moving forward
This year, we are proud to reinforce our company’s ongoing commitment to sustainable development.

CEMEX is a growing building-solutions company dedicated to helping build a better future. We have developed a comprehensive and forward-looking approach to sustainable development that stimulates our strong economic performance. Our financial achievements are coupled with a firm commitment to provide value to our stockholders, create a positive working environment for our employees, help the well-being of our communities, and protect the environment.

As we grow, we continue to work to strengthen our business by addressing the social, environmental, and economic issues related to our operations. Our increasing efforts have been guided by the highest ethical standards and our continuing relationships with all of our stakeholders. As a result, we have developed programs, systems, and initiatives designed to make our company more sustainable.

I am pleased to introduce a new platform to enhance our environmental and social performance. In 2005, we began to develop a sustainability management system (SMS) to help us address our sustainable development commitments to all of our stakeholders around the world. Our SMS will help us manage our operations in an environmentally and socially responsible manner, while allowing for flexibility and innovation at the facility level. The system will be locally relevant while providing value to the business across our operations.

In addition, CEMEX is a supporter of the United Nations Global Compact and its ten principles, which address human rights, labor standards, protection of the environment, and anticorruption. We strive to advance these ten principles throughout our operations and to periodically report on our progress.

During 2006, CEMEX will celebrate its 100th anniversary – a notable milestone for our organization. We are grateful to our people, customers, investors, communities, and all other stakeholders, who have made our growth and longevity possible. As we move forward, we will remain steadfast in our effort to set an example of integrity and excellence for others to follow. By building trust and productive relationships, together we can address the economic, social, and environmental challenges and opportunities of the future.

By reaffirming our commitment to sustainable development, we are challenging ourselves to keep moving forward in our programs and performance. We fully understand that our company’s financial strength is based on our ability to engage and partner with our stakeholders, protect and maximize natural capital, and create lasting value and economic prosperity.

I invite you to learn more about our efforts to support a sustainable world for all of us.

Sincerely,

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

For more than ten years, CEMEX has reported annually on its progress toward sustainability, first through our environmental, health, and safety (EHS) reports and, for the past two years, in our sustainability reports. In the future, we will issue our comprehensive sustainable development reports every two years and will provide annual updates on our website (www.cemex.com).
The essence of sustainability has always been embedded in our company’s culture – long before the term was coined – and is reflected in a full century of constant evolution and strong commitment. Our company’s contribution to sustainable development is to run an increasingly efficient and profitable business that ensures the well-being of employees, protects the environment, and contributes to the social and economic development of communities.

We have reached another important milestone on our journey toward sustainable development. We are upgrading our processes to create our SMS, a platform for managing sustainability company-wide.

**What is the SMS?**
The SMS covers the management of our environmental, health, safety, well-being, and community issues. It is a system that considers the long-term viability of CEMEX – our own sustainability – and how it is uniquely bound up in the broader context of sustainable development.

Our SMS constitutes a clear set of sustainability requirements and guidance for our operations around the world. We have designed the SMS to be unique to CEMEX by leveraging our experience with other systems and our organizational culture, and by incorporating key issues relevant to our business. The SMS is also an enabling system that provides a global platform for our facilities while encouraging them to implement innovative and customized local solutions.

**Why are we developing our SMS?**
We are a company with a growing global reach: we are growing in size and diversifying geographically. While maintaining a pragmatic and efficient approach, we must become more systematic about the way we manage sustainability. Our SMS will help us to identify and address issues, ensure that we meet corporate-governance standards, maintain consistency across our operations, and interact transparently with our stakeholders.

In a complex and rapidly changing world, sustainability is an increasingly important strategic dimension of our business. It demands rigorous management, and that is what the SMS will deliver. We will roll out the SMS across our operations over the next three years.

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**Summary of ERM Opinion Letter**

Environmental Resources Management (ERM) was retained by CEMEX to help design its sustainability management system (SMS) to effectively address a wide range of sustainability issues. In ERM’s opinion, the SMS is a framework designed to build on and integrate existing CEMEX systems and practices already in place, and to be consistent with leading management frameworks and recognized global sustainability standards. The SMS is applicable across CEMEX’s businesses while enabling flexible implementation to meet the specific needs of individual sites. This system will also facilitate and enhance monitoring of progress and continuous improvement. We are confident that, when fully implemented, the SMS should deliver desired results.
About us
CEMEX is a growing global building solutions company that provides products of consistently high quality and reliable service to customers and communities in more than 50 countries throughout the world. Our company improves the well-being of those we serve through our relentless focus on continuous improvement and efforts to promote a sustainable future. Today we are strategically positioned in the Americas, Europe, Africa, the Middle East, and Asia.

