2.9	0.3	0.4	0.3
Aggregates	0.9	1.0	0.2	0.3
Concrete	1.1	0.3	0.3	0.5
Group	1.8	0.3	0.4	0.3

decrease, while the severity rate was reduced by almost 83%. Moreover, the Group has achieved its target of decreasing the accidents frequency rate by 5% from last year.

Despite these very positive results, in 2007 four fatalities occurred among Italcementi Group employees, seven among subcontractors and four among third parties.




























The Group is continuing to focus on safety management to create all the necessary conditions to avoid any fatal accident which remains absolutely unacceptable. Targeted communication, together with the use of innovative tools and training programmes on safety

will support all necessary actions aimed at securing the participation of everyone dealing, directly or indirectly, with the Group.








Since January 2007, the LTI frequency rate has included the accidents and incidents related to temporary workers (both accidents and working hours). This approach underlines the Group's global responsibility for all employees, marking a significant modification applied to all subsidiaries, in compliance with CSI commitments.

Additional information is provided in the table below, including the plants recording one year or more without accidents and detailed performance data by business sector.













#### Sites with no accidents (status at 2007)

CEMENT PLANT							
	1 year	2 years	3 years	4 years	5 years	6 years	
 Cha-am							
 Logansport							
 Pukrang							
 Vulkan							
 Halyps							
 Beffes							
 Couvrot							
 El Minya							
 Frederick							
 Isola delle Femmine							
 Marrakech							
 Matera							
 Picton							
 Vibo Valentia							
 Afyon							
 Agadir							
 Balikesir							
 Bessemer							
 Borgo San Dalmazzo							
 Bussac							
 Calusco d'Adda							
 Cruas							
 Devnya							
 Gaurain							
 Guardiaregia							
 Nazareth							
 Porto Empedocle							
 Safi							
 Shymkent							
 Sitapuram							

READY-MIXED CONCRETE PLANT/ZONE							
	1 year	2 years	3 years	4 years	5 years	6 years	
 Hormigon Sur							
 Sicilia							
 Domiki Beton							
 Et Beton							
 Thailand							
 Ankara							
 Est France							
 Lazio							
 Sardegna							

AGGREGATES PLANT/ZONE							
	1 year	2 years	3 years	4 years	5 years	6 years	
 Aridos Norte							
 Nord							
 Morocco							
 Alsace							
 Bourgogne							
 Domiki Quarry							
 Ile de France							
 Greece							
 Aridos Sur							
 Benelux							
 Loire							
 Atlantic-Pyrénées							

## Industrial hygiene

Suitable plant design, equipment, operation and maintenance, cleaning and housekeeping of facilities, training and awareness programs for all employees are necessary to maintain a healthy and safe work environment.

In any plant, if not properly controlled or handled, processes and materials may generate health risks for employees. Workplace environment assessment and medical surveillance are key tools to ensure employees are not exposed to unsafe chemical and physical agents.

The Italcementi Group is already monitoring and gathering reliable and systematic data in many countries.

To extend local best practice to Group level, the target is to define and distribute a Group-wide policy on industrial hygiene procedures by 2008.

The policy focuses on the following potential exposure risks in the workplace, considered as the minimum requirement to endorse a responsible care of employees occupational health issues:

- dust;
- crystalline silica;
- noise;
- vibration.

Taking advantage of the best practices within the Group, regular monitoring of exposure risk is being extended to all the subsidiaries.

Detailed workplace assessments are already performed in many countries, such as Italy, North America, France and Belgium among mature markets and Bulgaria and Thailand in emerging markets.

The experience in all the above mentioned countries shows that accurate monitoring of working environment is an essential tool to ensure healthy working conditions.

An ambitious target has been set to assess at least 70% of potentially exposed employees by 2012, following Group best practices.

Progress against this target will be disclosed starting from the next report.

Building on its experience, Italcementi Group is actively participating in several task forces and programmes at WBCSD/CSI, jointly with national associations

and at local level, to promote employee health as one of the key assets for sustainability of cement production.

As part of this, Italcementi was involved in putting into practice the European Social Dialogue Agreement (ESDA-NePSi) on silica in 2007. Crystalline silica is an essential component of many materials which have an abundance of industrial utilisations and are vital in many products and objects, commonly used.

Although crystalline silica is ubiquitous in nature, the inhalation of fine dust containing a proportion of it may constitute a hazard confined in the production site.

The Agreement, aiming at the protection of workers' health through "The good handling and use of crystalline silica and products containing it", is formally applicable in the European Union only. Among Italcementi Group's countries, Italy, France, Spain, Belgium, Greece and Bulgaria are concerned. Turkey decided to support the initiative on a voluntary basis. Nevertheless its principles and guidelines are being followed at a Group level.

The Group's measures to improve workplace conditions where silica is used include exposure measurements, dedicated training, technical and organisational measures to reduce and control exposure risks.

In 2007, Italcementi was involved in the Comprehensive Health Risk Study commissioned by CEMBUREAU from independent research institutes in response to concern about impacts to health from cement and the lack of a consistent scientific approach to the subject.

The study is comprised of four interlinked researches by independent recognised scientific bodies:

- a scientific literature survey;
- a toxicological study;
- an exposure measurement study dedicated to construction sites;
- a prospective monitoring study focused on cement employees.

The last one involves 2500 employees in 23 plants located in 8 different European countries over a five year period.

Italcementi Group is participating through three plants in Italy (Monselice, Samatzai and Colleferro) and one in Turkey (Ankara).

The first field activity, matching exposure measurements with spirometric tests, was completed in all four plants in 2007.



## HUMAN RESOURCES MANAGEMENT

### Employment practices

A competitive multinational working environment with professional and highly skilled employees is a vital ingredient in Italcementi Group's success. Professional excellence, trust and mutual respect with a focus on long-term results and multi-national development make Italcementi an attractive employer.

The Group aims to complete integration and standardisation of human resources and the management systems at Group level.

During 2007, the Group's employees increased from 22,868 to 23,706 mainly due to new acquisitions in China and North America.

New subsidiaries are aligned to the Group's policy on human resources management during the integration phase. The key data at page 37 reports information on the breakdown of personnel by country.

The charts below highlight that seniority plays a key role in employment: Italcementi aims to establish long-term relationships with its employees. This is confirmed also by the fact that 93.7% of employee contracts are open-ended. In 2007, the Group had 98.6% full-time and 1.4% part-time employees.

