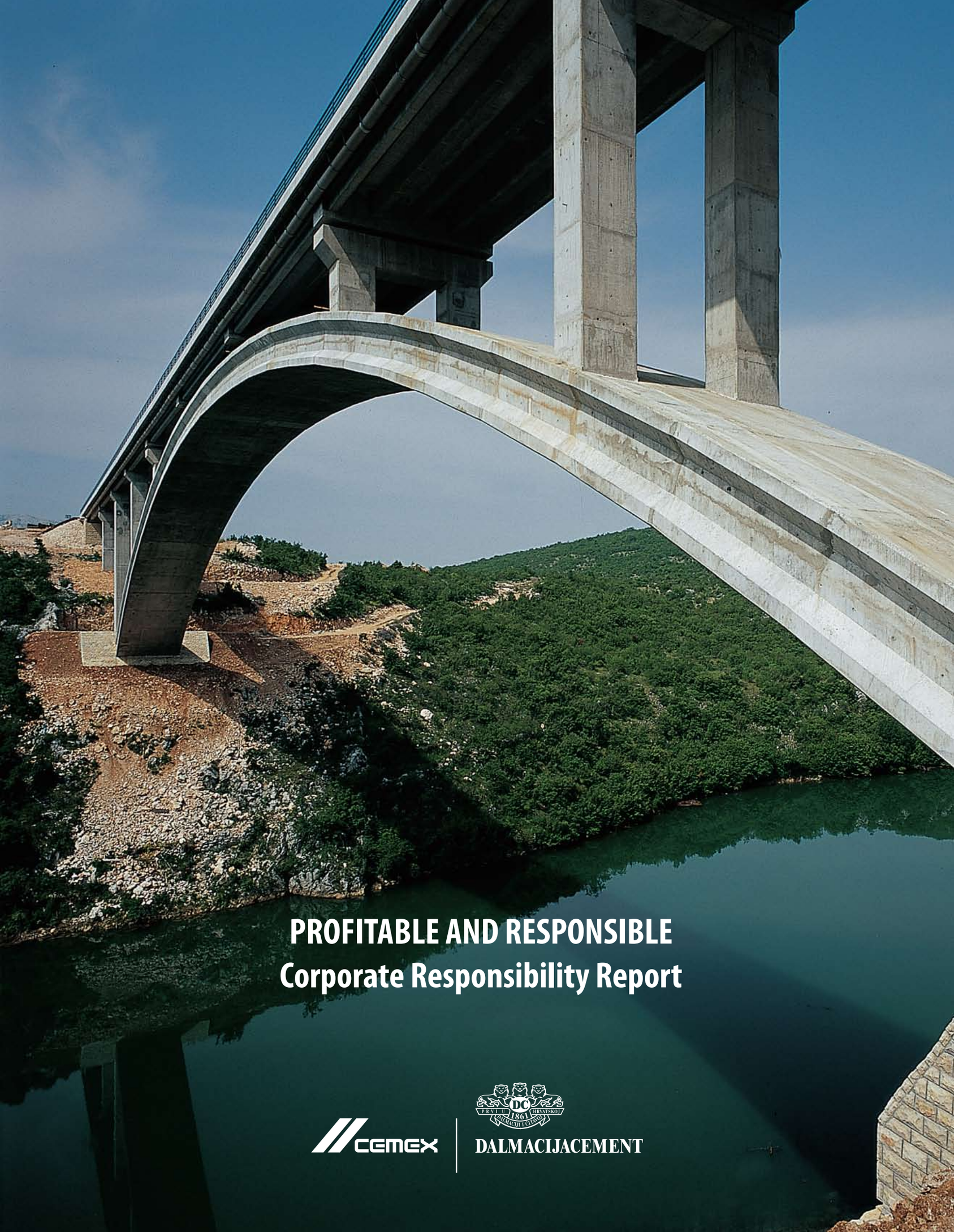


PROFITABLE AND RESPONSIBLE
Corporate Responsibility Report

CEMEX | DALMACIJACEMENT

About us

OUR BUSINESS OPERATION AND VISION OF DEVELOPMENT

CEMEX is a fast-growing global company delivering its products and services in more than 50 countries in Europe, Africa, Asia, North and South America and Australia. Founded in 1906 in Mexico, the company has more than 50,000 employees all around the world. In the last two decades, CEMEX has grown to be the leading global distributor of cement, transport concrete, aggregates and related building material. By taking over DALMACIJACEMENT in 2005, and thanks to its 100 years of experience in cement production, the company quickly became the leading cement producer on the Croatian market, with notable presence in other European markets.

DALMACIJACEMENT is guided in its business operation by the principles of the corporate Sustainable Development Policy and the Sustainability Management System. This means that we use these principles in making business decisions and development strategies with the goal of continual advancement of managing the environment, health and safety of our employees, as well as safeguarding our responsible attitude to the community.

OUR VALUES AND COMMITMENTS

Sustainable development as basis for successful business operation

Being competitive in our business operation is our fundamental responsibility. This includes profitable business, offering products and services which meet the criteria of Croatian and international standards, ensuring professional growth, health and safety of our employees, investing in environment protection and decreasing our carbon footprint, as well as advancing the quality of life of the local community.

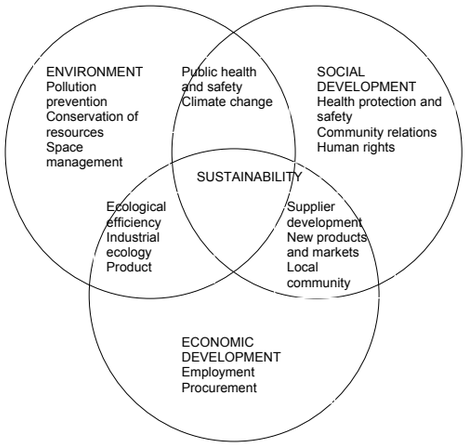


Image 1: Sustainability as a link bringing together all aspects of DALMACIJACEMENT's business operation

Values and commitments

CEMEX's fundamental values are cooperation, integrity and leadership. We believe that good **cooperation** facilitates the decision-making process and contributes to achieving better results. We determine our professionalism by constantly being up to date on latest changes, through efficient exchange of information, and working in teams that share efforts and knowledge. Appreciation, respect and responsibility in all our relationships make us a company of recognized **integrity**. **Leadership** is continually directed towards creating value for our customers, investors, employees, suppliers and local communities. We look to the future and direct our efforts to achieving excellence and competitiveness.

Our mission is to answer the needs of our customers and create value for our owners, so as we can be the most efficient and profitable company. By offering premium products and services, we are building a better world together with our customers, and thus also accomplishing our mission by growing and developing, and being the best choice for our owners within the global building industry.

Initiatives and organizations we are active in – global and local

Cement Sustainability Initiative (CSI)
CEMEX is one of the founders of the Cement Sustainability Initiative with the World Business Council for Sustainable Development (WBCSD). The goal of CSI is to improve global environmental and social indicators in the cement industry, and this is our constant effort with improving results. DALMACIJACEMENT is a member of the Croatian Business Council for Sustainable Development (HRPSOR).

