



ENVIRONMENTAL, SOCIAL AND GOVERNANCE

# SUSTAINABILITY REPORT

2023



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# ACRONYMS & ABBREVIATIONS

<b>CEO:</b>	Chief Executive Officer
<b>CFO:</b>	Chief Financial Officer
<b>DFI:</b>	Development Finance Institution
<b>EPC:</b>	Engineering, Procurement & Construction
<b>GDP:</b>	Gross Domestic Product
<b>GHG:</b>	Greenhouse Gas
<b>GRI:</b>	Global Reporting Initiative
<b>HV:</b>	High Voltage
<b>IFC:</b>	International Finance Corporation
<b>ILO:</b>	International Labour Organization
<b>LCA:</b>	Life Cycle Assessment
<b>LV:</b>	Low Voltage
<b>MV:</b>	Medium Voltage
<b>MUSD:</b>	Million US Dollars
<b>NDC:</b>	Nationally Determined Contribution
<b>OECD:</b>	Organization for Economic Co-operation & Development
<b>SDG:</b>	Sustainable Development Goal
<b>TCO<sub>2e</sub>:</b>	Tons of CO <sub>2</sub> equivalent
<b>TRIR:</b>	Total Recordable Injury Rate

# “TO BRING ENERGY IS TO BRING LIFE”

Sami SOUGHAYAR, Matelec CEO

I’m pleased to present Matelec’s second Sustainability Report, marking another key milestone in our pursuit of a more resilient, equitable, and sustainable future. This report highlights our efforts to protect the economy, environment, and human rights across all facets of our operations and partnerships.

Over the years, we have consistently overcome various challenges and disruptions, and this proven track record is something our customers can rely on to further strengthen the trust they already have in us.

**At Matelec, we believe that bringing energy is to bring life. We are dedicated to making a positive impact on the lives of our stakeholders while creating business value.** Our sustainability strategy aligns with the United Nations Sustainable Development Goals (SDGs), with a strong focus on three key goals:

Goal 7: Affordable and Clean Energy

Goal 9: Industry, Innovation, and Infrastructure

Goal 11: Sustainable Cities and Communities

Additionally, our actions support a total of 15 SDGs, embedding sustainability throughout our strategy.

We have defined short- and medium-term goals that integrate sustainability into all business facets. Our priorities include:

- Strengthening governance structures and transparency.
- Focusing on renewable energy and energy efficiency to reduce our carbon footprint.
- Promoting responsible consumption, sustainable sourcing, and waste reduction.
- Ensuring employee development, fair wages, and a safe workplace.
- Engaging with local communities for sustainable development.

Our long-term strategy aims to build a sustainable, inclusive economy. We are dedicated to collaborating with stakeholders to address social challenges, partnering with like-minded organizations, and supporting policies that promote resilience in both our workforce and business model.

**We take accountability seriously, offering a detailed analysis of our performance in line with international reporting standards. Sustainability is not just an option; it’s our shared responsibility. This report marks the beginning of our ongoing commitment to a sustainable future, contributing to a more resilient and inclusive economy for generations to come.**

Sincerely,

*Sami Soughayar*



# ABOUT MATELEC

Matelec SAL is a privately-owned company, founded in 1974 as a manufacturer of distribution transformers. Within our first decade, we expanded our product mix to include switchgear, package substations, and control and protection systems. During that time we also launched our engineering and contracting activities through the realization of complex high, medium and low voltage (HV, MV and LV) projects<sup>1</sup>. We have grown to become a high-quality manufacturer of electrical equipment and an important contractor building power infrastructure across Europe, Africa and the Middle East. Our mission is to empower communities to grow sustainably through reliable, innovative and sustainable energy solutions.

**Matelec consists of two main divisions:**

- The Industrial Manufacturing Division manufactures a wide array of standard and specialized electrical products including distribution transformers, power transformers, switchgear, panel boards, package and mobile substations. Distribution transformer sales represented more than 70% of the Division’s revenues in 2023 (Figure 1).
- The Engineering and Contracting Division undertakes the engineering, procurement and construction (EPC) of power infrastructure projects such as thermal power plants and HV/MV substations. We partner with some of the biggest names in the energy industry to provide top quality EPC services to our customers. These turn-key projects are often financed by international development

finance institutions (DFIs) including the World Bank, African Development Bank and Japan International Cooperation Agency. Recent and current projects have been in countries across the Middle East and Africa.

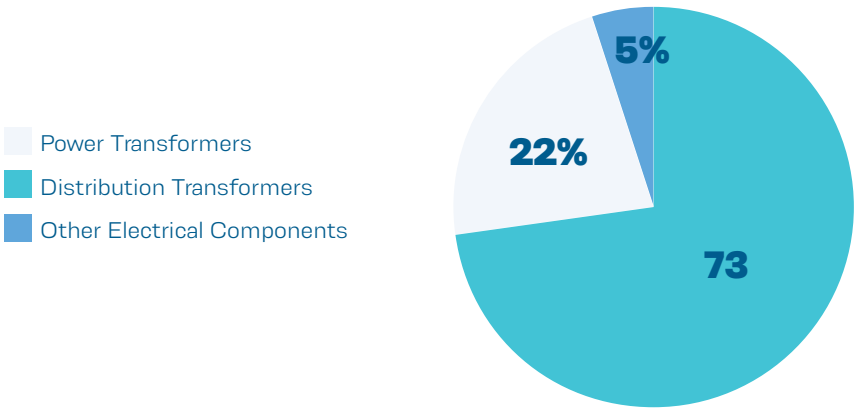
To optimize our operations we have centralized activities such as marketing, design, engineering and procurement at our headquarters in Amchit, Lebanon. Our headquarters cover an area of 215,000 m2 including 55,000 m2 of offices, warehouses and workshops.

Our manufacturing activities are backed by a network of factories deployed in Lebanon, Jordan, Egypt, France and Algeria, each dedicated to the service of their regional markets. We also maintain satellite offices in other key markets for the purpose of project management and business development.

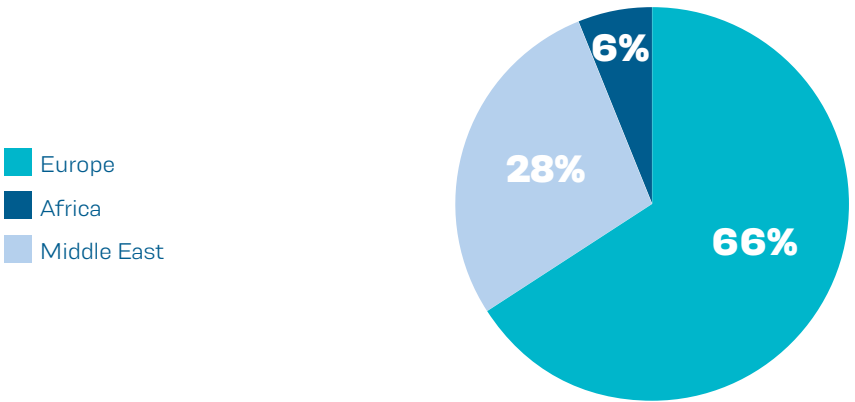
Our products are all fully designed in-house and certified by highly respected independent testing laboratories such as KEMA, CESI and EDF. We pride ourselves on providing high-quality affordable solutions to our clients in Europe, the Middle East and Africa.

Our customers include public utilities and private sector companies, although the public sector represented more than 80% of our transformer sales in 2023. Europe represents over 60% of transformer sales (Figure 2).

In 2023, our production increased considerably compared to 2022. Our distribution transformer output in terms of MVA manufactured increased by more than 40% while our power transformer output more than doubled.



**Figure 1:** Industrial Manufacturing Division revenue, by activity, 2023<sup>2</sup>



**Figure 2:** Industrial Manufacturing Division revenues, by geographical area 2023

<sup>1</sup> According to the International Standard Industrial Classification of All Economic Activities (Revision 4).




















<sup>2</sup> To better reflect the split of revenue by division, the distribution attributes interdivision sales of transformers to the Industrial Manufacturing Division. The figures may therefore differ from audited accounts.

Matelec has **596** employees of which about **70%** operate in our manufacturing facilities, while the remaining **30%** make up head office staff (Engineering, Sales, Business Development and Support Functions). Almost all employees, except one, were working full-time in 2023.

Our team of highly skilled engineers ensures that our civil, mechanical and electrical designs are in line with international standards. We have teams of experts on the ground who are highly trained to implement and execute these designs even in the most challenging on-site conditions.

*We take pride in our after-sales services: We stand ready to step in within 24 hours when called upon.*

Table 1: Characteristics of our workforce, 2023

<div></div> <div>WOMEN</div> <div>90</div> <div>TOTAL STAFF</div>	<div></div> <div>39</div> <div>MANUFACTURING FACILITY</div>	<div></div> <div>89</div> <div>FULL TIME</div>	<div></div> <div>1</div> <div>PART TIME</div>
	<div></div> <div>51</div> <div>HEAD OFFICE</div>	<div></div> <div>87</div> <div>PERMANENT</div>	<div></div> <div>3</div> <div>TEMPORARY</div>
<div></div> <div>MEN</div> <div>506</div> <div>TOTAL STAFF</div>	<div></div> <div>380</div> <div>MANUFACTURING FACILITY</div>	<div></div> <div>506</div> <div>FULL TIME</div>	<div></div> <div>0</div> <div>PART TIME</div>
	<div></div> <div>126</div> <div>HEAD OFFICE</div>	<div></div> <div>435</div> <div>PERMANENT</div>	<div></div> <div>70</div> <div>TEMPORARY</div>
<div></div> <div>TOTAL STAFF</div> <div>596</div>	<div>MANUFACTURING FACILITY</div> <div></div> <div>418</div>	<div></div> <div>FULL TIME</div> <div>595</div>	<div></div> <div>PART TIME</div> <div>1</div>
	<div>HEAD OFFICE</div> <div></div> <div>177</div>	<div>PERMANENT</div> <div>522</div>	<div>TEMPORARY</div> <div>73</div>

# OUR VALUES

Every day, we bring value to the customers and communities we serve by providing affordable energy solutions. Our values define our beliefs and our behaviors are consistent across the globe:

AGILITY	EXCELLENCE	INNOVATION	RESPONSIBILITY
In today’s dynamic and rapidly changing environment, adaptability, flexibility and a proactive approach are at the heart of success. We are agile in our approach, ready to embrace new technologies and proactive in anticipating and meeting the evolving needs of our customers.	We are committed to consistently delivering high-quality products and services, setting and achieving the highest standards of performance, and continuously striving for improvement in all aspects of our business. From design to manufacturing, our rigorous processes adhere to the highest industry standards.	We embrace innovation as a core value that propels us into the future of energy. We recognize that being a market leader requires commitment to creative thinking and exploration of new technologies. We continuously innovate and adapt our working processes, our products and our services. We foster a culture that encourages people to explore new ideas, embrace emerging technologies and find innovative solutions to challenges.	Responsibility is at the core of our identity. We recognize the impact of our actions, and we are dedicated to conducting our business with high ethical standards, with the environment in mind and with a strong sense of social responsibility. By integrating sustainable practices into our working process, we not only contribute to a better future but also meet the growing demand for products that contribute to a sustainable future.

# ABOUT THIS REPORT



Matelec's rooftops covered with 800 kW solar panel facility contribute approximately 13% of our total energy requirements

We have developed this sustainability report with reference to the **Global Reporting Initiative (GRI) Standards** for the period from **1 January to 31 December 2023**.

Every year, we will update external stakeholders on our progress against our sustainability targets and activities. This report covers our **head office operations** and **manufacturing facilities** in Lebanon, excluding subsidiaries, which together represent **86%** of our consolidated revenue reported in our consolidated financial statements. The sustainability indicators also include the engineering and contracting projects underway in 2023: Niger, Mali, and

Iraq, which each have their own site-specific sustainability management planning.

The report has been reviewed by our Board of Directors, the highest governance body. We have obtained third-party assurance for our product carbon footprints, and plan to do the same for our organization's emissions in the coming year to meet the needs of our stakeholders.

*Any questions or comments about this sustainability report or our approach to sustainability can be directed to [sustainability@matelec.com](mailto:sustainability@matelec.com)*

# **OUR COMMITMENT TO SUSTAINABILITY**

We have taken a structured approach to integrating **Environmental, Social** and **Governance** (ESG) factors across the company. This involves understanding our **sustainability context**, **mapping our stakeholders** and **engagement**, **analyzing** and **prioritizing** the most important areas of concern, defining our goals and objectives, developing an operational roadmap, and monitoring and reporting our progress (Figure 3).

We are committed to continuously managing and measuring our performance on all relevant aspects and increasing the integration of sustainability into our corporate strategy.



Figure 3: Our sustainability strategy & reporting process



**Matelec Power Transformers, prepared for shipping, await departure at the Beirut port a few days after the devastating blast of August 4th, 2020. In the backdrop, the remnants of the destroyed silos stand as a powerful symbol of Lebanese resilience.**

# Our Context: Business Continuity & Resiliency

For the past few years, Lebanon has been in the throes of a multifaceted and complex crisis, one of the most profound of its history. The unfolding economic and financial crisis which began in 2019 has been exacerbated by the global COVID-19 pandemic and the massive explosion at the Port of Beirut in August 2020.

Following a cumulative four-year contraction of gross domestic product (GDP) of 37.2% between 2018 and 2021, real GDP is estimated to have declined by a further 2.6% in 2022. As government revenues dropped, public spending was slashed to a record low of 5.7% of GDP in 2022, one of the lowest rates globally<sup>3</sup>. As a result, access to public services such as health and education have been severely curtailed. Power outages have spread, with electricity supplied for barely a few hours per day. Against this backdrop, the Lebanese pound continues to depreciate sharply. By the end of 2023, the currency had lost more than 90% of its pre-crisis value. Inflation has soared, and unemployment has risen and in this context, many are leaving the country in search of better opportunities abroad.

Lebanon also faces its set of environmental challenges. According to Lebanon's 4<sup>th</sup> National Communication on Climate Change, the mean temperature in Lebanon increased by 1.6°C between 1950 and 2020, with the last three decades seeing the greatest increases. Recent meteorological events have underlined Lebanon's vulnerability to climate change: significant changes in rainfall patterns, heavy rains and floods, and increased risks of drought and forest fires. Lebanon's renewable water resources

have now fallen below 1000 m<sup>3</sup>/capita/year, the threshold which defines water stress. Waste management is also a major concern in Lebanon as the country struggles with inadequate waste collection, insufficient waste treatment infrastructure and mismanagement of its existing landfills. Still, environmental awareness is growing and recycling facilities have been increasing across the country.

Despite the challenges faced, Matelec has demonstrated unwavering strength. The numerous crises that Lebanon has navigated over the past decades have played a pivotal role in shaping our resilience and fortifying our ability to sustain business operations even in the face of adversity. Regular assessments of potential risks to our operations, coupled with the development of robust contingency plans, underscore our commitment to ensuring business continuity amidst political and economic uncertainties. Our country's challenges have triggered an acute sense of awareness of the role we have in ensuring responsible business conduct in a way that preserves our planet's resources and our people.

We take pride in consistently exceeding the expectations of our stakeholders despite prevailing odds. Our dedication to enhancing the resilience of our business model remains steadfast. It is our duty to implement measures that safeguard our business operations, positioning ourselves as a steadfast pillar supporting the Lebanese economy through turbulent times.

<sup>3</sup> World Bank (2023), Lebanon Economic Monitor, Spring 2023.

## ENGAGING WITH STAKEHOLDERS

*At Matelec, we recognize that we cannot pursue sustainability goals in isolation.*

As part of our commitment to transparency and responsible corporate practices, we actively engage with our stakeholders to identify the actual and potential impact of our business and determine how best to prevent and mitigate negative effects. We follow a thorough stakeholder engagement process that enables us to effectively identify, prioritize and respond to their diverse needs and interests.



Transformers installed for the ENEL group at the Carpi substation will support renewable energy generation

# IDENTIFYING STAKEHOLDERS

Understanding who our key stakeholders are is essential to building meaningful relationships and fostering collaboration. To identify them, we undertook a comprehensive mapping exercise, leveraging our contextual analysis of the environment and social conditions in which we operate in. We considered both internal and external groups, directly or indirectly affected by our operations and products.

## Customers



We hold constant dialogue with our customers to fulfill their expectations on sustainability and responsible operations.

## Suppliers



Our product is the result of our suppliers. We foster a culture of partnership to encourage sustainability across our value chain.

## Employees



Employees are our most valuable asset. They make our company and the values we stand up for. We encourage open dialogue to foster a corporate culture that values transparency and personal development.

## Financial Institutions



Our financial partners make our projects happen. We nurture dialogue and transparency about the impact of our projects on communities and the planet to ensure responsible investment.

## Local Communities



We consider ourselves a strong employer and responsible towards the communities in which we operate. We integrate into community life and support local authorities in the development of their regions.

## Nature



We don't own our planet; we borrow it from the next generation. It is our responsibility to ensure our operations do not adversely impact the environment on which we all depend.



Our yearly team-building event nurtures our collaborative company culture.

## ENGAGEMENT APPROACH

Our stakeholder engagement approach adheres to the GRI’s principles of inclusivity, responsiveness and sustainability context. We ensure that our engagement processes are inclusive, providing opportunities for stakeholders from various backgrounds and perspectives to participate in dialogue. We respond to their concerns and feedback in a transparent and timely manner, acknowledging their contribution to shaping our sustainability strategy. Finally, we frame our engagements within the broader context of sustainability, recognizing the interdependencies and impacts that go beyond our immediate business operations.

To ensure effective stakeholder engagement, we use a variety of methods tailored to the needs and preferences of different stakeholder groups (Table 2).

These methods include but are not limited to:



### Surveys & Questionnaires

We conduct surveys to gather feedback from our stakeholders on specific sustainability topics, challenges and opportunities.



### One-on-One Meetings

We engage in direct dialogue with key stakeholders, such as financial institutions and community leaders, to understand their unique perspectives and concerns.



### Online Platforms

We maintain online platforms to provide updates, share information and gather input from stakeholders globally.










### Collaborative Projects

We collaborate with stakeholders on joint initiatives aimed at addressing shared sustainability challenges.

We systematically review any feedback received from stakeholders and integrate it into our sustainability strategy, annual goals and reporting processes. This integration allows us to align our actions with their expectations and enhance the positive impacts of our efforts.

We continuously evaluate and refine our engagement activities to strengthen our relationships with stakeholders. We seek feedback on the effectiveness of our engagement methods and adapt them as needs and expectations change.

Table 2: A permanent dialogue with stakeholders

STAKEHOLDERS	TYPE OF COMMUNICATION & DIALOGUE	FREQUENCY
 Shareholders & Board of Directors	<ul style="list-style-type: none"><li>• Board and shareholders meetings</li></ul>	Quarterly
 Employees	<ul style="list-style-type: none"><li>• Regular management processes</li><li>• Training</li><li>• Internal communication</li><li>• Grievance mechanisms</li><li>• Individual interviews</li></ul>	Ongoing
 Customers	<ul style="list-style-type: none"><li>• Individual interviews</li><li>• Responses to tenders and contract requirements</li><li>• Websites</li><li>• Customer complaints</li><li>• Regular business relationships</li></ul>	Ongoing
 Financial Institutions	<ul style="list-style-type: none"><li>• Regular business relationships</li><li>• Websites</li><li>• Meetings and conferences</li><li>• Questionnaires</li></ul>	On a project basis
 Suppliers	<ul style="list-style-type: none"><li>• Regular business relationships</li><li>• Individual interviews</li><li>• Sustainable procurement policy and collaborative projects</li></ul>	Ongoing
 Communities	<ul style="list-style-type: none"><li>• Local sponsorship and engagement activities</li><li>• Dialogue with public authorities and local economic players</li><li>• Reported grievances</li><li>• Media</li></ul>	Ongoing
 Nature	<ul style="list-style-type: none"><li>• Environmental experts or representative organizations</li></ul>	On a project basis

# CONDUCTING OUR MATERIALITY ASSESSMENT

A material sustainability issue is an economic, environmental, or social issue which a company has an impact on or may be impacted by. An issue becomes material if it has the potential to influence the assessments and decisions of stakeholders. Understanding which topics are material is critical if we are to concentrate our reporting efforts on the relevant issues: those that have a direct or indirect impact on our ability to create, maintain or erode economic, environmental and social value for our business, our stakeholders and society at large.

**Understanding our material topics is a three-step process (Figure 4):**



**Figure 4:** Process for determining material topics

# IDENTIFYING ACTUAL & POTENTIAL IMPACTS, RISKS & OPPORTUNITIES

Matelec’s analysis covers the actual and potential impacts, risks and opportunities arising from our activities, business relationships, products and services. Impacts may be negative or positive, short or long-term and reversible or irreversible. We conducted this assessment from a “double materiality” perspective, considering both the financial and the impact materiality of each issue.

• **Financial materiality:**

A sustainability matter is considered material, or significant, from a financial perspective if it triggers or may trigger material financial effects.

• **Impact materiality:**

A sustainability matter is considered material, or significant, from an impact perspective if it affects or has the potential to affect people or the environment, either negatively or positively.

We drew on a range of sources to identify Matelec’s environmental, social and governance-related impacts, risks and opportunities:

- Our understanding of our sustainability context in which Matelec operates.
- Results from the stakeholder engagement actions listed in Table 2.
- International norms and standards, such as the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, the United Nations Sustainable Development Goals and the ILO Core Conventions on Labour Standards.
- Principles of international business networks of which Matelec is a member, such as the United Nations Global Compact
- National and international laws and regulations.
- Sector reporting standards, such as the SASB Standard for the Electrical and Electronical Equipment and Engineering & Construction Services.
- Research of sustainability ratings and rankings.

# ASSESSING THE SIGNIFICANCE OF IMPACTS

This review resulted in a list of potentially relevant sustainability topics which were evaluated in expert workshops and interviews with internal and external stakeholders.

We assessed the significance of the environmental and social impacts using a qualitative and quantitative analysis based on the methodology described in the GRI 3 standards<sup>4</sup>:

- The significance of an actual negative impact was assessed based on its severity, a function of its scale, scope and irreversibility. An additional parameter, the likelihood of occurrence, was factored in for the assessment of potential negative impacts.

- The significance of an actual positive impact was assessed based on its scale and scope. An additional parameter, the likelihood of occurrence, was factored in for the assessment of potential positive impacts.
- Financial risks and opportunities were assessed based on the magnitude of the actual or potential financial impact and the likelihood of occurrence.
- Both financial and impact materiality were rated on a scale of 1 (least material) to 5 (most material).
- Figure 7 and Figure 10 below describe in more detail the environmental and social impacts, risks and opportunities related to our operations.

<sup>4</sup> GRI Standards (English Language).

# PRIORITIZING IMPACTS

Our materiality assessment, developed in 2022, found ten material topics which exceeded our threshold for prioritization on either financial or impact materiality (Figure 5). These can be divided into governance (governance and business ethics), social (social benefits and inclusion, health and safety, community impacts, and professional development) and environmental issues (energy consumption, emissions and the circular economy).

We review and update our materiality assessment each year and results are presented to the Board of Directors for approval. In 2023, there were no significant changes to our material impacts, risks and opportunities compared to 2022.

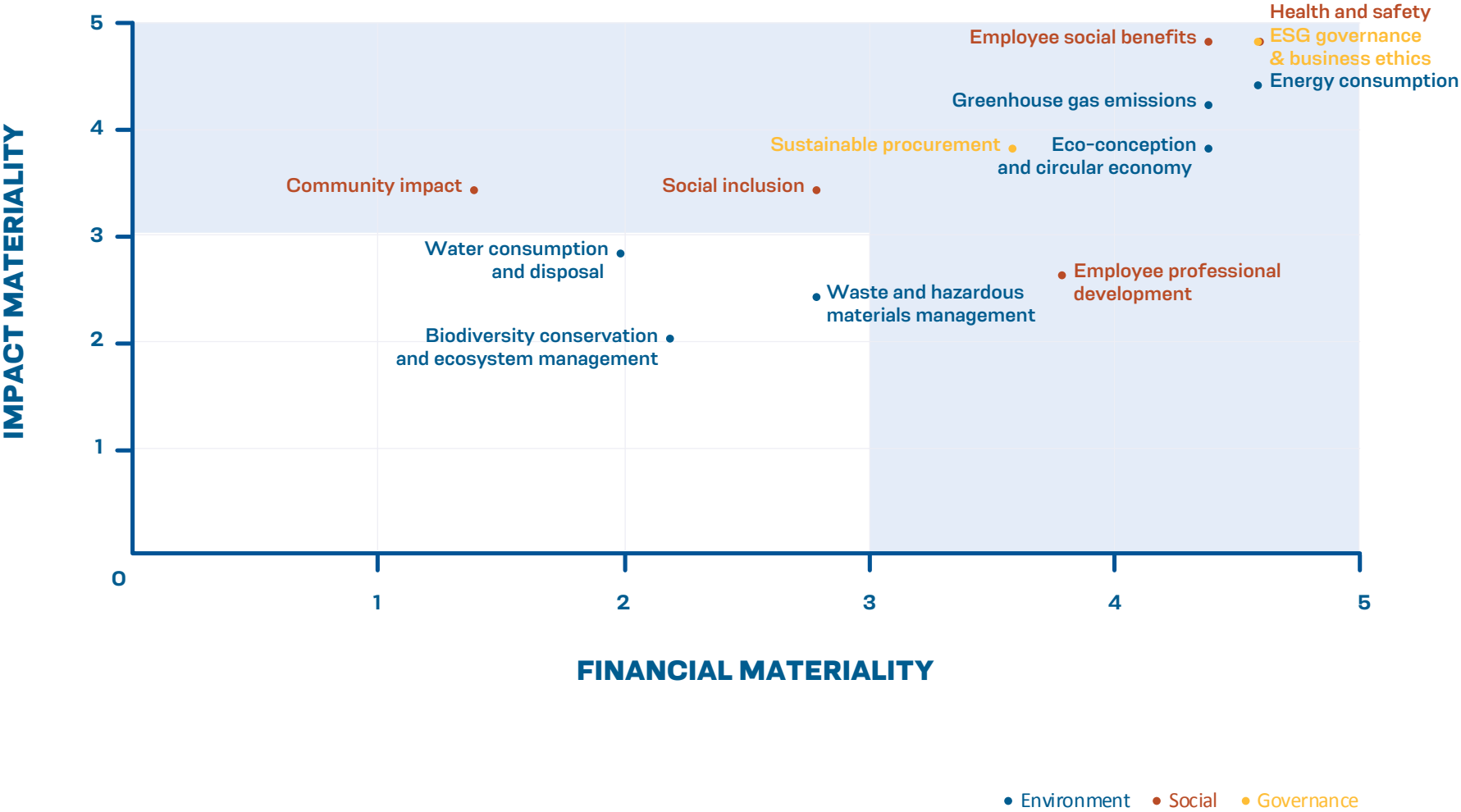


Figure 5: Materiality matrix

# OUR STRATEGY FOR SUSTAINABILITY






















Our commitment to sustainability is deeply rooted in our aspiration to foster sustainable development, promote a more equitable and inclusive society, and improve the accessibility of affordable and clean energy.

We have made a firm commitment to the United Nations’ Sustainable Development Goals (SDGs), as outlined in Agenda 2030, and believe we share the responsibility for advancing these goals. Our business model actively supports three of the SDGs: Goal 7 (affordable and clean energy), Goal 9 (industry, innovation and infrastructure) and Goal 11 (sustainable cities and communities). Our sustainability strategy is in harmony with and contributes to 15 of the 17 SDGs overall. These goals collectively outline our vision to address the global challenges faced by our planet.

As a result of the materiality analysis, we have identified seven strategic focal points, which together aim to embrace responsible leadership, safeguard the environment, and protect and develop our workforce. To realize these objectives, we have made eight concrete priority commitments, reflecting Matelec’s dedication to make progress in each of these strategic focal points and continue contributing to the United Nations Sustainable Development Goals (Figure 6).

To ensure ongoing relevance and alignment with our sustainability strategy, our objectives will be subject to annual review and updates at the highest level of governance. This commitment underscores our dedication to driving meaningful and impactful change.

Figure 6: Matelec’s sustainability commitments

PILLAR	STRATEGIC FOCUS	PRIORITY COMMITMENTS	MAIN RISK (MATELEC OR ITS SUPPLIERS)	SDG (SUSTAINABLE DEVELOPMENT GOAL)
 <b>LEADING RESPONSIBLY</b>	<b>Promote Ethical Business Conduct</b>	Establish a robust and long- term governance that respects and promotes human rights and ethical business conduct	Business misconduct and lack of transparency	<b>7 AFFORDABLE AND CLEAN ENERGY</b>  <b>8 DECENT WORK AND ECONOMIC GROWTH</b>  <b>10 REDUCED INEQUALITIES</b> 
	<b>Source Responsibly</b>	100% of major suppliers screened on their environmental and social performance and sign the Supplier Code of Conduct by 2026	Business misconduct, environmental and social degradation across our value chain	<b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b>  <b>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</b>  <b>17 PARTNERSHIPS FOR THE GOALS</b> 
 <b>SAFEGUARDING THE ENVIRONMENT</b>	<b>Commit To Mitigating Climate Impact</b>	Reduce operational greenhouse gas emissions by at least 31% by 2030	Climate change	<b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b>  <b>11 SUSTAINABLE CITIES AND COMMUNITIES</b>  <b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b> 
	<b>Develop The Circular Economy</b>	Aim for a zero waste transformer by 2040	Resource optimization and consumption	<b>13 CLIMATE ACTION</b>  <b>14 LIFE BELOW WATER</b>  <b>15 LIFE ON LAND</b> 
		Design and produce a “Green transformer” designed for sustainability	Increased environmental footprint and potential harm to ecosystems	
 <b>PROTECTING &amp; DEVELOPING OUR PEOPLE</b>	<b>Supporting Staff Through Lebanon’s Crises</b>	Adjust our compensation and benefit plans to preserve living wages, access to care and education	Talent attrition and loss of productivity	<b>1 NO POVERTY</b>  <b>3 GOOD HEALTH AND WELL-BEING</b>  <b>4 QUALITY EDUCATION</b> 
	<b>Ensure Health &amp; Safety</b>	Reduce the total recordable injury rate (TRIR) to less than 5 per million hours worked by 2030	Work-related accidents and injuries	<b>5 GENDER EQUALITY</b>  <b>8 DECENT WORK AND ECONOMIC GROWTH</b>  <b>10 REDUCED INEQUALITIES</b> 
	<b>Retain &amp; Develop Talent</b>	Provide at least 20h/year professional development and training opportunities per employee by 2030	Talent attrition and loss of productivity	

# **OUR SUSTAINABILITY PERFORMANCE**



**LEADING RESPONSIBLY**



As part of our commitment to the UN Global Compact, Matelec hosted awareness sessions to foster collective insights and drive action on sustainability initiatives.

## GOVERNING FOR SUSTAINABILITY

Corporate governance is defined as the structures and processes that direct and control corporations. It specifies the rights and responsibilities among the main participants in the corporation, including shareholders, directors and managers—and spells out the rules and procedures for making decisions on corporate affairs.

Corporate governance is the cornerstone of sound sustainability management. Matelec’s organizational and corporate governance model ensures that sustainability measures are taken into consideration at all levels and for all relevant aspects of the company’s operations.

### BOARD OF DIRECTORS

The Board of Directors is Matelec’s highest governance body. The Board has seven members of which six, including the Chairman, are non-executives. Directors are elected for a three-year term, with the current Board elected in 2021.

The Board sets the company strategy and is responsible for overseeing the management of our impact on the economy, environment and people. It oversees the development and approval of our organization’s purpose; value or mission statements; and strategies, policies and goals related to sustainable development. The Board also reviews the adequacy of our internal controls, to strengthen the integrity and credibility of our financial and sustainability reporting.

The Board holds senior management accountable for the implementation of the strategy set at its level.

Four board meetings are held per year and the Board is consulted regularly on key issues. The annual budget and business plan, including any changes, are approved by the Board. General meetings of shareholders are also held to approve key matters as required under the Lebanese Law.

In 2022, the International Finance Corporation conducted an independent review of Matelec’s governance procedures and the Board’s capacity to oversee the management of our strategies, risks and impacts. In response to the recommendations made, we are currently revising the Board and Shareholder Charter. The Board Charter formalizes the Board’s composition and responsibilities by setting out:

- The role of the Board in setting Matelec’s corporate strategy and in holding senior management accountable for its implementation.
- The Board’s responsibility for ensuring that Matelec has appropriate internal controls which are fully implemented.
- The directors’ obligation to comply with relevant laws, including those related to the filing of statutory accounts.
- The structure of the Board, including guidelines on the number of directors, the balance of executive and non-executive directors (including non-executive independent directors), and Board terms.
- Matelec’s expectations of directors, including a requirement for them always to act in the best interests of Matelec, the need for them to be appropriately qualified and an expectation that directors would dedicate an appropriate amount of time to their duties.

SENIOR MANAGEMENT COMMITTEE

The Senior Management Committee is chaired by the company Chief Executive Officer (CEO) and includes the Chief Finance Officer (CFO), the Director of Corporate Operations and the heads of the operating divisions. Its role is to oversee the strategic and operational management as set out by the Board. The Senior Management Committee meets quarterly to discuss the development of the company, business issues or risks that arise, and how best to mitigate them. They engage with relevant stakeholders to identify our impact on the economy, environment and people.

The CEO reports back to the Board annually on the outcome of these processes and how they have been addressed.

The CEO reports any critical concerns about potential and actual negative impacts on stakeholders, or about the company’s business conduct, whether raised through grievance mechanisms or other processes. **No critical concerns were raised in 2023.**

The Senior Management Committee has appointed two internal committees:

- **A Health & Safety Committee** responsible for overseeing and enforcing the safety procedures in Matelec’s factory and manufacturing facilities.
- **A Sustainability Committee** responsible for defining and implementing Matelec’s Sustainability Strategy and minimizing its sustainability-related risks and impacts. The Committee is composed of senior-level staff across all functions of the organization: the two operating divisions, finance, human resources, sales, HQSE (health, quality, safety, environment). This Committee oversees the annual sustainability reporting and supports the board’s review and approval process.

POLICIES & PROCEDURES

Corporate policies help establish clear guidelines and standards for behavior and decision-making within an organization, ensuring consistency and compliance with laws, regulations and the company’s objectives. They also help mitigate risks, promote transparency and create a cohesive corporate culture.

Matelec’s commitments to the environment, its workforce and society are formalized through its policies, which have been approved by the Board of Directors:



Code of Conduct



Supplier Code of Conduct



Human Rights Policy



Environmental Policy



Quality Policy



Health and Safety Policy



Sustainable Procurement Policy

Integrated at the highest level of the organization, these policies apply to our operations and business operations. They are accessible on our website, and regularly communicated by leadership to workers, business partners and other relevant parties during formal and informal meetings, corporate newsletters and contractual arrangements.

We are dedicated to treating all individuals with respect and dignity as defined by the United Nations Guiding Principles on Business and Human Rights, the United Nations Global Compact Principles, the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises and the ILO Core Conventions on Labour Standards.

Matelec does not tolerate conflicts of interests and any such cases are dealt in line with our Code of Conduct. All employees and board members must disclose any potential conflicts of interest and cases are escalated and managed as appropriate to eliminate such conflicts that may undermine our long-term interests.

There are multiple ways to reach us at Matelec, through our customer service team or through direct contact with our employees. We encourage the reporting of concerns and grievances, informing both internal and external stakeholders how they can report issues of non-compliance directly to our senior leadership or confidentially to human resources. We have put in place a dedicated grievance mechanism for our Engineering, Procurement, and Construction (EPC) projects, with a responsible point of contact. Internal staff are encouraged to signal any grievances to their management or to human resources. Our human resources team monitors and tracks the status of each grievance, including how quickly it has been dealt with. Employees are provided with our Code of Conduct and corporate policies when they join us. The Code includes instructions on how to seek advice or report concerns, and grievances.

## SUSTAINABILITY THROUGHOUT THE VALUE CHAIN

At Matelec, we aim to be a trusted partner for our suppliers, customers and end-users. Our suppliers' and partners' capacity for innovation and high standards of product quality and conformity contribute to our growth. As a leader in the production of electrical equipment and engineering solutions and services to public utilities, we also ask that our suppliers meet the highest standards of business ethics and respect for human rights.

To formalize our commitment to driving sustainability across the value chain, we have set up a cross- functional team to develop a Sustainable Procurement Policy, and establish procedures for evaluating the environmental, social and governance performance of our suppliers. We will also take specific steps to ensure compliance with ethical business standards in the supply chain, by making it mandatory for our suppliers to comply with our Supplier Code of Conduct. This Code describes the business conduct we expect of our suppliers in the areas of human rights, working conditions, the environment, health and safety, business ethics, and corruption.

As a valued partner in the supply chain, Matelec aims to help our suppliers, particularly small and medium-sized ones, to adapt to these new procurement requirements and to define and implement sustainable operating practices of their own. In 2024, we will launch an engagement campaign to inform our major suppliers of our new procurement and contractual processes. They will be screened through the new process and will be required to sign our Supplier Code of Conduct. Smaller suppliers will have a longer timeframe to adjust their procedures and comply with the new requirements. We aim to have all major suppliers signed up to our Supplier Code of Conduct and screened for selected environmental and social criteria by 2026.

## PARTICIPATION IN INTERNATIONAL SUSTAINABILITY ASSOCIATIONS

Matelec has joined the United Nations Global Compact and is committed to supporting the 10 Principles of this international and voluntary framework, relating to respect for human rights, international labor standards, the environment and the fight against corruption. We have integrated the United Nations' SDGs for 2030 into our sustainability approach. These objectives are deployed across our core businesses and through actions and initiatives at our head office and operational subsidiaries.

To improve competencies on sustainability matters, our staff have been participating in the major regional accelerators on advancing sustainability issues in a corporate environment, such as the SDG Ambition and Gender Equality. We also share best practices with other regional companies to promote sustainable business conduct in the Middle East.

To ensure all workforce are aware of basic human rights and expected business conduct, Matelec has mandated three training courses delivered by the UN Global Compact for all relevant job functions across the company:

### Module 1:

**ANTI-CORRUPTION:** "Taking Collective Action for Anti-Corruption"

### Module 2:

**GENDER EQUALITY:** "How to be a Male Ally for Gender Equality"

### Module 3:

**HUMAN RIGHTS:** "Translating Human Rights Commitment into Business Practice"

These training courses are progressively deployed across relevant staff functions. In 2023, 14% of relevant staff completed the first module on anti-corruption training. We aim to have 100% of relevant job functions completing this first module by the end of 2024.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

At Matelec, our commitment to corporate social responsibility is deeply rooted in our values, driving us to make a positive impact on the environment and communities we serve. In the past year, we organized a series of CSR events focused on fostering social equity, restoring the environment, and promoting long-term well-being. These events reflect our ongoing dedication to integrating sustainable practices into every facet of our business operations while empowering our employees and stakeholders to contribute to a more sustainable future. Some examples of our activities this past year have been:

- **Reducing the purchase of water bottles:** we have taken steps to reduce plastic waste in our workplace, particularly by addressing the use of single-use water bottles due to their detrimental effects on the environment, including ocean pollution and harm to wildlife. To support this effort, we have provided all employees with reusable water bottles, encouraging them to carry these bottles wherever they go.
- **Restoring our cedars:** During a corporate event, Matelec staff planted cedars and provided financial support to restore Lebanon's beloved tree and symbol.
- **Organizing a clothing drive:** In collaboration with Arc-en-ciel, a local non-profit organisation, we launched a clothes drive campaign to collect unwanted clothing and distribute them to the local communities.
- **Christmas gift giveaway:** We partnered with Berrad El Hay, a local NGO, to organize a Christmas event for 420 children. Matelec prepared Christmas bags filled with sweets and small gifts for distribution during the celebration. Additionally, we provided essential food supplies to support the preparation of daily lunch boxes for the children over a 4 to 5 month period.



# **SAFEGUARDING THE ENVIRONMENT**

**Matelec operates in a context that is conducive to radical changes in the industry.**

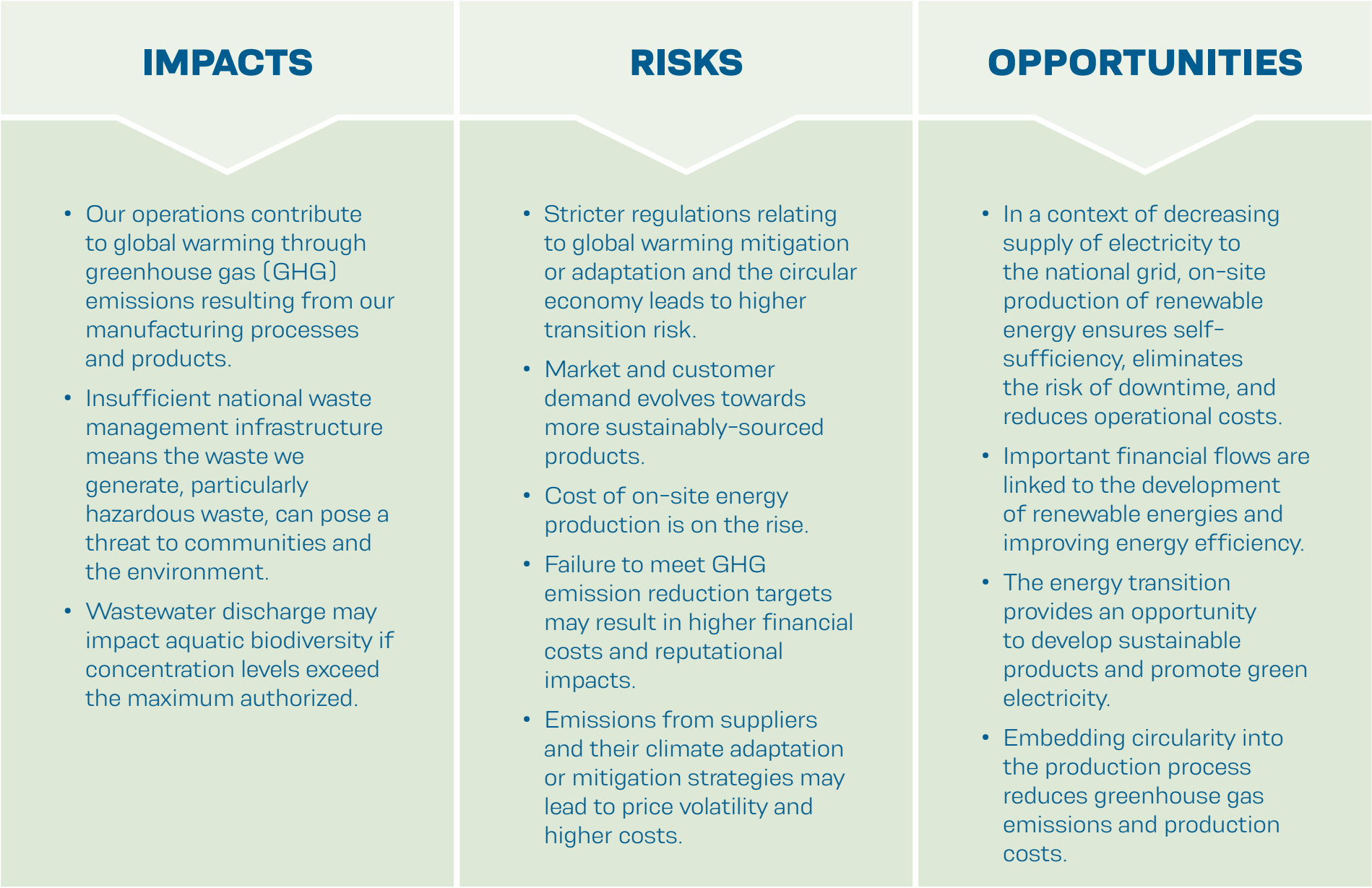
Climate change, the loss of biodiversity and the resulting social issues are major challenges facing humanity.

Our aim is to replace fossil fuels with decarbonized and renewable electrical energy at our head office and factory in Lebanon.

The adoption and promotion of clean energy solutions by governments and businesses is one of the key levers for reducing the impact of climate change. It is also a major opportunity for industry and the building sector to reinvent themselves and, together with operators, devise solutions for decarbonized energy and production.

The transformation of our economic ecosystem is also accelerating, thanks to technological change and innovation at the service of a more sustainable and responsible society. Lebanon’s financial and monetary crisis has accelerated public awareness of the role of businesses in securing the energy transition in a context of decreased public spending.

The rising cost of energy and the worsening of climate change-related events make it even more important and urgent for us to move towards energy self-sufficiency and act to reduce the impact of our activities on the climate and the environment (Figure 7).



**Figure 7:** Environmental impacts, risks & opportunities

Matelec intends to leverage its leadership in the production of electrical equipment, engineering and construction to help reduce the carbon footprint of its value chain. We are well positioned to promote the development of efficient solutions that contribute to the fight against climate change and accelerate the market’s adoption of clean energy solutions, a circular economy and carbon neutrality.

To achieve this goal, we are leveraging our entire portfolio of municipal customers, as well as the world’s leading electrical equipment manufacturers and raw material producers, and

mobilizing our 596 employees across our value chain to accelerate the implementation of our emission reduction program.

Our environmental management system sets the processes and practices that enable us to reduce our environmental impact and increase our operating efficiency. We use certification to international standards (ISO 14001) to set our direction and internal group objectives to ensure our environmental management system produces measurable results.

We conduct life cycle assessments (LCAs) for our distribution

and power transformers to comprehensively evaluate the environmental impact of our products. This enables us to identify areas where our footprint can be minimized. By implementing LCAs, we not only enhance transparency in our interactions with customers and partners but also provide them with valuable insights into the entire life cycle of our products—from raw material extraction to end-of-life disposal. Moreover, we have used this data at the group level to reconsider our production processes and devise changes aimed at reducing our environmental impact and optimizing efficiency.



9001:2015



14001:2015



17025



45001:2018



14067



# Mitigating Greenhouse Gas Emissions

Matelec committed to reduce its operational greenhouse gas emissions by 31% by 2030 compared to 2022 levels.

Operationally, we see this commitment as a journey that starts by reducing energy usage as much as possible, replacing fossil fuels with carbon-free energy, working with our suppliers to address embedded emissions in our supply chain and constantly innovating to reduce the emissions of our products throughout their life cycle.

**In 2023 we calculated our emissions resulting from our operations and value chain along the same principles as our assessment initiated last year.** The calculation of our emissions was conducted in accordance with the Greenhouse Gas Protocol. The calculation covers activities in our Industrial Manufacturing Division and our head office operations.


This year, we have attempted to include the emissions resulting from our contracting projects in the Middle East and Africa. However, we have


faced several data availability issues, particularly regarding the category of purchased goods and services, that hinder the proper interpretation of results. For this reason, the results for head office operations and engineering and contracting projects are displayed separately. The latter must be read and interpreted with caution. Emissions from subsidiaries in Jordan, Egypt, France, or Algeria remain outside the scope of this year's carbon emission calculation. In the coming years, we aim to refine our GHG calculations, by enhancing data availability from our contracting partners involved in our construction projects, and by including emissions from our subsidiaries.


The analysis that follows considers not just our Scope 1 (i.e. our direct emissions) and Scope 2 (indirect emissions from the purchased energy we use) emissions, but also our Scope 3 (indirect emissions from along our entire value chain).

SCOPE 1 & 2:  
PERFORMANCE, OBJECTIVES & ACTION PLAN

Scopes 1 and 2 cover our direct GHG emissions from:

- 

**Buildings**  
*(energy used to heat branches, offices and platforms, refrigerant gas leaks)*
- 

**Electricity**  
*(either purchased to power buildings or the production of renewable electricity on site)*
- 

**Travel by our fleet of vehicles**  
*(cars, trucks, handling equipment)*

Our Scope 1 and 2 emissions from direct and indirect energy sources from our manufacturing facility amounted to approximately 3000 tons of CO<sub>2</sub> equivalent (TCO<sub>2</sub>e), or 0.3% of our total emissions in 2023 (Figure 8 and Table 4). On-site fuel combustion is responsible for the largest share of energy-related emissions, as we have had to generate our own electricity to compensate for the low supply of electricity from the national grid (Figure 9).

Scope 1 and 2 emissions from our three engineering and contracting project sites (Iraq, Niger and Mali) amounted to 770 TCO<sub>2</sub>e or 0.2% of total emissions related to our operations on these sites.

Transitioning to renewable energy presents unique challenges in a country like Lebanon, where less than 5% of national energy production is derived from renewable sources. The effectiveness of on-site solar energy production is hindered by the design capacity of the local grid, which is not equipped to handle excess electricity generated by private solar energy producers.

As a result, private operators must make significant investments in energy storage infrastructure to prevent the energy produced during periods of factory downtime from being wasted.

Despite these challenges, we remain dedicated to harnessing the sun’s energy for the benefit of our business and the planet. In 2021, we successfully implemented an 800kW solar panel facility, contributing approximately 13% of our total energy requirements. To meet our commitment to reducing our operational GHG emissions by 31% by 2030, we are taking further strides in our transition to renewable energy sources. In the next year, we will enhance our solar energy production by increasing the production capacity of our on-site solar energy installation by 2.16MW. The new facility will include 2MWh of energy storage to increase system capacity, absorb demand fluctuations and store the energy produced during factory downtimes. The new facility is expected to be operational in Q1 2025 and will provide 50% of our energy needs.

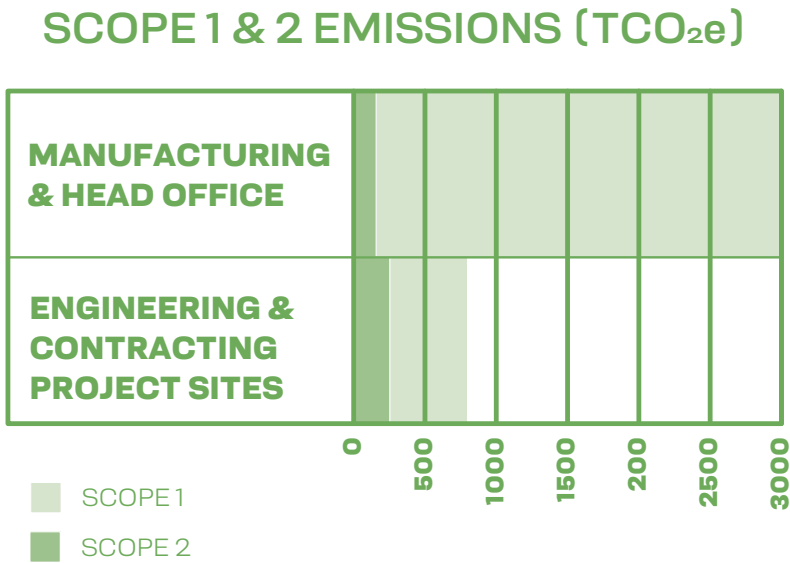




Figure 8: Tracking our emissions across Scopes 1 & 2

SCOPE 3:  
PERFORMANCE, OBJECTIVES & ACTION PLAN

Scope 3 covers two types of indirect emissions:

- 

**Upstream**  
*From purchased goods and services, transport of products from suppliers to our manufacturing facility, commuting and business travel, waste and packaging purchases, and upstream energy production.*
- 

**Downstream**  
*From transport of products to customers, product usage and end-of-life.*

Matelec’s upstream and downstream Scope 3 emissions relating to manufacturing and head office activities account for over 98% of emissions from these activities, or about 1170 KTCO<sub>2</sub>e (Table 4). Purchased goods and services represent the largest share of our upstream emissions. This is primarily due to the emissions generated during the production of primary steel and aluminum. Our downstream Scope 3 emissions largely arise from the energy use of our transformers over their reference service life. The extended lifespan of transformers, with distribution and power transformers typically lasting 25 years, contributes to this high share. The emissions released during this phase reflect the electricity mix prevalent in the country of destination. (Figure 8 and Figure 9).

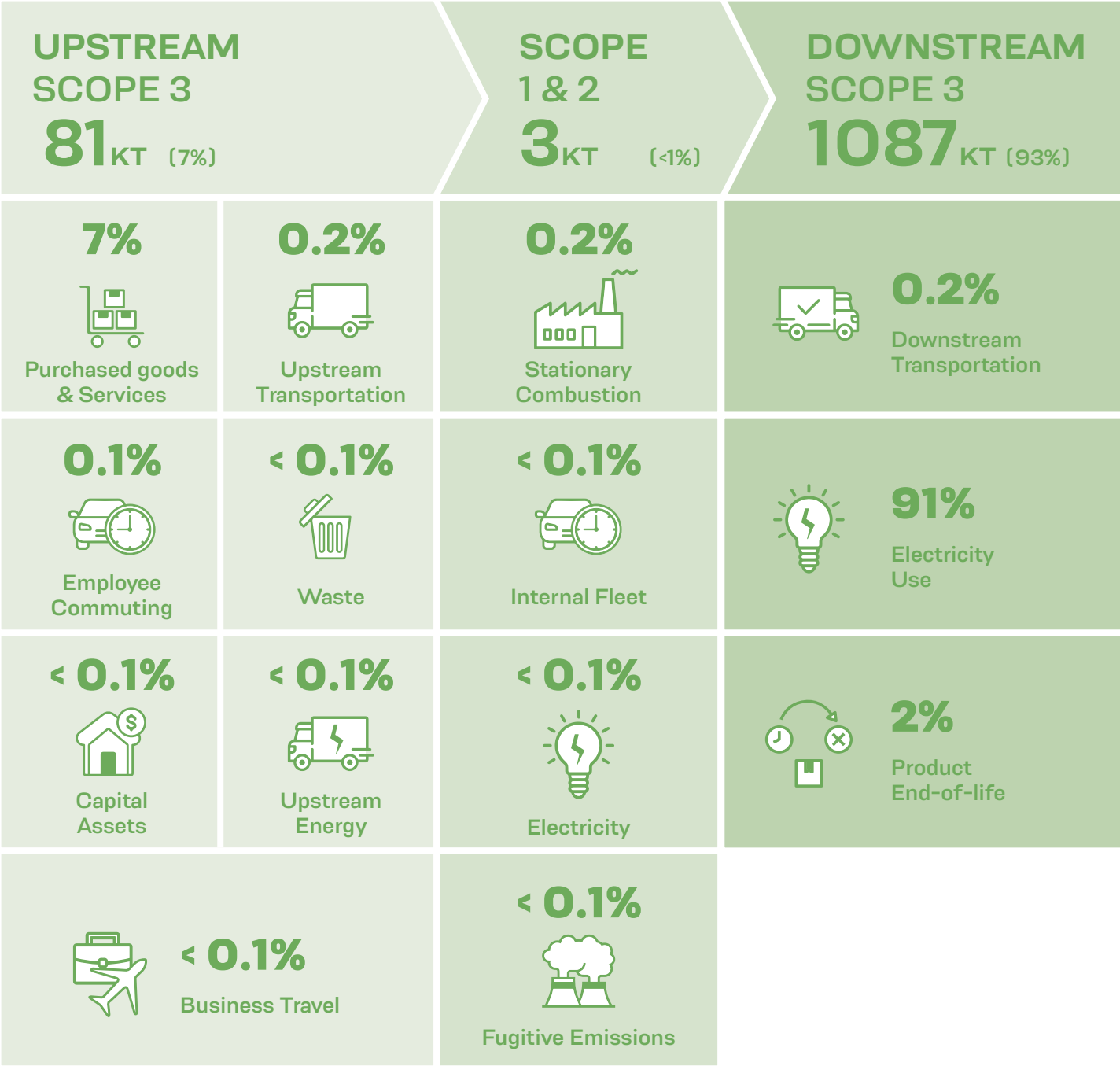


Figure 9: Manufacturing & head office emissions by source, 2023



Scope 3 also represents more than 98% of total emissions from our engineering and contracting project sites. These emissions are primarily driven by goods and services purchased and their upstream transportation to the project sites.

**To reduce our indirect emissions, we have identified the following actions targeting the highest sources of Scope 3 GHG emissions:**

- Reducing the energy consumed during a transformers’ lifetime by designing more efficient transformers and encouraging our customers to opt for energy efficiency in their design requirements.
- Working with suppliers of steel, copper, aluminum and insulating liquids to reduce the emissions associated with their production through the adoption of cleaner production technologies, increasing energy efficiency or encouraging the use of recycled metals. For example, 69% of magnetic steel purchased in 2023 contains 25% of recycled content.

**CARBON INTENSITY**

Operational emissions from manufacturing and head office emissions include all Scope 1 and 2 emissions, Scope 3 upstream emissions, as well as emissions from downstream transportation and end of life. Emissions from use of product are excluded, as this is largely a function of the energy mix in the countries where we distribute our transformers.

While total operational emissions increased between 2022 and 2023 due to the rise in production, our operational emissions per MVA produced have decreased from 33 TCO<sub>2</sub> in 2022 to 23 in 2023. This is mostly result of material efficiency measures implemented across the manufacturing facility.

The carbon intensity on our engineering and project sites has not been calculated due to data quality concerns on scope 3 emissions resulting from these activities.

	Unit	2022	2023	
		Manufacturing & head office	Manufacturing & head office	Engineering & contracting project sites
<b>Scope 1 + 2</b>	TCO <sub>2</sub> e	2,081	2,992	768
Scope 1: Energy, Fleet, Buildings	TCO <sub>2</sub> e	2,008	2,896	635
Scope 2: Purchased electricity	TCO <sub>2</sub> e	73	96	133
<b>Scope 3</b>	TCO <sub>2</sub> e	500,793	1,167,357	39,132
Purchased goods and services	TCO <sub>2</sub> e	73,537	76,397	27,961
Fuel and energy-related activities	TCO <sub>2</sub> e	4	13	107
Upstream transportation and distribution	TCO <sub>2</sub> e	2,164	2,185	10,862
Waste generated in operations	TCO <sub>2</sub> e	111	107	13
Business travel	TCO <sub>2</sub> e	95	179	0.6
Employee commuting	TCO <sub>2</sub> e	2,681	1,620	-
Downstream transportation and distribution	TCO <sub>2</sub> e	1,666	2,073	N/A
Use of sold products	TCO <sub>2</sub> e	411,651	1,063,127	-
End-of-life treatment of sold products	TCO <sub>2</sub> e	8,882	21,657	-
<b>Total Scope 1 + 2 + 3</b>	TCO <sub>2</sub> e	502,874	1,170,350	39,710
<b>Total operational emissions</b>	TCO <sub>2</sub> e	90,089	107,223	-
<b>Total GHG emission intensity</b>	TCO <sub>2</sub> e / MVA	182	254	-
<b>Operational GHG emission intensity</b>	TCO <sub>2</sub> e / MVA	33	23	-
<b>Energy consumption within the organization</b>	KWh	6,111,396	6,929,744	-
From non-renewable sources	KWh	5,348,449	6,110,171	-
From renewable sources	KWh	762,947	819,573	-
<b>Energy intensity</b>	KWh / MUSD revenue	33	33	-
<b>Reduction in energy consumption as a result of reduction initiatives</b>	KWh	762,947	819,573	-

Table 3: Climate & Energy-related disclosure



# Reducing Waste

Valuable materials are used in the production of our transformers.

As a result, we have entrenched the reuse of materials (circularity) throughout the organization, from the engineers who design our products, to our factories manufacturing them, to our suppliers across our value chain. Our ultimate ambition is to create zero-waste transformers. Reducing waste going to landfill is particularly

important in Lebanon where, as noted above, waste management is widely inadequate.

Two main drivers will reduce the quantity of solid waste going to landfill:

- 1 - Diverting factory waste from landfill.
- 2 - Enhancing the recyclability of our products.

**DIVERTING FACTORY WASTE FROM LANDFILL**

The largest categories of waste by weight coming from our operations are magnetic steel, aluminum, wood, plastic, paper and cardboard. We work with local partners for the collection and recycling of these waste types. More than 90% of total waste originating from our manufacturing facilities or head office was distributed to local recycling facilities in 2023, of which 100% of the waste steel, cardboard, nylon, plastic and wood (Table 4).

Matelec has a longstanding policy of eliminating the use of hazardous substances from our manufacturing process. Less than 1% of our generated waste is classified as hazardous (Table 4). We have put specific measures in place for the disposal of paint waste, the only harmful substance we produce, which is sent to a designated facility in Hbaline, Lebanon.

In 2023, we have improved our ability to collect primary data on the quantity of waste generated from our plants. However, collecting precise data from hazardous waste from our painting facility remains a challenge. We will continue investing in data availability and monitoring in 2024 so we can continue to measure the effects of our waste mitigation initiatives as we aim for greater material efficiency.

**IMPROVING RECYCLABILITY**

Matelec’s transformers are built to last at least 25 to 30 years. At the end of its life, a transformer must be drained, prepared for transport off-site and then dismantled. During dismantling, more than 90% of materials are collected and sent for recycling. Waste management processes vary according to where the dismantling takes place. However, the recommended recycling actions are generally the same for the four main materials constituting the transformer: steel, copper, cellulose and insulating liquid.

**PRESERVING WATER RESOURCES**

Water is a valuable resource, and we are keen to protect our water resources and reduce our consumption. We record our annual consumption of water in our manufacturing plant and in our offices.

In 2023, we withdrew approximately 48,000 m³ of water from the public supply to use in our manufacturing processes and for sanitary and kitchen use (Table 4). About two-thirds of the water is used for rinsing at the production plant’s painting station. The remaining water is consumed in sanitary and kitchen facilities.

We protect our natural water resources by treating and reusing our wastewater effluent as much as possible. An on-site water treatment facility treats process water that is recirculated for reuse. The effluent from our painting station is treated in this facility and reused in a closed loop circuit.



Matelec’s skilled artists repurpose discarded materials to create stunning artistic pieces. Here is our Christmas Tree, crafted entirely from factory waste material, embodying our commitment to sustainability and creativity.



Matelec's Green distribution transformer.

# Eco-designing our Future

In 2022, we launched the design of a Green and a SMART Green transformer that reduces the environmental impact of production, use and end of life; enhances the safety of users; and supports the energy transition to cleaner sources. We have committed to systematically offering our Green transformer as a viable alternative to traditional transformers when responding to customer requests for proposals, and our SMART Green transformer for operators needing to adapt to grid fluctuations.

## MATELEC'S GREEN TRANSFORMER HAS THE FOLLOWING PROPERTIES:

### ESTER-FILLED:

**Ester oil is a fluid of choice due to its high insulation capacity, lower inflammability and high biodegradability.**

Replacing mineral oil conventionally used for transformer insulation and cooling fluid with a natural ester brings several safety and environmental benefits:

- The higher fire and flash points of ester oil minimize the risk of fire hazards.
- Natural esters are biodegradable, reducing the probability of soil degradation and contamination in the event of leaks.
- These two properties reduce the need for fire safety and spill containment, cutting down the cost of civil works and operational maintenance.
- The higher flash point of ester oils allows the transformer to operate at higher temperature without degrading its life expectancy. As a result, operators may choose to operate at higher grid efficiency for the same lifespan, or benefit from a longer lifespan on the rated load.
- Ester oil is derived from 100% vegetable oil, a renewable resource. Its use enhances the circular design of the transformer by minimizing disposable waste.

