



Sustainability Report
2008



Cementos Lima S.A.



Sustainability Report 2008





CEMENTOS LIMA . . .



AND IS **100% PERUVIAN**



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Message from the management of Cementos Lima S.A.

This sustainability report for 2008 is our fifth annual report and the second using the GRI (Global Report Index) reporting model. When speaking of sustainability, we cannot ignore the importance of business ethics, which we understand as a necessary corporate practice throughout the value chain of our processes and activities.

Today the world is afflicted by an unprecedented crisis of confidence that has affected the world economy, jobs and trade in many countries, as well as many companies and their employees. Job losses have increased and the value of companies has fallen to levels not seen for more than seventy years. When business practices and decisions are not governed by ethics, unrestricted greed displaces values and leads to premeditated fraud, generalized discredit and corruption at the highest levels of government and companies, resulting in crises of the magnitude we are now experiencing.

Corporate social responsibility is, from our point of view, a concept by which to guide business along ethical lines. Its interaction with other actors, such as the public sector and civil society, helps to reduce possible negative impacts that could arise from bad practices. Hence the importance of companies acting in accordance with a code of ethics and values.

Adam Smith, the father of classical economics, had a vision two hundred years ago of markets governed by ethical values such as honor, prudence, transparency and mutual confidence. According to his thinking, the absence of ethics and the values mentioned above has resulted in our current situation: crisis.

Similarly, the economist Bernardo Kliksperg has this to say about the financial crisis: "With a difficult 2009 ahead of us, we should use facts, laws, regulations and budgets to recreate an ethical agenda for the economy, that which has been missing from the events on Wall Street and from which Latin America must draw its own conclusions". He also emphasized the need to confront corruption in all sectors and to implement public policies to protect collective welfare and companies with high levels of social responsibility. "It is necessary to support small and medium-sized companies, as these are the base for the creation of jobs and wealth; there is a lack of companies demanding ethics and solidarity in order to defend social investment, which will be more than ever

necessary; and, of course, prioritize education and health for all". These, says Kliksberg, will be decisive in preventing the crisis from making the already intolerable levels of unfairness and poverty in the region even worse.

The challenges in the field of ethics are immense: the quality of life at work, benefits to the community, respect for and protection of environmental resources, responsible trade and marketing, etc. Furthermore, corporate social responsibility and sustainable development, transparency, honesty, real communications, codes of conduct and fair trade are some of the matters related to ethical, social and environmentally responsible conduct.

Cementos Lima S.A., as a responsible company that is concerned for sustainable ethical development in economics and social and environmental matters, contributes to this end with transparent management that is respectful of its interest groups; through the development of skills among the local population, the promotion of opportunities through improvements in personal and technical abilities, strengthened social organizations and priority for protection and care of the environment. We are aware that corporate social responsibility is a great challenge for our management, but at the same time we are certain that success depends on responsible interaction with others: the public sector, the private sector, civil society and international aid, and, undoubtedly, participation by the community and interest groups. This joint work enables us to guide, articulate and integrate company ethics throughout all the business activities and processes.

Let us take this opportunity to thank all our shareholders, directors and collaborators for their commitment to sustainable ethical development, as well as our clients, suppliers and the community at large, for their contributions to the achievement of our goals: that Cementos Lima S. A. should always be considered a social and environmentally responsible company.

Ing. Carlos Ugás

Managing Director
Cementos Lima S.A.

Armando Casis

General Manager
Asociación Atocongo



CEMENTO SOL



De la fábrica a tus obras
Cemento Sol

❖ Transporting our products.



“We do business in an ethical way, based on respect for the law and our environment, improving our practices each year, promoting economic, social and environmental projects, and maintaining our corporate commitment as a good neighbor with our community“



Cementos Lima and the cement industry in Peru



The improvements and **innovations applied** to our business practices support **our commitment to and respect for all our interest groups.**



Cementos Lima and the cement industry in Peru

Cementos Lima S.A. is the largest cement company in Peru; it is engaged in the exploitation and processing of raw materials used in the production and sale of different types of clinker and cement in the local and export markets. The company has approximately 40% of total sales in the domestic market.

Our Atocongo plant is located in the district of Villa Maria del Triunfo, an emerging suburb of the city of Lima, and has a production capacity of 3.6 million metric tons of clinker and 4.5 million metric tons of cement a year.

Our operations are conducted in accordance with two principal strategic guidelines:

- The first is to satisfy our clients with high-quality products and services and competitive prices.
- The second is to expand our operations, in both the domestic and export markets, maintaining our domestic leadership and achieving a competitive position at international level, which we are doing by new investments such as the 210 MW El Platanal hydroelectric power station project and the Drake Cement LLC project to produce 600,000 tons of cement a year in the State of Arizona, USA.



❖ Panoramic view of our company.

In order to achieve these objectives, our company is developing important investment projects, linked principally to expanding new production processes and in improving distribution to its clients, among others.

These operational investments are reflected by each one of our interest groups, given that each year we introduce improvements and innovations affecting our collaborators, the community, clients, distributors, suppliers and care for the environment.

Care for the environment is given priority in our operations. We are aware that our activities generate impacts upon it and we take seriously the need to take the necessary action and assume an unconditional commitment to preserving it. For this work we

use the latest technology and have first-class professionals to minimize the impacts in question to international standards.

Our conviction that businesses can be run along ethical lines and based on respect for the environment and our commitment to do so, resulted in the creation of Asociacion Atocongo, which has been responsible for implementing the company's social responsibility policy since 2003.

Thus we can be sure that our practices are the right ones and to keep up our commitment as a good corporate neighbor.

Mission and Vision of Cementos Lima

Through the company's mission and vision, the shareholders establish their perspectives for development and management.

■ ■ Mission

To satisfy our clients by supplying high quality products and services at competitive prices, protecting our corporate rights within the law and creating value for our shareholders, our workers and society in general.

■ ■ Vision

To be always a leading organization in the national market and to achieve a competitive position at world level.

The history of Cementos Lima

Cementos Lima was incorporated in 1967 as a result of cash contributions by Sindicato de Inversiones y Administración S. A. (SIA, the main shareholder) amounting to 50% of the new company's capital, and a transfer of assets and liabilities from Compañía Peruana de Cementos Portland S. A. (CPCP) the first cement manufacturer in Peru, founded in 1916.

During 1967 SIA assumed control of the company and began a process of restructuring to overcome the operating and financial problems faced by CPCP.



❖ Vet examining a coatí at Atocongo zoological gardens, on premises owned by Cementos Lima.

In 1974 during the military government, all shares in the company were confiscated and transferred to Inversiones Cofide S.A., a state-owned company. In 1981, 51% of the shares were returned to SIA and other shareholders; and in 1994, during a privatization process, the remaining 49% of the shares in Cementos Lima still in state hands were sold and acquired by SIA and other shareholders.

In 2008 SIA held 68.03% of the ordinary shares in the company and thus became not only the main shareholder in Cementos Lima but also responsible for its management. At present, pension funds - AFP - have a significant shareholding in Cementos Lima, amounting jointly to 24.5% of the ordinary shares and 51.9% of the investment shares.

We also have seven active subsidiaries:

- ■ Depósito Aduanero Conchán S.A. (99% owned).
- ■ Transport Lurin S.A. (99% owned).
- ■ Generación Eléctrica Atocongo S.A. - GEA (100% OWNED).
- ■ Inversiones en Concreto y Afines /Unicón (73.52% owned).
- ■ Compañía Eléctrica El Platanal S.A. (60% owned).
- ■ Skanon Investments Inc./Drake Cement LLC (78.74% owned).
- ■ Prefabricados Andinos - PREANSA (50% owned).

Cementos Lima today

In the last two years the rate of growth in GDP has practically doubled and expansion of the cement industry has gone hand in hand with that of the construction sector: 15,6% and 16%, respectively.

2008 was no exception, the demand for cement reached 6'710,990 MT a year and the year ended with growth of 15.14%.

The increase in cement dispatches in 2008 is mainly explained by self-build projects in socioeconomic sectors D and E and housing and corporate projects (shopping malls, office and apartment buildings, among others) being built throughout Peru, as well as road infrastructure projects such as Lima Expressway and new roads and repairs in Lima and other cities.

Growth increased from January to December 2008, with earnings from sales of this type amounting to S/. 969,731 million (S/.864, 140 million in 2007).

It should be mentioned that during 2008 the company's exports went mainly to three countries, all in the Americas.



❖ Controlling the weight of bags of cement on truck-Weighbridge area.

Indicator	Results
Net sales in 2008 (Thousands of nuevos soles).	969,731,000
Percentage of sales in domestic market.	94.31%
Percentage of sales in international market.	5.69%

Better operating and non-operating results meant that profits as at December 2008 amounted to S/.187,933,009, a variation of -7.0 % equivalent to basic profits per ordinary share of 1.22 soles.

Our products

Cementos Lima produces bagged cement (Portland Type I "Sol" brand and Portland Type IP Atlas" brand), which make up 75% of our sales, and cement in bulk (Portland Type I, IP, II and V) which make up the remaining 25%.

It is worth highlighting that although the cement is sold to our various clients, the "Sol" Type I is also used in social infrastructure projects implemented by Cementos Lima jointly with civil society organizations, local governments and the community at large; this work is described later.

Certification

Certification has explicitly established the company's commitment to systematic process management, focused on satisfying its clients and preventing its products being used for illegal purposes. Similarly, a commitment has been established to continual improvement of the company's effectiveness and performance in relation to quality and protection.



❖ Employee on crane at Conchan pier.

We use our integrated management system (IMS) to do this as part of a set of activities aimed at conducting and controlling aspects of quality, health and safety, the environment and ISPS protection. All of the company's activities are covered by international certificates, such as:

- ISO 9001, June 2003.
- Business Alliance for Secure Commerce (BASC):
 - Plant: May 2004.
 - Port: October 2004.
- Ship and port facility protection (ISPS): July 2004.
- OSHAS 18001 and ISO 14001 certification in progress.

