



Italcementi Group

sdReport

Sustainable Development Report 2010

VISION & STRATEGY **ECONOMIC** DEVELOPMENT **ENVIRONMENTAL** PROTECTION **SOCIAL** RESPONSABILITY



Sustainability policy

Italcementi Group embraces and supports its core values of responsibility, integrity, efficiency, innovation and diversity to serve as a guide for its daily activities.

The Group strives to create value in line with the highest standards of business integrity thereby contributing to economic development supported by innovation, protecting the environment, improving life at work and regularly engaging with local communities and society at large, including governments, non-governmental organisations and others in the public and private sectors.

The Group and its subsidiaries are committed to applying principles of equality to all employees, contractors, subcontractors, suppliers, customers, end-users and all the other stakeholders involved in its sphere of business influence.

The Group firmly believes that no source of value, whether related to human beings, natural or financial resources, intellectual capacity and use of time, shall be neglected or wasted.



Italcementi Group

- 1 Supports and respects internationally proclaimed human rights that are universal and belong equally to every person.
- 2 Enforces and ensures business integrity by implementing appropriate internal codes of governance and organisational procedures.
- 3 Is committed to guaranteeing the health and safety of all parties involved, providing proper working conditions, equipment, information and training.
- 4 Implements labour practices grounded on fair employment, equal opportunities, skill development; it regards diversity as a source of value in full compliance with internationally proclaimed human rights.
- 5 Promotes social initiatives investing time, expertise and resources in supporting communities, favouring local business development and establishing regular stakeholder engagement.
- 6 Aims at establishing and keeping relations with customers and suppliers based on transparent exchange of information and shared commitments.
- 7 Pursues energy efficiency and climate protection, defining global strategy and local actions.
- 8 Contributes to protecting the environment through responsible use of resources, adoption of best practicable options and management systems.
- 9 Guarantees and continuously strives to improve the quality of its products, processes and services.
- 10 Promotes research and innovation by developing new products, applications and services.

Carlo Pesenti
Chief Executive Officer Italcementi Group



Italcementi Group

A world class local business



Italcementi Group

sdReport

Sustainable Development Report 2010

RENEWED AMBITIONS FOR A SUSTAINABLE WORLD



The year 2010 marked a decade since Italcementi Group started its public commitment to sustainability through its active membership in the World Business Council for Sustainable Development and the Cement Sustainability Initiative. In these ten years, the Group has changed significantly in terms of both performance and strategic vision, progressively consolidating sustainability at the root of our business. Improved safety statistics, attention to internal and external stakeholders, reduction in the environmental footprint of products and processes, modernisation of industrial assets and a clear attitude towards innovation have been the main achievements and the still ongoing challenges.

After ten years of unquestionable commitment, however, it is high time to look beyond our original goals and raise the bar up again, catching up with a fast changing world. Adherence to the United Nation Global Compact completed our comprehensive approach to managing corporate responsibility, supporting the Group in translating our long-standing values into effective operational tools. Fully in line with the UNGC Ten Principles, major issues such as human and labour rights and anti-corruption are handled through the same consolidated approach used for environmental protection, health and safety and stakeholder engagement. For the first time, the SD Report provides the references of the Communication on Progress, including the initiatives taken to support the UN Millennium Development Goals.

Governance is the first key element to keep the Group focused on targets. A completely new set of policies has been released: the Sustainability Policy and six daughter policies covering Human Rights, Health, Safety, Environment, Energy and Social Initiatives. The overall frame, which also includes the already existing governance codes, is open to new forthcoming policies. The second key element is the proactive involvement of all the Group's subsidiaries. Indeed, operations are requested to participate actively in the regional network of the WBCSD and the UNGC, becoming local leaders in sustainability.

Awareness and actions around human and labour rights; programmes pursuing excellence in safety; completion of major projects and planning of further investment in both mature and emerging markets in a global economic downturn; continued development of innovative and environmentally friendly processes and products; openness to listening to our employees' opinion in a period where also restructuring has been necessary; constant dialogue with all stakeholders; responsible approach within our supply chain and our sphere of business influence: these are the distinguishing marks we are proud of and which prove as a clear evidence of our renewed ambitions for a sustainable world.

Carlo Pesenti

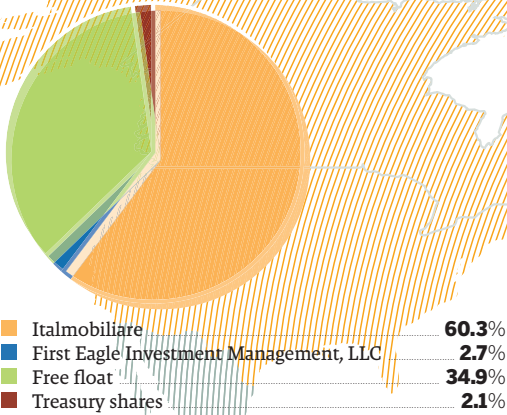
Chief Executive Officer Italcementi Group

ITALCEMENTI GROUP AT A GLANCE

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

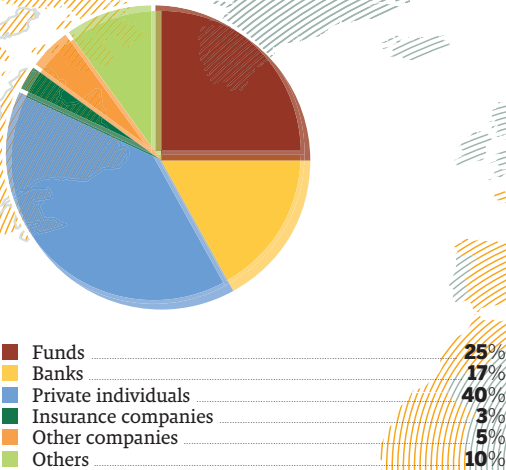
ORDINARY SHARES (2010)

survey of shareholders with over 2% of the share capital at December 31st, 2010

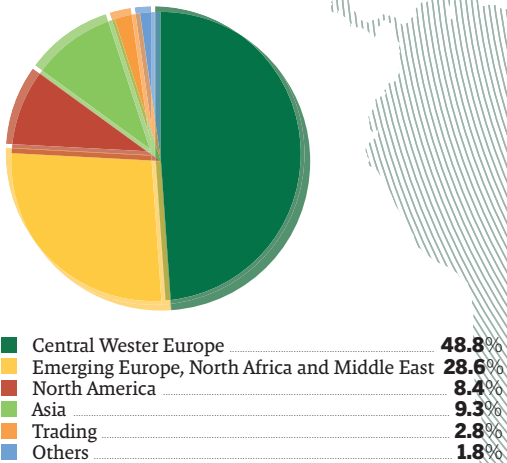


BREAKDOWN OF FREE FLOAT (2010)

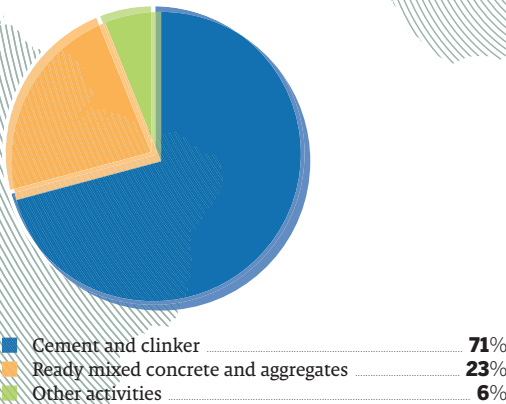
ordinary shares



REVENUES BY AREA (2010)



REVENUES BY BUSINESS (2010)



Key economic data (2010)

Renevues	4,791 million €
Recurring EBITDA	836 million €
Cash flow	748 million €
Group net profit	46 million €

Sales volumes (2010)

Cement and clinker	54.4 million t
Ready-mixed concrete	11.4 million m³
Aggregates	36.7 million t



Giampiero Pesenti
Chairman



Carlo Pesenti
Chief Executive Officer



Giovanni Ferrario
Chief Operating Officer

ALBANIA



BELGIUM



BULGARIA



CHINA



CYPRUS



EGYPT



FRANCE



GAMBIA



GREECE



ITALY



INDIA



KAZAKHSTAN



KUWAIT



MAURITANIA



MOROCCO



SAUDI ARABIA



SPAIN



SRI LANKA



THAILAND



TURKEY^(**)



USA AND CANADA



(*) the performance of these facilities is not assessed

(**) Set Group sold on 25.03.2011

TOTAL GROUP

22 Countries

90 Quarries

59 Cement plants

5 Terminals


11 Grinding centres

About **21,000** employees





350 Concrete plants




About **4.8** billion Euro annual sales in 2010

OBJECTIVES AND IMPROVEMENT TARGETS







Management system	Objectives and targets	Deadline
 Environmental management system	Over 90% of clinker production facilities certified by ISO 14001	2010
	100% of cement plants environmentally audited at least once in 4 years	2011
Risk management	Implementation of the Enterprise Risk and Compliance Programme	2012
Countering bribery	Implementation of the Anti-Corruption and Bribery Compliance Programme	2013
Antitrust	Implementation of the Antitrust Compliance Programme	2013


Economic development	Objectives and targets	Deadline
Customers	Implement the Group standard for Customer Satisfaction Assessment at subsidiary level	2010
	35% of «Corporate suppliers» portfolio qualified through the selection tools	2011
	Extend the qualification process at subsidiary level	2014
Subcontractors	Apply equal standards for subcontractor workforces in all subsidiaries	2009
Innovation	Increase the Innovation Index to 3.5 - 5	Long term
Support to communities	At least 1% of Group EBIT earmarked as support to communities	2012







Environmental protection	Objectives and targets	Deadline
 Climate protection	Reduce the gross emission factor to 640 kg CO ₂ per ton of cementitious product	2014
 Responsible use of resources	Apply the fuels and raw materials guidelines developed by the Cement Sustainability Initiative	2006
 Air emissions	90% of kilns equipped with CEMs for dust, SO ₂ and NO _x	2010
	90% of kilns equipped with CEMs for dust, SO ₂ , NO _x , CO and VOC (Group Standard)	2012
	Reduce dust emission factor to 130 g/ton of clinker	2010
	Reduce SO ₂ emission factor to 570 g/ton of clinker	2010
	Reduce NO _x emission factor to 1.760 g/ton of clinker	2010
	90% of kilns with dust, SO ₂ and NO _x emission levels in line with Group Standard	2012
	90% of all Group quarries having a rehabilitation plan	2012



















Social responsibility	Objectives and targets	Deadline
 Health and Safety	«Zero Accidents» in the workplace	Long term
	Implement the road map defined at each subsidiary level after the external audit on safety	2011
	Safety Management System externally audited at least once in 4 years	2011
	Implement CSI Guidelines «Recommended Good Practice for Driving Safety»	2014
	Implement CSI Guidelines «Recommended Good Practice for Contractor Safety»	2014
	70% of employees potentially exposed to dust, silica, noise and vibration covered by workplace assessment	2012
	Develop Group guidelines on medical surveillance	2010
 Human resources management	Implement main actions coming from the first Employee Opinion Survey results	2010
	Carry out a second Employee Opinion Survey	2010
	Implement the Group Human Rights Impact Assessment	2012
 Stakeholder engagement	Analyse relations with stakeholders at plant level, and implement related action plan	2007

Legenda

	achieved
	ongoing
	delayed
	new
	WBCSD/CSI issue
	verified by Ernst & Young

2010 status	E&Y	Page	Comment
 88%		15-16	Additional certification processes are already ongoing
 54%		15-16	
 44%		14	
 20%		10	
 33%		13-14	

2010 status	E&Y	Page	Comment
 90%		18	Improvement from 18% of cement sales in 2009, remaining survey are already ongoing
 25%		19-20	Improvement from 20% in 2009
 36%		19-20	Group guidelines developed. Implementation is ongoing in the subsidiaries
 3,9		15, 44-45	New Group Safety Management Handbook
 0,88%		25-28	Increasing from 3.2 in 2009
		23-24, 52-53	Increasing from 0.62% in 2010

2010 status	E&Y	Page	Comment
 723 kg/t		30-34, 39-41	Slightly increasing from 717 kg/t in 2009. Target updated from 690 kg/t by 2012
 AF 5.0%		34-35, 39-40	Slightly decreasing from 5.4% in 2009
 ARM 5.7%		34-35, 39-40	Increasing from 4.9% in 2009
 57%		15-17, 37-38	Slightly increasing from 56% in 2009. New deadline by 2012
 32%		15-17, 37-38	Slightly increasing from 34% in 2009
 193 g/t		37-39	Decreasing from 199 g/t in 2009
 360 g/t		37-39	Decreasing from 450 g/t in 2010
 1672 g/t		37-39	Increase deriving from alignment to enhanced reporting standard
 43%		15-17, 37-38	Slightly decreasing from 47% in 2009
 81%		35-36, 41-42	Slightly increasing from 80% in 2009













2010 status	E&Y	Page	Comment
 5,8		44-45, 54	Slightly increasing from 5.1 in 2009
 86%		44-45	Increasing from 70% in 2009
 44-45		44-45	All subsidiaries audited
 44-45		44-45	Guidelines will be issued by end of 2011
 44-45		44-45	New Group Management Handbook issued. Dedicated chapter to Contractor Safety
 52%		45-46, 54-55	Improvement from 46% in 2009
 45-46		45-46	New Group Health Policy in 2010. Standard for medical surveillance will be issued by end of 2011
 48-49		48-49	Group organization and individual empowerment of employees now perceived as improved
 48-49		48-49	Completed in 2010
 13, 46-47		13, 46-47	New Group Human Rights Policy in 2010. Human Rights Impact Assessment will be issued by end of 2011
 13, 51-53		13, 51-53	New Group Social Initiatives Policy in 2010. Stakeholder engagement guidelines will be issued by end of 2011

TABLE OF CONTENTS

	page
Sustainability Policy	1
Italcementi Group at a glance	2
Objectives and improvement targets	4
Vision, strategy and corporate governance	6
Vision and strategy	8
Corporate governance	8
Countering bribery	10
Sustainability	11
Group policies	12
Management system	14
Risk management	14
Safety management	15
Environmental management	15
Carbon risk management	17
Customer relationship management	18
Supplier management	19
Environmental protection	29
Energy and climate	30
Energy efficiency	30
Carbon free electricity	30
Climate protection	31
Carbon footprint	33
Sustainable construction	33
Responsible use of resources	34
Fuels and raw materials	34
Recycling strategy and by-products	34
Quarries and the landscape	35
Water management	36
Electrical power	37
Waste management	37
Transport and logistics	37
Air emissions	37
Environmental protection data	39
Economic development	21
Value creation	22
Customers	22
Suppliers	23
Personnel	23
Shareholders	23
Communities	23
Investments	24
Research and innovation	25
Innovation development	26
Innovation and sustainability	26
Research projects	27
Economic development data	28
Social responsibility	43
Health and safety	44
Safety in the workplace	44
Industrial hygiene and workers' health	45
Product responsibility	46
Human resources management	46
Human Rights	46
Labour practices	48
Fair restructuring	48
Intranet portal	48
Employee Opinion Survey	48
Human Resources Policies	49
Diversity, people protection and wellbeing	49
Training	50
Stakeholder engagement	51
Support to communities	52
Fondazione Italcementi Cavaliere del Lavoro Carlo Pesenti	53
Social responsibility data	54
Appendix	
Relationship to GRI G3 guidelines	58
UN Global Compact: Communication on Progress	62
Ernst & Young assurance statement	64
Reporting methodology	65
About this report	66
Glossary	67

VISION, STRATEGY AND CORPORATE GOVERNANCE

Driven by a continuous search for business excellence and best practice, Italcementi Group has made of sustainability its strategy and working culture.



Since its foundation in 1864, Italcementi Group (hereafter referred to as the Group) has been driven by the continuous search for business excellence and best practice. Sustainability provides the ground to the Group strategy and working culture, balancing economic growth, environmental protection and social responsibility. Well beyond helping

to anticipate and manage business risks, it contributes to value creation, long-term approach, durability and competitive advantage.

VISION AND STRATEGY

Responsibility as long-term commitment to sustainability; integrity as ethical behaviour at the heart of the business; efficiency as operational excellence through continuous improvement; innovation in product application and management; diversity of local identities: these are the **core values** which continuously drive all the Group activities.

The Group formalised its commitment to sustainability in 2000 by joining the **World Business Council for Sustainable Development** (WBCSD). All the Group subsidiaries are part of the existing Regional Networks of WBCSD.

Additionally in 2010, the Group formally adhered to the **United Nations Global Compact** (UNGC). Consistently, subsidiaries are joining and taking active part in the Regional Networks of UNGC.

CORPORATE GOVERNANCE

The Group has well defined Vision, Mission and Values, representing the Group inspiring references to manage its activities.

The **Charter of Values** sets the basic prin-



Matera cement plant, Italy

ciples underlying the governance model. Company and employees' ethics merge, placing the individual as the foundation of development. The Charter of Values does not replace or overlap with the Group Codes. It summarizes and strengthens the general principles contained within these codes, and is set up as a framework outlining the commitments made by the company and its employees.

The **Code of Ethics** defines the rules of behaviour and the principles applicable to employees and all those who establish any form of relationship with Italcementi.

The Chairman is responsible for ensuring compliance with the Group principles of corporate governance and for proposing amendments to the Board of Directors. The Board of Directors, supported by the Internal Control Committee, defines the guidelines for the internal control system: main risks are correctly identified, suitably measured, properly managed and continuously monitored. As the Executive Supervisor of the internal control system, the Chief Executive Officer (CEO) is responsible for identifying the main group risks and for periodically submitting them to the Board of Directors for examination.

After ten years of formal commitment

to sustainability, 2010 represented a year of consolidation and reinforcement of the approach. The launch of the **Sustainability Policy** is the cornerstone. It covers all the themes affecting the Group sphere of influence: human rights, codes of governance, health and safety, labour practices, social initiatives, relations with customers and suppliers, energy efficiency, environment, quality of products and processes, research and innovation. In addition, dedicated policies deriving from the Sustainability Policy cover in details all the relevant aspects. To ensure the highest level of shared awareness, the whole set of policies was discussed with the entire executive management and finally approved by the Group CEO.

The «Organisation, Management and Control Model» required by the Italian Legislative Decree 231 of 2001 was revised with increased emphasis on health and safety issues.

Lastly, in December 2010, the Italcementi Board of Directors approved the **«Italcementi Group Corporate Governance**

Framework» (Framework) related to the activities of the Board of Directors to be applied throughout the Group companies. The Framework is made up of **31 Principles**, including sustainable development, belonging to the major areas of the Board Operations along with the related application criteria. The aim is to align the Corporate Governance principles and criteria applied within the Group to the international best practices, to meet expectations of financial markets, shareholders and stakeholders of Italcementi and so, to enhance Group transparency, efficiency and effectiveness. The Framework will be extended to all the companies of the Group.

The Group operational business structure is continuously monitored and updated in line with the corporate governance principles in order to provide a clear global picture of shareholding, organisational structures, authorities, powers, processes and procedures.

