

Environmental commitment and social responsibility

Holcim's employees show a high degree of commitment to our sustainability targets. The Group was once again named Dow Jones Sustainability Index Industry Leader.

Measurable progress

At Holcim, sustainable development has been a major focal point for years. The three principles of "value creation", "sustainable environmental performance" and "corporate social responsibility" are firmly anchored in our business model and represent a fixed component of our strategy. The global standards Holcim has set ensure that these principles are embedded in our management systems.

Progress in the sustainability area is closely monitored and we are on track to achieve our targets.

Of significance is the fact that by the end of 2006 Holcim had again reduced its net CO₂ emissions per tonne compared with 1990 levels.

Leader in the construction industry

Our successes in the field of sustainability have received renewed external acknowledgment. In 2006, Holcim was again included in the FTSE4Good Index. For the second year in a row, the Dow Jones Sustainability Index has recognized the Group as Leader of the Industry, attesting to Holcim's reputation as a company with a strong commitment to sustainability in the building materials sector. Holcim received special praise for its climate and recycling strategies aimed at cutting CO₂ emissions as well as for initiatives to increase safety at work. It received top grades in corporate governance and the social dimension, in particular for its strong stakeholder relations.

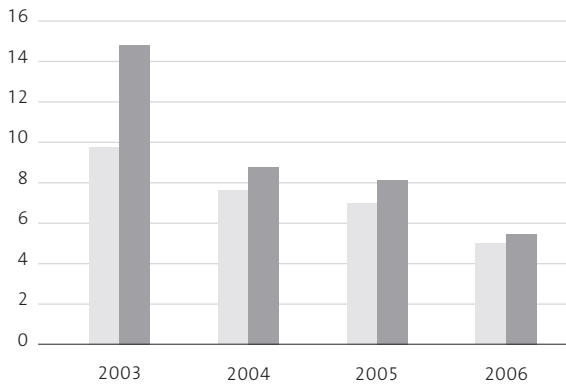
Occupational health and safety remains a priority

The health and safety of the people at Holcim is a key priority. This not only goes for its own employees, but also for the personnel of subcontractors and for visitors. Group-wide safety guidelines therefore need to be strictly adhered to.

The "Passion for Safety" initiative launched in 2005 is aimed at fostering a "culture of safety" which accepts no compromises and defines clear responsibilities. Between 2006 and 2009, Holcim aims to reduce lost time injury frequency rate in each Group company by at least 30 percent per annum compared with 2004 levels. This means that even Group companies with good track records are being called upon to make further improvements. Between 2005 and 2006, the lost time injury frequency rate was cut by 27 percent, but despite the launch of the "Passion for Safety" initiative the Group still suffered a number of accidents in 2006, some of which had fatal consequences. Management and colleagues offer their sincere condolences to bereaved family members.

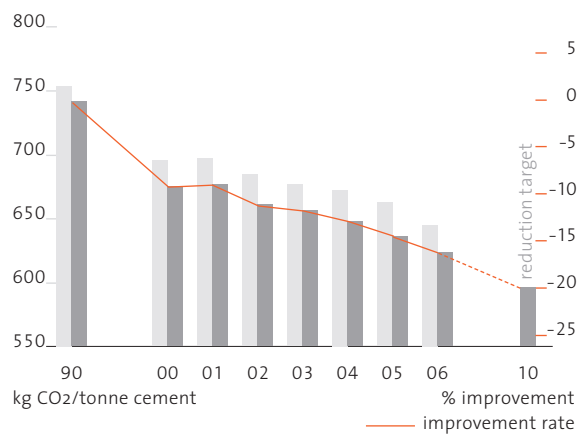
A wide range of programs have been initiated by individual Group companies. For example, Holcim Indonesia has subjected its safety management to a general review and set up a safety committee including staff representatives and management. In Eastern Europe, a regional initiative has been launched to improve the working culture, raise staff awareness of safety issues and introduce an exhaustive reporting system. These efforts have already led to a noticeable change in safety culture in the workplace.

Lost time injury frequency rate¹



■ Employees
■ Subcontractors

Specific gross and net direct CO2 emissions²



■ Gross
■ Net³

Steady reduction in CO2 emissions

Reducing CO2 emissions is one of the most important challenges we face. In 2002, the Group made a voluntary commitment to bring a 20 percent reduction in specific net CO2 emissions by 2010, taking 1990 as reference year. Having achieved a further reduction by the end of 2006, Holcim is well on the way to meeting this target.

Reducing the clinker factor in cement is a cornerstone of Holcim’s climate strategy; this is one of the best, technically proven approaches for reducing process CO2 emissions.

