

CEMENT

GRI CHECKED A

SUSTAIN ABILITY

REPORT 2010

GREECE



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If there is anything you wish to discuss in this report,
please contact us at: giannarosc@lafarge.gr

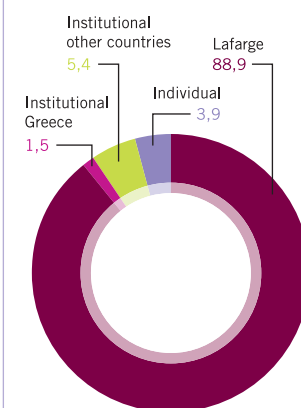
Our activities

Heracles General Cement Company, a member of Lafarge, is Greece's largest cement producer, bringing to the market differentiated, innovative products to meet customer and end-user needs. The company operates three cement production plants, in Volos, Halkis and Milaki in Evoia, as well as six cement distribution terminals, which sustain its commercial presence throughout Greece. Its affiliate company LAVA, operates three quarries, of pumice stone on Yali island, pyrite on Milos island and gypsum in Altsi - Crete.



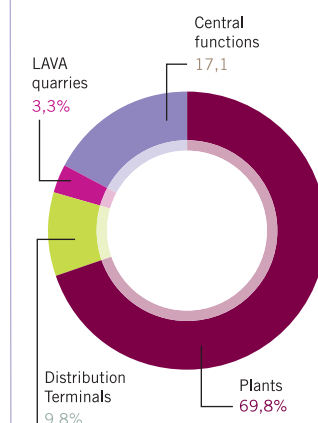
350.8
SALES 2010
(IN MILLION EUROS)

SHAREHOLDERS



As of 31 December 2010 Lafarge Group owned 88.99 % of the shares in Heracles.

EMPLOYEES DISTRIBUTION





Introduction from the Chief Executive Officer

I am pleased to be introducing the Heracles Sustainability Report for 2010.

One of our commitments to our stakeholders is to provide comprehensive and regular information on how we are addressing sustainability issues. The fact that this is our third annual sustainability report is a demonstration of that commitment.

2010 has been a difficult year for Greece and for our business; although we have made progress with our sustainability performance it cannot be isolated from the economic situation.

But difficult times encourage us to look especially carefully at the fundamentals of our business and our vision for the future. Here, I remain positive. First, the crisis has reinforced my view that in striving to be a more sustainable business we will also become stronger and more resilient. Second, the crisis requires us all in Greece to consider our responsibilities and our vision for the future. I am even more determined that Heracles will play its part as a responsible corporate citizen and contribute to a sustainable future for Greece.

I would like to highlight some particular points.

On **health and safety**, it is good to report excellent progress, but I remind all our stakeholders that we have a long way to go to reach our goal to be a zero-incident business. With this in mind, our intense effort continues, and in particular, all contracted work for Heracles is now covered by our Contractor Safety Management standard.

I am very pleased that the preparations for the first **stakeholder consultation** committee in Milaki resulted in a successful meeting; this is a model we intend to roll-out to our other plants.

I regret that we did not sustain the outstanding progress of 2009 in reducing **CO₂ emissions**. We understand the reasons; market demand affects our ability to sell low-CO₂ products. Since energy efficiency in our plants is improving and since we have new plans for innovative products to meet customers' needs in 2011, I am confident we will resume the path to lower CO₂. I also note with satisfaction the 2010 results for other air emissions; we are now outperforming our targets for dust, SO₂ and NO_x.

Finally, on environmental management, we have extended our environmental auditing to our distribution centers, and developed the basis for a biodiversity program with a leading Greek university, which will raise our standards further.

Overall, I can report that we are ahead of schedule with the majority of our Sustainability Ambitions for 2012, on track with the rest and also working on new ambitions for the period to 2020.

Making Heracles a more sustainable business is an ongoing commitment and a long-term vision comprising many short and medium-term steps. We welcome comment from all our stakeholders on those steps to date and those we should plan to take in future.

Pierre Deleplanque
CEO Heracles

Explicit and transparent

The values that underlie our business have been explicitly defined and we are giving our people support and training to ensure they can deliver those values in practice. The corporate governance of Heracles has been established throughout the company's life. This year we have further improved transparency and accountability.

Our values

As a member of the Lafarge Group, we are guided by the Lafarge "Principles of Action" which define the values that are to be adopted by all Lafarge employees, everywhere and all the time.

Our Code of Business Conduct supports and accompanies the Principles. It is consistent with the global code of the Lafarge Group but reflects the circumstances and legal requirements that apply to our business in Greece.

Embedding those values

We set out in 2009 to ensure that the Principles and the Code were not just understood but fully embedded in the ways that we do business. We started a bespoke training program for this purpose and this continued in 2010 with 540 senior, middle and lower managers, supervisors and foremen taking part. Typically, each session lasted one full day, and involved groups of about 15 people working face-to-face to identify, discuss and resolve real-life examples of the Code in practice.

This training will continue in 2011 and 2012, embracing a further 200-300 people each year. We will also introduce, in the future, e-learning facilities to

“540 people trained in the Code of Business Conduct”

provide refresher courses and updates on the Code. We have also extended the reach of the Code. We require our consultants and business advisers to respect the principles and clauses contained in it and our logistics department require the same of our contracted truck drivers (see page 36).

Upholding values, combating fraud

Our internal control coordinators are a valuable part of our internal control mechanism and in 2011 we will be extending their training and their remit to address control of fraud. This is an additional way of ensuring that our values are widely reflected and reinforced at all levels and within all parts of the company.

Governance

The board

We have an eight-member Board, including one executive member – the Managing Director.

Corporate governance

Corporate governance in Heracles reflects the company's 100-year history and has always been well-established. The decision of the Greek government to enact EU legislation on corporate governance prompted the Capital Markets Committee to ask all Greek-listed companies to demonstrate compliance; this meant that all companies should have, and make public, proper corporate governance standards. This was an opportunity for us to define our approach very explicitly, to make it completely transparent and to hold it up as an example for other bu-

example

INTERNAL CONTROL COORDINATORS

Our internal control mechanism includes the Internal Audit team and the internal control coordinators or “champions”.

The “Champions” have been selected for their mix of business knowledge and understanding of risks. They occupy varied posts in the business including accounting, credit control, capex control and inventory management. Their role is to bring to light internal control issues which require either redesign of the process or development of action plans. They are trained and supported by the Internal Audit team, and report to them for internal control matters, but otherwise maintain their usual operational roles and reporting lines.

This approach gives momentum to our control function, ensures that it is embedded within the organization and improves the links with managers responsible for processes.

businesses in Greece. This process began in 2010 and has since (in March 2011) resulted in the Board approving and publishing the Heracles Code of Corporate Governance. We believe that our Code, as well as complying with the new national legislation, represents a very high standard of corporate governance globally.

Risk and audit

The Audit Committee meets every 4 months, and has oversight of the control and financial risk assessment procedures of the company.

A risk assessment process, facilitated by the internal audit manager and involving the senior managers in the company, takes place annually; it identifies basic business risks, including environmental and legal risks, and level of exposure. The internal audit manager presents the results to the Executive Committee who then validates the action plans and the responsibilities for monitoring.

Shareholder's meeting

EU legislation enacted by the Greek government has also altered the law on arrangements for company annual general meetings (AGMs). We have completely revised our approach; investors and other stakeholders can now see and access a great deal of material relevant to our AGM on the internet. This includes detailed recommendations from our Board on the topics to be discussed at the AGM. It is an approach which we believe sets an example for other companies in Greece.

Executive oversight and management

We have a seven-member Executive Committee which, chaired by the Managing Director, is responsible for the company on a day-to-day basis. It comprises the General Managers of finance, human resources, legal and real estate, sales and marketing, supply chain, and the industrial General Manager. Two members are female, five are male.

Responsibility and accountability

We have a structured and detailed approach to ensure that the principles of governance are cascaded throughout our operations. Our Corporate Internal Regulation assigns responsibilities to the Executive Committee and sets out a scheme for delegation of duties throughout the organization.

Every year, members of the Board, the executive committee, and the Operational Committee sign letters confirming their compliance with the Code of Conduct and with that part of the Code of Business Conduct dealing with corruption and conflict of interest.

Sustainability

Overall leadership on sustainability is provided by the Executive Committee, led by the Managing Director, with the full support and backing of the main shareholder, Lafarge, and the rest of the Board. The Committee determines overall policy on sustainability and individual members provide visible leadership and personal commitment. This includes an annual review of sustainability performance. Our structured approach to delegation and accountability includes sustainability and environmental matters; these arrangements are described in the following section.

Competition compliance

Training on our Competition Compliance policy took place in 2009; this year we have backed this up by printing and distributing copies of the policy to all employees.

example

CONTENTS OF THE HERACLES CODE OF CORPORATE GOVERNANCE

**Article 1: General Provisions,
Objective and Scope
of Application**

**Article 2: Code Execution and
Effect**

Article 3: Basic Principles

Article 4: Board of Directors

Article 5: Audit Committee

Article 6: Internal Audit

Article 7: Remuneration System

**Article 8: Internal Regulation of
Operation**

**Article 9: General Meetings of
Shareholders**

Article 10: Approval

Progress on sustainability

Our Sustainability Ambitions and our business objectives define our sustainability program. Management responsibility is embedded throughout the organization with the Executive Committee providing leadership and oversight. We have made good progress with Sustainability Ambitions 2012 and look forward to developing our plans for the period to 2020.

How our program is shaped

Each year we pursue a sustainability program that is shaped by our Sustainability Ambitions and the business objectives defined for that year. In combination, these ensure that we address the appropriate medium and long-term goals, and that the program evolves in response to circumstances without disrupting our transition to a more sustainable business.

The management structure that delivers the program is also designed to be robust; responsibilities are embedded throughout the organization and reflected in personal objectives.

Sustainability Ambitions

Our Sustainability Ambitions 2012 are the objectives and targets that we set in 2009 and that we intend to complete by the end of 2012. They cover all aspects of sustainability, management, society and the environment, and are aligned with the global Sustainability Ambitions of the Lafarge Group. Progress to date and plans for the future are summarized on pages 10-11.

Business objectives

The four objectives for 2010 were Health & Safety, sustainability, performance and cost reduction, and people development. We were particularly seeking the improvements and performance excellence that would ensure the viability of our business in 2011.

How our program is managed

Overall responsibility for the sustainability program lies with the Heracles Executive Committee chaired by the Managing Director. The Committee determines policy and provides visible leadership to the rest of the organization.

Day-to-day lead on sustainability matters is the responsibility of the Industrial General Manager, who is a member of the Executive Committee.

Sustainability Ambitions and annual business objectives feature in all the elements that make up the Heracles management framework; these elements include the capital expenditure decision-making process, the three-year reviews, setting and monitoring of individual objectives and monitoring of Key Performance Indicators (KPIs).

example

PERSONAL OBJECTIVES AND SUSTAINABILITY

Performance appraisal is linked to the achievement of personal objectives. For the Industrial General Manager, 20% of these objectives concern sustainability. Of these, half are specific to the company achieving its Sustainability Ambitions 2012.

Typically, 20% of a plant manager's personal objectives will be linked to sustainability.

Responsibility for each Sustainability Ambition is assigned to an individual senior manager according to its content and his/her responsibilities. This individual – the “owner” of the Sustainability Ambition – is then responsible for the action plan, monitoring, measurement and communication that is necessary to ensure that the Ambition is understood and delivered. Ambitions that rely on action by plants, for instance those covering emissions, have been further cascaded and feature in monthly performance meetings between the plant management and the Industrial General Manager.

Individual objectives for Heracles managers are defined annually between the manager and his/her immediate superior and must be “SMART” (Specific, Measurable, Ambitious, Realistic, Time-bound). Sustainability is included according to the individual’s role and responsibility.

External commitments

Sustainability performance is also supported and reinforced through involvement with organizations that set standards of best practice externally. For instance we are:

- signatories to the Global Compact and founder members of the Hellenic United Nations Global Compact Network;
- a founder member of the Greek Business Council for Sustainable Development (Lafarge is a member of the World Business Council for Sustainable Development);
- members of the Hellenic Corporate Social Responsibility Network.

As explained on page 8 our Sustainability Ambitions are central to our sustainability program. They are aligned with the Lafarge Global Sustainability Ambitions 2012 but are specific to Heracles and its role in Greek society. Tracking and reporting on performance against the targets that we set ourselves in 2009 is a key part of our management of sustainability.

Progress with sustainability ambitions 2012

THIS TABLE SUMMARIZES OUR PROGRESS IN 2010 AND THE ACTIONS THAT ARE PROPOSED FOR 2011

Target	deadline	2009 performance against target	2010 performance against target	Comment and Plans
MANAGEMENT				
On safety our target is to reduce the lost time injury severity rate (LTIFR) to 1.3.	2010	Achieved (1.03)	Achieved (0.3)	The injury rate in 2010 corresponds to one Lost Time Incident. Our aim remains to achieve and sustain an incident rate that is zero.
Full compliance with the Lafarge Group Competition Policy.	2010	Achieved	Achieved	We remain in compliance and are maintaining this with continued training of our employees.
Training of all Heracles plant management teams in applying the Lafarge Group stakeholder relations management process.	2010	Achieved	Achieved	We achieved the target to train all plant managers one year early and have also extended the process to the management teams of our distribution centers and quarries.
On customers, carry out an annual customer satisfaction survey on both bagged and bulk cement business.	2010	In progress	Completed for bagged customers	The annual survey was completed for bagged cement customers and an additional survey of end-users was carried out. We will conduct a bulk cement customer survey next year.
Implement the OTIFIC (On Time, In Full, Invoiced Correctly) Standards in operations.			In progress	We are optimizing all our "order-to-delivery" processes before we move to implementing the standard.
Reach 20% of women in senior and executive management (Lafarge Hay Grades 18+).	2012	Achieved (27%)	Achieved (30%)	We have a good record on women in management positions; we aim now to increase the overall number of women in our operations.
SOCIAL				
By 2010, establish a comprehensive occupational health program including at a minimum regular medical examination.	2010	In progress	Achieved	Frequency of medical examinations required for different job roles is now defined and examinations are taking place.

Target	deadline	2009 performance against target	2010 performance against target	Comment and Plans
ENVIRONMENT				
Have 100% of our sites audited environmentally at least every four years.	Permanent	In progress	In progress	All plants are now covered; we have decided to include distribution centers and are making progress with this.
By 2010 reach a rate of 100% of quarries with a rehabilitation plan complying with Lafarge standards.	2010	100%	100%	As well as completing the rehabilitation plan required as a condition of permitting, Heracles undertakes to apply the Lafarge standard in rehabilitation.
By 2010 all our quarries will have been screened according to criteria validated by WWF International and those with realizable potential will have developed a biodiversity enhancement plan by 2012.	2010	Achieved	Achieved	Screening was completed in 2009. We are now developing an 18-month program which will enable us to deliver the second part of this Ambition.
	2012	In progress	In progress	
By 2010 cut our net CO₂ emissions per metric ton of cement produced by 11% as compared to 1990.	2010	-12.8%	-8.34%	We were not able to meet our target for 11% decrease in 2010, due to change in product mix toward higher strength cement, with higher proportion of clinker. We have extended the deadline to 2012 and we are intensifying our efforts in research and development to improve our products' carbon footprint.
Cut our dust emissions in our cement plants by 40% over the period 2005-2012.	2012	-94.6%	-95.04%	We have significantly out-performed our target for dust.
Cut our NO_x emissions in our cement plants by 12% over the period 2005-2012.	2012	+0.05%	-13.13%	We are pleased to have met this target in 2010.
Cut our SO_x emissions in our cement plants by 20% over the period 2005-2012.	2012	-84.9%	-97.41%	We have met the target for SO ₂ .
By 2010 have a baseline for persistent pollutants in our cement plants for 100% of kilns and reinforce our Best Manufacturing Practices to limit emissions.	2010	In progress	Achieved	Measurements at our cement kilns began in 2005; they now take place twice a year. We have implemented all relevant Best Manufacturing Practices.

Plans for 2020

In 2012, we will define the new sustainability program that will replace the Sustainability Ambitions 2012 and define the directions to take in the period up to 2020. The discussions and consultation that support that process are already taking place within our organization.

We are committed to ensuring that our contributions bring benefit to Greece, support the viability and success of our business and reflect the aspirations of our employees and our stakeholders. Our plans will also take account of the global targets to be defined by Lafarge.

We hope to bring forward our ideas in the next year and to give more details in the 2011 Sustainability Report.

Engaging with stakeholders

Stakeholder engagement is central to our development as a sustainable business. Our stakeholders help us improve and to shape our response to emerging issues. Stakeholder engagement is one of our Sustainability Ambitions targets, aiming to ensure that consultation with stakeholders and understanding their expectations is integrated in our sites' operations.

Our Stakeholders

We have production and distribution facilities throughout Greece and a countrywide commercial presence. The basis for identifying our stakeholders is by mapping those who impact or are impacted by our business. Our stakeholders include:

- our **employees** and the **communities** around our plants and distribution terminals;
- our **customers**, for whom we are in business;
- our extended network of **suppliers** and **contractors** who work with us;
- the **authorities**, at national, regional and local level, who control and regulate our operations;
- our **shareholders**;
- the **NGOs** and **civic society organizations** who monitor our environment and social responsibility performance;
- the **media**, who report on our performance.

Our engagement approach

For engagement with all the stakeholder groups identified, we have established a structured approach to ensure that, through any of our operations, we are able to listen to stakeholders, learn from their feedback and respond to their expectations.

Our management teams at our sites review their relationship with their stakeholders on an annual basis. In

Local stakeholder consultation

Our intention is that local stakeholder consultation meetings should be the main pillar of our engagement at a local community level.

In July 2010 the Milaki local stakeholder consultation committee held its first meeting. Preparations for this meeting had begun in 2009. This local stakeholder consultation committee is a model which we intend to roll out at our other large sites; preparations for the equivalent arrangement at Volos began in 2010 so we expect the first meeting to take place there in 2011, as well as regular on-going meetings at Milaki.

At our smaller sites, where stakeholder committees would not be practicable, we are committed to holding at least one open day each year.

Making it clear

We understand that our approach to community stakeholders is unusual for businesses in Greece. We are aware that this may make it difficult for people to be sure why and how they may take part. It can also be confusing that there are legal requirements for consul-

example

FRAMEWORK PRINCIPLES AGREED FOR LOCAL STAKEHOLDER CONSULTATION COMMITTEES

- the participants are representative of the local community
- all members participate equally and jointly to issues under discussion
- meetings are initiated by the plant, regularly, at least two or three times a year
- the participants suggest matters for discussion and any subject can be brought forward provided it is of collective interest
- the date and agenda for each is determined at the previous meeting
- meeting minutes are used to record the discussion and the participants' opinions
- experts or independent bodies may be invited to take part, if suggested and agreed by the participants

“**Opinion of 1300 stakeholders sought in the Magnesia and Evia regions**”

the review they confirm that stakeholders have been properly identified and that there is a robust and well-publicized mechanism for handling complaints and comments; they then develop engagement opportunities such as consultation meetings (at our plants) and open days (at our smaller sites).

tation which are linked to the process of gaining approval for new permits. Our stakeholder engagement, including consultation committees, is separate from this.

We are pleased that many stakeholders have already chosen to get involved in dialogue with us. We will continue to make clear the aims and objectives of our work with stakeholders and to ensure that practical experience improves understanding.

Another challenge is stakeholders' need for reliable information about the process of cement manufacture and its environmental performance. We have observed during our engagement with people that confidence in the regulatory process and in environmental controls by the relevant authorities in Greece is low. One of the reasons we produce this sustainability report is to address the gap in information. Other methods which we use to provide information include the open days, other site visits, our website, designated contact people for information for each site and print publications.

Opinions and expectations

We completed two surveys of stakeholder opinions and expectations in 2010; both were carried out for us by an external company. The first used telephone interviews with c. 1300 people and was undertaken in the Magnesia and Evoia regions where our plants are located. The second consisted of in-depth interviews with 30 stakeholders at national level, including media, customers, non-governmental organizations and regulatory authorities.

The survey findings indicated that, amongst local stakeholders, the main expectation concerns environmental management of sites, whereas national stakeholders are most keen to see us contribute to the fight against climate change, and make technical and product innovations. Many respondents expressed concerns about the impact of the financial crisis.

These and other findings are helping us to shape our sustainability activities. They are especially relevant to our plans for the period to 2020, following the completion of our Sustainability Ambitions 2012; we will be discussing these with our stakeholders.

example

OUR STAKEHOLDERS: THEIR COMMENTS AND THEIR EXPECTATIONS

...[the company] has done a lot on occupational health and safety... we believe that it is really an investment.
 ...gradually Heracles should invest more in people... make them more effective ambassadors of what they do.
 ...[the company] needs to make the right business moves through competitive technologies, materials, raw materials to ensure its future viability
 ...it has done things in relation to the environment mainly in terms of saving energy and reducing greenhouse gas emissions, but surely it can make a greater effort
 ...Heracles was a very good business, but went through many adventures and changes... the umbrella of Lafarge, with its principles, procedures, is a very positive thing
 ...it should look for new building materials... to incorporate new technologies that exist abroad... because the requirements of the households and for environmental protection will be much greater.

STAKEHOLDER ENGAGEMENT

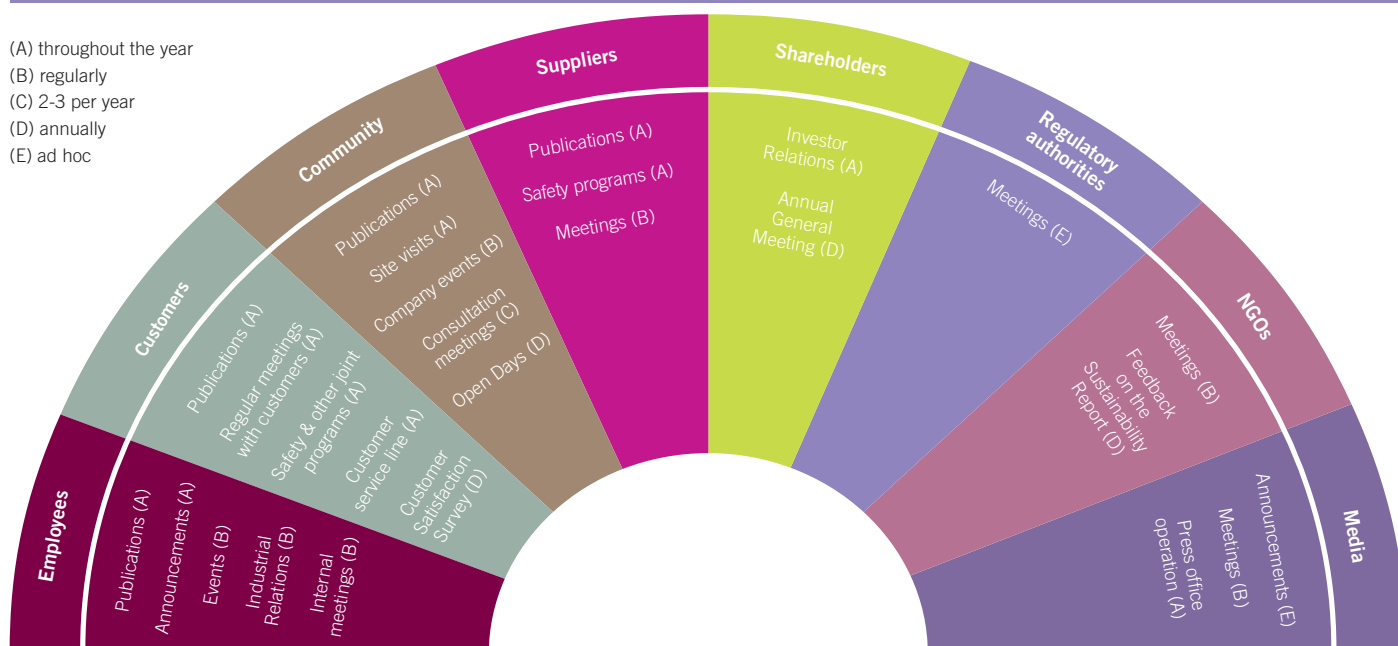
(Percentage of target population trained in stakeholder engagement methodology)

2008 50%	2009 50%	2010 100%
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Relevant managers at all our plants, distribution terminals and quarries are now trained in the methodology.

STAKEHOLDER IDENTIFICATION - Frequency and Type

- (A) throughout the year
- (B) regularly
- (C) 2-3 per year
- (D) annually
- (E) ad hoc



reporting

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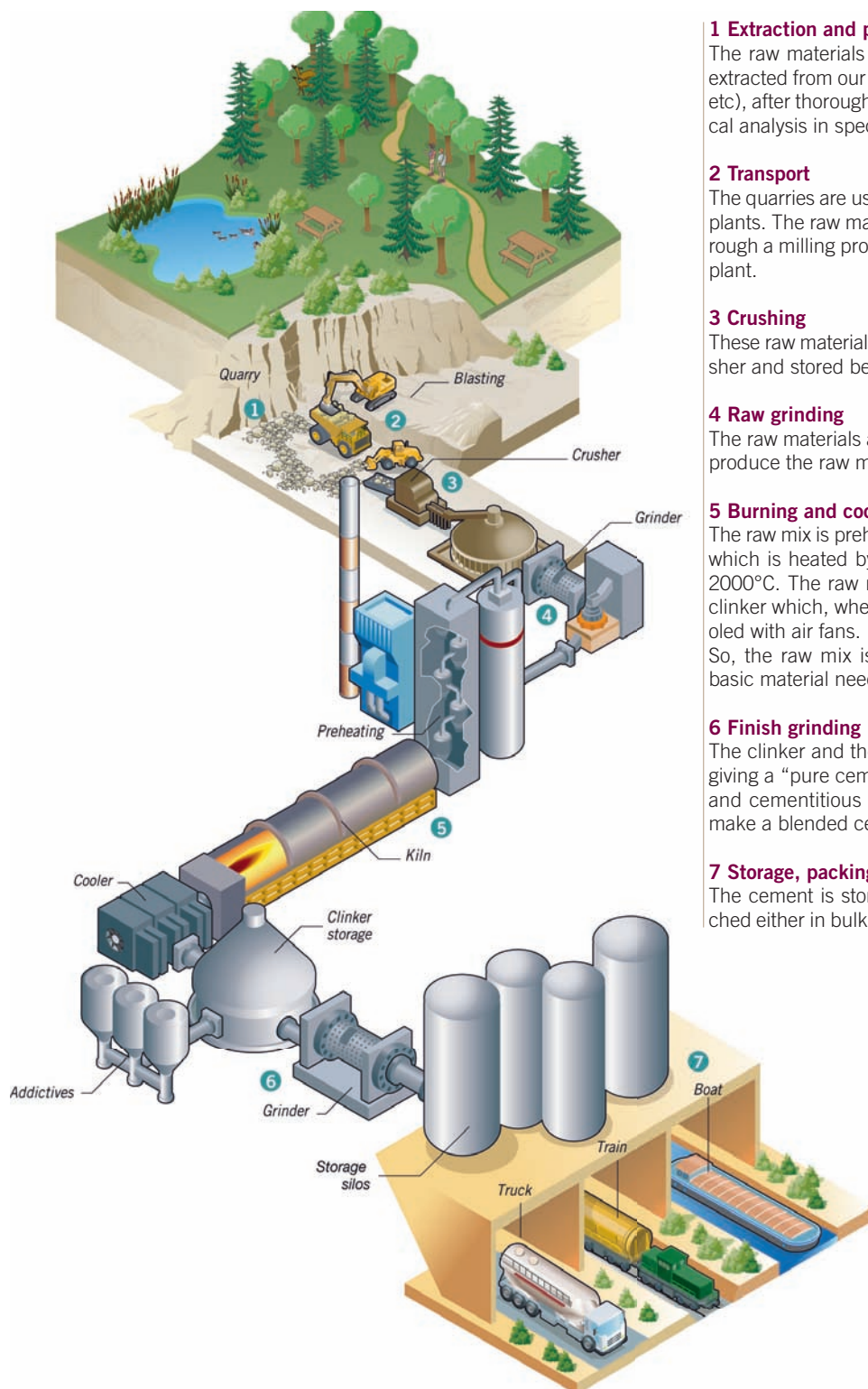
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How we
report

How cement is produced



1 Extraction and preparation of raw materials

The raw materials needed to produce cement are extracted from our quarries (limestone, clay, schist, etc), after thorough geological research and chemical analysis in specific quantities and proportions

2 Transport

The quarries are usually located close to the cement plants. The raw materials extracted are crushed through a milling process and then transported to the plant.

3 Crushing

These raw materials are then transported to the crusher and stored before they are homogenized.

4 Raw grinding

The raw materials are very finely ground in order to produce the raw mix.

5 Burning and cooling

The raw mix is preheated before it goes into the kiln, which is heated by a flame that can be as hot as 2000°C. The raw mix burns at 1500°C producing clinker which, when it leaves the kiln, is rapidly cooled with air fans.

So, the raw mix is burnt to produce clinker: the basic material needed to make cement.

6 Finish grinding

The clinker and the gypsum are very finely ground giving a "pure cement". Other secondary additives and cementitious materials can also be added to make a blended cement.

7 Storage, packing, dispatch

The cement is stored in silos before being dispatched either in bulk or in bags to its final destination.

A challenging year

Our business is being affected by the difficult economic context that Greece is currently facing. We have a strategy for the medium-term and are well-placed to offer customers a range of innovative, low-CO₂ products that are suitable for different construction purposes.

The industry - key points

The cement industry provides materials used in the construction of homes, other buildings and infrastructure. The most widely used of these materials is concrete (made from cement and aggregates) which is used in situations ranging from foundations for roads through to structural elements in very large and complex buildings.

Demand for cement worldwide is strongly linked with population growth, urbanization, and economic growth. The demand for more elaborate and complex buildings and the desire for more sustainable construction have stimulated the industry to produce many different types of cement suitable for different purposes.

Cement in Greece

Although the rest of the world began to recover from recession in 2010, Greece did not. The austerity measures required by the European Commission and the International Monetary Fund affected demand for new houses and infrastructure. Domestic demand for cement dropped to six million metric tons in 2010, compared to the peak of 12 million tons in 2007. This created very difficult conditions for Heracles and we believe these conditions will continue into 2011.

In the medium term however, we believe there is a stable domestic market for cement which is larger than that which exists at present. Our strategy is primarily to address the needs of that market and more marginally to look for exports as long as they bring profitability to our company.

Cement market and sustainability

The financial crisis highlighted structural weaknesses in the cement market and its lack of competitiveness.

Our approach is to increase the productivity and efficiency of our operations, optimize our production costs, use innovation and technical knowledge to produce cement products that are lower in both CO₂ emissions and in production cost than the available alternatives, and to help our customers understand better their benefits and applications. The use of alternative materials and alternative fuels are the most promising routes which we are exploring (see pages 25 and 26). In the longer-term we see further environmental and cost benefits in the provision of sustainable construction solutions.

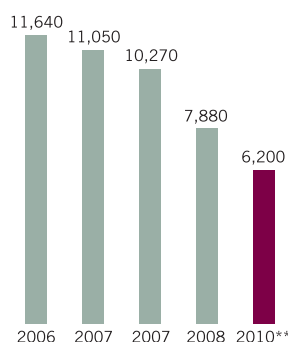
Cement manufacture in Greece is also subject to competition from neighboring countries where production can take place at lower cost and is not subject to CO₂ restrictions. Our strategy is unchanged in response to this. We still believe that innovation, cost performance and improved environmental performance is the best long-term solution.

Safety and environmental compliance

Safety and environmental performance are key elements in Heracles' approach to sustainability. We are therefore working to establish our business as a reference point for industrial safety in Greece and to embrace our customers and suppliers in efforts to improve safety and environmental performance.

Grey cement market in Greece*

(Thousands of metric tons)



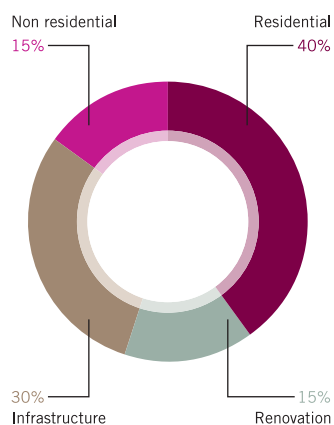
Data from the Greek Cement Association for the years 2006-2009. Demand has declined as a result of the recession and austerity measures. We believe that long-term domestic demand will be higher than at present.

*Grey cement is essentially the majority of cement sales in Greece – white cement holds a marginal portion of the sales.

**Internal estimate

Use of cement in Greece

(Per cent of total cement sales)

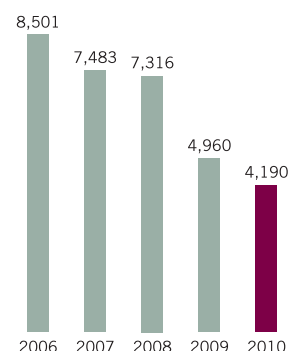


*Internal estimates

The construction of homes and infrastructure accounts for 70% of the market.

Heracles cement production

(Thousands of metric tons)



There has been another small drop in 2010 as a result of the economic situation.

Who benefits from our operations

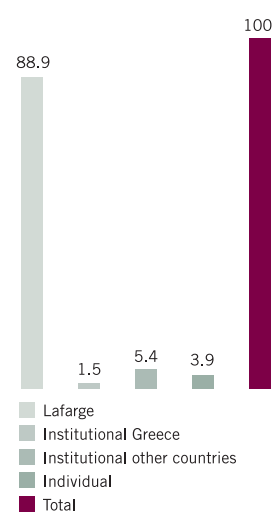
(Cash value added, € millions)

Revenues: Sales & financial interest received	350.8	%
Cost of good sold	-217.0	
Use of reserves	26.4	
	160.2	
Cash Value released		
1 - Taxes to be paid to government	6.5	4.0%
2 - Paid to investor for providing capital	20.6	12.8%
3 - Paid to lenders as a return on their borrowings	2.9	1.8%
5 - Paid to employee for their services	129.7	81.0%
6 - Community investment	0.5	0.4%

The difficult economic context of 2010 reflected in the negative income results and consequently in the value distribution. Our employees are the group that benefits the most from the value created by Heracles.

Shareholders by type

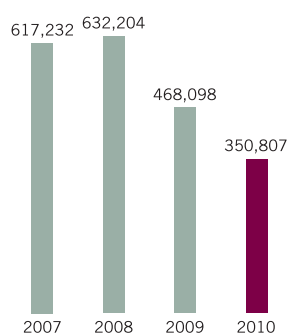
(%)



The Lafarge Group is our largest shareholder.

Turnover

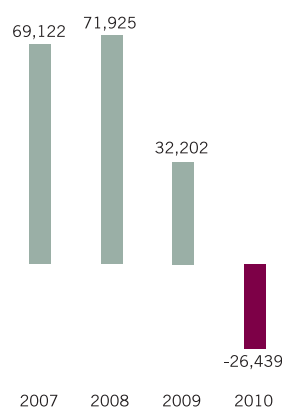
(€ thousands)



Our turnover declined again as a result of the economic situation.

Net profit/loss after tax

(€ thousands)



These results reflect the economic situation in Greece in 2010, especially the slowdown in private and public construction activity.

Top priority and continuing action

Health and safety is a company core value. We believe that all incidents are preventable and we aim to be a reference point for excellence in industrial safety in Greece. Results for 2010 were encouraging; there were no fatalities and injury rates were the lowest ever. But we are continuing with our key challenge, creating a culture in which responsibility for safety is felt at every level, and with other safety and health initiatives.

Results for 2010

Our key measures of safety performance, shown in the charts on the following page, indicate good progress in 2010. There were no fatalities and the frequency and severity of injuries were both lower than in previous years. During the year we worked in three main areas where improvement is required: creating the right safety culture, reducing risk and extending our safety procedures to embrace those that work with us.

Creating the right safety culture

It remains the case that senior managers are required to show "Visible Felt Leadership" in their approach to safety. For instance, every member of the Executive and Operations Committees has safety-related performance objectives and must cascade these to their teams. But we want to extend ownership of safety below management level to those who, for instance, supervise a workshop or an activity, or are line managers. We held workshops with these individuals to increase their safety awareness and to support them in identifying critical behaviors that influence safety in action; we involved them in health and safety inspections and housekeeping activities. In addition, in an effort to increase awareness and mobilization behind our key priorities for safety, all employees were invited to enter the competition to define the 2010 safety message that would best reflect these priorities.

Anticipating risks

Data on near-misses and unsafe conditions is a very valuable resource which helps us anticipate and prevent exposure to risks that may cause serious injury. We made the collection and use of this data our focus in 2010 and are publishing it for the first time in this report.

Engaging others

The roll-out of the Lafarge Contractor Safety Management standard is described on page 36. We held the second round of Road Transportation Safety Days (the first round took place in 2008-9) and there were five meetings in different locations. More than 600 participants including customers, drivers and other partners took part in the discussions which encompassed safe-driving, towing, reporting of unsafe conditions, loading and unloading, and communications.

example

LOTOTO

We implemented a new standard to make sure that we eliminated the risk associated with non-isolated energy-using equipment.

LOTOTO – meaning Lock Out, Tag Out, Try Out – is a new procedure which requires every employee to put a personal lock on energy-using equipment before a task begins. There are two key principles; every task is properly assessed and prepared and, because each employee has their own lock, there is a personal involvement in ensuring safety.

Health at work

Our health program, launched in 2008, aims to provide an occupational health service to all employees. A job risk assessment defines the type and frequency of medical checks required and our medical database helps the occupational doctors to manage data and the required medical follow-ups. Since the start of the program no occupational disease is reported. We are also responding to the outcome of a gap analysis which compared our program with Lafarge standards and Greek legislation. There were two particular campaigns in 2010; "noise - the hidden risk" was a major theme in Health and Safety Month and we intensified measurement programs for exposure to crystalline silica dust. In addition, our doctors have been asked to undertake a statistical evaluation of data resulting from medical examinations so that we can focus in future on both occupational and life-style risks, and provide the appropriate awareness-raising.

0
FATALITIES
IN 2010

example

SAFETY IN ACTION

In September, the Milaki plant launched a three-month project to improve health and safety through the elimination of unsafe behavior. The staff and managers used the experience of the last two years to identify work practices and behaviors that were unsafe, assess risks and develop new approaches. The project had the full commitment of the plant management team, who were team leaders in delivery. The main commitment of Milaki employees was "As of December 1st no job will be carried out without prior risk assessment and defined safe work procedure".

example

EXEMPLARY SAFETY DURING KILN SHUTDOWN AT VOLOS

Every year, each of our plants is shut down so that extensive maintenance work can take place. This is essential to ensure reliable operation during the rest of the year.

These "kiln shutdowns" are very challenging in terms of safety because they involve many different people (employees and contractors) and work of different nature (production, mechanical, electrical etc).

In 2010 the Volos shutdown was to last 40 days and involve 100 employees and 160 contractors. The management decided it should be a pilot project for a new, exemplary approach to safety in maintenance works, with three pillars:

- delegation of safety duties to line management with commitment of all people to safety
- implementation of standards and good practices for each work and task
- constant follow up, with implementation checks and corrective actions.

The program brought sustainable results in safety management. Line managers were strongly involved, and their accountability and responsibility was developed. All staff and contractors were highly mobilized and committed, and new safety procedures and tools were developed.

The program was commended by the European Agency for Safety & Health at work and cited in a communication on best practice in safe maintenance distributed to member states.

Fatalities and lost time injuries

(Number of incidents – contractors and employees)

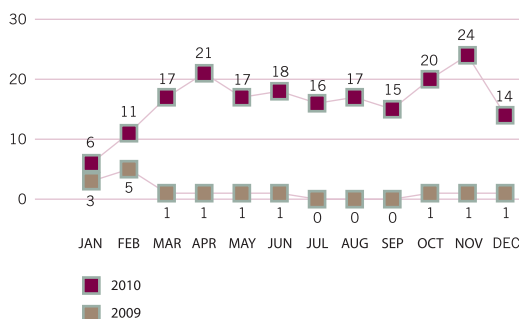
	Fatalities	Lafarge LTIs	Contractor LTIs
2003	1	17	*
2004	2	16	*
2005		9	5
2006		13	6
2007	1	6	6
2008		8	2
2009		4	2
2010		1	1

*Data on contractors was not reported prior to 2005.

There has been progress but we continue to seek further improvement.

Near Miss reporting

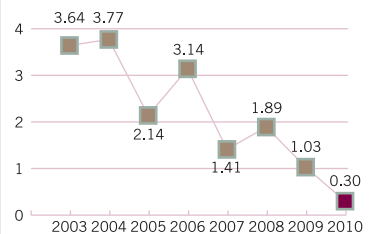
(Number of near-miss reports submitted)



We define a near miss as an incident which didn't result in an injury only thanks to luck. We encourage our employees to report these situations so that we take corrective measures and avoid potential incidents. In 2010 the average number of near-miss reports per month was 16 compared to 1 in 2009. Each near miss report generates at least 1 or 2 corrective actions; there were at least 280 corrective actions in the year.

Reduction of lost time injury frequency rate

(Number of accidents leading to loss of time by million hours worked)



There has been progress but we continue to seek further improvement.

Lost time injury severity rate

(Number of calendar days lost as a result of accidents by thousand hours worked)



There has been progress but we continue to seek further improvement.

A vital part of our business

Our long term commitment is to sustain a robust organization, where people can develop their potential as professionals and contribute to the success of our business. We are already pleased to see signs of progress, despite the difficulties of 2010.

Our strategy for people

For our company, people development is a top priority and a commitment. We focus on the personal development and fulfillment of our employees with a long-term view.

People development is a systematic process designed to strengthen the competencies and skills of our people. Using this process, we seek to optimize their performance in their current duties but additionally to enhance their potential for building a successful career within our organization.

Central to our people development process is the Individual Development Plan (IDP). This is a tool which uses not only conventional training but also on-the-job training, coaching, e-learning tools and assignment of new responsibilities, to develop skills and knowledge needed in a challenging working environment. In parallel, through participation in interdepartmental projects and working groups, both locally and internationally, our employees come to know the organization better and develop personal skills on a wider scale. Starting with recruitment, each employee has his or her own IDP, based on his or her development needs and aligned with the company's principles.

This strategic planning of the careers of our people gives us the opportunity to enhance their talents, maximise their potential within the organization and to make the best of their ability in the long term. The assignment of new responsibilities and challenges enables our employees to expand their knowledge and competencies and to develop their leadership skills.

Progress in a difficult year

At the end of 2010 Heracles had a total of 1318 employees. Within the year 34 people were hired and 282 people left the company due to retirement and early retirement. In these difficult circumstances, the development of our people is even more important. The best use of their talents and skills is critical to enhancing the competitiveness of the company. In 2010, we filled key positions with talented and competent people, where they will have the largest positive impact on the performance of our business and will ensure its long term viability.

48
AVERAGE HOURS TRAINING
PER MANAGER

example

IDP IMPROVEMENT

An in-depth qualitative review of Internal Development Plans (IDPs) revealed that their users needed more guidance in their use, so as to develop IDPs that would make a distinctive difference to performance and capabilities.

Senior management committed to a series of actions, to be driven by the Human Resources team, that would underline the importance of the IDP as a development tool.

First, a training program was designed, to enhance the quality of IDPs; there were 6 sessions with 91 participants in total. Then, individual coaching sessions were provided for the key population to improve their own IDPs and those of their direct reports. The sessions focused on the significance of a well-designed IDP in identifying the competencies and corresponding learning activities and resources, needed to improve individual performance and to prepare for new responsibilities. There was support, advice and tools available from the Human Resources team throughout. There was a marked improvement in quality of IDPs as a result. In 2009 the proportion of IDPs rated as "very good" had been 10%; in 2010 the proportion rose to 60%.

The program was recognised with a Lafarge Group Award (in the Best Talent Development category).

Diversity

We have already out-performed our Sustainability Ambition to have women holding 20% of managerial positions (Hay grades 18 and above); the proportion is now 30%. While we still aim to increase the proportion further, we have been focussing on the wider challenge of increasing gender diversity across the entire workforce, especially middle management.

Opportunities for students

Our internship program offers senior students of universities and other educational institutions an opportunity to gain experience of a working environment, to develop skills and confidence and to share with us their enthusiasm and new thinking. Fifty-two interns were taken on in 2010.

18
INDIVIDUALS GAINED AN INTERNAL PROMOTION IN 2010

The age structure of our workforce

(%)

Age range	2008	2009	2010
<30	9.63	9.3	9.9
31 - 50	54.26	53.6	57.2
>51	36.11	37.1	32.9

The age profile of our workforce is still weighted towards the middle and upper segments.

Job evolution

	2008	2009	2010
Hirings	44	28	34
Resignations	9	10	4
Retirements	27	7	10
Early retirements	255	191	272
Deaths	2	3	2
Total	293	211	288

Early retirement is the main source of change in our workforce.

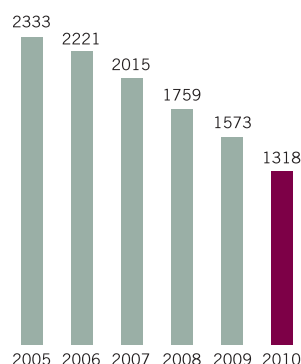
Women in the workforce

(Women in different categories of employee)

Women	2008	2009	2010
Women - Hay Grades 12 & above (managers)	50	53	49
Women - Hay Grades 11 & below	118	106	93
Total	168	159	142
Total headcount	1759	1573	1318
%	9.55	10.11	10.77

There was a decrease in the absolute number of women employed but as a proportion of the workforce women are better represented than in 2008.

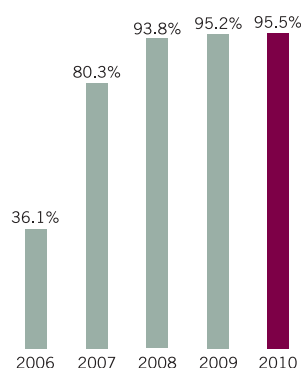
Number of employees



Total headcount declined again in 2010.

Reviewing performance

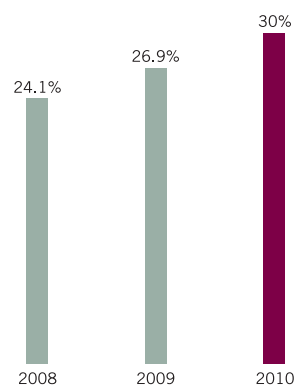
(Percentage of managers receiving performance appraisals)



The percentage continues to be high; we aim for 100%.

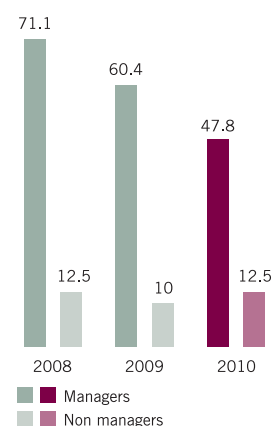
Women in management

(Percentage of female managers in Hay grades 18+)



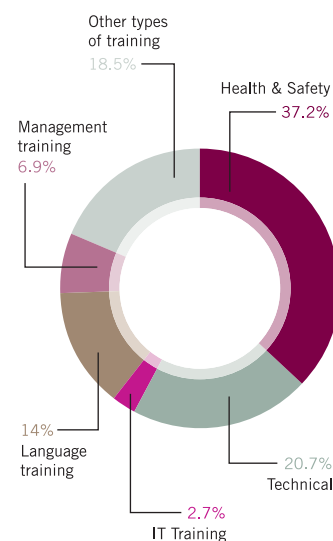
Investing in a skilled workforce

(Average hours training per person per year)



Investment in training by type

(Percentage of total expenditure on training in different categories)



Health and Safety is our number one priority and therefore commands the greatest expenditure.

A role

and a relationship

Our plants and other facilities are located in communities where our employees and their families, and many of our suppliers and customers live. Our commitment is to contribute to building a better world for them, by contributing to economic, social and environmental progress. We also want members of our communities to know more about our operations and the way we conduct our business.

Our community focus

In supporting community organizations and causes, we know that we can be more effective if we direct our attention to particular issues which are close to our business values. The areas we have identified are health and safety, education and environment, and infrastructure. Continuity of support is also important, particularly in the current economic climate.

Health and safety in the community

We have an ongoing commitment to raise awareness of road safety issues in the communities surrounding the Halkis plant; the road accident rate in this part of the Evia region is a major concern which we share. Our campaign, which we are running in partnership with local organizations, encompasses pedestrian safety, traffic circulation in the city, the safety of older drivers and the links between health and driver safety. This year, in June about 60 people attended a training day on the topic of safety for older pedestrians and drivers; in September the plant hosted a workshop organized by the Halkis police service on the subject of safe access to schools. There was briefing on the work of the school traffic wardens, vehicle management and circulation, and appropriate safety infrastructure.

The Halkis plant also organized a sea rescue training exercise for local coaches and athletes, given by the local diving school.

Environment and education

School children local to the Halkis plant have been taking part in the environmental improvement program there; the plant is undergoing refurbishment, redundant land is being planted with trees and local plant species, and a way-marked trail is being created inside the plant, where visitors can observe the plants and read about their origin and characteristics. In December 2010, at the opening of the trail, the children were invited to adopt certain trees along the way and had a presentation on biodiversity from an expert botanist from the Goulandris Museum of Natural History.

Also in 2010 we continued our support of the Primary and Secondary Education Departments of Evoia for the delivery of their teachers' seminars on health, environment and culture.

3

**FOCUS AREAS - HEALTH AND SAFETY,
ENVIRONMENT AND EDUCATION,
AND INFRASTRUCTURE**

Infrastructure for community benefit

Donations in kind, which form part of our community investment, often include the loan of machinery and tools and the donation of materials for community projects.

Our PRAXSI program, created after the devastating fires in the Evia region in 2007, supports local fire prevention programs, rehabilitation and maintenance of the natural environment, environmental education and development initiatives to stimulate business. In 2010 the fund supported training for fire-fighting volunteers at the Milaki plant; the training was given by the Halkis Fire Brigade in cooperation with the Aliveri Fire Service. The fund also gave support to those affected by flooding in the south of the Evia region where the Milaki plant is located. In 2011 the fund will pay for many of the improvements in safety infrastructure around schools that were identified at the workshop on safe access to schools described above.

Open Days

We believe that visits to our plants should enable members of the community have a better understanding of our business. For instance, they are opportunities to learn about our management of health, safety and the environment, and to see our operations and processes. Our plant managers have personal targets to ensure that school visits and other tours take place.

In December 2010, the Milaki plant organized an Open Day for the community. More than 150 people visited the plant and the new desalination unit and attended the presentation by the Hellenic Marine Research Institute (see page 30).

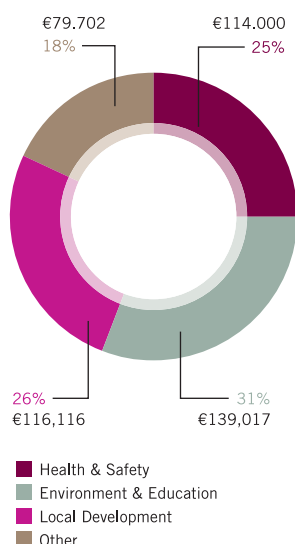
Assessing our socioeconomic footprint

Our operations, because of their size and their nature, are significant for the communities in which they take place. Our socioeconomic impact is therefore important. Each major site, as part of its local integration plan, already undertakes an assessment of the primary and secondary value that is created by its operations.

In 2010 Lafarge developed, in cooperation with the non-governmental organization CARE, a tool for the measurement of socioeconomic footprint. Using this tool can help sites understand better their employment impact (direct, indirect and induced), economic contribution and contribution through their value chain. We will be making use of this tool at our major sites in 2011.

Community contributions

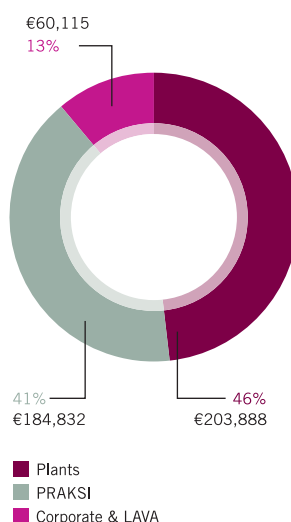
(Distribution of support by category, % of total community investment)



Total community investment in 2010 was €449,000 including €79,000 in materials. Taking account of market conditions, this is comparable to the €940,000 invested in 2009.

Community contributions

(Source of support, % of total community investment)



Our plants are the majority owners of community support programs.

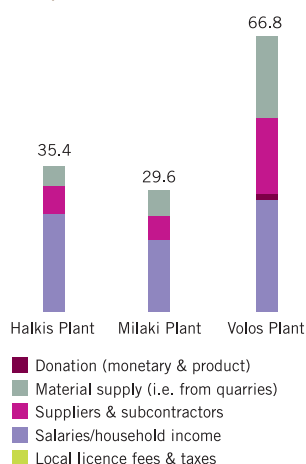
example

AMBULANCE FOR ALIVERI

The community of Aliveri has only a small health center and several times in recent years it has been obliged to ask Heracles for loan of the company's ambulance because its own vehicle was not in operation. We have decided this year to fund the purchase of a new ambulance for use by the community. The vehicle is being designed and fitted prior to delivery in 2011.

Socioeconomic value created

(million €)



Key issues and management

It is our responsibility to ensure that our operations are well-managed, with potential impacts on the environment properly controlled. We must of course adhere to legal standards and regulations but this is not enough; in areas that are material to us, we are committed to going beyond compliance and to a cycle of continuous improvement.

Our key environmental issues

The production of cement is an industrial process, which entails certain impacts on the environment. The key issues for us are:

- climate change, due to the release of CO₂ embedded in the limestone which is the main raw material used in cement manufacture and CO₂ from fossil fuels used in the manufacturing process;
- the release to air of emissions from combustion;
- impacts on biodiversity as a result of quarrying and the subsequent rehabilitation of quarries;
- the abstraction and return of water to the environment associated with our processes.

The following sections address these topics in turn.

Cement manufacture is such that there are no liquid or solid wastes as a result of the production process. On the contrary, there are opportunities for recovering value from waste and resources from other businesses; see page 31.

Environmental policy and management

As part of its commitment in relation to sustainable development, Heracles, as a member of Lafarge, has for a number of years integrated environmental aspects into its strategy and culture.

The Group's commitments in this respect cover the mitigation of climate change, the conservation of nature, a more efficient use of energy and natural resources, the aim to minimize the production of waste, harmful air emissions and water discharges, the preservation of heritage, landscape and biological diversity.

The Environmental policy defines the Group's commitments regarding its operations, Greenfield site development and major modification projects, resources, training and research, procurement, product stewardship and stakeholder relations. Every employee and director must, within the limits of her/his duties, participate in the Group's efforts and commitments by complying with applicable regulations and the Group's environmental policies. Each employee or director must report to the persons responsible for these matters, any compliance failures or possible exposures of

which she/he becomes aware. The full text of the Group's Environmental policy is available on the site www.lafarge.com. Our aims and objectives beyond those defined by regulation are set out in our Sustainability Ambitions, described on pages 10 and 11.

We have a system for monitoring and reporting of environmental performance using Key Performance Indicators (KPIs) that is defined for all the cement businesses in the Lafarge Group and is checked and validated by the Lafarge cement business regional center for Europe. The Volos plant is subject to an environmental management system consistent with the Lafarge standard and in 2010 this system was also certified as complying with the ISO standard 14001. The environmental management system at the Milaki plant has been certified to the ISO 14001 standard since 2004.

Audits for all major facilities

Regular environmental audits reflect best practice in environmental management in industries such as ours. We follow this proactive approach, believing that the discipline of the cyclical audit process raises and maintains standards in areas including noise and dust suppression, pollution control, and waste and water management. The Lafarge Sustainability Ambition specifies that regular environmental audits should take place at all our plants every 4 years. This is done by external experts, who do the same for all Lafarge plants (so they have a standard methodology and evaluation grid). In 2009 we decided at Heracles to extend this to our distribution centers. Of our six distribution centers, three of these have now been audited and the remaining three will be done in 2011.

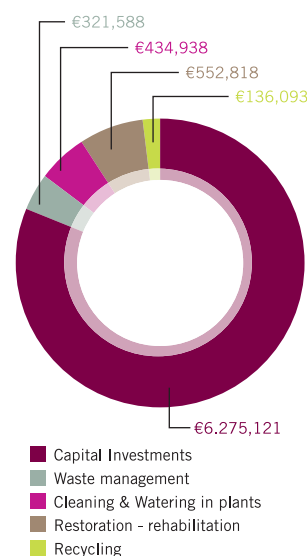
Environmental audit program

		2005	2006	2007	2008	2009	2010	2011 target
Plants	Volos							
	Milaki							
	Halkis							
Distribution Terminals	Drapetsona							
	Rio							
	Thessaloniki							
	Iraklio							
	Igoumenitsa							
	Kavala							

The audit cycle continues and additional sites are now included.

Environmental investment

(In €)



Total environment expenditure in 2010 was 7.720,558 €

Climate change

We have a strategy for reducing CO₂ emissions from the manufacture of cement which includes process optimization and product innovation. This, together with sustainable construction, is how we see our business contributing to combating climate change. We are assisted by being part of a larger business which has adopted a leadership position in tackling the challenge of global warming.

Our strategy

We are taking multiple routes to reducing the emissions associated with cement manufacture. Burning fossil fuels to produce clinker (from which cement is manufactured) produces CO₂, so optimizing the combustion process and other types of energy efficiency reduce emissions, as does replacing fossil fuels with renewable or other alternatives. Thirdly, there is product innovation; the use of cement additives which are CO₂ neutral, allow us to develop products that have a lower CO₂ footprint.

Alongside these efforts, we are promoting sustainable construction which has the potential to improve energy efficiency and reduce emissions from buildings while they are in use; see pages 34 and 35.

Optimization and energy consumption

During 2010, there was a major drive at the Milaki plant to upgrade its industrial performance. This meant the application of the so-called Plant Operating Model (POM) which details organizational and technical approaches to operation. This resulted in achieving a very high Reliability Factor with a very low number of kiln stoppages, resulting in a very efficient energy performance of the plant. For this performance, the plant is rated as among the best-managed Lafarge plants.

Alternative fuels

The successful introduction of biomass as an alternative fuel at our Volos plant in 2009 has been followed by a similar development at Milaki using paper sludge. Biomass now accounts for 1% of fuel used in our plants.

In strategic terms, we see potential in the use of fuel derived from the residue of municipal waste recycling called solid shredded waste (SSW). The discussions that this has generated with the permitting authorities and our other stakeholders illustrates that it takes time to achieve the shared understanding required by all parties. This is a major influence on our progress with further emission reductions. We look forward to being able to proceed with the use of SSW at one plant in 2011 and at the others subsequently.

Innovation

Product innovation requires that we work with our customers to understand their needs, use our technical skills and introduce them to alternative, lower-CO₂ products that may be available. For instance, we already have the capacity to substitute pozzolan or fly ash for clinker; we may also deploy different additives to reduce emissions.

example

REDUCING THE TRANSPORT IMPACTS OF DISTRIBUTION

Thanks to the combined shipment routes model that we use, we have improved significantly our transport footprint. In 2010, we invested in video-conferencing for our six distribution centers and rationalized their organization into two discrete regions: North and South Greece. This has reduced the need to travel and the associated transport emissions. We are also piloting the use of LPG as an alternative fuel for cars and trucks. Additionally, we will then monitor fuel consumption and hence emissions; if the evaluation is positive there is scope to introduce this more widely in 2011.

Overall performance

In 2009 we out-performed our targeted reduction in CO₂ emissions per metric ton of cement; we achieved a 12.8% reduction while the target was 11% (compared to 1990 levels). We were not able to sustain this reduction in 2010; the reduction was 8.34%. This was largely the result of a shift in our customers' requirements in the current economic context; there was increased demand for high strength cement with a high proportion of clinker. There was a decline in total emissions as a consequence of market conditions in Greece in 2010.

8.34%

REDUCTION IN CO₂ EMISSIONS PER
METRIC TON OF CEMENT SINCE 1990

example

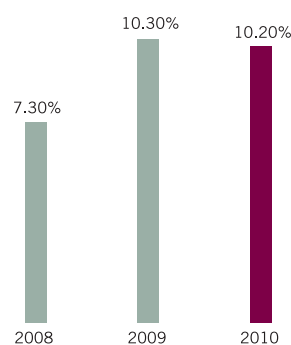
IMPROVED POWER CONSUMPTION AT THE VOLOS PLANT

Kiln 1 at the Volos plant is one of the biggest in the Lafarge. In 2010 we invested €10 million in an upgrading program; we introduced major changes in kiln design, replaced and renewed manufacturing equipment and changed kiln operations. State of the art fans and drives were installed in the kiln preheater tower, cyclone geometry was improved and new separator, fan and drives were installed in the raw mill.

As a result the power consumed, relative to the amount of clinker produced, has been reduced by 10% (6Kwh per metric ton of clinker). This corresponds to a reduction in CO₂ emissions of 9,000 metric tons. Volos Kiln 1 is now among the best in Lafarge in terms of specific power consumption.

Alternative raw materials

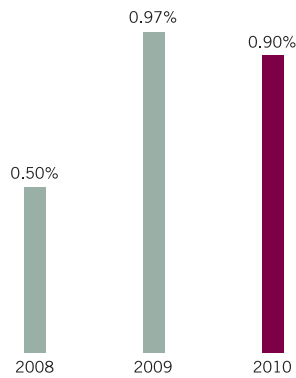
(Consumption of alternative materials as % of total raw materials consumed for cement and clinker production)



Our use of alternative raw materials remained more or less at the same level as in 2009.

Alternative fuels

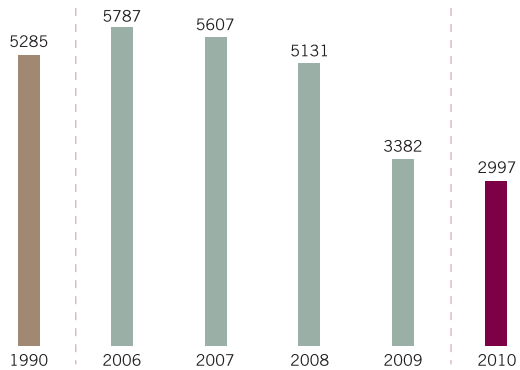
(Consumption of alternative fuels as % of thermal consumption)



Use of alternative fuels currently comprises only biomass and paper sludge and is not at a significant level. Our strategic aim is to use solid shredded waste (see text).

Total CO₂ emissions (gross and net)

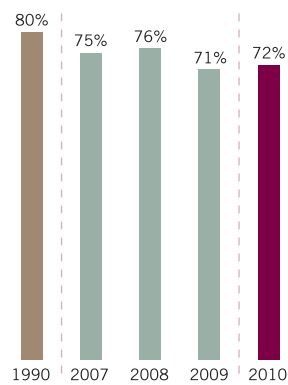
(Thousands of metric tons per year)



Total CO₂ emissions reduced as a result of market conditions. GRI and other international reporting protocols prescribe that net emissions differ from gross in the exclusion of emissions from combustion of waste. Because our use of waste as fuel is currently at very low levels, there is no significant difference between our gross and our net emissions.

Clinker factor

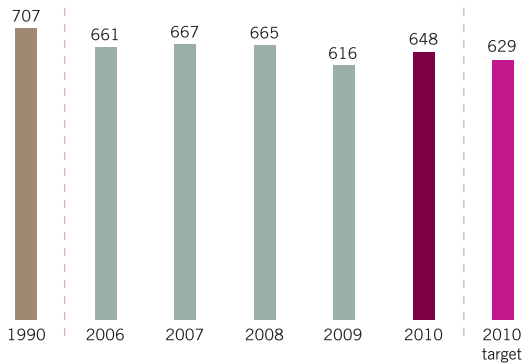
(Ratio between clinker consumption and cement production)



Improvements in recent years were partially reversed in 2010 due to the higher clinker proportion in the cement product mix.

CO₂ emissions per unit of product (gross and net)

(Kilograms per metric tons of cement)



Emissions per unit of cement produced increased in 2010 due to change in customer demand and product mix. Again, there is no significant difference between our gross and our net emissions.

Emissions compliance and improvement

Cement manufacture gives rise to emissions to air. These emissions are subject to legal limits which we respect and meet. But it is part of our sustainable business ambition to reduce these emissions further, using the technology and knowledge that are available to us.

Cement and air quality

Cement manufacture differs from many other industrial processes in that the key impact concerns emissions to air, especially dust, and not liquid waste or solid waste, which do not occur in the production process. Nitrogen oxides (NOx) are also released as a result of the combustion process, as is the case in other industrial combustion processes. Depending on the composition of raw materials used in the combustion process, sulfur dioxide (SO₂) can also be released during cement manufacture; such emissions are generally low in comparison with other industries because the sulfur oxides are captured during the clinker formation process.

Progress in 2010

There was a significant reduction in almost all measures of air emissions during 2010. The decrease was not only in absolute values (due to market conditions) but in emissions relative to the quantity of cement produced (known as specific emissions), which is the measure for improvement we use for our Sustainability Ambitions. This means that we are delivering real sustainability benefits, which will be sustained as market conditions improve. Our performance is discussed in more detail below.

NOx

In 2010 we brought emissions of NOx down below our target level for the first time. This very satisfactory result was largely due to the improvements we made at the Milaki plant (see example).

Stack Dust

This was the first full year in which all three of our cement plants operated with hybrid dust filters in place. There have been successive reductions in stack dust emissions since filter installation started and we are now performing significantly better than targeted.

SO₂

SO₂ emissions in our Volos and Halkis plant are almost zero as the raw materials used are free of sulfur compounds.

example

REDUCING NOx EMISSIONS - MILAKI PLANT

In 2010 operation of SNCR (Selective Non-Catalytic Reactor) technology began at the Milaki plant. This technology involves injecting urea solution into the hot gas stream as it leaves the kiln, is compatible with cement manufacture and has been an industry best practice used successfully in the cement industry. This investment has guaranteed operation at lower NOx emissions, significantly below the limit values.

Persistent pollutants

Heracles is included in the agreement that Lafarge has reached with WWF to reduce persistent pollutants. Measurements at our plants began in 2005; they now take place twice a year.

Fugitive dust

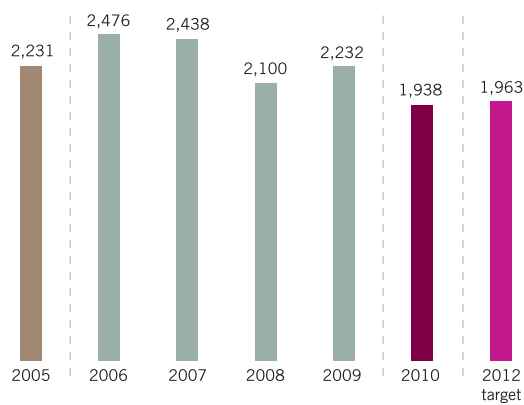
All our installations (plants, terminals and quarries) are taking steps to reduce and control sources of fugitive dust. For example, we avoid storing materials in open areas as much as possible. In 2010 we tested a pilot system for the automation of unloading of cement silos at distribution centers which has the potential to ensure better dust and spillage control. We will decide this year whether the system is suitable for wider use.

We have started the construction of a new building at our Volos plant for the storage of raw materials. Once completed, all handling and internal transport of these materials will take place under cover, thus reducing fugitive dust emissions.

We completed in 2010 the installation of continuous monitoring systems in the mills of all our plants which will also assist in improving dust control.

NOx emissions

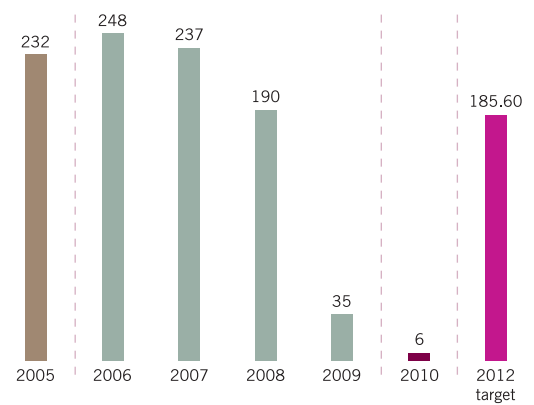
(Grams/metric ton clinker)



Total emissions of NOx were 6,800 metric tons (8,775 in 2009). Process mastery, proper fuel specification, selection and management as well as investment in SNCR technology in Milaki, contributed to significant reduction of NOx emissions. They are now below our target level two years ahead of our commitment.

SO2 Emissions

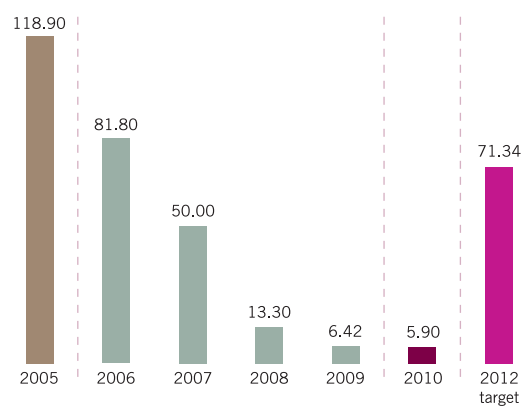
(Grams/metric ton clinker)



Total emissions of SO2 were 19.6 metric tons (137 in 2009). Emissions of SO2 are significantly below the target level.

Stack dust emissions

(Grams/metric ton clinker)



Total stack dust emissions were 20.7 metric tons (25.2 in 2009). Stack dust emissions are significantly lower than the target level.

Water

Water is a global issue, which requires local solutions. There is growing concern about global water scarcity and its possible social, economic and security consequences. Although cement is not a major water-using activity, it is our responsibility to use water carefully and to balance our needs against those of other users.

Protecting a resource

Types of water use

Most of the water we need (for cooling in cement plants, for dust suppression and for watering newly-established trees and other plants) is groundwater; permits govern the amount and location of the necessary drillings. We use some treated water; overall about 12% of our water needs are met by supply of treated water through the municipal water supply network but the situation at each plant varies. For instance, the Volos plant uses only ground water while the Milaki plant was, until the commissioning of the desalination unit (see example), 90% dependent on water imported from another region.

Conserving water

Water used for cooling is contained in closed systems and can be re-used again and again. At Milaki almost all the water that would otherwise be discharged is collected, treated and used for dust suppression and watering. The Halkis plant collects and uses rainwater.

Protecting the water environment

We have nearly completed the installation of a new drainage system at our Halkis plant which is improving the quality of water discharged back to the environment. At the Volos and Milaki plants settling ponds and oil traps are used to treat water before it is discharged.

A new Port and Marine Standard Operating Procedure is reducing the risk of incidents that might compromise the marine environment. It specifies the anti-spill pollution prevention kits that are now held at all terminals for use in the event of spillage or other incidents.

Water footprint

We are also taking part in the water footprinting activities of the whole Lafarge Group. Water footprinting, which is widely recognized as an important tool in water management, enables us to set site specific targets and to prioritize our actions. Milaki, as a plant that is located in an area of extreme water scarcity, was mapped this year using the Global Water Tool designed by the World Business Council on Sustainable Development. We will then complete water footprints for our other sites.

example

MILAKI - A CHALLENGE AND A DECISION

In September 2010, the Milaki desalination unit started operation. It provides the process water (350,000 – 400,000 m³ per annum) the plant needs for its operation.

Previously, 90% of the water for the Milaki cement plant had come from another region, transported to the island in sea tankers. Another 7% had come from the island's own municipal supply and the remaining 3% from groundwater sources under permit. Although the plant recycled as much water as possible, we knew that relying on water from another region was not sustainable in the long-term and we began to consider proposals for desalination in 2007.

Our stakeholders were concerned about the potential impact of desalination on water quality in the gulf of Aliveri. To address their concerns, we commissioned the Hellenic Center of Marine Studies to study the potential impact and to undertake periodic tests of sea water quality and the monitoring of marine flora and fauna through oceanographic studies. The reports of the Institute are available to controlling authorities and community stakeholders.

Total water withdrawn by source

(m ³ per year)		
	2009	2010
Groundwater	2,507,995	2,842,971
Surface water	-	306,625
Other	350,605	35,115
Total	2,858,600	3,184,711

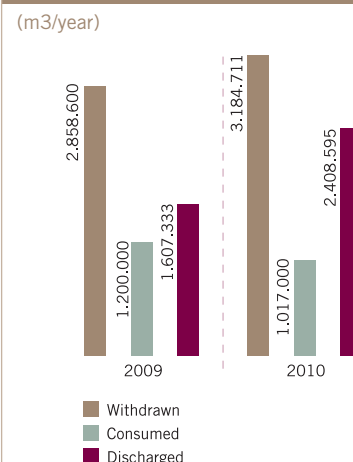
83% of the water we use is abstracted from groundwater sources under licence.

Total process water discharged

(m ³ per year)		
	2009	2010
Groundwater	18,000	15,585
Surface water	1,589,333	2,408,595
Municipal supply	-	-
Other	-	0
Total	1,607,333	2,424,180

In the water withdrawn and discharged is included a well in the Volos plant, which is not used as process water.

WATER



20%
WATER CONSUMPTION REDUCTION
IN 2010

Waste and recycling

Cement manufacture is a resource-based industry; we must use those resources carefully, recycle them where possible and maximize our opportunities to recycle the products of other industries.

Waste principles and hierarchy

Our approach is based on the waste hierarchy: minimize, reuse, recycle and recover energy, and finally dispose to landfill.

Waste management in practice

In 2010 we introduced facilities for the segregation of waste for recycling at our distribution centers; there are now such facilities at all our plants, all our distribution centers, all the quarries that are in active use and our head office. Segregated materials are collected and handled by certified contractors, as is the small amount of residual waste requiring disposal at landfills.

Another focus of activity in 2010 was the waste management practices of those who work with us. Our Volos and Halkis plants have organized employee awareness campaigns for the proper handling of waste. We wanted to make significant improvements, not just in legal compliance but in behavior adopted in the daily lives of employees, contractors and others.

We began to audit contractors for “duty of care” – their responsibility to ensure that waste is collected, transported and transferred to the next person in the chain of custody with appropriate controls at every step.

We also carried out housekeeping audits at all distribution centers; these audits ensure that materials and waste are being stored appropriately, that sources of dust and nuisance are controlled, and help to improve site appearance to the benefit of the local community.

“Industrial Ecology”

The sustainability of ecosystems comes from their equilibrium; materials and resources are constantly recycled. Industrial ecology applies this principle to human activity, making the most efficient use possible of by-products and waste. Much of the work that we are doing to develop innovative new products for our customers (see pages 34 and 35), involves the principles of industrial ecology.

At our cement plants we recycle the by-products of other industries as raw materials, for instance fly ash derived from power stations can substitute for clinker in certain types of cement. Using wastes from other industries as a source of fuel (see page 26) is another form of industrial ecology.

96%
OF ALL WASTE PRODUCED
IS RECYCLED

Waste recycling and disposal

(tons per year)

	2009	2010
Hazardous (oils, grease) - recycled	123	156
Hazardous (rugs contaminated with oils, greases etc.) - disposed	150	123
Non hazardous - recycled	3,359	2,692
Non hazardous - disposed	0	0
Total	3632	2971

Hazardous waste is recycled at specialized treatment facilities.
No waste is incinerated.

Biodiversity and quarries

Rehabilitating quarries and enhancing the biodiversity associated with them are key elements in our ambition to operate as a sustainable business. This year we took our first major step towards realizing the biodiversity potential of our sites, while maintaining our rehabilitation commitments.

A biodiversity enhancement program for Heracles

We are pleased to report the development of a program with the University of Thessaly (Volos), which will become the backbone of our future work to enhance biodiversity. Starting in 2011, with our quarries supplying our Volos plant, the university's ecology experts will assess existing flora and fauna at the quarry, and in a 500 meter zone around it; they will assess damage done and propose how to establish on the site the species found in its surroundings. They will also make recommendations for the safeguarding of any rare or endangered species found. In the future, we plan to extend the learning from this program to our other quarries.

Rehabilitation

Rehabilitating quarries is a requirement in Greek law but we try to go beyond these requirements to ensure that the worked-out quarries deliver their full potential.

In 2009 we had completed screening in accordance with the Lafarge standard. This enabled us in 2010 to focus on those quarries where, for historical reasons, rehabilitation work was not sufficient; we have now developed action plans for these locations and rehabilitation is in progress. Regrettably, in the case of the schist quarry serving the Halkis plant, this was not adequate and a fine was imposed.

Our rehabilitation practice takes into account the after-use of the quarry, when the exploitation period ends and the quarry is returned back to community. For example, wherever feasible and despite the loss of mineral reserves that this causes, we reduce the height of our quarry working benches to five meters so as to improve the after-use. Selecting the appropriate after-use is a key issue; we operate most of our quarries under lease from private or public owners, which means that after-use cannot be altered; at our own sites we have more scope to select the best outcome for biodiversity.

Year of biodiversity

The United Nations designated 2010 as the year when the world would be invited to celebrate the importance of biodiversity and take action to safeguard it. We contributed to the raising of awareness of biodiversity, both internally among employees and externally. For this, we translated into Greek and distributed to our stakeholders a Lafarge publication on biodiversity and quarries describing the methodology applied in quarry management and rehabilitation in order to protect natural ecosystems and enhance biodiversity. This, together with case studies detailing our approach to rehabilitation of our quarries in Greece, was posted on our website. An internet campaign we aired in 2010 also featured biodiversity as a key sustainability commitment effort and invited visitors to view our website for our efforts. At a local level, our Halkis plant organized for the local schools a tree planting day with a presentation on biodiversity.

Towards greater understanding

We are aware that not everybody shares our perspective on the potential for quarries to contribute to biodiversity. We hope that our work with the University of Thessaly will promote understanding especially if, as we hope, it becomes possible to provide for public access to quarries, once extraction ceases, to observe flora and fauna. We also intend to engage more directly with interested stakeholders on the subject of biodiversity.

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MONTH CONTRACT TO HELP US
REALIZE BIODIVERSITY POTENTIAL

example

KATAKALOU SCHIST QUARRY (MILAKI)

We have always tried to make our quarries as environmentally-friendly as possible and have often been prepared to go further than legal requirements. The schist quarry at Katakalo, which is situated near the Milaki cement plant, is an example.

The quarry was mined and according to the approved rehabilitation study had a typical bench formation with trees, bushes planted alongside the benches. However, following an agreement with the archaeological authorities, we decided to embark on a better rehabilitation plan in which the slope of the benches was altered so that the site no longer resembled a worked-out quarry. In addition an area of 50-55,000 m² was planted with olive trees and vines to blend in with the local environment.

Our initiative was very well received by the local authorities and the local community, and made our people proud.

example

A UNIQUE CASE: OUR PUMICE STONE QUARRY ON YALI ISLAND

On a desert island in the Dodecanese, Yali, which belongs to the Municipality of Nissiros, our affiliate LAVA, mining and quarrying company, operates since 1952 a pumice stone quarry, which is a volcanic material, with natural properties (heat-insulating, sound-dampening, non-combustible, homogenous, white colored, high mechanical strength and low specific weight) that make it ideal for sustainable construction applications.

For the rehabilitation of the quarry, a nursery with more than 2,200 plants has been built, to grow various local species such as pines, oak-trees, fig-trees, musk-trees, cypress-trees and acacias, as well as some of particular interest such as juniperus macrocarpa. Construction of the nursery began in 2009, and the first plants were placed in March 2010. Later, after the autumn rains, plants were transplanted and taken out to the sun. Quarry employees aspire that next year their nursery will have 3,500 items, making this nursery the second in size for Heracles.

The quarry activity and exports of pumice stone generates a significant local income, the company being one of the largest foreign-exchange generating production businesses in the Dodecanese. The Municipality of Nissiros collects revenues in excess of

€ 1,000,000 annually generated by the company's operation. A good deal of the company's gross income is allocated to the constant presence of a tugboat in the frontier area of Kos island; Moreover LAVA rents a boat to ensure commuting between Nissiros and Kos islands. LAVA's exporting activity is the reason why a Customs' Office is located on Nissiros island. Additionally, the loading of dozens of ships annually for the domestic and international markets stimulates decisively the area's economic life. Beyond export activity, LAVA has initiated a partnership with the Agricultural University of Athens, for a research program on "The promotion of good culture practices for pumice horticulture and their spread in culture practice". The program aims at providing the university with data and monitoring of cultivation in pumice, with a view to identifying any problems and finding ways to solve them, while in parallel supports the training of geotechnical experts and producers in hydroponic culture in pumice. All the above activities will be combined so as to contribute as much as possible, both to recording and generating new knowledge, and to disseminating this knowledge to Greek farmers, finally aiming at helping improve the competitiveness of Greek hydroponic greenhouse pumice units.

Progress with rehabilitation

(Area affected and rehabilitated, in thousand m²)

	Total area	Already Rehabilitated	Rehabilitated in 2010	Mined
Volos	2,906	1,240	40	815
Halkis	1,225	106	2	386
Milaki	1,940	320	50	640
Milos	439	135	10	280
Total	6,510	1,801	102	2,121

About one-third of our total land-holdings is in use for mining, and one-third has already been rehabilitated. The balance has yet to be mined

Progress with planting

(Area affected and rehabilitated, in thousand m²)

	2007	2008	2009	2010
Halkis	750	3,400	2,500	1,000
Volos	23,925	20,110	17,350	25,000
Milaki	2,700	2300	2,000	2,200
TOTAL	27,375	25,810	21,850	28,200

Establishing trees and other plants is one part of our rehabilitation program. The high number of plants used at Volos is due to the number of quarries to rehabilitate (5) and the different requirements of the rehabilitation plan.

Meeting their needs

Customers drive our business so meeting their needs and improving what we offer them are key to our sustainability. Long-term, we see ourselves providing customers with a variety of products for different situations and integrated solutions that will make sustainable construction possible. Our short term priorities are to deliver our products safely and improve the order process.

Sustainable products

We believe that we can support our customers with a range of quality and low-CO₂ products. To do this, we must work with them and understand their needs, and thus increase the differentiation of our products.

In 2010, alongside our annual survey of our immediate customers, we conducted a qualitative and quantitative survey of our end-users (typically builders) so that we understand their needs better.

Our products

We already supply more than one product; A bagged cement with a lower carbon footprint and one of greater strength. In 2011 our range will be extended further.

Sustainable construction

Longer-term we want to move from the supply of products to the provision of sustainable construction solutions; that is, product systems and solutions that improve energy efficiency and reduce carbon footprint. We believe that sustainable construction has significant potential in Greece and so, together with our industry partners and the Greek Business Council for Sustainable Development, we held a conference on the subject for government, building professionals and other interested stakeholders.

Our customers' safety

Safe delivery, of both bagged and bulk cement, is very important to us.

Bulk sales represent approximately 75% of our sales by volume, transported by silo trucks to ready-mix customers with over 110,000 deliveries per year. During 2010, we have conducted safety audits at 812 customer sites; the safety improvements thus identified are being implemented in 2011.

We intend to make more use of the GPS kits that were installed on our bulk cement delivery trucks in 2009. We have designed and tested a device which will monitor pressure of silo truck tanks and ensure that unloading only takes place when conditions are safe.

Bagged cement is mainly purchased by pick-up customers and generates a high number of visits to our sites. In 2010 we launched a 3-month communication campaign focused on the use of personal protective equipment, securing of loads, and on-site traffic movement. The first results in all sites and terminals are very encouraging. In 2011 we will continue our efforts to improve the safety awareness of our customers.

Optimizing "order to delivery"

In 2010 we launched a project to improve all the steps involved in taking and fulfilling a customer's order. We saw this as essential if we were to implement the Lafarge standard for OTIFIC (On Time, In Full, Invoiced Correctly) and do so on a sound base.

Customers and our sites

We welcome visitors to our sites with tours and open days for their benefit. Customers are always especially welcome. In 2011 we are planning a number of open day events especially designed for customers.

812
SAFETY AUDITS CONDUCTED
AT CUSTOMER JOB SITES

CUSTOMER SATISFACTION SURVEY

To assess the degree of satisfaction among customers, Heracles commissioned an independent study of the "Bag Channel" customers, which was conducted in October 2010- November 2010, to assess the overall satisfaction with Heracles, compare the level of satisfaction with competitors and identify parameters which contribute to customer satisfaction. The study was a quantitative one, using a structured questionnaire, in face to face interviews with a sample of 220 respondents, who provided 294 responses (some respondents evaluated more than 1 supplier). 56% of the dealers surveyed consider Heracles as their best supplier. Based on the detailed survey findings on the attributes that drive customer satisfaction, Heracles took action in optimizing procedures, such as in ordering and delivery.

BULK CEMENT PRODUCTS

**Portland
CEM I 42,5 N**

An early strength Portland cement that is particularly suitable for civil engineering, building applications, ready-mixed concrete and concrete products, when early de-moulding of formwork is required.

CEM I 52,5 N

A high early strength Portland cement that is particularly suitable for facilitating the early demoulding and precast concrete.

Portland Composite**CEM II / A - P 42,5 N**

A Portland pozzolan cement suitable for civil engineering, building applications, ready-mixed concrete, and concrete products. In comparison with CEM I cements, it has sulphate resistance properties and a low heat of hydration.

CEM II / B-M (W-P) 42,5 N

A Portland fly ash - pozzolan cement suitable for civil engineering, building applications, ready-mixed concrete and concrete products. In comparison with CEM I cement, it has sulphate resistance properties and a low heat of hydration.

White CEM II / A-L 52.5 N

White cement suitable for plaster application (2nd layer) and all concrete applications, when white color is required.

Pozolanic**CEM IV / B (P-W) 32.5 R**

A Pozolanic fly ash - pozzolan cement, suitable for civil engineering, building applications, ready-mixed concrete and concrete products. In comparison with CEM I cements has sulphate resistance properties and a low heat of hydration

Special**MC 22.5 X**

Cement suitable for mortar applications (brick laying, rendering, screeding, etc).

Type IV/55 (Sulphate Resistance)

A Portland cement for concrete production in aggressive environment, when high percentage of sulphates is occurred. Type IV/55 cement has very high sulphate resistance properties.

BAGGED CEMENT PRODUCTS

**Athlos**

Athlos bagged cement is suitable for mortar application (brick laying, rendering, screeding, etc).

**Basis**

Basis is a Portland fly ash - pozzolan cement suitable for civil engineering, building applications, ready-mixed concrete and concrete products. In comparison with CEM I cement, it has sulphate resistance properties and a low heat of hydration.

White

White cement CEM II / A-L 52.5 N suitable for plaster application (2nd layer) and all concrete applications, when white colour is required.

Responsibility and sustainability

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

Our presence in Greece

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

Safety – a priority to be shared

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

Financial crisis – mutual support

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

Code of conduct

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

Environmental and social performance of suppliers

Our supplier evaluation procedures already include questions about handling of materials and waste but we know that a broader approach is needed.

The work that we have done to extend our safety standards and culture to our suppliers has made us better acquainted with their culture, how they work and how they allocate responsibilities. This is an excellent basis for the next stage: extending the environmental and social aspects of our sustainability ambitions to all those that work with us.

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CONTRACTORS NOW WORK
TO THE LAFARGE CONTRACTOR
SAFETY MANAGEMENT STANDARD

example

HELPING WITH HEALTH AND SAFETY

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

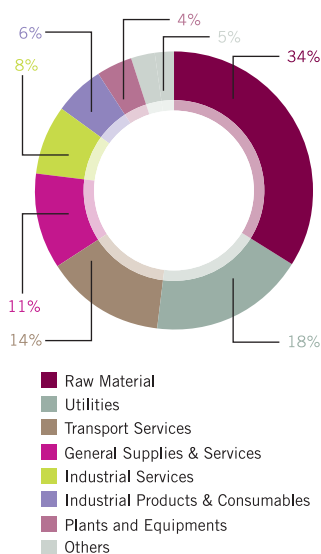
Spending in Greece

(% of spend)

	2009	2010
Local suppliers in Greece	74%	73%
Suppliers outside Greece	26%	27%

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

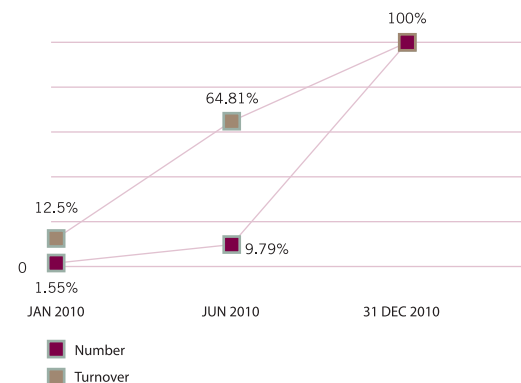
Breakdown of our suppliers by type



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

Contractors Managed under CSM

(% by number and corresponding turnover)



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

Writing this report

One of our commitments to our stakeholders is to provide comprehensive and regular information on how we are addressing sustainability issues. We know that to fulfil that commitment the way in which we report must improve each year. This year's improvements include the choice of issues to discuss and the quality of our environmental data.

Scope and focus

In choosing which topics to cover in this year's report, we have taken account of our Sustainability Ambitions, the views of our stakeholders and the underlying principle that an annual report should focus on the year in question and not repeat information that is already in the public domain. Throughout, and consistent with the commitment we made in the light of comments on our first sustainability report in 2008, we have kept to a minimum references to the activities of the Lafarge Group and focussed on the activities of Heracles.

...sustainability Ambitions

These define our sustainability targets and hence address the issues on which we focus most of our attention. This year, as we approach the end of the relevant period for our Sustainability Ambitions 2012, our account of progress against these ambitions is accompanied by information on the steps we are taking to define a new set of ambitions for the period to 2020. (Please see pages 10-11).

...views of our stakeholders

This report has been designed to address our stakeholders' key concerns and interests, as expressed to us. There is for instance, more information on the business context, the impact of the financial crisis on our activities, environmental management at our sites and our actions to help combat climate change. Product innovation, a key concern of our national stakeholders, is mentioned in several sections.

...a report on 2010

We have avoided repeating information about 2009 except where this is necessary to understand the context of action taken in 2010. Plans for 2011 are mentioned where relevant but the main focus is the activities and issues of 2010.

Data collection and management

Systems for collecting and managing data have improved in line with our commitment to report on an annual basis and to provide performance data in each report. Data that is necessary for the preparation of the KPIs used throughout the Lafarge Group is collected in accordance with Lafarge procedures and consistent with the GRI G3 reporting standard. Data on total CO₂ emissions is presented consistent with the requirements of EU Directive 2007/589 while that on emissions per metric ton of cement produced follows the methodology set out in the Cement Sustainability Initiative (CSI) Protocol.

Other environmental data is collected according to the procedures of the Heracles environmental department. Health and safety data and data on policies towards our people are the responsibility of the health and safety and human resources departments respectively.

Assurance

Data that contributes to KPIs used through the Lafarge Group is collected by Heracles and consolidated by Lafarge, following review and validation by the Lafarge regional technical centers. Ernst and Young provide external validation and assurance for the Lafarge Sustainability report and this assurance covers the following data items: lost time injury frequency rate, competition policy, training on stakeholder relationship methodology, female senior managers, environmental audit, quarry rehabilitation, CO₂, dust, NO_x, SO₂ and water withdrawal. In the light of these internal and external assurance procedures, and given that this is only our third report, we do not currently consider that further assurance is warranted but this is something we continue to keep under review.

Compliance with GRI Guidelines

We have followed the GRI G3 Guidelines in the preparation of this report and have had our compliance with the Guidelines checked. Compliance was found to be A. An index of contents according to the GRI Guidelines follows on pages 39 to 46. It is our intention to achieve a similar level of compliance with our 2011 report, but in accordance with the new, G3.1 Guidelines that were released in March 2011.



Statement GRI Application Level Check

GRI hereby states that **Heracles General Cement Company, a member of Lafarge Group** has presented its report "2010 Sustainability Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 15 July 2011

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is positioned over a faint, large GRI globe watermark.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 13 May 2011. GRI explicitly excludes the statement being applied to any later changes to such material.

G3 CONTENT INDEX

Application Level

STANDARD DISCLOSURES PART I: Profile Disclosures

1. Strategy and Analysis

Profile Disclosure	Description	Reported	Cross-reference/Direct answer
1.1	Statement from the most senior decision-maker of the organization.		See this Report, page 5
1.2	Description of key impacts, risks, and opportunities.		See Annual Report pages 8-9

2. Organization Profile

Profile Disclosure	Description	Reported	Cross-reference/Direct answer
2.1	Name of the organization.		Heracles General Cement Company
2.2	Primary brands, products, and/or services.		See this Report page 4
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.		See this Report page 4
2.4	Location of organization's headquarters.		49-51 Sophocli Venizelou str, 141 23 Lycovrissi, Attica
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.		One. The company operates in Greece only.
2.6	Nature of ownership and legal form.		Limited company registered under Greek Law
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).		See this Report page 4
2.8	Scale of the reporting organization.		See this Report page 4, total number of employees: 1318, total asset: €884390k, beneficial ownership: €1434K ; capital structure: €673619K
2.9	Significant changes during the reporting period regarding size, structure, or ownership.		None
2.10	Awards received in the reporting period.		European Good Practice Awards 2010/11, Commended entry, See this Report page 19 Four Lafarge Cement Awards: Plant Mastery and POM Implementation, See this Report page 19. Talent Development Implementation, See this Report page 25. Best Initiative to Reduce our Environmental Footprint See this Report page 30. Special Prize for Cost Reduction and Cash Management concerning Fixed Cost.

3. Report Parameters

Profile Disclosure	Description	Reported	Cross-reference/Direct answer
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.		1st January 2010 - 31st December 2010
3.2	Date of most recent previous report (if any).		2009 Sustainability Report published in June 2010
3.3	Reporting cycle (annual, biennial, etc.)		Annual
3.4	Contact point for questions regarding the report or its contents.		Costas Giannaros, GiannarosC@lafarge.gr
3.5	Process for defining report content.		See this Report page 13,38
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).		Report covers the activities of Heracles Cement Company only
3.7	State any specific limitations on the scope or boundary of the report.		No such limitations identified. See 3.6 and 3.8
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.		Same coverage as in Sustainability Report 2009
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.		See Lafarge Group Sustainability Report pages 36-37.
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).		None
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.		None
3.12	Table identifying the location of the Standard Disclosures in the report.		See this Report page 39-46

3.13	Policy and current practice with regard to seeking external assurance for the report.		Heracles is part of the Lafarge Group. Much of the data used in the Heracles Sustainability Report is subject to Lafarge Group internal and external (Ernst and Young) verification and assurance. (See page 36 of the Lafarge Group Sustainability Report 2010). At this stage in our development of sustainability reporting we do not consider that additional assurance at company level is necessary.
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4. Governance, Commitments, and Engagement

Profile Disclosure	Description	Reported	Cross-reference/Direct answer
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.		See this Report, pages 6-7. The Managing Director reports to the Board on matters relating to economic, social and environmental performance.
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.		The Chair of the Board is not an executive officer. See this Report page 6.
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.		See this Report, page 6. Our Corporate Internal Regulation prescribes that independent and non executive board members shall have no other responsibilities apart from participation in the audit committee.
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.		We uphold the rights of shareholders, including minority shareholders, as specified in Greek law. Internal mechanisms are in place for employees to make suggestions to the Management via unions and the Management meets periodically with trade union representatives
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).		Personal targets for both safety and sustainability are included in key managers' performance targets. See this Report page 8.
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.		The Charter for the Board of Directors includes a paragraph on conflict of interest. It states that a Board member should notify the Board in a timely manner if a conflict of interest arises. Board members, Executive Committee and operational management state their compliance with our conflict of interest policies in an annual certification letter.
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.		The General Assembly of shareholders assesses the performance of the Board. They take into account the balance of the Board's composition. They ensure that each Director possesses the necessary qualities, experience and competence (including on strategy, economic, environmental and social topics) thereby enabling the Board to perform its duties effectively. They implement corporate governance requirements according to Greek legislation and take into account the balance of the Board's composition
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.		See this Report, pages 6-7, 24.
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.		See this Report, page 7.
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.		The General Assembly of Shareholders assesses the performance of the Board.
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.		See Lafarge Group Sustainability Report page 8 referring to commitment to limiting climate change. Heracles is part of the Group and shares this commitment. See also Heracles Environmental Policy, paragraph 1, commitment to sustainable development principles.
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.		See this Report, page 9

4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.		See this Report, page 9
4.14	List of stakeholder groups engaged by the organization.		Categories of stakeholder groups are identified; See this Report page 13, Identification of individuals and groups by name is not appropriate.
4.15	Basis for identification and selection of stakeholders with whom to engage.		See this Report page 12-13
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.		See this Report page 12-13
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.		See this Report page 12-13, 34-35

STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)

G3 DMA	Description	Reported	Cross-reference/Direct answer
DMA EC	Disclosure on Management Approach EC		
Aspects	Economic performance		See Annual Report , page 8 and pages 28-32
	Market presence		See Annual Report, page 8 and this Report, page 4
	Indirect economic impacts		See this Report, page 23
DMA EN	Disclosure on Management Approach EN		
Aspects	Materials		See Environmental Policy and this Report, page 31
	Energy		See Environmental Policy and this Report, page 25
	Water		See Environmental Policy and this Report, page 30
	Biodiversity		See Environmental Policy and this Report, page 32
	Emissions, effluents and waste		See Environmental Policy and this Report, pages 28 and 31.
	Products and services		See Annual Report page 8, Environmental Policy and this Report pages 16 and 34
	Compliance		See Environmental Policy and this Report, page 24
	Transport		See this Report page 25
	Overall		See Environmental Policy
DMA LA	Disclosure on Management Approach LA		
Aspects	Employment		See Code of Business Conduct page 7 and this Report page 20
	Labor/management relations		See Code of Business Conduct, introduction and page 7. Heracles is also a signatory to the Global Compact: see principles 3,4,5 and 6 of the Compact
	Occupational health and safety		See Code of Business Conduct page 7 and this Report page 18
	Training and education		See this Report page 20
	Diversity and equal opportunity		See Code of Business Conduct page 7 and this Report page 21
DMA HR	Disclosure on Management Approach HR		
Aspects	Investment and procurement practices		This is not a material issue for us, given the high standards of human rights in Greece and the fact that our operations and almost all of our suppliers are based in Greece. We are however signatories to the UN Global Compact.
	Non-discrimination		See Code of Business Conduct page 7
	Freedom of association and collective bargaining		This is not a material issue for us, given the high standards of human rights in Greece and the fact that our operations and almost all of our suppliers are based in Greece. We are however signatories to the UN Global Compact.
	Child labor		
	Forced and compulsory labor		
	Security practices		
Indigenous rights			
DMA SO	Disclosure on Management Approach SO		
Aspects	Community		See Environmental Policy and this Report page 22
	Corruption		See Code of Business Conduct pages 2 and 4 and this Report page 7
	Public policy		See Code of Business Conduct page 6 and Lafarge Lobbying Charter
	Anti-competitive behavior		See Code of Business Conduct pages 3 and 4 and this Report pages 6 and 7
	Compliance		See Code of Business Conduct, Environmental Policy and this Report page 22

DMA PR	Disclosure on Management Approach PR		
Aspects	Customer health and safety		See Code of Business Conduct page 7 and this Report page 34
	Product and service labelling		See Code of Business Conduct page 2 and this Report page 35
	Marketing communications		See Code of Business Conduct page 3
	Customer privacy		See Code of Business Conduct page 3
	Compliance		See Code of Business Conduct page 2

STANDARD DISCLOSURES PART III: Performance Indicators

Economic

Performance Indicator	Description	Reported	Cross-reference/Direct answer
Economic performance			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.		See this Report, page 17
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.		See Lafarge Group Sustainability Report 2010 page 8 (strategy for transition to sustainable economy in light of climate change). Heracles is a participant in this strategy; see this Report page 34 (sustainable construction).
EC3	Coverage of the organization's defined benefit plan obligations.		Heracles relies on the public pension system for its employees, not on private pension companies. However, the Company compensates retiring staff with the equivalent of 100% of the compensation in case of dismissal, and recognizes the cost of these expected payments in its financial reporting. No other significant benefit plan is run by the Company.
EC4	Significant financial assistance received from government.		No significant financial assistance received
Market presence			
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.		The Heracles G.C.Co minimum salary is 129% % of the statutory minimum
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.		See this Report page 23, 36-37
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.		The majority of our staff are local hires. 15% of senior and executive management are expatriates. We recruit employees with the skills that best meet the needs of our business
Indirect economic impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.		See this Report, page 23
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.		See this Report, page 23

Enviromental

Performance Indicator	Description	Reported	Cross-reference/Direct answer
Materials			
EN1	Materials used by weight or volume.		Raw materials and fuels: 7,083.5 kt; Clinker: 3,508 kt; Cement: 4,190 kt
EN2	Percentage of materials used that are recycled input materials.		8.9% of our material are from recycling (fly ash, styra bauxite, slag and calamine)
Energy			
EN3	Direct energy consumption by primary energy source.		4772 MJ coal, 7238 MJ petcoke; 98 MJ oil; 61 MJ gas; 110 MJ biomass
EN4	Indirect energy consumption by primary source.		1748790 MJ (485775 Mwh). Electricity purchased from the public grid in Greece is generated using coal (c. 60%), oil (c.15%), gas (c.13%) hydro (c. 8%) with the balance comprising other sources including other renewables.
EN5	Energy saved due to conservation and efficiency improvements.		See this Report , page 25, 27
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.		See this Report page 25 (Alternative fuels) and 34 (our products)
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.		See this Report, page 25,27

Water			
EN8	Total water withdrawal by source.		2,842,971 m³/year ground water; 306,625 m³/year surface water; 276,065 m³/year other
EN9	Water sources significantly affected by withdrawal of water.		See this Report page 30
EN10	Percentage and total volume of water recycled and reused.		See this Report page 30
Biodiversity			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.		<p>1. Milos island Pozolane quarry which consists of: 227.000 m² land owned 439.000 m² land leased</p> <p>The quarry area is in a protected area of the red viper (vipera scwheizeri) as well as adjacent to Natura 2000 protected zone. Hornstone quarries (two) in Anavra Volos. Both quarries are leased</p> <p>i) The first is 135.000 m² and ii) the other 230.000 m²</p> <p>both are inside the Natura 2000 protected zone.</p>
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.		Our main impact on biodiversity is related to our quarry activity. All of our quarries have had in the past an impact on the original habitat of flora and fauna due to disturbance and change in topography. These impacts are now being mitigated through rehabilitation plans (see page 32). Potential for ongoing impacts due to offsite effects (dust, noise, lighting etc) exists but is mitigated through site management and audits (see page 24) and through the conduct of environmental assessments at each quarry as part of the permitting process. Three quarries are in or adjacent to protected areas. (see EN11).
EN13	Habitats protected or restored.		During 2010, 102,000 m² were restored according to the plan submitted and authorized by the authorities. Environmental inspectors as well as mining inspectors often visit the quarries to certify that rehabilitation programme is progressing in line with the environmental and mining terms.
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.		In conjunction with WWF the Lafarge Group has worked on a set of guidelines for biodiversity management in quarries. The substance of the guidelines has been incorporated into the agreed methodology recommended by the WBCSD Cement Sustainability Initiative. Heracles is committed to achieving full implementation by the end of 2012; See this Report page 11
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.		The Pozolane quarry on Milos island is in a protected area of ecological value. In particular, the area has two protected species, the vipera scwheizeri and the Mediterranean seal (monachus monachus).
Emissions, effluents and waste			
EN16	Total direct and indirect greenhouse gas emissions by weight.		2997000 metric tons according to the methodology specified in EU directive 2007/589
EN17	Other relevant indirect greenhouse gas emissions by weight.		This is estimated to be c. 40,000 metric tons.
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.		See this Report page 11,25-26
EN19	Emissions of ozone-depleting substances by weight.		0
EN20	NOx, SOx, and other significant air emissions by type and weight.		See this Report page 29
EN21	Total water discharge by quality and destination.		See this Report page 30
EN22	Total weight of waste by type and disposal method.		See this Report page 31
EN23	Total number and volume of significant spills.		0
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.		0 total; 0% shipped
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.		No wetland or water body is significantly affected by water discharges. A study of the Gulk of Aliveri is underway and recommendations are being followed. See this Report page 30.
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.		See this Report page 16, 25 (Innovation) and 34;
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.		100% of packaging materials used for bagged cement are reclaimed. Packaging materials are not an issue for bulk cement sales.

Compliance			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.		Monetary value 138825; no non-monetary sanctions
Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.		These are not identified as key impacts for our business but see this Report page 25 for actions being taken.
Overall			
EN30	Total environmental protection expenditures and investments by type.		€ 6,275,121 capex; € 321,588 wastes management; € 434,938 cleaning and watering of plants areas; € 552,818 environment restoration; € 136,093 recycling and utilizing expenses.
Social: Labor Practices and Decent Work			
Performance Indicator	Description	Reported	Cross-reference/Direct answer
Employment			
LA1	Total workforce by employment type, employment contract, and region.		For Heracles General Cement Company the figure is 1318 as of 31 December. 100% are on full time permanent contracts. All our employees are located in Greece so there is no breakdown by regions.
LA2	Total number and rate of employee turnover by age group, gender, and region.		See Sustainability Report page 21. The turnover rate is 23% (264) per men and 15% (22) per women, while it is 2% (2) for the ages below 30, 2% (18) for the ages 31-50 and 63% (266) for the ages above 51. All our employees are located in Greece so there is no breakdown by regions.
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.		This is not applicable as all our employees are full time.
Labor/management relations			
LA4	Percentage of employees covered by collective bargaining agreements.		All, as per applicable law in Greece
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.		As per applicable law. Notice period is not specified in Collective Agreements.
Occupational health and safety			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.		All employees are covered by Health and Safety Committees, with elected representatives in the plants
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.		See this Report page 18 and 19. All data refers to Greece. Absenteeism rate was 0,025 - 2,5% of the total working time, due to sickness and lost time incidents (60 days).
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.		The comprehensive Heracles General Cement Company occupational health program includes educational and preventive measures
Training and education			
LA10	Average hours of training per year per employee by employee category.		See this Report page 21
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.		See this Report page 21
LA12	Percentage of employees receiving regular performance and career development reviews.		See this Report page 21. 100% of our cadre population receives annual and mid year performance reviews
Diversity and equal opportunity			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.		Board of Directors: Age: 31-50: 25%, 50+: 75%, Gender: M 100%, Nationality: Impatriates --> 50% Executive Committee: Gender F --> 25%, M --> 75% Age 31-50 --> 100% Nationality Impatriates --> 25% Employees: See this Report page 21
LA14	Ratio of basic salary of men to women by employee category.		This is not material issue for us. Heracles has a gender-neutral pay system which follows the Greek and EU pay equality legislation.

Social: Human Rights			
Performance Indicator	Description	Reported	Cross-reference/Direct answer
Investment and procurement practices			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.		This is not a particularly material issue for us, given the high standards of human rights in Greece. All of our investments are in Greece.
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.		This is not a particularly material issue for us, given the high standards of human rights in Greece and that 73% of our supplies are sourced from Greece. Consequently we do not track data on this matter.
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.		This is not a particularly material issue for us, given the high standards of human rights in Greece.
Non-discrimination			
HR4	Total number of incidents of discrimination and actions taken.		No incidents related to breach of the Code of Business Conduct principles concerning discrimination were reported through the business in Greece.
Freedom of association and collective bargaining			
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.		Not applicable. Freedom of association is guaranteed in Greece.
Child labor			
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.		Not material issue for us. Child labor not a material issue in Greece
Forced and compulsory labor			
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor.		Not material issue for us. Forced and compulsory labor not lawful in Greece.
Security practices			
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.		This is not a particularly material issue for us, given the high standards of human rights in Greece.
Indigenous rights			
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.		
Social: Society			
Performance Indicator	Description	Reported	Cross-reference/Direct answer
Community			
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.		Each of our sites, as part of their local integration plans, assesses the primary and secondary value created by our operations. See this Report page 12, 22-23
Corruption			
SO2	Percentage and total number of business units analyzed for risks related to corruption.		100% of Heracles Cement Company.
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.		See this Report page 6 (41% of employees, 95% of contractor drivers)
SO4	Actions taken in response to incidents of corruption.		None. There have been no such incidents.
Public policy			
SO5	Public policy positions and participation in public policy development and lobbying.		See Lafarge Group Sustainability Report 2010, page 8 and Lafarge Lobbying Charter. These public policy positions are adopted on behalf of the Lafarge Group of which Heracles is part.
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.		0
Anti-competitive behavior			
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.		None
Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.		Nil

Social: Product Responsibility			
Performance Indicator	Description	Reported	Cross-reference/Direct answer
Customer health and safety			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.		The company assesses the impact of products and services on health and safety during their production, transport and use. Products are labeled accordingly and safe instructions are provided to users.
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.		None
Product and service labelling			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.		Material Safety Data Sheets (MSDS) are available for all types of cement produced. These are provided to our clients and any cement user and are also posted on our website
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.		None
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.		See this Report page 3
Marketing communications			
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.		Members of the Communication Control Council
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.		None
Customer privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.		None
Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.		0

	Fully Reported
	Partially Reported
	Not Material Factor

Lafarge group progress against Sustainability Ambitions 2012

TARGET	Deadline	2009 performance	2010 performance	WHY IS LAFARGE PURSUING THIS AMBITION? WHAT WILL CHANGE? HOW ARE WE PROGRESSING AGAINST THIS AMBITION?
MANAGEMENT				
On safety reduce the employee lost time injury frequency rate for Lafarge employees to 0.94 or below in 2010.	2010	0.98	0.76	We continue to work towards our goal of zero accidents and to extend our health and safety culture to new businesses and those that work with us.
Continue to check the implementation of our Competition compliance program in our business units. 100% of all significant business units will be tested for compliance with it by end 2010.	2010	65%	96%	Two business units in Africa are still to be tested; this will be done in 2011, as part of the continuous process of implementation of the competition compliance program worldwide.
Manage and improve our local stakeholder relationship management by: • training 100% of units in the local stakeholder relationship methodology; • full reporting of the three new KPIs. Three additional targets (undertaking self-assessment on stakeholder relationships, launching a dedicated intranet site and providing an internal audit screening tool) were completed in 2009.	2010 2010	58% for Cement 12% for Gypsum Done	81% for Cement 31% for Gypsum	Training of the target populations in both Cement & Gypsum have increased this year (+23% for Cement; +19% for Gypsum). Aggregates & Concrete reporting for 2010 was suspended as the organization underwent realignment during the year. In 2010, six sessions involving 74 members of the Aggregates & Concrete division took place. In 2011, our focus will remain on providing appropriate training and workshops especially for the Aggregates & Concrete division. 76% (348 people) of our target populations now complete an annual self-assessment on their relations with stakeholders.
On customers , by 2012, the Group will achieve €3bn annual sales in new products.	2012	€1.8bn	€1.9bn	Although all sales were affected by the recession, sales of new products showed more resilience in the developed countries where they are primarily sold.
Reach 20% of women in senior and executive management (Lafarge Hay grades 18+) by 2012.	2010	12.7	13.5%	In 2010, 13.5% positions in senior management were held by women, while our ambition remains at 20% by 2012. In 2010, 33% of business units had a specific recruitment and/or career development plan for women.
SOCIAL				
By end 2010, establish a comprehensive Group-wide occupational health program including, at a minimum, regular medical examination.	2010	On track	Plan rolled-out but not implemented yet due to expanding ambition	We have expanded the scope of this ambition so that we now address all the industrial risks facing our people. A Health Assessment Standard Operating Procedure is now in place and there is a plan for the implementation of a risk-based health assessment for all employees. We have analyzed potential exposure of our employees at all our cement plants, and through our Personal Protective Equipment Standard have taken appropriate steps to limit health impacts. This medical examination program will allow us to track our employees to assure that the mitigation steps that we have taken are effectively working.
For HIV/AIDS and malaria, by end 2010, Lafarge will have extended to major developing countries where it operates, its best practice currently implemented in Africa.	2010	On track	Completed	Our public health methodology has been extended to Russia and Ukraine, where we have broadened our approach to reflect better the public health issues that are prevalent in these countries.

TARGET	Deadline	2009 performance	2010 performance	WHY IS LAFARGE PURSUING THIS AMBITION? WHAT WILL CHANGE? HOW ARE WE PROGRESSING AGAINST THIS AMBITION?
ENVIRONMENT				
● Have 100% of our sites audited environmentally within the last four years.	Permanent	86%	89%	With around 2000 sites in 78 countries, this is a very ambitious objective. We continue to make progress in both having these sites audited and having more of these types of sites covered by an environmental management system. For our cement plants, nearly all except the most recent acquisitions are compliant with this objective. Coverage in our Aggregates & Concrete Division, as well as cement grinding stations, has improved, but has still not reached the desired targets.
● By end 2010 reach a rate of 85% of quarries with a rehabilitation plan complying with Lafarge standards.	2010	79%	84.5%	This has proved to be a challenging objective, particularly because many quarries have had to alter their operational plans in response to the recession. In 2010, we made a significant improvement in the number of rehabilitation plans and we were only 0.5% from reaching the target of 85%.
● By end 2010, all our quarries will have been screened according to criteria validated by WWF International.	2010	64%	94%	There has been a significant improvement in the use of screening since 2009. Universal coverage was a very stretching target, given the diverse range of quarries we operate; we have not met it but we have achieved a high level of coverage.
● Those in sensitive areas* will have developed a site biodiversity program by 2012.	2012	35%	47%	Screening is revealing that a higher than anticipated proportion of our sites do have potential. This is a positive outcome but poses a challenge for us in putting programs in place.
● By end 2010: • cut our worldwide net CO₂ emissions per ton of cementitious by 20% as compared to 1990**. • cut our absolute gross emissions in the Cement Business in industrialized countries by 10% as compared to 1990. • cut our absolute net emissions in the Cement Business in industrialized countries by 15% as compared to 1990.	2010 2010 2010	-20.7% -37.7% -41.3%	-21.7% -36.5% -40.6%	All three of these objectives were met ahead of schedule; the first (concerning net emissions) in 2009 and the second and third (concerning absolute emissions) in 2008. In 2010 we focused our efforts on further reductions while working at the same time on setting new objectives. In the Kyoto Annex 1 countries we have cut our emissions by 20.5% per metric ton of cementitious and in the non-Annex 1, countries we have cut our emissions by 22.9%. Absolute gross and net emission cuts in industrialized countries by end of 2010 must be seen in the context of the current economic downturn which has significantly impacted our production volumes.
● Cut our dust emissions in our cement plants by 30% over the period 2005-2012.	2012	-26.2%	-35.7%	Cement plants generate dust. In 2010 considerable progress in reducing emissions was made as new/retrofitted systems were introduced. The reduction target has been met, ahead of schedule.
● Cut our NO_x emissions in our cement plants by 20% over the period 2005-2012.	2012	-22.2%	-27.9%	NO _x is emitted from virtually every combustion process, including cement manufacture. We achieved the targeted reduction in 2009, and in 2010 continued to implement programs which have further reduced emissions.
● Cut our SO₂ emissions in our cement plants by 20% over the period 2005-2012.	2012	-49.6%	-52.8%	SO ₂ is another unwanted product of cement manufacture. We achieved the targeted reduction in 2008, and again in 2010 implemented programs resulting in substantial reduction of emissions.
● By end 2010 have a baseline for persistent pollutants in our cement plants for 100% of kilns and reinforce our Best Manufacturing Practices to limit emissions.	2010	69.2% of kilns analyzed	100%***	Persistent pollutants (some of which may be contained in raw materials used in cement manufacture) are emitted by cement kilns. Lafarge is working with WWF to achieve significant reductions in emissions. • The program has completed measurement of persistent pollutants in all operating kilns; • Plant specific action plans have been developed to reduce emissions from a group of top-emitting plants; • Progress with reducing emissions will be monitored and reported.

Progress on our Sustainability Ambitions:

- Fully achieved
- Partially achieved
- In progress

Indicators verified by Ernst & Young (2010 data).

* Sensitive areas are defined as IUCN Category I to VI sites and those containing IUCN red-listed threatened species.

** Net CO₂ emissions are the gross emissions less the emissions that come from burning waste (see page 28).

*** Due to the economic recession, in 2010 five kilns with very low utilization have been excluded from the previous scope; if included, the percent kilns analyzed would have been 97% instead of 100%.

NEW TARGETS WILL BE ANNOUNCED IN 2011

The year at a glance

Values and Governance

Training in the Code of Business Conduct continues. The governance of our Board is largely consistent with the relevant corporate governance code and the Board now includes three women. We strive to improve our understanding of the practical implementation of human rights. Our competition compliance program continues with improved training tools.

Public Positions

We have continued our lobbying work, explaining to policy-makers and stakeholders our views on key issues relevant to our business. Climate change, resources and biodiversity are key topics; we have well-informed and considered opinions on these and other policy issues which we articulate and promote in the public arena.

People development and Social dialogue

The global recession has deeply affected our sector. Lafarge remains committed to social progress in its workforce: people development and social dialogue are progressing. Although our understanding of outsourcing practices and analysis of industrial actions have been improved, challenges still remain.

Health and Safety

Health and safety remains our Number 1 priority. Although we have made progress in reducing incidents at our sites, overall we still had 44 fatalities in 2010. This is deeply regrettable. We are pursuing the initiatives designed in our 2006 roadmap.

Communities

Like any community member, it is important that our sites co-exist with their neighbors in a constructive manner, during periods of continuity and periods of change or development. In 2010, Lafarge faced new issues with neighboring communities; please see specifics on our website <http://sustainabilityreport.lafarge.com>.

Sustainable Construction

Since early 2010, a dedicated sustainable construction team has been shaping Lafarge's development as a provider of construction solutions. New products and building systems continue to be developed and we have demonstrated our ability to work as partners on major projects alongside architects, engineers, contractors, specifiers and customers.

Climate Change

We continued to outperform the greenhouse gas emissions target we set for 2010. Through innovation and continued progress in industrial ecology, Lafarge continues to make substantial progress in reducing CO₂. The quality of our greenhouse gas reporting practices (monitoring, verification and disclosure) was rated by the Carbon Disclosure Project and ranked amongst the top 10 in the world.

Industrial Ecology and Recycling

New and varied ventures to replace fossil fuels with alternative, renewable sources of energy for our cement kilns are emerging throughout our business. They all contribute to reducing CO₂ emissions and we are encouraged that our commitment to this and other forms of industrial ecology shows such significant growth potential.

Managing our Emissions

As part of our agreed program of work with WWF to reduce persistent pollutants we have measured emissions from operating kilns and started to implement action plans to reduce emissions from a group of plants with the highest emissions. We have also met our target for reducing particulate emissions. These actions will allow us to address identified and emerging issues related to air quality.

Biodiversity at our Sites

2010 was the International Year of Biodiversity, an opportunity for us to take part in a global campaign to celebrate and raise awareness of biodiversity. We continued to make progress with rehabilitation plans and site biodiversity management plans for quarries.

Water Footprint

In order for Lafarge to implement its strategy to reduce its water withdrawal from aquifers and lakes and rivers, **we have piloted a water footprinting assessment** to determine our sites' impact on water resources. We have also started taking action at sites in areas of extreme water scarcity.

Sustainability Ratings

In January 2011 we learned that we had not been included in the most recent listing of the Global 100 Most Sustainable Corporations in the World. Having been in this list for six years, this is disappointing but shall motivate us to further improve our sustainability practices. **In 2010, we remained in the DJSI Europe Index and re-entered the DJSI World Index,** which we left in 2006. **Lafarge was granted the GRI application level A+ for the 2010 Sustainability report.**

For the full Lafarge Group Sustainability Report please visit <http://sustainabilityreport.lafarge.com>

What's next?

Many of our Sustainability Ambitions 2012 targets were established in 2007 and have now been completed.

A capital intensive industry such as ours requires long term planning and we must normally project our activities far beyond current events. However, the rapid changes occurring in the world and the latest events in the Middle East or in Japan cannot be left unacknowledged: natural disasters, social changes and political upheaval will pose additional and different challenges. We need to address them in a responsible manner while continuing to ensure the safety, development and well-being of our workforce.

We believe that considering our size and our values, Lafarge can have a strong positive impact on local communities and their development. We will also progress in the field of sustainable construction, provide innovation that will increase the energy efficiency of buildings, address climate change issues and deliver solutions for affordable housing. Through the use of life cycle analysis we can benchmark our activities, promote the recycling and use of sustainable materials, and help preserve the world's natural resources. With this context in mind, and with our stakeholders helping to guide us, we will continue to set even more ambitious objectives.

Lafarge's presence in the world

World leader in building materials, Lafarge holds top-ranking positions in each of its business lines. With a diversified and balanced geographic portfolio and 76,000 employees in 78 countries, Lafarge is at the heart of global growth supporting developing economies and responding to the tremendous need for housing and infrastructure in emerging countries.

Cement

Worldwide market position:

World Leader - Cement, hydraulic binders and lime for construction, renovation and public works

Employees: 44,253

Revenues: 9,656 million euros

Countries: 50

Number of plants: 168

Aggregates & Concrete

Worldwide market position:

N°2 for Aggregates and N°3 for Concrete - Ready-mix and precast concrete products, asphalt and paving for engineering structures, roads and buildings

Employees: 23,438

Revenues: 5,088 million euros

Countries: 36

Number of plants and quarries: 1,718

Gypsum

Worldwide market position:

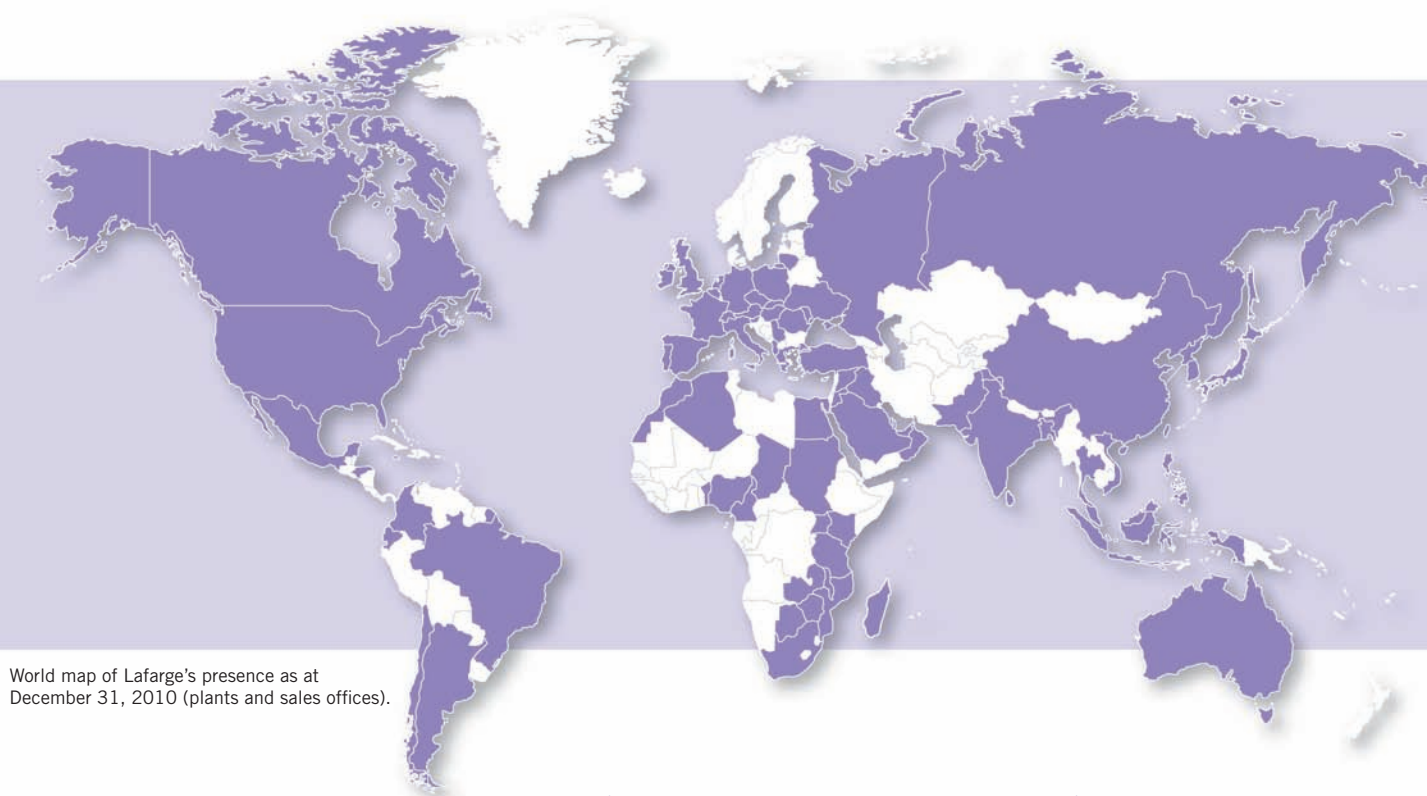
N°3 - Plasterboard systems and gypsum-based interior solutions for new construction and renovation

Employees: 7,986

Revenues: 1,422 million euros

Countries: 30

Number of plants: 77

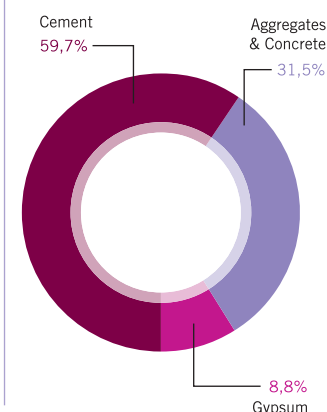


World map of Lafarge's presence as at December 31, 2010 (plants and sales offices).

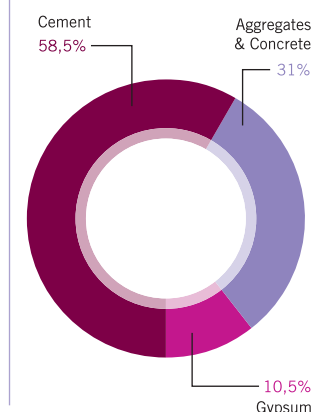
16,169
REVENUES
(IN MILLION EUROS)

827
NET INCOME
(IN MILLION EUROS)

GROUP REVENUES BY DIVISION



GROUP EMPLOYEES BY DIVISION



TO KNOW MORE VISIT ↓ sustainabilityreport.lafarge.gr

ON THE PAGE DEVOTED TO “OUR 2010 REPORT” ON OUR WEBSITE, YOU WILL FIND:

- The 2010 Report (PDF version) along with previous editions.
- Details on our reporting methodology.
- Additional information to help you better understand our values and priorities.
- Other case studies providing practical illustrations of our actions.

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