When restructuring occurs, Italcementi adopts a responsible approach by providing professional outplacement and compensation programmes, as it did during the administration and marketing reorganisation in France and Belgium and through voluntary pre-retirement plans in Egypt. The employee remuneration policy does not discriminate and is based on performance evaluations.

Management, assessment and development systems are based on performance and individual potential, also including systematic identification of opportunities to assign people to their best advantage.

A system for advertising international job posting within the Group will be implemented in 2008 to expand career options and capitalize on the skills of existing employees. Internal positions will be published with descriptions and requirements to provide employees with the opportunity to move to new areas. Employees will thus have access to job opportunities at global level, and the ability to drive their own professional development and experience an international environment.

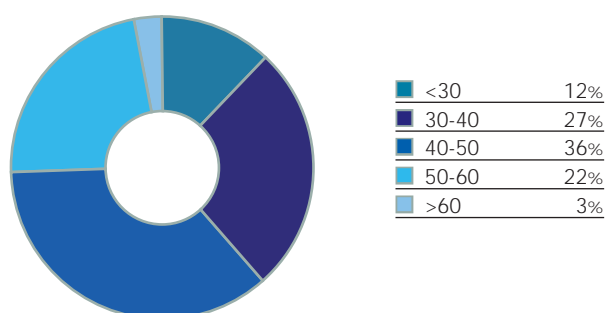
In terms of organisation, this will facilitate the proper coverage of vacant positions; cross-functional, cross-company and international mobility; provide an open and transparent career system; increase employee retention; and allow the Group to profit from existing employee competencies.

### Diversity and equal opportunities

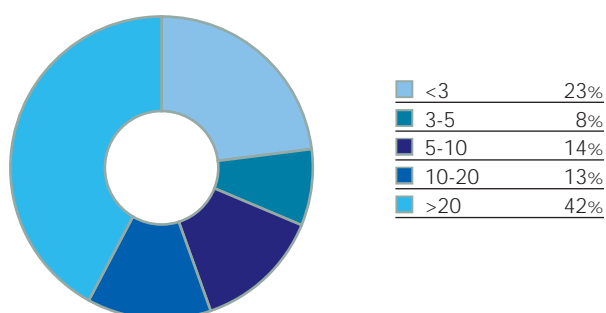
The set of values shared at the 2007 Group Management Meeting state that Italcementi *"aims to create an environment of trust and belonging where differences add value and where everyone feels part of our world. For sustainable globalisation to succeed we must capture and redistribute local knowledge and experience for the benefit of the whole Group. In fact, these differences help in creating a safe, positive and nurturing environment for individuals and business"*.

Diversity includes, but is not limited to age, ethnicity, class, gender, physical abilities/qualities, race, sexual

Breakdown of personnel by age (2007)



Breakdown of personnel by seniority (2007)



orientation, as well as religious status, gender expression, educational background, geographical location, income, civil status, parental status, and work experiences. Discrimination of any kind is not even addressed in the hiring procedures approved in 2007. While the workforce of the Group is predominantly male, due mainly to the historical limited presence of women in the cement field, the number of women within the Group has grown from 2,176 to 2,415 (+11%).

To support this increase, Italcementi is helping women to balance work and family needs, in part by increasing the number of part-time contracts up to 13%.

The Group encourages an international and cross-cultural approach to business. The workforce is comprised of employees from 58 different nationalities, despite the Group's presence in just 22 countries.

Cultural integration is supported by expatriate employees who work outside their country of origin within the Italcementi Group. This number is increasing year by year, with 127 (including 6 women) working in 22 different countries in 2007.

There is a large distribution in terms of age (13 below 30, 44 between 30-39, 40 between 40-49 and 30 above 50) and level (45 directors, 48 managers or professionals and 34 specialists).

For 89 of them, this is their first foreign assignment.

### Welfare and Employee opinion survey

In 2007, all Group employees had the opportunity to answer a questionnaire on their perception of the company. The result was excellent with a global return rate of 55% (72% for White collars and 45% for Blue collars). The key findings in terms of assets

and challenges, presented to the Group Management conference end of 2007, are summarised below:

#### Assets for the Group

- Strong sense of belonging to the Company.
- An image of quality and a long term vision of the business.
- Confidence in the future and in the Group's Top Management.
- High adhesion to most of top management's strategies, highlighting all sustainability issues such as safety, environment protection and social responsibility.
- Work satisfaction built upon a strong base.
- Confidence in line management recognising technical and professional competence.

#### Challenges for the Group

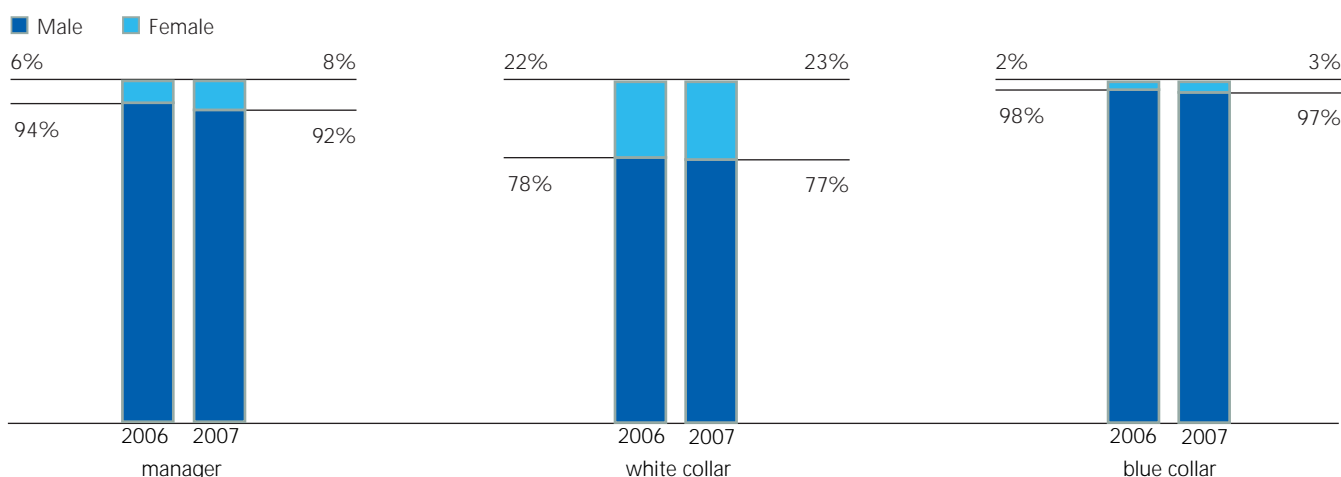
- More efficient communication on strategy.
- Improvement of the efficiency of cross-department functioning.
- Promotion of initiative and empowerment.
- Clarification of career management, even though the majority of employees are satisfied with opportunities for professional development.
- Extension and promotion of opportunities for mobility within the Group.
- Better formalisation of a visible framework for rewarding and promoting people.