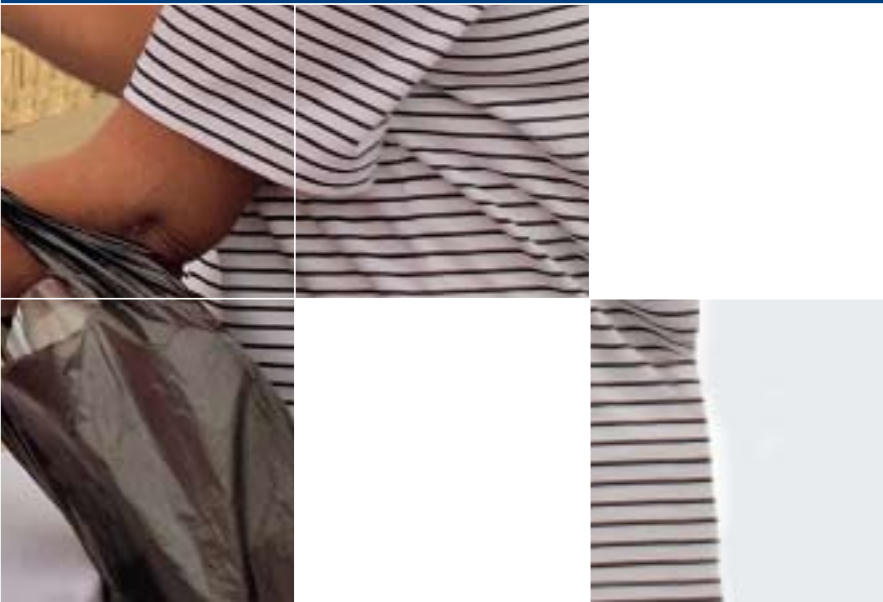


❖ Handing over houses to earthquake victims (August 2007) in the district of Sunampe-Chincha on Carlos Ugás, GM of Cementos Lima S.A. and Armando Casis, GM of Asociacion Atocongo.



“Aware that **CSR**
is a great challenge for us,
we have carried out joint exercises to
impose our business ethics
on all the activities and
processes of our business”

 A responsible company



We contribute a distinctive management style based on our **experience and knowledge** of the **business, society and the environment**, to each of the **CSR projects we promote**.



A responsible company

Asociacion Atocongo: Cementos Lima's corporate social responsibility organization

Corporate social responsibility (CSR) is a management model integrated into a company's strategy, which contemplates the economic, social and environmental impacts of its activity. It implies, therefore, a renewed commitment by the company to its environment and the people it affects.

In August 2003, Cementos Lima S. A. decided to consolidate this management model and created "Asociacion Atocongo", a non-profit-making association whose mission is to implement the corporate social responsibility policy of the company, and which is a means of establishing links and transmitting ethical values to guide the company's conduct and its internal and external relations.

Thus, from the date of its creation we have contributed a unique management style based on our business experience and knowledge, both social and environmental, in each of the corporate social responsibility activities and projects we promote.

Our principal projects

We are focused on implementing projects that ensure the sustainable development of the company. Among others projects aimed at improving production processes are:



❖ Atocongo-Conchan environment-friendly conveyor belt.

Atocongo - Conchan environmental conveyor belt

In January commissioning tests were completed on the conveyor, with the first dispatches of clinker and cement to Conchan.

In May the first dispatches of clinker to the pier were carried out and in December the first complete shipment of clinker was sent in this way; commissioning tests for coal are yet to be carried out.

Improvements in the Clinker Warehouse

This project was completed in December, consisting of the following aspects:

- ■ Installation of a hermetically sealed metal cover.
- ■ Installation of a piling conveyor to enable 25,000 tons of clinker to be stockpiled without the use of earthmoving machinery.
- ■ Implementation of a new discharge system, which feeds directly onto the conveyor leading to the pier.

This project replaces the existing system of transporting clinker in trucks with the conveyor, which takes it from the Atocongo Plant to Conchán at a rate of 500 t/h.

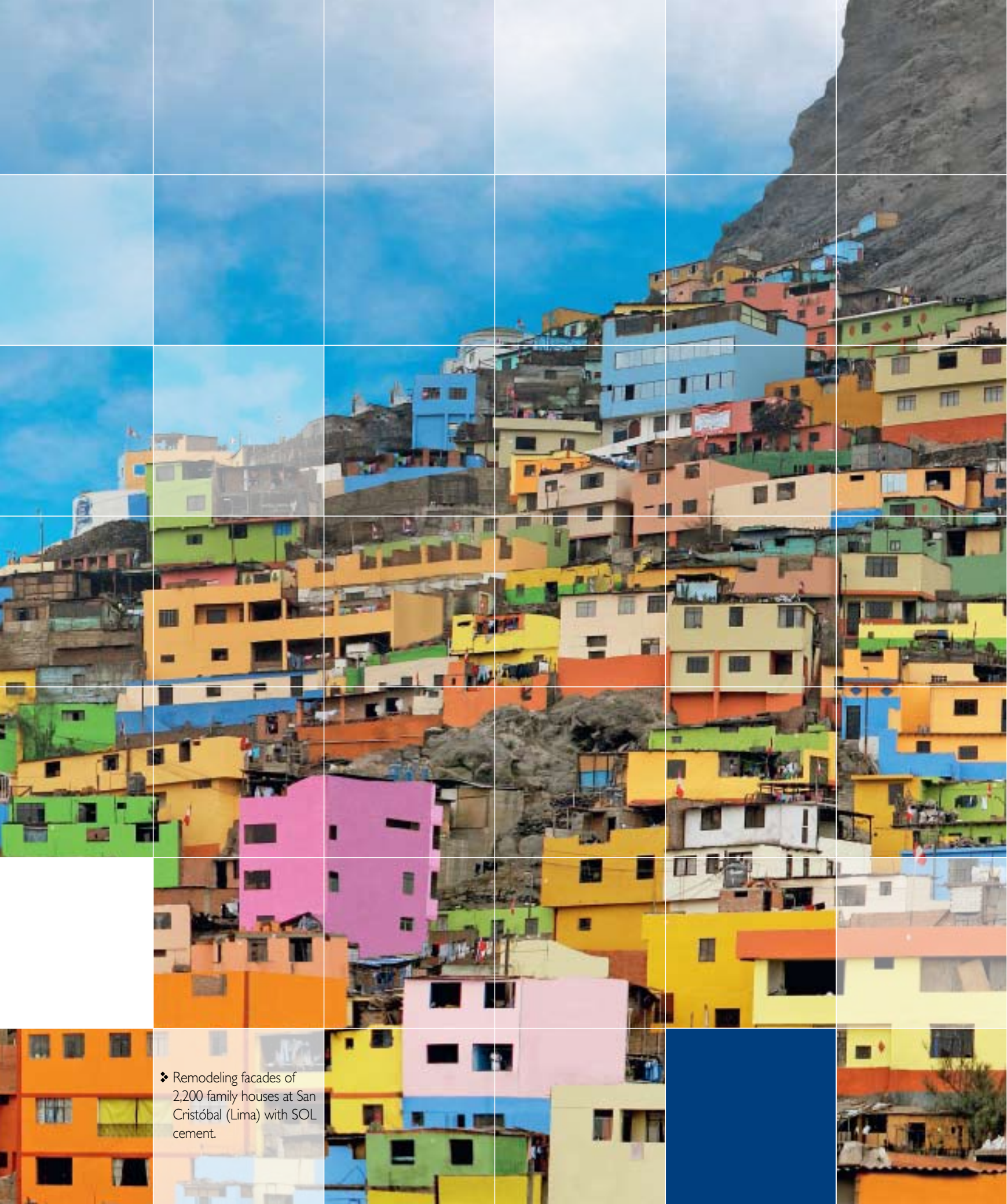
Waste water treatment plant

This project will enable waste water to be treated for use in industry, irrigation and fire fighting.

The civil engineering work started in June this year and it is expected that the plant will begin operating in May 2009.



❖ Project - Waste Water Treatment Plant.

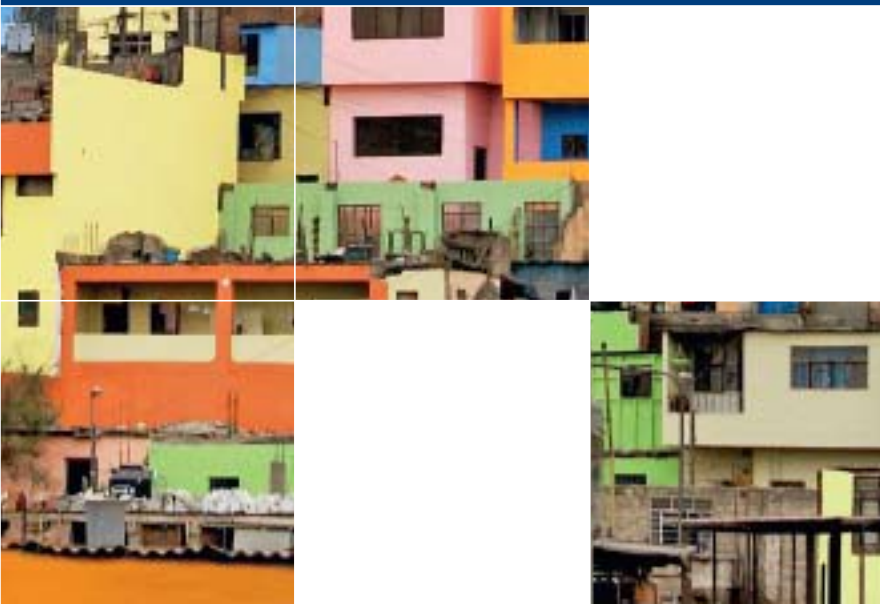


❖ Remodeling facades of 2,200 family houses at San Cristóbal (Lima) with SOL cement.



- Shareholders and investors
- Collaborators
- Community
- Clients
- Suppliers
- Government
- The environment

■ Stakeholders



Our CSR policies seek to achieve a balance between the economic interests and socio-environmental interests of the various interest groups, through the establishment of links and the transmission of the ethical values that guide our business practices.



Stakeholders

¿Who are our stakeholders?

Cementos Lima's stakeholders are all those who have a direct or indirect relationship with the company and which, therefore, form part of its value chain of which CSR is an inherent part.

Our activity covers different areas, including the welfare and proper treatment of our collaborators, preservation and care of the environment, good business practices, strengthening of suppliers and distributors, the creation of economic opportunities and relations with the community, as well as integration of our social activities.

We also consider two further aspects to be important: the first is the prevention and resolution of conflicts with the community and the second is the prevention and mitigation of environmental impacts.

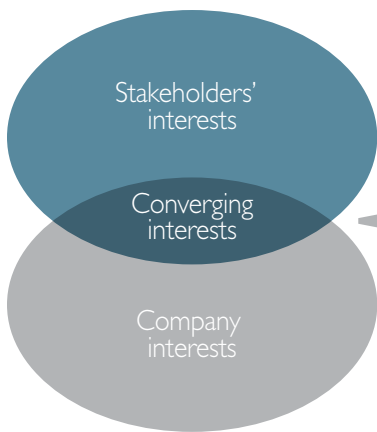
Our CSR policies seek to achieve a balance between the economic interests and socio-environmental interests of the various interest groups, through the establishment of links and the transmission of the ethical values that guide our business practices.

This conception is the basis for our management style, in which the interests of the company and its interest groups converge permanently, enabling us to follow the road to sustainable development.



❖ Children on the “Young People can Change the World” program.

CONVERGING INTERESTS



A new concept of the vision and mission of the company.

