



Italcementi Group

sdReport

Sustainable Development Report 2008





Italcementi Group

www.italcementigroup.com

ITALY

Italcementi

@ www.italcementi.it

Calcestruzzi

@ www.calcestruzzi.it

CTG

@ www.ctg.italcementigroup.com

Italgen

@ www.italgen.it

Società del Gres

@ www.gres.it

Axim Italia

@ www.axim.it

FRANCE AND BELGIUM

Ciments Français

@ www.cimfra.fr

Ciments Calcia

@ www.ciments-calcia.fr

Axim

@ www.axim.fr

GSM

@ www.gsm-granulats.fr

Unibéton

@ www.unibeton.fr

Socli

@ www.socli.fr

CCB

@ www.ccb.be

BULGARIA

Devnya Cement

@ www.devnyacement.bg

CHINA

Fuli Cement

@ www.italcementigroup.com

EGYPT

Suez Cement

Tourah Cement

Helwan Cement

RMB

@ www.suezcement.com.eg

GREECE

Halyps Cement Et Beton

@ www.halyps.gr

INDIA

Zuari Cement

@ www.zuaricements.com

KAZAKHSTAN

Shymkentcement

@ www.shymkentcement.kz

MOROCCO

Ciments du Maroc Axim Maroc

@ www.cimentsdumaroc.com

Betomar

@ www.betomar.com

NORTH AMERICA

Essroc

Essroc San Juan Riverton

Arrow Cambridge

@ www.essroc.com

Axim

@ www.aximconcrete.com

SPAIN

FYM

@ www.fym.es

THAILAND

Asia Cement

Jalaprathan Cement

@ www.asiacement.co.th

TURKEY

Set

Set Cimento Set Beton

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TRADING

Interbulk

@ www.interbulk.ch

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CHALLENGING THE CHANGES



Last year witnessed the dramatic beginning of a period of turmoil and lack of confidence in the global marketplace. It will take a long period of working together to overcome this. We have to realise that it will be neither possible nor acceptable to restore the previous conditions: our world will and must change. But there are certain principles and ideas to which we must hold tight and sustainable development is more than ever the key. The worldwide downturn has highlighted the need for a new financial ethic. Access to credit is becoming easier for companies that are proven to be sustainable, as they are viewed as more solid and consistent in the long run. Social inequity is slowing the development of new markets. Human rights, equal opportunities, easier access to resources and information, public health and meeting basic social needs: all these are necessary to build more sustainable business relationships with our suppliers and

customers. Uncertainties about the future availability and cost of primary energy sources call for a low carbon, more efficient industry. Securing the long-term availability of raw materials requires a responsible approach to our use of natural resources. We must insist on our commitment to sustainability: following our priorities; adapting to changes; working out new solutions and seeking innovation but without any flexibility in our values. By enforcing Italcementi Group's Charter of Values, we support and respect within our sphere of influence the protection of internationally proclaimed **human rights**, which are universal and belong to everyone equally. We promote sustainable **labour practices** providing the business community with fundamental principles in the workplace. We reconfirm our ambitious targets to safeguard the **health and safety** of our employees, contractors, third parties and anyone else involved in our business. We aim to protect the **environment**, pursuing the harmonisation of industrial sites with their natural and social context, developing innovative technologies to preserve natural resources and building new strategies for energy use. We continue to engage our **stakeholders**, paying attention to the needs of the community and endorsing their role to promote the civil society. This report highlights the trends in our performance in 2008, and the actions planned for the coming years. Transparency, completeness, enhanced data sets, public awareness of assets and challenges, clarity of information and extended external assurance are among of the features of this report.

Italcementi Group traces and reconfirms its roadmap for the future: consolidated sustainable governance aimed at the innovation of process and products, and major investments to reduce our environmental footprint without compromising our social commitments.

Carlo Pesenti

Chief Executive Officer Italcementi Group

Sustainable Development Report 2008

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

Italcementi Group at a glance

Italcementi Group Office of the Chairman



Giampiero Pesenti
Chairman



Carlo Pesenti
Chief Executive
Officer

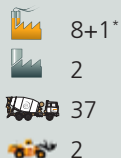


Giovanni Ferrario
Chief Operating
Officer

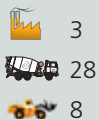


Yves-René Nanot
Chief Development
Officer

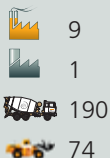
USA and Canada



Spain



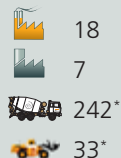
France



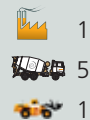
Belgium



Italy



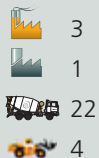
Greece



Turkey



Morocco



Egypt



Saudi Arabia



Kuwait



Mauritania



Gambia

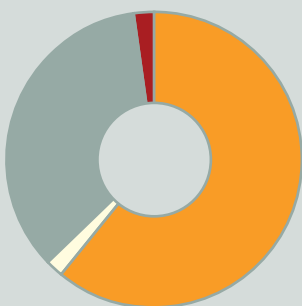


Sri Lanka



Ordinary shares (2008)

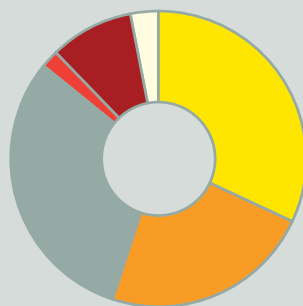
(survey of shareholders with over 2%
of the share capital at December 31st, 2008)



| | |
|-----------------------------|--------|
| Italmobiliare | 60.26% |
| Arnhold and S. Bleichroeder | 2.22% |
| Free float | 35.38% |
| Own shares | 2.14% |

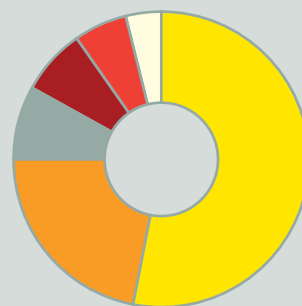
Breakdown of free float (2008)

(ordinary shares)



| | |
|---------------------|-----|
| Funds | 32% |
| Banks | 23% |
| Private individuals | 31% |
| Insurance companies | 2% |
| Other companies | 9% |
| Others | 3% |

Revenues by area (2008)



| | |
|---|-------|
| Central Western Europe | 57.7% |
| Eastern Europe and Southern Mediterranean Area | 23.5% |
| North America | 8.7% |
| Asia | 7.8% |
| Trading | 6.4% |
| Other and eliminations | -4.1% |

Bulgaria



2

Albania



1

Cyprus



1*

Kazakhstan



1

India



2

Thailand



3



36



1

China



1

Total Group



22

Countries



63

Cement plants



13

Grinding centres



614

Concrete plants



125

Quarries



5

Terminals



Over

22,000 employees

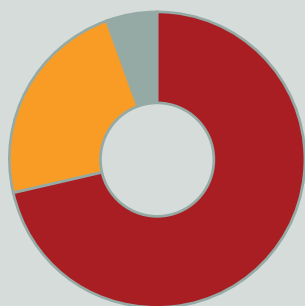


Almost

6 billion Euro annual sales in 2008

* the performance of these facilities is not assessed

Revenues by business (2008)



| | |
|---------------------------------------|-------|
| ■ Cement and clinker | 71.5% |
| ■ Ready mixed concrete and aggregates | 23.1% |
| ■ Other activities | 5.4% |

Key economic data (2008)

| | |
|------------------|-------------------|
| Revenues | 5,775.6 million € |
| Recurring EBITDA | 1,113.1 million € |
| Cash flow | 634.9 million € |
| Group Net Profit | 138.8 million € |

Sales volumes (2008)

| | |
|----------------------|-----------------------------|
| Cement and clinker | 62.6 million t |
| Ready-mixed concrete | 13.9 million m ³ |
| Aggregates | 47.6 million t |

VISION AND ACTIONS



Italcementi Group has a clear sustainable vision that begins with the commitment made and continuously reinforced by the Chief Executive Officer. My duty is to ensure the full operational deployment of the Group's commitment and values into daily practices. Upholding sustainability when facing such a deep worldwide crisis, which requires tight control on expenses, limits on investment and significant restructuring of the Group's assets, requires more than ever high operational efficiency, from top executives down to production sites. This efficiency can be achieved through improved governance and the reinforced, visible leadership of the management team, drawing maximum attention to behavioural and organisational leverage.

The Group's Sustainable Development Steering Committee, under my chairmanship, develops policies and guidelines, and sets targets and objectives. At subsidiary level, the Managing Directors fully endorse their duty as promoters of the implementation of these policies and guidelines, through chairing the local Sustainable Development Steering Committees. Group Standards, setting minimum requirements to be applied everywhere and filling gaps in local regulatory frameworks, help management to establish practicable action plans. Italcementi Group's values and priorities have not changed.

In 2008, Italcementi Group signed a fundamental charter of workers' rights with Building and Wood Workers' International, guaranteeing observance of fundamental human and union rights and making this a tangible, daily commitment for all subsidiaries. The charter covers freedom of association, collective bargaining, rejection of forced labour and child labour, non-discrimination in the workplace, payment of salaries that guarantee subsistence, reasonable working hours, health and safety in the workplace, employee welfare, training and employment agreements. The themes of the charter reflect Italcementi Group's commitment to promoting human rights and sustainable labour practices within its sphere of influence.

Excellence in safety performance has been the first permanent objective set by the Group towards sustainability. We are now shifting the focus from the key performance indicators to the ability of our management system to effectively improve our records. In 2008, an external assessment covering almost all the subsidiaries and business sectors was the major step in this direction. Results are being carefully analysed, triggering a detailed three year roadmaps at plant, subsidiary and Group levels. The targets of zero accidents for employees, contractors and third parties is reconfirmed, supported by actions and reinforced by the top-down responsibility of operational line management as the major safety driver. Our environmental programmes continue to be focused on reducing greenhouse gas emissions. While pursuing a strategy to address the opportunities and the challenges of the Kyoto Protocol and the European emissions trading scheme, we are deploying a wide set of actions to reduce the Group's carbon footprint. The main axes of our response are plant modernisation, industrial assets rationalisation, optimisation of fuel mix energy efficiency, extended use of blended products and innovation in our product range. Key investments such as major plant revamping projects are ongoing, setting the cornerstones for the future: in 2008, new state-of-the-art production lines in Yerraguntla (India), Ait Baha (Morocco), Martinsburg (North America) and Matera (Italy) entered the core phase of the construction process, and are scheduled to start production by the end of 2009.

Finally, open and effective engagement with employees, suppliers, customers, partners and other involved stakeholders is essential for helping the Group to create value, confirming our living commitment to sustainable development.

Giovanni Ferrario

Chief Operating Officer Italcementi Group

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Objectives and improvement targets

| Objectives and targets | | Deadline |
|---|---|-----------|
| Management system | | |
|  Environmental management system | Over 90% of clinker production facilities certified by ISO 14001 | 2010 |
| | 100% of cement plants environmentally audited at least once in 4 years | 2011 |
| Economic development | | |
| Customers | Define a standard for customer satisfaction assessment at Group level | 2007 |
| | Implement the Group standard at subsidiary level | 2010 |
| Suppliers | 20% of "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 | At least 1% of Group EBIT earmarked as support to communities | 2012 |
| Environmental protection | | |
|  Climate protection | Reduce the gross emission factor to 690 kg CO ₂ per ton of cementitious product | 2012 |
|  Responsible use of resources | Apply the fuel and raw materials guidelines developed by the Cement Sustainability Initiative | 2006 |
|  Air emissions | 90% of kilns equipped with CEMs for dust, SO ₂ and NO _x | 2010 |
| | 90% of kilns equipped with CEMs for dust, SO ₂ and NO _x , CO and VOC (Group Standard) | 2012 |
| | Reduce dust emission factor to 130 g/ton of clinker | 2010 |
| | Reduce SO ₂ emission factor to 570 g/ton of clinker | 2010 |
| | Reduce NO _x emission factor to 1,760 g/ton of clinker | 2010 |
| | 90% of kilns with dust, SO ₂ and NO _x emission levels in line with Group Standard | 2012 |
|  Quarries and landscape | 70% of all Group's quarries having a rehabilitation plan | 2010 |
| Social responsibility | | |
|  Health and Safety | "Zero Accidents" in the workplace | Long term |
| | Decrease by 5%-on-year the frequency rate of accidents | 2009 |
| | Carry out an external audit on Safety management system | 2007 |
| | Implement the road map defined at each subsidiary level after the external audit on safety | 2011 |
| | Develop a tool aimed at assuring the safety best practices communication for all subsidiaries | 2008 |
| | Implement Group safety standards for contractors | 2010 |
| | 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 assessment | 2012 |
| Human Resources management | Implement main actions coming from the first employee opinion survey results | 2010 |
| | Carry out a second employee opinion survey | 2010 |
| | Implement a rational and fair remuneration scheme | 2007 |
| | Integrate and standardise subsidiaries' human resources guidelines and management systems across the entire Group | 2008 |
|  Stakeholder engagement | Analyse relations with stakeholders at subsidiary level | 2006 |
| | Analyse relations with stakeholders at plant level and implement related action plan | 2007 |

 achieved
 new

 on going
 verified by Ernst & Young

 delayed
 WBCSD/CSI issue

| 2008 status | | | Page | Comments |
|---|-----------|---|----------|---|
|  | 82% |  | 10 | |
|  | 41% | | 10 | |
|  | | | 11 | |
|  | | | 11 | |
|  | 10% | | 11 | |
|  | | | 11, 23 | New deadline 2009, to address extensively sustainable labour practices, health and safety aspects |
|  | 2.9 | | 14 | Increasing from 2.5 in 2007 |
|  | 0.63% | | 25 | |
|  | 728 kg/t |  | 16,26 | |
|  | AF 4.5% |  | 17,20 | Group's guidelines defined in 2008. The implementation is ongoing |
| | ARM 5.9% |  | 17,20 | |
|  | 57% |  | 10,19,20 | |
|  | 33% | | 10,19,20 | |
|  | 190 g/t |  | 19,20 | |
|  | 545 g/t |  | 19,20 | |
|  | 1,520 g/t |  | 19,20 | |
|  | 40% | | 10,19,20 | |
|  | 73% |  | 18,21 | |
|  | 6.0 |  | 10,22,26 | Increasing from 5.8 in 2007 |
|  | +3% | | 10,22,26 | After -11% in 2006 and -22% in 2007. New actions already taken to restart the improvement |
|  | | | 22 | |
|  | | | 22 | |
|  | | | 22 | |
|  | | | 22,23 | |
|  | | | 22,26 | |
|  | 38% | | 22,26 | |
|  | | | 24 | |
|  | | | 24 | |
|  | | | 24 | Group compensation policy will be issued in 2009 |
|  | | | 24 | A set of Group guidelines on human resource management will be available in 2009 |
|  | | | 25,27 | |
|  | | | 25,27 | Implementation at plant level in 2009 |

Vision, strategy and corporate governance

VISION AND STRATEGY

Since its foundation in 1864, Italcementi Group (hereafter referred to as the Group) has been driven by the continuous search for business excellence and best practice. Sustainable development is an integral part of the Group's strategy and working culture, balancing economic growth, environmental protection and social responsibility. It contributes to value creation, long-term approach, durability and competitive advantage and it helps to anticipate and manage business risks.

The Group formalised its commitment to sustainability in 2000, when it joined the World Business Council for Sustainable Development (WBCSD), and with the signature of the Charter of the Cement Sustainability Initiative (CSI) by the Chief Executive Officer.

Responsibility as long-term commitment to sustainability; integrity as ethical behaviour at the heart of the business; efficiency as operational excellence through continuous improvement; innovation in product application and management; diversity of local identities: these are the Group's core sources of value.