Statement on Sustainable Development – Croatia Cement g.i.u.
As a member of the Croatian Cement Manufacturers Association, Croatia Cement, and as a promoter of sustainable development, on the basis of the World Initiative for Sustainable Development in the Cement Industry, we signed the Statement on Sustainable Development in 2007, committing to contribute to the following in the Republic of Croatia:

-climate protection
-responsible use of energy and raw materials
-lowering emissions
-health and safety at the workplace
-conservation of biodiversity
-cooperation with local communities
-developing socially responsible business operation

Croatian Chamber of Economy (HGK) – Association for Environmental Protection
Membership in HGK enables us access to various useful services, including business information on companies, laws and regulations in the area of

economy and support in enhancing environment protection. The Association for Environmental Protection gathers companies that base their business operation on principles of sustainable development.

Global Compact
On the global level, CEMEX has been a member of the largest world initiative for social responsibility from 2004, and DALMACIJACEMENT is one of the first companies on the Croatian market to have joined the initiative in 2007.

THE GLOBAL COMPACT

Global Leadership Network
In 2005, CEMEX became a member of the Global Leadership Network (GLN), a network of international companies committed to achieving best practices in social responsibility.

Croatian Employers Association (HUP) - Association of Non-Metal, Building Material and Mining
We are members of a specialized association which acts under the auspices of HUP, the activities of which are networking of entrepreneurs in different businesses of various sizes and regional presence with the goal of facilitating the establishing of long-term trust relationship with key stakeholders.

Croatian Air Pollution Prevention Association (CAPPA)
To further contribute to efforts directed towards enhancing air quality, we are members of CAPPA with the Croatian Environment Agency (AZO), thus showing our clear orientation for investment in all segments of environment protection.

CONTENTS

MESSAGE FROM OUR CHAIRMAN 4

OUR BUSINESS 5
Functional units of management
Corporate governance
Strategy for management of sustainable development
Dialogue with stakeholders

OUR MARKET AND ACHIEVEMENTS 10
Our products and services
Operative structure
Awards and achievements in the report period
Our customers

OUR PEOPLE 13
Work relations and dignified work
Employee structure
Professional development
Communication and employee engagement
Health and safety at the workplace
Interpersonal relationships and conduct

OUR ENVIRONMENTAL COMMITMENT 19
Long-term vision
CDM – environmental incidents reporting system
Resource consumption and environmental impact of business operation
Projects and contribution to sustainable development in the local community

OUR SOCIAL COMMITMENT 24
CSI Guidelines
Investing in quality of life and business operation

SUMMARY 27
Profile and scope of Corporate Responsibility Report

Message from our Chairman

The cement industry in Croatia, as well as in the region and the world, is facing great challenges. As one of the largest consumers of fossil fuels with a significant environmental impact, the cement industry is systematically trying to find new possibilities to use alternative raw materials and renewable sources of energy, working towards maintaining competitiveness and decreasing its carbon footprint.

DALMACIJACEMENT, which has been operating within CEMEX from 2005, has strategically chosen to apply the concept of sustainable development in its business operation. We believe sustainable development is the only concept for successful development and business operation.

The ever more fierce competition and impact of global climate change, as well as local conditions, make the framework in which we operate.

We believe competitive business operation is our fundamental responsibility; this includes not only profitable business operation, but also responsible relationship with our customers, suppliers and business partners, ensuring professional growth, health and safety of our employees, investing in new technologies to protect the environment and improving the quality of life of the local community.

This report has been prepared to serve as an overview of our activities in the areas of economy, environment and society from 2005 to 2007.

In choosing key issues and factors, we have followed the specificities of the cement industry, interests and expectations of stakeholders, guidelines of the Global Reporting Initiative and the principles of UN Global Compact. DALMACIJACEMENT joined UN Global Compact on February 27, 2007, showing its permanent commitment to doing business according to the initiative's principles.

This is our first report, and only the beginning of regular reporting on the effects of our business operation and strategies for balanced growth and development of DALMACIJACEMENT. We invite you to give your comments.

President of the Board
Trpimir Renić

Our business

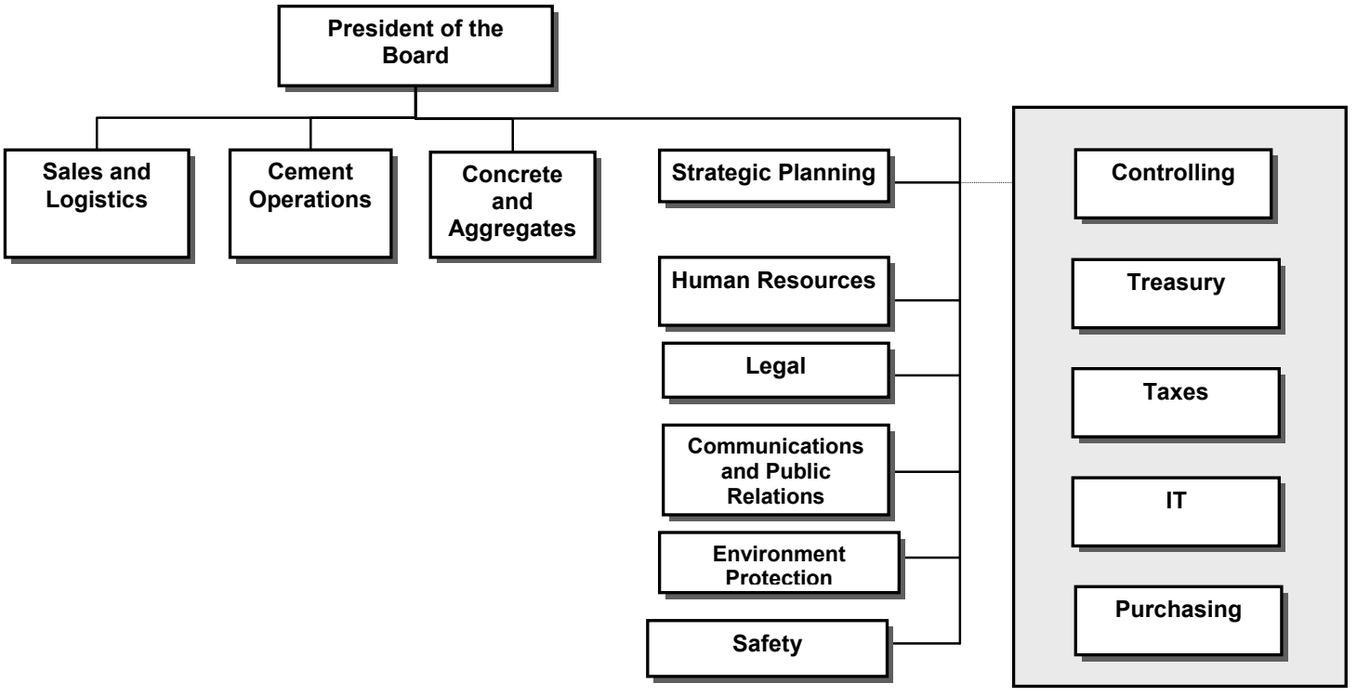
Functional units of management

Management is divided into three functional groups: local, coordinated and integrated. Local functions are entirely the responsibility of the President of the Board, and are made up of Cement Operations, Sales and Logistics, and Concrete and Aggregates. Coordinated functions include Strategic Planning, Human Resources, Legal, Corporate Communications, Environment Protection and Safety. These mostly (80%) report to the President of the Board, while the rest report to Regional Directors. Integrated functions include Controlling, Treasury, Taxes, IT and Purchase report to Regional Directors.

Corporate governance

On the global level, 7 out of 13 Board Members of CEMEX are entirely independent of the management system and have no commercial or family connections with the company.