- Transverse corporate ethics,
- Equality,
- Development,
- Integration and articulation with other sectors.

- New products & services
- New processes
- New markets
- New business models
- New management methods
- New social opportunities
- New environmental opportunities

Our interest groups in detail

Shareholders and investors

During 2008 we continued to apply the principles of good corporate governance in fields such as equal treatment for shareholders, management of conflicts of interest, capital structure and the revelation of information, among others, thus ensuring the security and confidence of all economic agents with any connection to the company. We also continued to send our Annual Report and Sustainability Report to the regulatory authorities (CONASEV and BVL) and all the shareholders, together with quarterly reports containing the interim financial results and a summary of the activities carried out during the quarter.

■ Our code of conduct

Our company has internal regulations governing its corporate activities, which include the values that guide us in our daily work, and enable us to achieve our goals in a manner that is responsible both to ourselves and to others. Within these conduct and ethical guidelines, all the directors, officers and employees of Cementos Lima S.A. are committed to maximizing our personal and professional values relating to quality, service and care for the environment in our work.

Consequently, the company has established the integrated management system already mentioned. Quality, environment and health and safety policies have been established to control this system. These policies are aligned to the mission, vision and values of the company.

The aim of our regulations is that we should be recognized as a Peruvian company that is responsible, well found, reliable and respectful of its internal and external environment and which puts its corporate values into practice:

- Excellence
- Responsibility
- Ethical conduct as the norm

- Commitment
- Innovation
- Legality

As well as these values and respect for the rights of everyone, the company also has a Code of Corporate Social Responsibility based on five principles:

- To formulate, design and implement projects and programs with the participation of the community.
- To ensure that all projects apply best practices aimed at sustainable development.
- To promote participation by the public sector, civil society, private entities, international aid organizations and the community at large in the company's social responsibility initiatives.
- To respect and propagate the values, customs and culture of all our interest groups.
- To communicate and report transparently and ethically on our operating and social activities to all our interest groups and the public in general.

To take part in the Global Compact initiative

In 2004 we signed the Global Compact in an attempt to promote, through collective action, corporate civic responsibility so that the business world can become part of the solution to the challenges of globalization.

In Cementos Lima we practice the ten principles of the Global Compact, within a framework of three pillars: human rights, work and the environment. On this basis the company is strengthening its value chain by promoting good practices that improve competitiveness and motivating its collaborators by its commitment thus increasing the value of its products through favorable production conditions.

■ ■ **Transparency in providing information to our shareholders and investors**

In order to promote transparency of communications with our shareholders, we engage an external auditor every year to give an opinion on the company's financial information, among other things. In 2008 we used the services of Dongo-Soria Gaveglione & Asociados Sociedad Civil, a member firm of PriceWaterhouseCoopers.

We also have channels of Communications direct to our shareholders: the company's web site, sustainability report, quarterly reports (Newsletter), personal calls and interviews, and the annual report. In 2008 we received approximately 50 requests for information, all of which were answered.

■ ■ **Internal organization of Cementos Lima**

Our management team is made up of specialists with a proven ethical commitment, solid academic education and wide professional experience. We are certain that they are focused on achieving our strategic and specific objectives regarding economic, social and environmental, aspects, so our shareholders can be assured that the management of Cementos Lima is in the hands of the best of professionals.

Thus our management structure shares objectives, values and business acumen and optimizes the company's resources through eight departments including the General Management.

Furthermore, Cementos Lima has Asociacion Atocongo as its corporate social responsibility arm.

Collaborators

At Cementos Lima our principal aim is to offer the best working conditions to our collaborators, as well as an environment of mutual respect, opportunities for professional development and team work.

Human capital is one of the company's principal resources and this is explicit in its quality, environment and health and safety policies. "Our success is based on the skills



❖ Global Compact Certificate.

and attitude of everyone working here to protect quality, security, costs, harmony and the environment”.

Cementos Lima implements its policy through the following commitments:

- Wages and benefits according to the law.
- Medical insurance.
- Career progression and recognition by performance evaluation.
- Continual and adequate training.
- A safe and agreeable working environment.

At present we have 352 collaborators, distributed as follows:

Position	N°
Officers	31
Administrative staff	117
Employees	97
Workmen	107
Total	352

Also at Cementos Lima we seek to provide incentives for the social development of the local population by promoting local employment. In 2008 28% of our collaborators lived in close to our installations.

Commitment to local labour	
Number of local employees	
Position	N°
Officers	0
Administrative	6
Employees	31
Workmen	62
Total local labour force	99
Percentage of local employees	28%

Similarly, Cementos Lima has always employed women. In 2007 we had 60 female collaborators and during 2008 our team of 57 ladies contributed to the success of the



❖ Our collaborators sharing lunch in the mess room (Cementos Lima plant).

company, as shown in the following table:

Equality of opportunity and conditions		
Indicators		
	Female	Male
Percentage employees by sex	17%	83%
Officers (31)	(1 F / 30 M)	3%
Administrative (117)	(34 F / 83 M)	29%
Employees (97)	(22 F / 75 M)	23%
Workmen (107)	(0 F / 107 M)	0%

Because of the company's activities, many jobs are physically demanding. Nevertheless when selecting candidates for positions in which this is not a relevant factor, the company has chosen women who are now on the payroll.

In addition, Cementos Lima's human resources management uses other indicators that enable it to optimize decisions on our human capital in line with our code of conduct and values. This can be appreciated in the following table of general indicators:

Other management personnel indicators	
Percentage participation in the workers suggestion scheme or other mechanism of communication between Cementos Lima and its collaborators	100%
Percentage employees happy working for the company	100%
Percentage of employees over 45	58%
Percentage of employees below legal age	0%
Percentage of employees in forced labour	0%
Number of unionized employees	144

■ Mechanisms of communication with collaborators

We have a series internal communication tools: intranet, e-mail, notice boards the weekly bulletin "El Concretito", the bimonthly magazine "El Concreto" and other internal documents. Our objective is to provide updated information on the company, as well as matters of common interest and welfare for our collaborators.

■ Training for collaborators

Complying with our commitment to continual improvement, we improve the skills of our collaborators by the use of regular training programs.

Within this framework, during 2008 we arranged courses totaling 20,334 man-hours, equivalent on average to 57.77 hours per employee, 3.2% more than in 2007. See details for 2008 in the following table.

Summary of the training program			
	Training activities	Number of man-hours (average)	Investment in US\$
Workmen	296	2,482	12,573
Employees	381	4,555	52,940
Administrative staff	470	9,259	137,064
Officers	278	4,039	92,013
Totals	1,425	20,335	294,590

■ Safety, health and working conditions for our collaborators

In company policy, quality, the environment, health and safety refer to the prevention of accidents and illnesses relating to our extraction, manufacturing and shipping activities, such as falls, exposure to noise, dust or high temperatures.

We therefore have a program based on awareness raising and the development of a culture of safety among our collaborators. The process starts with an induction course in health and safety, given to our own staff and to contractors.

Our Safety Committee meets monthly to review incident indicators and to take preventive action to reduce risks. We also have an emergency, first aid and firefighting brigade and a fire station next to the plant.

Incident prevention techniques

Our safety and industrial hygiene department has carried out different activities aimed at complying with legal requirements, internal regulations and the provisions of the Safety and Hygiene Program for 2008.

With the aim of managing risks to health, safety and the environment, we have established the following controls:

- a. Safety committee.
- b. Identification and evaluation.
- c. Accident investigation.
- d. Inspections and audits.
- e. Internal workplace regulations.
- f. Signaling.
- g. Emergency stations.
- h. Emergency plan.
- i. Fire prevention and control:
 - Emergency equipment inspections.
 - Fire and rescue brigade
- j. Monitoring of physical and chemical contaminants and personal protection equipment.

Certification

In order to identify, evaluate and manage the risks associated with tools and equipment, the following items are certified to international standard:



❖ Revision and control of substation by Electrical Maintenance Division.

- Lifting gear, electrical and gas welding equipment.
- Motor vehicles, both light and heavy.
- Motor vehicle operators.

Safety in internal and external transport

With the aim of managing risks associated with vehicles on and off the premises of Cementos Lima, in 2008 the following transport inspections were carried out:

- Operators: Defensive driving course
- Vehicles: safety inspections.

- The environment: horizontal and vertical signaling (for external transport only on roads adjacent to Cementos Lima's operations).

Occupational health

in accordance with our commitment to the welfare of our collaborators, in 2008 we carried out the following activities in the field of occupational health:

Indicators	N° of people
Pre-employment medical examination	27
Occupational clinical examination	350
Chest X-rays (lungs)	353
Laboratory analyses	345
Induction on occupational health and infectious / contagious illnesses	200

No cases of occupational illnesses were found among the workers.

Care of health, safety and working conditions	
Cementos Lima's health and safety policy	YES
Certification of safety procedures	Being implemented, to OHSAS 18001
Safety at work promotion program	YES
Percentage participation by collaborators in internal safety committees	50% (6 employee and 6 employer representatives)



❖ Our collaborators.

Care of health, safety and working conditions	
Average percentage absenteeism	4.42
Number of accidents and injuries at work	Total :95 37 CLSA personnel 58 contractor's personnel
Days lost	Total: 1053 307 CLSA personnel 746 contractor's personnel
Fatal accidents or those resulting in permanent incapacity	0

■ Voluntary work “Construyendo Voluntades”

In mid 2006 the “Construyendo Voluntades” program was started, involving a group of employee volunteers identified with the most acute needs of people with low incomes. This group helped to solve certain immediate material and/or humanitarian needs in zones adjacent to the company. They offered talent, resources and time in a completely disinterested manner.

Several campaigns were carried out during 2008, including:

- School equipment collection campaigns.
- Campaign to combat the cold (jackets for children).
- Christmas 2008 campaign.

Construyendo Voluntades encourages solidarity and team work among our collaborators.

Collaborators and families

Cementos Lima encourages its employees and their families to take an active part in various activities, programs and social projects in order to achieve integration and create a joint business and family identity.

In 2008 the spouses and children of our collaborators took part in our “Knowing the Factory”, program, New Year celebrations, a children’s party, internal volleyball tournament, the “useful holidays” program and football academy.

Community

Our commitment to social development is reflected in our active participation in the fight against poverty. This has led to the consolidation of our business and its social responsibility with all those involved, based strictly on a sense of ethics.

Thus we have established public, private and civil alliances aimed at encouraging local economic development, counteracting vulnerability, creating jobs and income, social infrastructure, participation in public debates and the fight against poverty, among other things.

We have also continued to take part in various forums for dialogue and collaboration, such as the Round Table for Fight against Poverty in Southern Lima, the Association of Municipalities of Southern Lima (AMASUR), the Urban Agriculture Forum for Villa Maria del Triunfo, as well as local environmental committees in Tablada de Lurin, Nueva Esperanza and Jose Galvez in the district of Villa Maria del Triunfo.