The Group will evaluate the effectiveness of the main actions taken within three years via a new Employee Opinion Survey.

### Training and skills development

The Group's training programmes are designed to facilitate both individual and organisational development, according to the guidelines of the

### Percentage of male and female employees in the Group



strategic plan. In 2007, more than 60% of the Group's personnel attended safety training in line with Italcementi's commitment to safety.

Safety training programmes were intensive and focused on plant risks. In 2007, training programmes were organised as detailed in the table below and in the charts at the bottom of the page.

	Technical	Safety	Management and Others
<b>Hours</b>			
executive	7%	11%	28%
non-executive	93%	89%	72%

	Technical	Safety	Management and Others
<b>Participants</b>			
executive	15%	7%	30%
non-executive	85%	93%	70%

### Corporate programmes and competencies development training

In 2007 Italcementi organised:

- workshops on the main business areas for new professionals;
- Junior Engineers Training (JET) programme for newly hired engineers;
- Junior Commercial Training (JCT) for future managers from all Group functions and subsidiaries;
- Master in Building Materials (MBM) jointly designed with the business school of Politecnico in Milan;
- Practice Industry Courses (PIC) on cement, concrete and new products and services;
- workshops on leadership, development and coaching for senior managers in Italy, Spain, France, Belgium and North America.

### Organisational development and efficiency improvement training

In 2007 Italcementi organised:

- workshops for supporting managers during organisational re-design and transitions;
- assistance to the Egyptian subsidiary for local junior engineers;
- assistance to the North American subsidiary to improve managers' economic abilities in connection with the revamping of Martinsburg;
- Property Preservation Program to improve maintenance of industrial assets and to minimise risks for production loss in all subsidiaries.

### Corporate Governance training

In 2007 Italcementi organised:

- launching of tailored activities in the Zero Accidents Programme for new subsidiaries and training;
- corporate governance roll-out courses;
- international research on the Charter of Values;
- implementation of the internal communication programme;
- assistance to the "Porte Aperte al Dialogo" programme to improve relationship with local communities and towards all stakeholders.

### Educational partnership

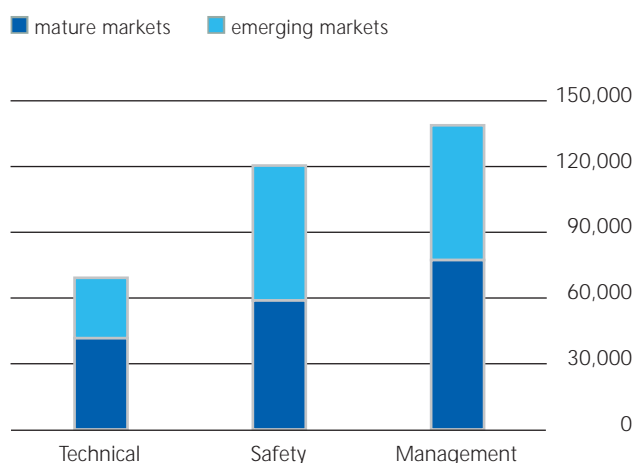
In 2007, Italcementi kept on-going relationships with schools and universities for stages, training, internships and tutoring of students' researches.

### Ensuring management effectiveness

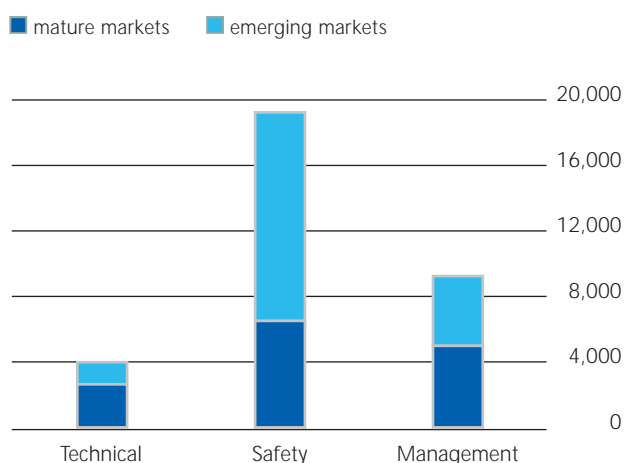
#### Management by objectives system

The MBO system, which links management salaries to the achievement of specific targets, is a key tool to verify the implementation of the Group's Sustainable Development policies.

Training Hours



Participants to training



The MBO system is playing a key role in the support of safety policies: in the last few years, the accidents frequency rate has been included in the targets of almost all the Top Management of the Group, including the Group CEO and COO and it is one of the most common targets for technical management in the various subsidiaries.

Confirming the Group's commitment to link the evaluation of the Top Management with the Group's Sustainable Development policies, in 2007 the score achieved by the Group in the independent SD rating indexes was included in the targets of the long-term incentive of the CEO.

In 2007, the bonuses of all Group Top Managers were in part based on their effective implementation of the Group Corporate Governance model in their regions, full support of the principles and actions that require Group subsidiaries to be in compliance with relevant laws, rules, and principles, as well as required best practices.

Currently all managers and supervisors are covered by a predefined and standardised performance appraisal process representing at least 10% of total compensation.

The Group plans to fully implement the performance appraisal system for all white collars within two years.

### Succession plans

In order to guarantee the proper coverage of critical positions in the future, it is crucial to identify and train future management.

In the second half of 2007, the Group launched the "Succession planning" project at global level - for each key position in every country, possible substitutes have been identified, totalling more than 400 people, assessed in terms of performance level, specific competencies (both professional and managerial) and development potential.

To promote international mobility, successors' availability to move abroad was investigated. Specific actions for further development have been agreed and prioritised.

Countries were asked to identify the "other key-talents": a map of 250 good performing, high potential employees worldwide deserving a special programme of training and empowerment.

### Labour relations and collective agreements

The Italcementi Group Human Resources Director and Secretary of EWC (*European Works Council*) signed

an agreement in July 5, 2007 which strengthened the participation of workers' representatives, compared with the previous twelve years.

The agreement includes:

- an increase in the number of employee delegates, including those from Bulgaria (which joined the European Union in January 1, 2007);
- implementing meeting opportunities between the committee and the secretary;
- developing communication systems to facilitate delegate meetings and the diffusion of information throughout the Group's workers in Europe.

