

2012

**Graymont
Sustainability Report**



GRAYMONT



Welcome to Graymont's sixth Sustainability Report.

From a sustainability perspective, we are advantaged in that Graymont's business entails the supply of quality lime and stone products which are crucial in addressing a myriad of environmental impacts and issues — from water and sewage treatment to acid rain reduction, environmental remediation, wind farm construction, agriculture and power generation.

Graymont recognizes that more stringent environmental regulations and increased societal expectations with respect to industry behaviour will inevitably present challenges in the future. Graymont welcomes these challenges as opportunities to renew and strengthen our community relations. In keeping with our corporate vision, we are committed to further enhancing our performance and achieving world-class standards in the crucial areas of health and safety, environmental stewardship, and our relationships with communities. To that end, we have implemented several major initiatives, including a high-level, cross-functional task force on health and safety, designed to drive continuous improvement across the organization and help us realize our ultimate target of zero injuries.

At the same time, we strive to be a good neighbour, reaching out to, and partnering with, our local stakeholders. In 2012, these ranged from the clean-up of eco-sensitive shoreline and conservation areas to building homes for the underprivileged, reading programs for disadvantaged kids, support for a First Nation's health and wellness program, and our innovative Heritage Project in Bedford Quebec — a proposed project to provide both a needed location to store the overburden from the Bedford plant and a value to the surrounding community as a park and green space in a mixed urban and rural environment.

2012 has proven to be an exciting year for the company. Permitting was completed in record time to add a state-of-the-art third kiln to the Pleasant Gap facility. The new kiln will feature the most environmentally friendly technology anywhere in the global industry. In March, the company acquired Western Lime Corporation, with three lime plants and seven quarries in Wisconsin and Michigan. We saw a natural alignment with Western Lime in combining our operations. Both companies operate on solid common values, a strong safety culture, a shared commitment to their customers and employees, a commitment to improving environmental performance and engaging with the communities where they operate, and delivering value to all of their stakeholders.

There is a fundamental expectation within Graymont that all employees share in the responsibility for developing and maintaining a sustainable organization. However, the buck ultimately stops here, at the CEO's desk. I wish to take this opportunity to assure stakeholders of my personal commitment — and that of our entire leadership team — to position Graymont as a world class producer and an industry leader, while minimizing our environmental footprint.

As I like to remind Graymont colleagues, our ongoing commitment to achieving world-class performance in all aspects of our operations is — like life — a journey, not a destination. This report documents some of the improvements we have made to date, along with some challenges and shortcomings that we are determined to address and overcome going forward. While we continue on our journey, we would welcome your input and feedback.

A handwritten signature in black ink, which appears to read "S. Godin". The signature is fluid and cursive.

Stéphane Godin
President and CEO
Graymont

March 26, 2013

Profile

Challenges and Opportunities

Graymont engages in businesses which provide essential products and services, and which directly support society's sustainability objectives including environmental protection and remediation, and social and economic advancement. Graymont is well positioned to meet the demand for lime and limestone products that will result from North America's continued emphasis on environmental protection.

Graymont provides products for a variety of uses in a number of markets. These products are essential in rectifying environmental impacts brought about by a variety of man-made causes, and are consumed across North America in applications such as water and sewage treatment, acid rain reduction, environmental rehabilitation, wind farm construction, agriculture, oil and gas production, and power generation. Graymont's products are essential for the production of steel, alumina, pulp, paper, uranium, gold, copper, and other materials.

At the same time, Graymont facilities recognize the importance of preserving the environment for future generations. Increased societal expectations around industry performance and more stringent environmental regulations present opportunities to enhance the continued operation and expansion of the facilities.

Graymont regards these challenges as opportunities to focus on improving the Company's health and safety performance, environmental performance, and community and stakeholder relations. Our mission is to improve our world by responsibly meeting society's needs for quality lime and stone products; our vision is to be World Class in everything we do!

Organizational Profile

Graymont is a family owned and controlled Canadian Private Corporation incorporated in 1948. It has evolved from a widely diversified investment holding company to a company primarily engaged in the production of lime and limestone. In addition, the Company operates a construction materials business, and a business that landfills construction and yard dry waste, Ecowaste Industries Ltd. The operating segments will be referred to throughout this document as "Lime", "Materials", and "Ecowaste". The Company also has a significant investment in Mexico with a minority equity interest in Grupo Calidra S.A. de C.V. ("Calidra"), the largest lime producer in that country.

In March, 2012, the Company acquired Western Lime Corporation, consisting of three lime plants and seven quarries in Wisconsin and Michigan. This acquisition is consistent with Graymont's strategy for growth and its objective to become the supplier and partner of choice in the lime industry. With this acquisition Graymont both strengthens its ability to reliably serve lime customers, and its knowledge and expertise at all levels to complement its customer value proposition.

