

Sustainable Development Report 2018



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About Holcim Lebanon

Holcim Lebanon was established in 1929 as one of the leading cement companies in Lebanon. The company combines the production and sales activities, for grey and white cement as well as ready mix concrete, through its cement plant in Chekka and its subsidiaries Société Libanaise des Ciments Blancs (SLCB), Holcim Béton, and Bogāz Endüstri ve Madencilik (BEM) operating in Cyprus. Both, Holcim Lebanon and SLCB are registered in the Beirut Stock Exchange. Starting mid 2018, the RMX operations were put on hold.

Holcim Lebanon produces a full range of cement in bulk and bags, as well as special products designed for use in a variety of applications. We are proud to provide our customers with products in compliance with the Lebanese standard, NL 53:1999. The grey cement plant holds ISO 9001 certification for Quality Management and ISO 14001 for Environmental Management Systems.

Holcim Lebanon is a member in LafargeHolcim Group, the leading global construction materials supplier created after the merger between Holcim and Lafarge in 2015. LafargeHolcim operations include production of cement, aggregates (crushed stone, sand and gravel) as well as ready-mix concrete, asphalt and other services. The Group is globally spread and holds majority and minority interests in more than 80 countries worldwide.

Our mission is to be the most respected and attractive company in our business and markets. We developed our strategy to achieve continuous stakeholder satisfaction based on high quality products and services, while keeping sustainable development a key lever for growth. Under the core value of sustainability, we are committed to continuously improve our environmental performance and to make a positive contribution to nature and society.

CONSOLIDATED KEY FIGURES FOR HOLCIM LEBANON

		2015	2016	2017
Annual cement production	000 t	2,212	2,343	2,255
Sales of cement and clinker	000 t	2,104	2,235	2,161
Sales of white cement	000 t	83	83	80
Sales of ready mix concrete	000 m3	120	113	107
Net sales	000 USD	188,671	200,172	197,800
EBITDA	000 USD	44,774	83,824	82,444
Operating profit	000 USD	26,214	65,708	65,303

MESSAGE FROM OUR CEO



The merger between two global and historic companies, Holcim and Lafarge, created LafargeHolcim in 2015, the leading global construction materials and solutions company. This merger reinforced the Group's commitment towards Health and Safety, as a core value, and Sustainability in all its aspects. This report presents Holcim Lebanon's sustainable development journey in a transparent way during the last three years, in line with our long term plan and the Group's vision and strategy.

On the sustainability front, we are committed to contribute to the LafargeHolcim 2030 Plan aiming for a positive change in the fields of environment, people and communities. For this purpose, we have set our 2020 milestone targets that go beyond observing the legal requirements. The report shows the progress we made thanks to increased operational excellence and technical investments, and sheds light on environmental and regulatory challenges.

We address the challenging relation with the local communities by maintaining a constructive and respectful dialogue and by taking the necessary measures to improve our environmental performance.

In Health and Safety we maintained our 'zero harm' approach. We are fully aware of the health and safety risks to which we are exposing people in our plants and on the roads. We strive every day to create a true safety mindset at every level of our organization and with all parties to make sure we manage health and safety risks.

Furthermore, Holcim Lebanon actively leverages the LafargeHolcim Foundation for Sustainable Construction to support local initiatives with academics and professionals, and promotes strong Lebanese participation in the Regional and Global Awards. We are proud of the great achievements of the Lebanese teams in the fifth cycle of the Awards competition, which come as a result of communication and promotional efforts and the partnerships that were built over the years.

Holcim Lebanon's commitment to sustainability remains strong. We continue to build on what we have achieved so far and capitalize on the trust we were able to instill in our relationships with our stakeholders. However we remain fully aware of the many challenges ahead and keep in mind that the sustainability journey is long and continuous.

Toufic Tabbara
Chief Executive Officer
Holcim Lebanon

APPROACH TO SUSTAINABLE DEVELOPMENT

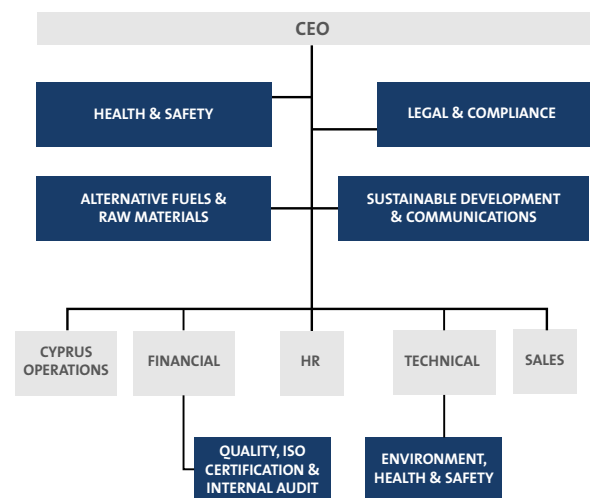
In 2015, Holcim Lebanon became a member of the new Group LafargeHolcim following a historic merger between Holcim and Lafarge. The merger brought together two companies with combined experience of over 180 years in the cement, concrete and aggregates sectors to create the leading company in the building materials industry. As the largest player in the industry, LafargeHolcim's ambition is to be the leader in every aspect.

Governance

At Holcim Lebanon, compliance to sustainable development policies and directives is the ultimate responsibility of the CEO. The executive committee follows up performance progress pertaining to environment, corporate citizenship, health and safety, and legal, with the support of the relevant functions.

Our sustainability strategy is aligned with the Group's SD Plan 2030. It is implemented through our local policy covering environment, safety and quality. Our operations comply with the ISO 14001:2015 and ISO 9001:2015 for Environmental and Quality Management Systems and the LafargeHolcim Health and Safety management system.

Sustainability in Local Management Structure



Compliance and Integrity

Integrity as a Core Value of Compliance

High performance with high integrity is key to sustainable success. The LafargeHolcim Code of Conduct, rolled out in 2015, re-emphasizes that doing business with integrity creates trust, protects our reputation and enhances shareholder value. Outlining our ethical principles, the Code describes what integrity means to us. It means that we act in a legal, honest and transparent way.

The Code is backed up by a speak-up channel, the Integrity Line, launched in 2016 to encourage employees to report compliance-related concerns. Zero tolerance to violations of the Code is rigorously applied whereby non-compliance leads to disciplinary actions. Consequently, directives and programs that address anti-bribery and corruption, and fair competition are accompanied by regular face to face trainings and e-learning. In 2015 and 2016, employees attended training sessions and signed compliance certification as a declaration of their commitment. Our practices seek that our directors, managers and employees share the responsibility of conducting business with integrity and transparency.