During 2008, 378 activities took place (1,118.5 hours in total) including training and working meetings in our Training Centre, distributed among the different programs and projects aimed at strengthening and empowering human capital.

The Training Centre of Formation took part in activities directly organized by different members of the community, who were provided with suitable spaces for their objectives.

■ Educational and cultural programs

The purpose of these programs is to improve the quality of teachers and students in state schools, by means of sustainable and repeatable projects. The educational projects were implemented in alliance with the public and private sectors and civil society, within the framework of the National Education Project and the Ministry of Education's Emergency Education Plan. It seeks to benefit all children between 3 and 12 years of age (kindergarten and primary).

In order to meet this objective, we have implemented the following educational projects:

Reading comprehension in urban and rural areas

We are convinced that reading comprehension plays an important role in the development of children's communications skills. The general aim is, on the one hand to improve reading comprehension among children and, on the other to make teachers and young people responsible using a participatory approach. For this they are provided with the teaching tools and strategies necessary to improve reading comprehension and thus benefit pupils and teachers alike, as well as encouraging the habit of reading to enable them to perform adequately in a globalized world.

Reading comprehension results (in urban schools).

- Eight schools and 137 teachers identified with the proposal.
- Links between schools through exchanges of experiences.
- 90% of the teachers considered the workshops to be VERY GOOD.
- 20 schools have implemented the Reading Plan.
- Eight schools and 135 teachers have produced texts.

Reading comprehension results (in rural schools).



❖ Reading comprehension Parade in the district of Villa Maria del Triunfo – southern Lima.

- The project involved the community in general (parents, children and young people, teachers and head teachers, etc.).
- 77% of the children use both oral and written narratives.
- 80% of young people can construct opinions and make up their own stories.
- 100% of young people were involved in summer reading workshops.
- 84% of teachers have improved their levels of reading comprehension.
- Six teachers have produced a book with drawings by their pupils.
- The project incorporated an environmental component in all its subjects.

Mathematics for All

The purpose of this program is to increase the level of mathematical skills. This methodology, used in German schools, consists of teaching mathematics using situations or examples from real life. Teachers are shown the strategies necessary for this new methodology, which also updates, motivates and creates supporting links between teachers from different schools.

It also promotes the creation of “book banks” in schools, so that pupils have high -quality educational materials at hand.

Results of the Mathematics for All program:

- Establishment of performance indicators for teachers and pupils.
- Performance evaluation for pupils in 3rd and 6th grade of primary school.
- Five working meetings with Local Educational Management Unit N°01 (UGEL 01) that made progress with the program.
- Twenty three quality circles formed to strengthen the program and make it more efficient.
- Improvements in mathematical performance by pupils in our network of twenty three schools.

RUM RUM Explorador

This is a methodological and participatory program for children under seven years of age. Its aim is to develop skills through play and exploration in a bus.

Results of the RUM RUM EI Explorador program:

- 90% of teachers have drawn up and submitted their projects.
- 206 children learned directly from scientific experiences in four visits to the bus.
- Teachers incorporated active methodologies with elements from the zone.
- Three round tables were held for head teachers, UGEL 01, Caritas Gracianas and Asociacion Atocongo.

-
- Parents became involved in the projects and activities with their children.
 - A monitoring system was created for educational projects to be used by UGEL 01.

Art and the Children and Young People of Pachacamac

Within the framework of a strategic alliance between the association DECLARA and Asociacion Atocongo, the “Art and the Children and Young People of Pachacamac” project was continued for a further year.

The project has stimulated the artistic abilities and human development of children and young people with few opportunities in the district of Pachacamac by using the common language of art.

- DECLARA has been achieving synergies with different actors such as the UARM, which provides its premises for workshop sessions.
- DECLARA is part of the qualifying panel for the Santuario de Amancay Drawing Competition 2008.
- Qualitative indicator implicit in “results of level of commitment”.

Young People can Change the World

This is a program which was implemented as a pilot scheme in 2008, aimed at developing social skills in children and adolescents to enable them to respond positively in situations of risk. The principal activities carried out were: design and adaptation of instruments and materials for training, monitoring and evaluation; training young people of the zone as facilitators; implementation of social skills workshops by young facilitators for children in the 4th, 5th and 6th grades of primary education; methodological workshops aimed at enabling teachers to spot risky conduct in advance. Workshops were also arranged on the use of tools for developing social skills among parents.

Results of the “Young People can Change the World” program:

- Development the skills of five young leaders in southern Lima at running workshops for children and adolescents.
- Beneficiaries: 511 children.
- 239 teachers attended the workshops and received tools for the prevention and detection of cases of violence.
- 266 parents attended the different workshops on the same subject, to acquire tools that can be used effectively in the home.

Environmental education

The aim is to promote a program in which different actors in the field of education take an active part, helping with the integral education of schoolchildren in harmony with the environment. The important strategy of the project was to maintain the commitment by head teachers, teachers, pupils and parents to the environment and thus to those in education. Other activities took place, such as field visits to Amancay Sanctuary (a protected area with Cementos Lima responsible for its conservation) and the “Amancay Sanctuary” drawing competition in which children have an opportunity to express their relationship with the environment.

Results of environmental education:

- 174 plots of land implemented in 13 educational institutions.
- 987 students, 138 teachers and parents involved in implementing organic gardens.
- 63.4% of teachers and 75% of students use the organic gardens to complement other lessons.
- 74% of the plots are constantly cared for, watered and cleaned.
- 75% of students incorporate the values of responsibility and punctuality.
- 580 pupils understand the value of the “Flor de Amancay” and the ecosystems of the sanctuary.
- Pupils express their emotions through art and drawing.



❖ Children of School N° 7040 harvesting the organic garden.

Despite achievements in this field, the lessons learned have encouraged us to face new challenges that are relevant to education in our country:

- ■ We are trying to establish agreements with the teachers' union in order to create awareness of the importance of education and thus increase participation in teaching children.
- ■ Furthermore, although the central government is improving the skills of teachers, they have still not reached hoped-for levels. Added to this problem is the need for infrastructure and teaching aids to meet the challenges of the 21st Century.

All of this means that the quality of education in Peru does not meet the standards necessary for young people to respond efficiently to the challenges of ever greater globalization.

We are also working on five cultural programs:

Visits to the Museum of Art in Lima City (MALI)

These visits to the Museum of Art have introduced 800 pupils and 40 teachers from 20 state schools in southern Lima to an active learning environment that gives participants a new and significant experience of Peruvian art.

“My Theater Workshop”

This program uses a methodology in which, using dramatic games, participants overcome the obstacles facing them because of their age. The idea is to mount a show to demonstrate their acting talents using techniques based on the theater (corporal expression, vocal expression and reading).

Results of the My Theater Workshop program:

- ■ Enthusiastic participation by pupils in rehearsals and participation in the Museum of Art in Lima (MALI) 2008 competition.
- ■ Eleven casts (three from secondary schools and eight from primary schools) involving a total of 132 students from eight educational institutions.
- ■ The CCFF provides sufficient space for rehearsals and the whole program improves pupils' self esteem.
- ■ IE 3029 “Bartolomé Mitre” won fourth place in the primary school category of the MALI 2008 competition.

“Ritmos de Nuestra Tierra”

In order to reappraise the roots of our national identity through cultural activities such as dance, for the sixth consecutive year Cementos Lima organized the 6th School Dance Competition “Ritmos de Nuestra Tierra 2008”. This program is aimed at 1st, 2nd and 3rd year secondary school students in state and private



❖ Winners of the 6th folk dance Competition "Ritmos de Nuestra Tierra", The school "Jorge Basadre" with "Los Tolones de Rupa Rupa" dance - San Juan de Miraflores.

schools in the districts of Villa Maria del Triunfo, Villa El Salvador, San Juan de Miraflores, Lurin and Pachacamac; around 70 schools took part.

In an extraordinary display of talent and commitment, the 1st, 2nd and 3rd year students of schools N° 6089 (Jorge Basadre Grohmann in San Juan de Miraflores) and N° 6069 (Pachacútec in Villa El Salvador) won first and second places respectively in the State Schools category, while the first place winner in the Private Schools category was San Salvador school in Pachacámac followed, in second place, by Kerpen Horren school in Villa María del Triunfo.

Amancay Sanctuary (Business Creativity Award 2006).

At Cementos Lima we believe it is important to carry out our activities in harmony with the environment. In this case, on one of the company's concessions in Pachacamac, covering an area of approximately 50 Has., a program for conserving and protecting biodiversity of the 'lomas' seasonal ecosystem. The program also promotes research to give educational institutions such as schools and universities better knowledge of the vegetation of the zone.

Results of the Amancay Sanctuary program:

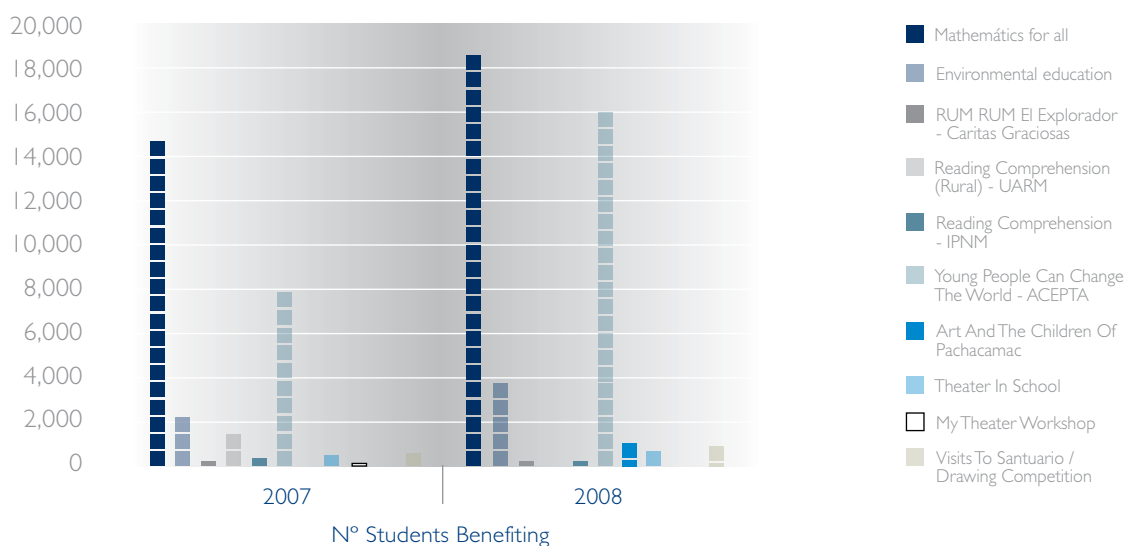
- ■ Creation of a space for research and culture.
- ■ 1,446 people visited the sanctuary, 16% more than in 2007.
- ■ Twenty two schools visited the sanctuary, fifteen from the AA network.
- ■ A total of 846 school pupils visited the sanctuary compared with 722 in 2007.
- ■ 100 students from four universities also made visits. There were also visits by 400 people from private institutions.

