

SUSTAINABILITY STATEMENT

OUR APPROACH

Sustainability is one of the strategic pillars for Lafarge Malaysia Berhad. Our sustainability performance is considered fundamental to our business success and sustainability is in fact embedded in our day-to-day operations.

Central to our approach is a strong emphasis on Health and Safety. It is a core value for our culture and provides the framework for the way employees are expected to behave.

We are committed to inclusivity and we engage with communities within which we operate through regular dialogues, socioeconomic footprint studies and community activities. It is an opportunity for us to gain feedback on our operations and how we impact them.

We also actively engage with analysts through our quarterly briefings. They subsequently report on our fiscal and sustainability performance to shareholders. Another avenue of shareholder engagement is the Annual General Meeting where we brief our shareholders on our full year performance.

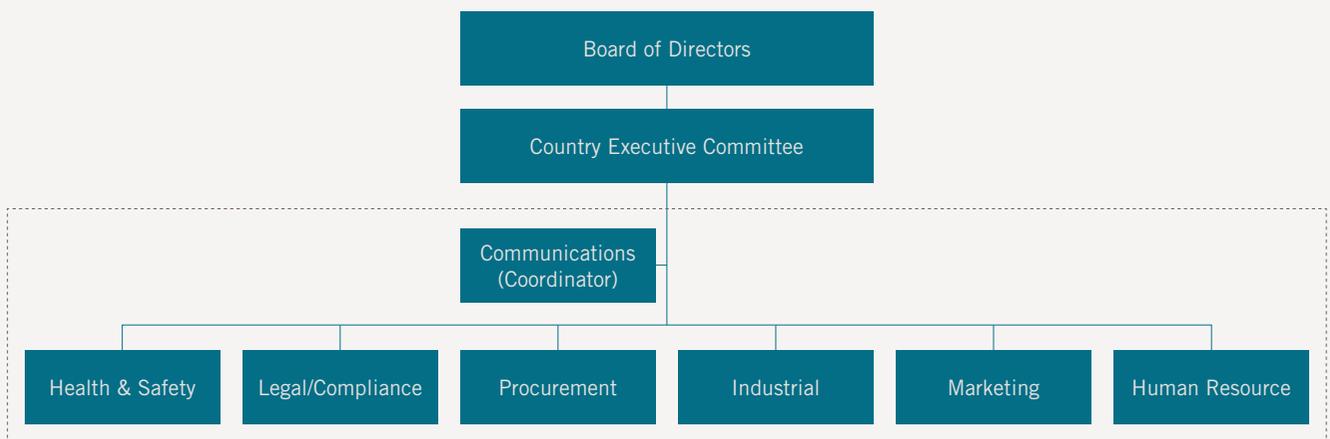
We are currently in the midst of preparing for a materiality analysis exercise. It will allow us to fine-tune our priorities and improve the sustainability of our business practices. This will be reflected in our next stand-alone Sustainability Report which is scheduled to be published in 2019.



GOVERNANCE

Good corporate governance means having structures and processes in place to ensure that decisions and actions are in the best interests of stakeholders. The Board of Directors reviews and assesses the strategic directions required to achieve the Company's goals for long-term sustainable growth. The Executive Committee with the help of the Sustainability Working Committee oversees the activities executed by the various divisions of the Company to ensure conformity to the strategies and objectives.

