

**2011**

**Graymont  
Sustainability Report**



**GRAYMONT**



I am pleased to attach Graymont's fifth annual sustainability report. This report continues our dedication to providing each of our stakeholders with open, transparent measures of the various ways that we affect your lives and the communities we share. The report documents some improvements that we hope have impacted you positively, and some challenges and shortcomings that we dedicate ourselves to overcoming.

Our goal in the report is to help you to understand who we are, how we operate, and the broad ways we measure success. We trust that it will foster greater communication and mutual understanding allowing us to incorporate your expectations and our impacts on you into our decisions.

In my letter to you last year I mentioned that we, the employees of Graymont, had embraced a vision of a balanced World Class performance in every aspect of our business and community lives. Success in achieving this Vision is not measured by our own impressions. Our success will come when each of our varied stakeholder groups can give us unreserved feedback on each of the following six observations:

- **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.

These statements frame our aspirations describing what we believe will be World Class performance in all of the many facets that a business must meet in order to earn a sustainable position in the world, contributing positively to the economic, social and natural world we all share. I invite each of you to measure us against this aspirational vision, and provide feedback that will help us to identify the ways we can improve, and if appropriate join us in celebrating our mutual successes.

A handwritten signature in black ink that reads "W. Dodge". The signature is fluid and cursive, with the first letter of "Dodge" being significantly larger and more stylized than the rest of the letters.

William E. Dodge  
President and CEO  
Graymont Limited

March 26, 2012

## 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 its impact on the environment by alteration of the local physical environment through quarrying and plant-site activities. Increased societal expectations around industry performance and more stringent environmental regulations present challenges for the continued operation and expansion of our facilities.

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

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

### 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 waste management business, 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.

The Lime operations (19 facilities) 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 third largest lime producer 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, Utah, Nevada, Montana, Oregon, and Washington. In addition to our plants the Company operates rail-to-truck trans-load terminals, extending the geographic market area of several plants. Company headquarters are located in Richmond, British Columbia, Canada. Lime operations are supported by four regional offices located in Boucherville, QC, Calgary, AB, Bellefonte, PA, and Salt Lake City, UT.

The Materials operations (4 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, 2011 Graymont employed 1,109 people and produced approximately 3.5 million tonnes of lime products, 1.2 million tonnes of limestone products, 5.5 million tonnes of construction stone, 0.3 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 fifth Graymont sustainability report. Discussion, data and information contained herein relates, with noted exceptions, to the 2011 calendar year. Historical data is provided, again with noted exceptions, for the years 2008 through 2010. The 2012 report is scheduled for publication in April, 2013.



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

A glossary of terms and abbreviations is provided on page 19.

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
- Nominating
- Reserves
- Environmental, Health and Safety

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

## 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. Armed with this information employees can make more informed decisions about how to best manage their part of the business.

## 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 current government sentiment, the political and regulatory landscape, and key emerging regulatory drivers; Ensure Graymont's interests are considered in the development of provincial/state 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; to not impose unacceptable costs on local communities or community members.
- Local Operations: To participate in the local community as a respected community member and good neighbour; produce quality products at competitive prices while maintaining employee safety, meeting or exceeding environmental compliance standards, and striving to reduce waste.

The Board Environmental, Health and Safety Committee monitors the environmental (including greenhouse gas emissions), 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.

## Stakeholder Engagement

The people of Graymont interact with a wide range of stakeholders including the following:

- Communities, primarily rural, in which Graymont operates facilities
- Customers
- Employees and their families
- Trade unions which represent certain employee groups
- Lenders and insurers
- Governments at the local, municipal, provincial, state and federal levels
- Non-governmental organizations which represent the interests of citizens in regard to civic affairs, culture, education, the environment, and public health
- Suppliers which include fuel producers and distributors, material transportation firms (truck, rail, and water), parts, materials and equipment suppliers, refractory suppliers and installers, construction contractors, engineering firms, telecommunications providers, and consultants (accounting, audit, human resources, legal, environmental)
- Shareholders

Graymont develops long-term relationships with stakeholders through information sharing, consultation and collaboration, enabling us to continue contributing to the well being of people and the environment. By understanding stakeholder issues and striving for solutions Graymont is able to maintain its social license to operate and gain support for its plans, which in turn help generate shareholder value.

