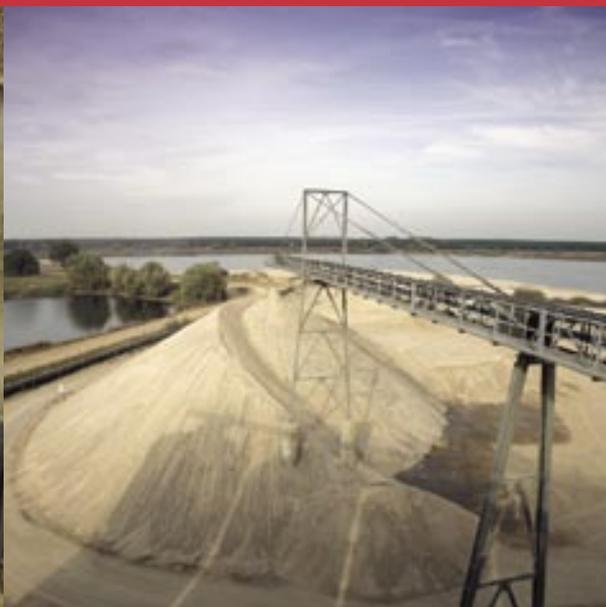




2006
Sustainable Development Report



CEMEX AT A GLANCE

- Presence in more than 50 countries across the Americas, Europe, Africa, the Middle East, and Asia
- One of the global leading producers of cement, ready-mix concrete, and aggregates
- More than 50,000 employees worldwide
- Annual sales of more than US\$18 billion

ABOUT US

CEMEX is a growing global building-solutions company that provides products of consistently high quality and reliable service to customers and communities across four continents. We advance the well-being of those we serve through our relentless focus on continuous improvement and our efforts to promote a sustainable future.

Our products are among the most essential building blocks of modern society. Around the globe, our cement, ready-mix concrete, and aggregates help to develop infrastructure

and connect communities. As more people improve their quality of life by building and improving homes, schools, hospitals, businesses, roads, and bridges, the demand for our products increases.

Our operations create employment and economic prosperity in surrounding communities. Founded in Mexico in 1906, we now operate in more than 50 countries and maintain trade relationships with more than 100 nations.

OUR VALUES AND COMMITMENTS

We believe our company makes a real contribution to sustainable development. We continue to seek ways to reduce the environmental impact of our operations and products. We are committed to good governance of our business, providing safe, healthy, and fair workplaces for our employees, and bringing about positive change in our society.

Our values guide our every day actions and uphold our commitment to society. They are:

- Collaboration: to work with others in a collective pursuit of excellence
- Integrity: to act with honesty, responsibility, and respect at all times
- Leadership: to envision the future and focus our efforts on service, excellence, and competitiveness

We demonstrate our commitment to responsible corporate behavior through involvement in industry and broader initiatives. We became a United Nations Global Compact signatory in November 2004. The Global Compact is a voluntary initiative that promotes good corporate practices in the areas of human and labor rights, the environment, and anti-corruption measures.

We are also a member of two major initiatives within the World Business Council for Sustainable Development (WBCSD): the Cement Sustainability Initiative (CSI) and the Energy Efficiency in Buildings (EEB) project, which help our sector and other related industries to address the challenges of sustainable development.



ABOUT THIS REPORT

Welcome to our sustainable development report for the calendar year 2006. This report covers our global cement, ready-mix concrete, and aggregate operations.

We first published an environmental report in 1995, and produced our first sustainability report in 2003. In April 2006, we published an interim sustainable development report for the calendar year 2005. In the future, we will report fully on our sustainable development activities and performance every two years.

We have improved our reporting process based on an external evaluation of our past reports and feedback from stakeholders. We gathered information for this report using questionnaires and interviews with relevant business functions. A multi-regional team with members from different areas worked extensively with experts in the field to ensure an accurate reflection of our activities. We are considering the use of external assurance for future reports.

In mid-2005, our sales and workforce almost doubled when we integrated RMC, a UK-based company with presence in 22 countries, into our operations. In this report, we refer to business units that pre-date our most recent acquisition as “pre-RMC” operations. Operations recently integrated are referred to as “new”

operations. “Global” refers to our total operations, both pre-RMC and new.

Consolidated data are not yet available for all recent acquisitions. We state clearly where data apply to pre-RMC operations only. Where data have been restated from figures previously reported, this is clearly marked and explained. All monetary values are in US dollars.

We have used the Global Reporting Initiative G3 guidelines to produce this document. Our report meets application level B.



We welcome your comments on the content, style, and level of detail of this report. Please contact us at sd@cemex.com or at:

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message

FROM OUR CHAIRMAN & CEO

CEMEX is a global company, and with size and scale comes increased responsibility.

Responsibility to our shareholders to produce good returns. Responsibility to our employees to provide healthy and safe workplaces, rewarding careers, and competitive compensation and benefits. Responsibility to the communities in which we operate to be good neighbors and environmental stewards. Responsibility to our customers to provide the best quality products and services, and to develop new ways to meet their building needs, large or small.

But no responsibility is greater than the need to define and execute a sustainable business strategy. We proudly celebrated our 100th anniversary last year; I strongly believe one of my core obligations as Chairman and CEO is to assure that CEMEX is firmly on a path to another 100 years of prosperity and value creation for all its stakeholders. Our contribution to sustainable development is at the very heart of our ambitions.

For CEMEX, this means several things. First, we must increase our investment in our employees. I want our company to be the employer of choice everywhere we operate. More than 50,000

people work for CEMEX, and that number will continue to grow as our business expands. We need to employ and nurture the most talented, highly skilled, and motivated people now if we are going to succeed in the future.

Second, it means running our business with a profound commitment to efficiency and innovation. Our industrial processes inevitably affect the environment. That means we must work to minimize our footprint in part by using natural resources as efficiently as possible, and in part by reinforcing our fundamental commitment to continuous improvement.

Third, CEMEX must play an appropriate role in society, at a global and local level. We are members of the World Business Council for Sustainable Development and participate in the Cement Sustainability Initiative. We have also developed important partnerships with Conservation International, the World Conservation Society, and other renowned international environmental organizations.

CEMEX is also active at the local level everywhere we operate. We support efforts as diverse as planting olive trees on the slopes of Kozjak Mountain in Croatia and solving housing needs for

“Our contribution to sustainable development is at the very heart of our ambitions”

low-income families across Latin America. Most importantly, we encourage our employees to support their local communities through a wide variety of activities.

Fourth, we must ensure we have the financial resources, management systems, and opportunities to develop our business. We want to continue to grow organically and to invest in new acquisitions in key markets around the world. Our aim is long term, profitable, and sustainable growth—not growth for its own sake.

Our concept of sustainability is rooted in a broader commitment to ethical behavior and respect for the human rights of those who work for us and those who are affected by our operations. We are committed to the UN Global Compact principles and have produced this report in accordance with the Global Reporting Initiative guidelines.

I encourage you to read this report carefully. You will see that we have set clear targets and are working hard to meet them. For example, we have made good progress in introducing alternative fuels, and we are working to reduce our accident rate. We believe that any work-related fatality is unacceptable,

and we are strongly determined to achieve better safety results in the future.

At CEMEX, we are committed to transparency and to open communication with our stakeholders. I hope you find this report useful and I look forward to your feedback.

Sincerely,



Lorenzo H. Zambrano
Chairman of the Board and
Chief Executive Officer

WE ARE A GLOBAL LEADING PRODUCER OF CEMENT, READY-MIX CONCRETE, AND AGGREGATES. WE MANAGE OUR BUSINESS FOLLOWING THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE AND SUSTAINABILITY. OUR ECONOMIC IMPACTS EXPAND AS WE CONTINUE TO GROW AND SERVE MORE CUSTOMERS AND COMMUNITIES.

Our business



We celebrated our first
100 years in 2006

Our customers range from multinational construction companies to individuals building their own home

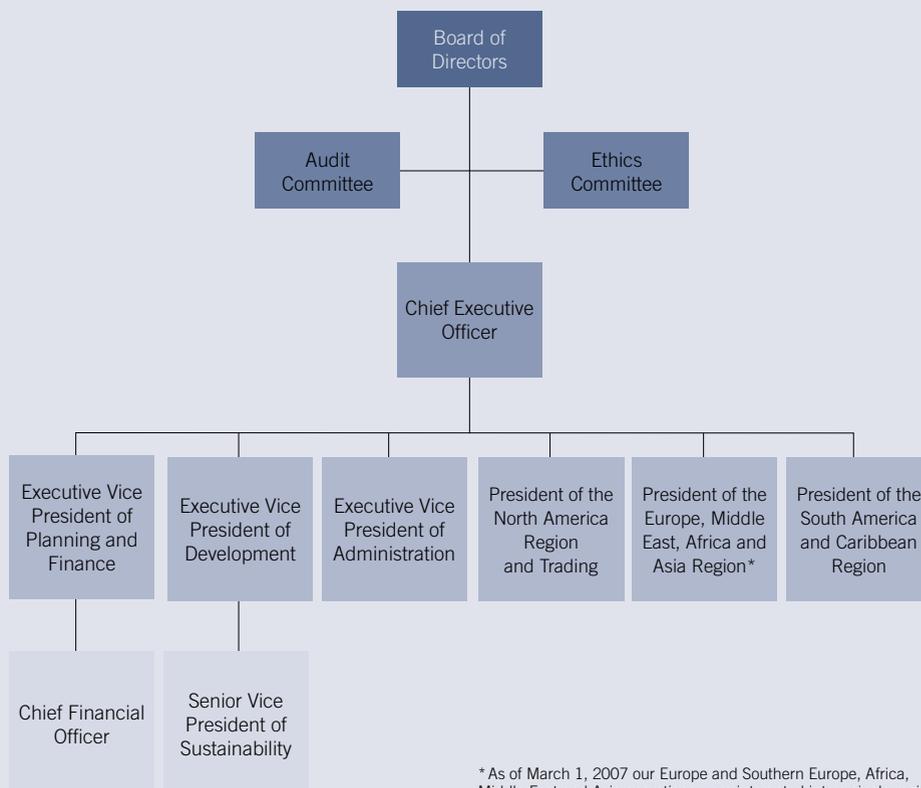
We paid US\$1.2 billion in wages and benefits to employees

Around **88**% of our purchases come from locally-based suppliers in the countries where we operate

We are implementing a company-wide Sustainability Management System to run an efficient business that creates value for society

“CEMEX is a pioneer in the implementation of responsible initiatives that improve the livelihood of people, contribute to the economic development of communities, and make good business sense”

– Djordjija Petkoski
Head of Business, Competitiveness, and Development
World Bank Institute



* As of March 1, 2007 our Europe and Southern Europe, Africa, Middle East and Asia operations were integrated into a single region.

WHO WE ARE

Founded in Mexico in 1906, over the last 100 years CEMEX has grown from a local player into one of the top global providers of building materials. We produce, distribute, and market cement, ready-mix concrete, aggregates, and related construction materials to customers and communities. We have operations in more than 50 countries and maintain trade relationships with over 100 nations overall.

We employ more than 50,000 people in operations in the Americas, Europe, Africa, the Middle East, and Asia. Our customers range from multinational construction companies to individuals building their own home. We sell our products directly to customers, and also through distributors who we work with closely to ensure a reliable commercial network to service our markets.

Our global operations:

- Annual production capacity of more than 93 million metric tons of cement at 66 wholly-owned and 11 minority interest cement plants
- Roughly 74 million cubic meters of ready-mix concrete produced annually at more than 1,900 production facilities
- More than 166 million metric tons of aggregates produced each year from over 390 quarries

- More than 250 land distribution centers and 80 marine terminals

BUSINESS GROWTH IN 2006

We performed strongly in 2006, with an increase in net sales of 19% to US\$18.2 billion. In the majority of our markets, sales increased because of higher cement, ready-mix concrete, and aggregate production volumes and continuing demand for our products to develop public infrastructure and housing.

We continue to share best practices throughout our business. Our operations benefit from our standardized and centralized processes and from the economies of scale that arise from being a global business.

In July 2006, CEMEX announced the sale of a 25.5% interest in PT Semen Gresik to Indonesia-based Rajawali Group, receiving proceeds of approximately US\$346 million.

GOVERNING AND MANAGING OUR BUSINESS

We are committed to the highest standards of corporate governance. Our board of directors has ultimate responsibility for decision making and for compliance with all laws and regulations

applicable to our business in all countries of operation. Seven of our 13 board members are independent of management, having no existing commercial, industrial, banking, consulting, legal, accounting, charitable, or familiar relationships with CEMEX. More details on our legal corporate structure, board member profiles, and compensation of senior management are available in our Form 20-F.

Our management team reports to the board and comprises the regional presidents and executive vice presidents of each functional area.