Sustainability Governance Structure



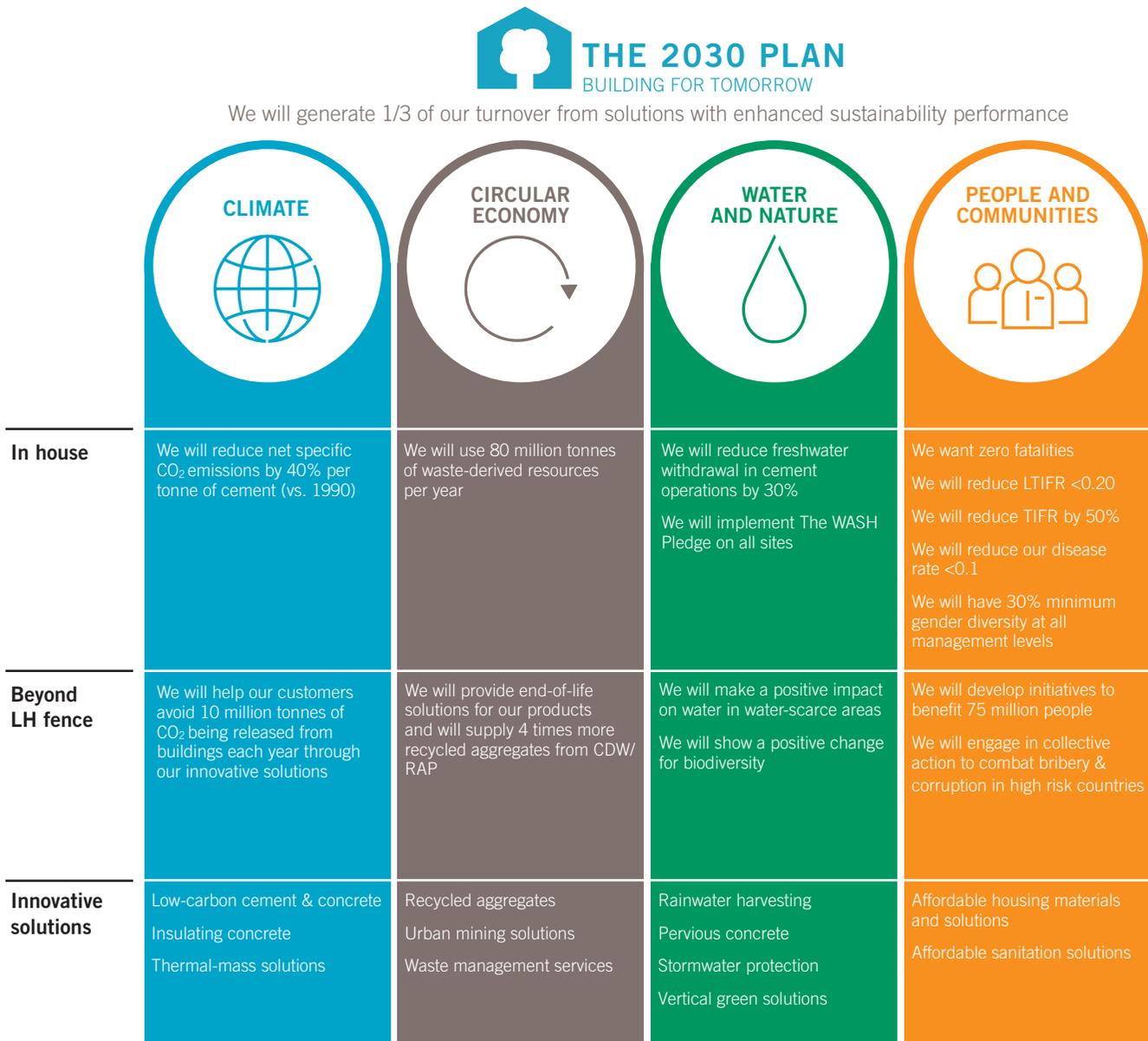
Sustainability Working Committee

THE LAFARGEHOLCIM 2030 PLAN

In 2016, LafargeHolcim Group launched its Sustainable Development Plan, known simply as “the 2030 Plan”.

It is based on the newly adopted United Nations Sustainable Development Goals and the Paris Agreement on Climate. Through the 2030 Plan, LafargeHolcim intends to not just incorporate proven sustainable practices into its business model, but to actually make them a key lever for growth. The Group seeks to generate 1/3 of its revenue from these “2030 solutions” through a portfolio of products and services leveraging on sustainability.

The diagram below outlines the LafargeHolcim 2030 Plan. For more details, visit their website at www.lafargeholcim.com/sustainable-development



Note: all targets are for 2030. Baseline year is 2015 unless stated otherwise.
 CDW: Construction & Demolition Waste, RAP: Reclaimed Asphalt Pavement, WASH Pledge: Water, Sanitation and Hygiene Implementation at the Workplace, LTI FR: Lost Time Injury Frequency Rate, TIFR: Total Injury Frequency Rate.

LAFARGE MALAYSIA 2020 GOALS & STRATEGIES

Lafarge Malaysia's sustainable goals for 2020 mirror the larger Group's objectives, albeit on a local scale. The following briefly explains the goals, and strategies that are to be employed locally, in terms of the four key areas of the 2030 Plan.

	CLIMATE 	CIRCULAR ECONOMY 	WATER AND NATURE 	PEOPLE AND COMMUNITIES 
	Lafarge Malaysia will endeavour to cut net CO ₂ emissions per ton of cement produced	Lafarge Malaysia will transform waste-products into resources for the production process	Lafarge Malaysia is dedicated to saving freshwater in all business lines, delivering a positive change in biodiversity at all our quarries and mining sites, and providing a hygienic working environment at all sites	Lafarge Malaysia will implement efforts under two separate categories. The first is "Health and Safety", where Lafarge Malaysia strives to create a safe working environment. The second is "Stakeholder Engagement", where Lafarge Malaysia engages communities that are affected by its operations and activities
Lafarge Malaysia 2020 Targets	Reduce the amount of CO ₂ emitted during the production of cement by 25% from 1990, and by 13% from 2015	Replace 20% of traditional fuels with alternative fuels Support over 50 companies in achieving zero landfill ambitions Provide best-practices in waste management services via Geocycle*	Reduce freshwater consumption in cement operations by 23% from 2015 levels Full implementation of biodiversity management in Kanthan, Langkawi and Rawang	Health and Safety <ul style="list-style-type: none"> Achieve zero fatalities on site Reduce total injury frequency rates by 30% Maintain Lost Time Injury Frequency Rates to below 0.5 per million hours worked Stakeholder Engagement <ul style="list-style-type: none"> Increase direct beneficiaries of our community projects from 90,000 in 2015 to 390,000 in 2020 Maintain a minimum 30% gender diversity in all management levels Improve stakeholder engagement to 80% of cement plants, 40% of aggregates, and 40% of RMX
Strategies	Increase the Thermal Substitution Rate by using more waste-derived and alternative fuels Minimise clinker factor by increasing the production and sales of blended cement Reduce Specific Heat Consumption by improving plant energy efficiency	Supply alternative fuels and raw materials to Lafarge Malaysia, through Geocycle* Collaborate with the Department of Environment to raise awareness among industry players Put in place technical development programmes to improve waste management practises Promote the use of construction and demolition waste in urban areas to produce recycled aggregates	Address water leakage issues in cement plants Increase the use of recycled water for production Work with environmental groups to design a biodiversity blueprint for the plants, beginning with Kanthan	Deploy affordable housing solutions such as Fastbuild™ Continue emphasis on Health and Safety, and workplace diversity, through training

* Geocycle Environmental Services Sdn Bhd is a subsidiary that provides waste management services to other industries in the country via its co-processing solution.

SUSTAINABILITY ACHIEVEMENTS, ACTIVITIES AND INITIATIVES

Health and Safety is at the centre of everything we do, in the daily routines in our plants, in our interaction with customers at work sites and our actions in our neighbouring communities. Our aspiration is to conduct our business with zero harm to people and to create a healthy and safe environment for our employees, contractors, communities, and customers.

No. of safety engagements in 2017

Product Line/Plant/Activities	Number of safety engagements in year 2017
Aggregates	431
Readymix	5,482
Kanthan	1,540
Langkawi	2,409
Pasir Gudang	956
Rawang	637
Cement Industrial	174
Head Office	280
Corporate & Functions	13
Supply Chain	148
HSBP	154
CMCM, Drymix & PBC	232
Total	12,456

Health & safety training hours

Year	Total training hours
2015	68,875
2016	71,458
2017	46,797

No. of near misses reported

Year	Total of near misses reported
2015	653
2016	663
2017	456

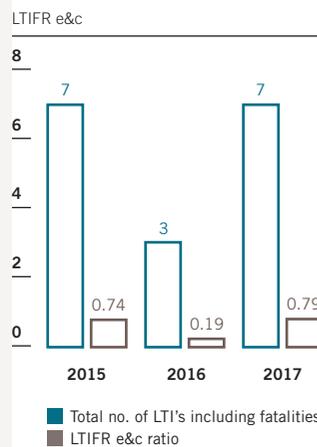
Global Effort on Health & Safety

The Global Health and Safety (H&S) Days is an annual campaign on a global scale held at all LafargeHolcim sites. The campaign is held for two to four weeks in a year with emphasis on several H&S topics that are relevant to each country. In Malaysia, it is an opportunity for Lafarge Malaysia to emphasise our commitment to fostering a safe working environment. In 2016, the campaign was held for two weeks with a theme of “I care, I share, I act” with a focus on risk assessment on personal level. In 2017, the theme was “I learn and improve everyday” highlighting risk assessment on the operational level.

No. of motor vehicle incidents (MVI) net of third party fault in 2017

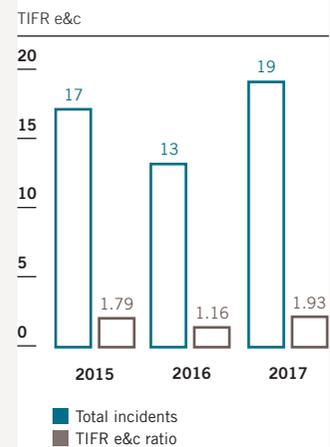
Product Line/Plant/Activities	Number of MVI's net of third party fault
Supply Chain	22
Cement	0
Aggregates	0
Readymix	112
CMC & Drymix	0
Head Office	0
Total	134

LTIFR e&c statistics for 2015, 2016 and 2017



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

TIFR e&c statistics for 2015, 2016 and 2017



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.



Avoiding Injuries and Fatalities through Risk Assessment

Risk assessment is a process that identifies hazards, defines the risks associated with each hazard, and determines the best ways to eliminate or control the hazards. When done correctly, it helps to prevent accidents and save lives.

In 2017, we held a campaign to raise awareness on Standardised Risk Assessment (SRA). It is a process that ensures all risks are managed, with particular emphasis on dangerous hazards.



Run for Health

In 2017, we held a health campaign to get employees of Lafarge Malaysia to collectively run or walk the distance from our headquarters in Kuala Lumpur to the LafargeHolcim corporate HQ in Zurich, a distance of approximately 9,975 km. The goal was to get people to inculcate cardiovascular exercise into their daily routines. At the end of the campaign, more than 400 people pledged for the run and close to 7,000km were clocked over a span of four weeks.



Safe Water, Sanitation and Hygiene (WASH) at the Workplace

The LafargeHolcim Group intends to sign the “WASH Pledge at workplace” initiated by the World Business Council for Sustainable Development (WBCSD), of which LafargeHolcim is a member.

The WBCSD WASH Pledge aims to secure appropriate access to safe drinking water, sanitation and hygiene for all employees and contractors in the workplace. Lafarge Malaysia has plans in place to be fully compliant by 2020. We started with a self-assessment at our operational sites to determine our baseline. Action plans to address the shortfalls are currently being developed.



Preserving Biodiversity

The Kanthan Hill area, which surrounds the Kanthan plant is part of Perak's limestone hills. It is home to rare flora and fauna that are of conservation importance.

In 2016, Lafarge Malaysia provided a research grant to scientists from Universiti Malaysia Sabah and Rimba, a non-profit research group, to conduct a large-scale survey of land snails at 12 limestone hills across the Perak state.

The findings of this study were published in June 2017 in the open access journal ZooKeys. The researchers recorded a total of 122 species of land snails, of which 34 species were unique to one of the hills surveyed in this study. Most strikingly, around 30 species are potentially new to science.

With this study, scientists now have a better understanding of the diversity of land snail species in Perak, and possible factors explaining their modern-day distribution.

A co-author of this study, Dr. Gopalsamy Reuben Clements, who is the co-founder of Rimba and an Associate Professor with Sunway University, said that the results will not only be used by Lafarge Malaysia to better protect important snail habitats on Kanthan Hill, but can also help the Perak State government identify biologically important hills that should be set aside for protection in the planned Kinta Valley geological park.

This is one of the few examples where a company like Lafarge Malaysia have cooperated with scientists to document threatened biodiversity in Malaysia.

Raising the Bar in Circular Economy

Waste management is a key area that we can contribute to in Malaysia, particularly for industrial waste. Through Geocycle Environmental Services Sdn Bhd (Geocycle), Lafarge Malaysia provides waste management services to other industries in the country via its co-processing solution.