Pueblo Viejo and Tablada de Lurín

Cementos Lima provides technical and professional support for university students from Peru and abroad in preparing their theses. Through an alliance with the Catholic University of Peru, we are implementing archaeological research projects

in Pueblo Viejo and Tablada de Lurín. The work carried out at Pueblo Viejo has clarified a number of questions on land management and use of the environment in areas of seasonal vegetation or lomas.

N° OF STUDENTS BENEFITING COMPARISON 2007/2008



■ Infrastructure

The infrastructure program aims to promote development through grass-roots organizations and district social organizations. The idea is to promote a culture of solidarity and sustainable development in which the individual is the driver of his own development.

Thus social infrastructure has been developed to consolidate the active participation of the community, and we have contributed technical support and donations of cement and other materials in order to improve state schools and the water and drainage system. Proposals submitted by the community are carefully evaluated to make sure that our contribution and technical support is used effectively and efficiently in the projects proposed.

2008 posed a significant challenge to us in terms of intervention in other sectors. The results have been positive as, once more people demonstrated their management ability in works of great importance to their communities (retaining walls, footpaths, community halls and classrooms, among others). We provided 156,826 bags of cement for these social infrastructure projects.

Building Peru program

We took part in the Building Peru program (a central government initiative) through a strategic alliance for infrastructure work, in order to improve the quality of life of people living in extreme poverty in the highest parts of developing districts in the south, north and east of Metropolitan Lima. One of the largest projects was the remodeling of Cerro San Cristobal (which faces the Presidential Palace).

This program provided temporary work for the inhabitants of beneficiaries of the program (unskilled labour – USL).

It also improved the security of homes in poorer communities. Furthermore, the construction of retaining walls through the program facilitated the development of piped water and drainage projects, benefiting thousands of extremely poor families in Lima.

As far as work on roads and footpaths was concerned, we facilitated communication and safety for the population. Around 33,172 inhabitants benefited.

Social infrastructure program with local governments in southern Lima

Cementos Lima has always had an excellent relationship with the local authorities in its area of influence, and for several years has reached agreement with them to implement urban development and social infrastructure projects that benefit their communities.

All these projects are evaluated and supervised, both by the technical departments of each municipality and by our technical team, which also provides technical advice throughout the process.



❖ Construction of footpaths by "Zoila de la Torre" Mothers Club (Group 18 Sector 3, district of Villa El Salvador - southern Lima).

The projects range from parks and footpaths to retaining walls, sewers and potable water supplies. We also help to improve public spaces (footpaths, stairways, parks, community centers and sports facilities). The aim of all this is to improve the quality of life of the community. Our contribution during 2008 was around 92,500 bags of cement.

The results achieved show us that local authorities work closer to the population when the latter is willing to provide unskilled labor.

Social infrastructure program with other local governments

During this year a number of infrastructure projects were implemented in coordination with local governments in northern and eastern Lima, who, like their equivalents in the south of the city, provided technical facilities for projects together with the local population.

Particularly noteworthy was the work of the Municipality of San José de los Chorrillos, in southern Lima, which, together with the local population, a reservoir for 150,000 m³ of water, which will benefit around 280 people in 56 families in the communities of Acurana and Avicucha, most of whom live by farming and raising small animals.

Program to strengthen state schools

The aim of the project was to improve the infrastructure of non-school primary education programs (PRONOEI) the districts of Villa María del Triunfo and Villa El Salvador in southern Lima. Thanks to an alliance with NGO Tierra de Niños and the Ayda en Acción foundation, children aged 3 to 5 now have adequate classrooms for their schooling.

Recreation areas program in Villa El Salvador

The objective of this program was to create family recreation areas on public land, together with the local population.



❖ Carlos Ugás G.M. from Cementos Lima S.A., a representative of the Capuchin Friars, Miguel Ayllón from ABC, Mr. Enrique Cornejo, Minister of Housing, Mr. Abraham de La Cruz, Mayor of Sunampe together with the beneficiary, victim of the 2007 earthquake in the district of Sunampe - Chincha.

Local people also took part in coordination meetings aimed at informing the community of the benefits of the work in question (safety, cleanliness, recreation) as well as providing their own designs for the recreation areas.

Cementos Lima is committed to the reconstruction of the south

On the 15th of August 2007, Peru suffered a powerful earthquake, which affected the provinces of Cañete, Pisco, Chincha and Ica. In this emergency, Cementos Lima donated to the central government 200,000 bags of cement valued at approximately three million nuevos soles.

Reconstruction projects were also carried out in different affected zones:

- ■ In alliance with the Peruvian Congress, the NGO Ayuda por el Bien Común - ABC and under the management of Asociacion Atocongo, 72 prefabricated housing modules (35 m² each) were installed using the concrete slab construction method (one day to build).
- ■ Under an agreement with Instituto Rural “Valle Grande”, 22 housing modules were built in the province of Cañete.
- ■ Together with AAPROSIP-TDN, classroom modules were built in Cañete for pre-school-age children to ensure a solid basic education in company with their parents and teachers.

In accordance with a commitment to help those affected and as a means of direct aid, between February and December 2008 we granted a 10% discount on the price of bags of cement bought by those with a certificate granted under Emergency Decree 023-2007 making economic and social aid available to those affected by the earthquake and a Banmat (Banco de Materiales) VISA card.

For this purpose we drew up a list of Progre-Sol secondary distributors and authorized hardware stores (points of sale) in the provinces of Cañete, Chincha, Pisco and Ica. In June 2008, the Sodimac chain in Ica joined the list of sale points offering this discount.

The results show us that this year we intervened for the first time in the northern and eastern cones of Lima. Our intervention in the zone affected by the earthquake (Cañete, Pisco, Nazca, Chincha) also increased.

We implemented community projects in the following districts of Lima's developing suburbs:

- ■ **Lima South:** districts of Villa Maria del Triunfo, Villa El Salvador, San Juan de Miraflores, Lurín and Pachacamac.
- ■ **Lima North:** districts of San Martin de Porres, Los Olivos, Puente Piedra, Comas, Carabayllo and Independencia.
- ■ **Lima East:** districts of San Juan de Lurigancho, Ate Vitarte and Santa Anita.

We also carried out emergency projects in the zone affected by the earthquake in the south of the country: Chincha, Pisco, Nazca, San Luis de Cañete and San Vicente de Cañete.

These years of experience show us that the community is organized to address these difficulties (such as physical and legal cleansing by the Ministry of Housing and building permits issued by local authorities) as well as a lack of resources for development projects.

But what is certain is that despite these difficulties, we will seek to spread a culture of solidarity and sustainable development that sees local people as in control of their own progress. We believe that it is essential to provide infrastructure that helps to improve the quality of life at the base of the pyramid.

■ ■ **Economic development and local management**

Our commitment is to generate opportunities that can be used by the community to strengthen its capacity in the search for self-development. With this in mind, we have made strategic alliances with international aid donors and civil organizations, among others, and have sought to maintain the fight against poverty and to promote the development of social organizations.

Strengthening institutions

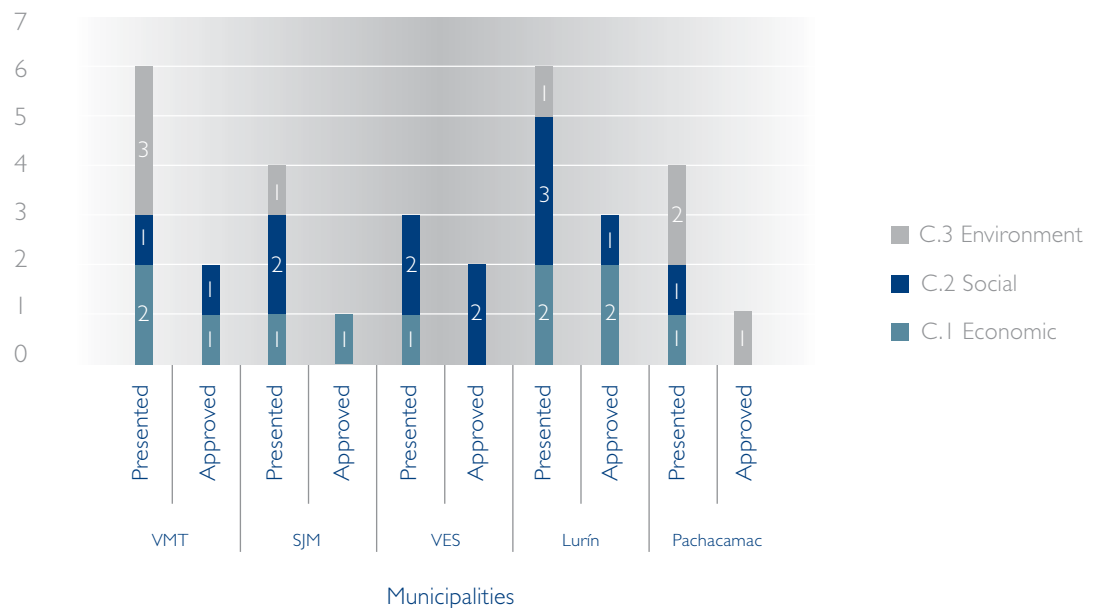
With the objective of promoting and social development projects in the districts of southern Lima, Cementos Lima has signed agreements with the municipalities of Villa Maria del Triunfo, Villa El Salvador, San Juan de Miraflores, Pachacamac and Lurín.

These project initiatives and the framework of the agreements concern education, social infrastructure, achievement and care of the environment, among others. The local community takes part in all of them, in order to maintain transparency in local government and private industry.

■ ■ First local government competition

Within this framework of alliances and work with local authorities, the first project competition was held with the participation of the districts of Villa Maria del Triunfo, Villa El Salvador, San Juan de Miraflores, Lurín and Pachacamac, to implement nine selected projects.

PROJECTO BY DISTRICT





❖ Recyclers at Tablada de Lurín in the district of Villa María del Triunfo - southern Lima, hard at work.

■ Selective collection of solid waste

Together with three zonal environmental committees (CAZ) from the district of Villa María del Triunfo In Lima, we have strengthened a project for the selective collection of solid waste in Tablada de Lurín, José Gálvez and Virgen de Lourdes.

Each CAZ has drawn up its own working plan so that it has clear objectives that are sustainable for its community.

They have also taken part in various workshops, obtaining training in subjects such as biosafety and solid waste handling.

The committees are made up of company professionals (engineers from the plant safety and environment departments) and from social work professionals.

The municipality of Villa Maria del Triunfo played a particularly important role.