Sustainable development objectives are included in the performance assessment of executives who have direct responsibility for social or environmental initiatives. Our performance evaluation model assesses every executive in some aspects of social performance such as development of others, focus on stakeholders, and building alliances.

We have formal processes in place to assist in compliance with all applicable legislation, including the Sarbanes-Oxley Act. These include:

- A system to ensure that relevant information reaches senior management in a timely manner

- A system for anonymously and confidentially communicating to the audit committee complaints and concerns regarding accounting and audit issues
- A process for anonymously and confidentially submitting complaints related to unethical conduct and misuse of assets
- A task force to follow legal requirements and best corporate governance practices and, when appropriate, propose improvements
- A disclosure committee composed of senior executives to certify the accuracy and completeness of information provided for public disclosure
- A robust anti-fraud program

Our Code of Ethics and Business Conduct

Our employees must carry out their work according to the highest ethical standards. All our employees receive a copy of our Code of Ethics, which guides our conduct and explains our expectations for:

- Relationships with stakeholders
- Workplace safety, health, and environmental responsibility
- Protection of confidential information
- Conflicts of interest
- Financial controls and records
- Preservation of assets

A corporate-level Ethics Committee oversees the code and is the highest authority on ethical matters. Ethics Committees at business unit level, comprised of senior executives, are responsible for implementing the code and ensuring compliance within their sphere of influence.

We have a single code for our company and are implementing it in our new operations. In 2006, we adapted the code and the various tools that support it for our European businesses, to take into account the different cultures and legal requirements in which they operate. For example, in France and Germany we agreed on changes to the procedure for reporting violations of the code with workers' councils, and adapted our secure website to comply with data protection laws.

Our employees are required to sign the code electronically. In our pre-RMC operations, 90% of executives and 43% of all employees have signed the code. The Ethics Committees received 124 reports on alleged violations to the

code from our pre-RMC operations in 2006, 11 of them related to discrimination. We have resolved 60%, 32% are in progress, and 8% were rejected. We constantly improve the way we manage and report cases of unethical behavior.

We take all alleged violations of our Code of Ethics seriously. In one case, a supervisor was reported for use of inappropriate language, verbal harassment, and the unfair dismissal of an employee. Following investigation, the employee was reinstated in a different area. The supervisor received a formal warning and the case was recorded in his personal file. In a second example, employees reported fraud committed by a supervisor who had taken kickbacks from customers. The supervisor was dismissed, and an investigation is taking place to establish whether other people were involved.

We have designed an online learning program for the Code of Ethics, to provide consistent training for employees worldwide. We run classroom training courses for Ethics Committee members and business unit Ethics Committee Administrators. In 2006, seven courses were available in total, including two on Sarbanes-Oxley. A total of 710 employees received an average 3.8 hours of training each. We have launched the code in all new operations and expect statistics on implementation and compliance to be available in mid-2007.

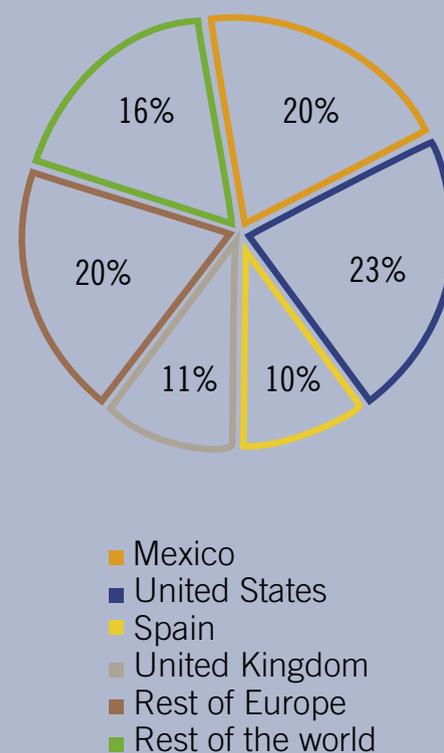
Managing risks

We constantly seek new ways to identify and manage risks to our company and assets, and consequently to our people and local communities. These include social and environmental risks. Our internal control area designs, implements, and supervises effective measures to identify risks and the appropriate action to take. Our process assessment team identifies best practices used in each country and shares them throughout the company twice per year.

A risk management manual, including policies and procedures for preventing loss or damage to property and equipment, is available to our employees through our intranet. We carry out annual inspections at all our sites in conjunction with FM Global, one of the world's leading property insurers, and use a grading system to record the outcome. Sites graded 85 out of 100



2006 Sales by geographic distribution
% of global sales





or higher for their risk management processes are classed as Highly Protected Risk (HPR). Our goal is to increase the number of HPR sites, and at the end of 2006, 76% were classified as such, compared with 73% at the end of 2005. The risk management team checks that corrective actions identified during inspections are carried out.

We have begun to implement a robust system to monitor and reduce the risk of fraud, such as the misuse of assets or information within our business. Opportunities to commit fraud arise when authority and adequate internal controls are lacking. A set of indicators identify our vulnerability to different types of fraud, and allow us to take preventative action. The system will prevent losses, reduce time and money spent on fraud investigation, and strengthen our compliance with the Sarbanes-Oxley Act.

Our Sustainability Management System

Our strategy is to run a highly efficient and profitable business that ensures the safety and well-being of its employees, protects the environment, and contributes to the development of our communities. To do this effectively, we are implementing a company-wide Sustainability Management System (SMS) that covers each of these aspects.

The SMS is designed to integrate sustainability management into our operations and is mandatory for all business units. It is designed to be flexible and to accommodate any existing management systems and programs. The system describes what operations must do, but allows individual facilities to decide how to do it. Using such a management system will help us:

- Establish a common framework for sustainability management for all business units
- Document existing knowledge and practices
- Focus our attention on mitigating significant risks and driving continuous improvement in key areas
- Demonstrate our diligence in managing sustainability

The SMS is a key element of our management approach and covers the economic, environmental, and social dimensions of sustainability, including health and safety. It requires our operational facilities to meet regulatory requirements, fulfill voluntary commitments, identify and respond to potential risks, and engage with stakeholders.

The system will ensure every facility follows a systematic approach toward the commitments of our

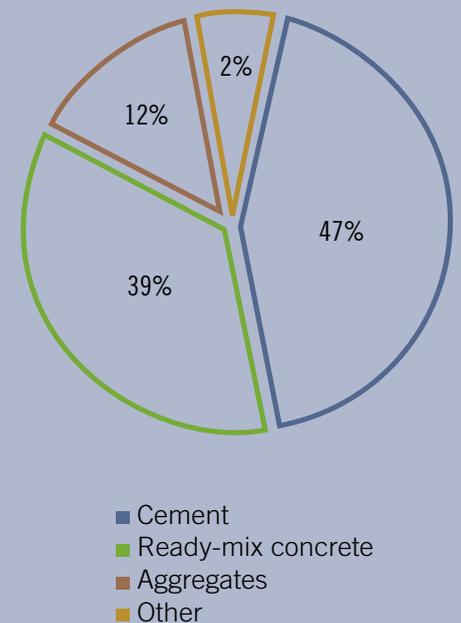
sustainability policy. Every site must define organizational responsibilities, make strategic plans, monitor and verify performance, take corrective and preventive action, engage with stakeholders, carry out training and communication, and measure progress using key performance indicators.

Certain aspects of the SMS are designed to communicate our performance in accordance with the Global Reporting Initiative G3 Guidelines for sustainability reporting. For example, our risk assessment model covers a range of economic, environmental, health and safety, labor, human rights, social, and product responsibility topics.

We have developed a global plan to ensure the SMS implementation is cost-effective, efficient, and well-coordinated. In 2006, we piloted the system to test and refine the design and implementation process at sites in 13 countries (read more about the SMS pilot in Puerto Rico on page 9). These included nine cement and three ready-mix facilities, three aggregates sites, a concrete products operation, and an asphalt operation. We expect the implementation to be complete by 2009. Our global SMS team will oversee the implementation, sharing lessons learned and best practices.



**2006 Sales by business segment
% of global sales**



OUR ECONOMIC IMPACTS

We intend to continue geographically diversifying our cement, ready-mix concrete, and aggregates assets and vertically integrating our operations in new and existing markets. The more our business expands, the greater our economic contribution to society. Our direct economic impacts in 2006 included:

- Sales of over US\$18.2 billion, creating business for our value chain's distributors
- Wages and benefits paid to employees, which totaled US\$1.2 billion
- Social and charitable donations. We donated more than US\$35 million – over 1.2% of pre-tax income
- Goods and services worth around US\$5 billion bought from more than 150,000 suppliers. Around 88% of our purchases were from locally-based suppliers in our countries of operation
- Dividends returned to shareholders. Our average stock price in 2006 was US\$30.50, up 40.5% on 2005. Through our stock dividend program, we distributed over 105 million CPOs to 97.4% of our stockholders. The remaining 2.6% received cash payments totaling US\$13.7 million.

Our 2006 Annual Report and Form 20-F contain full details of our financial performance including revenues, operating costs, and retained earnings.

The value created by our business continues to ripple through local and national economies as a result of our stakeholders' activities. These indirect economic impacts – referred to as the multiplier effect – are much harder to quantify, although we include examples of our activities that create them throughout this report.

Our indirect economic impacts include our employees, distributors, and suppliers spending the resources derived from our relationships; improvements in the health and well-being of our employees, their families, and communities; jobs created in our value chain by suppliers, distributors, and customers; the value of the knowledge and technology we share across geographic regions; increases in operational efficiency which improve productivity; and the benefits and opportunities provided through the use of our products in improving infrastructure and quality of life of communities.

PILOTING OUR SMS

We carried out the first SMS pilot at our cement plant in Ponce, Puerto Rico. A cross-functional group representing the areas of environment, health and safety, public affairs, community relations, human resources, and operations took part.

The goal of the pilot was to begin implementing the SMS and to test the new SMS toolkit. Participating employees at the plant recognized the potential benefits of the SMS in helping to meet the high expectations of local stakeholders – one of Ponce's key sustainability challenges. The employees involved in the pilot discussed stakeholder expectations and completed a risk assessment covering environmental, socio-economic, and health and safety issues.

At the end of the pilot, the team developed an action plan to close the gaps between existing systems and SMS requirements.

On cemex.com

- Our history
- Management team
- Corporate governance, including Code of Ethics
- Annual report, Form 20-F and quarterly results

OUR STAKEHOLDERS are those people and groups who influence our business or are affected by our activities. These include our shareholders, customers, distributors, suppliers, employees and their families, governments and regulators, civil society organizations, and communities near our facilities.

Employees at all levels interact with an array of stakeholders while carrying out our daily business. We believe that open and honest dialogue helps promote transparency and strengthen our business. The following diagram describes some of the channels we use to engage with different groups in society.

Additional examples of stakeholder engagement are included in the corresponding sections of the report.

1. Shareholders: Our aim is to run an efficient and profitable company that attracts investment. We protect our shareholders' interests by following the highest standards of corporate governance.

We regularly communicate with our shareholders and their representatives to keep them fully informed of our activities. We do this through our investor relations program, annual and quarterly reports, conference calls, our annual meetings, and press releases. Learn more about our corporate governance on page 6.

2. Customers and distributors: We sell in bulk to larger customers and also trade through our network of distributors – retailers who buy our products and sell them to customers. We communicate with our distributors through specially designed networks, capacity building programs, and personal meetings.

Our customers give us feedback through our customer service centers, and we carry out satisfaction surveys and personal meetings with them to help us understand their needs. We also run programs to help vulnerable customers access our products. See page 16 on our value chain and page 32 on *Our social commitment*.

3. Suppliers and contractors: We have over 150,000 suppliers of goods and services, from IT service providers to haulage companies who transport our products. Our global procurement website gives our suppliers all the information they need.

Our procurement teams meet with suppliers to strengthen our relationships and listen to their concerns. By hiring a high proportion of local suppliers in each country of operation and offering them development programs, we foster economic growth in the communities where we operate. For more information about our value chain go to page 16.

4. Employees: We provide employment for over 50,000 people in more than 50 countries. We aim to offer a caring, safe, and rewarding workplace where all our employees are treated with fairness and respect.

We know it is essential to engage with our employees and their families. In 2006, we carried out a global employee engagement survey, continued to publish our internal magazine *Our Voice*, and ran volunteering programs. Read *Our people* on page 18 and *Our social commitment* on page 32.

5. Governments and regulators: We contribute to the development of countries where we operate by building public infrastructure and paying taxes. We also partner with governments in social development projects.

We take part in advocacy activities through trade associations and directly with regulators. We comply with legislation and take corrective action when breaches do occasionally occur. For more information about our corporate governance go to page 6.

