

# SUSTAINABILITY **REPORT**



# 2016



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## 2016



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# POSITIONED FOR SUSTAINABLE GROWTH

In 2016, we achieved strong results while we expanded and strengthened collaborations with all our stakeholders, further building solid foundations for a sustainable development and a better future for all. We are confident that our vision for sustainable growth can guide us in building the capabilities and resources we need for future success.

## Continuing to grow together

We have clear investment plans that are geared toward growth and sustainable development. Together, we aim to implement them in line with our vision, based on collaboration and team spirit. The Company continues to expand its collaborative actions, learning from its stakeholders and deepening its partnerships at all levels. This commitment to continuous improvement helps us both to integrate stakeholders' concerns in our strategy and to multiply the value we create and share with them.

## Defining our priorities for the future

Continuous improvement remains the driver for everything we do. That's why we have thoroughly reviewed our achievements and the lessons learnt over these years to pursue sustainable growth. As a result, we have decided to focus more on our local impacts and develop our future plans using a holistic approach that takes full account of the local context. To this end, we are using the United Nations' Sustainable Development Goals (SDGs) and initiatives such as CSR Europe's European Pact for Youth.

## 2016 Highlights

### Turnover

€ 4.106 mil MKD

### EBITDA

1.488 mil MKD

### Profit After Tax

€ 1.201 mil MKD

### Total Assets

4.273 mil MKD

### Capital Expenditure

179 mil MKD

### Employees (as at 31.12.2016)

284

### On environment

41 mil MKD

## MESSAGE FROM THE CHIEF EXECUTIVE DIRECTOR



**Dear Stakeholders,**

Welcome to our eighth Sustainability Annual Report which discloses information on our performance on social, environmental and governance issues that are material for our business and stakeholders and, for the first time, presents our financial results. The Report materiality is aligned with the UN Sustainable Development Goals 2030 and is asserted in all material respects in accordance with UNGC principles and advanced level criteria by independent Business Assurance Company. We believe this approach, in line with what is today increasingly viewed as best practice, better reflects the fact that sustainability is not secondary to our business, but constitutes an integral part of it.

## 2016:

### Maintaining profitability

Despite the political crisis in the country the construction sector remained strong driver of the country GDP.

Unexpectedly the domestic cement consumption raised by 16% versus last year mainly due to the increase in residential and commercial construction. Additionally the more aggressive pricing and fully operational dispersed sales point in Ohrid, caused USJE sales to grow by app. 25%, on behalf of the imports that declined by app. 4%. Our increased volumes resulted in increased revenues by 13.5% and higher EBITDA.

### Quality:

#### our trademark

Our company and our people are geared by quality which is our continuous commitment. Not only the quality of our product, but also building and maintaining quality partnerships, providing fresh quality and contribution to the community and the environment and of course development of our people.

Our products, cement, concrete and aggregates are the main ingredient of almost every structure in our country. Hence our responsibility for quality is even greater. Quality is the essential ingredient of the partnership with our customers. As a leader of the local industry for building materials we go a step further than just ensuring the quality of our products. We endeavor to raise awareness about the necessity of ensuring and guaranteeing quality in all segments related and significant for any construction. To this effect, in 2016 we were one of the organizers of the Expert Forum "Seismic resistant structures" aimed, through opening dialogue among the relevant expert community, to contribute for and increase awareness of the society about the importance of seismic resistant construction, as well as to open a professional public discussion that would further raise standards and quality and will meet the needs of modern living.

### Sustainability:

#### at the heart of our business

In 2016 we continued to make good progress against our sustainability goals, structured around three major axes: health and safety, the environment, and stakeholder engagement.

Employees are our first-line stakeholders and ambassadors of our quality, therefore as a company we are committed to talent management and people development.

We consolidated last year's very encouraging safety performance among employees and contractors; rolled out new people management training programs and processes and engaged actively with local communities, tackling issues such as health, safety, education, unemployment and local sourcing of products and services.

As a responsible business, we continue to invest in quality partnerships with the municipality in which we operate, NGOs, educational institutions and others as the only way to sustainable development, both at company level and societal level. We continue to support and initiate projects for the development of the community and to invest in the education of young people through training programs and scholarships. In 2016, we supported the European Pact for Youth in an effort to increase youth employability with a new training program for young graduate engineers.

Looking ahead, we have already begun the alignment of our Company's priorities to the UN 2030 Sustainable Development Goals. Today, more than ever, we seek to strengthen collaboration with our peers and stakeholders within the framework of the UN Global Compact.

**Boris Hrisafov**  
Chief Executive Director



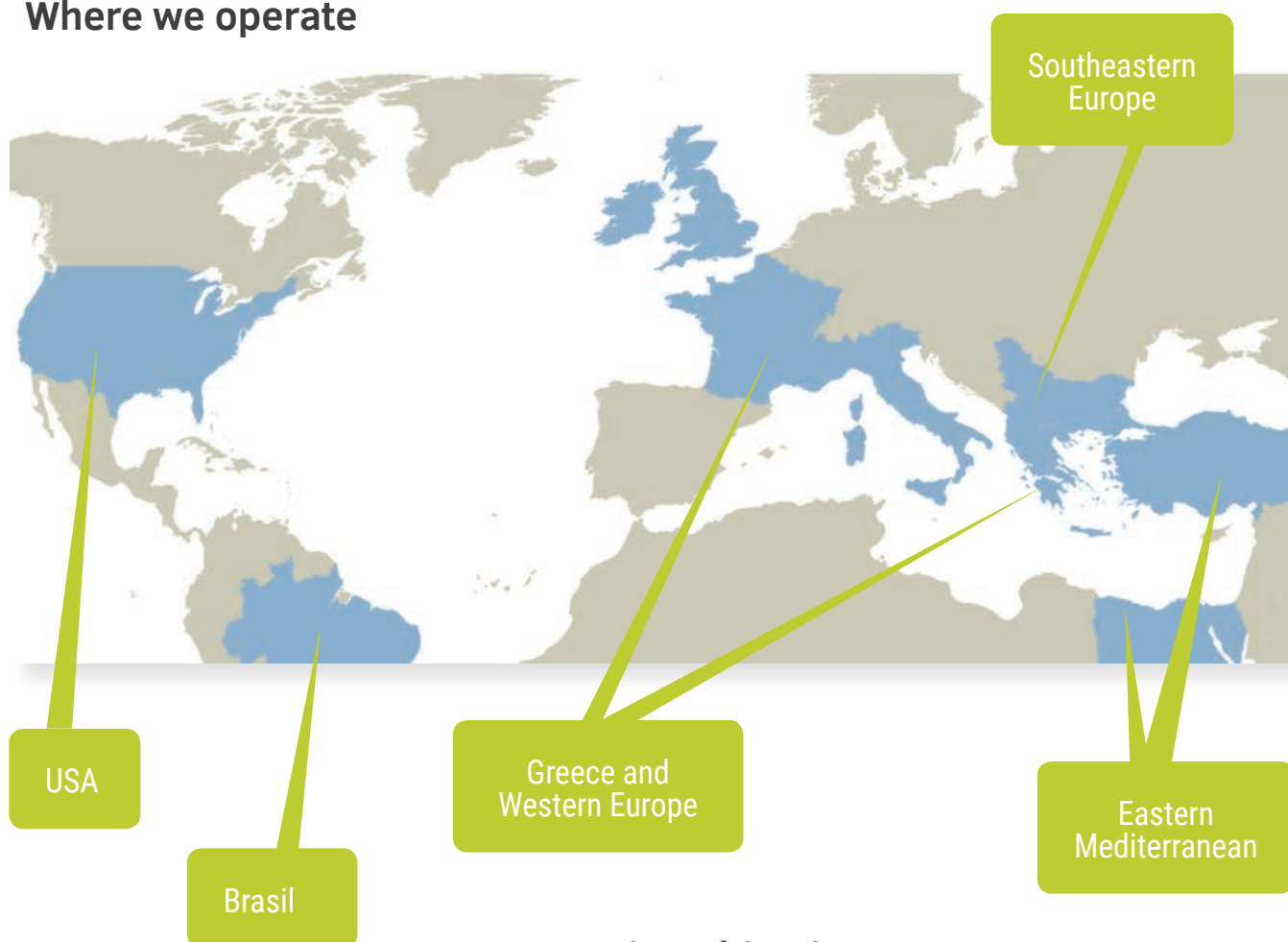
# STRATEGIC REVIEW

## About TITAN Group

TITAN is an international cement and building materials producer, with more than 110 years' industry experience. Headquartered in Athens, Greece, the Group employs 5,480 people worldwide and sells products to North Africa, Western Africa, Canada, USA East Coast and Gulf of Mexico, Central America Caribbean, Balkans and Western Europe. TITAN Group owns cement plants in ten countries and our operations are organized into four geographic regions: USA;

Greece and Western Europe; Southeastern Europe; and Eastern Mediterranean. Our companies operate in diverse environments, sharing common values across the Group. Our success depends on employing the best available technologies, our systematic research and constantly updated know-how. Above all, we rely on our highly skilled and experienced people who live the values of the Group.

## Where we operate



## Our governing objective

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



## Our strategy

### **GEOGRAPHICAL DIVERSIFICATION**

We expand our business through acquisition and greenfield development into attractive new markets, to build production scale and mitigate the reliance on few markets.

### **CONTINUOUS COMPETITIVE IMPROVEMENT**

We implement new efficiencies throughout our business to reduce costs and compete more effectively.

### **VERTICAL INTEGRATION**

We extend our business into other product areas in the cement value chain, serving our customers better and accessing new profit opportunities.

### **FOCUS ON HUMAN CAPITAL AND CORPORATE SOCIAL RESPONSIBILITY**

We care for and develop our employees and continuously improve our good relationships with all internal and external stakeholders, always aiming for mutual respect and understanding.



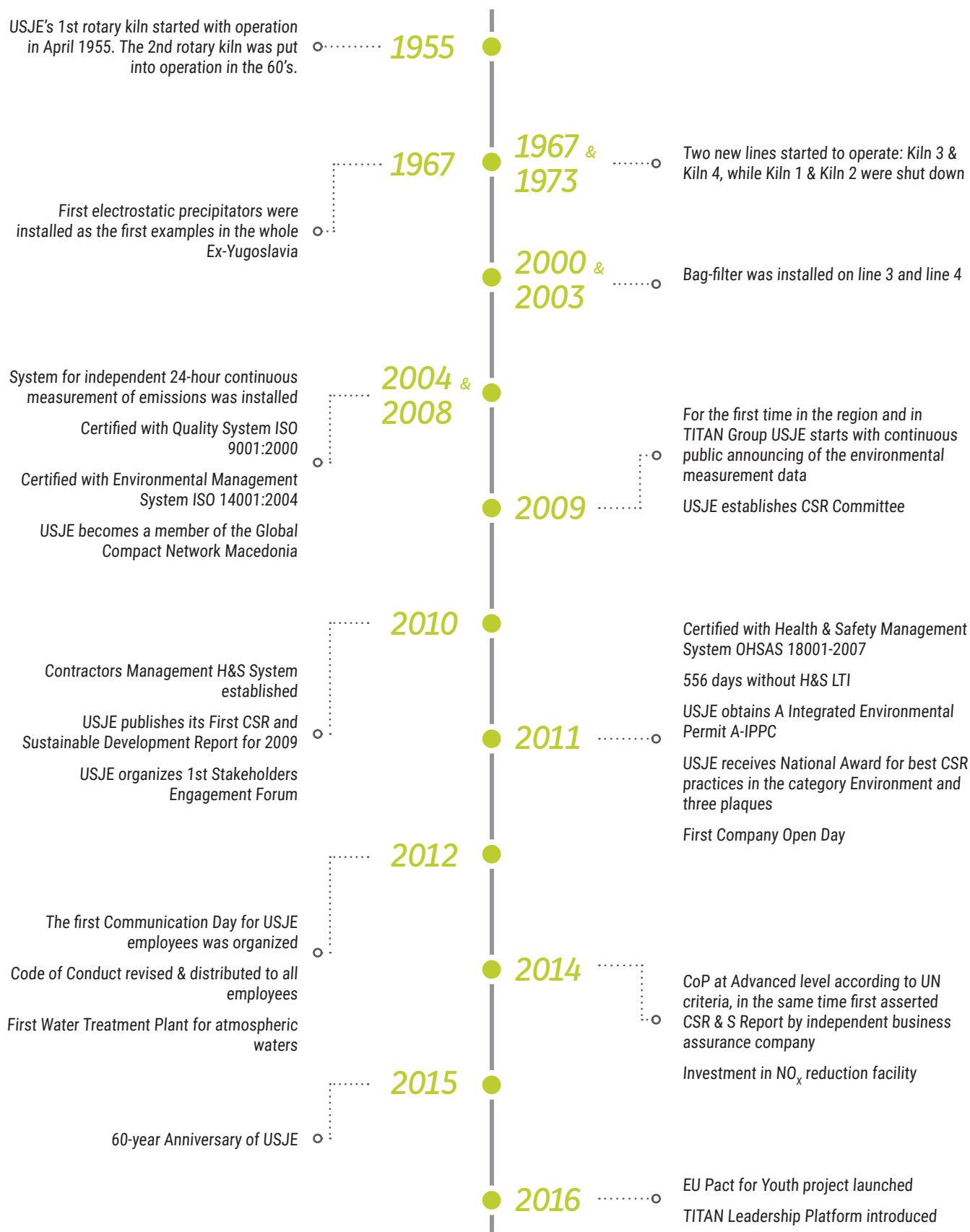
## About USJE

Cementarnica USJE, a part of TITAN Group, operates for more than 60 years located in the southern part of Skopje, in the vicinity of the marl quarry. USJE provides work for about 291 direct employees and 195 indirect employees. The capacity of both kilns is about 1.000.000 tons of cement. The Company supplies the local market with Portland cement according to MKS EN-197-1 standard. In 1998, the TITAN Group, multiregional cement producer, has acquired almost 95% of the shares of USJE, contributing significantly to the growth of the Company through providing unlimited

access to technological, financial, legal, human and other resources and expertise and allowing USJE to gradually become a regional center of excellence in the sector of cement manufacturing. USJE operates 3 quarries, marl quarry Usje, limestone quarry Govrlevo and sand quarry. In addition to the cement production, USJE operates a Ready Mix plant producing different types of concrete. Vertically integrating its business, USJE has also entered the market of aggregates, producing four fractions of crushed limestone from its own limestone quarry.



## MILESTONES



## We are committed and share TITAN Group values:

### Our values

Our values are at the core of who we are; they provide the foundations of our operations and growth. They have provided us with a strong bond and supported the growth that has

sustained us for over a century, stemming directly from the principles, beliefs and vision of our founders back in 1902. They remain the core elements of our culture and family spirit.

#### Integrity

- Ethical business practices
- Transparency
- Open communication



#### Value to the customer

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



#### Continuous improvement

- Learning organization
- Willingness to change
- Rise to challenges



#### Know-how

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



#### Delivering results

- Shareholder value
- Clear objectives
- High standards



#### Corporate Social Responsibility

- Safety first
- Sustainable development
- Stakeholder engagement





## Our products



### CEMENT

Cement is a binding substance and the main component in ready-mix concrete. It is made by grinding clinker, gypsum and other cementitious materials to a fine powder.



### READY-MIX CONCRETE

Ready-mix concrete is made from cement, aggregates and water to produce a durable product that can be set in a variety of formats. It is typically mixed at the production plants to specification and then transported to construction sites.



### AGGREGATES

Aggregates are coarse materials such as sand, gravel, crushed stone and recycled concrete used in construction. They are the most mined materials in the world and are used as a raw material in cement and as a strengthening agent, for example, in asphalt and concrete. They can also be used in foundations for roads and railways.

#### CEMENT TYPES WE PRODUCE

**CEM 42,5 R**

**CEM II/A-V 42,5 R**

**CEM II/B-M (V-P-L) 42,5 N**



## How we create value

### MAIN IMPACT OF QUARRYING ACTIVITIES:

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

**1.50 million tons** of raw materials extracted from 3 active quarries

**Almost 1 million m<sup>2</sup>** is the total area of active quarries, out of which **835.000 m<sup>2</sup>** are affected by operations

Around **11.000 m<sup>2</sup>** of active quarries have been rehabilitated in 2016 by planting local trees and bushes

**Total 138.500 m<sup>2</sup>** of active quarries have been rehabilitated YTD

**882.000 tons** is the total cement produced in 2016

### MAIN IMPACT OF CEMENT PRODUCTION:

Decrease of **72,7%** in the average specific SO<sub>2</sub> emissions per ton of clinker produced compared to year 2015

Decrease of **13,1%** in the average specific NO<sub>x</sub> emissions per ton of clinker produced compared to year 2015

About **225.000 trees** planted by USJE or donated to third parties for planting since 1998, while about **10.300 trees** were planted in 2016 only

More than **€560.000** spent for environmental investments in 2016

- CO<sub>2</sub> Emissions (mainly from the calcinations of raw materials and use of fuel)
- Energy Consumption
- Other Emissions (dust, NO<sub>x</sub>, SO<sub>x</sub>)
- Noise
- Safety Risks

### INDIRECT IMPACT:

- CO<sub>2</sub> Emissions (mainly from the electrical energy consumption)
- Other Emissions
- Raw Materials Consumption
- Safety Risks

Through direct taxation to the state and local authorities: over **€ 7,56 millions**

To suppliers, for goods and services: over **€ 43.9 millions** of which 53% are local suppliers

Over **€107.000** invested in developmental programs for the local community, of which 73% in kind and 27% through cash

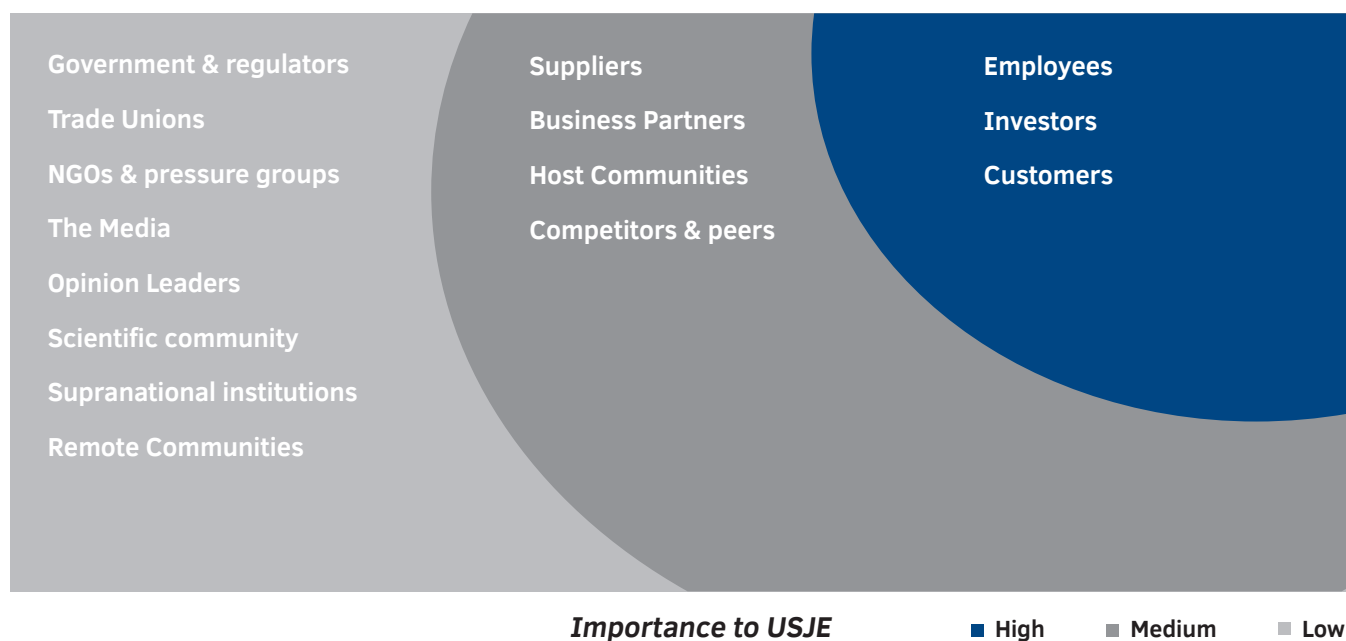
To employees, through salaries and other benefits: over **€4.9 millions**

Each employee received on average **52 hours** of training

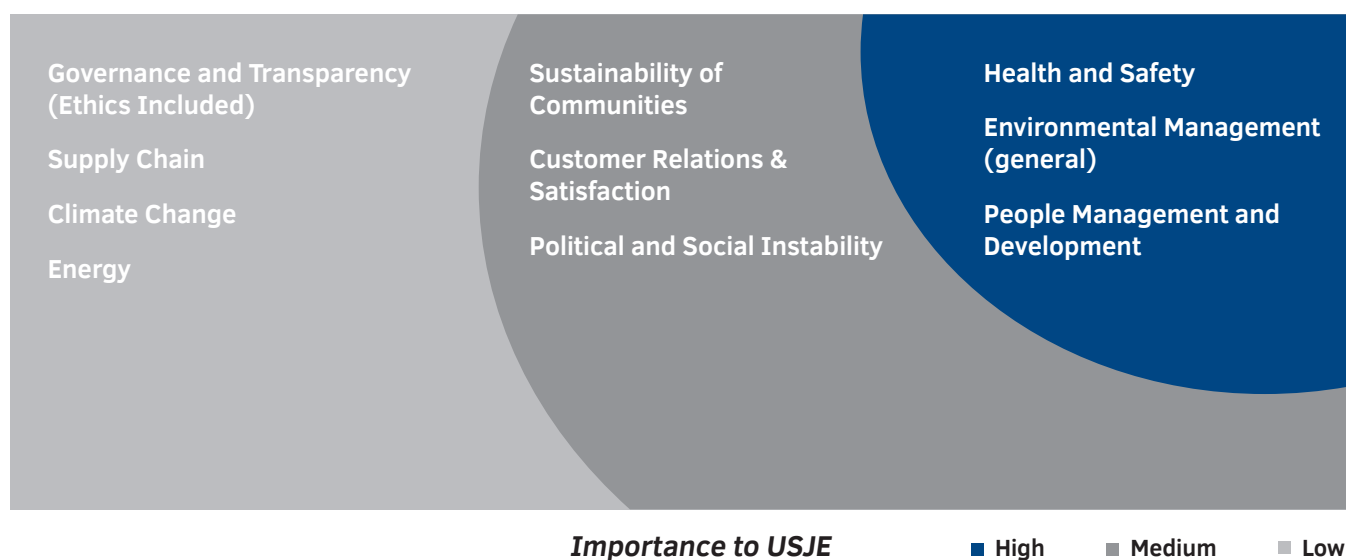
## Focusing on material issues

As expectations from business are growing at all levels, focusing on material issues is becoming increasingly important in developing a coherent, inclusive and consistent sustainability strategy.

In 2016, following TITAN materiality reassessment, USJE revisited and prioritized our materiality issues relevant to our business with respect to their impact on the Group and their significance for our main stakeholders. The first step was prioritization of USJE's key stakeholders:



## USJE materiality assessment 2016



## Sustainable Development Goals (SGS's): Regional SEE sustainability meeting

USJE hosted TITAN Regional SEE Sustainability Meeting on November 17th led by the Group Communications Director, Mr. Paniaras, the Group Senior CSR Manager, Mrs. Alexiou, and the Regional Director for Albania, Serbia, Macedonia and Kosovo, Mr. Derdemezis. The meeting was attended by the Chief Executive Directors of all SEE TITAN Plants,

representatives of TITAN Corporate Center as well as CSR & HR representatives, including Antea, Sharrcem, USJE, and TCK. During the meeting the Sustainability performance of SEE region, SDG's mapping of materiality issues, new Group Policies and other communication issues were presented and reviewed.

### Summary of USJE priority material issues, their relevance to stakeholders and correlation to SDG's

Material Issue	Priority Level	Who cares? (stakeholders)	What it means to USJE?	Correlation to SDG's
Health and Safety	1	Employees Business partners Government NGO	Well-being of our people and contractors. Continuous effort.	
Environmental Management	2	Employees Communities Business partners NGO Government	A way to improve performance and keep license to operate.	
People Management and Development	3	Employees Business partners Communities	Take care of people, training, development, succession planning, retention, employer brand.	
Sustainability of Communities	4	Communities Business partners Employees	Interaction with local communities, stakeholders' dialogue and engagement, collaborations, cooperation / partnerships.	
Customer Relations & Satisfaction	5	Employees Customers Business partners Investors	Competitiveness.	
Political & Social Instability	6	Employees Communities Investors	Political instability affects USJE's operations and sustainability.	
Governance and Transparency (incl. Ethics)	7	Employees Business partners Communities Society	The way USJE operates and governs its business.	
Supply Chain	8	Business partners Communities Employees Investors	Systems in place to ensure selecting and working with suppliers which are consistent with TITAN's values and standards. Need to ensure implementation.	
Climate Change & Energy	9	Employees Business partners Communities NGO Government	Minimize impact on climate change.	



## Aligning our priorities with the sustainable development goals

Guided by the Group, our Corporate Social Responsibility Committee has committed to utilize the SDGs to define our future priorities and areas for further improvement. We believe that they offer us a unique opportunity to strengthen collaborative action, deepen stakeholder engagement and increase the value we create at local level. We have already begun the alignment of our sustainability goals through our materiality assessment process. Rather

than setting new targets for the next three to five years, we are focusing on the “triple bottom line” – taking into account financial, social and environment goals – and benchmarking our performance externally. However, we have agreed that not all the 17 SDGs are of equal importance to us, so we have defined two main categories:



# COMPANY PERFORMANCE

## Financial performance

The Company achieved good overall results in 2016. Company's turnover increased by 4.2%, compared to previous year, to 4.106 mil MKD. Despite the adverse pricing environment in all markets, flexible sales policy, fast response to the market, export of clinker, decreased

variable costs, as well as favorable solid fuel prices, have led to achievement of higher EBITDA of app. 57% versus budget figures. The EBITDA in 2016 was increased by app. 12% versus 2015, not considering the divestment activities in 2015.

		2016	2015
NPAT: net profit after tax	mil MKD	1.201	1.264
CAPEX	mil MKD	179	150
ROCE (EBIT / Capital Employed)		44,8%	48,9%
Earnings per share	MKD	2.131	2.241

## Sales Volumes

**Cement:** Despite the political crisis in the country the construction sector remained strong driver of country's GDP. Unexpectedly, the domestic cement consumption increased by about 15% versus last year, mainly due to the increase in residential and commercial construction. Additionally, the fully operational sales point in Ohrid helped USJE's sales grow by app. 25%.

The significant price decrease of app. 9% on the domestic market was compensated by the increased sales volumes, which resulted in increased revenues by 13.5%.

Regarding exports, USJE benefited from the strong growth of the Kosovo market, achieving increased cement sales of app. 27% with moderate price drop of app. 4%. Overall, the revenues from cement export were increased by 22%. Additionally, Usje exported app. 45k tons of clinker.

**Vertical Integration:** RMC sales this year decreased by 19% compared to the previous year, being however 31% higher than the budgeted figures. Profitability was maintained on solid level, supported by reduction in fixed costs, which compared to previous year decreased by about 10%.

Third party aggregates sales overperformed by app. 87% compared to the previous year and app. 49%, compared to budgeted figures. This year the production of limestone achieved a new record reaching 603 k tons. Similar to the RMC operations, the aggregates activity fixed costs were decreased by about 29% in comparison to previous year.

		2016	2015
Cement	k tones	881	704
Ready-mix concrete	k m <sup>3</sup>	43	54
Third Party Aggregates	k tones	75	40



## Non - financial performance: Our people

Our strategic determination is to minimize the adverse impact of our operations on the environment and the communities in which we operate and contribute to the well-being of all our stakeholders, including our people, their families, neighboring communities and society at large.

Our CSR Vision is: "To pursue at all times our business goals and create value, in an ethical and socially responsible manner, minimizing our footprint, and endeavoring to do more good."

### Health & safety

#### COMMITTED TO A SAFER, HEALTHIER WORKING ENVIRONMENT

##### 2016 HIGHLIGHTS

- ✓ **Zero** fatalities and **zero** serious accidents
- ✓ **3.7 times** decrease in the number of LTI (Lost Time Injury) since 2005
- ✓ **1.8 times** decrease in the LTIFR (LTI Frequency Ratio) since 2005
- ✓ **1.6 times** increase in the LTISR (LTI Severity Ratio) since 2005

Total training  
hours to  
contractors in  
2016

843

Total training  
hours to our  
employees in  
2016

>4.500

## Our objective is to achieve our vision of a healthy work environment free of incidents, injuries and accidents

We constantly strive to raise the safety performance of direct employees and contractors, while urging suppliers and third parties to adopt similar practices. We recognize that health and safety are material issues not only in the work place, but also beyond it – at home, at school or in the community. To support this, we are developing and implementing selected initiatives that create a wider culture of awareness and care. Building a safety culture together has involved into creating partnerships with communities and institutions and this has spawned significant improvement projects.

Since 2010, the OHSAS 18001 system has been in place in USJE. Conformity is verified by regular annual internal and external audits. So far only insignificant findings were reported.

The Central Committee for H&S, as the highest H&S management body, is led by the CED and Technical director, including other relevant managers. At the regular meetings (seven in 2016) action plans and key priorities were agreed. Additionally, there are 4 subcommittees dealing with more specific topics.

### SITE AUDITS AND INCIDENT PREVENTION

The audits conducted by our management and health & safety teams continued in 2016. Training and supervision combined for a zero LTI outcome. The Company's health and safety audits highlighted the importance of hazard detection and the need to further raise the "hazard hunting" ability of front-line employees.

#### INCIDENT REPORTING

Compared to previous year, the total number of reported incidents is increased by 12%, while the percentage of investigated near misses reached a satisfactory 77%. More important than the quantity is that this year we have 36 unsafe acts reported, compared to previous years when this number was negligible. Regarding near misses, the number of reported near misses has increased from 9 to 13.

The number of corrective actions taken as a result of near miss investigations was 30.

Moreover, aiming to further encourage our employees to engage in incidents reporting, two employees were awarded with special H&S awards for "best incident reporters".

#### RAISING H&S AWARENESS

This is the most powerful tool for achieving our set targets. Management commitment is visible not only at the meetings, where the first topic is always H&S, but through every day living of our values including safety walks, active participation at trainings, introducing awarding system for "Best incidents reporter", commitment to implement corrective measures from incident reports and audits. Positive changes in H&S commitment by all employees are visible, and now it is considered to be of common benefit for all.





	INDICATOR	TARGET 2016	RESULT 2016	TARGET 2020
1	Number of reportable fatalities (full year) - Direct Employees	0	0	0
2	Number of reportable fatalities (full year) – Contractors	0	0	0
3	Number of accidents (full year) – Direct Employees	0	3	0
4	Number of accidents (full year) – Contractors	0	0	0
5	Fatality rate - Direct Employees	0	0	0
6	LTI Frequency Ratio – Direct Employees	0	5.86	0
7	LTI Frequency Ratio – Contractors	0	0	0
8	Severity Ratio - Direct Employees	0	121.16	0
9	Near Misses	n/a.	13	50
10	Safety Audits Completion Ratio	100%	100%	100%
11	Safety Walks Completion Ratio	n/a.	n/a.	100%
12	Recommendations, Remarks & Corrective Actions Closed Out	>80%	70%	>85%
13	Training Hours per employee (direct + indirect)	10	10.9	11
14	Training Hours per employee (direct only)	7	15.43	15
15	Training Hours per employee (indirect only)	3	4.28	6

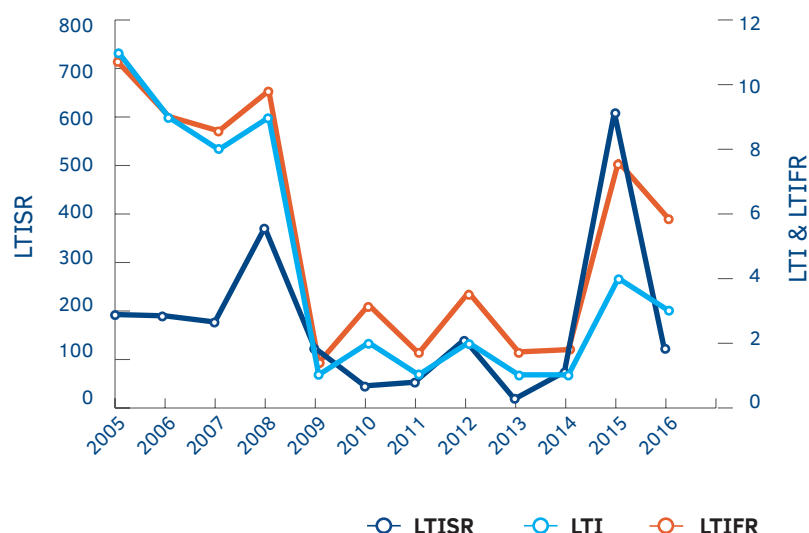
## HAZARD IDENTIFICATION, RISK ASSESSMENT AND RISK CONTROL PROCESS

Job risk assessment studies and safety statements are regularly maintained and updated. These studies are legal obligation, focusing on job holder position rather than on activity, which involves more people and is more complex.

Aiming at continuous improvement, at the end of the year we set our target in the future to have “Safety Work Plans” which are comprehensive studies involving not only risk assessment and measures, but also many other HS related aspects.

## HEALTH & SAFETY RATIOS

Health and Safety Performance is continuously monitored, measured, developed and improved.



**\*LTI** – A Lost Time Injury (LTI) is defined as a work-related injury causing the absence of one or more working days (or shifts), counting from the day after the injury, before the person returns to normal or restricted work. Excluded are injuries in transport to and from work, injuries due to criminal act and injuries due to natural causes.

**\*\*LTIFR** – Number of LTIs in a year per 1,000,000 hours worked i.e. LTI Frequency Rate = (Number of Lost Time Injuries in a year x 1,000,000)/Total actual hours worked and paid to employees in the year.

**\*\*\*LTISR** – Number of lost calendar days due to LTIs in a year per 1,000,000 hours worked i.e. LTI Severity Rate = Number of Lost Calendar Days in a year x 1,000,000)/Total Actual Hours worked and paid to employees in the year.

## H&S IMPROVEMENTS

Permanent common efforts resulted in positive step up in several crucial areas. The following can be highlighted:

- After the three minor LTIs in the first semester, the second half of the year was free of LTI's which was very encouraging for all. Total of 204 days without LTI by the end of the year.
- Drivers entering the plant (mainly customers) show big improvement – they use PPEs, driving culture is better, queuing is good, pallets secured with belts. They use the new access platforms for opening hatch on silo trucks.
- We shifted smoothly from low volatile fuels to mid and high volatile. Extensive training to all involved employees was organized.
- Smooth integration of new employees (about 70 in the last 3 years). They understand that HS is top priority, they follow the procedures and rules, but still their proactive participation (incidents reporting, proposals, etc.) needs improvement.
- New system for fire suppression with CO<sub>2</sub> in solid fuels preparation units was installed. Fire safety highly improved in these sections.
- New protection system against explosion in the horizontal mill for solid fuels was put into operation (KIDDE, High Rate Discharge suppressors)
- Quality of safety incidents investigation was highly improved in the second half of the year involving detailed "fault tree analysis".



## Employment and development

TITAN has always been a people-driven organization. We recognize the importance of being a responsible employer and building relationships with employees founded on mutual trust, reliability and shared values. Our employment model is based on long-term employment for our employees and long-term relationships with our contractors.

### CREATING AND SAFEGUARDING HUMAN CAPITAL

Creating opportunities for long-term employment for competent and talented people is not only good for our business on a day-to-day basis, but also contributes to our overall effort to be sustainable.

The conditions of employment provided by USJE, the level of engagement with its employees and the continuous effort to improve their skills and competence are the elements that differentiate USJE in the industry.

#### Titan Group Employee Standards

NON - DISCRIMINATION	Prohibit discrimination in all employment related practices
WORKING HOURS	Respect the right to leisure and avoid excessive overtime
WAGES AND BENEFITS	Guarantee a wage that - at a minimum - meets national legal standards and provides additional benefits that respond local needs
DISCIPLINE	Apply appropriate disciplinary measures
FAIR TREATMENT	Prohibit bullying and harassment
PROHIBITION OF CHILD AND FORCED LABOR	Prohibit the use of all forms of forced and child labor complying with International Labor Organization (ILO) standards
FREEDOM OF ASSOCIATION	Respect our employees' freedom of association and related rights, within the framework of local laws

## LIVING BY OUR VALUES

We believe that an effective and engaged workforce should live by our values and have a strong understanding of our Code of Conduct.

The Code of Conduct is provided to every new employee with their employment contract and it is also an important element of our induction program provided to new employees.

As part of our focus on continuous improvement, TITAN designed and launched a new leadership platform, "Leading the TITAN Way." The platform describes the fundamentals of good leadership within the Group and helps our people demonstrate the ethos at the core of our culture, based on their personal integrity and authenticity.

The platform does this by combining the behaviors that have brought us success through the years – these are the elements we want to safeguard – with new behaviors we want to reinforce to guarantee that our success continues in the decades to come. In 2016 the platform was shared and discussed with our top managers at engagement events, followed by its communication by the managers with their own teams and all employees with total of 420 training man-hours.

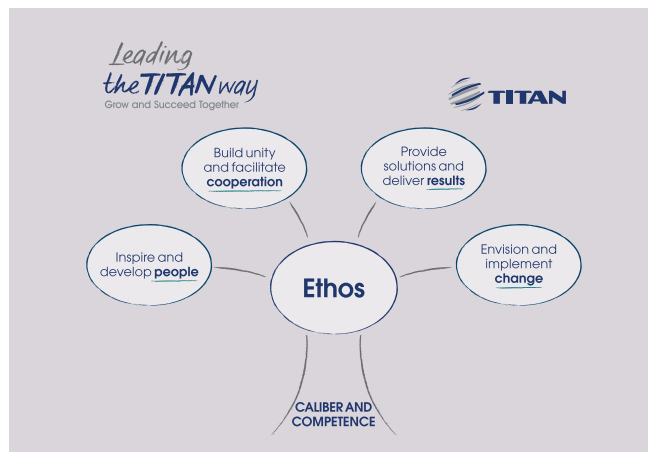
### Protecting human rights

We are committed to protecting and advancing human rights as defined in the Universal Declaration of Human Rights (UNDHR) and the ILO conventions. In line with our commitment, we aim to promote respect for human rights within our areas of influence. These include:

- Valuing of diversity;
- Equal opportunities for all;
- Elimination of all forms of discrimination;
- Consideration of human rights in investment decisions
- Respect for the freedom of association and collective bargaining;

Percentage  
of unionized  
employees in  
2016

76%



USJE signed the UNGC pledge in 2008 and this guides our decision making, management systems and our training courses for managers and employees. Every year, our management team examines the potential risks for human rights abuse within the spheres of our influence. We follow fundamental human rights standards to ensure that we provide a safe, fair and reliable working environment for our employees.

We communicate our expectations to significant suppliers and primarily local contractors with whom we seek to develop long-term relations to make sure that they acknowledge potential human rights risks and challenges within their sphere of influence. We arrange audits for our local contractors on an annual basis and these cover the

main aspects of human rights concerns, such as labor rights. The Group Corporate Social Responsibility (CSR) Committee also examines reports on human rights risks by country and identifies opportunities for improvement.

At the end of 2016, USJE adopted the new TITAN Group human rights policy. In 2017 the policy will be distributed to all employees followed by communication and training on its content and application.

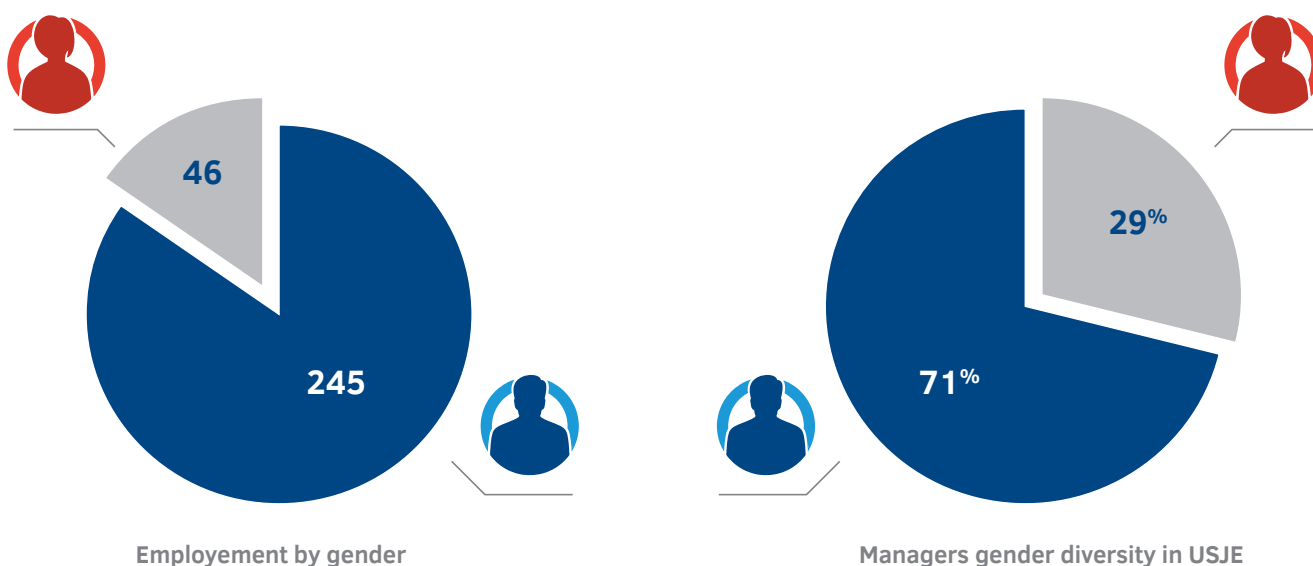
***During the induction program in HR, all new employees receive training on their rights for protection against harassment at the workplace, as well as a written information guide on the same.***

## EQUAL OPPORTUNITIES, GENDER AND AGE EQUALITY

Creating a culture of equal opportunities is not only a prerequisite for meeting our voluntary commitment to the standards defined by the UNGC principles and the UNDHR, but also a critical part of implementing our business strategy.

### Average number of employees

Direct employees	2014	2015	2016
Male	264	254	245
Female	58	53	46
<b>Total</b>	<b>322</b>	<b>307</b>	<b>291</b>
Indirect employees	2014	2015	2016
<b>Total</b>	<b>198</b>	<b>200</b>	<b>195</b>



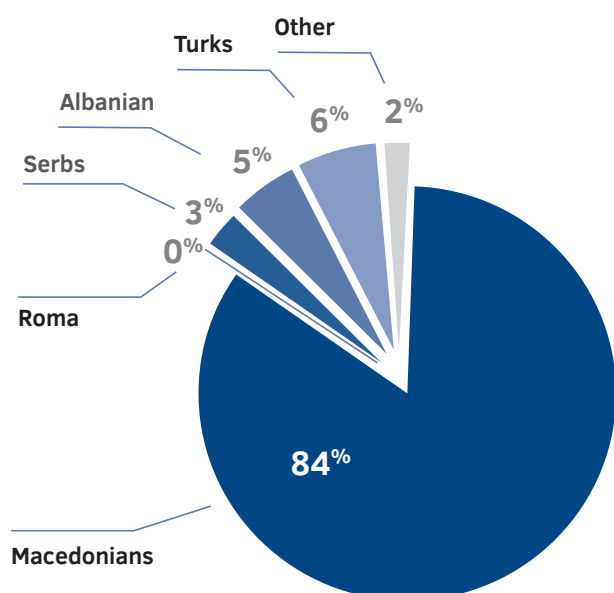
Our adherence to international standards for diversity and equal opportunities provides the framework for implementing our People Management Framework. This in turn helps us put in place the relevant practices to recruit and develop people. The participation of female employees in top management and provisions to support age diversity remain important priorities

for the USJE, as they are the two issues identified as material for our business and our key stakeholders, particularly our employees, our communities and our investors. We pay the same salary to men and women who do the same job and ensure that there is no difference through in-cash and in-kind provisions due to gender or type of contract.



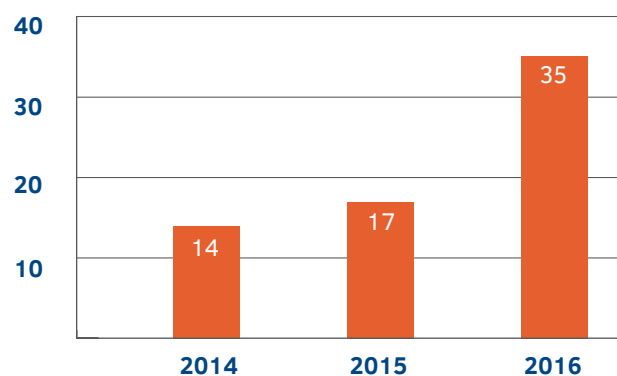


## Employees diversity



***"We pay equal salary to male and female employees"***

## New hires



## New hires 2016

	Under 30	30-50	Over 50
Female	1	2	0
Male	13	18	1

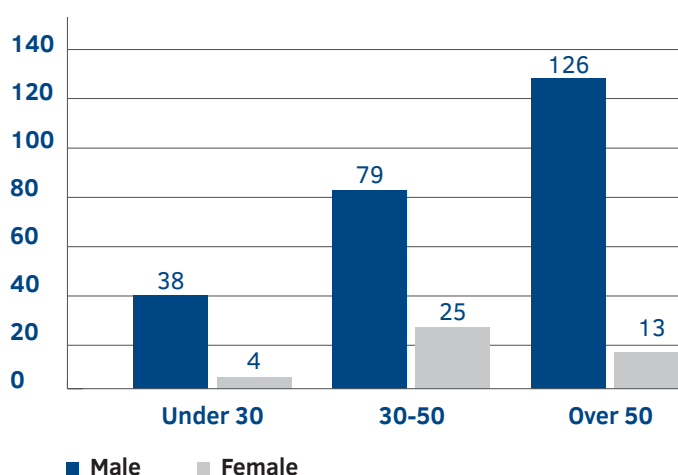
## INVESTING IN OUR PEOPLE

As an employer, our goal is to promote life-long learning among our people and enhance the professional skills and competencies they need to meet local and global challenges. USJE continues to invest in employee development regardless of age.

We continued to run training programs focused on improving management capabilities for living our values. Out of total of 14,926 training hours provided to our employees in 2016, more than 20% were related to topics that build management skills.

Total training hours  
**14926**

## Employees trained by age group and gender

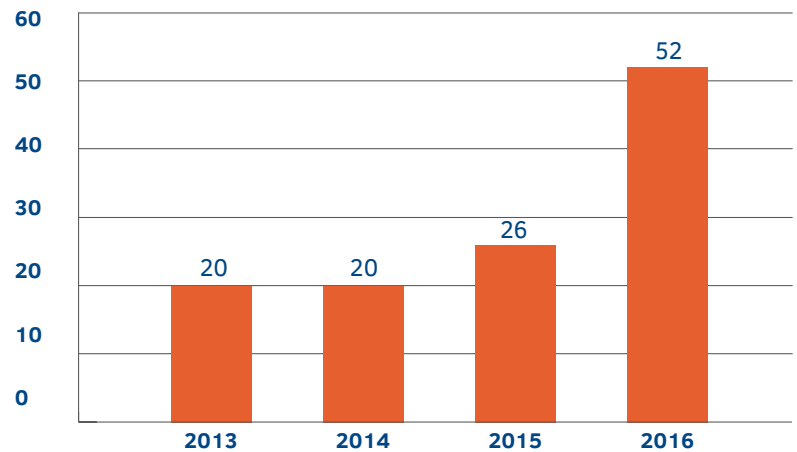


**14926 total training hours  
to our 285 employees**

**12726 training hours to  
243 male employees**

**2199 training hours to  
42 female employees**

**Average training man - hours**



### Training hours per subject per gender

**Technical  
know- how and  
Core Competence**  
Male: 1886  
Female: 206

**Non - technical  
Skills and  
Specilization**  
Male: 608  
Female: 466

**Environment:  
Care and  
Management  
systems**  
Male: 9  
Female: 0

**Other:**  
Male: 3432  
Female: 510

**Management  
and Managerial Skills**  
Male: 2226  
Female: 1064

**Human Rights**  
Male: 0  
Female: 6

**Health and  
Safety:**  
Male: 4033  
Female: 408

### Leadership Skills Program

Based on the results of the Employee Opinion Survey conducted in 2014 and the Action Plan aimed at employee engagement, we launched a 1.5 year long program on enhancing leadership skills among our mid-level and line

managers. The program consists of training sessions, as well as group and individual coaching sessions delivered by international training providers such as H. Art and Dynergie.



## C-mentors for new engineers and other young professionals

The increasing number of new engineers and other technical staff resulted in a need for further training and gaining know-how in cement production processes and technology. Therefore, we launched C-mentors program for new engineers and other young professionals in our plant. This program will last approximately 2 years, and requires time and commitment of all the participants in terms of VDZ

e-learning course, tutorials, on-the-job trainings, as well as the support of Plant Management Team. This program will help our new employees to deepen their knowledge in cement production and to improve their skills in the workplace.

## Communication day with employees

The Communication Day with all employees was organized in June 2016 where the recent USJE developments & situation and future challenges were communicated with our employees. The importance of health and safety for our Company was emphasized once more, with awards given to

three employees for highest contribution in H&S awareness-raising. The luckiest employee was awarded a bicycle for supporting of the "To work without a car" action followed by a jubilee awards ceremony.

## Employee benefits, compensation and welfare programs



## Objectives 2016-2020

Objective	Results 2016	Target 2020
Organizational & individual development	<p>&gt;50 average training hours per employee</p> <p>Approx. 100% of employees trained</p> <p>Professional course for all young engineers</p> <p>&gt;€45,000 invested in development of our people</p>	<p>Minimum 25 training hours per employee</p> <p>Continued development of competencies</p>
Employee engagement	<p>Action plan based on the Employee Opinion Survey results</p> <p>1,5-year long leadership program that resulted from the employee opinion survey</p>	<p>Strengthen relations with employees</p> <p>Improve employee engagement</p> <p>Attract best talent</p>
Working conditions – employees welfare programs	<p>85% of all employees received extended preventive medical check-ups</p> <p>Lectures on preventive measures for breast cancer</p> <p>Reduced overtime hours</p>	<p>Continuous employees welfare programs</p> <p>Trainings in healthy lifestyle, prevention of heart and female diseases</p> <p>Work-life balance</p>





## Non-financial Performance: Environment and climate change

### Doing less harm and more good

#### HIGHLIGHTS

##### Total annual emissions

- Dust **12,9 t/year**
- NO<sub>x</sub> **11 10,6 t/year**
- SO<sub>x</sub> **13,3 t/year**

- Cementarnica USJE has fully implemented the Operational Plans from the A-IPPC Permit issued in 2011 and Amended A-IPPC issued in 2013 by the Ministry of Environment and Physical Planning (MoEPP).
- Fully established, documented, implemented and maintained Environmental Management System ISO 14001:2004. The scope of the System is to cover all environmental issues concerning the production and the exploitation of quarries.

**Doing less harm and more good** is our environmental commitment, by mitigating negative impacts and actively contributing to worthwhile local and international initiatives. Pursuing our Vision we strive to be recognized as one of the leading enterprises in our industry on Sustainability and Environmental Stewardship.

Being aware that USJE operations are heavily dependent on the use of natural resources, we are committed to actions that reduce our operational impact on the environment. Monitoring, measuring, reporting, cooperating, continuously acting and improving is how we address environmental issues.

Through our CSR approach, we aim to address following environmental aspects:

- Emissions
- Raw materials
- Energy
- Noise and vibration
- Waste
- Water
- Climate Change
- Biodiversity

We fully implement TITAN policies which guarantee sound and transparent environmental management according to the international best practices.



## Company principles for environment

- The only acceptable standard of environmental performance is full and proper compliance with the requirements of applicable legislation, as well as other defined requirements. Where possible, the company exceeds the minimum requirements of the legislation and approaches the subject of environmental protection with thought and sympathy.
- The Company is committed at all levels and within all functions of the organization to continuous improvement.
- The Company's environmental performances are continually monitored against pre-determined objectives.
- USJE ensures that companies with whom we contract or subcontract comply with proper environmental performance.

Objective	Results 2016 r.	Target 2020
Water consumption	52,9 lt/t cement	Up to max. 160 lt/t cement
Dust emissions	8.16 mg/Nm <sup>3</sup> for Kiln 3 and 5.44 mg/Nm <sup>3</sup> for Kiln 4 or 7.04 tons/ year and 5.89 tons/year, respectively	Up to 30 mg/Nm <sup>3</sup>
SO <sub>x</sub> emissions	5.88 mg/Nm <sup>3</sup> for Kiln 3 and 7.58 mg/Nm <sup>3</sup> for Kiln 4, or a total of 5,07 tons/year and 8.21 tons/year respectively	Up to 400 mg/Nm <sup>3</sup>
NO <sub>x</sub> emissions	579.35 mg/Nm <sup>3</sup> for Kiln 3 and 563.75 mg/Nm <sup>3</sup> for Kiln 4, or total 499.85 and 610.76 tons/year respectively	Up to 600mg/Nm <sup>3</sup>
Participate in at least one global and national environmental protection and climate change initiatives	"Earth Hour", "From Waste to Youth Clean Energy", "Let's Do it Macedonia", "European Mobility Week", "Earth Day", and others	Increase the level of awareness related to environmental protection and climate change





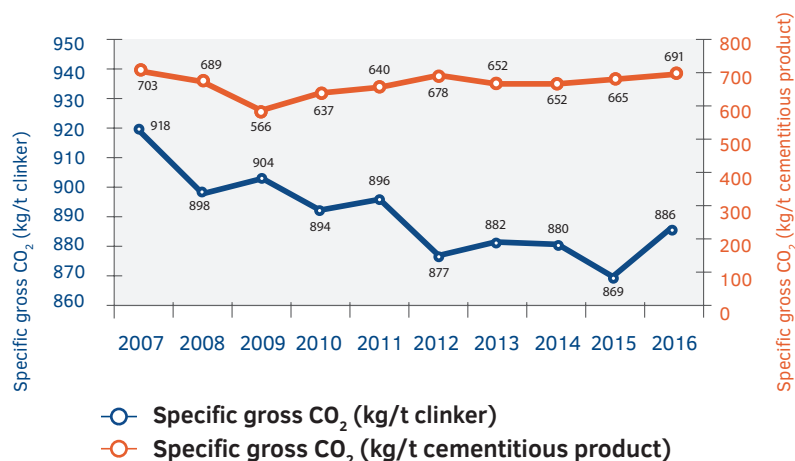
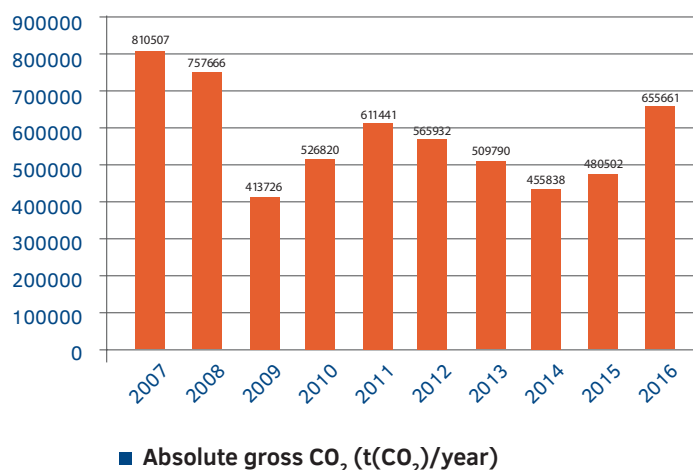
## Climate change

### Measuring our CO<sub>2</sub> footprint

Climate change is considered the most important environmental challenge of our time. The nature of the cement industry is such that it produces and emits carbon dioxide (CO<sub>2</sub>), thus contributing to the greenhouse effect and climate change.

In the cement production process, the total emission of direct CO<sub>2</sub> is a result of the following: calcinations of carbonates and organic carbon contained in raw meal, combustion of fuel in the rotary kiln for clinker production, combustion of fuels used for heating, and transportation of materials on plant premises. Indirect emissions of carbon dioxide are released during the production of electricity required for the production of clinker and cement, as well as during the external transportation of raw materials, fuel and final products.

As part of Titan Group we follow WBCSD/CSI protocol for calculation and reporting of CO<sub>2</sub> emissions. In accordance with this protocol, calculation and reporting of CO<sub>2</sub> and energy is done on a regular basis, despite the fact that this is not a legal requirement in the Republic of Macedonia. In 2016, USJE's total direct CO<sub>2</sub> emissions were 0.655 million tons, while the specific CO<sub>2</sub> emissions were 690.69 kg CO<sub>2</sub>/t cementitious product. The increase in the total CO<sub>2</sub> is due to increased clinker production by 33.7%, and cement production by 26.8% compared to 2015. The increase of the specific CO<sub>2</sub> is due to increased CO<sub>2</sub> emission factor from fuels, and usage of hot gas generator for drying solid fuel. In 2015 we used both pet-coke and coal with average EF of 92.65 (kg CO<sub>2</sub>/GJ), and in 2016 we used only coal with average EF of 95.28 (kg CO<sub>2</sub>/GJ).

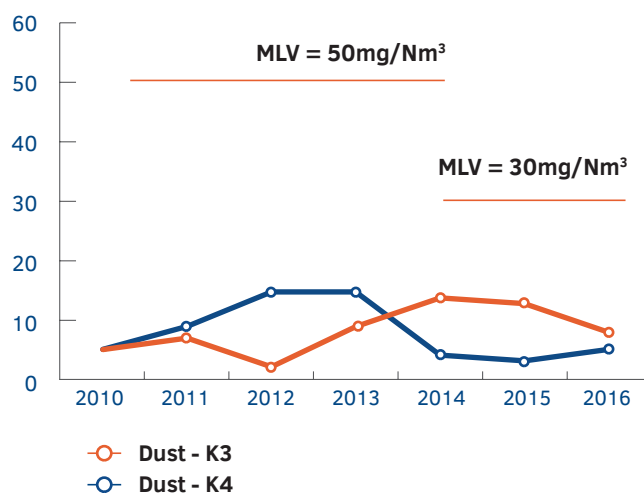


## Monitoring emissions

Monitoring of air emissions is a pre-condition for controlling and reducing environmental impacts from cement production. In 2004, USJE was the first company in the country to introduce independent continuous monitoring systems operating 24 hours. This enables the company to closely monitor emissions on real time basis and take action accordingly. At the same time, it gives the stakeholders regular, updated information on our performance. At our initiative, results from the monitoring are presented at USJE's web page on monthly basis.

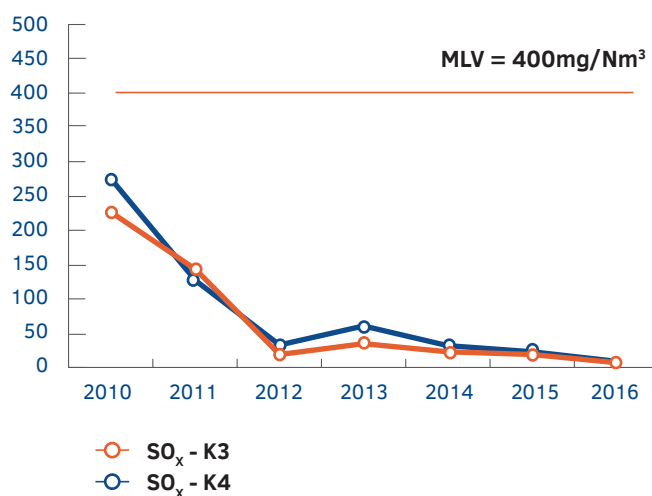
### Dust

At cement plants, kiln stacks are major dust emission sources. In 2016 specific emissions of dust were 19.68 g/ton clinker for Kiln 3 and 15.43 g/ton clinker for Kiln 4. This is equivalent to approximately 7.04 tons and 5.89 tons respectively per year. Dust emissions are many times below the limits (MLV) set by the environmental terms and conditions of both local and EU legal requirements. The average concentration of dust for Kiln 3 is 8.16 mg/Nm<sup>3</sup> and for Kiln 4 it is 5.44 mg/Nm<sup>3</sup>. The MLV is 30 mg/Nm<sup>3</sup>.



### SO<sub>x</sub>

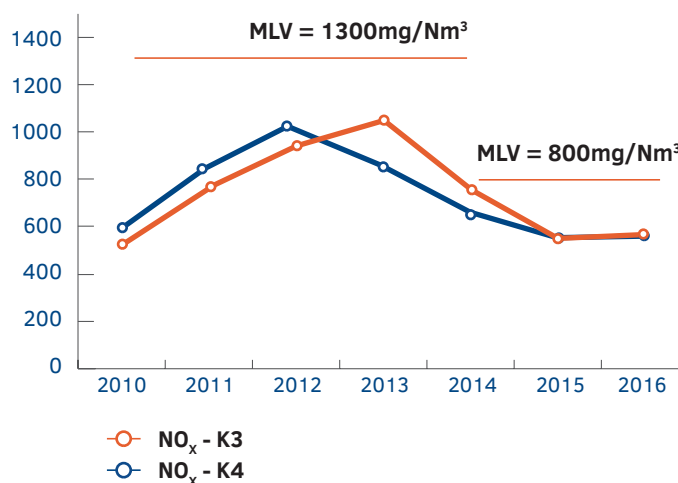
The presence of sulphur (S) in raw materials is the primary cause of SO<sub>x</sub> emissions. USJE's SO<sub>x</sub> emissions are substantially below the limits (MLV) set by the applicable local and EU regulations. The average concentration of SO<sub>x</sub> for Kiln 3 is 5.88 mg/Nm<sup>3</sup> and for Kiln 4 is 7.58 mg/Nm<sup>3</sup>, while the MLV is 400 mg/Nm<sup>3</sup>. In 2016 our activities resulted in specific emissions of 14.18 g/ton clinker for Kiln 3 and 21.5 g/ton clinker for Kiln 4, or a total of 5.07 tons and 8.21 tons SO<sub>x</sub>, respectively. Significant reduction of SO<sub>x</sub> emissions on both Kilns compared to the ones in 2010 or 2013 is the result of implementing selective exploitation in the Marl Quarry.





## NO<sub>x</sub>

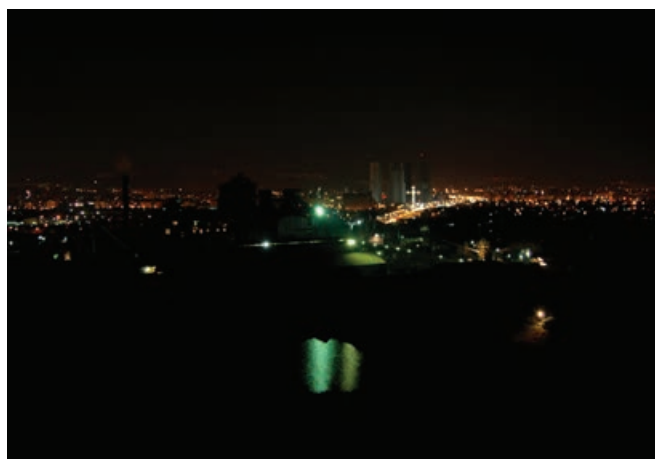
Combustion at high temperatures leads to NO<sub>x</sub> emission. In 2016 USJE's specific NO<sub>x</sub> emissions were 1,396.9 g/ton clinker for Kiln 3 and 1,598.9 g/ton clinker for Kiln 4, or total of 499.8 and 610.76 tons NO<sub>x</sub> respectively per Kiln. The overall NO<sub>x</sub> emissions were within the limits (MLV) set by the local and EU legislation. The average concentration of NO<sub>x</sub> for Kiln 3 is 579.35 mg/Nm<sup>3</sup> for Kiln 3 and 563.75 mg/ Nm<sup>3</sup> for Kiln 4, while the MLV according to the law is to 800 mg/ Nm<sup>3</sup> and our target is 600 mg/Nm<sup>3</sup>.



## Earth Hour Initiative

USJE switched off its cement mills and lights to join the global action "Earth Hour". The company's cement mills were left without electricity for one hour in the period from 20:30 to 21:30 on March 19, 2016, when the supporters and participants in this global action did the same. This year also, we turned off the factory's lights, to the point that is safe for the operations.

By switching off the cement mills and lights, we saved more than 10 MWh electrical energy, or approximately the amount of consumption by more than 3,000 households in Skopje, at the same time saving around 9,150 kg of CO<sub>2</sub> indirect emissions. The lights were also switched off in those locations in the company where safety measures for occupational safety and health allow it.



## REDUCTION OF AIR EMISSIONS (NO<sub>x</sub>)

In April 2014 USJE introduced new technology and installed additional equipment for reduction of emissions of nitrogen oxides (NO<sub>x</sub>). The so-called selective non-catalytic reduction (SNCR) was chosen as a method for reducing the emissions of nitrogen oxides. A 40% urea solution is used as a reducing agent so that greater occupational and health protection is provided. In 2016, the optimization of the system for reducing emissions of nitrogen oxides (SNCR) additionally achieved reduction of the specific nitrogen oxides emissions by 13% in comparison to 2015.

## Water management

The technological process for producing cement in USJE is dry methodology, meaning that water is not consumed during the process of cement production. Furthermore, there are no waste water discharges from the process in the water media. Our continuous efforts to protect the water as a natural resource are reflected in the sustainable water management within the plant that includes:

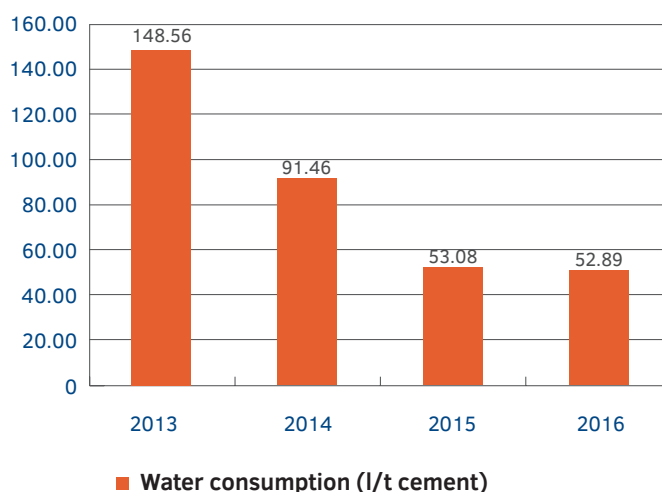
- Water from the city water supplying network is used for sanitary purposes only
- Technical waters (for cooling of the equipment) are filtered and recycled in closed system
- Sewage waters are separated from atmospheric water and discharged in the city sewage network
- Atmospheric water and street spraying water from the plant are collected in the open canals, and treated in the waste water treatment plant before being discharged in the recipient.

Throughout the past several years, USJE managed to significantly reduce its water consumption. In 2016, USJE withdrew a total of 78,275m<sup>3</sup> of water, of which 53,729m<sup>3</sup> was ground water from our licensed dwellings, and 24,546m<sup>3</sup> from public municipal water network. Specific water usage for 2016 for Usje plant was 52.9 l/t cement.

## NOISE MINIMIZATION

Despite that fact that the measured noise levels along our plant and quarries do not exceed the stipulated allowed limits, as a socially responsible company, USJE in cooperation with the Faculty of Natural and Technical Sciences in Stip have prepared a Study for Noise Levels Control with Action Plan for further noise minimization in the vicinity of our plant in 2013.

Implementation of planned activities continued in 2016, with a focus on placement of fan silencers located at an open area in the higher places within the plant and, additionally, their enclosure with acoustic panels. In 2016, a follow-up of the Study for Reducing Noise Impact was initiated, in order to assess achievements in reducing noise in the last three years, and additionally to target (if existent) "hot points" for further development towards noise minimization.





## Waste management

The reduction, re-use and recycling of raw materials, energy and waste are key elements of the Group's environmental policy. The production of clinker and cement does not produce waste or waste by-product. Waste is mainly generated from maintenance activities and product packaging. Based on the best practices, the waste is separated at source, collected and temporarily stored to a waste collection storage area.

In 2016 we safely disposed of around 688 tons of waste, of which 40 tons were internally reused or recycled. In this period we made a clean-up of old storage units, and collected and safely disposed of 148 tons of asbestos roof plates. The specific waste produced in the factory, is disposed as follows:

Specific total wastes produced (excluding printing toner and cartridges)	kg/t Clinker	0.93
Specific wastes disposed externally	kg/t Clinker	0.88
Specific wastes disposed internally	kg/t Clinker	0.05

## Packaging waste

Aiming to contribute to the implementation of the principle of sustainable development and achieving national targets for treatment of packaging waste, USJE developed a program for independent handling of packaging waste. We handle other types of packaging waste (paper and plastic foil) through collective packaging waste handler.

The purpose of the system is to establish an integrated and systematic approach to collecting, sorting and recycling

wooden packaging waste generated by selling packed cement on the domestic market.

In order to reduce quantities of packaging waste, we promote sale of bulk cement to customers. To this end, we perform market research and stimulate this type of sale. As part of this program in recent years, more than 40 silos and accompanying equipment for storage and use of bulk cement were given to our customers free of charge.





**About 225,000 trees planted by USJE or donated to third parties for planting since 1998**



Rehabilitation of quarries

## Biodiversity and land management

Our operations are heavily dependent on the use of natural resources. Comprehensive environmental impact assessments and rehabilitation plans cover all aspects of development, operation, as well as decommissioning of quarries. Traditional methods such as reforestation, and other modern methods are employed for quarry rehabilitation. Special measures, furthermore, are taken to protect biodiversity.

We make our best efforts to abate all kinds of impact on the environment. In line with these efforts is the development of Studies for Rehabilitation of Quarries owned by the Company, produced by the Faculty of Forestry Skopje, as well as a Plan for Green Belt along the Plant's perimeter. To ensure quality implementation of these plans, we engaged a professional company and a part of the plant area has been transformed into a nursery producing

planting material necessary for realization of the targets set in the Studies. The results of these long-term efforts for realization of these plans are already evident in the large number of seedlings planted along the Plant's perimeter and the quarries.

In the year 2016, a total of 10,297 seedlings were planted, out of which 9,097 were planted at the final benches of the quarries and 1,200 seedlings were planted within the factory yard. Additionally, approximately 3,000m<sup>2</sup> of the private parking for trucks owned by USJE was converted into green area. Formulation of new green areas contributes to minimizing fugitive dust and improving the working area. In 2016 additional 6,250 m<sup>2</sup> of new efficient irrigation systems were placed on a green area within the factory and marl surface quarry and the irrigation network was renewed with sprinklers on the area of approximately 15,000m<sup>2</sup>.





# STAKEHOLDER ENGAGEMENT

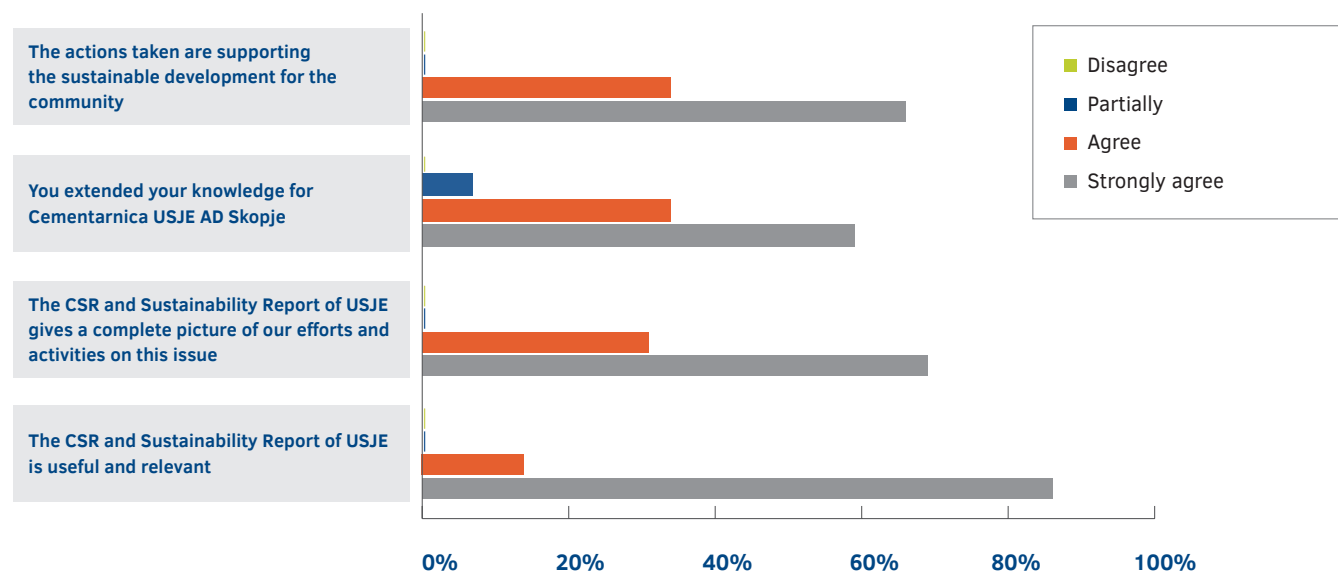
## Stakeholder dialogue & transparency

The objective of our community activities is to provide strategic support that contributes to sustainable community development. Our approach is directed by the feedback we receive from organized dialogue with all our stakeholders and from events where our managers work together with communities to improve local conditions, such as safety conditions at schools, tree - planting and reforestation, cleaning the environment and managing waste. Local stakeholder forums and panels are organized annually and local stakeholders are invited to provide feedback on our programs, to address new needs and suggest other opportunities to engage in with us.

### STAKEHOLDER ENGAGEMENT FORUM

Aiming to continue our transparent communication and dialogue with our stakeholders, in October 2016 we organized a Stakeholder Engagement Forum with representatives of all our stakeholder groups, including our customers, contractors, suppliers and other business partners, governmental authorities, educational institutions and NGOs. At the forum, USJE presented and communicated its Corporate Social Responsibility & Sustainability Report 2015 and invited all stakeholders to provide proposals for advancing our social activities in the future. Furthermore, the company organized a tour around the plant for all forum participants, introducing them to the production process and innovations implemented during the reporting period. The participants agreed that our CSR Report is relevant to our actions and fulfills the image of who we are and what we are doing. This report helps our stakeholders deepen their knowledge of our plant operations. The participants were unanimous that actions we took support the sustainable development of the community. Certainly, there are some suggested activities that USJE should focus onto, such as: environmental protection, education, employment, supply chain and customer relationships.

### Stakeholder Engagement Forum Feedback



## Expert Forum “Seismic resistance of structures”

Production of high-quality cement is not our only goal: we are also committed to raising awareness in society about the importance of the quality of the construction of buildings and especially of seismic resistant construction. To this aim, in November 2016 USJE supported the organization of an expert forum “Seismic resistance of structures”, together with the Faculty of Civil Engineering, the Institute for Testing

Materials (ZIM), the Institute for Earthquake Engineering and Engineering seismology (IZIIS). The conclusion of the forum participants was that the major impact on the quality of construction as one of the segments most significant for seismic safety of buildings is the quality of the building materials.



## Stakeholders Engagement Meeting

### Councilors from the Kisela Voda Municipality visited USJE

A group visit of Cementarnica USJE by councilors from Kisela Voda Municipality was organized on April 27th. This visit was in line with our endeavors to be open and transparent with our stakeholders and the public, with special focus on the community where we operate. At the beginning of the visit a short video about our operations and best practices

was presented to the councilors. The CED, Boris Hrisafov, delivered a speech and he emphasized the mission, the vision and the objectives of USJE through the years of its operation on the Macedonian market. The councilors had the opportunity to be introduced to our production process through a tour around our plant and facilities.



## Creating & Delivering Value far beyond the cement plant

Aiming to be one of the most economically, environmentally and socially responsible providers of construction materials, we use our unique strengths, resources and relationships to create sustainable value for a wide range of stakeholders.



The picture shows the Company's value chain with suppliers separated by significant groups of products and services, as well as the criteria by which they are regularly evaluated

## Customer support

USJE has a policy to serve the needs of customers and be proactively responsive of their expectations. Aiming at customer satisfaction and support we undertake many activities in this regard.

In 2016, the annual customer satisfaction survey was conducted, through our sales agents together with our management team on about 90 customers. We asked for their feedback on our products quality, packaging, cooperation with our employees, logistical and technical support we provide, duration of loading time. Furthermore, we enquired about their needs and interests, as well as the cement market in general.

This year we went one step further. Besides the annual customer satisfaction survey conducted via questionnaires,

we held several one-day technical conferences in different towns around the country. At the conferences, through discussion with our customers we wanted to raise the awareness for high-quality building materials and the importance of sustainable construction. Through the personal contact with our management team, we try to come closer to our customers, emphasize their importance, strengthen the relationship based on trust and underline that all of us together should contribute to sustainable constructions. Our priority is a well-informed market able to recognize good quality. We strive to build long-term partnerships as a basis for good quality and safe constructions for future generations.

### New packaging

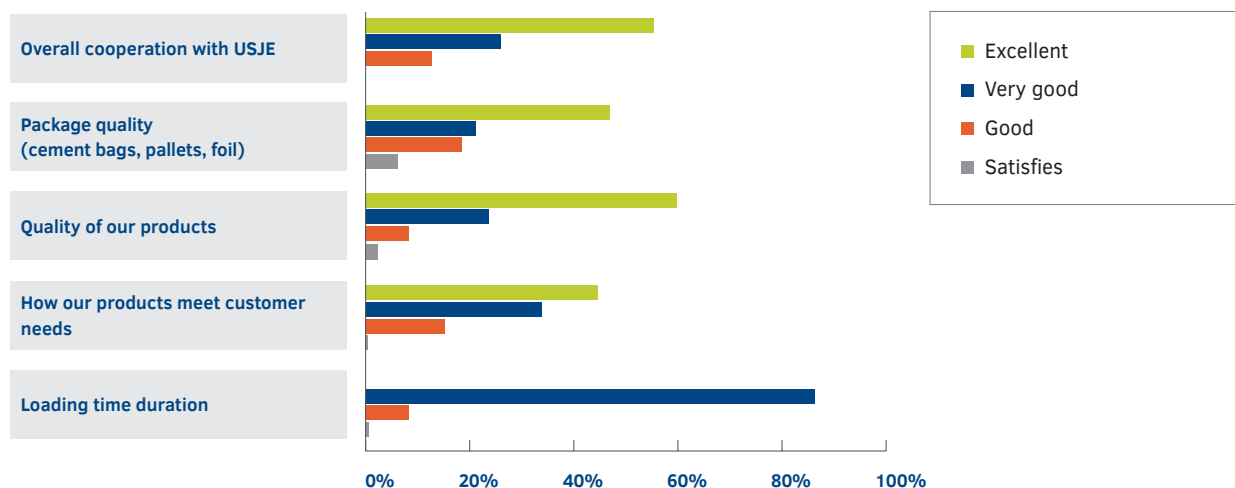
As of 2016 we introduced 25 kg cement bags to meet customers' needs and requests. For almost a year we tirelessly tested the packaging wrapped in a moisture protection foil. We created a bilingual package containing instructions for use, mortar and concrete recipe, safety instructions for manipulation and storage, first aid advice and a reminder for environmental protection.

We strive to be leaders in sustainable building materials by producing high-quality products aimed at accomplishing our primary goal – long-term sustainability.

### USJE's first Branch in Ohrid

Aiming at strengthening our presence, relations and support to our customers in the southwestern part of the country, we established a branch office in Ohrid. This step ensures prompt reaction to market dynamics, faster response times to customer needs and timely delivery of high quality cement around the Lake Region.

With this proactive approach we managed to transform the perception of our customers regarding the priorities of USJE by regaining our market presence in the region.





## Responsible supply chain

Our supply chain is integral to the sustainability practices of the organization. It consists of a variety of business partners who provide us with services (as contractors) and products (as suppliers). We mainly use local contractors for the maintenance of machinery and operations, which are largely capital intensive activities, as well as cleaning and catering as labor intensive activities. This benefits the community we work in by creating local jobs, though we also source centrally through international suppliers who provide goods such as fuels, technology and machinery.

### Supplier selection

Our Group Code for Procurement guides the selection, management and evaluation of the suppliers who provide us with goods and services – quality, reliability, flexibility and location of business are key criteria. We also place a high degree of importance on health and safety compliance, environmental legislation compliance, prevention of bribery and corruption, respect for human rights and local legal compliance. As of 2017, based on our policy on bribery and anti-corruption adopted in 2016, a special clause on anticorruption behavior will be included in all contracts with our contractors and suppliers.

### Managing material issues across our value chain

We are committed to improving safety standards and raising environmental awareness among our suppliers, especially those in areas identified as high risk, such as maintenance, services and quarrying.

On human rights, we communicate our expectations to significant suppliers and primarily local contractors with whom we seek to develop long-term relations, to make sure that they acknowledge any potential human rights risks and challenges within their sphere of influence. We arrange audits for our local contractors on an annual basis and these cover the main aspects of human rights concerns, such as labor rights. We also assess suppliers through contractual reviews, two-way engagement and grievance mechanisms. The Group CSR Committee examines reports on human rights risks by country and identifies opportunities for improvement. By 2020, we plan to identify and assess in more detail significant actual and potential negative human rights impacts linked to our activities, products and services, and through our relationships with suppliers.

Paid to local  
suppliers

23.3 MILLION €

## Community development

Securing a sustainable future is a long-term commitment, by embracing stakeholder engagement and collective action. We define our community as the “social environment” in which our Company is located and we work with the organizations, public, advocacy and civic society groups that operate in the community. Our partnerships help to improve quality of life through education, social inclusion, caring for health & safety, environment protection and generally through community engagement.

### Cooperation with universities & schools

In 2015, TITAN made a commitment to the European Pact for Youth, an engagement between business leaders and the EU aimed at improving education and job prospects for young people.

TITAN has a very long tradition in partnering with society and positively influencing the conditions that affect our stakeholders. Initiatives benefiting young people have been established for many years, though in 2016 we put a particular focus on developing young people through our internship programs and our commitment to the European Pact for Youth. Our commitment through the European Pact for Youth is to develop and consolidate partnerships in support of youth employability and inclusion.

In support of this commitment, USJE hired young 5 engineers and students from the final years of technical faculties, for training and development in health and safety at work. The training at work lasts one year, during which young engineers have the opportunity to expand their knowledge and gain practical skills that will help them in their professional development, boosting their employability. At the end of the Program, March 2017, all interns received a certificate of training in the relevant field and will be considered by our Company for future employment.

#### USJE granted scholarships for MBA postgraduate studies

USJE strategically supports the education aiming to raise the employability level of young people in the country. To this effect, again this year USJE awarded three scholarships for MBA studies at the School of Business Economics and Management, University American College Skopje. USJE has had a tradition of providing scholarships for talented students since 2005. During this period, a total of 34 scholarships have been granted.



**USJE launched a program to boost youth employment in support of European Pact4Youth**





## Study Visits

USJE has open doors to all students interested in visiting our Company and getting introduced to our process. Two groups with more than 100 students from the Faculty of Technology and the American College had the opportunity to visit our company and learn about our production process and operations.

During their visit, the students were introduced to our business, community engagement and the most important H&S aspects. During the tour around our plant, the students had the chance to discuss with our engineers on matters related to production, processing of raw materials and the environmental aspects of our operations.

## USJE participant of “Educational Rendezvous” Event

USJE participated and supported the “Educational Rendezvous” event which took place in April, in the Skopje electro-technical high school “Mihajlo Pupin”, organized by the Youth Association of Vocational Schools. The event was attended by at least 1,500 students from over 40 technical high schools in Macedonia. USJE presented its employment, internship and practical work opportunities for students.

## Partnering with schools project

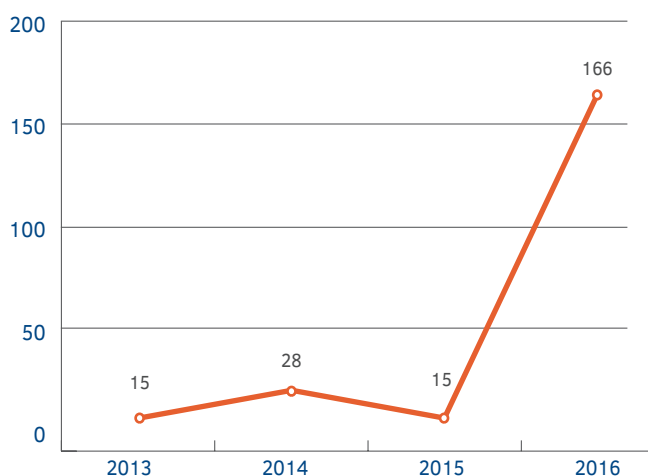
Following our strategic determination for support of development through education and building upon our strong local partnership, good neighborly relations and the needs of our community and society at large, USJE has traditionally implemented the “Partnering with Schools” Project for 7 years. The project is aimed at improving health & safety, as well as the environmental conditions in schools and kindergartens as part of our voluntary commitment for support of education and educational process in the country, and our H&S and environmental commitment and know-how.

Aiming at improving the energy efficiency of schools, in 2015 we started a complete restoration of the facade of Krume Kepeski Elementary School in Kisela Voda, worth more than 60,000 euro. We engaged our contractor to perform the activities in coordination with our experts in construction and civil engineering. The renovation of facade of the entire school building and other auxiliary buildings was finished in early 2016. Furthermore, having aligned with the school’s priorities, USJE supported the energy efficiency efforts of another primary school Kuzman Sapkarev with a complete reconstruction of the facade.

## Students from final grade from primary school “Partenie Zografski” visited USJE

Within the scope of our “Introduction to Professions” project, about 30 final grade students from the primary school “Partenie Zografski” from Kisela Voda had the opportunity to visit our company and learn about our production process and operations. During the visit and the tour around our plant the students had the chance to discuss with our employees on all issues of their interest that would help them in choosing their future occupation. With this endeavor, USJE aims to encourage students to choose technical vocational schools and occupations.

Student internships at USJE



## NGO collaboration

### Collaborative project with Environmental NGO

USJE cooperated with the Environmental NGO on the Project “Youth Empowerment and Education for Resource Efficient Society”. The objectives of the project include promotion of professional opportunities and skills needed for young people in green topics, with focus on renewable energy, energy efficiency, resource efficiency (circular economy); building USJE's profile as a preferable and responsible employer; strengthening of cooperation and knowledge share between the business and universities. The event was kicked-off

with a panel discussion on the June 13th in the EU Info Center in Skopje on the topic “Employment in Renewable Energy and Energy Efficiency Sector – Is the Education System Ready?” The event was visited by 70 participants, students, professors, company representatives, followed by educational study visits of USJE and Sharrcem in Kosovo in December.

### Sharing best practice

#### Diversity Management Panel Discussion

The USJE HR Manager was a panelist at the Diversity Management panel discussion organized by the Macedonian Association of Human Resources on February 18th. In her speech, the company policies and the principles of equal opportunities for employees in terms of recruitment, remuneration and career development, and implementation of human rights in USJE were presented.

#### Cementarnica USJE shares its expertise on holistic CSR reporting

The USJE HR & CSR Officer facilitated a training session on CSR Reporting, UN GC principles and criteria and independent audit assertion at the American Chamber Skopje. USJE's approach and lessons learned with respect to reporting on a whole range of non-financial topics required by the UN Global Compact, as well as our knowledge and practices of following the global trends and challenges in CSR reporting was shared and discussed with the AmCham members.



## Corporate voluntarism

### To work without a car

Committed to protection of the environment and aimed at disseminating this endeavor, in 2015 USJE launched an action "To Work without a Car". Every Wednesday USJE employees use public transport, cycle or walk to reach their jobs posts. The employees unable to come to work without a car voluntarily donated 150 denars. The funds collected were doubled by the Company in an effort to contribute to the most sensitive group, children, and donated a state-of-the-art spirometer to the Children's Hospital for Respiratory Diseases in Skopje.

Through this activity, the company's management and employees want to set a personal example and confirm their commitment to environment protection and promote the principles of a healthy lifestyle.

Corporate volunteering and community development are important priorities of USJE and one of the main pillars of our social responsibility policy.

### EU Mobility Week

USJE was actively involved in the activities to mark the European Mobility Week, which is traditionally held every year from 16 to 22 September. Many USJE employees, led by the management participated in the bicycle parade along the streets of Skopje, on the World Car Free Day, during the European Mobility Week. Furthermore, the company donated five bicycles for the luckiest participants in the parade. Within the EU mobility week action, a forum entitled "Smart mobility, a strong economy" was held on September 21, 2016. At the forum environmental engineer from USJE presented to the other forum participants (representatives of small business, local government, government institutions, NGOs) the initiatives we take to protect the environment and motivate the employees to implement green practices.



### With volunteer work of employees and management USJE joined the action "Macedonia without waste 2016"

This year again, USJE joined the national campaign "Macedonia without Waste" initiated by the Ministry of Environment and Physical Planning and the "Let's Do It Macedonia" NGO.

As part of this campaign, the management team and employees of USJE voluntarily joined the action to clean up waste in public areas around the plant.

This action of the employees and the management of USJE is an integral part of the continuous endeavors and activities of the company to protect and promote the environment.

The campaign aims at encouraging civic activism and volunteering, as well as at raising the awareness and the habits of every citizen for proper waste management.



### USJE and our employees donated for flooded families

USJE, as a socially responsible company, took part in the action for helping the flooded families by donating hygiene and cleaning products with total value of 5,000 euros. Additionally, a team of our people was formed to visit our employees living in flooded areas in order to make a damage assessment, so we can directly help them to mitigate the flood consequences as quickly as possible. Moreover, our employees voluntarily donated funds to help those in need.

# CORPORATE GOVERNANCE

## Ethical governance

Good corporate governance principles and robust risk management are critical to building effective external relationships and therefore to the Company's success. These principles along with our corporate values guide us through every aspect of our business.

For us, good corporate governance is synonymous with ethical business practices, transparency, open communication, accountability and sustainable development. We believe that good corporate governance creates long-term value for our shareholders, customers, employees and suppliers. Our aim is that all stakeholders benefit from the way we do business.

## Risk Management

The Board of Directors is generally responsible for the Company's internal audit and risk management and for evaluating their effectiveness each year. The Board of Directors confirms that the Company has internal control systems and risk management policies in place and that it has been informed by the CED and the competent Group executives about their effectiveness.

The assurance mechanism regarding the integrity of the Company's financial statements consists of a combination of the embedded risk management processes, the applied financial control activities, the relevant information technology utilized and the financial information prepared,

communicated and monitored. The Company's external auditors review the mid- year financial statements and the full-year financial statements of the Company.

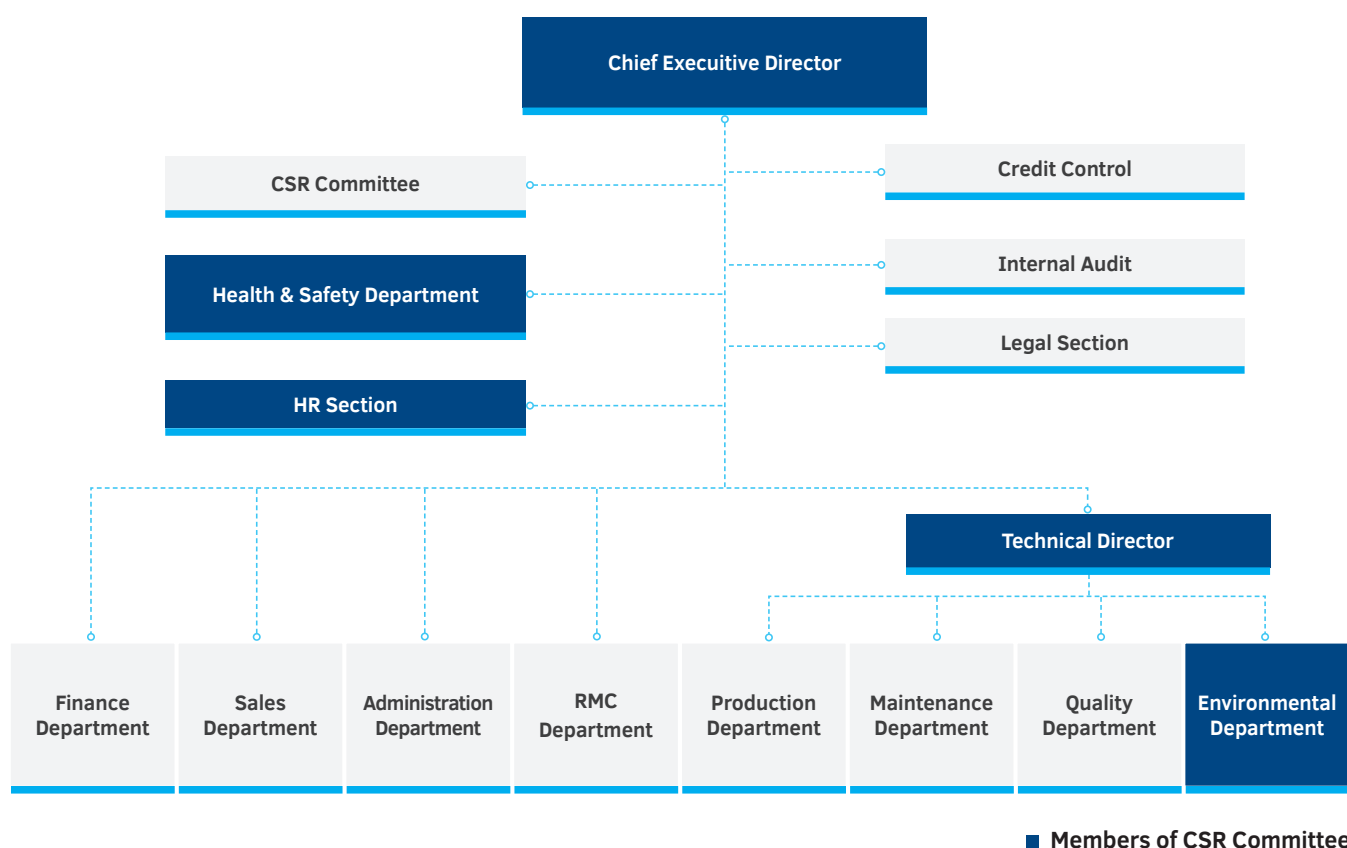
The company manages the risks through:

- Internal and Systems' audits to keep in consistency with Management Systems requirements in place
- Committees that address challenges and risks
- Code of Conduct trainings to enforce anti-corruption awareness
- Policies in place to safeguard good corporate management

	<b>Quality Policy</b>
	<b>Health &amp; Safety Policy</b>
	<b>Environmental Policy</b>
	<b>Corporate Social Responsibility Policy &amp; Vision</b>
	<b>Human Rights Policy</b>
	<b>Anti - bribery and Corruption Policy</b>
	<b>Sanctions Policy</b>
	<b>Competition Law Compliance Policy</b>



## Organizational structure and committees



### BOARD OF DIRECTORS

The Company follows established global best practices of corporate governance in its management and has five non-executive members in its Board of Directors, two of which are also independent, and two executive members, the Chief Executive Director and Executive Director. The non-executive members, as well as the CED and the Executive Director have no earnings based on their membership in the BoD.

### CENTRAL MANAGEMENT COMMITTEE

To further enhance the decision-making process and the corporate governance, as of 2013 the Company established a Central Management Committee comprised of the Chief Executive Director, the Executive Director, the Technical Director, the Sales Manager, the Finance Manager. The Central Management Committee has monthly meetings to discuss strategic issues and risk management.

### CREDIT CONTROL COMMITTEE

This Committee is in charge of receivables and debts from the clients and its main tasks include:

- Evaluation and approval of credit
- Customer's Appraisal forms/customer rating
- Settlement of customers' debts
- Debt coverage / Guarantees
- Credit Monitoring & Control
- Definition of provisions linked to credit risk

### INTERNAL AUDIT

Internal audit (IA) function in USJE is a separate department, supervised and supported by the Group Internal Audit (SEE & Turkey IA Department). The primary objective of the IA is to provide the BoD with an independent and objective opinion concerning risk management, internal controls and corporate governance systems, through assessment of their effectiveness in achieving Company business objectives. Consistent with the IA Annual plan, throughout 2016 two operational and one compliance audit were performed in USJE. Moreover, at the request of the USJE's CED, two audit control projects were executed and relevant periodic reports issued.

Based on the aforementioned, the IA reached to the conclusion that in general, the internal control frameworks of the relevant audited functions are well designed in order to appropriately manage underlying risks and ensure compliance with the statutory and internal framework in force.

### QUALITY BOARD

The Company's Management is involved in the Quality System through the Quality Board. The responsibilities of the Quality Board are, in general, the following:

- Establishing the Company's Quality Policy
- Conducting the internal quality audits
- Conducting reviews of the Quality System
- Establishing Quality System targets

### H&S CENTRAL COMMITTEE

USJE's H&S Central Committee provides strategic guidance for the Safety and Health improvement initiatives at our plant. It establishes effective processes to promote the full implementation of TITAN's Group Health & Safety Policy. The Central Committee is chaired by the CED and is structured in 5 subcommittees: Safety Incidents, Safety Audits, Contractor Management, Leading Indicators and Rules & Procedures. The common and ultimate goal is to safeguard the H&S of our and contractor's employees as one of the basic human rights at workplace.

### CSR COMMITTEE

USJE CSR Committee was established in 2009 and is responsible for integrating and implementing TITAN Group strategy at the local level. Chaired by the CED and consisting of senior management and managers of health and safety, environment and human resources, the CSR Committee meets four to six times each year, and in some cases monthly, to review and assess action plans and performance achieved, as well as to facilitate and initiate further improvements. To ensure further cohesion within the Group, USJE's CSR Committee has appointed one of its members as a representative to the Group CSR Liaison Delegates Network (LDN) aiming at improving internal communication, sharing and learning from Group's best practice.

### ENVIRONMENTAL BOARD

The Environmental Board is responsible for

- Establishing the Company's Environmental Policy,
- Identifying the environmental aspects,
- Determining the emergency situations related to environmental protection,
- Establishing Environmental Management System targets
- Reviewing on an annual basis the Environmental Management System etc.



## Anti-corruption management

In 2016, USJE adopted TITAN's Policy on Anti-Bribery and Corruption and developed an Action Plan 2017-2020 for full and transparent information of all employees and business partners on its contents, as well as the rights and obligations arising out of its provisions.

One of our Group's Code of Conduct & Policy core principles is Anti-Bribery and Corruption, stipulating that all Group transactions must be carried out lawfully and ethically, in accordance with all applicable laws and regulations and must always respect the United Nations Convention against Corruption (UNCAC)\*. Our Code of Conduct clearly prohibits giving and receiving

bribes, while as signatories of the Global Compact we are fully committed to join national and other programs aiming at eliminating bribery and corruption. Moreover, the Procurement Code of Conduct ([www.titan.gr](http://www.titan.gr), [www.usje.com.mk](http://www.usje.com.mk)) issued in 2008 states what the company policy and commitments are towards its suppliers, and clearly states the contractual obligations of the suppliers, including the obligation to abstain from any action that could be interpreted as an act of bribery, corruption and fraud. No verifiable cases of non-compliance and breaches to our bribery policy were reported in 2016.

Objective	Results 2016	Target 2020
Reinforcement of anti-bribery and corruption management mechanisms related to employees	TITAN Policy on Anti-Bribery and Corruption adopted	<ul style="list-style-type: none"> <li>Dissemination and information on the policy of all employees and business partners</li> <li>Adoption of legal framework on whistle-blowers protection</li> <li>Strengthening the existing grievance mechanism</li> </ul>
Anti-corruption management with all business partners	Definition of the clause based on the Anti-Bribery and Corruption Policy	Anti-corruption clause in all contracts with suppliers

\* UN Resolution 58/4 of 31 October 2003 United Nations Convention against Corruption.



## UN Global Compact initiative

The UN Global Compact is the largest global voluntary social responsibility initiative, with over 8,700 members in 130 countries worldwide. Titan Group, the mother Company of USJE

has been a member of the UN Global Compact since 2002. The Global Compact Network Macedonia was established in 2004. USJE joined the Network in 2008.

### UN Global Compact Principles

<b>ALL BUSINESS SHOULD</b> 	<b>1</b>	Support and respect the protection of internationally proclaimed human rights
	<b>2</b>	Make sure that they are not complicit in human rights abuses
	<b>3</b>	Uphold the freedom of association and the effective recognition of the right to collective bargaining
	<b>4</b>	Uphold the elimination of all forms of forced and compulsory labor
	<b>5</b>	Uphold the effective abolition of child labor
	<b>6</b>	Uphold the elimination of discrimination in respect of employment and occupation
	<b>7</b>	Support a precautionary approach to environmental challenges
	<b>8</b>	Undertake initiatives to promote greater environmental responsibility
	<b>9</b>	Encourage the development and diffusion of environmentally friendly technologies
	<b>10</b>	Work against all forms of corruption, including extortion and bribery

## Appendices



### *To the Board of Directors and Shareholders of Cementarnica USje AD - Skopje*

We have audited the accompanying separate financial statements of Cementarnica AD – Skopje (the “Company”), which comprise the separate statement of financial position as of 31 December 2016 and the separate statement of comprehensive income, separate statements of changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### **Management’s responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards applicable in Republic of Macedonia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor’s responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing applicable in Republic of Macedonia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the accompanying separate financial statements presents fairly, in all material respects, the financial position of the Company as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with accounting standards applicable in Republic of Macedonia.

*PricewaterhouseCoopers Revizija doo, 8<sup>th</sup> September 16, Hyperium Business Center, 2<sup>nd</sup> floor, 1000 Skopje, Republic of Macedonia, VAT No. MK4030008022586, T: +389 (02)31 40 900/901, F:+389 (02) 31 16 525, [www.pwc.com/mk](http://www.pwc.com/mk)*




### ***Report on Other Legal and Regulatory Requirements***


*Annual Report prepared by the Management in accordance with the requirement of the Company Law, article 384.*

Management is responsible for the preparation of the Separate Annual Accounts and Annual Report of the Company, which were approved by the Board of Directors of the Company on 24 February 2017.

As required by the Audit Law, we report that the historical information presented in the Annual Report prepared by the Management of the Company in accordance with article 384 of the Company Law is consistent in all material respects with the financial information presented in the Separate Annual Accounts and audited Separate Financial Statements of the Company, as of and for the year ended 31 December 2016.

  
Ljube Gjorgjievski  
General Manager



  
Ljube Gjorgjievski  
Certified Auditor

PricewaterhouseCoopers REVIZIJA DOO - Skopje

20 April 2017  
Skopje





## Independent limited assurance report

**Grant Thornton DOO**  
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To the management of Cementarnica USJE AD, Skopje

### Introduction and scope of work

We were engaged by Cementarnica USJE AD, Skopje (further referred as to “the Company”), to perform a limited assurance engagement on the verification of materiality of Sustainability Report for the year ended 31 December 2016, in accordance with International Standard on Assurance Engagements (ISAEs) 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information and issue a limited assurance report based on the result of our work performed.

### Management's responsibility

The Management of the Company is responsible for accurate preparation and presentation of the Sustainability Report in accordance with the UN Global Compact principles and advanced level criteria. This responsibility also includes the selection and application of appropriate methods to prepare the Sustainability Report and the use of assumptions and estimates for the individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility includes designing, implementing and maintaining systems and procedures relevant for the preparation of the Sustainability Report.

### Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA-Codex), which is founded on fundamental principles of integrity, objectivity, pro-fessional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



#### Our responsibility

Our responsibility is to perform an independent limited assurance engagement in order to express a conclusion for the work performed on the basis of conducted procedures.

Our work has been conducted in accordance with the standards of ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the Board of International Standards on Auditing and Assurance. This standard requires that we comply with ethical requirements from Code of Ethics for Professional Accountants issued by the for International Ethical Standards Board for Accountants, as well as to plan and perform independent limited assurance engagement in a way that will allow us to express a conclusion with limited assurance.

A limited assurance engagement is restricted primarily to enquiries and analytical procedures. The procedures performed in a limited assurance engagement vary in nature and timing, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with International Standards on Auditing and Assurance Engagements.

#### Summary of work performed

Within the scope of our work we performed amongst others the following procedures concerning the materiality analysis, management approaches and key data presented in the Sustainability Report:

- Read the Sustainability Report (in its entirety) to ensure it is in accordance with the UN Global Compact principles and advanced level criteria;
- Inquire the personnel responsible for the preparation of the Sustainability Report providing the sustainability performance information to understand and evaluate the processes, internal controls and information systems relating to the preparation of the aforementioned information;
- Understanding the Company regarding to its sustainability organizational structure, stakeholder dialogue and development process of the sustainability program;
- Comparing text and data (on a sample basis) presented in the Sustainability Report to underlying sources. This included considering whether all material matters had been included and whether the reported text and data was accurately drawn from the underlying information.

#### Inherent limitations

Certain selected information involves non-financial data which is subject to more inherent limitations than financial data. Qualitative interpretations of the relevance, materiality and the accuracy of data are subject to individual assumptions and judgments.

**Limited assurance conclusion**

Based on the procedures performed and evidence obtained, nothing has come to our attention that caused us to believe that there are any errors or misstatements that would materially affect the data and information as presented in the Sustainability Report and that the Sustainability Report of Cementarnica USJE AD, Skopje for the year ended 31 December 2016 was not prepared, in all material respects, in accordance with UN Global Compact principles and advanced level criteria.

Skopje,

10 May 2017

Grant Thornton DOO, Skopje

  
Director  
Suzana Stavrik



  
Certified auditor  
Suzana Stavrik



## Cementarnica "USJE" AD - Skopje



## SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 MKD'000	2015 MKD'000
Sales	3a	4,003,254	3,823,200
Other revenue	3b	103,164	116,071
Cost of sales	3c	(2,522,764)	(2,548,749)
<b>Gross profit</b>		<b>1,583,654</b>	<b>1,390,522</b>
Other operating income	3d	63,799	307,075
Other operating expenses	3e	(121,232)	(85,213)
Selling and marketing expenses	3f	(33,979)	(26,312)
Administrative expenses	3g	(177,851)	(182,997)
<b>Operating profit</b>		<b>1,314,391</b>	<b>1,403,075</b>
Finance income		14,675	9,241
Finance costs		(2,644)	(17,780)
Net finance income	3h	12,031	(8,539)
<b>Profit before tax</b>		<b>1,326,422</b>	<b>1,394,536</b>
Income tax expense	4	(125,057)	(130,998)
<b>Profit for the year</b>		<b>1,201,365</b>	<b>1,263,538</b>
<b>Earnings per share information:</b>			
Basic, profit for the period attributable to ordinary equity holders of the ultimate parent	5	2.13	2.24
<b>Net profit for the period attributable to:</b>			
Equity holder of the ultimate parent		1,139,375	1,198,339
Non- controlling interest		61,990	65,199
		<b>1,201,365</b>	<b>1,263,538</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Investment Property revaluation surplus	7	35,468	-
<b>Total comprehensive income for the year</b>		<b>1,236,833</b>	<b>1,263,538</b>
<b>Earnings per share information:</b>			
Basic, total comprehensive income for the year attributable to ordinary equity holders of the ultimate parent	5	2.19	2.24
<b>Total Comprehensive income for the period attributable to:</b>			
Equity holder of the ultimate parent		1,173,012	1,198,339
Non - controlling interest		63,821	65,199
		<b>1,236,833</b>	<b>1,263,538</b>

The accompanying notes from 8 to 46 are an integral part of these financial statements

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## Cementarnica "USJE" AD - Skopje



## SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 MKD '000	2015 MKD '000
<b>Cash flows from operating activities</b>			
Profit before income taxes		<b>1,326,422</b>	<b>1,394,536</b>
Adjustments for:			
(Gain) on disposal of property, plant and equipment		(1,149)	(67)
Depreciation of PPE and investment properties		173,993	196,194
Actuarial (gain)/losses, net		1,430	10,062
Interest income		(7,070)	(6,835)
Provision for obsolete inventory		9,998	10,921
Shortage of goods in the warehouse		9,865	-
Fair value (gain)/losses, net		(6,275)	192
Interest expense and bank charges		2,644	5,308
Income from dividend		-	(2,406)
Write off trade receivables		-	853
NBV of disposed and written off PPE		39	140
Income from sale of participation of subsidiaries		-	(113,872)
Income from sold PPE		-	(159,655)
<b>Operating profit before working capital changes</b>		<b>1,509,897</b>	<b>1,335,371</b>
(Increase) / Decrease in trade and other receivables		48,959	(49,224)
Decrease / (Increase) in inventories		(59,852)	25,379
Increase / (Decrease) / in trade and other payables		(38,213)	71,000
<b>Cash generated from operations</b>		<b>1,460,791</b>	<b>1,382,526</b>
Interest expense and bank charges paid		(2,644)	(5,308)
Income tax paid		(114,140)	(302,443)
<b>Net cash flows generated from operations</b>		<b>1,344,007</b>	<b>1,074,775</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(179,289)	(308,943)
Expenditures for exploration and evaluation assets		-	(3,265)
Proceeds from sale of property, plant and equipment		1,034	217,585
Proceeds from sale of participation in subsidiaries		-	430,942
Dividend received		-	2,406
Interest income received		7,070	6,835
Loan to associate		-	(10)
<b>Net cash flows generated (used in) investing activities</b>		<b>(171,185)</b>	<b>345,550</b>
<b>Cash flows from financing activities</b>			
Dividends paid to group shareholders		(1,050,086)	(1,403,501)
Dividends paid to minority shareholders		(57,176)	(78,712)
<b>Net cash flows (used) in financing activities</b>		<b>(1,107,262)</b>	<b>(1,482,213)</b>
Net increase in cash and cash equivalents		<b>65,560</b>	<b>(61,888)</b>
Cash and cash equivalents at 1 January		798,435	860,323
<b>Cash and cash equivalents at 31 December</b>	11	<b>863,995</b>	<b>798,435</b>

The accompanying notes from 8 to 46 are an integral part of these financial statements

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## Cementarnica "USJE" AD - Skopje


**SEPARATE STATEMENT OF FINANCIAL POSITION**  
**at 31 December 2016**

		2016	2015
	Notes	MKD '000	MKD '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	2,179,433	2,174,937
Investment properties	7	166,349	123,919
Investment in subsidiary		157	157
Exploration and evaluation assets	8	19,352	19,352
		<b>2,365,291</b>	<b>2,318,365</b>
<b>Current assets</b>			
Inventories	9	665,543	615,688
Trade and other receivables	10	369,677	418,637
Short term loan		10	10
Income tax receivable		8,934	22,335
Cash and short term deposits	11	863,995	798,435
		<b>1,908,159</b>	<b>1,855,105</b>
<b>TOTAL ASSETS</b>		<b>4,273,450</b>	<b>4,173,470</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	12	1,747,730	1,747,730
Retained earnings		1,201,365	1,263,538
Other reserves	13	538,148	502,680
Reinvested profit		308,760	152,494
		<b>3,796,003</b>	<b>3,666,442</b>
<b>Non-current liabilities</b>			
Provision for retirement benefits	14	54,198	57,148
Provision for rehabilitation of quarries		12,693	15,006
		<b>66,891</b>	<b>72,154</b>
<b>Current liabilities</b>			
Trade and other payables	15	384,704	413,877
Provision for unused holidays		9,865	-
Current portion of retirement benefit obligations	14	4,830	6,856
Income tax payable		10,916	13,910
Dividend payable		241	231
		<b>410,556</b>	<b>434,874</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,273,450</b>	<b>4,173,470</b>

Authorized on behalf of the Board of Directors on 24 February 2017:

Hrisafov Boris

Chief Executive Director

Olivera Vasilkovska

Finance Manager

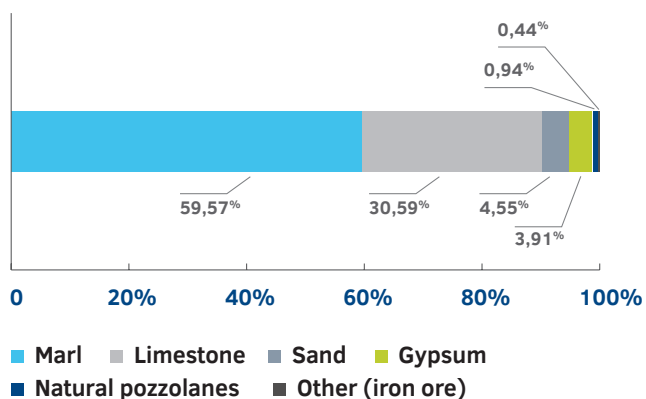
The accompanying notes from 8 to 46 are an integral part of these financial statements

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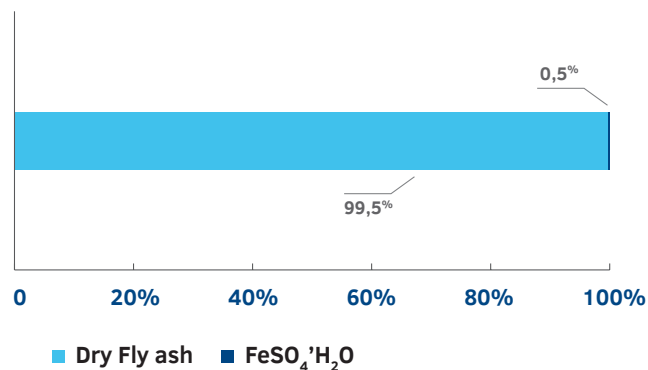
## Environment

	Water	Unit	2015	2016
<b>Water withdrawn</b>	<b>Total water withdrawn (by course)</b>	<b>m<sup>3</sup>/y</b>	<b>70.621</b>	<b>78.275</b>
	Surface water	m <sup>3</sup> /y		
	Ground water	m <sup>3</sup> /y	40.531	53.729
	Rain water	m <sup>3</sup> /y		
	Waste water	m <sup>3</sup> /y		
	Municipal water	m <sup>3</sup> /y	30.090	24.546
	Ocean or sea water	m <sup>3</sup> /y		
	Quarry water used (from quarry dewatering)	m <sup>3</sup> /y		
	Quarry water not-used (from quarry dewatering)	m <sup>3</sup> /y		
<b>Water use</b>	<b>Total water use (by destination)</b>	<b>m<sup>3</sup>/y</b>	<b>70.621</b>	<b>78.275</b>
	Process water	m <sup>3</sup> /y	2.358	5.794
	Non recycled water for mechanical cooling	m <sup>3</sup> /y	13.239	11.885
	Water for environmental purposes	m <sup>3</sup> /y	25.205	37.176
	Potable water (for drinking, cleaning, hygiene, etc.)	m <sup>3</sup> /y	28.406	21.854
	Water stocks change (+ = increase; - = reduction)	m <sup>3</sup> /y		
	Losses	m <sup>3</sup> /y	1.412	1.566
<b>Water discharge</b>	<b>Total water discharge (by destination)</b>	<b>m<sup>3</sup>/y</b>	<b>33.683</b>	<b>31.610</b>
	Surface water (river, lake)	m <sup>3</sup> /y	33.683	31.610
	Sub-surface water (well)	m <sup>3</sup> /y		
	Off-site water treatment	m <sup>3</sup> /y		
	Ocean or sea water	m <sup>3</sup> /y		
<b>Water consumption</b>	<b>Total water consumption</b>	<b>m<sup>3</sup>/y</b>	<b>36.938</b>	<b>46.665</b>
<b>Recycled water</b>	<b>Total recycled water</b>	<b>m<sup>3</sup>/y</b>	<b>1.494.097</b>	<b>1.563.146</b>
	Recycled water for mechanical cooling	m <sup>3</sup> /y	1.494.097	1.563.146
	Other (washing of vehicles, etc.)	m <sup>3</sup> /y		
<b>Water demand</b>	<b>Total water demand</b>	<b>m<sup>3</sup>/y</b>	<b>1.531.035</b>	<b>1.609.811</b>

### Use of Natural Raw Materials (%)



### Use of Alternative Raw Materials (%)



Waste Production		Unit	2015	2016
Specific waste production	Specific total wastes produced (excluding printing toner and cartridges)	kg/t Clinker	1,36	0,93
	Specific wastes disposed externally	kg/t Clinker	1,27	0,88
	Specific wastes disposed internally	kg/t Clinker	0,09	0,05
Waste production distribution	Total wastes production (excluding printing toner and cartridges, per sub unit)	%Total	100	100
	Wastes disposed externally	%Total	93,16	94,15
	Wastes disposed internally	%Total	6,84	5,85
	Total wastes production (excluding printing toner and cartridges, overall)	%Total	100	100
	Wastes disposed externally	%Total	100	100
	Wastes disposed internally	%Total	100	100
CO <sub>2</sub> Emissions		Unit	2015	2016
	Total Direct CO <sub>2</sub> Emissions	million t	0,48	0,65
	Specific Direct Emissions of CO <sub>2</sub>	kgCO <sub>2</sub> /t cementitious product	665	691
Emissions				
	Dust Emissions	t/y	8,81	12,93
	Dust Emissions	mg/Nm <sup>3</sup>	5,13	6,65
	NO <sub>x</sub> Emissions	t/y	955	1111
	NO <sub>x</sub> Emissions	mg/Nm <sup>3</sup>	556	571
	SO <sub>x</sub> Emissions	t/y	36,36	13,29
	SO <sub>x</sub> Emissions	mg/Nm <sup>3</sup>	21,16	6,83
Environmental Costs		Unit	2015	2016
	Total environmental cost	€/y	808.900	562.379
	Cost for environmental management	€/y	37.508	27.708
	Cost for rehabilitation	€/y	38.879	41.111
	Cost for reforestation	€/y	79.963	64.085
	Cost for environmental training and awareness building	€/y	1.237	1.980
	Cost for the application of environmental friendly technologies	€/y	504.756	279.200
	Cost for waste management	€/y	146.558	148.295

## UN Global Compact Criteria

Implementing the Ten Principles into strategies and operations		
Criterion 1)	The COP describes mainstream- ing into corporate functions and business units	USJE commitments a. TITAN Group CSR Policy & Vision Page/s: 9, 49, 50
Criterion 2)	The COP describes value chain implementation	USJE commitments a. TITAN Group CSR Policy b. TITAN Group Code of Conduct c. TITAN Group Code of Conduct for Procurement Page/s: 41-43
Robust Human Rights Management policies and procedures		
Criterion 3)	The COP describes robust commitments, strategies or policies in the area of human rights	USJE commitments a. TITAN Group Governing Objective b. TITAN Group Code of Conduct c. TITAN Group CSR Policy d. TITAN Group Code of Conduct for Procurement e. TITAN People Management Framework f. TITAN Occupational Health and Safety Vision and Policy Page/s: 12, 19-30, 48-50
Criterion 4)	The COP describes effective management systems to integrate the human rights principles	USJE commitments a. TITAN Group CSR Policy b. TITAN People Management Framework c. TITAN Group Code of Conduct d. TITAN Group Code of Conduct for Procurement Page/s: 12, 19-30, 48-50
Criterion 5)	The COP describes effective monitoring and evaluation mechanisms of human rights integration	TITAN commitments a. TITAN Group CSR Policy b. TITAN Group Code of Conduct c. TITAN Group Code of Conduct for Procurement Page/s: 12, 19-30, 48-50
Robust labor management policies and procedures		
Criterion 6)	The COP describes robust commitments, strategies or policies in the area of labor	TITAN commitments a. TITAN Group CSR Policy b. TITAN Corporate Values c. TITAN Group Code of Conduct d. TITAN Group Code of Conduct for Procurement e. TITAN People Management Framework f. TITAN Occupational Health and Safety Vision and Policy Page/s: 12, 19-30, 48-50
Criterion 7)	The COP describes effective management systems to integrate the labor principles	TITAN commitments a. TITAN Group Code of Conduct b. TITAN Group Code of Conduct for Procurement c. TITAN People Management Framework d. TITAN Occupational Health and Safety Vision and Policy Page/s: 12, 19-30, 48-50
Criterion 8)	The COP describes effective monitoring and evaluation mechanisms of labor principles	TITAN commitments a. TITAN Group CSR Policy b. TITAN Group Code of Conduct c. TITAN People Management Framework Page/s: 12, 19-30, 48-50
Robust environmental management policies and procedures		
Criterion 9)	The COP describes robust commitments, strategies or policies in the area of environmental stewardship	TITAN commitments, strategies or policies a. TITAN Corporate Values b. TITAN Group CSR Policy c. TITAN Group Code of Conduct d. TITAN Group Environmental Policy Page/s: 31-38, 50, 61, 62
Criterion 10)	The COP describes effective management systems to integrate the environmental principles	TITAN commitments a. TITAN Group CSR Policy b. TITAN Group Environmental Policy Page/s: 31-38, 50, 61, 62
Criterion 11)	The COP describes effective monitoring and evaluation mechanisms for environmental stewardship	TITAN commitments a. TITAN Group CSR Policy b. TITAN Group Environmental Policy Page/s: 31-38, 50, 61, 62



### Robust anti-corruption management policies and procedures

Criterion 12)	The COP describes robust commitments, strategies, or policies in the area of anti-corruption stewardship	TITAN commitments a. TITAN Corporate Values b. TITAN Group CSR Policy c. TITAN Group Anti-bribery & Corruption Policy d. TITAN Group Code of Conduct e. TITAN Group Code of Conduct for Procurement Page/s: 43, 48, 51
Criterion 13)	The COP describes effective management systems to integrate the anti-corruption principle stewardship	TITAN commitments a. TITAN Corporate Values b. TITAN Group CSR Policy c. TITAN Group Anti-bribery & Corruption Policy d. TITAN Group Code of Conduct e. TITAN Group Code of Conduct for Procurement Page/s: 43, 48, 51
Criterion 14)	The COP describes effective monitoring and evaluation mechanisms for the integration of anti-corruption stewardship	TITAN commitments a. TITAN Corporate Values b. TITAN Group CSR Policy c. TITAN Group Anti-bribery & Corruption Policy d. TITAN Group Code of Conduct e. TITAN Group Code of Conduct for Procurement Page/s: 43, 48, 51

### Taking action in support of broader UN goals and issues

Criterion 15)	The COP describes core business contributions to UN goals and issues stewardship	TITAN commitments a. TITAN Corporate Values b. TITAN Group CSR Policy c. TITAN & USJE CSR pledges and commitments d. TITAN Group Code of Conduct e. TITAN Group Code of Conduct for Procurement Page/s: 5-7, 16, 17, 52
Criterion 16)	The COP describes strategic social investments and philanthropy stewardship	TITAN commitments a. TITAN Group CSR Policy Page/s: 44-46
Criterion 17)	The COP describes advocacy and public policy engagement stewardship	TITAN commitments a. TITAN Group CSR Policy b. TITAN Group Code of Conduct Page/s: 44-46
Criterion 18)	The COP describes partnerships and collective action stewardship	TITAN commitments a. TITAN Group CSR Policy b. The Company Charter of the Cement Sustainability Initiative c. TITAN Climate Change Mitigation Strategy d. TITAN Occupational Health and Safety Framework Page/s: 44-46

### Corporate sustainability governance and leadership

Criterion 19)	The COP describes CEO commitment and leadership stewardship	TITAN commitments a. TITAN Group CSR Policy b. TITAN Group Code of Conduct Page/s: 6,7
Criterion 20)	The COP describes Board adoption and oversight stewardship	TITAN commitments a. TITAN Group CSR Policy b. TITAN Group Code of Conduct Page/s: 6, 7, 48-50
Criterion 21)	The COP describes stakeholder engagement stewardship	TITAN commitments a. TITAN Group CSR Policy b. TITAN Group Code of Conduct c. TITAN People Management Framework Page/s: 39, 40