Building for future generations
In addition to our quality cement, ready-mix concrete, and aggregates, we offer a broad array of building materials. Our products literally form the foundation for construction projects of every type, sheltering people and connecting communities around the world. Our business strategy creates lasting value and economic prosperity, enabling us to help build a more sustainable world for generations to come.

As part of an industry that relies on natural resources and energy, our sustainability principles drive us to employ cutting-edge technology to ensure energy efficiency and the optimum use of raw materials; promote a culture of environmental awareness, safety, and integral health; and use the most effective equipment and systems to protect our people and the environment.

Our economic impact
Our company’s business activities have significant direct economic impacts – through employee wages and benefits, goods and services purchased from suppliers, taxes paid to public authorities, dividends returned to shareholders and other providers of capital, and the value of the products that we sell to customers.

Indirectly, our economic impacts are multiplied several fold. These include the purchases and investments of our employees, contractors, and suppliers; the jobs created by our cement wholesale and retail customers and within the construction industry; the knowledge transfer across geographic regions of the world; the increase in efficiency and waste reduction through our industrial ecology practices; the improved health care provided to our employees; our social contributions; and the opportunities and benefits provided to society through the activities stemming from the infrastructure that our products help to build.

We have a passion to grow our business in harmony with society and the environment by achieving the right balance between the benefits and impacts of our products and operations. We discuss our performance in addressing these challenges throughout this document and on our website (www.cemex.com).

Sustainable economic growth
As a member of the World Business Council for Sustainable Development, we are one of the core members of the CSI, which explores ways for our industry to meet the needs of the present without compromising the ability of future generations to meet their needs. In this document, we report on our performance in accordance with the CSI key performance indicators and present our commitments and targets for each of the areas.

1906-1966
- CEMEX is founded with the opening of the Cementos Hidalgo Plant in Mexico
- Cementos Portland Monterey initiates operations with 20,000 metric tons of annual production capacity
- CEMEX introduces bagging program for employees of the Monterey plant
- CEMEX establishes a regional player by acquiring Cementos Maya’s Mérida plant and building new plants in Ciudad Valles and Toreoín.
- CEMEX grows into a national presence with the installation of new kilns at its Mérida and Monterey plants and the acquisition of a plant in central Mexico.
- CEMEX lists on the Mexican stock exchange and becomes Mexico’s market leader with the acquisition of Cementos Guadalajara’s three plants.

1976-1987
- CEMEX acquires Cementos Apalachee and begins the deployment of a company-wide satellite communications system, CEMEXNet.

Stakeholder engagement
We believe that open and honest dialogue with our stakeholders helps strengthen our business:

- We regularly communicate with our shareholders and their representatives and aim to keep investors fully informed of our activities.
- We encourage employees to provide suggestions for improving operations and treat these recommendations seriously. We measure employee satisfaction and strive to be a world-class employer.
- We collaborate with global organizations focused on the role of industry in achieving sustainable development.
- We engage with communities at many levels, from individuals living near our plants to organizations at the local, regional, and global levels. We listen and respond to their suggestions and needs.
- We share required information with local, state, and national governments and regulators and work with them to resolve any issues.
- We conduct surveys with customers to understand their needs and identify ways to improve our products and services.
- We maintain open communications with our suppliers to strengthen our relationships and understand their concerns.
safety, health, and wellness

The company’s key priority is the health and safety of all our people. It is the basis for the personal development and delivering a sustainable and profitable business. Our commitment to safety, health, and wellness is reflected in our values: Integrity in all our actions, Commitment to the care and development of all our people, and Respect for the environment. We continually monitor safety performance through the CEMEX's Health and Safety Task Force. This task force has developed common guidelines and systems that enable us to overcome the health and safety challenges that we face.