Table 1: Company organizational structure - local



Executive Officers of DALMACIJACEMENT report to the Management Board of CEMEX, i.e. Regional Directors or Directors of respective functional areas. This enables quality exchange of information needed for successful business operation of all our local organizations and CEMEX as a whole.
Evaluation of the success achieved by Directors and Executive Officers of DALMACIJACEMENT takes into account the achievement of goals related to sustainable development.

All Executive Officers have a certain degree of responsibility in various activities and projects, including employee development, environment protection, dialogue with stakeholders, for which they are strongly motivated. The company has implemented a system that allows Executive Officers timely information regarding business operation, as well as mechanisms for anonymous and confidential complaints and objections, including those of unethical conduct. We continually monitor all changes to regulations and expectations from the stakeholders so as we can promptly adjust our business operation and plans.

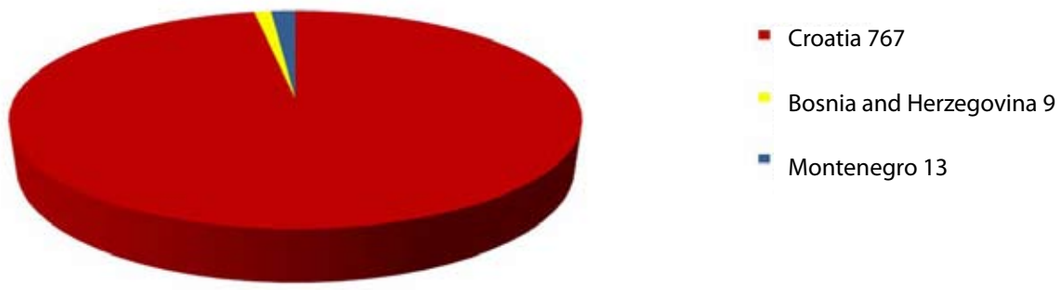


Image 2: Number of employees of DALMACIJACEMENT in countries of the region

Risk management

DALMACIJACEMENT continuously seeks to find new ways of recognizing potential risks to our business operation, property, employees or the local community. Risk assessment also includes societal and environmental risks. The assessment is done by way of recognizing best practices of CEMEX in certain operations in the whole world, and then assessing its applicability in Croatia. We also conduct annual internal supervision in cooperation with FM Global, the largest property insurance company, by using the method of grading our protection in relation to certain risks. Furthermore, we also implement a system for tracking and lowering risk of abuse, e.g. abuse of property or information.

Business ethics

CEMEX's Code of Ethics provides guidelines for expected conduct of our employees regarding issues such as conflict of interest, responsibility towards the environment, political activity, safety and work, handling confidential information, as well as a whole range of other issues. Employees are informed about the regulations of the Code of Ethics, the mission, principles and internal procedures on time.

The Code of Ethics proscribes a graded approach to solving ethical issues, as this is a sensitive issue for most employees. In all its local operations, CEMEX has an Ethical Committee the members of which are honorable employees that ensures transparency in receiving and reacting to complaints, as well as other issues concerning the Code. On the global level, the Corporate Ethics Committee is the highest authority for solving ethical concerns within the company.

To enhance the use of the Code of Ethics in practice, different tools are defined for employees on both local and global level to use in asking questions, making suggestions, indicating to deviations in company's proclaimed values or reporting unethical behavior.

Antitrust

Fair competition and transparency in making business agreements are our permanent commitment. All employees working in market relations go through regular education, and their knowledge of antitrust laws is regularly checked. This is how we ensure that sound business reasons are the basis of our competitive activities, along with fair play. Our employees regularly consult our legal advisors on these issues.

Strategy for management of sustainable development

Our vision of sustainable development is responsible management of environment protection, health and safety of our employees and responsible relationship towards the community, with the goal of achieving long-term business success.

The principles of sustainability are appropriately implemented in all segments of development:

Business operation:

- We adjust our business operation to comply with guidelines of cement industry sustainable development, building them into the decision-process.

Compliance:

- We comply with legal requirements, CEMEX corporate guidelines and standards, as well as voluntary agreements.

Commitment:

- We understand requirements of our stakeholders, and we respond to them trying to predict future expectations and respond to them in a timely fashion.

Sustainability indicators:

- We monitor, measure and verify improvements in sustainability indicators and we report on them regularly.

Preventive approach:

- We base all our activities on prevention and assessment of risk with the goal of eliminating the cause of potential accidents.

Innovation:

- We develop a culture of progress, with which we integrate the guidelines of sustainable development into new technologies and services.

Leadership:

- The management of the company has selected sustainable management, with clear goals, responsibility and appropriate resources.

Sustainability management system

Sustainability is a key strategic determinant of our business operation, and the ability to effectively manage the indicators of sustainable development has a direct influence on our long-term business and financial success. For successful implementation of the sustainability development strategy, we have introduced the **SMS** – CEMEX's corporate Sustainability management system, which includes an economic, environmental and social dimension.
CEMEX's SMS includes 49 requirements, in 13 elements, as shown in Image 3.
The sustainability management system includes a whole range of corporate procedures and tools, which serve the purpose of accomplishing the principles and commitments from the Sustainable Development Policy and other CEMEX standards of sustainable growth. This is the framework with which we ensure consistency in the implementation of sustainable growth principles in all our business activities. It helps us monitor, evaluate and plan our development strategy and corresponding activities.

Once a year, the Board assesses the suitability and effectiveness of the SMS, on the basis of which it then makes business decisions and defines the activity to improve economic, social and environmental indicators of business impact. In December 2008, the Board of DALMACIJACEMENT made an assessment of the SMS.

The SMS integrates sustainable governance in all our operations and activities, and helps us in:

- determining the effects and risks of sustainability
- focusing our attention to alleviating significant risks
- driving constant improvement in key areas
- determining key roles, authority and responsibility
- determining the needs for continual education, training and communication
- measuring the advancement and monitoring sustainability indicators
- implementation of corrective and prevention activities

Image 3: CEMEX Sustainability Management System

Dialogue with stakeholders

The most important stakeholders which to a certain degree influence business operation of DALMACIJACEMENT or which DALMACIJACEMENT has influence on are customers, distributors and suppliers, employees and their families, civil society and local communities near our facilities and plants, as well as our owners.
Open and honest dialogue helps us in achieving more transparency, strengthening our market position and developing our business operation. Our employees at all levels and within their respective duties regularly cooperate and communicate with different stakeholders.

Table 2: Stakeholders and form of inclusion

Stakeholder	Dialogue form and dynamics
CUSTOMERS AND DISTRIBUTORS	Electronic communication and meetings organized to understand their needs. Publishing of buyer's magazine "CEMEXTRA".
SUPPLIERS AND SUBCONTRACTORS	Webpage for suppliers with all relevant information, contracts, memos. Encouraging development of local communities through employment of local suppliers and subcontractors. Signed Memorandum of Understanding.
EMPLOYEES	Questionnaires on employee satisfaction, publishing internal newsletters ""Our Voice" and "Our Voice Extra", and weekly news.
LOCAL COMMUNITIES	Open doors, location visits, community dialogue, meetings, voluntary activities, investment in initiatives promoting the development of the local community.
CIVIL ASSOCIATIONS (professional associations, organizations, NGOs, etc.)	Consultations, regular meetings of member organizations, patronages/sponsorships, donations, partnerships with local and regional associations. Participating in important public events and conferences.
AUTHORITIES (Government, Ministries, public organizations)	Participating in developing new legal regulations through professional organizations. Partnership with the Government in developing social projects. Continual harmonization with new legal requirements and implementation of corrective activities.
OWNERS	Continual communication with the goal of informing on all activities, meetings, annual reports.