The Lime operations (19 plants) are focused on the production of high calcium and dolomitic lime, pulverized limestone, value-added lime based products such as hydrated lime and precipitated calcium carbonate, and construction stone. The Company is the second largest producer of lime in North America. In Canada, it operates in New Brunswick, Quebec, Manitoba, Alberta and British Columbia, while in the United States it operates in Pennsylvania, Ohio, Wisconsin, Michigan, Utah, Nevada, Montana, Oregon, and Washington. In addition to the plants the Company operates rail-to-truck trans-load terminals, extending the geographic market area of several plants. Company headquarters are located in Richmond, BC, Canada. Lime operations are supported by five regional offices located in Boucherville, QC, Calgary, AB, Bellefonte, PA, West Bend, WI and Salt Lake City, UT.

A glossary of terms and abbreviations is provided at the end of this report.

Graymont's products are essential for technological solutions to many of today's sustainability challenges:

- renewable energy
- greenhouse gas emission reduction
- environmental rehabilitation
- health
- transportation
- buildings and infrastructure

The Materials operations are focused on providing construction stone, sand and gravel, asphalt products and ready-mix concrete for the infrastructure and general construction needs in upstate New York and southern Quebec. The head office of the Materials operations is located in Plattsburgh, NY.

Ecowaste (1 facility) operates a landfill for yard waste, construction, demolition, and excavation materials located in Richmond, BC.

As of December 31, 2012 Graymont employed 1,336 people and produced approximately 4.0 million tonnes of lime products, 1.3 million tonnes of limestone products, 5.0 million tonnes of construction stone, 0.5 million tonnes of asphalt, and 0.1 million cubic metres of concrete ready mix per year. Industrial landfill intake was approximately 0.5 million tonnes per year.

Report Scope

This is the sixth Graymont sustainability report. Discussion, data and information contained herein relates, with noted exceptions, to the 2012 calendar year. Historical data is provided, again with noted exceptions, for the years 2008 through 2011. The 2013 report is scheduled for publication in April, 2014.

This report summarizes the sustainability performance of Graymont and its subsidiaries. The Company's Lime operations constitute the largest portion of its economic, environmental, and social impacts. In this report data and information contained in the Environmental Care section relate primarily to the Lime operations in Canada and the United States. Data and information in the Workplace Environment, Waste Reduction and Community Relations sections relate to all operations in Canada and the United States. Data and information specific to Calidra is not included in this report.

Governance

The Graymont Board of Directors' principle role is stewardship of the organization. The Board's fundamental objective is to create shareholder value. The Board recognizes that to achieve this objective in the long term the Company must maintain a high level of economic, environmental, and social performance.

The Board oversees the conduct of the business and management of the Company. Management is responsible for developing a long-term strategy and conducting the Company's day-to-day business. In its oversight, the Board holds management accountable for responsible conduct of the business.

The Board holds regular quarterly meetings and additional meetings as necessary. The Board has documented its governance policies in a Board Manual which includes a Code of Business Conduct and Ethics. The Chair of the Board, and of each Committee of the Board, is independent of management. All Directors except the President and Chief Executive Officer are independent of management.

The Board has appointed the following Committees to assist in fulfilling its role:

- Audit
- Pension and Benefits
- Compensation
- Reserves
- Environmental, Health and Safety

The Board annually evaluates the performance of Board Committees, the Chairs of the Board and Committees, and management.

The Board Environmental, Health and Safety Committee monitors the environmental, health, and safety performance of the Company. The Committee meets bi-annually. Management also provides environmental, health and safety reports to the Board of Directors at each regularly scheduled Board meeting. Other reports are provided throughout the year as appropriate.

Graymont's Strategic Objectives

Each year senior leadership evaluates the Company's short, mid, and long term objectives to ensure the assets with which they are entrusted are properly utilized. Where appropriate objectives are revised, added, or removed. These objectives, along with a summary of Graymont's mission, values, and shareholder expectations, are communicated to all Graymont employees. With this information employees can make more informed decisions about how to best manage their part of the business.

Graymont's objectives and activities are guided by the Company's World Class Vision, which states that:

- ***You** know we are operating safe, clean and orderly facilities where everyone shares a strong commitment to an injury-free workplace*
- ***You** recognize our commitment to exceeding our customers' needs by reliably delivering quality products and services;*
- ***You** feel that we are proactively developing and maintaining relationships of mutual support with our neighbors and others for the long term success of Graymont and our communities;*
- ***You** know that we are dedicated to improving our environmental performance;*
- ***You** see that we are continuously optimizing our processes and activities to deliver increased value to all stakeholders;*
- ***You** know that we are a talented team of engaged and empowered individuals collaborating to deliver World Class performance.*

Accountability

There is a fundamental expectation within Graymont that all employees share in the responsibility of developing and maintaining a sustainable organization. However, true accountability for Sustainable Development rests to varying degrees with management and leadership at the local, regional, and corporate levels. This accountability is defined as follows:

- **Corporate:** That all Graymont decision makers have a solid understanding of relevant aspects of local and regional government priorities, the political and regulatory landscape, and key emerging regulatory drivers; ensure Graymont's interests are considered in the development of provincial/state and national environment and land use policy.
- **Regional Operations:** That Graymont personnel establish and maintain good relationships with the appropriate local, state/provincial, and national level stakeholders.
- **Local Operations:** To participate in the local community as a respected community member and good neighbour; produce quality products and provide a safe place to work while meeting or exceeding environmental compliance standards, and striving to reduce waste.

