

# TOGETHER WE BUILD SUSTAINABLE RELATIONS



2019 Integrated  
Annual Report



**KNOW-HOW**

An icon of three interlocking gears, symbolizing knowledge, technology, and innovation.

**SAFETY  
FIRST**

An icon of a target with an arrow hitting the bullseye, representing safety and precision.

**INTEGRITY**

An icon of a lit lightbulb, representing ideas, integrity, and innovation.

**SUSTAINABLE  
DEVELOPMENT**

An icon of a pie chart, representing data, progress, and sustainable development.



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# A MESSAGE FROM THE GENERAL MANAGER

Dear Stakeholders,

We are pleased to present the 2019 Integrated Report that we publish annually over the last decade to enable open communication concerning all important issues to our Company and our community, in line with our values. To this end, we remain oriented toward long-term and stable operations, continually striving to improve in three basic and mutually coherent areas: financial results, society and the environment.

Through our membership with the UN Global Compact, we have been successful in integrating universal principles pertaining to human and labor rights, environment and anti-corruption into our activities in the long run. In 2019, we continued to implement our sustainability strategy aligned with the Sustainable Development Goals 2030 (SDGs).

Our results, in 2019, remained solid, with a 3.3% growth of EBITDA. Realized financial gains are reinvested to ensure our future growth of operations with investments in capital technological innovations increasing our operational excellence and enabling us to perform with high standards and best available technologies. With the new CEMAT installation, a leading integrated and automated system to control the manufacturing process and the exploitation of the limestone quarry with new methods of underground quarry facilities, we continue to deliver on our long-term commitment to continuously improve our efficiency at both operational and social levels which together bring about positive changes within the environment in which we live and work.

For us, sustainable development relies primarily on the qualities of our employees. People are at the heart of our guiding ideas, as they are the heart of TCK's entire sustainable business strategy. Advocating for employee dedication and working conditions, in 2019 we conducted Employee Survey, in which 92% of surveyed employees responded with critical feedback that will help us setting our future priorities and actions plans to enhance employee engagement and higher productivity.

In spite of our continuous efforts to safeguard a safe and healthy working environment, in 2019, a work-related injury resulted in the loss of 18 calendar days. This incident as a wakeup call, remind us that we continue to learn from our mistakes as well as from our accomplishments, unwavering in our objective to create a working environment where eliminating safety risks starts with building the alertness of each individual. Undoubtedly, safety culture marks everything that we do at TITAN Cementara Kosjerić, and this model is



something that we are constantly looking to improve upon and promote within our organization, transferring these ideas along the supply chain, the local community as well as all other stakeholders.

We continue to meet the highest standards in respect to environmental management with on-going investments and assessment of performance achieved in all relevant material issues. We are proud that our performance is in all aspects far below the legally imposed limits. We guarantee excellent performance in the application of environmentally functional and sustainable procedures, with EUR 20 million invested in the environment to date.

We already acknowledge the importance of the quality of ambient air in Kosjerić for our stakeholders and particularly local community. According to the Environmental Protection Agency data, TCK's operations have a minimal effect on the quality of air in Kosjerić, which we believe to be an exceptional achievement. At the same time, data issued by the Agency indicate issues relating to ambient air quality in Kosjerić during winter months, irrespective of TCK's operations. Regardless of the fact that we are not the source of this issue, as a socially responsible company, we are ready to support planned and targeted initiatives aimed at finding sustainable solutions in terms of the responsibilities of the local community.

From the beginning of March 2020, due to the rapid spread of COVID-19 virus, in most countries large-scale of social-distancing measures have been imposed, disrupting the global economy and resulting in downfall in cement demand. From the emergence of the coronavirus crisis, TITAN has taken measures to protect the health and safety of our people and contractors and to ensure operational continuity and satisfaction of our customer needs.

In engaging in joint activism with our stakeholders, at TCK we continue along the paved and well-known path toward balanced, responsible and sustainable development, despite growing social and environmental challenges and amongst rapid technological change. The longevity of our business is founded in collaboration within the circle of our interest groups, in which the principles of transparency and communication are binding and create equality. At TITAN, this process has a long history while at the same time it represents a roadmap guiding us toward a far-reaching future perspective.

Miroslav Gligorijević  
General Manager

# REPORTING PRINCIPLES

## ABOUT THE INTEGRATED ANNUAL REPORT FOR 2019

As one of Serbia's pioneers in regard to reporting, and in keeping with the principles of sustainable development and corporate social responsibility, TITAN Cementara Kosjerić<sup>1</sup> publishes its integrated Annual Report for 2019 (in short: will be referred to as the 'Report'). This is the Company's tenth consecutive Report on its non-financial results and its efforts to engage with key stakeholders in a transparent, open and proactive dialogue.

The current Report is covering the material topics, implemented in accordance with performed Materiality Assessment in 2018. We identify stakeholders according to the international AA1000 Stakeholder Engagement Standard (SES) and use its three main principles of inclusivity, materiality and responsiveness to guide the process.

The Report includes the figures of TCK Financial Statements in a Summary format for the reporting period 1<sup>st</sup> January to 31<sup>st</sup> December 2019, but does not include the financial results of the subsidiary in Montenegro for the same period, and which are insignificant compared to the financial results of the mother company in Serbia. The Report provides the disclosures for the non-financial information regarding TCK's environmental performance, social performance, and corporate governance, in a consolidated manner for the mother company and the subsidiary in Montenegro, however the subsidiary has insignificant environmental and social footprint, compared to the mother company.

Since 2018, TCK fully aligned with TITAN Cement International S.A. (in short: TITAN Group) global sectoral approach in monitoring, reporting and verifying environmental, social and governance performance. TCK also introduced, and further

used for building its approach for reporting, the Sustainability Performance KPIs Index, covering an extensive number of performance indicators related to material issues and Sustainable Development Goals 2030. This Report complies with TITAN Group sustainability reporting standards as defined in reference to the implementation of the principles of the International Integrated Reporting Council (IIRC), the UN Global Compact Communication on Progress for Advanced Level, the Global Cement and Concrete Association Guidelines (GCCA), and the UN Sustainable Development Goals (SDGs 2030). TCK also integrated in its approach the Guidance of the United Nations Conference on Trade and Development (UNCTAD)<sup>2</sup> for connecting its reporting for sustainability with Targets for the SDGs, following the TITAN Group approach.<sup>3</sup>

TITAN Group updated in October 2019 the two internal sustainability glossaries and guidelines for social performance, and environmental performance in order to align with the development of new internal Group wide reporting system, in specific the TITAN Group Human Resources Management System (GHRMS) and align with the GGCA Sustainability Charter and Framework Guidelines. The two documents are accessible to all TITAN Group operations through the Group social and environmental data collection Systems (CSR Databank and Environment Databank) where social and environmental key performance indicators are managed. TCK has built a harmonized local reporting system, in accordance with the above requirements.

The Report has been certified by independent auditor from Grant Thornton Serbia, as part of the limited verification for non-financial results in 2019. The Review Statement issued by Grant Thornton Serbia is part of this Report.



**Additional information, questions and suggestions:**

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**More information about the Company:**

[www.titan.rs](http://www.titan.rs)



**More information on integrated reporting:**

[www.integratedreporting.org](http://www.integratedreporting.org)



**More information about TITAN Group:**

[www.titan-cement.com](http://www.titan-cement.com)

<sup>1</sup> The title "TITAN Cementara Kosjerić" is used equivalently in this Report with the titles "TCK", "Cementara" and "Company". It implies the combined and integrated operations of the Kosjerić cement plant and the related quarries (located in the municipality of Kosjerić, Serbia), with primary business purpose the production and distribution of cement and cementitious products, and also the operations of sales activities in Montenegro (TCK Montenegro). The legal entity TITAN Cementara Kosjerić (as registered company in Serbia) is a subsidiary of TITAN Cement International S.A. (in short: TITAN Group). TITAN Cementara Kosjerić has full ownership of the Company assets and operating facilities in Serbia, also has full ownership of the subsidiary in Montenegro.

<sup>2</sup> "Guidance on Core Indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals" of the United Nations Conference on Trade and Development (UNCTAD, 2019).

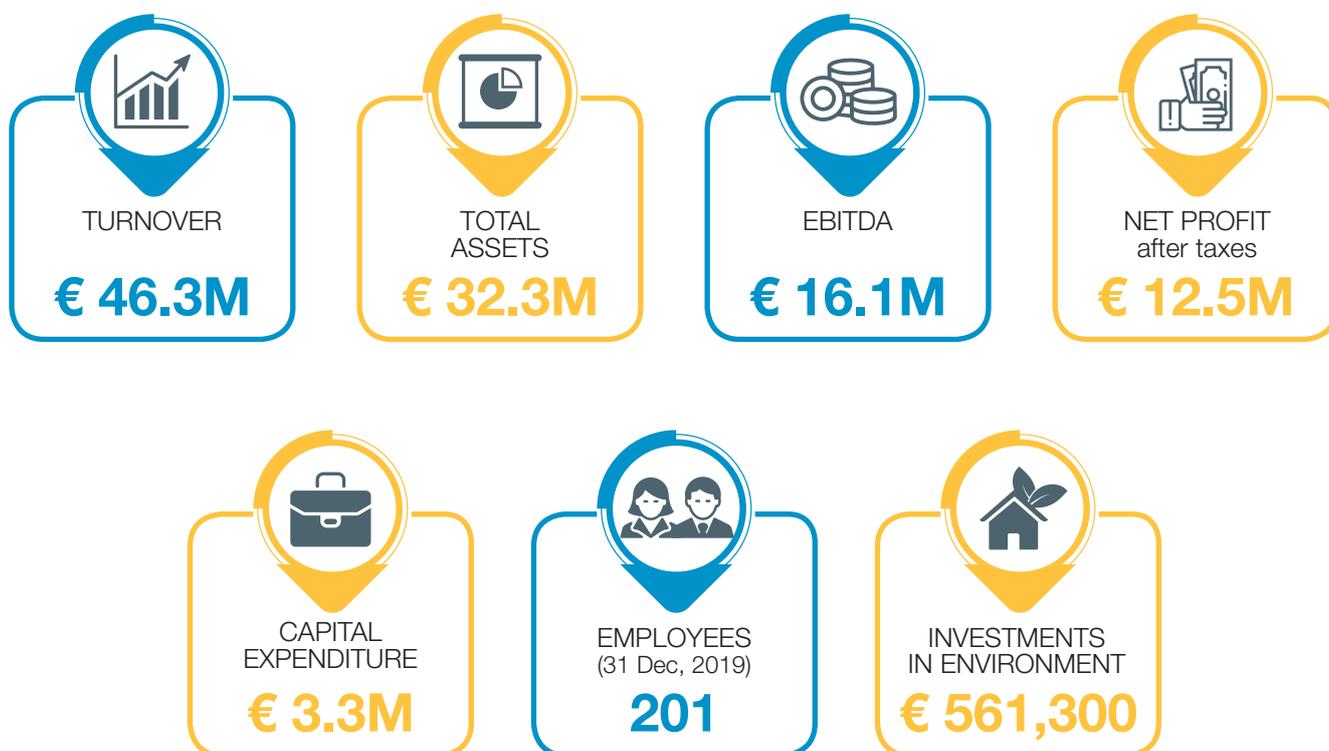
<sup>3</sup> For more information about the TITAN Group global sector approach and standards please visit 2019 TITAN Group Integrated Annual Report: <https://www.titan-cement.com/newsroom/annual-reports>.

# ABOUT US – TODAY

TITAN Cementara Kosjerić operates as part of a Greek multinational, the TITAN Group, an international producer of cement and other building materials, which respectfully contributes to sustainable development. In line with its vision to always be among the most responsible manufacturers of building materials in the economic, environmental and social aspects of sustainability, the Company strives for operational excellence while responding to societal needs. TITAN Group has approx. 5,400 employees and its products are available on markets in North and South America, West and North Africa, Western Europe and the Balkans.

The values of Titan's identity are concentrated in the implementation of responsible policies, initiatives and projects, with a consistent vision of social progress.

## Key Performance Indicators for 2019



TITAN Cementara Kosjerić, as the youngest cement plant in Serbia, began operating as far back as 1976. It has operated successfully over the last five decades and orients its achievements towards long-term sustainability in business and society, supported by continuous investment in know-how and constant improvement. The Company provides opportunities and safe solutions within a dynamic market, dealing positively with economic and social challenges. Close ties with suppliers, customers and the community are woven into the continuity of our development, with whom we partner to improve the quality of life of all stakeholders.

## Corporate Values

### INTEGRITY

Ethical business practices  
Transparency  
Open communication

### KNOW-HOW

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

### DELIVERING RESULTS

Clear objectives  
High standards  
Shareholder value

### VALUE TO THE CUSTOMER

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

### CONTINUOUS SELF-IMPROVEMENT

Learning organization  
Willingness to change  
Rise to challenges

### CORPORATE SOCIAL RESPONSIBILITY

Safety first  
Sustainable development  
Stakeholder engagement

## Our Products

In keeping pace with modern technological innovations, TITAN Cementara Kosjerić products have a wide range of applications in numerous economic and social projects. Their quality and range respond to the needs of ambitious infrastructure ventures, corporate construction, private construction and social initiatives. We express our respect for the users of Titan's products by constantly updating our operations and guaranteeing readiness to always meet the demands and expectations set before us with the improved, better quality and sustainable features of our product line.



### CEM II/B-M(V-L) 32,5R

In addition to stable quality (water consumption, setting time), this product is characterized with high early strength, and low heat of hydration. This product is suitable for individual construction, masonry works and finishing construction works.



### CEM II/B-M(V-L) 42,5R

This cement has a wide range of applications, from transported and pumped concrete, to the manufacturing of all kinds of reinforced concrete structures. It is suitable for the production of finishing building materials. It meets the requirements for consistent quality and high early and standard strengths. This cement has the possibility of achieving high strength concrete.



### CEM II/A-M(S-L) 42,5R

This cement has a high level of early and late strength, suitable for manufacturing all types of concrete. Recommended for the building of massive concrete structures, bridges, tunnels, roads and other facilities. Suitable for making high strength concrete, and concrete used in aggressive environments, as it demonstrates high resistance to frost and salt.

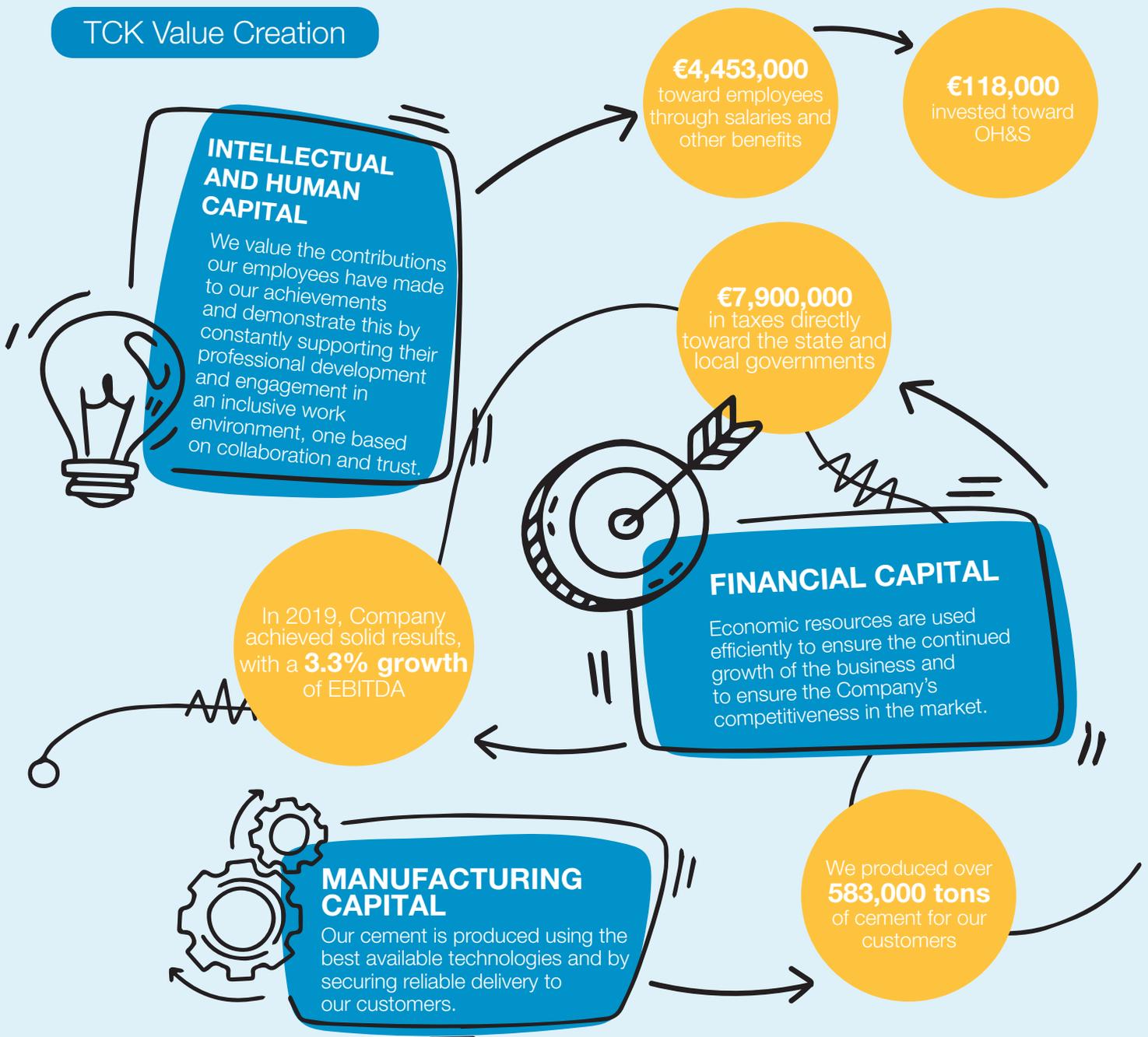
# HOW WE CREATE VALUE

The economic, environmental and social sustainability of our business places us among the most reliable producers of building materials. We validate this position through our resource management and the Company's strengths and relationships with our associates, which are reflected in the creation of added value for the widest range of stakeholders.

In our industrial process, we use raw materials found in nature and, we are dedicated to assuring quality control of the entire production cycle and to improving operative efficiency. Through the use of alternative raw materials, various significant environmental advantages are gained on a global scale, from the conservation of non-renewable natural resources, reducing CO<sub>2</sub> emissions and the stockpiling of waste produced in today's world, which all contributes to the rationalization of production and economic processes.

The framework of Titan's policies expresses our ambitions to ensure quality and durable products, maintain high standards in management, promote ethical business practices and invest in the future growth of our operations.

## TCK Value Creation



## Reliable Product and Delivery to Customers



**1. EXTRACTING RAW MATERIALS:**  
Reducing impact, implementing rehabilitation plans.



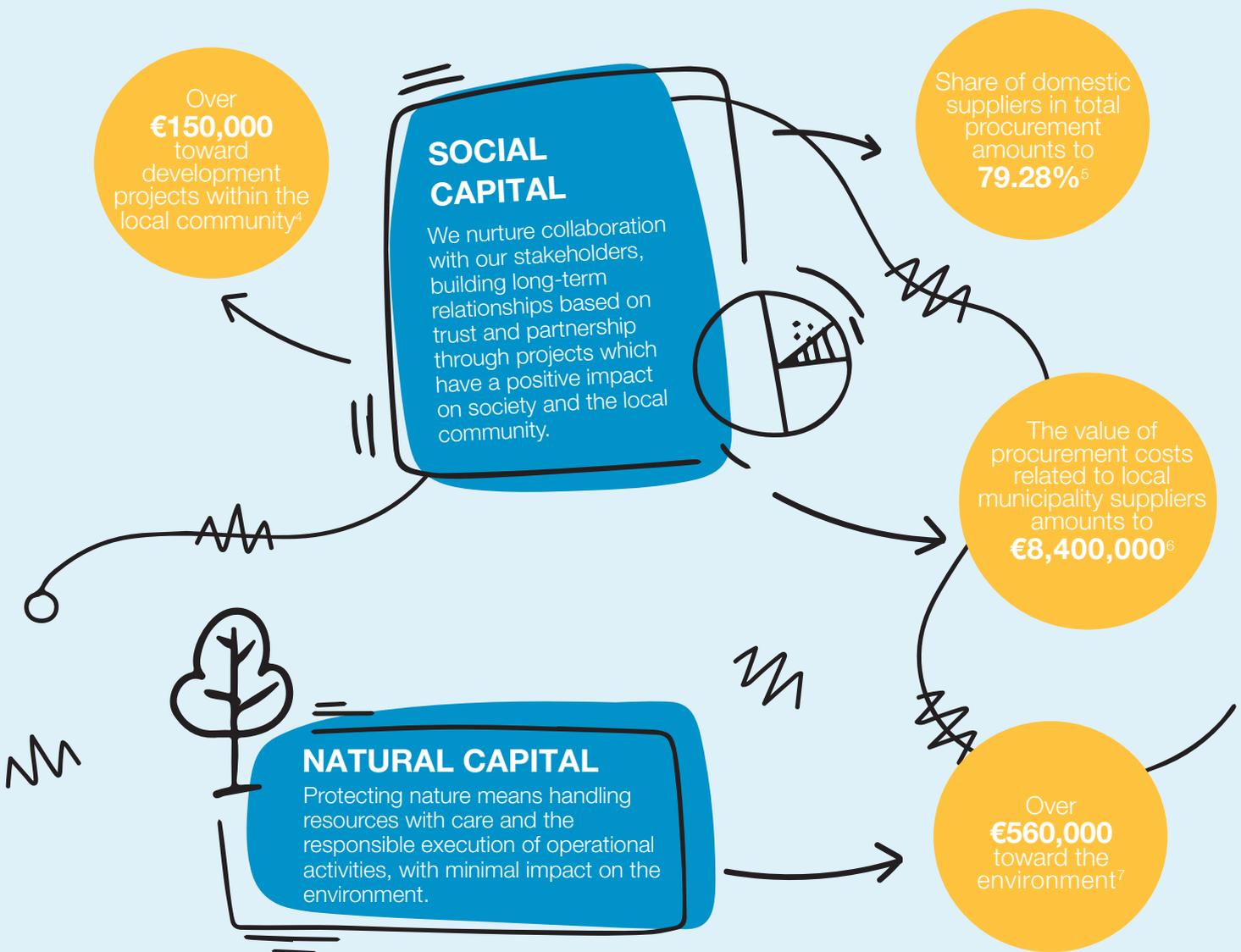
**2. MANUFACTURING:**  
Mixing, grinding, burning and cooling raw materials. This is how our plant manufactures cement.



**3. DISTRIBUTION:**  
Through constant communication with our shippers, we ensure safe delivery.



**4. CLIENTS AND BUSINESS PARTNERS:**  
Through close collaboration with our local partners, we ensure to create value within the community.



<sup>4</sup> This figure is defined as "Donations", according to TITAN Group standards for reporting, see KPIs Index for Social Performance, KPI SP40L.

<sup>5</sup> This percentage is defined as "Local Spend", according to TITAN Group standards for reporting, see KPIs Index for Social Performance, KPI SP45L.

<sup>6</sup> The amount includes VAT.

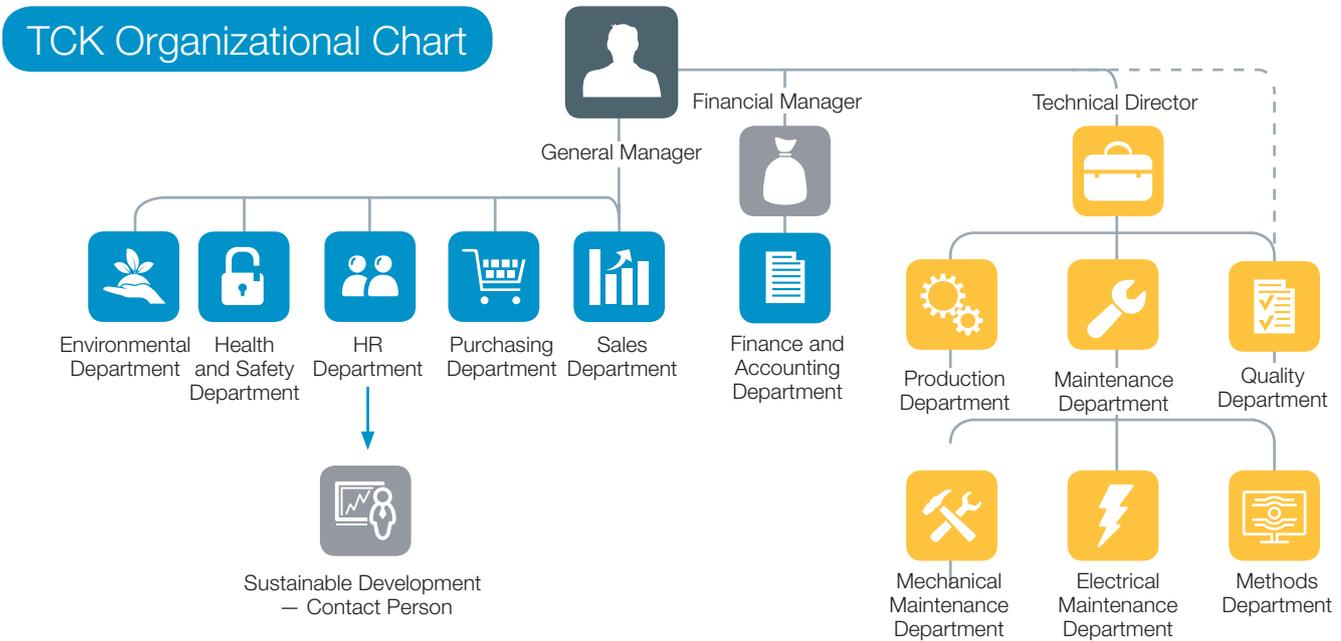
<sup>7</sup> This figure is defined as "Green Investment" or equivalent: "Investments for the Environment", according to TITAN Group standards for reporting, see KPIs Index for Environmental Performance, KPI EP40L.

Commitment to human values and care for our employees is expressed through elaborated policies that protect human rights, affirm dignified work and promote company-wide health and safety, promoted in the wider context of our business.

We demonstrate the effectiveness of our social engagement by fostering collaboration with all stakeholders and implementing initiatives that take into account the priority needs of the local environment. TCK's effective involvement in community life is evident in educational and cultural improvement programs, health and social projects, child safety education, environmental campaigns and other activities that contribute to the development of awareness and standards in various areas of public life.

## Corporate Governance

Creating value for the Company and TCK's key stakeholders is standardized through the highest, recognized, domestic and international regulations. The regulatory framework is comprised of the adopted ISO standards which refer to the following areas of management: 9001: Quality, 14001: Environmental Protection and 18001: Occupational Health and Safety. With them, official policies in terms of ethical business, social responsibility, human rights, bribery and corruption prevention and non-competition restrictions are homogenized. By regularly monitoring the application of these criteria, we ensure their further improvement in the Company's overall business processes.



In TCK's organizational system, the most important business decisions are rendered by the Board of Directors in harmonization with TITAN Group guidelines, with the Company's General Manager at its helm. Issues concerning sustainable development are handled by the CSR Committee, comprised of: the General Manager, Technical Director, the Environmental Manager, the H&S Manager and the Head of Human Resources. It is within the authorization of this body to define short and long-term objectives concerning sustainability, and establish means of communication with stakeholders, in order to set joint priorities. The CSR Team handles operational activities within all domains pertaining to sustainable development. The Human Resources department coordinates responsible business initiatives in the Company and ensures constant communication with TITAN Group's corporate headquarters.

Members of the Board of Directors are involved in the work of the organizational bodies pertaining to the following sectors: Quality, OH&S, Environment and Employee Development. Through their competencies, these Boards and Committees contribute to the continual flow of constructive communication. Internally, management ensures that conflicts of interest are prevented, and that there is a fair approach to the awards system guided by clear procedures and the authorization limits of all working bodies, the guidelines and policies of TITAN Group, as well as management performance evaluations, which include aspects of social responsibility within the context of achieving business objectives and our long-term values.

Through professional development and consultation for all employees, TCK regularly increases know-how in the area of sustainable development. Concise and up-to-date information comes directly from the meetings of the highest level of management at TITAN Group, where the topic of corporate social responsibility is always of primary importance.

## CSR Committees



## Risk Management

Risk management is an integral part of the Group's business strategy and management processes. In line with said, risks incurred by the coronavirus pandemic have been identified and measures have been undertaken to mitigate their consequences. Although Q1 2020 sales volumes at the Group level were as usual, in the coming period of this same year significant effects of the coronavirus pandemic are expected to impact our operations. The construction sector has temporarily been less exposed to the crisis, but a reduction in sales volume is expected. Priorities in Group operations are focused on our ability to quickly adjust to unforeseeable circumstances, ensuring the Company's liquidity in the amount of EUR 400 million, combined with cash and approved bank loans. Although the pandemic may have a significant impact on Group operations in 2020, TITAN management believes that all measures have been undertaken to successfully overcome the consequences of the crisis, including the decrease in profitability.

In this context, TCK management continues to carefully monitor the development of the current situation, cooperating closely with colleagues from Finance and other corporate sectors, aiming to find the best strategies to alleviate the influence of the given circumstances and facilitate continuity in all business aspects, which includes sustainable development of the local community. Regardless of the possible impact of the pandemic, TCK management recognizes and monitors risks which occur in regular business planning and operational activities. Also, management has taken up the role of offering reliable assessment of all risks which may currently, or in the near future, affect our business activities. The result of this type of approach is that identified risks are regularly monitored and controlled during planning and key business segment management cycles, in turn allowing for a quick and efficient response.

Identified Risks	Solutions – Possibilities
Public Finance – impact on the cement market	TITAN Cementara Kosjerić manages all operations responsibly, focusing on its most important investments and employee relations. It does not expose itself to financial risk as it takes into account that the impact on the economic environment is limited. The Credit Control Committee supports this approach through regularly held meetings.
Recruitment and Career Development of Our Best Candidates – Company Location	In accordance with TCK policy, we adhere to the principles of equal opportunities for our employees, career development, and compensation above the local average, in line with relevant regulations. The Company successfully develops training programs for high school and university students and recent graduates from the local community.
Restructuring Program	TCK's Restructuring Program is implemented in line with market conditions, in a responsible manner, adhering to social conditions and needs as well as business priorities. The Company ensures that all redundancy packages are above those prescribed by law.
Occupational Health and Safety	By establishing H&S as a business priority, TCK strives toward the systematic improvement of employees' and contractors' working conditions. It does this by nurturing a culture where, above all else, safety comes first with training and clear and effective OHSAS 18001 procedures in place, and by employing a sufficient number of staff directly responsible for this aspect of our business.
Climate Change	By reducing greenhouse gas emissions, TITAN 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), the Code of Conduct for Procurement and human rights and the prevention of bribery and corruption policies. TCK continually develops mechanisms to ensure compliance with the highest standards at all levels of the value chain.

# Important Topics for the Local Community Sustainable Development



In accordance with TITAN Group policy, the Company regularly organizes working meetings, entitled “Our Community — Our Responsibility”, where stakeholders directly participate in the dialogue and prioritization of the material issues.

In defining the most important topics relating to the sustainable development of the community, TITAN Cementara Kosjerić continually develops a strategy of responsible business while at the same time developing reporting, harmonizing its work interests with the needs of the representatives of the community in which it operates.

## New Materiality Assessment Cycle

In 2019, the decision of TITAN Group was to open a new cycle of Materiality Assessment, the outcomes of which will be presented in the 2020 TITAN Group Integrated Annual Report. The Group’s main priority is the reduction of the carbon footprint of our own operations and our participation in the decarbonization of the construction value chain, contributing towards the global effort of climate change mitigation. Furthermore, we continue to invest in setting the foundations for continuing long-term success: mitigating the risks and leveraging the opportunities that climate change creates for our business, taking advantage of the possibilities afforded by the digital revolution, and continuing to build on our long tradition of stakeholder engagement.

TCK will open the new Materiality Assessment cycle on local level in 2020, and the outcomes for the key material issues will be presented in TCK’s 2020 Annual Integrated Report.

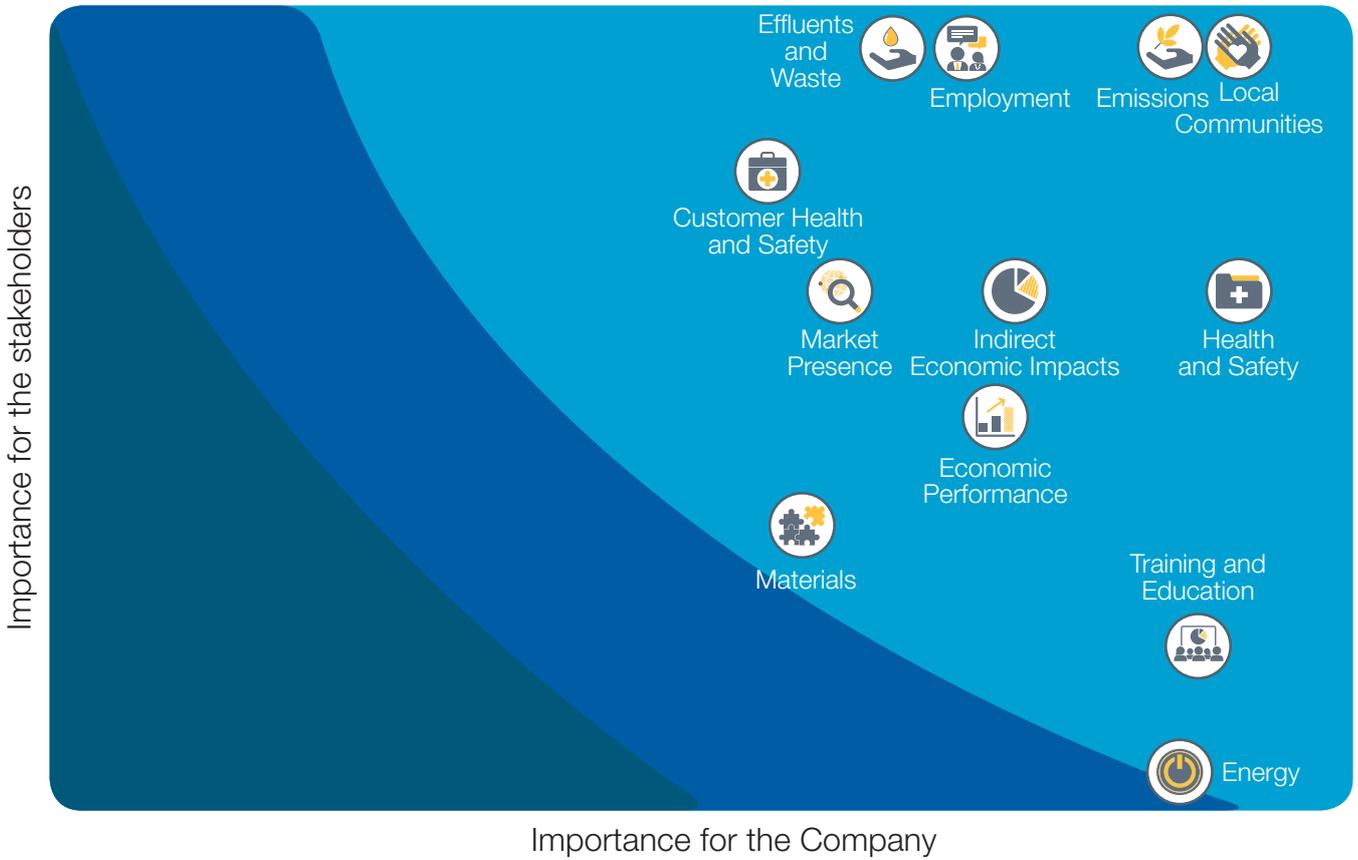
Since 2013 TITAN Cementara Kosjerić has institutionalized this dialogue by involving important stakeholders: employees, customers, suppliers, and representatives of the local community, in the process of Materiality Assessment of key issues. As they are familiar with the concepts of CSR and sustainability reporting, reporting standards and Materiality Assessment, based on this knowledge and in working groups, they were able to evaluate the materiality of the provided topics on the environment, the market and society.

In 2018, we conducted a Materiality Assessment and linked our material issues to the Sustainable Development Goals (SDGs), established by the UN to achieve long-term growth and development by 2030.

## Health and Safety First

TCK recognizes that conditions with respect to the identification and prioritization of material issues for the internal and the external stakeholders were changed since the previous cycle of the Materiality Assessment in 2018. New conditions include the impacts of the public health crisis due to the COVID-19 pandemic in 2020. The health and safety of our employees, customers and suppliers represents a top priority and all precautionary measures have been taken to this effect. Business continuity plans have also been implemented and all Group’s cement manufacturing plants and other integrated activities’ businesses remain operational.

## Materiality Matrix:



Key material topics	Corresponding UN Sustainable Development Goals (SDGs)	TITAN codes/ Page in this Report
Local Communities	SDG 2 Targets: 2.1 i 2.3 SDG 4 Targets: 4.3 i 4.4 SDG 8 Targets: 8.5 i 8.6 SDG 9 Targets: 9.1 i 9.5 SDG 11 Target 11.4 SDG 16 Target 16.5 SDG 17 Target 17.17	SP39L-SP44L
Health and Safety	SDG 3 Target 3.6 SDG 8 Target 8.8	SP01L-SP12L
Training and Education	SDG 4 Targets: 4.3, 4.4 i 4.5 SDG 5 Targets: 5.1 i 5.5 SDG 8 Target 8.5 SDG 10 Targets: 10.2 i 10.3 SDG 16 Target 16.5	SP30L-SP39L
Energy	SDG 7 Target 7.2 SDG 12 Target 12.2	EP34L, EP35L, EP37L
Emissions	SDG 3 Target 3.9 SDG 9 Target 9.4	EP30L-EP33L EP18L-EP20L
Indirect Economic Impacts	SDG 8, SDG 11	SP40L-SP45L; Pages: 8-9, 14-15, 20-29

Key material topics	Corresponding UN Sustainable Development Goals (SDGs)	TITAN codes/ Page in this Report
Economic Performance	SDG 8, SDG 9, SDG 11	Pages: 6, 8-9, 48-50
Employment	SDG 5 Targets: 5.1, 5.4 i 5.5	SP14L-SP29L, SP44L; Page 18
Effluents and Waste	SDG 6 Targets: 6.4 i 6.5 SDG 12 Targets: 12.4 i 12.5	EP06L, EP09L, EP38L, EP39L
Market Presence	SDG 2 Targets: 2.1 i 2.3 SDG 4 Targets: 4.3 i 4.4 SDG 8 Targets: 8.5 i 8.6 SDG 9 Targets: 9.1 i 9.5 SDG 11 Target 11.4 SDG 16 Target 16.5 SDG 17 Target 17.17	SP28L, SP40L-SP45L; Pages: 18, 22-25
Materials	SDG 12 Targets: 12.2, 12.4 i 12.5	EP01-EP05, EP27L, EP28L
Customer Health and Safety	SDG 3, SDG 8	Pages: 7, 14, 20-23

# Sustainable Objectives Pertaining to the Growth of Company and Society

Our loyalty to both corporate values and sustainability principles in the comprehensive scope of operations is an ingrained practice at TCK, based on strategically set objectives, adopted until 2020. These guidelines steer our progress toward a responsible impact on key areas of operations while at the same time the ethical principles of the Sustainable Development Goals SDG are projected onto them, which the UNGC promotes internationally, as part of the universal moral norms of modern business practices.

SDGs/ Material issues	Areas of importance	2018 Performance	2019 Performance	Focus for 2020 as key objectives
<b>Employees and the Working Environment</b>				
Material issues: • Employment • Training and Development	<b>Improvement of Competences</b>	41 training hours held, per employee.	40 training hours held, per employee.	Organize at least 30 training hours, per employee.
 	<b>Business Ethics</b>	Over EUR 370 is the average investment in career development, per employee.	Almost EUR 370 is the average investment in career development, per employee. <sup>8</sup>	Organize training that responds best in terms of employee needs.
 		Prepare to implement the TITAN Ethics Point Project, which is a centralized system for the recording of potential whistle-blower rights' violations and complaint mechanisms available to our employees, thus ensuring a higher level of confidentiality.	Preparation of the TITAN Group – Ethics Point Platform, through which employees will be able to report work-related concerns and help nurture an ethical work environment.	Implementation of TITAN Group Code of Conduct training for all employees – held every 2 years.
	<b>Employee Engagement</b>	Implementation of the new SAP SuccessFactors platform used in process management in reference to our employees, through the uniTe people project initiated by TITAN Group.	92% of TCK's employees responded to the Employee Survey, which researched motivation, employee engagement, work conditions and the use of skill-sets. The results of the collected data will allow the Company to identify and improve upon the areas of work that may impact dedication and employee productivity throughout the collective.	Improving satisfaction and employee engagement.  Continuous improvement of working conditions.
Material issues: • H&S	<b>Work-related Injuries</b>	In 2018, there were no work-related injuries (LTI = 0).  At the end of the year, 509 days were recorded since the last work-related injury.	In 2019, one work-related injury occurred (LTI = 1). <sup>9</sup>	Achieving and maintaining result: a work-related injury rate of 0 (zero).
 	<b>The Market</b>			
Material issues: • Customer Health and Safety • Market Presence • Economic Performance • Indirect Economic Impacts • Training and Development	<b>Maintaining Customer Satisfaction</b>	Not a single well-founded product complaint was made.	Not a single well-founded product complaint was made.	Maintaining a low level of complaints. Customer education and consulting services.
 	<b>Responsibility Towards the End-user</b>	Awarded the ISO 9001:2015 Standard. We started producing cement PC 35M (V-L) 32,5R in 25 kg bags.	A new sales position – Product Application Improvement Specialist. Supports customers' needs by providing guidelines and technical know-how; this position allows for improved application of the end-product and supports the sale and promotion of TCK's products and services.	Maintain stable quality and compliance of our products with Serbian and European legislation.  Maintaining harmonization with safety signs on bags with EU requirements.
 		<b>Educating Customers and Suppliers on CSR</b>	Three meetings held (total of 30 participants) with customers and suppliers – operators, on the subject of H&S at TCK, as well as on promoting TITAN business values and strategies in relation to large projects and maintaining sound business relationships with suppliers.	A planned meeting with customers and suppliers on the subject of safety has been postponed until the second half of 2020.
 	<b>Pre-qualification of Suppliers</b>	100% of all new suppliers passed the pre-qualification process.	100% of all new suppliers passed the pre-qualification process.	Maintain the pre-qualification process at 100% for all new suppliers.

<sup>8</sup> We connect our 2019 performance for People Development and provide a 3-year data history in Social Performance Index (SP30L-SP39L), see Appendix II. Our performance is in line with our commitment to the UNGC Ten Principles and the SDG4/Target 4.3, according to the UNCTAD Guidance (ed. 2019).

<sup>9</sup> We connect our 2019 performance for Health & Safety and provide a 3-year data history in Social Performance Index (SP01L-SP12L), see Appendix II. Our performance is connected with the UNGC Ten Principles and the SDG8/Target 8.8, according to the UNCTAD Guidance (ed. 2019).

SDGs/ Material issues	Areas of importance	2018 Performance	2019 Performance	Focus for 2020 as key objectives
<b>The Natural Environment</b>				
Material issues: <ul style="list-style-type: none"> <li>• Emissions</li> <li>• Energy</li> <li>• Materials</li> </ul>	<b>Investing in Sustainable Development</b>	An excess of EUR 690,000 has been invested in the environment	An excess of EUR 560,000 <sup>10</sup> has been invested in the environment.	Continued efforts in achieving results in the field of environmental protection.
	<b>CO<sub>2</sub> Emissions</b>	Total specific direct emissions of CO <sub>2</sub> was 611.3 kg/t <sub>product</sub> *	Total specific direct emissions of CO <sub>2</sub> was 609.3 kg/t <sub>product</sub> * <sup>10</sup>	Achieving total specific direct emissions of CO <sub>2</sub> < 615.9 kg/ t <sub>product</sub> *
	<b>Energy Efficiency</b>	450 light bulbs were exchanged with energy efficient lighting.	1,020 light bulbs were exchanged with energy efficient lighting.	Exchanging all light bulbs at TCK with energy efficient lighting.
	<b>Alternative Fuels and Raw Materials</b>	The ratio of alternative raw materials used was 9.85%.	The ratio of alternative raw materials used was 12.63%. <sup>10</sup>	Continuing efforts to comply with EU standards in relation to alternative fuel utilization.  Increase the ratio of alternative raw materials used.
<b>The Local Community and Society</b>				
Material issues <ul style="list-style-type: none"> <li>• Local Community</li> <li>• Indirect Economic Impacts</li> </ul>	<b>Dialogue with Stakeholders</b>	“Plant Open Day” was organized for all interested partners and the local population in order to provide information about the plant’s production processes. While presenting the Annual Report for 2017, stakeholder data was collected for those interested in air quality in Kosjerić and the use of alternative fuels.	“Plant Open Day” was organized for all interested representatives of the local community, who were given the opportunity to learn about our operations. While presenting the Annual Report for 2018, a digital survey was organized, giving our stakeholders a chance to share their feedback in regard to important areas of TCK operation.	Organize meetings with stakeholders and maintain an open dialog with stakeholders.
	<b>Transparency and Integrity</b>	The second Integrated Annual Report was published, in accordance with cement industry standards and corresponding protocols set forth by the World Business Council For Sustainable Development (WBCSD) — Cement Sustainability Initiative (CSI).	The third Integrated Annual Report was published, in accordance with cement industry standards and corresponding protocols set forth by the World Business Council For Sustainable Development (WBCSD) — Cement Sustainability Initiative (CSI).	Continuous improvement of transparency through integrated reporting.  Transition from the WBCSD/ CSI to the Global Cement and Concrete Association (GCCA) Guidelines.
	<b>Strategic Approach to Investments in the Local Community</b>	Total investments made in the local community amount to nearly EUR 150,000. The fifth cycle of the “Knowledge for Challenges — Building a Culture of Continuous Learning” program was implemented.	Total investments made in the local community amount to over EUR 150,000.  The sixth cycle of the “Knowledge for Challenges — Building a Culture of Continuous Learning” program was implemented.  The value of procurement costs related to local municipality suppliers amounts to EUR 8,400,000.	Continued support to key programs in the local community.

As presented in the Sustainability KPIs Index, TCK has achieved most of its targets with horizon 2020, for the Environmental and Social Performance, thus positively contributing to the achievement of the respective TITAN Group targets 2020. A new target-setting process is in underway in 2020 on Group level and also on local level, for committing to new targets for sustainability with horizon 2025.

<sup>10</sup> We connect our 2019 performance for Environment and provide a 3-year data history in the Environmental Performance KPIs Index (EP01L-EP40L), see Appendix II. We connect also our performance with our commitment to the UNGC Ten Principles and the UNCTAD Guidance (ed. 2019).

# CORPORATE SOCIAL RESPONSIBILITY AT THE HEART OF WHAT WE DO

*Our performance for the Social Capital in 2019*

Performance Overview		2019
Key Indicators 2019		TITAN codes for KPIs <sup>11</sup>
Total training hours	8,007	SP37L
Share of women in management	33.33%	SP26L and SP27L
Unionized employees	65.17%	SP29L
Suppliers' expenditure	EUR 33,000,000	Connected with SP45L
Donations to local community	EUR 150,502	SP40L-SP42L

The principles of sustainable development strike a balance among all areas of business and operations at TITAN Cementara Kosjerić. The Company consistently invests in consolidating a healthy and safe work environment, providing employees with the opportunity for professional affirmation and improvement of competencies. By implementing responsible initiatives, TCK has a positive impact on the social and economic development of the community in which it operates and the dissemination of good practices through the supply chain. In an effort to go beyond customer needs, our organization successfully responds to the challenges of the market, nurturing a business model of operational excellence and generating benefit for present and future generations.

Respecting the interests of all key stakeholders in our business, we bear in mind that ambient air quality in Kosjerić and the planned use of alternative fuels are important topics to local community representatives, and therefore we have devoted attention to these issues in the present Report. In this area, we will continue to inform the public, respecting the principles of transparent business and two-way communication with the community.

## Our Employees



Our CSR Policy relies primarily on the professional and individual qualities of our employees and their commitment to communicating with one another in achieving common goals. Employment at TCK involves long-term and principled collaboration, based on mutual trust and respect for the highest standards of human rights protection in all aspects of interpersonal relationships within the Company.

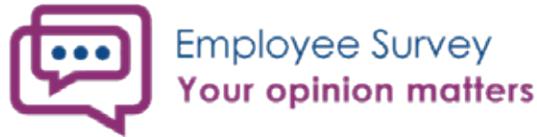
The Human Resources Strategy mandates that work-related practices at TITAN Cementara Kosjerić ensure the emotional and mental dedication of all employees. Human Resources Management Guidelines envisage equal opportunities for all members of the collective, and promote meritocracy, open communication and transparency.

Upon retirement, our employees are paid statutory severance pay, while those employed with the company for 10, 20, 30 or 40 years receive jubilee awards. One of the initiatives that we are particularly proud of is the provision of financial support in the amount of EUR 1,000 for each new born child born to one of our colleagues, as a welcome to the TITAN Family.

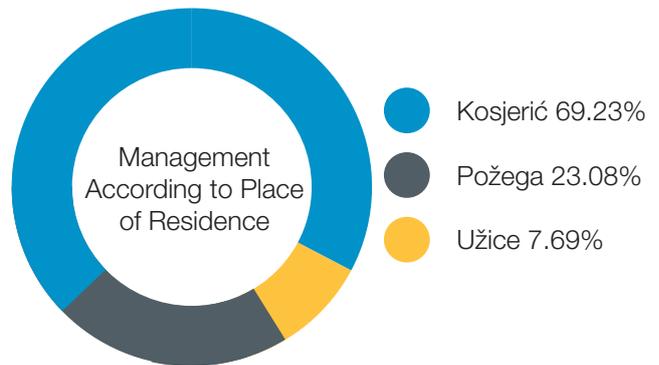
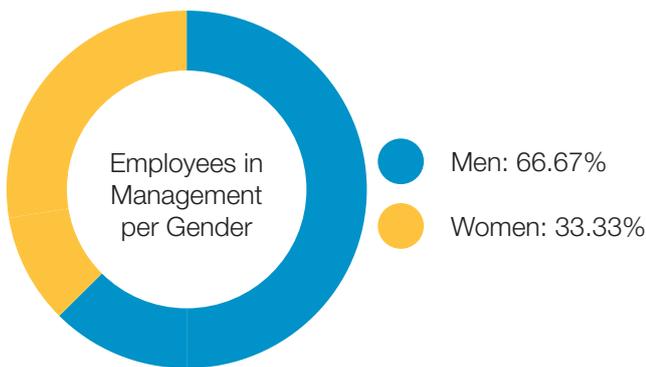
<sup>11</sup> We connect our 2019 performance for Employment and provide a 3-year data history in the Social Performance KPIs Index (SP14L-SP29L), see Appendix II. We connect also our performance with our commitment to the UNGC Ten Principles and the UN SDG5/Target 5.5, according to the UNCTAD Guidance (ed. 2019).

## Employee Opinion Survey

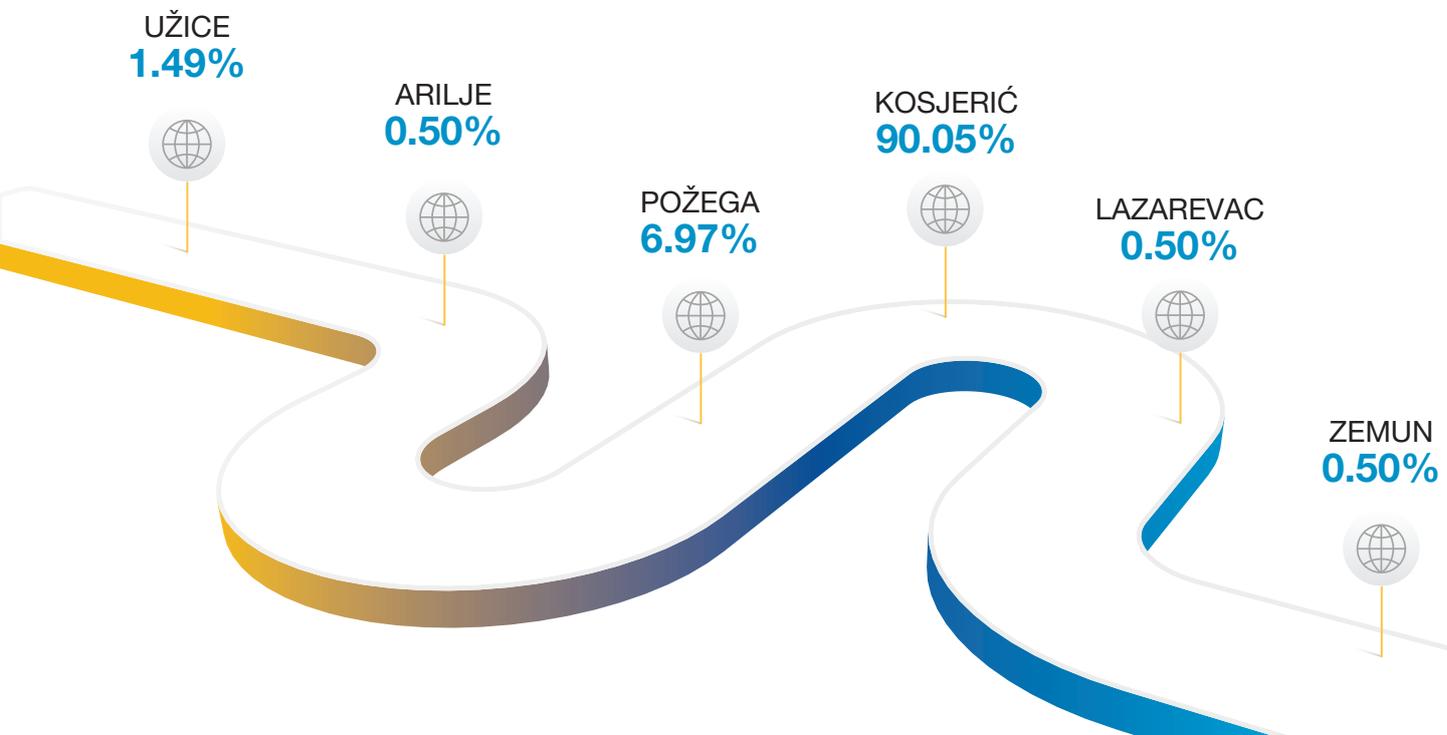
In 2019, 92% of TITAN Cementara Kosjerić employees responded to the Employee Survey, which researched motivation, employee engagement, work conditions and the use of skill-sets. The results of the collected data will allow the Company to identify and improve upon the areas of work that may impact dedication and employee productivity through action plans the implementation of which is planned for 2020.



In 2019, we continued with the implementation of the **unITE people** project, intended for the development of a unique HR Management System at the Group level. By introducing new modules and expanding the digitalization process focusing on our employees, this project provides for more efficient and more precise analytics, and the improved, digital management of employee performance processes, including their professional and personal development.



## Employee Structure According to Place of Residence



Statistics per Number of Employees		GENDER	AGE	2017	2018	2019
New Employees	Women	<30		6	6	2
		30-50		0	1	1
		>50		0	0	0
	Men	<30		5	6	4
		30-50		2	6	3
		>50		0	1	0
Employees who have left the organization – regular fluctuations	Women	<30		3	5	0
		30-50		1	1	1
		>50		0	0	0
	Men	<30		3	6	1
		30-50		3	1	0
		>50		2	7	4
Employees who have left the organization – Restructuring Program	Women	<30		0	0	0
		30-50		0	2	0
		>50		0	0	0
	Men	<30		0	0	0
		30-50		0	6	0
		>50		0	16	0
Fluctuation rate, % (Employees who left the organization / average number of employees for the period)				5%	23%	3%

Parental leave at TITAN Cementara Kosjerić		2017	2018	2019
Employees entitled to parental leave	Men	6	3	4
	Women	1	0	1
Employees who exercised their right to use parental leave	Men	0	0	0
	Women	1	0	1
Expected no. of employees to return from parental leave	Men	0	0	0
	Women	1	1	0
Employees who returned to work after taking parental leave	Men	0	0	0
	Women	1	1	0
Employees who returned to work after taking parental leave and are still employed 12 months later	Men	0	0	0
	Women	1	0	0

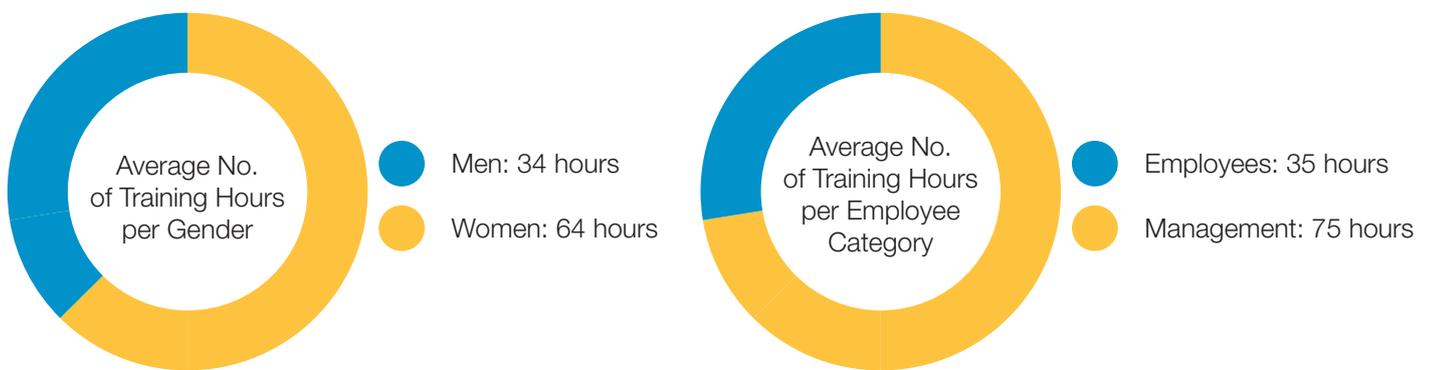
Indirect Employees	2017	2018	2019
Total number of employed contractors	216	268	287
No. of contractors, without logistics and transportation*	36	33	55
No. of contractors — logistics and transportation	180	234	232
<b>Total no. of contractor man-hours</b>	<b>407,950</b>	<b>505,485</b>	<b>541,132</b>

\*No. of contractors estimated as FTE (full-time equivalent)

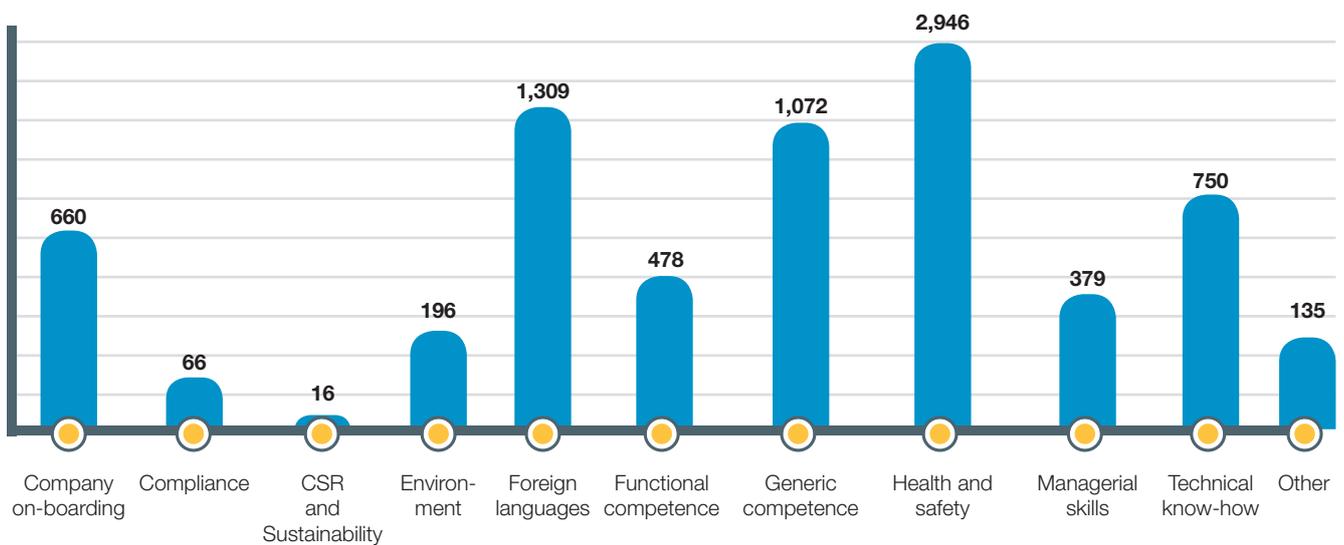
# Continuous Self-improvement Employee Professional Development

Developing know-how, expertise and creative potential at TITAN Cementara Kosjerić is a dynamic process, stimulated by the Company through constant investment in the training of employees, with the belief that the sustainable future of the Company is best built through the values of education, ensuring mutual benefit for both the organization and employees. The development of competencies encourages innovation, the exchange of good practices and the integration of successful initiatives in our Company, which contributes to enhancing the versatile capabilities of employees and strengthening the unique TITAN identity.<sup>12</sup>

By following modern trends in education and responding to the needs of employees, TCK also supports digital learning, by introducing online training in cooperation with the LinkedIn platform, which is rated as one of the best services for distance learning providing various types of classes and seminars.



**Training in 2019: 8,007 hours**



<sup>12</sup> We connect our 2019 performance for People Development and provide a 3-year data history in the Social Performance KPIs Index (SP30L-SP39L), see Appendix II. We connect also our performance with our commitment to the UNGC Ten Principles and the SDG4/Target 4.3, according to the UNCTAD Guidance (ed. 2019).

# Safety First

Performance Overview		
Key Indicators 2019		TITAN codes for KPIs <sup>13</sup>
Employee fatalities	0	SP01L i SP02L
Employee Lost Time Injuries (LTIs)	1	SP05L
Employee Lost Time Injuries Frequency Rate (LTIFR)	2.74	SP06L
Employee Lost Time Injuries Severity Rate	49.25	SP08L



TITAN Cementara Kosjeric's responsibility and care for people is demonstrated through a safe and healthy work environment, as reflected in the Company's OH&S Policy, which was established by decisions of top management of the Titan Group and distributed to all corporate units. We believe that it is possible to achieve a level of safety without injury at work, and we set this vision as our primary goal. In order to achieve this, it is necessary to continue to apply the best available safety practices and to influence employee awareness both directly and indirectly, continually reviewing the safety aspects of each job, from those that are most demanding to routine operations.

In 2019, a permanent TCK employee suffered a work-related injury resulting in 18 calendar days lost. In addition, two contractor employees had work-related injuries which occurred during the construction of a limestone mine shaft last year. The aforementioned incidents were thoroughly investigated, the results of the investigation were communicated to all employees, and the causes that led to these outcomes were eliminated. As a result of all investigations, we prescribed preventive-corrective measures, whose realization in the shortest possible time prevented the

recurrence of the same and similar risks. We share all our experience of incidents with serious potential outcomes with our colleagues in the Group, as well as with TCK's contractors. We also make constant efforts to discover new hidden dangers, and include all employees in this task, the basis on which our procedures, equipment and work conditions are upgraded.

With the principle of zero tolerance for observed irregularities and unsafe conditions, as well as the constant improvement of the Safety System at the plant, we are getting closer to the vision that all injuries are preventable.

In 2019, 2,946 hours of safety training was held at TCK, which is an average of 14.73 hours of this type of professional development per employee. We have organized 417 hours of training for the permanent and occasional contractors with whom we cooperate, and this is just the beginning of the plan to fully include our contractors in regular safety education, treating our contractors as we treat our colleagues in the Company. In this regard, improving the knowledge of all employees is the sure path to developing a better safety culture. We place emphasis on organizing trainings with practical application and examples from the field, and we have increased the engagement of external professional institutes as experts in certain fields, in order to further improve knowledge and dynamics in the implementation of training.

<sup>13</sup> These KPIs (see Appendix II, Social Performance Index) are connected with the GCCA Charter, Guidelines and KPIs, the UNGC Ten Principles, and the SDG3/Target 3.6, and SDG8/Target 8.8.

At the end of last year, amendments to the TCK Job Risk Assessment Act was finalized on the basis of changes made to the organizational structure of certain parts of the Company. The new provisions identified 4 higher-risk jobs, down from 7 as previously prescribed. A total of 18 employees are now assigned to these 4 positions. Using appropriate methods, we identified 12 new or hidden dangers and potential for harm, and at the same time implemented 177 preventive and corrective measures, resulting from incident investigations, external and internal audits and suggestions for improvement.

The Safety Committee at TCK includes 5 employee representatives and three employer representatives. The main role of this Committee is the inclusion of members of the collective in the organization and functioning of the safety system. Through the activities of this body, we are able to achieve sound understanding and an exchange of all types of information regarding health and safety within the collective. Through continuous communication and developing an atmosphere of mutual trust, we have built a safety culture that is one of the Company's greatest achievements. All issues pertaining to the area of occupational health and safety are laid out in detail in TCK's Collective Agreement. The subject of occupational safety is always a priority at all meetings, and is often a starting point from which all forms of our business develop.

In September 2019, the regular annual review of the compatibility of our OH&S System with the OHSAS 18001 Standard was successfully performed. The control was performed by Eurocert, an independent auditing company, and at the time, no inconsistencies were observed, nor were any unsafe conditions observed. In 2020, the introduction of a new TCK Occupational Health and Safety System is planned, in line with ISO 45000:2018, through which we will continue to improve in this area.

## In a Safe Environment Children Create a More Beautiful World

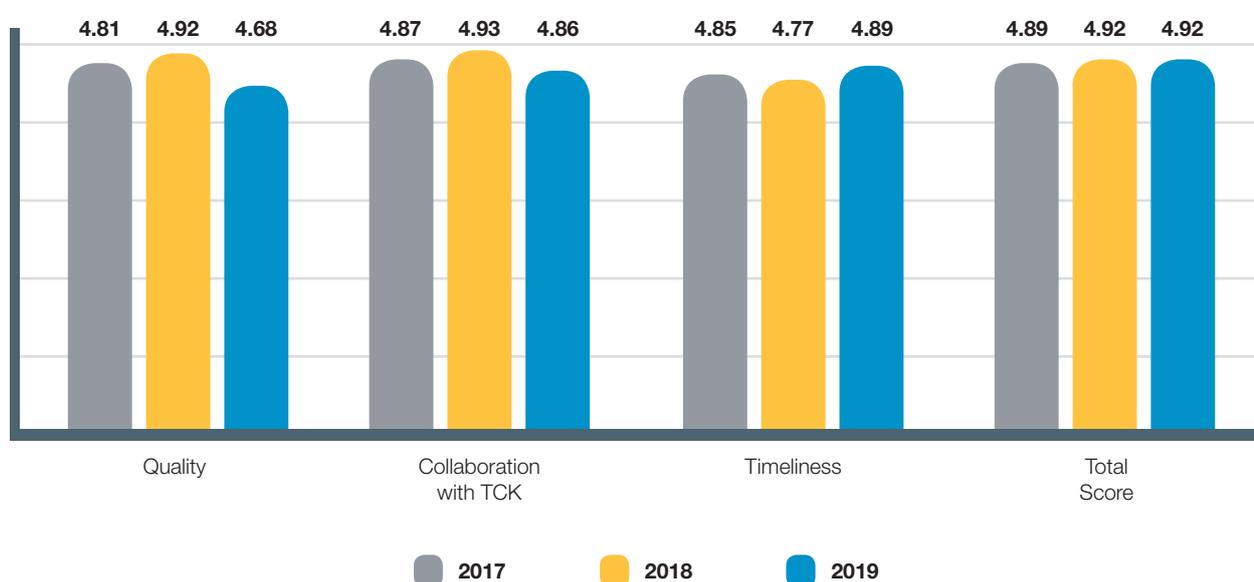


In line with Titan's CSR Policy, in 2019, we organized our traditional Safety Workshops. We included the tenth generation of 4th graders in the municipality of Kosjerić in the program of lectures and exercises, aiming to develop awareness of the importance of safety responsibility from an early age. From October 14 – 30, around 90 children from the "Jordan Đukanović" Elementary School in Varda and "Mito Igumanović" Elementary School in Kosjerić, as well as children attending regional classes in surrounding rural areas learned useful lessons pertaining to this topic. We divided up the contents of the workshops into three teaching units. We talked about violence among peers and traffic safety, and about the risks and safe use of the internet, while the workshop ended with a visit to TCK and a tour of the plant. This project builds on the well-established collaboration with the local community, whose institutions and organizations contribute by ensuring that we spread the importance of safety culture, as an important topic of modern society.

# WE BUILD SHARED VALUES WITH OUR BUSINESS PARTNERS

TITAN Cementara Kosjerić can offer the highest quality products at all times and respond to the needs of its customers. The trust our customers have in our products is justified by our continual investment in the performance and safety of our product range, which is evident in the results of the customer satisfaction survey we conduct every year.

## The Results of the Customer Satisfaction Survey 2017-2019



As a socially responsible company operating in a sustainable way, we believe that our willingness to respond to customer expectations in a timely manner is critical, taking into account the relevant requirements of our business and our associates' businesses, as well as the customers and suppliers we work with. Only in this way we can advance our own practices and create common value together.

We approach the marketing of our products and services with due care, striving to meet the growing expectations of our stakeholders. This is why we strive to provide accurate and accessible information on the selection and features of all TCK products, through direct and indirect contact, through the declarations found on our products and through our website at: [www.titan.rs](http://www.titan.rs).

**398 direct and indirect customers** in SERBIA, MONTENEGRO AND CROATIA

By applying modern business methods in communicating with customers, we meet their need to be fully informed of the technical and all other important accompanying features of our product range. Clear and educational guidelines refer to the composition, correct and safe use of products whose top quality is guaranteed by compliance with legal, as well as other internal and external standards.

## Facilities for which TCK cement was used



Sveti Sava Temple, Belgrade



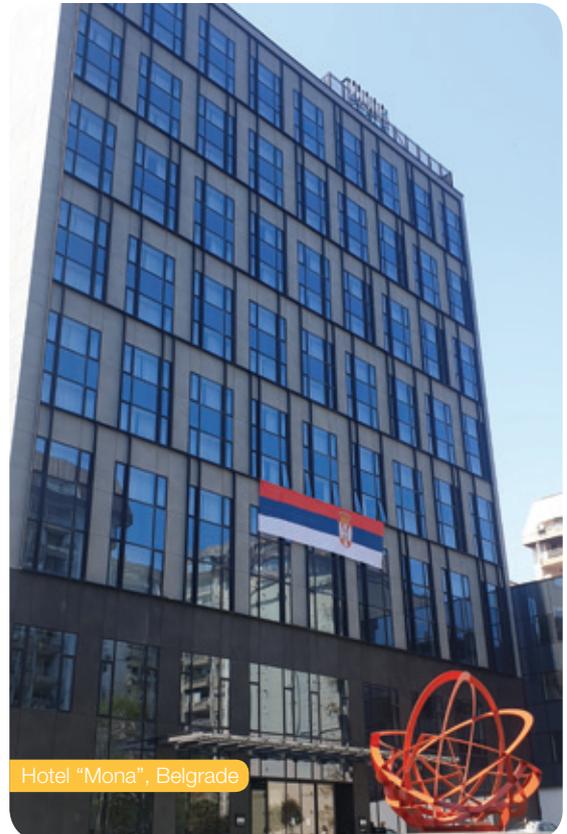
Bridge in Ovčar Banja



Residential-Commercial building  
"Porto Budva" in Budva (under construction)



"Jabuka" Bridge, highway Bar –  
Boljare, Montenegro (under construction)



Hotel "Mona", Belgrade

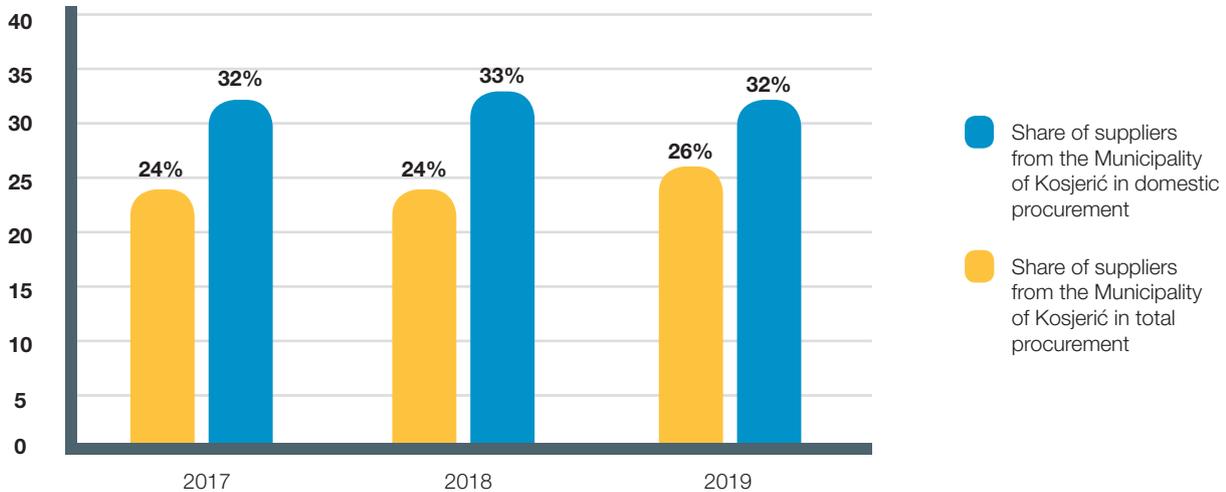


Residential building in Belgrade



Arena, New Belgrade

# We Nurture the Procurement Chain



Our Procurement Chain Management Strategy regulates collaboration with suppliers through a system of rules and procedures, based on TITAN Cementara Kosjerić's corporate principles. These conditions include the application of human rights and ethical business practices. Selection, control and assessment criteria are defined in the Code of Conduct for Procurement of the TITAN Group, based on quality assessment, reliability, flexibility and location of operations. It is inevitable that we pass on to our suppliers a model of nurturing trust among our associates and respecting our customers' needs, as important standards that are part of our Company's ethics. Spreading the concept of social responsibility throughout our overall sphere of influence is the standpoint from which we manage our procurement chain as well. By setting an example, our Company motivates suppliers to adopt the Titan Code of Conduct for Procurement and Titan's business practices as a formula for the further improvement of their own businesses.

By influencing our suppliers, TITAN Cementara Kosjerić affirms the principles of sustainable development. We do this indirectly, by promoting responsible procurement and directly through the pre-qualification of suppliers and the signing of a contract with them. Clear procedures determine the obligations and rules to which suppliers must adhere prior to commencing with the works they were hired to complete. We expect our suppliers to harmonize their relationships with their employees and sub-contractors in line with legislation, and employees must be under an employment contract. In terms of H&S within the working environment, our suppliers are obliged to accept our conditions as well, as they apply to the regulatory framework. This includes adherence to all regulations within the area of environmental protection, as well as internal Titan requirements which go beyond those prescribed by law. In addition to these duties, we expect our suppliers to orient their practices according to the principles of ethical business, supporting fair competition and the absence of corruption and bribery.

## Cooperation with Local Suppliers

In line with the procurement procedures at TCK, in the process of collecting bids, we seek to invite to tender all local suppliers who are able to offer the required product or service, in addition to other interested participants. Also, in selecting the most acceptable offers, we provide an advantage to local municipality's suppliers, if their bids are close to the prices offered by suppliers not located within the Municipality of Kosjerić. The value of procurement from suppliers from Kosjerić in 2019 amounted to a significant EUR 8,400,000, which is 13% higher than in 2018 and 35% higher than in 2017.

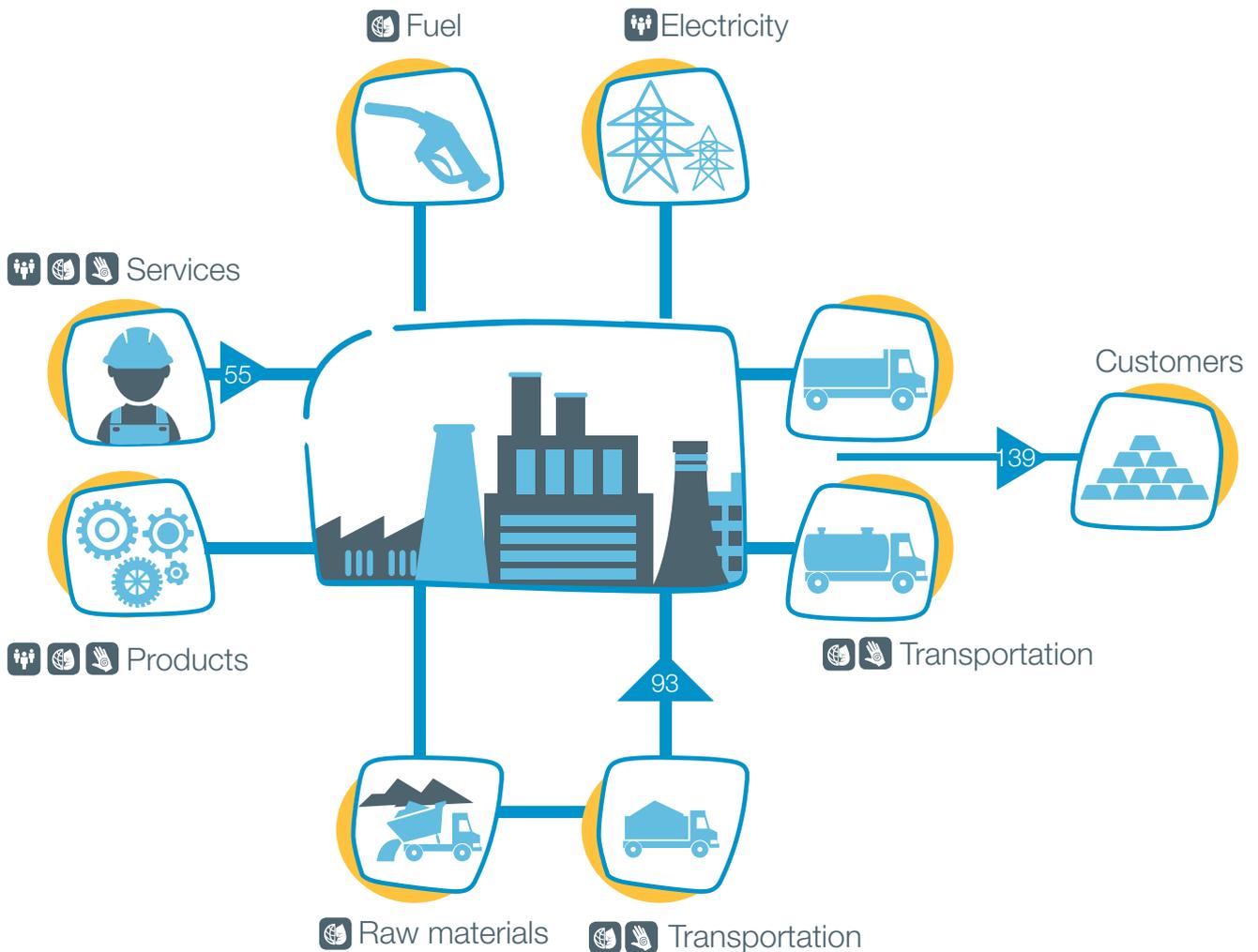
At TITAN Cementara Kosjerić, we systemically monitor the success rate of the work of our suppliers, assessing their results throughout the collaborative relationship. During the evaluation we take into account the audits executed on our contractors, the valuation according to which H&S criteria are assessed after the completion of works, and monitor product/ service quality. At the same time, we conduct an annual evaluation of our suppliers with whom we worked within the calendar period, and the assessment system also includes indicators of product or service quality, collaboration quality and the application of responsible business practices. In 2019 we assessed 331 suppliers out of the 737 that we worked with. Of this number, 20% were assessed in terms of OH&S and environmental impact.

## Local Spend

With the aim to highlight Company's impact on domestic economy, a new indicator has been introduced within Social Performance Index – local spend. In accordance with this indicator, the share of domestic suppliers in total procurement amounts to 79.28%, for 2019. This new KPI is part of your Value Creation and it is connected with the UNGC Ten Principles, and the SDG9/Target 9.3, according to the UNCTAD Approach (ed. 2019).

## Supply Value Chain

Suppliers are categorized by significant groups of products and services, as well as the criteria by which they are regularly evaluated within our collaboration.



Labor and Human Rights



Impact on environment



Impact on society



Total number of indirect employees

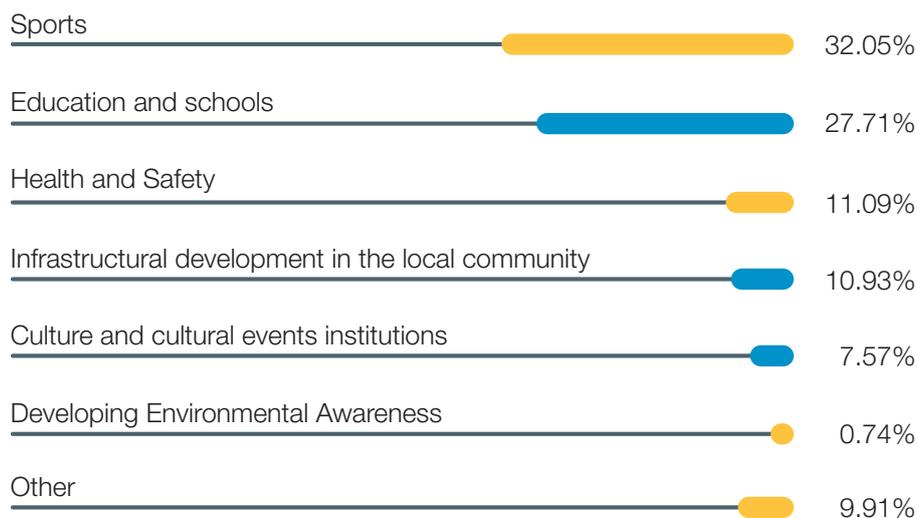
# TITAN IN KOSJERIĆ

In achieving our business objectives, TITAN Cementara Kosjerić incorporates the principles of social responsibility and sustainability, aligned with the belief that this is not only a question of moral responsibility but an effective corporate practice, one that shapes economic and human values.

One of the key areas for TCK's sustainability performance is the contribution to the sustainable development of local community.<sup>14</sup> Setting criteria aligned with our business model and sustainability strategy to encourage the focus on material issues in our community engagement initiatives, we launched a new web-based platform for self-assessment of all actions already taken following stakeholders' feedback. TCK will be actively participating to the assessment of our initiatives and actions for community engagement in 2020, by providing input inside the Group platform, being a new module of the Group data collection system (TITAN Group CSR Databank).

Over EUR 150,000 were invested in development programmes of the local community.

## Structure of Investments in the Local Community



## Info Center TCK

TCK's Info Center presents transparent, up-to-date and objective information on the plant's operations. It also promotes a current model of open communication with stakeholders, which the Company applies at all levels of operation. The public has access to printed and digital publications, with expert presentations of the production process, environmental impact indicators, social action and TCK's other business-related issues, which serve to provide the public with professional answers to their questions.

In partaking in the organization of various seminars, educational and cultural programs, the Info Center supports Company and community gatherings, as opportunities to generate new sustainable ideas.

<sup>14</sup> We connect our 2019 performance for Stakeholder Engagement and provide a 3-year data history in the Social Performance KPIs Index (SP40L-SP45L), Appendix II. We connect also our performance with the UNGC Ten Principles and the SDG9/Target 9.3, and SDG17/17.17, according to the UNCTAD Guidance (ed. 2019).

## Building Trust Through Transparency and Collaboration



TITAN Cementara Kosjerić presented its ninth annual Integrated Report at a promotional event held on July 31, 2019, in which the Company's social commitment was evidenced through summarized business and financial performance in all aspects of responsibility toward business and human values. Based on the concept of sustainable development, the 2018 Annual Report, in its substance and form, follows modern CSR reporting principles, which implies that the coherence of economic, environmental and social goals at TCK are in line with the Sustainable Development Goals of the United

Nations Global Compact. Particular attention in the Report and its presentation was devoted to environmental protection and expert analysis of the impact of plant operations on ambient air quality parameters in Kosjerić. On this occasion, in addition to topics involving the future use of alternative fuels at TCK, the Company conducted an online survey during the event to address concerns and examine the views of stakeholders on these issues, considering their views as guidelines for further communication with the community.

As part of the ceremony, TCK's General Manager Mr. Miroslav Gligorijević was awarded the prestigious "Business Leader of the Year for 2018" award, presented to him by Ms. Ana Lapčević, Director of the Zlatibor Regional Chamber of Commerce. This award is given by the Serbian Chamber of Commerce to prominent companies and individuals for responsible engagement in area that are of general social interest.

## Improving the Medical Protection of the Public with Modern Digital Equipment



At the official meeting held in Kosjerić, on June 3, 2019, in the presence of representatives of local government and the management staff of the Užice Healthcare Center and the Kosjerić Healthcare Center, TITAN Cementara Kosjerić handed over ten modern computer stations to the Municipal Healthcare Center, valued over RSD 370,000. This act of charity is one of the many donations made by our Company, which previously assisted this same organization in procuring a boiler,

computer equipment and a baby length scale, while at the same time providing financial support to the regional medical center. According to Ms. Jasmina Đorđević, Director of the Healthcare Center, modern digital devices have a more functional application in everyday practice, as they will replace a third of the outdated technology and facilitate the activities of this institution.

TITAN Cementara Kosjerić, through the payment of contributions to the health insurance, regularly contributes to the Republic health care fund. During 2019, the Company paid for this purpose the amount exceeding RSD 40 million.

## For My Kosjerić Contest – Inspired by the Needs of the Community



The huge response of participants and the ideas presented, as well as its social effectiveness, have made Titan's "For My Kosjerić" Contest an integrated part of the local community. In helping to establish close and sustainable collaboration with the population, TCK has invested over €120,000 thus far in the implementation of 65 award-winning projects that encourage the interactive promotion of education, culture, social protection and ecology, according to the interests and needs of the environment. The popularity of this initiative continues to grow steadily, and in 2019, of 27 contestants,

10 of the most ambitious projects were selected and promoted at a traditional ceremony held on March 28<sup>th</sup>. Their success was praised by guests from the community, who were also presented with the results of last year's winners, as proof that TITAN Cementara Kosjerić's distinctive form of support provides an incentive to create authentic socially beneficial programs.

## A Big Heart for All Our Fellow Citizens



Titan's long-term initiative, with the noble motto "One world. One home. One heart.", contributes to the advancement of health education within the local community. Under this initiative, on May 16, 2019, in the Cultural Center a voluntary blood drive was organized, thanks to cooperation with the Red Cross Kosjerić and the Blood Transfusion Service of the Užice Healthcare Center. Forty-three donors responded to the call for solidarity and their fellow citizens were allowed to check the state of their health on this day, as part of a voluntary campaign of preventative medical examinations, supported by physicians working in the Kosjerić Healthcare Center. The promotion of a positive lifestyle and healthy habits took place on the main street,

in front of the TCK Info Center, where guests were served healthy drinks and provided with information for proper nutrition. This campaign was attended mostly by children, who participated in fun exercises and games, together with the local PE teacher, Mr. Nemanja Cvijić who pointed out the constant need to maintain the strength of both body and mind.

## TCK Internships – A Foundation for Professional Development

Framed by responsible business practices, a guiding idea and one of the values of TITAN Cementara Kosjerić, the internship program “Knowledge for Challenges — Building a Culture of Continuous Learning” was implemented for the sixth consecutive year for students and graduates who wish to advance their university education and gain better qualifications in favor of further professional development. The application of theoretical knowledge in the day-to-day operation of our Company enables trainees to get involved in real business processes and gain useful initial experience. In 2019, seven interns attended and successfully completed a three-month training cycle, participating in the Induction Program, then worked in sectoral units within the Company, completing their internships by organizing a final presentation. Titan’s internship program is part of a project implemented by the European Youth Pact, within the European Business Network for Corporate Sustainability and Responsibility (CSR Europe), whose signatory is the TITAN Group.<sup>15</sup>



## Mutual Trust is Key to Working with the Community



In a series of social activities that present our work in a transparent manner and build the trust of those living in our community, TCK’s “Open Door Day” is a mutual opportunity for visitors to be at the very source of information about our Company’s production and business processes. At last year’s, fourth consecutive event, organized on Sunday, September 15, we welcomed over two hundred guests, with whom we spent quality time, had fun with and shared information about key aspects of our business. With this reception, we show respect to our associates and community representatives, and we pay

special attention to designing interesting educational programs and fun activities for the youngest members of our community, whose cheerfulness, enthusiasm and creativity breathe new life into our plant.

<sup>15</sup> We connect our 2019 performance for Stakeholder Engagement and provide a 3-year data history in the Social Performance KPIs Index (SP43L-SP44L), see Appendix II. We connect also our performance with our commitment to the UNGC Ten Principles and the European Pact for Youth.

# CARE FOR THE ENVIRONMENT

*Our performance for the Natural Capital in 2019*

Performance Overview		
Key Indicators 2019		TITAN codes for KPIs <sup>16</sup>
Specific dust emissions	7.9 g/t <sub>clinker</sub>	EP31L
Specific NO <sub>x</sub> emissions	951.8 g/t <sub>clinker</sub>	EP32L
Specific SO <sub>2</sub> emissions	3.5 g/t <sub>clinker</sub>	EP33L
Specific gross direct CO <sub>2</sub> emissions	609.3 kg/t <sub>product</sub>	EP18L
Alternative raw materials use	12.6%	

Environmental protection is key to our sustainable business model. We aspire to make our operations as efficient as possible and to ensure constant improvement in areas with a potential impact on the environment, such as water and energy consumption, protecting the biodiversity locally, waste management and reducing emissions.

Since 2010, TITAN Cementara Kosjerić implements its Environmental Protection Management System, which allows us to better monitor and report on environmental impact. An integral part of the System is the incidents management in the field of environmental protection, which is covered by the procedure Emergency Intervention Plan: Incident Management. This System, certified externally and in line with the international ISO 14001:2015 Standard, represents a mutual relationship between the Company and the environment, whereby caring for the environment has become ingrained into our daily operations.

TCK's Environmental Protection Policy maintains our dedication to sustainable development, as an approach to solving the challenges and the possibilities arising from climate change.

The main features of our Environmental Protection Policy include: impact assessment, quarry rehabilitation, local biodiversity protection, conservation and management of water resources, resource protection and waste management, creating a culture of environmental responsibility with our associates and incorporating innovation into our strategies.

This Policy also includes our priorities in the Group's Climate Change Mitigation Strategy, which are: energy efficiency, co-processing of alternative fuels and raw materials, product innovation and application of new technologies, as well as risk and opportunity assessment within the entire value chain.

The Policy establishes competencies in regard to environmental protection for all TITAN Cementara Kosjerić employees.



<sup>16</sup> These KPIs (see Appendix II, Environmental Performance Index) are connected with the GCCA Charter, Guidelines and KPIs, the UNGC Ten Principles and the UNCTAD Guidance (ed. 2019)

## Energy and Climate Change

Globally, cement manufacturing generates greenhouse gases (GHG), primarily carbon dioxide. Therefore, the TITAN Group has adopted a strategy to reduce CO<sub>2</sub> emissions by investing in innovative technologies and alternative materials.

Our strategy, as well as the Group strategy is focused on increasing energy efficiency, the use of alternative fuels and reducing clinker content in cement.<sup>17</sup>

TITAN Group has adopted a cost-benefit assessment methodology for carbon abatement and the production of low-carbon roadmaps. This Map focuses on five global strategic pillars, which cover options that are expected to enable the cement sector to strengthen its contribution to the fight against global warming, and these are:

- energy efficiency,
- co-processing of alternative fuel and raw materials,
- clinker substitution with other suitable materials,
- technological and product innovation,
- partnerships with the construction sector.

## Energy

In 2019, TITAN Cementara Kosjerić used thermal energy derived from burning fossil fuels and biomass, and electricity. Thermal energy derived from fuel is, for the most part, used to produce clinker, while electricity is mainly used for the pre-treatment of raw materials, (approx. 31%), for fuel preparation and clinker production (about 21%), as well as for cement grinding (approx. 46%).



Compared to 2018, thermal and electrical energy consumption in 2019 was somewhat reduced (thermal energy by 4% and electricity by 3.2%), resulting from changes in production volume.

In general, energy consumption in 2019 was, in proportion with cement production, in line with energy consumption indicators at all TITAN Group cement plants ([https://www.titan-cement.com/TITAN\\_Cement\\_Group\\_IAR\\_2019\\_EN.pdf](https://www.titan-cement.com/TITAN_Cement_Group_IAR_2019_EN.pdf)), and this ratio applies to the achieved values of specific energy consumption, per unit of product. As a significant part of operating costs, a more detailed presentation of thermal and electricity consumption data at TCK is subject to specific confidentiality restrictions, in accordance with Company policy.

<sup>17</sup> See KPIs Index (Appendix II), EP18L-EP22L, and EP34L-EP37L, connected with the GCCA Charter, Guidelines and Sector KPIs, and the SDG7/Targets 7.2, 7.3, and 7a, SDG9/Target 9.4, and SDG12/Target 12.2.

# Sustainability of Business – Use of Alternative Fuels in Cement Production

The EU's cement industry already uses over 40%<sup>18</sup> of fuels generated from waste and biomass residue to provide thermal energy in the technological process of clinker production. In 2018, the degree to which cement plants in Germany substituted fossil fuels with alternative fuels reached 67.5%<sup>19</sup>.

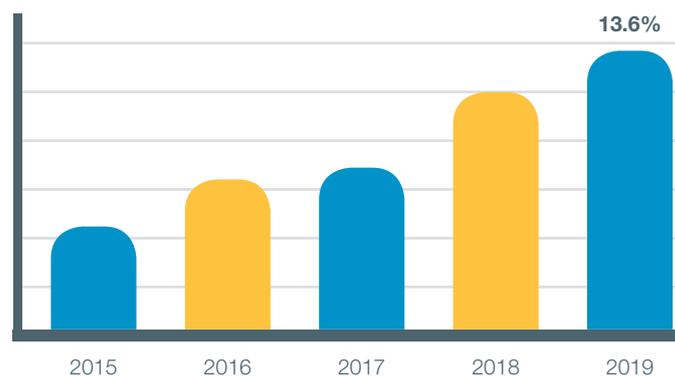
Although the switch to alternative fuels is usually a response to the need for cost cutting, other factors are becoming more and more important. The use of alternative fuels is beneficial to both society and to companies: CO<sub>2</sub> emissions are reduced, waste is processed efficiently and sustainably, and the demand for certain natural materials can be reduced.

The co-processing of waste in clinker-producing kilns contribute to resolving three main issues currently facing modern society:

- **Mitigating Climate Change.** The use of alternative fuels is one of the main levers for reducing CO<sub>2</sub> emissions in cement production. According to the International Energy Agency (IEA), the use of alternative fuels can contribute to reducing CO<sub>2</sub> emissions by 0.75 Gt by 2050.
- **Improving Waste Management.** Co-processing can reduce the amount of waste that is disposed of and utilize its energy potential in a very efficient manner. In this regard, this process is found directly within the hierarchy of EU waste management, in line with the EU Waste Framework Directive.
- **Progress Towards a Circular Economy.** During co-processing, waste streams from other branches of the economy are valorized within the cement industry, thus contributing to a circular economy. Furthermore, co-processing allows for the partial substitution of raw materials, replacing certain natural materials used in cement production.

Taking the above into account, the cement industry has developed numerous technological solutions for the safe use of alternative fuels, without having a negative impact on the environment and human health, as well as on product quality. In short, the conditions prevailing in cement kilns, above all, a flame temperature of 2,000 °C and long retention times of combustion products at these high temperatures — guaranteeing the complete decomposition of organic matter, even before these combustion products reach the filter.

## The Alternative Fuels Ratio at TITAN Group



As a global cement producer, in 2019, the TITAN Group, marked an increase in the use of alternative fuels, after implementation of action plans developed over the last decade. Dry sludge from wastewater, refinery sludge, rubber, RDF and agricultural waste are alternative fuels used in various cement plants operating within the Group. Over the last five-year period, the energy value of 1,008,680<sup>20</sup> tons of waste has been used in a safe way in TITAN Group plants, preventing this amount of waste to be left useless and permanently disposed of in landfills.

<sup>18</sup> "Status and prospects of co-processing of waste in EU cement plants", ECOFYS, 2017

<sup>19</sup> VDZ Environmental Data 2018

<sup>20</sup> "Source: [https://www.titan-cement.com/TITAN\\_Cement\\_Group\\_IAR\\_2019\\_EN.pdf](https://www.titan-cement.com/TITAN_Cement_Group_IAR_2019_EN.pdf)"

Leading examples of cement plants in the Group for the substitution of fossil fuels with alternative fuels are Kamari (Greece, near Athens), Zlatna Panega (Bulgaria) and Alexandria (Egypt). The cement plant in Usje, Northern Macedonia began using alternative fuel in 2019.

For now, TITAN Cementara Kosjerić obtains all of the energy it needs to work the kiln exclusively from fossil fuels<sup>21</sup>, the resources of which are limited. Alternative fuels will be the only way to maintain both the Company's further sustainability and that of the environment which must be preserved for future generations. The timely transfer to this new type of fuel would be beneficial to both our economic needs and would allow us to plan development policies over the longer term, expecting increased investments in the environment and a greater demand for our products.

## CO<sub>2</sub> Emissions

At TITAN Cementara Kosjerić, as is the case in the cement industry, CO<sub>2</sub> is created in generating the necessary thermal energy, i.e. by burning fossil fuels (about 40%), as well as in the technological process itself (about 60%), i.e. through the chemical conversion of limestone into clinker (calcination process).

Total direct CO<sub>2</sub> emission in 2019 amounted to 0.34 million tons, which is approximately 3.8% less than in 2018. In the same period, the total emission of biogenic CO<sub>2</sub> resulting from wood pellet combustion, amounted to 621 tons. Specific direct emission of CO<sub>2</sub> per ton of product<sup>22</sup>, amounted to 609.3 kg CO<sub>2</sub>/t<sub>product</sub><sup>23</sup>, which is 0.3% less than in 2018.

With the aim to reduce CO<sub>2</sub>, in 2019 we began to produce eco-efficient CEM V cement.

In monitoring CO<sub>2</sub> emissions, TITAN Cementara Kosjerić and TITAN Group apply the GCCA<sup>24</sup> Guidelines. CO<sub>2</sub> emissions monitoring and reporting in accordance with said Guidelines is conducted voluntarily, considering that Serbian law does not require this type of calculation nor monitoring in relation to these types of emissions. In 2019, indirect CO<sub>2</sub> emissions decreased in line with TCK's decreased consumption of total electricity of 3.2%.

## Air Emissions

As a responsible company, TITAN Cementara Kosjerić monitors significant emissions of pollutants in accordance with the requirements of legislation and GCCA Guidelines<sup>25</sup>. In this sense, we conduct regular monitoring of air emissions and, in accordance with the results and set objectives, apply measures to reduce emissions.

In 2019, in order to reduce air emissions, we implemented the flame cooling procedure in the rotary kiln to the full extent, a technique used to further reduce nitrogen oxide emissions. We have also invested over EUR 110,000 in the installation of new bag filters to dedust the crusher and the kiln's scales. The new filters were installed in December 2019.

Automatic emission measurement devices have been fitted on all of TITAN Cementara Kosjerić's major emitters of air emission. This is how we ensure the availability of air emission indicators in real time, and the fifteen-day average emission values measured at the rotary kiln emitter are available to the public via the Company's website at: [www.titan.rs](http://www.titan.rs), which is one of the ways in which we communicate with our stakeholders. The measurement of emissions by other emitters are periodically conducted by authorized institutions. TCK regularly reports on its emissions to the competent Ministry and the Environmental Protection Agency.

Since rotary kiln operation in producing clinker is based on fossil fuel combustion, major air pollutants emitted into the air as a result of this process are nitrogen oxides (NOx), sulfur oxides (SO<sub>2</sub>) and dust.

In 2019, total rotary kiln dust emissions amounted to 3.08 tons, 371.72 tons of nitrogen oxides and 1.35 tons of sulfur oxides<sup>26</sup>.

<sup>21</sup> See KPIs Index (Appendix II), EP22L, EP36L, and EP37L, connected with the GCCA Charter, Guidelines and Sector KPIs, and the SDG7/Targets 7.2, 7.3, and 7a, and SDG12/Target 12.2

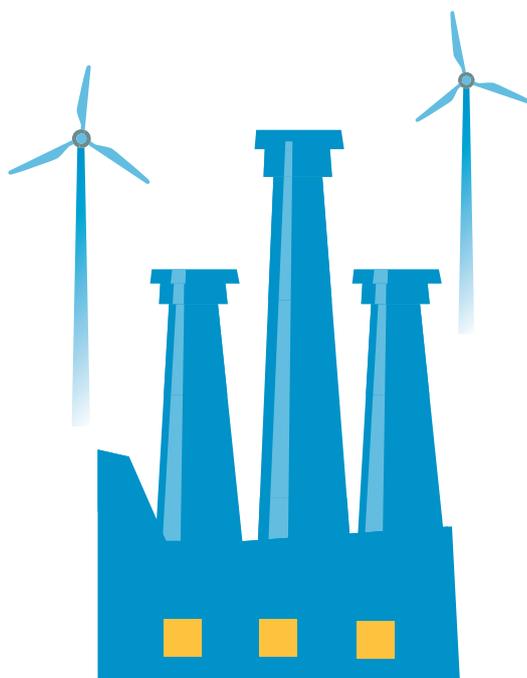
<sup>22</sup> The product is a cementitious material according to GCCA definition.

<sup>23</sup> See KPIs Index (Appendix II), EP18L-EP20L, connected with the GCCA Charter, Guidelines and Sector KPIs, and the SDG9/Target 9.4

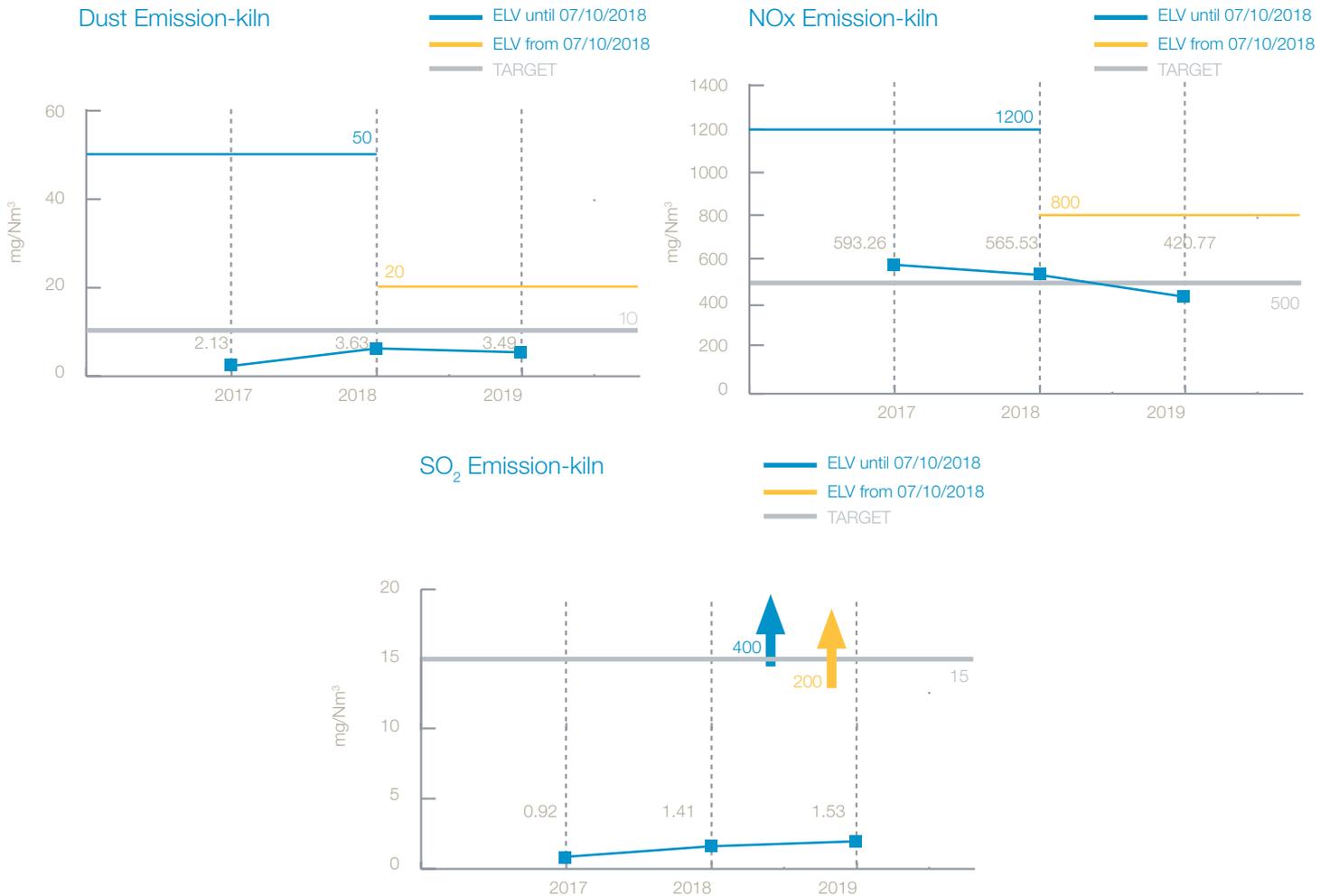
<sup>24</sup> GCCA Sustainability Guidelines for the monitoring and reporting of CO<sub>2</sub> emissions from cement manufacturing, October 2019

<sup>25</sup> GCCA Sustainability Guidelines for the monitoring and reporting of emissions from cement manufacturing, October 2019.

<sup>26</sup> See KPIs Index (Appendix II), EP30L-EP33L, connected with the GCCA Charter, Guidelines and Sector KPIs, and the SDG3/Target 3.9, and SDG9/Target 9.4



The graphs below show the levels of air emissions, vis-à-vis with the threshold values of air emissions, prescribed in the applicable IPPC Permit, which TITAN Cementara Kosjerić obtained in July 2018. In addition to regulatory requirements, we set internal targets that are more demanding.



## Quality of Ambient Air in Kosjerić

The results of measurements taken by the Environmental Protection Agency in Kosjerić, and the exceptional air quality detected in our town over the summer, when the TCK plant operates at full capacity, best demonstrate the effectiveness of our efforts in regard to preserving the environment and the nearly EUR 20 million in investments made solely toward environmental protection since 2002 until today. Reliable information provided by the Agency proves that TCK's operations have a minimum effect on local ambient air, as it turns out, during the period in which the plant runs at full capacity, air quality is excellent, according to all relevant parameters as determined by this supervisory body. This indisputable fact arises from the broader strategic activities through which TCK preventatively acts in such a manner so as to protect the health of the living environment. By acting systematically in this area, with an approach that is based on making significant investments and improvements and includes extensive measuring which controls the application of set criteria, we are able to monitor business processes and control our impact on the environment. With this aim in mind, our activities are subject to constant measurement, the results of which are regularly and transparently published on our website, thus available to the general public. By viewing these values, it is clear that the unwanted emissions are at levels that are tens of times to hundreds of times below legally prescribed limits.

We rely on the validity of the measurements taken throughout 2019 by the Environmental Protection Agency in presenting the quality of ambient air in Kosjerić, which show that air pollutants were present at the local level irrespective of the work of the plant. For example, after a period of good results measured over the summer, with the commencement of the heating season increased PM10 and PM2.5 concentration levels in the ambient air were recorded, a trend that has been documented every single year since the Agency began monitoring this situation. Unfortunately, as each new heating season begins in Kosjerić,

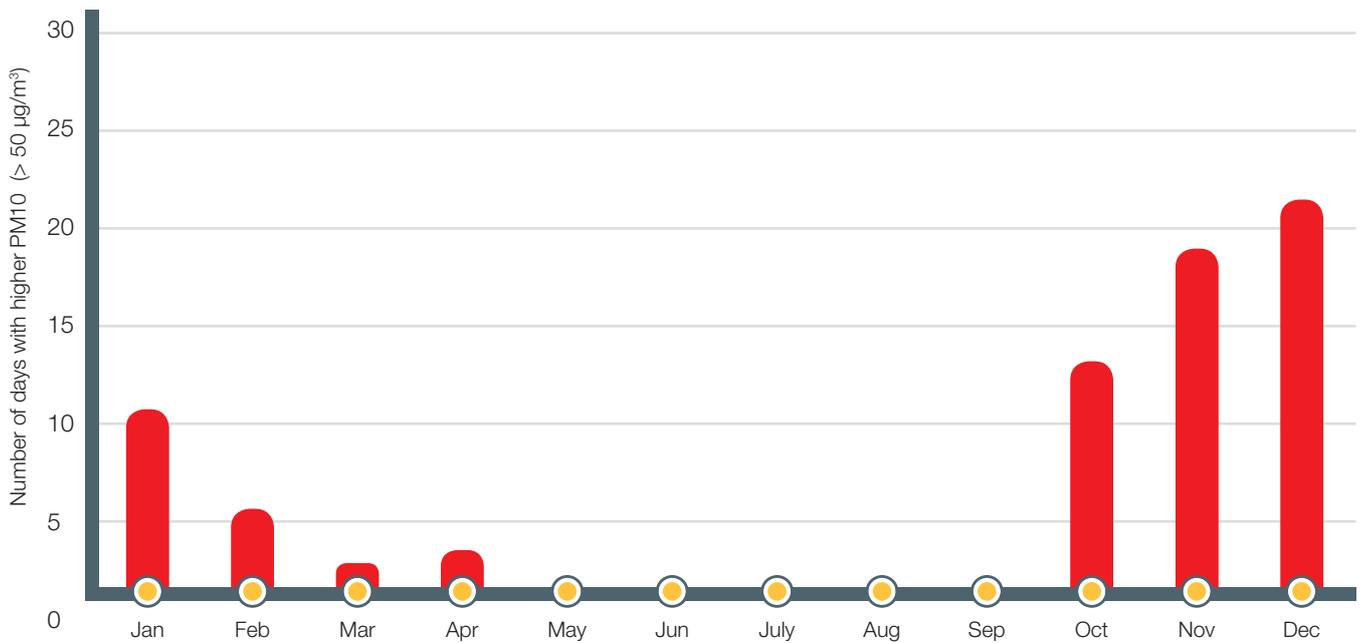
often there are issues concerning the presence of pollutants in the air as a result of inefficient heating systems i.e., a large number of individual combustion chambers and small boiler rooms used to heat individual households in the community. Considering that these sources of pollution are active during the period in which the plant is shut down due to overhaul, they are recognized as having a negative impact on air quality in Kosjerić and in terms of such impact, TCK cannot be held accountable.

Once the heating season passed, in the summer of 2019, air quality in Kosjerić was excellent: all parameter values were recorded within prescribed limits and in no instances were standard limits exceeded. Taking into account that this favorable picture over the summer period is not representative of all other environments where air quality is monitored, this is a further indicator to us that TCK has no role in ambient air pollution. Excellent air quality in Kosjerić during the summer is confirmed by Environmental Protection Agency detectors, which also clearly show that trends in the concentration of PM particles, both daily and annual, depend mostly on the impact of heating capacities within the local community.

The graph below shows the number of days during which the limits were exceeded and number of days when quality of air was within defined limits for the PM10 parameter, for each month in 2019. It is obvious that the days when air in Kosjerić was polluted were, as a rule, during the heating season, and that the quality of air improved as there was less need for heating and that the quality remained within the prescribed limits during the summer, irrespective of our peak operations during summer months.

### Number of days in 2019 with higher PM10 particle concentration in Kosjerić

(source: The Environmental Protection Agency)



If we examine the measurement results obtained by the Environmental Protection Agency, we see that in December 2019 air quality in Kosjerić was of very poor quality, with similar parameters as in the winter months of previous years. According to Agency data, in December we had 22 days where the concentration of PM10 particles exceeded the limits and only 9 days where air quality met the prescribed criteria. At the same time, TCK did not contribute to this situation as the plant was closed due to overhaul. Due to the full shutdown of the kiln, not a single tone of coal or petroleum coke was consumed in December, yet air quality indicators showed the air quality in Kosjerić to be very poor. The above indicates that TCK does not have a negative impact on ambient air, while at the same time the above data enables us to clearly see the effects of other factors present within the environment. It is easy to comprehend that during the winter period, excessive air pollution in Kosjerić would exist irrespective of TCK, which leads us to discover the real causes of this pollution, as well as to direct us towards activities that will lead to resolving this issue, in the context of society's responsibility toward environmental sustainability.

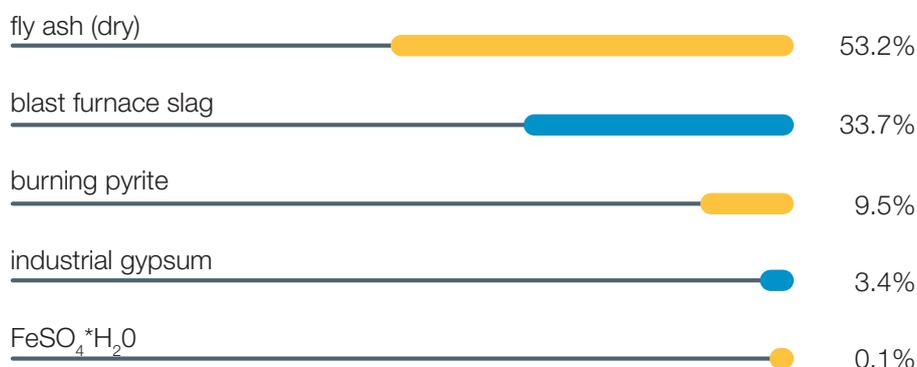
## Resources Preservation

The society nowadays depends entirely on resources whose basic characteristics are exhaustibility and non-renewability. Furthermore, the need for these resources is increasing at a rapid rate while their available quantities are being depleted. Consequently, the lack of resources will be one of the most important issues of the future.

## Natural and Alternative Raw Materials

Taking into account that our Company is strategically committed to protecting natural resources, we see our chance to reduce the use of natural raw materials by increasing alternative raw materials use<sup>27</sup>. In this way, we contribute to reducing the exploitation of non-renewable natural resources at the same time reducing waste disposal in other branches of industry.

### Consumption of Secondary Raw Materials (%)



In 2019, we consumed over 104,000 tons<sup>28</sup> of secondary — alternative raw materials for the production of clinker and cement, thereby reducing the amount of deposited industrial waste in Serbia by the same amount.

## Water

For many years, we have been considering the use and protection of water, as a significant natural resource, as a material topic, which is evidenced in the implementation of the following projects: the construction of a wastewater treatment facility (2010) and the construction of a water recycling facility (2014).

We use water for our industrial and sanitary needs and as drinking water. For its industrial needs, TCK uses water extracted from the Skrapež River and by collecting atmospheric and storm water, while drinking and sanitary water reaches TCK through the utility supply system. TCK does not produce wastewater through its technological processes as industrial wastewater is used in the production process as a coolant (to cool material, gases and equipment) as well as to clean transportation routes (access routes).<sup>29</sup>

The amount of water drained from the Skrapež River, treated wastewater discharged into the river, as well as the amount of water used in the production process itself is measured with the help of water meters which allow TCK time to analyze the data provided.

<sup>27</sup> See KPIs Index (Appendix II), EP01L-EP05L, and EP27L and EP28L, connected with the GCCA Charter, Guidelines and Sector KPIs, and the SDG12/Target 12.2.

<sup>28</sup> On wet basis

<sup>29</sup> See KPIs Index (Appendix II), EP07L-EP09L, and EP29, connected with the GCCA Charter, Guidelines and Sector KPIs, and the SDG6/Targets 6.3, 6.4, and 6.5.

The high level of criteria that applies to the implementation of a water protection system which we have set within the Company means that our wastewater, storm and atmospheric waters are processed in the wastewater treatment facility to the required level of quality and only once this process has been complete is this water discharged into the Skrapež River. The quality of treated wastewater is subject to regular monitoring, and reports and analyses demonstrate that TCK adheres to all regulation requirements concerning the discharge of wastewater.

In 2019, through our Recirculation System, we were able to reuse 562,025.4 m<sup>3</sup> of filtered wastewater. This means that the total share of reused water, in relation to all of our water needs amounted to 87.9%.

## Waste Management

Waste is never a by-product of the technological process of producing clinker and cement at TITAN Cementara Kosjerić. Waste is generated exclusively in the process of maintaining the plant, and all the waste generated in this manner is handed over to authorized collectors and operators for further treatment.

The amount of waste generated at TITAN Cementara Kosjerić throughout 2019 amounted to 251.88 tons. Non-hazardous waste (scrap metal, waste paper, waste foil, sanitary waste, etc.) accounted for 225.22 tons, of which 186.14 tons was shipped to authorized recycling facilities and 39.08 tons was prepared for disposal. The amount of hazardous waste generated (waste oils and greases, accumulators, light bulbs, etc.) totaled 26.66 tons, submitted to authorized operators for further treatment. The transportation of waste was conducted by enterprises with permits allowing them to collect certain types of waste.<sup>30</sup>

## Biodiversity Preservation

TITAN Cementara Kosjerić does not carry out its production operations on locations in protected areas or in areas of particular importance for the preservation and enhancement of nature.

However, our sites will be part of the Group project in 2020 for the assessment of the status and the value of biodiversity in all Group quarries, with the use of the Integrated Biodiversity Assessment Tool (IBAT). This assessment will help to update the status and potential risks, so as to decide specific actions where appropriate.

Since the production process of our Company is directly dependent on the exploitation of mineral resources, we are systematically dedicated to an accountable and efficient manner of land management, and advocate for the maintenance of biological balance.

With ongoing efforts, we accelerate rehabilitation of our quarries and the biodiversity, applying in our activities the standards and best practices formulated in the sectorial (according to the previous collaborative initiative: WBCSD/CSI) Guidelines for Rehabilitation of Quarries, as well as the Guidelines for Biodiversity Management Plans.

We carry out biological recultivation in order to create a protective forest zone, to prevent erosion, and ensure the stability of the land, soil conservation and regulation of water runoff. Regarding the implementation of the rehabilitation plans at our two quarries, in 2019, there were no activities in this area as the entire exploitation field remained active. Plans for the rehabilitation of our quarries Suvo vrelo and Godljevo were drafted in 2013, in order to ensure land management in a systematic manner, thereby increasing our contribution to nature conservation.<sup>31</sup>



<sup>30</sup> See KPIs Index (Appendix II), EP06L, EP38L, and EP39L, connected with the GCCA Charter, Guidelines and Sector KPIs, and the SDG12/Targets 12.4, and 12.5.

<sup>31</sup> See KPIs Index (Appendix II), EP10L-EP15L, connected with the GCCA Charter, Guidelines and Sector KPIs, and the SDG15/Targets 15.3, 15.4, 15.5, 15.9, and 15.a.

# GLOBAL NETWORK OF COOPERATION AND SUPPORT

We create value for society by making a real effort to support and initiate positive changes in the community. For this reason, we are committed to setting high standards in all areas of operation, which include respecting the diverse needs of all stakeholders and contributing to the exchange of know-how and competencies over a wide range of our operations. Our dedication to socially responsible policies allows us to improve our corporate strategy and monitor examples of good practice in terms of sustainable development, as we wish to participate in the creation of common well-being for all. On this path, we are encouraged by our most important associates, who have set well-established roadmaps demonstrating international relations of sustainable development. These are:

**WE SUPPORT**



## The United Nations Global Compact Initiative

The UN Global Compact<sup>32</sup> is the world's largest corporate sustainability initiative. This voluntary initiative is a call to the representatives of companies, academic institutions, civil societies, municipal government and trade unions to align their operations with the Ten Universal Principles on human rights, labor rights, environmental protection and anti-corruption. TITAN Group was among the first 500 signatories of the UNGC worldwide.



## World Business Council for Sustainable Development

The World Business Council for Sustainable Development (WBCSD) is an organization of forward-thinking companies that encourages the global business community to create a sustainable future in which the principles of business, society and the environment function in harmony. The organization is comprised of over 200 leading businesses working together to improve sustainable business, focusing on maximizing the positive impact for shareholders, the environment and communities.



## Global Cement and Concrete Association

The Global Cement and Concrete Association (GCCA) was founded in 2018 as an industrial initiative representing the sustainable interests of its sector at a global level. The GCCA inherited the role of the Cement Sustainability Initiative (CSI) of the World Business Council for Sustainable Development (WBCSD) and from January 1, 2019 has taken over the work programs of the CSI, and all activities which arise from said programs. The Association focuses on key objectives aimed at sector development and strengthening its contribution to sustainable construction. This is realized by creating a value chain and encouraging innovation, in collaboration with industry and association representatives, as well as with key experts and stakeholders alike.

<sup>32</sup> We acknowledge that our parent company TITAN Cement International S.A. participates in the UN Global Compact, and we support the Ten Principles and advancement of the Sustainable Development Goals as well as broader UN goals. We consolidate our support for this initiative fully under our parent's commitment. Therefore, we don't participate in UN Global Compact activities nor do we participate in activities of Global Compact Local Network.

# REPORTING ON PROGRESS

## UN GLOBAL COMPACT

We strive to provide long-term contributions to sustainable development within the local community and society as a whole, and our efforts will be guided by TITAN Group policies in various areas of sustainable business: CSR Policy, H&S Policy, Environmental Policy, HR Policy, Anti-Corruption Policy as well as the TITAN Group Code of Conduct.

10 Principles of the UN Global Compact	Description	Page in the Report	
<b>Human Rights</b>			
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.	Total number of significant investments and contracts which include human rights-related provisions	27 contracts	
	Total number human rights training hours	12, 44	
	Possible violations of the freedom of association and collective bargaining	65.17% of employees are members of the Union. CBA is signed in 2018	
	Percentage of new suppliers assessed based on human rights	24-25	
	Significant actual and potential adverse impact on human rights in the supply chain	24-25	
	Local community engagement programs implemented, impact assessments and development programs	8-9, 26-29, 45	
	Potential or actual negative impact of operations on the local community	8-9, 12	
	Percent of new suppliers who have been checked in relation to societal impact	24-25	
	Significant real or potential impact on society through the supply chain	24-25	
	Principle 2: Ensure they are not complicit in human right abuses.	Total number of significant investments and contracts which include human rights-related provisions	27 contracts
Total number human rights training hours		12, 44	
Possible violations of the freedom of association and collective bargaining		65.17% of employees are members of the Union. CBA is signed in 2018	
Percentage of new suppliers assessed based on human rights		24-25	
Significant actual and potential adverse impact on human rights in the supply chain		24-25	
<b>Labor</b>			
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining		Percentage of employees to which the Collective Agreement applies	100%
	Minimum period for the reporting of significant changes	8 days	
	Possible violations of the freedom of association and collective bargaining	65.17% of employees are members of the Union. CBA is signed in 2018	
Principle 4: Businesses should eliminate all forms of forced and compulsory labor.	Immaterial		
Principle 5: Businesses should abolish child labor.	Immaterial		

10 Principles of the UN Global Compact	Description	Page in the Report
<b>Labor</b>		
Principle 6: Businesses should eliminate discrimination in respect of employment and occupation.	Employees Structure	16-18, 44
	Employee turnover by gender, age and region	16-18, 44
	Benefits provided to full-time employees, not provided to temporary or part-time employees	None
	Return to work and retention rates after parental leave	18
	Percentage of total workforce represented in formal joint management – worker health and safety committees	20-21
	Work related injury and absenteeism	20-21, 44
	Employees working in a workplace with high occupational risk	20-21
	H&S topics covered in formal agreements with trade unions	20-21
	Average hours of training per year, per employee, per gender and employee category	19, 45
	Programs for skills management that support continued employability and career management	19, 45
	Percentage of employees who receive regular performance reviews	92.5%
	Composition of corporate governance bodies and breakdown of employees	10
	Percentage of new suppliers assessed based on labor practices	24-25
	Significant impact on labor practices in the supply chain	24-25
Total number of discriminatory incidents	None	
<b>Environmental Protection</b>		
Principle 7: Businesses should support a precautionary approach to environmental challenges.	Environmental Protection	30-37, 46-47
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.	Environmental Protection	30-37, 46-47
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.	Environmental Protection	30-37, 46-47
<b>Anti-Corruption</b>		
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	Estimated risk of corruption	10-11
	Total value of financial and in-kind political contributions to politicians and related organizations	None

# COMPLIANCE AND DUE DILIGENCE<sup>1</sup>

The TITAN Group Executive Committee is responsible for setting Group policies and ensuring that they are implemented throughout the Company. In parallel, the ethics and compliance programs implemented throughout TITAN's operations, ensure that the Group's principles and values are integrated in the day-to-day operations and the risk management culture is reinforced across the TITAN Group. The effectiveness of the systems and policies implemented at Group and business unit level are systematically reviewed by the TITAN Group Executive Committee and the business units' management, including in terms of compliance with relevant standards of the Group.

All compliance processes are supervised by the TITAN Group Internal Audit Department, taking over responsibility for risk and compliance, in addition to internal audit. The TITAN Group Internal Audit is an independent department reporting directly to the Audit and Risk Committee.

Internal Audit's scope of responsibilities also includes:

- monitoring implementation and compliance with the Company's Internal Regulation, Code of Conduct and applicable laws in all jurisdictions in which the Group operates
- providing consulting services (e.g. new procedures review, new IT systems post-implementation reviews)
- undertaking special assignments (e.g. fraud investigations)

An additional element of TITAN Group integrated approach and the established practices in TCK, is the continuous efforts to record, assess, and report to the larger audience, the incidents and related penalties and fines for the areas of:

- Laws and Regulation (incl. breaching of regulations of Health and Safety, and others for Human Rights, Anti-corruption)
- Laws and Regulation related to the Environment
- Law and Regulations related to the provision of products and services

In this respect, no incidents and no fines or other penalties related to human rights and corruption or legal action for anti-competitive behavior, breaching of anti-trust or anti-monopoly practices, were recorded in 2019.

## TITAN Code of Conduct

In the realization of its business objectives, TCK conscientiously implements its ethical principles found in the Company's Code of Conduct. The document deals with ethical issues and provides guidance which defines our operating principles. 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 compliance with ongoing efforts to improve TCK's open and honest communication at all levels, a grievance mechanism has been established for reporting violations to the Code of Conduct as well as an email address provided: [kodeksponasanja@titan.rs](mailto: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 monitors a variety of human rights related issues, such as gender equality and participation in the Union. Relevant KPIs are presented in detail within the Social Performance Index.

<sup>1</sup> Related section: Corporate Governance

## Value Creation Core Indicators Glossary

### Notes for the standards, guidance, and terms used

Most terms related to the Value Creation Core Indicators were adopted from the “Guidance on Core Indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals” (in short: UNCTAD Guidance, 2019), and incorporated under the TITAN standards.

Detailed figures for the “Training investment”; “Green investment”, “Local Spend”, “Donations”, are provided inside the Index for the Social Performance KPIs, and Environmental Performance KPIs.

### Training investment

Total expenditures including the direct and indirect costs of training for direct employees (including costs such as trainers’ fees, training facilities, training equipment etc.) reported also per employee and per year, and broken down by employee category (UNCTAD Guidance, 2019). TCK discloses the respective figures in detail inside the Index for Social Performance KPIs.

### Green investment

Total amount of expenditures (capital and also operational) for those investments whose primary purpose is the prevention, reduction and elimination of negative impacts to the environment (UNCTAD Guidance, 2019). TCK discloses the respective figures in detail inside the Index for Environmental Performance KPIs.

### Local Spend

Percentage of procurement spent to domestic suppliers. Costs of local procurement are a general indicator of the extent of an entity’s linkages with the local economy (UNCTAD Guidance, 2019). TCK discloses the respective figure in detail inside the Index for Social Performance KPIs.

### Taxes to national and local authorities

According to TITAN Standards and the application of the local accounting standards.

### Donations

Total amount of charitable/voluntary donations and investments of funds (both capital expenditures and operating ones) in the broader community where the target beneficiaries are external to the enterprise incurred in the reporting period, in absolute amount (UNCTAD Guidance, 2019). TITAN discloses this amount as “Donations”, as equivalent to “charitable/voluntary donations and investments of funds”, and in detail inside the Index for Social Performance KPIs based on the verified and disclosed Financial Statements for the same reporting period.

### Total Assets

Total assets are the sum of all current and noncurrent assets that a company owns.

### Capital Expenditure (CAPEX)

CAPEX is defined as acquisitions of property, plant and equipment, investment property and intangible assets.

### Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

EBITDA corresponds to operating profit plus depreciation, amortization, bank charges, impairment of tangible and intangible assets, other income and positive effects of: changes in accounting policies and correction of errors from previous years and minus other expenses and negative effects of: changes in accounting policies and correction of errors from previous years.

### Net Profit after Tax (NPAT)

Net Profit is defined as profit after tax attributable to equity holders of the parent.

### Communication on Progress (COP)

The Communication on Progress is intended as a mechanism to inform, in a standardized format of an annual report, company stakeholders (e.g., investors, consumers, civil society, and governments) on progress made in implementing the Ten Principles of the United Nations Global Compact.

### CSR Europe

The leading European business network for Corporate Sustainability and Responsibility. The network supports businesses and industry sectors in their transformation and collaboration towards practical solutions and sustainable growth. The ambition is the systemic change — therefore, following the SDGs, the network seeks to co-build with the European leaders and stakeholders an overarching strategy for a Sustainable Europe 2030.

## Global Cement and Concrete Association (GCCA)

The Global Cement and Concrete Association is a CEO-led industry initiative established in 2018, representing the global voice of the sector. The GCCA took over the role of the former CSI Project of the WBCSD and has carried, since January 1 2019, the work programs and sustainable development activities of the CSI, with key objectives to develop and strengthen the sector's contribution to sustainable construction across the value chain, and to foster innovation in collaboration with industry, associations and key experts-stakeholders.

## International Integrated Reporting Council (IIRC)

The International Integrated Reporting Council is a global coalition of regulators, investors, companies, standard setters, the accounting profession, academia and NGOs. The coalition promotes communication about value creation as the next step in the evolution of corporate reporting.

## Sustainable Development Goals (SDGs)

The Sustainable Development Goals are a collection of 17 global goals designed to be a “blueprint to achieve a better and more sustainable future for all”. The SDGs, set in 2015 by the United Nations General Assembly and intended to be achieved by the year 2030, are part of UN Resolution 70/1, the 2030 Agenda.

## United Nations Conference on Trade and Development (UNCTAD)

The United Nations Conference on Trade and Development is a United Nations body responsible for dealing with economic and sustainable development issues with a focus on trade, finance, investment and technology, in particular for helping developing countries to participate equitably in the global economy.

## United Nations Global Compact (UNGC)

The United Nations Global Compact is a voluntary initiative based on CEO commitments to implement universal sustainability principles (“Ten Principles”) and to take steps to support UN goals. “Ten Principles” are derived from the Universal Declaration of Human Rights, the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

## World Business Council for Sustainable Development (WBCSD)

The World Business Council for Sustainable Development is a global, CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world, helping member companies to become more successful and sustainable by focusing on the maximum positive impact for shareholders, the environment and societies.

# APPENDIX 02

## Sector Standards for the Non-financial Disclosures

Sector Association or Initiative	Guidelines and other documents of reference	Published
GCCA – Global Cement and Concrete Association	GCCA Sustainability Charter	Latest edition in October 2019
	GCCA Sustainability Framework Guidelines	
	GCCA Sustainability Guidelines for the monitoring and reporting of safety in cement manufacturing. This document has been agreed within the GCCA to have extended application to concrete and other related activities [Pillar 1]	
	GCCA Sustainability Guidelines for the monitoring and reporting of CO <sub>2</sub> emissions from cement manufacturing [Pillar 2]	
	GCCA Sustainability Guidelines for the monitoring and reporting of water in cement manufacturing [Pillar 4]	
	GCCA Sustainability Guidelines for the monitoring and reporting of emissions from cement manufacturing [Pillar 4]	
	GCCA Sustainability Guidelines for co-processing fuels and raw materials in cement manufacturing [Pillar 5]	
(Previously) WBCSD/CSI	Guidelines for Environmental and Social Impact Assessment (ESIA)	2016
	Biodiversity Management Plan Guidance	2014
	Guidelines on Quarry Rehabilitation	2011
	Recommended Good Practices for: (a) Contractor Safety, and (b) Driving Safety	2009

The GCCA has built its Sustainability Charter around five (5) Sustainability Pillars  
Pillar 1: Health and Safety, Pillar 2: Climate Change and Energy, Pillar 3: Social Responsibility,  
Pillar 4: Environment and Nature and Pillar 5: Circular Economy

# APPENDIX 02

## Social Performance Index

All activities performance according to the TITAN Global Sectoral Approach		2019	2018	2017	SDGs & Targets	TITAN Codes		
Health and safety <sup>(SG)</sup>	Employee fatalities	0	0	0	SDG 3 Target 3.6	SP01L		
	Employee fatality rate	0.00	0.00	0.00		SP02L		
	Contractors fatalities	0	0	0		SP03L		
	Third-party fatalities	0	0	0		SP04L		
	Employee Lost Time Injuries (LTIs)	1	0	2		SP05L		
	Employee Lost Time Injuries Frequency Rate (LTIFR)	2.74	0.00	5.09		SP06L		
	Employee lost working days	18	50	248	SDG 8 Target 8.8	SP07L		
	Employee Lost Time Injuries Severity Rate	49.25	129.05	631.14		SP08L		
	Contractors Lost Time Injuries (LTIs)	2	0	0		SP09L		
	Contractors Lost Time Injuries Frequency Rate (LTIFR)	19.29	0.00	0.00		SP10L		
	<b>All activities performance leading indicators</b>							
	Near misses <sup>(1)</sup>	6	10	4		SP11L		
Training man-hours on health and safety per employee <sup>(2)</sup>	14.75	18.41	12.18		SP12L			
Employment	<b>Number of employees as of 31 December</b>	<b>201</b>	<b>195</b>	<b>219</b>	SDG 5 Targets: 5.1, 5.4 i 5.5	SP14L		
	<b>Employee turnover (%)</b>	<b>2.99%</b>	<b>23.00%</b>	<b>5.00%</b>		SP15L		
	Employees left	6	44	12		SP16L		
	<b>Employee new hires (%)</b>	<b>4.98%</b>	<b>10.00%</b>	<b>6.00%</b>		SP17L		
	Employee new hires	10	20	13		SP18L		
	<b>New hires per age group <sup>(3)</sup></b>							
	Under 30	6	12	11		SDG 8 Targets: 8.5, 8.6 i 8.8		
	Between 30-50	4	7	2				
	Over 50	0	1	0				
	<b>New hires per gender</b>							
	Females	3	7	6		SDG 10 Target 10.3	SP20L	
	Males	7	13	7				
	<b>Employment per age group <sup>(3)</sup></b>							
	Under 30	16	13	11			SP21L	
	Between 30-50	97	107	13				
	Over 50	88	93	194				
	<b>Employment per type <sup>(3)</sup></b>							
	Full time	194	205	213			SP22L	
	Part Time	1	1	0				
	Temporary	6	7	5				
	<b>Employment per category <sup>(3)</sup></b>							
	Managers	22	25	25		SP23L		
Senior managers	2	3	3					
Administration/technical	74	65	63					
Semi skilled/unskilled	103	120	127					
<b>Employment per gender <sup>(3)</sup></b>								
Females	41	38	37		SP24L			
Males	160	175	181					
<b>Share of women in employment (%) <sup>(3)</sup></b>	<b>20.40%</b>	<b>17.84%</b>	<b>16.97%</b>		SP25L			
<b>Share of women in management (%) <sup>(3)</sup></b>	<b>33.33%</b>	<b>32.14%</b>	<b>35.71%</b>		SP26L			
<b>Share of women in Senior Management (%) <sup>(3)</sup></b>	<b>0.00%</b>	<b>33.33%</b>	<b>33.33%</b>		SP27L			
<b>Employees from local community (%) <sup>(3)</sup></b>	<b>90.05%</b>	<b>90.14%</b>	<b>90.83%</b>		SP28L			
<b>Unionized employees (%)</b>	<b>65.17%</b>	<b>67.69%</b>	<b>71.23%</b>		SP29L			

Notes for specific Social Performance indicators

<sup>1</sup> The reported figures of "Near misses" are the total figures for both direct employee and contractors

<sup>2</sup> The data presented within the indicator "Average number of hours of safety training per employee" were calculated based on the average number of employees.

<sup>3</sup> KPIs calculated on the basis of Average number of Employees for years 2017 and 2018. As of 2019, the specific KPIs are calculated on the basis of the number of employees as of 31 December.

# APPENDIX 02

All activities performance according to the TITAN Global Sectoral Approach		2019	2018	2017	SDGs & Targets	TITAN Codes	
People Development	<b>Training investment per employee (Euros) <sup>(3)</sup></b>	<b>369</b>	<b>372</b>	<b>297</b>	SDG 4 Targets: 4.3, 4.4 i 4.5  SDG 5 Targets: 5.1 i 5.5  SDG 8 Target 8.5  SDG 10 Targets: 10.2 i 10.3  SDG 16 Target 16.5	SP30L	
	<b>Training investment per gender (Euros) <sup>(3)</sup></b>	<b>74,946</b>	<b>84,133</b>	<b>66,879</b>		SP31L	
	Females	33,465	35,189	24,686			
	Males	41,481	48,944	42,193			
	<b>Trained employees</b>	<b>203</b>	<b>226</b>	<b>225</b>			SP32L
	<b>Share of trained employees (% in total workforce) <sup>(4)</sup></b>	<b>100%</b>	<b>100%</b>	<b>100%</b>			SP33L
	<b>Share of trained female employees (% in total trained) <sup>(3, 4)</sup></b>	<b>98%</b>	<b>100%</b>	<b>100%</b>			SP34L
	<b>Trained employees per category <sup>(3)</sup></b>						SP35L
	Managers	21	25	22			
	Senior managers	2	3	3			
	Administration/technical	74	72	72			
	Semi skilled/unskilled	106	126	128			
	<b>Trained employees per age group</b>						SP36L
	Under 30	16	15	16			
	Between 30-50	97	116	116			
	Over 50	90	95	93			
	<b>Training hours <sup>(4)</sup></b>	<b>8,007</b>	<b>8,745</b>	<b>7,964</b>			SP37L
	<b>Average training hours per employee, and breakdown per gender <sup>(3)</sup></b>	<b>40</b>	<b>41</b>	<b>37</b>			SP38L
	average female	64	62	55			
	average male	34	36	33			
	<b>Training hours per subject <sup>(4)</sup></b>						SP39L
	Company on-boarding	660	-	-			
	Compliance (previously: TITAN Group Code of Conduct)	66	-	288			
	CSR and Sustainability (previously: Human Rights)	16	-	-			
Digital	-	-	-				
Environment	196	620	650				
Foreign languages	1,309	975	1,079				
Functional competence	478	335	363				
Generic competence	1,072	-	-				
Health and safety	2,946	3,910	2,648				
Managerial skills (previously: Management and managerial skills)	379	1,489	1,855				
Other	135	507	682				
Security	-	-	-				
Technical know-how (previously: Technical know-how and core competence)	750	909	399				
Stakeholder Engagement	<b>Donations (Euros)</b>	<b>150,502</b>	<b>149,482</b>	<b>133,642</b>	SDG 2; Targets: 2.1 i 2.3	SP40L	
	Donations in cash (Euros)	102,277	117,687	95,338	SDG 4; Targets: 4.3 i 4.4	SP41L	
	Donations in kind (Euros)	48,226	31,795	38,304	SDG 8; Targets: 8.5 i 8.6 SDG 9; Targets: 9.1 i 9.5	SP42L	
	<b>Internships</b>	<b>7</b>	<b>10</b>	<b>11</b>	SDG 11; Target 11.4 SDG 16; Target 16.5	SP43L	
	<b>New entry level jobs from internships/traineeships</b>	<b>1</b>	<b>1</b>	<b>3</b>	SDG 17; Target 17.17	SP44L	
	<b>Local Spend (%) <sup>(5)</sup></b>	<b>79.28%</b>	<b>n/a</b>	<b>n/a</b>	SDG 9; Target 9.3	SP45L	

<sup>(3)</sup> Health and safety performance indicators for 2019 was reported following the GCCA Sustainability Guidelines for the monitoring and reporting of safety in cement manufacturing (last edition in October 2019). For the Sector Standards see details in Table "Sector Standards for the Non-financial disclosures".

<sup>(4)</sup> KPIs based on the new definition(s) of TITAN Group (according to the Sustainability Glossary & Guidelines for Social Performance, ed. 2019). The figures for the KPI "Share of trained female employees" and KPI "Training hours per subject" were adjusted by re-calculation for years before 2019, in order to reflect the performance acc. to the new definition. Figures for the KPI SP64 which were calculated above 100% (because of the turnover for females, or other reasons) needed to be reported as 100% (adjusted), for avoiding confusion of the larger audience of this report.

<sup>(5)</sup> The indicator was prepared in accordance with the approach of the United Nations Conference on Trade and Development (UNCTAD).

# APPENDIX 02

## Environmental Performance Index

1. TCK Key Performance Indicators <sup>(SG)</sup> — All Activities — Environmental Performance (acc. to the Sectoral Approach adopted by TITAN)		2019	2018	2017	SDGs & Targets	TITAN Codes	
Local Impacts Impact on natural raw materials recourses	<b>Natural raw materials extracted (total, wet)</b>	million t	0.67	0.74	0.72	SDG 12 Target 12.2	EP01L
	Raw materials extracted for clinker and cement production	million t	0.67	0.74	0.72		EP02L
	Raw materials extracted for aggregates	million t	0.00	0.00	0.00		EP03L
	<b>Raw materials consumed (total)</b>						
	Raw materials consumed for clinker and cement production (dry)	million t	0.77	0.80	0.77		EP04L
	Raw materials consumed for ready mix, dry mortar and block production (wet)	million t	n.a.	n.a.	n.a.	EP05L	
	<b>Externally recycled waste materials (total, wet)</b>	t	212.80	104.30	150.12	SDG 12 Targets: 12.4 and 12.5	EP06L
	Recycled	t	212.80	104.30	150.12		
	Reused	t	0.00	0.00	0.00		
	Recovered	t	0.00	0.00	0.00		
Impact on water recourses	<b>Water consumption (total)</b>	million m <sup>3</sup>	0.05	0.05	0.05	SDG 6 Targets: 6.3, 6.4 and 6.5	EP07L
	<b>Water withdrawal (total, by source)</b>	million m <sup>3</sup>	0.08	0.08	0.08		EP08L
	Ground water	million m <sup>3</sup>	0.00	0.00	0.00		
	Municipal water	million m <sup>3</sup>	0.03	0.03	0.03		
	Rain water	million m <sup>3</sup>	0.05	0.05	0.05		
	Surface water	million m <sup>3</sup>	0.00	0.00	0.00		
	Quarry water used (from quarry dewatering)	million m <sup>3</sup>	0.00	0.00	0.00		
	Ocean or sea water	million m <sup>3</sup>	0.00	0.00	0.00		
	Waste water	million m <sup>3</sup>	0.00	0.00	0.00		
	<b>Water discharge (total, by destination)</b>	million m <sup>3</sup>	0.03	0.03	0.03		EP09L
	Surface (river, lake)	million m <sup>3</sup>	0.03	0.03	0.03		
	Ocean or sea	million m <sup>3</sup>	0.00	0.00	0.00		
	Off-site treatment	million m <sup>3</sup>	0.00	0.00	0.00		
Impact on biodiversity and land stewardship	<b>Active quarry sites with biodiversity issues <sup>(1,3)</sup></b>		0	0	0	SDG 15 Targets: 15.3, 15.4, 15.5, 15.9 and 15.a	EP10L
	<b>Active quarry sites with biodiversity management plans <sup>(2,3)</sup></b>		-	-	-		EP11L
	<b>Active quarry sites with biodiversity management plans</b>	%	-	-	-		EP12L
	<b>Sites with community engagement plans <sup>(4)</sup></b>	%	100.0	100.0	100.0		EP13L
	<b>Sites with quarry rehabilitation plans <sup>(3)</sup></b>	%	100.0	100.0	100.0		EP14L
	<b>Active quarry sites (wholly owned) with Environmental Management System (ISO14001 or similar)</b>	%	100.0	100.0	100.0		EP15L
2. TITAN Cementara Kosjerić — Cement Activities — Environmental Performance (acc. to the Sectoral Approach adopted by TITAN)		2019	2018	2017	SDGs & Targets	TITAN Codes	
Climate change Impact on Green House Gas Emissions	<b>Specific gross direct CO<sub>2</sub> emissions</b>	kg/t <sub>Cementitious Product</sub>	609.3	611.3	633.8	SDG 9 Target 9.4	EP18L
	<b>Specific net direct CO<sub>2</sub> emissions</b>	kg/t <sub>Cementitious Product</sub>	609.3	611.3	633.8		EP19L
	<b>Indirect CO<sub>2</sub> emissions (total) <sup>(5)</sup></b>	million t	0.06	0.07	0.05		EP20L
Alternative fuels and materials	<b>Biomass in fuel mix <sup>(6)</sup></b>	% <sub>Heat Basis</sub>	0.42	0.35	0.41	SDG 7 Targets: 7.2, 7.3 and 7.a	EP22L

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2. TITAN Cementara Kosjerić — Cement Activities — Environmental Performance (acc. to the Sectoral Approach adopted by TITAN)			2019	2018	2017	SDGs & Targets	TITAN Codes
Local Impacts Impact on natural raw materials recourses	<b>Materials consumption (total, dry)</b>	million t	0.77	0.80	0.77	SDG 12 Target 12.2	EP27L
	Extracted (natural) raw materials consumption (dry)	million t	0.67	0.72	0.69		
	Alternative raw materials consumption (dry)	million t	0.10	0.08	0.08		
	<b>Alternative raw materials use (of total raw materials consumed)</b>	% <sub>Dry</sub>	12.6	9.8	9.9		
Impact on water recourses	<b>Alternative raw materials rate (based on clinker-to-cement (equivalent) factor)</b>	% <sub>Dry</sub>	15.2	11.6	12.4	SDG 6 Targets: 6.4 and 6.5	EP28L
	<b>Water consumption (total)</b>	million m <sup>3</sup>	0.05	0.05	0.05		EP29L
Other air emissions	<b>Coverage rate continuous measurement</b>	%	100.0	100.0	100.0	SDG 3 Target 3.9	EP30L
	<b>Specific dust emissions</b>	g/t <sub>Clinker</sub>	7.9	9.6	5.4		EP31L
	<b>Specific NOx emissions</b>	g/t <sub>Clinker</sub>	951.8	1,494.8	1,506.6	SDG 9 Target 9.4	EP32L
	<b>Specific SOx emissions</b>	g/t <sub>Clinker</sub>	3.5	3.7	2.3		EP33L
3. TITAN Cementara Kosjerić — All Activities — Disclosures concerning materials, fuels and wastes			2019	2018	2017	SDGs & Targets	TITAN Codes
Impact on fuels and energy resources	<b>Fuel mix, energy consumption for clinker and cement production</b>	% <sub>Heat Basis</sub>	100.0	100.0	100.0	SDG 7 Target 7.2	EP34L
	<b>Conventional fossil fuels</b>	% <sub>Heat Basis</sub>	99.6	99.6	99.6		EP35L
	<b>Alternative fossil and mixed fuels</b>	% <sub>Heat Basis</sub>	0.0	0.0	0.0	SDG 12 Target 12.2	EP36L
	<b>Biomass fuels</b>	% <sub>Heat Basis</sub>	0.4	0.4	0.4		EP37L
Management of waste	<b>Waste disposal (total, wet)</b>	t	252	146	180	SDG 12 Targets: 12.4 and 12.5	EP38L
	<b>Waste disposal, break down by destination-usage (wet)</b>	% <sub>By mass</sub>	100.0	100.0	100.0		EP39L
	Reuse	% <sub>By mass</sub>	0.0	0.0	0.0		
	Recycled	% <sub>By mass</sub>	84.5	71.4	83.6		
	Recovered (including energy recovery)	% <sub>By mass</sub>	0.0	0.0	0.0		
	Incineration	% <sub>By mass</sub>	0.0	0.0	0.0		
	Landfilled	% <sub>By mass</sub>	15.5	22.5	16.4		
Other (incl. storage)	% <sub>By mass</sub>	0.0	6.1	0.0			
4. TITAN Cementara Kosjerić — All Activities — Investments for the Environment			2019	2018	2017	SDGs & Targets	TITAN Codes
	<b>Environmental expenditures across all activities <sup>(7)</sup></b>	million €	0.563	0.691	0.368	SDG 7 Target 7.b  SDG 9 Target 9.4	EP40L
	Environmental management	million €	0.420	0.450	0.276		
	Reforestation	million €	0.000	0.000	0.005		
	Rehabilitation	million €	0.000	0.000	0.000		
	Environmental training and awareness building	million €	0.002	0.000	0.000		
	Application of environmental friendly technologies	million €	0.120	0.224	0.076		
	Waste management	million €	0.021	0.016	0.011		

<sup>1</sup> Active quarries within, containing or adjacent to areas designated for their high biodiversity value.

<sup>2</sup> Sites with high biodiversity value where biodiversity management plans are actively implemented.

<sup>3</sup> Coverage includes both quarries attached to cement plants and quarries for aggregates production.

<sup>4</sup> Indicator on "Sites with community engagement plan" is related only to quarries and is reported for 2019.

<sup>5</sup> Indirect CO<sub>2</sub> emissions are related to emissions released for the production of the electrical energy consumed at TITAN's facilities. For their calculation, we use emission factors provided by the supplier of the electrical energy or other publicly available data sources.

<sup>6</sup> Biomass rate corresponds to the percentage of total thermal energy consumption that comes from renewable energy sources.

<sup>7</sup> The definition of Environmental expenditures across all activities is equivalent to the definition of Green Investment. See "Glossary".

# APPENDIX 03

## Income Statement

For the year ended 31 December	2019 '000 RSD	2018 '000 RSD
<b>OPERATING REVENUES</b>	<b>5,453,514</b>	<b>5,411,392</b>
Revenues from sale of merchandise	9,014	11,119
Revenues from sale of products and services	5,444,111	5,399,918
Other operating income	389	355
<b>OPERATING EXPENSES</b>	<b>3,756,115</b>	<b>3,757,005</b>
Cost of trading goods	7,874	11,048
Work performed by the entity and capitalized	4,831	3,542
Increase in inventories of unfinished and finished goods and ongoing services	-	23,771
Decrease in inventories of unfinished and finished goods and ongoing services	113,646	-
Cost of materials	560,008	624,518
Cost of fuel and energy	1,066,078	1,171,558
Cost of salaries, fringe benefits and other personal expenses	524,806	597,468
Cost of production services	1,079,284	966,009
Depreciation and amortization	166,200	172,648
Cost of long-term provisions	11,889	12,686
Non-production costs	231,161	228,383
<b>OPERATING PROFIT</b>	<b>1,697,399</b>	<b>1,654,387</b>
Financial income	24,987	18,397
Financial expenses	13,754	11,820
Income from property value adjustments of other assets at fair value through Income Statement	-	-
Expenses from property value adjustments of other assets at fair value through Income Statement	-	1,555
Other income	47,817	21,367
Other expenses	14,148	12,976
Net income attributable to discontinued operations, expenses arising from changes in accounting policies and correction of prior period errors	699	4,105
Net loss from discontinued operations, the effects of changes in accounting policies and corrections from previous periods mistakes	-	-
<b>PROFIT BEFORE TAX</b>	<b>1,743,000</b>	<b>1,671,905</b>
Income tax	265,128	255,973
Deferred tax income	1,176	3,238
<b>NET PROFIT</b>	<b>1,479,048</b>	<b>1,419,170</b>



On the website of the Business Registers Agency, [www.apr.gov.rs](http://www.apr.gov.rs), the Register of Financial Statements features a complete set of forms of regular annual financial statements for 2019, together with the report of the independent auditor and other documents attached to the financial statements, in accordance with Articles 33 and 34 of the Law on Accounting.

# APPENDIX 03

## Balance Sheet

As of 31 December	2019 '000 RSD	2018 '000 RSD
<b>NON CURRENT ASSETS</b>	<b>2,142,638</b>	<b>1,923,789</b>
Intangible assets	36,166	13,980
Property, plant & equipment	2,097,045	1,900,500
Long-term financial investments	7,966	7,966
Long-term receivables	1,461	1,343
<b>DEFERRED TAX ASSETS</b>	<b>16,419</b>	<b>15,243</b>
<b>CURRENT ASSETS</b>	<b>1,633,969</b>	<b>2,694,400</b>
Inventories	718,682	701,821
Trade receivables	140,197	258,275
Other receivables	10,498	11,042
Short-term financial investments	14,733	14,076
Cash and cash equivalents	698,011	1,689,214
Prepaid Value Added Tax	17,970	17,336
Accruals	33,878	2,636
<b>TOTAL ASSETS</b>	<b>3,793,026</b>	<b>4,633,432</b>
<b>EQUITY</b>	<b>3,093,498</b>	<b>4,090,854</b>
Basic capital	2,505,209	2,505,209
Reserves	166,475	166,475
Retained earnings	421,814	1,419,170
<b>LONG-TERM PROVISIONS AND LIABILITIES</b>	<b>66,498</b>	<b>63,440</b>
Long-term provisions	66,498	63,440
<b>SHORT-TERM LIABILITIES</b>	<b>633,030</b>	<b>479,138</b>
Customer prepayments	10,995	20,620
Operating liabilities	556,341	390,805
Other short-term liabilities	28,449	28,011
Liabilities for other taxes, contributions and duties	36,505	34,953
Accrued expenses	740	4,749
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,793,026</b>	<b>4,633,432</b>

# APPENDIX 03

## Cash Flow Statement

For the year ended 31 December	2019 '000 RSD	2018 '000 RSD
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Cash generated from operating activities</b>	<b>5,590,555</b>	<b>5,629,594</b>
Sales and advances received	5,558,442	5,598,791
Other inflow from operating activities	32,113	30,803
<b>Cash outflow from operating activities</b>	<b>3,754,786</b>	<b>3,902,051</b>
Payments and prepayments to suppliers	2,930,311	2,974,251
Salaries, fringe benefits and other personal expenses	524,304	596,637
Interests paid	144	125
Income tax	257,837	283,746
Payments for other public revenues	42,190	47,292
<b>Net cash inflow from operating activities (A)</b>	<b>1,835,769</b>	<b>1,727,543</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
<b>Cash generated from investing activities</b>	<b>46,208</b>	<b>11,658</b>
Sale of intangible assets & property, plant and equipment and biological assets	22,380	41
Interests received from investing activities	23,828	11,617
<b>Cash outflow from investing activities</b>	<b>387,578</b>	<b>143,181</b>
Purchase of intangible assets, property plant and equipment	387,141	142,767
Other financial investments (net outflows)	437	414
<b>Net cash outflow from investing activities (B)</b>	<b>(341,370)</b>	<b>(131,523)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>Cash generated from financing activities</b>	<b>-</b>	<b>-</b>
<b>Cash outflow from financing activities</b>	<b>2,476,404</b>	<b>1,399,474</b>
Dividends paid	2,476,404	1,399,474
<b>Net cash outflow from financing activities (C)</b>	<b>(2,476,404)</b>	<b>(1,399,474)</b>
<b>Net cash inflow (A+B+C&gt;0)</b>	<b>-</b>	<b>196,546</b>
<b>Net cash outflow (A+B+C&lt;0)</b>	<b>(982,005)</b>	<b>-</b>
Cash at the beginning of the period	1,689,214	1,498,437
Foreign exchange gains on translation of cash	334	1,537
Foreign exchange losses on translation of cash	9,532	7,306
<b>Cash at the end of the period</b>	<b>698,011</b>	<b>1,689,214</b>

## Statement Of Changes In Equity

For the year ended 31 December	Basic capital '000 RSD	Reserves '000 RSD	Retained earnings '000 RSD	Total equity '000 RSD
<b>Balance at 1 January 2018</b>	<b>2,505,209</b>	<b>166,475</b>	<b>1,399,474</b>	<b>4,071,158</b>
Profit for the year	-	-	1,419,170	1,419,170
Dividends distribution	-	-	(1,399,474)	(1,399,474)
<b>Balance at 31 December 2018</b>	<b>2,505,209</b>	<b>166,475</b>	<b>1,419,170</b>	<b>4,090,854</b>
<b>Balance at 1 January 2019</b>	<b>2,505,209</b>	<b>166,475</b>	<b>1,419,170</b>	<b>4,090,854</b>
Profit for the year	-	-	1,479,048	1,479,048
Dividends distribution	-	-	(2,476,404)	(2,476,404)
<b>Balance at 31 December 2019</b>	<b>2,505,209</b>	<b>166,475</b>	<b>421,814</b>	<b>3,093,498</b>



For more information, please scan the QR code and visit our website.



# Independent Limited Assurance Statement

## To the Board of Directors of TITAN Cementara Kosjeric

The Board of Directors of TITAN Cementara Kosjeric (the "Company") engaged "GRANT THORNTON" d.o.o. Beograd ("Grant Thornton") to review the non-financial disclosures presented in the 2019 Integrated Annual Report for the fiscal year ended on December 31st, 2019 ("selected data"), in order to provide limited assurance in relation to the criteria as described below (Scope of work). For the purposes of this Statement, the selected data relate to the Company's activity in Serbia and do not include information pertaining to other cooperating companies or third-party activities / performance.

## Scope of work

The assurance engagement has been planned and performed in accordance with the International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information ("ISAE 3000"), in order to provide limited level assurance opinion on:

- The consistency of qualitative and quantitative non-financial disclosures presented, with regard to the UN Global Compact principles and specifically to the Advanced Level of Communication on Progress Report criteria.
- The completeness and accuracy of qualitative and quantitative non-financial disclosures, in specific for the areas of Environment and Health & Safety and regarding the criteria applicable in 2019, which are aligned with the sectoral guidelines and reporting standards (GCCA<sup>1</sup> Sustainability Charter, GCCA Sustainability Framework Guidelines, and other relevant and applicable GCCA Guidelines, and the guidelines of the WBCSD/CSI only as applicable in 2019) and with the TITAN Group<sup>2</sup> Standards for Reporting on Group level and Business Unit level.
- The methodology of materiality assessment with regard to the guidelines of AA1000 Standard.

## Management Responsibility

TITAN Cementara Kosjeric is responsible for the preparation, presentation, completeness and accuracy of the non-financial data provided to us, as incorporated in the 2019 Integrated Annual Report. Furthermore, the Company's Management is responsible for maintaining records and adequate internal controls that are designed to support the reporting process. In particular, the Company's Management is responsible for internal controls being designed and implemented to prevent the Report from being materially misstated.

## Grant Thornton Responsibility

We have performed a limited assurance engagement. Our responsibility is to express our conclusions based on the procedures carried out for the selected data, as described above in the "Scope of work" section.

Our responsibility is limited to the non-financial information related to the fiscal year that ended on December 31, 2019, as these were presented in the 2019 Integrated Annual Report.

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<sup>1</sup> Global Cement and Concrete Association (GCCA)

<sup>2</sup> TITAN Cement International (referred to as "TITAN Group") is the Owner of the Company.

To the extent it is permitted by the legislation in force, we neither accept nor assume any responsibility for our engagement or this Statement towards anyone other than the Company and the Group, unless the terms have been agreed explicitly in writing, with our prior consent.

We conducted our work so as to collect all the data, relevant documentation, information and explanations we considered necessary as to the selected data described above, in the "Scope of work" section. The procedures followed with regard to the selected data included:

- Interviews with executives and key personnel responsible for the relevant information and assumptions.
- Visits to the Company premises.
- Review and assessment of the processes and controls used to collect, aggregate, validate and report the data;
- Sample tests on collected data, conversion factors and formulas, where required.

## Level of Assurance

The procedures we carried out were designed to provide limited assurance, as specified in ISAE 3000, based on which we shaped the conclusion to our engagement. These procedures are not as extensive as those required for providing reasonable assurance; consequently, a lower level of assurance is obtained.

## Limitations

To conduct our work, we relied exclusively on the information provided to us by the Company's executives, which we accepted in good faith as being complete, accurate, real and not misleading.

- Therefore, we did not submit it to any verification procedures, apart from the procedures explicitly stated in our Statement and which arise from our mutually agreed methodology.
- No additional work has been conducted on data for previous reporting periods, as well as on data related to forecasts and targets.
- No work has been conducted on anything other than the agreed scope and consequently, our opinion is limited to that scope.

## Independence

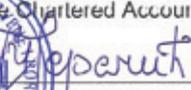
Grant Thornton implements the requirements of International Standard on Quality Control 1. Based on this, it maintains an integrated quality control system that includes policies and procedures for compliance with moral principles, professional standards and relevant legal and regulatory requirements. We comply with the independence requirements and other ethical standards of the IFAC Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, impartiality, professional adequacy, confidentiality and professional conduct. In this context, the assurance team is independent from the Company and has not participated in the preparation of the 2019 Integrated Annual Report.

## Conclusions

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that there are any errors or misstatements that would materially affect the non-financial disclosures (including explanatory notes and relevant references) as presented in the Integrated Annual Report of TITAN Cementara Kosjeric for the year ended 31 December 2019. Moreover, nothing has come to our attention that causes us to believe that the non-financial data presented, are not prepared, in all material aspects, in accordance with the criteria mentioned above, in the "Scope of work" section.

The Report meets the UN Global Compact criteria relating to a Communication on Progress (COP) Advanced Level.

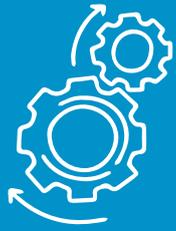
Belgrade, 24/July/2020

The Chartered Accountant  
  
Mirjana Jeremić



GRANT THORNTON  
d.o.o.  
BEOGRAD

PROFESIONALNA REVIZIJSKA I RAČUNOVODSKA  
KAMARA REPUBLIKE SRBIJE



**TITAN**  
CEMENTARA KOSJERIĆ