At Graymont we believe that good stakeholder relations can:

- **Enable good decision making** – our best decisions are made when we inform stakeholders about our plans for the future, identify issues they may have and respond appropriately to those issues.
- **Resolve issues** – By consulting with stakeholders in a constructive manner we develop timely, cost effective, and mutually beneficial solutions.
- **Build strong communities** – Through collaboration with stakeholders we build trust between Graymont and its communities and are 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 that affect them.

- Stakeholders will be given an opportunity to participate in a transparent stakeholder engagement process, and in doing so have a voice in issues that affect them.
- Graymont will proactively seek stakeholder input and feedback on its decisions that affect them, and will take into account the values, needs, and concerns of stakeholders when making our decisions.

### Working With Stakeholders to the Benefit of All

During 2010 labor negotiations at its Indian Creek, MT operations, a long standing state regulation was identified that limited daily employee hours of work for certain mining operations. At that time Graymont and many other operations were not in compliance with the regulations. Coming into compliance would have required significant changes at the plant, many of which would have had a direct financial impact on a large number of Graymont workers.

Working in 2011 with key stakeholders, including labor union officers, mining association representatives, and state elected and appointed officials, Graymont helped promote changes to the regulations which would maintain the spirit intended in the original legislation, while at the same time bringing the guidelines up to date in terms of employee safety. The result was a win for Montana, its mining industries, and their employees.

- Graymont will maintain a flexible consultation process that is responsive to stakeholder needs.

Graymont respects 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, but never at the expense of employee safety or through compromising our responsibilities to our 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 14 years. On December 31, 2011 there were 378 employees who had service with Graymont of greater than 20 years. Employee voluntary turnover was 4.49% which included retirements.



## Health and Safety

Graymont aspires to sustain a work environment where all employees function day in and day out without injury. Despite the combined efforts of all its employees Graymont saw

its 2011 reportable safety incident rate increase to 2.15 from 1.90 in 2010. This represents however the fourth consecutive year in which the incident rate has been below the U.S. mining industry average. But being better than the average is not Graymont's objective. Being a world class company means being world class in safety. The Company continue to develop and implement safety best practices that emphasize employee involvement through safety committees, internal safety audits, training and certification, and safe work observation. In 2011, the implementation rate for safety best practices in the Lime Group was 97%, up from 92% in 2010. Materials achieved a 90% implementation rate. Nine of Graymont's 15 locations achieved or maintained a 100% implementation rate.

Graymont's Safety Scorecard tracks both leading and lagging safety indicators to bring the proper focus to safety performance. It provides time-based ratings in 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

### Safety Best Practices and Certification Training

Graymont maintains 24 safety best practices. A cross functional team of Graymont employees identified 110 critical processes in support of these practices which, when implemented at a plant operation ensure that employees are properly certified in the safety processes of their work.

In addition, the Company is in the process of developing a learning management system (LMS) which will track training for all Graymont employees. This system is currently being tested.

### 2011

2.15 reportable incident rate (benchmark, the 2010 U.S. mining industry average reportable incident rate, was 2.3)

0.97 lost time incident rate (benchmark, the 2010 U.S. mining industry average lost time incident rate, was 1.0)

0 fatalities

71% of safety audit action items completed by due date



resolution. In 2008, completion of safety audit items was recognized as an area of poor performance. In 2009, a significant effort was made to complete past due safety audit action items, a commitment that carries through to today. In 2010 an additional 773 safety audit action items were resolved. In 2011 the focus on safety had improved overall working conditions and practices such that the number of safety audit action items

requiring resolution was 237, less than half of the previous year. 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 2010, 321 near misses were identified and corrected across all of Graymont. In 2011, 456 near misses were addressed. 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 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 focuses on providing employees with the skills and abilities to make the very best daily decisions about their part of the operation, in effect becoming true owners of their responsibilities. It is 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 will be 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.

By the end of 2011 seven full-time contracted performance coaches were operating in plants across the U.S. and Canada, generating over 25,000 hours of training and development activities. Examples of early successes include two record-breaking monthly production totals in Pleasant Gap, PA., improved maintenance/shut-down results at Genoa, OH and utilizing performance boards as a means of meeting higher than anticipated customer demands at our Pilot Peak, NV operations. "Investing in Our People" is expected to be complete by mid-2013.