6. Civil society organizations: We partner with local, regional, and global organizations to enhance our contribution to sustainable development. These include business associations, community organizations, NGOs, and universities, among others. We also participate in public events and conferences. See *Our social commitment* on page 32.

7. Communities: We involve local communities in our activities to help us understand their concerns and respond to their feedback. We hold open-house days and site visits, community dialogues and advisory panels, volunteering activities, and invest in initiatives that promote community development. See *Our social commitment* on page 32.

CEMEX IN SOCIETY

8. Energy: The cement industry significantly relies on energy sources to operate. We believe that using residues from other industries as a fuel source for our own helps reduce our emissions while safely disposing of society's wastes. Use of alternative fuels and renewable energy are featured on page 27.



12. Research and development: We invest in new technologies to increase the efficiency and value of our products and reduce the environmental impacts of our manufacturing processes. Our R&D helps us create more sustainable products. For more information go to page 15.

9. Production plants: We have 66 wholly-owned cement plants and more than 1,900 ready-mix concrete facilities in the Americas, Europe, Africa, the Middle East, and Asia. More information on *Our marketplace* on page 12.

10. Quarrying for raw materials: We change landscapes when extracting aggregates and raw materials for cement and ready-mix concrete production. We plan and manage activities at our more than 390 quarries throughout their productive lifecycle to retain our license to operate. Learn more about our land management strategies on page 30.

11. The environment: We strive to mitigate the potential effects that producing cement, ready-mix concrete, and aggregates has on the environment. These include emissions of carbon dioxide, dust and other gases, impacts on biodiversity, and use of local water supplies. Read *Our environmental commitment* and practices on page 24.



13. Restored sites: Quarries that have come to the end of their useful lives are rehabilitated in a systematic way to support biodiversity and prepare the land for agriculture or as local amenities, such as boating or fishing. For more information about restored sites go to page 30.

14. Conservation: In addition to managing biodiversity impacts at our own sites, we promote a number of conservation projects. One of the most significant is El Carmen, a private conservation area rich in biodiversity located on the border between Mexico and the USA. For more information about our conservation efforts go to page 34.

15. Products and services: Our products bring considerable value to society. They are used to make roads and sidewalks and to construct buildings, from offices and schools to hospitals and homes. Read more about our products and services on page 14.

OUR AIM IS TO MAXIMIZE THE BENEFITS OF OUR PRODUCTS THROUGH INNOVATIONS THAT HELP INCREASE ENERGY EFFICIENCY IN BUILDINGS, REDUCE FLOODING AND SKIDDING ON ROADS, AND USE BY-PRODUCTS FROM OTHER INDUSTRIES TO REPLACE NATURAL RAW MATERIALS. WE STRIVE TO INCREASE THE MUTUAL BENEFIT DERIVED FROM OUR RELATIONSHIPS WITH SUPPLIERS, DISTRIBUTORS, AND CUSTOMERS.



Our marketplace

Cement can take on any three dimensional shape and can become as durable as rock

Our porous concrete allows rainwater to filter into the ground, reducing flooding

We developed a special antibacterial concrete to be used in hospitals and as flooring in low-income houses

Buildings consume one third of the world's energy; we support energy efficiency and sustainable building initiatives

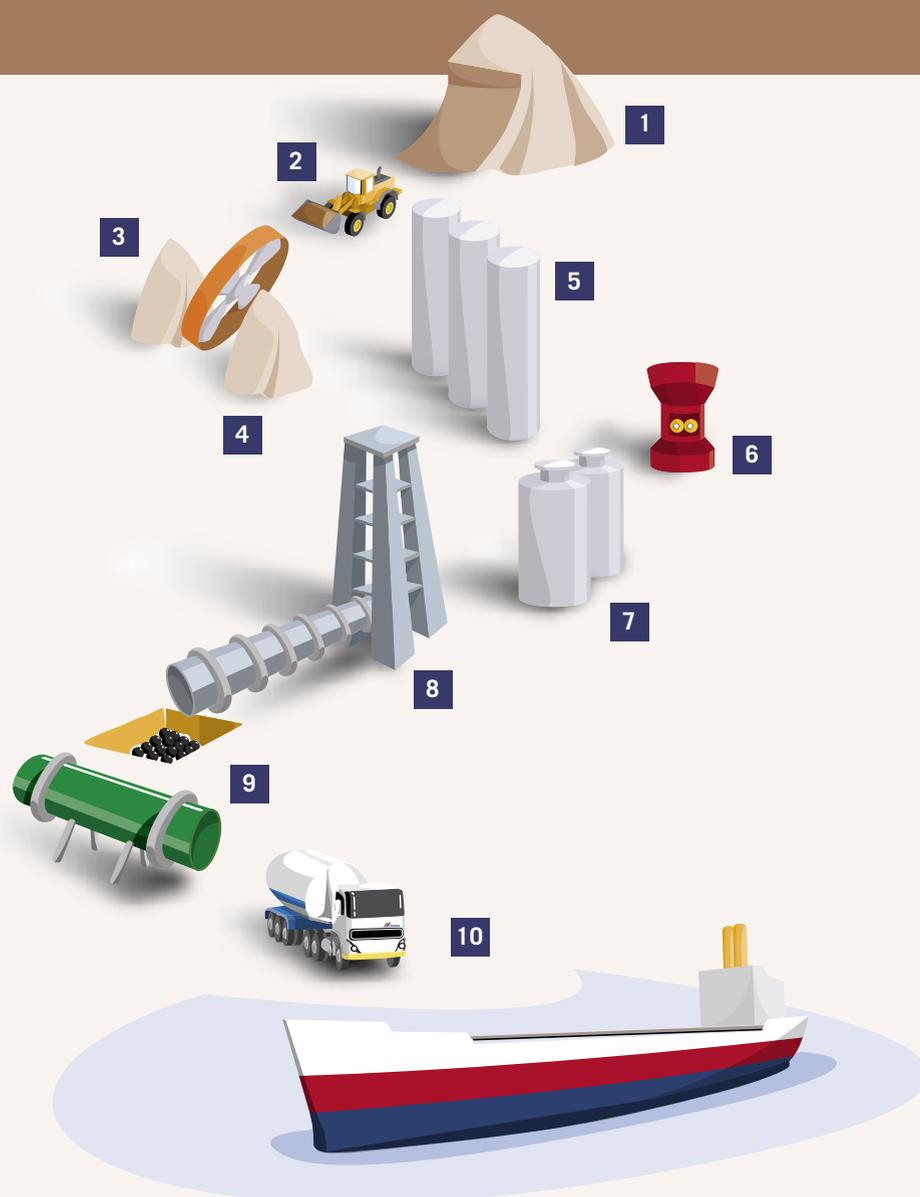
We have developed innovative business models to ensure direct access to our products for economically vulnerable customers

“It has been a great honor to be invited to the corporate social responsibility capacity-building project for small and medium enterprises because CSR is a fundamental part of offering a world-class service”

- Juanita Parra
HOM FER & Company International
CEMEX supplier in Mexico

CEMENT PRODUCTION PROCESS

- 1. MINING RAW MATERIALS:** Limestone and clay are extracted from quarries.
- 2. TRANSPORTING RAW MATERIALS:** The limestone and clay are transported to the cement plant by truck, train, or conveyor belt.
- 3. CRUSHING:** The quarry stone is crushed to between 4 and 10 cm in size.
- 4. MIXING (PREHOMOGENIZATION):** Clay, limestone and other ingredients are mixed to suit the cement making process. Alternative cementitious materials such as fly ash from coal-fired power stations can be used as substitute raw materials.
- 5. STORING:** The raw materials are stored in separate silos according to their mix.
- 6. MILLING:** The raw materials are milled into a fine raw meal.
- 7. RAW MEAL HOMOGENIZATION:** The different ingredients are combined to suit the final cement type.
- 8. CALCINATION:** The raw meal is fed into the kiln where it is heated to 1,400 degrees Celsius, transforming the mixture into clinker – small dark gray nodules between 1 and 4 cm in diameter. Alternative fuels can be used to heat the kilns.
- 9. MILLING:** The clinker and other cementitious materials are milled into a fine powder. Gypsum and other additives are mixed with clinker to extend the time cement takes to set.
- 10. PACKING AND SHIPPING:** The cement is stored in silos, packed into bags, or shipped in bulk to customers.



Our products – cement, ready-mix concrete, and aggregates – bring considerable value to society and are literally the building blocks of development. Our materials are used to make roads and sidewalks and construct buildings, from offices to hospitals and homes.

Our responsibility is to ensure that the way we design, make, distribute, and deliver our products contributes to sustainable development.

As with all extracted and manufactured goods, ours can have significant impacts on the environment and those communities that play host to our operations. We are as much concerned about minimizing these impacts as we are about maximizing the benefits (for a full discussion read *Our environmental commitment* and *Our social commitment*).

In this section we look at the lifecycle of our products and how we work with our commercial stakeholders, including researchers, suppliers, distributors, and customers to ensure that together we generate as much value as possible.

OUR PRODUCTS AND SERVICES

Our strategy is to focus on our core business of cement, ready-mix concrete, and aggregates. We also make a range of other construction materials.

Cement

We are the world's third largest manufacturer of cement, which is at the core of many of our other products. See diagram on the left to learn how it is made.

Ready-mix concrete

Aggregates are mixed with cement and sand to make concrete. Because concrete hardens relatively quickly, it must be made either on the building site or very close to it. Successful concrete manufacture depends on being able to respond to customer orders quickly and to deliver ready-mix concrete on time. We have built a world-leading ready-mix business by improving the efficiency of our operations and being able to respond to customers quickly.

We tailor our ready-mix concrete to suit our customers' needs, by changing the proportion of water, aggregates, and cement in the mix. We also use additives in our concrete to suit the delivery time from our plant to the customer, weather conditions at the construction site, and customer specifications.

Aggregates

Aggregates are the crushed stone, sand, and gravel used in construction. They are a key component in road-building, and the main ingredient in concrete. Aggregates come from various sources, including sand and gravel quarries, hard rock quarries, and from dredging the sea bed using our specialized fleet of ships.

Our services

We customize our services around the world to suit our different markets. For large customers who demand cement in bulk, we offer a 24-hour dispatch system that allows them to pick up cement at their own convenience. Our web-based inventory system automatically calculates customers' cement requirements and coordinates deliveries, ensuring they are always supplied with the optimum quantity of cement for their needs.

We use our purchasing power to offer distributors and customers a full range of building materials, from plumbing and electrical supplies to paint, timber, and lighting fixtures. Our distribution network's convenient one-stop shops for building materials saves our customers time and money.

For example, we ensure smaller-scale customers get the best service through our Construrama network (for more information go to distributors on page 17). We have also developed innovative low-income market business models, such as our Patrimonio Hoy and ConstruCard programs, to ensure direct access to our products for the most vulnerable customers. Read more about *Our social commitment* on page 32.

PRODUCT RESEARCH AND INNOVATION

While our core products might be made from basic raw materials, their composition and delivery rely on the effective application of the latest science and technology.

Our research and development (R&D) efforts help us create more sustainable processes and products, while reducing costs and meeting customer needs. R&D is led and coordinated by the Vice Presidency of Technology.

We have nine laboratories dedicated to R&D. Eight are located near our main plants, supporting our efforts to respond quickly to cus-

tomers needs. The ninth is in Switzerland where we consolidate and carry out building materials studies, as well as information technology and energy management research.

We have a history of developing innovative products that bring social and environmental benefits while reducing their environmental impact. For example, in 1999 we developed a special antibacterial concrete to be used in hospitals and as flooring in low-income houses. Other applications include free-flowing foundation concrete and concrete used by livestock farmers who need surfaces that can withstand the acid environment of silage storage.

More recently we have been working with customers to develop house building materials with improved thermal insulation in roofs and walls. This reduces the need for heating and cooling and contributes to lower greenhouse gas emissions.

Other examples of innovative products include:

- **Rapid-setting cement.** Containing up to 80% fly ash from coal-fired furnaces, this is used to produce mortar, cement and mix where repairs have to be made very quickly. Because the product has a high fly ash content (a by-product), it is considered a low-carbon substitute for conventional cement. This product is sold as Armofast® in the United States.
- **Self-compacting concrete.** This form of concrete avoids the use of steam and vibration techniques normally used to strengthen and compact pre-cast and pre-stressed concrete. Its density increases strength and durability, lengthening the useful life of structures and reducing the cost of maintenance and repair. Avoiding steam-curing reduces fuel use and carbon dioxide emissions. Because this product is easier to work with than other concretes, it reduces labor requirements, increasing efficiency and cutting the cost of construction. Removing the need for vibration tools reduces health risks and noise. The concrete is available in Germany as Aaton® and in other countries under different brand names.
- **Porous concrete.** This is used to pave sidewalks, allowing rainwater to filter into the ground, which reduces flooding and helps maintain groundwater levels. Because the



QUALITIES OF CEMENT

When mixed with water, cement chemically reacts until it hardens. It is capable of hardening in dry and humid conditions, and even under water. Cement is remarkably shapeable: when mixed with water and aggregates, such as sand and gravel, it is capable of taking on any three-dimensional shape. Cement—and the concrete made from it—is as durable as rock. Despite climate conditions, cement holds its shape and volume, and continues to harden for several months. Cement is such an effective adhesive that, once it sets, it is virtually impossible to break its bond to materials such as brick, steel, gravel, and rock. Buildings made with cement products are more waterproof when the proportion of cement is greater than that of aggregate materials. Cement can provide excellent noise insulation when the thickness of floors, walls, and concrete roofs is properly calculated.