Our market and achievements

Our products and services

Products are the most important reference for DALMACIJACEMENT. Our products meet the requirements of international and Croatian standards. Our risk assessment system, which is a part of the SMS, incorporates all aspects of sustainability, including product responsibility. All our products are manufactured and transported to end users in compliance with legal requirements; they are properly marked, coded or labeled with safety information. In 2007, there were no customer complaints about coding, marking and labeling of our products, nor from the authorities.
We expect our suppliers of goods and services to respect DALMACIJACEMENT's business values and standards, including health and safety, environment protection and respect of human rights.

To achieve the goal of developing a uniform level of business culture, we plan to publish a handbook "Guidelines for Sustainable Supply", which will include additional principles and guidelines for sustainable supply in the criteria for choosing our suppliers.

"Quality products and developed logistic network have helped us achieve a relationship of trust with our customers. By building the future, we have built a network of partners that makes our business operation even more successful, and even more satisfied customers." – Zlatko Jelić, Member of the Board, Director of Sales and Logistics.

Basic brands and products

BAGGED CEMENT

OPTIMO, mixed Portland cement CEM II/B-M (S-LL) 32,5N

STRUKTO, mixed Portland cement CEM II/B-M (S-LL) 42,5N

BULK CEMENT

CEM II/B-M (S-LL) 42,5N
Mixed Portland cement with 65-79% clinker and 21-35% additives

CEM II/A-S 42,5R
Portland cement with addition of slag contains 80-94% clinker and 6-20% high quality slag.

CEM III/B 32,5N SR-LH
Sulfate-resistant metallurgical cement of low heat and hydration with 66-80% slag and 20-34% clinker.

CEM I 42,5R
Portland cement with 95-100% clinker

Operative structure

DALMACIJACEMENT has three factories in Kaštela, Solin and Klis – "Sveti Juraj", "Sveti Kajo", and "10. kolovoz", respectively. These three plants meet the needs of the regional market in Croatia, Bosnia and Herzegovina and Montenegro, but also the markets of other Mediterranean and overseas countries.

We supply our customers in Croatia with products manufactured in the following plants and terminals:

- Podsused, west part of Zagreb (bagged and bulk cement depot)
- Maksimir, east part of Zagreb - Sesvete (bulk cement depot)
- Bakar, in the Bakar Bay on the Adriatic (bulk cement depot)
- Metković, on the River Neretva (bagged and bulk cement depot)

Customers from Bosnia and Herzegovina are supplied directly from our plants or from depots in Metković, Croatia, as well as from two terminals and six depots in Bosnia and Herzegovina:

- Prijedor, east part of town (bulk and bagged cement terminal)
- Blatna between Novi Grad and Bosanska Krupa (bulk cement terminal)
- Bihać (bagged cement depot)
- Banja Luka (bagged cement depot)
- Tomislavgrad (bagged cement depot)
- Kupres (bagged cement depot)
- Mostar (bagged cement depot)
- Cazin (bagged cement depot)

Customers in Montenegro are supplied from the terminal in the port of Bar or directly from our plants.

Awards and achievements in the report period

CEMEX award to "10. Kolovoz" for "0 injuries in 2007"
Thanks to investment in safety and health at the workplace, there have been no injuries at work at the factory "10. kolovoz" in 2007, which puts DALMACIJACEMENT among the companies who have won this prestigious internal award.

Certificate "EMPLOYER – PARTNER"
DALMACIJACEMENT was awarded the "Employer – Partner" award as recognition for high-quality processes and excellence in HR management.

Five awards for packaging design
Packaging design of our brands STRUKTO and OPTIMO has been awarded with five prestigious awards, four international and one Croatian:

- I.D. Magazine 2007
- ED Awards 2007
- Cropak 2007
- Print Magazine 2007
- Graphis "G" Gold Award 2008

ISO and OHSAS certificates
Our factories "Sveti Juraj", "Sveti Kajo" and "10. kolovoz" have implemented systems for quality control, environment control, and safety and health at the workplace in line with requirements of ISO 9001, ISO 14001 and OHSAS 18001, and international certificates from an independent accreditation organization testify to the compliance of our business operation with these standards.

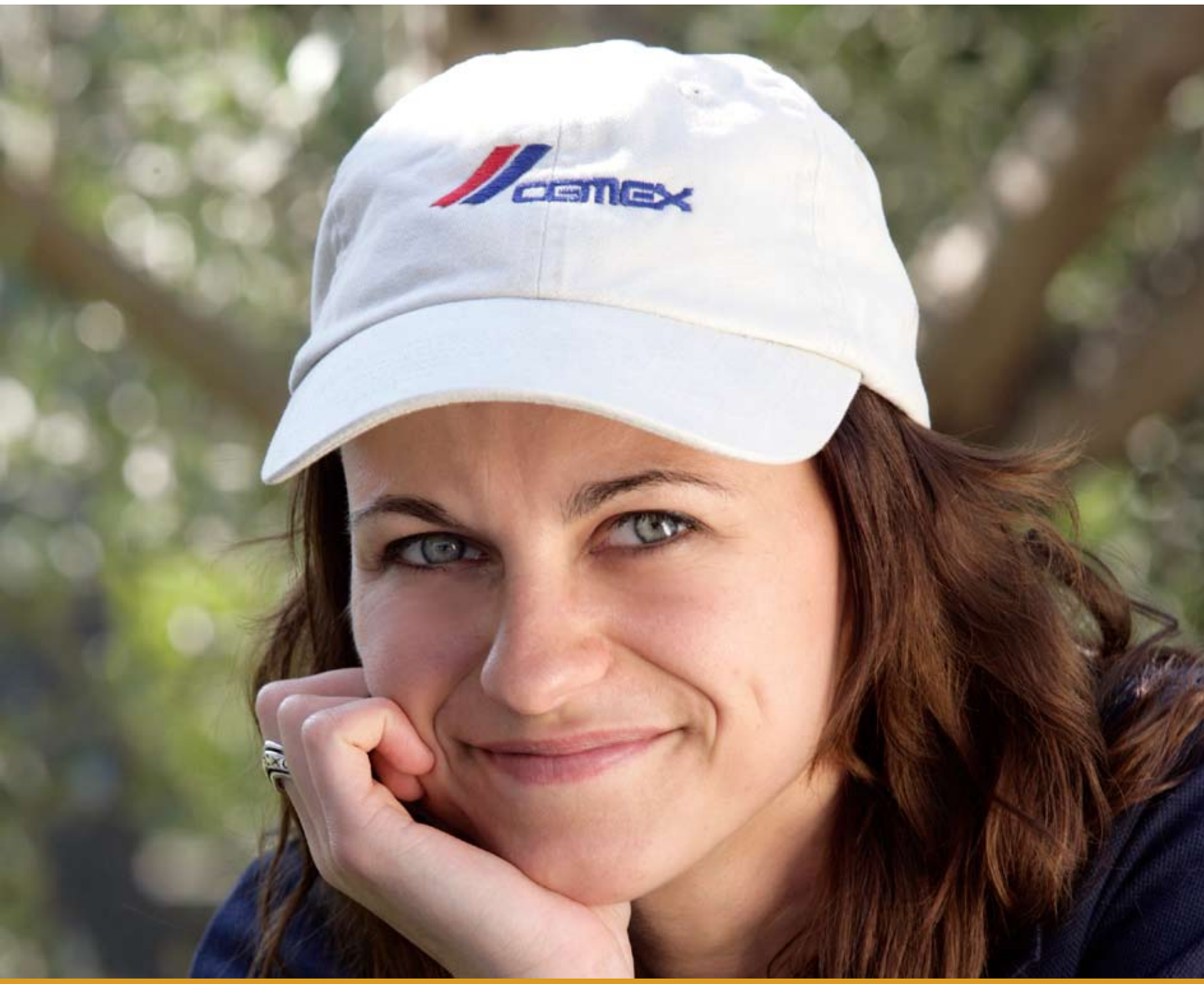
"Touch of Goodness" award
In 2007, the company received this award, which is given to most prominent humanitarian workers in Dalmatia for its contribution to humanitarian initiatives in local community.

