

2009 SUSTAINABLE DEVELOPMENT REPORT Executive Summary





BUILDING A SMART WORLD TOGETHER









about **CEMEX**

QUICK FACTS

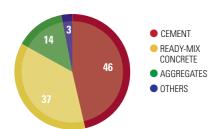
- Founded in Mexico in 1906
- Presence in more than 50 countries
- Close to 47,000 employees worldwide
- Net sales of US\$14.5 billion in 2009
- Leading position in the building materials industry, including the world's largest ready-mix concrete supplier

GLOBAL OPERATIONS (as of December 31, 2009)

Cement sales (million tons)	65
Cement plants controlled	63
Cement plants minority participation	12
Ready-mix concrete sales (million cubic meters)	54
Ready-mix concrete plants	2,016
Aggregates sales (million tons)	168
Aggregates quarries	391
Land distribution centers	223
Marine terminals	72

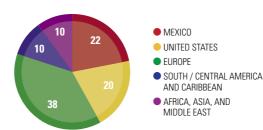
SALES DISTRIBUTION BY PRODUCT





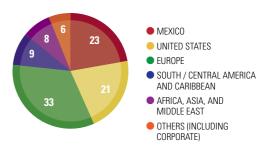
SALES GEOGRAPHIC DISTRIBUTION

percentage



WORKFORCE GEOGRAPHIC DISTRIBUTION

percentage



ABOUT OUR REPORT



For the first time, the full version of our Sustainable Development Report—now published annually—is available on our website. This executive summary highlights our sustainability strategy and the performance of our global cement, ready-mix concrete, and aggregates operations. The information for the full report and this executive summary came from

several sources, including internal management systems, performance databases, interviews with senior managers, and our Sustainability Outlook, a global self-assessment questionnaire conducted every year. All monetary amounts are reported in U.S. dollars; tons are metric tons.

We applied the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines to produce the full report, which meets an application level of A+ for the second consecutive year. We provide indices of the GRI and the UN Global Compact at cemex.com/sustainability/reports.

2 3 Section 1

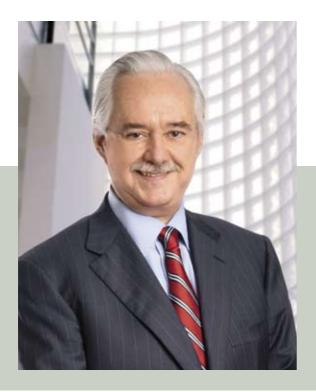
OUR COVER

1. One of the 289 species of birds in our El Carmen reserve, photo by Santiago Gibert. 2. Part of our operations team at one of our quarries in the United Kingdom. 3. Ready-mix delivery at sunrise in the United States. 4. *Patrimonio Hoy* participant in Nicaragua. 5. CEMEX Building Awards' sustainable construction project, photo by Pedro Truyol. 6. Eurus wind farm in Mexico.

OUR PRIORITIES

As a global company, we face a broad array of issues. We focus on those areas of highest relevance to our business and of significant concern to our stakeholders so that we can make the greatest positive impact. The following priorities—which are not listed in order of importance—are highlighted in our report. While these priorities affect some stakeholders more than others, ultimately, our ability to address them is relevant for all.

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MESSAGE from our Chairman and CEO

We took important and decisive steps to strengthen not only our business model, but also our commitment to sustainable development.

To our stakeholders:

In 2009, as we coped with the worst crisis to hit the global economy, our industry, and our company in 75 years, we took important and decisive steps to strengthen not only our business model, but also our commitment to sustainable development. As a result, we are a stronger company, well positioned to take advantage of the recovery of the global economy. That is testimony to the quality of our employees, to our company's core values of collaboration, integrity, and leadership, and to the disciplined execution of sound strategies.

We made several difficult decisions during the year to adjust to a rapidly evolving and extraordinarily challenging market environment. For example, we sold assets, most notably our Australian operations, and reorganized our business to improve efficiency and productivity. Together, these measures brought about an unfortunate, but necessary, reduction in our workforce. However, these steps enabled us to weather the crisis and will position our company for long-term success.

Even as the economic crisis unfolded, we deepened our commitment to our stakeholders. We continued our efforts to ensure the safety of our employees, and many of our country operations recorded solid improvements in their safety performance.

However, despite our ongoing efforts, I am deeply saddened to report that 33 people—including employees, contractors, and third parties—died in incidents related to our operations during 2009. This is tragic and unacceptable. We are working harder than ever to identify and address the root causes of all fatalities and serious injuries in order to prevent their recurrence. For example, we are expanding and strengthening our efforts in key areas such as safety training for drivers and contractors. Above all, we remain committed to our global long-term goal of zero incidents.

On the environmental front, we continued to reduce our carbon footprint by improving the energy efficiency of our operations and expanding our use of alternative fuels. As a result, in 2009 we increased our use of alternative fuels to 16.4%, exceeding our target for 2015 ahead of time. In addition, Eurus, the wind farm project developed by ACCIONA Energía, became fully operational during the year and can supply 25% of our plants' electricity needs in Mexico.

Finally, we engaged the communities in which we operate through open and ongoing dialogue, social initiatives, and volunteer efforts. We continued to find ways to promote access to better housing and community infrastructure. For example, we launched our most successful low-income housing solution, *Patrimonio Hoy*, in the Dominican Republic.

As a global company, we are deeply aware of our responsibility to address complex sustainability challenges. We are committed to further reducing our impact on the environment and recognize that we have many opportunities to improve. We reconfirm our commitment to address climate change and to the development of a low-carbon economy. We actively engage with our global panel of sustainability experts, who provide important and valuable advice. On a personal note, I thank them for their feedback and for continuously challenging us to make further progress.

This executive summary highlights our strategy, initiatives, and performance on priority issues, all of which are more fully described on our website. We hope that you find the report engaging, transparent, and comprehensive, and we welcome your feedback.

Sincerely

Lorenzo H. Zambrano

Chairman of the Board and Chief Executive Officer

PERFORMANCE

summary

The following tables provide an overview of our performance indicators and progress toward our company-wide sustainability targets. We are committed to improving our performance in all areas and will continue to disclose our achievements and challenges. Unless otherwise specified, the information provided is for the company as a whole. The full list of indicators, broken down by business segments where available, can be found at cemex.com/sustainability/performance.

