



## Communication on Progress *15<sup>th</sup> April 2011*

### Introduction

---

The COP covers the period from 1<sup>st</sup> January 2010 to 31<sup>st</sup> December 2010, where not differently specified.

The disclosure to stakeholders of the Group sustainable commitment is granted by the issue of the 2010 sdReport. The sdReport opens with the statement of the CEO that includes the continued support to Global Compact. It also contains all the metrics related the progress of all economic, environmental and social indicators. The status of implementation of the Global Compact Principles, including the Group contribution to the UN Millennium Development Goals is explicitly outlined in a summary table.

The 2010 sdReport is available under the corporate website ([www.italcementigroup.com](http://www.italcementigroup.com)) from 19<sup>th</sup> April 2011. It has to be considered as part of this COP.

### Human Rights Principles

---

#### 1) Assessment, Policy and Goals

- The Group issued its new Sustainability Policy. It explicitly supports and respects internationally proclaimed human rights that are universal and belong equally to every person. The Sustainability Policy deploys a set of deriving policies: Human Rights Policy, Safety Policy, Energy Policy, Environment Policy, Social Initiatives Policy and Health Policy. The Group Sustainability Policy and all the daughter policies are embedded in strategies, processes and day-to-day business. They apply to all the Group operations and business partnerships, including mergers and acquisitions, and to all the stakeholders involved in the Group sphere of business influence. They are all signed by the Group CEO. They are constantly reviewed and updated to ensure their effectiveness. Policies are made publicly available under the corporate website.

Italcementi Group Sustainability Policies explicitly draw their inspiration from international references such as the United Nations Universal Declaration of Human Rights, the International Labour Organization standards, the SA 8000 standard, the OECD guidelines on Multinational Companies and is reinforced by Italcementi Group's Codes, the agreement between Italcementi Group and the Building and Wood Workers International, the membership to the World Business Council for Sustainable Development and the participation in the United Nations Global Compact.

- The Group issued its new Human Rights Policy, fully in line with the first two principles of the UN Global Compact. The policy clearly states that Italcementi Group supports internationally proclaimed human rights as inalienable rights of all individuals, based on the recognition of inherent dignity, freedom and equality of human beings and including those rights set out in the Universal Declaration of Human Rights, its associated Covenants and the ensuing international agreements, and in the International Labour Organization standards. The Group is also committed to making it sure that it is not complicit in human rights abuses in all the businesses and countries in which it operates and respects indigenous rights.

The Policy is structured around five main clauses:

- The minimum age for admission to any type of employment or work that, by its nature or the circumstances in which it is carried out, is likely to jeopardize the health, safety, or morals of young person shall not be less than eighteen years.
  - Equality of opportunity and treatment regardless of gender, age, ethnic ethnicity, nationality, social origin and status, religion, sexual and political orientations or any other personal belief and prohibits the use of all forms of forced or compulsory labour, including bonded labour, corporal punishment, mental or physical coercion and sexual harassment, sexual and verbal abuse, is guaranteed.
  - Freedom of association and the right to collective bargaining are respected, direct workforce is covered by social security benefits, hours of work are not excessive and living wages are paid.
  - Healthy and safe working conditions, access to potable water, sanitary and washing facilities and, whenever necessary, decent guesthouses, dormitory facilities, canteens and facilities for food storage, are granted.
  - Equal opportunities and work-life balance initiatives helping to address the family needs and constraints of all employees are promoted.
- The Group issued its new Safety Policy. It discloses the Group commitment to foster continuous improvement process through the implementation of effective management systems and visible leadership. 'Safety: a way of living' is the new motto.
  - The Group issued its new Health Policy. It addresses the Group commitment to eliminate occupational illnesses by reducing workplace exposure of workers as well as the promotion of workers' health and wellbeing.

- The Group issued its new Social Initiatives Policy. It traces the principles to build relationships with stakeholders based on mutual commitment, active partnership, trust, openness and long- term cooperation.

## 2) Implementation

- The Group Human Rights Policy was launched by the CEO, translated in all the Group languages and spread in all the countries in which the Group operates. 2011 will be dedicated to ad hoc training for all the managers and employees. In addition, the Group is committed to promote the same principles among customer, supplier and any other stakeholder interacting with its activities.
- The Group is working together with the Global Compact Italian Network to develop the Human Rights Impact Assessment.
- The Group continues to collect data and information of any possible incident related to human rights and decent working conditions, through a Monthly Report.
- On 10<sup>th</sup> December 2010, the Group celebrated the Human Rights Day with a series of local initiatives and events carried out around the world through the active support of all subsidiaries. It was the occasion to highlight once more how human beings are at the core of the Group values, as confirmed by the signature of the BWI Agreement.

## 3) Measurement of outcomes

- In 2010, still around 200 critical situations were reported in 11 countries, mainly related to insufficient protection of welfare of workers and risk of child labour in contractors' workforce and third parties. Cases of discriminations refer to unequal treatment to contractors' workforce, while still promotion of equal opportunities has to be more structured almost in all the countries. However, the number of corrective actions taken to solve identified issues is noticeable.
- In 2011, the Group scheduled the launch of its first Human Rights Impact Assessment, starting from the countries of increased concern where the Group operates, as identified by the Freedom House (these countries represent 56% of the Group EBIT in 2010). Results of the first Rights Impact Assessment will be disclosed in the next COP.
- All the outcomes of the Group responsible approach in terms protecting human rights are available under the social responsibility section in the 2010 sdReport.

## Labour Principles

---

### 1) Assessment, Policy and Goals

- The Group signed the Buildings and Wood Workers' International (BWI) Agreement. It represents a real charter of workers' rights, it is valid worldwide and is based on the joint commitment of all signatories to respect fundamental human and trade union rights and to promote improvements in working conditions as well as to develop equitable industrial relations and to foster fair collective bargaining procedures with trade union representatives.
- The Group issued its new Compensation Policy. It provides general principles and operating guidelines which allow to define a global framework and a common standard approach towards people rewarding within each Group subsidiary. Local compensation surveys are run periodically with the most valuable consultant firms to keep a correct salary positioning in local labour markets.
- The Group issued its new Merger and Acquisition Policy with the scope of improving accuracy and effectiveness of the M&A process in the Group, allowing to timely identify, assess and address main risks and issues, and to support an optimal management of the post-acquisition phase. The policy also enhances the effectiveness of an overall Group Sustainable Development system, aimed at improving the respect of the individual, the recognition of expectations, and the research of solutions that can align personal and company needs, reinforcing a corporate culture based on fairness, efficiency and mutual trust. This policy will also help the integration of new entities' employees into the Group systems and values, supporting the effective adoption of the other policies.
- The Group issued its new Training and Development Policy focuses on the importance, for the success of a company as well as for the wellbeing of its employees, to have the right people in the right positions, with first class competences and adequate motivation. The scope of this policy is to improve the quality of training programmes and the processes through which we identify and develop our talents.
- Out of succession plans, the main tool to look for internal resources are the Group and local Job Posting systems, where open positions should be placed, together with the description of the job profile and the competences needed to cover the position. The system operates since 2008, circulating international vacant positions worldwide.
- The Group updated its Expatriation Policy. The Group employees have 59 different nationalities from 5 continents and speak 15 different national languages and a wide range of local dialects. In this context, 142 expatriates of various age, seniority and organization level are working for the Group in twenty different countries.

- In 2011, within the framework of the Human Resources Policies, the Group will issue the new Policy on the Protection, Respect and Care of Individuals.

## 2) Implementation

- The BWI Agreement was translated in all the Group languages and spread in all the subsidiaries, achieving full distribution. Currently, 100% of the Group employees are covered by collective bargaining agreements. The Group strives to promote the same principles even towards contractors, subcontractors and suppliers.
- The scheduled Human Rights Impact Assessment will disclose the level of the BWI effectively implementation.
- All the necessary restructuring activities are managed with fair and socially tolerable approach through union agreements, early retirement programs and overtime reduction only if strictly necessary.

## 3) Measurement of outcomes

- All the outcomes of the Group responsible approach in terms of labour practices are available under the social responsibility section in the 2010 sdReport.

## **Environmental Principles**

---

### 1) Assessment, Policy and Goals

The Group issued its new Environment Policy. It shows that Italcementi Group strives to prevent, or otherwise minimise, mitigate and remediate the environmental impacts of all its activities. Moreover, the Group promotes environmentally-driven product innovation, sustainable construction and transfer of eco-efficient technologies and management systems to all the countries in which it operates. The Environment Policy is derived from the Sustainability Policy of Italcementi Group and is embedded in its strategies, processes and day-to-day business. It applies to all the Group activities and business partnerships, including mergers and acquisitions, and to all the stakeholders involved in the Group sphere of business influence. It is constantly reviewed and updated to ensure its effectiveness. The Policy clearly states that:

- The responsible use of resources to save on fossil fuel and quarried material consumption is promoted.
- Projects to reduce water consumption and preserve water quality are supported.

- The challenges of climate change ensuring reduction of greenhouse gas emissions, with focus on renewable energy sources and efficient use of energy and resources are addressed.
- All plants and equipment are designed, operated and maintained to minimise environmental risks.
- The use of materials with high health concerns while promoting progressive phase-out of those still in use is forbidden.
- Environmental standards to assess and monitor emissions to atmosphere and to set related reduction targets are developed.
- The generation of hazardous and other waste is minimized by promoting the reuse and recycle of materials, where feasible.
- Rehabilitation plans for all the active quarry operations are developed.
- Regular environmental audits at all the sites are conducted.
- Transparency towards stakeholders is ensured, also through the annual Group sdReport.

## 2) Implementation

- The Group Environment Policy was launched by the CEO, translated in all the Group languages and spread in all the countries in which the Group operates. 2011 will be dedicated to ad hoc training for all the managers and employees.
- 51 out of 58 plants (88%) achieved the ISO14001 certification of their environmental management systems. In addition, 4 cement grinding centres, 19 ready-mixed concrete units, 52 aggregates sites with quarries, 2 natural hydraulic lime plant and all 14 hydro-power plants are certified to ISO 14001.
- Halyps plant in Greece and Devnya plant in Bulgaria achieved the EN 16001 standard. In both cases, they were prime in local cement sector.
- In the last 4 years, 31 out of total 58 cements plants have been audited (54% of the cement plants) covering 13 of 14 subsidiaries.
- In 2010, 51 out of 90 (57%) operating kilns were equipped with Continuous Emission Monitoring systems to measure dust, nitrogen oxides (NO<sub>x</sub>) and sulphur dioxide (SO<sub>2</sub>) in line with the CSI guidelines. Beyond the CSI approach on the emissions monitoring, the Group standard requires additional continuous monitoring of carbon monoxide (CO) and volatile organics (VOC). In addition, continuous measurements of volatile organic pollutants were performed in 41 kilns and spot measurement in 7 more kilns. Metals and dioxins were spot measured in 44 kilns.
- The Group issued guidelines for the responsible use of alternative fuels (AFs) and raw materials (ARMs) based on the guidelines coming from the Cement Sustainability Initiative (CSI). In addition to a list of materials that must not be used under any circumstance, the guidelines focus on the selection, management and control for using alternative materials. Health, safety and environmental issues related to the use of these materials are also covered by the guidelines. Subsidiaries launched initiatives to increase the use of

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

- The Group implements rehabilitation plans for all the active quarries in cement and aggregates operations, beyond local requirements. 81% of the Group quarries have a rehabilitation plan in place, addressing biodiversity. Additionally, the Group is working with the World Business Council for Sustainable Development (WBCSD) to issue quarry rehabilitation guidelines including biodiversity indicators and partnerships with NGOs for the monitoring of natural species. Examples of best practices in terms of quarry rehabilitation were collected and published on the WBCSD website. Exemplary Group case histories in Bulgaria, India, Morocco, Spain and Thailand were selected.
- All the Group subsidiaries regularly implement the Environmental and Social Impact Assessment (ESIA) guidelines as suggested by WBCSD.
- The Group adopted the WBCSD's Global Water tool. As soon as the Group consolidates the new indicators, it will be able to set different reduction targets on water consumption addressing water emergency in all the countries in which it operates.
- Waste generated at Group sites is collected, sorted and stored in dedicated areas. The waste management system, whilst not certified to ISO 14001, is implemented at all the Group sites.
- The Group hydro-power production in northern Italy reached 341 GWh, 10% higher than record high 2009 production, saving about 153 kt of CO<sub>2</sub> emissions and receiving the corresponding Renewable Energy Certificates (RECs).
- Wind farm in Bulgaria, Morocco and Egypt are under development.
- The Group has a green travel policy for non-industrial vehicles, principally personal cars, to help reduce CO<sub>2</sub> emissions. The Clean Energy Dispensers located at the headquarters in Bergamo distribute electricity from Italgen hydropower plants to recharge the fleet of electric bicycles and cars.
- The Group signed the Manifesto for Energy Efficiency in Buildings promoted by the WBCSD.
- The major revamping projects are expected to improve the environmental Group performance. Particularly, North America (Martinsburg), Morocco (Ait Baha), India (Yerraguntla) and Italy (Matera) have already been completed. Similar projects are under development in Bulgaria (Devnya) and Italy (Rezzato and Monselice).
- On March 22<sup>nd</sup> 2010, the Group celebrated the World Water Day.
- On June 5<sup>th</sup> 2010, the Group celebrated the World Environment Day.

### 3) Measurement of outcomes

- All the outcomes are available under the environmental protection section in the 2010 sdReport.

## Anti-Corruption Principles

---

### 1) Assessment, Policy and Goals

- The Board of Directors of Italcementi has included specific provisions against bribery and corruption within the Code of Ethics, the Charter of Values and the principles of corporate governance of the Group.
- The Group is developing a comprehensive Anti Corruption and Bribery Compliance Programme to avoid, detect and remedy wrongdoing in the daily business dealings.
- Italcementi adopted an Organization, Management and Control Model targeting the corruption and bribery prevention, as required by the Italian Legislative Decree 231 of 2001.
- Italcementi launched the so called “Piano per la prevenzione dei rischi criminali” with the aim of organizing decision-making processes and procedures to prevent the risk that organized criminal organizations may enter into the business activities.

### 2) Implementation

- The Anti Corruption and Bribery Compliance Programme implementation has started from the Countries of increased concern where the Group operates, as identified by the World Bank and Transparency International (these Countries represents 84% of the Group EBIT in 2010).
- The Group is working with the Global Compact Italian Network in order to spread best practices and experiences, with a special focus on the supply chain.
- The Group has worked on the implementation of minimum requirements for suppliers to establish commercial relationships with the Group based on human rights, labour practices, health and safety and ethics. The aim is to develop a qualified suppliers' base with high degree of business integrity.

### 3) Measurement of outcomes

- Breaches of codes, if any, are disclosed in the Annual Report. In 2010 and beginning 2011, no breaches were recorded.
- Implementation of the Anti Corruption and Bribery Compliance Programme stands at 20%.
- The Group achieved the objective of qualifying 20% of corporate suppliers according to the Vendor Management procedure and in line with the Group's priorities. The Group is now ready to re-launch its commitment by having 35% of corporate supplier qualified by 2011.