Graymont employees also participated in a number of other training programs including information systems training and leadership development. 64 employees received Project Management training. 11 employees participated in Graymont's ongoing Leadership

### 2011

68.8% of environmental audit action items completed by due date

95% of lime and materials facilities with fully implemented environmental management systems

507 emission limit exceedances

### 2011

1,109 full time permanent employees

4.49% voluntary turnover (includes employees who retired)

14 years - average length of service

378 employees with service greater than 20 years

0 days lost to strikes



Development program. 120 managers and leaders participated in the annual leadership training conference. In addition, 75 employees received training in Communications while 20 managers honed their skills in a "Finance for Non-Financial Managers" program.

## 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. Over time 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. An encouraging 74% of all hourly and salaried employees participated in the process, which was managed by an independent third party. 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. 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 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

While some impact is inevitable as a result of the nature of its operations, Graymont is dedicated to minimizing near and long term environmental impacts on its neighbours, communities, and work sites.

### SO<sub>x</sub> Emissions in Perspective

In 2011, Graymont facilities emitted approximately 3.1 thousand tonnes of SO<sub>x</sub>. In the same year Graymont products prevented the emission of approximately 557 thousand tonnes of SO<sub>x</sub> from facilities in other industries.

## 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. By the end of 2011, Graymont's lime operations had successfully achieved 95% of the standards compared to 82% in the previous year.



Materials achieved an 82% implementation rate.

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. Between the Lime and Materials plants 80 environmental audit action items were completed during the year.

The number of emission limit exceedances in 2011 was 45% lower than in 2010. The Pleasant Gap, PA plant saw a 60% reduction in exceedances. Graymont's Superior, WI realized an almost 80%

reduction in CEM/COM exceedances. In both instances reductions were due to a combination of employee training, process review, and technological improvements. While the total number of CEM/COM exceedances dropped by almost 75% for all operations, the number of non-CEM/COM exceedances increased considerably, from 61 events in 2010 to 273 in 2011. Pleasant Gap, PA, experienced an increase in water related exceedances. In addition, a company-wide review of exceedance tracking revealed inconsistencies in how exceedances were recorded. The result, following correction, is a one time increase in exceedance events.

## Energy

Energy is an important resource for Graymont. Typically more than 95% of energy used at a lime production facility is associated with the lime kilns. Graymont continually looks for ways to reduce energy consumption in the 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 2011, reported emissions of SO<sub>x</sub> were 40.0% less than 2004 levels. In 2011, reported emissions of NO<sub>x</sub> were 0.6% higher than 2004 levels on an increase in production of 10% 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 our 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.

## Climate Change

Graymont is dedicated to producing lime with the lowest carbon dioxide emissions 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. 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 can not 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 2011 Graymont had reduced its lime production fuel related emission intensity by 8.75% from 2004 levels. Based on 2011 lime production volumes, this represents an annual reduction of 186 thousand tonnes of greenhouse gas emissions compared to what emissions would have been if we 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 at the Marbleton, QC facility, and through shifting production to more fuel efficient kilns. Graymont expects to continue to reduce greenhouse gas emissions intensity through additional initiatives such as:

- Planning additional biomass fuel projects for other facilities.

### Increasing Energy Efficiency

In December, Graymont commissioned its newest and most fuel efficient and environmentally friendly kiln at its Cricket Mountain, Utah, operations. This kiln utilizes a state-of-the-art preheating system as well as the most advanced dual refractory kiln lining, improving energy efficiency by as much as 18% over existing Cricket Mountain kilns. Improved dust collection processes will also reduce fugitive dust levels while increasing lime production capacity by as much as 47%.

- 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 2011, approximately 738 tonnes of methane was captured and combusted which reduced greenhouse gas emissions by approximately 15.5 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.

Graymont aims to achieve this goal by continuous improvement in two areas; 1) in converting all earth and rock that touched 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 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.