Our customers

Customer satisfaction with our products and services is one of the basic indicators we use to measure the success of our business operation. This is why we monitor their needs and expectations, which we use to define areas for improvement.

We regularly conduct targeted research into specific customer groups. The results of research into the customer satisfaction index (CSI) conduced in the end of 2005 and 2007, show that our customers view DALMACIJACEMENT as a reliable partner, and they are especially satisfied with the price-quality ratio of our products. Customers would give our brand good recommendations, which is important for our further market growth and development. Successful placing on the market depends on a whole range of elements in the supply chain, from product development, production, transport and distribution, receiving orders and delivery. Each of these elements is systematically monitored and where there are disadvantages, improvements are done. In cooperation with the Civil Engineering Institute of Croatia (IGH) and faculties of civil engineering, we organize seminars and education to help us recognize key customer groups, to which we offer individual lectures with instructions on how to use our products. In doing this, we keep in mind the needs of our customers and the trust they are giving us.

Our people



Work relations and dignified work

We encourage and respect good interpersonal relations because they lead to high-quality teamwork. We respect mutual differences, and we encourage dialogue and tolerance. We operate in different social and cultural surroundings, and it is in our interest to create experts who can easily communicate and cooperate with persons of various cultural backgrounds. We achieve high levels of employee motivation through additional education and enabling professional training, as well as an encouraging work environment, competitive compensations and extra benefits, individual recognition, and possibility for advancing according to merit and open exchange of information.

DALMACIJACEMENT demands consistent, honest and responsible fulfillment of all obligations and tasks, and especially values proactive engagement of employees in all segments of their jobs. On the company level, a transparent system of goal setting and monitoring their fulfillment is in place, and employees are familiar with it.

"CEMEX supports innovativeness and enables its employees continual progress in a creative work environment. The success of this approach is best confirmed by the fact that our employees give their best in their jobs." – Velimir Vilović, HR Director.

Table 3: Example of DALMACIJACEMENT success indicators

Ratio of lowest salary at DALMACIJACEMENT d.d. and lowest salary in the Republic of Croatia for 2007.	**2:1**
Ratio of basic salary of men and women according to employee category.	**1:1**
Percentage of employees who receive a regular assessment of their work effects and individual development.	**100%**

DALMACIJACEMENT respects workers' rights and all labor regulations and laws. DALMACIJACEMENT does not use children labor in its factories. Due to the nature of work and a large number of employees in production processes, protection of employees and the plants, as well as employee health and environment protection are a priority. Employees are encouraged to notice where safety and health standards can be improved.

Employee structure

Table 4: Change in the educational structure of DALMACIJACEMENT employees in the period from 2000 to 2007

Category	2000	2000 (%)	2007	2007 (%)
Low-skilled	217	27.02%	114	14.45%
Secondary education	462	57.53%	465	58.94%
College/university degree/MA	124	15.44%	210	26.62%
Total	**803**		**789**	

Table 5: Employee structure according to gender

Total number of employees	789	%
F	114	14.45%
M	675	85.55%
Structure of Management according to gender	**45**	%
F	14	31.11%
M	31	68.89%

Table 6: Share of employees under 35 in Management

Employees in management under 35 years of age	19	42.22%

Professional development

Professional development and advancement of employees, expansion of expertise and familiarizing the employees with the mission, vision, values, products and the market are important aspects of our business operation, and a means to achieve maximum employee commitment to achieving business goals.

We especially respect, value and encourage awareness of the importance of lifelong learning, which we enable for our employees through programs designed to acquire new skills, programs for additional education and change of profession. We also support graduate studies and business management studies.

All employees can, in agreement with their supervisor and in line with the education plan, participate in training programs giving them new knowledge, as well as improving existing knowledge. In-house educational programs are organized on the local, regional or global level, and employees can also participate in certain international educational programs outside of the company. DALMACIJACEMENT employees exchange knowledge and experience with their colleagues from CEMEX operations across the world.

Corporate programs and local activities

We enable employees to participate in training programs and additional education. For that purpose, we have established cooperation with renowned business schools, including Harvard Business School, INSEAD, London School of Economics and Stanford, through the internal program **CEMEX International Management Program** (CIMP), developed for managers. Successful employees are given the opportunity to attend MBA programs at the abovementioned business schools; and a large number of employees can participate in in-house educational program **CEMEX Learning**, which includes various fields of expertise especially defined for each employee in line with his/her personal development plan. Our program **Professionals in Development** is realized in cooperation with the academic community and young graduates of mechanical engineering, electrical engineering, chemistry, building and other orientations, to who we offer participation at this unique international educational program.

Indicators of investing in professional development

In 2006, we invested HRK 1.300.000 in education of our employees, and in 2007, some HRK 1.500.000 (excluding costs financed by CEMEX, as well as travel expenses and costs of in-house lecturers). In the said period, DALMACIJACEMENT has invested in various educational areas:

- training in safety at work and environmental protection: handling dangerous substances, protection from ionizing radiation, training for safe work, training in applying measures for managing the environment, etc. for around 20% of employees,

- various professional training (communication and sales skills for sales staff, internal audit training, building machinery handling, etc.) for around 7% of employees,

- foreign languages (English and Spanish) for around 10% of employees,

- since the introduction of the new business system (SAP) in 2007, as much as 30% of employees have had IT education and training, while some employees have had other type of IT training (MS Project, Excel, etc.),

- graduate studies, international professional and managerial training – 2 employees have attended specialized PhD programs, and 5 members of the Management have attended business and professional studies (MBA, *CEMEX International Management Program* – graduate program in Cement Technology),

- Several departments have taken part in organized visits and temporary work on other locations, with the goal of learning and exchanging experience and knowledge,

- we have provided education for two graduates, who have visited certain CEMEX locations in Europe within a one year program.

Communication and employee engagement

Employee engagement is defined as cognitively and emotionally based will of the employee to feel he/she belongs to a company and to continually contribute to its success. Different studies have shown that a high level of employee engagement is connected to individual, group and corporate performance in areas such as customer retention and fluctuation, productivity, customer relations, etc., but also to indicators such as individual motivation, satisfaction and advancement. Seeing how this complex phenomenon unites the strategic interest of an organization to achieve business goals and results with the interest of the individual and groups within the organization, it is an important area within CEMEX.

In 2006 and 2007, DALMACIJACEMENT employees, together with employees from 38 other CEMEX operations and several dozen companies with global presence, have taken part in the annual questionnaire on employee engagement. This research is the first phase in the process of monitoring and reacting to employee engagement (Image 4).

Image 4: Phases of the engagement project

In the research conducted in DALMACIJACEMENT in 2006, 57% of employees took part, and the results showed a level of employee engagement of 84%. This means that, out of the total number of employees who took part in the research, 84% of the employees can be considered as engaged in their work. This result has been assessed as highly satisfactory, considering that it is on average achieved by companies with a high level of effectiveness; and it is consistent with the result achieved by CEMEX on the global level (83%).

The engagement index was the same as in 2007, with a somewhat lower level of employee participation of 45%. On the global level, CEMEX has also achieved the same result as in 2006 (83%).

Other than measuring the engagement index, the process of monitoring and reacting to employee engagement also emphasizes the following areas:

- investigating the effects of various factors influencing employee engagement, such as leadership, the organization's ethics, possibility of growth and development of others;

- creating and implementing targeted plans of activities which represent a positive influence on employee engagement in individual sectors and the company as a whole;

- communicating messages to employees about business results and implementation of targeted plans of activities.

Internal communications

We cultivate open communication between the Management and employees. Exchange of information about all aspects of our business operation helps build a sense of belonging and responsibility for achieving set business goals.

The internal system of communications includes a whole range of activities such as regular meetings with all employees, the so-called Town Hall Meetings which enable direct communication between the Management and the employees, the in-house newsletter "Our Voice" every three months, the monthly in-house newsletter "Our Voice Extra", weekly news, flyers, internal education and celebrations to mark successfully finished projects, Employee Days and other activities. The Intranet CEMEX Plaza enables all employees, from all parts of the organization, to access important

information on business results, products, and successes achieved, news and topical issues, competitions, etc.

Health and safety at the workplace

The health and safety management system is integrated into the Sustainable Management System. DALMACIJACEMENT is certified according to the international standard OHSAS 18001, which proscribes elements for introducing a health and safety at work management system. The system includes periodical reviews and inspections, education and training, risk assessment, incidents investigation, readiness to respond to emergency situations and subcontractor and visitor safety. Appropriate safety procedures are implemented for all high-risk jobs.

It is our goal to achieve a zero level of injuries at work. All our employees are obliged to use protective equipment and go through training about its proper use.

CEMEX's Code of Ethics and Business Conduct defines elements such as culture of occupational safety and health, compliance with legal regulations, order and cleanliness, safety and preservation of assets.

Table 7: Indicators of occupational safety in 2005, 2006 and 2007

Indicators of occupational safety	**2005**	**2006**	**2007**
Number of injuries at work	15	10	3
Rate of injuries at work = total number of injuries/total number of hours x 200,000	2.004	1.387	0.418
Number of occupational diseases	0	0	0
Total number of occupational diseases/total number of hours x 200.000	0	0	0
Rate of lost days = total number of lost days/total number of hours x 200.000	130.3	41.63	21.87
Number of deaths	0	0	0

"SISTER" database

CEMEX has different systems for improving the safety and health of its employees, and it is developing a new, unique system – the SISTER database (Safety Information in Effective and Real Time), which is to enable better communication and exchange of best practice among employees.

Interpersonal relationships and conduct

We respect the dignity of all our employees. We treat our employees with respect, regardless of their age, gender, background, religion or nationality, social background and marital status, sexual orientation, disability or political affiliation or trade union membership. We encourage a culture of tolerance and respect of mutual differences, disabling any kind of discrimination or harassment.

We give precedence to successful business operation of the company as a whole in relation to accomplishing personal goals, or goals of business sectors or units individually. Long-term development of the company is more important to us than short-term results. A healthy competitive spirit stimulates personal and professional growth in one's career, but only if it does not jeopardize

teamwork and cooperation among all members of the team in line with company values.

We encourage communication among employees at all levels, and in doing so we are guided by our corporate values. Our employees express their doubts and ideas clearly and directly, giving their contribution to achieving better results by being critical, with respect for the opinion of other employees.

Collective agreement

For eleven years in a row, DALMACIJACEMENT has been renewing its annual collective agreement with its Independent Trade Union that is an affiliate member of the Croatian Trade Union Association (HUS) and is active in its work. More than 60% of all employees (excluding Management) are members of the Independent Trade Union.

The collective agreement defines all relevant issues in employment, such as: business hours, breaks and holidays, salaries, vacations, etc.

On the basis of this agreement, employees are granted numerous rights and benefits. Every employee has the right to receive holiday allowance and Christmas bonus in the amount of 50% of gross salary resulting in 13th salary, payment of supplementary health insurance policy, severance pay, exceptional length-of-service awards and presents for children.

The Executive Committee of the Independent Trade Union meets once a week, and is comprised of a President, Secretary and Commissioners from different plats of DALMACIJACEMENT. Members of the Executive Committee present the issues raised at the weekly meetings at specially organized meetings with the Board. The Independent Trade Union provides various benefits to its members, including protection of work rights, free trips and excursions, scholarships for children, summer holidays and favorable loans.

Our environmental commitment

Long-term vision

The cement industry bases its operation on natural resources and energy, which results in maximum efforts in modernizing the technology, increasing energy efficiency, lowering carbon emissions, and optimizing the use of raw materials, fuel and water.

"Numerous successful solutions, which have been proven in practice, have enables us to lower the impact of our operation on the environment. Our continued efforts are directed towards finding new mechanisms with which we would contribute to the wellbeing of the community and the environment in which we act." – Merica Pletikosić, Environment Protection Manager.

Global and local environmental impact

Carbon emissions from the cement industry have a global effect on the environment, while exploitation of raw materials for production, as it is connected to biodiversity, land devastation and dust emission, has a significant local impact on the environment.

Lowering our negative impact on the environment is the basis of our contribution to sustainable development. To ensure business success and harmonize our priorities with the needs and expectations of the community in which we operate, we have directed our efforts towards lowering far-reaching negative consequences of our business operation.

Strategic goals

Increasing the use of renewable sources of energy – alternative fuels needed for our production activities – is one of the priority goals in our sustainable development strategy. We aim to achieve a 15% substitution of existing fossil fuels with alternative, renewable sources of energy by the year 2020; and our cap in substituting the current raw materials with alternative materials is also 15%. We expect to lower carbon emissions by 25% per ton of cement product, and nitrogen emissions by 15% per ton of clinker by 2015.

CDM – environmental incidents reporting system

Communication is one of the key elements for successful management of the environmental protection system. DALMACIJACEMENT has implemented a number of procedures to regulate internal communication among different levels and functional units, as well as procedures in receiving, archiving and responding to such reports. It is the obligation of each employee to report non-compliance, unplanned events, incidents or damages to assets.

On the global level, CEMEX has introduced a state of the art computer platform, which monitors and analyzes incidents in one central place, and also enables supervision of preventive and corrective measures. This type of monitoring of business processes is applied in 22 countries, including Croatia.

Within the Cement Sustainability Initiative, we have developed a system for regular monthly reporting on Key Performance Indicators: management of climate change, energy consumption, and emissions of sulfur and nitrogen oxides per ton of produced cement.

Table 8:

Year	2005	2006	2007
Total cement produced, t	1.953.159	1.988.306	1.943.757

Table 9:

Management of climate change				
Year	**2005**	**2006**	**2007**	**Global goal**[1]
Total carbon emissions (net*), t	1.318.958	1.551.320	1.535.350	
Total carbon emissions (gross), t	1.321.199	1.555.871	1.541.549	
Specific carbon emissions (net), kg/t of product	659	699	665	25% lower emissions CO_2/t of product by 2015, with 1990 as base year
*Net emissions: total carbon emissions minus indirect savings, such as use of alternative fuels				

Table 10:

Energy consumption				
Year	**2005**	**2006**	**2007**	**Global goal**
Share of alternative raw material, %	10.07	8.65	8.23	Introducing 13% of raw materials by 2015, and 15% by 2020
Share of renewable sources of energy, %	0.4	0.98	1.36	10% substitution of fossil fuels with alternative fuels by 2015, and 15% by 2020
Specific energy consumption, MJ/t of clinker	3411	3470	3440	
Clinker/cement factor*, %	80.74	73.59	73.61	
* Ratio of clinker consumption and cement production, calculated in line with CSI protocol.				