Our performance

In 2005, our accident rate decreased to 1.2 from 2.4 in 2000. The number of workplace fatalities in connection with our operations is zero. We continue to strive for ongoing improvement in our safety performance.

Our strategies to reduce accidents

To reduce accidents, we closely manage health and safety through a broad range of programs and initiatives. These include auditing and risk analyses; and safety training, emergency preparedness, and tracking platform; specific health initiatives are an important component of our system.

Our systems

Our systems are designed to promote integral health and live a balanced lifestyle. This system is one of the foundations of our culture. It is the basis for the personal development and delivering a sustainable and profitable business. Our commitment to safety, health, and wellness is reflected in our values: Integrity in all our actions, Commitment to the care and development of all our people, and Respect for the environment. We continually monitor safety performance through the CEMEX's Health and Safety Task Force. This task force has developed common guidelines and systems that enable us to overcome the health and safety challenges that we face.

In addition, we challenge our employees to promote biodiversity, conservation, and sustainable development. This is reflected in our commitment to environmental protection, as well as in our ongoing initiatives to reduce our environmental footprint.

We are confident that our dedication to safety, health, and wellness will continue to spread through our business units, as well as all areas of our company, in our ongoing commitment to our core values and integrity.
CEMEX has a long history of supporting communities through educational, health, environmental, housing, cultural, and economic-development initiatives. By investing in programs that foster self-sufficiency, working with members of our communities, and selling products that help to build social infrastructure, we are creating conditions that address local needs, promote long-term economic prosperity, and improve the quality of life in the regions where we operate.

Our approach
We support our communities through social programs, employee voluntarism, and direct and indirect economic contributions. Our approach includes promoting open dialogue with our stakeholders and developing collaborative partnerships with organizations that share our sustainable development vision. This enables us to better understand the social challenges that we face as a company, improve our relationships with our neighbors, and more effectively manage the social risks and opportunities of our business.

Our culture embraces a spirit of trust and mutual respect with local communities. At many facilities, we have established stakeholder panels comprising community leaders, local and national government officials, and employee representatives that provide important information on local needs and help us develop more effective community outreach programs.

Our performance
Social issues are important to our internal stakeholders – our employees and their families – as well as external stakeholders in the communities and the world in which we operate. Our aim is to treat all people with respect and dignity. Internally, we actively promote a culture of social awareness and responsibility throughout our company. We encourage our employees to become active partners in our social-development initiatives. Currently, we are developing a voluntary work policy that will further leverage the skills and expertise of our people to make a real difference in our communities. This approach not only helps our neighbors; it also raises employee satisfaction and motivation.

As an integral part of our SMS, we work with local communities to understand and address their concerns regarding our impacts on their lives, including transport security, noise, natural-resource use, and infrastructure development.

We have a history of building capacity for small- and medium-size enterprises, spurring local economic development, and catalyzing innovation. Through our purchasing decisions, we are able to work across our value chain to identify win-win opportunities with our suppliers that result in improved efficiency, diversity, and local economic benefits.

Our approach to social development includes investments in initiatives that produce measurable and sustainable results that align with our company values and objectives. We support programs that address health and environmental concerns of our communities, including public-health lectures, sanitation projects, and ecological restoration initiatives.

Our commitment
We have committed to expand our efforts in three areas:

- Increase voluntarism among our employees and enhance their participation and ownership of the company’s social and community programs
- Help develop innovative business models and partnerships to support local development
- Review and update our strategy for social investment

Impacts on land and communities
Set forth below are CEMEX’s results for the following CSI key performance indicators:

- Percentage of sites with community-engagement plans in place: 84% in 2005
- Percentage of active sites with quarry-rehabilitation plans in place: 67% in 2005
- Number of active sites where biodiversity issues are addressed: 55% in 2006

Promoting conservation through books
We promote and protect our earth’s biodiversity through our publication of a series of conservation books that we donate to several environmental organizations to fund their research and education projects around the world. Each book illustrates scientific findings from internationally recognized institutions and individuals that help educate readers about the delicate nature of our world’s biodiversity and how they can contribute to its protection.

Community and land impact targets

- 82% of active sites with quarry rehabilitation plans by 2010; 100% by 2015
Our environmental philosophy is based on the belief that the world we share is given to us in trust. Every action we take regarding the land, air, and water around us must be designed to preserve and protect our natural resources. We strive to reduce the environmental impacts of our operations and provide benefits to society.