Regulated market mechanisms can be the most effective way to achieve absolute reductions in CO2 emissions while fostering economic and social development. However, such market instruments must be compatible with the reality and imperatives of global competition. Holcim has made its point of view on these questions clear in a number of publicly available position papers.

The introduction of the European Union’s emissions trading system (EU ETS) gives Holcim the opportunity to participate directly in this market. Holcim takes a positive view of the concept of emissions trading, which is in an important learning phase. For the next commitment period from 2008 to 2012, the principle of a level playing field must apply. An international framework therefore needs to be established and the allocation of emission allowances must be based on actual CO2 efficiency performance.

Holcim also welcomes the Clean Development Mechanism (CDM) of the Kyoto Protocol, which allows emissions in industrialized countries to be offset by transfers of capital and technology to developing countries. At present, CDM procedures are still too bureaucratic and restrictive, and the mechanism remains confined to a few specific niche markets. However, due to a favorable business climate in India, Holcim Indian Group companies have initiated several CDM projects related to clinker factor reduction or generation of electricity from biomass. Holcim is also actively involved in the “Asia Pacific Partnership on Clean Development and Climate”.

¹ The lost time injury frequency rate (LTIFR) is calculated as: number of lost time injuries × 1,000,000 : total number of hours worked. Data includes all cement, aggregates as well as ready-mix concrete operations (including Aggregate Industries since 2005).

² The CO2 data are interim figures subject to external assurance. Updated emission figures will be published on our website by mid-2007.

³ Minus indirect savings, such as use of alternative fuels.

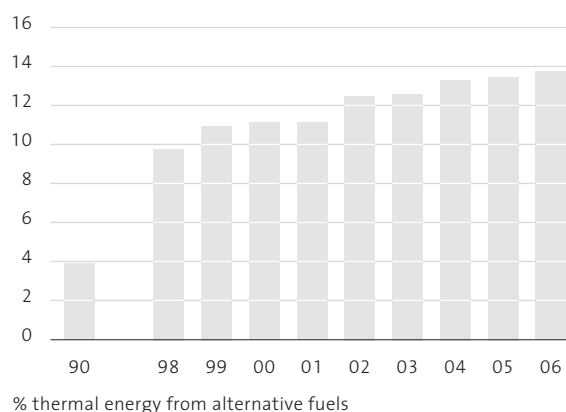
Increased replacement of valuable fossil fuels

In the cement industry, the utilization of waste materials makes a valuable contribution to sustainable development in a number of ways. Fuels and raw materials obtained from waste reduce consumption of fossil fuels, as well as alleviating the growing problem of waste disposal. This is particularly important in developing and newly industrializing countries, where there is the potential for waste to be disposed of, incinerated or stored on poorly managed sites without proper controls. Improved waste management limits health risks and reduces the need for landfill space.

In 2006, the Group's thermal substitution rate rose to 13.4 percent (not including India).

Our partnership with GTZ, German Technical Cooperation, contributed to this improvement. The jointly prepared guidelines on co-processing waste materials in cement production were officially launched in 2006. They aim to provide cement manufacturers and the public sector with a working instrument to enable the development of sustainable solutions. To expedite implementation of the guidelines, the Group extended its cooperation with GTZ to 2008.

Thermal substitution



Commitment to further environmental improvements

Reducing atmospheric emissions remains a core objective. By 2010, Holcim aims to reduce its specific output of nitrogen oxides, sulfur dioxide and dust by 20 percent, taking 2004 as the benchmark year. A global monitoring and reporting system ensures that progress is measured. The target which has been set will clearly entail substantial investment.

In 2006, the Group invested CHF 118 million (2005: 104) in environmental improvements at its plants and production facilities. We maintain appropriate provisions for site restoration and other environmental liabilities, based on legal and contractual obligations. As of December 31, 2006, these provisions amounted to CHF 521 million (2005: 388).

Social responsibility creates acceptance

Holcim has a longstanding social commitment to the communities in which our facilities are located. This paves the way for good relations with the people living in the vicinity of our plants. Our Group companies mainly support projects in the fields of education and training, infrastructure and community development.

During the year under review, our Group companies spent around CHF 31 million on social activities. CHF 14.8 million was invested in selected projects and CHF 16.1 million was paid out in donations. The total sum was equivalent to around 1 percent of net income before tax.

Partnerships generate added value for all

Companies such as Holcim depend on the trust of a wide variety of stakeholders. Various initiatives are therefore in place to promote dialogue and cooperation with a range of interest groups.