WHAT IS CLINKER?

The main ingredient in cement is clinker, produced by heating limestone and clay to temperatures of 1,400 degrees Celsius (see diagram). We strive to cut the high fuel costs and environmental effects of cement making, as carbon dioxide is released by burning fuel and in the chemical reaction when raw meal becomes clinker. Substitute cementitious materials—such as fly ash from coal-fired power stations and blast furnace slag, a by-product of the steel industry—are increasingly being used to reduce what is known as the clinker/cement factor. For more information go to *Our environmental commitment* on page 24.

CELEBRATING SUSTAINABLE BUILDING DESIGN

After 13 years celebrating Mexican building design through the CEMEX Building Awards, we opened the competition to entries from around the world in 2004. In 2006, we received 63 entries from 24 countries.

An independent panel of judges selects winning building projects in different categories: housing, institutional or industrial buildings, infrastructure, accessibility, and sustainable building.

The award in the sustainable building category recognizes the project that best tackles its environmental impacts, has a high social value, and uses innovative design that can be replicated elsewhere. In 2006, the award went to the Kuala Lumpur Convention Center (pictured). The Pelican Eyes Hotel and Resort in Nicaragua came second and the Comber Distillery in Ireland, third.



concrete, sold as Acuícreto, is light-colored, the sidewalks absorb less heat from the sun and store less heat in their porous structure. This reduces potential heat traps in cities. Acuícreto is also used in road building, reducing the risk of vehicles skidding in wet weather.

- **Safe Energy Concrete (SEC).** This concrete has high insulation values. Studies in three Mexican cities showed that interior temperatures were up to three degrees lower in houses made from SEC, compared with traditional concrete. The SEC homes remained at a comfortable temperature for double the length of time without the use of air conditioning, reducing household electricity bills.

We are members of research consortiums such as NANOCEM, which gathers basic knowledge on the nano- and micro- scale properties governing the performance of building materials. Using nanoscience and nanotechnology helps us develop new products and improve existing ones.

We partner with universities and research centers in the countries where we operate on research into the use of local waste products, biomass, alternative fuels, and biofuels in our products and processes.

We are developing processes that enable cement kilns to burn high-sulfur fuels, trapping

the resulting sulfur dioxide and preventing release to air.

Partnering for sustainable building

Finding solutions to the challenges of sustainable development cannot be achieved working alone. Besides our contribution to the Cement Sustainability Initiative (CSI), we are working with a group of leading companies in the building, equipment, and energy industries as part of the Energy Efficiency in Buildings (EEB) initiative. This three-year project was launched in March 2006 and is coordinated by the World Business Council for Sustainable Development (WBCSD).

Buildings consume a third of the world's energy and are a major contributor to climate change. One of the most effective ways to tackle this is through improved energy efficiency. Enhancing the environmental qualities of cement and concrete to improve energy efficiency in buildings will clearly create many commercial opportunities.

The EEB initiative is working to identify immediate steps that will begin to change the construction business climate in favor of sustainable development.

OUR VALUE CHAIN

We work closely with our suppliers, distributors and customers – our value chain – to

ensure that mutual benefit is derived from our business relationships.

Suppliers

We have over 150,000 suppliers who provide us with raw materials and services worth around US\$5 billion a year. We treat our suppliers fairly and provide them with equal opportunities to contract with us. A special global supplier's portal provides all the necessary information online for suppliers wishing to do business with us. We encourage suggestions on how we can improve our procurement process and provide a confidential e-mail system for complaints.

We have implemented a centralized global procurement process, the Strategic Sourcing Methodology, which plays a critical role in improving our business efficiency.

We expect our suppliers to support us in our strategy and share our values. We insist that they comply with all laws, respect the environment and the well-being of their local communities. CEMEX has implemented a supplier qualification program which includes social, financial, accountability, and quality assurance criteria as part of the ISO 9000 quality standard, as well as environmental and employee health and safety issues.

We constantly look for ways to create sustainable, competitive advantage. This is especially important because of our rapid growth across the world. In 2007, we will launch our Supply Chain Integration Initiative, which is designed to improve operational efficiency and stimulate competitive advantage in all our business lines, wherever we operate.

Distributors

Our products are often sold through distributors-retailers who buy our products and sell them to customers. We work closely with them to ensure their customers receive the best service.

In Latin America, where there is a tradition of do-it-yourself house building, customers are often too small to buy in bulk from us. This is why we have built a network of more than 2,000 independent retailers who trade under the name of Construrama in countries such as Mexico and Venezuela. The shops offer a range of branded products, including those from CEMEX. We help Construrama concession owners by training them in business skills such as inventory control, product promotion, sales, and logistics.

In Mexico, we have introduced a simple credit system to make it easier for low-income consumers to pay for building materials. The Constru-Card offers an average credit line of US\$1,000 that can be used to buy any of the approximately 40,000 products sold through Construrama distributors. By the end of 2006, CEMEX had issued some 80,000 ConstruCards resulting in sales of US\$15 million.

In Egypt, we have developed bespoke training programs for distributors to increase their knowledge of our products and to improve their business and management skills, such as book keeping and taxation. We have trained 1,500 people in our School of Laborers since 2002, to help develop the knowledge and skills available in Egypt's construction industry. We also offer training courses in project management and construction site supervision for engineers.

Customers

Our business units carry out customer satisfaction surveys locally to ensure our tailored approach is successful. In 2006, CEMEX conducted a survey with more than 1,000 customers in the United Kingdom, mostly of ready-mix concrete and aggregates. Overall, our customers are satisfied with

our products and services. Satisfaction levels varied between 63% and 72% depending on the product bought, size of the customer, and region. The average level of customer satisfaction in our sector is 69%. We will use the results to target areas where action is needed most, and develop a set of performance indicators to measure our success.

Ensuring customer safety

We are committed to ensure the highest levels of safety in our products. All our production processes are certified to ISO 9000, the internationally recognized quality management system. It is our policy to ensure that our products meet all legal requirements for product labeling and the provision of safety data in the different countries where we operate.

Encouraging social responsibility in our value chain

CEMEX in Mexico is sharing its knowledge, experience, and practices in social responsibility with small and medium sized enterprises (SMEs) – clients, suppliers, and distributors – in its value chain. Participating companies must have a turnover of less than US\$5 million, be registered in Mexico, and have a stable commercial relationship with us.

We run the program in partnership with the Inter-American Development Bank (IADB) and the Anáhuac University. CEMEX and the IADB have contributed most of the resources, and the University provides specialized consultancy. Participating SMEs have agreed to cover up to 20% of the cost of introducing these new practices into their business.

Ten companies have been chosen to take part. Each has received a set of recommendations on how to be more socially responsible, and will meet quarterly with CEMEX representatives to review their progress.



SUPPORTING MICRO-ENTERPRISE IN COSTA RICA

During 2006, we worked closely in the development of micro-enterprises in Costa Rica, in partnership with local government, universities, and NGOs. We provided an economic contribution to the initiative, plus the use of our equipment and premises. Additionally, ten CEMEX executives volunteered their time to provide support for this project.

The initiative focuses on developing 22 local suppliers, helping them grow and improve their businesses, and meet our standards. Once suppliers agree to take part, their business is assessed. They are given recommendations for improvement in areas such as strategic planning, operations, quality assurance, sales, finance, human resources, and environmental management. The implementation of these recommendations is supported with on-site training and a follow-up of their progress every six months. In addition, we invited five other micro-enterprises from the community surrounding our production plant to participate in this program, with the aim to promote regional economic development. This will also help to tackle unemployment and directly benefit 50 local families.

On cemex.com

- Products and solutions
- Customer satisfaction
- CEMEX supplier's portal

WE SEEK TO ATTRACT AND RETAIN THE MOST TALENTED EMPLOYEES BY OFFERING SUCCESSFUL CAREERS AND PROFESSIONAL DEVELOPMENT IN A CARING, SAFE, AND REWARDING WORKPLACE, WHERE ALL OUR EMPLOYEES ARE TREATED WITH FAIRNESS AND RESPECT.



Our people

We employ more than
50,000 people worldwide

Our accident rate
fell by 17% for global
cement operations

More than 400
e-learning courses
available through our learning
and development program

Our female to male average
wage ratio is virtually one to one

Our level of employee
engagement worldwide
is higher than 85%

“CEMEX encourages innovation and enables its people to grow in a challenging and creative work environment. People put forth their best efforts, knowing the company will support their initiatives”

- Javier Merle
Sustainable Development Director
CEMEX in Spain

“The most beneficial aspects of working at CEMEX are its international environment, the ability to learn through corporate training programs and on the job, and the opportunity to progress on your career path”

Anikó Székely
Cost Team Member
CEMEX in Hungary



“At CEMEX, you work hard to harvest well. Your efforts are well-recognized and your opportunities to grow are very open”

Marco Bedoya
Corporate Sustainability Manager
CEMEX



OUR WORKFORCE

The talent and commitment of our employees help make CEMEX a successful business. In return, our policy is to offer a caring, safe, and rewarding workplace where all our employees are treated with fairness and respect. As we continue to grow, one of our greatest challenges is to ensure our people policies and practices are consistent throughout our business.

At the end of 2006, we employed a total of 54,635 people in our global operations, compared with 52,674 in 2005. Around 5% of employees were in executive positions, 40% were in managerial roles, and 55% had non-managerial jobs. In our pre-RMC operations, employee turnover was 16.5% in 2006. Around 80% of non-managerial employees were permanently employed and 20% were under contract.

COMPENSATION AND BENEFITS

We offer a range of competitive benefits to our employees, which vary between sites and business units. Examples include life insurance, additional vacation based on years of service, scholarships, bonuses, grocery allowances, uniforms, overtime pay, and savings accounts.

The compensation we offer compares favorably with the minimum wage in the countries where we operate. In Mexico, the starting salary for CEMEX employees is at least twice the national minimum wage, and often much higher.

In the UK, our lowest formal grade pays about 15% over the minimum wage for those aged 22 and over. Pay for basic operations typically starts at around 40% above the minimum.

In accordance with UK legislation we provide equivalent compensation for temporary or part-time workers, for the hours that they work. In Spain, all full and part-time employees have the same benefits package.

We support working arrangements that allow employees to balance work with other commitments, where this does not conflict with the running of our business.

ATTRACTING AND RETAINING TALENTED PEOPLE

For our success to continue, it is essential that we attract and retain the best people, and use our existing talent to fill key positions within our company. An increasing number of management jobs are advertised on the careers section of our website and on our intranet – both en-

able applicants to search for jobs by type and geographic location.

In 2006, we implemented a new Job Opportunities Policy in many of our business units. This provides guidance on how to advertise salaried positions internally and explains which employees are eligible to apply. It aims to increase internal job applications and provide equal career opportunities for all employees. The policy will be rolled out to all business units in 2007.

Our Professionals in Development Program aims to bring talented entry-level professionals into our business, and develop their skills through work experience. Participants spend 18 months rotating between projects in each of our main functional areas. Our goal is to recruit 150 recent graduates each year into the program.

TRAINING AND DEVELOPMENT

We invest in our employees to ensure they develop successful and satisfying careers at CEMEX, and that our business benefits from their increasing knowledge and skills. We provide them with a range of opportunities to improve, including online learning, university scholarships, and programs for high-performing middle-managers and potential leaders.

Training for employees who work on our sites and have little computer access is designed and managed at a local level. For example, several of our business units are implementing initiatives to train and certify drivers. There are different initiatives focusing on driving safety, fuel efficiency, customer service, and cost reduction. We are measuring the success of these initiatives using a range of performance indicators including fuel consumption, maintenance costs, accident frequency, and driver turnover.

CEMEX Learning is our training and development platform. It offers employees opportunities to design individual development plans geared toward company strategy, the requirements of their business unit, and the needs of the individual. It also encourages functional and geographic areas of the business to share knowledge, best practices, and resources. Examples of courses include orientation for new starters, communication skills, project management, finance, and people management. There are more than 400 online courses available through CEMEX Learning, many of them in more than one of the following languages: English, French, German, and Spanish.