Sanctions and Export Control

As a member of LafargeHolcim, and similarly to other Group companies, Holcim Lebanon is subject to multiple types of restrictions on conducting international business. Therefore, we follow a global directive on conducting international dealing while taking necessary precautions and clearances to avoid illegal situations with globally sanctioned parties. As such, vendors, third parties and customers are screened and cleared through an international tool before initiating business deals.

The Case of Syria Review

In 2016, international and local media reported allegations involving legacy Lafarge operations in Syria. In reference to the case and based on the results of the investigations, LafargeHolcim confirmed that "unacceptable" measures were taken to keep the plant operational and that significant errors of judgment were made that contravened the Code of Conduct. In response, a new Ethics, Integrity & Risk Committee was created in 2017 to prevent similar events from occurring and to strengthen compliance and risk assessment procedures.

Position of Holcim Lebanon

Holcim Lebanon emphasizes its commitment to the Code of Conduct, no matter the operational challenges. In 2013 and 2014, specifically during the times of dealings with armed groups and sanctioned parties in Syria, Lafarge Syria and Holcim Lebanon were business rivalries. Hence, no information were shared between the companies. Following the merger between Lafarge and Holcim in 2015, Lafarge Cement Syria and Holcim (Liban) s.a.l. remained two different legal entities and activities of both companies were completely independent of each other. The findings of the investigations do not affect our operations in Lebanon, nor our good and transparent relations with our stakeholders.

The 2030 Plan - Building for Tomorrow



The LafargeHolcim sustainable development strategy was launched in early 2016, following the newly adopted United Nations Sustainable Development Goals (SDGs) and the Paris Agreement on Climate (COP21), that have created a new framework for action for regulators, companies and citizens. The sustainability strategy - The 2030 Plan - was designed to reflect the environmental and social challenges of tomorrow. With a focus on four main fields of action, it sets quantitative targets related to direct and indirect impacts related to the lifecycle of our products and services and goes beyond the fence line of our operations.

Holcim Lebanon's ongoing commitment to sustainable development aims to create shared value to society through improving environmental performance and quality of life of communities. Being a member of LafargeHolcim Group, Holcim Lebanon is committed to The 2030 Plan to contribute to achieving targets set for the year 2020 and for 2030.

Throughout the report, we will share Holcim Lebanon's commitment and contribution to The Plan by highlighting our local interim targets for 2020 and challenges within the four fields of action.

	CLIMATE	CIRCULAR ECONOMY	WATER & NATURE	PEOPLE & COMMUNITIES
In House	We will reduce net specific CO ₂ emissions by 40% per tonne of cement (vs.1990)	We will use 80 million tonnes of waste-derived resources per year	We will reduce specific freshwater withdrawal in cement operations by 30% We will implement the WASH pledge on all sites	We want zero fatalities We will reduce LTI FR <0.20 We will reduce TIFR by 50% We will reduce our disease rate < 0.1 We will have 30% minimum gender diversity at all management levels
Beyond Our Fence	We will help our customers avoid 10 million tonnes of CO ₂ being released from buildings each year through our innovative solutions	We will provide end-of-life solutions for our products and will supply 4 times more recycled aggregates from CDW/RAP	We will make a positive impact on water in water-scarce areas We will show a positive change for biodiversity	We will develop initiatives to benefit 75 million people We will engage in collective action to combat bribery & corruption in high risk countries
Innovative Solutions	Low-carbon cement & concrete Insulating concrete Thermal-mass solutions	Recycled aggregates Urban mining solutions Waste management services	Rainwater harvesting Pervious concrete Stormwater protection Vertical green solution	Affordable housing materials and solutions Affordable sanitation solutions

LafargeHolcim Sustainability Strategy Diagram

We will generate 1/3 of our turnover from solutions with enhanced sustainability performance

CLIMATE



Ambition

LafargeHolcim will continue its mission to cut its net CO₂ emissions per tonnes of cement and will help its customers avoid CO₂ emissions released from buildings and infrastructure over the whole lifecycle thanks to its portfolio of sustainable products and services.

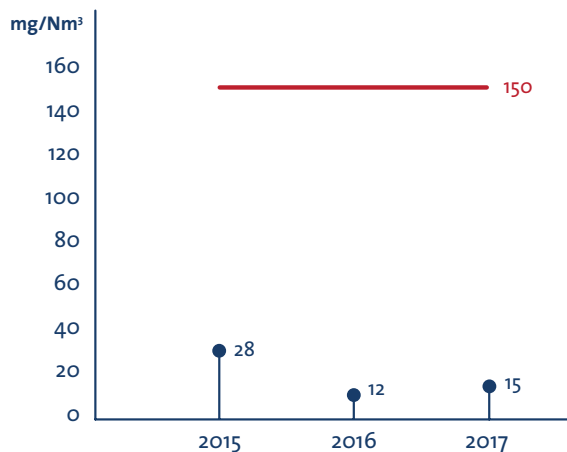
INDICATORS	LAFARGEHOLCIM 2020 TARGET	HOLCIM LEBANON 2020 TARGET	HOLCIM LEBANON PERFORMANCE		
			2015	2016	2017
Reduced Net Specific CO ₂ Emissions (compared to 1990)	-33%	-29%	-20%	-22%	-20%
Net Specific CO ₂ Emissions (Kg/ton cem mat)	519	704	707	692	709
Clinker Factor (%)	<68	79	80.8	82.8	81.3

Atmospheric Emissions

In the past three years, more than 1.1 M USD were invested to improve our operational efficiency and reduce environmental impacts. An upgrade of processes and systems reduced our energy consumption, while projects such as water spraying systems and replacement of bag filters reduced levels of dust emitted in ambient air and from kiln stack, respectively.

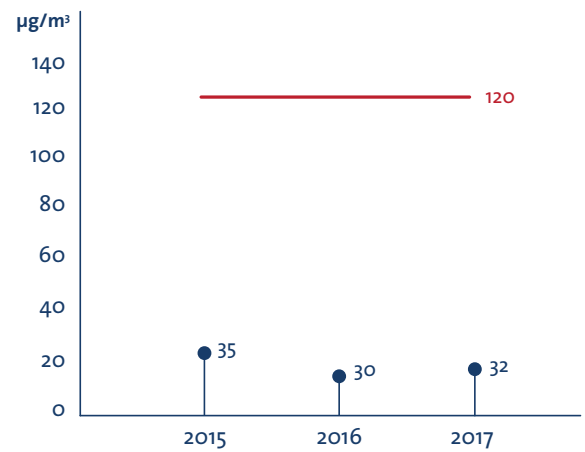
A lot of work focused on reducing levels of fugitive dust released from machinery, mobile equipment and operating processes in different parts of the plant. As such, particular attention was put on upgrading filters and enhancing their efficiency in areas such as packing, grinding and material transportation. Efforts to increase green areas in the plant, optimize usage of equipment and seal installations and storage areas contributed to reduced dust on the premises.