### 2011

300 thousand tonnes of partially calcined by-product sold, including 142 thousand tonnes of stockpiled material

## Materials Recycling

At the Ecowaste landfill yard waste (grass clippings and tree trimmings) and processed through composting to produce soil that is used for reclamation on site. Continuing a process initiated in 2007, virtually all of the 614,000 cubic meters of nutrient rich leachate water produced at the landfill was collected and treated on site in 2011. 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. Like all companies, Graymont is constrained in terms of time, resources and multiple priorities. However, Graymont does listen to people's expectations, priorities, ideas and concerns and works hard to make the community a better place for everyone.

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

Public policy directed at the mining industry or its customers can sometimes have unexpected and lasting impacts on Graymont's stakeholders. To ensure that Graymont has a reasonable voice in the public arena for policy development the Company has established a Public Affairs office. This function is responsible for monitoring existing and potential federal, state, and provincial legislation and advising the Company's leadership on its potential impacts. This position also represents Graymont in communicating Company concerns to appropriate government agencies.

## 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

- Pleasant Gap, PA employees participating in the annual Spring Creek Clean-up,
- Tacoma, WA employees coordinating bay shoreline clean-up efforts with a local environmental group,
- Pilot Peak, NV employees revitalizing a community cemetery,
- Bedford, QC employees volunteering their time to assisting in flood clean-up efforts,
- Faulkner, MB operations contributing 1000 metric tonnes of limestone fines towards road resurfacing, or

### 2011

\$383,900 (CAN) in community investment

15 Graymont facilities participated in community dialogue meetings

7 Graymont facilities hosted open houses

- Richmond, BC employees planting and harvesting vegetables for the Richmond, BC food bank.

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

We believe the foundation of being a good neighbour is open and honest communication. We want our neighbours to know what we are planning and doing and we want to understand what our neighbours are thinking; about Graymont and about their community.

Building upon this foundation, Graymont endeavours to be proactive in communicating our plans and seeking community input so that issues and ideas can be identified and addressed early. In Quebec, over 250 business and government officials attended an open house at the Bedford operations. Part of the event included a first ever virtual tour of the plant quarry, in which attendees were able to learn about, and see the quarry, without having to physically be in it. At our Joliette plant ongoing and open dialogue with local authorities has created an atmosphere of mutual understanding as the Company looks to expand and improve operations.

### Top five Community Investments - 2011

1. Contribution to local school classroom equipment fund - Marbleton, QC
2. Contribution to Community Volunteer Fire Service - Pleasant Gap, PA
3. Contribution to community heritage arts center - Faulkner, MB
4. Renewable academic scholarships for dependants of Graymont employees
5. Contribution to local hospital healthcare foundation - Exshaw, AB



## Social License Policy Implementation

Graymont has begun a program to further improve how its employees go about working with stakeholders at all of its plants. Armed with this information the employees will work to improve their local culture in such a way that the needs and opinions of stakeholders are taken into consideration by employees as they perform their daily responsibilities and in doing so promotes our efforts to be world class in all that we do. Six plants participated in the initiative, three in Eastern Canada, one in Western Canada, and two in the United States.

## ● Social performance data

KPI		2011	2010	2009	2008	Notes
Number of full time permanent employees	Canada	523	536**	507**	548	As of December 31 of each year.
	United States	586	547**	529**	618	
**Adjusted 03/2012						
Voluntary turnover rate (includes employees who retired)	Total	4.49%	4.55%*	4.40%*	7.08%*	*Corrected in 2011 to exclude Summer Student temporary employee separations.
Composition of Graymont Limited Board of Directors and Officers	Board of Directors	8M 1F	7M 1F	6M 1F	8M 1F	M – male F - female
	Officers	9M 1F	11M 1F	11M 1F	10M 1F	
Reportable incident rate	Canada	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	2.8	2.2	3.0	3.1	
Lost time incident rate	Canada	0.7	0.5	1.4	1.6	Number of incidents that result in lost work days per 200,000 exposure hours.
	United States	1.0	1.6	1.6	2.4	
Fatalities	Canada	0	0	1	0	
	United States	0	0	0	0	
Monetary fines for safety non-compliance	Canada	\$0	\$0	\$1.5	\$0	Thousand CADs
	United States	\$22.5	\$62.0	\$40.1	\$59.7*	Thousand US\$
*Data restated (2008 report data was incomplete)						
Safety audit action items complete by due date	Canada	69%	62%	65%	5%*	* Based on some incomplete data.
	United States	74%	91%	59%	70%*	
Number of days lost to strikes	Canada	0	0	0	0	
	United States	0	0	0	0	
Employees covered by retirement and health benefits	Canada	100%	100%	100%	100%	
	United States	100%	100%	100%	100%	
Employees covered by Employee Assistance Program	Canada	100%	100%	100%	100%	
	United States	100%	100%	100%	100%	
Community investment	Canada	\$208	\$200	\$207	\$173	Thousand CADs
	United States	\$179	\$130	\$95	\$123	Thousand US\$