At Group level, for example, mention should be made of our cooperation with the World Business Council for Sustainable Development (WBCSD). Holcim is one of the three companies that launched the “Cement Sustainability Initiative” in 1999. In 2007, a comprehensive report will be published to provide an account of the five-year program of action undertaken by this broad-based industry initiative. Holcim continues to support the UN Global Compact, a global agreement between companies and the UN which encourages the implementation of ten principles in the social and environmental areas. Each year, we assess whether our own activities are compatible with these principles. Our partnership with GTZ, German Technical Cooperation, mentioned above, is also making good progress.

As future attention focuses more on biodiversity conservation, Holcim has joined forces with the World Conservation Union (IUCN). The aim of the partnership, which was signed at the beginning of 2007, is to develop new ecosystem conservation standards for the Holcim Group. Main areas of collaboration include a review and assessment of Holcim’s approach, the development of a comprehensive policy and strategy, as well as the undertaking of joint initiatives supporting sustainable livelihoods and biodiversity conservation.

Holcim Group companies attach great importance to maintaining stable relationships based on trust with their various stakeholder groups. For example, more than 38 percent of Group companies have established community advisory panels for their plants and 77 percent engage in partnerships with civil society institutions.

In 2006, Holcim published its third sustainability report. The report was prepared in accordance with the “Global Reporting Initiative”, a framework for consistent, meaningful reporting on economic, environmental and social factors.

Holcim Foundation confers awards for sustainable building projects

Established in 2003, the Holcim Foundation for Sustainable Construction has successfully completed its first three-year competition cycle. Through this Foundation, Holcim is actively involved in areas beyond its own corporate boundaries and gives global support to the idea of sustainable construction. The picture section of this Annual Report is devoted to the Foundation’s activities.

In 2007, the Foundation will be launching the second three-year competition cycle with a forum for architects, planners and other technical experts to be held over several days dealing with the topic of urban development. The competition for sustainable construction projects will begin in June. The closing date for entries is the end of February 2008. Submissions will then be put before panels of judges.

Human resources

The expansion of Holcim saw the Group's headcount increase by around 50 percent. The integration of the new companies and their employees within the Group presents a major challenge. Career development measures for employees and senior managers are particularly important, as is succession planning.

Significant increase in personnel

The Group saw further growth in its headcount in 2006, with the first-time consolidation of our companies in India and the acquisition of two firms in the UK and the US in the aggregates, ready-mix concrete and asphalt sector. As of the end of the year, the headcount stood at around 88,783, representing an increase of 48.2 percent. These new personnel resources bring Holcim both experience and specific know-how. In turn, employees who have recently joined our Group have the opportunity to work in a diverse, multicultural environment and benefit from the appeal of a global company.

One focal point in 2006 was to expand and strengthen all processes and systems that make it possible to speed up an improved and more efficient knowledge and best practice exchange within the Group.

¹ Holcim redefined its business areas following the acquisition of Aggregate Industries. These now consist of the product segments "Cement", "Aggregates" and "Other Construction Materials and Services". The year-earlier figures have been adjusted accordingly. The composition of the product segments is described on page 6.

Group employees by segments ¹	2006	2005	2004	2003	2002
Cement ²	57,878	34,543	32,846	32,590	33,657
Aggregates	7,136	6,542	3,271	3,372	3,780
Other construction materials and services	23,724	18,750	10,739	12,221	13,662
Corporate	45	66	53	37	16
Total Group	88,783	59,901	46,909	48,220	51,115

² Including all other cementitious materials.

Group employees by region	2006	2005	2004	2003	2002 ³
Europe	22,006	20,458	14,980	15,365	16,359
North America	11,268	10,393	5,249	5,236	5,146
Latin America	12,234	10,904	10,676	10,278	11,091
Africa Middle East	5,218	5,318	4,621	4,472	4,620
Asia Pacific	37,212	12,045	10,644	12,118	13,078
Corporate	845	783	739	751	821
Total Group	88,783	59,901	46,909	48,220	51,115

³ The figures for the service companies were reclassified from the geographical regions to Corporate.