Emissions of Dust at Kiln Stack



■ Dust emissions at stack ■ Legal requirements

Emissions of Fugitive Dust



■ Fugitive dust emissions ■ Legal requirements

Carbon Footprint

Since 1990, we reduced the net specific CO₂ emissions per ton of cementitious material. We managed to emit 20% to 22% less net CO₂ in the past three years compared to the 1990 levels. We aim to improve the rate of reduction in the coming years which can be achieved by lowering the clinker factor, an important contributor to carbon emissions.

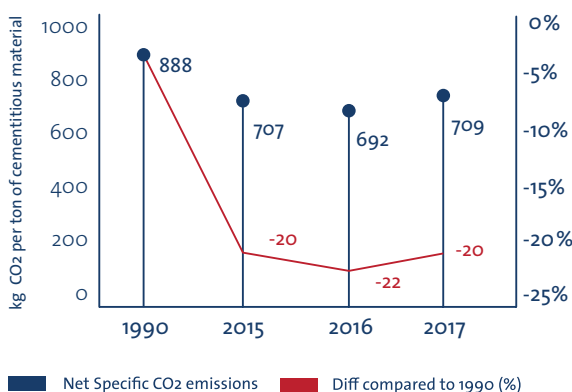
Since 2015, we used a total of 1,074,613 tons of natural materials as substitutes of clinker in cement. Minerals such as limestone, gypsum and slag lower clinker factor, hence carbon emissions. Another major factor that lowers levels of CO₂ is related to co-processing alternative fuels, still a challenge to overcome. Operating our private power plant remains a significant environmental challenge.

Therefore, a yearly plan to maintain all generators and run higher performing engines instead of old ones, reduces dust and noise levels.

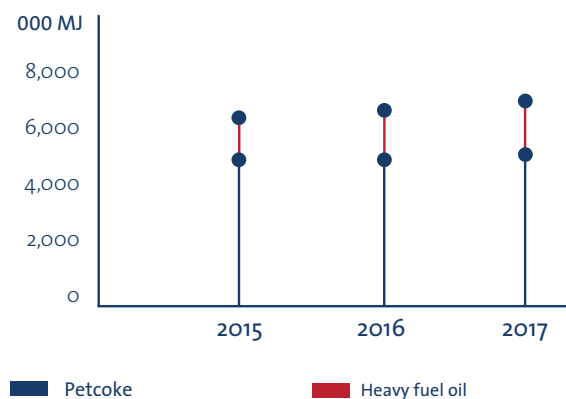
Managing Energy

Manufacturing cement is an energy and material-intensive process. With the rise of fuel costs, there is a financial incentive to be energy efficient, optimize fuel mix and reduce fuel consumption. In the past three years, we achieved a better optimization of our power consumption in clinker production (66.6 vs 63.7 kwh/ton of clinker in 2015 and 2017, respectively). Upgrades in cement grinders also resulted in slight improvements in power consumption over the years.

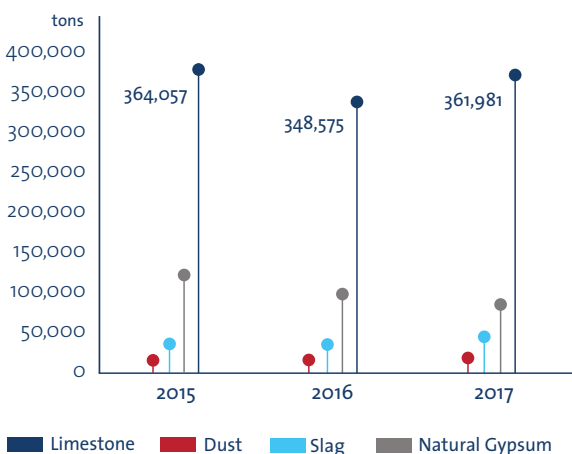
Net Specific CO₂ Emissions



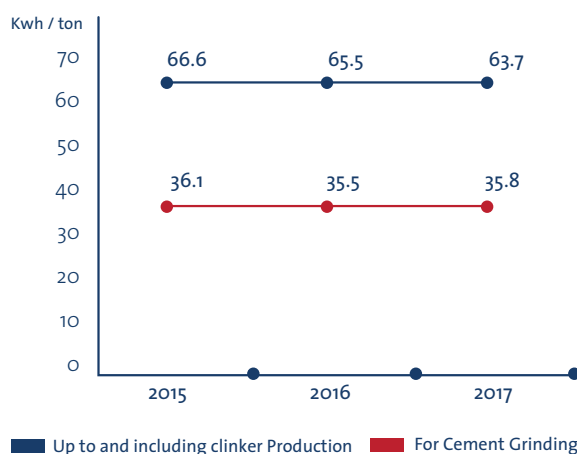
Fuel Consumption by Source



Materials Used as Substitutes of Clinker



Specific Power Consumption



CIRCULAR ECONOMY



Ambition

Create more value from waste by transforming it into resources for all production processes – providing sustainable waste treatment solutions.

Co-processing: an unfailing sustainable solution to waste management

In view of the waste management crisis in Lebanon and the ongoing national debate on incinerators, it is imperative to highlight the role of the cement industry as a partner to society in contributing to the solution.

Co-processing in the cement industry in Lebanon is a need of the hour. Co-processing waste as alternative fuels shows a clear commitment to the causes of environmental betterment, climate change, resource conservation, and sustainability targets. Co-processing alternative fuels is a common practice in the cement industry, in many parts of the world.

Contrary to incinerators, cement kilns have a unique feature of high temperatures up to 2000 °C, allowing them to process Refuse Derived Fuel (RDF) while complying to emissions standards and without impacting product quality.

For over 10 years, Holcim Lebanon has been presenting the case of co-processing and its significance among policy makers.

We still believe that regulations and public acceptance are the key drivers for change. Challenges in the local context remain absence of legislations and lack of awareness and trust among stakeholders. In addition, waste disposal options are either illegal or relatively cheap. As such, all these factors defer co-processing as an environmentally sound technology to treat different kinds of waste streams.