## ● Environmental performance data

KPI		2011	2010	2009	2008	Notes
Energy use	Canada	7.2	6.2	5.8	6.9	Petajoules. Total energy use at facilities including combusted energy and electricity.
	United States	17.5	15.4	14.6	17.6	
Direct greenhouse gas emissions	Canada	1.3	1.3	1.2	1.4	Million tonnes CO <sub>2</sub> e. Lime production facilities only.
	United States	3.5	3.1	2.9	3.3	
Production carbon intensity	Canada	1.28	1.30	1.28	1.33	Tonnes CO <sub>2</sub> e per tonne lime. Lime production only.  (2004 intensity was 1.31 in Canada and 1.43 in the U.S.)
	United States	1.38	1.35	1.34	1.31	
NO <sub>x</sub> emissions	Canada	2.3	2.7	2.6	2.7*	Thousand tonnes. Lime production only. NPRI data.  (2004 emissions were 2.2 in Canada and 4.3 in the U.S.)  *Data restated (2008 report data was incorrect)
	United States	4.1	3.9	3.4	3.5	
SO <sub>x</sub> emissions	Canada	1.6	1.7	0.9	1.6	Thousand tonnes. Lime production only. NPRI data.  (2004 emissions were 1.6 in Canada and 3.6 in the U.S.)
	United States	1.5	1.5	1.5	2.8	
Monetary fines for environmental non-compliance	Canada	\$0	\$0	\$0	\$0	Thousand CAD\$
	United States	\$17	\$21	\$0	\$0	
Emission exceedance events	Canada	62	32	4	11	Number of exceedance events. An exceedance event can be an emission exceedance for as short as 6 minutes.
	United States	445	898	898	1956	
Environmental audit action items complete by due date	Canada	71%	73%	36%	0%*	* Based on some incomplete data.
	United States	68%	74%	30%	3%*	
Total cumulative land area disturbed	Canada	716	702*	711	672	Hectares. Includes limestone and stone quarries but excludes plant sites.  *Data restated. 2010 data was incorrect.
	United States	822	810*	810	814	
Land area reclaimed	Canada	2	3	1	1	Hectares. Includes limestone and stone quarries but excludes plant sites.
	United States	10	16	16	25	
Partially calcined by-products produced and sold (in the same year)	Canada	18	11	8	8	Thousand tonnes.
	United States	140	145	135	134	



## ● Economic performance data

KPI		2011	2010	2009	2008	Notes
Sales	Lime	3.5	3.3	3.1	3.5	Million tonnes
	Stone	6.7	5.9*	4.7	5.5	Million tonnes
	Asphalt	0.3	0.3	0.4	0.4	Million tonnes
	Ready Mix	0.1	0.1	0.1	0.2	Million cubic metres
	Landfill intake	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	\$58.4	\$55.0	\$56.6	\$51.0*	Million CAD\$
	United States	\$62.0	\$59.0	\$54.0	\$56.2*	Million US\$
						*Data restated (2008 report data was incorrect)
Financial assistance received from government	Canada	\$1.3	\$0.7	\$0.1	\$0.9	Million CAD\$
	United States	\$0.3	\$2.5	\$0.4	\$1.0	Million US\$
Expenditure on research and development	Total	\$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.

**CO<sub>2</sub>e** 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.

**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<sub>x</sub>** oxides of nitrogen which are a by-product of combustion.

**NPRI** national pollutant release inventory – Canada.

**Petajoules** 10<sup>15</sup> 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<sub>x</sub>** 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: