



Italcementi Group

sdReport

Sustainable Development Report 2009



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

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Ciments Calcia

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Axim

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GSM

@ www.gsm-granulats.fr

Unibéton

@ www.unibeton.fr

Socli

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CCB

@ www.ccb.be

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CHINA

Fuli Cement

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Tourah Cement

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@ www.suezcement.com.eg

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Zuari Cement

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THAILAND

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TURKEY

**Set
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Set Beton**

@ www.setitc.com

TRADING

Interbulk

@ www.interbulk.ch

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Sustainable Development Report 2009

LOOKING BEYOND THE GOALS



The Group's sustainable development roadmap to date is the natural consequence of a mindset which has been deeply rooted in Italcementi's DNA right from its early industrial history. Over time this has grown in visibility becoming today an essential effort in our organisation's activities. At the moment sustainability drives and supports development strategies in all industrial sectors, impacting every Group decision and guiding us towards the ambitious goal of creating a balanced «Italcementi system» across economic, environmental and social dimensions, capable of effectively meeting the needs of the rapidly evolving international scenario. The Sustainability Report 2009 clearly highlights our efforts in this area.

On the economic front our investment strategy speaks for itself, through focus on rationalizing production activities, reducing environmental impact and improving working conditions. Research and innovation also play an important role in this phase of our growth strategy. Through renewed emphasis on energy efficiency and environmental impact we are establishing new models for the deployment of our products in the market. Another essential factor for our Group is value creation and re-distribution across our shareholders and stakeholders

– which we continue to consider equally important – in a context of real and tangible financial balance.

Present environmental protection requirements compel us to face a number of key issues: a more effective alignment with the long-term international agenda for the reduction of direct and indirect greenhouse gas emissions; a strong standardisation of environmental performances across all Countries where we operate; and finally a renewed attention towards major global and social issues such as the responsible use of resources, particularly water and biodiversity.

Health and safety are the pillars of our approach to social responsibility. This is put in practice through the application of equal standards and strict industrial hygiene rules across all locations reinforced by a renewed commitment to human rights within the wider community surrounding the «Italcementi system». On-going human capital development is among the most important tools to assure both high standards of technical know-how for our staff and effective sharing of our Group's core values. Last but not least, over the years our Group has extended its relationship with key stakeholders leading to several joint initiatives with governments and NGOs for the development of local communities.

Of course we still haven't reached the end of our journey. Targets are constantly pushed forward towards more ambitious objectives, as a consequence of a vision that has made continuous improvement an organisational priority. We will carry on enhancing the social role of the company convinced that a new governance model is the only assurance to a sustainable end of the current global recession.

Carlo Pesenti

Chief Executive Officer Italcementi Group

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

SUSTAINABILITY AS A CORE ELEMENT OF OUR INDUSTRIAL PLAN

*Interview with Giovanni Ferrario
Chief Operating Officer Italcementi Group*



Industry and sustainable development in a period of persistent economic and financial crisis: how can we reconcile the medium and long term vision with the necessary returns in the short term?

The international recession has actually highlighted the need to apply industrial strategies focused on sustainability: on attentive business ethics, on widespread social responsibility. Geographic diversification, investment planning and flexibility in seizing opportunities

help create the conditions to support industrial efficiency projects, generating the resources needed to feed and reinforce sustainability objectives.

Which are Italcementi Group's investment priorities in the 2010-2014 industrial plan?

The idea of a sustainable development is the core element of the 2010-2014 industrial plan. Evaluation of strategic choices combines and properly balances the consolidated economic approach with the creation of environmental and social value. Energy efficiency, integration with the territory and the improvement of work conditions are the primary objectives.

Managerial and environmental efficiency: how are these two objectives combined in the operational scheme of Italcementi Group?

Simple: there is no other choice. In the cement and construction material sector there can be no real industrial efficiency without high environmental performance. Intensity in the use of natural and energy resources inevitably pushes towards the optimisation of production cycles and managerial approaches. The high implementation level of environmental management systems inside the Group proves this.

Is innovation the field where the company development can go hand in hand with sustainability?

Technological innovation is the natural path of development for a company. Equally it certainly cannot mean a return to the past or a possibility for gradual decline: it must generate the possibility of growth. So innovation and sustainability can only go hand in hand: practically, technology will make this a realistic possibility. We must not forget that other factors must also follow the new system, starting from the tools of public policy that can be the first

step towards the promotion of new technologies, simplifying the dialogue between the various parties and putting the new systems into operations.

Which are the priorities of the environmental policies of Italcementi Group?

It is the global dialogue to clearly trace priorities: fight climate change, reduce use of non-renewable resources, prevent degradation of the natural environment and respect biodiversity.

How does the Group face to the challenge of climate change?

The Group actively takes part in the definition of the international agenda for fighting climate change. The challenge is to translate the strategies into actions and short, medium and long term plans. Modernisation of the global production facilities, responsible use of resources, energy diversification and innovation are the key factors.

What is the key message of the Group concerning safety in the work place?

Year 2009 marked the best absolute performance of the Group in terms of safety in the work place. But we cannot stop there. The new challenge is to improve the performance of contractors and third parties involved in our activities and a constant battle against fatal injuries, through strict regulations and top quality operating standards.

Is the protection of human rights an important part of the social responsibility policy of Italcementi Group? In which countries is this mostly promoted and supported?

Fundamental human rights are those concerning the protection of people's lives. Hence, safety and health are core elements. On the other hand, our presence in countries where the protection of human rights is a critical factor pushes us towards a more careful monitoring and sound operational responses to protect the weakest social classes.

Do you think the results reached by the Group in the dialogue with stakeholders can be improved? With which instruments?

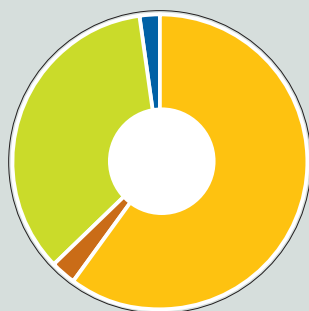
Not only can they, but they must be improved. There are lots of tools, starting from the capacity to understand the territory in which we operate in order to more effectively address our social investments to the advantage of local communities and to support the integration of our industrial reality. Hence, the Group is reviewing and optimizing the necessary governance instruments.

ITALCEMENTI GROUP AT A GLANCE

The idea of a sustainable development is the core element of Italcementi Group's 2010-2014 industrial plan. The Group's strategy is to combine and balance the consolidated economic approach with the creation of environmental and social value. Energy efficiency, integration with the territory and the improvement of work conditions are the primary objectives.

ORDINARY SHARES (2009)

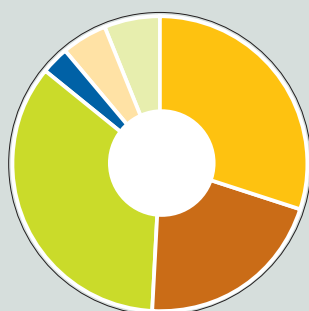
survey of shareholders with over 2% of the share capital at December 31st, 2009



Italmobiliare	60.26%
First Eagle Investment Management, LLC	2.68%
Free float	34.92%
Own shares	2.14%

BREAKDOWN OF FREE FLOAT (2009)

ordinary shares

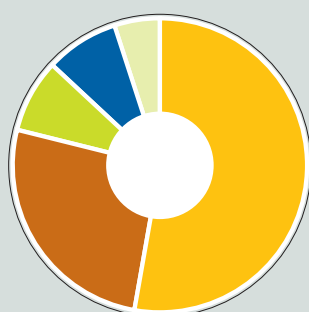


Funds	30%
Banks	21%
Private individuals	35%
Insurance companies	3%
Other companies	5%
Others	6%

KEY ECONOMIC DATA (2009)

Revenues	5,006.4 million €
Recurring EBITDA	971.6 million €
Cash flow	1,101.9 million €
Group net profit	71 million €

REVENUES BY AREA (2009)

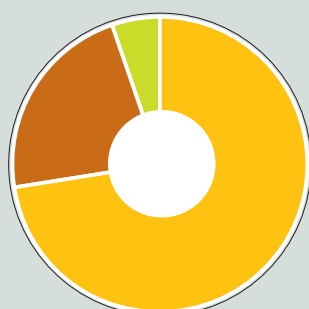


Central Western Europe	53%
Eastern Europe and South Mediterranean Area	26%
North America	8%
Asia	8%
Trading	5%

SALES VOLUMES (2009)

Cement and clinker	55.7 million t
Ready-mixed concrete	11.2 million m ³
Aggregates	39.1 million t

REVENUES BY BUSINESS (2009)



Cement and clinker	72.7%
Ready mixed concrete and aggregates	22.2%
Other activities	5.1%

ITALCEMENTI GROUP AT A GLANCE



Giampiero Pesenti
Chairman



Carlo Pesenti
Chief Executive Officer



Giovanni Ferrario
Chief Operating Officer

ALBANIA



1

BELGIUM



1



11



2

BULGARIA



2

CHINA



1

CYPRUS



1(*)

EGYPT



5



20

FRANCE



9



1



198



73

GAMBIA



1

GREECE



1



4



1

ITALY



17



7

INDIA



2

KAZAKHSTAN



1



1

KUWAIT



2



5

MAURITANIA



1

MOROCCO



3



2



25



4

SAUDI ARABIA



1(*)

SPAIN



3



19



8

SRI LANKA



1

THAILAND



1



2



35



1

TURKEY



4



1



16

USA AND CANADA



7+1(*)



1



39



3

TOTAL GROUP



22

Countries



92

Quarries



59

Cement plants



5

Terminals



15

Grinding centres



Over

21,000 employees



373

Concrete plants



Over

5 billion Euro annual sales in 2009

(*) the performance of these facilities is not assessed

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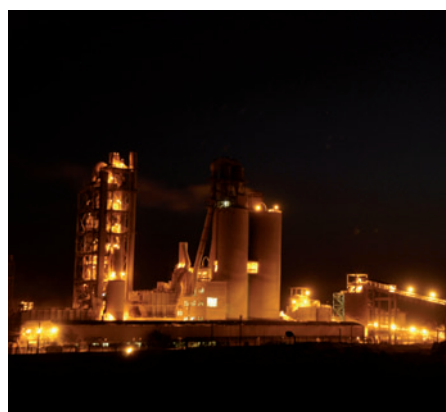
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OBJECTIVES AND IMPROVEMENT TARGETS

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
Risk management	Implementation of the Enterprise Risk and Compliance Programme	2012
Countering bribery	Implementation of the Anti Corruption and Bribery Compliance Programme	2013
Antitrust	Implementation of the Antitrust Compliance Programme	2013
ECONOMIC DEVELOPMENT		
Customers	Implement the Group's standard for Customer Satisfaction Assessment (CSA) at subsidiary level	2010
Suppliers	20% of "Corporate suppliers" portfolio qualified through the selection tools	2009
	35% of "Corporate suppliers" portfolio qualified through the selection tools	2011
	Extend the qualification process at subsidiary level	2014
Subcontractors	Apply equal standards for subcontractor workforces in all subsidiaries	2009
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 fuels 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
	90% of all Group's quarries having a rehabilitation plan	2012
SOCIAL RESPONSIBILITY		
 Health and Safety	"Zero Accidents" in the workplace	Long term
	Decrease by 5%-on-year the frequency rate of accidents	2009
	Implement the road map defined at each subsidiary level after the external audit on safety	2011
	Safety Management System externally audited at least once in 4 years	2011
 	Implement CSI Guidelines "Recommended Good Practice for Driving Safety"	2014
	Implement CSI Guidelines "Recommended Good Practice for Contractor Safety"	2014
	70% of employees potentially exposed to dust, silica, noise and vibration covered by workplace assessment	2012
	Develop Group's guidelines on medical surveillance	2010
Human Resources management	Implement main actions coming from the first employee opinion survey results	2010
	Carry out a second employees 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	Implement the Group's Human Rights Impact Assessment	2012
	Analyse relations with stakeholders at plant level, and implement related action plan	2007

achieved

on going

delayed

new

verified by Ernst & Young

WBCSD/CSI issue

2009 STATUS		E&Y	PAGE	COMMENTS
	88%		13,14	
	54%		13, 14	
			12	
			9	
	18%		14, 15	The Group's CSA spread among subsidiaries. Pilot implementation in Italy. Fully implementation by 2010
	20%		15	
			15	
			15	Group's guidelines are going to be developed and implemented at subsidiary level
			15, 30, 31	New deadline 2010, to define the standard and start the implementation in all the subsidiaries
	3.2		18, 19, 21	Increasing from 2.9 in 2008
	0.62%		17, 37	
	717 kg/t		22, 23, 28	Decreasing from 728 kg/t in 2008 and constantly in last 4 years
	AF 5.4%		24, 25, 28, 29	New deadline 2010, for the effective implementation of Group guidelines for the responsible use of alternative fuels (AFs) and raw materials (ARMs)
	ARM 5.6%		24, 25, 28, 29	
	56%		13, 14, 27	
	34%		13, 14, 27	
	199 g/t		27, 28	
	440 g/t		27, 28	
	1,459 g/t		27, 28	
	47%		13, 14, 27	
	80%		25, 26, 29	
			25, 26, 29	
	5.1		30, 31, 38	Frequency rate decreasing from 6.0 in 2008, best performance ever
	-15%		30, 31, 38	
	70%		30, 31, 38	40% of Group perimeter already covered even with a safety roadmap
			30, 31, 38	
			30, 31, 38	
			30, 32, 38	
	46%		31, 32, 38	Improvement from 38% in 2008
			31, 32	
			32, 33, 34	
			32, 33, 34	
			32, 33, 34	Group's Compensation Policy issued in 2009
			32, 33, 34	Group's Guidelines on human resources issued in 2009
			32	
			35, 36, 37, 39	Group's Guidelines under development. New deadline for the implementation phase in 2010

VISION, STRATEGY AND CORPORATE GOVERNANCE

RESPONSIBILITY AS LONG-TERM COMMITMENT TO SUSTAINABILITY. INTEGRITY AS ETHICAL BEHAVIOUR AT THE HEART OF BUSINESS. EFFICIENCY AS OPERATIONAL EXCELLENCE THROUGH CONTINUOUS IMPROVEMENT. INNOVATION IN PRODUCT APPLICATION AND MANAGEMENT. DIFFERENT LOCAL CULTURES. THESE ARE THE KEY VALUES WHICH PERMANENTLY DRIVE ITALCEMENTI GROUP'S ACTIVITIES.

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 provides inspiration to 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. 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 core sources of value which continuously drive all the Group's activities.

The Group formalised its commitment to sustainability in 2000, when it joined the World Business Council for Sustainable Development (WBCSD). All the Group's subsidiaries reinforced this commitment by joining the existing Regional Network of WBCSD. The WBCSD's Regional Network is an alliance of roughly 60 CEO-led organisations united by a shared commitment to provide business leadership for sustainable development in their respective countries or regions. The major objective is to create awareness, advocate action and practical implementation of WBCSD's messages and activities in support of sustainable development. The Group's Chief Executive Officer (hereafter referred to as the CEO) extended the Group's earlier commitments by undersigning the revised Charter of Cement Sustainability Initiative (CSI). The seven critical working areas identified are: climate protection; responsible use of fuels

and raw materials; employee health and safety; emissions reductions; impact on land and local communities; reporting and communication; assurance. Additionally in 2010, the Group will formally join the United Nations Global Compact. Following the same approach of the WBCSD, subsidiaries will be asked to join local networks of the UN Global Compact.

CORPORATE GOVERNANCE

The Charter of Values defines the basic principles underlying the Group's governance model. It is the point where employee and company ethics intersect placing the individual as the foundation of corporate development. The Charter of Values does not replace or overlap with the Group's Codes. It merely summarizes and strengthens the general principles contained within these codes, and is set-up as a framework for outlining the com-

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	2008
Code of Ethics	Defines the rules of behaviour and the principles applicable to employees and to all those who establish any form of relationship with Italcementi	1993	2001
Code of Conduct	Communicates how Italcementi is organised in order to maximise shareholder value	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 relevant insiders trading 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	2010
Insider Register	Lists all the people who may manage or access privileged information that, if disclosed, could significantly influence the market price of publicly traded financial 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	

For further information please refer to the corporate website, under the Investor Relations section.

With the Charter of Values Italcementi Group defines the basic principles underlying its governance model. The Charter places the individual at the base of corporate development.



mitments made by the company and its employees. 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 Board of Directors, supported by the Internal Control Committee, defines the guidelines for the internal control system: main risks are correctly identified, suitably measured, properly managed and continuously monitored. As the Executive Supervisor of the internal control system, the CEO is responsible for identifying the main Group's risks and for periodically submitting them to the Board of Directors for examination.

The «Organisation, Management and Control Model» required by the Italian Legislative Decree 231 of 2001 has been revised with increased emphasis on safety issues. The governance system starts off with the Group's parent company, Italcementi SpA and extends to all the subsidiaries with the aim of ensuring transparency towards shareholders and all other stakeholders. Supported by external consultants, a framework for the Group's corporate governance shall be implemented in accordance to national and international regulations, standards and best practices. The project, now in its third phase, covers more than 80% of the Group's EBIT and approximately 70% of the Group's employees.

The Group's operational business structure is continuously monitored and updated in line with the corporate governance principles in order to provide a clear global picture of shareholding, organisational structures, authorities, powers, processes and procedures. The Group has continued to work on its three year Risk and Compliance Programme ensuring better risk man-

agement and audit systems, as described in page 12. The programme sets clear directives on accountability and boundaries for managing risk areas across the Group, with particular focus on the allocation of responsibilities at corporate versus country level. The programme is linked to management's long-term incentive scheme.

Countering bribery

The Group remains committed to responsible corporate behaviour, promoting high standards of integrity and transparency in all its business transactions. The Board of Directors of Italcementi acknowledges that bribery and corruption are the main obstacle for sustainable social and economic development. Hence it has included specific provisions against bribery and corruption within the Code of Ethics, the Charter of Values and the corporate governance principles of the Group, covering its national and international as well as public and private activities. Italcementi is therefore committed to a «zero tolerance» policy towards corruption and bribery: all employees, officers and directors are responsible for carrying out their duty in accordance to the aforesaid binding principles and values, reinforcing the culture of compliance and integrity. Information on any breaches of codes may be found in the Group's Annual Report.

As part of its standardisation process, the Group is presently developing a comprehensive «Anti Corruption and Bribery Compliance Programme» to prevent, detect and remedy wrongdoing in every day business dealings. In line with the Targets on page 6, the programme will be launched in 2010 and implemented throughout the Group over the next three years. It will target employees, directors,

contractors, suppliers and partners in joint venture projects, with priority to countries of increased concern where the Group operates, as identified by the World Bank and Transparency International (these countries represent 71% of the Group's EBIT in 2009).

The programme is part of a wider project aimed at reducing all relevant risks in terms of «Corporate Criminal Liability». Within the scope of this project, Italcementi adopted an «Organisation, Management and Control Model» targeting, inter alia, the corruption and bribery prevention, to comply with the Italian Legislative Decree 231 of 2001. Italcementi also launched the so called «Piano Azione Sud» aimed at re-organizing decision-making processes and procedures to eliminate the risk of engaging in business dealings with organized crime entities. The aforesaid Model and the «Piano Azione Sud» are already in place and implemented on an on-going basis within Italcementi's organisation.

While awaiting formal sign-up to the United Nations Global Compact in 2010, as highlighted in page 8, all the Group's actions are already fully in line with the anti-corruption principle supported by this strategic policy initiative.

Sustainability

As outlined in the Group's 2008 SD Report, the Sustainable Development Steering Committee (SDSC) acts as the foundation of the sustainability management structure within the Group. The SDSC is empowered to turn the Group's vision into specific actions, to support and monitor the Group's sustainable development strategy and its implementation within the subsidiaries, and to define and implement communication programmes. The SDSC

incorporates key areas of responsibility under the chairmanship of the Chief Operating Officer and the coordination of the Director of the Sustainable Development Department (SDD), as shown below.

The SDSC strongly encourages vertical integration at subsidiary level, calling for regular quarterly meetings chaired by the country Managing Directors and engaging managers from human resources, health and safety, environment, communication, legal, customer and supplier relations. Meanwhile sustainable development is often a Board level agenda item through dedicated quarterly meetings with CEO and COO. This has certainly increased broader top management awareness on sustainable development making it an integral part of the Group's decision making processes. In early 2008, SDD begun the process of standardisation promoting an effective off-shore policy based on challenging minimum requirements. The Group aims to have a full set of standards in place starting from main health, safety and environmental issues. These standards set minimum compliance criteria regardless of each country's legislation or common practices. The team was fully dedicated to this process in 2009 and will continue its efforts in 2010. At the same time, SDD launched an internal action plan aimed at implementing missing or incomplete policies, management systems,



auditing and reporting systems. The action plan engages all relevant Group functions and subsidiaries in the required implementation phase. SDD continuously supports the Group and its subsidiaries through dedicated workshops, targeted communication, audits, site visits, assistance, training, sharing of best practices and on-site activities. Moreover, SDD has been strongly involved in the «Risk and Compliance programme» aimed at managing all potential risks through a responsible and sustainable approach, as reported in page 12. SDD also took part in the latest Strategic Planning discussions. The Group chose to give priority to those activities impacting its most pressing public commitments in areas such as legal compliance, loss of competitiveness, social and environmental risks. Consequently the following topics were selected: climate protection, emissions to atmosphere, dismissed sites and occupational hygiene. Confirming the

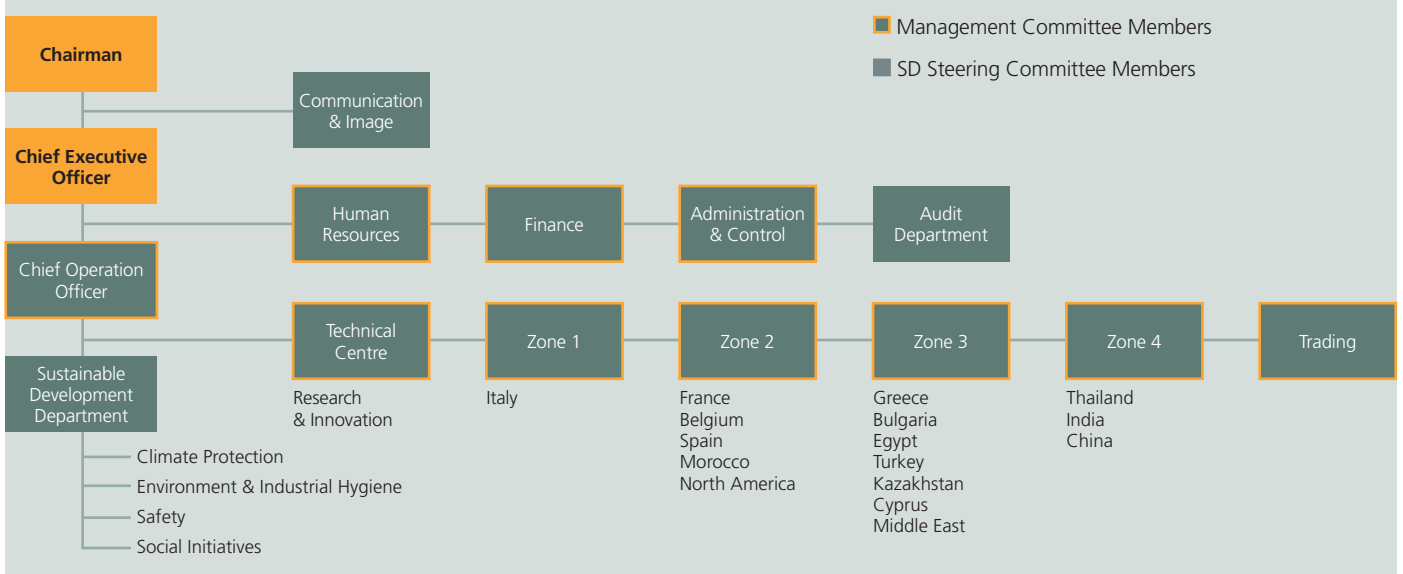
effectiveness of its sustainability management, the Group consolidated its presence in the World Business Council for Sustainable Development through the membership of all local subsidiaries to existing WBCSD regional network, as explained in page 8. Similar steps will be followed for the UN Global Compact membership. The Group has been included in the Sustainability Yearbook 2010, the most comprehensive annual report on corporate sustainability published by Sustainable Asset Management. The Group has been awarded SAM Bronze Class, for which one must score in 15% of companies assessed in a given sector.

Further information is available on the corporate website, under the Sustainable Development section.

Group policies

All Group Policies draw their inspiration from international references such as the

ITALCEMENTI GROUP'S MANAGEMENT STRUCTURE FOR SUSTAINABLE DEVELOPMENT



All Italcementi Group's Policies are inspired by international values and standards.

United Nations Universal Declaration of Human Rights, the International Labour Organisation standards, the SA 8000 standard, the OECD guidelines on Multinational Companies and are reinforced by the Group Codes, by the agreement between the Group and the Building and Wood Workers International (BWI) and by the membership in WBCSD. Policies are translated into local languages, communicated to employees and regularly updated. Policies are available under local and corporate websites.

The **Charter of Values**, signed by the Group's Chairman, states the basic principles for everyone working within the Group. It is designed to guide staff in their behaviour with costumers, institutions and public authorities, competitors, shareholders, markets and non-governmental organisations and any other relevant Group's stakeholder. The Charter of Values outlines the Group's commitment to the following principles: honesty, fairness, integrity, transparency and mutual respect in managing the company and stakeholder relationships. It is the starting point for all Group Policies.

The **Safety Policy**, signed by the Group's Chief Executive Officer, aims to achieve Zero Accidents at all sites and to eliminate workplace injuries. Key principles are: prevention, adoption of 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 behaviour by each employee, contractor and third party working or engaged with the Group. The policy is accompanied by suitable audit activities. The Group's Safety Policy is due to be updated in 2010.

The **Environment Policy**, signed by the Group's Chief Executive Officer, 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 impact, 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 programmes. The Group's Environment Policy is due to be updated in 2010.

Contractors and subcontractors are required to strictly follow the same employment laws and ethical principles as those applied to Group's employees. The objective is to guarantee adequate health and safety conditions, limit particularly unpleasant situations or unusually demanding tasks, and implement all the necessary actions to develop and extend awareness

and professional skills. Subcontractors' performance is constantly monitored by the Group.

The Code of Ethics incorporates principles of **Antitrust Policy**: Italcementi Group is committed to act independently from other competitors, to compete on merit and to create competitive advantage by exclusively leveraging its own capabilities and competencies. All employees, officers and/or directors within the Group are responsible for carrying out their duties in strict compliance with the principles outlined in the Policy, which not only apply to the relationship with competitors, but also to those with customers, suppliers, contractors and any other business entities. The Group implements the policy principally through specific training programmes, communication and audit reviews.

The Group has recently launched the Antitrust Compliance Programme, providing a formal framework to ensure that the business as a whole complies with antitrust laws, and to minimize risks by assisting companies in the identification of existing or potential infringements at an early stage in order to undertake suitable remedial actions.

This programme will be fully implemented by year 2013, as reported in the Targets Table in page 6. The Group's Sustainable Development Department (SDD) will issue necessary policies in the framework of



Italcementi Group's safety management system is based on strong commitment, clear accountability, safety-focused leadership and continuous improvement through audits.

sustainability and will promote the revision of the Group's Codes.

Further information is available on the corporate website, under the Sustainable Development section.

MANAGEMENT SYSTEMS

Risk management

As outlined in the 2008 SD Report, the Group launched a three year «Risk and Compliance Programme» to reinforce the overall risk management infrastructure based on the identification, measurement, management and control of the Group's most significant risk exposures. Implementing a risk management system means having business policies covering statements of principles, relevant processes and procedures, clear assignment of roles and responsibilities, improvement of personnel knowledge, skills and expertise and effective reporting systems. The programme, implemented with the support of an external consulting firm, is structured around four phases.

■ **Set up:** development of the Italcementi Risk Model, selection of risk categories threatening the achievement of strategic

business objectives and development of risk assessment methodologies and tools.

■ **Risk assessment:** identification and analysis at country and corporate level of major risk events, evaluation of their financial and non financial impact as well as their probability of occurrence, consolidation of risk assessment results to provide an aggregate view of the Group's risk portfolio.

■ **Risk Mitigation:** for significant risk events, selection of appropriate risk management strategies and definition of the related risk governance rules to properly address relevant risks within the Group's development, at corporate and country level, of specific risk mitigation actions to align and improve the existing risk management capabilities.

■ **Risk Governance and Implementation:** development and implementation of specific risk policies at Group level, implementation of risk management action plans, consolidation and roll out of the enterprise risk management process.

The first three phases were completed in 2009, as shown in the diagram below.

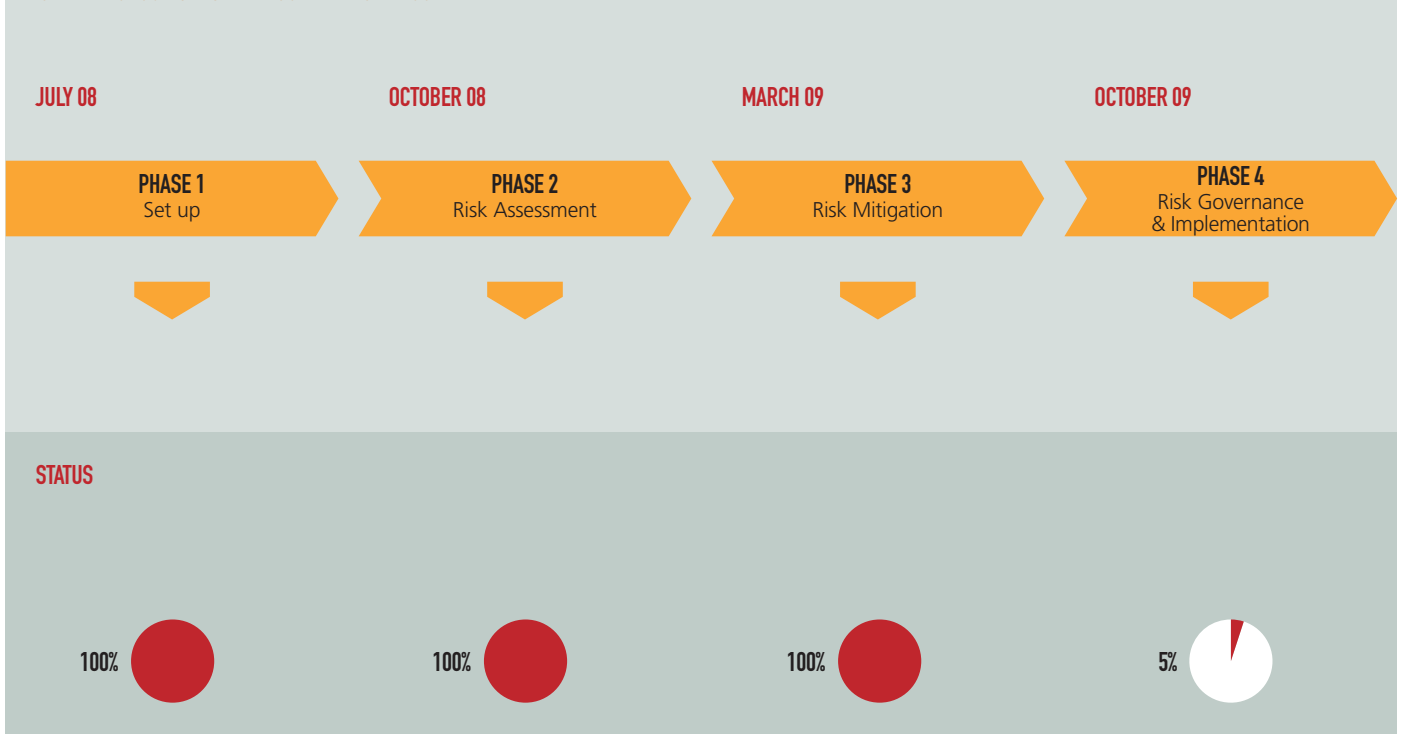
Phase four, covering the implementation of the agreed actions plans for the alignment and enhancement of existing risk management infrastructure throughout the Group, began in October 2009 and is expected to be completed by 2012, as reported in the Targets Table in page 6.

Eighty managers at Country and Corporate level fully participated in the first three phases of the programme implemented so far. Responsibilities and risk management targets have already been introduced in the management's long term incentive schemes. In 2010, a Chief Risk Officer, reporting directly to the CEO, will be appointed in order to continuously enhance, facilitate and manage the process within the Group. For this reason, among other enhancements, the present Risk and Compliance web-portal will be updated in order to facilitate collection and sharing of relevant risk management information and a structured enterprise risk management policy will be issued at Group level.

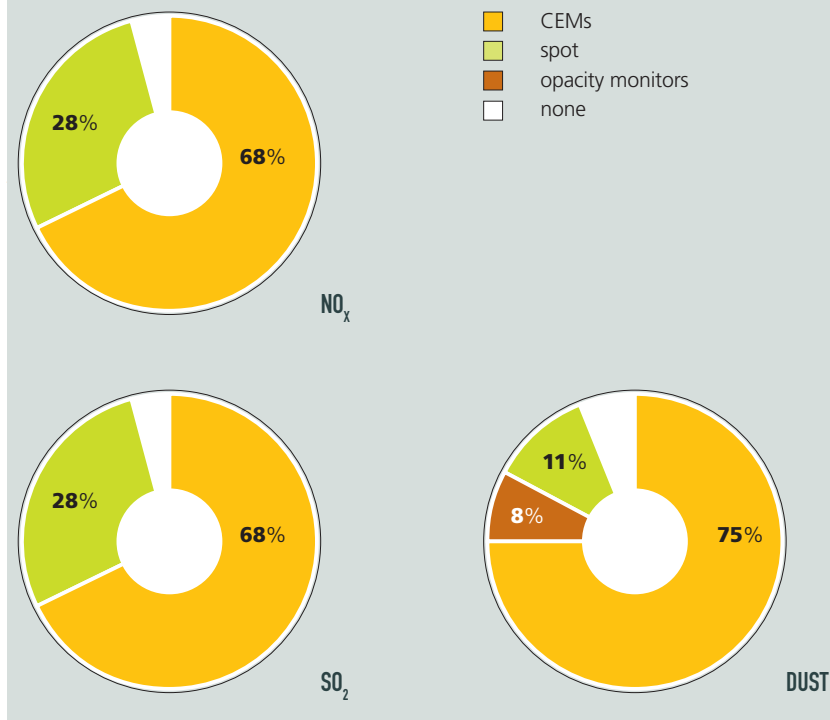
Safety management

The safety of employees, contractors, customers, suppliers, visitors and any other stakeholder potentially involved in the

ITALCEMENTI GROUP'S RISK AND COMPLIANCE PROGRAMME



EMISSIONS MONITORING SYSTEMS (2009)



Group's activities is of utmost importance. The Group's safety management system is based on strong commitment, clear accountability, safety-focused leadership and continuous improvement through audits. Excellence in managing safety has long been placed as a key target for the Group. The Zero Accident project was initiated in 2000 to structure a unique approach throughout the Group and to ensure safety in the workplace. Zero Accident remains the Group's shared target in daily activities.

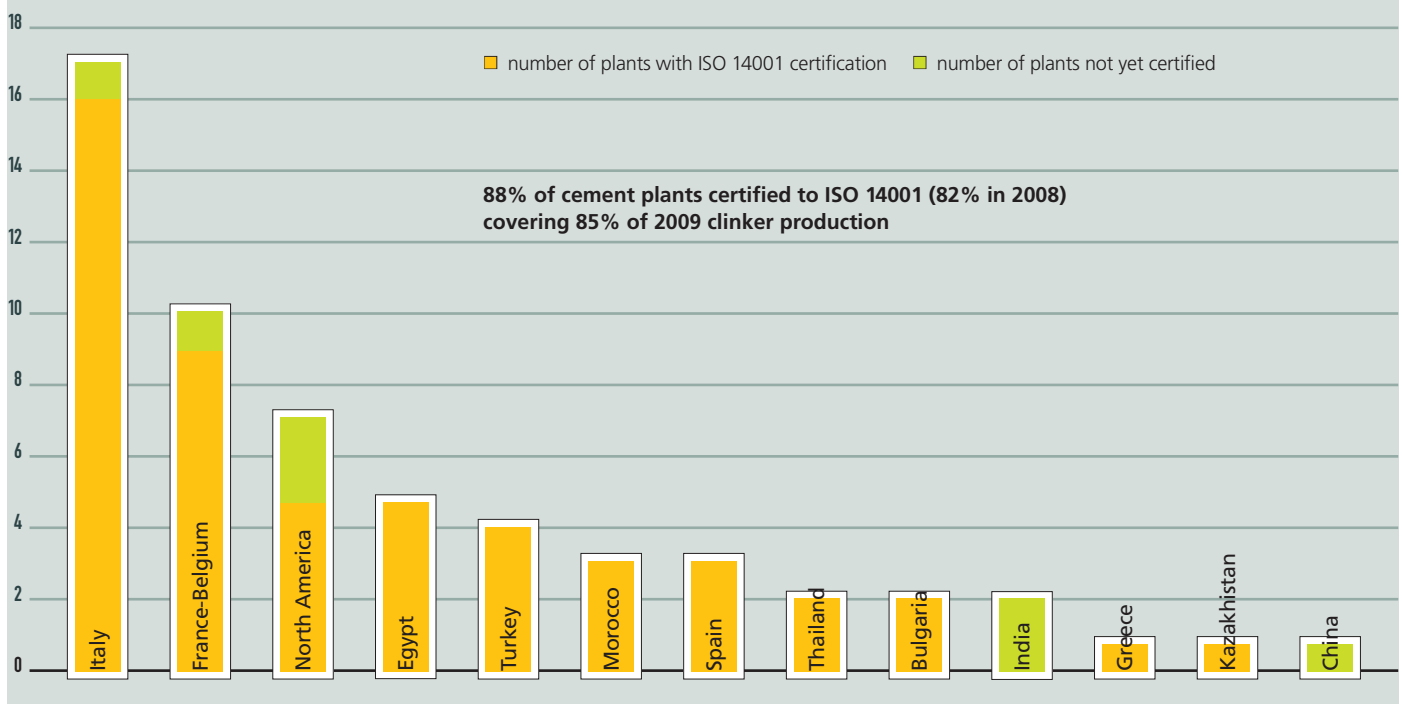
The Group's safety management model is established at country, business and site level, starting from the principles of the International Labour Organisation (ILO). It is centred on safety coordinators at country level and safety animators at site level. Safety management committees meet regularly (at least monthly) to ensure the correct implementation of local safety action plans. All the safety operational indicators are reported and updated monthly in the Group's safety database. Focused training programmes and audit activities, whether

internal or performed by third parties, are fundamental to achieving the target. Training activities cover employees, contractors as well as third parties. Promoting a culture of safety among contractors is one of the main pillars on which the Group has focused its work since mid 2009. The Group is committed to applying safety priorities to contractors that are equal to those assigned to employees under its direct sphere of influence. The aim is to set an example for their safety management through the Group's activities and contract management. Implementing good practices is an effective way to reduce contractor incidents within the Group's premises. Requiring contractors to achieve good safety performance in carrying out their contracts is part of the Group's sustainability policy. More specifically, a dedicated task force involving SDD and the Group's Technical Centre is responsible for addressing social and safety management during the construction of new greenfield plants and major revamping projects.

Environmental management

The Group strongly recommends the adoption of environmental management

CEMENTS PLANTS CERTIFIED ACCORDING TO ISO 14001 (2009)



systems as an effective tool to prevent risk and to prompt continuous improvement. During 2009, three additional cement plants in Canada, Kazakhstan and Turkey obtained the ISO 14001 certification for their environmental management systems. Therefore, presently 51 out of 58 cement plants operating in 2009 received the certification.

The Group is taking all the necessary actions to reach 90% target for certification of clinker production facilities by 2010, as reported in the Targets Table in page 6. Other certification processes have nearly been completed, in line with the Group's plans. Environmental management systems are progressively extended to all the Group's activities in cement, aggregates, ready-mixed concrete and other operational areas. Beside cement plants, 4 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. Public events are organised to celebrate achievement of management systems certification, with the goal of increasing stakeholder involvement and awareness, promoting environmental communication and encouraging transparent accountability of environmental performance. Preventive actions are also implemented through environmental audits conducted by the Sustainable Development Department as part of a long-term programme to conduct inspections on all cement plants every four years. In 2009, this activity targeted cement plants in Bulgaria, Greece, France, Belgium and North America. Therefore, in the last 4 years 31 out of total 58 cements plants have been audited (54% of the cement plants). In 2009, the reduced world market demand and the ongoing restructuring phase led to a reduced number of active kilns (93 kilns in 58 plants in 2009 versus 104 kilns in 61 plants in 2008). Among these active kilns, 52 (representing 56% of total kilns) are equipped with complete Continuous Emission Monitoring systems (CEMs) monitoring at the same time dust, NO_x and SO_2 as suggested by the Cement Sustainability Initiative (CSI). Including the opacity monitors installed in North Amer-



ica to monitor dust, the number rises to 59, representing 63% of total kilns, while another 20 kilns have partial systems. Therefore, 79 kilns are partially or fully equipped with CEMs (85%) while the remainders are kept under constant control through regular spot checks, as shown in previous page. In addition to dust, SO_2 and NO_x , spot monitoring of metals and dioxins is conducted. Particularly in 2009, continuous measurements of volatile organic pollutants were carried out in 42 kilns and spot measurements in 4 more kilns. Metals and dioxins were spot measured in 41 kilns. According to the CSI's approach on the emissions monitoring, the Group has an internal standard requiring additional continuous monitoring of carbon monoxide (CO) and volatile organics (VOC). In all 32 of the operating CEMs are in line with the Group's standard, representing 34% of total kilns. The Group is taking all the necessary actions to reach its targets for kilns equipped with CEMs as reported in the Targets Table on page 6.

Carbon risk management

The *Copenhagen Accord* on Climate Change and the Agreement due to be signed in Mexico, will set a new world sce-

nario where all the major economies will face carbon constraints with their energy intensive industries such as cement will be exposed to carbon risk. The level of risk for the cement industry is directly related to the carbon footprint of individual companies but it is also significantly affected by external factors such as each country's legal framework (e.g. EU Emission Trading Scheme) and the carbon price on the international markets. Experience has shown that the European Emission Trading Scheme, 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 through the price of electricity by the utilities sector. While reducing the carbon footprint of products and processes, the Group manages carbon risk through the use of advanced financial instruments. A financial risk analysis on the long term (up to 2020) is carried out and periodically reviewed at Group level. It is based on accurate emissions tracking and forecasting systems. The strategy to hedge the risk is adjusted according to the results of the analysis and appropriate market instruments are consequently selected (e.g. swaps derivatives). The Group participates

Italcementi Group's suppliers must guarantee the respect of human rights, fair labour practices, health and safety and ethics.

in public private Carbon Funds and maximises the use of credits as to minimize the compliance costs. The Group's development strategy through country and operational diversification reduces its risk exposure in Europe. In addition, operations in developing countries allow the Group to implement carbon reduction projects eligible as Clean Development Mechanisms under the Kyoto Protocol.

Customer relationship management

Customer satisfaction is clearly essential for long-term success and provides comprehensive indicator of the Group's responsiveness to evolving market needs. Measuring customer satisfaction provides an indication of how successful the Group is at providing products and services to the marketplace. As outlined in the 2008 SD Report, the Group defined a standard for Customer Satisfaction Assessment. It is a flexible model, applicable to all the subsidiaries and easily adaptable to satisfy differentiated local expectations and market segmentations. The model is developed based on objective parameters

(KPIs) and subjective indicators (customer perception questionnaires). The results are two quantitative indicators to be monitored and compared: the absolute customer satisfaction index, representing the absolute positioning of the Group, and the relative customer satisfaction index, representing the Group's positioning versus competitors. Both indexes separately take into account the bulk/bag sectors and customers' perception on the Group, products, logistics and services.

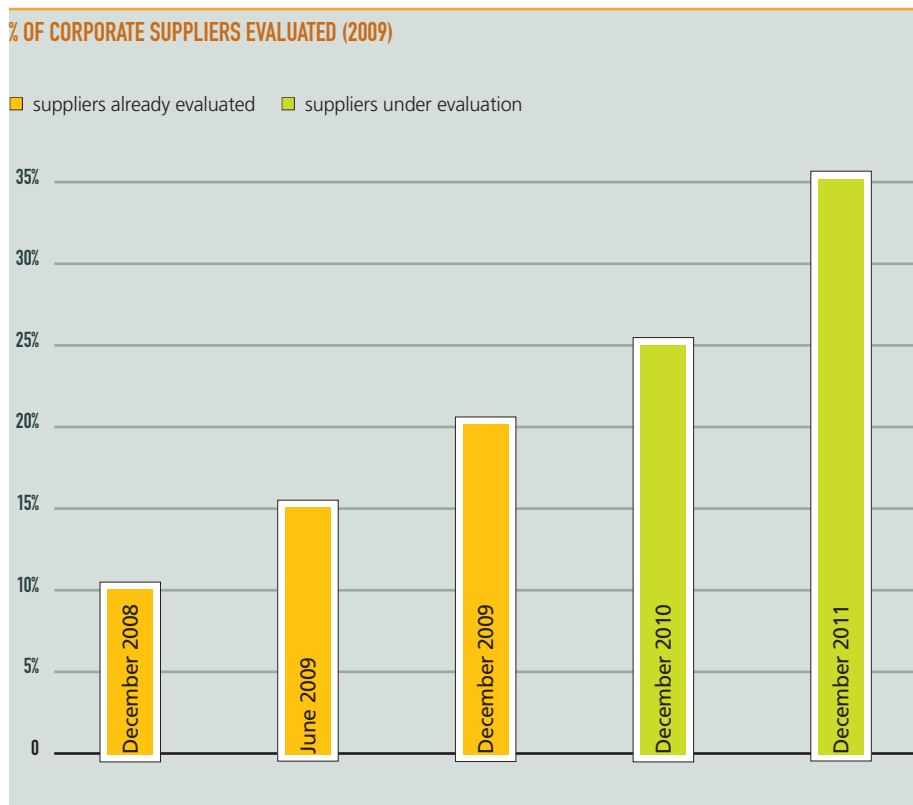
The model is currently in the implementation phase for cement products, but may also be adapted to fit specific characteristics of other sectors such as aggregates and concrete.

So far the Group has implemented a pilot project within its Italian subsidiary. Status of the implementation currently stands at 18%. Full implementation is scheduled to be completed by 2010, as reported in the Targets Table in page 6. The results will provide valuable insight on how to improve the Group's market positioning and to set customer satisfaction targets at corporate level. All the customer complaints are managed and solved at the subsidiary

level in the fastest possible time. Results of customer satisfaction will be available on local websites.

Supplier management

As outlined in the 2008 SD Report, the Group's Supplier Qualification, under the responsibility of the Group's Procurement Department, has begun developing a qualified suppliers' base with high degree of business integrity. This cross-functional effort has continued through the implementation of minimum requirements for suppliers to establish commercial relationships with the Group based on human rights, labour practices, health and safety and ethics. Furthermore, the Group upgraded its checklists for qualification processes and field audits. The Group achieved the objective of qualifying 20% of corporate suppliers according to the Vendor Management procedure and in line with the Group's priorities. The Group is now ready to re-launch its commitment by having 35% of corporate supplier qualified by 2011, as shown below. The experience highlighted the need to improve current procedures in order to align the different approaches and to make the process more flexible. Improvement initiatives are currently in progress. Furthermore the Group updated its Pre-qualification Form through the Group's purchasing portal (EASY Supply). Innovative supplier prequalification data collection and update allows an open dialogue between the Group and its supplier community, which is able to submit relevant information even on a voluntary basis. All data are saved within the Supplier's Dossier keeping an auditable log of all possible updates. The Group will extend the qualification process at subsidiary level by sharing guidelines, information, data collection, updating and filing systems by 2013, as reported in the Targets Table in page 6. This will lead to collecting and sharing of information with local context and constraints related to human rights, labour practices, health and safety, ethics and environment. The process is also in line with the Group's objective of applying equal standards for subcontractor workforce in all its subsidiaries.



ECONOMIC DEVELOPMENT

THANKS TO THE COST-CUTTING PLAN INTRODUCED AS THE CRISIS EMERGED, ITALCEMENTI GROUP WAS ABLE TO MAINTAIN ITS 2009 PROFIT MARGINS AT THE 2008 LEVELS. MOREOVER THE STRONG INCREASE OF CASH FLOWS FROM OPERATIONS, ASSISTED BY INCISIVE ACTION TO REDUCE WORKING CAPITAL, AND A LOWER LEVEL OF FINANCIAL INVESTMENTS BROUGHT AN IMPROVEMENT IN THE NET FINANCIAL POSITION COMPARED WITH THE POSITION AT THE END OF 2008.

VALUE CREATION

With economic and financial conditions remaining extremely difficult and unstable at global level, with the exception of some important emerging countries, the Group has continued its program to contain costs and to keep working capital under tight control. Thanks to the benefits of the cost-cutting plan introduced as the crisis emerged, the Group was able to maintain its 2009 profit margins at the 2008 levels (recurring EBITDA/revenues 19.4%). In addition, the strong increase of cash flows from operations, assisted by incisive action to reduce working capital, and a lower level of financial investments brought an improvement of approximately 10% (259 million euro) in the net financial position compared with the position at the end of 2008.

The measures taken to raise efficiency brought significant savings in variable and fixed costs in 2009, estimated at more than 240 million euro.

In line with the 2009 consolidated financial statement of Italcementi SpA the comparative data for the year 2008 has been restated with the IAS 23R application (capitalisation of borrowing costs).

Customers

As a result of the severe worldwide economic financial crisis in 2009, the Group experienced a reduction in sales volumes in all lines of business although the slowdown eased in the last part of the year. For fully-year 2009 cement and clinker sales totalled 55.7 million metric tons (-11.1% on an historic basis), aggregates sales were 39.1 million metric tons (-17.8%) and ready mixed concrete sales were 11.2 million cubic meters (-19.2%). In cement and clinker operations, the



fall in sales volumes arose largely in the mature countries (especially Italy, Spain and North America) and in Trading. In the emerging countries, performance declined overall, but a slower rate, with trends varying from country to country. While Egypt, Kazakhstan and China reported growth, Morocco maintained the levels of 2008, and the other countries reported a reduction in sales volumes. In 2009, Group revenues totalled € 5,006.4 million, down 13.3% on 2008 (€ 5,775.6 million). The 13.3% fall in revenues compared with 2008 arose from the slowdown in business performance (-13.6%), offset only to a limited extent by a modest exchange-rate effect (+0.4%), whose positive impact in the first nine months faded in the fourth quarter. The consolidation effect was immaterial (-0.1%). At constant size and exchange rates, the revenue decrease affected all macro areas, notably Central Western Europe and North America. Among emerging countries, which as a whole showed a contained decline, performance was positive in Egypt, Morocco, China and Kazakhstan. The action taken by management in all countries to cut variable and fixed costs and boost operating efficiency generated significant savings of around 240 million euro.

Suppliers

In 2009 Italcementi Group spent € 1,712 million (€ 2,420 million in 2008) on raw materials, fuels, utilities and other goods. The decrease was mainly due to the downturn in volumes and to the strong action focused on the working capital reduction. In addition in 2009, € 1,096 million (€ 1,327 million in 2008) were recorded in services.



For Italcementi Group research and innovation are strategic assets inspiring sustainability, enhancing product performances and offering new technologies to the world of architecture.

Personnel

At the end of 2009 the Group employed 21,155 people compared to 22,243 at the end of 2008. Employee cost decreased by 2.6%, down to € 914.6 million from € 938.9 million in 2008.

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. 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 compliance with the values and policies of the Group. Close to 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 form of distinction between local and foreign applicants.

Shareholders

At the end of 2009, the share capital of Italcementi SpA was € 282,548,942 divided into 282,548,942 shares, of which 62.7% Ordinary and 37.3% Savings shares. The Group's net shareholder equity was € 3,353.1 million (€ 3,330.3 million in 2008).

Communities

The Group's Sustainable Development Awareness Programme encourages subsidiaries to develop initiatives in support

of local communities. Each plant must develop an Action Plan in line with Group guidelines and local circumstances in order to meet stakeholders' expectations.

In 2009, the Group earmarked around € 4.7 million in support of local business development, skill building/educational programmes, donations, charities, open door events and sponsorship of cultural, environmental and sports events. For further information on the Group's initiatives please refer to the corporate website.

The "Fondazione Italcementi Cavaliere del Lavoro Carlo Pesenti" is currently undertaking and fostering several humanitarian projects. In 2008 its support raised more than € 2.7 million (€ 2.5 million in 2008). Further information on the Foundation initiatives is available on the corporate website.

INVESTMENTS

Investments in fixed assets totalled 742.3 million euro in 2009, down by 245.4 million euro from 2008 (987.7 million euro), largely as a result of the decrease in investments in non-current financial assets. Capital expenditure, at 680.1 million euro, was comparable with the 2008 level (705.4 million euro); to an increasing extent (approximately 57% of the total compared with approximately 41% in 2008) it referred to the strategic plant projects launched in previous years, which went into operation in 2009 or are due to begin in 2010: Martinsburg (North America), Ait Baha (Morocco), Yerraguntla (India) and Matera (Italy).

Investments in non-current financial assets totalled € 42.8 million (€ 252.9 million in 2008); they referred largely to acquisitions in the ready mixed concrete sector in France (Masoni) and Kuwait



(Gulf Ready Mix). All engineering, procurement, and site construction activities for accomplishing the main projects have been particularly intense. Despite some delays, by end 2009 production started up for clinker and cement at Martinsburg new line (5,000 tons of clinker per day) in North America and just for cement at Ait Baha (Morocco) new greenfield plant. Clinker production' start-up is expected in the first half of 2010 for the new line of Yerraguntla (5,500 tons of clinker per day), for the greenfield plant at Ait Baha (5,000 tons of clinker per day) and for the burning line revamping at Matera (2,200 tons of clinker per day).

As to activities expressly aimed at revamping Devnya cement plant (new 7,000-tons of clinker per day-capacity line), the program has been revised after the decision was made to postpone this project for one year. The new target is to complete both basic and detailed engineering by early 2010 and to entrust a general contractor in the first half of 2010. As to activities aimed at building a greenfield cement plant at Gazalah (Libya). The project will see two 5,000 tons of clinker per day capacity for grey clinker and one 1,600 tons of clinker per day capacity for white clinker.



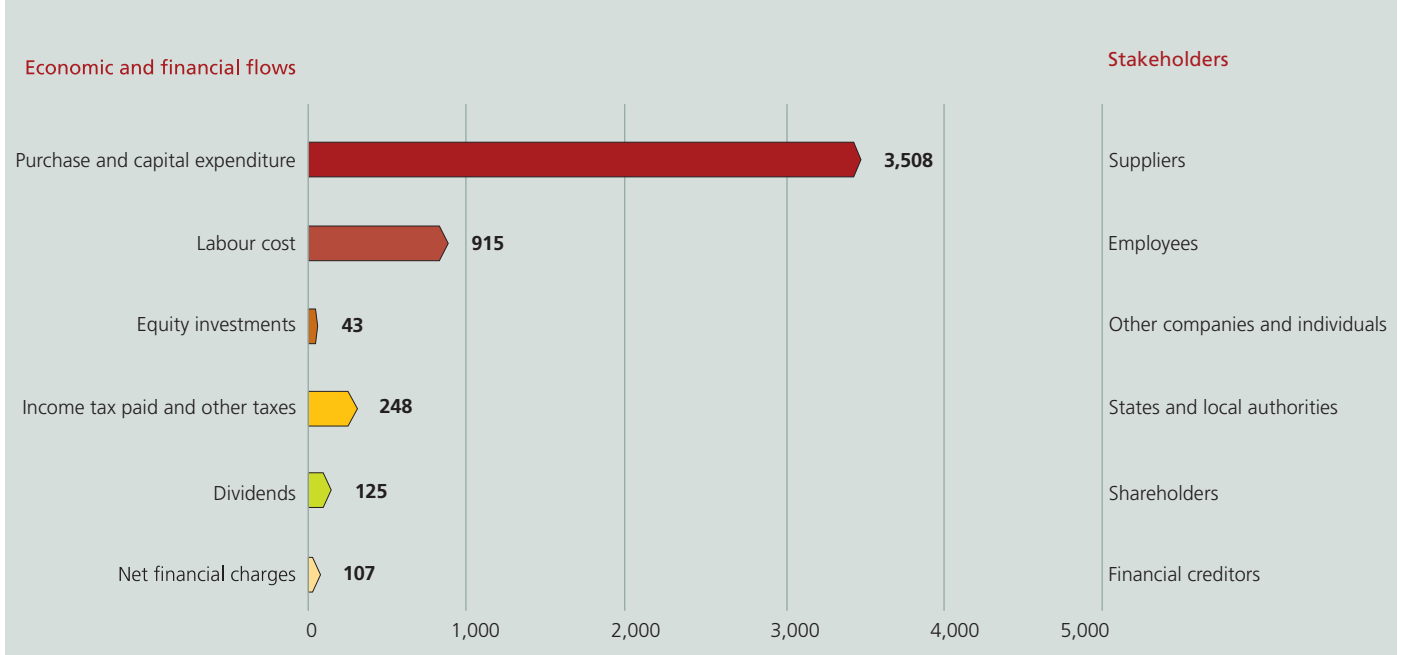
RESEARCH AND INNOVATION

The Group considers research and innovation as a strategic asset providing continuous support to sustainability, enhancing product performances and offering new technologies to the world of architecture. The Group's annual budget for research and innovation was around € 13 million (same level as in 2008) in-

vested in new products, market research activities for accelerating the transfer of new technologies to different markets and collaboration with Universities and research centres through doctorates, theses and sponsorships.

The Group's innovation rate, i.e. the ratio of revenues generated by innovation projects to total sales, is currently 3.2

ITALCEMENTI GROUP'S ECONOMIC AND FINANCIAL FLOWS TOWARDS STAKEHOLDERS IN 2009 (MILLION €)



Innovation in the building sector covers the identification of specific technical performances enabling easier, safer and quicker construction.

Italcementi Group is in the front line of research in CO₂ reducing technologies both by limiting its production and developing its capture and valorisation.

(almost a 10% increase from 2008) progressing as planned towards the medium-to-long term goal of 5, as reported in the Targets Table in page 6. In 2009 the innovation index was included for the first time in Ernst & Young's verification as reported in page 46. The i.lab, the new Italcementi Group's Research Centre under construction at the outskirts of Bergamo (Italcementi Group headquarter), won the prestigious international Green Good Design Award. The building, designed by the architect Richard Meier and part of the Kilometro Rosso Science and Technology Park of Bergamo, meets the most stringent requirements in terms of energy saving and design innovation quality. In addition to its superior architectural features, the building will be at the forefront of technological excellence also thanks to a wide use of alternative energy sources. To top it all, i.lab will be coated with the TX Active® «smog-eating» cement. The Group is co-founder of the Green Building Council Italy, the most important association in the area of sustainable constructions. The main goal is to adapt the LEED Guide for New Construction (due out in early 2010) to the Italian market. Furthermore, as part of the framework for sustainable construction, the Group voluntarily signed the Manifesto for Energy Efficiency in Buildings promoted by the WBCSD, as described in page 23, and is participating in a dedicated Working Group within the Cement Sustainability Initiative. The Group launched the Innovation Improvement Programme with the purpose of better matching market innovation needs and opportunities with research potentials and capabilities. The programme involved all the relevant Group's functions and identified three core work streams: sustainability, performance and aesthetic value.

Sustainability

The Group is in the front line of research in CO₂ reducing technologies either by limiting its production or through its capture and valorisation. The strategy for reducing the production of CO₂ mainly consists of increasing alternatives to Portland cement such as blended cements



or «Alipre technology» products based on the development of sulfo-aluminates clinker. On the biologic valorisation front, the Group is supporting a feasibility study of a pilot plant to capture CO₂ by means of micro-algae which transform it into biomass. Cooperation with the French Environment Ministry on EESI (energy efficiency) and BIO-E (biomass energy) initia-

tives are presently under evaluation. In the area of chemical valorisation, the Group is participating in a study aimed at CO₂ conversion to methanol by means of electro-reduction. The Group also supports the European Cement Research Academy and the Chair «Generating Eco-Innovation» at the University of Paris for studies on CO₂ capture. On saving natural resources, the



Group is studying the feasibility of using recycled materials as aggregates in concrete including industrial by-products, products resulting from thermal valorisation of urban wastes, by-products of energy cycles and recycled glass.

On quality and comfort of living, the Group is offering new materials capable of high levels of thermal and acoustic insulation. For example new types of Fonisocal concrete which contain recycled plastic materials and are ideal for insulated floor screeds. Also the new «thermal cement» is worth mentioning for its thermo-hygro-metric performance optimisation of buildings, either in form of external coatings or of vertical and horizontal inner partitions. Although TX Active® is no more an absolute novelty, even in 2009 one must emphasize the superior performance of photocatalytic cements and derivate products. This has led to a great number of buildings, architectural and functional structures which actively contribute to the fight against air pollution. The commercial success is also due to the productive cooperation with HeidelbergCement which began in 2008 with the agreement for using brand and patents in 12 countries, even where the Group is not present. A new field of research represented by the use of cement as support of thin photovoltaic film is the subject of the research programme Pulsed Electron Deposition for Photovoltaic. The Group's Technical Centre (CTG) started cooperating in «Clear-up» and «PhotoPaq» research projects. The first is a European funded project aimed at reducing energy use in buildings by exploiting environmentally sustainable materials and components. Bringing together technologists and the construction industry, the project aims to increase energy performance in heating, ventilation, air conditioning and lighting systems, and to improve indoor air quality using catalytic purification. The second project is a demonstration of Photocatalytic Remediation Process on air quality. The Group's Research and Development was also present at the UN Climate Summit in Copenhagen through its innovative sustainable photocatalytic products. The Bright Green exhibition in Copenhagen,



the largest parallel event at the COP15 in Copenhagen, offered the Group the opportunity to show an example of photocatalytic solution through a photocatalytic paint containing the TX Active® principle. Finally, Lexus has chosen i.lab as testimonial to the print ad campaign for the launch of the Japanese automaker's new HS hybrid vehicle. The distinctive and innovative design of this building, combined with the highest standards of sustainability and excellence in construction methods, makes the i.lab a landmark in the history of contemporary architecture. All these elements, which express the Group's idea of the future, are blended in Lexus' «Someday» concept and fully recognized in the communication campaign titled «Hello Someday». The pride of being chosen by a world leader in the automotive industry adds up to other outstanding awards that i.lab and its designer Richard Meier have received from the world of architecture and innovation.

Performance

Innovation in the building sector covers the identification of specific technical per-

formance enabling easier, safer and quicker construction. The Group has started studying products for repairing structures damaged by exceptional events such as earthquakes. It is also actively engaged in knowledge transfer of advanced materials, such as self compacting concrete, to emerging countries by leveraging its experience in more mature countries.

Aesthetic value

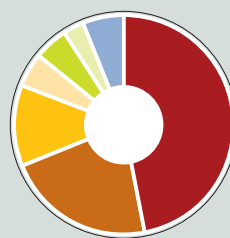
Passion for the world of architecture has often been the primary driver for research of the Group's innovative sensational materials. It is the case of the TX Arca, a type of cement which is preserving the beauty of the church Dives in Misericordia of Richard Meier and of the «transparent cement» that, studied and patented in 2009, is enabling the realisation of the Italian Pavilion at 2010 Shanghai EXPO. Transparent panels are the external wall of the pavilion but become also design elements with different and integrated functions such as internal lighting. Further information is available on the corporate website, under the Research and Innovation and Architecture sections.

ECONOMIC DEVELOPMENT DATA

INNOVATION RATE

	2009	2008	2007	2006	2005
%					
Mature markets	3.8	3.4	2.9	2.5	1.8
Emerging markets	2.7	2.4	1.5	0.9	0.4
Group	3.2	2.9	2.5	2.0	1.5

CEMENT TYPES BY PRODUCTION VOLUME (2009)



Ordinary Portland cement	47%
Limestone cement	22%
Multiple blended cement	12%
Fly ash cement	5%
Slag cement	5%
Pozzolan cement	3%
Others	6%

ITALCEMENTI GROUP'S ECONOMIC AND FINANCIAL FLOWS TOWARDS STAKEHOLDERS (MILLION €)

	2009	2008
Purchases and capital expenditure to suppliers	3,508	4,475
Labour cost to employees	915	939
Income tax paid and other taxes to states and local authorities	248	300
Equity investments to other companies	43	253
Dividends to shareholders	125	172
Net financial charges to financial creditors	107	87

INVESTMENTS BY GEOGRAPHICAL AREA (MILLION €)

	INVESTMENTS IN FINANCIAL ASSETS		INVESTMENTS IN FIXED ASSETS		TOTAL	
	2009	2008	2009	2008	2009	2008
Mature markets	28.1	184.7	418.1	436.8	446.2	621.5
Emerging markets	8.2	44.4	284.7	265.7	292.9	310.1
Trading	9.6	12.0	3.2	6.0	12.8	18.0
Others	5.1	14.1	5.6	32.2	10.7	46.3
Sub-total	51.0	255.2	711.6	740.7	762.6	995.7
Variation in fixed assets debt	-8.2	-2.3	-12.2	-5.9	-20.4	-8.2
Total	42.8	252.9	699.5	734.8	742.3	987.7

GROUP SPENDING FOR MATERIALS, FUELS AND UTILITIES (MILLION €)

	2009	2008
Raw materials and semi-finished products	434.2	684.8
Fuel	378.8	673.1
Other goods	466.9	578
Power, water and gas	431.9	483.9

GROUP SPENDING FOR SERVICES (MILLION €)

	2009	2008
Transport	440.8	497.2
Maintenance	362.8	486.9
Other services	292.6	342.8

EMPLOYEES EXPENSE (MILLION €)

	2009	2008
Wages, salaries, social contributions, provisions and pension funds	804.0	811.8
Other expenses	97.6	113.5
Costs relating to stock options plans	13	13.6

ENVIRONMENTAL PROTECTION

ITALCEMENTI GROUP IS ACTIVELY WORKING ON IDENTIFYING FEASIBLE TECHNOLOGIES TO REDUCE THE CO₂ INTENSITY OF CEMENT PRODUCTION. BY 2012 SEVERAL NEW KILNS WILL START OPERATING IN LINE WITH THE BEST AVAILABLE TECHNIQUES. THE GROUP IS PROMOTING CLIMATE PROTECTION RESEARCH BY LAUNCHING A NUMBER OF PRACTICAL INITIATIVES SUCH AS: RESEARCH ON LOW CARBON CONTENT RAW MATERIAL MIXES, USE OF ALTERNATIVES TO CLINKER AS CONSTITUENTS IN CEMENT, MITIGATION INITIATIVES ACROSS THE SUPPLY CHAIN.

CLIMATE PROTECTION

The building materials sector plays a significant role in economic development whilst at the same time accepting responsibility for its carbon footprint. Being part of the WBCSD Cement Sustainability Initiative (CSI), the Group is actively working on identifying feasible technologies to reduce the CO₂ intensity of cement production. A cornerstone has been the cooperation with the International Energy Agency in the publication of the Cement Technology Roadmap identifying emission reductions up to 2050. The roadmap's technology mitigation options are outlined in a set of 38 technology papers developed by ECRA (European Cement Research Academy), sponsored by the CSI and endorsed by the Group. The Group's reduction targets are measured according to CSI indicators and set against industry benchmarks. Benchmarks are driven from the global cement database, the so called Getting the Numbers Right, developed by CSI and covering over 800 plants around the world.

European sites plus Egypt and the corporate undergo an external verification of CO₂ emissions. Data are used to track performance against targets. By 2012 the Group aims at achieving a target emission factor of 690 kg CO₂ per ton of cementitious materials produced (a 5% reduction from CO₂ emission factor in 1990). New targets will be established in 2010, specifically by country, in response to the Copenhagen Accord's commitments subscribed by developed countries, the NAMAs (NAtional Mitigation Actions) of developing countries and the reduction potential by region as highlighted in the Cement Technology Roadmap. The Group supports its targets by improving thermal



process efficiency, using optimised fuel mix and alternative sources of energy with high levels of carbon-neutral biomass and increasing the precalcined 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. Next year, new kilns in Morocco, India and Italy will build on improvements already achieved this year. In 2009, the Group's performance

EUROPEAN EMISSION TRADING SCHEME

The late 2008 market downturn continued to significantly impact clinker production and related CO₂ emissions well into 2009. Accordingly, for the second consecutive year, the Group registered a surplus of over 4 million tons of CO₂ out of a total allocation of approximately 18 million metric tons. The surplus is managed according to the Group's Carbon risk management strategy for 2008-2020 (phase 2 and 3 of application of the EU ETS directive). Marketing strategy covers access to the EUA spot market and options, EUA/CER swaps, banking from phase 2 to phase 3.

For the cement industry, quarry rehabilitation is the starting point for preservation of biodiversity and protection of ecosystems. Italcementi Group is implementing rehabilitation plans for all active quarries in cement and aggregates operations, beyond local requirements.



confirmed the improving trend of recent years. In mature markets, slower demand led to a focus on production optimisation and to the use of the most efficient kilns. Plants did not always operate at full capacity, experiencing unscheduled shutdowns and reduction in the availability of biomass fuels such as animal meals. Belgium reached the highest peak ever in the use of biomass fuels (around 15% biomass content). In North America, the Group has started eliminating wet clinker processes, in view of the start up of the new plant in Martinsburg. The result was a reduction of almost 8% in specific thermal consumption, cutting nearly 20 kg per ton for clinker from the overall specific emission factor of the subsidiary. In emerging mar-

kets, the Thai plants continually improved the feeding system and increased the feed rate of agricultural waste (rice husk, bark wood) reaching a record 12% energy from biomass. Now similar opportunities are being investigated in Egypt, India and Morocco. In addition to biomass, the feasibility of treated municipal waste and sewage sludge for plants located in the vicinity of main urban areas is under evaluation. This may help the local community by solving the disposal problem and minimizing landfilling costs. Detailed data on CO₂ emissions from cement operations, representing almost 100% of the Group's CO₂ emissions, are provided in page 27. The table in page 29 also provides an estimate of indirect CO₂ emissions from power use

in cement, aggregates and ready-mixed concrete operations.

As described in page 18, the Research and Development Department, in cooperation with SDD, is promoting climate protection research by launching several practical initiatives such as: research on low carbon content raw material mixes for reducing direct emissions from production processes; use of alternatives to clinker as constituents in cement for reducing the carbon content of products; mitigation initiatives across the supply chain, including carbon valorisation and sequestration. Further pursuing sustainability at Group's level, Zuari Cement in India, has established a waste heat recovery project due to be registered as Clean Development

VOLUNTARY TOOLS TO ENFORCE THE GROUP'S ENVIRONMENTAL POLICY

On a voluntary basis and within the framework of sustainable construction, the Group signed the **Manifesto for Energy Efficiency in Buildings** promoted by the WBCSD. By signing the Manifesto, the Group and all other companies taking part in the WBCSD, sent a strong message to the market, stakeholders and employees. Global businesses can set standards of energy efficiency for their commercial buildings that will increase worldwide demand for energy efficient buildings. Additional information is available under the WBCSD website. As a first step in this direction, the Group promoted energy assessments of its headquarter in Bergamo.

In July 2009, the CEO of Italcementi Group Carlo Pesenti and the Italian Minister of the Environment signed a volun-

tary agreement called the **Environmental Protection Pact**. The agreement outlines an ambitious investment plan by Italcementi and its subsidiary Italgem aimed at reducing greenhouse gases and boosting the production of energy from renewable sources. Italcementi investment plan, estimated at around € 510 million by 2013, will foresee the revamping of hydroelectric energy production plants to maintain the installed capacity and construction of photovoltaic solar plants, technological actions to replace part of the fossil fuels used in cement manufacturing plants with waste-derived fuels and the revamping of some of the cement manufacturing plants to increase energy and environmental efficiency of production units. With the implementation of the agreement, significant environmental benefits are expected, such as

reduction of CO₂ emissions and energy saving on fossil fuels (saving forecasted around 760 kt CO₂ per year).

On June 5th 2009, the Group celebrated **World Environment Day** with a series of local initiatives and events carried out around the world through the active support of all subsidiaries.

This initiative promoted by the United Nations, was aimed at raising public awareness on the united fight against climate change. The local events represented a moment of aggregation among the employees, their families and the management, together with the involvement of local authorities, NGOs and other relevant stakeholders who actively participated to meetings, open events and other activities launched by each company.

A responsible use of resources can drive to a lower environmental impact by reducing demand for specific energy sources and materials.

Mechanism (CDM). Heat recovered from the Yerraguntla plant kiln is used to dry wet fly ash, an alternative raw material in cement production. Facing dwindling supply of dry fly ash commonly used in the Indian region the company chose to adopt this innovative technology. Another CDM, on fuel switch, is under preparation at Suez Cement, Egypt. Power economy and switch to green power are pursued worldwide. Energy audit campaigns are regularly carried out at plants, on a rotating basis, by a dedicated team of experts. Cement plants in Europe, North America and South-East Asia are studying waste heat recovery as an option for electricity production or district heating. A first application has been installed in a green field plant in Morocco, Aït Baha.

RESPONSIBLE USE OF RESOURCES

Fuels and raw materials

Cement manufacturing is highly energy and material intensive. Around 99% of the Group's thermal energy consumption is in cement production process. A responsible use of resources can help diminish environmental impact by reducing

demand for specific energy and materials and by drawing on the benefits of alternative fuels and raw materials. The worldwide economic slowdown has led to reductions of clinker/cement production and delivery and therefore lowered fuel consumption. Initially the least efficient kilns were stopped leading to an improvement in average thermal specific consumption. The total clinker produced was 41,868 kilotons (-13.6% compared to 2008) and total fuels consumption for the cement operations was 3,959 kilotons of oil equivalent (ktoe) (-16,8% compared to 2008). The average thermal specific consumption was 3,992 MJ per ton of clinker produced (-2.9% compared to 2008). The new kilns scheduled to come on stream by early 2010 will henceforth trigger a decrease of the Group's specific consumption. The fuel mix shows some changes in emerging countries: the use of pet-coke decreased and the use of fuel oils increased. Changes are mainly due to the lower quantities of clinker and cement delivered in Bulgaria and the robustness of cement market in Egypt. Egypt recorded an increase in oil consumption at the expense of gas. Excluding aggre-

gates production and raw materials used in ready-mixed concrete, the Group consumed 76 million tons of raw materials in cement production (-14.1% compared to 2008) with a specific consumption of 1.4 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

The Group issued guidelines for a responsible use of alternative fuels (AFs) and raw materials (ARMs) based on the CSI's guidelines. In addition to a list of materials that must not be used under any circumstance, the guidelines focus on selection, management and control for using alternative materials. Health, safety and environmental issues related to the use of these materials are also covered by the guidelines. Subsidiaries launched initiatives to increase the use of alternative sources, to minimize impact on the environment, health and safety of workers, end users and public and to build the Group's recycling strategy with the responsible use of materials as their only target. The ratio of

ITALGEN: A NEW PROJECT FOR CLEAN ENERGY DISPENSERS



In the field of renewable energy, the Group's subsidiary Italgem is looking at wind as primary energy source for suitable sites. In Turkey the Group is currently starting construction of a wind farm (140 MW) that will generate Gold Standard Credits for the voluntary market. The Environmental Impact Assessment for another wind farm in Egypt is in progress. The Italgem hydro-power production capacity reached almost 308 GWh, in line

with record high 2008 production, saving about 150 kt of CO₂ emissions and receiving the corresponding Renewable Energy Certificates (RECS). In line with Italgem's objectives and the Groups' sustainable approach, the «Clean Energy Dispensers project» is pursued to give a tangible contribution to corporate commitment on sustainability. The dispenser appearing on Italgem's website provides a real time display of the amount of energy that Italgem's hydropower plants are producing from renewable energy sources, the number of barrels of oil equivalent saved and the corresponding reduction in CO₂ emissions. Clean energy dispensers are located at the Group's headquarters in Bergamo, as a tangible contribution to sustainable development and mobility programmes promoted by

the group. Each dispenser distributes electricity from Italgem's hydropower plants to recharge the company's fleet of electric bicycles and cars. Sustainable mobility at Italcementi Group entails concrete actions aimed at reducing the negative environmental and social impacts generated by the employees' regular commute to and from work. This is accomplished through the promotion of the employees' awareness to the conservation and enhancement of the territory with a considerable and direct benefit to the local community and the environment. As part of a wider awareness programme on energy saving, the Group has adopted a green travel policy as described in page 27. In the field of photovoltaic, the Group installed 760 kilowatt in two cement plants in Italy, saving more than 500 tons of CO₂.



alternative fuels to total Group's energy consumption climbed to 5.4% of energy requirement (4.5% in 2008), equivalent to 214 ktoe (2.8% from biomass versus 2.4 in 2008). The total quantity (in ktoe) was quite stable despite the economic slowdown. The alternative fuels proportion rose to 5.7% in Spain thanks to the use of chopped tires in Añorga and Malaga plants, and to 12.6% in Thailand with the use of bark wood and rice husk and recently chopped tires in Pukrang plant. Use of alternative fuels levelled off at 21.6% in France and 21.0% in Belgium. 5.6% (4,281 kilotons) of all the Group's raw materials used in cement operations were non-quarried. Particularly, alternative raw materials represented 30% (2,885 kilotons) of the materials added to clinker to make ordinary Portland and blended cement. The use of granulated blast furnace slag went down to 1,260 kilotons (-25.7% compared to 2008), reduction in mature countries was due to economic slowdown and the shortage of slag. Consequently clinker ratio was 81.6%, increasing slightly (80.9% in 2008). 4.8% of cement production types contained more than 30% alternative raw materials (4% in 2008), while almost two thirds of the global product range contained non-quarried materials.

Quarries and the landscape

For a cement producer, quarry rehabilitation is the starting point for preservation of biodiversity and protection of ecosystems. The Group is implementing rehabilitation plans for all active quarries in cement and aggregates operations, beyond local requirements. Rehabilitation plan is a written document providing detailed description on the progressive restoration

and rehabilitation activities at different stages or, if already defined, on the final use of the quarry, and extensively addressing the biodiversity value of the site. Quarry rehabilitation aims to turn quarried land into a stable, safe state, compatible with its natural environment and suitable for the proposed future use of the land. Rehabilitation objectives may focus on issues such as tourism, environmental education or mixed land use. Biodiversity enhancement occurs in the process usually thanks to engagement with local stakeholders. WBCSD engaged the Group for issuing quarry rehabilitation guidelines, including biodiversity indicators and partnerships with NGOs for the monitoring of natural species. Examples of best practices in

terms of quarry rehabilitation were collected and published on the WBCSD website. Exemplary case studies from Group's operations in Bulgaria, India, Morocco, Spain and Thailand were selected. In 2009, the Group lists 273 quarries, 74 of which contain, or are adjacent to areas designated for their high biodiversity value. 221 quarries (80% of the total) had a rehabilitation plan in place, achieving the 2010 target earlier than expected. The Group set a new target of having 90% of quarries with a rehabilitation plan by 2012. Detailed information on the Group's quarries is available in page 29. The United Nations declared 2010 to be the International Year of Biodiversity. It will be a celebration of life on earth and of the value of biodiversity for our lives. The Group will take the opportunity to explore worldwide relationships with the International Union for the Conservation of Nature (IUCN) as partner/stakeholder for its quarry rehabilitation plans. Planning new sites design and plant architecture represents a chance for the Group to demonstrate its commitment to sustainability as new construction clearly impacts the landscape. The Group engages stakeholders, mainly local

CLEAN WATER FOR THE WORLD

As part of efforts to reduce its water footprint, the Group adopted the WBCSD's Global Water tool. It is a tool that helps companies map their water use and assess risks to their global operations. Thanks to this tool, the Group will know how many sites are in extremely water-scarce areas and how many of its employees live in countries that lack access to improved water and sanitation.

The tool delivers several indicators defined by the Global Reporting Initiatives. Additional information is available on the WBCSD website.

As soon as the Group consolidates the new indicators, it will be able to set different targets on water consumption, addressing water emergency in all countries in which it operates.

On March 22nd 2009, the Group cel-

ebrated **World Water Day** with a series of local initiatives and events carried out around the world through the active support of all subsidiaries. This initiative, promoted by the United Nations, was aimed at raising public awareness on the critical role of water for life.

Water has been increasingly recognized as a key factor in sustainable development by all major industrial sectors, including building materials.

Italcementi Group doesn't stand on the sidelines and shares the vision of a more responsible use of water in both working and family environments. The company, being also part of the WBCSD, concurs with the UN "Water for Life Decade", a ten years project which aims to promote efforts to fulfil international commitments on water and water-related issues by 2015.

authorities and communities, whenever planning new site designs. Modern industrial operations may 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. Beyond quarry rehabilitation and architectural camouflage, the Group is always working on the mitigation of other environmental impacts, such as noise, dust and traffic.

Consultation with local stakeholders is fundamental to identify their expectations and inform them on the ongoing social and environmental programmes. All the Group's subsidiaries are asked to follow the Group's approach by regularly implementing the Environmental and Social Impact Assessment (ESIA) guidelines as suggested by WBCSD.

Water management

Cement and aggregates operations account for the majority of the Group's water withdrawal and consumption. Water is used in production processes, equipment cooling and dust control. The total water withdrawal was 34.4 million cubic meters. It includes water volumes pumped out of the quarries to dry them and allow operations.

Water consumption was 14.1 million cubic metres (-20.0% compared to 2008) and 0.27 cubic metres per ton of cement produced (-10.0% compared to 2008). The stopping of some wet process kilns helped specifically to reduce water consumption. In addition, 24.5 million cubic meters were consumed for aggregate production exclusively in France. Further information is available on page 29.

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. The cement plants and grinding centres consumed 6,254 GWh (-12.7% referred to 2008). The specific consumption was around 119 kWh/t cement. Additional information is available on page 29.



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. The average waste production in the cement operations was about 1.7 kg per ton of cement, the vast majority being non-hazardous. Additional information is available on page 29.

TRANSPORT AND LOGISTICS

Efficient transportation of fuels, raw materials and end products is key to reducing the environmental impacts of the Group's activities. 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 27.

The Group's Interbulk Trading, a major cement trading company, offers first class commercial, logistics and shipping services for trading of clinker, ordinary and special cements, mineral products and solid fuels worldwide. The Group's fleet and cargos are covered by insurance, following the best practices in the field. Interbulk's shipping guidelines are in line with the Group's sustainability strategy and commitment. In addition to providing top grade materials, the Shipping and Maritime Logistics Department of Interbulk is responsible for organizing safe and reliable maritime transportation anywhere in the world. The aim is to provide

a shipping service matching the Group's needs and high performance standards, at the best competitive market prices. This ambitious goal is achieved through a continuous increase in volumes and scale of operations, wider network of shipping activities at Group's level, top notch market knowledge and spread «shipping culture» within the Group. Considering the ever-growing value of freights and the fact that shipping is becoming a key to success, a focused number of strategic partnerships were selected to create a network of alliances among ship-owners and industrial producers. Through the shipping organisation, the Group is in the positioning of ensuring all the steps of the maritime logistic value chain. In 2009, chartered vessels were 475.

As anticipated in the 2008 SD Report, the Group adopted a green travel policy for non-industrial vehicles, mainly 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. Further information is available on page 26.

AIR EMISSIONS

The Group is committed to monitoring and reducing its emissions to the atmosphere. As outlined in the Targets Table in page 6, the Group already set specific targets for the continuous monitoring systems for cement kilns:

- CEMs for monitoring emissions of dust, SO₂ and NO_x by 2010, according to CSI.
- CEMs for monitoring emissions of dust, SO₂, NO_x, CO and VOC by 2012, according to the Group's standard.

Italcementi is committed to monitoring and reducing its air emissions. The Group already set specific targets for the continuous monitoring systems for cement kilns.

The Group's targets require the following emission levels to be met: 130 g/t clinker for dust, 570 g/t clinker for SO₂ and 1760 g/t clinker for NO_x. Over the last four years, the Group cut SO₂ emissions by 39% and NO_x emissions by 16%, whilst it is still levelling for dust. Major improvements will come from ongoing revamping projects. Following the Group's process of standardisation and commitment to sustainability regardless of country-specific legislations, the following table provides the Group's off-shore production facilities complying with home country environmental standards.

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 in spite of improvements made in Bulgaria and Kazakhstan with new electrostatic precipitators installed at Vulkan plant and Shymkent plant respec-

% OF CLINKER PRODUCED IN PLANTS WITH PERFORMANCES BELOW GROUP TARGETS (2009)			
	dust	SO ₂	NO _x
Italy (home country)	100%	57%	56%
Other subsidiaries	47%	78%	77%
Group	55%	75%	74%

tively. The least efficient kilns were first stopped with the economic slowdown leading to additional reductions of dust emissions in Bulgaria and Turkey. The specific emissions for NO_x decreased in 2009 because of new selective non-catalytic NO_x reduction systems (SNCR) now in operation at Añorga and Malaga plants in Spain, Vibo plant in Italy and Villiers plant in France. SNCR is mainly being applied in Belgium, France, Italy, Spain and Canada subsidiaries.

Specifically emission for SO₂ decreased in mature and emerging countries as well because of economic slowdown which led to

stopping the least efficient kilns and allowing improvement to the operation of some other kilns. The investments taking place in Egypt, India, Kazakhstan, and Morocco and in the US will allow the Group to reduce its emissions. Additional information on the Group's air emissions in cement operations is provided on page 28.

As outlined in the 2008 SD Report, the Group issued standard setting minimum requirements for both monitoring activities and emission levels, regardless of the countries' legislation. The table hereunder summarises details on the Group's monitoring activities.

		dust	SO ₂ ⁽¹⁾	NO _x ⁽²⁾	CO ⁽³⁾	VOC ⁽⁴⁾	benzene	PAH ⁽⁵⁾	dioxins ⁽⁶⁾	metals 1 ⁽⁷⁾	metals 2 ⁽⁸⁾
Mature markets: 53 kilns	monitored	40	49	49	49	39	36	36	36	36	36
	meeting Group standard for emissions	35	20	26	42	39	35	29	36	35	36
Emerging markets: 40 kilns	monitored	40	40	40	36	7	-	-	5	5	5
	meeting Group standard for emissions	16	40	37	33	7	-	-	3	5	4
Group: 93 kilns	monitored	80	89	89	85	46	36	36	41	41	41
	<i>in continuous</i>	70	63	63	49	42	-	-	-	-	-
	<i>spot</i>	10	26	26	36	4	36	36	41	41	41
	meeting Group standard for emissions	51	60	63	75	46	35	29	39	40	40
(1) sulphur dioxide (2) nitrogen oxide (3) carbon monoxide (4) volatile organic compounds (5) polycyclic aromatic hydrocarbon							(6) sum of dioxins and furans as I-TEQ (7) sum of mercury, cadmium and tellium (8) sum of antimony, arsenic, lead, chromium, cobalt, copper, manganese, nickel and vanadium				

ENVIRONMENTAL DATA

CEMENT: ENVIRONMENTAL PERFORMANCE

CO₂ gross emissions⁽¹⁾		1990	2006	2007	2008	2009
Mature markets		668	700	704	708	693
Emerging markets	kg/t _{cement}	820	775	762	747	737
Group		725	737	733	728	717
Mature markets		22,030	21,662	21,756	20,459	15,778
Emerging markets	million t	16,053	23,393	24,108	23,120	20,957
Group		38,083	45,055	45,864	43,579	36,734

(1) Gross CO₂ emissions do not account for use of pure biomass as fuel

CO₂ net emissions⁽²⁾		1990	2006	2007	2008	2009
Mature markets		635	687	690	695	677
Emerging markets	kg/t _{cement}	820	774	762	746	736
Group		704	730	726	721	710
Mature markets		20,938	21,261	21,337	20,068	15,460
Emerging markets	million t	16,053	23,393	24,108	23,101	20,929
Group		36,991	44,654	45,445	43,168	36,335

(2) Net emissions are the gross CO₂ emissions further discounted for emissions from burning any kind of alternative fuels

Air emissions: emission factors and % of coverage			2006	2007	2008	2009
Mature markets	dust		84	26	24	22
	SO ₂	g/t _{clinker}	1,040	803	677	593
	NO _x		2,290	1,962	1,866	1,709
Emerging markets	dust		306	304	304	307
	SO ₂	g/t _{clinker}	453	467	431	331
	NO _x		1,405	1,194	1,226	1,280
Group	dust		199	187	190	199
	SO ₂	g/t _{clinker}	757	638	545	440
	NO _x		1,863	1,584	1,520	1,453
	organics	g/t _{clinker}	-	49	50	37
	metals ⁽¹⁾	mg/t _{clinker}	-	29	33	35
	dioxins ⁽²⁾	ng/t _{clinker}	-	18	54	44

(1) sum of mercury, cadmium and thallium (2) sum of dioxins and furans as I-TEQ

Air emissions: yearly emissions			2006	2007	2008	2009
Mature markets	dust		2.0	0.6	0.5	0.4
	SO ₂	kt	24.8	19.3	15.3	10.5
	NO _x		54.7	47.1	42.0	30.2
Emerging markets	dust		7.9	7.8	7.9	7.3
	SO ₂	kt	11.7	12.1	11.1	7.9
	NO _x		36.1	30.8	32.0	30.5
Group	dust		9.9	9.3	9.2	8.3
	SO ₂	kt	37.5	31.7	26.4	18.3
	NO _x		92.4	78.9	73.8	60.6

Alternative raw materials: breakdown by type		2006	2007	2008	2009
Blast furnace slag		35.3%	30.4%	32.3%	29.4%
Fly ash		30.1%	20.7%	24.2%	27.2%
CKD & BpD		0.0%	12.4%	12.7%	11.1%
Industrial gypsum		10.2%	6.3%	6.3%	6.1%
Iron substitutes		0.0%	4.6%	3.8%	2.9%
Silicon substitutes		0.0%	4.3%	2.6%	14.7%
Foundry sand		4.0%	2.8%	2.2%	1.0%
Calcium substitutes		0.0%	6.1%	1.5%	2.1%
Aluminium substitutes		0.0%	0.7%	0.7%	1.0%
Biomass ash		0.0%	0.7%	0.5%	0.6%
Other		20.5%	11.0%	13.2%	3.9%

Alternative fuels: breakdown by type		2006	2007	2008	2009
Animal meal		29.6%	26.1%	24.8%	22.1%
Liquid		26.7%	25.3%	21.0%	19.5%
Agricultural		3.6%	8.9%	18.3%	19.8%
Waste oils		9.7%	10.7%	8.8%	8.5%
Tires and rubber		10.8%	9.1%	7.8%	8.9%
Solid		11.3%	7.9%	7.0%	6.0%
Plastic		0%	4.9%	5.6%	7.0%
RDF		1.3%	5.2%	4.9%	6.5%
Sludge		7.0%	1.9%	2.0%	1.6%

GREEN TRAVEL POLICY

Car fleet CO₂ specific emissions		target	2007	2008	2009
EU Countries	Bulgaria	130	230	230	152
	France/Belgium	130	142	141	144
	Greece	130	166	164	158
	Italy	130	143	140	136
	Spain	130	150	145	143
Non-EU Countries	China	246	338	315	312
	Egypt	229	314	305	301
	Kazakhstan	243	333	333	333
	India	157	215	206	174
	Morocco	170	233	204	200
	North America	246	337	333	328
	Turkey	130	153	144	145
Thailand	174	238	224	219	

ENVIRONMENTAL DATA

CEMENT, AGGREGATES, READY MIXED CONCRETE: ENVIRONMENTAL PERFORMANCE

		CEMENT				AGGREGATES		READY MIXED CONCRETE	
Raw materials		2006	2007	2008	2009	2008	2009	2008	2009
Mature markets		43.0	45.0	42.2	33.2	-	-	-	-
Emerging markets	million t	45.2	45.6	46.3	42.7	-	-	-	-
Group		88.2	90.6	88.5	75.9	-	-	-	-
Mature markets		5.7%	7.2%	7.3%	6.7%	-	-	-	-
Emerging markets	% _{alternative}	2.9%	4.6%	4.7%	4.8%	-	-	-	-
Group		4.3%	5.9%	5.9%	5.6%	-	-	-	-
Clinker/cement ratio									
Mature markets		78.4%	78.3%	78.2%	78.8%	-	-	-	-
Emerging markets	% _{clinker}	86.2%	85.0%	83.5%	83.9%	-	-	-	-
Group		82.0%	81.5%	80.9%	81.6%	-	-	-	-
Thermal energy consumption									
Mature markets		4,080	4,057	4,058	3,926	-	-	-	-
Emerging markets	MJ/t _{clinker}	4,093	4,158	4,117	4,002	-	-	-	-
Group		4,087	4,110	4,089	3,970	-	-	-	-
Mature markets		97,470	97,723	91,360	69,820	-	-	-	-
Emerging markets	million MJ	105,219	107,610	106,881	96,395	-	-	-	-
Group		202,688	205,333	198,240	166,215	-	-	-	-
Mature markets		8.7%	7.7%	7.8%	9.8%	-	-	-	-
Emerging markets	% _{alternative}	0.5%	0.9%	1.8%	2.3%	-	-	-	-
Group		4.4%	4.2%	4.5%	5.4%	-	-	-	-
Power consumption and indirect CO₂									
Mature markets		129.6	129.9	131.3	128.4	1.7	2.7	3.3	5.1
Emerging markets	kWh/t _{cement}	113.6	112.5	109.9	111.0	1.5	2.2	1.9	2.2
Group		122.3	121.6	120.5	118.9	1.7	2.6	2.9	4.2
Mature markets		4,126	4,034	3,804	3,064	68	84	25	34
Emerging markets	million kWh	3,281	3,327	3,351	3,190	5	7	7	6
Group		7,407	7,361	7,155	6,254	72	91	32	41
Group	million t CO ₂ equivalent			3,210	2,770	0.023	0.021	0.008	0.008
Water consumption									
Mature markets		-	-	0.27	0.26	0.46	0.77	0.25	0.24
Emerging markets	m ³ /t _{cement}	-	-	0.33	0.27	0.02	0.04	0.30	0.29
Group		-	-	0.30	0.27	0.43	0.71	0.27	0.26
Mature markets		-	-	7.8	6.3	18	24	2	2
Emerging markets	million m ³	-	-	9.8	7.8	0	0	1	1
Group		-	-	17.6	14.1	19	25	3	2
Quarry management									
Mature markets	number of quarries			111	107	98	95	-	-
	<i>operating in sensitive areas</i>			35	35	39	37	-	-
	<i>with rehabilitation plan</i>			102	98	91	95	-	-
Emerging markets	number of quarries			69	66	5	5	-	-
	<i>operating in sensitive areas</i>			2	2	0	0	-	-
	<i>with rehabilitation plan</i>			11	25	2	3	-	-
Group	number of quarries			180	173	103	100	-	-
	<i>operating in sensitive areas</i>			37	37	39	37	-	-
	<i>with rehabilitation plan</i>			113	123	93	98	-	-
Waste management									
Mature markets	kt of total waste produced			35.7	22.4	-	-	-	-
	<i>kt of hazardous waste</i>			2.3	2.7	-	-	-	-
Emerging markets	kt of total waste produced			51.8	67.4	-	-	-	-
	<i>kt of hazardous waste</i>			0.3	1.6	-	-	-	-
Group	kt of total waste produced			87.5	89.8	-	-	-	-
	<i>kt of hazardous waste</i>			2.6	4.3	-	-	-	-
Transport									
Mature markets	road			92%	95%	93%	94%	100%	100%
	railways			4%	2%	1%	0%	0%	0%
	waterways			5%	2%	6%	6%	0%	0%
Emerging markets	road			93%	92%	97%	98%	100%	100%
	railways			5%	6%	0%	0%	0%	0%
	waterways			1%	2%	3%	2%	0%	0%
Group	road			93%	94%	94%	94%	100%	100%
	railways			5%	4%	1%	0%	0%	0%
	waterways			3%	2%	6%	6%	0%	0%
Fines and penalties									
Mature markets				642.8	1,080.2	9.0	275.0	-	-
Emerging markets	k€ for environmental non compliance			38.7	1,664.7	0.0	0.0	-	-
Group				681.5	2,744.9	9.0	275.0	-	-

SOCIAL RESPONSIBILITY

WITHIN THE FRAMEWORK OF THE ZERO ACCIDENTS PROJECT, 2009 WITNESSED THE REINFORCEMENT OF ITALCEMENTI GROUP'S APPROACH TO SAFETY IN THE WORKPLACE, YIELDING POSITIVE RESULTS AND RENEWED DRIVE TOWARDS THIS ONGOING CHALLENGE. BESIDES SAFETY IN THE WORKPLACE, INDUSTRIAL HYGIENE AND WORKERS' HEALTH, PRODUCT RESPONSIBILITY, THE PROTECTION OF HUMAN AND WORKERS' RIGHTS ARE THE PILLARS OF THE GROUP'S SOCIAL COMMITMENT.

HEALTH AND SAFETY

Safety in the workplace

Within the framework of the Zero Accidents project, 2009 witnessed the reinforcement of the Group's approach to safety in the workplace, yielding positive results and renewed drive towards this ongoing challenge. Visible leadership of management, effective involvement of contractors and motivation of third parties within the Group's sphere of influence were the key success factors.

In 2009, work-related injuries with lost days were 213 for direct employees and temporary workers (279 in 2008), corresponding to a Lost Time Injuries (LTI) frequency rate of 5.1, i.e. the number of accidents with lost time in a year per million hours worked. It represents a clear decrease of 15% compared to 2008 and 78% since the launch of the project back in 2000, marking the best ever performance so far. The severity rate has remained almost stable around low values since 2005. In 2009, work-related injuries with lost days were 172 for contractors. Contractors' LTI frequency rate is not tracked, due to difficulties in monitoring contractors' working hours including off-site activities. However, in 2009, despite four major construction sites in operation involving thousands of contracted workers, absolute number of LTI recorded the first clearly decreasing trend in years (200 in 2008). In 2009, no fatalities occurred to employees and temporary workers. Five were among the Group's contractors and one among third parties.

Since 2008, the Group began reporting the Total Recordable Injury Rate (TRIR), adding recorded Restricted Work Duty and Medical Treatment to Lost Time Inju-



ries, far beyond the cement sector practices. The TRIR saw a 6% decrease compared to 2008. These results highlight and strengthen the need to go beyond LTI monitoring by taking advantage of every opportunity of risk reduction.

Additional information on the Group's safety data is available on page 38. The Group completed its progress review started in 2008 by covering 40% of workforce across cement, aggregates, ready-mixed, additives and transportation sectors. Results were disclosed to the Group's Management Committee and led to a strategic plan for safety. Consequently, all the Group's subsidiaries defined an annual Safety Roadmap with priority to continuous improvement initiatives and regular progress monitoring. The Group will issue a new version of its Safety Management Handbook. In 2010, the implementation will start at subsidiary level. According to

the process of standardisation promoted by the Sustainable Development Department (SDD) and within the framework of activities promoted by the Cement Sustainability Initiative (CSI), the Group made strong efforts in working on the following safety standards: Recommended Good Practice for Driving Safety and for Contractor Safety. The previous safety standards, signed by the Chief Executive Officer in October 2009, will be effectively launched starting from 2010.

Besides CSI's activities, the Group is working on safety operational standards for Personal Protective Equipment (PPE) and Work at Heights (WAH). The aim is to efficiently establish and implement corporate standards across the Group operating in varying and challenging environments. The objective of the PPE standard is to create common identity within the Group and, most importantly, to guarantee the same quality level of PPE regardless countries legislation or customs. The WAH standard aims to solve one of the most important causes of accidents. The two safety standards will be sponsored by the Chief Operating Officer and will be launched in 2010. They will need five years of implementation, as reported in the Targets Table. All the safety standards will have direct impact on employees and everyone working at or just entering the Group's sites. A specific implementation protocol will allow follow-up along the enforcement stages to guarantee effectiveness and shared practices.

Additional Group's activities were focused on reinforcing the constant practical training related to Work with Significant Risks of Accidents. The initiative has highlighted the willingness to shift towards a more personal approach on safety by giving

Since 2008 Italcementi Group has adopted a worldwide standard for occupational exposure limits of workers to dust, respirable crystalline silica, noise and whole-body vibrations. The Group is promoting and consolidating the standard implementation in all its subsidiaries.

priority to safety for everyone. Behind this dedicated approach, the Group pursued the spreading and enforcement of the Safety Golden Rules that are simple illustrations of life-saving safety rules shared in all the Group's sites and understandable by illiterates as well. Enforcement of Golden Rules is intended to tackle practically the major causes of fatalities. The project has been recognized as highly successful in reducing fatalities by an industry benchmark carried out under the CSI initiatives. SDD regularly performs internal safety audits in order to support local implementation of the Group's safety management system. Audits are followed by reports covering corrective action plans. In-depth analysis on causes of accidents has highlighted how workers' behaviour is fundamental in avoiding risky situations. Therefore training and informing personnel, including employees, contractors, visitors, customers and third parties, is of utmost importance for the Group, as describe in page 34.

Industrial hygiene and workers' health

Since 2008, the Group has adopted a worldwide standard for occupational exposure limits of workers to dust, respirable crystalline silica, noise and whole-body vibrations. The Group is promoting and consolidating the standard implementation in all its subsidiaries. Additional monitoring activities were performed in Bulgaria, Egypt and Thailand. The Group's target is to have 70% of employees exposed to dust, silica, noise and vibration covered by the workplace assessment, as reported in the Targets Table in page 6. The Group's approach is based on risk assessment and challenging references, internationally rec-



ognised standards well beyond regulatory frameworks. A precautionary principle is applied during the selection of workers to be monitored. All production sites are evaluated. The measurement campaigns are repeated periodically or after major process modifications that may affect exposure. Progress towards the 2012 target is shown in page 38. Fostering a wider care of the workers' health, the Group is planning to define minimum requirements for occupa-

tional medical surveillance, implementing a monitoring and reporting tool for occupational illnesses, even in countries where there is no enforced legal framework, and promoting actions to prevent occupational illnesses by end of 2010. With the worldwide diffusion of the Swine Flu A (H1N1), the Group circulated an information paper providing details on what the World Health Organisation (WHO) declared. The Group asked its subsidiaries to provide

FOR PUBLIC AWARENESS

On April 28th 2009, the Group celebrated **World Day for Safety and Health at work** with a series of local initiatives and events carried out around the world through the active support of all subsidiaries. This initiative, promoted by the International Labour Organisation, was aimed at raising public awareness on the

benefits of a safe, healthy and decent working environment.

Dedicated messages from the Group's COO and Country Managers were distributed worldwide at all levels, along with informative booklets, brochures and other publications regarding this event and the shared participation of the Group.

basic hygienic conditions and necessary supplies in line with WHO recommendations, to spread the information on the pandemic and basic prevention practices, to monitor proper and effective application of the Group's recommendations, to avoid or delay non mission-critical travel, and to carefully follow local public health recommendations. Additionally, having 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 Group is progressively checking, managing and properly dismissing existing asbestos-cement sheeting, roofing and other items, still in good status of conservation, currently installed in the Group's sites. Management and dismissal operations are performed ensuring the highest practicable health and safety standards. The ban will be extended in the future to other dangerous materials at production sites.

Product responsibility

Customers, retailers and end-users are the relevant stakeholders who may be directly or indirectly affected by cement and cement related products. Therefore, besides the commercial satisfaction and the follow up on previously launched actions, the Group is monitoring the proper distribution of basic information on health, safety and environment related to market products, especially in countries where no

mandatory regulatory framework exists. The information, translated into local languages, focuses on potential risks related to cement as well as on recommendations for its storage, transport or handling.

**HUMAN RESOURCES
MANAGEMENT**

Human Rights

The Group supports and upholds internationally proclaimed human rights as inalienable rights of all individuals in line with the Universal Declaration of Human Rights, its associated covenants and international agreement inspired by them and the International Labour Organisation standards. The Group is committed not to be complicit in human rights abuses in all businesses and countries in which it operates, integrating human rights standards into its business practices and fostering open and inclusive work environment that is based on recognized workplace human rights. Enforcing the worldwide value of human beings, the Group is committed to promote same principles not only to employees but also towards contractors, subcontractors, customers, suppliers and due diligence processes, business partnerships and project finances in all the areas interested by the Group's business activities. The Group has started working on collecting data and information of any possible incident related to human rights and

decent working conditions. The reporting scope covers employees and temporary workforce, contractors, subcontractors, suppliers, customers and third parties when operating on site. Headquarters, industrial boundaries, colonies, guest-houses, civil settlements and contractors' facilities within or close to industrial boundaries have been considered within scope. The resulting human rights indicator has thus become part of the business as usual performance indicators. In 2009, around 200 critical situations were reported in 11 countries, mainly related to insufficient protection of welfare of workers and risk of child labour in contractors' workforce and third parties. Cases of discriminations refer to unequal treatment to contractors' workforce, while still promotion of equal opportunities has to be more structured almost in all the Group's countries. Corrective actions have immediately been taken. In 2010, the Group will promote its first human rights impact assessment, starting with the countries of increased concern where the Group operates, as identified by the Freedom House (these countries represents 42% of the Group's EBIT in 2009). A Group's policy addressing labour practices and human rights at work will be issued by 2010. Moreover the coming adhesion to the UN Global Compact, as anticipated in page 8, will confirm the Group's commitments.

PROTECTING HUMAN RIGHTS

To mark the 20th anniversary of the adoption of the Convention on the Rights of the Child by the General Assembly of the United Nations Suez Cement, in cooperation with the National Council for Childhood and Motherhood (NCCM), sponsored an international conference on the "Convention on the Rights of the Child and Islamic Jurisprudence" organized by the Egyptian Ministry for the Family. Held in Cairo in November 2009 with the patronage of Egyptian First Lady Suzanne Mubarak, the conference was a opportunity for member Islamic states to share experiences and compare views on the Convention. Since 2007 the Suez Cement

group in cooperation with the NCCM has worked on numerous initiatives promoting the rights of children and women, to guarantee the right to growth, education, healthcare, improved standards in recreational activities and sport and to improve economic and social standards.

On December 10th 2009, the Group celebrated **Human Rights Day** with a series of local initiatives and events carried out around the world through the active support of all subsidiaries. This initiative, promoted by the United Nations, was aimed at raising public awareness on the need of having a safe, healthy and decent

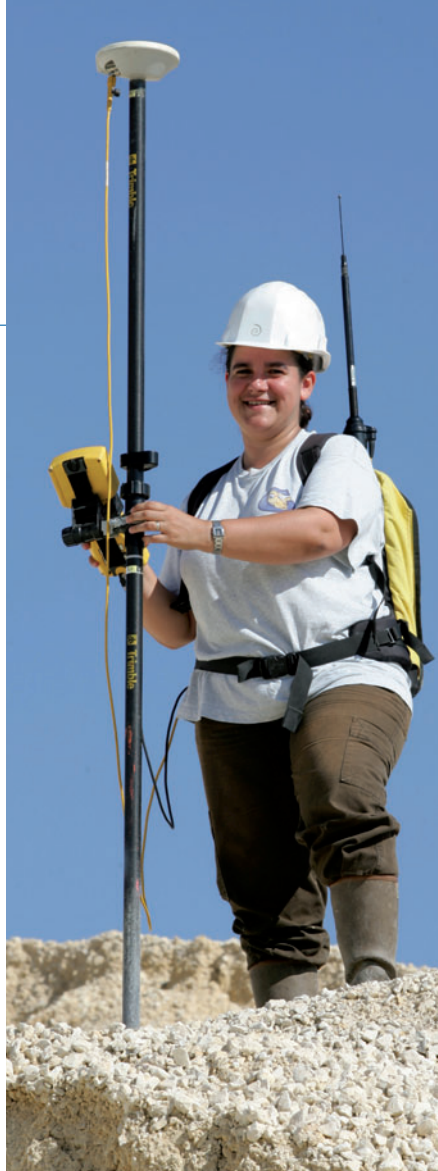
working environment. It was the occasion to highlight once more how human beings are at the core of the Group's values, as confirmed by the signature of the BWI Agreement in June 2008. The local events represented a moment of aggregation among employees, their families and management, together with the involvement of local authorities, NGOs and other relevant stakeholders who actively participated to meetings, open events and other activities launched by each company. On this the occasion, the Group launched its first basic Group-wide training on Human Rights, targeting all managers and a relevant number of first-line employees.

Labour practices

The Group further reiterated its commitment to equal protection and rights of workers by signing the Buildings and Wood Workers' International (BWI) Agreement, in June 2008. This represents a real charter of workers' rights. It is valid worldwide and is based on the joint commitment of all signatories to respect fundamental human and trade union rights and to promote improvements in working conditions as well as to develop democratic industrial relations and to foster fair collective bargaining procedures with trade union representatives.

The document, in line with the Group's principles outlined in the Charter of Values, focuses on the guarantees and protection of the basic rights of more than 21,000 employees working in all the Group's sites, with no discrimination. The Group aims at promoting the same principles towards contractors, subcontractors and suppliers. The agreement was translated in all the Group's languages and spread in all subsidiaries, achieving full distribution. Subsidiaries will be responsible for corrective actions responding to possible inconsistencies with the agreement. Currently, 100% of the Group's employees are covered by collective bargaining agreements. Joint forums between trade unions and management, is part of the Group's willingness to sustain constructive dialogue.

At year end, the Group employed a total of 21,155 personnel in its global operations. This is comprised of 19,944 permanent employees and 1,211 non-permanent employees, including joint ventures. Women represent one tenth of the Group's total workforce and eleven percent of them are part-time workers. The present business circumstances required several units to undergo reorganisation, according to Group practices. In fact, with respect to ongoing stakeholders needs, the Group's companies have been asked to make every effort to avoid downsizing and to reduce the need for layoffs. In cases where dismissals are ultimately necessary, careful consideration is given to find satisfactory solution for all affected employees. This is done by providing a number of options and services (e.g. retraining, relocation to



other units, outplacement, local capacity-building through close co-operation with local communities, micro-credit projects) or by offering adequate early retirement and agreed separation packages, mainly on voluntary basis. In such situations the Group also works closely with local communities, appropriate government authorities, and even suppliers to find alternative solutions.

Further information on the Group's breakdown is available in page 39. The Group's human resources information has been structured according to the new guidelines for gender equality reporting issued by the International Finance Corporation (IFC World Bank) and the Global Reporting Initiative (GRI).

People protection and wellbeing

As enhanced by the Group's Charter of Values, all the Group's workers are entitled to respectful treatment in the workplace: every individual must be valued, treated with dignity and protected from improper behaviour of all kinds, beyond local customs. The Group expressly prohibits and does not tolerate any form of discrimina-

tion, harassment or unprofessional conduct on the grounds of age, disability, marital status, race or colour, national origin, religion, sex, sexual orientation or gender identity. Diversity management is considered a key responsibility of managers who are expected not only to respect and protect differences, but also to leverage them for enhancing organisational effectiveness. Inclusion implies engaging the uniqueness of talents, beliefs, backgrounds and capabilities of all individuals and teams in the Group's common endeavour. Special attention is paid to gender equality. No unjustified differences in pay and opportunities in comparable jobs are found within the Group. Actions to increase presence and representation of female workers are in progress. These include initiatives which offer opportunities for individual development, and broader, organisational strategies which seek to achieve better employment outcomes for female staff. In case of grievances or complaints, every employee could refer to the Human Resources Department, which would handle any sensitive matter. At Group level, the CEO's e-mail address is accessible through the Intranet site. In both cases, privacy and confidentiality are assured. A relevant policy at Group level will be issued in 2010, defining a specific grievance management system.

The Group signed a worldwide contract granting 24 hours a day, seven days a week assistance and advice from doctors, security experts and other sources in case of emergency during business travels. The Group understands how a good balance between work and non-work activities is important for the wellbeing of its people. Harmonizing with organisation needs, companies are offering and testing a number of helpful practices and tools, beyond legal requirements. Examples include: medical care, maternity leave and allowance, child and dependent care, flexible working hours, housing and transportation facilities, sport and cultural activities. For remote locations, employees and their families are provided with many additional services, starting from schools and medical assistance. Listening to people has great importance



Italcementi Group is committed to fostering an open and constructive dialogue with all the organisations and people who are legitimately involved with its activities.

for the Group. Employee satisfaction is periodically investigated through an independent external survey covering communication, relationships, sense of belonging, human resources management and strategy as key areas. Following the last employee opinion surveys, all subsidiaries are in the process implementing their response plans. Next global edition will be conducted in 2010 to check improvements so far and identify new initiatives to be launched.

Human resources development

Talent management within the Group means understanding employees' vast potential of skills and commitment and making them achieve personal development and business long-lasting results. A global analysis to map and certify existing competencies in cement production, ready mix and procurement areas has been recently defined. The Group can rely on an adequate number of promising successors in key positions, to be properly trained and supported. The consequent plans define initiatives to diffuse and exchange know-how and further develop management skills. A Group's intranet global knowledge management system will be implemented by 2011, facilitating the access to all main critical know how to all concerned employees. Succession plans for key positions are updated on a yearly basis both on local and global level, to guarantee a profitable continuity of the business. Emerging talents (a pool of 250) are provided with a particular supervision and ad-hoc developing programmes. In addition to local internal mobility tools, the Group's Job Posting system operates since 2008 to circulate international vacant positions worldwide. Employees can be proactive about their own professional growth according to their expectations and attitudes. At the end of 2009, more than 4,000 employees entered the system from all the countries, 40 open jobs had been published and 135 employees applied. Recognizing people's performance is decisive for individuals' motivation, the Group is sharing a common approach to performance appraisal in all the subsidiaries. The new Internet tool to evaluate

performances and manage objectives of Group's top management is fully running. Therefore the whole process is managed centrally, thus granting improved transparency, homogenisation and efficiency. The Long Term Incentive tool, moreover, awards a significantly important percentage of total compensation packages of the Group top managers. It aims to drive efforts towards mid-long term Sustainable Development targets. As anticipated in the 2008 SD Report, the Group issued the compensation policy to state principles to be applied worldwide. Local compensation surveys are run periodically with the most valuable consultant firms to keep a correct salary positioning in local labour markets. External fairness as well as internal equity related to responsibility and results support attraction, motivation and retention of qualified employees. Working at Italcementi gives the chance to interact with people from many countries and cultures. The Group's employees have 59 different nationalities from 5 continents and speak 15 different national languages and a wide range of local dialects. Besides, 142 expatriates of various age, seniority and organisation level are working for the Group in twenty different countries. The Group issued the expatriation policy to cover all the possible related issues before, during and after the expatriation period. Personal development chances are only related to employees' professional records and not to any belonging from some protected or favoured group. In some cases, actions are planned to remedy the imbalance in the workforce and remove the obstacles that the less favoured have to match in their careers path.

Training

Efficiency, governance, sustainable development and human capital competences are the compass for training activities at corporate and local level. Training is one of the tools to spread the Group's values and organisational culture. Growing use of internal teaching resources and e-learning platforms as well as the optimisation of schedules and logistics allowed maintaining overall training activities in line with the Group's main needs, despite the 2009 difficult economic conjunctures. In 2009, a total 275,200 hours of training were provided to 30,300 participants, 90% of them belonging to non-management level. More than 68% of training effort in terms of number of attendees was dedicated to sustainable development issues and in particular to Health, Safety and Environment. Detailed information on the Group's training activities is available on page 39. Induction training on safety is extended to all the contractors entering the Group's sites. The aims is to lead them improving safety performance and behaviour whenever working on Group's premises. The Group's Training Department is hardly working on the so-called Sustainable Development Package. The package will be a comprehensive training framework to be applied to all the Group's subsidiaries in order to embed sustainable principles into both individual and organisational behaviours at all levels, as shown in next page. Company values, business ethics and sustainable development principles and practices were incorporated and reinforced in the internal Master in Building Material as well as in any other training programme, in collaboration with the relevant corporate functions. Training focuses on subjects such as the Zero Accidents project and the Property Preservation Programme and reinforces the Group's strategic management of relevant issues. Induction and management development, as well as commitments to internships and academic partnerships were also completed in 2009. With the involvement of the Sustainable Development Department, the Group's training will provide a toolkit to facilitate

Dialogue may follow stakeholders' inputs but also be triggered by the Group, proactively involving its stakeholders.

FOCUS ON MANAGEMENT AND RESPONSIBILITY TRAINING

In Italy, 33 managers coming from different roles and functions of the Italian companies attended the 5th edition of the «Management & Responsibility Training Programme» aiming at creating awareness on the Group's commitment in sustainability and responsible management. Facilitated by internal testimonials, participants discussed real cases dealing with stakeholder engagement, environmental footprint and social engagement.

FOCUS ON HUMAN RIGHTS AWARENESS

In Egypt, senior management and 52 first line employees from all the plants were involved in a one-day training dedicated to human rights awareness.

FOCUS ON INNOVATION AND DEVELOPMENT

Italcementi in partnership with the Rome based International Training Consortium welcomed an Angolan student specializing in architecture. The Group's new products and applications such as TX cement and 100K€ Home project were an opportunity to figure out how the national development policy could be enriched with the sustainable development approach.

expatriates and travelling personnel keeping more and more into account diversity and other cultural and practical issues and their impact for succeeding in new international roles. A number of interviews with people living this kind of experience were organized in order to design a course answering to the real expatriates' needs.

STAKEHOLDER ENGAGEMENT

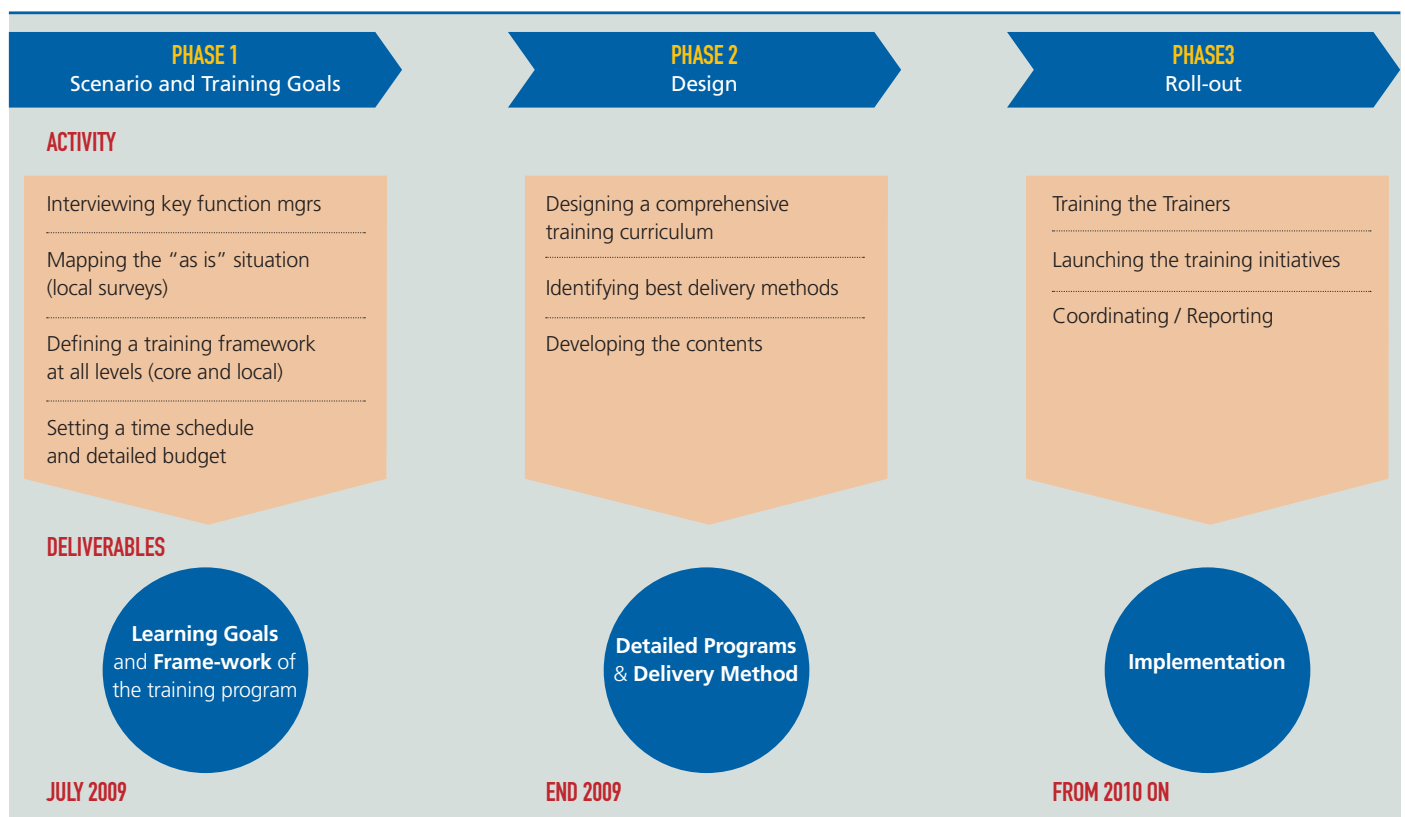
Italcementi Group is committed to fostering an open and constructive dialogue with all the organisations and people who are legitimately involved with its activities and to respect their needs in all the countries in which the Group operates. Dialogue may follow stakeholders' inputs but also be triggered by the Group, proactively involving its stakeholders.

The cornerstone of stakeholders' engagement is to build and maintain regular relationships, based on mutual knowledge, respect and trust, and sharing of information and projects. Following this approach, the Group addresses its effort towards all the involved stakeholders by promoting active partnerships at internal level (e.g. employees, trade unions, contractors),

local level (e.g. local government, local media, suppliers and customers), national level (e.g. national government, national media, industrial customers, academics and research institutes, national cement associations, investors) and international level (e.g. global media, global NGOs, multinational investors).

At **internal level**, the Group considers employees as the priority, as a major Group's asset and ambassadors in the community. Human resources management and policies, work life balance initiatives, employee opinion surveys, strong communication, signature of the BWI agreement, open door activities, world days celebrations, strong efforts in health and safety issues for employees and contractors: these are some examples of the Group's activities to support internal stakeholders.

At **local level**, the Group aims at involving local government, local media, suppliers and customers, by promoting sustainable principles and facilitating dialogue and cooperation. Open door activities are the most practical and common tool to promote participation at local level. The



launching of this kind of activities means involving employees but also the surrounding community, including contractors and customers. The Group is committed to organize open door activities at least once every three years in all the cement plants. Open door activities give the opportunity to all the interested stakeholders to visit the plant and to live one day as site managers and employees do. The visit accompanied by the engineers of the plant may be the occasion to know the history of the site, the cement manufacturing process and the Group's approach, even towards sustainability. The programme for open door also includes activities for children, various surprises, food and beverages. Additional information on the Group's stakeholder activities is available on page 39.

At **headquarters level** in Bergamo, the Italian subsidiary regularly involves and supports schools, social and cultural initiatives and programmes. In addition, the "Fondazione Italcementi Cavaliere del Lavoro Carlo Pesenti" organised the annual congress "Fondazione Italcementi, creating a bridge between banks and industry". The message emerged is the



necessary rethinking of the relationship between finance and industry after the recent economic and financial collapse without losing sight of the ethical principles and core values of sustainability that characterize correct economic growth.

At **national level**, the Group aims to maintain active relationship with national government, national media, industrial customers, academics and research institutes, national cement associations and investors. Among many others, the following activities were conducted in 2009:

- In Italy, Italcementi signed a voluntary agreement with the Italian Govern-

ment, called the Environmental Protection Pact.

- In Egypt, Suez Cement sponsored the international conference on the Convention on the Rights of the Child and Islamic Jurisprudence organized by the Egyptian Ministry for the Family.
- In Greece, Halyps Cement participated in the Clean up the World Programme supported by the UNEP and promoted by the local NGO Clean Up Greece.

Detailed information on all the Group's activities is available on the corporate and local websites. At **international level**, alongside the long-term participation in

OPEN DOOR INITIATIVES

5th May 2009, Suez Cement celebrated the first Open Door event of the Tourah cement plant. More than 2,000 residents together with local authorities, customers and representatives of media and of non-governmental organisations, had the opportunity to visit the biggest of the five cement plants belonging to Suez Cement and to participate in the activities organised to sensitise the visitors on the on-going environmental projects.

The celebration was the occasion for Suez Cement and the Friends of Children with Cancer Association to sign an agreement for the donation of cement for the construction of the Health and Hope Oasis, a supportive care centre for children in cancer treatment.

The centre will provide nutritional and emotional support to the children and their families, especially those with a low income, during the critical stages of

chemotherapy and recovery.

SUSTAINABLE RESTRUCTURING

At the beginning of 2009, the Group's Thai subsidiary shut down its kilns at Takli and Cha-am Plants. Following the Group's sustainable approach, the company organised some vocational programs to help personnel, contractor's workers and their families as well. The project started even before finalising the decision on the kiln's shutdown. A steering committee was created and chaired by the Human Resources Director with the participation of several managers from head office and plants. Meetings were carried out with local authorities and representatives from local communities in order to inform them about the plan but also to receive their input on the most important issues for the communities and receive their suggestions. One-to-one interviews with

all the persons affected by the restructuring, including subcontractors, were carried out by the local management before the implementation to inform about the plan and to discuss together their needs and their plans for the future. All the projects started on the base of the feedback and requests from the interviews. The company organizes a training course on cookery for Takli Plant's housewife group, giving them the opportunity to learn a new job and improving their life quality. The course is instructed by the instructors from Nakonsawan Vocational College. Meanwhile, the company organises 4 vocational programs at Cha-am Plant, namely: a training course on handicraft; the paddy field project; the water lily farm project and the coconut tree plant project. The whole project has proven to be effective in managing at best individual needs.

The Group aims to build enduring relationships with the communities based on mutual respect, active partnership and long term commitment.

the World Business Council for Sustainable Development and the upcoming adhesion to UN Global Compact, the Group actively promotes engagement with other international stakeholders, such as the International Emission Trading Association – an independent business organisation related to climate change, the socially responsible investment community and the public-private Carbon Funds of the World Bank. In 2010, the Group will issue the Social Initiatives Policy and practical stakeholder engagement guidelines, aiming at homogenising and structuring the Group's proactive approach.

Support to communities

The Group aims to build enduring relationships with the communities based on mutual respect, active partnership and long term commitment. Good management of community relationships is as necessary to the business success as the management of operations. Furthermore, responsible social behaviours have the potential to create competitive advantages and reduce industrial risks. According to the principles stated in the Charter of Values, the Group

supports community based projects that can make a difference in a sustainable way without creating dependency and supports regional development and small business opportunities. The Group supports local institutions, organisations, associations, NGOs, and all entities legally recognized by the hosts Governments, that are aligned with the principles of the Group's Code of Ethics, Charter of Values and Policies. All the initiatives supported by the Group must effectively contribute to the quality of life of communities, comply with local government policies – as long as they do not go against any of the principles of the UN Universal Declaration of Human Rights - and be responsive to the community needs. The Group's efforts in corporate giving are directed towards non-profit organisations, to support their project or initiatives with cash or in-kind donations. Support to communities is an opportunity to promote sustainable principles in all the countries in which the Group. The starting point must always come from a reliable and regular analysis of the concerns and needs of the various stakeholders. The aforesaid stakeholder

engagement guidelines will detail the main Group's axes for supporting communities. As anticipated in the 2008 SD Report, the Group upholds health, social empowerment, education and community development projects, targeting its global contribution to at least 1% of the Group's EBIT. The Group's support to communities was 0.62% of Group's EBIT (0.63% in 2008). The Group will include the indicator in the external verification list. Each subsidiary will be asked to set individual targets to support the corporate one. In addition, the "Fondazione Italcementi Cavaliere del Lavoro Carlo Pesenti" earmarked around € 2 million for donations and local development and 723 k€ for sponsorships (€ 2.5 million in 2008). Responding to great natural disasters, the Group asked its employees to give at least one hour of their salary as a personal contribution to supporting Abruzzo (Italy) and Haiti earthquake victims, as well as the "Fondazione Italcementi Cavaliere del Lavoro Carlo Pesenti" did. Detailed information on all the Group's activities is available on the corporate and local websites.

CONTRIBUTIONS FOR SOCIAL PURPOSES IN 2009 (K€)

	LOCAL BUSINESS DEVELOPMENT	CAPACITY BUILDING	EDUCATION PROGRAMMES	DONATIONS & CHARITIES	TOTAL	OPEN DOOR	SPONSORSHIP
Bulgaria				48.1	48.1		
China	233.6		37.5	4.0	275.1		
Egypt	71.2	259.7	13.8	140.5	485.2	57.8	90.6
France/Belgium			30.0	41.0	71.0	142.0	68.5
Greece	104.0		5.0	74.0	183.0		90.0
India	64.1		118.2		182.3		1.2
Italy				224.2	224.2		769.2
Kazakhstan	249.9		10.0	105.6	365.5	43.7	54.0
Morocco	156.0	16.0	150.0	170.8	492.8	3.5	154.1
North America	4.9		25.1	91.5	121.5	5.0	40.3
Spain	88.4	1.4	3.9	9.0	102.7	11.4	340.9
Thailand	12.4	1.1	15.8	26.2	55.5		48.5
Turkey	1.3		8.2	108.1	117.6		10.2
Trading			21.2	13.7	34.9		
					2,759.5	263.4	1,667.5

SOCIAL RESPONSIBILITY

	2009	2008	2007	2006	2005	2000
Frequency rate						
Cement	3.9	4.9	3.6	7.0	6.8	23.5
Aggregates	4.1	13.1	9.6	7.5	13.4	26.0
Concrete	9.1	7.6	13.4	12.2	13.7	20.1
Group	5.1	6.0	5.8	7.4	8.3	23.5

	2009	2008	2007	2006	2005	2000
Severity rate						
Cement	0.2	0.2	0.3	0.4	0.3	2.9
Aggregates	0.4	0.6	0.3	0.2	1.0	0.9
Concrete	0.5	0.6	0.5	0.3	0.3	1.1
Group	0.3	0.3	0.3	0.4	0.3	1.8

	2009	2008	2007	2006	2005	2000
TRIR						
Cement	10.7	11.3	-	-	-	-
Aggregates	15.0	27.3	-	-	-	-
Concrete	16.7	14.4	-	-	-	-
Group	11.7	12.5	-	-	-	-

	2009	2008	2007	2006	2005	2000
Fatalities						
Employees	0	2	4	0	1	-
Contractors	5	11	7	6	6	-
Third parties	1	4	4	3	-	-

	2009	2008	2007
Work-related injuries with lost days			
Direct employees ^(*)	217	279	275
Contractors	172	200	244

(*) Direct employees include temporary workers

	DUST		SILICA		NOISE		VIBRATION		TOTAL	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Potentially exposed (% of total workforce)										
Cement	76%	69%	71%	66%	76%	67%	14%	17%	-	-
Aggregates	63%	65%	51%	56%	56%	55%	32%	30%	-	-
Concrete	59%	36%	57%	36%	71%	38%	43%	25%	-	-
Group	50%	51%	46%	47%	54%	54%	17%	20%	-	-

	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Monitoring coverage (% of potentially exposed)										
Cement	49%	39%	45%	38%	52%	41%	62%	58%	50%	41%
Aggregates	86%	76%	84%	75%	81%	66%	79%	39%	83%	68%
Concrete	9%	10%	7%	8%	10%	12%	4%	8%	8%	9%
Group	47%	37%	42%	37%	46%	38%	40%	41%	46%	38%

	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Compliance with Group standard (% of monitored)										
Cement	89%	88%	93%	85%	94%	88%	97%	96%	93%	88%
Aggregates	87%	99%	84%	100%	91%	94%	98%	100%	89%	98%
Concrete	81%	93%	71%	92%	94%	93%	81%	40%	84%	85%
Group	89%	86%	92%	87%	55%	89%	40%	89%	74%	88%

	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Official applications for occupational illnesses										
Cement	-	-	-	-	-	-	-	-	25	39
Aggregates	-	-	-	-	-	-	-	-	0	1
Others	-	-	-	-	-	-	-	-	2	5

Breakdown of personnel

	GROUP'S EMPLOYEES			OPEN-END CONTRACTS		FIXED-TERM CONTRACTS		FULL-TIME EMPLOYEES		PART-TIME EMPLOYEES		FEMALE		MALE	
	2009	2008	2007	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Italy(*)	3,715	3,939	5,093	3,647	3,845	68	94	3,627	3,842	88	97	497	511	3,218	4,201
France	3,977	4,022	4,073	3,946	3,969	31	53	3,892	3,935	85	87	646	669	3,331	3,673
Belgium	555	570	582	523	538	32	32	515	538	40	32	50	57	505	523
Spain	741	827	861	690	748	51	79	728	814	13	13	102	106	639	708
Greece	219	219	296	214	208	5	11	219	219	0	0	31	24	188	171
North America	1,866	2,155	2,133	1,866	2,155	0	0	1,866	2,155	0	0	175	151	1,691	1,518
Egypt	4,541	4,620	4,841	4,095	4,186	446	434	4,541	4,620	0	0	52	22	4,489	3,637
Morocco	1,128	1,093	1,082	1,089	1,029	39	64	1,128	1,093	0	0	103	97	1,025	752
Bulgaria	437	484	539	436	473	1	11	437	484	0	0	163	184	274	302
Turkey	772	802	896	772	802	0	0	772	802	0	0	40	42	732	761
Thailand	835	1,087	1,155	830	1,077	5	10	835	1,087	0	0	134	147	701	940
India	773	800	838	773	800	0	0	773	800	0	0	9	13	764	790
Kazakhstan	391	452	468	366	412	25	40	390	451	1	1	77	89	314	363
China	438	456	455	4	9	434	447	432	447	6	9	100	108	338	347
Trading	692	654	377	619	604	73	50	692	654	0	0	12	18	680	163
UK/Singapore	75	63	17	74	61	1	2	73	61	2	2	11	19	64	44
Total	21,155	22,243	23,706	19,944	20,916	1,211	1,327	20,920	22,002	235	241	2,202	2,257	18,953	18,893

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

SOCIAL RESPONSIBILITY

	FEMALE		MALE	
	2009	2008	2009	2008
Breakdown of personnel by age				
<30	1%	2%	8%	9%
30-40	4%	3%	22%	23%
40-50	4%	3%	33%	33%
50-60	2%	2%	24%	22%
>60	0%	0%	2%	3%
Breakdown of personnel by seniority				
<3	2%	3%	11%	18%
3-5	1%	1%	10%	8%
5-10	2%	3%	16%	27%
10-20	3%	2%	27%	14%
>20	2%	2%	26%	22%
Breakdown of personnel by nationalities				
Europe	7%	7%	39%	45%
Africa	1%	1%	25%	22%
Asia	2%	2%	15%	15%
America	1%	1%	9%	7%
Oceania	0%	0%	0%	0%
Expatriates by category				
Director	1	1	38	32
Manager/Professional	0	1	59	58
Specialist/Supervisor	6	6	38	31
Clerical	0	1	0	8
Expatriates by age				
<30	1	1	9	13
30-39	4	6	46	50
40-49	1	2	37	40
>50	1	0	43	26
Expatriates by seniority				
<3	0	1	16	17
3-5	1	1	15	12
5-10	3	4	40	39
>10	3	3	64	61
Percentage male/female				
Manager	9%	7%	91%	93%
White collars	23%	23%	77%	77%
Blue collars	2%	3%	98%	97%
Salary ratio				
Top management (*)	100	100	103	102
White collars and middle management	100	100	106	105
Blue collars	100	100	109	111

(*) specific comparison with the external market

	2009		2008	
	2009	2008	2009	2008
Hours of training				
Efficiency	131,111	155,323		
Sustainable Development, Innovation, Compliance	112,449	135,156		
Human Capital Development	31,651	73,273		
Participants to training activities				
Efficiency	7,959	8,407		
Sustainable Development, Innovation, Compliance	20,554	20,089		
Human Capital Development	1,796	3,204		
Hours of training				
Executives	14.5%	13.7%		
Non-executives	85.5%	86.3%		
Participants to training activities				
Executives	11.0%	14.0%		
Non-executives	89.0%	86.0%		

	IN PLACE		OPEN DOOR IN LAST 3 YEARS	
	2009	2008	2009	2008
Group's stakeholders engagement in cement plants				
Italy	4	4	4	5
France	9	9	3	2
Belgium	1	1	1	1
Spain	3	3	3	3
Greece	1	1	1	1
North America	2	2	3	2
Egypt	5	3	3	1
Morocco	3	3	0	0
Bulgaria	2	2	1	1
Turkey	4	4	4	3
Thailand	3	3	2	4
India	2	2	0	0
Kazakhstan	1	1	1	1
China	1	1	0	0
Total	71%	64%	45%	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	1,2
1.2 Description of key impacts, risks, and opportunities	Full	1, 2, 6, 7, 12-15
PROFILE: ORGANISATION	DISCLOSURE LEVEL	PAGE
2.1 Name of the organisation	Full	cover, 3, 4
2.2 Primary brands, products, and/or services	Full	cover, 3, 4
2.3 Operational structure of the organisation	Full	3, 4, 8-15
2.4 Location of organisation's headquarters	Full	cover, 3, 4
2.5 Countries where the organisation operates	Full	cover, 3, 4
2.6 Nature of ownership and legal form	Full	cover, 3, 4
2.7 Markets served	Full	cover, 3, 4
2.8 Scale of the reporting organisation	Full	cover, 3, 4
2.9 Significant changes during the reporting period regarding size, structure, ownership	Full	3, 4, 46
2.10 Awards received in the reporting period	Full	1, 10
PROFILE: REPORT PARAMETERS	DISCLOSURE LEVEL	PAGE
3.1 Reporting period for information provided	Full	44-46
3.2 Date of most recent previous report	Full	44-46
3.3 Reporting cycle	Full	44-46
3.4 Contact point for questions regarding the report or its contents	Full	44-46
3.5 Process for defining report content	Full	44-46
3.6 Boundary of the report	Full	44-46
3.7 Specific limitations on the scope, or boundary of the report	Full	44-46
3.8 Basis for reporting on joint ventures, subsidiaries, outsourced operations, etc...	Full	44-46
3.9 Data measurement techniques and the bases of calculations	Full	44-46
3.10 Explanation of effect of re-statements of information provided in earlier reports	Full	44-46
3.11 Significant changes from previous reports in the scope, boundary, or measurement methods	Full	44-46
3.12 Table identifying the location of the Standard Disclosures in the report	Full	44-46
3.13 Policy and current practice with regard to seeking external assurance for the report	Full	44-46
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

RELATIONSHIP TO GRI G3 GUIDELINES

4.12	Externally developed economic, environmental, and social charters / principles	Full	8, 9, website
4.13	Memberships in associations	Full	8, 9, website
4.14	List of stakeholder groups engaged by the organisation	Full	35-37, website
4.15	Basis for identification and selection of stakeholders with whom to engage	Full	35-37, website
4.16	Approaches to stakeholder engagements	Full	35-37, website
4.17	Key topics and concerns that have been raised through stakeholder engagement	Partial	35-37, website
ECONOMIC		DISCLOSURE LEVEL	PAGE
EC1	Direct economic value generated and distributed	Full	16-18
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Full	16-18
EC3	Coverage of the organisation's defined benefit plan obligations	Full	16-18
EC4	Significant financial assistance received from government	Full	16-18
EC5	Range of ratios of standard entry level wage compared to local minimum wage	Partial	16-18, 32-34
EC6	Policy, practices, and proportion of spending on locally-based suppliers	Not available	16-18
EC7	Procedures for local hiring and proportion of senior management hired from the local community	Partial	16-18
EC8	Development and impact of infrastructure provided primarily for public benefit	Partial	16-18
EC9	Understanding and describing significant indirect economic impacts	Full	16-18
ENVIRONMENTAL		DISCLOSURE LEVEL	PAGE
EN1	Materials used by weight or volume	Full	22-27, 29
EN2	Percentage of materials used that are recycled input materials	Full	22-27, 29
EN3	Direct energy consumption by primary energy source	Full	26, 28, 29
EN4	Indirect energy consumption by primary source	Full	22, 23, 26, 28, 29
EN5	Energy saved due to conservation and efficiency improvements	Partial	22-24
EN6	Energy-efficient or renewable energy products and services	Full	22-24
EN7	Initiatives to reduce indirect energy consumption and results	Partial	22-24
EN8	Total water withdrawal by source	Full	25, 26, 29
EN9	Water sources significantly affected by withdrawal of water	Partial	25
EN10	Percentage and total volume of water recycled and reused	Partial	25, 26, 29
EN11	Location and size of land owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value	Full	25, 26, 29
EN12	Description of significant impacts of activities, products & services on biodiversity in protected areas	Full	25, 26
EN13	Habitats protected or restored	Full	25, 26
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	Full	25, 26
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	22-24, 28
EN17	Other relevant indirect GHG emissions by weight	Not relevant	-
EN18	Initiatives to reduce GHG emissions and results	Full	18-20, 22-24
EN19	Emissions of ozone-depleting substances by weight	Not relevant	-
EN20	NOx, SO2, and other significant air emissions by type and weight	Full	27, 28
EN21	Total water discharge by quality and destination	Partial	25, 26, 29
EN22	Total weight of waste by type and disposal method	Full	26, 27, 29

RELATIONSHIP TO GRI G3 GUIDELINES

EN23	Total number and volume of significant spills	None	-
EN24	Weight of waste deemed hazardous	Full	24,27
EN25	Details of water & habitats significantly affected by discharges of water and runoff	None	-
EN26	Initiatives and extent of environmental impacts of products and services mitigation	Partial	22-27
EN27	Percentage of products sold and their packaging materials reclaimed by category	None	-
EN28	Significant fines and non-monetary sanctions for non-compliance with environmental law	Full	29
EN29	Significant environmental impacts of transporting products etc... and workforce	Partial	21-27, 29
EN30	Total environmental protection expenditures and investments by type	Full	18, 19
SOCIAL: LABOUR PRACTICES AND DECENT WORK		DISCLOSURE LEVEL	PAGE
LA1	Total workforce by employment type, employment contract, and region	Full	32-34, 38
LA2	Total number and rate of employee turnover by age group, gender, and region	Full	32-34, 38
LA3	Benefits for full-time employees, that are not provided to temporary or part-time employees	Full	32-34
LA4	Percentage of employees covered by collective bargaining agreements	Full	32, 33
LA5	Minimum notice period(s) regarding significant operational changes	Full	32-34
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees	Partial	32-34
LA7	Rates of injury, occupational diseases, lost days & absenteeism, & number of work-related fatalities by region	Full	30-32, 38
LA8	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	Partial	31, 32
LA9	Health and safety topics covered in formal agreements with trade unions	Full	30-33
LA10	Average hours of training per year per employee by employee category	Full	34, 35, 39
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Full	34, 35, 39
LA12	Percentage of employees receiving regular performance and career development reviews	Partial	33, 34
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Partial	32-34, 38
LA14	Ratio of basic salary of men to women by employee category	Full	32-34, 38
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	Partial	32
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Full	15, 32
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations	Partial	34, 35
HR4	Total number of incidents of discrimination and actions taken	Full	32
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	32, 33
HR6	Operations with significant risk for incidents of child labour, and measures taken to eliminate	Full	32
HR7	Operations with significant risk of forced or compulsory labour, and measures to eliminate	None	-
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	Not available	-
HR9	Incidents of violations involving rights of indigenous people and actions taken	None	-
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	26, 35-37

RELATIONSHIP TO GRI G3 GUIDELINES

SO2	Percentage and total number of business units analysed for risks related to corruption	Full	6, 9
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	Full	9
SO4	Actions taken in response to incidents of corruption	Partial	9
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	None	-
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	Partial	32
PR2	Incidents of non-compliance with regulations and voluntary codes on health & safety impacts of products and services during their life cycle	None	-
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Partial	32
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	14, 15
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Partial	32
PR7	Incidents of non-compliance with regulations and voluntary codes on marketing communications, including advertising, promotion, and sponsorship by type of outcomes	None	-
PR8	Substantiated complaints regarding breaches of customer privacy and losses of customer data	None	14, 15
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 2009 REPORTING QUALIFIES FOR THE GRI SCOPE "A" APPLICATION LEVEL REQUIREMENTS IN ACCORDANCE WITH THE CRITERIA TABLE BELOW



Report Application Level	C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures		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 on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Same as requirement for Level B	
	G3 Management Approach Disclosures		Not required	Management Approach Disclosures for each Indicator Category	Management Approach Disclosed for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators		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	
		Report Externally Assured		Report Externally Assured		Report Externally Assured

ERNST & YOUNG ASSURANCE STATEMENT



Italcementi - Financial year ended December 31, 2009.

Independent assurance report on a selection of environmental, safety and innovation indicators

Further to the request made by Italcementi, we performed a review on the Group's environmental, safety and innovation indicators for the financial year 2009 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 2009 (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. 45 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. We also have implemented analytical procedures and verified, on a test basis, the calculations and the consolidation of the data.
- At the Cement Branch 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 eight 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 38% of environmental indicators⁴ and 50% of hours worked used in the calculation of the lost time injury frequency rate and 76% of the turnover used in the innovation 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. 45.
- **Completeness.** The reporting perimeters for environment and safety data are specified in the "Reporting Methodology" section on p. 45 and in p. 46. They aim to cover the worldwide activities of the Cement Branch for environmental indicators, Cement and Aggregates Branches for indicators on quarry rehabilitation, and the whole Group for safety and innovation indicators. Perimeters actually covered by the Indicators have been indicated where applicable, notably for NO_x, SO_x and dust emissions p. 28.
- **Neutrality.** The Group provides detailed information on methodologies used to establish the indicators in the notes on methodology on p. 45 and in the comments next to the published data.
- **Reliability.** For the indicator on NO_x, SO_x and dust emissions, internal controls on the calculations made at site level could be strengthened.

Conclusion

- For the "innovation rate" indicator, we are not able to express a conclusion as evidences of the innovation criteria were not available for a significant share of the audited sample.

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

Paris-La Défense, April 12th, 2010

ERNST & YOUNG Audit

ERNST & YOUNG
Sustainability Assurance
and Advisory Services

Jean-Yves Jégourel

Eric Duvaud

¹ <http://www.wbcsc.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: El Minia (Egypt), Arrigorriaga (Spain), Agadir and Marrakech (Morocco), and Balıkesir and Trakya (Turkey); five Cement business units: Egypt, Spain, France, Morocco and Turkey; and three Aggregates business units: Spain, France and Morocco.

⁴ 66% for CO₂ emissions, 37% on average of SO₂, NO_x and dust emissions, 31% for raw materials consumption and 33% for fuel consumption, and 52% 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 2009 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. Ciments Québec in Canada and Vassiliko Cement Works in Cyprus are not included, as they are not under the operational control of the Group. The Group's environmental data are 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 46. Changes in ownership reported in 2009

do not generally impact on the data reported for previous years. Data for CO₂ emissions are the sole exception to this principle: the 2009 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 2009, unless otherwise specified.

INTERNAL PROCEDURES FOR CALCULATING KEY PERFORMANCE INDICATOR (KPI) FIGURES:

GROUP REFERENCE	KPI	SUMMARY
SDD001 Air Emissions Reporting Procedure	dust, NOx, 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 and indirect emissions, related to the consumption of electricity. Decarbonation factors, lower heating values and fuel emission factors are fixed by the sites, based on measures or standard 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 in operation 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 methodology used for the calculation of this indicator is the following: - the perimeter of this indicator concerns all quarries under the Group operational control; the procedure defines the quarries included in the scope, providing or having provided extracted raw materials to cement plants, ready-mixed batching plants and as aggregates are now taken into account. - the quarries considered as having a rehabilitation plan correspond to quarries fulfilling 5 minimum requirements (1. site identification, 2. prescriptions and requirements included in permits or voluntary agreements, 3. description of progressive rehabilitation objective, 4. visual 2D plot and/or photo gallery, 5. information / effective communication with stakeholders).
N4 Group's Innovation	percentage of turnover from innovative products	The innovation rate is the ratio between the operational turnover realized with the sales of innovative products and the total operational turnover. The products that are considered as innovative have to be consistent with at least one of the 5 novelty conditions defined by the Group which are: Not normalized products, never offered previously, with absolutely new performance; Not normalized products already offered previously, but improved in the costs/performance ratio; Not normalized products already offered previously, but meant for new markets; Not normalized products already offered previously but meant for new applications and new destination uses; Normalized products never offered previously and meant for new markets or new applications. Furthermore, innovation activities refer to new products introduced by the entity in the specific market of the subsidiary or in its segments for a period of 5 years after the commercial launch year."
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 Sustainable Development Report aims to promote 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's subsidiaries.

- Other: a category for the operations of the Ciments Français SA sub-holding, also including liquid and solid fuel procurement operations for Group's 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 some restructuring due to the financial crisis, however slightly affecting the industrial layout.

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, self-declared and GRI application level are provided on pages 40.

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 2009, the Group increased the number of KPIs for verification by Ernst & Young, as shown on page 44. New verified indicator is the Innovation Index.

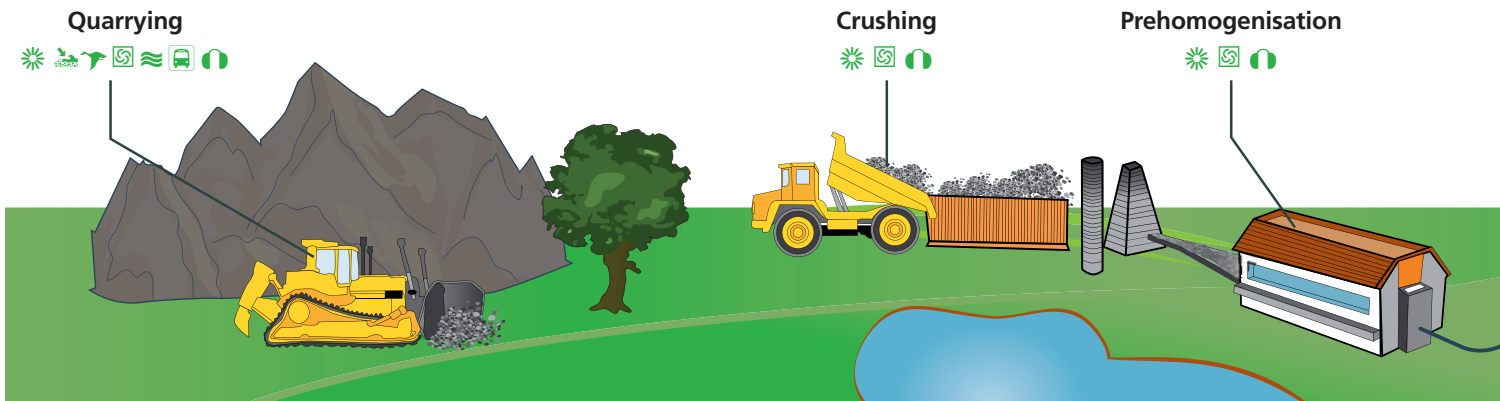
Stakeholder feedback

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	ILO	International Labour Organisation
ARMs	Alternative Raw materials	IPPC	Integrated Pollution Prevention and Control
AFRs	Alternative Fuels and Raw Materials	ISO 14001	The International Standards Organisation model for management and external certification of environmental performance
BWI	Building and Wood Workers' International	KPIs	Key Performance Indicators
CAE	Comitato Aziendale Europeo	LTI	Lost Time Injuries
CDM	Clean Development Mechanism	R&D	Research and Innovation Department
CEMBUREAU	The European Cement Association	SDD	Sustainable Development Department
CEMs	Continuous Emissions Monitoring system	SDSC	Sustainable Development Steering Committee
CSI	Cement Sustainability Initiative	WBCSD	World Business Council for Sustainable Development
CTG	Group Technical Centre		
DJSI	Dow Jones Sustainability Index		
ETS	Emission Trading Scheme		
GHG	Greenhouse Gases		
GRI	Global Reporting Initiative		
HR	Human Resources Department		
KPIs	Key Performance Indicators		
IAS	International Accounting Standards		

CHEMICALS

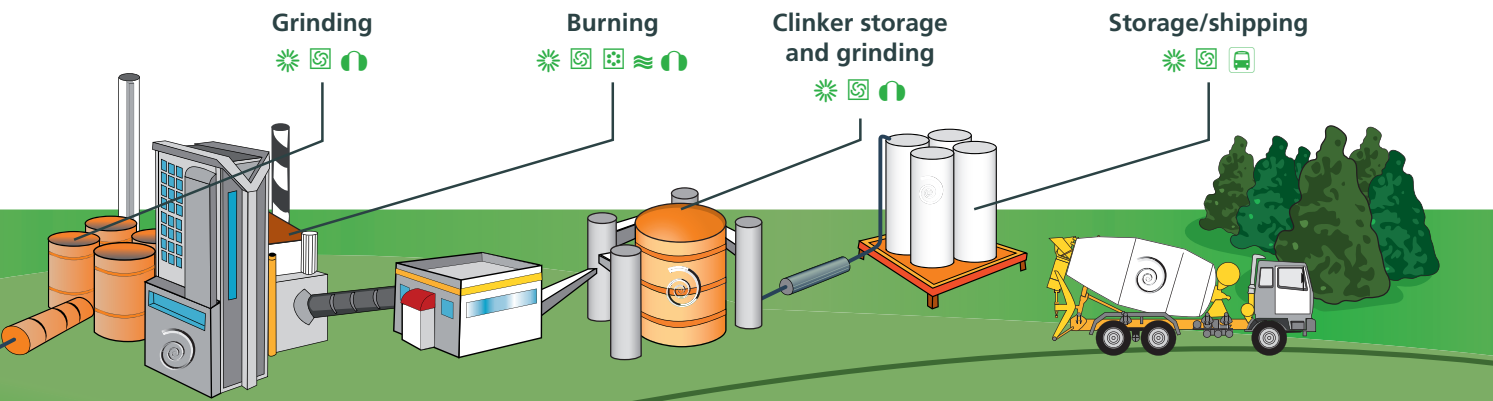
CO₂	Carbon dioxide
SO₂	Sulphur dioxide
NO_x	Nitrogen oxides
CO^x	Carbon monoxide
VOC	Volatile organics

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
m³	cubic metre
MJ	mega joule (1 million joules)
MW	mega watt (1 million watts)
kWh	kilowatt-hour (1000 watt-hours)
GWh	gigawatt-hour (1 billion watt-hours)

Economic and Social aspects

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



sdReport

Sustainable Development Report 2009