Stakeholder Engagement

Graymont develops long-term relationships with stakeholders through information sharing, consultation and collaboration, which enables the Company to continue contributing to the well-being of people and the environment. By understanding stakeholder opportunities and striving for solutions Graymont is able to maintain and improve its community relations and gain support for its plans, which in turn helps generate shareholder and stakeholder value.

Graymont believes that good stakeholder relations can:

- **Enable good decision making** – the best decisions are made when the Company informs stakeholders about plans for the future, identify concerns they may have and respond appropriately to those concerns.
- **Resolve issues** – By consulting with stakeholders in a constructive manner the Company can develop timely, cost effective, and mutually beneficial solutions.
- **Build strong communities** – Through collaboration with stakeholders the Company builds trust between Graymont and its communities and is better able to create safe and healthy environments for our neighbours, employees, and their families.
- **Support shared learning** – by sharing information, knowledge, and perspectives, Graymont and its stakeholders learn from one another.

Stakeholder Relations Guiding Principles

- Stakeholders will be provided with timely and accurate information about Graymont's activities and plans for the future.
- Stakeholders will be given an opportunity to participate in a stakeholder engagement process.
- Graymont intends to respect the values and culture of each stakeholder.

Workplace Environment

Graymont continues to build a company culture based upon values which promote caring for customers, for fellow workers, and for the environment and community. This means a workplace that delivers quality products and service and a safe work environment, while respecting our responsibility to stakeholders and the environment.

Most Graymont production facilities are similar in that they process natural rock into finished products. These processes require the use of heavy equipment, machinery and



materials which introduce certain hazards into the workplace. Graymont continuously works to improve health, safety, and environmental management practices to address known hazards.

Graymont has a dedicated team of employees. They are committed and engaged, receiving ongoing training in an effort to eliminate workplace injuries and risks to the environment and our communities. Employees are continually striving to enhance local culture to keep Graymont a safe, desirable, and fulfilling career choice.

The average Graymont employee has been with the Company for 13 years. On December 31, 2012 there were 400 employees who had service with Graymont of greater than 20 years. Employee voluntary turnover was 4.8% which included retirements.

Working With Stakeholders to the Benefit of All

The Bedford QC plant identified an opportunity to combine community outreach and support with the future mining needs of the facility. Graymont staff is working closely with local authorities to develop a plan for use of overburden material from the quarry to build a park and green space in a mixed urban and rural environment. The proposed Heritage Project would provide both a needed location to store the overburden and a value to the surrounding community. Management and hourly employees met with over 300 people during a three week period. Over twenty meetings were held with neighbors, townspeople and organization leaders. Those consulted showed overwhelming support in welcoming the project to the community.

Award Winning Safety Performance

The Marbleton plant was awarded the F.J. O'Connell safety trophy. The recipient of the award is selected based on strict guidelines including a signed commitment to improving mine/plant safety.

Health and Safety

Graymont aspires to sustain a work environment where all employees function day in and day out without injury. The Company continues to place high importance on the safety of all employees, contractors and visitors. Past efforts have resulted in both a significant reduction in risk and a corresponding improvement in incident rates. The Company's 2012 reportable incident rate per 100 workers was 2.12, a 20% improvement over 2011's rate of 2.64, and 8% below the 2012 metal/non-metal mining industry average of 2.3.

As the second largest lime producer in North America, the Company is leading the way to world class safety performance. The Company has participated in industry-wide safety initiatives, developed by both the National Lime Association and the National Mining Association, whereby the Company has pledged to significantly reduce the Company's reportable incident rate. In addition the Company has set internal safety performance targets with the ultimate goal of zero injuries. The Company has demonstrated its strong commitment to these goals by memorializing this commitment in a safety pledge which was discussed in detail in all facilities and signed by over 80% of the employees across the company.

A number of steps have been taken to achieve these goals. The Company's Health, Safety and Environmental (HSE) function has been restructured to better meet the changing needs of the safety program. Work is underway to develop and implement a world class Safety Management System designed to take the Company to the next level in safety performance. Region-specific plans have been developed to further enhance the safety culture at the facilities, including activities aimed at employee empowerment and training. A cross functional Zero Injury Task Force was created to develop and implement an Action Plan to achieve the zero injury target. A safety survey was conducted and the results have been discussed with the employees. These actions have established the foundation for continuous improvement in safety performance.