The Group's strategy is focused on the renewal and expansion of its existing industrial network, acquisitions and partnerships in emerging and growing markets, vertical integration with ready-mixed concrete and aggregates, development of innovative building products, applications and services, and initiatives in the renewable energy sector. The Group's major steps towards sustainability are recorded on the corporate website under the Sustainable Development section.

CORPORATE GOVERNANCE

The Charter of Values states the fundamental values in which the Group firmly believes and underlies all the adopted corporate governance codes, summarising and strengthening the general principles therein. Starting from the Group's parent company, Italcementi SpA, the governance system extends to all subsidiaries with the aim of ensuring transparency towards shareholders and stakeholders. The Chairman is responsible for ensuring compliance with the Group's principles of corporate governance and for proposing amendments to the Board of Directors. The Internal Control Committee, reporting directly to the Board of Directors, has the task of identifying and managing all the main corporate risks. In 2007, the Board of Directors appointed the CEO as the Executive Supervisor of the internal control system. Furthermore, in 2007 the Board of Directors appointed the 'lead independent' Director and the Manager in charge of preparing the company's financial reports, according to legislation and by-laws.

The Group's corporate governance principles are translated into a continuously monitored and updated operational business structure, providing a clear global picture in terms of shareholding, organisational structures, authorities, powers, processes and procedures.

Furthermore, in 2008 the Group launched a three year risk and compliance programme, ensuring better risk management analysis combined with auditing systems, which is linked to the managers' long-term incentive scheme.

Sources of corporate governance

| Code/regulation | Description | Adoption date | Last update |
|---|--|---------------|-------------|
| By-laws | Define the company's main rules and 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 a control-oriented culture and promoting an efficient and balanced organisational structure | 2004 | 2008 |
| 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 | Translated in all the Group's languages, the Charter endorses the basic aspects of corporate governance and enhances their principles, with reference to international standards | 2006 | |

Further information is available on the financial year on the corporate website, under the Investor Relations section.

Sustainability management

The pillar of the sustainability management structure is the Group Sustainable Development Steering Committee (SDSC), which is organised as shown below. Under the chairmanship of the Chief Operating Officer and coordinated by the Director of the Sustainable Development Department (SDD), the SDSC has the power to translate the Group's vision into specific actions, to support and monitor the Group's sustainable development strategy and its implementation at subsidiary level, and to define and implement communication programmes.

In 2008, several new management tools were deployed across the Group, including a renewed effort towards standardisation, promoting an effective off-shore policy based on challenging minimum requirements.

It also included horizontal integration involving key responsibility areas such as Human Resources, Group Technical Centre and Procurement Department. Strengthened vertical integration activated local SDSCs at subsidiary level under the chairmanship of the country Managing Directors, to reinforce the sustainable governance chain and speed up the alignment process among all functions and business sectors.

The SDD continuously supports the strategy at Group and local level through dedicated workshops, focused communications, audits, site visits, assistance, training, sharing of best practices and field activities.

Group policies

All the Group's policies find their referential in the Charter of Values, which draws inspiration from fundamental international references such as the Universal Declaration of Human Rights, the International Labour Organisation and the SA8000 standards.

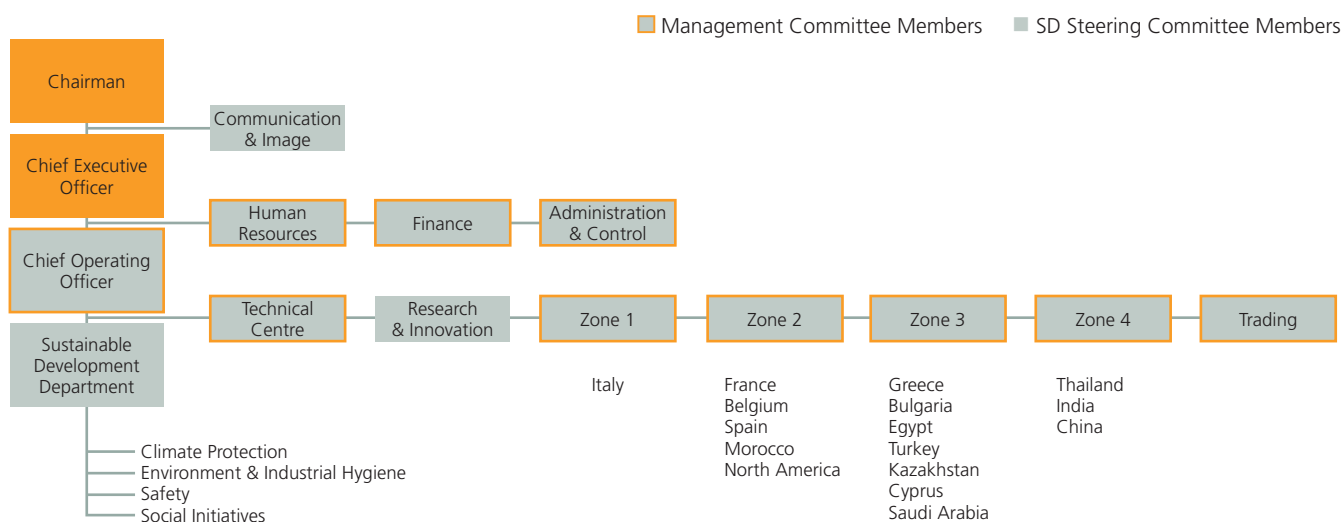
The **Safety Policy** aims at achieving Zero Accidents at all sites, and eliminating activity related to injuries in workplaces. Key principles are: prevention, adoption of the best safety standards, focused and systematic training of workers at all levels and proven competence before assuming a responsibility. The policy leverages on the culture of risk prevention and adoption of responsible behaviours by each employee, contractor and third party working or having relations with the Group. The policy is accompanied by suitable auditing activities.

The **Environment Policy** aims at securing effective and enduring protection of the environment, improving working conditions and thus people's health. Key principles are: reduction and prevention of potential environmental impacts, responsible use of natural resources, promotion and adoption of standards beyond local regulations and disclosure of performance to all stakeholders. The policy is applied and monitored at all subsidiaries, supported by appropriate management practices and dedicated training.

The **Subcontracting Policy** requires contractors and subcontractors to observe the same employment laws and ethical principles as apply to the Group's direct employees. The aim is to guarantee adequate health and safety conditions, limit particularly unpleasant or highly demanding situations and tasks, and implement all the necessary actions for developing and increasing awareness and professional skills. Subcontractors' performance is constantly monitored by the Group.

The **Competition Policy** derives from the Code of Ethics and is applied to all the Group's subsidiaries and production units through specific training, communication and internal control programmes.

Italcementi Group's management structure for Sustainable Development



MANAGEMENT SYSTEMS

Safety management

The Group considers the safety of employees, contractors, customers, suppliers, visitors and any other stakeholder potentially involved in the Group's activities as one of its most important corporate values. The Group's safety management system is based on strong commitment, clear accountability and safety-focused leadership.

The Group's safety policy, formalised in 2000, includes the guidelines and the principles to achieve the "Zero Accidents" target. All efforts aim at creating a common safety culture across different subsidiaries, geographical areas and business sectors. This approach is applicable to all activities and all those directly or indirectly involved in the Group's operations. The safety management model is established at country, business and plant level, starting from the principles of the International Labour Organisation (ILO) on safety management. It is centred on safety coordinators at country level and safety animators at site level. Safety management committees meet regularly (at least monthly) to ensure the correct implementation of local safety action plans. Focused training programmes and auditing activities, internal or performed by third parties, are fundamental to achieving the target of prevention. Training activities cover employees, contractors and third parties. A dedicated task force involving the Group's Technical Centre is addressing social and safety management during the construction of new greenfield plants and major revamping projects. All the safety operational indicators are reported and updated monthly in the Group's safety database.

Environmental management

The Group promotes the adoption of environmental management systems as an effective tool to prevent

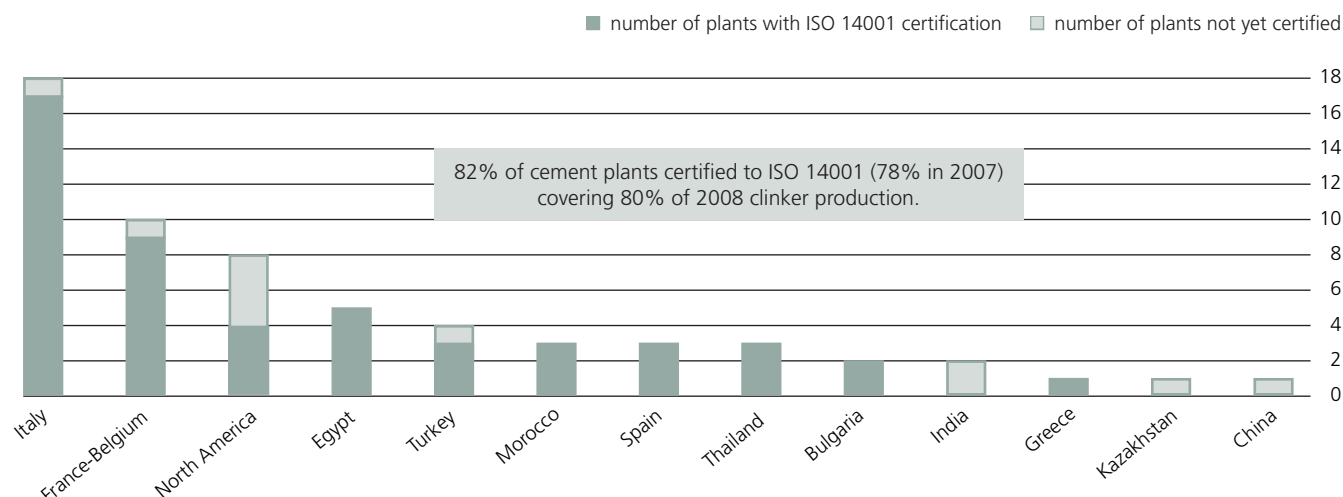
risk and trigger continuous improvement. In 2008, two additional cement plants in North America and one in Turkey saw their operating environmental management systems rewarded with certification according to ISO 14001 standards. Currently, 50 of the cement plants in 10 countries are certified according to ISO 14001. The Group is taking all the necessary actions to reach the 90% target for certification of clinker production facilities by 2010, as reported on page 6. Beside cement plants, 2 cement grinding centres, 19 ready-mixed concrete units, 39 aggregates sites with quarries, 1 natural hydraulic lime plant and all 14 hydro-power plants are certified to ISO 14001. The achievement of management systems certification is accompanied by public events to increase awareness, promote environmental communication and encourage transparent accountability of the environmental performance. Emissions monitoring is a key tool for environmental management of cement plants. At the end of 2008, 59 kilns out of 104 (57%) were equipped with continuous emissions monitoring systems (CEMs) measuring dust, SO₂ and NO_x. 32 other kilns had partial systems, giving a total of 91 kilns partially or fully equipped with continuous monitoring devices.

Thirty four of the operating CEMs are already in line with the Group's new standard, which was issued in 2008 and requires additional continuous monitoring of carbon monoxide and volatile organics. The Group is taking all the necessary actions to reach its targets for kilns equipped with CEMs as reported on page 6.

Carbon risk management

The cement industry is highly exposed to carbon risk, particularly in regions where CO₂ emissions trading systems or carbon taxation are in place. The level of risk is directly related to the carbon footprint of individual companies but it is also significantly affected by external

Cements plants certified according to ISO 14001 (2008)



factors such as the international Kyoto and post-Kyoto scenarios, local regulations and the carbon price on international markets. Experience has shown that the European Emission Trading Scheme (EU-ETS), even under free allocation, highly impacts production margins, due to the cost of making up for shortages in emission allowances and the costs passed down in the price of electricity by the power sector.

While reducing the carbon footprint of products and processes, the Group is also managing carbon risk through the use of advanced financial instruments. A financial risk analysis based on accurate emissions tracking and forecasting systems at Group level is carried out to support the choice of the most appropriate market instrument. The Group participates in public-private Carbon Funds and uses derivatives transactions as tools to cover the shortfall at minimum cost and to manage price risk. The Group's development strategy through the diversification of countries and operations reduces its exposure risk in Europe. In addition, it offers opportunities for developing carbon reduction projects eligible as Clean Development Mechanisms under the Kyoto Protocol.

Customer relationship management

In 2008 the Group defined a standard for Customer Satisfaction Assessment (CSA) for products and services based on advanced experiences in Italy and North America, which aims to strengthen long-term relationships with customers. The model is flexible, applicable to all subsidiaries and easily adaptable to satisfy differentiated local expectations and market segmentations, based on a common structure.

Having a common CSA will support the benchmarking of Group results, the calculation of a Group index

and the enforcement of Group values, including the health, safety and environmental aspects of products and shipment facilities. The model, which can also be adapted to fit to the specific features of the aggregates and concrete segments, is now in the implementation phase for cement products.

The results of the CSA will be available in future reports.

Supplier management

In 2008, the Group created the Supplier Qualification office within the Procurement Department to further develop and maintain a qualified suppliers base with high business integrity. The Supplier Qualification office manages the qualification process according to the "Vendor Management" procedure.

The Group also created the Customers, Suppliers and Partners Analysis office to collect and analyse financial equity information and to verify a set of well-defined ethical warning indicators. The office operates with high corporate governance standards to avoid becoming involved in relationships with low integrity profiles.

The supplier evaluation process prioritises key procurement categories by turnover rate and potential risks. The self-assessment information sent by suppliers is checked by second party audits.

In 2008, all the involved functions began working on the definition of a set of minimum requirements for suppliers to establish commercial relationships with the Group focused on human rights, labour practices, health, safety and ethics. Furthermore, the Group is working on the upgrading of the checklists used during qualification processes and field audits.

Consolidation of the 2009 target on corporate suppliers and contractors is to enforce the same screening procedures at subsidiary and site level.

Percentage of key suppliers evaluated



Economic development

VALUE CREATION

In response to the great uncertainty affecting all economic variables, the Group has set up a coordinated framework of actions to meet short term challenges. These focus on variable and fixed cost reduction, working capital optimisation, focusing on the industrial perimeter with a selective approach to capital expenditure and no external growth and finalising the incorporation of Ciments Français.

In line with the 2008 consolidated financial statement of Italcementi SpA and comparative data for the year 2007 and 2006, the economic values reported in this section have been processed according to the IAS/IFRS principles.

Customers

Like-for like Group 2008 sales volumes were down in all lines of business, with a particularly significant reduction in the fourth quarter, due to less favourable meteorological conditions than witnessed in the same period the year before. In cement and clinker operations, the decline in sales volumes was registered mainly in the industrialised countries (especially Italy, Spain and North America) and in Trading. In the emerging countries, domestic cement sales were substantially stable as a result of improvements in Bulgaria, Morocco, Egypt, India and China offsetting reduction in Turkey, Thailand and Kazakhstan.

In 2008, Group revenues totalled € 5,775.6 million, down 3.8% on 2007 (€ 6,099.9 million).

The 3.8% decrease with respect to 2007 arose from a negative consolidation effect (-3.6%) and a negative exchange-rate effect (-1.9%), while business performance contributed positively (+1.7%). At constant size and exchange rates, revenue growth was assisted by the emerging countries as a whole (especially Egypt followed by India, Morocco and Bulgaria), whose performance more than offset the sharp downturn in the industrialised countries (North America, Spain, Italy), Turkey and Kazakhstan.

Changes in the consolidation area had a negative effect on revenues: the impact of the ready-mixed acquisitions in 2007 in North America and Egypt, the acquisition of Fuli Cement in China and the acquisitions made in 2008 (Kuwait German Ready Mix, Crider & Shockey, Al Mahaliya) only partially counterbalanced the deconsolidation of Calcestruzzi S.p.A.

The negative exchange-rate effect reflects the annual depreciation of other currencies (USA dollar, bath, rupee) compared to Euro.

Suppliers

In 2008 Italcementi Group spent € 2,420.0 million (€ 2,344.2 million in 2007) on raw materials, fuels, utilities and other goods. The increase was mainly due to the higher cost of energy products such as fuels and electrical power. In addition, in 2008 € 1,327.0 million (€ 1,418.4 million in 2007) were recorded in services.

Personnel

At the end of 2008 the Group employed 22,243 people compared to 23,706 at the end of 2007. Employee expenses decreased by 1.5%, down to € 938.9 million compared to € 953.2 million in 2007.

Italcementi Group's benefit plans are valued according to IAS19 and include post-employment pension benefits, post-employment medical plans, other long term benefits, and termination benefits. The post-employment pension benefits (Italcementi's major benefit plans) are a mix of fully and partially funded retirement plans and unfunded termination indemnities. Post-employment health plans, other long term benefits, which consist mainly of long service awards, and termination benefits are unfunded. Italcementi Group has already defined benefit plans for its employees in many emerging market countries.

Concerning acquisitions, the Group's approach is to respect local practices and avoid replacing existing personnel management processes, except where these are not in line with the values and policies of the Group. 80% of the Group's senior managers are working in their country of birth, and only half are Italian. The Group's hiring procedures prohibit any distinction between local and foreign applicants.

Shareholders

At the end of 2008, 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 shareholder equity was € 3,324.8 million.

Communities

The Group's Sustainable Development Awareness Programme encourages subsidiaries in developing initiatives to support local communities. Each plant must develop an Action Plan in line with the Group guidelines and the local conditions in order to meet the expectations of its stakeholders.

In 2008, the Group earmarked more than € 5.9 million in support of local business development, capacity building and education programmes, donations, charities, open door events and sponsorship of cultural, environmental

and sports events. Further information on the Group's initiatives is available on the corporate website.

The "Fondazione Italcementi Cavaliere del Lavoro Carlo Pesenti" is currently undertaking and fostering humanitarian projects. In 2008 its support raised more than € 2.5 million (€ 500,000 in 2007). Further information on the Foundation initiatives is available on the corporate website.

INVESTMENTS

Last year, 2008, was characterised by a high level of investments, € 980.5 million overall excluding net debt from acquisition. Investments in tangible fixed assets in 2008 totalled € 698.2 million (€ 529.7 million in 2007) and focused on strengthening and re-organising Group production operations, primarily in North America, the European Union (France-Belgium, Italy), India and Morocco. Investments in financial assets totalled € 252.9 million (€ 457.5 million in 2007). As always, particular attention was paid to environmental protection, safety and improvement of working conditions, with investments in these areas totalling over 19% of the Group's total capital expenditure. This percentage represents a decrease from 2007 due to the higher proportion of investments classified as "Strategic" (Martinsburg, Yerraguntla and Ait Baha). Strategic investments themselves involve significant environmental and safety improvements, considered only in part in the given percentage. All engineering, procurement, and site construction activities for accomplishing the main projects have been particularly intense.

The following projects are expected to be completed in 2009 or in early 2010:

- 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 greenfield plant at Ait Baha (Morocco) with capacity for 5,000 tons of clinker per day;
- new line at Matera (Italy) with capacity for 2,200 tons of clinker per day.

Administrative authorisations, engineering, procurement activities and preliminary site preparation are in progress for the new 430 kilotons per year grinding centre in Albania as well as for the new 840 kilotons per year grinding centre in Chennai (India). As regards activities aimed at revamping the Devnya (Bulgaria) cement plant, IPPC authorisation and the construction permit for the new 7,000 tpd capacity line have been obtained.

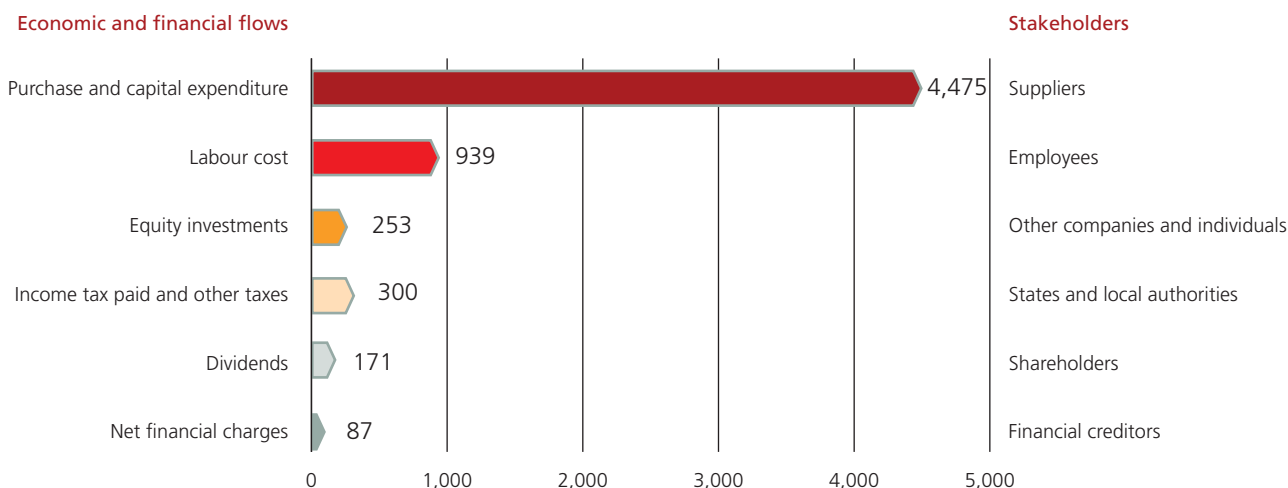
In addition, the purchase order for the new line at Vassiliko (Cyprus), with a capacity of 6,000 tons of clinker per day, was concluded.

The results of the geological survey and feasibility studies were not favorable for the Labunah project (Saudi Arabia), but those at Gazalah (Libya) had a positive outcome and construction activities are already underway. This project will see two 5,000 tpd capacity lines for grey clinker and one 1,600 tpd capacity line for white clinker, as well as including port facilities.

RESEARCH AND INNOVATION

The Group supports research and innovation leveraging on its industrial experience and scientific and technological know-how. Innovative products and technologies show progressive involvement in operations in all countries and significant growth in terms of turnover

Italcementi Group's economic and financial flows towards stakeholders in 2008 (million €)



and margins. The innovation rate index, calculated as the ratio of revenues generated by innovation projects to the total Group sales, is a revealing performance indicator: as reported on page 15, it has grown steadily over the last few years, thanks to the strategy of launching new products and applications technologies in different countries every year, supported by proper marketing and after market assistance.

The Group's annual budget for research and innovation is around € 13 million. In 2008 activities were focused on reducing the time to market phase, by rapidly transferring research results to the industrialisation of new products and processes. Nine new patent applications were filed. The Group also strengthened its engagement with Universities and public research centres, through doctorates, theses and sponsorships. In particular, the Group participated through Ciments Français in the creation of the new International Chair in 'Generating Eco-Innovation' at the PRES of UniverSud in Paris. The objective is to create an international centre of reference to share knowledge and technologies in the area of eco-innovation, from renewable energy sources to the building sector, and from biotechnologies to transportation.

In the field of eco-research, we dedicated special attention to the reduction of carbon footprint as one of the main challenges for the business sector. The Group is working to assess the costs, benefits and technical feasibility of some emerging techniques, including a partnership for a pilot carbon capture, sequestration and storage unit close to one of the Group's cement plants in France.

The Research and Development department (R&D) is dedicating resources to enhance CO₂ recovery through chemical or biological transformation and supporting the Group to implement additional actions to reduce CO₂ emissions, beyond plant modernisation and use of alternative fuels. This includes:

- valorisation of waste used as a raw material for clinker, cement and concrete, increasing the blending of products;
- re-carbonation of concrete;
- development of new binders such as geopolymers and less energy intensive sulfoaluminate clinkers.

In 2008 the Group launched several new products:

- Calix HL, the new hydraulic lime dedicated to green building, decorative plasters and restoration works.
- Pavimix, a family of concretes dedicated to industrial flooring.
- Effix Design, an ultra high performance mortar for small non structural elements, with particular decorative use in the interior design field.
- Unilys, the new mortar based on natural hydraulic lime dedicated to internal plaster.
- Sulfoaluminate clinker based products, ideal for roads, airport runways and self-levelling floor slabs.

- Photocatalytic products, paints, binders and dry mortars for plastering and preparation of slurries for road and pavement upgrades, based on the active principle TX Active®.
- Concrete with low environmental impact, for example with pozzolanic additions to reduce the cement content, combined with the study of low clinker or low energy cement.
- Recycled aggregates, for example using expanded glass waste, to be applied efficiently in lightweight concrete, mainly for insulating purposes.

In June 2008, the Group signed a commercial agreement with Heidelberg Cement to make its photocatalytic technology available even in the countries where Italcementi has neither production units nor distribution networks. Italcementi granted Heidelberg Cement a licence to use the patent and the TX Active® brand in 12 countries. The agreement will give a strong signal to the construction materials market, expanding the offer of innovative cements based on self-cleaning and de-polluting photocatalytic products. Italcementi Group and Heidelberg Cement are setting up a new joint technical research programme to define criteria to establish and propose a European standard applicable to photocatalytic products. Through this agreement, TX Active® has become the world benchmark brand for cement-based photocatalytic products.

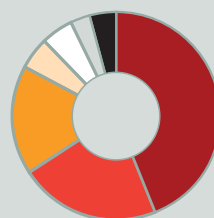
In 2008, the Group launched 'i.nova', the new innovation and research platform dedicated to the building community. It also worked together with the architect Mario Cucinella on the '100K House project' creating a revolutionary, low cost and eco-sustainable house to change and innovate ways of living. The Group also became one of the founder partners of the Green Building Council in Italy, with the aim of adapting the US LEED guidelines to local standards and ways of building and to widen the awareness of sustainable construction in new buildings and in the upgrade of existing ones.

Economic development data

Innovation rate

| | 2008 | 2007 | 2006 | 2005 |
|------------------------|------|------|------|------|
| Innovation rate | | | | |
| Mature markets | 3.4 | 2.9 | 2.5 | 1.8 |
| Emerging markets | 2.4 | 1.5 | 0.9 | 0.4 |
| Group | 2.9 | 2.5 | 2.0 | 1.5 |

Cement types production (2008)



| | |
|--------------------------|-----|
| Ordinary Portland cement | 44% |
| Limestone cement | 22% |
| Multiple blended cement | 17% |
| Fly ash cement | 5% |
| Slag cement | 5% |
| Pozzolan cement | 3% |
| Others | 4% |

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

| | 2008 | 2007 |
|---|-------|-------|
| Purchases and capital expenditure to suppliers | 4,475 | 4,305 |
| Labour cost to employees | 939 | 953 |
| Income tax paid and other taxes to states and local authorities | 300 | 373 |
| Equity investments to other companies | 253 | 457 |
| Dividends to shareholders | 172 | 176 |
| Net financial charges to financial creditors | 87 | 119 |

Investments by geographical area (million €)

| | Investments in financial assets | | Investments in fixed assets | | Total | |
|--------------------------------|---------------------------------|--------------|-----------------------------|--------------|--------------|--------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Mature markets | 184.7 | 283.5 | 429.8 | 384.6 | 614.5 | 668.1 |
| Emerging markets | 44.4 | 143.2 | 265.5 | 160.9 | 309.9 | 304.1 |
| Trading | 12.0 | 36.8 | 6.0 | 3.9 | 18.0 | 40.7 |
| Others | 14.1 | 0.7 | 32.2 | 2.2 | 46.3 | 2.9 |
| Sub-total | 255.2 | 464.2 | 733.5 | 551.5 | 988.7 | 1,015.7 |
| Variation in fixed assets debt | -2.3 | -6.7 | -5.9 | -10.0 | -8.2 | -16.7 |
| Total | 252.9 | 457.5 | 727.6 | 541.5 | 980.5 | 999.0 |

Other investments (million €)

| | 2008 | 2007 |
|--|-------|-------|
| Group spending for materials, fuels and utilities | | |
| Raw materials and semi-finished products | 684.8 | 754.0 |
| Fuel | 673.1 | 524.6 |
| Other goods | 578 | 607.4 |
| Power, water and gas | 483.9 | 458.1 |
| Group spending for services | | |
| Transport | 497.2 | 538.2 |
| Maintenance | 486.9 | 516.8 |
| Other services | 342.8 | 363.4 |
| Employees expense | | |
| Wages and salaries | 583.2 | 594.2 |
| Social security contributions | 199.2 | 202.5 |
| Other expenses | 113.5 | 120.7 |
| Provisions and pension funds | 29.3 | 25.5 |
| Costs relating to stock options plans | 13.6 | 10.3 |

Environmental protection

CLIMATE PROTECTION

The building materials sector plays a significant role in economic development whilst at the same time accepting responsibility for its carbon footprint.

At the global level, the Group is working with the World Business Council for Sustainable Development (WBCSD) and the Cement Sustainability Initiative (CSI) to define sectoral standards for greenhouse gas emissions management using industry benchmarks. The CSI is drafting a technology review looking also at long-term solutions such as carbon capture and storage.

EU-ETS sites undergo external verification of CO₂ emissions, plus Egypt and the Group. These data are used to track performance against targets. The Group aims at a specific emission factor of 690 kg CO₂ per ton of cementitious materials produced by 2012 (5% of reduction from CO₂ emission factor in 1990).

The Group supports its targets by working to improve thermal process efficiency, use an optimised fuel mix, apply alternative sources of energy with high levels of carbon-neutral biomass and increase the use of pre-calcined alternative raw materials and cement blending. By 2012, as part of the Group's assets modernisation programme, several new kilns will start operating in line with the best available techniques. The use of biomass is being promoted in emerging markets where agricultural residues are widely available. Cement blending is slowly increasing, in accordance with local commercial standards. In 2008, the Group's performance showed a slight improvement as a result of these initiatives.

In mature markets, slower demand led to a focus on production optimisation and the use of the most efficient kilns. Plants did not always operate at full capacity, experiencing unscheduled shutdowns and a reduction in the availability of biomass fuels such as animal meals.

In emerging markets, the Indian subsidiary decreased the clinker/cement ratio by 5% by using more fly ash from coal power plants. The Thai plants substituted 9% of energy (MJ) with biomass from agricultural by-products, in only two years.

Now similar opportunities are being investigated in Egypt and India. Detailed data on CO₂ emissions from the cement operations (which emit almost 100% of the Group's CO₂ emissions) are provided on page 20. The table on page 21 gives also an estimation of indirect CO₂ emissions from power use in the cement, aggregates and ready-mixed concrete operations.

The Group, supported by the R&D department participates in wide-ranging efforts to find:

- opportunities to reduce direct emissions from processes;
- new technologies for reducing the carbon content of products;
- mitigation initiatives down the supply chain, including carbon sequestration (as described on page 14).

With respect to the Kyoto Protocol's Clean Development Mechanism, the Group is promoting reduction projects in 'non-Annex 1' subsidiaries. In 2008, the Group began a feasibility study on wastewater methane gas recovery in cooperation with the Moroccan authorities.

In the field of renewable energy the Group's subsidiary Italgel is looking at wind as a primary energy source at suitable sites. The Group is currently seeking planning permits to build a wind farm in Turkey and is preparing the Environmental Impact Assessment for another in Egypt. In 2008, the Italgel hydro-power production capacity reached 310 GWh (up from 218 GWh in 2007) saving about 150 kt of CO₂ emissions and receiving the corresponding Renewable Energy Certificates (RECS). Furthermore, additional cement plants in Europe are studying waste heat recovery as an option for electricity production or district heating.

As part of a wider awareness programme on energy saving, the Group has adopted a green travel policy as described on pages 18 and 20.

In 2009 the Group will promote energy assessments of the regional headquarters.

European Emission Trading Scheme

Year 2008 opened phase 2 of the EU-ETS. After three years of deficit, the Group registered a light surplus of allowances mainly due to contraction in the sales owing to the current economic crisis. Emissions were approximately 17.3 million versus an allocation of just under 18 million. The Group has put in place short-term and medium-term carbon risk management strategies, and is looking at phase 3 with an expectation of more stringent allocations.

In June 2008, the Group offset the carbon emissions relating to the Sustainable Development Meeting in Cairo through the purchase of Gold Standard credits from a biomass power production project in India.

RESPONSIBLE USE OF RESOURCES

Fuels and raw materials

Cement manufacturing is highly energy and material intensive. Responsible use of resources can help reduce environmental impacts by decreasing the specific energy and materials demands, by benefiting from the use of alternative fuels and raw materials (AFRs) and mitigating the associated impacts.

Around 99% of the Group's thermal energy consumption is in cement production processes. In 2008, the total thermal energy demand of the cement operations was 4,750 kilotons of oil equivalent (ktoe) with an average thermal specific consumption of 4,089 MJ per ton of clinker produced. The fuel mix remained almost stable in mature markets while the figure now accounts for coal use in China and the switch from oil to natural gas in Egypt. The thermal specific consumption remained almost stable at plants in mature markets while in the emerging markets it saw a slight decrease due to the consolidation of operations in China and slight improvements in the East European and South Mediterranean operations.

New kilns scheduled to come on stream by the end of 2009 will henceforth trigger a decrease of the Group's specific consumption; they are located at Martinsburg (USA), Yerraguntla (India), Matera (Italy) and Ait Baha (Morocco).

In 2008, excluding the aggregates production and the raw materials used in ready-mixed concrete, the Group

consumed 88 million tons of raw materials in cement production with a specific consumption of 1.5 tons per ton of cement produced. Natural limestone, clay, marl and gypsum account for more than 90% of total materials used for cement production.

Recycling strategy and by-products

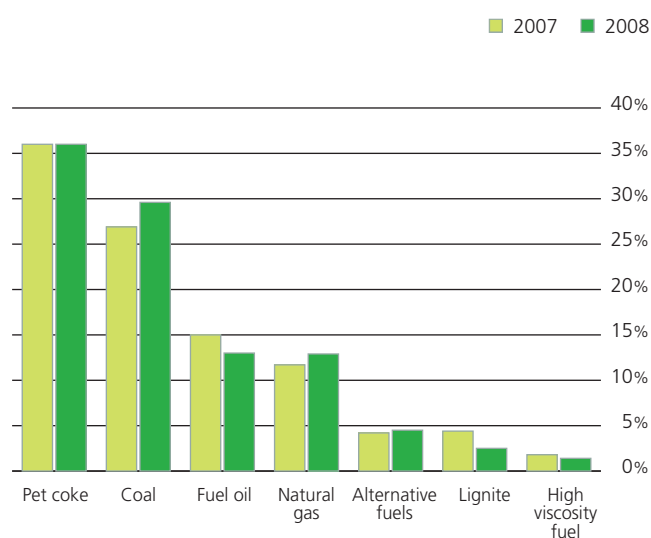
In 2008, guidelines for the responsible use of alternative fuels (AFs) and raw materials (ARMs) were made available at Group level with a focus on selection, management and control. The aim is to minimise potential impacts on the environment, health and safety of employees and others involved in the use of materials, including end users and the public.

The guidelines include a list of materials that must not be used under any circumstance. Alternative fuels such as biomass, and raw materials such as industrial by-products, are used once they have been assessed against product quality criteria, process compatibility and waste management options.

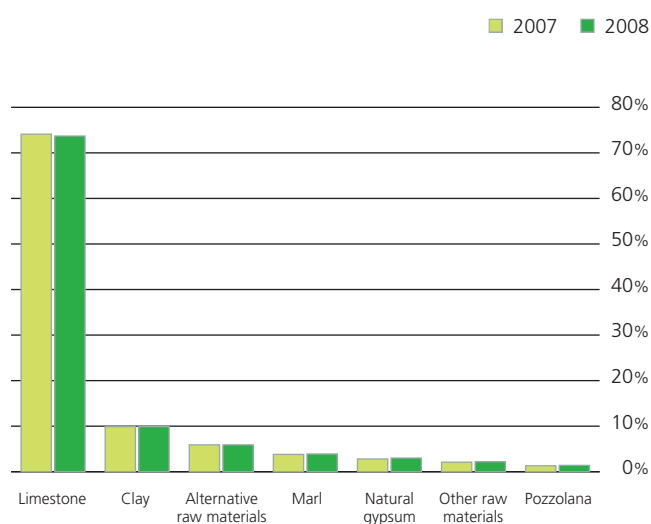
In 2008, 4.5% of the total fuels used in cement operations were alternative fuels equivalent to 216 ktoe (2.4% was biomass). The alternative fuels proportion levelled off at 7.8% in mature markets while doubling to 1.8% in emerging markets owing to the increased use of rice husks in Thailand.

In 2008, 5.9% (5,247 kt) of all the Group's raw materials used in cement operations were non-quarried. In particular, alternative raw materials represented 33% (3,686 kt) of the materials added to clinker to make ordinary Portland and blended cement, thanks to the increased use of fly ash in India. As a consequence, the clinker ratio was 80.9%, decreasing slightly over the last three years at an almost constant rate. In 2008, 4%

Fuel consumption (%)



Materials consumption (%)



of cement production types contained more than 30% alternative raw materials, while almost two thirds of the global product range contained non-quarried materials. Additional information on AFRs is provided on page 21.

Recycled aggregates are being produced as well as used in sustainable architecture projects, as described on page 14.

Quarries and the landscape

The Group aims to preserve biodiversity and protect ecosystems with quarry rehabilitation as a starting point. Going beyond compliance requirements, the Group is committed to implement rehabilitation plans for all active quarries, focusing on gradual rehabilitation of land at operational sites as well as full restoration once the quarry closes. In parallel, the Group is mitigating other environmental effects, such as noise, dust and traffic. Consultation has been conducted with local stakeholders to identify their expectations and inform them about ongoing social and environmental programmes.

In 2008, the Group extended its commitment to all quarries in cement and aggregates operations, by re-defining requirements for rehabilitation plans, existing or planned. The new approach applies to 283 quarries, 76 of which contain, or are adjacent to, areas designated for their high biodiversity value. At the end of 2008, 206 quarries (73% of the total) had a rehabilitation plan in place, achieving the 2010 target early. In 2009, the Group will review the target before setting a new one. Detailed information on the Group's quarries is available on page 21.

New construction clearly leads to impacts on the landscape. The Group ascribes a high value to proper local community engagement, particularly when planning new sites design and plant architecture.

A plant must be in harmony with the surrounding landscape, mitigating negative visual impacts through sustainable planning and architectural design. Modern industrial operations can have their own intrinsic value as landmarks on a new skyline or as innovative, well-designed buildings planned with respect for the environment and local community.

Water management

Cement and aggregates operations account for the major proportion of the Group's water consumption. Water is used in production processes, equipment cooling and dust control. In 2008, cement plants and grinding centres consumed 0.52 m³ of well water per ton of cement produced, of which 0.30 m³ per ton of cement produced was not returned to the natural environment. Water withdrawal has slightly increased in absolute terms compared to last year.

Additional information on this and the aggregates and ready-mixed concrete operations is available on page 21.

Electrical power

Cement operations account for around 98% of the Group's electrical energy consumption. Local variations will arise depending on the process applied and the types of cement demanded by the market. In 2008, the cement plants and grinding centres consumed 7,155 GWh.

The specific consumption was around 120 kWh/t cement. Additional information is available on page 21.

Waste management

Waste generated at Group's sites is collected, sorted and stored in dedicated areas. The waste management system, whilst not certified to ISO 14001, is implemented at all the Group's sites. Collected waste is sold, recovered or disposed of by local registered companies.

The amount of waste varies from year to year depending on site maintenance and demolition activities. In 2008, the average waste production in the cement operations was about 1.6 kg per ton of cement, the vast majority being non-hazardous.

Additional information waste production in the cement operations is available on page 21.

TRANSPORT AND LOGISTICS

The production of cement, aggregates and ready-mixed concrete requires the transportation of fuels, raw materials and final products. Efficient logistics is key to reducing the environmental impacts.

Road is still the predominant mode of transport despite the fact that railways and waterways are a more sustainable alternative in some regions.

Detailed information on the distribution of transport modes in the different sectors is reported on page 21.

In 2008, the Group adopted a green travel policy for non-industrial vehicles, principally personal cars, to help reduce CO₂ emissions.

The European subsidiaries are expected to meet a specific emission of 130 g CO₂/km driven while the non-European subsidiaries are committed to a yearly 10% reduction by 2010. The car policy deals with appropriate selection of new cars and incentives to managers to choose cars with lower emissions.

The Italian subsidiary took the leadership by imposing a "carbon tax" on employees driving company cars with emissions above 140 g CO₂/km.

Further information on the status of the targets achievement is available on page 20.

AIR EMISSIONS

The Group is committed to monitor and reduce emissions to the atmosphere. With a focus on cement operations as the main source, the Group has already set specific

targets for monitoring cement kilns as well as emissions of dust, sulphur dioxide (SO₂) and nitrogen oxide (NO_x) by 2010. Over the last three years, the Group cut specific emissions as follows: 4% for dust, 28% for SO₂ and 18% for NO_x.

High-efficiency fabric filters and properly designed electrostatic precipitators, combined with process efficiency, management systems and maintenance programmes, result in very low levels of dust emissions in developed markets. Conversely, dust emissions in emerging markets are still high. There are investments afoot in Egypt, India, Kazakhstan and Morocco, which aim to reduce dust emissions in line with the Group's reduction target.

In 2008, the specific emission figure for SO₂ saw a strong improvement especially at plants in mature markets, reducing the gap with the rest of the Group. The 2010 target has been achieved earlier and will be updated. Investments are planned in lime injection techniques in SO₂ abatement, the increased use of alternative fuels and other revamping projects to further improve the performance.

The specific emissions for NO_x remained quite stable in 2008, building on the positive performance from 2007. The small reduction registered is due to better performance at plants in mature markets following the application of selective non-catalytic reduction. This is achieved by the injection of urea or ammonia to control

NO_x and is mainly being applied in Belgium, France, Italy and Spain subsidiaries.

In 2008, the Group issued a standard setting the requirements for both monitoring activities and emission levels. All existing kilns must align to the demanding monitoring requirements and the minimum emissions levels set by the standard. New installations and major process modifications, including conversion to alternative raw materials or fuels, must ensure higher levels of performances, based on long-term quality targets in line with best techniques for the control of air emissions. Details on current status against the Group standard are reported below.

In 2008, following the CSI guidelines, 59 kilns representing 47% of clinker production, had continuous emissions monitoring (CEM) systems installed for dust, SO₂ and NO_x. Forty five kilns, representing 42% of the 2008 clinker production, had performed analysis covering at the same time dust, SO₂, NO_x, VOC, mercury, cadmium, thallium and dioxins. Historical "fingerprinting" is available for 51 kilns. Enforcing the Group's standard, 34 kilns have continuous emission monitoring systems also covering carbon monoxide (CO) and volatile organics (VOC) and 24 kilns have performed screening of emissions, extended to CO, benzene, polyaromatic hydrocarbons (PAH) and a complete set of metals.

Additional information on the Group's air emissions in cement operations is provided on page 20.

Air emission: Group Standard (number of kilns)

| | | dust | SO ₂ | NO _x | CO | VOC | metals | dioxins |
|----------------------------|--------------------------------------|--|-----------------|-----------------|----|-----|--------|---------|
| Mature markets: 58 kilns | monitored | 43 | 54 | 54 | 52 | 40 | 36 | 37 |
| | meeting Group standard for emissions | 43 | 43 | 43 | 51 | 39 | 36 | 37 |
| Emerging markets: 46 kilns | monitored | 46 | 42 | 46 | 35 | 12 | 16 | 12 |
| | meeting Group standard for emissions | 16 | 36 | 45 | 34 | 12 | 16 | 8 |
| Group: 104 kilns | monitored | 89 | 96 | 100 | 87 | 52 | 52 | 49 |
| | meeting Group standard for emissions | 59 | 79 | 88 | 85 | 51 | 52 | 45 |
| | with CEMs | 77 | 70 | 70 | 52 | 42 | - | - |
| | meeting Group standard for CEMs | 34 kilns covering dust, SO ₂ , NO _x , CO and VOC | | | | | - | - |

Environmental data

Cement: environmental performance

| CO ₂ gross emissions | | 1990 | 2006 | 2007 | 2008 |
|---------------------------------|------------------------|--------|--------|--------|--------|
| Mature markets | kg/t _{cement} | 668 | 700 | 704 | 708 |
| Emerging markets | | 820 | 775 | 762 | 747 |
| Group | | 725 | 737 | 733 | 728 |
| Mature markets | million t | 22.030 | 21.662 | 21.756 | 20.459 |
| Emerging markets | | 16.053 | 23.393 | 24.108 | 23.120 |
| Group | | 38.083 | 45.055 | 45.864 | 43.579 |

| CO ₂ net emissions | | 1990 | 2006 | 2007 | 2008 |
|-------------------------------|------------------------|--------|--------|--------|--------|
| Mature markets | kg/t _{cement} | 635 | 687 | 690 | 695 |
| Emerging markets | | 820 | 774 | 762 | 746 |
| Group | | 704 | 730 | 726 | 742 |
| Mature markets | million t | 20.938 | 21.261 | 21.337 | 20.068 |
| Emerging markets | | 16.053 | 23.393 | 24.108 | 23.101 |
| Group | | 36.991 | 44.654 | 45.445 | 43.168 |

| Air emissions: emission factors and % of coverage | | 2006 | 2007 | 2008 | |
|---|------------------------|-------|-------|-------|------|
| Mature markets | dust | 84 | 26 | 24 | 79% |
| | SO ₂ | 1,040 | 803 | 677 | 98% |
| | NO _x | 2,290 | 1,962 | 1,866 | 98% |
| Emerging markets | dust | 306 | 304 | 304 | 100% |
| | SO ₂ | 453 | 467 | 431 | 98% |
| | NO _x | 1,405 | 1,194 | 1,226 | 100% |
| Group | dust | 199 | 187 | 190 | 90% |
| | SO ₂ | 757 | 638 | 545 | 99% |
| | NO _x | 1,863 | 1,584 | 1,520 | 98% |
| | organics | - | 49 | 50 | 44% |
| | metals ⁽¹⁾ | - | 29 | 33 | 51% |
| | dioxins ⁽²⁾ | - | 18 | 54 | 53% |

(1) sum of mercury, cadmium and thallium

(2) sum of dioxins and furans as I-TEQ

| Air emissions: yearly emissions | | 2006 | 2007 | 2008 |
|---------------------------------|-----------------|------|------|------|
| Mature markets | dust | 2.0 | 0.6 | 0.5 |
| | SO ₂ | 54.7 | 47.1 | 42.0 |
| | NO _x | 24.8 | 19.3 | 15.2 |
| Emerging markets | dust | 7.9 | 7.8 | 7.9 |
| | SO ₂ | 36.1 | 30.8 | 31.8 |
| | NO _x | 11.7 | 12.1 | 11.2 |
| Group | dust | 9.9 | 9.3 | 9.2 |
| | SO ₂ | 92.4 | 78.9 | 73.7 |
| | NO _x | 37.5 | 31.7 | 26.4 |

| Alternative raw materials: breakdown by type | | 2006 | 2007 | 2008 |
|--|--|-------|-------|-------|
| Blast furnace slag | | 35.3% | 30.4% | 32.3% |
| Fly ash | | 30.1% | 20.7% | 24.2% |
| CKD & BpD | | 0.0% | 12.4% | 12.7% |
| Industrial gypsum | | 10.2% | 6.3% | 6.3% |
| Iron substitutes | | 0.0% | 4.6% | 3.8% |
| Silicon substitutes | | 0.0% | 4.3% | 2.6% |
| Foundry sand | | 4.0% | 2.8% | 2.2% |
| Calcium substitutes | | 0.0% | 6.1% | 1.5% |
| Aluminium substitutes | | 0.0% | 0.7% | 0.7% |
| Biomass ash | | 0.0% | 0.7% | 0.5% |
| Other | | 20.5% | 11.0% | 13.2% |

| Alternative fuels: breakdown by type | | 2006 | 2007 | 2008 |
|--------------------------------------|--|-------|-------|-------|
| Animal meal | | 29.6% | 26.1% | 24.8% |
| Liquid | | 26.7% | 25.3% | 21.0% |
| Agricultural | | 3.6% | 8.9% | 18.3% |
| Waste oils | | 9.7% | 10.7% | 8.8% |
| Tires and rubber | | 10.8% | 9.1% | 7.8% |
| Solid | | 11.3% | 7.9% | 7.0% |
| Plastic | | 0% | 4.9% | 5.6% |
| RDF | | 1.3% | 5.2% | 4.9% |
| Sludge | | 7.0% | 1.9% | 2.0% |

Green travel policy

| Car fleet CO ₂ specific emissions | | target | 2007 | 2008 |
|--|----------------|--------|------|------|
| EU Countries | Bulgaria | 130 | 230 | 230 |
| | France/Belgium | 130 | 142 | 141 |
| | Greece | 130 | 166 | 164 |
| | Italy | 130 | 143 | 140 |
| | Spain | 130 | 150 | 145 |
| Non-EU Countries | China | 246 | 338 | 315 |
| | Egypt | 229 | 314 | 305 |
| | Kazakhstan | 243 | 333 | 333 |
| | India | 157 | 215 | 206 |
| | Morocco | 170 | 233 | 204 |
| | North America | 246 | 337 | 333 |
| | Turkey | 130 | 153 | 144 |
| | Thailand | 174 | 238 | 224 |

Cement, aggregates, ready mixed concrete: environmental performance

| | | | Cement | | | Aggregates | | Ready mixed concrete | |
|--|--------------------------------------|--|---------|---------|---------|-----------------------------------|-------|---|-------|
| | | | 2006 | 2007 | 2008 | 2008 | | 2008 | |
| Raw materials | | | | | | | | | |
| Mature markets | million t | | 43.0 | 45.0 | 42.2 | | - | | - |
| Emerging markets | | | 45.2 | 45.6 | 46.3 | | - | | - |
| Group | | | 88.2 | 90.6 | 88.5 | | - | | - |
| Mature markets | % alternative | | 5.7% | 7.2% | 7.3% | | - | | - |
| Emerging markets | | | 2.9% | 4.6% | 4.7% | | - | | - |
| Group | | | 4.3% | 5.9% | 5.9% | | - | | - |
| Clinker/cement ratio | | | | | | | | | |
| Mature markets | % clinker | | 78.4% | 78.3% | 78.2% | | - | | - |
| Emerging markets | | | 86.2% | 85.0% | 83.5% | | - | | - |
| Group | | | 82.0% | 81.5% | 80.9% | | - | | - |
| Thermal energy consumption | | | | | | | | | |
| Mature markets | MJ/t _{clinker} | | 4,080 | 4,057 | 4,058 | | - | | - |
| Emerging markets | | | 4,093 | 4,158 | 4,117 | | - | | - |
| Group | | | 4,087 | 4,110 | 4,089 | | - | | - |
| Mature markets | million MJ | | 97,470 | 97,723 | 91,360 | | - | | - |
| Emerging markets | | | 105,219 | 107,610 | 106,881 | | - | | - |
| Group | | | 202,688 | 205,333 | 198,240 | | - | | - |
| Mature markets | % alternative | | 8.7% | 7.7% | 7.8% | | - | | - |
| Emerging markets | | | 0.5% | 0.9% | 1.8% | | - | | - |
| Group | | | 4.4% | 4.2% | 4.5% | | - | | - |
| Power consumption and indirect CO ₂ | | | | | | | | | |
| Mature markets | kWh/t _{cement} | | 129.6 | 129.9 | 131.3 | | 1.7 | | 3.3 |
| Emerging markets | | | 113.6 | 112.5 | 109.9 | kWh/t _{aggr} | 1.5 | kWh/m ³ _{rnc} | 1.9 |
| Group | | | 122.3 | 121.6 | 120.5 | | 1.7 | | 2.9 |
| Mature markets | million kWh | | 4,126 | 4,034 | 3,804 | | 68 | | 25 |
| Emerging markets | | | 3,281 | 3,327 | 3,351 | | 5 | | 7 |
| Group | | | 7,407 | 7,361 | 7,155 | | 72 | | 32 |
| Group | million t CO ₂ equivalent | | | | 3.210 | | 0.023 | | 0.008 |
| Water consumption | | | | | | | | | |
| Mature markets | m ³ /t _{cement} | | 0.45 | 0.50 | 0.58 | | 0.46 | | 0.25 |
| Emerging markets | | | 0.45 | 0.47 | 0.47 | m ³ /t _{aggr} | 0.02 | m ³ /m ³ _{rnc} | 0.30 |
| Group | | | 0.45 | 0.49 | 0.52 | | 0.43 | | 0.27 |
| Mature markets | million m ³ | | 15 | 16 | 17 | | 18 | | 2 |
| Emerging markets | | | 12 | 13 | 14 | | 0 | | 1 |
| Group | | | 27 | 29 | 31 | | 19 | | 3 |
| Quarry management | | | | | | | | | |
| Mature markets | number of quarries | | | | 111 | | 98 | | - |
| | operating in sensitive areas | | | | 35 | | 39 | | - |
| | with rehabilitation plan | | | | 102 | | 91 | | - |
| Emerging markets | number of quarries | | | | 69 | | 5 | | - |
| | operating in sensitive areas | | | | 2 | | 0 | | - |
| | with rehabilitation plan | | | | 11 | | 2 | | - |
| Group | number of quarries | | | | 180 | | 103 | | - |
| | operating in sensitive areas | | | | 37 | | 39 | | - |
| | with rehabilitation plan | | | | 113 | | 93 | | - |
| Waste management | | | | | | | | | |
| Mature markets | kt of total waste produced | | | | 35.7 | | - | | - |
| | kt of hazardous waste | | | | 2.3 | | - | | - |
| Emerging markets | kt of total waste produced | | | | 51.8 | | - | | - |
| | kt of hazardous waste | | | | 0.3 | | - | | - |
| Group | kt of total waste produced | | | | 87.5 | | - | | - |
| | kt of hazardous waste | | | | 2.6 | | - | | - |
| Transport | | | | | | | | | |
| Mature markets | road | | | | 92% | | 93% | | 100% |
| | railways | | | | 3% | | 1% | | 0% |
| | waterways | | | | 5% | | 6% | | 0% |
| Emerging markets | road | | | | 94% | | 97% | | 100% |
| | railways | | | | 5% | | 0% | | 0% |
| | waterways | | | | 1% | | 3% | | 0% |
| Group | road | | | | 93% | | 93% | | 100% |
| | railways | | | | 4% | | 1% | | 0% |
| | waterways | | | | 3% | | 6% | | 0% |
| Fines and penalties | | | | | | | | | |
| Mature markets | | | | | 642.8 | | 9.0 | | - |
| Emerging markets | k€ for environmental non compliance | | | | 38.7 | | 0.0 | | - |
| Group | | | | | 681.5 | | 9.0 | | - |

Social responsibility

HEALTH AND SAFETY

Safety in the workplace

Since the launch of the Zero Accidents project in 2000, the Group's Lost Time Injuries (LTI) frequency rate saw a 75% decrease. LTI is a function of the number of accidents with lost time in a year per million hours worked, including temporary workers. Additionally, the severity rate was reduced by almost 83%.

In 2008, to assess the implementation and development of the project, the Group completed a progress review covering 30% of workforce across cement, aggregates, ready-mixed, additives and transportation sectors. The findings were analysed at site level, country level and Group level to implement recommendations, stimulate improvement and reinforce the safety strategy. In 2009, a new version of the Group's Safety Management Handbook will be issued based on the key points tracked through the progress review and will target all those directly or indirectly involved in the Group's operations. In 2008, the Group launched two new safety communication tools: the Safety Alert, launched after any accident or incident, and the Best Practices Bulletin, highlighting positive initiatives to be replicated across the Group. Training and targeted internal communications are both necessary to establish consistent knowledge of safety management at all subsidiaries. Training is adapted in view of specific significant risks linked with performed tasks. Despite this, in 2008, two fatalities occurred among Group's employees, eleven among subcontractors and four among third parties. The Group has strengthened and renewed the focus on contractor safety management, aiming to avoid any further fatalities and spread safety culture and sensitivity amongst third parties.

In 2008, work-related injuries causing lost days were 277 for direct employees and temporary workers and 200 for contractors. Contractors' LTI frequency rate is not available because of the impossibility to monitor third party working hours. In 2008, the Group started reporting the Total Recordable Injury Rate including Lost Time Injuries, Restricted Work Duty and Medical Treatment for all the sites. Far beyond cement sector practices, this approach indicates the Group's commitment to corporate responsibility. In 2008, the Group Database reporting was renewed providing managers with predictive indicators to assess progress on a daily basis.

Additional information is provided on page 26.

Industrial hygiene and workers' health

In 2008, the Group adopted a worldwide standard for occupational exposure limits of workers to dust, respirable crystalline silica (RCS), noise and whole-body vibrations.

The Group's approach is based on risk assessment and challenging references, internationally recognised standards well beyond regulatory frameworks. The precautionary principle is applied during the selection of workers to be monitored. All production sites are evaluated. The measurement campaigns will be repeated periodically or, at the very least, after any major process modifications that may affect exposure.

Exposure regulations are a strong starting point for managing occupational illnesses but the Group aims to build on them by increasing worker awareness, training, further improvements of the working environment and dedicated medical surveillance to anticipate any possible health risk. The aim is to go beyond compliance with local requirements. Progress towards the 2012 target is shown on page 26: available data are already showing an encouraging alignment with the Group's standards.

Furthermore, in 2008, the Group formally banned the purchase, supply and use of any type of asbestos or any asbestos-containing products even in countries where it is still legal. The ban includes the use of all the items possibly existing in stock or removed during maintenance operations that must be substituted with asbestos-free products or materials.

Following a process of standardisation, the ban could be extended in the future to other dangerous materials at production sites.

Product responsibility

Put simply, product responsibility is a duty for the Group. Customers, retailers and end-users are the primary stakeholders who may be directly or indirectly affected by cement and cement related products.

The Group's approach to sustainability requires a responsible approach to communicating health, safety and environmental materials related data and information to customers and end-users, especially in countries where no mandatory regulatory framework exists. The information is translated into local languages and deals with potential risks related to cement, as well as recommendations for its storage, transport or handling.

HUMAN RESOURCES MANAGEMENT

Human Rights

As stated in the Charter of Values, human diversity is viewed as a source of value as far as in line with the Universal Declaration of Human Rights. Within its sphere of influence, the Group upholds human rights as universal and fundamental.

The Group supports actions against child, juvenile, forced, bonded, indentured or prison labour, corporal punishment, mental or physical coercion, sexual harassment, sexual and verbal abuse. Additionally the Group is against all forms of discrimination such as in recruitment, remuneration, access to training, promotion, termination or retirement based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation or age. The Group makes sure that, under no circumstance, shall working weeks exceed the maximum permitted under applicable laws and regulations; wages paid for a standard working week must meet at least legal or industry minimum standards and must be sufficient to meet basic needs of individuals and families. The right of personnel to form and join trade unions of their choice and to bargain collectively is respected. A specific policy based on Human Rights will be issued by the end of 2009.

The Group aims to apply equal standards for subcontractors in all subsidiaries, granting access to basic social needs such as toilets, changing rooms, canteens, kitchens and offices.

Labour practices

In June 2008, the Group and the Buildings and Wood Workers' International union federation (BWI) signed an agreement to guarantee compliance with all fundamental labour rights. The agreement applies

directly to all Group employees and will apply in future to all contractors, subcontractors and suppliers. The full text of the agreement is published under the Group's corporate website.

Currently, 90% of employees are covered by collective bargaining agreements. The Group traditionally considers the virtues of stable and transparent labour relations, and always aims to conduct any restructuring required in the most responsible way, even in difficult business conditions. Accurate evaluations of all the scenarios, including local capacity-building through close co-operation with local communities, micro-credit projects and comprehensive social impact assessment are encouraged. Other more conventional measures can be put in place to support internal moves, outplacements, early retirement and public grant aid. If redundancies are unavoidable, the minimum legal notice is respected, the selection process is fair and decisions aim to be consistent. The Group strives towards mutually acceptable voluntary agreements if layoffs are absolutely necessary. For grievances or complaints, employees may refer to the Human Resources department or email the CEO directly via the intranet site. Confidentiality is strongly protected.

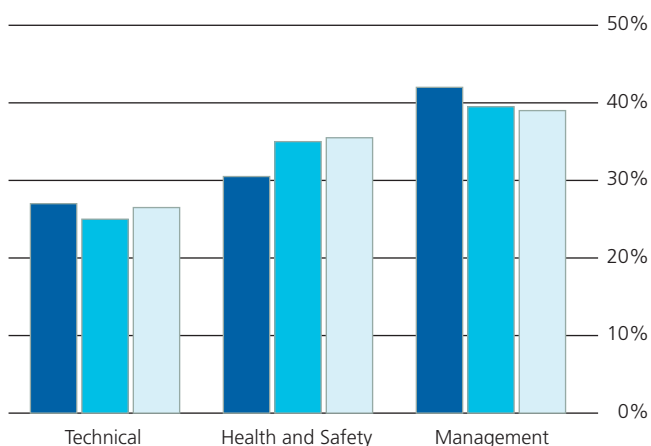
The Group does not distinguish between temporary or part-time employment when providing benefits to employees. In order to improve the safety of business travel, in 2008 the Group signed a worldwide contract granting assistance and advice from doctors, security experts and other sources of help, 24 hours a day, seven days a week in case of emergency.

Human capital development

Knowledge, technical and managerial skills are essential for a long-lasting company success. In 2008, approximately 370,000 hours of training were provided to

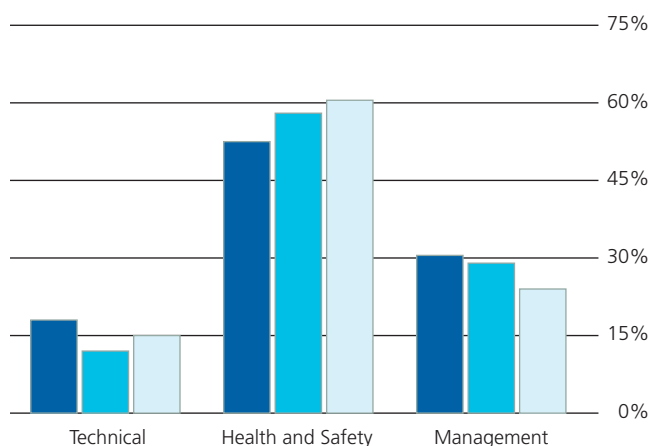
Hours of training

■ 2006 ■ 2007 ■ 2008



Participants

■ 2006 ■ 2007 ■ 2008



32,000 participants: more than 60% of it focused on health and safety, the environment and quality. Training focuses on subjects such as the Zero Accidents project and the Property Preservation Programme reinforces the Group's strategic management of the relevant issues. Induction and management training, as well as commitments to internships, and academic partnerships, were also completed in 2008. Since early 2009, the Group has been organising training for expatriates and travelling personnel, focused on sustainability issues, starting with human rights.

In 2008, significant training activities took place on specific management 'tools' such as how to run successful employee assessment and development meetings.

Guiding, improving and recognising people's performance is crucial for individual motivation and company results. The Group adopts a common approach known as the Performance Appraisal System. The Group's performance improvement process was first adopted by management teams in mature subsidiaries, and is presently being extended to Bulgaria, Greece, Egypt, Kazakhstan, India and Thailand. It will be fully implemented for white collar workers in the next few years. In order to achieve comparable executive level objectives, a new internet tool helps to manage the assessment process of the Group's top management. It allows the process to be coordinated centrally thus improving efficiency, transparency and tracking. In addition, it is fully integrated with the Performance Appraisal system and could be applied to local managers as well.

In 2008 the Group implemented the "Long Term Incentive" scheme which affects a significant percentage of the total compensation package of key managers. It also aims to guide top managers' efforts to achieve their targets within a three year period.

Almost all of the Group's top managers have been assigned a risk and compliance target. The aim is to motivate them to monitor, mitigate and control all risk scenarios and ensure full compliance with all relevant legislation, administrative guidance as well as the Group's values, principles and international best practices. As a multinational enterprise, the Group counts 59 different nationalities among its employees. They come from all five continents and speak at least 15 different languages and dialects. The main languages are Arabic, Bulgarian, Chinese, English, French, Greek, Hindi, Italian, Kazakh, Spanish, Thai and Turkish. Moreover, 138 expatriates with diverse ages, gender and seniority work in 21 different countries.

Attracting and retaining talent

The strategy of growth and international development increasingly makes the Group an attractive employer. The process is supported by partnerships with educational institutions and business schools in many key countries. Sustainable development plays a key role helping guide

engagement that goes beyond that required by law, such as in labour relations. The involvement of women in the Group's businesses is increasing in importance. An Equal Opportunities policy will be issued by the end of 2009. Following the last employee opinion survey, all the subsidiaries have prepared response plans with the help of teams at Group headquarters. Additionally, the Group's Communication Plan aims to increase the number of international newsletters published and line managers will be increasingly responsible for cascading down relevant information with the support of Human Resources. A new edition of the employee survey is scheduled for 2010.

In order to guarantee the profitable growth of the business, succession plans for key positions have been updated at country and global levels. A pool of 250 emerging talented managers is continually reviewed for career development with the specific aim to create knowledgeable, skilled and motivated people. In 2009, selected managers are going to receive leadership and teamwork training to develop their capability to identify and support talent.

Since 2008, the intranet Job Posting system has been launched worldwide in order to communicate vacant positions. Employees can seek job opportunities globally to help pursue their own professional development. During the first four months of 2008, more than 4,000 employees used the system from all countries: 24 open jobs had been published and 105 employees applied.

The Group's compensation system is performance driven and reflects the level of responsibility. In 2008, the Group launched a project primarily starting from the Asian region, to benchmark employee pay internally and externally. The aim is to apply a more consistent and transparent process in defining salary levels, and ultimately to attract, reward and retain the best employees. A Group Compensation policy will be issued in 2009.

Additional information on the Group's Human Resources management is available on page 27.

SOCIAL INITIATIVES

The Group encourages clear and open engagement with global stakeholders and local communities. It helps the efforts to promote and support initiatives that show how we respect people's rights, diversity, proximity and culture in an effective and valid way. As part of the continual commitment to this, the target is to help improve the quality of life of stakeholders within the sphere of influence or control. To facilitate more widely this process, the Group has started preparing a policy on social initiatives, which builds on existing best practice, and which aims to create a positive, unified culture of

community engagement throughout all Group business activities. The policy and some accompanying practical guidelines will be available by the end of 2009. They will help subsidiaries select and implement projects that satisfy a set of sustainability criteria and that reflect the Group's values.

Support to communities

In 2008, the Group provided more than € 3.8 million for community initiatives, donations and in-kind support. In addition, the "Fondazione Italcementi Cavaliere del Lavoro Carlo Pesenti" raised more than € 2.5 million (€ 500,000 in 2007) for education, scientific research, disaster relief, and other emergency aid of which about € 1 million related to Sri Lanka project aimed at building a vocational training school with boarding section for over 200 young people. Further information on the Group and Foundation initiatives is available on the corporate website.

Stakeholder engagement

A systematic dialogue with the Group's stakeholders is the main approach taken to understand their expectations. Internally the Group seeks effective inclusion of employees, trade unions and permanent or temporary contractors. This is done through opinion surveys, committees and regular meetings. Externally, suppliers and customers are increasingly involved in the engagement initiatives.

At local level, the management of the operating sites identifies and lists key stakeholders on a regular basis. They are obliged to analyse stakeholder concerns, expectations and needs, and to develop and implement a community engagement plan. Initiatives like open-door

events, stakeholder committees, or voluntary agreements allow the Group understand local issues and respond accordingly. Details on local engagements are available on page 27.

At a national level, the Group aims to establish active relationships with government representatives, trade unions, shareholders and other stakeholders, such as education institutes or professional associations. Examples of activities conducted at a national level in 2008 include:

- In Egypt, El Minya plant arranged a site visit for the Minister of Investment, escorted by the Governor of the region and a delegation of media.
- In China, the Fuli Cement subsidiary participated in the disaster relief efforts following the earthquake in Sichuan province.
- In France, the Group supported the creation of the new International Chair in "Generating Eco-Innovation" at the PRES UniverSud Paris. The project will bring together research institutes, higher education bodies and other major national industrial groups in the Île de France region.

Detailed information on all the Group's activities is available on the corporate website.

At international level, alongside the long-term participation in the World Business Council for Sustainable Development, the Group actively promotes engagement with other international stakeholders, such as the International Emission Trading Association - an independent business organization related to climate change, the socially responsible investment community and the public-private Carbon Funds of the World Bank.

Contributions for social purposes in 2008 (k€)

| Support to communities | | | | | | Other social overhead | |
|------------------------|----------------------------|-------------------|----------------------|-----------------------|----------------|-----------------------|----------------|
| | Local business development | Capacity building | Education programmes | Donations & charities | Total | Open door | Sponsorship |
| Bulgaria | | | 18.7 | 12.3 | 31.0 | 50.1 | 28.0 |
| China | 483.4 | 12.9 | 64.7 | 95.1 | 656.1 | | |
| Egypt | 21.1 | 335.7 | 20.0 | 203.9 | 580.6 | 55.9 | 56.2 |
| France/Belgium | | | | 26.5 | 26.5 | 132.0 | 300.0 |
| Greece | 45.0 | 56.8 | 10.5 | 81.0 | 193.3 | | 175.6 |
| India | 58.8 | 59.1 | 31.4 | 8.2 | 157.5 | | 0.6 |
| Italy | 311.5 | | | 974.8 | 1,286.3 | | 115.5 |
| Kazakhstan | 166.7 | | | 9.1 | 175.9 | | 479.4 |
| Morocco | 50.0 | | 50.5 | 100.0 | 200.5 | | 55.0 |
| North America | 5.4 | | 27.4 | 63.0 | 95.8 | | 113.4 |
| Spain | 140.0 | 15.9 | 6.2 | | 162.1 | 40.2 | 462.8 |
| Thailand | 18.5 | 1.1 | 33.6 | 81.3 | 134.5 | 9.7 | 13.6 |
| Turkey | | | 5.3 | 90.0 | 95.3 | 24.2 | 10.0 |
| Trading | | | | 6.4 | 6.4 | | |
| TOTAL | 1,300.3 | 481.5 | 268.3 | 1,751.6 | 3,801.7 | 312.2 | 1,810.1 |

Social Responsibility data

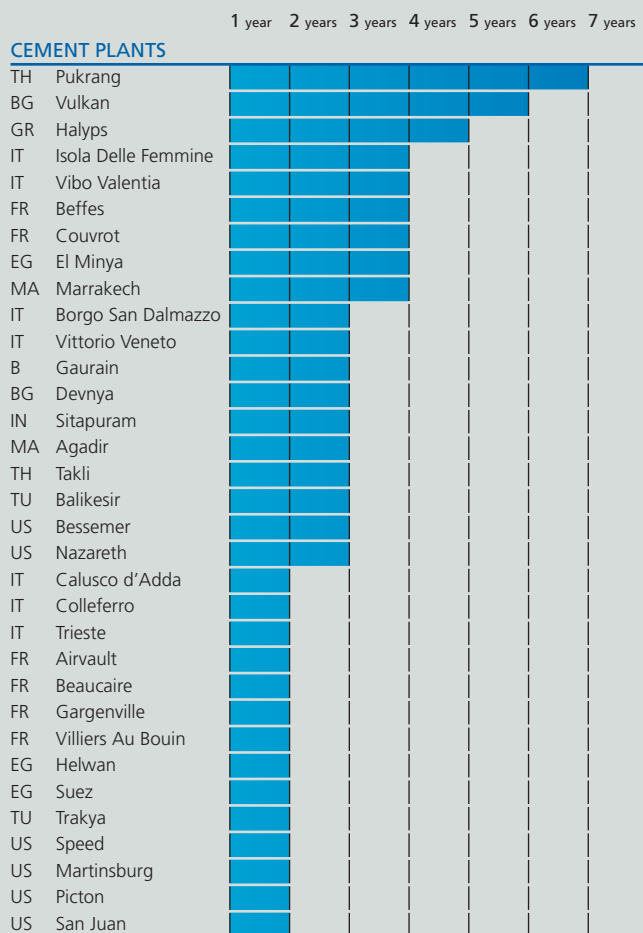
Safety in the workplace

| | 2000 | 2005 | 2006 | 2007 | 2008 |
|-----------------------|------|------|------|------|------|
| Frequency rate | | | | | |
| Cement | 23.5 | 6.8 | 7.0 | 3.6 | 4.9 |
| Aggregates | 26.0 | 13.4 | 7.5 | 9.6 | 13.1 |
| Concrete | 20.1 | 13.7 | 10.2 | 13.4 | 7.6 |
| Group | 23.5 | 8.3 | 7.4 | 5.8 | 6.0 |
| Severity rate | | | | | |
| Cement | 2.9 | 0.3 | 0.4 | 0.3 | 0.2 |
| Aggregates | 0.9 | 1.0 | 0.2 | 0.3 | 0.6 |
| Concrete | 1.1 | 0.3 | 0.3 | 0.5 | 0.6 |
| Group | 1.8 | 0.3 | 0.4 | 0.3 | 0.3 |
| TRIR | | | | | |
| Cement | - | - | - | - | 11.3 |
| Aggregates | - | - | - | - | 27.3 |
| Concrete | - | - | - | - | 14.4 |
| Group | - | - | - | - | 12.5 |
| Fatalities | | | | | |
| Employees | - | 1 | 0 | 4 | 2 |
| Contractors | - | 6 | 6 | 7 | 11 |
| Third parties | - | - | 3 | 4 | 4 |

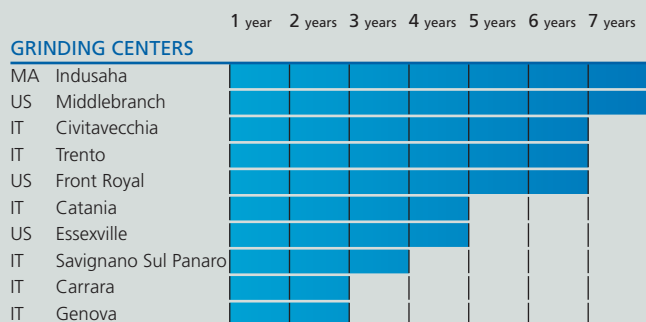
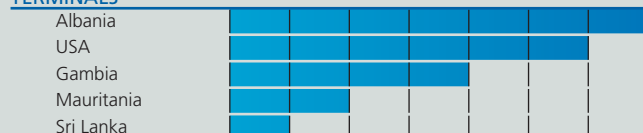
Industrial hygiene and workers' health

| | dust | silica | noise | vibration | total |
|--|------|--------|-------|-----------|-------|
| Potentially exposed (% of total workforce in 2008) | | | | | |
| Cement | 69% | 66% | 67% | 17% | - |
| Aggregates | 65% | 56% | 55% | 30% | - |
| Concrete | 36% | 36% | 38% | 25% | - |
| Group | 51% | 47% | 54% | 20% | - |
| Monitoring coverage (% of potentially exposed in 2008) | | | | | |
| Cement | 39% | 38% | 41% | 58% | 41% |
| Aggregates | 76% | 75% | 66% | 39% | 68% |
| Concrete | 10% | 8% | 12% | 8% | 9% |
| Group | 37% | 37% | 38% | 41% | 38% |
| Compliance with Group standard (% of monitored in 2008) | | | | | |
| Cement | 88% | 85% | 88% | 96% | 88% |
| Aggregates | 99% | 100% | 94% | 100% | 98% |
| Concrete | 93% | 92% | 93% | 40% | 85% |
| Group | 86% | 87% | 89% | 89% | 88% |
| Official applications for occupational illnesses (2008) | | | | | |
| Cement | - | - | - | - | 39 |
| Aggregates | - | - | - | - | 1 |
| Others | - | - | - | - | 5 |

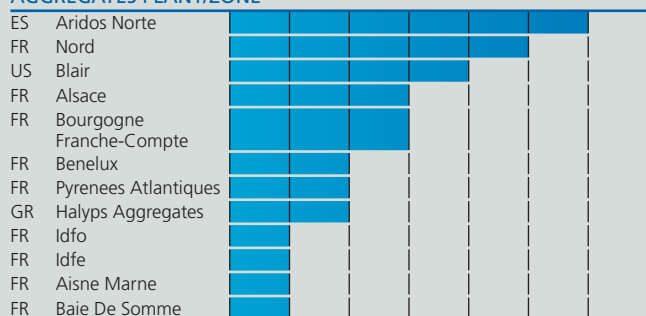
Sites with no accidents (status at 2008, covering employees and temporary workers)



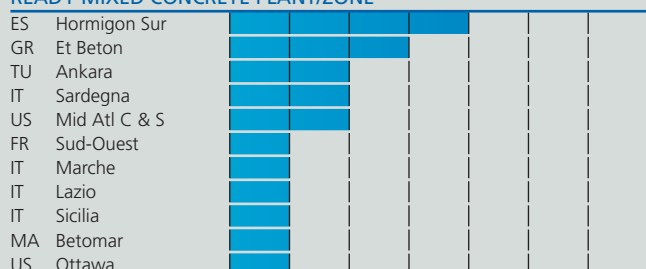
TERMINALS



AGGREGATES PLANT/ZONE



READY-MIXED CONCRETE PLANT/ZONE



Breakdown of personnel

| | Group's employees | | | Open-end contracts | Fixed-term contracts | Full-time employees | Part-time employees | Female | Male |
|---------------|-------------------|---------------|---------------|--------------------|----------------------|---------------------|---------------------|--------------|---------------|
| | 2008 | 2007 | Δ | 2008 | 2008 | 2008 | 2008 | 2008 | 2008 |
| Italy (*) | 3,939 | 5,093 | -1,154 | 3,845 | 94 | 3,842 | 97 | 511 | 4,201 |
| France | 4,022 | 4,073 | -51 | 3,969 | 53 | 3,935 | 87 | 669 | 3,673 |
| Belgium | 570 | 582 | -12 | 538 | 32 | 538 | 32 | 57 | 523 |
| Spain | 827 | 861 | -34 | 748 | 79 | 814 | 13 | 106 | 708 |
| Greece | 219 | 296 | -77 | 208 | 11 | 219 | 0 | 24 | 171 |
| North America | 2,155 | 2,133 | 22 | 2,155 | 0 | 2,155 | 0 | 151 | 1,518 |
| Egypt | 4,620 | 4,841 | -221 | 4,186 | 434 | 4,620 | 0 | 22 | 3,637 |
| Morocco | 1,093 | 1,082 | 11 | 1,029 | 64 | 1,093 | 0 | 97 | 752 |
| Bulgaria | 484 | 539 | -55 | 473 | 11 | 484 | 0 | 184 | 302 |
| Turkey | 802 | 896 | -94 | 802 | 0 | 802 | 0 | 42 | 761 |
| Thailand | 1,087 | 1,155 | -68 | 1,077 | 10 | 1,087 | 0 | 147 | 940 |
| India | 800 | 838 | -38 | 800 | 0 | 800 | 0 | 13 | 790 |
| Kazakhstan | 452 | 468 | -16 | 412 | 40 | 451 | 1 | 89 | 363 |
| China | 456 | 455 | 1 | 9 | 447 | 447 | 9 | 108 | 347 |
| Trading | 654 | 377 | 277 | 604 | 50 | 654 | 0 | 18 | 163 |
| UK/Singapore | 63 | 17 | 46 | 61 | 2 | 61 | 2 | 19 | 44 |
| TOTAL | 22,243 | 23,706 | -1,463 | 20,916 | 1,327 | 22,002 | 241 | 2,257 | 18,893 |

(*) Variation mostly due to the deconsolidation of Calcestruzzi S.p.A.

| | Female | Male |
|--------------------------------------|--------|------|
| Percentage male/female (2008) | | |
| Manager | 7% | 93% |
| White collars | 23% | 77% |
| Blue collars | 3% | 97% |

| | | |
|-------------------------------------|-----|-----|
| Salary ratio (2008) | | |
| Top management (*) | 100 | 102 |
| White collars and middle management | 100 | 105 |
| Blue collars | 100 | 111 |

(*) specific comparison with the external market

| | | |
|---------------------------------------|---|----|
| Expatriates by category (2008) | | |
| Director | 1 | 32 |
| Manager/Professional | 1 | 58 |
| Specialist/Supervisor | 6 | 31 |
| Clerical | 1 | 8 |

| | | |
|----------------------------------|---|----|
| Expatriates by age (2008) | | |
| <30 | 1 | 13 |
| 30-39 | 6 | 50 |
| 40-49 | 2 | 40 |
| >50 | 0 | 26 |

| | | |
|--|---|----|
| Expatriates by seniority (2008) | | |
| <3 | 9 | 90 |
| 3-5 | 0 | 22 |
| 5-10 | 0 | 14 |
| >10 | 0 | 3 |

Training

| | 2006 | 2007 | 2008 |
|--------------------------|------|------|------|
| Hours of training | | | |
| Executives | 16% | 17% | 14% |
| Non-executives | 84% | 83% | 86% |
| Participants | | | |
| Executives | 13% | 14% | 14% |
| Non-executives | 87% | 86% | 86% |

Breakdown of personnel by age (2008)

| | |
|-------|-----|
| <30 | 10% |
| 30-40 | 26% |
| 40-50 | 36% |
| 50-60 | 24% |
| >60 | 4% |

Breakdown of personnel by seniority (2008)

| | |
|-------|-----|
| <3 | 21% |
| 3-5 | 9% |
| 5-10 | 15% |
| 10-20 | 30% |
| >20 | 24% |

Breakdown of personnel by nationalities (2008)

| | |
|---------|-----|
| Europe | 52% |
| Africa | 23% |
| Asia | 17% |
| America | 8% |
| Oceania | 0% |

Stakeholders engagement in cement plants (2008)

| | In place | Open door in last 3 years |
|---------------|------------|---------------------------|
| Italy | 4 | 5 |
| France | 9 | 2 |
| Belgium | 1 | 1 |
| Spain | 3 | 3 |
| Greece | 1 | 1 |
| North America | 2 | 2 |
| Egypt | 3 | 1 |
| Morocco | 3 | 0 |
| Bulgaria | 2 | 1 |
| Turkey | 4 | 3 |
| Thailand | 3 | 3 |
| India | 2 | 0 |
| Kazakhstan | 1 | 1 |
| China | 1 | 0 |
| TOTAL | 64% | 38% |

Relationship to GRI G3 guidelines

| Profile: Strategy and analysis | Disclosure level | Page |
|---|------------------|--------------------|
| 1.1 CEO statement about relevance of sustainability to the organisation and its strategy | Full | 1 |
| 1.2 Description of key impacts, risks, and opportunities | Full | 1, 4 |
| Profile: Organisation | Disclosure level | Page |
| 2.1 Name of the organisation | Full | 2, 3 |
| 2.2 Primary brands, products, and/or services | Full | 2, 3 |
| 2.3 Operational structure of the organisation | Full | 2, 3, 8, 9, 10, 11 |
| 2.4 Location of organisation's headquarters | Full | 2, 3 |
| 2.5 Countries where the organisation operates | Full | 2, 3 |
| 2.6 Nature of ownership and legal form | Full | 2, 3 |
| 2.7 Markets served | Full | 2, 3 |
| 2.8 Scale of the reporting organisation | Full | 2, 3 |
| 2.9 Significant changes during the reporting period regarding size, structure, ownership | Full | 2, 3, 33, 34 |
| 2.1 Awards received in the reporting period | Full | 1 |
| Profile: Report parameters | Disclosure level | Page |
| 3.1 Reporting period for information provided | Full | 32, 33, 34 |
| 3.2 Date of most recent previous report | Full | 32, 33, 34 |
| 3.3 Reporting cycle | Full | 32, 33, 34 |
| 3.4 Contact point for questions regarding the report or its contents | Full | 32, 33, 34 |
| 3.5 Process for defining report content | Full | 32, 33, 34 |
| 3.6 Boundary of the report | Full | 32, 33, 34 |
| 3.7 Specific limitations on the scope, or boundary of the report | Full | 32, 33, 34 |
| 3.8 Basis for reporting on joint ventures, subsidiaries, outsourced operations, etc... | Full | 32, 33, 34 |
| 3.9 Data measurement techniques and the bases of calculations | Full | 32, 33, 34 |
| 3.10 Explanation of effect of re-statements of information provided in earlier reports | Full | 32, 33, 34 |
| 3.11 Significant changes from previous reports in the scope, boundary, or measurement methods | Full | 32, 33, 34 |
| 3.12 Table identifying the location of the Standard Disclosures in the report | Full | 32, 33, 34 |
| 3.13 Policy and current practice with regard to seeking external assurance for the report | Full | 32, 33, 34 |
| Profile: Governance, Commitments, and Engagement | Disclosure level | Page |
| 4.1 Governance structure of the organisation | Full | 8, 9, website |
| 4.2 Indicate if Chair of the Board is also an executive officer | Full | 8, 9, website |
| 4.3 Board members that are independent and/or non-executive members | Full | 8, 9, website |
| 4.4 Mechanisms for shareholders and employees to provide recommendations or direction | Full | 8, 9, website |
| 4.5 Link between compensation of Board and management with performance | Full | 8, 9, website |
| 4.6 Processes in place for the Board to ensure conflicts of interest are avoided | Full | 8, 9, website |
| 4.7 Process for determining the qualifications and expertise of the members of the Board | Full | 8, 9, website |
| 4.8 Internally developed statements of mission or values, codes of conduct, and principles | Full | 8, 9, website |
| 4.9 Procedures of the Board for overseeing identification and management of performance | Full | 8, 9, website |

| | | | |
|------|---|------|----------------|
| 4.10 | Processes for evaluating the Board's own performance | Full | 8, 9, website |
| 4.11 | Explanation of whether and how the precautionary approach or principle is addressed | Full | 8, 9, website |
| 4.12 | Externally developed economic, environmental, and social charters / principles | Full | 8, 9, website |
| 4.13 | Memberships in associations | Full | 8, 9, 25 |
| 4.14 | List of stakeholder groups engaged by the organisation | Full | 12, 13, 25, 27 |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage | Full | 12, 13, 25, 27 |
| 4.16 | Approaches to stakeholder engagements | Full | 12, 13, 25, 27 |
| 4.17 | Key topics and concerns that have been raised through stakeholder engagement | Full | 12, 13, 25, 27 |

| Economic | | Disclosure level | Page |
|----------|--|------------------|----------------|
| EC1 | Direct economic value generated and distributed | Full | 12 - 15 |
| EC2 | Financial implications and other risks and opportunities for the organisation's activities due to climate change | Full | 11, 16 |
| EC3 | Coverage of the organisation's defined benefit plan obligations | Partial | 12 |
| EC4 | Significant financial assistance received from government | Not available | - |
| EC5 | Range of ratios of standard entry level wage compared to local minimum wage | Partial | 23, 24, 27 |
| EC6 | Policy, practices, and proportion of spending on locally-based suppliers | Not available | - |
| EC7 | Procedures for local hiring and proportion of senior management hired from the local community | Partial | 12 |
| EC8 | Development and impact of infrastructure provided primarily for public benefit | Full | 13, 15, 23, 25 |
| EC9 | Understanding and describing significant indirect economic impacts | Full | 12, 22, 23, 25 |

| Environmental | | Disclosure level | Page |
|---------------|--|------------------|-----------------|
| EN1 | Materials used by weight or volume | Full | 17, 20, 21 |
| EN2 | Percentage of materials used that are recycled input materials | Full | 17, 20, 21 |
| EN3 | Direct energy consumption by primary energy source | Full | 17, 20, 21 |
| EN4 | Indirect energy consumption by primary source | Full | 17, 20, 21 |
| EN5 | Energy saved due to conservation and efficiency improvements | Partial | 16, 17, 20, 21 |
| EN6 | Energy-efficient or renewable energy products and services | Full | 14, 16 |
| EN7 | Initiatives to reduce indirect energy consumption and results | Partial | 14, 16 |
| EN8 | Total water withdrawal by source | Full | 18, 20, 21 |
| EN9 | Water sources significantly affected by withdrawal of water | Not relevant | - |
| EN10 | Percentage and total volume of water recycled and reused | Full | 18, 20, 21 |
| EN11 | Location and size of land owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value | Full | 18, 20, 21 |
| EN12 | Description of significant impacts of activities, products & services on biodiversity in protected areas | Full | 18, 20, 21 |
| EN13 | Habitats protected or restored | Full | 18, CSI website |
| EN14 | Strategies, current actions, and future plans for managing impacts on biodiversity | Full | 18, 20, 21 |
| EN15 | IUCN Red List species and other list species with habitats affected by operations | Not available | - |
| EN16 | Total direct and indirect GHG emissions by weight | Full | 16, 20, 21 |
| EN17 | Other relevant indirect GHG emissions by weight | Not relevant | - |
| EN18 | Initiatives to reduce GHG emissions and results | Full | 16, 20, 21 |
| EN19 | Emissions of ozone-depleting substances by weight | Not relevant | - |

| | | | |
|------|--|--------------|------------|
| EN20 | NOx, SO2, and other significant air emissions by type and weight | Full | 19, 20, 21 |
| EN21 | Total water discharge by quality and destination | Full | 19, 20, 21 |
| EN22 | Total weight of waste by type and disposal method | Full | 19, 20, 21 |
| EN23 | Total number and volume of significant spills | Not relevant | - |
| EN24 | Weight of waste deemed hazardous | Full | 19, 20, 21 |
| 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 | Partial | 17, 21 |
| 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 | Full | 20, 21 |
| EN29 | Significant environmental impacts of transporting products etc... and workforce | Full | 16 - 21 |
| EN30 | Total environmental protection expenditures and investments by type | Full | 15 |

| Social: Labour Practices and Decent Work | | Disclosure level | Page |
|--|---|------------------|------------|
| LA1 | Total workforce by employment type, employment contract, and region | Full | 23, 24, 27 |
| LA2 | Total number and rate of employee turnover by age group, gender, and region | Full | 23, 24, 27 |
| LA3 | Benefits for full-time employees, that are not provided to temporary or part-time employees | Full | 23 |
| LA4 | Percentage of employees covered by collective bargaining agreements | Full | 23 |
| LA5 | Minimum notice period(s) regarding significant operational changes | Full | 23 |
| LA6 | Percentage of total workforce represented in formal joint management-worker health and safety committees | Partial | 10 |
| LA7 | Rates of injury, occupational diseases, lost days & absenteeism, & number of work-related fatalities by region | Partial | 22, 26 |
| LA8 | Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases | Partial | 23, 24 |
| LA9 | Health and safety topics covered in formal agreements with trade unions | Full | 22, 23 |
| LA10 | Average hours of training per year per employee by employee category | Full | 23, 24, 27 |
| LA11 | Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | Full | 23, 24, 27 |
| LA12 | Percentage of employees receiving regular performance and career development reviews | Partial | 23, 24, 27 |
| LA13 | Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity | Partial | 23, 24, 27 |
| LA14 | Ratio of basic salary of men to women by employee category | Full | 23, 24, 27 |

| Social: Human Rights Performance Indicators | | Disclosure level | Page |
|---|---|------------------|-------------|
| HR1 | Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening | Full | 23, website |
| HR2 | Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken | Partial | 11 |
| HR3 | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations | Partial | 23, 24 |
| HR4 | Total number of incidents of discrimination and actions taken | Not available | - |
| 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 | Full | 23 |
| HR6 | Operations with significant risk for incidents of child labour, and measures taken to eliminate | Full | 22, 23 |
| HR7 | Operations with significant risk of forced or compulsory labour, and measures to eliminate | Full | 22, 23 |
| 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 available | - |

| Social: Society Performance Indicators | | Disclosure level | Page |
|--|--|------------------|--------|
| 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 | 25, 27 |
| SO2 | Percentage and total number of business units analysed for risks related to corruption | Full | 8 |
| SO3 | Percentage of employees trained in organisation's anti-corruption policies and procedures | Partial | 8 |
| SO4 | Actions taken in response to incidents of corruption | Partial | 8 |
| SO5 | Public policy positions and participation in public policy development and lobbying | None | - |
| SO6 | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country | None | - |
| SO7 | Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes | Not available | - |
| SO8 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations | Not available | - |

| Social: Product Responsibility Performance Indicators | | Disclosure level | Page |
|---|---|------------------|--------|
| 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 | Full | 22 |
| PR2 | Incidents of non-compliance with regulations and voluntary codes on health & safety impacts of products and services during their life cycle | Partial | 8 |
| PR3 | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements | Full | 22 |
| PR4 | Incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling | Not available | - |
| PR5 | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction | Partial | 11 |
| PR6 | Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship | Full | 11, 22 |
| PR7 | Incidents of non-compliance with regulations and voluntary codes on marketing communications, including advertising, promotion, and sponsorship by type of outcomes | Not available | - |
| PR8 | Substantiated complaints regarding breaches of customer privacy and losses of customer data | Partial | 11 |
| PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services | Not available | - |

We declare that our 2008 reporting qualifies for the GRI scope "B" application level requirements in accordance with the criteria table below



| Report Application Level | | C | C+ | B | B+ | A | A+ |
|--------------------------|--|--|---------------------------|---|---------------------------|---|---------------------------|
| Standard Disclosures | G3 Profile Disclosures OUTPUT | Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15 | Report Externally Assured | Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17 | Report Externally Assured | Same as requirement for Level B | Report Externally Assured |
| | G3 Management Approach Disclosures OUTPUT | Nor required | | Management Approach Disclosures for each Indicator Category | | Management Approach Disclosed for each Indicator Category | |
| | G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT | Report on a minimum of 10 Performance Indicators, including at least one from each: social, economic, and environment. | | Report on a minimum of 20 Performance Indicators, at least one from each: economic, environment, human rights, labor society, product responsibility. | | Respond on each core G3 and Sector Supplement Indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission. | |

Ernst & Young assurance statement



Italcementi - Financial year ended December 31, 2008.