The Group has continued to work on its three year **Risk and Compliance Programme** ensuring better risk management

SOURCES OF CORPORATE GOVERNANCE

Code/regulation	Description	Adoption date	Last update
By-laws	Define the company's main rules and operations of its corporate bodies	1927	2010
Code of Ethics	Defines the rules of behaviour and the principles applicable to employees and to all those who establish any form of relationship with Italcementi	1993	2001
Code of Conduct	Communicates how Italcementi is organised in order to maximise shareholder value	2001	2007
Treatment of confidential information	Defines procedures for document management with special focus on treatment of 'price sensitive' information	2001	
Internal Dealing	Defines the flow of information to and from the market in case of relevant insiders trading Italcementi shares or other financial products issued by controlled companies listed on Italian regulated markets or unlisted but accounting for more than 50% of its asset	2002	2006
Procedural Code for transactions with related parties	Defines procedures aimed at ensuring that transactions carried out with related parties of the Company, directly or by means of its subsidiaries, are performed in a transparent manner and in compliance with criteria of material and procedural correctness	2003	2010
Organisation, Management and Control Model	Aims at preventing criminal offences and administrative liabilities, spreading and consolidating managerial practices, enabling a control-oriented culture and promoting an efficient and balanced organisational structure	2004	2010
Insider Register	Lists all the people who may manage or access privileged information that, if disclosed, could significantly influence the market price of publicly traded financial instruments	2006	
Charter of Values	Translated in all the Group languages, the Charter endorses the basic aspects of corporate governance and enhances their principles, with reference to international standards	2006	

For further information please refer to the corporate website, under <http://www.italcementigroup.com/ENG/Investor+Relations/Governance/Documentation/>

and audit systems, as described on page 14. The programme sets clear directives on accountability and boundaries for managing risk areas across the Group, with particular focus on the allocation of responsibilities at corporate versus country level. The programme is linked to the long-term incentive scheme of the managers.

Countering bribery

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

As part of its standardisation process, the Group is presently developing a comprehensive **«Anti Corruption and Bribery Compliance Programme»** to prevent, detect and remedy wrongdoing in day to day business dealings. Italcementi launched the programme and carried out the following activities: analysis of legal framework where the subsidiaries operate in order to verify whether specific laws on corporate criminal liability and bribery are in force; drafting of the Group Anti-Bribery rules of



conduct to be applied to specific risky business activities. The implementation now stands at 20%. It is going to be implemented throughout the Group over the next three years. It targets employees, directors, contractors, suppliers and partners in joint venture projects, with priority to Countries of increased concern where the Group operates, as identified by the World Bank and Transparency International (these Countries represent 84% of Group EBIT in 2010).

The programme is part of a wider project aimed at reducing all relevant risks in terms of «Corporate Criminal Liability». Within the scope of this project, Italcementi adopted an **«Organisation, Management and Control Model»** targeting, among others, the corruption and bribery prevention, to comply with the Italian Legislative Decree 231 of 2001. Italcementi also launched the so called «Piano per la prevenzione dei rischi criminali» (Prevention plan against criminal risks) aimed at re-organizing decision-making processes and procedures to eliminate the risk of engaging in business dealings with organized crime entities. The aforesaid model and the «Piano per la prevenzione dei rischi criminali» (Prevention plan against criminal risks) are already in place and implemented on an on-going basis within Italcementi.



**In 2010
Italcementi Group
has launched
its new set of
Sustainability
Policies.**

All the Group responsible business practices in terms of countering bribery strongly enforce the 10th principle of the UN Global Compact (i.e. *Businesses should work against corruption in all its forms, including extortion and bribery*). Since the adhesion to the UN Global Compact, the Group is actively working with the Italian Network in order to spread best practices and experiences, also with reference to the supply chain.

Sustainability

The Group is continuously reinforcing its commitment to sustainable development in all the countries and lines of business, with initiatives coordinated by the **Group Sustainable Development Steering Committee** (SDSC). The SDSC is empowered to turn the Group vision into actions, to support and monitor sustainable development strategy and its implementation at local level and to define and implement communication programmes. It acts as the foundation of the sustainability management structure within the Group.

The SDSC incorporates key areas of responsibility under the chairmanship of the Chief Operating Officer and the coordination of the Director of the Sustainable Development Department (SDD), as shown in the picture on page 12.

Country SDSCs set at local level strongly encourage vertical integration, calling for regular quarterly meetings chaired by the country Managing Directors and engaging managers from human resources, health and safety, environment, communication, legal, customer and supplier relations.

Moreover, sustainable development is often in the Board agenda, driven by dedicated quarterly meetings with CEO and COO. SDD is consistently involved in the Group Strategic Planning discussions and in the Risk and Compliance Programme. Since 2008, SDD has begun the process of standardisation promoting an effective off-shore policy based on challenging minimum requirements. The Group aims at spreading best practices by putting in place a comprehensive set of standards, starting from health, safety and environmental issues, defining the minimum compliance criteria beyond countries legislation or local practices.

Since 2009, SDD has launched a multi-year action plan to cover missing or incomplete policies, management systems, auditing and reporting schemes, engaging all the relevant Group functions and subsidiaries. In **2010**, the Group launched its **new set of Sustainability Policies**. During 2011, they are going to be translated into local languages, diffused in all the Group subsidiaries and supported by appropriate training and communication tools. Detailed information is available on page 13.

The Group consolidated its presence in the World Business Council for Sustainable Development through the membership of all local subsidiaries to existing WBCSD regional network, as explained on page 8. Moreover, the CEO signed the revised **Charter of Cement Sustainability Initiative** (CSI) committing the Group on seven joint working areas: climate protection, responsible use of fuels and raw ma-

materials, employee health and safety, emissions reductions, local impacts on land and communities, reporting and communication, assurance. In addition, the adherence to the UN Global Compact reinforced the Group public commitment, further engaging to foster human and labour rights, to protect the environment and to fight corruption. Following the same approach of the WBCSD, subsidiaries have been asked to join the Regional Networks of UNGC.

The Group has been reconfirmed in «**The Sustainability Yearbook 2011**» the most comprehensive publication on corporate sustainability released yearly by Sustainable Asset Management. In 2010, about 2,500 companies belonging to 58 sectors have been assessed for their sustainability performance and only the top 15% have been entitled to be included on the Sustainability Yearbook. Italcementi has also been awarded «SAM Silver Class», showing performance within a limited gap from the best in class.

In addition, in 2010 Italcementi has been included in the FTSE ECPI Italia SRI Leaders Index. The index is composed of a small basket of Italian leaders in environmental, social and governance performance (ESG).

Further information is available on the corporate website, under the [http:// www.italcementigroup.com/ENG/Sustainable+Development/Group+strategy/Sustainability+management](http://www.italcementigroup.com/ENG/Sustainable+Development/Group+strategy/Sustainability+management)

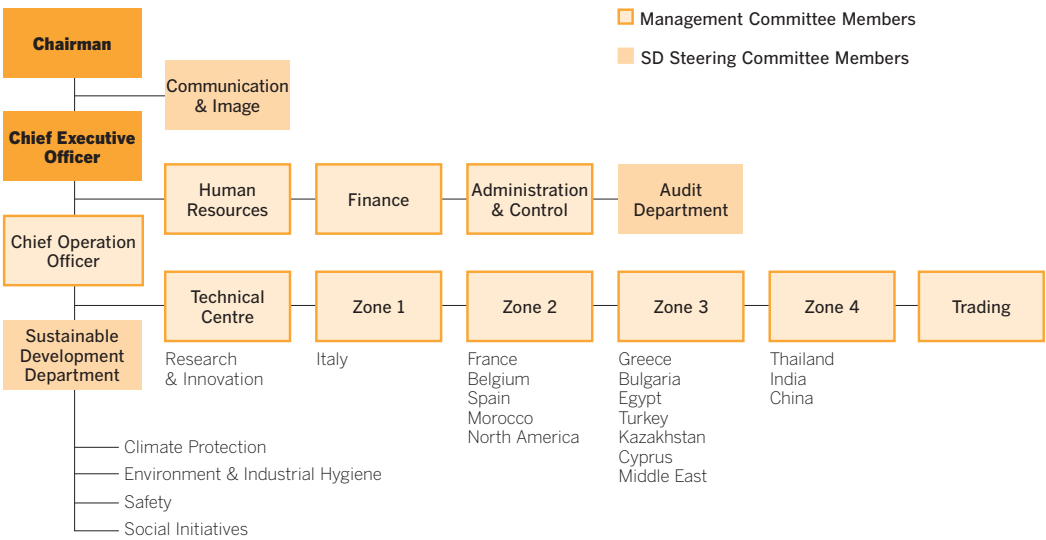
Group policies

All the Group Policies draw their inspiration from international references such as the United Nations’ Universal Declaration of Human Rights, the International Labour Organization standards, the SA 8000 standard, the OECD guidelines on Multinational Companies and are reinforced by the Group Codes, the agreement between the Group and the Building and Wood Workers International (BWI) and by the membership in the WBCSD and the adherence to the United Nations Global Compact. Policies are translated into local languages, regularly updated and communicated to managers, employees and contractors.

The **Code of Ethics** defines the rules of behaviour and the principles applicable to employees and to all those who establish any form of relationship with Italcementi. It is scheduled to be updated in 2011.

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

ITALCEMENTI GROUP MANAGEMENT STRUCTURE FOR SUSTAINABLE DEVELOPMENT



All the Group Policies draw their inspiration from international charters, standards and guidelines.

pany and stakeholder relationships. It is the reference for all the Group Policies.

The **Sustainability Policy**, issued in 2010, signed by the Group CEO and shown in the cover, is the framework of Group Sustainability Policies. It covers all the Group management issues: human rights, governance, health and safety, labour practices, social initiatives, relations with customers and suppliers, energy, environment, quality of products and processes, research and development. The deriving Sustainability Policies, described hereunder, are embedded in strategies, processes and day-to-day business. They apply to all the Group activities and business partnerships, including merger and acquisitions, and to all the involved stakeholders within the Group sphere of business influence. All the Sustainability Policies are available under the Group corporate website.

The **Safety Policy** discloses the Group commitment to foster continuous improvement process through the implementation of effective management systems and visible leadership. «*Safety: a way of living*» is the new motto. Detailed information on page 15 and 44.

The **Human Rights Policy** explicitly supports internationally proclaimed human rights as inalienable rights of all individuals. The policy also covers the Group commitment of not being complicit in any human rights abuse in the countries in which it operates. Detailed information on page 46.

The **Energy Policy** endorses the need to move toward a low-carbon economy while alleviating social impacts and to play a part in developing practical and feasible solutions together with governments and other responsible players in the building material sector. Detailed information on page 17 and 30.

The **Environment Policy** commits the Group to prevent, minimize, mitigate and remediate the environmental impacts of its activities. Detailed information on page 15 and 34.

The **Social Initiatives Policy** traces the principles to build relationships with stakeholders based on mutual commitment, active partnership, trust, openness and long-term cooperation. Detailed information on page 51.

The **Health Policy** addresses the Group commitment to eliminate occupational illnesses by reducing workplace exposure of workers as well as the promotion of workers' health and wellbeing. Detailed information on page 45.

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

In 2011 the Group will adopt a **Quality Policy**, already drafted and submitted to management consultation.

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

In the framework of Sustainability Policies, Italcementi Group has issued a new Safety Policy committed to the elimination of labour injuries and accidents.

suppliers, contractors and any other business entities. The Group implements the policy principally through specific training programmes, communication, written rules of conducts and audit reviews. Italcementi has recently launched the Group Antitrust Compliance Programme, providing a formal framework (including policies, guidelines, processes, monitoring and reporting activities) to ensure that the business as a whole complies with antitrust laws and to minimize the risks by assisting companies to promptly identify them and take remedial actions. Subsidiaries are now developing and formally adopting local antitrust compliance programmes, in accordance with their specific needs and priorities, customizing the vision, principles and key features of the Group programme. In 2010, the Group issued corporate antitrust guidelines in order to support the subsidiaries in developing local rules of conduct in the dealing with specific subjects. The implementation now stands at 33%, as reported in the Targets Table on page 4.

Further information is available on the corporate website, under the <http://www.italcementigroup.com/ENG/Investor+Relations/Governance/Documentation>

MANAGEMENT SYSTEM

Risk management

Since 2008, the Group has put in place a risk management programme aiming to provide risk oversight to the Board and Top Management. It works through the identification, measurement, management and monitoring of the most significant risk exposure.

A risk governance has been set up with

the definition of the model mapping the top risks that could threaten the Group business plan. It includes risk management guidelines covering strategies, processes, procedures and the assignment of responsibilities for corporate functions and subsidiaries. The organizational framework has been completed through the appointment of the **Chief Risk Officer (CRO)**. The CRO reports directly to the CEO and helps to facilitate the risk process within the Group. The **Enterprise Risk Management department** chaired by the CRO, develops its activities through the contribution of risk management focal points identified at each corporate function and country, ensuring consistency and alignment in processes and methodologies and allowing risk management capabilities enhancement.

Risk mitigation action plans were launched in 2010. They cover ten top risk scenarios: five mandatory scenarios common to all the subsidiaries and five chosen by each country. These plans are formalized in consistency with the risk management guidelines and define expected results, schedule and responsibility both at corporate and country level. The implementation now stands at 44%, as reported in the Targets Table on page 4.

An incentive plan linked to the achievement of the risk exposure reduction has been put in place, completing the whole risk management framework and allowing improvement measurement.

2011 will see the Group consolidating risk management capabilities through mitigation action plans customized for each country, in order to step towards an integrated model where the risk is an integral part of strategy setting and performance management and the issue of the Group Risk Management Policy.



Safety management

In the framework of the Sustainability Policies, the Group issued the new **Safety Policy**. The Policy highlights with the Group commitment to eliminating occupational injuries and accidents and aims at the highest level of awareness by fostering continuous improvement process through the implementation of effective management systems and visible leadership as key factor of success.

The release of the new **Safety Management Handbook** drafted in 2010 and scheduled to be distributed in the first quarter of 2011, reinforces the Group efforts to continuously improve safety performances. It is a comprehensive approach addressing leadership, motivation, organisation and tools to manage all the relevant issues from managers accountability to contractor safety. The chapter on contractor safety is already in line with the CSI Guidelines «Recommended Good Practice for Contractor Safety».

The Group has started issuing operational safety standards to be implemented in all the subsidiaries.

In 2011, the release of the **new Safety Policy**, the **Safety Management Handbook** and the **Safety Standards** will be supported by extensive training addressing top man-

agement, employees, contractors as well as third parties. Moreover, the Group will adopt a code of practice for vehicles and drivers, in line with the CSI Guidelines «Recommended Good Practice for Driving Safety».

All the Group sites are regularly audited by the Group Sustainable Development Department and the Group Internal Audit Department.

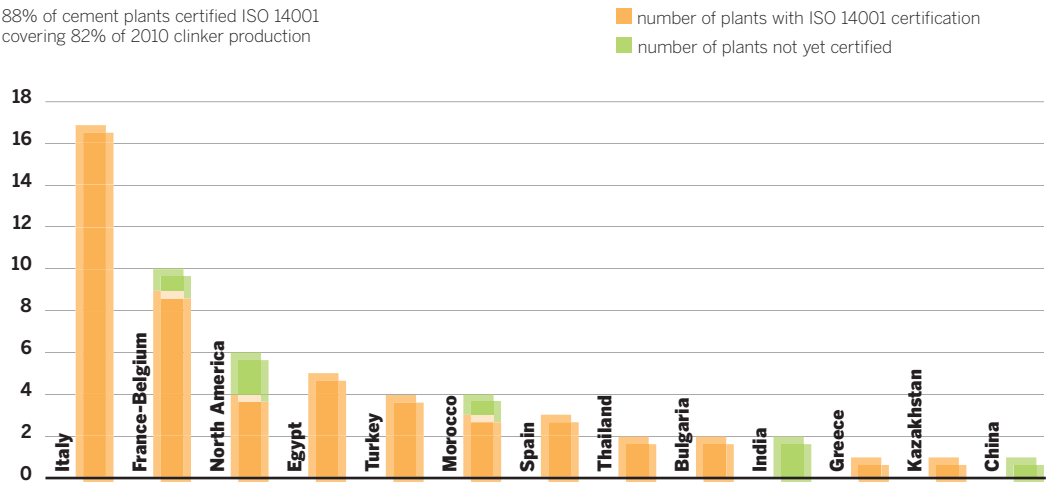
Environmental management

In the framework of the Sustainability Policies, the Group issued the **new Environmental Policy**. It shows that Italcementi Group strives to prevent, or otherwise minimise, mitigate and remediate the environmental impacts of all the Group activities. Moreover, the Group promotes environmentally-driven product innovation, sustainable construction and transfer of eco-efficient technologies and management systems to all the countries in which it operates. The Group strongly supports and encourages actions aimed at developing and implementing recognised management systems and voluntary commitments to prevent risks and foster continuous improvement beyond compliance with applicable environmental laws and regulations.

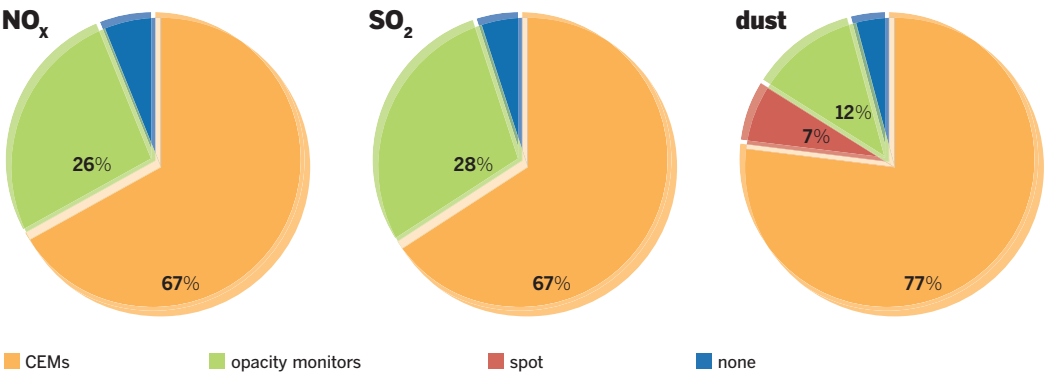
The Group strongly recommends the

CEMENT PLANTS CERTIFIED ACCORDING TO ISO 14001 (2010)

88% of cement plants certified ISO 14001 covering 82% of 2010 clinker production



EMISSIONS MONITORING SYSTEMS (2010)



adoption of environmental management systems as an effective tool to prevent risk and to prompt continuous improvement. During 2010, additional cement plants in Italy and North America were certified **ISO 14001** for their environmental management systems. Therefore, **51** (3 plants in Turkey are in the final stage of the renewal process) **out of 58 plants** operating in 2010 received the certification as outlined in the chart above. Other certification processes are already ongoing. In particular one plant in North America was almost completed at the end of 2010.

Environmental management systems are progressively extended to all the Group activities in cement, aggregates, ready-mixed concrete and other operations: 4 cement grinding centres, 19 ready-mixed concrete

units, 52 aggregates sites with quarries, 2 natural hydraulic lime plant and all 14 hydro-power plants are certified to ISO 14001.

Moreover, risk management is implemented also through environmental reviews, performed by the Sustainable Development Department as part of a long-term program. In 2010, the audit activity targeted cement plants in India, Italy and Turkey. Therefore, in the last 4 years 31 out of total 58 cements plants have been audited (54% of the cement plants), covering 13 of 14 subsidiaries.

At the end of 2010, **51 out of 90** (57%) **operating kilns** were equipped with **Continuous Emission Monitoring systems** to measure dust, nitrogen oxides (NO_x) and sulphur dioxide (SO₂), in line with the CSI guidelines. Including the Opacity Monitors installed in North America to monitor

**Italcementi Group
strongly promotes
the adoption
of certified environmental
management systems.**

dust, the number rises to 57, while another 27 kilns are partially measuring dust, NO_x or SO₂. Therefore, 78 kilns are partially or fully equipped with CEMs while the remainder are kept under control through regular spot checks, as shown above.

In addition to dust, NO_x and SO₂, monitoring is progressively extended to other elements.

Beyond the CSI approach on the emissions monitoring, the Group standard requires additional continuous monitoring of carbon monoxide (CO) and volatile organics (VOC). Totally, 29 of the operating CEMs are in line with the Group standard, representing 32% of total kilns. The Group is taking all the necessary actions to reach its targets for kilns equipped with CEMs as reported in the Targets Table on page 4.

In 2010, continuous measurements of VOC were performed in 41 kilns and spot measurements in 7 more kilns. Metals and dioxins were measured with spot campaigns in 44 kilns. Details on the monitoring activity are reported on page 38.