Graymont's Safety Scorecard tracks both leading and lagging safety indicators to bring the proper focus to safety performance. It provides an assessment of important safety categories such as housekeeping, incident investigation, auditing, and incident rates. It continues to be one of the most frequently accessed reports by Graymont employees.



Graymont maintains a safety self-audit program to track compliance with safety regulations and internal health and safety policies. When non-compliance issues are identified a corrective action plan is developed and implementation is tracked to ensure timely resolution. The Company has also put a concerted effort into identifying, tracking, and correcting, near miss incidents. Graymont defines a near miss as an identified work condition that if left uncorrected could lead to injury, loss of life, or physical damage to company property. In 2011, 456 near misses were identified and corrected across all of Graymont. In 2012, 1,288 near misses were addressed, a nearly threefold increase over 2011. In Graymont's culture, identifying near misses is a good thing. Every near miss that is corrected is one less employee injured or worse.

Training and Development

Graymont believes that an empowered, engaged and well trained workforce is key to meeting its many objectives, be they safety, environmental, community, or financial. To this end Graymont continues to invest in developing and training its people.

Whether through safety training, one-on-one process training, in-house or external courses, continuing education, conferences, seminars, or leadership training, employees across

Zero Injury Task Force

The Zero Injury Task Force was created to develop and implement a plan to achieve World Class safety performance. The Task Force is a cross-functional team with members representing Operations, Health, Safety and Environmental, Sales and Marketing, Human Resources and Process Engineering as well as including both hourly and management positions. The Task Force was formed in October and charged with developing:

1. A Health, Safety and Environmental (HSE) Policy
2. An Action Plan to improve safety performance
3. Revamped Safety Standards representing the minimum safety requirements across the company.

The HSE Policy, first safety standards and components of the Action Plan are scheduled for rollout in 2013.

Graymont are continually developing new and existing skills. Often, skill development is in preparation for anticipated or desired future roles within the Company. This training model provides employees with opportunities for growth and mobility, both within and across functional work groups.

In 2011 Graymont embarked on an ambitious training and development initiative at all of its Lime operations. Entitled "Investing in Our People," the program has focused on providing employees with the skills, abilities and empowerment to make the best decisions about their part of the operation – in effect becoming true owners of their parts of the business. The program is really about changing how employees work together by empowering all of the Company's people, from front-line employees to the CEO, in the quest to become world class. The end result is a shift of responsibility and decision-making to the right levels of the organization which will not only positively impact Graymont's business objectives, but also relationships with the Company's many stakeholders.

At the end of 2012, four full-time contracted performance improvement coaches were operating in the lime plants in the U.S. and Canada. During the year the coaches generated over 20,000 hours of training and development activities. Plants have adopted an "operating rhythm" that includes regular, disciplined communications within the plant including crew talks and business reviews. In addition, plants are utilizing performance boards to track metrics, isolate action items and recognize successes. On-site coaching relating to the "Investing in Our People" program is expected to be complete in 2013.

Graymont employees also participated in a number of other training programs including information systems training and leadership development. 21 employees received Project Management training. 12 employees participated in Graymont's ongoing Leadership Development program. 132 managers and leaders participated in the annual leadership training conference.

Employee Engagement

Graymont offers a stable work environment and competitive remuneration including health and retirement benefits. The Company empowers employees to make decisions, listens to their concerns and promotes individual development. Graymont also undertakes a number of activities that have employees engaged beyond their specific work function. Department and cross-functional teams are fast becoming the norm.

Engagement and Safety Survey

In early 2011, Graymont performed its first company-wide employee engagement survey. In 2012, an encouraging 80% of all employees participated in the process, up from 74% in 2011. Questions dealt with such diverse subjects as perceptions of safety, leadership, opportunity for personal development, and Graymont's commitment to an open and empowered working environment. Improvements were observed in Leadership, Social License and Quality, with consistent results in other areas versus the 2011 survey results. Graymont scored above or equal to similar industries in areas such as operating efficiencies, communicating goals and objectives, employee empowerment, safety recognition programs, and career development. Opportunities for greatest improvement included supervisor engagement with employees, managing work demands and safety, supervisor commitment to safety, customer focus, and supervisor action regarding safety. Survey results will play an ongoing and important role in evaluating and developing the Company's short and near-term business plans.