Table 11:

Air emissions				
Year	**2005**	**2006**	**2007**	**Global goal**
Total nitrogen emissions, t/g	3417	4364	4061	
Specific nitrogen emissions, g/t of clinker	2105	2417	2263	Lowering specific nitrogen emissions per ton of clinker by 15% by 2015, with 2005 as base year
Total sulfur emissions, t/g	300	366	380	

Specific sulfur emissions, g/t of clinker	185	203	212	Lowering specific sulfur emissions per ton of clinker by 10% by 2015, with 2005 as base year
Total dust emissions, t/g	698	452	76	
Specific dust emissions, g/t of clinker	430	250	42	Lowering specific emissions of dut matter per ton of clinker by 50% by 2015, with 2005 as base year
% of produced clinker in kilns with continual measurements	100%	100%	100%	
% rotation kilns with continual measurements	100%	100%	100%	

Resource consumption and environmental impact of business operation

Energy sources

Although it is a big consumer of energy and raw materials, the cement industry offers the possibility of using renewable sources of energy. We introduce new solutions and innovative technology, which enables us to use renewable sources of energy in a way that suits the community and the environment best.

Raw materials

The raw materials we use in production can be depleted. Therefore, we invest in technologies enabling the use of alternative raw materials and waste. By reducing the share of clinker in cement, i.e. by substituting it with other materials, we reduce energy consumption and exhaustion of raw materials. In doing that, we take care of the quality of our products, as strength and durability are the basis of their safe use.
One of the ways of achieving optimal use of material is improving the methods of content control in raw materials and ensuring sustainable mixtures, which reduces the amount of waste (waste raw material) and improves energy efficiency.

Water

Water is the key resource we use in concrete production, and is also used for cleaning the plants, machinery and vehicles. In cement production, water is mainly used for cooling. At the same time, water is one of the most valuable natural resources – climate change and industrial pollution threaten to deplete water resources, and therefore, DALMACIJACEMENT optimizes water consumption by using closed loop cooling systems.
During 2006, we have optimized the cooling system in "Sveti Kajo", reducing water consumption by 51.45% in relation to 2005, avoiding the possibility of bursts on pipes in the water supply, and reduced the amount of waste water used for cooling.

Table 12: Water consumption in "Sveti Kajo" (in m^3)

Year	Water consumption in m3
2005	213,194
2006	103,500
2007	102,000

Waste

Waste management is done on two different levels. On the first level, this means that we avoid waste production, and on the other level that we reuse waste at all locations where this is possible. This means that all waste material produced in production processes, as well as material resulting from demolishing old facilities, is recycled and returned to the production process. In 2007, at all three factories of DALMACIJACEMENT, 14.56 tons of our own waste oil has been used as alternative fuel, and at "Sveti Juraj", 3.063 waste filter bags have been returned to the production process. Therefore, we can say that we treat waste as raw material which we use in further production process whenever possible.

Air

The exhaust systems of rotation kilns and cooling systems are equipped with devices for continual measuring of air emissions. Measurements on all other exhaust systems are performed twice a year. Values of all measured emissions are lower than the limit. Moreover, from 2003, we have put in place three automatic measuring stations for monitoring air quality at three locations – Kaštel Sućurac, Sveti Kajo quarry in Solin, and in Split, which are controlled by the Split Institute for Public Health.

Logistics

In line with market requirements, DALMACIJACEMENT transports its products by rail, sea and land, taking into account the reduction of negative impact on the environment. To achieve that goal, we have lowered the average age of our vehicles over the last three years. The new vehicles have newer motors, which significantly reduces the total emissions of all gases. All vehicles used to transport cement are covered, which disables potential scattering or dusting into the environment. Ships used for transport of our cargo have upgraded their systems for collecting and disposing of fluids and waste matter in line with applicable international standards, while transshipping of rail cars is done with additional filters that reduce the possibility of creating dust. We have modernized the mechanisms for tracking and planning to ensure as much efficiency of using vehicles for transport; and our drivers go through specialized training on safety and efficient use of fuel.

Projects and contribution to sustainable development in the local community

Quarry recultivation

By implementing the process of recultivation, DALMACIJACEMENT is applying the guidelines of the Sustainable Development Policy that is used to harmonize exploitation of raw material with the need to preserve biodiversity. During and after exploitation works in the exploitation field, technical and biological reclamation is done whenever possible. Rehabilitation is done in line with the Main Mining Project, the Project of Biological Rehabilitation and the location permit and project decision based on which we have received our quarry concession to exploit raw material for cement production. We have hired the Institute for Adriatic Crops and Karst Reclamation from Split to draft the Project of Biological Reclamation of the Exploitation Field "Sveti Juraj – Sveti Kajo" (January 2006) and "10. kolovoz" (May 2007). The Institute has made an assessment of the geological, hydrographic and climate characteristics, and suggested biological and technical reclamation works, as well as types of plants and planting.

Biological recultivation is done with the goal of creating a protective forest strip, erosion prevention, ensuring land stability, protecting the soil and regulation water drainage. The area included in the Project amounts to 190,000 square meters for the exploitation field "Sveti Juraj – Sveti Kajo". More than 16,000 plants have been planted in the period from 2005 to 2007, and another 7,000 in 2008 in "10. kolovoz".

Biodiversity

Preserving biodiversity is becoming an increasingly relevant element of our business operation, as it is very important in battling climate change. This is how we preserve flora and fauna during exploitation activities and after they have stopped.
CEMEX has established cooperation with the association BirdLife International, whose goal is to strengthen competences of both organizations needed to achieve better biodiversity protection on the local, regional and global level. As part of this cooperation, CEMEX has created the Biodiversity Database, which enables monitoring and managing the factors influencing biodiversity.
DALMACIJACEMENT is currently gathering geographical and biological data on the quarries, so it can compare them to the maps of areas where biodiversity might be under threat. We will define action plans for preserving biodiversity for the area of Kaočin gaj on the Kozjak, which is partly within the exploitation field "Sveti Juraj – Sveti Kajo", and the ichthyologic reserve of the upper flux of the Jadro River, on the banks of which the "10 kolovoz" plant is situated, and in line with the Spatial Plan of the Splitsko-dalmatinska County.
The Spatial Plan for the town of Solin states green surfaces on a part of the left bank of the River Jadro be formed, therefore a project has been drafted suggesting a promenade on the river bank. Seeing how some of the facilities at the "10. kolovoz" plant are no longer in function, the proposed corridor of the promenade is situated on the right bank of the River Jadro. The plan is to build pedestrian bridges, plant bushes, trees and other plants, and supplement the promenade with benches.

Climate change

In 2007, the association Croatia Cement g.i.u, which we are a member of, has commissioned a study "Croatian Cement Industry and Climate Change". The aim of this study is to give an objective assessment of the ability of the cement industry in Croatia to lower carbon emissions and contribute to the goals set by the Kyoto Protocol, while not bringing its competitive ability in question. The study offered an overview of greenhouse gas emission and an assessment of the real possibility of the cement industry to contribute to lowing emissions. We will use the results of the study as a starting point for our further activities to lower carbon emissions.