PROGRESS IN RELATION TO TARGETS

KEY PERFORMANCE INDICATORS HEALTH AND SAFETY	TARGETS	PROGRESS	PAGE
Lost-time injury (LTI) frequency rate for employees (1)	2.5 by 2010		
Operations with safety training programs for drivers	100% by 2010	_	8-9
Employees participating in annual medical exams	100% by 2015 ⁽²⁾	▼	
LOCAL ENVIRONMENTAL IMPACTS			
Active sites with quarry rehabilitation plans	82% by 2010 100% by 2015	✓	
Clinker produced with continuous monitoring of major emissions (4,5)	50% by 2010 100% by 2015	✓	
Reduction in specific emissions per ton of clinker from 2005 baseline (3,5)	By 2015 50% for Dust to 155 gr/ton clinker 15% for NOx to 1,667 gr/ton clinker 10% for SOx to 519 gr/ton clinker	10-1	
CLIMATE CHANGE	-		
Reduction in CO ₂ emissions per ton of cementitious product from 1990 baseline ^(3,5)	25% by 2015 to 602 kg	A	
Alternative fuels rate (5) > Alternative fossil fuels rate (AFF) > Biomass fuels rate (BF)	15% by 2015 (AFF 10%, BF 5%) 23% by 2020 (AFF 15%, BF 8%)	✓	12-13
Alternative raw materials rate (5)	12% by 2015 15% by 2020	✓	

^{1.} Per million hours worked. 2. The deadline for this target has been extended. 3. Progress affected by market conditions. 4. Major emissions: Dust, NOx, and SOx. 5. Only cement operations.

PERFORMANCE INDICATORS

The indicators marked with • were subject to an external limited assurance process by PricewaterhouseCoopers. The assurance statement detailing the review work and conclusions can be found on our website.

HEALTH AND SAFETY	2007	2008	2009
Total fatalities, employees, contractors, and third parties (#)	38	45	33 🔾
Fatality rate, employees (per 10,000 employees)	1.29	1.16	1.56
Lost-time injuries (LTI), employees (#)	672	654	360
Lost-time injuries (LTI), contractors (#)	129	165	154
Lost-time injury (LTI) frequency rate, employees (per million hours worked)	5.2	4.8	3.2
Operations with safety training programs for drivers employed directly (%)	NA	81 (1)	97
Employees participating in annual medical exams (%)	65 ⁽²⁾	47	44
Operations with a Safety Management System implemented (%)	NA	80	98
Operations with a Health Management System implemented (%)	NA	52 ⁽¹⁾	76

LOCAL ENVIRONMENTAL IMPACTS

Active sites with quarry rehabilitation plans (%)	94 (2)	46	82 (3)
Active quarries within or adjacent to high biodiversity value areas (#) (4)	NA	NA	112
Active sites with high biodiversity value where specific plans are implemented (%) (4)	NA	NA	29
Clinker produced with continuous monitoring of major emissions: Dust, NOx and SOx (%) (2)	44	44	60
Specific Dust emissions (g/ton clinker) ⁽²⁾	166	162	106
Specific NOx emissions (g/ton clinker) (2)	1,773	1,742	1,063
Specific SOx emissions (g/ton clinker) ⁽²⁾	524	484	410
Operations with water recycling systems (%)	NA	82	79 (3)
Environmental investment (U.S. million) (5)	\$80	\$62	\$77
Major environmental incidents (#) ⁽⁶⁾	NA	19 ⁽¹⁾	8 0
Environmental non-compliance cases (#)	NA	67	67
Associated fines (U.S. million)	NA	\$4.1	\$1.3
Operations with an Environmental Management System implemented (%)	NA	52 ⁽¹⁾	59

CLIMATE CHANGE

Absolute net CO ₂ emissions (million tons) ^[2]	53.9	48.2	39.7
Specific net CO ₂ emissions (kg CO ₂ /ton of cementitious product) (1,2)	684	654	627 🔾
Thermal energy efficiency of clinker production (MJ/ton clinker) ^(2,7)	3,770	3,741	3,693
Specific energy consumption by unit of ready-mix (KWh/cubic meter)	NA	NA	5.6
Specific energy consumption by unit of aggregates (KWh/ton)	NA	NA	3.0
Indirect energy consumption (GWh) ^(1,2)	8,568	8,000	6,887
Alternative fuels rate (%) (2.8)	7.6	10.3	16.4
> Alternative fossil fuels rate (%)	5.8	8.6	13.2
> Biomass fuels rate (%)	1.7	1.7	3.2
Alternative raw materials rate (%) (2)	10.3	12.0	12.2
Clinker / cement factor (%) (2)	78	75	75

^{1.} Historic figures recalculated due to an improvement in measurement, as well as changes in the consolidation perimeter. 2. Only cement operations. 3. The change from 2008 to 2009 reflects an increase in the number of sites reporting. 4. Indicator changed in 2009 by the Cement Sustainability Initiative; was previously: "% of active sites operating in environmentally sensitive areas" and "% of active sites where biodiversity issues are addressed" due to this, 2009 data cannot be compared with previous years. 5. In 2009 we recalculated the historic figures to include environmental investments in alternative fuels and cementitious materials, hence the increase. 6. Refers to incidents—either internal or external to site boundaries—reportable under country legislation and resulting in a significant emission release to air, land or water. 7. Before 2009, this indicator was "specific heat consumption of clinker production". 8. Historic data recalculated by change in the classification of certain fuels. NA = Data not available.

a SMART world...

Together, we want to build a smart world: to run a successful, competitive company that collaborates with others to make a positive impact on the world. Sustainable development is integral to this vision. Our approach to building a more sustainable CEMEX—and thus contributing to a more sustainable world—is driven by the following three commitments:

Competitiveness: The **smart** way to do business is to increase our competitiveness by improving operational efficiency, adhering to high ethical standards, and delivering the innovative products and services that our resource-constrained society demands.

Impact Reduction: While the building materials industry satisfies essential shelter and infrastructure needs, we strive to minimize the negative local and global impacts of our operations on people and the **world**, such as workplace-related fatalities and incidents, air emissions, noise and vibration, and impacts on the land from the extraction of raw materials.

Stakeholder Outreach: We seek to foster positive, longterm relationships with key stakeholders and, in doing so, address the challenges of sustainability **together** with them.





Greenhouse for quarry rehabilitation efforts, Colombia.

Corporate Governance and Management

Our Board of Directors is responsible for supervising the company's senior management team, which in turn oversees the overall operations of CEMEX. Our Chief Executive Officer chairs the Board, which comprises 15 directors, nine of whom qualify as independent.