Recruiting and Onboarding Process

In 2010, Graymont performed a review of its recruiting and new employee orientation processes. It was determined that a gap existed between the average new employee's

2012

2.12 reportable incident rate
(benchmark, the 2012 metal/non-metal mining industry average reportable incident rate was 2.3)

1.17 lost time incident rate
(benchmark, the 2012 metal/non-metal mining industry average lost time incident rate, was 1.5)

0 fatalities

2012

1,336 full time permanent employees

4.8% voluntary turnover (includes employees who retired)

13 years - average length of service

400 employees with service greater than 20 years

0 days lost to strikes

expectations of how he or she would be welcomed into the Company and prepared for success, and what the Company was actually providing. A cross functional team lead by the Human Resources department developed and implemented a comprehensive revision to recruiting processes as well as a standardized new employee onboarding process. The result has been a stabilizing of the number of employees voluntarily leaving Graymont within the first year of employment during a time when the number of newly hired employees has increased each year.

Environmental Care

Graymont is dedicated to minimizing near and long term environmental impacts on its neighbours, communities, and work sites.

Environmental Performance Management

By the end of 2011 Graymont had successfully implemented its environmental management system (EMS) at all of its Lime and Materials plants. Uniform environmental standards establish minimum environmental performance and operating standards that are applied to all facilities across Graymont. The standards are applied in areas where Graymont goes beyond regulatory obligations.

Graymont uses both internal and external environmental audits. Internal audits are completed by personnel from Graymont's environment group and external audits are completed by third party environment firms. Audit action items are addressed through procedures outlined in the EMS document.

Energy

Energy is an important resource for Graymont. Typically more than 95% of energy used at a lime production facility is associated with lime kilns. Graymont continually looks for ways to reduce energy consumption in lime kilns and other areas of the business. Improving energy efficiency has the benefits of reducing both air pollutant and greenhouse gas emissions, and costs.

Air Emissions

Graymont continues to work to reduce air emissions. These emissions result largely from the combustion process in Graymont's lime kilns and can be reduced by improving energy efficiency. In 2012, reported emissions of SO_x were 40% less than 2004 levels, which is consistent with 2011. In 2012, reported emissions of NO_x were 8% lower than 2004 levels on an increase in production of 26% from 2004 levels. At all US plants, action is required when kiln bag house opacity meter readings reach approximately 50% of permit limits.

Another type of air emissions that Graymont strives to reduce is fugitive dust. Fugitive dust is uncontained dust that becomes wind borne and is blown from Graymont sites to neighbouring properties. Graymont has been paving and managing roadways, reclaiming yard areas, and better managing raw material and by-product storage areas to reduce fugitive dust emissions. Changes to processes for partially calcined by-products stock piling at the Pleasant Gap, PA lime plant have dramatically reduced fugitive dust emissions.

Graymont has uniform environmental standards related to fugitive dust control and exhaust gas scrubber and baghouse operations at all its facilities. These standards are designed to ensure that particulate emissions are minimized.

SO_x Emissions in Perspective

In 2012, Graymont facilities emitted approximately 3.1 thousand tonnes of SO_x. In the same year, Graymont products prevented the emission of approximately 362 thousand tonnes of SO_x from facilities in other industries.

2012

5.3 million tonnes of greenhouse gas

A 15% reduction in fuel related greenhouse gas emission intensity vs. 2004 which equates to 359 thousand tonnes greenhouse gas emission reduction

2012

26.6 petajoules of energy consumed (total primary energy consumption in Canada and the U.S. was approximately 117,000 petajoules in 2011)

3.1 thousand tonnes of SO_x emissions

5.9 thousand tonnes of NO_x emissions

Climate Change

Graymont is dedicated to producing lime with the lowest carbon dioxide emissions intensity in the lime industry in Canada and the United States.

While total carbon dioxide emissions from the production of lime are relatively small compared to overall emissions, lime production is an emission intensive process when compared to other types of materials. This is because there are carbon dioxide emissions from two aspects of the lime production process; 1) from the chemical transformation (calcination) of limestone, and 2) from combustion of fuel.

Carbon dioxide is a natural by-product of the production of lime. Lime cannot be produced without carbon dioxide being chemically released and emitted from the calcination of limestone. These fixed process emissions comprise approximately 60% of carbon dioxide emissions from lime production. The other 40% of carbon dioxide emissions from lime production are from the combustion of fuels, typically coal and petroleum coke. Unlike fixed process emissions, it is possible to reduce combustion related carbon dioxide emissions through measures such as energy efficiency improvement and use of lower carbon fuels.

By the end of 2012 Graymont had reduced its lime production fuel related emission intensity by 15% from 2004 levels. Based on 2012 lime production volumes, this represents an annual reduction of 359 thousand tonnes of greenhouse gas emissions compared to what emissions would have been if production had continued to emit at 2004 intensity levels. This was achieved through utilization of more fuel efficient kilns at the Pleasant Gap, PA and Superior, WI lime facilities, the use of biomass and natural gas at the Marbleton, QC facility, the use of natural gas at the Exshaw, the acquisition of fuel efficient kilns and through shifting production to more fuel efficient kilns. Graymont expects to continue to reduce greenhouse gas emissions intensity through additional initiatives such as:

- Utilization of natural gas at the Bedford, QC plant in 2013
- Planning additional biomass fuel or natural gas projects at other facilities.
- Researching alternative biomass fuels.
- An ongoing corporate energy efficiency program.
- Improving kiln and kiln related equipment operations
- Incorporating tomorrow's expected carbon costs into today's capital investment decisions.