As we have grown, so have our responsibilities and efforts to protect the environment. By actively conserving our natural resources and minimizing waste, we increase our operational efficiency and reduce our costs, providing benefits to our company and our stakeholders. We are committed to strengthening our environmental performance so that we may continue to be good stewards of the Earth.

Our systems
Our environmental policy and corporate environmental management model have guided our performance and helped all of our country operations to develop programs and initiatives to meet our environmental objectives. Many of our facilities, including sites in Costa Rica, Croatia, Egypt, Germany, Mexico, Panama, the Philippines, Spain, the United Kingdom, and Venezuela, have environmental management systems that have been certified to ISO 14001, a voluntary, internationally recognized standard.

Currently, we are leveraging our experience with environmental management systems to develop our SMS. Through this system, we will move forward in our efforts to address environmental challenges, maintain our high standards, and improve our organization within the broader context of sustainable development.

With a focus on industrial ecology, CEMEX strives to minimize outputs that provide no real value to the company, such as wastes, emissions, and wastewater. By using alternative raw materials and fuels, reusing and recycling materials, and implementing innovative practices and technologies in plant processes and new plant design, we are protecting the environment and society without compromising quality. Internally and externally, we actively promote environmental awareness and the benefits of ecoefficiency.

Our performance
Following our commitment to the CSI, we publicly report data on several environmental key performance indicators, including energy and raw-material use; carbon-dioxide (CO\textsubscript{2}) emissions; and emissions of nitrogen oxides (NO\textsubscript{x}), sulfur oxides (SO\textsubscript{x}), and dust.

Our commitment
We continue to improve the efficiency of our operations, including the reduction over time of the amount of CO\textsubscript{2} emissions from each ton of cement we produce. Our absolute CO\textsubscript{2} emissions have risen, however, as our company has grown. We have set ambitious goals for further reducing our CO\textsubscript{2} emissions per ton of cement product and established goals for increasing the use of alternative fuels and alternative raw materials. These goals support our ongoing efforts to maximize efficiencies and reduce wastes in our operations.
Values
We are committed to building a better future, not only for our customers and stockholders but for a wider range of stakeholders, including our employees and the communities in which we operate. Through our vision for sustainable development and our passion for continuous improvement, we will persistently seek opportunities to become better stewards of the environment; to protect the health, safety, and well-being of our employees; and to be a force for positive change in our society.

Our values guide our everyday actions and our efforts to be a more responsible corporate citizen:

- 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

Code of ethics
All CEMEX employees must conduct their daily activities according to the highest ethical standards and in compliance with the law at all times. Our code of ethics guides our conduct and governs:

- our stakeholder relationships
- workplace safety, health, and environmental responsibility
- protection of confidential information
- conflicts of interest
- financial controls and records
- preservation of assets

We ensure that all employees receive our code of ethics, and we require them to abide by its provisions. We use country- and corporate-level ethics committees, training programs, and internal communication channels to ensure compliance and enforcement of the code at all levels of the company. The code is reviewed periodically and updated as needed to reflect changes in laws, societal norms, and stakeholder expectations.

Corporate governance
We are committed to complying with the laws and regulations of every jurisdiction in which we operate. Beyond compliance, our commitment to ourselves, our investors, and to all of our stakeholders is to manage CEMEX with integrity. Everything we do rests on this foundation. Our financial culture and management style are open and transparent. Through our regular meetings, reports, guidance, conference calls, and personal interactions, we vigorously work to keep our investors fully and fairly informed of our activities and to ensure that our financial disclosure meets the highest ethical standards.

Global Compact
CEMEX is a strong supporter of the United Nations Global Compact and has been a signatory since November 2004. The Global Compact is an umbrella initiative that seeks to foster constructive dialogue between companies and their stakeholders to promote good corporate practices and the exchange of learning experiences. The ten principles of the Global Compact address human rights, labor standards, environmental protection, and anticorruption. CEMEX has played an important role in introducing this voluntary initiative in Mexico, Panama, and other regional networks. Our next comprehensive sustainable development report will address our progress in support of the Global Compact principles.

For more information on our approach to the Global Compact, please visit our website at www.cemex.com.

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