During the annual meeting in January 2007, all the members of the "European Works Council" (EWC) were involved in a training on "Sustainable Development – Corporate Social Responsibility" financed by the European Union.

In 2007, Italcementi Group and the Building and Wood Workers' International (BWI) started a negotiation towards an agreement to promote and protect workers' rights, based on the joint commitment to respect basic human and trade union rights.

The main references are the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work as well as the relevant ILO Conventions and jurisprudence and the OECD guidelines on multinational companies.

The agreement, to be signed in 2008, will commit both parties to continuous improvement of working conditions, health and safety standards and fair industrial relations and collective bargaining procedures.

## STAKEHOLDER ENGAGEMENT

The Italcementi Group aims to continuously improve stakeholder relations through dialogue and co-operation.

Stakeholder's involvement discloses basic challenges and impacts of the cement industry and sets the basis for proactive and sustainable management of local values.

The Group co-operates with a wide range of stakeholders at international, national and plant level. As a result, all subsidiaries are strongly committed to sustainable development at the local level and are active in the field of social commitment as shown by the chart at page 35.

### Stakeholder engagement at international level

The Group joined the WBCSD in 2000 (see page 6). Co-Chairmanship and active participation in working

group of the CSI further reflect the strong role that Italcementi Group plays supporting sustainable development in cooperation with the other international cement companies that are involved in the CSI.

Through its ongoing business activities, the Group engages with the following stakeholder groups: government representatives, non-governmental organisations, unions, shareholders, scientific research expert in the field, universities, local communities, consumers, suppliers and the media.

### Stakeholder engagement at national level

The Group has established long-term relationships with government representatives, unions and shareholders. Government representatives are invited to visit the Group's plants and often, foreign delegations visit state-of-the-art plants to promote technology transfer to their own countries. In December 2007, Bulgarian and Chinese delegations visited Calusco (Italy), one of the Group's most advanced plants.

Government representatives are always consulted and involved when a project at international level will have an impact on the economic and sustainable development of a country. Important agreements with the governments of Morocco and Egypt have been signed to install wind farms.

In 2007, the first Italcementi Investor Day was held in Guerville with the aim of reinforcing relationships with investors and analysts, explaining the long-term strategy of the company and exploring issues such as innovation.

The Group also is strongly committed to engagement with unions at the European level (see page 34).

### Stakeholder engagement at local level

The Group engages closely with local communities through a diverse range of activities. In order to achieve maximum transparency and engagement, consultation and information sessions for local residents and communities are held at the plants.

The objective of Italcementi is to know, listen, inform and dialogue with all the people involved in plant activities.

The "Open-door" initiatives provide all stakeholders with the opportunity to compare their expectations with the positive actions undertaken by the company to safeguard the environment and the health and safety of its workers and neighbours.

All Group subsidiaries have adopted similar initiatives, although some are not yet formally implemented. In many cement plants Stakeholder Dialogue Committees have been set up.

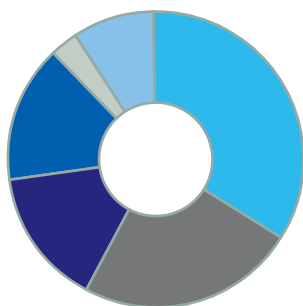
Through regular meetings, these Committees provide a vehicle for the local management team to answer questions from residents living near the plants and to share information on the development of new projects.

In 2007, as part of the "Sustainable Development Awareness Programme", each plant was asked to complete and keep updated an analysis of its stakeholders and to develop an action plan that meets specific requirements established at Group level. While the implementation is slow, the programme is proving effective.

Italcementi strongly supports social initiatives and local culture valorisation, such as in 2007:

- organising medical camps in India to vaccinate local people against Typhoid, Hepatitis B and Pulse

### Contributions for social purposes in 2007 (%)



Total contributions: € 6.1 Million

■ Sponsorships	34%
■ Capacity building	24%
■ Donation and charities	15%
■ Education programmes	15%
■ Open Door	9%
■ Local business development	3%

Polio. Specialist medical camps were also organised for gynaecologic and paediatric problems, epidemic viral conjunctivitis, dental care and for orthopaedic and neurological disorders.

- A mobile clinic for regular health check-ups and health promotion to people in the neighbouring communities in Thailand.
- Supporting a master degree programme held in Cairo that addressed fifty doctors from the Euro-Arab School of Oncology.
- Supporting an Indian project to supply the local villages with safe drinking water facilities.
- Donations and partnerships with charity associations including co-operation with non-profit organisations and local Foundations providing food, clothes, and school equipment for children, in Morocco and Thailand.
- Supporting organizations such as the United Way and the YMCA, the largest US social and sports association centred on family. The United Way handles programmes for preventing children from dropping out of school, assists families in remaining united and supports activities for the elderly.
- Annual contribution to the "Don Bosco Technical Institute" project in Cairo, financing the first International Telematic University "Uninettuno", with PC and videoconference rooms. Currently nineteen Don Bosco graduates are attending the 2008 courses organised by Uninettuno University. Thirty-six students were the beneficiaries of the summer training courses organised in 2006-2007 by Suez Cement and three students are now working for the company.
- Assignment of playgrounds for anti-drugs initiatives to local communities in Thailand.
- Reconstruction of schools and sport areas in Kazakhstan.
- Partnership with the French Ministry of Culture and Communications and Ministry of Education helping students in professional schools within the construction activity sector.

- Supporting two Greek and one Italian disabled athletes for Para-Olympic Games in Beijing.
- Programmes in Greece and Morocco to raise awareness of environmental issues surrounding the rehabilitation of abandoned parks and upgrading of beach infrastructure, equipment, hygiene safety.
- Construction of roads and pathways in Morocco, in collaboration with the Agency for the Promotion and the Economic and Social development of southern provinces of the Kingdom.
- Youth nature conservation camps to make the students aware of their environmental impacts in Thailand.
- Sponsorship of the Varna Theatre and Music Festival and the Sofia international competition "Music and the Earth".
- Scale 1:1 model of Le Corbusier work in Paris new "Cité de l'Architecture" in collaboration with French Technical Colleges.

The relationship between the Group and its own employees is also of fundamental importance to the operation of the company.

Employee involvement in the decision-making process, together with a growing awareness of their central role in a wider dialogue with stakeholders, are two of the Group's key strategic objectives.