Carbon risk management

The UNFCCC process, by means of the Cancún Agreement, has delivered a framework for the post-Kyoto scenario. The agreement contains clear signals directed towards the markets, making clear that international emission trading and the flexible mechanisms are to be built on and continued. All the major economies will set carbon constraints for industry; energy intensive industries, as cement industry, are subject to increasing pressure to reduce emissions and then exposed to carbon risk. The level of risk for the cement industry is directly related to the carbon footprint of individual companies but it is also significantly affected by external factors such as present or upcoming regional legal framework and

the carbon price on international markets.

In normal market conditions, the European Emission Trading Scheme has an impact on production margins. The cost of allowance purchasing, even under partial free allocation, and the increased prices of electricity due to cost pass-through of the power sector, actually weigh heavily on production costs.

The Group is continuously implementing actions in line with best carbon management practices to manage carbon risk. The Group quantifies and reports its carbon footprint, following ISO 14064 standard and WBSCD CSI protocols, promotes actions to reduce the carbon footprint of products and processes, based on verified baseline, and eventually reduces compliance costs through advanced administration of carbon assets.

Carbon risk analysis on the long term (up to 2020) is carried out and periodically reviewed at Group level. It is based on accurate emissions tracking and forecasting systems and analysis of regulatory policies. The strategy is adjusted according to the results of the analysis, also selecting appropriate market instruments. In addition, following recent cyber attacks on EU ETS accounts, security measures have been enhanced.

The Group participates in public private Carbon Funds and maximises the use of credits as to minimize the compliance costs. The Group development strategy through the diversification of countries and operations reduces its exposure risk in Europe. In addition, operations in developing countries allow the Group to develop carbon reduction projects eligible as Clean Development Mechanisms under the Kyoto Protocol and expected to be eligible in post-2012 market mechanisms as well.

To provide valuable investment and relevant information on carbon risk, Ital-

Italcementi Group
is continuously
implementing
best practices for
carbon risk
management.

cementi participates in the **Investor Carbon Disclosure Project** (CDP), collecting data of the world largest companies. Based on information provided, Italcementi has been included in the Leadership Index of CDP 2010 Italy 60.

Customer relationship management

Stakeholder dialogue is a key success factor in creating value through sustainable development and customer relationship is a fundamental component: that is why the Group decided to homogenize the assessment procedure for customer satisfaction within a standard applicable in all the subsidiaries. The standard was the result of a team work coordinated by the Italian subsidiary.

The **Group Customer Satisfaction standard** (GCS) is applicable to all the countries and easily adaptable to satisfy differentiated local expectations and market segmentations. Product, service, logistic and the overall perception on the Group are the four topics on which the Group decided to measure its customer satisfaction.

The model is developed based on objective parameters (KPIs) and subjective indicators (customer perception questionnaires). The results are two quantitative indicators to be monitored and compared:



Martinsburg cement plant, USA

the **absolute customer satisfaction index**, representing the absolute positioning of the Group, and the **relative customer satisfaction index**, representing the Group positioning versus competitors. Both indexes separately take into account the bulk/ bag sectors and customers' perception.

In 2010, the model was implemented for cement products in all the Group subsidiaries but Morocco and China, scheduled for 2011. Results of customer satisfaction are available on each local website.

The chart below summarizes the 2010 Group output.

The implementation of the GCS standard will allow to set targets based on regional trends over the years by taking into account local market features. Furthermore, in 2010 a new project on fast response to solve customer complaints has been launched.

KPI	Coverage by sales volumes (%)	Results (KPI/1000)	Customer satisfaction level
Absolute	90	827	medium-high
Relative	57	769	medium

Italian follow up to the GCS assessment

Having completed the GCS as pilot project for the Group, the Italian subsidiary is still leading the Group process. Starting from the 2010 GCS results, a working group made up of customer, logistic, technical and sustainable development functions worked on the action plan. It covers five main improvement areas: reduction bags dustiness, improvement of concrete workability, new pallets management, electronic invoicing and open door activities and training on the Group sustainable vision. In 2011, the action plan will be fully implemented and the GCS will be implemented for additives as well. *Disclosure on 2010 GCS cement results is available under:*

<http://www.italcementi.it/ITA/Media+Center/news/20101006>



Leadership in Energy & Environmental Design (LEED)

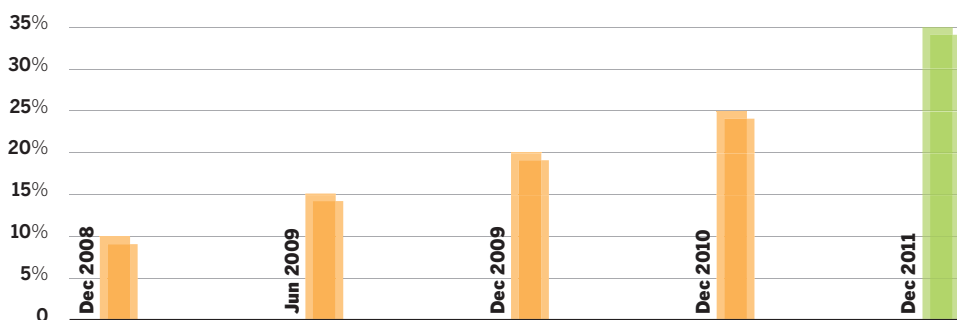
The Leadership in Energy and Environmental Design (LEED) Green Building Rating System™ is an internationally recognized green building certification system, developed in the US. LEED is a voluntary, consensus-based standard certification programme. The system provides for credit points to be tallied among six categories of performance: sustainable sites, energy and atmosphere, water efficiency, indoor environmental quality, materials and resources, and innovation in design. To earn certification, a building project must meet certain prerequisites and performance benchmarks (credits) within each category. In order to facilitate constructors to obtain LEED credits, the Group Sustainable Development Department and the Italian subsidiary are collecting the necessary information about the Group cement products. Information sheets will be available for customers and published on the Italian website.

Supplier management

Following the Group sustainable approach, the Group Sustainable Development Department (SDD) and the Group Purchasing Department (GPD) have worked on the implementation of minimum requirements for suppliers to establish commercial relationships with the Group based on human rights, labour practices, health and safety and ethics. The aim is to develop a qualified suppliers' base with high degree of business integrity.

As anticipated in 2009 SD Report, GPD issued the **Group Qualification Guidelines** for suppliers of goods and services at local level. GPD organized ad hoc meetings focused on qualification and evaluation process with the aim to share the Group guidelines with subsidiaries as well as the procedural aspects. The process involved

% OF CORPORATE SUPPLIERS EVALUATED (2010)



North America, Turkey, Spain, Bulgaria, Kazakhstan, Egypt, China and Greece. France, Thailand and India will be involved in 2011.

All the subsidiaries have been asked to organize appropriate structure to manage activities and to align the existing processes to the Group guidelines, taking into consideration all the local needs and constraints. This includes also the use of storage and recording supports (paper and Vendor Management tool of EASY Supply) to share evaluations' results. The involvement of approximately fifty pilot suppliers in these qualification activities allows each subsidiary to test the process and to

define the supplier application perimeter of local qualification procedure. GPD verifies the Group Guidelines implementation through regular monitoring activities in all the subsidiaries.

In line with 2010 targets, the Supplier Qualification Function reached the quantitative target of having 25% qualified suppliers, corresponding to approximately seventy major suppliers managed at corporate level that have been included in the process.

The Supplier Qualification Function confirms its commitment to reach the 35% by December 2011, as shown in Targets Table on page 4. ♦

Focus on the supplier qualification process in Italy

Purchasing, Human Resources, Corporate Governance and Quality Departments worked on the revision of the Vendor Management procedure and the issuance of the new «Suppliers Reliability Evaluation» procedure. The revised Vendor Management procedure entitles the Supplier Qualification Function to oversight the activities of around four hundred suppliers, whose products or services are critical for the final product (according to ISO 9001 approach). All the active suppliers are evaluated on an annual basis and all new relevant suppliers are subjected to a qualification process and, if required, to a trial supply. When the process is completed, the supplier status is recorded into the list published within the e-Collaboration module of the EASY Supply portal. The new Suppliers Reliability Evaluation procedure embeds the rules of the «Piano per la prevenzione dei rischi criminali» (Prevention plan against criminal risks, see page 10). The activity includes a documental evaluation and an ethical evaluation performed by a dedicated team.

ECONOMIC DEVELOPMENT

In 2010 Italcementi Group's economic performance has seen a slowdown in the negative trends of the past few years. For 2011, the Group confirms its commitment to improving its industrial efficiency.



In 2010, performance in the construction sector was negative for the fourth consecutive year in most of the industrialized countries although the trend eased compared with 2009. This reflected the continuing world economic crisis, one of whose effects, restrictive public budget policies, had an unfavourable impact on spending on infrastructure. By contrast, the situation was brighter in the emerging countries, where, in addition to healthy performance in Egypt and Morocco, a significant improvement was reported in Asia. In part thanks

VALUE CREATION

to some positive signs in the fourth quarter also seen in some industrialized countries, **2010 saw a slowdown in the negative trend of the past few years.**

Overall, for 2011 the Group will maintain its commitment to improving its industrial performance, enhanced in 2010 by the entry into operation of the new production lines.

The Group will strengthen an already solid financial position, with a further reduction in debt, thereby improving conditions for other opportunities for growth on the markets of greatest interest to the Group.

For 2010 a new segment reporting (IFRS 8) has been defined in order to guarantee the coherence between the activities and the business of the Group. The present segment is as follows: Central Western Europe; North America; Emerging Europe, North Africa and Middle East; Asia; Cement/clinker trading; others. The total 2009 figures have been modified accordingly.

Customers

In **2010** consolidated sales volumes of **cement and clinker** totalled **54.4 million metric tons** (-2.4%), an improvement with respect to the sharp drop in volumes reported



Italian Pavilion, EXPO 2010, Shanghai

in 2009 (-11.1%). Volumes in **aggregates** were **36.7 million metric tons**, a downturn of 6.0%, while the **ready mixed concrete** business showed a small increase to **11.4 million cubic meters** (+1.4%). In cement and clinker, the fall in sales volumes arose largely in Central Western Europe, Egypt, Bulgaria and in Trading. Performance in North America was stable, while Asia reported progress, driven by higher sales volumes on all domestic markets, with important growth rates in China and Kazakhstan.

In 2010, Group revenues totalled € 4,790.9 million, down 4.3% on 2009 (€ 5,006.4 million).

The 4.3% decrease in revenues from 2009 arose from the slowdown in business performance (-6.6%), counterbalanced by a positive exchange-rate effect (+2.3%); there was no consolidation effect.

The fall in revenues reflected a decrease in sales volumes together with a weak dynamic in sales prices in some countries, notably Italy, North America and India, although a significant recovery was reported in the fourth quarter 2010. At constant size and exchange rates, the revenue decline



In 2010, performance in the construction sector was still negative in most of industrialized world areas, while brighter in the emerging countries.

arose in all the regions, especially Central Western Europe; positive trends were reported in Turkey, China and Kazakhstan.

The positive exchange-rate effect was due chiefly to the appreciation of the Egyptian pound, the rupee, the baht and the US dollar against the euro.

Suppliers

In 2010 Italcementi Group spent € 1,994 million (€ 1,712 million in 2009) on raw materials, fuels, utilities and other goods.

In addition, in 2010 € 1,075 million (€ 1,096 million in 2009) were recorded in services.

Personnel

At the end of **2010** the Group personnel reached **20,763 people** compared to 21,155 at the end of 2009. Personnel cost increased by 0.2% up to € 916.3 million compared to € 914.6 million in 2009.

Italcementi Group benefit plans are valued according to IAS19 and include post-employment pension benefits, post-employment medical plans, other long term benefits, and termination benefits.

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

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

Shareholders

At the end of 2010, the share capital of Italcementi SpA was € 282,548,942 divided into 282,548,942 shares, of which 62.7% Ordinary and 37.3% Savings shares. The Group net shareholder equity was € 3,525.1 million (3,353.1 million in 2009).

Communities

Further driven by the **new Social Initiatives Policy**, subsidiaries are encouraged to develop actions in support of local communities, following Group guidelines and meeting stakeholders' expectations. In 2010, the Group earmarked around **€ 4.6 million** in support of local business development, skill building/educational programmes, donations, charities, open door events and sponsorship of cultural, environmental and sports events. In addition, the «Fondazione Italcementi Cavaliere del Lavoro Carlo Pesenti» raised

Between 2009 and 2010
four major strategic
projects have been
completed
in North America,
Morocco, India and Italy.

more than **€ 1.6 million** (€ 2.7 million in 2009) fostering several humanitarian projects. Further information are available under: <http://www.italcementigroup.com/ENG/Sustainable+Development/Social+responsability/Social+initiatives>

INVESTMENTS

Investments in fixed assets, funded entirely by cash flow from industrial operations, amounted to **547.7 million** (with a decrease of 194.7 million € compared to 742.4 million € in 2009) and referred in the main measures to improve industrial efficiency and complete a number of **strategic projects** (Morocco, India and Italy).

Capital expenditure, at 500.9 million €, was down on 2009 (680.1 million €) due to the reduction in **strategic investments, completed in 2009 and 2010**: Martinsburg (North America), Ait Baha (Morocco), Yerraguntla (India) and Matera (Italy).

Investments in intangible assets consist-

ed mainly of software development; they amounted to 22.2 million € and were up on 2009 (19.4 million €).

Investments in non-current financial assets amounted to 24.6 million € (42.8 million € in 2009), and referred largely to acquisitions of minority interests (China and Syria), and payment of investments effected in 2009.

Activities aimed at accomplishing the main projects have been particularly intense. Despite some delays, by March 2010 clinker production started up for the new line at Yerraguntla (5,500 tpd) and for the upgraded burning line at Matera (2,200 tpd).

In **July 2010** the **new kiln system at Ait Baha** (5,000 tpd) went into operation. The new cement finish mills at Ait Baha went into operation by the end of 2009 and 2010 respectively.

Commissioning and setting-up activities as well as finishing works continued for these plants and for clinker and cement

ITALCEMENTI GROUP'S ECONOMIC AND FINANCIAL FLOWS
TOWARDS STAKEHOLDERS IN 2010 (MILLION €)

Economic and financial flows		Stakeholders
Purchases and capital expenditure	3596	Suppliers
Labour cost	916	Employees
Equity investments	25	Other companies and individuals
Income tax paid and other taxes	210	States and locate authorities
Dividends	130	Shareholders
Net financial charges	91	Financial creditors

new lines at Martinsburg and new cement line 1 at Ait Baha, started-up by end 2009.

As to activities aimed at revamping **Devnya cement plant**, notice of termination was sent to the consortium in charge of the EPC contract in November: revisions of plant size, layout and program are in progress. A new Group company (CTG Devnya EAD) will be in charge of the site project execution.

As for **Barry quarry** (Belgium) **opening project** and for **Monselice** and **Rezzato plant revamping projects** (3,000 tpd), actions were focused on basic engineering and activities for getting permits.

RESEARCH AND INNOVATION

In 2010, a new dedicated Department was created to manage innovative projects. The innovation process itself was revised in order to make it more effective and to meet market needs. Projects are now classified upon the level of newness when compared to the reference market and to the Group. Three levels have been set, as highlighted in the picture below.

Projects *established* and *incremental* fall in the field of existing constructive models and of an incremental improvement. Local market and customer needs drive the development. *Radical* projects propose new models and new ways of using materials. Central research drives the change.

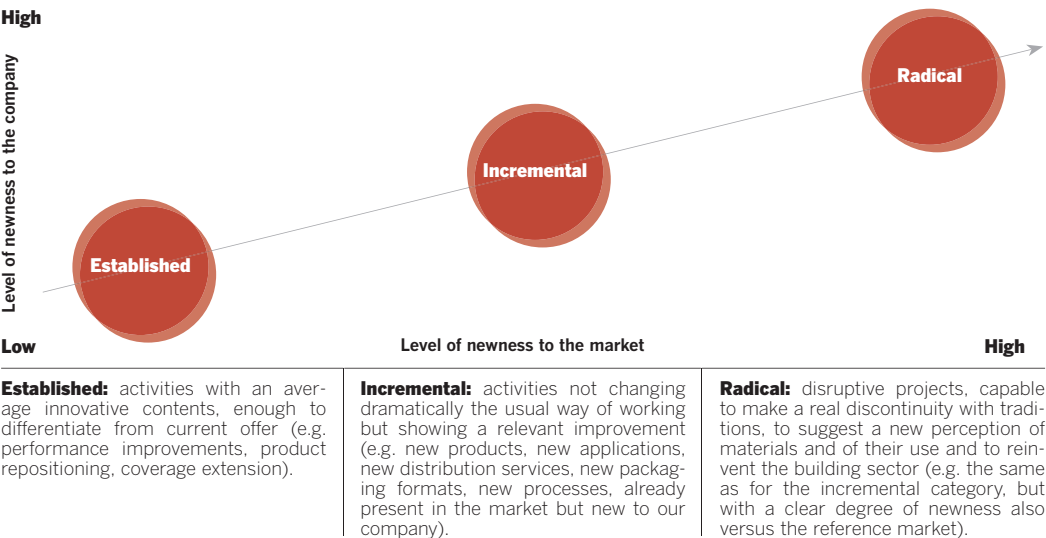
A more precise innovation process characterization is accompanied by a better project management based on planning and timing. The objective is the reduction of time to market. For each new product, technical and managerial in-dept analysis – documents called *Product Management Guidelines* and *Product Technical Guidelines* – are provided to make easier and faster the introduction in a new Country.

Innovation is a different approach to the market too: the commercial proposal AXSIS (32.2% of the total turnover) lies in offering cement and admixture together with technical support for mix design optimization. This approach allowed to widen the customer portfolio and increase loyalty. Italcementi Group is the unique cement producer who integrates chemical research and the following production of polymers and, later on, of final admixtures.

In 2010, more than 20 research and development projects were actively managed with more than 80 resources of the laboratories located in Bergamo and in Guerville. The investment was around 13 million €.

The Innovation rate – the ratio between innovation turnover and Group global turnover – is the parameter that quantifies the commitment of the Group in this frame. In 2010, it reached 3.9% (3.2% in 2009). Since 2009 it is subjected to third party verifica-

CLASSIFICATION OF INNOVATIVE PROJECTS



tion. For 2010, also the breakdown by category is reported (see page 28).

Innovation development

The award of *project of the year* goes to the new **i.light®** transparent cement. By bonding special resins into a newly conceived mix, it allows manufacturing solid and insulated yet light-transmitting construction panels. The Group researchers identified the right formulation of a dry ready-mixed product that allows inserting these plastic resins in the cementitious material, which is naturally opaque.

The i.light® was especially developed by the Group to build the **Italian Pavilion** at the 2010 World Expo in **Shanghai**.

3,774 transparent panels (including the «semi-transparent» ones, i.e. with a 50% lower transparency level due to architectural requirements) have been produced and used to cover a total surface area of 1,887 m², approximately 40% of the total envelope of the Pavilion, creating in the building in Shanghai a sequence of lights and shadows in constant evolution during the day.

The transparent effect is more evident when it is dark and, seen from the outside, the building will allow the interior lights to filter through while, from inside, during the day, it will show the changes in the levels of daylight.

Used for the first time in Shanghai, future applications of this material may encompass its use as an architectural component with diversified, integrated functions, such as, for example, internal lighting (shading/light diffusion techniques).

Further information on i.light® is available under: <http://www.italcementigroup.com/ENG/Research+and+Innovation/Innovative+Products/i.light>.

It is worth to mention the steady progression of the use of photocatalytic prod-

ucts, based on the active principle **TX Active®**. Beyond the consolidation of existing cements, products for vertical surfaces coatings were launched to fulfill requests of specific jobs; in the ground of road applications, tests on a percolating slurry for open asphalts pavements were completed with full satisfaction.