Our social commitment

CSI Guidelines

Investment in the community includes financial funding, funding in assets, products and services, sponsorships and employee volunteer work to:

- **Inform stakeholders of various initiatives contributing to meeting different needs of the community.** Guidelines for investment in the community are global, but their primary goal is to enable activities in the communities we operate in.
- **Give priority to initiatives related to our core business operation.** Our contribution is all the more effective if the initiative is thematically and geographically connected with our core business operation.
- **Encourage collection of non-monetary assets.** To make investments in the community more effective, we use all available sources (our products and services, skills of our employees, knowledge, expertise and technology we use in our business operation).
- **Increase the value of investments in the community by creating partnerships.** We actively support the creation and development of partnerships with public, civil and private sectors aimed at finding long-term solutions.

DALMACIJACEMENT seeks to act in the following key areas:

- **Environment** – preserving the environment and initiatives for environment protection.
- **Education** – organizing professional and expert education and training for building and construction, crating new jobs in the building sector, but also other areas that are important to the community.
- **Local community development** – financing various social programs of the community in line with its needs and plans
- **Culture and sports** – sponsoring cultural, arts and sports events.

Investing in quality of life and business operation

By supporting projects helping the development of the local community, we give back to the community in which we operate. In doing that, we invest not only in monetary assets, but also in knowledge, experience and contacts which contribute to the reputation of the building profession in the local community. Our vision of the future is also reflected in cooperation with the academic community and support we give to new generations of experts.

Financial contribution to local community

In 2007, DALMACIJACEMENT has donated HRK 6,357,443 for various projects. More than HRK 1,000,000 was donated to the reconstruction of the access road to Sveti Kajo quarry, and the Put Majdana road in Solin. We have donated HRK 2.4 million to the construction of a sports hall in Kašteli, and HRK 1.2 million was given to support sport clubs in Kaštela, Solin and Klis. We have donated more than HRK 1,000,000 to numerous other projects directed towards raising the quality of life in our surroundings.

CEMEX Building Award

CEMEX Building Award was established 17 years ago, with the goal of acknowledging the best high-quality work done in building in North Mexico. The award is given to the most successful world projects in three main categories: housing, institutional/industrial and infrastructure, along with two special categories: accessibility (for projects honoring the principles of access for the disabled) and sustainable building. From 2005, the invitation to participate in this competition has been extended to countries outside Mexico, and the number of participating countries is growing every year. Croatia has been competing since 2006. Winners of the CEMEX Building Award for 2007 in Croatia are Brodarica housing/office building in Split in the category of housing, Archeological Museum Narona in Vid in the category of institutional/industrial, and the Cetina Bridge on the Bisko-Kamensko section in infrastructure.

Cooperation with academic community

We develop and cultivate intensive cooperation with educational institutions and professional associations such as faculties, colleges, vocational schools and professional associations. Our contribution helps strengthen the cooperation between the economy and science. That is why we have signed an agreement on cooperation with the Faculty of Economy in Split in 2006, and are preparing a similar agreement with the Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture in Split.

Key areas of such cooperation refer to student internships, cooperation on seminar papers and diploma, MA or PhD theses, and student participation in certain investigative or developmental projects. The other segment of cooperation refers to implementing topical educational programs at the faculties that meet our needs for employee improvement and specialization, and participation on projects and studies done by students, as well as professors.

Our project **CEMEX STUDENT** is aimed at professional development of students, and places their academic excellence into a business environment, thus giving an important contribution to the academic community. This program enables students to go through professional and expert education, learning about building materials, and getting familiar with a successful business environment and advance technologies.

Anticorruption policy

The anticorruption policy is an integral part of the Code of Ethics and Business Conduct. Our employees, managers and executive officers are obliged to be ethical and act in compliance with the proscribed ethical principles of CEMEX. The Ethics Committee has received no reports of corruption.

Members of the Ethics Committee meet quarterly, and when needed in case of reports or questions. Members of the Ethics Committee are:

- Marijan Vuko – Director of Maintenance
- Leo Grisogono – IT Manager
- Marija Duvnjak – Cost Monitoring Manager
- Kristina Buzov – Legal advisor
- Velimir Vilović – HR Director

Administrator: Sandra Antišić (Planning and Development Manager)

The anticorruption policy is largely directed towards fair competition (antitrust) and transparency in business agreements. We use CEMEX's procedures and methodology in supply, which includes setting up so-called coordination teams of specialists from corresponding departments. This ensures a transparent procedure of authorizing all agreements, and excludes subjectivity or any other form of corruption. Before agreements are signed, every department in question has to authorize them, and finally, they have to be verified by the legal department.

Summary

Profile and scope of Corporate Responsibility Report

In drafting the report, we have used a certain number of indicators from all three key areas of the Guidelines for Sustainability Reporting of the Global Reporting Initiative and the CSI protocol of the cement industry, as well as principles of Global Compact, which reflects our desire to communicate with our key stakeholders openly.

Our first Corporate Responsibility Report refers to the period from 2005 to 2007, and it is preceded by the Environment Protection Report from 2005. The following report is to be published in two years in order to enable comparison of our results based on key sustainability indicators.
The Report includes all activities, products and services in cement production in the three factories in Kaštela, Solin and Klis: "Sveti Juraj", "Sveti Kajo" and "10. kolovoz", where DALMACIJACEMENT has direct control/significant influence.

After choosing key sustainability indicators in economic, environmental and social dimensions, DALMACIJACEMENT has conducted tests for certain indicators. In defining material issues and certain indicators, we have used the following questions to assess areas of "significant impact":

- Does the issue/indicator represent a potential or real risk to DALMACIJACEMENT (operative, financial, reputation risk)?
- Is the issue/indicator important to the current or future success of DALMACIJACEMENT?
- Is the issue/indicator important considering the existing or potential regulations and/or international agreements?
- Is the issue/indicator important to the cement sector?
- Can the issue/indicator influence assessments or decisions of stakeholders?
- Is the issue/indicator of any interest to certain stakeholders?

The basis for calculation and assessment in applying these indicators is in line with the definitions and guidelines of the GRI 3 Protocol. Emissions are determined exclusively on the basis of measurements, and for those determined through emission factors on the basis of material balance or CSI Protocol, this is noted.

Report content analysis – results

AREA OF SUSTAINABILITY					SUSTAINABILITY ASPECT
ECONOMIC DIMENSION	ECONOMY	1			Economic impact
		2	√		Market presence
		3	√		Indirect economic influences
ENVIRONMENTAL DIMENSION	ENVIRONMENT	4	√		Materials
		5	√		Energy
		6	√		Water
		7	√		Biodiversity
		8	√		Emissions, waste waters, waste
		9			Products and services (environmental impact)
		10			Compliance
		11	√		Transport (environmental impact)
		12	√		General – investment in environment protection
SOCIAL DIMENSION	WORK	13	√		Employment
		14	√		Employee – management relations
		15	√		Health and safety at the workplace
		16	√		Training and education
		17	√		Diversity and equal opportunities
	HUMAN RIGHTS	18			Investment and supply practices
		19	√		Non-discrimination
		20	√		Freedom of association and collective negotiations
		21			Child labor
		22			Forced and compulsory labor
		23			Safety practices
		24			Indigenous population rights
	SOCIETY	25	√		Community
		26	√		Corruption
		27	√		Public policy
		28	√		Antitrust
		29			Compliance
	PRODUCT LIABILITY	30			Customer health and safety
		31	√		Coding, making and labeling of products and information
		32			Marketing communication
		33			Respecting customer privacy
		34			Compliance

CEMEX | DALMACIJACEMENT