

SUSTAINABILITY OVERVIEW

Sustainability is embedded in Lafarge Malaysia's actions as a business, employer and corporate citizen, in line with the entire LafargeHolcim Group. Our sustainability initiatives are aligned with the Group's key areas of focus – Climate, Circular Economy, Water and Nature, People and Communities. These initiatives target, among others, to reduce CO2 emissions, provide solutions for end-of-life products, preserve biodiversity and water, and ensure equitable gender representation in all our operations.

We are strongly committed to making ourselves a part of the solution in ensuring sustainability in the commercial, social and environment aspects. This forms the basis of all our endeavours to minimise our impact, seek sustainable solutions, help communities thrive, and essentially, to give back more than we use.

Moreover, in our business, we have no doubt about our first priority; doing everything we can to keep our employees, contractors and others affected by our operations, safe and well. This is done by leading with safety and promoting health and well being, so that we get closer to our goal of zero harm. We also believe that it is important to deliver sustained improvement in Health and Safety performance through management intervention and training initiatives so that they are translated into behavioural changes by all employees and contractors.

Managing Our Environmental Footprint

Lafarge Malaysia is committed to setting new standards in sustainability in the local construction industry. We had achieved a first when we completed our flagship Chan Sow Lin (CSL) plant, Malaysia's first enclosed ready-mix concrete batching facility that is built to reduce noise and dust emissions and is capable of reclaiming returned concrete. In March 2015, the plant chalked up another first when it was awarded SIRIM QAS International Sdn Bhd's ISO 14001:2004 certification under "Manufacturing of Ready Mix Concrete".



Our Construction Development Lab, the first in Southeast Asia and the fifth in the world, made great headway in creating safer, more efficient and more environment-friendly solutions that help our customers reduce cost and wastage.

Our focus on environmental protection and sustainability also bore fruit when two eco products manufactured by Lafarge Malaysia – Phoenix and Mascrete LH – were certified as green building products under PAS 2050:2011 by TUV PSB Singapore in July. Extending this list of accomplishments, our Construction Development Laboratory (CDL) also made great headway in creating safer, more efficient and more environment-friendly solutions that help our customers reduce cost and wastage. These include Morpla, Fastbuild and Road Integrated Offer.

Additionally, we continue our work to optimize the use of natural resources by managing our environmental footprint effectively and creating value where possible by using alternative fuels, alternative raw materials and recycled materials. In 2015, alternative fuel contributed more than 10% of the energy required in our manufacturing processes.

Biodiversity preservation is equally important in our commitment to sustainable development. Based on the findings of a University of Malaya biodiversity study on our quarry in Kanthan, Perak, we have identified an area in Gunung Kanthan as having sensitive biodiversity. In response, access to this area has been restricted since January 2015 and we have taken the decision to preserve it from future mining activities. Going forward, our plan will involve further studies on Gunung Kanthan and its limestone deposits. This is part of our long-term commitment to ensure the responsible management of biodiversity at our sites.

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The Chan Sow Lin plant is Malaysia's first enclosed ready-mix concrete batching facility that is built to reduce noise and dust emissions and is capable of reclaiming returned concrete.

Reaffirming Our Commitment to Health and Safety

Health and Safety is our overarching value. Our aim is to ensure that everyone affected by our business activities returns home unharmed to their loved ones every day.

Following the completion of the Lafarge and Holcim merger, a new Health and Safety policy and set of rules were introduced which is the statement of management continued commitment to the Health and Safety of its employees, contractors and those affected by our operations.

In addition, a new Incident, Classification & Investigation standard was introduced to ensure continued transparency of incident reporting. The standard also ensures that investigations are conducted and repetitions are avoided by adopting the learnings.

We are pleased to report that in 2015, for the fourth consecutive year, there were no fatalities on our operating sites. However, one recordable road transport related fatality occurred, the first since March 2011. We achieved a Total Injury Frequency Rate (TIFR) of 1.39 (on-site and transport), which essentially means that there were 1.39 incidents for every 1 million employee and contractor hours worked. With the exception of the road related fatality, all incidents were of low severity, with most associated with slips, trips, falls and hand injuries. Meanwhile, our Total Road Accident Frequency (TRAF) for heavy goods vehicles (HGV) stood at 0.06 for the year, an exceptionally low rate in relation to the overall 48.5 million kilometre travelled by Lafarge Malaysia's transporters.

In addition to the application of key Health and Safety standards, safety engagement with workers by management at site together with regular audits, help management to gauge progress and make appropriate decisions:

No. of Safety Engagements in 2015

Product Line/Plant/Activities	Number of engagements in year 2015
Aggregates	859
Ready-Mix Concrete	4450
Kanthan	2005
Langkawi	1614
Pasir Gudang	600
Rawang	772
Cement Industrial	140
Head Office	324
Supply Chain	113
HSBP	234
Corporate Functions	118
Total	11229

No. of Motor Vehicle Incidents (MVI) net of third party fault in 2015

Product Line/Plant/Activities	Number of MVI's net of third party fault in 2015
Supply Chain	16
Cement	8
Aggregates	19
Ready-Mix Concrete	73
CMC	1
Head Office	0
Total	117

In-Country & Cross-Country Audits

2015 Audits	
Cross-Country	- RMX Central Region Cluster
In-Country	- Rawang Integrated Cement Plant
Cross-Country	- Pasir Gudang Cement Mill & Kulai Aggregates Quarry

In-country audit: Internal audit performed by local H&S personnel with the involvement of operations managers as co-auditors, using the Group Health & Safety Management System (HSMS) protocol.

Cross-country audit: External audit performed by external (foreign) H&S personnel with the involvement of senior managers and Health & Safety Country Committee members as co-auditors, using the group HSMS protocol.

Both audits are performed on an entity once every 3 years. The duration between an internal & external audit is 1.5 years.

1.39

**“On-Site and Transport”
Total Injury Frequency
Rate (TIFR).**

Other lead indicators, adopted by the company to prevent incidents include motor vehicle incidents (MVI) monitoring, Health and Safety training hours recorded, near miss reporting and the review of Serious Events.

No. of Serious Event Reviews (SER)

Year	Total SER Recorded
2013	37
2014	49
2015	58

No. of Near Misses Reported

Year	Total Near Misses Reported
2013	675
2014	497
2015	653

To continue to improve the competency of our workforce, Lafarge Malaysia recorded close to 69,000 training hours for employees in 2015, including Health and Safety leadership for managers and supervisors.

Health and Safety Training Hours

Year	Total Training Hours
2013	53,438
2014	35,971
2015	68,875

48.6 million km

Total distance driven by contractor vehicles across all product lines in 2015.

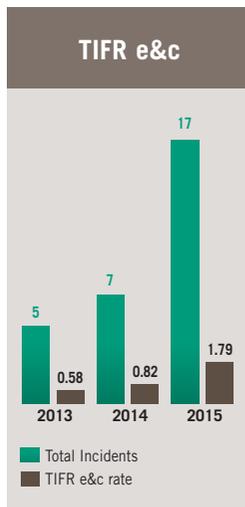
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Externally, we were able to contribute our experience in Health and Safety to help improve construction standards in the country. A Health and Safety module was included in our masons training programme to equip masons with fundamental Health and Safety knowledge and skills. We also worked with the Human Resources Development Fund and Malaysian Institute of Quarrying to develop the first of a number of Health and Safety training modules on quarry blasting.

Health and Safety is core to Lafarge Malaysia's operations and is becoming a key expectation of our customers. In fact, Health and Safety has become an effective differentiator for Lafarge Malaysia. The recent appointment of two of our employees as permanent members of the RAPID Overall Site Management HSE Steering Committee is recognition of our commitment in Health and Safety, and more importantly, it allows us to further enhance Health and Safety standards at project sites through knowledge and experience exchange.

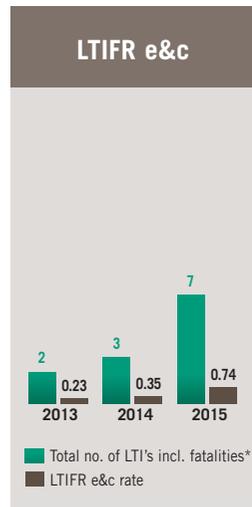
TIFR e&c statistics for 2013, 2014 and 2015



Definition of TIFR e&c:
 Total number of fatalities, lost time injuries, medical incidents x 1,000,000 divided by total number of worked hours.

**Note: There were no fatalities suffered during this period*

LTIFR e&c statistics for 2013, 2014 and 2015



Definition of LTIFR e&c:
 Total number of fatalities and lost time injuries x 1,000,000 divided by total number of worked hours.

Following the completion of the Lafarge and Holcim merger, we introduced a new Health and Safety policy and new Incident, Classification & Investigation standards for the enlarged entity. This allows us to harness the best practices of both organisations as part of future H&S planning.

Investing in Our Most Valuable Asset

The development of our people is vital to ensure the continued growth of Lafarge Malaysia. Last year, we undertook several programmes to arm our employees with new skills and competencies in line with our ambition of Building Better Cities. We equipped our employees with the necessary skills to offer solutions that add value to our customers and ultimately, contribute towards the construction landscape of Malaysia. At the same time, we worked towards building a talent pipeline to ensure that we consistently deliver on our promises.

In 2015, we launched various training programmes designed to educate our sales, support and marketing teams on road and building solutions and to help frontline supervisors manage their teams more effectively. We also initiated sessions for employees to share their learning experience relating to implementation, and challenges and best practices via team collaboration. To provide Lafarge Malaysia with a steady supply of young engineers, we enhanced our Lafarge Young Engineers Programme, welcoming 15 Young Engineers to the family. In addition, we launched a 12-month Lafarge Customer Care Mastery programme in which 50 employees took part. This programme aimed to inculcate a service-oriented culture and improve our customers' experience.

To encourage two-way communication with our employees, we conducted an Employee Engagement Survey in December 2014. The survey garnered a 90% response rate. It showed that at 80%, our employees are engaged – they believe in the goals of the organisation and feel enabled in the workplace. It was also found that our employees' perception around changes is positive.

The survey also identified key opportunity areas for further improvement. Among the areas were inter-department communication and teamwork, work-life balance and working conditions. Guided by the findings, we drew up three country level action plans – to develop a Leadership Programme incorporating Change Leadership, Managing Performance and improving the physical working conditions in our plants.



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Caring for Our Community

We have been operating in Malaysia for more than 60 years. During these six decades, our operations have assimilated with the communities in which we operate, fostering a symbiotic relationship through which we channel activities that contribute to their well-being. In 2015, we organised various volunteering activities and continued our focus on increasing road safety awareness.

We enhanced our volunteering programme, garnering good participation from employees across all departments. Over 8,500 volunteer hours were recorded through programmes organised by our corporate functions and operational teams. Our spirit of volunteerism came to the forefront when Malaysia experienced its worst floods in 30 years in early 2015, during which 160,000 people in some east coast states were evacuated from their homes. Lafarge Malaysia employees rounded up aid and collected donations in cash and in kind amounting to RM23,000, to which the company matched Ringgit-for-Ringgit, bringing the total collected to RM46,000. Our employees also contributed to relief efforts, with 50 of them volunteering in Kelantan and Pahang, including assisting with the clean-up of a community kindergarten in Tanah Merah, Kelantan.

Gotong-royong sessions were organised to support the communities living around our plants. We helped spruce up SK Sinaran Budi in Rawang, contributed books to students of SJK (T) Ladang Dovenby in Kanthan, and collaborated with the Langkawi Rotary Club and Langkawi Development Authority to clean the island's beaches and mangrove.

Road safety is an aspect that is close to the heart of every community. With this in mind, we continued our efforts in promoting Road Safety in 2015. We held our Lafarge Drivers' Safety Day to recognise our top performing transporters and drivers in road safety performance. This annual recognition event, held in the Northern, Central, and Southern Regions of Peninsular Malaysia, serves to encourage our top performing drivers to further improve their road safety performance and to be good role-models to other drivers and their families.

In addition, the Gombak Public Works Department (JKR), in partnership with Lafarge Malaysia, upgraded a 1.1km road in Rawang, using the Cold-In-Place Recycling (CIPR) method. This method recycles existing road materials by mixing them with cement-based materials as a sub-base to make the road stronger and more durable. Lafarge Malaysia provided technical expertise and contributed more than 7,500 bags of cement worth RM150,000. The road, Jalan B25 Bristol-Kuang, is an important road connecting the community of Sungai Buloh with Rawang.



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