Despite the difficulties, we remain committed to ongoing stakeholder dialogue to support development of adequate legal frameworks to ensure responsible and sustainable use of waste materials. Through Geocycle, LafargeHolcim's branded business that provides sustainable waste management solutions, we leverage the extensive network of facilities, worldwide presence and international expertise to manage co-processing of waste.

WATER AND NATURE



Ambition

Save freshwater in all business lines and give more water to communities and nature than we withdraw in water scarce areas.
Demonstrate a global positive change for biodiversity in our mining sites. Provide appropriate hygiene conditions of all workers on our sites.

WASH Pledge at the Workplace

Access to safe water, sanitation and hygiene (WASH) is a human right and a core Millenium Development Goal defined by the United Nations. Holcim realizes the increasing demand to safe water and sanitation locally especially with the challenges posed by scarce resources, population growth, refugees and inadequate infrastructure. We also believe in the business benefits associated with improved access to WASH at the workplace, which go beyond healthier and more productive employees to include improved stakeholder engagement and increased brand value.

In 2017, we completed the WASH self-assessment following the self-assessment tool and Guiding Principles for Implementation developed by WBCSD, to identify gaps in terms of access to safe drinking

water, sanitation and hygiene for our employees and contractors in Lebanon and Cyprus.

The assessment highlighted the need to upgrade water and sanitation systems and support facilities and hygiene promotion.

The WASH Pledge has a significant contribution to the implementation of the Sustainable Development Goals (SDGs), particularly SDG 6 on ensuring availability and sustainable management of water and sanitation for all. The self-assessment is a first step in the LafargeHolcim's commitment to the WBCSD WASH Pledge at the Workplace. Through the Pledge, we strive to set a leadership example and contribute to achieving the related UN objectives.

INDICATORS	LAFARGEHOLCIM 2020 TARGET	HOLCIM LEBANON 2020 TARGET	HOLCIM LEBANON PERFORMANCE		
			2015	2016	2017
Achieve a positive change on biodiversity	Baseline assessment of biodiversity condition of active quarries	Baseline assessment of active quarry	Rehabilitation of quarry site in Chekka	Monitoring of rehabilitated quarry site in Chekka	Monitoring of rehabilitated quarry site in Chekka. Management of orchids hotspot as a unique model for biodiversity conservation
Biodiversity management on all sites	Biodiversity management system in place	Positive contribution to the orchids site and the society	Biodiversity monitoring to orchids sanctuary	Biodiversity monitoring and management to orchids sanctuary	Management plan for orchids sanctuary in Kfarhazir
Access to safe water, sanitation and hygiene	WASH Pledge	Access to safe water, sanitation & hygiene to personnel and contractors	—	—	WASH self-assessment

A Positive Impact on Biodiversity

Biodiversity loss is one of the biggest challenges globally and is a main concern in Lebanon. Excavation and quarrying activities have a significant impact on biodiversity loss as a result of habitat fragmentation and resource depletion. It is these concerns we aim to address under our commitment to biodiversity management.

Two main projects fall under Water and Nature of the 2030 Plan that aim to positively contribute to biodiversity. The first is a quarry rehabilitation pilot project, a pioneering initiative in the region that exemplifies partnership between industry, international biodiversity organization and local NGO. The second is a sanctuary for orchids that ensures the survival and progress of 15 types of orchids species present on a site of high biodiversity significance and which was originally dedicated for excavation.



Photo: Dr. Myrna Semaan

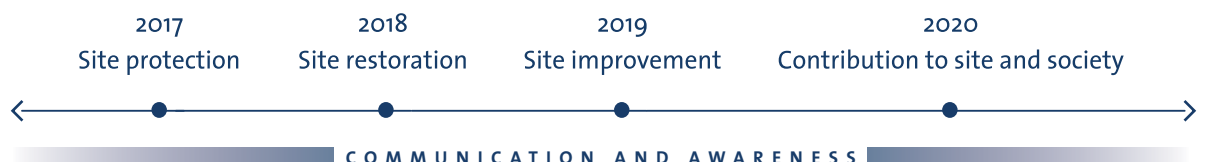
Since the establishment of the site as a protected area for orchids in 2014, yearly biodiversity monitoring is carried out to monitor the orchids population with the purpose of protecting the site and developing its biodiversity capacities by alleviating threats. Over the years, external collaboration has been key to building good relations with our stakeholders. Engagement with the local community provided the opportunity to share common interests in conserving natural assets.

To promote the educational value of the site, the project targets the interest of the academic community in enhancing their understanding of the natural system. In parallel, internal awareness on the initiative is conducted to highlight the importance of orchids for the healthy functioning of the ecosystem.

With the ambition to reach new milestones, we established a management plan in collaboration with the National Expert to ensure the sustainability and advancement of the orchid hotspot initiative. The plan aims to develop the potential of the site from simple preservation to an open site with national and international recognition for its status and significance.



Photo: Dr. Myrna Semaan



Biodiversity Project Timeline

PEOPLE AND COMMUNITIES



Health and Safety

Occupational health and safety is our core value. As per our Group policy, we conduct our business in a manner that leads to creating healthy and safe environment for all our stakeholders, including employees, communities, contractors and others.

During the reporting period, Holcim Lebanon went to great lengths to prevent workplace accidents and protect the health of its people. Our activities fall under the LafargeHolcim Health and Safety Management System (HSMS), a structured approach to provide safe and healthy working conditions for the prevention of injuries and illnesses.

Occupational Health Management

A fitness-for-work management process is implemented with the support of medical service providers who carry out continuous check ups for the workforce. Although majority of the workforce is fit for the work being done, few cases of either task modification or job reassignment were the result of the program.

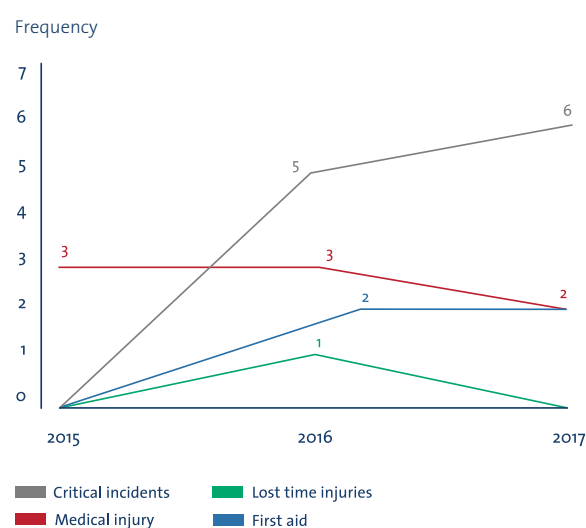
In cooperation with an independent institution, industrial hygiene measurements are done to assess impact of working conditions on workers and identify their exposure according to a risk based plan. The plan covers high risk materials and environments, and focuses on personal monitoring. Based on findings, issues are addressed according to control levels to limit exposure and maintain health and safety.

On the other hand, a medical emergency response program is in place to strengthen the internal organization and responsibilities required to manage emergency scenarios. Therefore, training and certification programs are planned to ensure that in the event of an incident, our people are equipped with the right skills to handle medical emergencies.

Contractors Safety Management Program

Holcim Lebanon follows the Group Contractor Safety Management (CSM) program that aims to manage our relation with contractors and improve their performance.

Type of injuries



Under CSM, contractors go through a prequalification process whereby they are assessed by a committee of procurement, health and safety and legal representatives. A scoring system is established to ensure their adherence to minimum legal requirements as well as Group procurement and health and safety prerequisites. The program addresses the challenges of working with contractors in terms of legal compliance and protection of people's safety at the workplace.

Visible Personal Commitment (VPC)

Integrating health and safety is the responsibility of all those who have leadership roles. In 2017, VPC visits were launched in operational sites to encourage discussions and employee engagement across operations and management levels. With a total of 106 hours spent on site and over 362 safety observations, the teams managed to identify behavioral gaps and analyze findings to ensure continuous improvement.

Global Health and Safety Days

In 2016, under the theme “I Care. I Share. I Act.”, Holcim Lebanon participated in the global campaign with the aim of creating a positive mindset and celebrating teams and good practices in health and safety. Activities were organized to bring the campaign to life and included on the job risk-assessment exercise, housekeeping days, road safety awareness and activities to promote physical exercise.

In 2017, the theme focused on the right of workers to stop unsafe work. Several events and activities were organized between May 10 and 26, including health awareness, first aid awareness with the support of the Lebanese civil defense and sports and entertainment activities.

Road Safety Program

In compliance with LafargeHolcim Road Safety Program, and as part of the driver behavioral management, we launched in 2017 the Drivers Certification Program in cooperation with international experts. More than 100 drivers and four in house trainers were certified. Four driver safety evaluators were also trained to support drivers’ progress and monitor their behavior. The program will continue in 2018 with additional trainers. Despite our efforts, 14 road accidents were recorded in the past three years, confirming that road safety remains a significant challenge.



Save Kids Lives, 2015

Under the United Nations’ global road safety campaign #SaveKidsLives, we organized in partnership with Kunhadi, Road Safety Days in local public schools. A total of 465 students were actively engaged in awareness activities. The campaign’s aim is to voice the demands of children for a better road safety to the attention of leaders. As such, students signed a petition that was presented to the Ministers of Education and Interior and Municipalities, to support the #SaveKidsLives campaign and make children’s safety on the road a priority. Through their signature, students urged officials to improve the road safety infrastructure and road user behavior and implement laws to regulate road safety. On the other hand, we joined thousands of employees around the world in signing the Child Declaration for Road Safety, a call for action to world leaders to save children’s lives on the roads.



Responsible Employment Practices

In 2016, a strategic O&HR management plan was launched, covering pillars related to business challenges, organization effectiveness, and employee engagement and mobilization. This plan helps the HR function be a strategic partner that supports long-term business goals and outcomes.

Pulse Survey

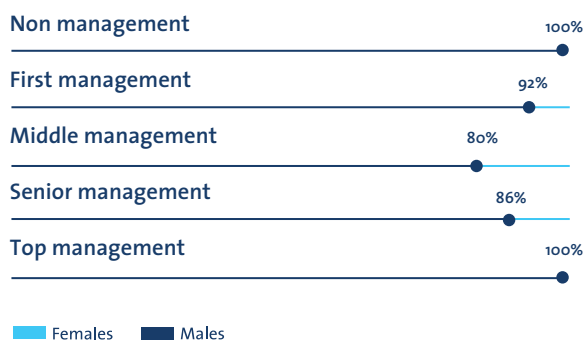
During the early merger, one of the main focus points was to capture the insight of our people and their experiences during the integration phase. As such, the Group launched a two wave Pulse Survey on voluntary and confidential basis across all countries of operation and functions. The survey focused on how employees handled the integration process.

With participation rates of 36% and 90% in the first and second wave, respectively, the results helped identify improvement areas and plans to allow for a smooth transition and manage significant organizational changes.

Learning and Development

Holcim Lebanon remains dedicated to improving employee skills through development programs. As a regional hub for Middle East Africa, we hosted multiple corporate training programs. Our aim is not only to exchange expertise but also share best practices, networking and conduct field observations. We are also proud of developing our local talent who joined a team of regional experts responsible for delivering technical trainings.

Employee Distribution of Permanent Personnel By Gender (2017)

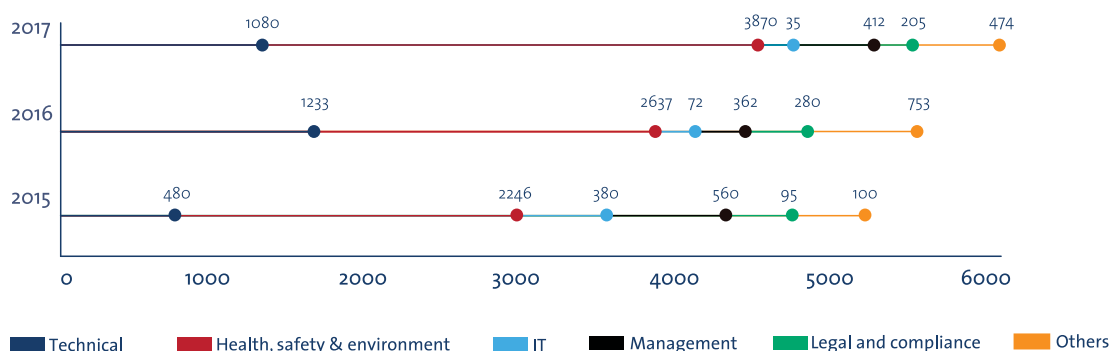


The LafargeHolcim commercial transformation led to establishing the Sales Academy with the vision to develop the best sales talent in our industry. The academy focuses on competency assessment, developing learning path and on the job training so that sales team is able to address key customer needs and improve their satisfaction and loyalty.

Workday

In February 2017, a new cloud-based HR system, called Workday, was launched in the MEA region, introducing a new digital experience for employees and managers. The new system facilitates internal collaboration and provides a single source of information to employees and managers. Following the integration of personnel information into the system, the first process that was implemented focused on performance and talent management.

Total Number of Training Hours by Program



Community Engagement

Biocorridor Reforestation in North Lebanon

Since 2013, Holcim established a partnership with Lebanon Reforestation Initiative (LRI) to support their participatory program that aims to increase native tree reforestation and prevent wildfire in Lebanon.

In 2015, we signed a three-year agreement with the Municipality of Zgharta-Ehden and Horsh Ehden Nature Reserve, reflecting our contribution to the first steps in the biocorridor connecting the Ehden reserve with other planted areas through volunteering and community engagement. As part of the mutual collaboration, our 163 volunteers contributed 1,422 hours in planting more than 2,000 seedlings, in an effort to support safer habitats for wildlife and safer pathways for migratory birds.

Teenage Storytellers Experience Personal Growth Through Theater and Moving-Making

Based on the belief that teenagers' development requires them to explore a world beyond their immediate surroundings, we implemented Theatfilm in local schools, in partnership with a social campaign. The project used theatre and movie making to help students express themselves and discover their capabilities irrespective of their social and economic situation.

Rolled out in local public schools, around 100 students participated in the program. Over a year, weekly theatre, video and photography workshops were led by external professionals who helped teenagers develop their stories and express themselves through theatre and film. During the workshops, students were invited to talk about their aspirations, dreams and concerns in order to train their imagination and creativity in a positive and supportive environment. Promoting students' sense of independence and empowerment, the workshops showed them how to use their digital gadgets as a means for artistic expression and put them into creative use.



Taking Ownership To Improve Performance Is Our License to Operate: A Lesson Learned

In January 2015, our behavior in terms of environmental performance in the white cement plant came under scrutiny by local residents, which impacted our relations with the local communities and our reputation.

We believe that our continued license to operate demand that we always seek to improve our performance while engaging in a constructive stakeholder dialogue. Therefore, we participated in a joint committee with the local community and the municipal authorities to discuss the way forward.

After three months of intensive onsite actions and meetings, we regained the community's trust and a shift towards positive attitude and appreciation for the results was observed.

Although we deeply regret the occurrence of the incident, we believe that this crisis was an opportunity to strengthen our relation with our neighbors. We were able to demonstrate that a timely response to crisis, respect to our commitment and an effective communication are key factors in successfully handling the challenge.

Sustainable Procurement

LafargeHolcim Sustainable Procurement Initiative (SPI) focuses on evaluating suppliers to identify those who present a high risk level in terms of our sustainability commitments and goals. The initiative is about communicating our concerns to safeguard proper implementation of our supplier code of conduct principles. Additionally, suppliers have the opportunity to improve their performance under a guided development plan to maintain their position as company suppliers.

Suppliers Day was organized in February 2017, whereby suppliers and contractors met with the management team who emphasized on the company's commitment to SPI and presented the Supplier Code of Conduct Directive. The latter is a declaration signed by our partners to comply with sustainability requirements in terms of health and safety, working conditions, human rights, environmental regulations, bribery and corruption, and competition laws.

CUSTOMER FOCUS

Commercial transformation is a key pillar to deliver on our growth and innovation targets. We believe that in order to deliver on our growth ambitions, we need innovative and differentiating solutions. As part of our commitment to innovation, we strive to develop tailored products and services that aim to meet the needs of consumers and diversify the range of cement products in the Lebanese market, while positioning Holcim Lebanon as a leader in innovation.

Mastereen, A New Masonry Product

In 2015, we launched a new product under the name Mastereen, the first in the Lebanese market to target masonry work. Mastereen was especially formulated to provide excellent workability, high bond strength and reduced cracking compared to the general use cement bag. This product reduces application time by 7% to 11%, provides 8% to 12% more area coverage and emits 15% less CO₂ during its manufacturing compared to traditional cement. These qualities provide a higher efficiency in the application of mortar as well as a pleasing final aesthetic appearance.

Designed jointly with end users in the market, it respects local working practices and mixes, and is well suited for plastering, tiling, bricklaying & repointing works. Mastereen is certified according to the European Norms EN 413-1 Type MC 12.5 by the Industrial Research Institute (IRI).

Mini Cement Bags

Bags of four kilograms of grey and white cement were launched in 2017 to reflect a high quality brand with clean sealed bags that are hassle-free to retailers and attractive to buyers. For the first time, we provide a product that caters to homeowners and individual home builders for general house repair and maintenance work. The appealing and compact packages will increase the visibility of our brand in new channels such as retailers' shops.



Binastore, A Retail Network for Construction Materials

In 2017, Lebanon joined countries in Africa Middle East in launching a modern retail channel offering a wide range of construction materials, under the new Binastore banner. Serving the needs of end consumers, self-builders, masons and smaller contractors, Binastore is a one-stop shop for a broad range of Holcim's own products and solutions as well as a variety of construction materials from partner suppliers. Stores offer differentiating and attractive services to clients such as credit services and technical support.

The first stores in Lebanon operating under the Binastore brand have begun to serve customers in Jran- Batroun, Bteghrine-Metn and Wadi Baanqudin-Saida. Our objective is to extend Binastore's footprint all over the country and to continuously add services and innovations to better serve customers' needs nationwide. Through Binastore, we aspire to become Lebanon's largest building material sales network and be positioned as the preferred partner in the construction sector while creating livelihood opportunities.

Customer Loyalty and Brand Strength

Since 2013, we have been implementing the Net Promoter Score, a customer experience management methodology to continuously improve customers' experience and loyalty. This approach goes beyond traditional satisfaction surveys and establishes a proactive and systematic dialogue with customers along all segments while immediately addressing their issues. The results of the survey conducted by an independent third party showed a score of 38.3 in 2017 reflecting the positive perception of our customers.

In collaboration with Nielsen, a leading global information, data and measurement company, we regularly measure our brand impact in the market, where surveys show an increase in our Brand Equity Index (BEI) from 3.6 in 2012 to 4.5 in 2016. This indicates a strong customer perception of our Holcim brand and ongoing customers loyalty.





PROMOTING SUSTAINABLE CONSTRUCTION

Holcim Lebanon's ongoing commitment to promote sustainable construction, focuses on raising awareness of the important role that architecture, engineering, urban planning and the building industry have in achieving a more sustainable future. The LafargeHolcim Awards for Sustainable Construction, a key initiative by the LafargeHolcim Foundation, is the world's most significant competition in sustainable design.

Since 2005, we strive to create a network of experts and partners to support our efforts in influencing key players in the construction industry, including the young generation, in adopting new approaches and best practices. A partnership between Holcim and the Maroun Semaan Faculty of Engineering and Architecture (SFEA) at the American University of Beirut launched in 2015 the yearly Holcim Endowed Award, dedicated to recognize students' efforts in following a holistic approach to sustainability in engineering and research projects.

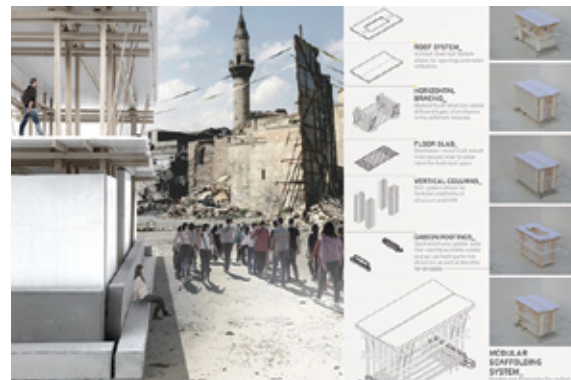
As a partner university to the LafargeHolcim Foundation, a team from AUB shared valuable research work and technical advancements with leading thinkers in the academic symposium, the LafargeHolcim Forum for Sustainable Construction in 2016, discussing how infrastructure can be designed to contribute to a sustainable living environment. In this respect, two research projects were presented by AUB and received the 2nd and 5th prizes, among participating universities such as the American University of Cairo, Ecole Supérieure d'Architecture de Casablanca, ETH Zurich, and MIT.

In March 2017, the 5th cycle of the International LafargeHolcim Awards competition closed with a record number of submissions from Lebanon. A total of 53 entries were submitted, a 30% increase in comparison to the last cycle in 2014. The Regional ceremony for Africa Middle East honored twelve projects, two from Lebanon, for their architectural excellence and for deploying sustainability in enhancing quality of life.



LafargeHolcim Bronze Award: School for Refugees in Lebanon

The Bronze Award was received by the talented Joana Dabaj, Riccardo Conti and Matteo Zerbi of CatalyticAction in Lebanon, for their project “Pavilion re-claimed: Adaptive reuse for refugee education.” The team focused on engaging with Syrian children inhabiting refugee camps. The winning project made use of an abandoned pavilion from Expo 2015 in Milan and, through an inclusive approach, transformed it into a “schoolhouse” for children at an informal tented settlement in El Marj, Bekaa. The prize value is of USD 30,000.



LafargeHolcim "Next Generation" 2nd prize: Rubble recycling units, Aleppo, Syria

The second prize, with a value of USD 25,000, went to Nour Madi, Jad Melki and Ghaith Abi Ghanem for their project “Rubble Recycling Units, Aleppo, Syria.” The winning project proposed a non-classical approach to rebuilding the city of Aleppo using the rubble of destroyed buildings while raising awareness on cultural continuity of rebuilding a “lost” city. The jury was moved by the humanitarian and ethical approach of the young designers who are “able to deploy their discipline for reconstructing war-devastated neighborhoods and for alleviating the precarious living conditions of a people under stress.”

ECONOMIC CONTRIBUTION

Our business strategy aims to ensure sustainable value creation for all relevant stakeholders across the supply chain. During the past three years, the company generated growing economic benefits thanks to improved operations and lower costs of input. These benefits were distributed to our employees, the Lebanese government, communities in which we operate, our business partners and shareholders.

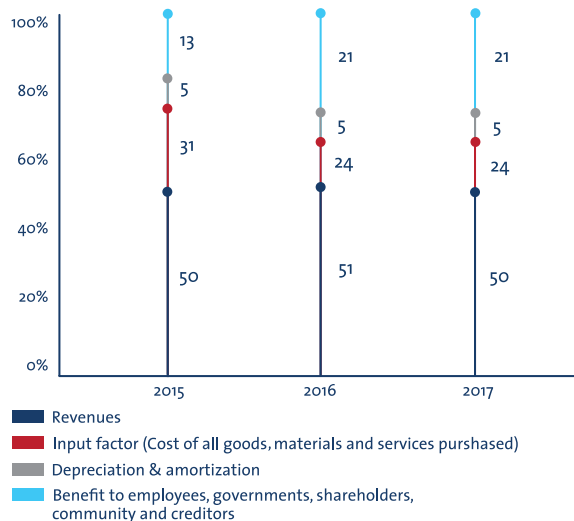
Benefits Distribution

The benefits delivered to employee, government, communities, creditors and shareholders stood for more than one third of the total revenues across the 2015 - 2017 period. Employees' wages, social security, health coverage, retirement and pension schemes along with other workplace benefits amounted for 52 M USD or around 27% of the value generated by the company between 2015 and 2017, while the Lebanese government received tax payments representing more than 11% of the total benefits.

Cost of Goods, Services and Materials Purchased, Excluding Fuel

Holcim Lebanon remains committed to offer business opportunities to Lebanese suppliers and particularly to business partners based in the communities where we operate in exchange for their products, services and skilled workforce. During the 2015 - 2017 period, the company purchased products and services, excluding fuel, for more than 265 M USD.

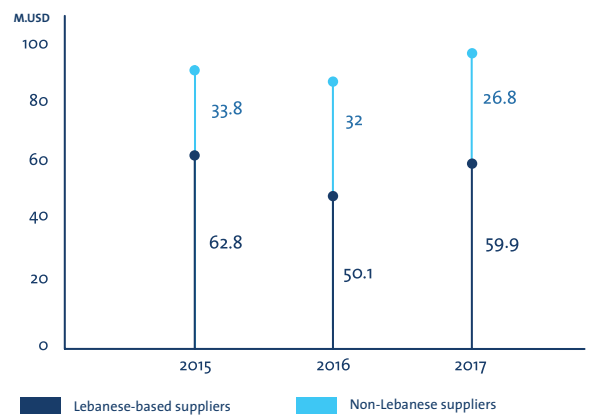
Value Creation for Holcim and Key Stakeholders



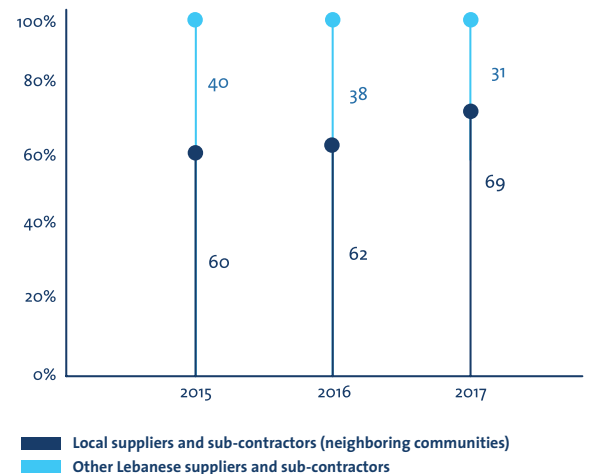
Around two thirds (more than 65%) of spendings were paid to Lebanon based suppliers and contractors.

In line with our procurement principles, we remained committed to contributing to the development of the surrounding business community through our active local sourcing policy. This led to a significant 64% of spendings to Lebanon-based suppliers, benefiting suppliers based in the neighboring communities. This share amounts for more than 110 M USD.

Total Cost of Goods, Services and Materials Purchased, Excluding Fuels, by Suppliers



Expense Paid to Local Suppliers out of Lebanese Suppliers



Performance Data Tables

ECONOMIC PERFORMANCE		GRI ref	2015	2016	2017
		201-1			
Annual net sales (ooo USD)			188,671	200,172	197,800
Dividends paid to shareholders (10,000 LBP)			24,941	77,005	71,975
Income tax paid by Holcim Lebanon (10,000 LBP)			8,115	13,248	14,676
		201-1			
Value Creation for Holcim and Key Stakeholders (ooo USD)					
Revenues			188,671	200,181	197,800
Input factor (Cost of all goods, materials and services purchased)			117,207	96,445	95,211
Depreciation & amortization			18,560	18,116	17,142
Benefit to employees, governments, shareholders, community and creditors			49,247	81,489	82,655
		201-1			
Benefits Distribution (%)					
Benefits to employees			42	19	19
Benefit to government (taxes)			11	11	12
Benefit to shareholders (inc. minorities)			34	63	58
Benefit to creditors			14	9	11
Retained in business			0	-2	0
		204-1			
Goods, Services and Materials Purchased, Excluding Fuels, by Suppliers (million USD)					
Lebanese-based suppliers			62.8	50.1	59.9
Non-Lebanese suppliers			33.8	32	26.8
		204-1			
Proportion of Spending on Local Suppliers Out of Lebanese Suppliers (%)					
Local suppliers and sub-contractors (neighboring communities)			60	62	69
Other Lebanese suppliers and sub-contractors			40	38	31
ENVIRONMENT		GRI ref	2015	2016	2017
Emissions		305 -1			
Net Specific CO ₂ emissions (Kg CO ₂ per ton of cementitious material)			707	692	709
Average fugitive dust emissions (µg/m ³)		305-7	35	30	32
Average dust emissions at stack (mg / Nm ³)		305-7	28	12	15
Average NO _x emissions at kiln stack (mg / Nm ³)		305-7	1058.3	867.3	1033
Average SO ₂ emissions at kiln stack (mg / Nm ³)		305-7	45.45	80.91	95

	302-1			
Energy				
Thermal Energy Mix of Clinker Production (%)				
Petcoke	76	76	78	
Heavy fuel oil	24	24	22	
Fuel Consumption by Source (ooo MJ)				
Coal	0	0	0	
Petcoke	5,434	5,366	5,653	
Heavy fuel oil	1,713	1,651	1,625	
Thermal Energy Efficiency (MJ /ton of clinker)	3,471	3,381	3,412	
Specific Power Consumption (kwh/ton)				
Up to and including clinker production	66.59	65.48	63.67	
For Cement Grinding	36.11	35.5	35.76	
	301 -1			
Materials Used as Substitutes of Clinker (tons)				
Limestone	221,205	242,324	253,449	
Dust	9,270	6,686	7,362	
Slag	27,925	1,105	2,378	
Natural Gypsum	105,657	98,460	98,792	
Total	364,057	348,575	361,981	
Clinker Factor (%)	80.8	82.8	81.3	

OCCUPATIONAL HEALTH & SAFETY	GRI ref	2015	2016	2017
	403-2			
Types of Injury				
Fatal injury	0	0	0	
First aid	0	2	2	
Medical injury	3	3	2	
Lost time injuries	0	1	0	
Critical incidents	0	5	6	
	403-2			
Lost Time Injuries (LTI) by Category				
Employees	0	1	0	
Contractors	0	0	0	
	403-2			
Lost Time Injury Frequency Rate				
Employees	0	0.9	0	
Contractors onsite	0	0	0	
Contractors offsite	0	0	0	
	403-2			
Absentee Rate of Workers (excluding employees) (%)	0	0	0	
	403-1	100	100	100
Percent of Workforce Represented by Health and Safety Committee				

EMPLOYEE DISTRIBUTION	GRI ref	2015	2016	2017
Employee Distribution by Region (%)	102-8			
Chekka		24	23	24
Anfeh		5	5	5
Hery		4	4	4
Kefraya		4	5	5
Kfarhazir		0	0	0
Other nothern cities		50	52	49
Others		12	11	13
Percent of Female Workforce	405-1			
Top management level		17	17	17
Senior management level		14	14	14
Middle management		20	20	20
First management		8	8	8
Non management		0	0	0
Employee Distribution of Permanent Personnel by Age Group	405-1			
Under the age of 30		17	7	8
Between 30 and 50		112	108	105
Above 50		165	163	162
Employee Distribution by Employment Contract	102-8			
Full time		294	287	275
Part time		0	0	0
Permanent employees		286	283	271
Fixed term employees		8	4	4
Employee Turnover by Age Group (nb)	102-8			
Under the age of 30		0	0	1
Between 30 and 50		2	1	1
Above 50		5	10	7

EMPLOYEE DISTRIBUTION**2015****2016****2017****Employee Turnover by Gender**

401-1

Males

5

10

8

Females

2

1

1

Employee Hires by Gender

401-1

Males

3

0

5

Females

4

0

1

Employee Hires by Age Group

102-8

Under the age of 30

5

0

4

Between 30 and 50

2

0

1

Above 50

0

0

1

TRAINING AND EDUCATION**2015****2016****2017****Average Hours of Training by Gender**

404-1

Males

13

18

22

Females

23

23

24

**Average Hours of Training
by Employee Category**

404-1

Executives

3

2

2

Senior and middle managers

12

18

10

Professional and Supervisor

19.8

21.8

23

Non Management

11.5

15

20

Total Number of Training Hours

404-2

Technical

Health & safety & Environment

480

1233

1080

IT training

2246

2637

3870

Management training

380

72

34

Legal and Compliance

560

362

412

Other type of training

95

280

205

100

753

474

**Formal Performance and Career
Development Review (%)**

404-3

Executives

100

100

100

Senior and middle managers

100

100

100

Professional and Supervisor

100

100

100

Non Management

40

40

40

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Sustainable Development
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