



Corporate Social Responsibility and Sustainability Report 2013



Dear Stakeholders,

2013 was a year which set forth even greater challenges still regarding the market in which we operate. It was also a year marked by the compiling of the regularly-scheduled Corporate Social Responsibility and Sustainable Development Report in front of you. In an attempt to reduce the negative effects of growing economic and social crisis, the Company has taken adequate measures through both the responsible behavior of all our employees and timely responses to current requirements, while consistently relying on our distinctive values, which have proven to be reliable guides.

It is evident that the on-going crisis has not discouraged us from taking the decision to, for the fourth consecutive time; present you with the key results of our operations. The basis of this approach is found in the corporate values of the TITAN Group, inseparable from the belief that continuous open communication with the community brings with it mutual trust and understanding, which only serves to confirm the strength of our commitment to Corporate Social Responsibility (CSR). This Report has been created in accordance with the Guidelines of the Global Reporting Initiative, with a GRI G3.1 A+ level and data presented in it has been verified by an independent third party. Additionally, this Report serves as a source of data for the Communication on Progress Document, which will be submitted to the United Nations Global Compact.

We are proud of the fact that in August 2013, the Company became a member of the UN Global Compact; The Corporate Social Responsibility Initiative, which promotes universal ethical principles, under the auspices of the largest international organization. Due to the compliance of our work with the Ten Principles of the Global Compact in the areas of human rights, labor standards, environment and anti-corruption, and the fact that the TITAN Group has been a core member of this association since 2002, we were deservedly included in the network of the world's largest initiative. At the same time this membership, which has been the natural result of our investing in partnerships and the activities we continuously implement, obliges us to further strengthen cooperation with all our stakeholders, to continue to achieve results relentlessly, as well as to provide adequate information regarding our activities to the public.

With the invaluable experience gained in previous years, we continue to develop a safety-conscious culture, which is a long-term process requiring the involvement of our entire workforce,

contractors and business partners. We will not allow the obvious and undeniable progress we have made in this field to stagnate but rather, will continue to systematically and diligently encourage the development and implementation of programs as well as the adopted lessons learned in the field of H&S.

Throughout 2013, our attention was focused on the development and sustainability of good environmental practices, which we continuously achieve. Furthermore, we continued to promote a responsible approach towards all major challenges faced by the modern world, confirming our concern for future generations. We achieved this primarily by further reducing emissions, water consumption and the use of fossil fuels. The enhancement of transparent communication with regards to the Use of Alternative Fuels Project resulted in the organizing of a study tour to one of TITAN's plants, located in Bulgaria. This tour was organized for members of the local community and members of the Company's Advisory Board.

A productive approach towards Sustainable Development continues to be our platform, identified by open and constructive communication with our stakeholders. Our commitment to clear and concise communication, framed by constant reporting, is confirmed by effective collaboration with key stakeholders, as it is our desire to listen to and understand their expectations and needs. A forum, under the title of "Our Community – Our Responsibility" was organized in order to identify important issues, issues which are a priority to our employees, our customers, suppliers and to the local community in which we operate. The fact that this policy of inclusion has 'borne fruit' and justified its significance, is evident in this Report.

We are sincerely committed to the prosperity of our employees and clients; we are focused on the welfare of our local community and on having a responsible impact on the environment. Our unwavering strategy strives to respond positively to the ever-changing and demanding dictates of the economy and society, achieving results and building progressive tendencies and a favorable working environment, marked by success and dignity in the workplace.

Miroslav Gligorijević,
General Manager



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TITAN Cementara Kosjerić Ltd.

Governing Objective and Corporate Values

We aim to grow as a multi-regional, vertically integrated cement producer, combining an entrepreneurial spirit and operational excellence with respect for people, society and the environment.

INTEGRITY

- Ethical business practices
- Transparency
- Open communication



KNOW-HOW

- Enhancement of our knowledge base
- Proficiency in every function
- Excellence in core competencies

VALUE TO CUSTOMER

- Anticipation of customer needs
- Innovative solutions
- High quality of products and services



DELIVERING RESULTS

- Clear objectives
- High standards
- Shareholder value

CONTINUOUS SELF-IMPROVEMENT

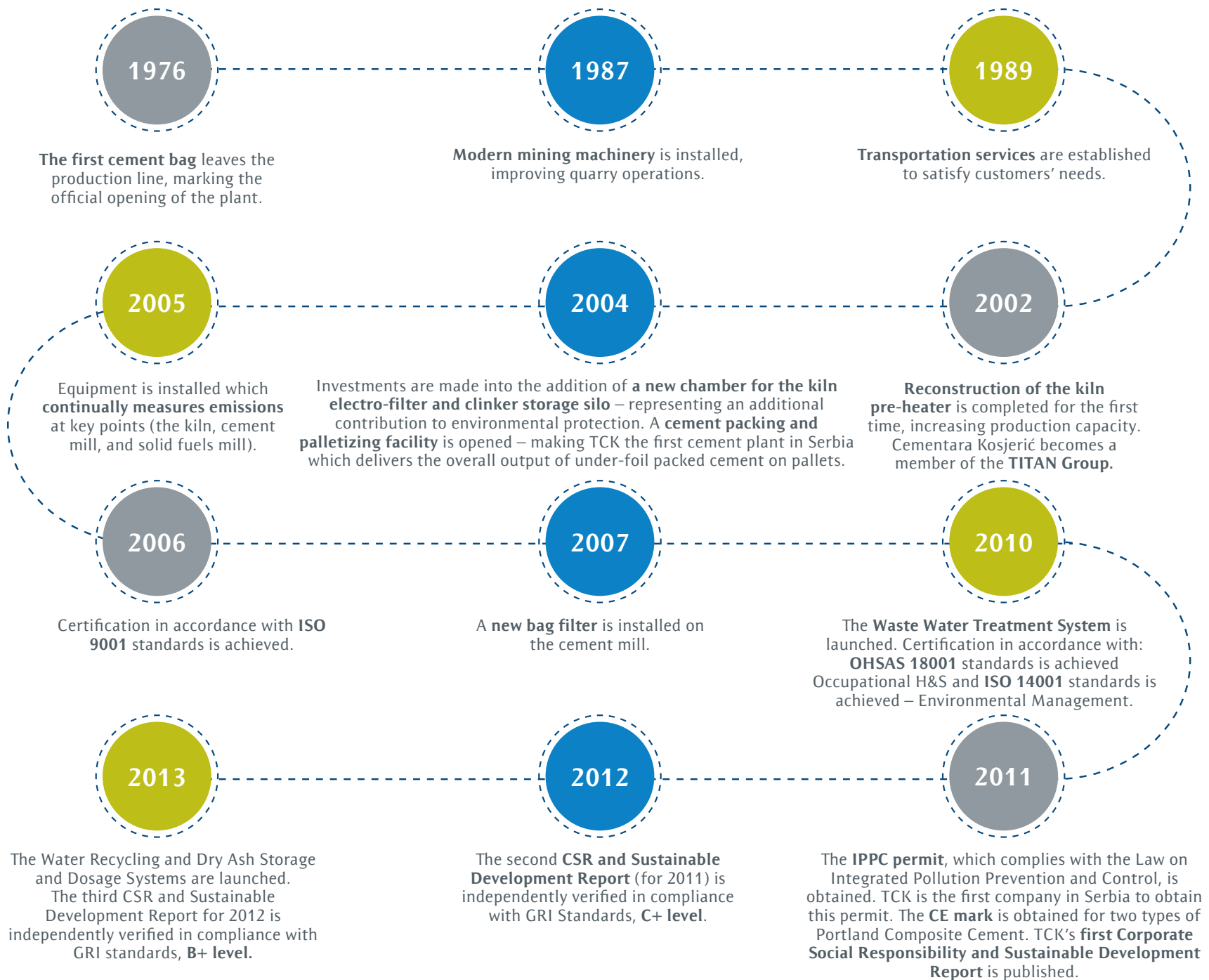
- Learning Organization
- Willingness to change
- Rise to meet challenges



CORPORATE SOCIAL RESPONSIBILITY

- Safety first
- Sustainable Development
- Stakeholder engagement

Our History



Key Financial Indicators	2011	2012	2013
Total Assets (000 €)	49,228	42,128	44,152
Directly Generated Value (000 €) *	42,185	37,933	30,431
Shareholders' Equity (000 €)	45,906	39,268	41,800
Distributed Economic Value (000 €)	26,831	25,414	20,665
Operating Costs (000 €) **	18,997	17,127	14,302
Salaries and Benefits (000 €)	5,844	6,046	4,586
Interest Charges (000 €)	37	10	4
Taxes in P&L Statement excluding Profit Tax (000 €)	1,873	2,122	1,715
Pro Bono Investments in Local Community (000 €)	79	109	59
Economic Value increase of the Company (000 €)	15,354	12,518	9,766
Earnings before Interest, Taxes and Depreciation (000 €)	16,527	14,596	10,940
Earnings after Tax and Minority Interests (000 €)	13,257	15,869	8,439
Return on Capital Employed ***	29.4%	47.5%	32.0%
EBTDA Margin ****	39.3%	38.9%	36.4%
Acid Test Ratio *****	1.0	6.0	8.1

- * Directly Generated Value consist of: sales revenues, rent from fixes assets, financials and interest income, net gains and losses from sales PPE
- ** Operating Costs include cost of trading goods, cost of materials and other operating expenses decreased by different kinds of taxes
- *** The ratio of Net Profit to average capital balance at the beginning and end of the year, reduced for cash and cash equivalents
- **** The ratio of Earnings before Interest, Taxes, and Depreciation to sales revenues including transport
- ***** The ratio of cash and cash equivalents to current liabilities

Key Non-Financial Indicators	2011	2012	2013
Value Distributed to Stakeholders (000 €)	50,195	54,122	34,379
No. of Employees (end of the year)	307	261	259
Total Purchases Amount (000 €)	22,307	22,439	16,007
LTIFR*	3.72	4.19	0
Total Direct CO ₂ Emissions (kg/t _{product})	623	650	623
Extracted Water (m ³)	525,321	660,933	597,684
Thermal Energy Consumption (TJ)	1,272	1,201	885
Environmental Protection Costs (000 €)	330	285	260

- * Number of occupational injuries normalized to 1,000,000 hours = Number of occupational injuries with lost days x 1,000,000 / Total number of hours worked by directly employed staff throughout the year

TITAN Cementara Kosjerić's (TCK) products meet a fundamental societal need in a way that ensures quality, durability, safety, efficiency, cost effectiveness, connectivity, as well as aesthetics. In 2013 the Company, respecting the rules and regulations applicable to the EU, assumed responsibility for the reduction of hexavalent chromium, a compound found in cement. The primary concern here is the product's end-users. The result of this measure has been an improvement in preventing allergic dermatitis from occurring if skin comes into contact with the product.

OUR PRODUCTS

CEM II/B-M (V-L) 32.5R	CEM II/B-M (V-L) 42.5R	CEM II/A-M (S-L) 42.5N
In addition to consistent quality (water-to-cement ratio, setting time), this product is characterized by high initial strengths, good workability, moderate resistance to deterioration by aggressive environments, as well as moderate heat of hydration, thereby making it suitable for individual projects, masonry work and finishing works.	This cement is suitable for use in a wide range of projects, from transportable and pumped concrete, to all kinds of reinforced concrete structures. It is also suitable for the production of finishing materials in construction. In addition to meeting the requirements for consistent quality and high early and standard strengths, this cement has the possibility of achieving high strength concrete.	This cement is suitable for making all types of concrete, especially suitable for making concrete which is used in aggressive environments; it has shown to be highly resistant to frost and salt. Suitable for the building of massive concrete structures, bridges, tunnels, roads and other objects. It has excellent workability properties, and achieves high strength concrete.



TITAN's four-pronged Strategy



The Company's global strategy respects the needs of all stakeholders, provides an overview of the long-term effectiveness and success of the organization and allows management to focus on the priorities of leadership. This strategy is an essential tool used by the Company, to achieve its Governing Objective – to be one of the most responsible producers of building materials in economic, environmental and social terms. With our dedication to the exchange of knowledge within the Company and orientation towards like cooperation with other companies within the TITAN Group, we strive to perfect our competencies and to invest in the achievement of our strategic priorities.

In the realization of its business objectives, TCK conscientiously implements its ethical principles found in the Company's Code of Conduct, simultaneously ensuring a rational approach to risk assessment and conceptualizing proactive responses.

Identified Risks	Responses – possibilities
Public Finance – impact on the cement market	Given that the impact of the Company on economic circumstances is minimal, the Company manages operations responsibly, focusing on its most important investments and employee relations and avoiding exposure to financial risks.
Recruitment and career development of our best candidates – company location	Our Corporate Values are incorporated into all aspects of operations and the decision making process. In accordance with TCK policy, we adhere to the principles of equal opportunities for our employees, career development, and compensation in line with market demands and relevant regulations. The Company develops training programs for unemployed youths in the community.
Restructuring Program	Considering the high unemployment rate, our commitment to employee relations as well as safeguarding of operations, TCK is implementing Restructuring Programs in a responsible manner, which adhere to market conditions. The Company is ensuring that all redundancy packages comply with legal requirements, in the least.
Occupational H&S	Safety is the Company's highest priority and this approach seeks to systematically improve working conditions for employees and contractors, nurturing a culture where above all else safety comes first, with training and clear and effective OHSAS 18001 procedures in place and the employment of a sufficient number of employees directly responsible for this aspect of our business.
Climate Change	In order to reduce greenhouse gas emissions, the Company continuously invests in the latest available technology, seeking to increase the use of alternative raw materials, to introduce alternative fuels and to improve energy efficiency.
Mainstreaming CSR through the Supply Chain	Relations with suppliers and contractors are systemized through Purchasing Procedures (ISO 9001), and the Code of Conduct for Procurement, which also relates to human rights issues and corruption. TCK continually develops mechanisms to ensure compliance with the highest standards in all stages of the value chain.

Although 2013 was yet another volatile year, fuelled by the Financial Crisis which began in 2008, the Company, respecting market demands in Serbia, Montenegro and Croatia, remained focused on its Sustainable Development strategy by establishing balance between short-term and long-term impacts and opportunities and investing in continuous development.

Our key priorities in the area of Corporate Social Responsibility, in line with the broader CSR strategy and policy have been:

- empowering employees
- the continued cooperation and involvement of stakeholders
- promoting business solutions which bring mutual benefit to both society and the Company.

The context in which we operate:

Corruption Perception Index Serbia (2013)	
Rank:	Score:
72 /177	42 /100

Source: Transparency International (transparency.org)

Gross Domestic Product per Capita	
2011:	2012:
5,964 USD	5,190 USD

Source: The World Bank (worldbank.org)

Unemployment rate	
2012:	2013:
23.9%	22.59%

Source: International Labor Organization (ilo.org)



Sustainable Development

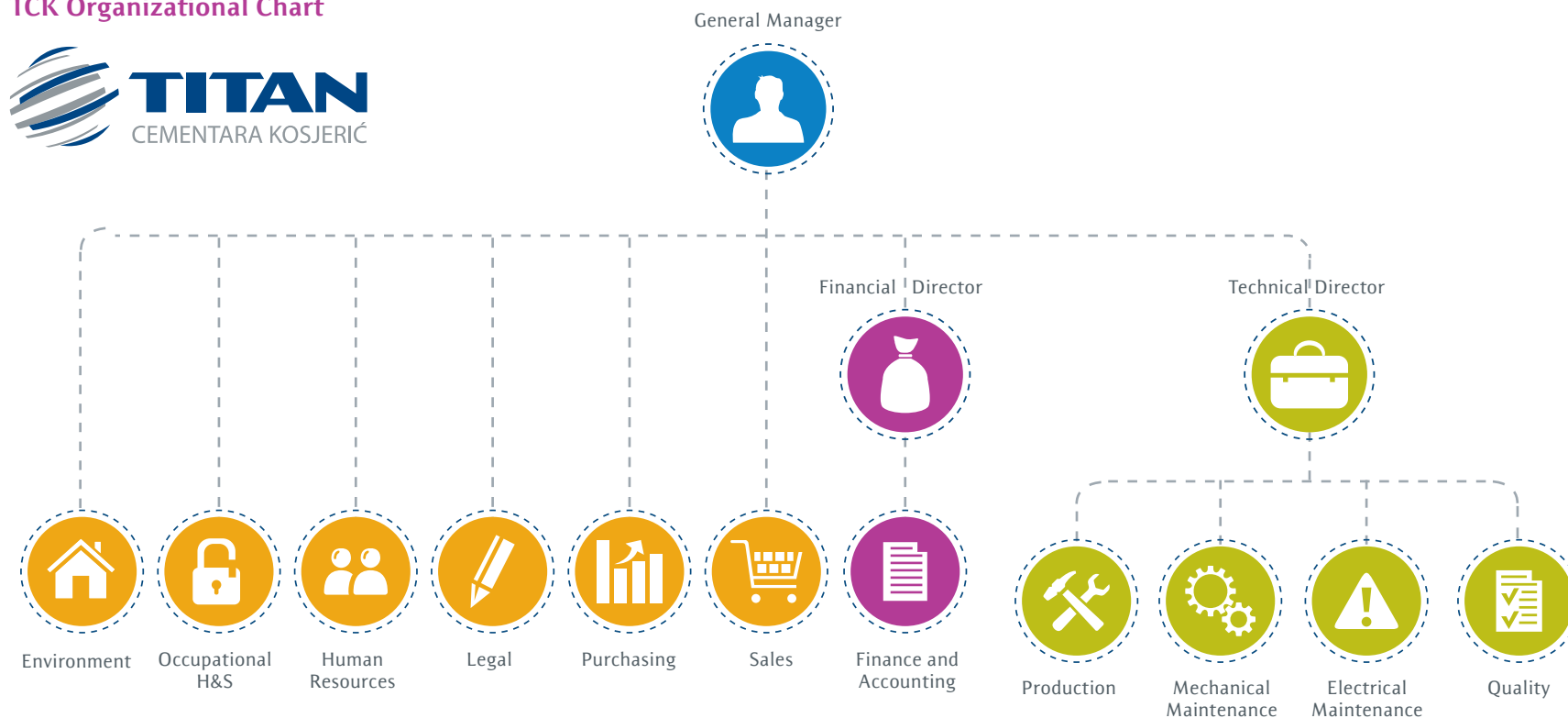
In accordance with the adopted Corporate Social Responsibility Vision: “to pursue at all times our business goals and create value, in an ethical and socially responsible manner, minimizing our footprint, and endeavoring to do more good”, we are committed to creating value and sustainable growth, integrating human, environmental and social elements into our business decisions. We aim to minimize the adverse impact of our activities on the environment and the communities in which we operate, and contribute to the well-being of employees, their families, neighboring communities and society at large.

Managing Risks and Opportunities

Acknowledging social, environmental and financial risks is of fundamental importance to our business orientation, the results we achieve and social license to operate. Therefore, each year, TCK conducts appropriate audits and various analyses, consistent with the requirements of international ISO standards. Managing risks allows us to proactively apply our knowledge, skills and abilities so that we understand and readily respond to the ever-changing challenges of our immediate and global environment.

TCK’s highest governing body, the Board of Directors is responsible for taking key business decisions in accordance with the principles of corporate governance which are applied globally, whereas the **local Management Committee** (one of the three members is a woman), ensures the implementation of these decisions and evaluates feedback received from stakeholders. Communication is exchanged on many levels – through various forms of dialogue with the local community, through regularly-scheduled meetings with top management dedicated to the review of business performance, as well as at annual meetings discussing employee performance and development. Group Management considers the risks imposed by the business environment, as well as long-term impacts and opportunities caused by environmental and social circumstances.

TCK Organizational Chart





TCK's CSR Committee secures and monitors the implementation of programs which enhance key areas in the field of corporate responsibility, such as H&S, environmental protection, local development and corporate governance. The Committee, 40% of who are women, is comprised of the Company's Top Management, which gives an indication of the seriousness with which the Company approaches risk analysis and opportunities for improvement in these areas. At regularly-scheduled meetings, objectives are adopted and action plans formulated to ensure their implementation, taking into account the needs of the Company, the community and the environment.

The content of **TITAN Group's Code of Conduct**, distributed throughout 2012, was presented during the months of May and June, 2013 through interactive workshops organized for 95% of the workforce. The total training time was 293 hours. The document, which had recently been updated in compliance with International

Standards of Sustainability and Corporate Social Responsibility, deals with ethical issues and provides guidance which defines our operating principles; to help each employee understand what is expected of them, as they do their individual jobs every day. This ensures that our employees are familiar with the highest standards applied by the Company in the way it conducts business. This includes strict adherence to laws, human rights, international conventions combating corruption, protection of confidential information, promoting Sustainable Development, as well as relationships with key associates.

In light of the uncertain development of the global economy, the Company has enforced all precautionary measures in order to continue development in areas it has an impact on, while at the same time remaining focused on financial, social and environmental stability and investing in long-term Sustainable Development.

How we Create Value

Given that our operations have a direct effect on our environment, we continue to lower or eliminate these impacts, providing balance between our economic, social and environmental objectives.

471,709 tons of raw materials have been extracted from two active quarries

714,251 m² is the total area of active quarries, of which **422,469 m²** are effected by operations

364,849 tons is the total amount of cement produced

Total funding for H&S: over **EUR 86,000**



Main impact of quarrying activities:

- Noise
- Vibration
- Dust
- Alteration of the landscape
- Potential impact on biodiversity
- Energy Consumption



Main impact of cement production:

- CO₂ Emissions
- Energy Consumption

Total Annual Emissions:

dust emissions **1.05 tons**

NO_x **297 tons**

SO_x **0.12 tons**



- Other Emissions (dust, NO_x, SO_x)
- Noise

Total funding for **Environmental Protection**: over **EUR 830,000**

Through **direct taxation to the state and local authorities**:
over **EUR 7,500,000**

To suppliers, for goods and services: over **EUR 16,000,000**,
of which **80% are domestic suppliers**

Over **EUR 131,000** invested in developmental programs for the local community,
of which 70% was made in cash donations and 30% through donations in kind

To employees, through **salaries** and **benefits**: over **EUR 4,500,000**

Each employee spent on average, **30 hours** participating in various
developmental programs



Indirect impact:

- CO₂ Emissions
- Other Emissions
- Raw Materials Consumption

Sustainability Objectives

Key objectives, which reflect our commitment to corporate values and the consistent application of the principles of Sustainable Development, are regularly reviewed and updated by the Company's Top Management.

Objectives	Results Achieved 2012	Results Achieved 2013	Targets for 2015
Employees and Working Environment			
Development of competencies, knowledge and skills	33.74 training hours per employee	29.67 training hours per employee	At least 30 training hours per employee
	EUR 237 is the average amount invested in employee development, per employee	EUR 194 is the average amount invested in employee development, per employee	Continued development of competencies
Ethical business practices	Distribution of the TITAN Group Code of Conduct	Training on how to use TITAN Group's Code of Conduct	Implementation of the Code of Conduct
		Implementation of the procedure on reporting violations of the Code of Conduct	Procedure on reporting violations of the Code of Conduct
Work-related injuries	On 1,000,000 working hours the frequency of work-related injuries is 4.19	On 1,000,000 working hours the frequency of work-related injuries is 0	Sustaining 0 work-related injuries
Collective Bargaining Agreement (CBA)	Preparation for the signing of the new CBA	Labor relations are regulated by the Rules of Labor Procedures adopted in March 2013.	Signing of the new CBA
The Market			
Maintaining customer satisfaction	During the reporting period, not a single justified product complaint was made	Not a single product complaint was made/recorded	Maintaining a low level of product complaints, by preventive counseling and educating the customer
Responsibility towards the end-user	Research and analysis, the objective being the reduction of chromium (Cr ⁶⁺) in our cement	Reduction of Cr ⁶⁺ in our cement, to a level under 2 ppm during the product's shelf-life	Introducing new 25 kg cement packaging Compliance of safety signs on bags with EU requirements
Engaging with customers and suppliers on CSR	Achieving standards in social and occupational safety for our contractors' employees, while still in the negotiating stage	The "Our Community – Our Responsibility" Forum, included representatives of key stakeholders	Continuing to educate our customers and contractors on CSR standards
	165 H&S training hours achieved for our contractors' employees	171 H&S training hours achieved for our contractors' employees	The continuation of H&S training for contractors

Objectives	Results Achieved 2012	Results Achieved 2013	Targets for 2015
The Environment			
Investing in Sustainable Development	An excess of EUR 360,000 was the cost of environmental protection	An excess of EUR 820,000 was the cost of environmental development	Continued efforts in achieving results in the field of environmental protection
CO ₂ Emissions	Total specific direct emissions of CO ₂ was 650 kg/t _{product}	Total specific direct emissions of CO ₂ was 623 kg/t _{product}	Achieving total direct emissions of CO ₂ of 628 kg/t _{product}
Energy Efficiency	Fuel oil consumption reduced by 14.82%, compared to 2011	Fuel oil consumption reduced by 18%, compared to 2012	Further fuel oil consumption reduction; up to 5%, compared to 2013
Alternative Fuels and Raw Materials	Completion of the Environmental Impact Assessment Study (EIAS) for The SRF (Solid Recovered Fuel) Dosing and Utilization Project	Approval from the Ministry on the EIAS of environmental projects using SRF	Continuing efforts to comply with EU standards in relation to alternative fuel utilization
	Alternative raw materials consumption was 9.8%	The ratio of alternative raw materials used was 10.2%	Continuing the increase of use of alternative raw materials
ISO 14001	Updated Management System documentation, as preparation for recertification	Recertification, in compliance with ISO 14000	Maintaining certification
Engaging with the Local Community			
Dialogue with Stakeholders	Meetings of the TCK Advisory Board	Visit of the TCK Advisory Board to Titan's plant in Bulgaria which uses alternative fuels in the production process	Meeting with Stakeholders and maintaining an open dialogue
	Panel discussions with stakeholders on issues of joint interest	The Stakeholder "Our Community – Our Responsibility" Forum held	
Transparency and integrity	The CSR and Sustainable Development Report for 2012, with a GRI B+ level	The CSR and Sustainable Development Report for 2013, with a GRI A+ level	Improving the CSR and Sustainable Development Report – report quality
Strategic approach to investments in the local community	Total investments made in local community programs, in excess of EUR 250,000	Total investments made in local community programs, in excess of EUR 131,000	Continuing to support important developmental programs in the local community

Stakeholder Engagement

The Company's strategic model is based on continuous improvement, supported by the belief that for business growth to occur it is necessary to have an inclusive attitude towards all internal and external stakeholders. The kind of governance modeled at the TITAN Group level, which includes values, a mission and strategic priorities, is based on clear and solid leadership. Success in implementing the goals of the entire organization depends on local conditions and the efforts of local management to more effectively involve all stakeholders and to examine their needs. The Company recognizes key stakeholders in accordance to their impact on the community, taking into account their different profiles and priorities.

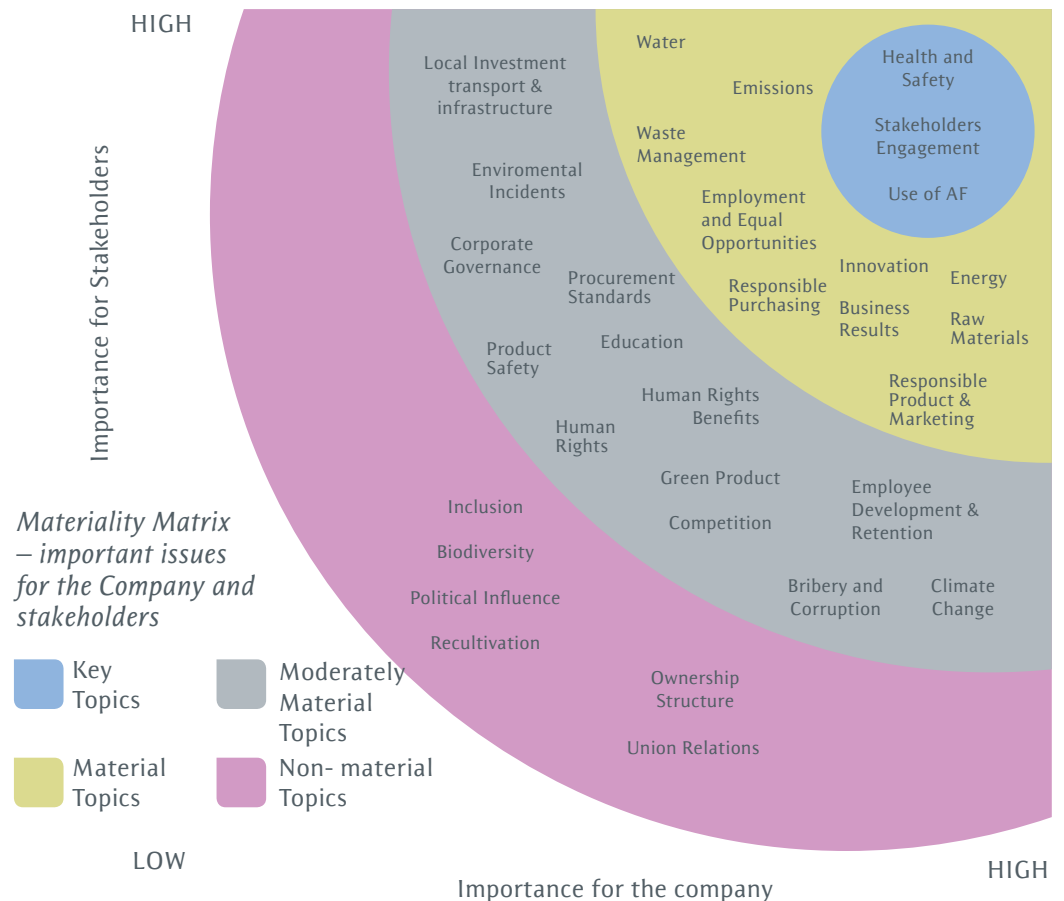
In December 2013, during the "Our Community – Our Responsibility" Forum, constructive dialogue between the Company and all stakeholders resulted in identifying issues of

In compliance with ongoing efforts to improve TCK's open and honest communication at all levels, a form was created for reporting violations to the Code of Conduct as well as an email address provided: kodeksponasanja@titan.rs which employees can use to forward any comments, questions and suggestions regarding the Code of Conduct and any violation of ethical principles within the Company. No inquiries or reports of violation of the Code of Conduct were reported within the period covered by this Report.

The Company's proactive approach to developing open communication with stakeholders has been recognized by the Serbian Society for Public Relations, an association of professionals who presented the Company with a 'PriZnanje' Award, in recognition of our corporate communication model or more specifically, our participation in developing public awareness with regards to TCK's business operations. The Report on Corporate Social Responsibility and Sustainable Development is just one example of the application of our primary corporate value – continuous self-improvement. In order to enhance transparency in this direction, we have taken a step further in compliance with international standards and have attained a GRI A+ level for this Report.

the highest importance. These issues will be included in future Corporate Social Responsibility and Sustainable Development reports, in accordance with the Company's plans regarding social awareness. On this occasion, the representatives of stakeholders who are essential to our operations expressed their full confidence in the Company in terms of respecting legislation and policies. It was their estimation that issues such as acting responsibly in the supply chain, bribery and corruption, human rights and political influences were valued as being issues of moderate or low concern.

As a result of our everlasting ties with the community a five-year plan was developed by the CSR Committee which, in a preferable manner, includes all the stakeholders and responds to their expectations.



Employees

A working environment with zero work-related incidents, accidents or occupational diseases is a main priority of TCK's strategy. Implementation of this central task requires the true belief of every employee that **all incidents are preventable**, as well as wholehearted commitment to the development of a personal and collective safety-conscious culture. Due to the fact that the implementation and sustainability of such a system requires first and foremost, the commitment of the entire workforce, **is why the respect and compliance of all Health and Safety policies and standards is a precondition of employment.**

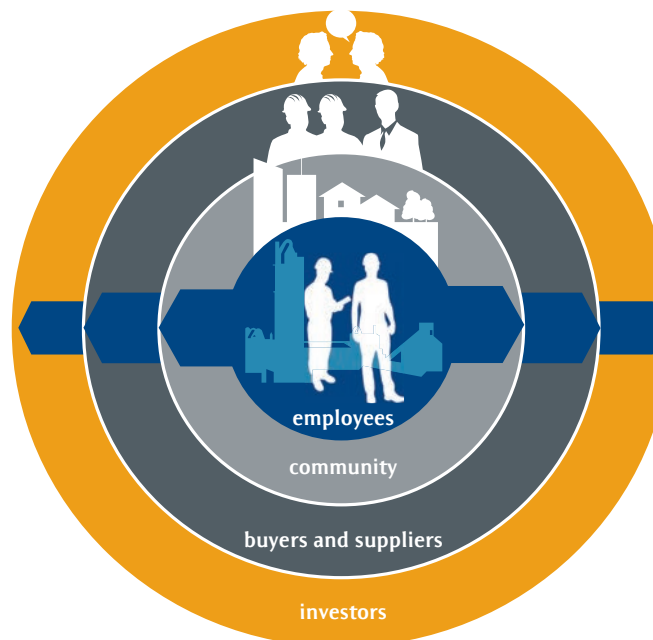
All efforts made by the Company to date towards building a safety-conscious culture are evident to all those who come into contact with our collective. Evidence that we are on the right track came in the form of success in 2013 when, for the very first time since the plant began operations, data recorded for the entire year was: 0 lost-time injuries. This level of achievement adds incentive to further improve safety standards within the immediate and extended workplace.

With regards to Occupational H&S policies, improvement in this area is based on our workforce and our partners: contractors, customers, and the local community. In 2013 we continued with good practice in the form of constant training (1,545 training hours were achieved, or 5.94 hours per employee) and training of our contractors' workforce (totaling 171 hours of training, or 4.75 hours per contractor). This significant number of occupational safety training speaks volumes about our readiness to provide equal attention to everyone working within our workplace, in support of promoting responsible behavior.

All scheduled training is planned ahead of time and specifically designed. Incident reports, H&S audit reports, employee proposals and suggestions all serve as sources of information for the preparation of these training sessions.

Principal training sessions held in 2013 were as follows:

- Driving Safety
- Change Management
- Handling Hazardous Materials Safety
- Administering First Aid



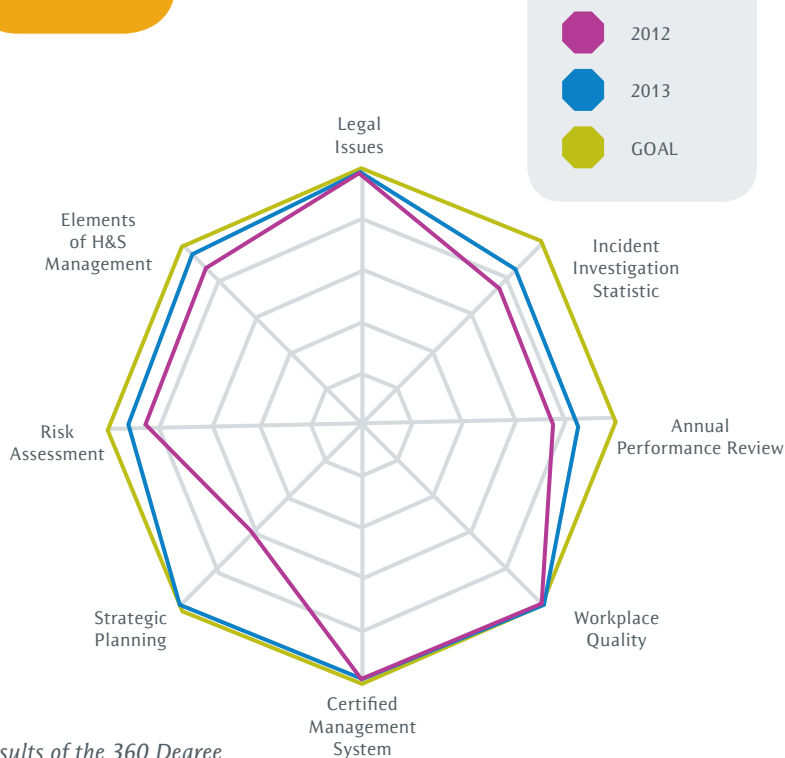
Parameters	Definition	2011	2012	2013
Fatal Injuries	Number of injuries in the workplace resulting in fatality	0	0	0
LTI *	Number of lost time injuries *	2	2	0
LTIFR **	Frequency rate of lost time injuries per million hours worked **	3.72	4.19	0
LTISR ***	Number of lost calendar days due to a work-related injury per million hours worked ***	262	898	146****
AR	Absentee rate per 200,000 hours worked (GRI definition)	5,453	5,076	5,082
Occupational Diseases	Number of lost calendar days due to occupational diseases	0	0	0
Training Hours Index	Average H&S training hours per employee	6.31	11.01	5.94

* LTI Work-related injuries are considered as any injury which results in an employee being absent from work for one or more working days, not including the day the injury occurred.

** LTIFR The number of lost time injuries *1,000,000 /The total number of working hours recorded by direct employees for the year.

*** LTISR The total number of lost calendar days for the year due to work-related injuries *1,000,000 / The total number of working hours recorded by direct employees for the year.

**** Lost calendar days in 2013 resulted from the earlier period injury.



Results of the 360 Degree Audit Report

Constant two-way communication between management and employees takes place through the inclusion of employees in all activities which have the objective of improving H&S within the workplace. Employees are actively involved in the **Health and Safety Committee** which is formed by five representatives of the Union (representing 80% of the total workforce) and three representatives of the employer. Additionally, they are actively involved in incident investigation, making proposals and suggestions for improvement of the system, H&S audits and other constructive activities.

Occupational H&S is always the first and most significant issue to start off each and every meeting, at each level of management, including preparatory meetings led by working-group leaders conducted with employees prior to the commencement of any activity.

Determining the implementation level of the H&S system was the main subject of the **360 Degree Audit Report**, which was conducted by TITAN Group's H&S manager and the regional H&S manager. The success rate for 2013 was 94.7% which represents a notable improvement from 85.4% for the previous year (2012).

At the end of 2013, recertification in compliance to the **OHSAS 18001** standard was successfully completed without any inconsistencies or complaints.

The fact that we genuinely care for our employees and their families is reflected in TCK's corporate values. Therefore, our workforce is guaranteed benefits that go beyond the labor provisions and other related regulations at the national level:

1. Accident Insurance Plan (24/7):

- a. Accidental death coverage RSD 1,200,000
- b. Permanent disability coverage RSD 2,400,000
- c. Illness-related death RSD 600,000
- d. Medical coverage RSD 400,000

2. Voluntary Health Insurance should serious illness occur and coverage for necessary surgery

- a. For illness RSD 100,000
- b. For necessary surgery RSD 100,000

In November and December of 2013 the Company was involved in promoting healthy living and disease prevention by organizing transportation to and from a local healthcare clinic for all employees over the age of 50 to have mammography examinations. This campaign was initiated by the Republic of Serbia's Ministry of Health.

TITAN: Safety First

In November, TCK volunteers in cooperation with the local primary school, the local police station, medical center and the Volunteer Fire Dept., taught 80 fourthgraders the rules of basic safety. For the Company, the priority here was the fact that by working with the youngest members of society, a prevention-culture is established and an attitude of responsibility towards situations which involve risk and the potential to jeopardize personal and general safety is made popular. The children and their parents gave the highest possible grade to this initiative and drawings designed by the children were added to the safety calendar for 2014, reminding us of the lessons learned.



The Company has adopted the **People Management Framework** in order to achieve the following fundamental principle: “to ensure an engaged workforce, emotionally and mentally.” We are committed to offering equal opportunities, promoting open communication, transparency and meritocracy in all policies, including recruitment and labor, and have a no-tolerance policy towards any form of discrimination. The Framework further supports the right of an employee to freely join associations which comply with local laws, and prohibit coercion of any kind as well as child labor. Recruitment practices and working conditions within the TITAN Group are in accordance with the basic principles of the ILO’s Declaration on Fundamental Principles and Rights at Work.

At TCK, the norm is long-term employment, and those entering retirement receive a retirement package which complies with the local legal provisions. TCK’s entire workforce is employed at full-

time and the lowest base salary paid out in December 2013 was 2.4 times higher than the statutory minimum wage. Each employee’s base salary is adapted to market conditions and applicable regulations, and the Company is very strict to ensure that all new employees recruited for the same position receive the same starting salary.

Throughout 2013, while negotiating with TCK’s Independent Trade Union regarding signing of the Collective Bargaining Agreement with the employer, working relations were regulated by the Rules of Labor Procedures, which provided the above stipulated employee rights, regulated activities performed by the Trade Union, as well as the obligation of the employer to inform its workforce of any significant changes made to the business, 8 days prior to the implementation of change.

EMPLOYEES at TITAN Cementara Kosjerić on 31st Dec		2011		2012		2013	
No. of direct employees		302		256		256	
No. of temporary employees		5		5		3	
Total		307		261		259	
No. of Employees, by gender		No.	%	No.	%	No.	%
Female		46	14.98	35	13.41	35	13.51
Male		261	85.02	226	86.59	224	86.49
Employees who received feedback on performance and development		No.	%	No.	%	No.	%
Female		13	12.70	14	15.41	12	15.38
Male		26		29		28	

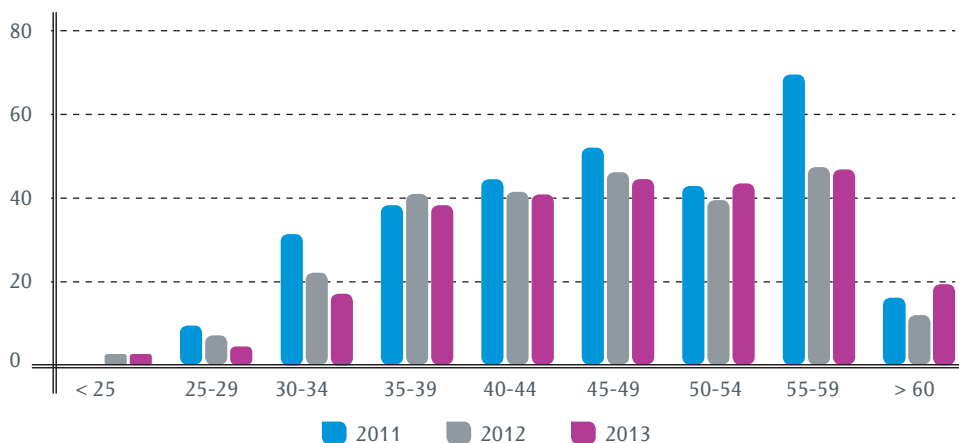
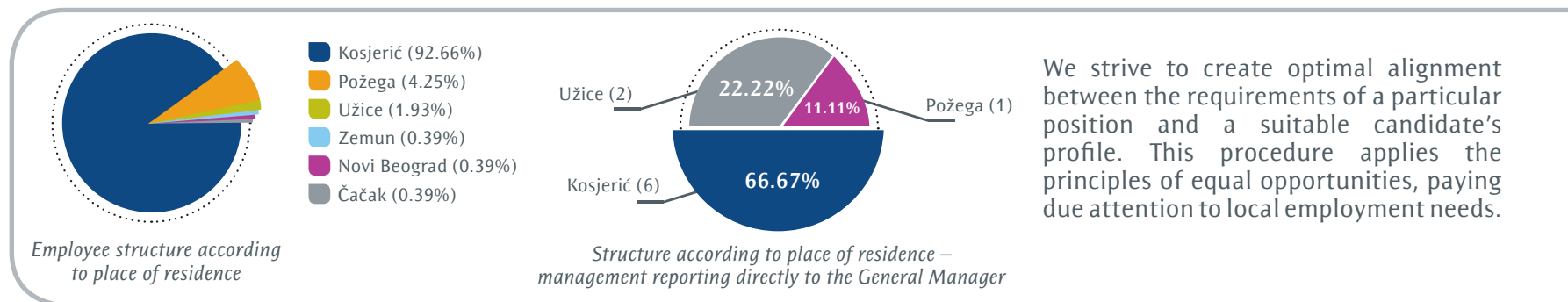
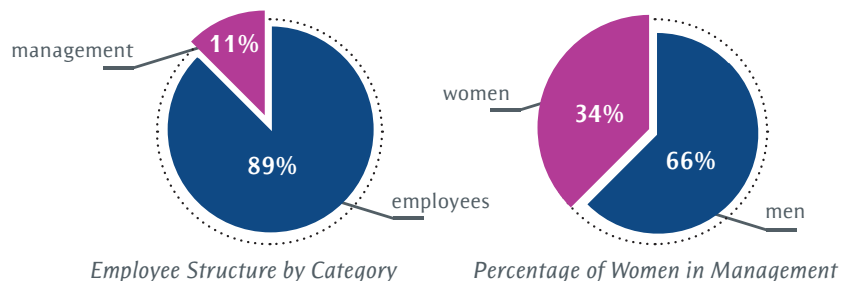
EMPLOYEE TURNOVER		Gender	2011	2012	2013
New employees	f		2	1	1
	m		3	2	1
Employees who have left the organization – regular fluctuations	f		4	1	1
	m		2	6	3
Employees who have left the organization – Restructuring Program	f		4	11	0
	m		10	31	0
Fluctuation rate (Employees who left the organization / average number of employees for the period)			5.48	16.13	1.54

Relations with our contractors are based on trust, respect, honesty and sincerity with the objective of maintaining long-term relationships.

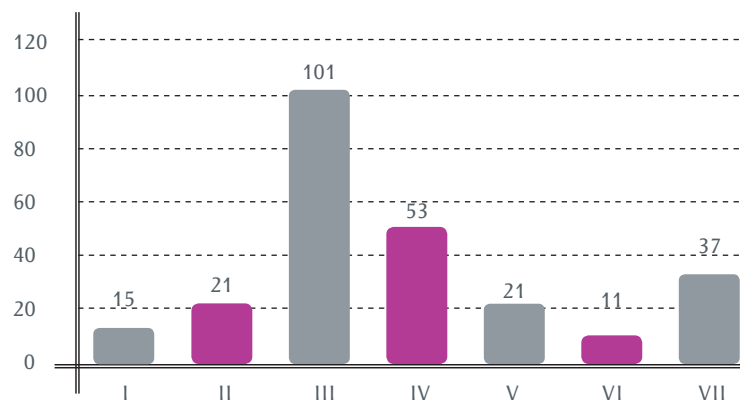
INDIRECT EMPLOYEES – contractors	2011	2012	2013
Total no. of persons indirectly employed	162*	136*	137*
No. of indirect employees without logistics and transportation	23*	24*	35*
No. of indirect employees – logistics and transportation	138*	112*	102*
Total number of working hours recorded by employees indirectly employed	304,921	256,394	259,162

* No. of contractors estimated as FTE (Full-Time Equivalent)

During the regular Annual Performance Evaluation carried out by the Company, feedback on performance is also provided to the local Management Committee. Through the use of comprehensive procedures, assessment is made on the level of dedication of the Company's managers with regards to basic business principles and corporate values. Furthermore, not only are the results achieved examined, but how these results were achieved is of significance. This is why it is imperative that management not only have a good grasp of what they have achieved, but also on what these achievements mean with respect to H&S, employee development and their approach to the task of communicating the Company's corporate values to their teams.



TITAN Cementara Kosjerić – Employee Structure According to Age



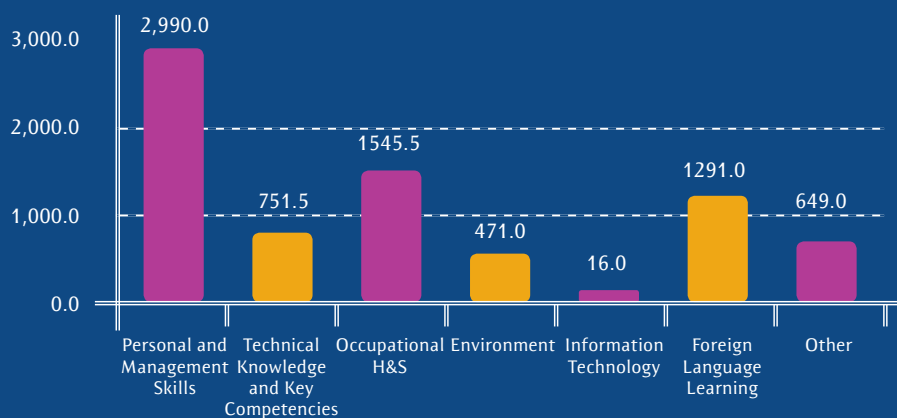
TITAN Cementara Kosjerić – Employee Structure According to Qualifications

Employees entitled to parental leave 2013	men	2
	women	1
Employees who exercised their right to use parental leave	men	0
	women	1
Expected no. of employees to return from parental leave	men	0
	women	2
Employees who returned to work after taking parental leave	men	0
	women	2
Employees who returned to work after taking parental leave and are still employed 12 months later	men	0
	women	4

We invest in our employees and their development because it is our belief that mutual trust and open communication guarantees benefit on all sides. In order to create a climate of open opportunities for the recognition of competencies, from which excellence and steady growth is achieved, we encourage continuous learning and support efforts made by our employees to further develop their skills and work towards career advancement. In 2013, 262 employees attended training in professional development and special attention was paid to the education of our contractors, for whom 261 training hours were achieved.

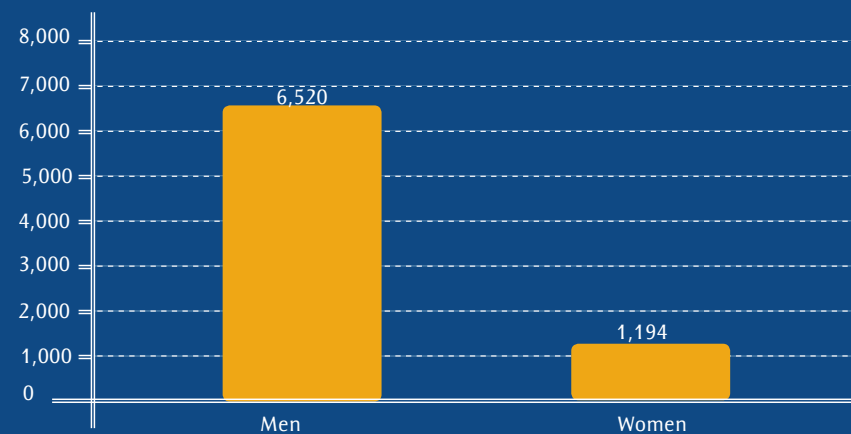
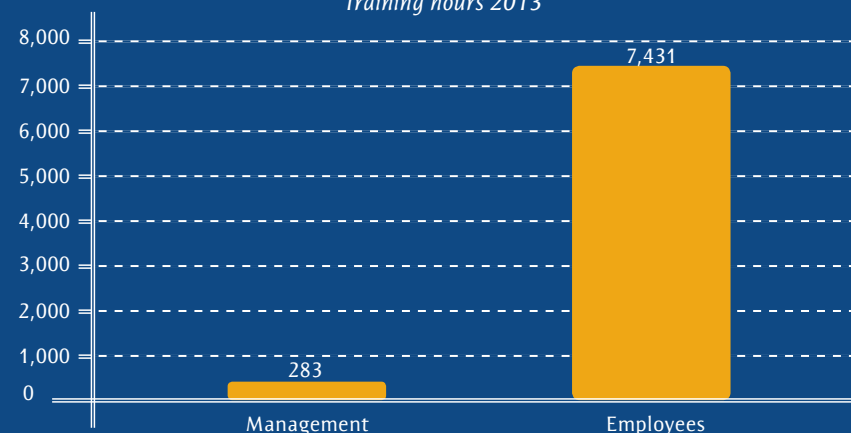
Management Training for Supervisors

An employee's ability to respond to current and future challenges stems from the concept of life-long learning, which is a permanent commitment at TCK. With the intention of developing the full potential of each member of its collective, the Company has of late, directed its attention to perfecting the leadership skills of those individuals who manage others (people managers). And, it is the belief of the Company that corporate values lean on knowledge, self-improvement, involvement and good interpersonal communication, which are prerequisites for an organization that functions well. In over 1,388 hours of training department managers, section heads, shift foremen, and supervisors (41 plant employees) gained new or further developed existing skills in order to achieve a common objective: to create a motivating and positive business environment which supports personal development and responsibility.



Throughout 2013, a total of 7,714 training hours were achieved

Training hours 2013



Customers and Suppliers – Building Common Values

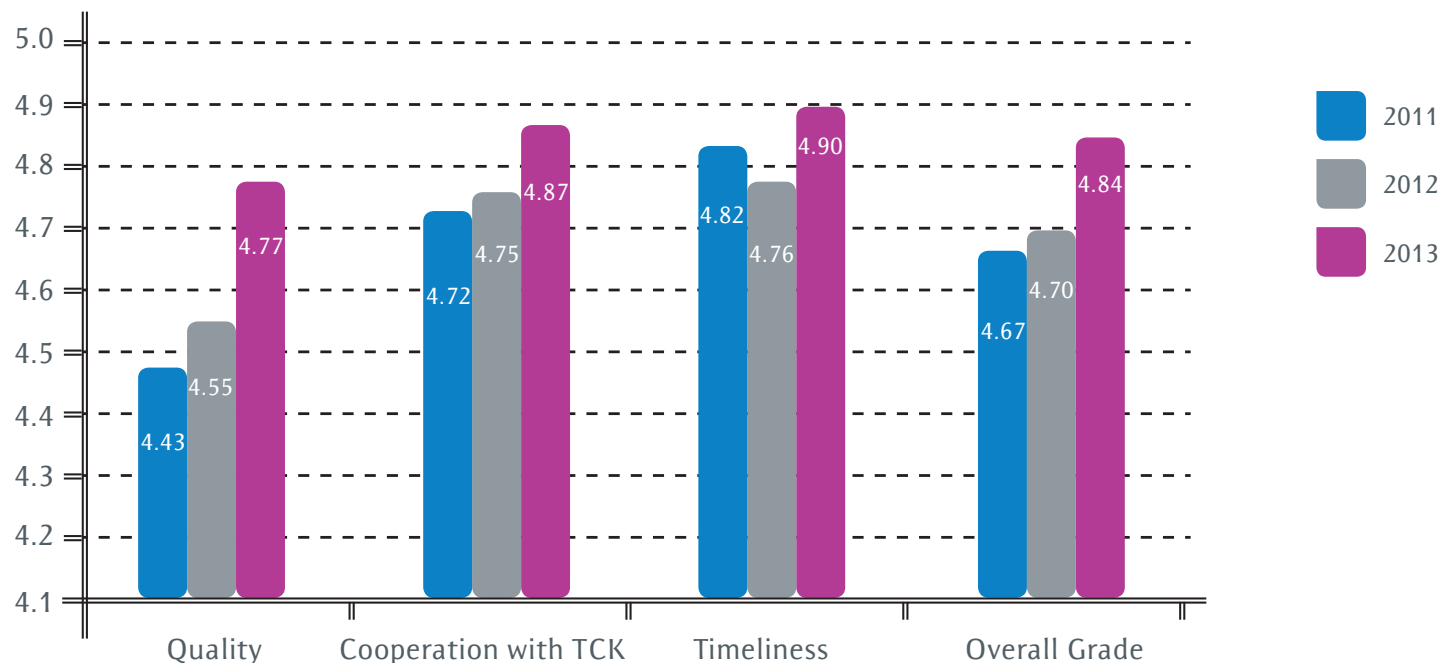
Our products are first tested in laboratory-like conditions, where safety features and aspects of environmental impact are taken into consideration. After achieving satisfactory results, an industrial test is planned and then carried out in cooperation with the IMS Institute (Institute for Materials Testing) which along with TCK's lab, conducts testing of the new product. At the same time, the cement's performance in various types of concrete is observed, in order to present users with innovative solutions.

In compliance with applicable national regulations, information found on the cement packaging contains instructions on the proper use of the product, how to safely store and handle the product, first aid tips, should skin come into contact with the product, and as of 2013, a notice on the content of soluble chromium (Cr⁶⁺) in the cement after hydration. The Company continuously monitors the development of relevant regulations and legislation relating to advertizing and communication about the various products, to ensure that practices are implemented in accordance with the highest standards. Detailed information regarding the cement (its physical and mechanical properties, performance in concrete)

is available to our users through the Specification files located at www.titan.rs.

In order to improve the quality of our product, services, delivery and customer service further still, TCK conducts an annual survey on customer satisfaction, which provides the Company with insight into the achieved product performance and the potential to improve the product and its placement on the market.

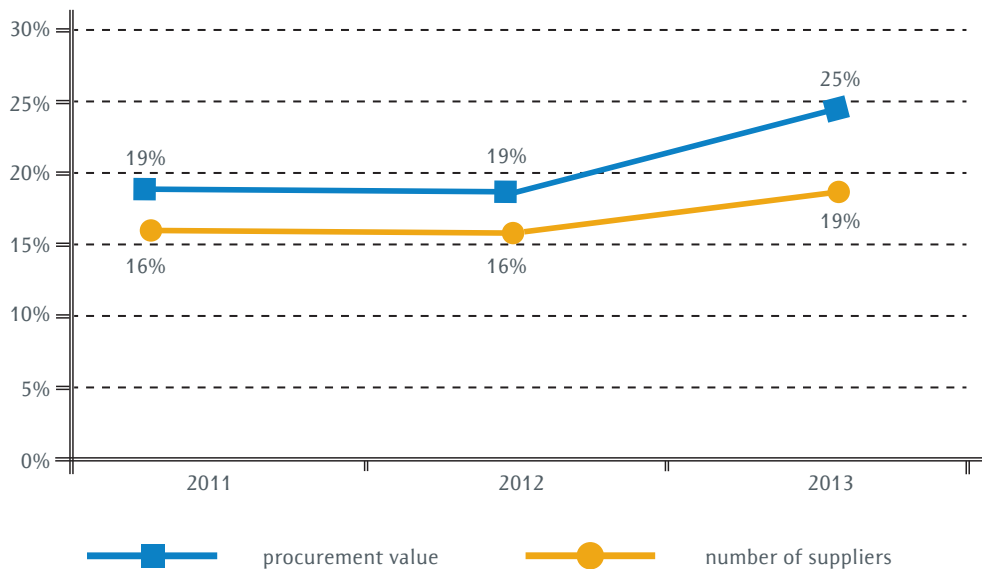
Constant and methodical cooperation with our customers, the use of modern means of communication and creating interest by visiting customer's in person, all generate trust and loyalty towards TCK. Only in relationships built on mutual respect can the sales rep and the customer exchange reliable information, which is why the task of each of TCK's Sales Reps is to be a verified representative of their customers' interests. This is the way to develop relationships with end-users and the best method to discover what their needs and expectations are, which the Company is prepared to respond to adequately and in a timely manner. One of the many ways in which customer care is expressed is through goal-orientated visits, where personal contact is made with the customer and their needs are made known. For TCK's employees, every customer deserves respect and is worthy of the effort it takes to keep them satisfied.



Customer satisfaction survey results (the maximum rate is 5)

One of the Company's primary objectives, specified in the Code of Conduct for Procurement is the promotion of TCK's image as an ethical and reliable member of the business community. This is achieved through strict compliance with procedures contained in the ISO 9001 Quality Management System and in the Procurement Guidelines. These documents, which regulate management in this sphere, clearly emphasize basic corporate values and are derived from TITAN Group's Code of Conduct. The procedures eliminate conflicts of interest, ensure confidentiality of the tender bid process and information found there, guarantee equal and fair treatment of suppliers and lastly, they ensure the Company meets any obligations undertaken, without fail.

In cases where identical bids are made, local suppliers receive an advantage.



Participation of suppliers from the local community in total procurement



Relationships with suppliers

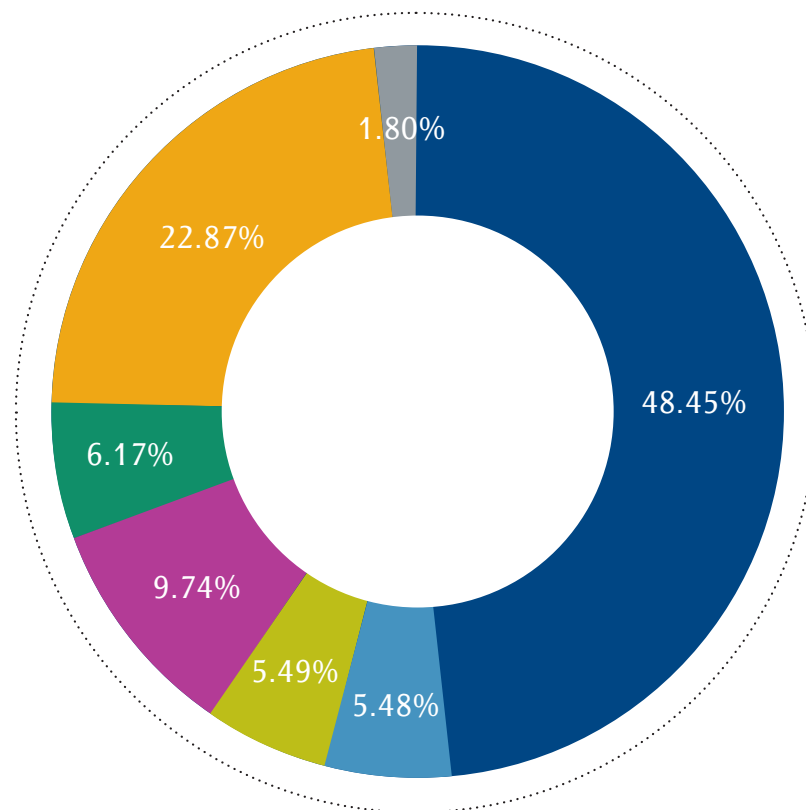
Additionally, the Company ensures and promotes accountability through the entire procurement chain and affects how its suppliers and contractors conduct their businesses; in compliance with local laws, bylaws and regulations. Although stakeholders have estimated risk of human rights violation at TCK as being moderate to low, the Company requires its suppliers to comply with their legal

obligations in respect to Occupational H&S, with regards to their employees and subcontractors, to flawlessly comply with all laws concerning environmental protection and finally, to respect the dignity of the business relationship, devoid of bribery, corruption and fraud.

The Community: Cooperation and Open Dialogue for Development

We strive to make our presence felt in the community by promoting and encouraging the creation of value on all levels. This influence is something we are building for the long-term and measure our performance here through interaction with key stakeholders. However, the quality of cooperation goes far beyond statistics illustrating donation amounts made to the local community or the number of jobs held at the plant, which are undoubtedly responsible for the achievement of general prosperity. Cooperation between our company and the local community is of essential importance because it is fuelled by joint initiatives, which generate networking that leads to the implementation of useful ideas. This is the best way to use financial resources; to support the wealth of human potential.

An example of this kind of synergy was TCK's engagement in the **Science Festival**, organized by Mito Igumanović Primary School in March of 2013. In addition to the financial support we provided, which allowed for this manifestation to occur, our colleagues participated in the event promoting knowledge, learning and science.



Structure of Investments in the Local Community



Study Tour of TITAN's Plant in Bulgaria

Through an exchange of information which resulted from collaboration with our stakeholders, we organized a study tour to TITAN's cement plant in Zlatna Panega, Bulgaria, which took place in March 2013. The tour included representatives of local governments, organizations and institutions, municipalities, TCK's Advisory Board and Group Management.

The objective of this study tour was to directly acquaint representatives of the local communities with the operations of one of TITAN's plants in a neighboring region, one which uses modern technologies to generate energy for cement production. The delegation spent the entire day visiting Zlatna Panega and in discussions with experts from the plant and from TITAN's daughter company GAEA (Green Alternative Energy Assets – 'Alternative Green Energy'), which works in the development of alternative fuels use. The participants were given the opportunity to see numerous technological solutions developed within the cement industry in order to generate energy from waste (municipal and non-hazardous industrial waste) which cannot be recycled or reused, but can still guarantee quality of the end product.

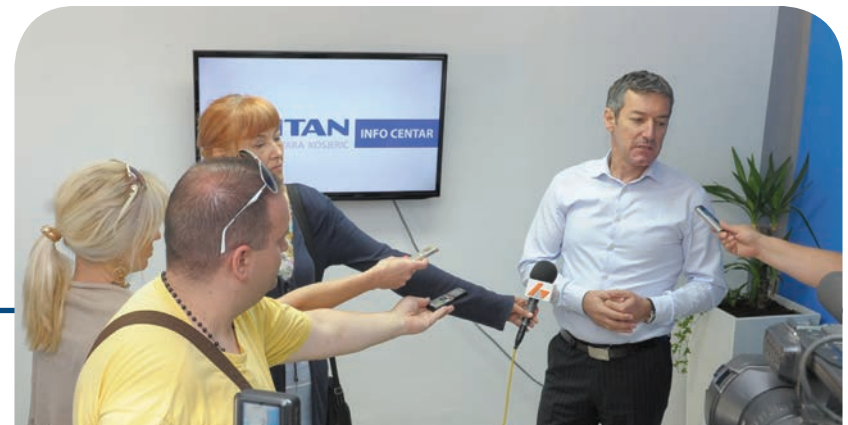
Learning about operation and production processes at the Bulgarian cement plant is important for further development of communication between TCK and its local community. The participants of this study tour gained thorough knowledge on the use of alternative fuels in cement production from the perspective of environmental protection, improvement of production processes as well as reduced reliance on non-renewable energy resources.



TCK Info Centre

In order to convey the transparency of our activities further still to citizens in the community, the Company launched the opening of our Info Centre on 3rd July 2013; a one-of-a-kind information service which provides relevant and current facts regarding company operations.

Various educational publications are made available at the Centre, such as: bulletins about the business and production process, brochures concerning the environmental indicators, the Code of Conduct and other printed materials which follow the pace of TITAN's activities. At the same time, visual materials, presentations and video animations all contribute to the understanding of the business and all interested parties can, in due time receive concrete answers from competent authorities to any questions they may have. The availability of information about TCK in the Kosjerić Center ensures that a comprehensive picture of the Company is readily available to our citizens. This includes information on TCK's activities with regards to Corporate Social Responsibility, market competitiveness, as well as the future of energy use with behavioral models which are current and environmentally friendly, and which take into account limited natural resources and their protection.



Public Contest “For My Kosjerić”

This contest, organized by TCK for the best local cultural, educational and environmental project took place from 18th February – 15th March 2013. The criteria for the contest was the stimulation of ideas with social incentives, calling for solutions to real problems faced by the community and the delivery of concrete benefits for all those living in the area. All projects submitted had to comply with TCK’s values and Kosjerić’s development strategy. The judging panel, comprised of representatives of the Company and local community, together chose the top five projects. These winners were each presented with a monetary prize awarded by TCK, as support for local creative initiatives.

At the awards ceremony, the purpose of the contest was explained as was the scope of each of the winning projects. Each project approached the idea of improving quality of life in Kosjerić through the use of innovation, education and ideas which support sustainability. Each project included various participants, both in their implementation processes and later, from the perspective of the number of people who would benefit from their implementation.

The **“Incubator: Center for Education and Implementation”** submitted by the NGO ‘Ko.AKTIVA’, represents the concept of joint working space and was created with the intention of encouraging entrepreneurship in Kosjerić. This projects breaks down stereotypes about learning and meets the interests of people from all generations, calling individuals to get actively involved in social trends and networking.

The **“Innovations in Lecturing”**, submitted by Technical School, reflects ambitions in adopting advanced knowledge and its application in the field of electrical engineering through the purchase of new educational equipment. Dedication to the lectures and students is reflected by the willingness of the school to open the classroom to technological advancements.

The **“Phonetic Lab and Digital Library”**, submitted by Mito Igumanović Primary School gives students the opportunity to learn English interactively. This concept of quality learning is based on connecting students with the outside world and accessing global knowledge, which is a requirement of educational development in today’s world.

The **“Recyclemania”**, submitted by Vesnik, Association of Entrepreneurs and Artists, develops environmental awareness in children through various educational and sports activities. This project helps children adopt serious curriculum through fun activities and address a challenging task: how to protect the environment and take responsibility for healthy living and the survival of the community.

The **“ECO Kosjerić”**, submitted by the NGO ‘Ko.AKTIVA’, addresses the issue of environmental pollution through practical activities, such as mapping the number and location of illegal landfills in the municipality and subsequently organizing supporting training sessions for youths. These activities encourage concrete action in regards to combating environmental pollution.

CSR and Sustainable Development Report for 2012

The B+ level given to the 2012 Report most effectively illustrates the Company’s efforts to contribute to improvements in the local community and society in general by constantly monitoring results. In October 2013, while presenting the Report, representatives of the local community gave helpful and constructive suggestions for future socially responsible initiatives organized by the Company and suggested a number of important topics of interest to the local community. All participants of the meeting agreed that Sustainable Development Reporting is of great importance because it strengthens mutual trust and a willingness to create partnerships between companies and the communities they operate in.

The Company promotes sustainability through memberships in various business associations



Cement Industry of Serbia – CIS:
www.cis.org.rs

This association offers its members professional support with the goal being: the development of business practices which are based on Sustainable Development.



Business Leaders Forum Serbia:
www.fpl.rs

This organization is a coalition of representatives from Serbia’s most highly developed companies and is a national partner in the CSR Europe network of leading European organizations for Corporate Social Responsibility.



U.N. Global Compact Network Serbia:
www.ungc.rs

The Global Compact is a framework through which companies undertake to harmonize their activities with ten universal principles in the areas of human rights, labor, environmental protection and anti-corruption.



National Alliance for Local Economic Development:
www.naled-serbia.org

An independent association of businesses, local governments and civil society organizations working together on improving the business climate in Serbia.



AmCham Serbia: www.amcham.rs

The American Chamber of Commerce in Serbia works towards the development of the business environment and regulative framework through proactive dialogue between the government, companies and key stakeholders.



Foreign Investors Council:
www.fic.org.rs

The Council actively promotes Sustainable Development through open dialogue with the government and all other relevant stakeholders.

United Nations Global Compact

TCK's participation in the UN Global Compact sends an affirmative message that our company is recognized for its commitment to Corporate Social Responsibility and associated with a conscientious approach to the construction of advanced societies. Compatibility between the Company's performance and the Ten Principles of the Global Compact are manifested in the full implementation of these principles into practice, visible through mutual and extensive collaboration with stakeholders.

10 Principles of the Global Compact	Corresponding GRI Indicators	Page in the Report
Human Rights		
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	HR3, HR10, HR11, SO1, SO9, SO10	11-13 16, 18, 25-26
Principle 2: Businesses should make sure they are not complicit in human rights abuses	HR1, HR2	23, 36
Labor		
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	HR5, LA5, LA4	19
Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor	HR7	19
Principle 5: Businesses should uphold the effective abolition of child labor	HR6	19
Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation	EC7, HR4, EC5, LA1, LA2, LA10, LA13, LA14, LA15	19-21
Environment		
Principle 7: Businesses should support a precautionary approach to environmental challenges	EC2, EN1, EN3, EN8, EN16, EN19, EN20, EN26	10, 22, 28, 29, 30-31, 35, 30
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility	EN1, EN2, EN3, EN4, EN5, EN8, EN10, EN11, EN12, EN14, EN16, EN17, EN19, EN20, EN21, EN22, EN23, EN26, EN27, EN28, EN30	12-13, 22, 28-33, 35
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies	EN30	12-13, 33
Anti-Corruption		
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	SO2, SO3, SO4, SO5,	11, 16, 26-27, 37

Care for the Environment

TCK's strategic business views comply with the principles of Sustainable Development with criteria which is both justified and at the same time demanding of us, with regards to its requirements of continuous improvement. Nevertheless, we have continued to follow this trend and, despite the difficult economic situation throughout 2013, were successful in improving our environmental performance.

For TCK, Sustainable Environmental Management involves systematically organizing appropriate activities, formalized through introduced management systems, such as ISO 14001, an Environmental Performance Management System, an integrated

Energy and Climate Change

The cement industry is highly energy-demanding, where approximately 90% of the required energy is thermal energy produced by direct combustion of fuels in cement kilns. Consequently, the cement industry, on a global scale, contributes to the emissions of greenhouse gases at a rate of about 5% of the total amount emitted. In order to reduce the impact and mitigate adverse climate change, we are dedicated to investing our knowledge and technological innovations in reducing fuel consumption and energy in the production process. Our long-term concern regarding this matter, which has led to the increase in energy efficiency in the production process, not only mitigates harmful global warming, but may also lead to cost reductions and savings in the exploitation of non-renewable fuels. Therefore, the use of alternative fuels would be conducive to our economic needs, would establish the availability of a secure energy source, and would contribute to the conservation of natural resources which should be preserved for future generations.

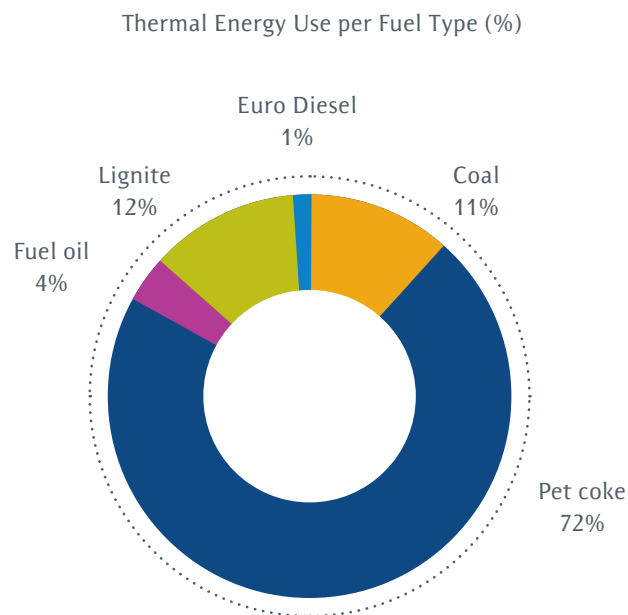
Thermal Energy

In 2013, Titan Cementara Kosjerić consumed 885.1 TJ of thermal energy in the production of clinker. This consumption is approximately 26% less than in the previous year (2012), which is in proportion to the reduced quantity of clinker produced in the same period. All thermal energy was produced from fossil fuels. Rationalization of technological steam and optimizing boiler operation time in 2013 reduced the consumption of fuel oil by about 18%, thus achieving energy savings of 7.1 TJ.

Water Management System, and a CO₂ Emissions Management system. Care for the environment, a concept which is an integral part of all our activities, makes us one of the biggest role models among companies in the region.

Areas of focus in the continuous improvement of sustainability principles within the field of environmental protection are:

- energy and climate change,
- emissions,
- conserving resources (water, raw materials),
- waste management,
- conserving biodiversity.



Electrical Energy

The total electric energy consumption in 2013 was 36,878,750 kWh (132.8 TJ), 22% lower than consumption in 2012, due to reduced production volume.

CO₂ Emissions

In the process of cement production, carbon dioxide (CO₂), a gas which contributes to the effects of global warming, is generated. In 2006 the TITAN Group adopted a strategy to mitigate climate change, and pledged to reduce carbon dioxide emissions, in line with the Kyoto Protocol. Although Serbia has yet to introduce regulations on the calculation and reporting of CO₂ emissions produced, TCK, adhering to WBCSD/CSI (World Business Council for Sustainable Development/Cement Sustainability Initiative) Guidelines, calculates direct emissions of CO₂ produced by our plant and report these findings regularly.

Within the cement industry, carbon dioxide is released mainly when raw meal is transformed into clinker, as well as when fuel is burned in the rotary kiln. The measures taken by TCK to reduce emissions are as follows: increasing energy efficiency in the production of clinker, reducing the ratio of clinker in cement and using alternative fuels. Total direct emissions of carbon dioxide in 2013 amounted to 0.22 million tons and was about 26% less than in 2012, due to reduced production volume. In the same period, specific direct emissions of carbon dioxide per ton of product were 623 kg CO₂/t_{product}, which is 4.1% less than values measured in 2012, due to reduced clinker stock.

Alternative Fuels

In April 2013, TCK received approval from the Ministry of Energy, Development and Environmental Protection for the Study on assessing the environmental impact of The SRF (Solid Recovered Fuel) Dosing and Utilization Project for combined combustion (co-incineration) with primary fossil fuels in the rotary kiln. The planned project is expected to carry out the substitution of primary fuels, derived from fossils, with solid recovered fuels (SRF), and it is expected that this substitution of primary fuels is achieved to the maximum degree, or in other words 24%. The planned annual consumption of SRF is approximately 25,000 t/y (3 t/h).

Solid Recovered Fuel (SRF) is mechanically chopped (prepared), solid secondary raw material, unfit for recycling, but suitable for generating energy and is classified as non-hazardous waste. SRF is produced in special plants (located near solid waste landfills), where, after recyclable waste fractions (parts suitable for recycling) are separated – the remaining materials are shredded, dried, stabilized and packaged. SRF consists of combustible components: paper, fabric, light fraction man-made materials, wood, rope, thread, etc., and must meet all the minimum features required by law. In compliance with these standards, the process of co-incineration (incineration with fossil fuels) the following cannot be used: radioactive waste, medicinal and infectious waste, electrical and electronic waste, batteries and accumulators, reactive waste, mercury-containing waste, waste of unknown or undetermined composition.



SRF derived from waste

Air Emissions

Air emissions which originate from cement plants are formed during the combustion of fuel and raw material calcinations process. In this manner, nitrogen oxides (NO_x), sulphur oxides (SO₂), and dust are released into the atmosphere. To ensure the proper management of our emissions, we are committed to proper management of production processes, regular maintenance of equipment, as well as continuous monitoring of the level of emissions of major emitters. Periodical measurements, conducted by authorized institutions are performed on our other dust emitters.

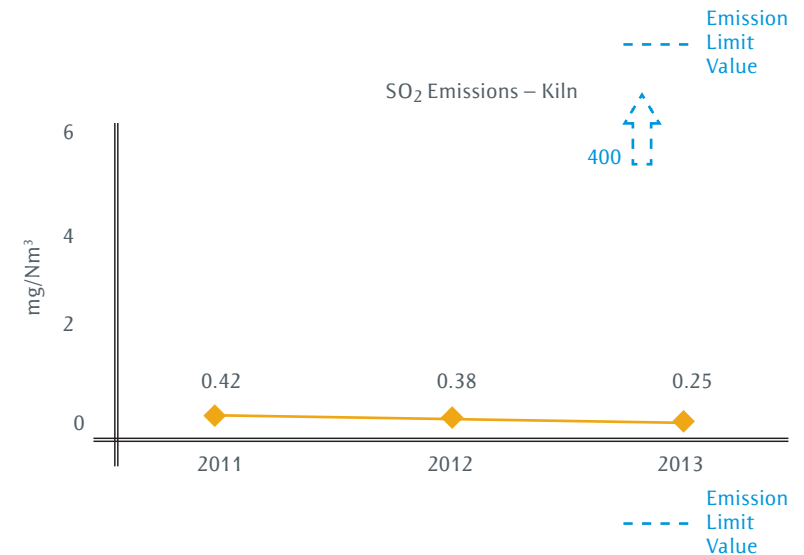
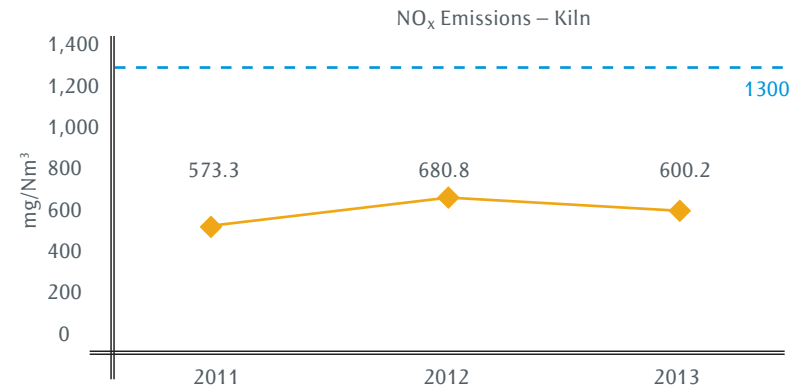
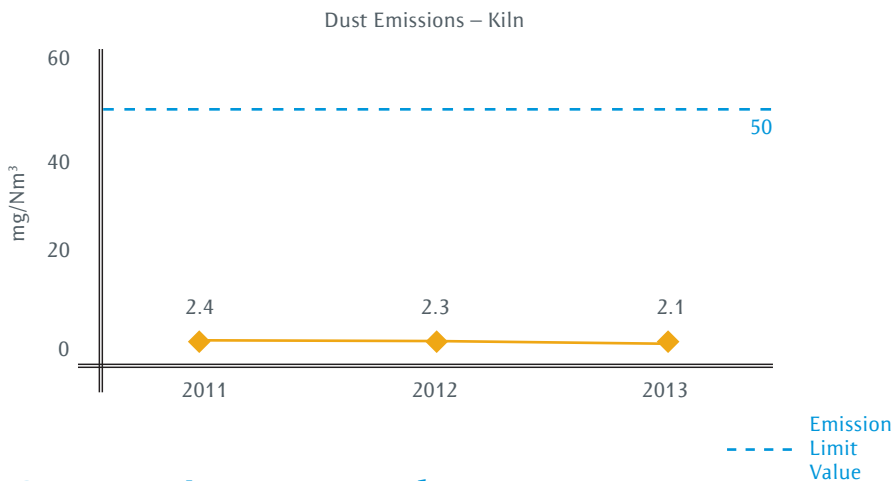
In 2013, QAL2 testing was completed on all plant Automated Measurement Systems (AMS) in compliance with the quality assurance standard SRPS EN 14181.

Total dust emissions in 2013 was 1.05 tons, while specific emissions were 4.2 g/t_{clinker}, far less than the 95 g/t_{clinker} set by the TITAN Group. In the same period, total emissions of nitrogen oxides amounted to 296.9 tons, a decrease compared to the previous year, which is a result of optimizing the combustion process in the kiln by adjusting the burner. At the same time, specific emissions of NO_x, which amounted to 1,183.5g/t_{clinker}, were lower than the 1,670 g/t_{clinker} set by the TITAN Group.

In 2013, total emissions of SO₂ were 0.12 tons, where specific emissions were 0.5 g/t_{clinker}. The emissions level was lower than TITAN Group's set value of 240 g/t_{clinker}.

Emissions Compared to Limit Values Prescribed by National Regulations

Limit values of air emissions are prescribed by the Regulation on Limit Values of Air Pollutants, and the IPPC permit received by TCK in June 2011. The Company regularly reports its emissions status to the Ministry and the Agency for Environmental Protection as well as publishing the average emissions values over a two-week period on our website at www.titan.rs. In 2013, all emissions values were lower than the limit values prescribed by National Regulations.



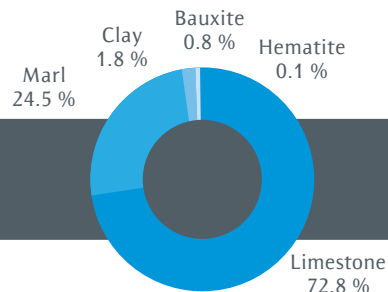
Conserving Natural Resources

Within the domain of environmental concern, we strive to reduce the consumption of natural resources. Taking into account that the cement industry requires large quantities of raw materials, we are open to implementing alternative solutions in our production process, for doing so contributes to the reduction of the use of non-renewable natural resources and participates in solving problems which arise from stockpiling industrial by-products.

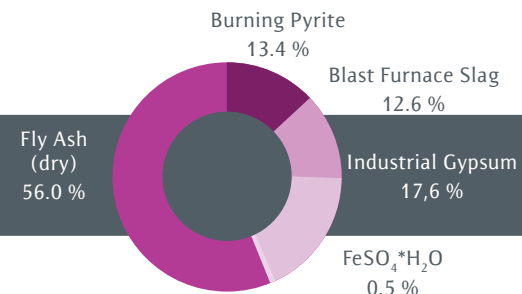
Natural and Alternative Raw Materials

In 2013, TCK used 521,387 tons of raw materials in cement production, of which 468,191.6 tons were natural raw materials, and 53,195.4 tons or 10.2% were secondary – alternative raw materials, which represents an increase of 0.43% in relation to 2012.

Use of Natural Raw Materials (%)



Use of Alternative Raw Materials (%)



Fly Ash (dry)

In 2013, a project was implemented to build a system to store and dose dry fly ash into the raw materials mill, allowing for the substitution of a natural raw material – bauxite, with alternative raw materials in the composition of raw meal. The value of this project was nearly half a million euro. With the erection of dry fly ash silos, the Company was able to reduce the effects on the environment, multiple times over. Not only does this progressive concept allow for the removal of an open stockpile (for bauxite), it solves the problem of fly ash as a by-product of thermal power plants because the ash created as waste in the production of electrical energy, is re-used as an additive in cement production. Thus, ash produced by companies that do not have solutions for storing this material, is taken care of. This speaks of the extraordinary environmental usefulness of the project, proving once again that TCK thinks responsibly and in the long-term about national and broader social frameworks. These kinds of initiatives undoubtedly enhance the reputation of the Company, confirming its continued commitment to the highest global standards in all areas of business.

The primary advantage of the implementation of this project is the reduction of the use of a natural, non-renewable resource (bauxite) in the production process, and the focus on alternative raw materials. The realization of this project reduced the cost of raw meal, increasing the Company's competitiveness in the cement manufacturing market.

The production process in the actual plant was upgraded due to modernization in the way additives are transported to the raw materials mill, moving from conveyor belt transporters to pneumatic transporters, which also contributes to energy savings in parts of the process.



Water

It is a known fact that cement plants are relatively low industrial consumers of water and analysis show that in the cement – concrete – aggregates chain, approximately 1% of the world's industrial water is consumed, or 0.2% of the total amount of water consumed globally. Nevertheless, we are committed to reducing our impact on water resources, which is in line with Sustainable Development and the need to optimize production.

TCK uses water from the utility water supply system as drinking and sanitary water, whereas water used for industrial purposes is drained from the Skrapež River. In the production process, water is used exclusively as a cooling medium (cooling materials, gases, equipment) and to wash transportation routes (access roads), therefore waste water is not a by-product of our production process. With the intention of protecting the natural course of the Skrapež

River and the broader environment, we have set high standards in implementing a Water Protection System. This means that all our waste water, drainage and storm water is first treated to the required standards and only then is it discharged into the Skrapež River. River water samples are regularly monitored, as is the quality of the treated waste water. Reports and analyses show that all of the regulation requirements concerning the discharge of waste water into the river are met.

In 2013, 597,684.4 m³ of water was drained for the needs of our production process, of which 581,764.4 m³ was taken from the Skrapež River, while 15,920 m³ came from the utility water supply system. After the waste water treatment process, 516,290.4 m³ of water was discharged into the Skrapež River.

Recirculation of Industrial Water System

In 2013, a project was implemented that allows for the recirculation of industrial water at our plant. The investment amounted to approximately EUR 130,000.

Until recently, the majority of drained water, (cca 90%) used by TCK as a coolant, was treated and discharged into the Skrapež River. With the implementation of this new recirculation system, after the wastewater treatment process, water is pumped back into our industrial water supply system. This allows for fresh water savings of up to 90%, since with this kind of system in place, the amount of water needed from the Skrapež is to cover evaporation and water consumed for core activities. Furthermore, production processes are no longer reliant on the water level of the Skrapež River during the dry season, due to this system.

The company has shown its dedication to performance development within the field of Sustainable Water Management through investments made in a water recirculation system and wastewater treatment system.



Waste Management

Waste Management involves a set of multiple activities, decision making processes and measures all aimed at the prevention of waste production, reducing its volume and/or its harmful effects on the environment. In the process of producing clinker and cement there are no waste by-products produced. Waste is created solely as a result of plant maintenance procedures and as such is submitted to authorized collectors and operators for further treatment. In 2013, TCK generated 166.58 tons of waste. The total extent of non-hazardous waste (scrap metal, waste paper, palettes, waste foil) accounted for 159.24 tons, while the amount of hazardous waste (waste oils and greases, accumulators, light bulbs) was 7.34 tons. All waste produced is delivered to authorized operators for further treatment. Taking into consideration that TCK delivers a packaged product – cement, within the Serbian market, we are obliged to Packaging Waste Management, in compliance with the Law on Packaging and Packaging Waste. As the obligator is entitled to transfer their obligations under the said Act and

Regulation on the Plan to Reduce Packaging Waste ("National Objectives") to the authorized operator by contract, TCK has exercised its right to implement this feature and according to reports submitted, the specified national targets for packaging waste management in 2013 have been met.

In 2013, we delivered a total of 1,181 tons of packaging within the Serbian market, as follows:

- paper packaging – 271 tons
- plastic containers – 30 tons
- wooden packaging – 880 tons

The municipal waste is also generated but not weighed, therefore it has not been presented in this Report. Municipal waste is not considered a significant component of total waste and is overtaken by local Public Utility Company.

General and Specific National Objectives on Packaging and Packaging Waste Management (Decree on establishing the Plan for the Reduction of Packaging Waste, for the period from 2010 to 2014 ("Official Gazette of RS", No. 88/09))

			General Objectives				
			2010	2011	2012	2013	2014
Reuse	[%]		5.0	10.0	16.0	23.0	30.0
Recycling	[%]		4.0	8.0	13.0	19.0	25.0
			Specific Recycling Objectives				
			2010	2011	2012	2013	2014
Paper/cardboard	[%]		0.0	0.0	14.0	23.0	28.0
Plastic	[%]		0.0	0.0	7.5	9.0	10.5
Glass	[%]		0.0	0.0	7.0	10.0	15.0
Metal	[%]		0.0	0.0	9.5	13.5	18.5
Wood	[%]		0.0	0.0	2.0	4.5	7.0

Conserving Biodiversity

We know that our products are dependent on the exploitation of mineral resources, which are why conscientious and efficient land management and conservation of biodiversity, are highly ranked activities on the priorities list of the TITAN Group. In the recent past we have made significant progress in quarry and biodiversity rehabilitation by applying current standards and models of 'good practice', published in WBCSD/CSI Guidelines for Quarry Rehabilitation, as well as in the Guidelines for Biodiversity Management Planning.

An important move was made in 2013 when we created the Five-year Rehabilitation Plans of the Suvo Vrelo and Godljevo Pits. These plans represent a systematic and accountable response to Land Management within and around our operations, increasing our contribution to the conservation of nature. Biological regeneration will lead to the formation of a protective forest belt, prevent erosion, ensure slope stability, ensure top soil stability, and control runoff. Plant species chosen for quarry rehabilitation have modest

requirements of their habitat; they are very good at protecting soil from erosion, grow quickly and are decorative.

In accordance with adopted plans in 2013, we began regeneration of Suvo Vrelo Pit's main plateau, where we planted 80 columnar maple seedlings.

By applying the most advanced methods of ecological mapping, in 2013, we conducted screening of locations where TCK operates, using IBAT (The Integrated Biodiversity Assessment Tool; website: www.ibatforbusiness.org). This kind of digital insight provides proactive understanding and management of environmental risks, risks which in themselves carry increasing demands to conserve biodiversity, both at global and national levels.

The Company does not carry out its production processes in protected areas or in zones which are particularly important for nature conservation and development.