Our Sustainability Steering Committee, which reports directly to the Executive Committee, oversees our global sustainability effort and defines priorities, approves initiatives, and monitors progress. The committee regularly consults with our Sustainability Advisory Panel, a group of six independent experts (see page 7), to better understand key issues and gain insights for effectively addressing them. We have established a number of internal councils, comprising experts on key issues to promote global coordination and standardization of practices. For example, we recently created a Carbon Council to address our climate change policy and to analyze climate change regulation.

In each of our cement plants and in each of our ready-mix concrete and aggregates clusters, we have appointed employees responsible for health, safety, and environmental management. In addition, all managers are expected to integrate sustainability priorities into day-to-day operations and to undertake measures to make our business more sustainable. Increasingly, we are including sustainability-related metrics in evaluating executive performance and potential and in our variable compensation schemes.

Our risk management processes help us to identify, prevent, and manage risks that can affect our company and our stakeholders. We analyze information from a range of sources to help us map potential issues. Our ability to anticipate potential risks helps us to reduce uncertainty and places us in a better position to turn possibilities into opportunities.

As a global company with a large economic impact (see diagram on page 5), we have a significant responsibility to operate according to the highest of ethical standards. To ensure that we maintain an ethical work environment, we have established an Ethics Committee in each of our business units. In addition, our Code of Ethics and Business Conduct,

which is inspired by our core values of collaboration, integrity, and leadership, is designed to ensure that all of our employees abide by the same high standards of conduct in their daily interactions.

Through our ETHOS initiative, we continue to raise awareness of ethics and compliance issues and to improve and better integrate procedures for detecting, managing, and reducing ethical and compliance risks. In 2009 our local ethics committees received 216 reports of alleged breaches of our Code of Ethics. Of the allegations received, 88% have been resolved, and 49% of those were found valid. We continue to investigate the remaining complaints. The following are some actions we have taken to address reports received:

- A report related to sexual harassment involving an executive. After the local ethics committee conducted an investigation and evidence confirmed the claim, this person was immediately dismissed.
- A report about an employee harassing a coworker by calling him names. The investigation produced evidence of disrespectful treatment, and as a result, the employee was given a written warning. The situation is being monitored to ensure that the behavior does not recur.
- A report regarding preservation of assets. An employee was found stealing diesel fuel from company trucks and was dismissed.

During 2010 we will strengthen our compliance training efforts; our work to improve policies and procedures in the primary main risk areas is ongoing.



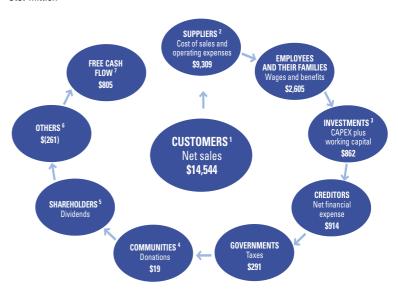
Part of our operations team, Europe.

"Each of us is responsible for observing our Code of Ethics, not only to guarantee our compliance with applicable laws and regulations in every country, but also to ensure our adherence to the highest principles of corporate responsibility."

> Lorenzo H. Zambrano, CEMEX Chairman and CEO

ECONOMIC IMPACTS

U.S. million



1. Excludes sale of assets. 2. Excludes depreciation and amortization. 3. Capital Expenditure for Maintenance and Expansion. 4. Loss before taxes of 5.57%. 5. In 2009 shareholders approved an increase in the capital stock in its variable portion through recapitalization of retained earnings. As a result, new shares were issued in the ratio of one new ADS for every 25 ADSs held. 6. Includes free cash flow from the sale of the Australian operations; negative figure as it represents income. 7. Mainly used to pay down debt, perpetual notes coupons, and fees related to debt refinancing.

fostering INNOVATION

To enhance our performance, in 2009 we launched a new area to develop and foster a culture of innovation across our company. This global function coordinates several global initiatives to advance collaboration among experts from all of our business units around high-priority areas related to competitiveness, impact reduction, and stakeholder outreach. These initiatives focus primarily on reducing energy use, increasing the use of alternative fuels, improving customer service, and promoting the development of new ready-mix products for use in sustainable construction projects.

...TOGETHER

To fulfill our vision of building a smart world together, we seek to strengthen our competitiveness, reduce our impacts, and engage our stakeholders in a variety of ways. Through active and ongoing outreach, we learn from each other, build mutual trust, and seek solutions to address some of the world's most pressing issues.

Our People

We aim to be an employer of choice. We strive to nurture and empower our employees by providing safe and healthy working environments as well as interesting, challenging, and continuing development opportunities. We do our best to make CEMEX not only a successful business, but also a great place to work. Our employees' commitment to the company and to their jobs is fundamental to our ability to run a successful and sustainable business. Our most recent CEMEX Survey reflects an employee engagement level of 88%, four percentage points higher than that shown by our previous survey. We are using the results to continue designing and implementing local initiatives that address areas of opportunity.

At the end of 2009, we employed 47,624 people, 16% fewer than in the prior year. The reduction is due, in part, to the sale of our operations in Australia, while 11% of the decrease results from our efforts to adapt to prevailing market conditions. The decision to reduce headcount was difficult, but necessary, given the almost unprecedented business environment. The restructuring process was conducted with respect and in accordance with local employment laws.

Our Neighbors

We strive to be a good neighbor and work to reduce our local environmental impacts and to contribute to the social and economic development of the communities in which we live and work. Continuous dialogue and action are critical to our ability to meet our goals. We participate openly and directly with local communities in order to build trust, as well as to understand and address their concerns. In 2009, 88% of our cement sites and 86% of our aggregates sites had community engagement plans in place.

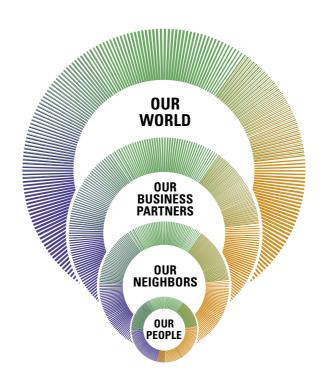
Our Business Partners

We want to be the customer of choice to our suppliers and the supplier of choice to our customers. We work to ensure that suppliers are selected fairly and transparently and that our negotiations foster long-term relationships. We value our suppliers' feedback and provide them with opportunities to send suggestions and share ideas, including best practices. Together, we constantly seek opportunities to improve and innovate. Whenever feasible and relevant, we support small and locally based suppliers in an effort to broaden their skills, stimulate economic growth, and help them become more sustainable. In 2009, 93% of our purchases were from locally based providers, and we had processes to screen suppliers regarding environmental and social performance in 84% of the countries in which we operate.

We strive to gain a clear understanding of our customers' needs and how our company can fulfill them through the most efficient and effective building solutions. We engage customers regularly and provide sustainable construction alternatives for their benefit. As of 2009, 78% of our countries of operation conducted regular customer satisfaction surveys.

Our World

We want to be a good corporate citizen. As a global company, we work to contribute to international efforts to address some of the world's most complex challenges, including climate change, improved access to housing and community infrastructure, and the conservation of biodiversity. As part of these ongoing actions, we interact with policy makers to communicate our positions on public-policy issues. We also sponsor and actively participate in a number of educational programs with universities and schools and conduct biodiversity awareness-raising efforts such as the publication of our conservation book series (see page 13). Overall, we have established more than 250 partnerships and memberships globally.



The following are some of the actions and processes through which we engage and collaborate with our stakeholders:

Our People. Leadership engagement and communications; employee surveys; internal magazines and newsletters; CEMEX Plaza, our intranet site; training programs; site visits by top management; and dialogue sessions.



88%
GLOBAL EMPLOYEE
FNGAGEMENT I EVE

Our Neighbors. Open house days, site visits, community meetings, advisory panels, local partnerships, dialogue sessions, social programs, and volunteering.



88% 86°

SITES WITH COMMUNITY
FNGAGEMENT PLANS

Our Business Partners. Negotiations, meetings and events, customer satisfaction surveys, customer service centers, capacity-building programs, our supplier portal, annual and quarterly reports, and our website.



93%
PURCHASES FROM
LOCALLY BASED
SUPPLIERS

COUNTRIES
WITH CUSTOMER
SATISFACTION
SURVEYS

Our World. Memberships, partnerships, and dialogue with governments, civil society organizations, universities, business associations, the media, and others.



250+
PARTNERSHIPS AND
MEMBERSHIPS GLOBALI

RESPONDING to our advisory panel

We benefit considerably from the counsel of experts who work in spheres outside the company. Since 2008, we have assembled a panel of independent advisors, whose role is to provide feedback on our reporting and to challenge us to constantly improve our performance. The following are some of the actions we have taken that relate to the panel's recommendations regarding our 2008 report:

- We provide more information on our efforts to improve safety performance through global initiatives, such as training to reinforce safe behaviors, ensure management accountability, and improve the quality of incident investigations (see pages 8-9).
- In addition to the energy indicators reported in previous years, for 2009, we disclose the types of waste we use as alternative fuels; and also our specific energy consumption by unit of ready-mix and aggregates produced (see pages 3 and 13).
- We report several new indicators on water consumption and waste disposal (see pages 10-11).

For details on the composition of the panel, their previous recommendations, and the joint statement regarding this report, please visit **cemex.com/sustainability/panel**.

"I commend CEMEX for its efforts to raise visibility and transparency around sustainability. I hope the company maintains and even increases its level of commitment to its stakeholders in coming years."

Claude Mandil, member of CEMEX's Sustainability Advisory Panel and former Executive Director of the International Energy Agency

health and SAFETY

The safety, health, and well-being of our people are of paramount importance and are critical to our ability to conduct our business. We provide industry-leading safety programs to minimize workplace hazards and to raise awareness of safe practices and healthy living among employees and contractors, inside as well as outside the workplace. We focus on driving safety, contractor management, safety leadership, and other initiatives that can contribute to minimizing hazards related to our work activities.

During 2009, we increased the percentage of our operations that have implemented the CEMEX Safety Management System to 98%. As a result of our efforts, we decreased total lost-time injuries (LTI) for employees by 45%, achieving a LTI rate of 3.2 for the year. We are on track to reach our short-term target LTI rate of 2.5 by the end of 2010. Despite this improvement, we are deeply saddened to report that 8 employees, 11 contractors, and 14 third parties died in incidents related to our operations. Any fatality is unacceptable, and we are constantly working to minimize work-related incidents. During 2010, we will maintain our focus on preventing incidents by conducting root cause analyses and taking actions to address the findings. These measures include hazard identification and risk assessment, training, and enforcement of safe work practices. In addition, we expect to launch our updated CEMEX Safety Management System in line with the internationally recognized OHSAS 18001 standard. We will continue to work steadfastly to reach our global long-term goal of zero incidents.

Safety Leadership. In 2009 we implemented LEGACY, our safety leadership program, which trains CEMEX managers at all levels in the tools, skills, and behaviors required to lead safer, more efficient operations. LEGACY is the foundation for a two-day global course, which covers seven behaviors of effective safety leadership. It complements behavior-based safety programs already established in some countries. In its first year, a total of 533 senior and mid-level managers—including country presidents and vice presidents—from nine countries were trained. As part of these efforts, more than 100 employees were also internally certified as LEGACY trainers.



Employees reviewing safety practices before a day of work, UK.

Driving and Contractor Safety. To address the activity that leads to the majority of fatalities within our industry—driving—we are developing internal driving safety and contractor safety plans. Key to our effort is our work with the Cement Sustainability Initiative to develop comprehensive practices for driving and contractor safety (see sidebar, right). In 2009, 97% of our operations had local safety training programs for drivers, compared with 81% in 2008. During 2010, we will set a performance baseline and establish a five-year plan that focuses on improving our management of high-risk contractors through targeted fatality-prevention programs.

CEMEX Safety Awards. Established in 2000, the annual CEMEX Safety Awards have promoted safety at our operations worldwide by recognizing and rewarding the achievements of teams who put safety values into practice and have gone beyond to deliver excellence in safety performance. Sites are judged on results, leadership, risk management, incident investigation, analysis, and follow-up. The award is given to the best-performing and most improved facility in each business segment. During 2009, 10 business units and two countries were recognized for their outstanding performance.

97%

OPERATIONS WITH LOCAL SAFETY TRAINING PROGRAMS FOR DRIVERS

promoting ROAD SAFETY

Driving-related incidents are the single largest cause of fatalities in our industry. Approximately 60% of all fatalities in the Cement Sustainability Initiative (CSI) database are related to contractor activities. At CEMEX, we believe that greater industry collaboration on driving and contractor safety initiatives is essential to prevent additional loss of life

As a result, we participated in the CSI safety task force to develop consistent, industry-wide practices to address the root causes of fatal incidents and thereby reduce driving-and contractor-related incidents and injuries over time. The result of the task force's work, a report entitled *Recommended Good Practice for Driving Safety*, includes guidelines for drivers, their managers, and transport management contractors. Similarly, *Recommended Good Practice for Contractor Safety* outlines safety guidelines for both contractors and subcontractors.

The CEOs of all CSI member companies approved these practices in October 2009, and all of the companies are expected to implement them in all of their operations within five years. CEMEX is committed to implementing these practices and to prioritizing actions to improve performance. Ultimately, these efforts will help to minimize driving- and contractor-related injuries and fatalities within our company and our industry.



Driving safety, a top priority

"CEMEX, an early champion and leader in our safety work, initiated and led the working group to develop the recently approved good practices for driving safety."

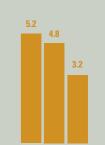
> Howard Klee, Cement Sustainability Initiative Director at the WBCSD

"LEGACY, one of the best courses I've attended, will make a huge improvement in the way we deal with safety at all levels, provided that we believe in it with our hearts."

> Mohamed Abdel-hameed El-dagashy Ready-Mix Concrete and Aggregates Director, CEMEX in Egypt

Health Essentials. During 2009, we increased the percentage of our operations that have implemented a local health management system to 76%. To complement and reinforce these systems, we developed our global Health Essentials campaign, which is designed to reduce the prevalence of health risks and to encourage employees to live a healthy lifestyle. The campaign provides managers in all of our business units with practical and easy-to-use materials on 12 key topics, including heart and back health, stress management, and nutrition. In 2009, 44% of our employees participated in voluntary annual medical exams. The decrease in the overall level of participation, from 47% in 2008, is because some countries scaled back on the number of exams they could provide due to financial constraints. While we maintain our target of 100%, we have moved the deadline from 2010 to 2015, and we are strengthening our efforts in those countries with lagging performance.





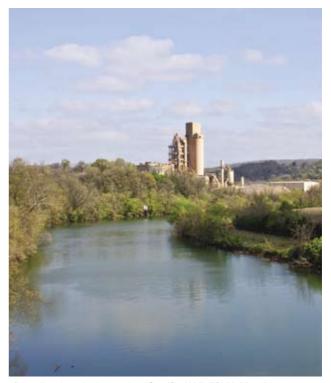
LOCAL environmental impacts

We are committed to mitigating the impacts of our plants and quarrying activities through all phases of operations. Our global environmental strategy is designed to enable us to manage our impacts responsibly. We focus on monitoring and controlling air emissions; managing land and conserving biodiversity within and around sites; optimizing water use; reducing and recycling waste; and minimizing disturbances such as noise, vibration, and traffic. As of 2009, 59% of our operations have implemented a local environmental management system. Despite global recessionary conditions, we have made a concerted effort to maintain our environmental investment. As a result of our continuing efforts, the number of major environmental incidents dropped by 58% to eight in 2009.

Air quality. To control the release of major and minor emissions from our cement production, we have comprehensive monitoring systems in place, and we conform to the CSI protocol. In 2009 we increased the percentage of clinker produced in kilns that have continuous monitoring of major emissions (dust, nitrogen, and sulfur oxides) to 60% from 44% in 2008, surpassing our 2010 target. We have plans and initiatives in place to meet our 2015 target. We registered reductions of 60% for dust, 19% for NOx, and 25% for SOx compared with 2005 levels. Though these levels were attributable, in part, to market conditions, we expect to maintain good performance in the future. We also have a strategy and actions in place to reduce CO_2 emissions (see more on page 12).

Land management and biodiversity. We work diligently to responsibly manage the land within and around our operations to protect biodiversity and maximize our contribution to nature conservation. Overall, 82% of active cement and aggregates sites have quarry rehabilitation plans in place. We are on track to meet our target for 2015 of 100%.

In 2009 a key aspect of our land management activities was the study carried out with BirdLife International to map and establish priorities (see sidebar, right). As a result, we know that 112 of our active quarries operate within or near areas of high biodiversity value. We have



Knoxville plant designated as Certified Wildlife Habitat by The National Wildlife Federation in the United States.

specific biodiversity management plans actively implemented at 29% of these sites. During 2010, we plan to develop and test a biodiversity management plan standard and conduct additional collaborative on-ground conservation work at priority sites.

Water conservation. Water is integral to our operations: the availability, cost, and quality of this resource along our value chain are critical to our ability to operate. Hence, we work to optimize water consumption and to preserve water quality. Working with scientific and NGO partners, we have designed the first phase of a global water assessment project to establish a baseline of our global water use and impacts; identify key risks, opportunities, and best practices; and develop management standards and operating guidelines for all of our business units. As of 2009, our first estimates on water use were 292 liters per ton of cement and 214 liters per cubic meter of ready-mix concrete; 79% of our operations have water-recycling systems in place.

NEW INDICATORS FOR 2009

292 PER TON OF CEMENT

214 PER CUBIC METER OF READY-MIX

Waste management and recycling. To minimize the amount of generated waste sent for disposal, we have integrated waste management into our operations in several respects. For example, we recycle the ready-mix concrete left in the trucks after delivering our product, and we reuse large volumes of cement kiln dust, the main by-product of our operations. In addition, we have put in place processes to measure and manage hazardous and non-hazardous waste from our operations; in the 2009 report, we disclose, for the first time, these indicators.

In some countries, we recycle concrete from demolition, which helps replace primary aggregates (see page 15), as well as distribution materials such as pallets and bags. We also recover energy from society's waste through the use of alternative fuels and alternative raw materials (see page 12). We continue to take actions to address the complex regulatory barriers that exist around the reuse of waste in production processes.

Reduction of disturbances. We work diligently to mitigate any impacts, such as noise and dust, associated with our operations. We seek alternative modes of transport—for example, conveyor belts and multimodal systems comprising road, rail, and water transportation where possible—to reduce these impacts.



Castillejo Quarry restored into a vineyard, Spain.

DISPOSED WASTE percentage



tons of hazardous waste and 713,937 tons of non-hazardous waste generated throughout our operations.

NON-HAZARDOUSHAZARDOUS

our partnership with **BirdLife International**

The presence of abundant birdlife is one of the most visible signs of a healthy ecosystem.

Biodiversity is the Earth's natural wealth. The planet's rich tapestry of plant and animal life provides us with food, fuel, medicines, and other essential natural resources. At an even larger scale, ecosystems made up of myriad species clean our water, purify our air, and restore soil to productivity.

At CEMEX, we take seriously our responsibility to preserve existing habitats and restore degraded ones. A key partner in these efforts is BirdLife International, the largest global partnership of local conservation organizations, active in more than 120 countries, and the leading authority on the status and conservation of birds and their habitats. In December 2007, we signed a 10-year global agreement with BirdLife. As part of this collaboration, we are working to refine biodiversity-related strategies, policies, and practices –and also advising on how to implement conservation projects at operational sites. The relationship helps raise awareness among our employees and local communities about the importance of biodiversity. It also strengthens the links between our operations and the national BirdLife partner organizations, as in France with the Ligue pour la Protection des Oiseaux and in the UK with the Royal Society for the Protection of Birds.

As a first step in assessing our biodiversity risks and opportunities, we jointly conducted a biodiversity scoping study that mapped all of our quarry sites worldwide and their proximity to key biodiversity areas. The resulting maps and databases will help operational managers to understand potential site impacts on biodiversity. Following the initial mapping, we have identified high-priority sites based on their biological importance and on opportunities for improvement in their management practices. We are now developing plans to ensure an appropriate level of biodiversity management and oversight at these sites.

"The scoping study will help to guide conservation across CEMEX and will form the basis for promoting the sustainable use of natural resources more widely."

Marco Lambertini, Chief Executive, BirdLife International

CLIMATE change

a low-carbon economy."

Luis Farías, CEMEX Senior Vice President
of Energy and Sustainability

"We are committed to address

climate change and participate

actively in the development of

Climate change poses significant challenges for our society, and we are committed to applying our skills, technologies, and determination to contribute to the development of a low-carbon economy. Our strategy includes responsibly managing and reducing our own operational impacts, in particular CO₂ emissions, the bulk of which come from the manufacture of clinker, cement's main ingredient.

As part of the CSI, we are exploring a sectoral approach to carbon emissions management, which consists of policies to enhance efficient, sector-by-sector mitigation, within the UN Framework Convention on Climate Change. In practice, the sectoral approach translates into the removal of barriers to further reducing emissions. Along these lines, we focus our efforts on the following areas: energy efficiency in our operations; use of alternative raw materials; use of alternative fuels and other renewable energy sources; research to explore new carbon capture and storage technologies; and the disclosure and audit of emissions.

In addition, we work to help our customers reduce their own environmental footprint by promoting sustainable construction (see page 14), and we foster a culture of environmental awareness through our biodiversity conservation efforts. We will continue to leverage our expertise and partnerships to find innovative ways to address the factors that contribute to climate change.

Energy efficiency. We are using cutting-edge technologies to increase the energy efficiency of our operations. We are also working to improve the thermal energy efficiency of clinker production. For example, in 2009 our plant in Broceni, Latvia, introduced a new dry kiln, which requires just about half of the thermal energy to produce clinker compared to the previous technology. In the Port of Tilbury, we opened a new cement grinding and blending plant with a vertical cement mill—the first of its kind in the UK—which uses up to 40% less energy than a conventional mill.

Alternative raw materials. We are using more alternative cementitious materials—such as fly ash, a by-product of coal-fired power stations, and blast furnace slag, a by-product of the steel industry—in our blended cements. These materials lessen our operations' conventional raw-material

requirements and reduce the proportion of clinker in cement. In 2009, with a 12% alternative materials substitution rate, we met our 2015 target. We remain on track to meet our 2020 target of 15%.

Alternative fuels and renewable energy. We are increasingly using alternative fuels such as tires, biomass, and household waste in our manufacturing processes to reduce our use of conventional fossil fuels, while recovering energy from society's waste. In 2009 we substantially increased our use of alternative fuels from 10.3% of our cement plants' total energy consumption in 2008 to 16.4%—thus saving the equivalent of one million tons of coal and avoiding 1.2 million tons of CO₂ emissions (see sidebar, right). We have already exceeded our 2015 target, and we remain on track to meet our targeted alternative fuels rate by 2020. In addition, we contract for renewable electricity sources through, for example, the Eurus wind farm in Mexico, developed by AC-CIONA Energía, which in 2009 became fully operational and can supply 25% of our plants' power needs in this country.

Where appropriate, we register our initiatives as United Nations Clean Development Mechanism (CDM) projects. In addition to the Eurus wind farm, we have registered two biomass projects at our Caracolito and Colorado cement plants in Colombia and Costa Rica, respectively. Both projects substitute conventional fossil fuels with local biomass products such as rice and coffee husks, sawdust, and palm residues. The three projects, which underwent official verification visits during 2009, are expected to reduce direct carbon emissions by more than 800,000 tons per year. We expect to register additional CDM projects in the coming years.

Carbon Capture and Storage. We are collaborating with other companies, research institutes, and international organizations to explore the potential of carbon capture and storage (CCS) technologies as a possible long-term option to control CO_2 emissions. In October, for instance, the U.S. Department of Energy selected CEMEX to develop technology for capturing and storing CO_2 emissions at one of our cement plants. Currently the project is in its feasibility stage. If it goes commercial it could remove up to 300,000 tons of CO_2 emissions annually.

Disclosure and audit of ${\it CO_2}$ emissions. We track and audit global ${\it CO_2}$ emissions annually in line with the Greenhouse

Reducing our carbon footprint through **ALTERNATIVE FUELS**

We are continually seeking new ways to increase the use of alternative fuels in cement production. We do this for two reasons: first, to decrease our consumption of virgin natural resources to produce energy, and second, to lower the amount of carbon dioxide emitted. Our alternative fuels program is successful on both counts.

Because kilns require high temperatures to produce cement, they are ideal for safely recovering energy from waste in the process. Our kilns thus enable us to provide a suitable and necessary alternative to landfilling. At the same time, this practice allows us to reduce our reliance on fossil fuels and avoid related emissions.

The use of alternative fuels is highest in Europe. For example, thanks to our shared best practices, alternative fuels account for nearly 70% of the fuel consumption in our Chelm cement plant in Poland. This plant primarily uses refuse-derived fuel (RDF), which is obtained from specialized waste management plants that collect, treat, and turn municipal and commercial waste into a solid, safe fuel that confers significant environmental benefits when used in place of fossil fuels.

In the UK, we developed RDF under the name of Climafuel®, a non-hazardous RDF produced from household waste that consists of treated paper, cardboard, wood, carpet, textiles, and plastics. During 2009, British regulators granted us permission to work with a joint-venture partner to construct and operate an RDF facility near our Rugby cement plant. In 2009 we replaced up to 40% of fossil fuels with alternative fuels, including RDF, at our Rugby operation, creating significant environmental benefits such as a marked reduction of nitrogen oxide emissions, as well as the reduction of carbon dioxide emissions.

Gas Protocol developed by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute. In addition, we participate in an array of initiatives to better measure and manage our CO_2 emissions. For example, we have participated in the Carbon Disclosure Project since 2006. During 2009, we reduced our specific net CO_2 emissions by 20.7% from 1990 levels and remain on track to meet our 2015 target.

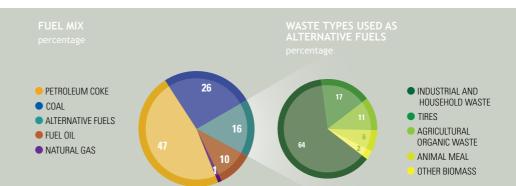
Biodiversity conservation. As part of our overall approach to addressing climate change, we have a longstanding commitment to protecting biodiversity, as ecosystems are critical for climate regulation and can also contribute to adaptation and mitigation. Two of our key initiatives are the El Carmen nature reserve and our conservation book series, both of which help raise awareness of and advance conservation among a broad cross-section of stakeholders. Through collaboration with governments, private landowners, NGOs, and universities, El Carmen helps conserve approximately 200,000 hectares along the international border of the United States and Mexico that encompass various ecosystems with high biodiversity value. Our most recent conservation books, A Climate for Life and The Wealth of Nature, published in 2008 and 2009, respectively, highlight the importance of nature to regulate climate. The Wealth of Nature book was launched during the Copenhagen COP15 event in December 2009 and has made a significant contribution to the debate around the International Year of Biodiversity (read more about land management on pages 10-11).



Glacier in Norway, which stores water for later release. Photo from our book, The Wealth of Nature.

3+ times

INCREASE IN ALTERNATIVE FUELS RATE SINCE 2005



SUSTAINABLE construction

As part of our broad-based effort to address climate change, our sustainable construction approach includes the responsible management of our production and distribution processes, together with the active promotion of ready-mix concrete to design, construct, and operate more energy-efficient buildings. Research shows that approximately 88% of a building's energy use during its lifespan comes from its operation once construction is complete (heating, electricity, ventilation, and hot water) together with maintenance and renovation. Concrete's inherent properties—extreme durability, robustness, thermal mass, and reflectivitymake it ideal for enhancing the energy efficiency of structures. We also engage in collaborative work with others in the construction industry to promote energy efficiency in buildings. In doing so, we can contribute significantly to a reduction in global energy use and, at the same time, strengthen the sustainability and continuity of our business. We co-chair the Urban Infrastructure Initiative (UII), a WBCSD project promoting "a world where cities provide a sustainable environment to live, work and play," and we are also members of the United Nations Environment Program's Sustainable Building and Climate Initiative (SBCI), which works to promote sustainable building practices worldwide.

Sustainable building materials. We are continuously working to improve the properties of our products and seek to develop materials that advance the sustainability of the structures built with them. Through our research and development efforts, led by our Global Center for Technology and Innovation in Switzerland, we have developed a range of products that can be used for more energy-efficient and sustainable construction. These include the following:

- insulating concrete forms that help keep heat out in hot climates and retain it in cold weather
- self-compacting concrete, which improves the strength and durability of buildings, increasing the life of a structure and reducing maintenance costs
- pervious concrete, which allows rainwater to filter through, reducing flooding and decreasing heat concentration by up to 4°C

- rapid-setting concrete, a low-carbon alternative to conventional concrete; its high acid resistance makes it suitable for constructing cooling towers and storage silos
- antibacterial concrete, used to help maintain clean environments in structures such as hospitals and laboratories.

We are exploring ways to combine our existing products and to develop next-generation ready-mix concrete materials that meet client needs and incorporate a variety of sustainability features. In addition, we are evaluating and improving the life-cycle analysis of our products to better understand and ultimately reduce their environmental footprint.

Energy Efficiency in Buildings. We help to develop sustainable construction through our active involvement in the WBCSD Energy Efficiency in Buildings (EEB) initiative, whose vision is a world in which buildings consume zero net energy. In 2009 our CEO joined the CEOs of 13 other leading companies in signing the WBCSD Manifesto for EEB. As a result of this commitment, we have pledged to, among other actions, set goals, measure and report performance on the energy efficiency of our own buildings



Researchers working at our Global Center for Technology and Innovation, Switzerland.

PERVIOUS CONCRETE
CAN REDUCE FLOODING
AND DECREASE HEAT
CONCENTRATION BY UP TO

4°C

"Montehiedra Pathways is a project with a series of features and an outstanding bioclimatic design that makes the best use of the natural conditions of the site."

César Ulises Treviño, Civil Engineer and Judge for the CEMEX Building Awards

and promote this issue among suppliers, employees, and other stakeholders.

In addition, through initiatives such as the CSI concrete sustainability task force, which CEMEX chairs, we collaborate with industry peers to find ways to maximize the sustainability attributes and benefits of concrete and related products, such as the albedo effect, which is the ability of concrete to reflect sunlight and help prevent temperatures from rising. Furthermore, through educational chairs in several countries and programs such as the CEMEX Building Awards, we raise awareness of the benefits of sustainable construction among stakeholders such as students and architects, and we encourage our customers to use our products to make their buildings more sustainable (see sidebar, right).

Concrete recycling. When separated from other building materials, old concrete can be crushed and reused as aggregates. While there is currently no cost-effective or energy-efficient way to recycle concrete on a large scale, resulting benefits include reduced waste, substitution for primary aggregates, reduced transportation and disposal costs, and the creation of new jobs. We have undertaken steps to recycle concrete in several countries. For example, our customers in France and the UK have access to recycled aggregates from demolition waste. We continue to explore ways to make progress in this area.

promoting **SUSTAINABLE** construction around the world



Montehiedra Pathways, Puerto Rico

Through programs such as the CEMEX Building Awards, we encourage our customers to use our products to make their buildings more sustainable.

The first-place winner of the 2009 award in the sustainable construction category was Montehiedra Pathways in Puerto Rico. This complex of 94 residences in San Juan was recognized for addressing environmental impacts through design, construction, and operations. The complex has an open and efficient design, which enables it to maintain the site's attractive natural features. The clubhouse includes a green roof, a rainwater-collection system, and a solar-panel system with enough capacity to cover most of the facilities' operation. The cooling system treats the recirculation of the pool water through a heat exchanger that is twice as efficient as a conventional system. The parking lot uses CEMEX pervious concrete, which allows water to pass through and help replenish the local aquifer.

ACTIVE PARTICIPATION

We co-chair the Urban Infrastructure Initiative, a WBCSD project promoting "a world where cities provide a sustainable environment to live, work, and play."





We are also members of the United Nations Environment Program's Sustainable Building and Climate Initiative (SBCI), which works to promote sustainable building practices worldwide

ACCESS to housing and infrastructure

A key aspect of our sustainability strategy is to create social value in a way that aligns with our core business. We accomplish this through the delivery of innovative social solutions that enable us to serve low-income markets, while contributing to the social and economic development of the countries in which we operate. As a global building-materials company, we seek to increase access to our products and services in order to achieve better housing and construction infrastructure for underserved communities. We leverage our core strengths to develop enduring partnerships that strengthen these communities and, in turn, our business prospects. We have developed programs that provide microfinance, training, equipment, and our expertise to help low-income customers build or improve their homes and communities. As part of these efforts, we partner with local governments and neighbors to improve the conditions of public spaces.

Improving housing. Our award-winning program, Patrimonio Hoy, is an excellent example of how, for more than a decade, we have created social value by providing access to building materials for low-income communities (see sidebar, right). Patrimonio Hoy is now available in five countries—Mexico, Colombia, Nicaragua, Costa Rica, and as of 2009, the Dominican Republic—and has nearly 100 service centers. More than 260,000 families, an increase of 16% from 2008, have improved their housing conditions through their participation.

From the experience with *Patrimonio Hoy*, we developed *Centros Productivos de Autoempleo* (CPA), an initiative consisting of community centers where Mexican families with incomes less than twice the minimum wage can produce basic building materials for the construction or expansion of their homes. This program has also been replicated in other Latin American countries. During 2009, our *Patrimonio Hoy* and CPA programs were recognized by the United Nations HABITAT Business Awards (see page 17).

Community infrastructure. We partner with local governments and organizations in developing countries to improve the conditions of community infrastructure, such as unpaved roads, sidewalks, parks, schools, and hospitals, and to rebuild following natural disasters. For example, in our home country, Mexico, we have developed a robust portfolio of solutions, one of which is Lazos Familiares. In collaboration with our distributors, this program focuses

260,000+

FAMILIES HAVE BUILT OR IMPROVED THEIR HOMES WITH PATRIMONIO HOY

on the construction and rehabilitation of local infrastructure, such as health centers and hospitals, orphanages, and schools. Other programs include *ConstruApoyo*, which partners with the government to deliver subsidies transparently in the form of building materials following natural disasters, and *Mejora tu Calle*, which provides microcredit and technical assistance to promote street pavement in low-income neighborhoods.



Participants of Patrimonio Hoy outside their home, Mexico.

MUCH MORE than a home

For more than a decade, Patrimonio Hoy has helped to address the housing deficit in Latin American countries and improve the lives of low-income communities. Through access to building materials, microcredit, and technical expertise, the program encourages low-income customers to build or improve their homes. The benefits reach far beyond housing to improve participants' self-esteem and learning environments, as well as to further economic development. The program creates jobs among local masons and, in particular, promotes economic development among women, who comprise the majority of the promoters hired by the program to build trust and foster participation. For instance, more than half of the promoters hired in Mexico had no previous work experience.

Patrimonio Hoy participants Rosa Magaña and her husband built their own 120 square-meter house after living for six years with their two children in a 10 square-meter carton shed with no bathroom. They also completed two additional rooms and a soldering workshop. Their participation has provided them not only with a home, but also with an opportunity to grow their own business.

"My life changed with Patrimonio Hoy. Without the program, I'm sure we would still be living in the same conditions."

Mrs. Rosa Magaña, participant

PARTNERSHIPS

and memberships

In order to further our vision of building a smart world together with our stakeholders, we maintain more than 250 partnerships and memberships with global and local organizations, including the following:

United Nations Global Compact (UNGC). In 2004 CEMEX became a signatory to the Global Compact. Its principles are integrated into our Code of Ethics and sustainability approach. During 2009, we also participated in the UNGC Advisory Group on Supply Chain Sustainability. For more on the UNGC, visit www.unglobalcompact.org. For a summary of our performance against the 10 principles, visit cemex.com/sustainability/reports.

World Business Council for Sustainable Development (WBCSD). We are members of the WBCSD's Cement Sustainability Initiative (CSI), the Energy Efficiency in Buildings (EEB) project, and the Urban Infrastructure Initiative (UII). For more information, please visit www.wbcsd.org.

BirdLife International. In 2007 we signed a 10-year global agreement with BirdLife International, the largest network of independent conservation organizations and a leading expert on protecting bird species. This partnership helps us build on our efforts to protect biodiversity and create healthy, natural habitats in and around our sites. For more information, visit www.birdlife.org.

Conservation International (CI). We collaborate with Conservation International to support global biodiversity conservation efforts and raise awareness. We have worked with them to publish several of our conservation books. In 2009 we published *The Wealth of Nature*, the 17th book in the series. In addition, CI participates on the advisory board of our El Carmen conservation initiative. For more information, visit www.conservation.org.

Prince of Wales's EU Corporate Leaders Group on Climate Change. We participate in the highest levels of policy debate surrounding climate change through our participation in this group, which brings together business leaders from a cross-sectoral grouping of major European and international companies. As part of this group, in 2009 we signed the *Copenhagen Communiqué*. For more information, visit www.cpi.cam.ac.uk.

"EPA is pleased to recognize CEMEX USA for leadership in addressing global warming through greater energy efficiency... Because commercial and industrial facilities account for about half of U.S. greenhouse gas emissions, CEMEX's efforts are vital to protecting our global environment."

Kathleen Hogan, Director of the Climate Protection Partnerships Division, U.S. EPA

AWARDS

Our commitment to sustainability is reflected in the various awards that we have received across the world. In 2009 we received many acknowledgements, including the following:

United Nations HABITAT Business Award in the category of Accessible Housing Solutions for our *Patrimonio Hoy* and *Centros Productivos de Autoempleo* programs; CEMEX was also recognized in the Scroll of Honour for these initiatives.

ENERGY STAR® Partner of the Year awarded to CEMEX in the USA by the United States Environmental Protection Agency (EPA).

Socially Responsible Company Distinction to CEMEX in Mexico for the sixth consecutive year by CEMEFI.

Fifteen Safety Awards to CEMEX in the UK for its road safety efforts by the Royal Society for the Prevention of Accidents (RoSPA).

Seven Environmental Awards to CEMEX in France for its quarry rehabilitation efforts by the *Union Nationale* des Industries de Carrières et Matériaux de Construction (UNICEM).

Social Responsibility Index awarded to CEMEX in Croatia by the Croatian Chamber of Commerce and Croatian Business Council for Sustainable Development.

Premio a la Producción Más Limpia to CEMEX in Nicaragua for the third consecutive year for a project on Energy Efficiency in the San Rafael del Sur cement plant by a committee comprising several national ministries, business chambers, and universities.





To see the full list of partnerships and memberships, as well as global awards, visit cemex.com/sustainability.