At the end of 2006, CEMEX Learning was available to all pre-RMC business units, plus Germany. It was being implemented in the UK, France, Poland, and Ireland. Nearly 14,000 employees had access to it, a 65% increase compared with 2005, and 54% of these had individual development plans. More than 20,000 online courses were completed during 2006, a 300% increase on 2005. We will continue to implement CEMEX Learning in our new operations in 2007.

We provide scholarships for high-potential employees to continue their education. Each year, we aim to sponsor 16 employees to complete an MBA at one of the top ten rated programs worldwide, and three employees on the Sloan Fellows Program, a degree in general management for people with established careers. Our business units also sponsor MBAs and masters degrees in relevant technical subjects. In 2006, there were more than 400 such sponsorships. We have improved communication about these programs with universities and our employees and expect increased participation in 2007.

The CEMEX International Management Program aims to develop the skills and knowledge of 60 top-performing middle managers each year. The program is run at Stanford University, the INSEAD business school, and the Tecnológico de Monterrey. It covers a range of managerial fields including strategy, marketing, and human resources. Participants manage real projects to put their learning into practice. Following recent acquisitions, in 2006 we had an unusually large and diverse intake, with 109 participants from 25 business units.

Our Global Leadership Program helps top executives develop the skills and knowledge to lead our company in the future and ensure our continued growth and success. Thirty people are enrolled in the one-year program and we plan for another 30 to participate in 2007/08.

We encourage our employees to engage with their communities and broaden their experience. For more information about employee volunteering go to *Our social commitment* on page 32.

EMPLOYEE ENGAGEMENT

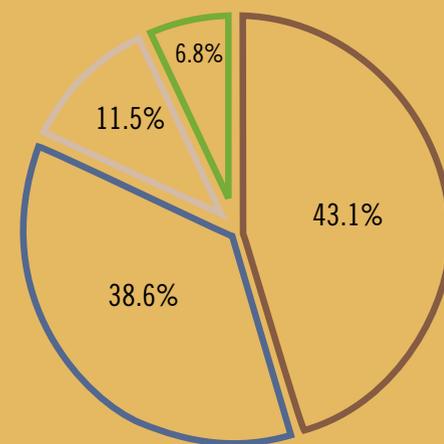
We believe that employees who are fully engaged with our strategy and goals are more likely to enjoy their work, give their best, and choose to develop their long-term career with us. Engaged employees are passionate about their work and feel a sense of belonging and pride in the company.

In October 2006, we launched the CEMEX Engagement Survey in 38 business units and 18 languages. We received around 30,000 responses from employees around the world, representing about 70% of those invited to share their opinions. Survey results show that the level of employee engagement in CEMEX worldwide is higher than 85%, similar to other high performing companies.

The Engagement Survey measures the degree to which employees feel motivated by their job, managers, team, and organization to stay with the company and contribute to its success. The different regions, business units, and functional areas within CEMEX are analyzing the survey results and working on action plans to increase engagement. In 2007 we will carry out another survey to review our progress.



2006 Workforce by geographic regions (global operations)



- Europe, Middle East, Africa and Asia
- North America
- South America and the Caribbean
- Other*

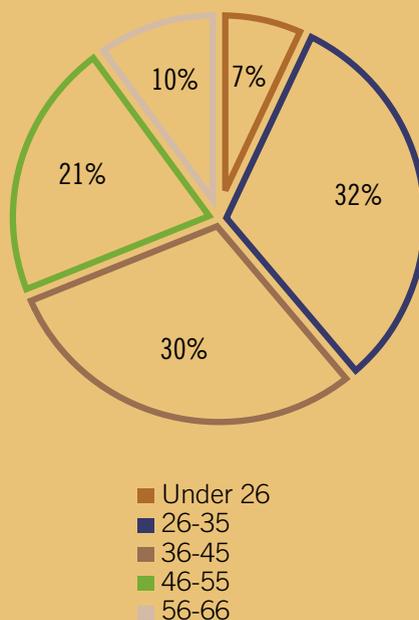
* Other includes: CEMEX Trading, CEMEX Headquarters, CEMEX E-business, and CEMEX Way.



“I most value the opportunity to work with the many talented people that make up the team”

Donna Jones
Information Administrator
CEMEX in the United States

2006 Breakdown of employees by age (pre-RMC operations)



Targets

100% participation in our employee health program by 2010

100% of drivers certified under our driver certification program by 2010

Reduce accident rate for direct employees to 1.0 per 200,000 hours worked by 2010 and 0.5 by 2015

PROTECTING HUMAN RIGHTS

We aim to treat people with dignity, fairness, and respect, regardless of their age, gender, country of origin, race, religion, appearance, abilities, sexual orientation, or political opinion. We make a number of further commitments to our employees in our Code of Ethics, such as to provide competitive pay and benefits and to ensure their safety. As a minimum, our business units must comply with the labor and other laws in their country of operation. Responsibility for this lies with each business unit president.

We are committed to prevent discrimination and uphold the human rights and labor principles of the United Nations Global Compact. For example, our Mexico-based Congruencia program promotes employment opportunities and accessible building design for people with disabilities. We also offer advice to architects, engineers, and the construction industry through the total accessibility guide and the CEMEX Building Awards.

The Congruencia Movement, an alliance derived from our program between companies, hiring agencies, and other institutions, promotes the integration of people with disabilities into the workforce and society in general. The movement began in 2000 with 11 participating com-

panies, and there are now 39 companies taking part. In 2006 Congruencia helped 514 disabled people find jobs, 72% more than in 2005. There are plans to replicate Congruencia in other Latin American countries with limited disability legislation and job opportunities.

We respect our employees' right to be consulted about changes that affect their work and to join a trade union or other representative body. In 2006, approximately half of our pre-RMC workforce was covered by collective bargaining agreements.

PROMOTING DIVERSITY

We want to be a fair employer and build a workforce that mirrors the local population in the areas where we operate. Employing people of different backgrounds can also aid innovation, as they bring different ideas and ways of thinking, reflecting the needs of our markets and customers.

Our workforce is well balanced in terms of age, with 39% of employees aged under 36, 30% aged between 36 and 45, and 31% aged 46 or over. The building materials industry traditionally attracts very few women, especially for on-site rather than administra-

tive work. This is as true for CEMEX as for others in the industry. In 2006, 13% of our workforce in pre-RMC operations and France, Germany, Poland, and the UK was female. These European operations had a female employment rate of 18%.

There is no significant discrepancy in compensation for men and women performing similar jobs. Our female-male average wage ratio in our workforce from pre-RMC operations is close to 1:1.

SAFETY, HEALTH, AND WELL-BEING

Ensuring the health, safety, and security of all those involved in our operations is of the utmost importance. Our environment, health and safety policy describes how we protect our employees, contractors, local communities, and the environment. Each country has a health and safety coordinator to implement the policy with support from our corporate sustainability team.

Our systems

Our comprehensive Health and Safety Management System contains the elements and tools needed to implement the policy, including leadership and management participation; audits and inspections; health and safety training; risk assessment, accident investigation; emergency

PERFORMANCE PROGRESS

Lost time injuries

	2005	2006
Directly employed – CEMEX total	969*	938
Indirectly employed – CEMEX total	96	101
Directly employed – cement operations only	174	138
Indirectly employed – cement operations only	27	36

*The 2005 figure for lost time injuries for directly employed individuals has been restated to include revised data from our ready-mix operations

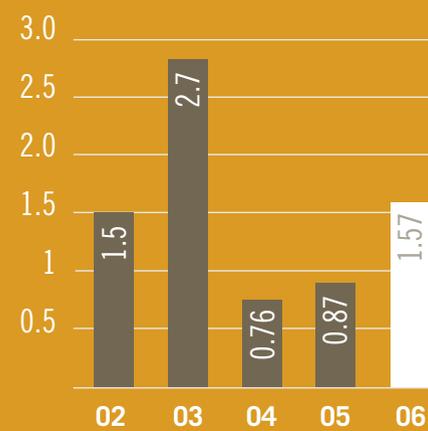
Accident rate



--- Target 2010

This chart represents our overall accident rate for directly employed individuals in all CEMEX operations (number of accidents per 200,000 hours worked). CSI injury frequency rates can be calculated by multiplying the accident rate by 5.0.

Fatality rate



This chart shows our fatality rate for directly employed individuals in all CEMEX operations (number of fatalities per 10,000 directly employed)

preparedness; and contractor safety. We have safe operating procedures in place for all high risk tasks, which all sites must follow. Further safety guidelines are available for aspects including industrial hygiene, risk assessment, and fire prevention.

By the end of 2006, all our cement operations had carried out a self-assessment to evaluate their compliance with the Health and Safety Management System. Our ready-mix and aggregates businesses will complete the process by the end of 2007, and we expect all sites to be fully compliant with the system by the end of 2008. We have also begun to integrate elements of this system with our Sustainability Management System.

We use the guidelines of the CSI Health and Safety Taskforce to report safety performance for our cement operations, and other standard accident metrics for our business as a whole. We consolidate safety data from all business units in our SISTER database, an online safety monitoring and tracking system.

Our performance

Our accident rate in 2006 fell by 17% to 1.16 in our cement operations, and by 12.8% to 1.84 for our business as a whole. This was

mainly because of outstanding performance in our European businesses.

It is with great sadness that we must report the fatalities of 8 employees, 10 contractors, and 14 third parties in connection with all our operations, most of them the result of traffic accidents. We investigated each fatality to establish the cause and introduce measures throughout our business to prevent a recurrence. During 2006, we developed an action plan for controlling the operational risks that lead to accidents.

Along these lines, we will:

- Establish a standard organizational structure for health and safety
- Implement and reinforce our Health and Safety Management System in all facilities
- Assess risks within all business units
- Strictly enforce our policies and procedures
- Reinforce contractor compliance
- Avoid traffic accidents by improving vehicle visibility, limiting drivers' working hours where they are not already controlled by legislation, and improving driver training

Encouraging good health

We aim to ensure the well-being of our employees and to comply with international health guidelines.

We are in the process of implementing a health program that covers a range of occupational and general health issues including, but not limited to: dust, noise and vibration, smoking, travel medicine, mental health, and specific diseases such as HIV/AIDS, typhoid and malaria.

Ensuring employee security

Our security policy promotes a culture in which individuals are responsible for their own security and applies to all employees and operations. It requires each of our business units to implement a security strategy based on the risks identified in that country. In 2006, there were no compromises of security involving our employees or operations.

On cemex.com

- Culture and values
- Development opportunities
- Employee insights
- Job site
- Safety and health

OUR INDUSTRY RELIES HEAVILY ON NATURAL RESOURCES AND ENERGY, AND WE MUST USE CUTTING EDGE TECHNOLOGY TO INCREASE ENERGY EFFICIENCY, REDUCE CARBON DIOXIDE EMISSIONS, AND OPTIMIZE OUR USE OF RAW MATERIALS AND WATER. WE ARE COMMITTED TO MEASURE, MONITOR, AND CONSTANTLY IMPROVE OUR ENVIRONMENTAL PERFORMANCE.

Our environmental commitment

A white truck is driving on a road that curves through a lush green landscape. The road is bordered by a stone wall and a fence. In the background, there are rolling green hills and a dense line of trees with some autumn-colored foliage. The overall scene is a rural, natural setting.

Cement kilns provide a valuable resource for **safely disposing** of society's **wastes**

Alternative fuels, including biomass, provide **25%** of the total energy used in our European cement plants

Cement kiln dust, our by-product, can be used to treat waste and for **environmental remediation**

A rehabilitation plan addressing biodiversity issues is developed for most of our **quarries** around the world

An orchard planted to **restore land** around our Alicante plant in Spain produces about **1,000 tons of fruit** annually

“We will continue investing in proven solutions that allow us to reduce our most significant operational impacts on the environment and we hope to develop new opportunities to use our assets for the benefit of society”

- Tony Henshaw
Senior VP of Sustainability
CEMEX

Target

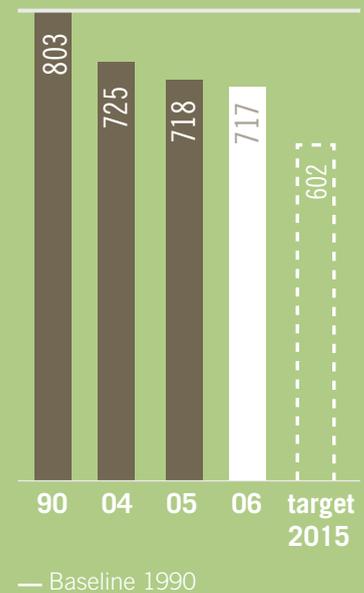
25% reduction in CO₂ emissions per metric ton of cement product by 2015, from 1990 baseline



Absolute CO₂ Net Emissions
million metric tons



Specific CO₂ Net Emissions
kg CO₂/metric ton of cement product



Note: Net emissions are the total amount of CO₂ emitted from cement production activities minus indirect savings, such as the use of alternative fuels. Values from 2005 were recalculated following the implementation of more comprehensive and reliable reporting practices.