SUSTAINABLE SOURCING

We have partnered with our main suppliers to source raw materials more sustainably through the adoption of clean production technologies.

An example is the procurement of steel produced through a technical process where sponge iron replaces a portion of the coking coal in the blast furnace process, reducing emissions by **70%** compared to conventional steel manufacturing processes.

Our SMART Green transformer holds the same environmental benefits as our Green transformer, but with additional functionality to monitor and control the voltage, current and power factor. This allows the transformer to better adapt to fluctuations of the power grid. Such transformers are particularly well suited to intermittent renewable energy sources such as wind or solar: through adjustment of its voltage output, the transformer ensures an efficient flow of energy, improving the overall flexibility and stability of the energy grid.

In 2023, 8% of the distribution transformers we manufactured were filled with ester, synthetic ester, or vegetable oil. Our goal is to increase the production of Green and SMART Green transformers to represent 20% of our total distribution transformer output by 2035. We are committed to collaborating with our clients to promote and highlight the environmental advantages of these products, encouraging a gradual shift towards more sustainable operations.

	Unit	2022	2023
Water withdrawal	m³	43,010	48,335
Total waste generated	T	1,853	2,481
Non-hazardous	T	1,844	2,481
Hazardous	T	8	-
% of waste diverted from disposal & recycled	%	92	95
Waste diverted from disposal & recycled	T	1,700	2,297
Wood	T	224	1,583
Nylon	T	7	56
Paper & Cardboard	T	60	16
Steel	T	1,238	432
Plastic	T	135	92
Copper	T	7.7	5
Aluminum	T	28.7	113
Organic waste directed to disposal (landfill)	T	152	185
Hazardous waste	T	8	-
Non-hazardous waste		143	185
% of recycled input materials to manufacture primary product	%	0	*
Share of Green distribution transformers produced	%	NA	8

\* 57% of steel purchased contains 16.7% of recycled content.  
69% of magnetic steel purchased contains 25% of recycled content

Table 4: Effluents & waste disclosures



**PROTECTING & DEVELOPING  
OUR PEOPLE**

**Our people are the cornerstone of our strong performance.**

The ability to attract and retain talent is key to our success at Matelec. We deploy a comprehensive human resources policy, which is implemented in accordance with current legal provisions.

Analysis of our impacts, risks and opportunities on the social dimension (Figure 10), has identified four strategic human resource priorities for the coming years:

- Preserving our staff’s access to basic needs amidst Lebanon’s turbulent economic context.
- Supporting our people in developing skills and competencies that will increase their resilience to economic shocks and ensure their employability.
- Protecting our staff from work-related injury and ill-health.
- Encouraging a diverse and inclusive workplace where all feel valued and respected.



**Figure 10:** Social impacts, risks & opportunities



# Protecting Compensation & Ensuring Basic Needs

The Lebanese crisis has affected the salaries of a large share of its population. The fall in the Lebanese pound means salaries have depreciated to less than a tenth of their value. Rising unemployment, a depreciating local currency, skyrocketing inflation, and the removal of subsidies for medication and fuel have made it harder for many people to meet their basic needs.

In response to this situation, we began a gradual transition in the currency we use to pay salaries, from Lebanese pounds to US dollars. This strategic move aimed to shield our employees' purchasing power from unpredictable currency fluctuations. By end 2023, 100% of salaries were paid out in US dollars.

The decline in public investment in health and education has also led us to recently re-evaluate our healthcare and benefits package. All our employees benefit from the national health coverage social security plan. However, with Lebanon's financial, economic and political crisis

now in its third year, the capacity of the national social security fund to provide health coverage to its citizens has deteriorated. With medical inflation, the devaluation of the currency and the dollarization of costs, families are at risk of not being able to afford even basic healthcare. To support staff and their families during this time, we have expanded our health coverage to cover 75% of hospital expenses for our employees and their dependents, including spouses, children and parents, that were initially covered under national social security. We also encourage prevention and regular medical check-ups to raise awareness on health issues. For example, this past October, Matelec organized a session on breast cancer to highlight the importance of regular self-examinations and to extend support to the women in our community. For employees with children enrolled in primary and secondary schools, we also provide an educational allowance equivalent to 65% of their tuition fees.

LIVING WAGES

As signatory to the United Nations Global Compact, Matelec is committed to paying a living wage to its employees and external contractual workers.

The living wage is defined as the remuneration enabling each employee to provide for his or her family’s essential needs (food, housing, transport, children’s education, healthcare, etc.) while also providing for unexpected events and buying consumer goods.

Benchmarking salaries against a living wage reference database is even more important in Lebanon, where the national minimum salary has not been adjusted to its full value after the currency devaluation.

Matelec benchmarks its basic gross wage plus any fixed allowances guaranteed to all employees (such as transportation allowance) to the living wage calculated for Lebanon by the Wage Indicator Foundation<sup>5</sup>. The living wage is calculated for a typical family where at least one adult works full-time and the other 3-4 days a week.

The calculation considers the cost of living and specific country circumstances and the work performed during normal hours. The Living Wage is updated monthly, considering the steep rise in the cost of essential goods and services due to Lebanon’s currency crisis.

In 2023, all Matelec employees and external contract workers earned a monthly gross wage including allowances that exceeded the reference living wage calculated by the Wage Indicator Foundation.

5 <https://rawateb.org/lebanon/salary/living-wages>

DEVELOPING TALENT

**At Matelec, our achievements are intrinsically linked to the talents of our workforce. Recognizing the pivotal role of employee commitment and skill enhancement in driving performance, we remain dedicated to the continuing training, support, assessment and evaluation of our employees, fostering a conducive environment for their professional growth.**

We aim to provide all employees with at least 20 hours of training per year. This is a company-wide commitment that applies to all staff working in our factories and headquarters. These hours include both mandatory training and professional development:

- Mandatory training ensures staff minimize risks to the company and to their security and health, while complying with regulations. Such training includes topics such as quality, safety, environment, human rights and proper business conduct.
- Professional development helps staff develop the new skills and competencies they need for their current or future role.

As an employer, we play an important role in helping staff overcome opportunity gaps by offering additional professional training. Until 2021, the main types of development offered were peer support and training. In 2022, we formalized this training into our internal education program. Typical training content offered includes the use of specific software tools, communication, management, organization skills and sustainability. Since we joined the United Nations Global Compact Network, we have also encouraged staff to participate in the Global Compact Academy which offers a range of training on sustainability in the workplace.

We assess employees’ learning and development needs yearly through our annual performance and career development planning (Table 5). In addition to formal training, managers actively explore and promote internal learning resources and cross-departmental knowledge sharing. We assess the performance of factory workers monthly, and they receive regular informal feedback on the quality of their work and opportunities for development.

	Unit	2022	2023
Share of employees & external contract workers earning below the living wage	%	Not available	0
Average hours of formal training per year per employee			
Women	Hours	Not available	10.6
Men	Hours	Not available	14.4
Share of employees that received at least one training in the past year	%	Not available	92
% of employees receiving regular performance & career development	%	100	100
Head office staff	%	100	100
Factory staff	%	100	100

Table 5: Living Wage & Training & Development Disclosures

## ENSURING HEALTH & SAFETY

### HEALTH & SAFETY IN THE WORKPLACE

Matelec is certified **ISO 45001** which ensures a safe workplace for staff and visitors.

The certification process resulted in procedures that ensure we have control over factors that might result in illness, injury and, in extreme cases, death.

In 2023, we started reporting the injury rate for our EPC engineering and contracting projects in addition to the manufacturing facility and head office. For comparability purposes with last year's performance, the injury rate is calculated and presented separately for each of our divisions (Table 6). We have also worked to improve our reporting process to increase comparability and consistency in definitions of injuries and in the calculation of our injury rate.

Our total recordable injury rate decreased by 30% compared to last year while the number of lost days dropped by 25%. We have implemented proactive measures, such as enforcing the use of safety gear and re-evaluating mobility protocols around large machines, which have played a significant role in reducing the number and severity of injuries.

Looking ahead, we are committed to continuing our efforts to reduce our injury numbers to align with best practices in the industry<sup>6</sup> and have committed to reducing our total recordable injury rate (TRIR) to less than 5 per million hours worked by 2030. We believe all injuries are preventable and aim to implement

the following actions to help achieve our safety goals.

- **Setting the tone:** Making safety the #1 priority. Safety in the workplace can sometimes get overlooked. However, when safety deteriorates, product quality and performance usually suffer too. We consider safety to be the highest priority, communicated by the CEO to all staff and it is discussed regularly at meetings and corporate events.
- **Understanding the most common types of injuries:** We have enhanced data reporting on injuries to look for recurring patterns. This has helped us understand potential hazard areas and implement remedial actions to prevent future injuries.
- **Investing in training & maintenance:** Annual training of staff in manual techniques and safety procedures helps remind workers of the dangers they may face by not using equipment properly or wearing protective gear. We have adjusted our training approach to ensure staff are able to identify, report and eliminate hazards and ensure the environment remains safe. All employees, whether they work in the factory or head office, are included in our Health and Safety Standards, and mandatory training. New hires are systematically trained before their first day on the job. Training is refreshed in the event of any major quality

or safety incidents, process change, new equipment or change in the environment. In 2022, we developed health and safety toolbox talks to highlight safety measures before work begins each morning. In 2023, we engaged our entire Matelec workforce to further improve our internal health and safety culture.

- **Creating a culture of safety that focuses on prevention:** Instilling a sense of responsibility and professionalism helps employees be safer. Safety is engineered into work processes, for example, ergonomics, automation of hazardous tasks and the inclusion of production breaks. Signage in the factory reminds workers how to use equipment safely and identify potential hazards. Safety messaging through regular corporate communications helps infuse a culture of safety at all levels. A culture of safety is also instilled through our awareness events. In collaboration with the Lebanese Red Cross, we delivered First Aid training to a group of employees across different departments to enable them to respond adeptly in emergency situations. Following the training, we also provided guidance to all employees regarding our internal First Aid response project, ensuring everyone is informed about on-site emergency procedures set by the QHSE Department

- **Enforcing accountability:** A dedicated safety committee is responsible for implementing key safety procedures on site, identifying potential hazards requiring remedial action, reporting breaches and enforcing compliance. Safety metrics help monitor performance and analyze the characteristics of injuries to identify patterns and set appropriate remedial action. They are reviewed regularly and discussed at managerial level.



<sup>6</sup> A single injury or illness has a much greater effect on incidence rates in small establishments than on larger ones due to the lower number of employees and therefore hours worked. Any analysis must compare injury rates across employers with workforces of similar size doing similar work.

HEALTH & SAFETY OF OUR CUSTOMERS

Our comprehensive approach to quality consistently strengthens our processes, guaranteeing the safety of our products.

Matelec has been certified ISO 9001 since 1996.

Our management systems ensure that we use the process approach to assess all the risks within our internal supply chain and production to satisfy the needs of all our stakeholders, minimize the risk of operator injury and prevent environmental degradation.

Processes such as defining clear quality policies and responsibilities, setting ambitious targets, training our workforce, and monitoring through control sheets, inspections, audits, complaints and key performance indicators all help us achieve our intended results. We also use other methodologies such as Lean and Six Sigma to ensure we resolve problems as they arise and improve processes promptly and efficiently.

Our products are rigorously tested to ensure the safety of operating staff and the environment throughout their lifetime. In 2023, there has not been any recorded incident regarding the health and safety of our products and their users.

	Unit	2022	2023	
		Manufacturing & head office	Manufacturing & head office	Engineering & contracting project sites
Percentage of employees who are not eligible for healthcare benefits either through our undertaking or a government program	%	0	0	0
Total recordable work-related injuries		25	21	12
Total recordable work-related injury rate	Per 1,000,000 hours worked	24.4	17	18
Total lost time work-related injuries <sup>7</sup>		25	21	-
Lost-time work-related injury rate <sup>7</sup>	Per 1,000,000 hours worked	24.4	17	-
Number of fatalities		0	0	0
Number of hours worked	Hours	1,024,751	1,236,290	671,250
Total number of incidents of non-compliance concerning the health & safety of products		0	0	0

Table 6: Health & safety disclosures

<sup>7</sup> A lost-time injury is an injury resulting in more than 24 hours of time off work.

# DIVERSITY & INCLUSION

We are recognized as one of the leading employers in Lebanon and assume a significant responsibility in fostering the growth of the local community.

We also have the potential to act as a catalyst for enhanced social inclusion and overall societal advancement. In pursuit of these goals, Matelec remains committed to the integration of vulnerable population groups such as youth, women and adults with disabilities, while actively creating avenues for apprenticeship opportunities, thus contributing to the holistic development of the community.

Our human rights policy enshrines our commitment to diversity, inclusion and anti-discrimination. The policy sets out our preventive and affirmative actions to ensure fairness in all aspects of employment, including hiring, training, evaluating performance, administering compensation and benefits, and terminating employee contracts. We made significant progress throughout 2023 in helping drive inclusion and diversity awareness at Matelec. One of our main highlights this year was the women’s empowerment event held on March 8th that aimed to highlight the significant contributions of women in our organization. We will continue to develop and be more ambitious in this area in 2024 and beyond.

We have established key metrics to track our reporting on diversity and held a workshop for human resources to drive awareness across the company (Table 7). We have also engaged with the Global Compact Gender Equality Academy and participated in the gender accelerator to advance gender equality in the Middle East region.

	Unit	2022	2023
% of women in the workforce	%	15	15
% of women in the managers	%	27	27
% of employees below the age of 30	%	10	13
% of staff with a disability	%	2.4	2.0

Table 7: Diversity disclosures



Matelec fosters a supportive environment for female workers within its factory. Over 75% of the employees in its assembly workshop are women.

# GRI CORRESPONDENCE TABLES

## **STATEMENT OF USE:**

Matelec SAL has reported with reference to the GRI Standards for the period from January 1<sup>st</sup>, 2023, to December 31<sup>st</sup>, 2023.

## **GRI 1 USED:**

Foundation 2021

# GENERAL DISCLOSURES & MATERIAL

GRI Standard	Disclosure	Location in report
2-1	Organizational details	About Matelec
2-2	Entities included in the organization's sustainability reporting	About this report
2-3	Reporting period, frequency and contact point	About this report
2-4	Restatements of information	Not applicable - this is Matelec's first sustainability report
2-5	External assurance	About this report
2-6	Activities, value chain and other business relationships	Activities: About Matelec Value chain: Sustainability throughout the value chain
2-7	Employees	Protecting and developing our people
2-8	Workers who are not employees	Not applicable
2-9	Governance structure and composition	Governing for sustainability
2-10	Nomination and selection of the highest governance body	Governing for sustainability
2-11	Chair of the highest governing body	Governing for sustainability
2-12	Role of the highest governance body in overseeing the management of impacts	Governing for sustainability
2-13	Delegation of responsibility for managing impacts	Corporate governance
2-14	Role of the highest governance body in sustainability reporting	Corporate governance
2-15	Conflicts of interest	Policies and procedures
2-16	Communication of critical concern	Corporate governance
2-17	Collective knowledge of the highest governance body	Corporate governance
2-18	Evaluation of the performance of the highest governance body	Corporate governance
2-22	Statement on sustainable development strategy	Letter from the CEO to stakeholders
2-23	Policy commitments	Policies and procedures
2-24	Embedding policy commitments	Sustainability throughout the value chain
2-25	Processes to remediate negative impacts	Policies and procedures
2-26	Mechanisms for raising advice and seeking concerns	Policies and procedures sustainable supply chains
2-27	Compliance with laws and regulations	Matelec was not fined for any significant breaches of laws or regulations in the reporting period.
2-28	Membership associations	Participation in international sustainability associations
2-29	Approach to stakeholder engagement	Engaging our stakeholders
2-30	Collective bargaining agreement	Not applicable. There are no collective bargaining agreements in Lebanon.
3-1	Process to determine material topics	Conducting our materiality assessment
3-2	List of material topics	Conducting our materiality assessment
3-3	Management of material topics	In each relevant section

GOVERNANCE  
INDICATORS

GRI	Indicator	Other information	Unit	Value	Location
204-1	Percentage of the procurement budget used on local suppliers	Local suppliers are those based in Lebanon	%	<2	
205-2	Share of individuals in at-risk job categories trained for anti-corruption	Employees	%	14	
205-3	Confirmed incidents of corruption and actions taken		#	0	

ENVIRONMENT  
INDICATORS

GRI	Indicator	Other information	Unit	Value	Location in report
301-1	Materials used by weight	Metals	Tons	12,711	Reducing waste
		Magnetic steel	Tons	6,972	Reducing waste
		Aluminum	Tons	1,407	Reducing waste
		Copper	Tons	385	Reducing waste
		Other metals	Tons	3,947	Reducing waste
		Transformer mineral oil	Tons	3,033	Reducing waste
301-2	Recycled input materials used	% of recycled input materials to manufacture primary product	%	57% of steel purchased contains 16.7% of recycled content.  69% of magnetic steel purchased contains 25% of recycled content	Eco-designing our future
302-1	Energy consumption within the organization	Total fuel consumption	l	726,360	Mitigating greenhouse gas emissions
302-1		Energy consumed from renewable and non-renewable sources	Kwh	6,929,744	Mitigating greenhouse gas emissions
302-3	Energy intensity	Energy used within the organization / Relative to revenue	KWh/M\$	33	Mitigating greenhouse gas emissions
302-4	Reduction of energy consumption	Reductions achieved as a result of energy efficiency initiatives	KWh	819,573	Mitigating greenhouse gas emissions

<b>303-4</b>	Water withdrawal	Total withdrawal	m3	48,335	Reducing waste
<b>303-5</b>	Water discharge	Water discharge	m3	-	Reducing waste
<b>303-6</b>	Water consumption	Total water consumption	m3	-	Reducing waste
<b>305-1</b>	Gross direct (Scope 1) GHG emissions	Operational Control / Manufacturing & Head office	TCO <sub>2</sub> e	2,896	Mitigating greenhouse gas emissions
<b>305-2</b>	Energy indirect (Scope 2) GHG emissions	Operational Control / Manufacturing & Head office / location-based	TCO <sub>2</sub> e	96	Mitigating greenhouse gas emissions
<b>305-3</b>	Other indirect (Scope 3) GHG emissions	Operational Control / Manufacturing & Head office	TCO <sub>2</sub> e	1,167,357	Mitigating greenhouse gas emissions
	Total GHG emissions (Scope 1, 2 & 3)	Operational Control / Manufacturing & Head office	TCO <sub>2</sub> e	1,170,350	Mitigating greenhouse gas emissions
<b>305-4</b>	GHG emissions intensity	Scope 1 + 2 / Relative to revenue Manufacturing & Head office"	TCO <sub>2</sub> e / MUSD	14	Mitigating greenhouse gas emissions
<b>305-5</b>	Reduction of GHG emissions	GHG emissions reduced as a result of reduction initiatives	TCO <sub>2</sub> e	243	Mitigating greenhouse gas emissions
<b>306-3</b>	Waste generated	Total	T	2,481	Reducing waste
		Non-Hazardous	T	2,481	Reducing waste
		Hazardous	T	-	Reducing waste
<b>306-4</b>	Waste diverted from disposal (recycled)	Total	T	2,297	Reducing waste
		Steel	T	1,583	Reducing waste
		Aluminum	T	56	Reducing waste
		Copper	T	16	Reducing waste
		Wood	T	432	Reducing waste
		Paper and cardboard	T	92	Reducing waste
		Nylon	T	5	Reducing waste
		Plastic	T	113	Reducing waste
<b>306-5</b>	Waste directed to disposal	Weight of waste directed to disposal	T	185	Reducing waste
<b>308-1</b>	New supplier screened using environmental criteria	% of new suppliers that were screened using environmental criteria	%	Not applicable	Sustainability throughout the value chain
<b>308-2</b>	Negative environmental impacts in the supply chain and actions taken	# and % of suppliers assessed for environmental impacts, identified as having significant actual or potential negative environmental impacts and corrective action	%	Not applicable	Sustainability throughout the value chain

SOCIAL  
INDICATORS

GRI	Indicator	Other information	Unit	Value	Location in report
403-9	Work-related injuries	Number and rate of recordable work-related injuries	# / 1,000,000 hours worked	17	Health and safety in the workplace
404-1	Average hours of training per year per employee	By gender and employee category	h/year/employee	13.9	Developing talent
404-3	Percentage of employees receiving regular performance and career development reviews	Total	%	100%	Developing talent
		Head office	%	100%	Developing talent
		Factory	%	100%	Developing talent
416-2	Incidents of non-compliance concerning health and safety impacts of products & services	Total number of incidents of non-compliance concerning the health and safety of products	#	0	Health and safety of our customers
405-1	Share of employees in each of the following diversity categories	Women	%	15%	Diversity and inclusion
		< 30	%	13%	Diversity and inclusion
		Adults with a disability	%	2%	Diversity and inclusion
414-1	New supplier screened using social criteria	% of new suppliers that were screened using social criteria	%	Not available	Sustainability throughout the value chain
414-2	Negative social impacts in the supply chain and actions taken	# and % of suppliers assessed for social impacts, identified as having significant actual or potential negative social impacts and corrective action	%	Not available	Sustainability throughout the value chain



From the factory floor, each unit is carefully secured for transport, ensuring safety every step of the way.