As part of this strategy, in 2007 the Group also launched the Employee opinion survey project (see page 32).

In addition to consolidated internal communication tools (such as the Group intranet, local newsletters and dialogue events), the Group has decided to launch three Group newsletters, focusing on different targets.

The objective of the newsletters is to share information related to new projects, policies, corporate governance and local events with significant focus placed on ethics, safety and environmental protection.



## KEY DATA

## Reduction of Lost Time Injuries frequency rate

In 2007, the Lost Time Injuries frequency rate scored a promising 5.8, the best since the launch of "Zero Accident" project in 2000.

The 2007 rate is 75% less than 2000 and 22% less than 2006 (group's previous best rate).

**-75%** *against year 2000*

## Diversity as a source of value

Italcementi uses transfers of employees within the Group to support cross-cultural integration.

**58** *nationalities in* **22** *countries*

**75%**

## Employees' satisfaction and motivation

are satisfied by their job and have confidence in the Group's Top Management policies, including sustainability issues such as safety, environment protection and social responsibility.

## Stakeholder engagement and community support

Italcementi Group aims to continuously improve its relations with stakeholders through the promotion of dialogue and co-operation at international, national and plant level.

**6.1** *million € earmarked to community support*

## Breakdown of personnel by country and type of contract

	2006	2007	variation	open-end contract	fix-term contract
Italy	5,027	5,093	+66	4,951	142
Egypt	5,105	4,841	-264	4,471	370
France	4,091	4,073	-18	4,007	66
North America	1,697	2,133	+436	2,133	-
Thailand	1,152	1,155	+3	1,133	22
Morocco	1,043	1,082	+39	983	99
Turkey	887	896	+9	896	-
Spain	858	861	+3	764	97
India	779	838	+59	838	-
Belgium	587	582	-5	542	40
Bulgaria	552	539	-13	530	9
Kazakhstan	456	468	+12	354	114
China	-	455	+455	2	453
Trading	326	377	+51	308	69
Greece	298	296	-2	277	19
UK/Singapore	10	17	+7	17	-
	22,868	23,706	+827		

## Relationship to GRI Guidelines

GRI-G3 Description	Disclosure level	Page
<b>Profile: Strategy and analysis</b>		
1.1 CEO statement about relevance of sustainability to the organisation and its strategy	Full	2
1.2 Description of key impacts, risks, and opportunities	Full	2, 8, 9
<b>Profile: Organisation</b>		
2.1 Name of the organisation	Full	cover
2.2 Primary brands, products, and/or services	Full	cover
2.3 Operational structure of the organisation	Full	cover
2.4 Location of organisation's headquarters	Full	46
2.5 Countries where the organisation operates	Full	cover
2.6 Nature of ownership and legal form	Full	cover
2.7 Markets served	Full	cover, 4, 5
2.8 Scale of the reporting organisation	Full	cover, 17, 37
2.9 Significant changes during the reporting period regarding size, structure, ownership	Full	4, 5
2.10 Awards received in the reporting period	Full	cover, 7
<b>Profile: Report parameters</b>		
3.1 Reporting period for information provided	Full	4
3.2 Date of most recent previous report	Full	7
3.3 Reporting cycle	Full	7
3.4 Contact point for questions regarding the report or its contents	Full	cover
3.5 Process for defining report content		
3.6 Boundary of the report	Full	4, 5, 43
3.7 Specific limitations on the scope, or boundary of the report		
3.8 Basis for reporting on joint ventures, subsidiaries, outsourced operations, etc...	Full	cover, 4, 5, 43
3.9 Data measurement techniques and the bases of calculations	Full	4, 5, 43
3.10 Explanation of effect of re-statements of information provided in earlier reports	Not relevant	
3.11 Significant changes from previous reports in the scope, boundary, or measurement methods	Full	4, 5, 43
3.12 Table identifying the location of the Standard Disclosures in the report	Full	38-41
3.13 Policy and current practice with regard to seeking external assurance for the report	Full	5, 42, 43
<b>Profile: Governance, Commitments, and Engagement</b>		
4.1 Governance structure of the organisation	Full	cover, 10-12
4.2 Indicate if Chair of the Board is also an executive officer	Full	11
4.3 Board members that are independent and/or non-executive members	Full on the corporate website	
4.4 Mechanisms for shareholders and employees to provide recommendations or direction	Full	10
4.5 Link between compensation of Board and management with performance	Full	10, 33
4.6 Processes in place for the Board to ensure conflicts of interest are avoided		
4.7 Process for determining the qualifications and expertise of the members of the Board		
4.8 Internally developed statements of mission or values, codes of conduct, and principles	Full	10
4.9 Procedures of the Board for overseeing identification and management of performance		
4.10 Processes for evaluating the Board's own performance	Full	10, 12
4.11 Explanation of whether and how the precautionary approach or principle is addressed	Full	10
4.12 Externally developed economic, environmental, and social charters / principles	Full	10, 11

## Relationship to GRI Guidelines continued

GRI-G3	Description	Disclosure level	Page
4.13	Memberships in associations	Full	6, 7
4.14	List of stakeholder groups engaged by the organisation	Full	5, 17, 34-36
4.15	Basis for identification and selection of stakeholders with whom to engage		
4.16	Approaches to stakeholder engagements		
4.17	Key topics and concerns that have been raised through stakeholder engagement		

## Economic

EC1	Direct economic value generated and distributed	Full	cover, 16, 17
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Full	14, 17, 18, 21
EC3	Coverage of the organisation's defined benefit plan obligations	Full	16, 17
EC4	Significant financial assistance received from government	Not relevant	
EC5	Range of ratios of standard entry level wage compared to local minimum wage	Partial	34
EC6	Policy, practices, and proportion of spending on locally-based suppliers	Partial	11, 15
EC7	Procedures for local hiring and proportion of senior management hired from the local community	Partial	32, 32
EC8	Development and impact of infrastructure provided primarily for public benefit	Full	17, 34-36
EC9	Understanding and describing significant indirect economic impacts	Partial	34-36

## Environmental

EN1	Materials used by weight or volume	Full	20, 23
EN2	Percentage of materials used that are recycled input materials	Full	23, 24
EN3	Direct energy consumption by primary energy source	Full	20, 22, 23
EN4	Indirect energy consumption by primary source	Full	20, 24
EN5	Energy saved due to conservation and efficiency improvements	Not available	
EN6	Energy-efficient or renewable energy products and services	Full	18-22
EN7	Initiatives to reduce indirect energy consumption and results		
EN8	Total water withdrawal by source	Partial	20, 24
EN9	Water sources significantly affected by withdrawal of water	Not relevant	
EN10	Percentage and total volume of water recycled and reused	Full	20
EN11	Location and size of land owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value	Partial Locally managed	24
EN12	Description of significant impacts of activities, products & services on biodiversity in protected areas		
EN13	Habitats protected or restored		
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	Full	20, 21
EN15	IUCN Red List species and other list species with habitats affected by operations		
EN16	Total direct and indirect GHG emissions by weight	Full	20, 21
EN17	Other relevant indirect GHG emissions by weight	Not relevant	
EN18	Initiatives to reduce GHG emissions and results	Full	20, 21
EN19	Emissions of ozone-depleting substances by weight	Not relevant	
EN20	NO <sub>x</sub> , SO <sub>2</sub> , and other significant air emissions by type and weight	Full	24-27
EN21	Total water discharge by quality and destination	Not relevant	
EN22	Total weight of waste by type and disposal method	Partial	23, 26
EN23	Total number and volume of significant spills	Not relevant	
EN24	Weight of waste deemed hazardous	Not relevant	
EN25	Details of water & habitats significantly affected by discharges of water and runoff	Not relevant	
EN26	Initiatives and extent of environmental impacts of products and services mitigation	Not relevant	
EN27	Percentage of products sold and their packaging materials reclaimed by category	Not relevant	
EN28	Significant fines and non-monetary sanctions for non-compliance with environmental law	Not relevant Locally managed	

## Relationship to GRI Guidelines continued

GRI-G3	Description	Disclosure level	Page
EN29	Significant environmental impacts of transporting products etc... and workforce	<i>Not relevant</i> <i>Partial</i>	26
EN30	Total environmental protection expenditures and investments by type	<i>Full</i> <i>Expenditures not relevant</i>	17, 18

## Social: Labour Practices and Decent Work

LA1	Total workforce by employment type, employment contract, and region	<i>Full</i>	31, 32, 37
LA2	Total number and rate of employee turnover by age group, gender, and region	<i>Partial</i>	31, 32, 37
LA3	Benefits for full-time employees, that are not provided to temporary or part-time employees	<i>Full</i>	28, 31, 32
LA4	Percentage of employees covered by collective bargaining agreements	<i>Partial</i>	28, 31, 34
LA5	Minimum notice period(s) regarding significant operational changes	<i>Partial</i>	28, 34
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees	<i>Partial</i>	28, 34
LA7	Rates of injury, occupational diseases, lost days & absenteeism, & number of work-related fatalities by region	<i>Partial</i>	28, 29, 30, 37
LA8	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	<i>Not relevant</i> <i>Partial</i>	34-36
LA9	Health & safety topics covered in formal agreements with trade unions	<i>Full</i>	28-30, 34
LA10	Average hours of training per year per employee by employee category	<i>Full</i>	33
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	<i>Full</i>	32-34
LA12	Percentage of employees receiving regular performance and career development reviews	<i>Partial</i>	32-34
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	<i>Full</i>	31, 32, 37
LA14	Ratio of basic salary of men to women by employee category	<i>Full</i>	28, 31, 32

## Social: Human Rights Performance Indicators

HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	<i>Not available</i>	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	<i>Partial</i>	8, 9, 11
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations	<i>Not available</i>	
HR4	Total number of incidents of discrimination and actions taken		
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	<i>None</i>	
HR6	Operations with significant risk for incidents of child labour, and measures taken to eliminate		

## Relationship to GRI Guidelines continued

GRI-G3	Description	Disclosure level	Page
HR7	Operations with significant risk of forced or compulsory labour, and measures to eliminate	None	
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	Not relevant	
HR9	Incidents of violations involving rights of indigenous people and actions taken	Not relevant	

**Social: Society Performance Indicators**

SO1	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	Partial	17, 34-36
SO2	Percentage and total number of business units analysed for risks related to corruption	Not available	
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	Not available	
SO4	Actions taken in response to incidents of corruption	None	
SO5	Public policy positions and participation in public policy development and lobbying	Partial	6, 7
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	Not relevant	
SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	Not relevant	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Locally managed	

**Social: Product Responsibility Performance Indicators**

PR1	Life cycle stages in which health & safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Partial	28-30, 34
PR2	Incidents of non-compliance with regulations and voluntary codes on health & safety impacts of products and services during their life cycle	None	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Locally managed	
PR4	Incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling	None	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Partial	14, 15
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Not relevant	
PR7	Incidents of non-compliance with regulations and voluntary codes on marketing communications, including advertising, promotion, and sponsorship by type of outcomes	Not relevant	
PR8	Substantiated complaints regarding breaches of customer privacy and losses of customer data	None	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Not relevant	

## Certification



Italcementi - Financial year ended December 31, 2007.

Independent assurance report on a selection of environmental and safety indicators

Further to the request made by Italcementi, we performed a limited review on the Group's environmental and safety indicators for the financial year 2007 identified by the ✓ symbol in the sustainable development report on p. 8-9 (the "Indicators"). Our review was conducted in accordance with the ISAE 3000<sup>1</sup> assurance standard from IFAC.

These indicators were prepared under the responsibility of Italcementi's Sustainable Development Department, in accordance with the reporting criteria applicable in 2007 (the "Reporting Criteria"), consisting in external standards elaborated by the World Business Council for Sustainable Development - Cement Sustainability Initiative (WBCSD-CSI) available on the WBCSD web site completed with Group specific procedures, a summary of which is provided on p. 43 under the heading "Reporting methodology".

It is our responsibility to express a conclusion on these indicators on the basis of our review.

### Nature and scope of our review

We performed the following review to obtain a limited assurance that the Indicators are free of material misstatements. A higher level of assurance would have required more extensive work.

- We have assessed the Reporting Criteria with respect to its relevance, completeness, neutrality and understandability.
- At the Group and Cement Branch levels, we have conducted interviews with the persons responsible for reporting in order to assess the application of the Reporting Criteria. At these levels, we have implemented analytical procedures and verified, on a sample test basis, the calculations and the consolidation of the data.
- At the Cement Branch level, we checked the consistency of CO<sub>2</sub> emissions with figures declared to authorities and verified in the framework of the 2003/87/CE European Directive on "allowances".
- We have selected a sample of three business units (Italy, North America, and Egypt) and six of their cement sites (Calusco in Italy, Logansport, Martinsburg, Picton, and Nazareth in North America, and Helwan in Egypt) on the basis of their contribution to the Group's consolidated data and the results of the review performed during previous financial year. At the level of the selected sites and entities, we have verified the understanding and application of the reporting criteria, and verified, on a sample test basis, calculations and reconciliation with supporting documents.

On average, our tests covered 36% of environmental indicators<sup>2</sup> and 26% of hours worked used in the calculation of the lost time injury frequency rate.

### Information about the Reporting Criteria

- **Relevance.** The Group publishes key performance indicators defined for cement manufacturing activities by the working groups of the WBCSD-CSI. Methodologies selected by the Group are consistent with the latest versions of the WBCSD-CSI standards and guidelines. The Group's amendments are specified in the notes on methodology p. 43.
- **Completeness.** The reporting perimeters for environment and safety data are specified in the "Introduction" section p. 4 and in the "Reporting Methodology" section on p. 43. They aim to cover the activities of the Cement Branch worldwide for environmental indicators and the whole Group worldwide for safety indicators. Perimeters actually covered by the indicators have been indicated where applicable, notably for NO<sub>x</sub>, SO<sub>x</sub> and dust emissions. For the indicator on "quarries with a rehabilitation plan", the perimeter is limited to major cement plant quarries, as specified in the reporting methodology p. 43.
- **Neutrality.** The Group provides detailed information on methodologies used to establish the indicators in the notes on methodology on p. 43 and in the comments next to the published data.
- **Reliability.** Internal controls on the indicators have to be strengthened, in particular when new procedures of reporting methodologies are implemented as it is the case this year for the indicators on "quarry rehabilitation plans" and "percentage of alternative raw materials".

### Conclusion


- The Group clarified the six criteria that quarry rehabilitation plans have to comply with for the indicator "percentage of quarries with a rehabilitation plan". We detected that a significant number of rehabilitation plans do not yet meet two of these six criteria.

Based on our review, and except for the above qualification, nothing has come to our attention that causes us to believe that the Indicators were not established, in all material respects, in accordance with the Reporting Criteria.

Paris-La Défense, April 11<sup>th</sup>, 2008

ERNST & YOUNG Audit

ERNST & YOUNG  
Sustainability Assurance  
and Advisory Services

  
Jean-Yves Jégourel

  
Eric Duvaud

<sup>1</sup> ISAE 3000: "Assurance Engagement other than reviews of historical data", International Federation of Accountants, International Audit and Assurance Board, December 2003.



## Reporting methodology

### SCOPE OF REPORTING

Italcementi Group's SD report 2007 covers all business activities over which the Group had operational control at the end of 2007. The only exception is environmental performance data which only applies to the cement business and to entities included in the scope after one full year under the Group's operational control.

### DATA COLLECTION AND CONSOLIDATION

#### Economic performance data

Data included represent consolidated figures from all companies covering all of Italcementi Group's operations and business segments. They are consistent with those reported in the Italcementi Group Annual Report 2007.

#### Environmental performance data

Environmental data refer only to the cement business: integrated cement plants, grinding centres and terminals worldwide. Reporting covers all subsidiaries over which the Group has operational control, unless otherwise specified, and their data are 100% consolidated.

Data are not reported for Ciments Québec in Quebec and Vassiliko Cement Works in Cyprus as the Group does not have operational control. Environmental data concerning the operations recently acquired by the Group in China will be reported in 2008 for the first time.

The Group's environmental data are reported for the current fiscal year and divided according to mature and emerging markets (as defined on page 4) where applicable. Any changes in ownership reported in 2007 do not impact the data reported for previous years.

Data on CO<sub>2</sub> emissions are the sole exception to this principle: the 2007 perimeter is reformulated for each past year to provide comparability, as specified and requested in the WBCSD "Greenhouse Gas Protocol" applied by the Group.

#### Social performance data

Data on human resources (such as health and safety and employment statistics) cover all operations and business segments under the Group's operational control throughout the world, unless otherwise specified.

### Internal procedures for Key Performance Indicators calculation

Group reference	KPIs	Summary
SDD001 Air Emissions Reporting Procedure	Dust, NO <sub>x</sub> , SO <sub>2</sub> : absolute and specific emissions	The procedure covers the emissions of pollutants at the main stack and the by-pass stack of the cement kilns. It defines requirements for quality tests and recommends methods for measurements according to the "CSI Guidelines for Emissions Monitoring and Reporting, March 2005". Data are entered into the Group database and reported by means of the Group's reporting software or dedicated spreadsheets. Specific emissions are based on available measurements (continuous or spot), absolute emissions are extrapolated to all kilns.
SDD002 CO <sub>2</sub> Reporting Methodology	Absolute and specific gross CO <sub>2</sub> emissions	The procedure is compliant with the WBCSD/CSI Protocol: "CO <sub>2</sub> Accounting and Reporting Standard for the Cement Industry", June 2005 ver.2. Absolute gross and specific CO <sub>2</sub> emissions are reported to SDD by means of the WBCSD/CSI Cement CO <sub>2</sub> protocol spreadsheet. CO <sub>2</sub> emissions account for total direct emissions, excluding biomass fuels. Cementitious products account for both clinker production and mineral additions for cement grinding.
SDD011 ISO 14001 Reporting Instruction	Percentage of cement plants certified ISO14001	The ISO 14001 certified facilities are cement plants which have developed and implemented Environmental Management Systems (EMSs) complying with the requirements set in the standard ISO 14001:2004, certified by qualified bodies and with valid certificates at the end of the reporting year.
SDD012 RMs Reporting Instruction	Total RMs consumption and ARMs consumption	The procedure defines natural and alternative raw materials (CRMs and ARMs respectively). The Group Technical Center draws the data from the Group database; figures are endorsed by the subsidiaries before being forwarded to SDD. Dry tonnes of CRMs and ARMs are reported according to the "CSI Guidelines for the selection and use of fuels and raw materials in the cement manufacturing process".
SDD016 Quarry Rehabilitation Instruction	Percentage of quarries with a rehabilitation plan	The procedure sets six minimum requirements for rehabilitation plans (site selection, prescription related to the operating permit, rehabilitation objectives and future use, visual 2D simulation, actions to be implemented, evidence of communication with local stakeholders). Only the quarries providing the major extracted raw materials (*) and accounting for more than 20% of total plant consumption are considered. (*) covering at least the 80% of the cement plant consumption
Safety Management Handbook	LTI Frequency Rate	A Group database, automatically updated from site level, calculates lost time injuries (days) in a year per million hours worked, according to the WBCSD/CSI definitions.