One more indicator of the positive results achieved throughout 2013 is the fact that there was not a single incident of accidental spillage of materials; fuel, waste, oil nor chemical. Also, during that same period, no penalties were issued for non-compliance with laws and regulations pertaining to environmental protection.

Titan Cementara Kosjerić - Results	2011	2012	2013
Thermal Energy Consumption (TJ)	1,271.92	1,201.41	885.10
Electrical Energy Consumption (kWh)	51,030,705	47,283,555	36,878,750
Consumption of Natural Raw Materials (t)	649,349.0	617,695.5	468,191.7
Consumption of Alternative Raw Materials (t)	105,573.8	66,874.6	53,195.4
Alternative Raw Materials Substitution Rate	13.98%	9.77%	10.20%
Water Consumption – total (m ³)	525,321.00	660,933.14	597,684.40
- drained river water (m ³)	498,500.00	637,968.14	581,764.40
- drinking water (m ³)	26,821	22,965	15,920
Discharged water (m ³)	422,920.50	555,199.10	516,290.40
Total Direct Emissions CO ₂ (million t)	0.32	0.30	0.22
Specific Direct Emissions CO ₂ (kg CO ₂ /t _{product})	623	650	623
Total Dust Emissions (t)	1.81	1.55	1.05
Specific Dust Emissions (g/t _{clinker})	5.0	4.5	4.2
Total NO _x Emissions (t)	428.0	461.8	296.9
Specific NO _x Emissions (g/t _{clinker})	1,192.4	1,353.7	1,183.5
Total SO ₂ Emissions (t)	0.31	0.26	0.12
Specific SO ₂ Emissions (g/t _{clinker})	0.9	0.8	0.5
Amount of Recycled Waste (external) (t)	178.90	83.74	166.58

Environmental Costs	2013
Environmental Protection Management (000 €)	242.0
Reforestation (000 €)	5.7
Remediation (000 €)	0.0
Environmental Awareness Training and Development (000 €)	0.3
Environmental Development Technology Implementation Costs (000 €)	562.9
Waste Management (000 €)	12.0
Total Costs (000 €)	834.8

GRI Index

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GRI Indicators

EC – Economic Performance			
#	Indicator	Definition	Page in this Report
1	EC1	Direct economic value generated and distributed	7, 12-13
2	EC2	Financial implications, risks and opportunities due to climate change	10
3	EC3	Obligations of the organization's benefit plan	19
4	EC4	Significant financial assistance received from government	None
5	EC5*	Ratio of standard entry level wage compared to Serbia's minimum wage, per gender	19
6	EC6	Policies, practices, and proportion of local suppliers	23
7	EC7	Local hiring and proportion of top management hired from the local community	20
8	EC8	Investments in the local community	12-13, 24-26
EN – Environment			
#	Indicator	Definition	Page in this Report
9	EN1	Materials used by weight or volume	30–31
10	EN2	Percentage of materials used that are recycled input materials	30–31
11	EN3	Direct energy consumption by primary energy source	28
12	EN4	Indirect energy consumption by primary source	Indirect energy consumption refers only to electricity consumed for production activities. Taking into account that the power consumption is a relatively small percentage of the total energy consumption, as well as the unavailability of reliable data the indicator on the primary source of energy is not shown in this Report, p. 28
13	EN5*	Energy saved due to conservation and efficiency improvements	28
14	EN8	Total water withdrawal by source	31
15	EN10*	Percentage and total volume of water recycled and reused	0%, p. 32
16	EN11	Land adjacent to, or in protected areas	33
17	EN12	Description of significant impacts on biodiversity in protected areas	Since TCK does not own/use any sites which are protected areas, this indicator is not relevant to the Report.
18	EN14*	Strategies and activities for managing impacts on biodiversity	33
19	EN16	Total direct and indirect greenhouse gas emissions by weight	Total indirect CO ₂ emissions in 2013 were 0.03 million tons, p. 29
20	EN17	Other relevant indirect greenhouse gas emissions by weight	Taking into account that this indicator refers to the CO ₂ emissions resulting from the activities of transport that are not controlled by TCK, due to a lack of reliable information, this indicator is not shown in this Report.
21	EN19	Emissions which affect the ozone	Irrelevant to the production activities at TCK.
22	EN20	NO _x , SO _x and other significant emissions	30
23	EN21	Water discharge	31

24	EN22	Total amount of waste and disposal method	32
25	EN23	Total number of significant spills	33
26	EN26	Initiatives to mitigate environmental impacts of products and services	22
27	EN27	Percentage of recycled packaging	32–33
28	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	33
29	EN30*	Total environmental protection expenditures and investments	12-13, 33

LA – Labor

#	Indicator	Definition	Page in this Report
30	LA1	Number of employees	19-21
31	LA2	Employee fluctuation	19
32	LA3*	Employee benefits	18
32	LA4	Percentage of employees covered by CBAs	19
34	LA5	Minimum notice period(s) regarding significant operational changes	19
35	LA6*	Percentage of total workforce represented in joint Health and Safety committees	18
36	LA7	Occupational injuries	17
37	LA8	Education, counseling, prevention to assist workforce members, their families, or community members regarding serious diseases	18
38	LA10	Hours of employee professional development	21
39	LA11*	Education that supports employability of employees and management and assist them in career management	21
40	LA12*	Percentage of employees receiving regular performance reviews	19
41	LA13	Employee structure	19-20
42	LA14	Ratio of basic salary of men to women by employee category	19
43	LA15	Return to work and retention rates after paternal absence	21

HR – Human Rights

#	Indicator	Definition	Page in this Report
44	HR1	Significant agreements that include human rights clauses	23
45	HR2	Suppliers and contractors that have undergone screening on human rights	All contractors who provide services to TCK are evaluated on the basis of their relationship and performance in the field of H&S, and within this framework, they are required to respect human rights.
46	HR3	Employee training on human rights	11
47	HR4	Total number of incidents of discrimination and actions taken	0, p. 19
48	HR5	The possibility of violations of the right of association and collective bargaining	19
49	HR6	Significant risk for incidents of child labor, and measures taken towards the elimination of child labor	19
50	HR7	Significant risk for incidents of forced or compulsory labor, and measures to taken toward the elimination of forced or compulsory labor	19
51	HR10	Human rights audit	16
52	HR11	Number of complaints made relating to human rights violations and their resolution	16

SO – Community			
#	Indicator	Definition	Page in this Report
53	SO1	Implementation of programs to promote inclusion of the local community, impact assessment and development programs	16, 18, 25-26
54	SO2	Risk analysis relating to corruption	16
55	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	11
56	SO4	Actions taken in response to incidents of corruption	Not applicable
57	SO5	Participation in public policy development	26-27
58	SO6*	Value of financial and in-kind contributions to political parties, politicians and related organizations	0
59	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	0
60	SO9	Negative impact of operations on the local community	12-13
61	SO10	Measures take to lessen negative impacts on the local community	12-13
PR – Product Responsibility			
#	Indicator	Definition	Page in this Report
62	PR1	Development and analysis of the product on H&S	7, 22
63	PR2*	Number of incidents of non-compliance with regulations concerning H&S	None
64	PR3	Type of product and service information required by procedures	22
65	PR4*	Incidents of non-compliance with regulations concerning product and service information and labeling	None p. 22
66	PR5*	Practices related surveying customer satisfaction, including results of surveys	22
67	PR6	Programs for adherence to regulations related to marketing communications	22
68	PR9	Monetary value of significant fines for non-compliance with regulations concerning the use of products and services	None

Reporting Principles

Titan Cementara Kosjerić published its first annual Corporate Social Responsibility and Sustainable Development Report in 2011 (for 2010). The contents of this, now fourth consecutive Report, was compiled based on the suggestions made by our stakeholders, as well as on the activities of the Company and the community. The approach of the CSR Committee, which is in accordance with TITAN Group's strategy, carefully examines all feedback received from stakeholders.

In order to create a document with improved content, more effective in responding to the expectations of stakeholders and better visibility of results, the structure of the current Report is such that it presents data in a comprehensive manner and provides additional information about the Company.

This Report, now being presented to the public, has been compiled in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative G3.1, and information on Health and Safety at work, as well as information on CO₂ emissions, are in compliance with industry standards and protocols relevant to the Initiative for the Sustainability of the Cement Industry CSI, within the framework of the World Business Council for Sustainable Development (WBCSD).

This Report covers all material issues relevant to the Company and its stakeholders, related to the Kosjerić facility (cement plant and quarries). Due to the specific social and economic circumstances in which the company operates, some of the information stipulated by the Global Reporting Initiative Guidelines cannot be presented in this report. In compliance with the Company's business model, Top Management examines trends, monitors development and opportunities for broader reporting.

The Company is committed to the continuous improvement of the level of transparency and reporting in relation to its stakeholders. The 2013 Report meets the requirements of GRI G3.1 A+ level, as determined by independent auditors from Ernst & Young and their review report is a part of this Report.

All questions and/or suggestions regarding the Report are to be submitted to TCK's Human Resources Manager, Ms. Ljiljana Spasojević, or to the following e-mail address: csr@titan.rs. For more information, please visit our website at: www.titan.rs.

Materiality	The Report presents topics and indicators that reflect significant economic, social and environmental impacts, or may significantly affect the assessments and decisions of stakeholders.
Stakeholder Inclusiveness	The Company identifies interested stakeholders and describes its responses to their reasonable expectations.
Sustainability Context	The Report provides a picture of the Company's performance in the wider context of sustainability.
Balance	The Report reflects the Company's positive and negative aspects, thus providing an objective assessment of overall performance.
Comparability	Issues and information are selected, compiled, and reported consistently. Reported information is presented in a manner that enables stakeholders to analyze changes in the organization's performance over time, and could support analysis relative to other organizations.
Accuracy	The information in the Report is sufficiently accurate and detailed, and allows stakeholders to evaluate performance and results achieved by the Company.
Timeliness	Reporting occurs on a regular schedule and information is made available in time for stakeholders to make informed decisions.
Clarity	Information presented is made available in a manner that is coherent and accessible to stakeholders using the Report.
Reliability	Information and processes used in the preparation of a report are gathered, recorded, compiled, analyzed, and disclosed in a way that could be subject to examination and that establishes the quality and materiality of the information.

Limited assurance report on the Corporate Social Responsibility and Sustainable Development Report 2013

To Management of Titan Cementara Kosjerić d.o.o. Kosjerić

Scope and Responsibility

We have reviewed the Corporate Social Responsibility and Sustainability Report 2013 ("the Report") of Titan Cementara Kosjerić d.o.o. Kosjerić (the "Company"). Management is responsible for the preparation of the Report in accordance with the G3.1. Global Reporting Initiative Guidelines (GRI) issued in 2006, as set out in the "Reporting Principles" section. Management is also responsible for determining the Company's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived. Our responsibility is to issue this report based on our review.

Procedures performed

We carried out our work in accordance with the criteria established for review engagements by "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000)", issued by the International Auditing and Assurance Standards Boards (IAASB). That Standard requires that we comply with applicable ethical requirements (the Code of Ethics for Professionals Accountants issued by the International Federation of Accountants, IFAC), including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the report is free from material misstatement. A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the sustainability report, and applying analytical and other evidence gathering procedures, as appropriate.

These procedures included:

- comparison of information and data presented in the "About us - today" section of the Report to the corresponding information and data included in the Company's standalone financial statements as at and for the year ended 31 December 2013, on which we issued report dated 27 February 2014 in accordance with the Law on Accounting of the Republic of Serbia;
- analysis of key processes underlying the generation, recording and management of quantitative data presented in the Report. In particular, we performed the following procedures:
 - interviews and discussions with management and personnel of the Company to gather information on the IT, accounting and reporting systems used in preparation of the Report, and on the processes and internal control procedures used to gather, combine, process and transmit data and information to the office that prepares the Report;
 - sample based analysis of related documents used in preparing the Report to confirm the reliability of the information derived from the interviews, the effectiveness of procedures and their adequacy with respect to business objectives and the operation of internal control system in managing the data and information included in the Report;
- Analysis of consistency of qualitative data included in the report with the G3.1.GRI Global Reporting Initiative Guidance issued in 2006;
- Verified the process of stakeholder involvement, in terms of methods used, completeness of stakeholders and analysis of data findings compared to the information reported in the Report;
- Obtained representation letter on the compliance of the Report with the G3.1.GRI Global Reporting Initiative Guidance issued in 2006 and on the reliability and completeness of the information and data contained therein.

Our work has been performed to achieve the scope of our engagement. We did not perform audit procedures and our work was substantially less in scope than an audit conducted in accordance with ISAE 3000 "Assurance Engagements Other than Audits of Reviews of Historic Financial Information". Accordingly, the work performed does not give us assurance to be aware of all relevant fact and circumstances that could have been identified by performing the audit.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Report is not prepared, in all material respects, in accordance with the G3.1 GRI - Global Reporting Initiative Guidelines issued in 2006, as set out in the "Reporting Principles" section.

As indicated by the management in the "Reporting Principles" section of the Report, the Company intends to continue to extend the reporting scope of the Report through further standardisation of the existing information and data gathering procedures.

Belgrade, 21 July 2014



Olivera Andrijašević
for Ernst & Young d.o.o. Beograd