This solution has helped almost 50 companies achieve their sustainability ambition of zero landfill. We also strive to raise the bar in good waste management practices by working closely with the Department of Environment. Geocycle also provides alternative fuels and raw materials to Lafarge Malaysia to reduce cost and reliance on natural resources. Our plants are substituting an increasing amount of traditional fuels with alternative fuels from biomass, refuse derived fuels and industrial waste.



Engaging with and Supporting the Community

A crucial part of our 2020 sustainable development target is to reach out to communities around our sites and operations. For example, Lafarge Malaysia has rewarded academic excellence in its adopted schools through its Bursary Awards.

Since its inception in 1997, the Lafarge Malaysia Bursary Awards has given out over RM2.5 million worth of bursaries, and in 2017 – a total of RM66,500 was awarded to 136 recipients.

With Health & Safety being our core value, we strive to ensure that this commitment is embedded in our community outreach activities.

In 2017, we organised a football and safety camp for 400 students, aged between 10 and 17, around our cement plants in Langkawi, Kanthan, Rawang and Pasir Gudang. Organised in collaboration with 1MalaysiaCC (1MCC) which uses football to develop youth, Jom Bola is part of Lafarge Malaysia's community outreach programme to nurture students from its 24 adopted schools. Jom Bola is the first-of-its-kind camp to incorporate H&S elements in the football game to inculcate H&S awareness from a young age.

To further strengthen our relationship with the communities that live around our cement plants, each of our plants has in place a stakeholder engagement plan that is reviewed and tracked annually. The plan entails regular meeting sessions with our key stakeholders.

We also conduct socio economic footprint exercises on a regular basis to measure our business' impact to the surrounding communities. The first was conducted in Kanthan in 2013, and last year, we completed the exercise for Rawang and Langkawi.



The socioeconomic footprint study strives to objectively measure the impact of our cement plant operations on surrounding communities. The findings from the study will help to enhance our local action plan and ensure that we incorporate the most necessary actions and resources.

The study was done by gathering data and feedback through quantitative and qualitative measures. To further define the scope of the study, we focused on the population located within 8km radius of the cement plant. For both locations, the local population was approximately 20,000 people.

As a major employer in both locations, we found that approximately 7,000 people depend on Lafarge activities in Rawang (35% of the local population) and 8,500 people in Langkawi (40% of the local population).

We also found that education initiatives remain as the key theme for contributions and partnerships. In both locations, we collectively reached out to around 52,000 people through our CSR efforts.

As an established member of the community, we acknowledge that there is an opportunity to engage more with the community by ensuring consistent communications on the social and economic contribution of the cement plants on the local area.



Developing Our People

We believe in growing and developing our people through coaching, training and in providing learning experiences.

In 2017, a total of 35,000 hours was spent on training management and non-management employees:

Total employees trained	1,000
Average number of days spent on training per employee	1.5 days
Hours spent on Training (Management & Non-Management)	
Technical training	8,860
Health & Safety training	9,560
IT related training	5,250
Leadership & Soft Skills training	10,540
Environmental training	790
Total	35,000

We also focus on developing people from middle management as part of our talent pipelining and succession planning.

Within the cement industrial team, 17 middle management employees were selected to participate in the Leadership Development Programme that began in 2017. The year-long programme covers 6 modules to train the employees to become all-rounded leaders. In 2018, 23 people were selected for this programme.

Preventive maintenance plays a key role in ensuring that a cement plant is operating at its optimal level. Therefore, every year, the LafargeHolcim group invite locally-based maintenance engineers to its headquarters in Holderbank, Switzerland for an intensive two-week Regional Maintenance Manager Development Programme.

Further, employees that are identified as potential future leaders are engaged through focus groups, one-on-one sessions with the Executive Committee members and group dialogues with the Country CEO.

These programmes will continue in 2018 as we continue to improve their structure by adhering to the 70:20:10 model.*

* Individuals obtain 70% of their knowledge from on-the-job training, 20% from coaching and interaction with others and 10% from formal training.



FORGING AHEAD

We believe sustainability can actively support our business strategy – it is a key driver for differentiation, revenue generation and value creation. The activities reported above are a summary of what we have carried out in 2017. For a more complete picture of our sustainability approach, we published a stand-alone Sustainability Report in 2017, providing details of activities and initiatives from 2015 to 2017, as well as the key indicators for our performance on environmental, social and stakeholder engagement. The report can be viewed and/or downloaded at our website: www.lafarge.com.my