## Cement production and sustainability



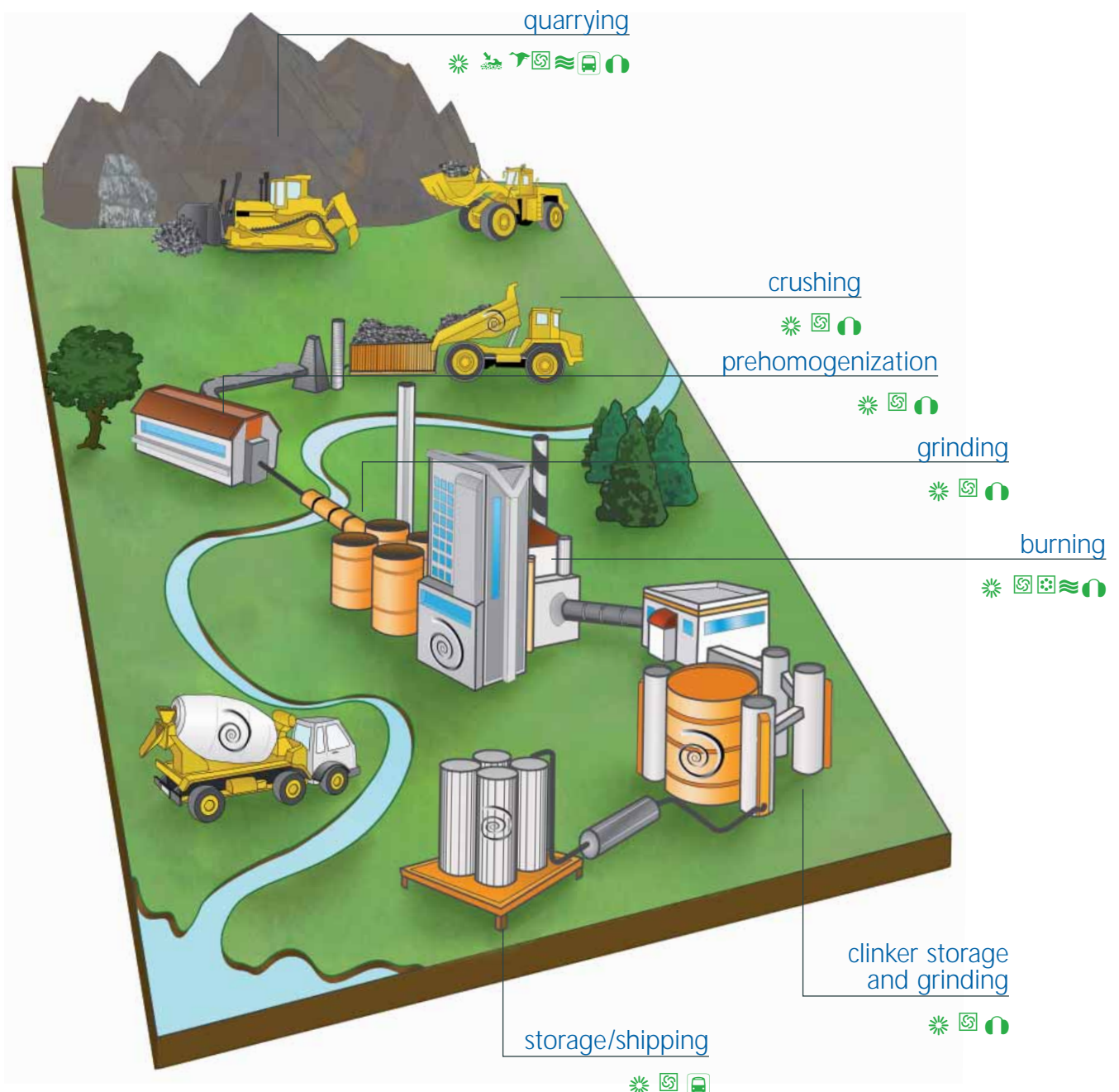
### ECONOMIC AND SOCIAL ASPECTS

- Regional economic development
- Infrastructure modernisation
- Technology transfer
- Employment
- Worker's health and safety
- Community health and welfare
- Community support



### ENVIRONMENTAL ASPECTS

- ☀ Energy consumption
- 🌱 Raw materials consumption
- 🌿 Ecosystem and landscape protection
- 🏠 Air emissions
- 💧 Water use
- 🚗 Traffic
- 🔊 Noise
- ☘ Greenhouse Gases



# GLOSSARY

## ACRONYMS AND ABBREVIATIONS

AFs/ARMs	Alternative Fuels and Alternative Raw Materials
BWI	Building and Wood Workers' International
CAE	Comitato Aziendale Europeo
CDM	Clean Development Mechanism
CEMBUREAU	The European Cement Association
CEMs	Continuous Emissions Monitoring systems
CEO	Chief Executive Officer
COO	Chief Operating Officer
CSI	Cement Sustainability Initiative
CTG	Group Technical Centre
DJSI	Dow Jones Sustainability Index
EMS	Environmental Management System
ETS	Emission Trading Scheme
EU	European Union/
GHG	Greenhouse Gases
GOP	Gross Operating Profit
GRI	Global Reporting Initiative
IAS/IFRS	International Accounting Standards
ILO	International Labour Organisation
IPPC	Integrated Pollution Prevention and Control
ISO 14001	The International Standards Organisation model for management and external certification of environmental performance
KPIs	Key Performance Indicators
LTI	Lost Time Injuries
MBO	Management by Objective
RDF	Refuse Derived Fuels
SD	Sustainable Development
SDD	Sustainable Development Department
SDSC	Sustainable Development Steering Committee
SNCR	Selective Non Catalytic Reduction of NO <sub>x</sub>
WBCSD	World Business Council for Sustainable Development

## CHEMICALS

CO <sub>2</sub>	Carbon dioxide
SO <sub>2</sub>	Sulphur dioxide
NO <sub>x</sub>	Nitrogen oxides

## UNITS

ng	nanogram (0.000000001 g)
mg	milligram (0.001 g)
g	gram
kg	kilogram (1,000 g)
t	ton (1,000 kg)
kt	kiloton (1,000 tons)
toe	tons of oil equivalent
ktoe	kilotons (1,000 tons) of oil equivalent
tpd	tons per day
m <sup>3</sup>	cubic metre
MJ	mega joule (1 million joules)
MW	mega watt (1 million watt)
kWh	kilowatt-hour (1,000 watt-hour)
GWh	gigawatt-hour (1 billion watt-hour)