One of the most important aim achieved during 2008 was the creation and legal registration of the Association of Recyclers of Villa Maria del Triunfo.

■ **Local Sustainable Environmental Management certification - GALS**

Care for the environment is a priority throughout the world; so in five municipalities in southern Lima (Villa Maria del Triunfo, Villa El Salvador, San Juan de Miraflores, Lurín and Pachacamac) we have encouraged applications for local environmental management certification from the Environment Ministry.

- The five municipalities received advice and training before applying for GALS certification.
- The five municipalities submitted their applications on the 28th of November 2008, having met the necessary requirements.
- Five environmental commissions (CAM) are now up and running, covered by municipal by-laws as well as an environmental plan and agenda.

We have also drawn up an emissions map monitoring report for the five districts.

■ **Creation of opportunities for people with disabilities (PWD)**

This initiative is aimed at a vulnerable and excluded sector of the population: the disabled, and and promoting employment by creating opportunities in

the labour force and micro-businesses for low-income PWD, through linking supply and demand in the labour market and among micro businesses.

The project is being implemented thanks to an alliance between us and the IDB and EDAPROSPO and during 2008 it benefited 160 people and 50 companies. In addition, 100 PWD received training in employability, 60 received training for work and 250 SMEs involved PWD in their businesses.

■ ■ **Development of the market for integral management of solid waste**

At the end of 2008 we were able to enter into a strategic alliance with the IDB, the Ciudad Saludable NGO, PEPSICO and local authorities in southern Lima aimed at developing a market for the integral management of solid waste. The objective is to help to improve economic and employment opportunities for recyclers and their associations. It will also serve to strengthen the management of solid waste recycling by small and medium enterprises (SMEs) in alliance with private companies and municipalities.

Innovative initiatives for preserving the environment.

This program is being implemented by an alliance between the United Nations' Small Donations Office and Asociacion Atocongo, which, joining forces, seek to strengthen the abilities of grass-roots organizations at managing and sustainable use of biological diversity, as well as preventing deforestation and desertification, progressively eliminating toxic agrochemicals and reducing the negative effects of climate change through innovative and participatory local initiatives.

Thus we are promoting active participation by people in community projects to recover and preserve traditional knowledge and practices relating to the preservation of biological diversity and activities that are environment-friendly, socially equitable and economically profitable and sustainable. We are also involved in projects that encourage the sustainable use of endangered

native species of flora and fauna, and/or those of importance as foodstuffs and for economic reasons, and the transformation and trading of promising added-value products in the local area. Finally, we are involved in the conservation or restoration of unique ecosystems or those of local or regional importance.

For the fourth consecutive year we are implementing 18 projects in alliance with grass-roots organizations in southern, northern and eastern Lima. Seven projects qualified in the 5th application of this program, and will be implemented in 2009.

The program has benefited, among others, 25 grass-roots organizations, three educational institutions, eight environmental committees and around 755 families.

Training for work

The objective of the training for work program is to create educational opportunities for developing technical and productive skills in young people and adults (particularly women, who are marginalized in the urban periphery, in order to raise their self esteem).

It also attempts to create productive skills through modular training workshops that encourage learning and achievement, and strengthen values.

During 2008 the training for work program was implemented in two places:

- ■ Atocongo (district of Villa María del Triunfo), where modular courses such as hotel and tourism, aesthetics, screen printing, electronics and handicrafts were taught.
- ■ Rural villages (district of Pachacamac), where hotel and tourism courses were given.



❖ Exhibition and sale of products made by pupils of the "Training for Work 2008" program during the closing ceremony.

The workshops were provided with the equipment necessary, as well as extra-curricular experiences such as exchange visits to prestigious universities, participation in fairs, etc.

We also made use of qualified professionals from technical education centers (CETPROS) located in southern Lima, with which we have an alliance.

Scholarships – technical careers

These scholarships are for professional training in computing (39%), computer assembly (13%), cosmetics (18%), health (13%), electronics (13%) and electricity (4%).

They strengthened the self esteem of the young people involved and developed their oral expression skills and behavior. They now display a more open and sociable attitude.

Income generation and young people

The AA also promotes economic and social development through projects leading to income generation, a spirit of achievement and leadership skills among the population, especially young people and social organizations. Two projects were implemented in 2008:

■ “Good Voice” – young leaders

This project consists in training young leaders in Lima, who will use the premises of sustainable development to transform their communities, neighborhoods and districts in a constructive manner.

During 2008 GoodVoice was implemented in five educational establishments in southern Lima.

■ Socioeconomic and labour studies project

This project was started in 2008 in conjunction with the Socioeconomic and Labor Observatory - Lima South / Ministry of Labour as strategic partner and executive authority.

The objective was to research socioeconomic and labor matters that would guide local policies and the intervention of Asociacion Atocongo itself. This year the following studies are being carried out:

- Characterization of labour in southern Lima.
- Lack of skills in southern Lima.
- A study of labour exchanges and their connection with the labour market.

In this line of work the commitment and good will of local governments is essential; nevertheless the high rotation of municipal officials makes the project difficult to develop.

On the other hand the process of empowering social organizations is providing its first fruits and the organizations are laying the foundations of their own self-development. Nevertheless, ignorance of matters such as internal democracy, planning, transparency and association with other organizations makes this a slow process.

Another major difficulty we face is the lack of information, which makes the planning of labor training among young people harder and affects the decisions taken by businessmen who require local labor. This lesson and the reality we face suggests that it is necessary to develop socioeconomic studies that will generate timely information for local governments, the education authorities, training centers, companies and the public at large, and especially for young people and the unemployed who need to update their skills.

Clients

Part of our growth is the result of our relationship with our clients, because they are part of Cementos Lima's business plan and are integrated into the company's value chain.

At Cementos Lima we seek a confident relationship with our clients and to that end we use ISO 9001 certification as a tool that enables us to provide a quality service to international standards.

Thus, in 2008 Cementos Lima, aware of the importance of the relationship with our clients, created the "Progre-Sol Network".

■ Progre-Sol network of secondary distributors

Cementos Lima is a company that prioritizes the welfare and development of its clients. Therefore, in June 2008 the company created a strategic-commercial alliance with more than 120 hardware stores in the departments of Lima, Ancash, Ica, Ayacucho and Apurimac, describing them as secondary distributors.

the purpose of this program is to professionalize the management of the hardware business in order to obtain results that benefit the company, the hardware store clients and end users, within a win-win philosophy.

One of the outstanding results of the alliance is an improvement in client relations management as clients are taught to provide a service that adds value and a higher sales margin (price structure), noticeable improvements in image inside and outside each store by painting the facades and rearranging materials, proper inventory management and the provision of integrated invoicing and management information systems.

These benefits have made them into independently successful businesses that are more professional and competitive with the large store chains.



❖ A quality service for our clients: the Progre-Sol Network.

■ Training for builders and self-builders

One of the benefits to hardware stores belonging to the Progre-Sol secondary distributors network is the series of training talks on the building industry for builders and self-builders.

These talks are given by properly trained civil engineers in the different Progre-Sol network stores (more than 120 stores) and their purpose is to increase knowledge by creating a culture of responsibility during the building work.

■ Market distribution

Our sales system is based principally on the distributors, who sell our products to wholesalers, secondary distributors and hardware stores in general.

Sales to this network consist mainly of cement in bags; cement in bulk is sold directly to concrete manufacturers.

Market	Segment	Market share by sales
CEMENT	Distributors	75.8
	Public sector	0.1
	Concrete manufacturers	19.6
	Others	4.5

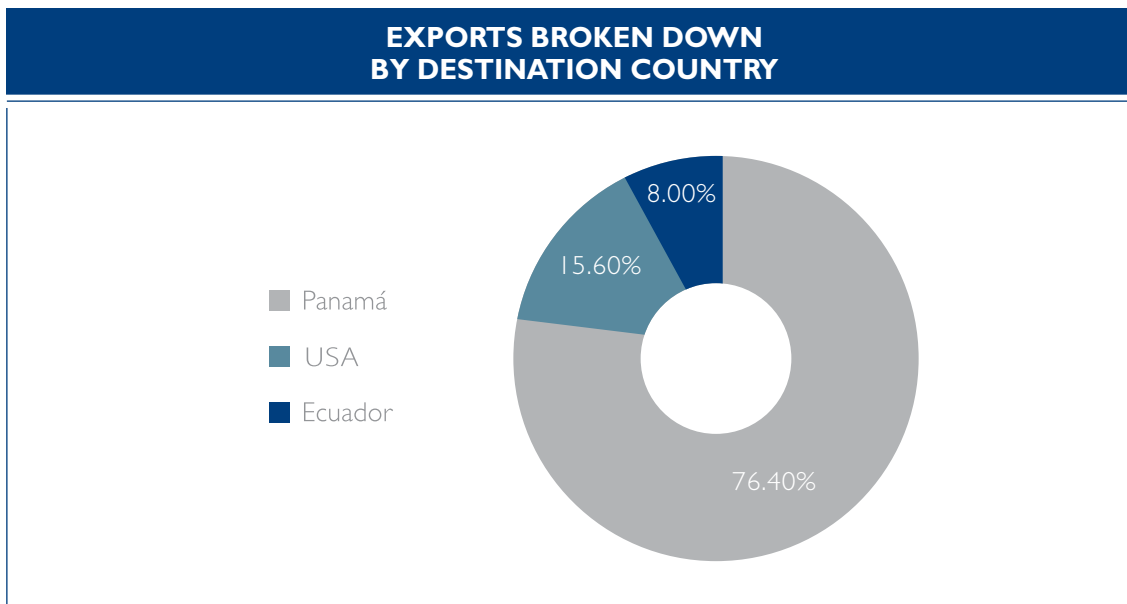
■ Exports

Exports in 2008 amounted to 398,608 t, a figure 42.7% lower than that for 2007, which was 695,595 t.

The main destination for our exports in 2008 was Panama, which took 76.4% of the total tonnage exported, followed by the United States with 15.6% and Ecuador with 8.0%.

Furthermore, of the total dispatched, 336,292 t or the equivalent of 84.4% was clinker, whilst the remaining 15.6% (62,316 t) was cement.

Exports by country of destination are shown below:



Suppliers

The service we receive from our suppliers prioritizes good relations and an exchange of good practices.

We thus require our suppliers to implement good practices in their businesses to align with our commitment and the requirements of the United Nations Global Compact, which we signed in 2004.

These good practices relate to compliance by suppliers with social and labor legislation applicable to all of our employees.

The idea is that we are aligned with our suppliers and share our companies' social responsibility, which, in the medium and long term, will result in improved production processes, better management practices and cost savings.

At present, Cementos Lima has 7,800 Peruvian suppliers and 1,400 foreign suppliers; these include critical suppliers who provide products that, one way or another, affect the quality of our products or affect the production process.

Government

We as a company are committed to the development of the country. From our foundation we have complied promptly with our obligations to the different entities of the State.

In 2008 we paid taxes amounting to S/.137'148,645. Of this contribution, S/.87'303,819 represents income tax and S/.49'844,826 represents value added tax.

Furthermore, we have links and commitments to the Peruvian Congress, the Ministry of Labor and Social Promotion and the Ministry of Education, through the corresponding local education management unit, as well as government agencies involved in infrastructure projects and education, aimed at human development

and skills training for thousands of people living in poverty and extreme poverty, all within a framework of institutional agreements in accordance with sector, national and local policies.

The environment

Aware that our operations generate impacts on the environment, at Cementos Lima we are heavily committed to preserving it. For that reason we recognize the importance of identifying and evaluating our impacts, so that we can take steps to harmonize the company's development with good management of natural resources. We therefore have first-class professionals, infrastructure and the latest technology with which we can manage our environmental aspects within a framework of sustainable development.

We have nineteen management instruments including environmental impact studies, update and management programs and sworn statements, etc.

All of these have been approved by the competent environmental authority, which is the Ministry of Production. Thus the company carried out its activities with the environment in mind, in accordance with the commitments assumed in each instrument and with the policy included in our integrated management system.

■ Environmental monitoring program

Air quality

We continued to monitor air quality in our production units during 2008, in accordance with the monitoring program established in each management plan for the environmental instruments used by Cementos Lima.

The aim is to evaluate the influence of the plant, quarries and port operations on the air quality of their areas of influence by comparison with air and noise standards included in current Peruvian environmental legislation.

The production units have air quality monitoring points at the factories and quarries at Atocongo, our port facility at Conchán and the Cristina, Las Hienas, Virgen de Fátima and Las Dunas mining concessions.

Emissions into the atmosphere

The cement manufacturing process includes several systems for reducing particle emissions, such as multi-cyclones, sleeve filters, collectors, mist system dust control, electrostatic precipitators, etc.

As in previous years, in 2008 we monitored gaseous emissions and carried out isokinetic sampling of particulate material in the plant's chimneys, to find out whether they are working properly and efficiently to produce cement in a cleaner way.

The above-mentioned reference values and emissions from Cementos Lima for 2007 and 2008 are shown below:

Maximum permissible limits				
Parameters	Country	Regulations	Kiln	MPL
Particulate Materials	Peru	SD N. 003-2002-PRODUCE	Existing	250 mg/m ³
			New	150 mg/m ³
Sulphur dioxide SO ₂	Peru	Draft regulation	Existing	2,000 mg/Nm ³
			New	1,200 mg/Nm ³



❖ Monitoring emissions from the chimney of Clinker Press 3.

■ Energy efficiency

At Cementos Lima we are concerned to reduce internal energy consumption. Therefore we have developed the following initiatives:

Type of energy	Percentage energy use	Total energy consumption
Electrical (installations)	10.23 %	321,368,488 kW-h
Thermal (kilns + GEA)	89.75 %	2'820,239,711 kW-h
Renewable (groundwater)	0.02 %	734,520 kW-h

Gaseous emissions and ozone-layer-damaging substance				
	2007		2008	
	Kiln I	Kiln II	Kiln I	Kiln II
Percentage (%) of cement kilns with a monitoring system for the principal contaminants	100	100	100	100
Specific dust emissions (mg/cubic metre)	25.6	23.6	60.3	47.5
Specific NOx emissions (mg/cubic metre)	580.9	278.3	300.1	462.7
Specific SOx emissions (mg/normal cubic metre)	1,256	1,459	1,521.7	1,754.1

■ Initiatives for reducing energy consumption

Renewable energy initiative	
Indicator	Description
"El Platanal" hydroelectric station	This project is located in the provinces of Yauyos and Cañete, in the department of Lima.
Description of the initiative	Cementos Lima, in association with another two companies is implementing, through a company called CELEPSA, the multi-sector "El Platanal" project in the basin of the River Cañete. The project consists of electricity generation from two hydroelectric plants.
Aims of the initiative	To generate renewable electrical energy from dammed water.
Installed capacity for renewable energy	"El Platanal" hydroelectric power station will make use of the waters of the River Cañete to generate approximately 1000 GWh/year and an estimated power of 220 MW.
Project to reduce non-renewable energy sources	Approximately 5% of thermal energy.

■ Efficient use of water

Water is a renewable resource used by Cementos Lima in its production process, irrigation of parks and gardens and in its offices and camp.

This water is drawn from a subterranean source through two wells located at “Las Palmas” in the Lurín valley, 5.0 Km. from the plant. The water is pumped to storage tanks at Cerro La Cruz and Tanque Puquio.

Cementos Lima considers it an important resource for the development of its activities, since without it flue gas particle retention in the sleeve filters and electrofilters would not be as effective and the closed-circuit plant cooling system would not function.

Also, water is required for maintenance of more than 30 Has. of parks and gardens, the fire-fighting system and hygiene services in offices and camps.

■ Initiatives to reduce fresh water consumption

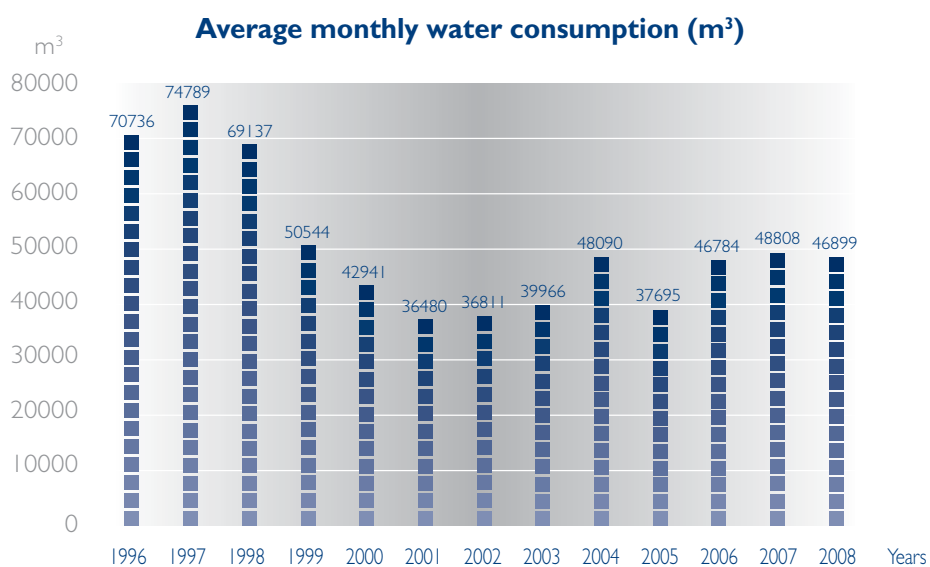
- Implementation of an effluent treatment plant to treat 18,000 m³ a month for use irrigating parks and gardens, the fire-fighting system and processes.
- Increase in clinker production capacity from line I, which will reduce the consumption of process water by that gas scrubbing system on that line, which consumes 17,144 m³ a month.

■ Final destination of water employed in the industrial process

At present it is discharged into the sewer system for treatment in oxidation lagoons at a plant located at José Gálvez, in Villa Maria del Triunfo, belonging to Messrs SEDAPAL.



❖ Monitoring water quality and marine sediments at Conchan pier.



Challenges for 2009

Among our challenges for 2009, we will continue with alignment, articulation and integration of corporate social responsibility within the organization's processes and activities.

We will also seek to harmonize our business development with good management of natural resources, articulating and involving local government and community environmental organizations into our management.

All of this will take place within a framework of public environmental policy accelerated climate change and global warming.

We will continue with our vision of healthy communities through the integral strengthening of collective skills, social capital and democracy in social organizations, as well as persisting with projects in the fight against poverty, such as education, culture, infrastructure, income creation and health, among others.









“Our business sustainability reflects our **ethics as corporate practice** throughout our value chain, ensuring that our **CSR activities are transparent** and using the **Global Reporting Initiative (GRI)** for the second consecutive year”

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1.2	Description of the principal impacts, risks and opportunities.		6-7, 10-11, 74
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2.4	Location of the organization's registered office.		10
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2.10	Awards and distinctions received during the period covered by the report.		N.R.
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3.8 The basis for including information on joint ventures, affiliates, rented installations, subcontracted activities and other entities that could have a significant effect on the ability to compare periods and/or organizations.		N.A.
3.9 Techniques for measuring data and the bases for calculation, including the hypotheses and techniques underlying the estimates used in compiling indicators and other information in the report.		N.A.
3.10 Description of the effect that may arise from a re-expression of relevant information from previous reports, together with the reasons for such re-expression.		N.A.
3.11 Significant changes relating to earlier periods in the scope, coverage or valuation methods used in the report.		N.A.
Index of contents of the GRI		
3.12 Table indicating the location of the basic contents of the report.		82-93
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3.13 Current policies and practices relating to requests for external verification of the report.		N.A.
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Government		
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4.4 Mechanisms available to shareholders and employees for communicating recommendations or indications to the senior governing entity.			N.R.
4.5 Link between the earnings of members of the senior governing entity, senior managers and executives, and the organization's performance.			N.R.
4.6 Procedures for avoiding conflicts of interest in the senior governing entity.			N.R.
4.7 Procedure for determining the training and experience required of members of the most senior governing entity, for guiding the organization's strategy on social, environmental and economic aspects.			N.R.
4.8 Mission statements and internal values, codes of conduct and principles relevant to the economic, environmental and social performance and their implementation.			12, 28-30
4.9 Procedures used by the senior government entity for supervising the organization's identification and management of economic, environmental and social performance, including related risks and opportunities as well as adhesion to or compliance with international standards, codes of conduct and principles.			N.R.
4.10 Procedures for evaluating the performance of the senior governing entity, particularly with respect to economic, environmental and social performance.			N.R.
Commitments to external initiatives			
4.11 Description of how the organization has adopted a precautionary proposal or principle.	7		6-7
4.12 Social, environmental and economic principles or programs developed externally, as well as any other initiative subscribed to or approved by the organization.			28-30, 41-64
4.13 Principal associations to which it belongs and/or national and international bodies that the organization supports.			29, 52-55

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4.16	Approach adopted for including interest groups, including the frequency of their participation broken down by type and category of interest groups.		25
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5 MANAGEMENT APPROACH AND PERFORMANCE INDICATORS

5.1 Economic dimension

Economic performance indicators

Economic performance

EC1	Direct economic value generated and distributed, including income, costs of exploitation, wages and salaries, donations and other investments in the community, benefits not distributed and payments to providers of capital and the government.		
EC2	Financial consequences and other risks and opportunities for the organization due to climate change.	7, 8	70-71
EC3	Coverage of the organization's obligations arising from social benefits programs.		
EC4	Significant financial aid received from government.		N.A.

Market presence

EC5	Range of ratios between standard starting wage and minimum local wage in areas where significant operations are carried out.	6	N.R.
EC6	Politics, practices and proportion of expenditure corresponding to local suppliers in areas where significant operations are carried out.		70
EC7	Procedures local hiring and proportion of senior managers from the local community in areas where significant operations are carried out.	6	32

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EC8	Development and impact of investments in infrastructure and services rendered principally for public benefit through commercial contracts, pro bono or in kind.		51-56
EC9	Understanding and description of significant indirect economic impacts, including the scope of these impacts.		
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EN2	Percentage of materials used that have been valued.	8,9	10-11, 21-22
Energy			
EN3	Direct energy consumption broken down by primary sources.	8	N.R.
EN4	Indirect energy consumption broken down by primary sources.	8	N.R.
EN5	Energy savings through conservation and efficiency improvements.	8,9	70
EN6	Initiatives to provide products and services that are energy efficient or based on renewable energy, and the reductions in energy consumption resulting from these.	8,9	71
EN7	Initiatives to reduce indirect energy consumption and reductions achieved by such initiatives.	8,9	74,75
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EN8	Total water use broken down by source.	8	76-77
EN9	Water sources that have been significantly affected by water use.	8	76-77
EN10	Percentage and total volume of water recycled and reused.	8,9	76-77
Biodiversity			
EN11	Description of land adjacent to or within natural protected areas or unprotected areas high in biodiversity.	8	N.R.

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EN12 Description of the most significant impacts on biodiversity in natural protected areas or unprotected areas high in biodiversity, deriving from the activities, products and services in protected areas and in areas of high biodiversity adjacent to protected areas.	8	N.R.
EN13 Protected or restored habitats.	8	50
EN14 Strategies and action, both planned and implemented, to manage impacts on biodiversity.	8	N.R.
EN15 Number of species, broken down by danger of extinction, included in the IUCN Red List and in national lists and whose habitats are located in areas affected by the operations, by degree of threat to the species.	8	N.R.
Emissions, discharges and waste		
EN16 Total direct and indirect emissions of greenhouse gases, by weight.	8	72-73
EN17 Other indirect emissions of greenhouse gases by weight.	8	72-73
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved.	8,9	73-73
EN19 Emissions of substances damaging to the ozone layer, by weight.	8	72-73
EN20 NO SO, and other significant atmospheric emissions, by type and weight.	8	72-73
EN21 Total discharges of waste water, by nature and destination.	8	76-77
EN22 Total weight of waste managed, by type and method of treatment.	8	76-77
EN23 Total number and volume of the most significant accidental spillages.	8	N.R.
EN24 Weight of waste transported, imported, exported or treated, considered hazardous according to the Basle Convention classification, annexes I, II, III and VIII, and percentage of waste carried across international borders.	8	72
EN25 Identification, size, state of protection and biodiversity value of water resources and related habitats significantly affected by discharges of water and runoff from the reporting organization.	8	72

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Products and services		
EN26 Initiatives to mitigate the environmental impacts of products and services, and degree of reduction of such impacts.	8, 9	71-77
EN27 Percentage of products sold and packaging materials recovered at the end of their useful lives, broken down by product category.	8, 9	N.R.
Regulatory compliance		
EN28 Cost of significant fines and number of non-monetary sanctions for non-compliance with environmental legislation.	8	N.R.
Transport		
EN29 Significant environmental impacts arising from the transport of products and other goods and materials used in the organization's activities, as well as transport of personnel.	8	10-11, 37-38
General		
EN30 Total environmental expenditure and investments broken down by type.	8	50, 56-57, 74-75
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Performance indicators applicable to employment practices and work ethics		
Jobs		
LA1 All employees broken down by job type, contract and region.		30-32
LA2 Total number of employees and average rotation of employees, broken down by age group, sex, and region.	6	32-33
LA3 Social benefits for full-time employees that are not offered to temporary or part-time employees, broken down by principal activity.	6	30-31, 37-38
Company / employee relations		
LA4 Percentage of employees covered by a collective bargaining agreement.	1, 3	N.R.
LA5 Minimum prior warning period(s) for organizational changes, including whether such notifications are specified in the collective bargaining agreements.	3	N.R.

Health and safety at work

LA6	Percentage of total employees represented on joint management-employee health and safety committees established to assist and monitor health and safety at work programs.		35-38
LA7	Rates of absenteeism, work-related illnesses, days lost and number of fatal accidents at work broken down by region.		35-38
LA8	Education, training and risk control and prevention programs applicable to employees, their families or members of the community relating to serious illnesses.		35-36
LA9	Health and safety matters covered by formal agreements with labor unions.		N.R.

Training and education

LA10	Average hours training per year per employee, broken down by employee category.		35
LA11	Skills management and continual training programs to encourage the employability of workers and based on the management of their professional careers.		N.R.
LA12	Percentage of employees who receive regular performance and professional development evaluations.		34

Diversity and equal opportunities

LA13	Composition of the corporate governance and human resources management broken down by gender, age group, minority presence and other diversity indicators.	1, 6	32-34
LA14	Relation between the basic wage for men and for women, broken down by professional category.	1, 6	N.R.

Human rights performance indicators**Investment and supply practices**

HR1	Percentage and total number of significant investment agreements that include human rights clauses or have been subject to an analysis of human rights.	1, 2, 4, 5, 6	N.R.
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HR2 Percentage of principal distributors and contractors that have been subject to human rights analysis and measures adopted as a consequence.	1, 2, 4, 5, 6	N.R.
HR3 Total number of hours training for employees on policies and procedures relating to those aspects of human rights that are relevant to their activities, including the percentage of employees trained.	1, 4, 5	N.R.
Non-discrimination		
HR4 Total number of incidents of discrimination and measures taken.	1, 6	N.A.
Freedom of association and collective bargaining agreements		
HR5 Company activities in which the right to free association and to enter into collective bargaining agreements may be subject to significant risks and measures taken to support these rights.	1, 3	29-30
Exploitation of children		
HR6 Activities that could lead to a potential risk of the exploitation of children and measures taken to eliminate this risk.	1, 5	N.A.
Forced labor		
HR7 Operations identified as posing a significant risk of originating episodes of forced or non-consensual labor and the measures adopted to eliminate this risk.	1, 4	N.A.
Security practices		
HR8 Percentage of security personnel trained in the organization's policies or procedures in aspects of human rights relevant to its activities.	1, 2	N.R.
Right of indigenous peoples		
HR9 Total number of incidents relating to the violation of the rights of indigenous peoples and measures adopted.	1	N.A.
Company performance indicators		
Communities		
SO1 Nature, scope and effectiveness of programs and practices for evaluating and managing the impacts of the operations on communities, including the arrival, operation and withdrawal of the company.	1	40, 66-69

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Corruption			
SO2	Percentage and total number of business units analyzed for risk of corruption.	10	N.A.
SO3	Percentage of employees trained in the organizations anticorruption policies and procedures.	10	N.A.
SO4	Measures taken regarding incidents of corruption.	10	N.A.
Public policy			
SO5	Position in public policy and participation in the development of such policy and lobbying activities.	10	N.A.
SO6	Total value of financial contributions and contributions in kind to political parties or related institutions, broken down by country.	10	N.A.
Competition behavior			
SO7	Total number of legal actions taken relating to monopolistic practices and against free competition and their results.		N.A.
Regulatory compliance			
SO8	Monetary value of significant sanctions and fines and total number of non-monetary sanctions deriving from non-compliance with laws and regulations.		N.A.
Product liability performance indicators			
Client health and safety			
PR1	Phases of the life cycle of products and services in which their impacts on the health and safety of clients are evaluated with a view to improvement, and percentage of product and service categories subject to such evaluations.		N.A.
PR2	Total number of incidents derived from non-compliance with legal regulations or voluntary codes concerning the impacts of products and services on health and safety during their life cycles, broken down by type of result of such incidents.		N.A.

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Labeling of products and services		
PR3 Type of information on the products and services required by current procedures and regulations and percentage of products and services subject to these information requirements.	8	66-69
PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning information and labeling of products and services, broken down by type of result of such incidents.	8	N.R.
PR5 Practices concerning client satisfaction, including the results of client satisfaction studies.		66-67
Marketing communications		
PR6 Programs for compliance with legislation or adhesion to voluntary standards and codes mentioned in marketing communications, including advertising, other promotional activities and sponsorship activities.		N.R.
PR7 Total number of incidents arising from non-compliance with the regulations concerning marketing communications, including advertising, promotions and sponsorship, broken down by type of result of such incidents.		N.R.
Client privacy		
PR8 Total number of justified claims relating to privacy and the loss of personal client data.		N.R.
Regulatory compliance		
PR9 Cost of significant fines deriving from non-compliance with legislation concerning the supply and use of the organization's products and services.		N.A.

Alliances and Participation

Our Partners

- Collaborators of Cementos Lima
- Grass-roots organizations participating in our programs and projects
- Civil organizations
- UNDP Small Grants Program - SGP
- Ayuda en Acción Foundation
- Tierra de Niños
- Grupo de Emprendedores Ambientales (GEA)
- Instituto Apoyo
- Instituto Nacional Pedagógico de Monterrico
- Universidad Antonio Ruíz Montoya
- APRENDA
- ACEPTA
- Asociación Promotora de Educación Inicial Caritas Gracianas
- Asociación Escuela Declara
- Centro de Educación Técnica Productiva “Don Bosco”
- Centro de Educación Técnica Productiva “José Gálvez”
- Centro de Educación Técnica Productiva “Margarita Gonzáles de Dankers”
- Seminario Diocesano Don Bosco – CPR Guayabo - Pachacamac
- Construyendo Perú program
- “Pies Descalzos” Cultural Association
- Ministry of Education – UGEL N° 1
- Ministry of Labour – Observatorio Socioeconómico Laboral
- Ministry of Health – DISA LIMA SOUTH
- Municipality of Lima
- Municipality of Villa Maria del Triunfo
- Municipality of Villa El Salvador
- Municipality of San Juan de Miraflores
- Municipality of Lurin
- Municipality of Pachacamac
- GESTARES
- Asociación Deportiva FUTSAL
- Down Hill
- Red E América
- Perú 2021
- Red de Responsabilidad Social

Platform for Participation

- Asociación Empresarios por la Educación
- Ministry of Education Environmental Network
- Round table for the fight against poverty - Southern Cone
- Association of Municipalities Southern Lima
- Southern Lima Integral Development Plan
- Citizens Safety Committee of Villa Maria del Triunfo
- Round table “Ciudad Productiva”- Villa El Salvador
- Urban Agriculture Forum of Villa Maria del Triunfo
- Urban Agriculture Forum of José Gálvez
- Urban Agriculture Forum of Nueva Esperanza
- Urban Agriculture Forum of Tablada de Lurín



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