Alipre Technology products, based on a particularly sustainable clinker, gave expected commercial results in Italy; they were introduced in France, Spain, Greece and Bulgaria too.

One of the most interesting novelties of the year is **Biosac**, the new cement bag for the French market; peculiar characteristic is the compostability of the material used: while maintaining the usual properties of durability, strength and impermeability of a traditional cement bag, it is completely decomposed within 12 weeks.

Innovation and sustainability

The Group Innovation has found application in three fields:

- **performance** to give contractors tough material for the challenges of these days;
- **aesthetic** value to offer architecture beautiful materials that maintain the beauty over the time;
- **sustainability** to make building materials more and more green, durable and resilient.

The Group set the following seven criteria to characterize the sustainable part of its production:

- CO₂ emission reduction (i.e. blended cements, low heating temperature and non calcareous clinkers);
- Reduction of energy consumption (i.e. products and system for thermal insulation, panels of «transparent cement» for inner lighting);



Milwaukee Art Museum, USA

- ▶ Durability of constructions (i.e. high performance concrete, certified lifespan concrete, specific admixtures and additions, products for repair and enhancement of damaged or worn structures);
- ▶ Recycling, treatment and inertization (i.e. concrete with debris and alternative aggregates, specific binders for waste encapsulation and for mud treatment, concrete recycling);
- ▶ Reduction of air pollution (i.e. photocatalytic products);
- ▶ Improvement of jobsite working conditions (i.e. lighter packaging, self compacting and self leveling products that do not involve as much hard work that vibrated concrete, rapid products);
- ▶ Eco-compatibility (natural raw materials based products, compostable packaging).

The criteria will allow the Group to report on its commitment towards sustainable production.

Research projects

In 2010, the Group made strong efforts in the following major research projects.

- ▶ Research on chemical and physical processes for CO₂ reduction studies about biological valorization of CO₂ in cooperation with GEPEA laboratories and with Algosource Technologies (AST) with the aim

of reusing carbon dioxide for the biomass production by means of micro algae.

- ▶ A cooperation with ICMMO (Orsay University) laboratories started for CO₂ electrochemical valorization.
- ▶ Research in the field of structural concretes and micro-concretes, studying products with very high strength for the repair and the enhancement of structures and buildings under seismic hazard. Cooperation with Universities of Brescia and Napoli was begun to test also large scale beams.
- ▶ Thermal insulation and the consequent saving of energy for heating or cooling.
- ▶ The research of new clinkers focused on the improvement of sulpho-alluminate based products and on activated slags for lowering the clinker to cement ratio.
- ▶ The study on anti-bacteria cements PED4PV (Pulsed Electron Deposition for Photovoltaic) Clear up – Clean buildings along with resource efficiency enhancement using appropriate materials and technology e PhotoPaq – Demonstration of Photocatalytic Remediation Processes on Air Quality.

Further information on the Group innovation is available under: <http://www.italcementigroup.com/ENG/Research+and+Innovation> ♦

RATIO OF REVENUES GENERATED BY INNOVATION PROJECTS TO TOTAL GROUP SALES

Innovation rate (%)	2010	2009	2008	2007
Mature markets	4.7	3.8	3.4	2.9
Emerging markets	3.1	2.7	2.4	1.5
Group	3.9	3.2	2.9	2.5

BREAKDOWN OF INNOVATIVE PROJECTS BY CATEGORY

	radical	incremental	established	AXIS
Novelty conditions* (%) (2010)				
Mature markets	1.4	31.3	5.6	32.1
Emerging markets	-	27.6	1.9	0.1
Group	1.4	58.9	7.5	32.2

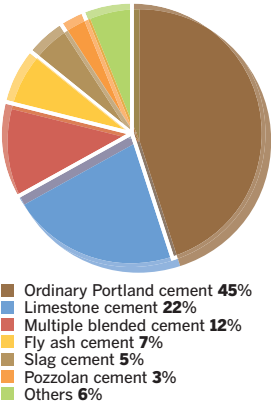
(*): novelty condition turnover/Innovation Group turnover

Italcementi Group's economic and financial flows towards stakeholders (million €)	2010	2009	2008
Purchases and capital expenditure to suppliers	3,593	3,508	4,475
Labour cost to employees	916	915	939
Income tax paid and other taxes to states and local authorities	210	248	300
Equity investments to other companies	25	43	253
Dividends to shareholders	130	125	172
Net financial charges to financial creditors	91	107	87

	Investments in financial assets		Investments in fixed assets		Total	
Investments by geographical area (million €)	2010	2009	2010	2009	2010	2009
Mature markets	4.5	28.1	267.1	413.1	271.6	441.2
Emerging markets	10.1	22.1	253.7	288.9	263.8	311.0
Trading	0.0	0.0	2.7	2.5	2.7	2.5
Others	0.2	0.8	6.6	7.1	6.8	7.9
Sub-total	14.8	51.0	530.1	711.7	544.9	762.6
Variation in fixed assets debt	9.8	-8.2	-7.0	-12.2	2.8	-20.2
Total	24.6	42.8	523.1	699.5	547.7	742.3

Group spending for materials, fuels and utilities (million €)	2010	2009
Raw materials and semi-finished products	496.6	434.2
Fuel	557.8	378.8
Other goods	448.0	466.9
Power, water and gas	491.9	431.9
Group spending for services (million €)		
Transport	441.9	440.7
Maintenance	355.1	362.8
Other services	278.5	292.6
Employees expense (million €)		
Wages, salaries, social contributions, provisions and pension funds	816.4	804.0
Other expenses	96.3	97.6
Costs relating to stock options plans	3.6	13.0

CEMENT TYPES BY PRODUCTION VOLUME (2010)





ENVIRONMENTAL PROTECTION

Italcementi Group strives to prevent or otherwise minimize the environmental impacts of its activities in all countries where it operates. With a specific focus on energy efficiency, climate protection and biodiversity preservation.

Energy and climate are strategic drivers for an energy intensive industry looking at the future. This awareness pushed the Group to promote new activities in the field of energy efficiency paving the way for a successful implementation of the new Energy Policy.

In 2010, the Group recorded a significant **efficiency improvement** in the countries where revamped plants started operations. In North America, the new kiln system in

ENERGY AND CLIMATE

Energy efficiency

Martinsburg replaced the existing wet kilns stopped in 2009, with an increase of capacity. The new plant specific thermal consumption is 40% less than the previous one, bringing the overall specific thermal consumption of the North American plants down 11% versus 2009. In Italy, the revamping of the kiln line in **Matera** allowed for more than 20% reduction in specific thermal consumption. The additional production line in **Yerraguntla** (India) adds capacity at state-of-the-art energy consumption. In 2011, **Ait Baha**, the green field plant in Morocco, will replace the existing Agadir plant and double its capacity, with a significant improvement of energy efficiency.

A team of specialists has been identified within the Group Technology Department (CTG) to further promote electricity savings at plants, general services included. They are in charge of carrying out in-depth power audits following a standardised methodology. An annual audit plan has been set up aiming at achieving the complete coverage of the Group plants over the years. Moreover, energy efficiency certificates (White Certificates) were launched at



the Italian plants taking advantage of the opportunity offered by the state in promoting energy efficiency measures.

Moving beyond energy efficiency at plant level, the Group put a strong accent on raising personnel awareness and promoting **energy management systems**. In 2010, Halyps plant in Greece and Devnya plant in Bulgaria have been EN 16001 certified. In both cases, they were prime in local cement sector. Other plants have taken up the initiative and results will be delivered in 2011.

Carbon free electricity

The Group is strengthening its renewable power generation, supplying carbon free and cost competitive energy in order to get ready for the next wave of growth, after the worldwide downturn.

The Group subsidiary **Italgen** core primary source is renewable: the **hydro-power** production in northern Italy reached 341 GWh, 10% higher than record high 2009 production, saving about 153 kt of CO₂ emissions and receiving the corresponding Renewable Energy Certificates (RECs).



Due to its energy intensive industrial process, Italcementi Group is strongly engaged in the continuous improvement and implementation of its Energy Policy.

Italgen medium-long term strategy aims at supplying **green and cost competitive energy** to subsidiaries. Italgen joined the Desertec project to develop clean energy projects in north Africa with **wind** being the primary energy source involved. In Bulgaria, the second section of the 18 MW joint venture wind farm was completed in 2010. It produced 18,6 GWh in 2010 and is expected to reach more than 40 GWh in the coming years. Expertise from the operation of this plant will be useful for the incoming projects. In fact in **Morocco**, a 5 MW wind farm is under construction at Laayoune, to be completed by June 2011, which will serve the needs of the local cement grinding centre. In **Egypt**, the Environmental Impact Assessment for a 120 MW wind farm has been completed and the tender for technology supply will be launched soon.

The Clean Energy Dispensers located at the headquarters in Bergamo distribute electricity from Italgen hydropower plants to recharge the fleet of **electric bicycles and cars**. Sustainable mobility at Italcementi Group entails concrete actions aiming at

reducing the negative environmental and social impacts generated by the employees' regular commute to and from work. As part of a wider awareness programme on energy saving, the Group adopted a green travel policy as described on page 37.

In two cement plants in Southern Italy, **photovoltaic panels** are operational for captive power production. In the second year of operation, they reached altogether almost 810 MWh (10% more than in 2009) saving 350 tons of CO₂.

The **recovery of waste heat** for the production of electricity is a opportunity of carbon free energy. **Ait Baha**, the new plant in Morocco, has the first waste heat recovery system for power production in the Group. Thanks to an heat exchanger using diathermic oil, fumes are cooled down and electricity produced in a boiler (1,5 MW installed capacity) using a rankine Cycle with high molecular weight oil. This is a first-of-the kind technology in the sector, also allowing water saving. A bigger waste heat recovery and power generation plant (18 MW) is under construction at one of the biggest plants in the Group in **Thailand**. The project will satisfy a considerable part of the plant power needs, saving approximately 70,000 tons CO₂ per year.

Climate protection

The building materials sector plays a significant role in economic development while endorsing the responsibility for its carbon footprint. As a member of the WBCSD Cement Sustainability Initiative (CSI), the Group is actively working on identifying feasible technologies to reduce the CO₂ intensity of cement production, including options for downstream abatement.

The Group sets a **target for CO₂ per unit of output** (cementitious materials) of 690 kg CO₂ per ton by 2012 (5% of reduction

**Italcementi Group
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of cement production.**

versus 1990) working already for a more significant reduction to 640 kg/t by 2014, at the end of the current industrial plan. A robust data monitoring and reporting system is in place to track performance against targets. Furthermore, all the European sites and non-European sites on a sample basis undergo an external verification of all the major environmental indicators, including those related to CO₂. The Group supports the reduction plan by **improving thermal process efficiency**, using optimised fuel mix and **alternative sources of energy**, with high content of carbon-neutral biomass, and increasing the percentage of **alternative raw materials** with reduced carbon footprint and cement blending.

In 2010, the Group overall performance confirmed the trend of recent years. In mature markets, slower demand led to a focus on production optimisation and to the use of the most efficient kilns. In **Spain**, the Group doubled the percentage of alternative fuels and biomass in use, reaching in Malaga 18% of alternative fuels, of which 4.4% biomass. In emerging markets, the **Thai plants** are, for some years now, feeding to the kiln agricultural

waste (rice husk, bark wood), whilst facing availability issues. Similar opportunities are being investigated in **Egypt, India and Morocco**. In addition to biomass, the feasibility of treated municipal waste and sewage sludge for plants located nearby main urban areas is under evaluation. This may help the local community in solving the disposal problem, minimizing land filling costs. Egypt steadily increased the use of gas in the recent years, reaching 59% of the fuel mix in 2010.

Detailed data on CO₂ emissions from the cement operations, representing almost 100% of the Group CO₂ emissions, are provided on page 31 and 41. The environmental data gives also an estimation of indirect CO₂ emissions from power use in the cement, aggregates and ready-mixed concrete operations.

The Group is promoting research on climate protection by launching some concrete initiatives such as: research for low carbon content raw material mixes as to minimize direct emissions from processes; use other constituents in cement rather than clinker as to reduce the carbon content of products; mitigation initiatives down the supply chain, including carbon valorisation and sequestration.

Since early 2010, to increase the availability of fly-ash for cement blending at **Yerraguntla** (India), the plant is regularly operating a drier to recover wet fly-ash using waste heat from the kiln. In the same plant the handling system for alternative fuels, mainly biomass, is being erected, due to start in mid-2011. Both projects are under registration as Clean Development Mechanism (CDM) projects. In **Egypt**, another CDM project, on fuel switch from oil to alternative fuels, mainly agricultural waste and sewage sludge, is under preparation for two plants.

European Emission Trading Scheme

The market downturn, already starting in late 2008, had high impact on clinker production and related CO₂ emissions in 2010. Accordingly, for the second year, the Group had a surplus, reaching more than 4 million tons of CO₂ in 2010, out of a total allocation of approximately 17.7 million metric tons. The surplus is managed according to the Group carbon risk management strategy, covering the whole period 2008-20 (phase 2 and 3 of application of the EU ETS directive). Marketing strategy covers access to the EUA spot market and options, EUA/CER swaps, banking from phase 2 to phase 3.

Carbon footprint

Greenhouse gas inventories are a useful tool to identify carbon risk, to define mitigation plans and to raise the Group awareness. Since 2009, the Group is tracking sources of direct and indirect emissions (e.g. production of input materials and fuels, transport and employees commuting). The objective is to track the Group carbon footprint.

Two subsidiaries, **Italy** and **Bulgaria**, obtained the inventory validation against the **standard ISO 14064-1**, being pioneers in their countries and in the cement sector as well. These inventories now constitute a baseline against which emission reduction actions can be measured on the way down to achieving the lowest carbon footprint possible. To serve both the needs of company level (country-by-country) and individual products (cradle to gate) carbon footprints, a tool has been put in place at corporate level, to collect and process data. This tool has been developed in ac-

cordance with international standards (ISO 14040 and draft 14067). In the coming years, it will be deployed to all the companies and products.

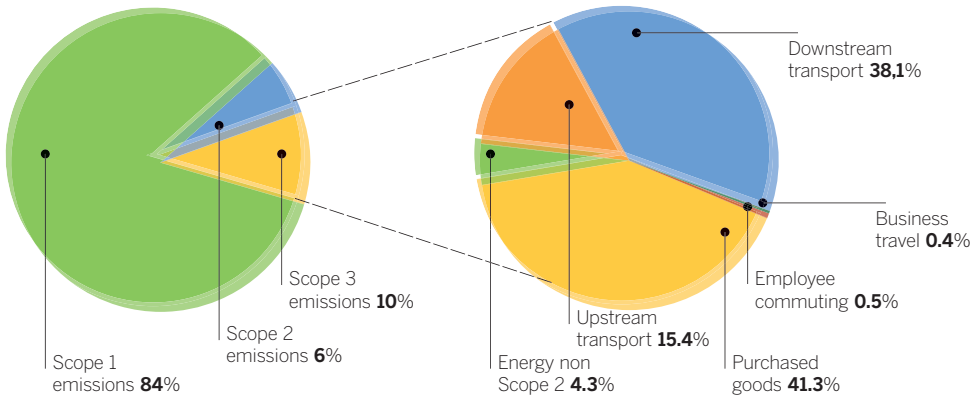
Sustainable construction

In the framework of the Manifesto for Energy Efficiency in Buildings promoted by the WBCSD and signed by the Group CEO, the R&D and the Innovation Departments constantly strives for research and optimization of **sustainable solutions for the construction sector**. In this regard, the Life Cycle Assessment (LCA), the most holistic

Short chain (km-0) food supply in Monselice (Italy)

Thanks to an idea of the employees, the Monselice plant in Italy launched the project of having short-chain catering for the canteen. In addition, the employees have the opportunity to join a *sustainable purchasing community*, meaning short chain supply of bulk food, from close-by farmers and delivered in a dedicated area at the plant.

GROUP CO₂ EMISSIONS



First ever accounting and reporting of comprehensive cradle-to-gate CO₂ emissions associated with the Group's operations was carried out in 2010. Scope 3 emissions (value chain) were added to Scope 1 (direct) & 2 (indirect) emissions already being reported throughout the Group, capturing upstream and downstream activities. Unlike Scope 1 & 2 emissions which are from sources owned/controlled by the Group, Scope 3 emissions occur as a consequence of the Group's activities but are from sources not owned/controlled by it. Accordingly, Scope 3 emissions relevant to the cement sector were accounted for following requirements and recommendations of the WBCSD/WRI International Standard: Corporate Value Chain (Scope 3) Accounting and Reporting. The Standard, due to be released in fall 2011, is the result

of a 3 years developing process in which Italcementi collaborated alongside over 60 companies worldwide under the auspices of the WBCSD/WRI. As such, the Standard incorporates requirements and guidelines of the ISO 14040, ISO 14064 and PAS 2050 to ensure completeness, transparency and accuracy in the reporting process. This inventory process, following principles stated in the Group's recently published Energy Policy is to be intended a yearly exercise with the aim of identifying and implementing opportunities of carbon footprint reductions along the Corporate value chain. In the specific case of Bulgaria, further greenhouse gases related data were collected in compliance with the ISO 14064-1 and verified by third party. The two cement plants in Bulgaria obtained the moderate assurance in 2010.

approach to evaluating impacts of products, is adopted for innovative products. Accordingly, the Group participated in the development process of the new WBCSD/ WRI Product Accounting and Reporting Standard which will be published in April 2011. The Process involved a road testing phase in which the Group took part actively by carrying out an LCA on Ready-mix Green Concrete, characterised by high content of artificial aggregates derived from steel industry waste.

In 2010, the Group made its first step in the direction of energy efficient buildings by promoting the first energy assessment of the Group headquarters in Bergamo.

RESPONSIBLE USE OF RESOURCES

Fuels and raw materials

Cement manufacturing is highly energy and material intensive. Around 99% of the Group thermal energy consumption is concentrated on cement production process. A responsible use of resources can help diminish environmental impact by reducing demand for specific energy and materials and by drawing on the benefits of alternative fuels and raw materials.

The total clinker production has slightly increased on 2010 to reach 42,767 kilotons (+3.0% compared to 2009) and the total fuels consumption for the cement operations was 4,040 kilotons of oil equivalent (ktoe) (+2.0% compared to 2009). The average thermal specific consumption was 3,915 MJ per ton of clinker produced (-1.4% compared to 2009). By 2011, the Group will take the full benefit of new kilns which came on stream in 2010, decreasing the Group specific consumption. The fuel mix shows significant changes in **Egypt** with an increase of gas consumption versus oil, and in **Bulgaria** where coal consumption increased to 34%



of the fuel mix at the expense of pet-coke. Excluding aggregates production and raw materials used in ready-mixed concrete, the Group consumed 78 million tons of raw materials in cement production (+2.8% compared to 2009) with a specific consumption of 1.5 tons per ton of cement produced. Natural limestone, clay, marl and gypsum account for more than 90% of total materials used for cement production.

Recycling strategy and by-products

The Group issued guidelines for a **responsible use of alternative fuels (AFs) and raw materials (ARMs)** based on the CSI's guidelines. In addition to a list of materials that must not be used under any circumstance, the Group issued the guidelines focusing on selection, management and control for using alternative materials. Health, safety and environmental issues related to the use of these materials are also covered by the guidelines. Subsidiaries launched initiatives to increase the use of alternative sources,



For cement industry, quarry rehabilitation is the key to assure the preservation of biodiversity and the protection of ecosystems.

es from power stations, granulated blast furnace slag and silicon substitutes. The quantities levelled off in 2010. The clinker ratio was 81.6%, stable.

6.5% of cement production types contained more than 30% alternative raw materials (4.8% in 2009), while almost two thirds of the global product range contained non-quarried materials.

Quarries and the landscape

The United Nations declared 2010 to be the International Year of Biodiversity. Quarry rehabilitation is the key for preservation of biodiversity and protection of ecosystems.

The Group implements rehabilitation plans for all active quarries in cement and aggregates operations, beyond local requirements. **Rehabilitation plan** is a written document providing detailed description on the progressive restoration and rehabilitation activities at different stages or, if already defined, on the final use of the quarry, and extensively addressing the biodiversity value of the site. Quarry rehabilitation aims to turn quarried land into a stable, safe state, compatible with its natural environment and suitable for the proposed future use of the land. Rehabilitation objectives may focus on issues such as tourism, environmental education or mixed land use. Biodiversity enhancement occurs in the process usually thanks to engagement with local stakeholders.

WBCSD engaged the Group for issuing quarry rehabilitation guidelines, including biodiversity indicators and partnerships with NGOs for the monitoring of natural species. Examples of best practices in terms of quarry rehabilitation were collected and published on the WBCSD website. Exemplary case studies from Group operations in **Bulgaria, India, Morocco, Spain and Thailand** were selected.

to minimize impact on the environment, health and safety of workers, end users and public and to build the Group recycling strategy with the responsible use of materials as their only target.

The total quantity of alternative fuels used was 204 kilotons of oil equivalent (ktoe) or 5.0% of energy demand (5.4% in 2009). The alternative fuels proportion rose to 11.8% in **Spain** thanks to the use of scrap tyres in Anorga and Malaga plants, and to 10.1% in the US with the extensive use of liquid waste in Logansport. The use of alternative fuels went slightly down to 19.9% in **France** and 18.0% in **Belgium**. Due to the shortage of rice husk, the use of alternative fuels decreased to 7.0% in Thailand.

5.7% (4,450 kilotons) of all the Group raw materials used in cement operations were non-quarried. Particularly, **alternative raw materials** represented **30%** (2,774 kilotons) of the materials added to clinker to make Ordinary Portland and blended cement. The main alternative materials are fly ash-

Besides energy saving, water saving is also a priority of Italcementi Group's Environmental Policy. As well as waste management and air pollution prevention and control.

Focus on biodiversity

On June 5th 2010, the Group celebrated the **World Environment Day** for the second year. A series of local initiatives and events were carried out around the world through the active support of all the subsidiaries. The initiative is promoted by the United Nations and endorsed by the Group, with a specific focus on raising public concern for biodiversity.

In 2010, the Group lists **276 quarries**, 81 of which contain, or are adjacent to areas designated for their high biodiversity value. **224 quarries** (82% of the total) had a rehabilitation plan in place, achieving the 2010 target. The Group set the target of having **90% of quarries** with a rehabilitation plan **by 2012**. Detailed information on the Group quarries is available on page 41 and 42.

Planning new sites design and plant architecture represents a chance for the Group to demonstrate its commitment to sustainability as new construction clearly impacts the landscape. The Group engages stakeholders, mainly local authorities and communities, whenever planning new site designs. Modern industrial operations may

have their own intrinsic value as landmarks on a new skyline or as innovative, well-designed buildings planned with respect for the environment and local community.

Beyond quarry rehabilitation and architectural camouflage, the Group is always working on the mitigation of other environmental impacts, such as **noise, dust and traffic**. Consultation with local stakeholders is fundamental to identify their expectations and inform them on the ongoing social and environmental programmes. All the Group subsidiaries are asked to follow the Group approach by regularly implementing the Environmental and Social Impact Assessment (ESIA) guidelines as suggested by WBCSD.

Water management

Cement and aggregates operations account for the majority of the Group water withdrawal and consumption. Water is used in production processes, equipment cooling and dust control.

The total water withdrawal was 36.8 million cubic meters. It includes water volumes pumped out of the quarries to allow

Water as a key-factor of sustainability

As part of efforts to reduce its water footprint, the Group adopted the WBCSD's Global Water tool. It is a tool that helps companies map their water use and assess risks to their global operations. Thanks to this tool, the Group will know how many sites are in extremely water-scarce areas and how many of its employees live in countries that lack access to improved water and sanitation. The tool delivers several **indicators** defined by the **Global Reporting Initiatives**. Additional information is available on the WBCSD website. In 2011, the Group will be able to set different targets on water consumption, addressing water emergency in all countries in which it operates.

On March 22nd 2010, the Group celebrated **World Water Day** with a series of local initiatives and events carried out around the world through the active support of all subsidiaries. This initiative, promoted by the United Nations, was aimed at raising public awareness on the critical role of water for life. Water has been increasingly recognized as a key factor in sustainable development by all major industrial sectors, including building materials. Italcementi Group does not stand on the sidelines and shares the vision of a more responsible use of water in both working and family environments. The company, being also part of the WBCSD, concurs with the UN "Water for Life Decade", a ten years project which aims to promote efforts to fulfil international commitments on water and water-related issues by 2015.

operations. Water consumption was 17.5 million cubic meters (14.1 in 2009) and 0.34 cubic meters per ton of cement produced (0.27 in 2009). In addition, 19 million cubic meters were consumed for aggregate and 2 million cubic meters for ready mixed concrete production. Figures are still subjected to consolidation, also following an agreed upon procedure developed with the help of third party verifier. Further information is available on page 41.

Electrical power

Cement operations account for around 98% of the Group electrical energy consumption. Local variations will arise depending on the process applied and the types of cement demanded by the market. The cement plants and grinding centers consumed 6,332 GWh. The specific consumption was around 122 kWh/t cement. Additional information is available on page 41.

Waste management

Waste generated at Group sites is collected, sorted and stored in dedicated areas. The waste management system, whilst not certified to ISO 14001, is implemented at all the Group sites. Collected waste is sold, recovered or disposed of by local registered companies. The amount of waste varies from year to year depending on site maintenance and demolition activities. The **average waste production** in the cement operations was about **1.8 kg per ton of cement**, the vast majority being non-hazardous. Additional information is available on page 42.

TRANSPORT AND LOGISTICS

Efficient transportation of fuels, raw materials and end products is the key to reducing the environmental impacts of the Group activities. **Road** is still the predominant mode of transport despite the fact that **railways** and **waterways** are a more

sustainable alternative in some regions. Detailed information on the distribution of transport modes in the different sectors is reported on page 42.

The Group subsidiary Interbulk Trading, a major cement trading company, offers first class commercial, logistics and shipping services for trading of clinker, ordinary and special cements, mineral products and solid fuels worldwide. The Group fleet and cargos are covered by insurance, following the best practices in the field.

The Shipping and Maritime Logistics Department of Interbulk is responsible for organizing safe and reliable maritime transportation anywhere in the world. The aim is to provide a shipping service matching the Group needs and high performance standards, at the best competitive market prices. The Group is increasing the number of vessels with no more than 20 years old (70% in 2010 vs 46% in 2009). In 2010, chartered vessels were 410.

Detailed information is available under: <http://www.interbulk.ch/ENG/Our+Company>.

The Group is continuously working on the **green travel policy for non-industrial vehicles**, mainly personal cars, to help reduce CO₂ emissions. The European subsidiaries are expected to meet a specific emission of 130 g CO₂/km driven while the non-European subsidiaries were committed to a yearly 10% reduction by 2010. Further information is available on page 40.

AIR EMISSIONS

The Group is committed to monitoring and reducing its emissions to the atmosphere. As outlined in the Targets Table on page 5, the Group already set specific targets for the continuous monitoring systems for cement kilns:

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

% OF CLINKER PRODUCED IN PLANTS WITH PERFORMANCE BELOW GROUP TARGETS

	dust	SO ₂	NO _x
Italy (home country)	100%	67%	41%
Other subsidiaries	52%	81%	65%
Group	59%	79%	62%

The Group targets require the following **emission levels** to be met: 130 g/t clinker for dust, 570 g/t clinker for SO₂ and 1760 g/t clinker for NO_x. In 2010, the Group emissions levelled for dust and NO_x, whilst the SO₂ emissions were cut by 16%. The progressive turn down of the kilns in Agadir took its part in the decrease of SO₂ releases. Following the Group process of standardisation and commitment to sustainability beyond country-specific legislations, the table hereunder provides the Group off-shore production facilities complying with home country environmental standards.

High-efficiency fabric filters and properly designed electrostatic precipitators combined with process efficiency, management systems and maintenance programmes, result in very low levels of dust emissions in developed markets. Conversely, dust emissions in emerging markets are still high. The conversion of electrostatic precipitators to fabric filters

already completed in **Fuping plant** (China) in January 2011 and planned in **Marrakech plant** (Morocco) by end of 2011 will cut significantly dust emissions in these plants. New selective non-catalytic NO_x reduction systems (SNCR) will be soon in operation at the **Nazareth plant** in the US and at the **Villiers plant** in France. SNCR is mainly being applied in **Belgium, France, Italy, Spain** and **Canada** subsidiaries.

The investments made in 2010 in **India** and in **Morocco** as well as the investments planned in **Egypt, Bulgaria, India** will allow the Group to reduce its emissions in a near future. Additional information on the Group air emissions in cement operations are provided on page 39.

The Group issued standard setting minimum requirements for both monitoring activities and emission levels, regardless of the countries' legislation. The table hereunder summarises details on the Group monitoring activities. ♦

EMISSION MONITORING ACTIVITIES

		dust	SO ₂	NO _x	CO	VOC	benzene	PAH	dioxins	metals I	metals II
Mature markets: 47 kilns	monitored	39	45	45	45	38	35	35	36	36	36
	meeting Group standard for emissions	32	12	27	38	37	34	35	36	36	34
Emerging markets: 43 kilns	monitored	41	40	40	35	8	-	-	8	8	6
	meeting Group standard for emissions	13	39	32	34	8	-	-	8	8	5
Group: 90 kilns	monitored	80	85	85	80	46	35	35	44	44	42
	meeting Group standard for emissions	45	51	59	72	45	34	35	44	44	39
	with CEMs	69	60	60	47	41					

metals I: Hg Cd Tl – metals II: Sb As Pb Cr Co Cu Mn Ni V – 32 kilns are meeting Group standard for CEMs

CEMENT: ENVIRONMENTAL PERFORMANCE

CO ₂ gross emissions		1990	2007	2008	2009	2010
Mature markets	kg/t _{cement}	668	704	708	693	695
Emerging markets		820	762	747	736	744
Group		725	733	728	717	723
Mature markets	million t	22,030	21,756	20,459	15,778	15,940
Emerging markets		16,053	24,108	23,120	20,936	21,887
Group		38,083	45,864	43,579	36,713	37,827

CO ₂ net emissions		1990	2007	2008	2009	2010
Mature markets	kg/t _{cement}	635	690	695	684	676
Emerging markets		820	762	746	730	743
Group		704	726	742	710	714
Mature markets	million t	20,938	21,337	20,068	15,580	15,778
Emerging markets		16,053	24,108	23,101	20,748	20,957
Group		36,991	45,445	43,168	36,328	36,734

Air emissions: emission factors and % of coverage		2007	2008	2009	2010
Mature markets	dust	26	24	79%	81%
	SO ₂	803	678	98%	96%
	NO _x	1,962	1,865	98%	96%
Emerging markets	dust	304	304	100%	100%
	SO ₂	467	428	98%	100%
	NO _x	1,374	1,379	100%	100%
Group	dust	187	190	90%	92%
	SO ₂	638	544	99%	98%
	NO _x	1,584	1,523	98%	98%
	organics	49	50	44%	48%
	metals ⁽¹⁾	29	33	51%	36%
	dioxins ⁽²⁾	18	54	53%	37%
				44	37

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

Air emissions: yearly emissions		2007	2008	2009	2010
Mature markets	dust	0.6	0.5	0.4	0.3
	SO ₂	19.3	15.3	10.5	10.4
	NO _x	47.1	42.0	30.2	31.2
Emerging markets	dust	7.8	7.9	7.3	7.4
	SO ₂	12.1	11.1	7.9	4.9
	NO _x	35.4	35.8	35.4	40.2
Group	dust	9.3	9.2	8.3	8.3
	SO ₂	31.7	26.4	18.3	15.4
	NOx	83.3	77.7	65.5	71.5

Alternative raw materials: breakdown by type		2007	2008	2009	2010
Blast furnace slag		30.4%	32.3%	29.4%	24.7%
Fly ash		20.7%	24.2%	27.2%	26.2%
CKD & BpD		12.4%	12.7%	11.1%	10.1%
Industrial gypsum		6.3%	6.3%	6.1%	6.1%
Iron substitutes		4.6%	3.8%	2.9%	6.0%
Silicon substitutes		4.3%	2.6%	14.7%	14.4%
Foundry sand		2.8%	2.2%	1.0%	1.0%
Calcium substitutes		6.1%	1.5%	2.1%	5.3%
Aluminium substitutes		0.7%	0.7%	1.0%	1.4%
Biomass ash		0.7%	0.5%	0.6%	0.4%
Other		11.0%	13.2%	3.9%	4.4%

Alternative fuels: breakdown by type	2007	2008	2009	2010
Animal meal	26.1%	24.8%	22.1%	18.6%
Liquid	25.3%	21.0%	19.5%	24.2%
Agricultural	8.9%	18.3%	19.8%	11.5%
Waste oils	10.7%	8.8%	8.5%	9.4%
Tires and rubber	9.1%	7.8%	8.9%	13.8%
Solid	7.9%	7.0%	6.0%	9.2%
Plastic	4.9%	5.6%	7.0%	4.6%
RDF	5.2%	4.9%	6.5%	7.3%
Sludge	1.9%	2.0%	1.6%	1.4%

GREEN TRAVEL POLICY

Car fleet CO ₂ specific emissions		target	2008	2009	2010
EU Countries	Bulgaria	130	230	152	146
	France/Belgium	130	141	144	140
	Greece	130	164	158	158
	Italy	130	140	136	131
	Spain	130	145	143	138
Non-EU Countries	China	246	315	312	283
	Egypt	229	305	301	280
	Kazakhstan	243	333	333	-
	India	157	206	174	156
	Morocco	170	204	200	200
	North America	246	333	328	318
	Turkey	130	144	145	138
	Thailand	174	224	219	210

CEMENT, AGGREGATES, READY MIXED CONCRETE: ENVIRONMENTAL PERFORMANCE

Cement					
Raw materials		2007	2008	2009	2010
Mature markets	million t	45.0	42.2	33.2	33.6
Emerging markets		45.6	46.3	42.7	44.5
Group		90.6	88.5	75.9	78.1
Mature markets	% alternative	7.2%	7.3%	6.7%	6.5%
Emerging markets		4.6%	4.7%	4.8%	5.1%
Group		5.9%	5.9%	5.6%	5.7%
Clinker / cement ratio		2007	2008	2009	2010
Mature markets	% clinker	78.3%	78.2%	78.8%	78.6%
Emerging markets		85.0%	83.5%	83.9%	84.1%
Group		81.5%	80.9%	81.6%	81.6%
Thermal energy consumption		2007	2008	2009	2010
Mature markets	MJ/t _{clinker}	4,057	4,058	3,926	3,818
Emerging markets		4,158	4,117	4,002	3,986
Group		4,110	4,089	3,970	3,915
Mature markets	million MJ	97,723	91,360	69,463	68,558
Emerging markets		107,610	106,881	95,370	98,878
Group		205,333	198,240	164,833	167,436
Mature markets	% alternative	7.7%	7.8%	9.7%	10.6%
Emerging markets		0.9%	1.8%	2.3%	1.2%
Group		4.2%	4.5%	5.4%	5.0%

Cement					
Power consumption and indirect CO ₂		2007	2008	2009	2010
Mature markets	kWh/t _{cement}	129.9	131.3	132.9	131.3
Emerging markets		112.5	109.9	112.0	113.8
Group		121.6	120.5	121.5	121.6
Mature markets	million kWh	4,034	3,804	3,064	3,014
Emerging markets		3,327	3,351	3,186	3,317
Group		7,361	7,155	6,250	6,332
Group	million t CO ₂		3,210	2,875	2,827

	Aggregates			Ready mixed concrete				
Power consumption and indirect CO ₂		2008	2009	2010		2008	2009	2010
Mature markets	kWh/t _{aggr}	1.7	2.7	2.5	kWh/m ³ _{rmc}	3.3	5.1	5.7
Emerging markets		1.5	2.2	1.9		1.9	2.2	2
Group		1.7	2.6	2.4		2.9	4.2	4.4
Mature markets	million kWh	68	84	68	million kWh	25	34	36
Emerging markets		5	7	4		7	6	7
Group		72	91	72		32	41	43
Group	million t CO ₂	0.023	0.021	0.015	million t CO ₂	0.008	0.008	0.010

Cement					
Water consumption		2007	2008	2009	2010
Mature markets	m ³ /t _{cement}	-	0.27	0.26	0.30
Emerging markets		-	0.33	0.27	0.37
Group		-	0.30	0.27	0.34
Mature markets	million m ³	-	7.8	6.3	7.0
Emerging markets		-	9.8	7.8	10.5
Group		-	17.6	14.1	17.5

	Aggregates			Ready mixed concrete				
Water consumption		2008	2009	2010		2008	2009	2010
Mature markets	m³/t _{aggr}	0.46	0.77	0.69	m³/m³ _{mc}	0.25	0.24	0.24
Emerging markets		0.02	0.04	0.07		0.30	0.29	0.28
Group		0.43	0.71	0.65		0.27	0.26	0.26
Mature markets	million m³	18.5	24.4	19.0	million m³	1.9	1.7	2.0
Emerging markets		0.0	0.1	0.0		1.1	0.8	1.0
Group		18.5	24.5	19.0		3.0	2.5	2.0

Cement					
Quarry management		2007	2008	2009	2010
Mature markets	number of quarries	-	111	107	107
	operating in sensitive areas	-	35	35	35
	with rehabilitation plan	-	102	98	98
Emerging markets	number of quarries	-	69	66	70
	operating in sensitive areas	-	2	2	2
	with rehabilitation plan	-	11	25	29
Group	number of quarries	-	180	173	177
	operating in sensitive areas	-	37	37	37
	with rehabilitation plan	-	113	123	127

Aggregates				
Quarry management		2008	2009	2010
Mature markets	number of quarries	98	95	94
	operating in sensitive areas	39	37	37
	with rehabilitation plan	91	95	94
Emerging markets	number of quarries	5	5	5
	operating in sensitive areas	0	0	0
	with rehabilitation plan	2	3	3
Group	number of quarries	103	100	99
	operating in sensitive areas	39	37	37
	with rehabilitation plan	93	98	97

Cement				
Waste management		2008	2009	2010
Mature markets	kt of total waste produced	35.7	22.4	23.5
	kt of hazardous waste	2.3	2.7	1.6
	kt of total waste produced	51.8	67.4	67.5
Emerging markets	kt of hazardous waste	0.3	1.6	7.0
	kt of total waste produced	87.5	89.8	91.0
Group	kt of hazardous waste	2.6	4.3	8.6

Cement				
Transport		2008	2009	2010
Mature markets	road	92%	95%	91%
	railways	4%	2%	4%
	waterways	5%	2%	5%
	road	93%	92%	92%
Emerging markets	railways	5%	6%	6%
	waterways	1%	2%	2%
	road	93%	94%	92%
Group	railways	5%	4%	5%
	waterways	3%	2%	3%

	Aggregates			Ready mixed concrete			
Transport	2008	2009	2010	2008	2009	2010	
Mature markets	road	93%	94%	93%	100%	100%	100%
	railways	1%	0%	0%	0%	0%	0%
	waterways	6%	6%	7%	0%	0%	0%
Emerging markets	road	97%	98%	100%	100%	100%	100%
	railways	0%	0%	0%	0%	0%	0%
	waterways	3%	2%	0%	0%	0%	0%
Group	road	94%	94%	93%	100%	100%	100%
	railways	1%	0%	0%	0%	0%	0%
	waterways	6%	6%	7%	0%	0%	0%

Cement				
Fines and penalties		2008	2009	2010
Mature markets	k€ for environmental non compliance	642.8	1080.2	860.6
		38.7	1664.7	113.1
		681.5	2744.9	973.7

	Aggregates			Ready mixed concrete			
Fines and penalties		2008	2009	2010	2008	2009	2010
Mature markets	k€ for environmental non compliance	9.0	275.0	254.0	-	-	801.7
Emerging markets		-	-	-	-	-	-
Group		9.0	275.0	254.0	-	-	801.7

A large crowd of people, mostly children, is shown in the background. A blue overlay covers the top half of the image, containing the title and a paragraph of text. The bottom half of the image shows a group of children in white shirts, some with their hands raised, suggesting a group activity or performance.

SOCIAL RESPONSIBILITY

Italcementi Group considers safety at work as a key-value to be integrated into all its activities. Promoting workers' health and well-being is also a priority. Moreover, the Group is strongly committed to build active and long lasting relationships with its stakeholders.





As anticipated on page 12, the Group issued the new Safety Policy. The policy is derived from Italcementi Group Sustainability Policy and is embedded in its strategies, processes and day-to-day business. It applies to all the Group activities and business partnerships, including mergers and acquisitions, and to all the stakeholders involved in the Group sphere of business influence. The policy is constantly reviewed and updated to ensure its effectiveness.

HEALTH AND SAFETY

Safety in the workplace

In 2010, lost days caused by work-related injury were 237 for direct employees (including temporary workers), corresponding to a Lost Time Injuries (LTI) frequency rate, i.e. the number of accidents with lost time in a year per million hours worked, including temporary workers, of 5.8. It represents a slight increase compared to 2009 and an improvement of 75% since the launch of the Zero Accident project in 2000. The severity rate has remained stable with low values since 2005.

Work-related injury with lost days were 155 for contractors, decreasing by 10% compared to 2009, sustaining the steady trend noticed in the last two years. This positive trend has been realized through the good performance experienced at two major construction sites, involving thousand of contracted workers, that operated throughout the year. Moreover, the Group brought up a major enforcement in the reporting system by updating the internal safety database in order to allow as of 2011 the reporting of the LTI frequency rate for

contractors on site, being one of the first company in cement industry to be able to track this indicator. Despite strong efforts, in 2010 seven fatalities occurred among Group contractors, two among third parties and one fatality among employees.

Since 2008, the Group has started reporting the **Total Recordable Injury Rate (TRIR)** adding recorded Restricted Work Duty and Medical Treatment to Lost Time Injuries, far beyond cement sector practices. Detailed information on the trend is available on page 54.

According to the process of standardization promoted by the Sustainable Development Department (SDD) and in the framework of the activities promoted by the Cement Sustainability Initiative (CSI), the **Recommended Good Practice for Contractor Safety** were totally embedded in the group management system. In 2011, the Group will also implement the CSI Recommended **Good Practice for Driving Safety** by issuing a code for vehicles and drivers.

Standards on **Personal Protective Equipment (PPE)** and **Works At Height (WAH)** were launched in 2010, as announced. Yearly compliance assessments checks the effectiveness and the progress of the alignment programme set in each Group site. The standard on Hot Works has been draft-



The new Italcementi Group Safety Policy applies to all its activities and business partnerships.

ed in 2010 and it is ready to be released in early 2011. Conceived to ensure full protection when working with flames or any potential source of hot sparkles, this standard aims at protecting both workers and company assets.

To bring the right level of knowledge to the final operators, the Group launched in 2010 a new method for training by providing the subsidiaries with e-learning ses-

sions translated in local language. The first implemented session covers WAH standard; another, addressing PPE standard requirements for anybody entering a site will be released in 2011.

The SDD regularly performs internal safety audits in order to support the local implementation of the Group safety management system. Audits are followed by reports triggering corrective action plans.

In 2010, the process of defining annual programmes for safety (Safety Roadmap, quarterly assessment and objectives for the managers) covered the whole countries and activities for the first time.

With approximately 20,000 hours of training covering legal, management and practical aspects, the Group demonstrate the importance given to the personal skills and the development of safety awareness as key elements to promote safety. In 2011 safety training activities will be mainly focused on behavioural aspects both for direct workers and contractors.

Raising public awareness

On 28th April 2010, the Group celebrated **World Day for Safety and Health at work** with a series of local initiatives and events carried out around the world through the active support of all subsidiaries. This initiative, promoted by the International Labour Organisation, was aimed at raising public awareness on the benefits of a safe, healthy and decent working environment. Dedicated messages from the Group COO and Country Managers were distributed worldwide at all levels, along with informative booklets, brochures and other publications regarding this event and the shared participation of the Group. The local events represented a moment of aggregation among the employees, their families and the management, along with the involvement of local authorities, NGOs and other relevant stakeholders who actively participated to meetings, open events and other activities launched by each company.

Industrial hygiene and workers' health

Italcementi Group strongly believes that promoting the health and enhancing the wellbeing of workers is as vital as protecting their safety. Confirming this approach, in 2010 the Group issued its new **Health Policy**. It derives from the Sustainability Policy and is embedded in its strategies, processes and day-to-day business. It applies to all the Group activities and business partnerships, including mergers and acquisitions, and to all the stakeholders involved in the Group sphere of business influence. The policy is constantly reviewed and updated to ensure its effectiveness.

Since 2008, the Group has adopted a worldwide standard for occupational exposure limits of workers to dust, respirable crystalline silica, noise and whole-body vi-

**According to its
Human Rights Policy,
Italcementi Group supports
internationally proclaimed
human rights
as inalienable values
of all individuals.**

brations. The Group is promoting and consolidating the standard implementation in all its subsidiaries. Additional monitoring activities were performed in Bulgaria and India while France and Belgium increased the already started activities. The Group target is to cover with workplace assessment at least **70% of employees exposed to dust, silica, noise and vibration covered by the workplace assessment**, as reported in the Targets Table on page 4. At the end of 2010, the Group is at 52%. The indicator «number of employees potentially exposed to dust, silica, noise and vibration covered by the workplace assessment» has been verified for the first time by Ernst & Young.

The Group approach is based on **risk assessment** and challenging references, internationally recognized standards well beyond regulatory frameworks. All production sites are evaluated. The measurement campaigns are repeated periodically or after major process modifications that may affect exposure. Progress towards the 2012 target is shown on page 54 and 55.

In 2011, fostering a wider care of the workers' health, the Group is planning to: define minimum requirements for occupational medical surveillance; implement a monitoring and reporting tool for occupational illnesses, even in countries where there is no enforced legal framework; promote actions to prevent occupational illnesses.

Having formally **banned** the purchase, supply and use of **any type of asbestos or any asbestos-containing products** even in countries where it is still legal, the Group is progressively checking, managing and properly dismissing existing asbestos-cement sheeting, roofing and other items, still in good status of conservation, currently installed in the Group sites. Management and dismissal operations are performed ensuring the highest practicable

health and safety practices. The ban will be extended in the future to other dangerous materials at production sites.

Product responsibility

Customers, retailers and end-users are the relevant stakeholders who may be directly or indirectly affected by cement and cement related products. Therefore, besides the commercial satisfaction and the follow up on previously launched actions, the Group is monitoring the proper distribution of basic information on health, safety and environment related to market products, especially in countries where no mandatory regulatory framework exists. Information, translated into local languages, focuses on potential risks related to cement as well as on recommendations for its storage, transport or handling.

HUMAN RESOURCES MANAGEMENT

Human Rights

As anticipated in 2009 SD Report, the Group issued the **Human Rights Policy**. The policy states that Italcementi Group supports internationally proclaimed human rights as inalienable rights of all individuals, based on the recognition of inherent dignity, freedom and equality of human beings, including those rights set out in the Universal Declaration of Human Rights, its associated Covenants and the ensuing international agreements, and in the International Labour Organization standards.

The Group is also committed to making sure that it is not complicit in human rights abuses in any of the businesses and countries in which it operates and that it respects indigenous rights.

Contents of the policy are fully in line with the two first principles of the UN Global Compact.



The Human Rights Policy is derived from the Sustainability Policy of Italcementi Group and is embedded in its strategies, processes and day-to-day business. It applies to all the Group activities and business partnerships, including mergers and acquisitions, and to all the stakeholders involved in the Group sphere of business influence. It is constantly reviewed and updated to ensure its effectiveness.

Enforcing the worldwide value of human beings, the Group is committed to promoting same principles not only to employees but also towards contractors, subcontractors, customers, suppliers and due diligence processes, business partnerships and project finances in all the areas touched by the Group business activities.

Together with the Italian network of the Global Compact, the Group is working on its first **Human Rights Impact Assessment**, starting from the countries of increased

concern where the Group operates, as identified by the Freedom House (these countries represents 56% of the Group EBIT in 2010). In the meanwhile, the Group continues to collect data and information of any possible incident related to human rights and decent working conditions. The reporting scope covers employees and temporary workforce, contractors, subcontractors, suppliers, customers and third parties when operating on site. In 2010, still around 200 critical situations were reported in 11 countries, mainly related to insufficient protection of welfare of workers and risk of child labour in contractors' workforce and third parties. Cases of discriminations refer to unequal treatment to contractors' workforce, while still promotion of equal opportunities has to be more structured almost in all the countries. However, the number of corrective actions taken to solve identified issues is noticeable.

Human beings at the core of our values

On 10th December 2010, the Group celebrated **Human Rights Day** with a series of local initiatives and events carried out around the world through the active support of all subsidiaries. This initiative, promoted by the International Labour Organisation, was aimed at raising public awareness on the need of having a safe, healthy and decent working environment. It was the occasion to highlight once more how human beings are at the core of the Group values, as confirmed by the signature of the BWI Agreement. The local events represented a moment of aggregation among employees, their families and management, together with the involvement of local authorities, NGOs and other relevant stakeholders who actively participated to meetings, open events and other activities launched by each company. On this the occasion, the Group launched its first basic Group-wide training on Human Rights, targeting all managers and a relevant number of first-line employees.

Labour practices

As described in previous reports, in 2008 the Group signed the **Buildings and Wood Workers' International (BWI) Agreement**. It represents a real Charter of workers' rights, it is valid worldwide and is based on the joint commitment of all signatories to respect fundamental **human rights**, promote improvements in **working conditions**, develop **equitable industrial relations** and to foster **fair collective bargaining procedures** with trade union representatives. The document, in line with the Group values and principles, focuses on the guarantee and protection of the basic rights of more than 20,000 employees working in all the Group sites, with no discrimination. The Group aims at promoting the same principles towards contractors, subcontractors and suppliers.

The agreement was translated in all the Group languages and spread in all subsidiaries, achieving full distribution. Subsidiaries are responsible for corrective actions responding to possible inconsistencies with the agreement. Currently, 100% of the Group employees are covered by collective bargaining agreements. Joint forums between trade unions and management, is part of the Group willingness to sustain constructive dialogue.

At year end, the Group employed a total of 20,763 employees in various subsidiaries operating in more than 20 countries. Further information on the Group breakdown is available on page 55 and 56. The Group human resources information has been structured according to the new guidelines for gender equality reporting issued by the International Finance Corporation (IFC World Bank) and the Global Reporting Initiative (GRI).

Fair restructuring

Compared to the drop in sales which affected Italcementi in 2010, as all other competitors, the overall employee base remained relatively stable, recording a 1.85% decline in global headcount to 20,763 people.

In some mature markets, where market has fallen 20% or more (notably Italy, Spain and North America) headcount was more significantly reduced, while in developing countries it remained stable or was even increased, as in Egypt and India. All

restructuring activities are managed with a fair and socially tolerable approach through union agreements, early retirement programmes and overtime reduction only if strictly necessary.

Intranet portal

The new intranet portal has been launched: it is accessible by all employees, willing to generate a strong improvement in internal communication flows, common culture development, cross fertilization and knowledge sharing.

The new intranet allows to effectively communicate the Group's values and messages, and to easily share the feedbacks with all employees.

A professional social network, called «my. like», provides each user with the opportunity to share information about their career path (current and past work experience, training courses, main projects...) and personal interests (hobbies, sports, etc.) with colleagues worldwide. Networked information may thus nurture the growth of professional communities and encourage greater sharing of skills, competencies and expertise.

Employee Opinion Survey

Following the experience started in 2007, the Group launched the second wave of the **International Employee Opinion Survey (EOS)**. The EOS results confirmed that employees are strongly committed to the company and show a general improvement in most key indicators. As the overall feedback is quite encouraging in term of return rates, each single company of the Group is now engaged in the definition of the actions required by the qualitative result of the survey. Further analysis shows that this improvement is observed in most countries and especially in Spain, Kazakhstan, India, Thailand and Egypt.

Results show that the Group retains very solid assets such as: a strong sense of belonging felt by most employees; an image of quality (both in products and services) and long-term vision of the business which leads to a positive vision of the future and a high confidence in the Top Management; high job satisfaction at work built upon a very sound basis (job interest, positive work atmosphere, understanding of one's objectives and role in the organization, per-

All Group's employees are entitled to respectful treatment in the workplace. Every individual is valued and treated with dignity, as well as protected from improper behaviours of any kind.

ceived qualities of the line manager, etc.); acknowledgement of the Group strong commitment to sustainable development (including employee safety and care for the environment) and innovation. The report brings out a positive image of the Group despite the difficult economic scenario.

Comparison between the two surveys shows that efficiency of the organization (one of the weak points of 2007) is felt as having improved, and the Group is on its way to greater agility and swifter decision-making. Progress is also perceived in individual empowerment of employees. The next challenge is to make a further step forward in strategy awareness, broader implementation of rewarding system based upon performance, career management and opportunities for internal mobility.

A Group plan of actions has been just adopted and in short time local lines will be developed to be back with the most appropriate and valuable solutions.

Human Resources Policies

In 2010, the Group issued the new **Merger and Acquisition Policy** (M&A) with the scope of improving accuracy and effectiveness of the M&A process in the Group, allowing to timely identify, assess and address main risks and issues, and to support an optimal management of the post-acquisition phase.

The policy also enhances the effectiveness of an overall Group Sustainable Development system, aimed at improving the respect of the individual, the recognition of expectations, and the research of solutions that can align personal and company needs, reinforcing a corporate culture based on fairness, efficiency and mutual trust. This policy will also help the integration of new entities' employees into the Group systems and values, supporting the

effective adoption of the other policies.

The new **Training and Development Policy** focuses on the importance, for the success of a company as well as for the wellbeing of its employees, to have the right people in the right positions, with first class competences and adequate motivation. The scope of this policy is to improve the quality of training programmes and the processes through which we identify and develop our talents. Out of succession plans, the main tool to look for internal resources are the Group and local Job Posting systems, where open positions are placed, together with the description of the job profile and the competences needed to cover the position. The system has been operating since 2008, circulating international vacant positions worldwide.

The new **Group Expatriation Policy** has been updated and reviewed in 2010. The Group employees have 59 different nationalities from 5 continents and speak 15 different national languages and a wide range of local dialects. In this context, 142 expatriates of various age, seniority and organization level are working for the Group in twenty different countries. Personal development chances are only related to employees professional records and not to any belonging from some protected or favoured group. In some cases, actions are planned to remedy the imbalance in the workforce and remove the obstacles that the less favoured have to match in their careers path.

The **People Protection, Respect and Care Policy** will be issued in 2011, as explained in next paragraph.

Diversity, people protection and wellbeing

All Group employees are entitled to respectful treatment in the workplace: beyond legal constraints, every individual is valued,

Training is a major tool to improve competences and employees' awareness of the Group's values. Since 2010 training activities are supported by a specific Training Management System.

treated with dignity and protected from improper behaviour of all kinds. The Group expressly prohibits and will not tolerate any form of discrimination, harassment or unprofessional conduct because of age, disability, marital status, race or colour, national origin, religion, gender or sexual orientation. The Group considers diversity management as the responsibility of managers not only to respect and protect differences, but to use them as a resource to enhance organizational effectiveness.

Particular attention is paid to **gender equality**. Female representation in managerial ranks has improved in the Group, moderately but constantly, in 2010 as in the previous years. Pay levels are monitored, and show no relevant differences, for comparable positions, seniority, etc. due to gender reasons. Actions to increase presence and representation of female workers are in progress, including initiatives which offer opportunities for individual development.

In addition, local compensation surveys are run periodically.

In case of grievances or complaints, every employee may refer to the **Human Resources Department**, which would take care of any sensitive matter. At Group level, the CEO e-mail address is accessible through the Intranet site. In both cases, delicacy and confidentiality are assured.

To reinforce the Group effectiveness in

respecting diversity, fighting any risk of harassment or other unfair behaviour, and promoting the general wellbeing of its employees on the workplace, a new specific People Protection, Respect and Care Policy will be adopted in 2011.

Training

In 2010, according to Italcementi Group risk management guidelines, the training activities were re-organized in a **Training Management System** made up of:

- ▶ New People Development and Training Policy;
- ▶ Activation of the e-Learning Management System;
- ▶ Implementation of the new Group training report;
- ▶ Definition of the four training areas described hereunder (i.e. Compliance and Risk Mitigation, Efficiency and Specialization, Sustainable Development and Innovation, Human Capital Development).

The Group has globally run 386,902 hours of training (275,211 in 2009) involving 36,690 trainees (30,309 in 2009) and reaching 18,095 participants in at least one course during 2010. Compliance related courses doubled in 2010. Sustainable Development and Innovation as well as Human Capital Development training have also increased. Efficiency and Specialization courses involved less people for longer sessions.

Training areas
Efficiency and Specialization courses to pursue our «low cost producer» strategy, building and maintaining competences in operations, project management, procurement, IT, finance, etc.
Sustainable Development and Innovation courses which are the platform for environmental protection, corporate social responsibility and for providing new products, applications and services to customers.
Compliance and Risk Mitigation courses which are the foundation for assuring business continuity and for implementing Italcementi values and governance principles, educating our people to preserve Group assets.
Human Capital Development courses building individual skills and the development of technical excellence, managerial mindset and change leadership.



Hours per capita rose compared to last year (10.5 in 2010 vs 9.1 in 2009) and training coverage on Group headcount base is 46% considering participants in all the four training areas.

In 2010, breakdown of training costs was around 50% for Human capital Development, 34% for Efficiency and Specialization, 9% for Compliance and 7% for Sustainable Development and Innovation. The highest cost per capita is devoted to Human Capital Development because of necessary consultancy from external companies. Compliance cost is low thanks to the massive use of e-learning reaching a large number of people with almost no logistic costs. Efficiency and Specialization and SD & Innovation costs benefit from internal colleagues in the role of trainers.

Detailed information on Group training activities is available on page 57.

In cooperation with Fondazione Cav. Lav. Carlo Pesenti, also in 2010 relationships with schools and universities were carried out through scholarships, intern-

ships, assistance to thesis and visits to our offices, labs and plants.

STAKEHOLDER ENGAGEMENT

Italcementi Group aims at building relationships with its stakeholders based on mutual commitment, active partnership, trust, openness and long-term cooperation. Building relations with the communities means understanding their needs, supporting sustainable local projects without creating dependency, and fostering stakeholder consultation when opening new facilities, running existing ones and closing plants at the end of their productive lives.

Key topics raised are climate change, air emissions, health and safety.

In 2010, the Group issued the **Social Initiatives Policy**, covering both stakeholder engagement and support to communities. The Social Initiatives Policy is derived from the Sustainability Policy of Italcementi Group and is embedded in its strategies, processes and day-to-day business. It applies to all the Group activities and business partnerships, including mergers and acquisitions, and to all the stakeholders involved in the Group sphere of business influence. The policy is constantly reviewed and updated to ensure its effectiveness.

Detailed Group guidelines on stakeholder engagement will be issued in 2011.

The Group addresses its effort towards all the involved stakeholders by promoting active partnerships at internal level (e.g. employees, trade unions, contractors), local level (e.g. local government, local media, suppliers and customers), national level (e.g. national government, national media, industrial customers, academics and research institutes, national cement associations, investors) and international level (e.g. global media, global NGOs, multinational investors).

**Italcementi Group
aims at building
lasting relationships
with the communities
based on mutual respect,
active partnership
and long term commitment.**

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

At **local level**, the Group aims at involving local government, local media, suppliers and customers, by promoting sustainable principles and facilitating long-term dialogue and cooperation. Open door activities are one of the most practical and common tools to promote participation at local level. The visit accompanied by the engineers of the plant is the occasion to share the history of the site, explain the cement manufacturing process and the Group approach towards sustainability and innovation. Additional information on the Group activities is available on page 57 and in the Group's magazine *sdVision* 2011.

The Group regularly involves and supports schools, social and cultural initiatives and programmes. In addition, on the occasion of its annual conference, the «Fondazione Italcementi Cavaliere del Lavoro Carlo Pesenti» organised the congress «Fondazione Italcementi, creating a bridge between banks and industry», highlighting the necessity to rethink the relationships between finance and industry. After the recent economic and financial collapse it is necessary not to lose sight of the ethical principles and core values of sustainability that characterize correct economic growth.

At **national level**, the Group aims to

maintain active relationships with national government, national media, industrial customers, academics and research institutes, national cement associations and investors.

Detailed information on all the Group activities is available on the corporate and local websites.

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

Support to communities

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

According to the principles stated in the Charter of Values, the Group supports community based projects focused on capacity building that don't create dependency but, on the contrary, support regional development and create small business opportunities. The Group supports local institutions, organizations, associations, NGOs, and all entities legally recognized by the hosts Governments, that are aligned with the principles of the Group Code of Ethics, Charter of Values and Policies. All the

ITALCEMENTI GROUP'S CONTRIBUTION FOR SOCIAL PURPOSES IN 2010

Social expenses (k€)

	Local business development	Capacity building	Education programs	Donations & charities	Total	Open door	Sponsorship
Bulgaria		10.6		18.6	29.2		14.7
China	242.6				242.6		
Egypt	468.0		101.0	369.0	938.0		
France/Belgium	261.1	25.5	137.5	12.3	436.4	4.0	65.0
Greece	66.0		5.0	70.4	141.4		155.6
India	125.3		51.0		176.3		0.5
Italy (*)				302.9	302.9		752.6
Kazakhstan				9.2	9.2		535.7
Morocco	247.8	2.7	26.9	56.5	333.9		49.3
North America	11.9		2.2	175.2	189.2	10.9	200.1
Spain	101.5		3.0	9.0	113.5	17.2	439.2
Thailand	6.0	3.7	23.7	48.5	81.9		48.5
Turkey	1.7		13.4	83.8	98.9		13.2
Trading				37.0	37.0		
					3,130.3	32.0	2,274.4

(*) including Corporate

initiatives supported by the Group must effectively contribute to the quality of life of communities, comply with local government policies – given that they do not go against any of the principles of the UN Universal Declaration of Human Rights – and be responsive to the community needs.

The Group efforts in corporate giving are directed towards non-profit organisations, to support their project or initiatives with cash or in-kind donations.

Support to communities is an opportunity to promote sustainable principles in all the countries in which the Group operates.

The starting point always comes from a reliable and regular analysis of the concerns and needs of the various stakeholders. The aforesaid stakeholder engagement guidelines will detail the main Group axes for supporting communities.

The Group upholds health, social empowerment, education and community development projects, targeting its global contribution to at least 1% of the Group EBIT. The Group support to communities was 0.88% of Group EBIT (0.62% in 2009). In the framework of volunteering and responding to great natural disasters, the Group employees were asked to give at least one hour of their salary as a personal contribution to supporting Abruzzo (Italy) and Haiti earthquake victims.

Detailed information on all the Group activities is available on local websites and under: <http://www.italcementigroup.com>

com/ENG/Sustainable+Development/Social+responsibility/Social+initiatives.

Fondazione Italcementi Cavaliere del Lavoro Carlo Pesenti

The Foundation was established in June 2004 by Italcementi and Italmobiliare in honour of Carlo Pesenti, one of Italian most prominent industrial and financial figures in the Post-War Period. In addition to promoting education and scientific research – the Foundation's core focus – special emphasis is laid on the sustainable economic and social development of enterprises consistently with an efficient and effective use of available resources, and the ethical, social and cultural growth of the communities involved. Moreover, the Foundation undertakes and fosters humanitarian projects aimed at supporting people struck by natural disasters in addition to providing aid in other emergency situations. The Foundation can also conduct studies as well as promotional and information campaigns through conferences, seminars, publications, essays, scholarships and study grants.

The «Fondazione Italcementi Cavaliere del Lavoro Carlo Pesenti» is currently undertaking and fostering several humanitarian projects. In 2010 its support raised more than € 1.6 million (€ 2.7 million in 2009).

Further information on the Foundation initiatives is available under <http://www.fondazioneitalcementi.it/inglese/attivita/news.htm> ♦

SAFETY

Frequency rate	2010	2009	2008	2007	2006	2005	2000
Cement	4.7	3.9	4.9	3.6	7.0	6.8	23.5
Aggregates	5.8	4.1	13.1	9.6	7.5	13.4	26.0
Concrete	9.4	9.1	7.6	13.4	10.2	13.7	20.1
Group	5.8	5.1	6.0	5.8	7.4	8.3	23.5

Severity rate	2010	2009	2008	2007	2006	2005	2000
Cement	0.2	0.2	0.2	0.3	0.4	0.3	2.9
Aggregates	0.5	0.4	0.6	0.3	0.2	1.0	0.9
Concrete	0.6	0.5	0.6	0.5	0.3	0.3	1.1
Group	0.3	0.3	0.3	0.3	0.4	0.3	1.8

TRIR	2010	2009	2008	2007	2006	2005	2000
Cement	9.9	10.7	11.3	-	-	-	-
Aggregates	11.6	15.0	27.3	-	-	-	-
Concrete	16.9	16.7	14.4	-	-	-	-
Group	10.9	11.7	12.5	-	-	-	-

Fatalities	2010	2009	2008	2007	2006	2005	2000
Employees	1	0	2	4	0	1	-
Contractors	7	5	11	7	6	6	-
Third parties	2	1	4	4	3	-	-

Work-related injuries with lost days	2010	2009	2008
Direct employees (*)	237	217	279
Contractors	155	172	200

(*) Direct employees include temporary workers

INDUSTRIAL HYGIENE

	dust			silica			noise		
Potentially exposed (% of total workforce)	2010	2009	2008	2010	2009	2008	2010	2009	2008
Cement	66%	76%	69%	62%	71%	66%	69%	76%	67%
Aggregates	71%	63%	65%	54%	51%	56%	70%	56%	55%
Concrete	52%	59%	36%	47%	57%	36%	64%	71%	38%
Group	59%	50%	51%	54%	46%	47%	67%	54%	54%

	vibration			total		
Potentially exposed (% of total workforce)	2010	2009	2008	2010	2009	2008
Cement	16%	14%	17%	-	-	-
Aggregates	35%	32%	30%	-	-	-
Concrete	42%	43%	25%	-	-	-
Group	23%	17%	20%	-	-	-

	dust			silica			noise		
Monitoring coverage (% of potentially exposed)	2010	2009	2008	2010	2009	2008	2010	2009	2008
Cement	55%	49%	39%	48%	45%	38%	64%	52%	41%
Aggregates	86%	86%	76%	83%	84%	75%	86%	81%	66%
Concrete	17%	9%	10%	14%	7%	8%	10%	10%	12%
Group	53%	47%	37%	46%	42%	37%	56%	46%	38%

	vibration			total		
Monitoring coverage (% of potentially exposed)	2010	2009	2008	2010	2009	2008
Cement	73%	62%	58%	57%	50%	41%
Aggregates	83%	79%	39%	85%	83%	68%
Concrete	7%	4%	8%	12%	8%	9%
Group	47%	40%	41%	52%	46%	38%

	dust			silica			noise		
Compliance with Group standard (% of monitored)	2010	2009	2008	2010	2009	2008	2010	2009	2008
Cement	87%	89%	88%	94%	93%	85%	90%	94%	88%
Aggregates	97%	87%	99%	89%	84%	100%	87%	91%	94%
Concrete	97%	81%	93%	96%	71%	92%	100%	94%	93%
Group	88%	89%	86%	94%	92%	87%	91%	55%	89%

	vibration			total		
Compliance with Group standard (% of monitored)	2010	2009	2008	2010	2009	2008
Cement	96%	97%	96%	91%	93%	88%
Aggregates	98%	98%	100%	93%	89%	98%
Concrete	100%	81%	40%	98%	84%	85%
Group	96%	40%	89%	91%	74%	88%

	total		
Official applications for occupational illnesses	2010	2009	2008
Cement	21	25	39
Aggregates	0	0	1
Others	0	2	5

	Group's employees			Open-end contracts			Fixed-term contracts		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Italy (*)	3,550	3,715	3,939	3,490	3,647	3,845	60	68	94
France	3,866	3,977	4,022	3,844	3,946	3,969	22	31	53
Belgium	543	555	570	513	523	538	30	32	32
Spain	655	741	827	624	690	748	31	51	79
Greece	206	219	219	200	214	208	6	5	11
North America	1,768	1,866	2,155	1,768	1,866	2,155	0	0	0
Egypt	4,748	4,541	4,620	4,095	4,095	4,186	653	446	434
Morocco	1,094	1,128	1,093	1,054	1,089	1,029	40	39	64
Bulgaria	411	437	484	408	436	473	3	1	11
Turkey	755	772	802	755	772	802	0	0	0
Thailand	844	835	1,087	837	830	1,077	7	5	10
India	785	773	800	785	773	800	0	0	0
Kazakhstan	331	391	452	305	366	412	26	25	40
China	436	438	456	3	4	9	433	434	447
Trading	363	692	654	329	619	604	34	73	50
Kuwait	321	339		288			33		
UK/Singapore	87	75	63	85	74	61	2	1	2
Total	20,763	21,494	22,243	19,383	19,944	20,916	1,380	1,211	1,327

	Full-time employees			Part-time employees			Female			Male		
	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008
Italy	3,455	3,627	3,842	95	88	97	497	497	427	3,053	3,218	3,512
France	3,775	3,892	3,935	91	85	87	630	646	620	3,236	3,331	3,402
Belgium	502	515	538	41	40	32	42	50	56	501	505	514
Spain	644	728	814	11	13	13	96	102	108	559	639	719
Greece	206	219	219	0	0	0	30	31	27	176	188	192
North America	1,768	1,866	2,155	0	0	0	185	175	195	1,583	1,691	1,960
Egypt	4,748	4,541	4,620	0	0	0	55	52	28	4,693	4,489	4,592
Morocco	1,094	1,128	1,093	0	0	0	111	103	125	983	1,025	968
Bulgaria	411	437	484	0	0	0	158	163	183	253	274	301
Turkey	755	772	802	0	0	0	37	40	42	718	732	760
Thailand	844	835	1,087	0	0	0	134	134	147	710	701	940
India	785	773	800	0	0	0	10	9	13	775	764	787
Kazakhstan	331	390	451	0	1	1	87	77	89	244	314	363
China	418	432	447	18	6	9	102	100	108	334	338	348
Trading	363	692	654	0	0	0	44	12	65	319	680	589
Kuwait	321			0			7			314		
UK/Singapore	85	73	61	2	2	2	2	11	19	85	64	44
Total	20,505	20,920	22,002	258	235	241	2,227	2,202	2,252	18,536	18,953	19,991

Breakdown of personnel by age	Female			Male		
	2010	2009	2008	2010	2009	2008
<30	1%	1%	2%	7%	8%	9%
30-40	4%	4%	3%	22%	22%	23%
40-50	4%	4%	3%	32%	33%	33%
50-60	2%	2%	2%	26%	24%	22%
>60	0%	0%	0%	2%	2%	3%

Breakdown of personnel by seniority	11%	11%	10%	89%	89%	90%
	2010	2009	2008	2010	2009	2008
<3	1%	2%	3%	9%	11%	18%
3-5	2%	1%	1%	11%	10%	8%
5-10	2%	2%	3%	15%	16%	27%
10-20	3%	3%	2%	27%	27%	14%
>20	3%	2%	2%	27%	26%	22%

Breakdown of personnel by nationalities	11%	10%	11%	89%	90%	89%
	2010	2009	2008	2010	2009	2008
Europe	9%	7%	7%	47%	39%	45%
Africa	1%	1%	1%	14%	25%	22%
Asia	2%	2%	2%	17%	15%	15%
America	1%	1%	1%	9%	9%	7%
Oceania	0%	0%	0%	0%	0%	0%

Expatriates by category	13%	11%	11%	87%	89%	89%
	2010	2009	2008	2010	2009	2008
Director	1	1	1	36	38	32
Manager/Professional	0	0	1	56	59	58
Specialist/Supervis.	6	6	6	40	39	31
Clerical	0	0	1	4	0	8

Expatriates by age	7	7	9	136	135	129
	2010	2009	2008	2010	2009	2008
<30	0	1	1	9	9	13
30-39	5	4	6	43	46	50
40-49	1	1	2	39	37	40
>50	1	1	0	45	43	26

	Female 2010	2009	2008	Male 2010	2009	2008
Expatriates by seniority	7	7	9	136	135	129
<3	0	0	1	11	16	17
3-5	1	1	1	12	15	12
5-10	3	3	4	34	40	39
>10	3	3	3	79	64	61
Percentage male/female	7	7	9	136	135	129
Manager	9%	9%	7%	91%	91%	93%
White collars	24%	23%	23%	76%	77%	77%
Blue collars	3%	2%	3%	97%	98%	97%
Salary ratio						
Top management (*)	100	100	100	104	103	102
White collars and middle management	100	100	100	109	106	105
Blue collars	100	100	100	108	109	111

(*) specific comparison with the external market

Hours of training	2010	2009	2008
Efficiency	156,419	131,111	155,323
Sustainable Development and Innovation	170,291	108,668	132,042
Compliance	10,234	3,781	3,114
Human Capital Development	49,958	31,651	73,273

Trainees	2010	2009	2008
Efficiency	7,825	7,959	8,407
Sustainable Development and Innovation	24,062	19,624	19,227
Compliance	1,810	930	862
Human Capital Development	2,993	1,796	3,204

Hours of training	2010	2009	2008
Executives	13.8%	14.5%	13.7%
Non-executives	86.2%	85.5%	86.3%

Participants to training activities	2010	2009	2008
Executives	11.3%	11.0%	14.0%
Non-executives	88.7%	89.0%	86.0%

GROUP'S STAKEHOLDER ENGAGEMENT IN CEMENT PLANTS

	in place			open doors in last 3 years		
	2010	2009	2008	2010	2009	2008
Italy	4	4	4	4	4	5
France	9	9	9	1	3	2
Belgium	1	1	1	0	1	1
Spain	3	3	3	3	3	3
Greece	1	1	1	1	1	1
North America	2	2	2	4	3	2
Egypt	5	5	3	3	3	1
Morocco	4	3	3	0	0	0
Bulgaria	2	2	2	1	1	1
Turkey	4	4	4	3	4	3
Thailand	2	3	3	1	2	4
India	2	2	2	1	0	0
Kazakhstan	1	1	1	1	1	1
China	1	1	1	0	0	0
Total	71%	71%	64%	40%	45%	38%

RELATIONSHIP TO GRI G3 GUIDELINES

Profile: Strategy and analysis		Disclosure level	Page	Comments
1.1	CEO statement about relevance of sustainability to the organisation and its strategy	Full	1	
1.2	Description of key impacts, risks, and opportunities	Full	8	
Profile: Organisation		Disclosure level	Page	Comments
2.1	Name of the organisation	Full	2	
2.2	Primary brands, products, and/or services	Full	2	
2.3	Operational structure of the organisation	Full	12	
2.4	Location of organisation's headquarters	Full	34	
2.5	Countries where the organisation operates	Full	3	
2.6	Nature of ownership and legal form	Full	2	
2.7	Markets served	Full	2	
2.8	Scale of the reporting organisation	Full	2	
2.9	Significant changes during the reporting period regarding size, structure, ownership	Full	66	
2.1	Awards received in the reporting period	Full	12	
Profile: Report parameters		Disclosure level	Page	Comments
3.1	Reporting period for information provided	Full	65	
3.2	Date of most recent previous report	Full	66	
3.3	Reporting cycle	Full	66	
3.4	Contact point for questions regarding the report or its contents	Full	66	
3.5	Process for defining report content	Full	66	
3.6	Boundary of the report	Full	66	
3.7	Specific limitations on the scope, or boundary of the report	Full	66	
3.8	Basis for reporting on joint ventures, subsidiaries, outsourced operations, etc...	Full	65	
3.9	Data measurement techniques and the bases of calculations	Full	65	
3.10	Explanation of effect of re-statements of information provided in earlier reports	Full	65	
3.11	Significant changes from previous reports in the scope, boundary, or measurement methods	Full	66	
3.12	Table identifying the location of the Standard Disclosures in the report	Full	6	
3.13	Policy and current practice with regard to seeking external assurance for the report	Full	66	
Profile: Governance, Commitments, and Engagement		Disclosure level	Page	Comments
4.1	Governance structure of the organisation	Full	9	
4.2	Indicate if Chair of the Board is also an executive officer	Full	8	
4.3	Board members that are independent and/or non-executive members	Full	8	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction	Full	9	
4.5	Link between compensation of Board and management with performance	Full	14	
4.6	Processes in place for the Board to ensure conflicts of interest are avoided	Full	9	
4.7	Process for determining the qualifications and expertise of the members of the Board	Full	9	
4.8	Internally developed statements of mission or values, codes of conduct, and principles	Full	9	
4.9	Procedures of the Board for overseeing identification and management of performance	Full	9	
4.10	Processes for evaluating the Board's own performance	Full	9	
4.11	Explanation of whether and how the precautionary approach or principle is addressed	Full	9	
4.12	Externally developed economic, environmental, and social charters/principles	Full	8	
4.13	Memberships in associations	Full	8	
4.14	List of stakeholder groups engaged by the organisation	Full	51	
4.15	Basis for identification and selection of stakeholders with whom to engage	Full	51	

4.16	Approaches to stakeholder engagements	Full	51
4.17	Key topics and concerns that have been raised through stakeholder engagement	Full	51

Disclosures on Management Approach (DMAs)		Disclosure level	Page	Comments
DMA EC	Disclosure on Management Approach EC	Full	19	
DMA EN	Disclosure on Management Approach EN	Full	15	
DMA LA	Disclosure on Management Approach LA	Full	49	
DMA HR	Disclosure on Management Approach HR	Full	46	
DMA SO	Disclosure on Management Approach SO	Full	10	
DMA PR	Disclosure on Management Approach PR	Full	18	

Economic		Disclosure level	Page	Comments
EC1	Direct economic value generated and distributed	Full	22	
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Full	17	
EC3	Coverage of the organisation's defined benefit plan obligations	Full	23	
EC4	Significant financial assistance received from government	Full	-	Disclosure on the 2010 Annual Report, non material contribution to miscellaneous income (page 132, paragraph 28)
EC5	Range of ratios of standard entry level wage compared to local minimum wage	Partial	50	
EC6	Policy, practices, and proportion of spending on locally-based suppliers	Not relevant	-	Group policy focuses on the selection and qualification of suppliers based on performance rather than geographic origin
EC7	Procedures for local hiring and proportion of senior management hired from the local community	Full	23	
EC8	Development and impact of infrastructure provided primarily for public benefit	Partial	23	
EC9	Understanding and describing significant indirect economic impacts	Full	24	