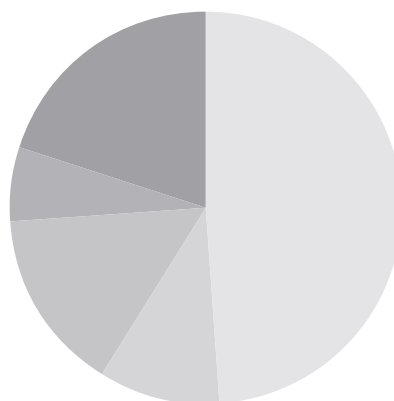
Holcim fosters cultural diversity

Holcim sees itself as a multicultural company. It is very important that our people, who are from different cultures, respect one another and treat each other without prejudice. 1,323 members of senior management come from 62 nations. This diversity makes us a particularly attractive company to work for, and Holcim is proud of the fact that we have repeatedly succeeded in smoothly simulating new companies and their employees into the Group.

Those who join Holcim as new employees know the company has high expectations. It expects expertise and a high degree of commitment and flexibility. In return, employees benefit from a culture of open communication. Holcim aims to be recognized as the most attractive employer within the industry. Existing and new employees should benefit from the Group's global presence and be able to put their skills to optimum use. They receive support not only from the line, but also from experts within the Human Resources function.

Origin of senior managers

■ From Europe:	24 nationalities	47% of all senior management
■ From North America:	2 nationalities	10% of all senior management
■ From Latin America:	13 nationalities	17% of all senior management
■ From Africa Middle East:	9 nationalities	6% of all senior management
■ From Asia Pacific:	14 nationalities	20% of all senior management



Promotion of management talent

To enable us to cope with the current and future growth of the Group, Holcim attaches a great deal of importance to strengthening management qualities in three key areas.

The first focal point is our drive to recruit first-class employees across all business areas. The second key point relates to basic and continuing training and targeted programs for managers on all levels. Young up-and-coming employees in particular are to be given the opportunity to put their knowledge to the test and improve their leadership competencies. The third key area, succession management, is designed to ensure the efficient and professional transfer of line responsibility to a successor. Candidates from within the Group who demonstrate the required potential must be identified early on and prepared for new, more complex tasks through targeted training measures.

Competent leaders for today and tomorrow

For Holcim, leadership competencies are based on four components, which are given high priority in the context of continued training: thinking the business, delivering results, energizing people, and acting as role model. On the basis of this competency model, all processes in the field of human resources and training have been successively reviewed and further developed; this particularly applies to recruitment, performance management and to assessments or internal and external training.

Strengthening our global values

Human resources and training are areas that play a key part in the internalization of our corporate values. The Group is strengthened by employees who live our values both within the company and outside it. In 2006, more than 100 human resources functional heads and training experts from throughout the Group took part in the Human Resources and Training Conference in Switzerland. At the event, which is held every two years, the participants addressed these value questions among other issues.

In India, where the past two years have seen Holcim establish a foothold through major acquisitions, we are facing a special challenge in the human resources sector and on the training front. Each year, the two Indian Group companies need to recruit hundreds of employees and integrate them into the organization simply to keep up with market growth.

To this end, special training packages have been developed and made available for all hierarchical levels. These also include technical simulation programs that enable broad-based, risk-free training in realistic conditions. We have already trained 90 percent of the ACC management in the Holcim-specific Project Management Approach. This means that some 70 major projects are currently being managed according to standard parameters.

Seminars designed to strengthen leadership

In the past, the Group's training activities focused on imparting management knowledge and specific functional skills. In future, training activities will increasingly focus on leadership. Objectives include motivating employees, and also emphasizing the exemplary role models that managers need to be. New programs at Group level are intended for all senior managers in the top to middle management tiers. They were developed jointly with leading management schools and will be implemented from 2007 onward.

The broader management and leadership training programs developed for the Group companies consist of standardized learning objectives and content, which are aligned with the management seminars at Group level. Thanks to these programs, the majority of Group companies are able to offer their managers leadership training locally.

Regional training and learning workgroups have been formed to support the implementation process, as well as exchange regarding experience and teaching materials.

Variable compensation scheme

The Group's top management is included in a standard performance compensation scheme consisting of a cash component plus bonus shares. The system is designed to focus senior managers on joint objectives key to the Group. On the strength of the positive experiences gained since the introduction of this compensation scheme, 2007 will see the circle extended to include a further tier of management. This increases the number of eligible management members from 230 to around 550.

Motivate and demand

Developing leaders and employees is and remains one of the Group's most important tasks. Holcim's motto is: "Motivate and demand" – only the two together can secure the Group's long-term success.

Personnel expenses in 2006 by function and region

Million CHF	Production and distribution	Marketing and sales	Administration	Total
Europe	1,040	116	400	1,556
North America	1,067	62	188	1,317
Latin America	309	75	103	487
Africa Middle East	132	22	46	200
Asia Pacific	318	42	91	451
Corporate	43	19	170	232
Total Group	2,909	336	998	4,243