Independent assurance report on a selection of environmental and safety indicators

Further to the request made by Italcementi, we performed a review on the Group's environmental and safety indicators for the financial year 2008 identified by the ✓ symbol in the sustainable development report on p. 6-7 (the "Indicators") to obtain limited assurance that the Indicators were prepared in accordance with the reporting criteria applicable in 2008 (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 site¹ completed with Group specific procedures, a summary of which is provided on p. 33 under the heading "Reporting methodology".

It is the responsibility of Italcementi Group's Sustainable Development Department to prepare these Indicators and to provide information on the Criteria.

It is our responsibility to express a conclusion on these Indicators on the basis of our review. Our review was conducted in accordance with the ISAE 3000² international standard from IFAC. Our independence is defined by legal and regulatory texts as well as by our professional code of ethics.

A higher level of assurance would have required more extensive work.

Nature and scope of our review

We performed the following review to be able to express a conclusion:

- We have assessed the Reporting Criteria with respect to their relevance, their completeness, their neutrality, and their reliability.
- At the Group level, we have conducted interviews with the persons responsible for reporting in order to assess the application of the Reporting Criteria. At this level, we have implemented analytical procedures and verified, on a test basis, the calculations and the consolidation of the data.
- At the Cement business level, we checked the consistency of CO₂ emissions with figures declared to authorities and verified in the framework of the 2007/589/CE European Directive on "allowances".
- We have selected a sample of six cement sites and three business units³ 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 test basis, calculations and reconciliation with supporting documents.

- We reviewed the presentation of the Indicators in the sustainable development report and the associated notes on methodology.

On average, our tests covered 33% of environmental indicators⁴ and 43% of hours worked used in the calculation of the lost time injury frequency rate.

Information about the Reporting Criteria

- **Relevance.** The Group publishes the key performance indicators defined for cement 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 (2005). The Group's amendments are specified in the notes on methodology p. 33.
- **Completeness.** The reporting perimeters for environment and safety data are specified in the "Reporting Methodology" section on p. 33 and in p. 34. They aim to cover the Cement activities worldwide for environmental indicators, Cement and Aggregates activities for indicators on quarry rehabilitation, and the whole Group for safety indicators. Perimeters actually covered by the Indicators have been indicated where applicable, notably for NO_x, SO_x and dust emissions p. 20.
- **Neutrality.** The Group provides detailed information on methodologies used to establish the indicators in the notes on methodology on p. 33 and in the comments next to the published data. Due to a change in the Reporting Criteria on the indicator "quarries with a rehabilitation plan" (scope and requirements), the data is not comparable to previous years.
- **Reliability.** Internal controls on the Indicators still have to be strengthened and the potential for interpreting the Reporting Criteria on the indicator on "quarry rehabilitation plans" (e.g. grouping next-to-each-other quarries) should be reduced.


Conclusion

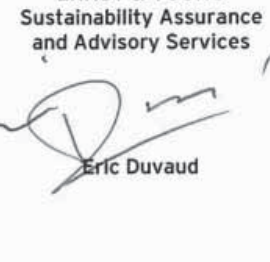
Based on our review, nothing has come to our attention that causes us to believe that the Indicators were not established, in all material respects, in accordance with the Reporting Criteria.

Paris-La Défense, April 7th, 2009

ERNST & YOUNG Audit

ERNST & YOUNG
Sustainability Assurance
and Advisory Services


Jean-Yves Jégourel


Eric Duvaud

¹ <http://www.wbcsd.org/Projects/Cement>

² ISAE 3000: "Assurance Engagement other than reviews of historical data", International Federation of Accountants, International Audit and Assurance Board, December 2003.

³ Six cement plants: Bussac (France), Speed and Bessemer (U.S.A.), Yerraguntla and Sitapuram (India), and Tourah (Egypt), two business units of the Cement Branch: Calcia (France) and Suez (Egypt); and one business unit of the Aggregates Branch: GSM (France).

⁴ 64% for CO₂ emissions, 36% on average of SO₂, NO_x and dust emissions, 15% for raw materials consumption and 32% for fuel consumption, 10% of sites certified ISO 14001, and 45% of quarries.

Reporting methodology

SCOPE OF REPORTING

Unless otherwise specified, the Group's sdReport covers all the business activities under the operational control of the Group at the end of 2008. The aggregates and concrete activities of Calcestruzzi in Italy are not consolidated in the reporting.

DATA COLLECTION AND CONSOLIDATION

Economic performance data: data included represent consolidated figures from the companies covering all the Group's operations and business segments and are consistent with those reported in the 2008 Italcementi Group's Annual Report.

Environmental performance data: unless otherwise specified, reporting covers all the subsidiaries over which the Group has at least one year of operational control, and their data are 100% consolidated. The 2008 sdReport includes for the first time the Chinese subsidiary, Fuli Cement (acquisition in mid-2007). Ciments Québec

in Canada and Vassiliko Cement Works in Cyprus are not included, as they are not under the operational control of the Group.

In 2008, the Group's environmental data have been reported for the current fiscal year, covering not only cement but also aggregates and ready-mixed concrete activities. Where possible and relevant the data are presented according to the reporting scope detailed on page 34. Changes in ownership reported in 2008 do not generally impact on the data reported for previous years. Data for CO₂ emissions are the sole exception to this principle: the 2008 scope is reformulated for each previous year to provide comparability, as specified and required in the WBCSD "Greenhouse Gas Protocol" applied by the Group.

Social performance data: data reported in the social responsibility section, such as health and safety records and personnel statistics, cover all the operations and business segments under the operational control of the Group in 2008, unless otherwise specified.

Internal procedures for calculating Key Performance Indicator (KPI) figures:

| Group reference | KPI | Summary |
|--|---|---|
| SDD001 Air Emissions Reporting Procedure | Dust, NO _x , SO ₂ : 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 "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 based on their clinker production. |
| SDD002 CO ₂ Reporting Methodology | Absolute and specific gross CO ₂ emissions | The procedure is compliant with the WBCSD/CSI Protocol: "CO ₂ Accounting and Reporting Standard for the Cement Industry", June 2005 ver.2. Absolute gross and specific CO ₂ emissions are reported to SDD by means of the WBCSD/CSI Cement CO ₂ protocol spreadsheet. CO ₂ emissions account total direct emissions, excluding biomass fuels. Lower heat values and fuel/process emission factors are determined at sites, based on analysis or default values. Specific emissions are expressed per ton of cementitious products, which account 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 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 Raw Materials Reporting Instruction | Total RMs and ARMs consumption | The procedure defines natural and alternative raw materials (ARMs). 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 RMs and ARMs are reported according to "CSI Guidelines for the selection and use of fuels and raw materials in the cement manufacturing process". |
| SDD013 Fuels Reporting Instruction | Total fuels and AFs consumption | The procedure defines conventional and alternative fuels (AFs). The Group Technical Center draws the data from the Group database; figures are endorsed by the subsidiaries before being forwarded to SDD. Heat values from conventional fuels and AFs are reported according to "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 new 2008 instruction extended the scope to all quarries under the Group operational control and providing or having provided extracted raw materials to cement plants, ready-mixed batching plants and as aggregates. The updated minimum requirements for the assessment of rehabilitation plans include 5 criteria (site identification, prescriptions and requirements included in permits or voluntary agreements, description of progressive rehabilitation objective, visual 2D plot and/or photo gallery, information or effective communication with stakeholders). |
| Safety Management Handbook | LTI Frequency Rate | A Group database, automatically updated at site level, calculates lost time injuries (days) in a year per million hours worked, according to WBCSD/CSI definitions. |

About this report

Information and data collection

The annual sdReport aims at promoting an open and permanent dialogue between Italcementi Group and a growing set of stakeholders. The Group strives towards continuous improvement in the quality, relevance, completeness, clarity and reliability of the information to ensure maximum transparency of the report. The entire document has been prepared by the Sustainable Development Department under the supervision of an Editorial Committee including the heads of key Group functions involved. Data were collected by means of a central database and dedicated questionnaires sent to all subsidiaries.

Reporting scope

The Group's reporting scope is subdivided by:

- "Mature markets": Belgium, France, Greece, Italy, Spain, Canada, U.S.A.
- "Emerging markets": Bulgaria, Egypt, Morocco, Turkey, China, India, Kazakhstan, Thailand.
- "Trading": cement and clinker activities in Albania, Gambia, Kuwait, Mauritania and Sri Lanka, 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/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, mortar, e-business and energy.

The most significant change in the scope of the present report concerns operations in China. For this 2008 report, the environmental and social performances of Fuli Cement were fully accounted for, following one complete year of operational control.

Reporting standard

The Group's reporting is documented in accordance with the guidelines of the Global Reporting Initiative (GRI) version "G3".

All information reported and the report boundaries are appropriate according to the application of the GRI principles of materiality, stakeholder inclusiveness, sustainability context and completeness. Detailed cross-references between the current report and the GRI guidelines and self-declared application level are provided on pages 28-31.

Assurance

The Group is responsible for the reliability of all the data published. The report has not yet undergone an overall external assurance process. However, in 2008, the Group increased the number and the scope of KPIs for verification by Ernst & Young, as shown on page 32.

New verified indicators are the percentage of alternative fuels used in cement plants; the percentage of quarries providing materials to all the Group's activities having a rehabilitation plan; the Lost Time Injuries frequency rate for all the businesses.

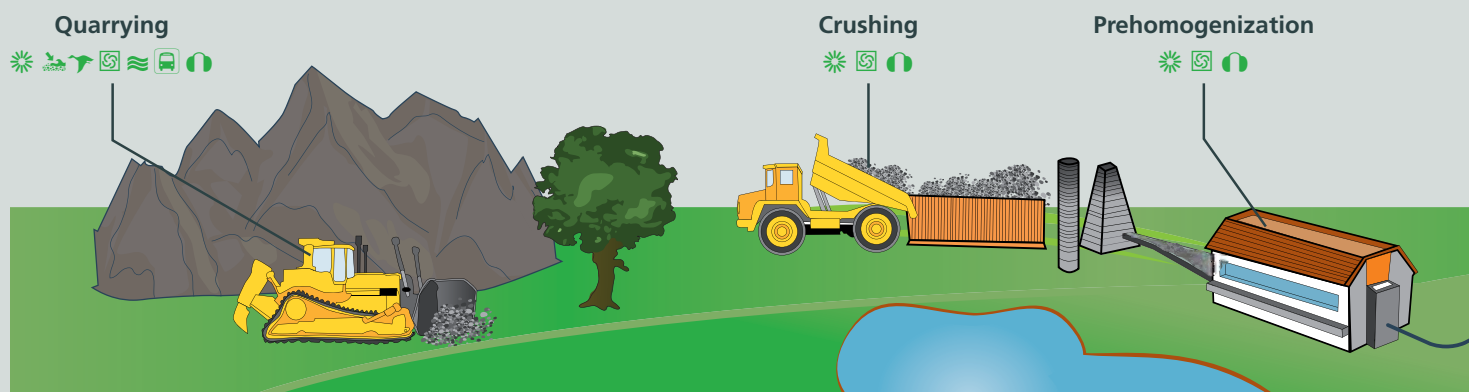
Stakeholder feedback

Italcementi Group encourages all readers to submit opinions and suggestions for improvements and to seek clarifications on any aspect of the Group's activities in relation to Sustainable Development by sending an e-mail to sdreport@itcgr.net.

Cement production and sustainability

ENVIRONMENTAL ASPECTS

-  Energy consumption
-  Raw materials consumption
-  Ecosystem and landscape protection
-  Air emissions
-  Water use
-  Traffic
-  Noise
-  Greenhouse Gases



Glossary

ACRONYMS AND ABBREVIATIONS

| | |
|-----------|---|
| AFs | Alternative Fuels |
| ARMs | Alternative Raw materials |
| AFRs | Alternative Fuels and 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 system |
| CSI | Cement Sustainability Initiative |
| DJSI | Dow Jones Sustainability Index |
| ETS | Emission Trading Scheme |
| GHG | Greenhouse Gases |
| GRI | Global Reporting Initiative |
| IAS | International Accounting Standards |
| ILO | International Labour Organisation |
| ISO 14001 | The international standard ISO Model for management and external certification of environmental performance |
| KPIs | Key Performance Indicators |
| LTI | Lost Time Injuries |
| WBCSD | World Business Council for Sustainable Development |

CHEMICALS

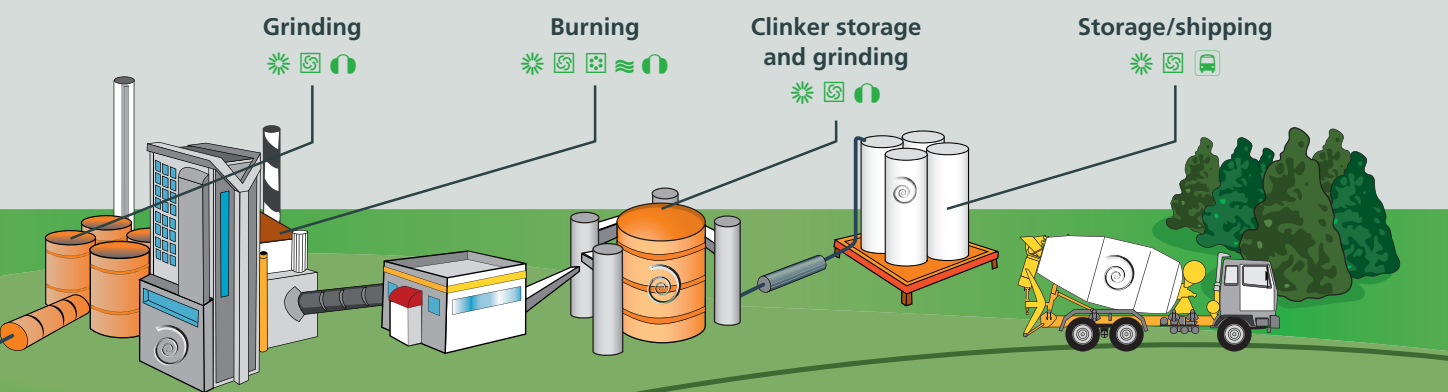
| | |
|-----------------|----------------------------|
| CO ₂ | Carbon dioxide |
| SO ₂ | Sulphur dioxide |
| NO _x | Nitrogen oxides |
| CO | Carbon monoxide |
| VOC | Volatile Organic Compounds |

UNITS

| | |
|----------------|--|
| ng | nanogram (0.000000001 g) |
| mg | milligram (0.001 g) |
| g | gram |
| kg | kilogram (1000 g) |
| t | ton (1000 kg) |
| kt | kiloton (1000 tons) |
| toe | tons of oil equivalent |
| ktoe | kilotons (1000 tons) of oil equivalent |
| tpd | tons per day |
| m ³ | cubic metre |
| MJ | mega joule (1 million joules) |
| MW | mega watt (1 million watt) |
| kWh | kilowatt-hour (1000 watt-hour) |
| GWh | gigawatt-hour (1 billion watt-hour) |

ECONOMIC AND SOCIAL ASPECTS

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



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