Cement is at the very core of society's development. It provides many essential benefits, such as shelter, public buildings and services, and transport infrastructure. Concrete, made with cement, is the world's most used material after water – more than 2.5 tons are used per person annually.

But the making of cement and the extraction of aggregates for concrete have significant environmental impacts that must be well managed. In this section we deal with the operational impacts of the extraction of raw materials and the manufacture of cement. Some impacts, such as the emissions of carbon dioxide from cement kilns, have a global impact. Others, such as the effect on biodiversity from quarrying, congestion from transport and dust emissions, have a local significance. The diagram on page 14 shows how cement is made, and includes explanations of some technical terms used in this section.

All our impacts must be reduced and we are committed to measure, monitor, and constantly improve our environmental performance. There are many opportunities to achieve this. For example, we operate high-temperature kilns with tight emissions controls. This puts us in a good

position to dispose of some common but socially problematic wastes, such as domestic garbage.

Furthermore, we can make use of by-products from other industrial combustion processes. Steel furnace slag, for example, is a useful substitute material to clinker in cement making. Using this and other industrial by-products enables our industry to practice what is known as industrial ecology, where one sector's waste becomes another's raw material.

Ensuring that we take these opportunities while minimizing our impacts through efficiency and good management is a fundamental part of our contribution to sustainable development. It also makes business sense, helping us reduce costs and retain our license to operate.

TAKING THE LONG VIEW

For over a century we have developed a successful business while at the same time caring for our people, our communities, and the environment. Our commitment to environmental protection is ultimately the responsibility of our top management who has oversight of our environmental policy and strategy.

We have developed a Sustainability Management System (SMS), which includes environmental and socio-economic topics, such as engagement with local communities and health and safety. We are implementing the SMS throughout our business. As part of this, we are collecting information from all our cement plants worldwide and will soon add data for our ready-mix and aggregates operations. Many of our manufacturing facilities are certified to the internationally-recognized environmental management standard ISO 14001.

We are among the core members of the Cement Sustainability Initiative (CSI). Established in 1999, this voluntary sectoral initiative works under the umbrella of the World Business Council for Sustainable Development (WBCSD) to improve the global cement industry's environmental and social performance.

The CSI has agreed on a set of key performance indicators (KPIs) for reporting on the main sustainability challenges faced by our industry. We report performance according to the definitions agreed by the CSI (see *Summary table of targets and performance* on page 38).

In this section we describe how we are reducing our most significant operational impacts on the environment and report progress towards our long-term targets.

OUR KEY ENVIRONMENTAL ISSUES

CLIMATE CHANGE MANAGEMENT

Climate change is considered to be one of the most critical environmental concerns facing the world. It is caused by increased concentrations of greenhouse gases (GHGs) – mainly carbon dioxide (CO₂) – in the atmosphere. These gases prevent reflected and radiated heat from the earth returning to space.

The global cement industry produces about 5% of all man-made CO₂ emissions. Depending on the process, making a metric ton of cement typically produces more than 700 kilograms of CO₂. About half comes from the chemical reactions in clinker production and 40% from burning fuel. Around 10% comes from electricity use and the transportation of raw materials and final products.

How we tackle climate change

Monitoring is the first step to reduce emissions. We need accurate information on our emissions to develop effective strategies to curb them. All our cement plants are connected to an online reporting tool called the CO₂ Emissions Inventory Electronic Platform. This measures a range of indicators (e.g. volume of clinker, cement production, and fuel consumption) and then calculates CO₂ emissions based on the CSI protocol. The data help us to define actions to increase our efficiency, improving both our business and environmental performance.

We have developed a CO₂ strategy that takes into account all options to reduce emissions available to the cement industry. The most important are:

Clinker content

One of the most effective ways to reduce emissions is to replace clinker with less CO₂ intensive materials. Substitute materials must have similar cementitious properties to clinker, maintaining the high quality of our cement. Suitable substitutes include blast-furnace slag from iron and steel making, and fly ash from coal-fired power stations. This method of substitution, known as co-processing, also provides a safe means of disposing of these industrial wastes.

The clinker content of traditional Portland cement is around 95%. In Germany, we can produce high-quality cement with a clinker content of less than 35% using substitute materials. However, in many regions reducing clinker content is often limited by the availability of suitable substitutes and government regulation.

Alternative fuels

Biomass such as wastes and by-products from forestry, agriculture, and food processing can be converted to alternative fuels. These are considered to have a neutral climate impact because biomass fixes carbon when it grows, and releases it when burned as fuel, creating a neutral CO₂ cycle.

Cement kilns provide a valuable resource for burning society's wastes, such as biomass, household refuse, and used car tires. Such wastes provide substitutes for fossil fuels, reducing overall CO₂ emissions. In Europe, the cement industry is providing a useful disposal route for domestic waste as landfill becomes scarce and governments limit their use.

Alternative fuels provide a quarter of the total energy used in our European cement plants, and a growing percentage of fuel worldwide. (read more about the German case on page 29). Increasing the proportion of biomass fuels is an important part of our CO₂ strategy.

Energy efficiency

We have reduced specific fuel consumption in some of our recently-acquired European cement plants by sharing best practices from other sites.

Co-processing also improves energy efficiency. For example, our Tamuin plant in Mexico adds ash from a nearby power station to its raw materials for cement making, reducing the temperature needed to form clinker. This technique has significantly reduced energy use.

Renewable electricity

Electricity generated from renewable resources, such as the wind, is carbon free. Our Mexican operations are participating in the development of a new wind farm in Oaxaca. When the plant comes online in 2008 it will reduce CO₂ emissions by 600,000 metric tons a year. The project has been registered as a Clean Development Mechanism project under the United Nations Framework Convention on Climate Change.



USING ALTERNATIVE FUELS – benefits and drawbacks

Societies need to dispose of many used products, such as car tires, industrial wastes, and used lubricants. Many of these have a high calorific value and can be used to supplement fossil fuels in cement kilns.

Agricultural and plantation forest waste – biomass – also provides a useful fuel and is considered to be carbon neutral because vegetation fixes CO₂ during its growth and releases it when it is burned, creating a neutral CO₂ cycle.

Using waste as fuel provides clear benefits to society and cement makers. It is a safe way to dispose of wastes and reduce greenhouse gas emissions.

However, many stakeholders are concerned about the potential health and environmental implications of the use of wastes. Local communities worry about emissions, such as dioxins and heavy metals, and possible accidents when hazardous wastes are transported to the cement plants.

We take these concerns seriously when considering using alternative fuels. As a result, we work closely

with the local regulatory authorities to ensure compliance and consult with neighbor communities.

For example, as part of our application for a permit to use old tires as a fuel in Rugby, UK, we ran a strictly controlled and monitored 1,000 hour trial and extensive public consultation. The trial showed the site to be well within emissions limits and that burning tires actually reduces levels of nitrogen oxide compared with traditional fuels. Our permit was granted in February 2007, and the Environment Agency will continue to monitor our compliance closely.

We use advanced technologies to co-process alternative fuels in our plants. We have developed our own technologies for some waste streams like used tires, spent oils, and solvents.

Our operations in the European Union are among the pioneers in using alternative fuels with some of our plants being used worldwide as benchmarks. The use of alternative fuels, mainly from biomass, is a substantial component of our low-carbon energy strategy.



We continue to seek opportunities to generate and use renewable energy around the world.

EMISSIONS TO AIR

Cement production releases different types of pollutants into the environment, mainly as airborne emissions. These emissions, primarily nitrogen oxides (NO_x), sulfur compounds (SO_x), and dust are often controlled by national legislation and local regulation.

We conform to the CSI reporting protocol on these emissions and have approved a five-year capital expenditure of US\$10 million, starting in 2007, to achieve our target of continuous monitoring of all our kilns by 2015. At the end of 2006, 60% of our kilns were covered by emissions monitoring systems (for continuous or discontinuous measurements) for main pollutants, and 40% for overall pollutants.

We have invested in new equipment to reduce our emissions to air at many of our sites. For example, in January 2006, our Castillejo plant in Spain installed a low NO_x burner on one of its kilns. This has reduced NO_x emissions by up to 25%.

RESOURCE CONSUMPTION

Cement manufacture makes high demands on energy and materials but provides many opportunities to recover and reuse by-products and industrial wastes.

Fuel

Cement kilns have traditionally used mainly fossil fuels for combustion. The use of alternative fuels and materials can reduce fuel costs, cut carbon emissions, and provide society with environmentally sound methods of waste disposal. But alternative fuels must be well managed to comply with local regulations and meet concerns of stakeholders.

Material use

Lowering the percentage of clinker in our cement by substituting it with other substances not only reduces energy use, but also is key to reducing our use of natural raw materials. Strength and durability are paramount for ensuring our products are safe to use, so we must find cost-effective clinker substitutes that provide these qualities.

Another way to optimize material use is to improve monitoring at quarries to better control the

variability of raw materials and ensure a consistent mix. Our process specialists have developed a methodology that reduces the variability of raw materials entering the kilns, reducing raw material waste and improving energy efficiency. We plan to spread this methodology to the rest of our cement plants around the world.

Water

Water is becoming an increasingly scarce resource and several factors, including climate change, are expected to increase the number of regions suffering from drought and water stress.

In cement production, water is used primarily for cooling or in preparing slurry in kilns that use a wet process. The amount of water used in cement making ranges from 100 liters to 900 liters per metric ton of clinker, depending on the process.

Water is also an essential resource for producing concrete. It is used in the production process itself, for cleaning down plant and equipment, in truck wash systems, and for washing aggregates.

For all the above-mentioned reasons, we manage our water use very closely. We constantly look to reduce consumption, preserve quality



GERMANY LEADS THE WAY IN ALTERNATIVE FUEL USE

Germany leads the way in alternative fuel use, where the cement industry provides an important waste disposal route. For example, alternative fuels comprising 73% domestic refuse account for 48% of total energy needs at our cement works in Rüdersdorf. The plant is in an area that produces some three million metric tons of garbage a year. At our Kollenbach plant, alternative fuels such as animal meal and domestic wastes make up 53% of total fuel.



and conserve water resources and wetlands. We are developing performance indicators to ensure that we measure, monitor, and improve our performance.

Our Lara cement plant in Venezuela makes 525,000 metric tons of cement a year. During past years we have invested US\$820,000 in an eco-efficient water treatment plant to reduce our water consumption and prevent harmful discharges. Wastewater at the plant is treated and then reused in our processes. This helps to secure water supplies for the local community and protects the local environment. All treated water is reused and waste solids generated during treatment meet environmental regulations. These waste solids are used as fertilizer in our land rehabilitation activities at the quarry.

Our ready-mix concrete plant in Perpignan, France, was designed to allow 100% of process water to be recycled, treated and reused in production. French legislation requires any rainwater captured to be treated before it is used or released into the public wastewater system.

The Perpignan plant was designed with the optimum number of paved surfaces to increase

the amount of rainwater collected. Specially designed slopes have been installed at just the right angle to guide rainwater into the site's water treatment plant. Of the rainwater recovered, 100% is treated and a proportion is released into the local wastewater system.

MANAGING BY-PRODUCTS

A small number of our production plants generate cement kiln dust (CKD), our main by-product. This is a fine-grained substance removed from process exhaust gases. CKD is extracted to reduce concentrations of sodium and potassium in cement. Large amounts can be reused in the production process.

We can reuse some CKD directly in our finished products, while some requires treatment prior to reuse. It is also a suitable stabilizing agent for waste and environmental remediation. In very few cases, when not reused in production or recycled, it is mostly landfilled.

We aim to keep CKD to a minimum, and are seeking new beneficial uses for any that is produced. Potential markets include using it as a soil conditioner in agriculture and as an acid-neutralizing agent in water treatment.

Targets

10% alternative fuels substitution by 2015;
15% by 2020

5% biomass fuels substitution by 2015;
8% by 2020

12% alternative raw materials substitution by 2015; 15% by 2020

Alternative Fuel Substitution

% of thermal substitution



■ Biomass Fuel □ Alternative Fossil Fuel

RESTORED SAND AND GRAVEL QUARRY BECOMES TOP ECO-FRIENDLY ATTRACTION

The Attenborough Nature Reserve is a restored sand and gravel quarry providing a habitat for plant and animal species and a location for outdoor leisure activities in the United Kingdom. It is owned by CEMEX and jointly managed with the Nottinghamshire Wildlife Trust, with support from Broxtowe Borough Council. In 2006, the BBC Wildlife Magazine included this site as one of the world's top ten eco-destinations for wildlife travel.

The site is used for bird watching, angling, sailing, and walking. It covers 365 hectares and has attracted over 250 species of birds. In 2005, we opened a visitors' center at the reserve, to provide educational programs, displays, refreshments and conference rooms. In the first week of opening it attracted over 4,000 visitors.

Last year CEMEX won the Cooper Heyman Cup at the UK Quarry Products Association Restoration Awards, for our restoration work at this site. The Quarry Products Association is a trade association covering 90% of UK quarrying companies.

Over the years, volunteers have played an important role in recording the wildlife and carrying out conservation work which has made this reserve the wonderfully wildlife-rich site that it is today.



LAND MANAGEMENT AND BIODIVERSITY

Extraction of the raw materials used in cement and concrete manufacture, such as limestone, clay, sand, and gravel, must be well managed to reduce impacts on biodiversity and local communities.

CEMEX owns large tracts of land, mostly in rural areas. Much of this land is used to provide habitats for wildlife, farmland, or for community recreation. Quarries and mines that have come to the end of their life are rehabilitated in a systematic way to create new habitats for biodiversity and prepare the land for agriculture or as a local amenity, such as boating and fishing lakes.

We are committed to be a responsible steward of the land we own and manage. Our quarries with rehabilitation plans in place went from 63% in 2005 to 81% in 2006. Biodiversity issues are being addressed at 64% of our sites, compared with 55% last year. We have a long history of taking the initiative to conserve biodiversity through long-standing partnerships with conservation organizations (for more information read partnering for conservation on page 34).

Protecting biodiversity in Davenport

For 100 years, the CEMEX cement plant at Davenport on the North California Coast in the US has been a careful guardian of the coast and over 4,000 hectares of forestland.

The plant implemented a unique habitat conservation plan for threatened California red-legged frogs on its property and is now working to develop a program to protect the dusky-footed woodrat, which was only recently discovered in the area.

The Davenport cement plant is certified as "Smart Wood" by the Rainforest Alliance. This means the plant's forestry operations meet all of the Alliance's high environmental standards concerning wildlife habitat, endangered species, and fisheries protection. Over 20,000 redwood seedlings are planted every winter to maintain and promote sustainable forestry.

CEMEX's property serves as a vital watershed for Davenport and nearby New Town, providing for their raw water needs from San Vicente and Mill Creeks. Every year, CEMEX supports the Santa Cruz County to improve the community's water and sewage system. The plant recycles waste water in its manufacturing process. A fish ladder system has been installed to enable

salmon to migrate from Monterey bay marine sanctuary in California.

Making the most of our land in Egypt

In Egypt, we have put restored land next to our site to good use as farmland. With a complete irrigation system, protection from the wind and good transport links, the farm is a great environment for grape vines. We are growing seedless grapes for the European Union market, and expect to plant 36 hectares of vines by 2008.

A reservoir originally built to serve the site's 12 water tanks has been transformed into a fish farm, which yielded more than four tons of fish in 2006.

We have also planted more than 240 hectares on the farm with casuarina trees, and plan to plant a further 87 hectares. This is a heat-loving plant that helps stabilize shifting sand dunes and requires little maintenance after planting. Biomass from the plantation will be used as an alternative fuel for clinker production, forming the basis for Egypt's first Clean Development Mechanism (CDM) project under the United Nations Framework Convention on Climate Change.

PERFORMANCE PROGRESS

	2005	2006
Energy		
Specific heat consumption of clinker production (MJ per metric ton of clinker)	3,864	3,882
Raw materials use		
Alternative raw material rate (consumption of alternative raw materials, as a % of total raw materials for cement and clinker production)	9.02 %	8.51 %
Clinker/cement factor (ratio between clinker consumption and cement production calculated according to cement protocol)	81.4 %	81.4 %



Restoring our Alicante quarry in Spain

A restoration project in Alicante, Spain, has become a full-scale agricultural venture, selling 90% of its production in France, Italy, Germany, and the UK. In the late 1980s, we planted an orchard to restore the land around our cement plant in Alicante. It now produces 1,000 metric tons of fruit annually. By 2007, when all the trees are fully mature, fruit production will be close to 2,000 metric tons per year. The orchard covers 110 hectares and we plan to extend it to form a green belt around the entire plant.

TRANSPORT

The weight of cement, concrete, and aggregates encourages the use of the most efficient forms of transport to save costs. During 2006, roughly 11% of our materials and products were transported by rail, 11% by water, and 78% by road.

Most of our cement kilns are located close to quarries to minimize the distance raw materials must travel to the plant. In many cases, conveyors or belts bring raw materials from the quarry to the kiln to avoid the use of road transport. Our plant in Rugby, UK, is roughly 100 kilometers from the quarry that provides chalk for clinker

production. We use a high pressure pipeline to transport a chalk-water slurry mix from the quarry to the plant. Ten thousand tons of slurry per day are transported this way.

In some of our operations, we use the sea and inland waterways to transport materials and products and reduce miles traveled by road. In the UK, for example, aggregates are transported by barge on the River Severn from our Ripple quarry to our Ryall processing facility, 3 kilometers upstream, and to our Gloucester ready-mix concrete plant, 22.5 kilometers away.

Targets

50% of kilns to have installed continuous monitoring by 2010; 100% by 2015

Reduction in specific emissions per ton of clinker, from 2005 baseline by 2015:

- 50 % for dust
- 15 % for NO_x
- 10 % for SO_x

PERFORMANCE PROGRESS

	2005	2006
Emissions reduction		
% of kilns covered by a monitoring system for main pollutants	50 %	60 %
% of kilns which have installed continuous monitoring for main pollutants	39 %	42 %
Dust specific emissions (g/ton clinker)	311	215
Dust absolute emissions (metric tons/year)	18,515	13,676
NO _x specific emissions (g/ton clinker)	1,961	2,007
NO _x absolute emissions (metric tons/year)	116,703	127,586
SO _x specific emissions (g/ton clinker)	580	519
SO _x absolute emissions (metric tons/year)	34,538	32,983

Note: Data presented in this table are estimates only from cement main kiln stacks. 2005 historical data have been adjusted due to corrected measurement and corresponding recalculations.

On cemex.com

- Sustainable industry
- Environmental programs and awareness
- CEMEX in the UK

WE HAVE A STRONG HISTORY OF SUPPORTING THE DEVELOPMENT OF COMMUNITIES BY CONTRIBUTING TO AN ARRAY OF SOCIAL INITIATIVES, BUT WE DON'T STOP THERE. WE DEVELOP INNOVATIVE SOCIAL DEVELOPMENT AND CONSERVATION PROGRAMS, WORKING IN PARTNERSHIP WITH GOVERNMENTS, NGOs, UNIVERSITIES AND OTHERS, AND ENCOURAGE OUR EMPLOYEES TO BECOME INVOLVED IN THEIR LOCAL COMMUNITIES.



Our social commitment

93% of our sites worldwide have formal community engagement plans

We have published a book featuring cutting-edge conservation strategies every year since 1993

Our Patrimonio Hoy program has helped 160,000 low-income families improve their homes and well-being

We have helped more than 20,000 families rebuild their homes following hurricanes and other natural disasters

We encourage our employees to volunteer their time and share their skills with their communities

“CEMEX has been an innovator in integrating social value generation into its corporate strategy as an essential ingredient of the way it does business and contributes to society. Its collaboration with SEKN is a manifestation of its commitment to generating new knowledge about how businesses can be important builders of stronger communities”

–James E. Austin
Snider Professor, Emeritus, Harvard Business School & SEKN's Co-Founder



We have a strong history of supporting the development of communities. We focus on projects in environmental conservation, education, arts, culture and sports, sustainable housing, local community development, and disaster relief.

Our approach is to invest in initiatives that encourage self-sufficiency, and to work closely with communities to ensure our efforts meet their needs. We prioritize initiatives that are related to our core business, and often work in partnership with other organizations that share our vision for sustainable development. A priority is to find innovative ways to increase access to our products for economically vulnerable customers that need them to improve their homes and quality of life.

Our operations may produce both positive and negative impacts on nearby communities, creating employment and wealth but also changing landscapes and increasing traffic and noise. We encourage dialogue with these communities to help us understand and respond to their concerns.

This section explains how we engage with communities near our operations and gives examples of our flagship programs, partnerships, donations, and employee volunteering. In 2006,

we donated more than US\$35 million to social initiatives, around 1.2% of our pre-tax income. Our indirect economic impacts, such as wages paid, are an essential part of our economic contribution to communities (for more information go to page 9).

In 2006, we began work on a set of company-wide social investment guidelines. These will provide direction on key principles, criteria for selecting partners and projects, and performance assessment, among others.

ENGAGING WITH COMMUNITIES

We want to build stronger, long-term relationships with our communities. Through our Sustainability Management System, we will make every effort to understand and address concerns relating to our operations, such as traffic levels and noise, natural resource use and infrastructure development. Our stakeholders are a rich source of information and their insights help us to improve the sustainability of our business.

Many of our facilities hold regular meetings with community leaders, government officials, and employee groups to gather information about important local needs (for more information regard-

ing alternative fuels and how we have addressed community concerns go to page 28).

In some locations we have established committees composed of community representatives and CEMEX employees to identify and address relevant issues (read more about an example from Puerto Rico on page 35). At the end of 2006, 93% of cement sites worldwide had formal community engagement plans in place, compared with 84% at the end of 2005.

We have established partnerships with organizations all over the world that share our desire to build a better future. A full list of some of our partner organizations can be found on our website.

PARTNERING FOR CONSERVATION

Our commitment to the conservation of biodiversity comes from our sustainability vision and the core values of our company. We strongly believe that there is a business case for integrating conservation into our daily operations. We have established working relationships with leading global conservation NGOs, universities, governments, communities and others where we operate. These partnerships provide strategic guidance and improve our understanding of biodiversity issues, helping us build trusting relationships with all stakeholders.

We promote conservation awareness through our editorial series of conservation books, which aims to define and communicate global needs and strategies in this realm. We also sponsor lectures, conferences, educational sessions, and other environment related activities and publications.

In addition to managing biodiversity impacts at our own sites, we manage, along with our partners, a number of successful off-site conservation projects. The most significant of these is El Carmen, a private transboundary conservation area, which encompasses deserts, grasslands forests, and other biodiversity rich ecosystems, and is located along the border between Mexico and the United States.

El Carmen is among one of the five great wilderness ecosystems of the world, and is home to more than 500 species of plants, 400 species of birds, 70 species of mammals, and 50 types of reptiles and amphibians. The area is considered a global hotspot for biodiversity protection and is recognized as a transboundary ecosystem of global importance.

Since 2000, CEMEX has purchased nearly over 120,000 hectares of land and has entered into conservation agreements with adjoining private land owners for an additional 60,000 hectares. We have established a hands-on, field-based operation on both sides of the international border, giving priority to scientific work, habitat restoration, and wildlife management programs. One of the highlights of our work is the re-introduction of the desert bighorn sheep to the region.

An unspoiled area of El Carmen has been designated as the first wilderness area in Latin America. This was achieved with guidance from several of our partner NGOs: Agrupación Sierra Madre, Conservation International, Birdlife International, and the Wild Foundation, which all consider El Carmen a global conservation priority. We appreciate the cooperation and strong working relationship that we have with our NGO, government, university, and private landowner partners to help protect this unique ecosystem for present and future generations.

Elsewhere, in 2006 our Croatian operations supported a project to plant 1,000 olive trees on the slopes of Kozjak Mountain near the city of Split. The trees will line a 6 km route used

by walkers and mountaineers and link sites of local historical interest. We launched the project by planting 100 trees to celebrate our anniversary and also made a contribution to a local mountaineering club to restore a hostel for climbers.

SUPPORTING EDUCATION AND CULTURE

To develop sustainable communities it is essential to help build the skills and knowledge of the people within them. We support schools and universities to provide opportunities for people to improve their education, career prospects, and quality of life. Our business is often used as a case study and in 2006, CEMEX was featured in a variety of research studies and articles.

In Mexico, our Chairman and CEO chairs the board of the Tecnológico de Monterrey and several of our executives sit on the boards of the Universidad Regiomontana. We also support Monterrey's Museum of Contemporary Art (MARCO), one of the most prestigious institutions promoting the arts in Latin America.

Since 1999, we have helped spread sustainable development knowledge through partnerships with multilateral agencies, NGOs and universities, called CEMEX Cathedras. In 2006, we ran four different seminars on sustainability and corporate social responsibility (CSR), construction, architecture, and the use of white cement and concrete.

More than 1,400 people from 16 Latin American countries participated in the Sustainability and CSR Cathedra. In the future, we plan to offer this program to our employees through CEMEX Learning. We also plan to expand the program into a 96-hour diploma course in collaboration with Tecnológico de Monterrey and the World Bank Institute, to share key lessons with our markets and the wider society in the countries where we operate.

In Spain and Mexico, we have partnered with renowned universities to share our experience and knowledge of the production and use of white cement and concrete with architecture faculties and students.

In 2006, we established a partnership with the Social Enterprise Knowledge Network (SEKN). This initiative is led by Harvard Business School and some of the best business schools in Latin America



OPEN DIALOGUE BENEFITS CEMEX AND THE COMMUNITY

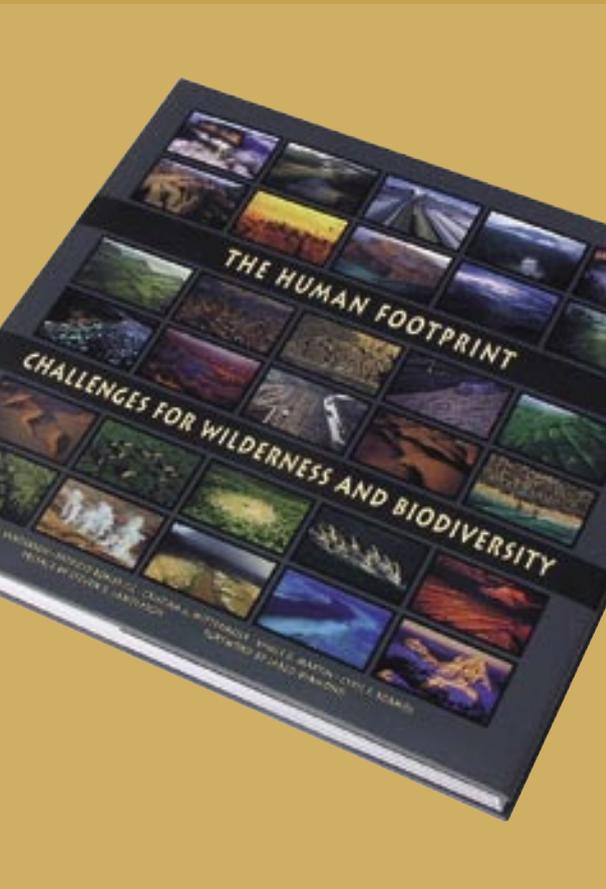
Our Ponce cement plant in Puerto Rico has established a liaison committee to listen to community concerns and agree on how to resolve them. The committee meets monthly and is open to all people from surrounding communities. Committee members include the site's director of operations and the environment, the community relations manager, and 15 community leaders.

In response to concerns raised at committee meetings, we have installed new dust filters, re-paved nearby roads, and purchased a road-sweeping vehicle which will directly benefit our neighbors. We use a quarterly newsletter to update the wider community on our progress against the commitments we make at the meetings and to communicate other relevant news suggested by community leaders.

Complaints from the community fell by more than 70% in 2006, showing that open dialogue brings benefits to our business and local communities alike.

“The committee is independent of CEMEX and voluntary. Its only aim is to maintain an open and constructive dialogue”

Lenys M. Martinez
Committee Member

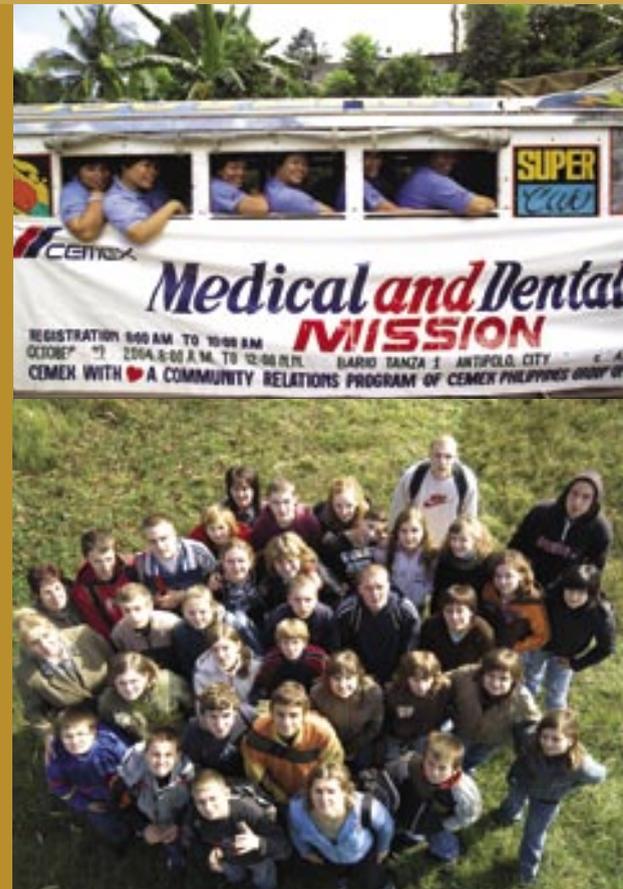


PROMOTING ENVIRONMENTAL AWARENESS

Every year since 1993, we have published a significant book on conservation to promote the importance of biodiversity. The books are written in partnership with leading NGOs and distributed free to universities, government agencies, research institutions, and to non-profit organizations for fund-raising.

Our latest book, *The Human Footprint, Challenges for Wilderness and Biodiversity*, was produced in 2006 in partnership with the Wildlife Conservation Society, Mexico-based NGO Sierra Madre, the Wild Foundation and the International League of Conservation Photographers.

The book highlights the Wildlife Conservation Society's work to understand the impact of human life on our world. The book contains state of the art maps, stunning images, scientific findings, and inspiring essays from renowned experts that recommend actions to reduce society's impact on the planet.



and Spain participate. SEKN conducts research, teaching, and training activities that will help strengthen our social endeavors.

PATRIMONIO HOY: IMPROVING HOUSING

We initiate, fund, and manage projects to enhance community life quality, primarily by helping low-income families to build or improve homes. Our approach aims to align the values and commercial objectives of our business with the needs of communities.

Mexico has a significant housing shortage. Roughly one third of all homes are informally constructed and approximately 40% of cement sales are to low-income, do-it-yourself homebuilders. These homes are typically very basic, and construction is gradual and inefficient. Since 1998, our flagship Patrimonio Hoy program has given low-income families access to building materials through a simple and innovative credit system.

Families group together and commit to save for ten weeks, paying for the materials they need over that time. CEMEX provides the necessary materials in the second week, extending credit for the remaining weeks – time enough to

complete the building. We also offer technical assistance including architectural advice, and tailor our customer service to suit the needs of these customers.

Following the program's success in Mexico, we introduced Patrimonio Hoy in Colombia and Nicaragua in 2005, and in Venezuela and Costa Rica in 2006. More than 160,000 families have benefited from Patrimonio Hoy, showing that a company can grow its business and encourage community development at the same time.

CONTRIBUTING TO DISASTER RELIEF

During 2006, we collaborated with governments and civil society organizations to help vulnerable communities in several countries, including Indonesia, the Philippines, and Mexico. In Indonesia, for example, we are working on a five-year project with SOS Children's Villages which is featured as a case study on the next page.

Another case in point is ConstruApoyo, a program that helps rebuild communities affected by natural disasters. The program was created in late 2005 after hurricanes devastated the south of Mexico, and uses debit cards pre-funded by the government to enable households and communities in need of rebuilding to receive

the building materials they require. The regional government identifies beneficiaries and provides the funds. CEMEX supplies the debit cards, produces a catalogue of materials at fixed prices, manages the entire supply chain, and provides the government with an audit trail and real time tracking of the delivered materials.

The program reduces the time taken to distribute aid and accelerates the rebuilding of homes and communities, quickly improving beneficiaries' quality of life. Since the program began, 17,500 families have received funds totaling US\$1.9 million. The ConstruApoyo model can also support other initiatives that require the efficient, effective, and transparent transfer of subsidies for building materials. These include self-construction and school renovation programs in rural areas.

In the Philippines, we partnered with the Philippine Business for Social Progress (PBSP) to raise money for aid after a series of mudslides in February 2006 caused massive damage in the Southern Leyte province. Our employees raised considerable funds and CEMEX matched the total amount. Donations in kind, including clothing, footwear and dried food, were also collected in our offices and sent to the PBSP for distribution.

CREATING FAMILY LIFE FOR TSUNAMI ORPHANS

New families for children orphaned by the Asian tsunami in 2004 are being formed as a direct result of our US\$2.1 million donation, including employee contributions, to the international organization SOS Children's Villages.

The money is being used to build an SOS Village near the town of Meulaboh, in the Aceh region of Indonesia, to provide a new family life for children orphaned by the tsunami.

Construction began in August 2006 to provide housing and facilities including a mosque, nursery, library, music room, computer room, clinic, play and sports area, and meeting hall. The surrounding community will also have access to these services, to create maximum benefits for

the area as a whole and help the new villagers to integrate with their neighbors.

Mothers who lost their children in the tsunami are encouraged to adopt between two and four orphans, helping to ensure that they are raised in a nurturing environment. The village is planned for completion in April 2007 and will provide homes for 150 children. By the end of 2006, about 10% of the village had been built and 12 new families formed, providing homes for 35 children.

The CEMEX donation ensures that the village will be funded for four years after its completion.



EMPLOYEE VOLUNTEERING

We encourage our employees to volunteer their time and share their skills with their communities.

Through our Huella (Leave-your-mark) program in Costa Rica, around 100 employees volunteered more than 1,000 hours of their spare time in 2006 to help develop communities and schools near our sites. Activities included repainting blackboards and upgrading electrical installations in schools, and training children in environmental protection. More than 2,500 students have benefited from this program.

In the Philippines, our employees and their families spent a weekend improving conditions at local elementary schools. In 2006, around 200 volunteers including community members, employees, and their families took part.

In Puerto Rico, we have established Casa CEMEX, an internal program to increase the number of employees taking part in voluntary work. In 2006, 90 employees volunteered 450 hours of their time. Activities ranged from tree planting and helping communities clean up their environment, to providing technical support to small local companies.

In Spain, we have partnered with Junior Achievement, an NGO focused on youth entrepreneurship, for three years. We sponsor two programs (Our community and Our resources) where employees volunteer as teachers in schools located close to our operations. Similarly, through the CEMEX Sponsors program, our employees in Panama provide educational and developmental support to young people from low-income families, encouraging them to seek a better future.

Our operations in many countries including Mexico, Spain, the UK, the US, and Venezuela conduct similar enthusiastic volunteering activities.

RECOGNITION FOR OUR CONTRIBUTION TO SUSTAINABLE HOUSING

In 2006, CEMEX received a World Business Award for our contribution to sustainable development through Patrimonio Hoy. These awards are organized and sponsored by the International Chamber of Commerce, the Prince of Wales International Business Leaders' Forum, and the United Nations Development Program. They recognize private sector companies for their efforts to reduce poverty around the world and aim to raise awareness of the United Nations Millennium Development Goals. Ten winning initiatives were chosen from 73 nominations in 33 countries.



On cemex.com

- Our key partners
- Community programs
- El Carmen

Summary table: targets and performance

This table summarizes our progress towards the targets set in our previous report. We are committed to improve our performance in all these areas and will continue to disclose our achievements and challenges. There are new targets for emissions reduction and health and safety in this report. Some targets may be revised in the future to reflect the continued growth of our company.

Area	Target	Year	2006 Progress	Page #
CO₂ and Climate Change	25 % reduction in CO ₂ emissions per metric ton of cement product, from 1990 baseline	2015	→	pp. 26-27
	10 % alternative fuels substitution	2015	→	pp. 27-29
Use of Alternative Fuels and Raw Materials	5 % biomass fuels substitution	2015	→	pp. 27-29
	12 % alternative raw materials substitution	2015	←	pp. 28-29
	50% of kilns to have installed continuous monitoring	2010	→	pp. 28, 31
Emissions Reduction	Reduction in specific emissions per ton of clinker, from 2005 baseline:		NEW	
	• 50 % for dust	2015	→	pp. 28, 31
	• 15% for NO _x	2015	←	pp. 28, 31
	• 10 % for SO _x	2015	→	pp. 28, 31
Employee Health and Safety	100 % participation in our employee health program	2010	NEW	pp. 22-23
	100 % of drivers certified under our driver certification program	2010	NEW	pp. 22-23
	Reduce accident rate for direct employees to 1.0 per 200,000 hours worked	2010	→	pp. 22-23
Local Impact on Land and Communities	82 % of active sites with quarry rehabilitation plans	2010	→	p. 30

→ Positive
 ← Negative
 NEW New target

GRI Index

Main indicators covered in our 2006 Sustainable Development Report

		GRI (G3) Indicator	Page #
Vision and Strategy	Sustainable Development	1.1-1.2	pp. 2-3, 10-11
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* DMA: Disclosure on Management Approach.

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