At the Ecowaste industrial landfill site, landfill methane, a powerful greenhouse gas, is captured and destroyed. In 2012, approximately 730 tonnes of methane was captured and combusted which reduced greenhouse gas emissions by approximately 15.3 thousand tonnes of carbon dioxide equivalent.

Waste Reduction

Graymont is dedicated to operating all of its facilities with zero waste. To Graymont that means creating value by using all the resources touched, be they energy, stone, or materials. Current efforts to reduce waste focus heavily on the reduction of unused byproduct materials.

Graymont aims to achieve this goal by continuous improvement in two areas; 1) in converting all earth and rock materials into value-added products, or into materials used to reclaim company sites, and 2) by recycling other materials rather than land filling them. Responsible use of resources allows Graymont to extend the life of those resources further and reduce the Company's impact on the environment.

Graymont's plants located in Quebec, Canada have significantly reduced the amount of unused byproduct from the Lime operations. By working hard to create a market for these materials, the plants have found beneficial uses for 65% of the byproduct materials

Waste Reduction Success

Graymont's plants located in Quebec, Canada have significantly reduced the amount of unused byproduct from the Lime operations. By working hard to create a market for these materials, the plants have found beneficial uses for 65% of the byproduct materials generated in 2012. Graymont is working to achieve additional gains, including the potential use of alternative fuels, which would reduce the generation of byproducts.

generated in 2012. Graymont is working to achieve additional gains, including the potential use of alternative fuels, which would reduce the generation of byproducts. The Pleasant Gap, PA operation continues to draw down its stock pile of lime kiln dust, a result of promoting and selling more of this material than produced and collected on site as a waste.

Stone

Natural limestone or other natural stone for construction products are Graymont's primary natural resource. Putting the stone into valued use is the core of Graymont's business. While there traditionally has been some waste of the stone resource, Graymont is on a path to reduce this waste to zero.

Centralized mine planning has been implemented in Western US and Western Canadian plants, and is being implemented in Eastern Canada. This process is managed by a core of internal mining engineers ensuring maximized quarry stone usage, extending the life of existing quarries and reducing, where possible, displacement of overburden stone.

In quarry operations, overburden soils are stock piled for later use in reclamation. Overburden rock is either used directly in reclamation activities, stock piled for later use in reclamation, or placed in appropriate areas to be reclaimed. Overburden rock is typically an acid neutralizing, low grade limestone which presents no environmental risk.

2012

341 thousand tonnes of partially calcined by-product sold

Materials Recycling

At the Ecowaste landfill yard waste (grass clippings and tree trimmings) are processed through composting to produce soil that is used for reclamation on site. Continuing a process initiated in 2007, virtually all of the 874,000 cubic meters of nutrient rich leachate water produced at the landfill was collected and treated on site in 2012. This water is used to nourish 13 hectares of poplar and willow trees raised on site for use as biomass and paper pulp.

Community Relations

Graymont has a long-term commitment to being a good neighbour. That means helping maintain and enhance the social fabric, the environment, and the economy of all communities where the people of Graymont live and work. To neighbours that means Graymont employees are actively involved in the community and Graymont's door is always open. Graymont purposefully creates opportunities to hear stakeholder's expectations, priorities, ideas and concerns and works hard to make the community a better place for everyone. An example of these opportunities is the open houses conducted by facilities.

Environmental performance is managed in consideration of community concerns and priorities and to meet all laws and regulations. Graymont also demonstrates support through investment in community programs, projects and activities, and by encouraging and supporting employee involvement in the community.

Public Policy and Advocacy

Graymont continues to build relationships with regulators to ensure the Company has a voice in the public arena for policy development. The Company actively monitors existing and potential federal, state, and provincial legislation and advises the Company's leadership on potential impacts. The Company actively pursues opportunities to educate regulators and government agencies about the needs and opportunities of the company.

Community Investment

Whether it is employees volunteering their time and energy in support of local community causes, or corporate level investments such as offering renewable scholarships for dependents of employees, Graymont is actively investing in all its communities. Each location maintains a committee that coordinates community investment activities.



Graymont will make investments, be it volunteer hours or financial contributions, in local environmental projects, local health projects, education initiatives, and to support local community groups and sports teams.