Environmental		Disclosure level	Page	Comments
EN1	Materials used by weight or volume	Full	34	
EN2	Percentage of materials used that are recycled input materials	Full	34	
EN3	Direct energy consumption by primary energy source	Full	34	
EN4	Indirect energy consumption by primary source	Full	37	
EN5	Energy saved due to conservation and efficiency improvements	Full	30	
EN6	Energy-efficient or renewable energy products and services	Full	30	
EN7	Initiatives to reduce indirect energy consumption and results	Full	30	
EN8	Total water withdrawal by source	Full	36	
EN9	Water sources significantly affected by withdrawal of water	Not available	-	The Group is working with CSI to develop monitoring and reporting guidelines starting from the WBCSD Global Water Tool
EN10	Percentage and total volume of water recycled and reused	Partial	36	
EN11	Location and size of land owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value	Full	35	
EN12	Description of significant impacts of activities, products & services on biodiversity in protected areas	Full	35	
EN13	Habitats protected or restored	Full	35	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	Full	35	
EN15	IUCN Red List species and other list species with habitats affected by operations	Not available	-	Data will be available from pilot projects just started in Italy and Bulgaria
EN16	Total direct and indirect GHG emissions by weight	Full	31	
EN17	Other relevant indirect GHG emissions by weight	Not relevant	-	As from the WBCSD GHG Protocol, CO ₂ is the only relevant gas for the sector. All others account for less than 0.1%
EN18	Initiatives to reduce GHG emissions and results	Full	31	
EN19	Emissions of ozone-depleting substances by weight	Not relevant	-	Already eliminated in most of the Group's subsidiaries. Cement process does not require extensive use
EN20	NO _x , SO ₂ , and other significant air emissions by type and weight	Full	37	
EN21	Total water discharge by quality and destination	Partial	36	
EN22	Total weight of waste by type and disposal method	Full	37	
EN23	Total number and volume of significant spills	None	-	No recorded events

EN24	Weight of waste deemed hazardous	Full	37	
EN25	Details of water & habitats significantly affected by discharges of water and runoff	None	-	No recorded events
EN26	Initiatives and extent of environmental impacts of products and services mitigation	Partial	33	
EN27	Percentage of products sold and their packaging materials reclaimed by category	Not relevant	-	Most of production is delivered bulk. Cement bags are supposed to be destroyed when opened. Where in use, pallets are managed in a closed circuit
EN28	Significant fines and non-monetary sanctions for non-compliance with environmental law	Full	42	
EN29	Significant environmental impacts of transporting products etc... and workforce	Full	33	
EN30	Total environmental protection expenditures and investments by type	Full	24	




Social: Labour Practices and Decent Work		Disclosure level	Page	Comments
LA1	Total workforce by employment type, employment contract, and region	Full	55	
LA2	Total number and rate of employee turnover by age group, gender, and region	Full	56	
LA3	Benefits for full-time employees, that are not provided to temporary or part-time employees	Full	23	
LA4	Percentage of employees covered by collective bargaining agreements	Full	48	
LA5	Minimum notice period(s) regarding significant operational changes	Full	48	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees	Partial	48	
LA7	Rates of injury, occupational diseases, lost days & absenteeism, & number of work-related fatalities by region	Full	44	
LA8	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	Partial	45	
LA9	Health and safety topics covered in formal agreements with trade unions	Full	44	
LA10	Average hours of training per year per employee by employee category	Full	57	
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Full	50	
LA12	Percentage of employees receiving regular performance and career development reviews	Partial	50	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Partial	57	
LA14	Ratio of basic salary of men to women by employee category	Full	57	

Social: Human Rights Performance Indicators		Disclosure level	Page	Comments
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Partial	46	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Full	19	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations	Partial	50	
HR4	Total number of incidents of discrimination and actions taken	Full	46	
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Full	46	
HR6	Operations with significant risk for incidents of child labour, and measures taken to eliminate	Full	46	
HR7	Operations with significant risk of forced or compulsory labour, and measures to eliminate	Full	46	
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	Not available	-	Activity to be planned
HR9	Incidents of violations involving rights of indigenous people and actions taken	None	-	No recorded events

Social: Society Performance Indicators		Disclosure level	Page	Comments
S01	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	Partial	51	
S02	Percentage and total number of business units analysed for risks related to corruption	Full	10	
S03	Percentage of employees trained in organisation's anti-corruption policies and procedures	Full	10	
S04	Actions taken in response to incidents of corruption	Full	10	
S05	Public policy positions and participation in public policy development and lobbying	None	-	Only through participations in regional trade associations
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	None	-	No occurrence recorded
S07	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	Full	-	Disclosure on the 2010 Annual Report, page 64
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Full	-	Disclosure on the 2010 Annual Report, non material contribution to non-recurring income/(expense) (page 132, paragraph 29)

Social: Product Responsibility Performance Indicators		Disclosure level	Page	Comments
PR1	Life cycle stages in which health & safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Partial	46	
PR2	Incidents of non-compliance with regulations and voluntary codes on health & safety impacts of products and services during their life cycle	None	-	No occurrence recorded
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Partial	46	
PR4	Incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling	None	-	No occurrence recorded
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Full	18	
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Partial	46	
PR7	Incidents of non-compliance with regulations and voluntary codes on marketing communications, including advertising, promotion, and sponsorship by type of outcomes	None	-	No occurrence recorded
PR8	Substantiated complaints regarding breaches of customer privacy and losses of customer data	None	-	No occurrence recorded
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Full	-	Disclosure on the 2010 Annual Report, Non material contribution to non-recurring income/(expense) page 132, paragraph 29.

WE DECLARE THAT OUR 2010 REPORTING QUALIFIES FOR THE GRI SCOPE "A+" APPLICATION LEVEL REQUIREMENTS IN ACCORDANCE WITH THE CRITERIA TABLE BELOW

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

UN GLOBAL COMPACT: COMMUNICATION ON PROGRESS

UNGC Principles		Sphere of Influence	Sources of corporate governance
Human Rights			
Principle 1	Businesses should support and respect the protection of International human rights within their sphere of influence; and	Employees, contractors, subcontractors, customers and suppliers	Charter of Values Code of Ethics
Principle 2	Make sure they are not complicit in human rights abuses	Contractors, subcontractors, customers and suppliers	Charter of Values Code of Ethics
Labour			
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Employees, contractors, subcontractors, customers and suppliers	Charter of Values Code of Ethics BWI Agreement
Principle 4	the elimination of all forms of forced and compulsory labour		
Principle 5	the effective abolition of child labour; and		
Principle 6	the elimination of discrimination in respect of employment and occupation		
Environment			
Principle 7	Businesses should support a precautionary approach to environmental challenges	Employees and communities	Charter of Values Code of Ethics
Principle 8	Undertake initiatives to promote greater environmental responsibility; and		
Principle 9	Encourage the development and diffusion of environmentally friendly technologies		
Anti-Corruption			
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	Employees, contractors, subcontractors, customers and suppliers	Charter of Values Code of Ethics

Actions launched in 2010	Related GRI indicators	Direct/indirect contribution to the Millennium Development Goals	2010 SD Report page references
<p>New Group Sustainability Policy</p> <p>New Group Human Rights Policy</p> <p>New Group Safety Policy and Safety Management Handbook</p> <p>New Group Health Policy</p> <p>New Group Social Initiatives Policy</p> <p>Involvement in the working group on human rights within the Italian Network of the UN Global Compact</p>	HR1; HR2; HR3; HR4	Indirect: Goal 1-8	13, 44-47
<p>New Group Human Rights Policy</p> <p>New Group Safety Policy and Safety Management Handbook</p> <p>New Group Social Initiatives Policy</p>	HR1; HR2; HR3	Indirect: Goal 1 - 8	13, 44-47
Follow-up of the BWI Agreement with local workers and union representatives	HR5; LA9; LA4; LA5	Indirect: Goal 3, 6, 7, 8	48
No existing situation of forced or compulsory labour within the Group activities	HR2; HR7	Indirect: Goal 2, 4	46-47
New Group Human Rights Policy Implementation of the Safety Best Practice «Waiting area for customers and suppliers»	HR1; HR3; HR6	Indirect: Goal 2, 4	13, 46-47
New Group Sustainability Policy Implementation of the new Group Human Resources Policies, among which: Recruitment and Selection Policy, Development and Training Policy, Compensation Policy, Merger and Acquisition Policy	LA2; LA14; EC5; HR2; HR4; EC7	Direct: Goal 3	13, 49-50
<p>New Group Environment Policy</p> <p>Ongoing implementation of environmental management system according to ISO 14001</p> <p>Implementation of energy management system according to EN 16001</p>	EN18; EN30	Direct: Goal 7	13, 30-38
Open door events and stakeholder engagement activities	EN18; EN30	Direct: Goal 7	30-38
Developing and marketing of innovative and environmentally friendly products and applications (TX Active®; ALIPRE®; i.light®; i.clime®;...)	EN2; EN5; EN7; EN18;EN26; EN30	Direct: Goal 7	25-27
<p>New Group Sustainability Policy</p> <p>Adoption of an Organization, Management and Control Model according to the 2001 Italian Legislative Decree n°231</p> <p>Release of an Antimafia code, and launch of the specific programme, the so-called «Piano per la prevenzione dei rischi criminali» (Prevention plan against criminal risks)</p> <p>New Group whistle-blowing procedure</p> <p>Implementation and training of the Anti-Corruption Compliance Programme</p> <p>Implementation and training of the Corporate Governance Programme, plus remuneration (MBO) linked to the implementation of the Corporate Governance Programme</p> <p>Suppliers Qualification Department to develop and maintain a vendor base with a high integrity profile in doing business</p> <p>Establishing of the Supplier Committee, Customer Committee and a Real Estate Committee</p> <p>Involvement in the working group on corruption within the Italian Network of the UN Global Compact</p>	SO2; SO3; SO4; SO5	Indirect: Goal 1 - 8	10-11, 13

ERNST & YOUNG ASSURANCE STATEMENT



Italcementi - Financial year ended December 31, 2010.

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

Further to the request made by Italcementi, we performed a review on the Group's environmental, safety and innovation indicators for the financial year 2010 identified by the ✓ symbol in the sustainable development report on p. 4-5 (the "Indicators") to obtain limited assurance that the Indicators were prepared in accordance with the reporting criteria applicable in 2010 (the "Reporting Criteria"), consisting in external standards elaborated by the World Business Council for Sustainable Development - Cement Sustainability Initiative (WBCSD-CSI) available on the WBCSD web site¹ completed with Group specific procedures, a summary of which is provided on p. 65 under the heading "Reporting methodology".

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

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

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

Nature and scope of our review

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

- We have assessed the Reporting Criteria with respect to their relevance, their completeness, their neutrality, and their reliability.
- At the Group level, we have conducted interviews with the persons responsible for reporting in order to assess the application of the Reporting Criteria. We also have implemented analytical procedures and verified, on a test basis, the calculations and the consolidation of the data.
- At the Cement Branch level, we have checked the consistency of CO₂ emissions with figures declared to authorities and verified in the framework of the 2007/589/CE European Directive on "allowances".
- We have selected a sample of four cement sites and five business units³ on the basis of their contribution to the Group's consolidated data and the results of the review performed during previous financial year. At the level of the selected sites and entities, we have verified the understanding and application of the Reporting Criteria, and verified,

on a test basis, calculations and reconciliation with supporting documents.

- We have reviewed the presentation of the Indicators in the sustainable development report and the associated notes on methodology. On average, our tests covered 37% of environmental indicators⁴, 38% of hours worked used in the lost time injury frequency rate indicator, 46% of the population considered in industrial hygiene indicator and 64% of the turnover used in the innovation rate.

Information about the Reporting Criteria

- **Relevance.** The Group publishes the key performance indicators defined for cement activities by the working groups of the WBCSD-CSI. Methodologies selected by the Group are consistent with the latest versions of the WBCSD-CSI standards and guidelines (2005). The Group's amendments are specified in the notes on methodology p. 65. The indicator on "Innovation rate" has been clarified in 2010 and is presented on p. 65. It is still complex though and is primarily an economic indicator which does not fully address sustainable construction issues.
- **Completeness.** The reporting perimeters for environment and safety data are specified in the "Reporting Methodology" section on p. 65. They aim to cover the worldwide activities of the Cement Branch for environmental indicators, Cement and Aggregates Branches for indicators on quarry rehabilitation, and the whole Group for safety and innovation indicators. Perimeters actually covered by the Indicators have been indicated where applicable, notably for air emissions p. 39.
- **Neutrality.** The Group provides detailed information on methodologies used to establish the indicators in the notes on methodology on p. 65 and in the comments next to the published data.
- **Reliability.** For the indicator on "Innovation rate", the documentation and internal controls could still be strengthened.

Conclusion

- For the indicator on "Industrial Hygiene", we detected that a significant number of entities did not meet the completeness and documentation criteria of the Group procedure.

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

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

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

³ Four cement plants: Fuping (China), Calusco (Italy), Rezzato (Italy), Suez (Egypt); four Cement business units: Egypt, Italy, France and China; and one Aggregates business unit: France.

⁴ 61% for CO₂ emissions, 39% on average of SO₂, NO_x and dust emissions, 32% for raw materials consumption and 34% for fuel consumption, and 58% of quarries.

Paris-La Défense, April 12, 2011

ERNST & YOUNG Audit

Pierre-Henri Pagnon

ERNST & YOUNG
Sustainability Assurance
and Advisory Services

Eric Duvaud

REPORTING METHODOLOGY

Scope of reporting

Unless otherwise specified, the Group Sustainable Development Report covers all the business activities under the operational control of the Group at the end of 2010.

Data collection and consolidation

Economic performance data: data included represent consolidated figures from the companies covering all the Group operations and business segments and are consistent with those reported in the 2010 Italcementi Group Annual Report.

Environmental performance data: unless otherwise specified, reporting covers all the subsidiaries over which the Group has at least one year of operational control, and their data are 100% consolidated. Ciments Québec in Canada and Vassiliko Cement Works in Cyprus are not included, as they are not under the operational control of the Group. The Group environmental are reported for the current fiscal year, covering not only cement but also aggregates and ready-mixed concrete activities. Where possible and relevant the data are presented according to the reporting scope detailed on page 66.

Changes in ownership reported in 2010 do not generally impact on the data reported for previous years. Data for CO₂ emissions are the sole exception to this principle: the 2010 scope is reformulated for each previous year to provide comparability, as specified and required in the WBCSD Greenhouse Gas Protocol applied by the Group.

Social performance data: data reported in the social responsibility section, such as health and safety records and personnel statistics, cover all the operations and business segments under the operational control of the Group in 2010, unless otherwise specified.

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

Group reference	KPI	Summary
SDD001 Air Emissions Reporting Procedure	dust, NO _x , SO ₂ : absolute and specific emissions	The procedure covers the emissions of pollutants at the main stack and the by-pass stack of the cement kilns. It defines requirements for quality tests and recommends methods for measurements according to «CSI Guidelines for Emissions Monitoring and Reporting, March 2005». Data are entered into the Group database and reported by means of the Group reporting software or dedicated spreadsheets. Specific emissions are based on available measurements (continuous or spot), absolute emissions are extrapolated to all kilns.
SDD002 CO ₂ Reporting Methodology	Absolute and specific gross CO ₂ emissions	The procedure is compliant with the WBCSD/CSI Protocol: «CO ₂ Accounting and Reporting Standard for the Cement Industry», June 2005 ver. 2. Absolute gross and specific CO ₂ emissions are reported to SDD by means of the WBCSD/CSI Cement CO ₂ protocol spreadsheet. CO ₂ emissions account total direct emissions, excluding biomass fuels. Cementitious products account both clinker production and mineral additions for cement grinding.
SDD011 ISO 14001 Reporting Instruction	Percentage of cement plants certified ISO 14001	The ISO 14001 certified facilities are cement plants which have developed and implemented Environmental Management Systems complying with the requirements set in the standard ISO 14001: 2004, certified by qualified bodies and with valid certificates.
SDD012 Raw Materials Reporting Instruction	Total RMs and ARMs consumption	The procedure defines natural and alternative raw materials (ARMs). The Group Technical Center draws the data from the Group database; figures are endorsed by the subsidiaries before being forwarded to SDD. Dry tonnes of RMs and ARMs are reported according to «CSI Guidelines for the selection and use of fuels and raw materials in the cement manufacturing process».
SDD013 Fuels Reporting Instruction	Total fuels and AFs consumption	The procedure defines conventional and alternative fuels (AFs). The Group Technical Center draws the data from the Group database; figures are endorsed by the subsidiaries before being forwarded to SDD. Thermal input from conventional fuels and AFs reported according to «CSI Guidelines for the selection and use of fuels and raw materials in the cement manufacturing process».
SDD016 Quarry rehabilitation Instruction	Percentage of quarries with a rehabilitation plan	The procedure defines the quarries included in the scope, providing extracted raw materials to cement plants and aggregates. It sets the minimum requirements to be fulfilled for the assessment of rehabilitation plans.
N4 Group Innovation	Percentage of turnover from innovative products	The innovation rate is the ratio between the operational turnover realized with the sales of innovative products and the total operational turnover. Innovation Projects are identified as New Products (cements and binders, ready mix concretes, admixtures, mortars and others); New Applications (new construction solutions even with existing products); New Services pertaining to the area of sustainable development, distribution and packaging; New Manufacturing Processes represented by specific manufacturing processes made available to the market after an internal development of specific know-how and patents. Innovation projects are classified according to three categories: Established (Product-Application-Service-Manufacturing process already present both in the reference market of the Subsidiary and in the Subsidiary offer); Incremental (Product-Application-Service-Manufacturing process present in the reference market of the Subsidiary but not in the Subsidiary offer); Radical (Product-Application-Service-Manufacturing process new to the reference market of the Subsidiary and to the Subsidiary offer). According to the novelty condition, the innovation period can vary from a minimum of 3 years to a maximum of 9 years. Existing products which have been repositioned because of their contribution to sustainable development are included in the innovation rate as well.
Safety management handbook	LTI Frequency Rate	A Group database, automatically updated at site level, calculates lost time injuries (days) in a year per million hours worked, according to WBCSD/CSI definitions.
SDD017 Industrial Hygiene Workplace Assessment	Percentage of employees potentially exposed to dust, silica, noise and vibration covered by the workplace assessment	The procedure sets that employees potentially exposed to dust, silica, noise and vibration have to be evaluated versus international standards recommended in the procedure. When defining the number of potentially exposed employees only, default values may be used to correct anormal reported data from countries. Monitoring activity is always supported by evidence.

ABOUT THIS REPORT

Information and data collection

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

Reporting scope

The Group reporting scope is subdivided by:

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

The business segments that provide the basis for reporting are:

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

The most significant change in the scope of the present report concerns some restructuring due to the financial crisis, however slightly affecting the industrial layout.

Reporting standard

The Group reporting is documented in accordance with the guidelines of the Global Reporting Initiative (GRI) version «G3». All information reported and the report boundaries are appropriate according to the application of the GRI principles of materiality, stakeholder inclusiveness, sustainability context and completeness. Detailed cross-references between the current report and the GRI guidelines, self-declared and GRI application level are provided on page 58.

Assurance

The Group is responsible for the reliability of all the data published. The report has not yet undergone an overall external assurance process. However, in 2010, the Group increased the number of KPIs for verification by Ernst & Young, as shown on page 64. New verified indicator is the percentage of employees potentially exposed to dust, silica, noise and vibration covered by the workplace assessment.

Stakeholder feedback

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

GLOSSARY

Acronyms and abbreviations

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

Chemicals

CO₂	Carbon dioxide
SO₂	Sulphur dioxide
NO_x	Nitrogen oxides
CO	carbon monoxide
VOC	volatile organics

Units

ng	nanogram (0.000000001 g)
mg	milligram (0.001 g)
g	gram
kg	kilogram (1000 g)
t	ton (1000 kg)
kt	kiloton (1000 tons)
toe	tons of oil equivalent
ktoe	kilotons (1000 tons) of oil equivalent
tpd	tons per day
m³	cubic metre
MJ	mega joule (1 million joules)
MW	mega watt (1 million watts)
kWh	kilowatt-hour (1000 watt-hours)
GWh	gigawatt-hour (1 billion watt-hours)

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