Examples of this from the last year include:

- Plattsburgh, NY donated time reading stories to children in the local Head Start Program every other Wednesday,
- Superior, WI donated rescue equipment to the local fire department,
- Tacoma, WA hosted a Health and Safety Fair and provided tours to the public,
- Genoa, OH hosted a local school group for tours,
- Pavilion, BC employees won the mining category award for British Columbia as well as the National Best Overall Award from the North American Occupational Safety and Health (NAOSH) Week Steering Committee and the Canadian Society of Safety Engineers for their participation in NAOSH week. This is the second year in a row that they have been recognized during this event. During the event they also hosted a health fair for the public,
- Potsdam, NY employees volunteered their time on I Love My Park day to clean and restore the park entrance sign.

Employees at each facility make the decisions regarding which local initiatives they will support based in large part on community issues and priorities.

Community Engagement

Graymont believes the foundation of being a good neighbour is open and honest communication. The Company recognizes the importance of its neighbours knowing the plans for the future as well as understanding what the neighbors are thinking; about Graymont and about their community.

Building upon this foundation, Graymont endeavours to be proactive in communicating its plans and seeking community input so that issues and ideas can be identified and addressed early. To celebrate Earth Day, on Saturday, April 21, 2012, Graymont (PA) Inc. participated in the annual Clearwater Conservancy Watershed Cleanup. Approximately 15 volunteers met for breakfast and a safety briefing, then cleaned up trash in the Fifth Street Quarry in Bellefonte, and a sinkhole on the former Crater Farm property. The Fifth Street Quarry crew collected a roll-off dumpster full of trash, and the sinkhole crew filled up several dump trucks full of debris with the help of a local contractor, who donated their time and equipment.



Graymont Pavilion Plant is Best Overall – A Safe and Healthy Workplace for the Community

Pavilion, BC employees won the mining category award for British Columbia as well as the National Best Overall Award from the North American Occupational Safety and Health (NAOSH) Week Steering Committee and the Canadian Society of Safety Engineers for their participation in NAOSH week. This is the second year in a row that they have been recognized during this event. During the event they also hosted a health fair for the public and the mine team utilized their training to demonstrate how they would successfully lower an injured worker from one of the highest points on site.

● Social performance data

KPI		2012	2011	2010	2009	2008	Notes
Number of full time permanent employees	Canada	614	523	536*	507*	548	As of December 31 of each year.*Adjusted 03/2012
	United States	722	586	547*	529*	618	
Voluntary turnover rate (includes employees who retired)	Total	4.8%	4.5%	4.6%*	4.4%*	7.1%*	*Corrected in 2011 to exclude Summer Student temporary employee separations.
Composition of Graymont Limited Board of Directors and Officers	Directors	8M 1F	8M 1F	7M 1F	8M 1F	6M 1F	M – male F - female
	Officers	13M 2F	9M 1F	11M 1F	11M 1F	10M 1F	
Reportable incident rate	Canada	2.2	1.5	1.5	2.7	3.1	Number of incidents that result in medical treatment, lost work days or restricted work days per 200,000 exposure hours.
	United States	2.1	2.8	2.2	3.0	3.1	
Lost time incident rate	Canada	1.2	0.7	0.5	1.4	1.6	Number of incidents that result in lost work days per 200,000 exposure hours.
	United States	1.2	1.0	1.6	1.6	2.4	
Fatalities	Canada	0	0	0	1	0	
	United States	0	0	0	0	0	
Monetary fines for safety non-compliance	Canada	\$2.1	\$0	\$0	\$1.5	\$0	Thousand CAD\$
	United States	\$76.1	\$22.5	\$62.0	\$40.1	\$59.7*	Thousand US\$ *Data restated (2008 report data was incomplete)
Number of days lost to strikes	Canada	0	0	0	0	0	
	United States	0	0	0	0	0	
Employees covered by retirement and health benefits	Canada	100%	100%	100%	100%	100%	
	United States	100%	100%	100%	100%	100%	
Employees covered by Employee Assistance Program	Canada	100%	100%	100%	100%	100%	
	United States	100%	100%	100%	100%	100%	
Community investment	Canada	\$221	\$208	\$200	\$207	\$173	Thousand CAD\$
	United States	\$176	\$179	\$130	\$95	\$123	Thousand US\$

● Environmental performance data

KPI		2012	2011	2010	2009	2008	Notes
Energy use	Canada	6.3	7.2	6.2	5.8	6.9	Petajoules. Total energy use at facilities including combusted energy and electricity.
	United States	20.3	17.5	15.4	14.6	17.6	
Direct greenhouse gas emissions	Canada	1.3	1.3	1.3	1.2	1.4	Million tonnes CO ₂ e. Lime production facilities only.
	United States	4.0	3.5	3.1	2.9	3.3	
Production carbon intensity	Canada	1.26	1.28	1.30	1.28	1.33	Tonnes CO ₂ e per tonne lime. Lime production only. (2004 intensity = 1.31 in Canada and 1.43 in the U.S.)
	United States	1.37	1.38	1.35	1.34	1.31	
NO _x emissions	Canada	2.2	2.3	2.7	2.6	2.7*	Thousand tonnes. Lime production only. NPRI data. Thousand tonnes. Lime production only. TRI data. (2004 emissions = 2.2 in Canada and 4.3 in the U.S.) *Data restated (2008 report data was incorrect)
	United States	3.7	4.1	3.9	3.4	3.5	
SO _x emissions	Canada	1.5	1.6	1.7	0.9	1.6	Thousand tonnes. Lime production only. NPRI data. Thousand tonnes. Lime production only. TRI data. (2004 emissions = 1.6 in Canada and 3.6 in the U.S.)
	United States	1.6	1.5	1.5	1.5	2.8	
Monetary fines for environmental non-compliance	Canada	\$2	\$0	\$0	\$0	\$0	Thousand CAD\$
	United States	\$137	\$17	\$21	\$0	\$0	Thousand US\$
Emission exceedance events	Canada	21*	62	32	4	11	Number of exceedance events. An exceedance event can be an emission exceedance for as short as 6 minutes. *In 2012 the dataset was revised to include only exceedances.
	United States	347*	445	898	898	1956	
Total cumulative land area disturbed	Canada	690	716	702	711	672	Hectares. Includes limestone and stone quarries but excludes plant sites.
	United States	968	822	810	810	814	
Land area reclaimed	Canada	8	2	3	1	1	Hectares. Includes limestone and stone quarries but excludes plant sites.
	United States	21	10	16	16	25	
Partially calcined by-products sold	Canada	28	18	11	8	8	Thousand tonnes.
	United States	313	283*	256*	272*	345*	Thousand tonnes. *Data restated to show total sold.

● Economic performance data

KPI		2012	2011	2010	2009	2008	Notes
Sales	Lime	4.0	3.5	3.3	3.1	3.5	Million tonnes
	Stone	6.3	6.7	5.9*	4.7	5.5	Million tonnes
	Asphalt	0.5	0.3	0.3	0.4	0.4	Million tonnes
	Ready Mix	0.1	0.1	0.1	0.1	0.2	Million cubic metres
	Landfill intake	0.5	0.5	0.5	0.5	0.6	Million tonnes
							* Data restated (2010 report data was incorrect)
Employee remuneration (includes wages, salaries, and health and retirement benefits)	Canada	\$63.9	\$58.4	\$55.0	\$56.6	\$51.0*	Million CAD\$
	United States	\$73.8	\$62.0	\$59.0	\$54.0	\$56.2*	Million US\$
							*Data restated (2008 report data was incorrect)
Financial assistance received from government	Canada	\$1.7	\$1.3	\$0.7	\$1.0	\$0.9	Million CAD\$
	United States	\$0.5	\$0.3	\$2.5	\$0.4	\$1.0	Million US\$
Expenditure on research and development	Total	\$5.8	\$4.3	\$3.3	\$4.3	\$7.8	Million CAD\$

Forward-Looking Statements

Prospective Information

This report contains some information that is prospective in nature and which may be affected by known or unknown risks and uncertainties.

There can be no assurance that any of this information, in particular statements regarding financial forecasts and projections, will be accurate.

Actual results and future events could be materially different from those reflected in this report.

Glossary and Abbreviations

CAD\$ Canadian dollar.

CEO chief executive officer.

CO₂e carbon dioxide equivalent.

Emission exceedance event an event where emissions exceed an environmental permit limit or internal standard for a prescribed duration of time. Prescribed durations of time can be as short as six minutes.

EMS environmental management system.

Environmental audit a systematic, documented verification process of objectively obtaining and evaluating audit evidence to determine whether specified environmental activities, events, conditions, management systems, or information about these matters conform with audit criteria.

Greenhouse gas emissions in Graymont's case these include carbon dioxide, methane and nitrous oxide.

Health, Safety and Environmental (HSE) describes activities and processes used to enhance the health, safety and environmental performance of the Company.

Lost time incident an incident that results in an injured worker being unable to report for their next work shift.

MSHA the United States Mine Health and Safety Administration.

NO_x oxides of nitrogen which are a by-product of combustion.

NPRI national pollutant release inventory – Canada.

Petajoules 10¹⁵ joules.

Reportable incident an incident that results in an injured worker requiring medical treatment beyond first aid, an injured worker being unable to report for their next work shift, or an injured worker being restricted in their work duties.

Safety audit a systematic, documented verification process of objectively obtaining and evaluating audit evidence to determine whether specified occupational health and safety activities, events, conditions, management systems, or information about these matters conform with audit criteria.

SO_x oxides of sulphur which are a by-product of combustion.

Tonne metric ton or 1000 kilograms.

TRI toxic release inventory – United States.

US\$ United States dollar.



Notes: