



ANNUAL SUSTAINABILITY REPORT **2019**

CEMENTARNICA USJE AD SKOPJE

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About the Annual Sustainability Report

Since 2018, USJE fully aligned with TITAN Cement International S.A. (in short: TITAN Group) global sectoral approach in monitoring, reporting and verifying environmental, social and governance performance. USJE also introduced, and further used for building its approach for reporting, the Sustainability Performance KPIs Index, covering an extensive number of performance indicators related to material issues and Sustainable Development Goals 2030. This Report is assured by independent Business Assurance Company at Advanced Level of Communication on Progress according to UNGC criteria.

This Report complies with TITAN Group sustainability reporting standards as defined in reference to the implementation of the principles of the International Integrated Reporting Council (IIRC), the UN Global Compact Communication on Progress Guidelines, the Global Cement and Concrete Association Guidelines (GCCA), and the UN Sustainable Development Goals (SDGs) 2030. USJE also integrated in its approach the Guidance of the United Nations Conference on Trade and Development (UNCTAD) for connecting its reporting for sustainability with Targets for the SDGs, following the TITAN Group approach. For more information about the TITAN Group global sector approach and standards please visit 2019 TITAN Group Integrated Annual Report <https://www.titan-cement.com/newsroom/annual-reports/>.

TITAN Group updated in October 2019 the two internal sustainability glossaries and guidelines for social performance, and environmental performance in order to align with the development of new internal Group wide reporting systems, in specific the TITAN Group Human Resources Management System (GHRMS) and align with the GCCA Sustainability Charter and Framework Guidelines. The two documents are accessible to all TITAN Group operations through the Group social and environmental data collection Systems “CSR Databank” and “Environment Databank” where health and safety and environmental key performance indicators are managed. USJE has built its reporting system on disclosures based on the above. More information about GHRMS and GCCA are presented in the TITAN Group IAR 2019, under: “Non-financial Statements”, section “Sector Standards For Non-Financial Reporting” and in the “Strategic Review”, section “Our Commitment to Sustainable Development - Global Collaborations”. The TITAN Group IAR 2019 is hosted in the Usje’s website www.usje.mk.

2019 Highlights

2019 was another year of stable, solid performance for Cementarnica USJE. We successfully navigated the challenges of subdued demand and at the same time, we remained focused on our enduring objective of balanced, responsible and sustainable long-term growth, embracing change as an organization and innovating at an accelerated pace.

The slight increase of cement import in the country resulted in USJE closing the year with a moderate decrease of 1.9% on the domestic market compared to last year. At the end of 2019, the construction market gradually began

to slow down, however, the domestic cement market remained on par with last year.

The decrease of the domestic cement sales was compensated with the significantly increased export of 7.4% in the Kosovo market compared to last year. Additionally, USJE's revenues were further facilitated by the sales of solid fuels mainly on the domestic market.

Nevertheless, the overall strong sales, together with the lower variable production costs, resulted in significant increase in USJE's EBITDA at MKD 1,547 M, recording a 20.4% increase compared to 2018.

TURNOVER	EBITDA	NET PROFIT AFTER TAX
 MKD 4,632 M	 MKD 1,547 M	 MKD 1,274 M
TOTAL ASSETS	CAPITAL EXPENDITURE	EMPLOYEES (on 31.12.2019)
 MKD 5,317 M	 MKD 208 M	 244
	On environment	
	 MKD 40 M	

Post balance sheet events

COVID-19 Risk Assessment

"Beginning in March 2020, due to the rapid spread of COVID-19 virus, in most countries large-scale social-distancing measures have been imposed, disrupting the global economy and resulting in downfall in demand. From the emergence of the coronavirus crisis, TITAN has taken measures to protect the health and safety of our people and to ensure operational continuity and satisfaction of our customer needs. The health and safety of our staff, customers and suppliers is a top priority and several precautionary measures have been taken to this effect. Business continuity plans have also been implemented and all our cement manufacturing plants and other integrated activities' businesses remain operational. Although we have yet to see any significant impact on our operations and the first quarter's sales volumes were at normal levels, it is inevitable that as the COVID-19 crisis is spreading, we will also be impacted in the short term. The construction and building materials sectors are, in the short term, less exposed to this crisis (according to Moody's they are "low risk" sectors) but, nevertheless, are also expected to suffer from reduced sales volumes, particularly and more severely in Q2.

We have created contingencies and flexibilities and have strengthened our liquidity position to €400 million in combination of cash and committed bank credit facilities. The Group management believes that, although COVID-19 may have a significant impact on the Group's operations in 2020, such impact will be absorbable and the Group can weather the storm and temporary decline in profitability."

In the light of the above, the Management of USJE remains vigilant, and we work closely with the Group Finance and other Corporate functions of TITAN for exploring best strategies to mitigate the impacts and ensure business continuity in all aspects, and including the Sustainability of our communities. Thus, in times of crisis and state of emergency due to the COVID-19 pandemic, USJE donated 50,000 EUR to the Ministry of Health for the purchase of indispensable medical equipment and additionally supported socially vulnerable families and groups of citizens by providing aid and food supplies.

Message from the CED



Dear partners,

In the business world of tomorrow companies will be increasingly measured by the value they provide to all stakeholders, emphasizing their non-financial contribution and positive impact in various areas of our social life and the environment. For Cementarnica USJE this is not a transitional path, since we have long ago embraced and internalized this philosophy in our business operations. During 2019 we undertook a number of initiatives and realized various activities that confirm that in line with TITAN's governing objective, we remain dedicated to operational excellence, while respecting all our stakeholders and the community we are part of.

We retained our stable growth in 2019. Despite challenges posed by the increase of cement imports in the country and gradual slowdown of the construction market towards the end of the year, the overall strong sales combined with lower production costs resulted in increase of the company's EBITDA, amounting to MKD 1,547 M.

These results are, of course, possible only through and because of the competences and dedication of all our employees. The investments in employee professional development via trainings and application of best HR management practices continued throughout 2019. We further improved these practices with introduction of modern digital HR management tools and by strengthened employee engagement and communication. In the training domain, special emphasis was put on health and safety, as this is one of our priorities and this type of training extends to our suppliers and contractors, making sure they adhere to the strict rules and procedures that guarantee the safety of all concerned. Furthermore, employee health and well-being were additionally fostered by providing private medical plans on top of the regular and extended health check-ups.

Customers are our important stakeholder and, apart from continuous work on product quality, during 2019 we were focused on improving product recipes based on customers' needs and requirements. We believe that in that way we provide a safe and reliable product while strengthening the relationship with customers and creating long-lasting and strong cooperation. Our efforts of maintaining customer satisfaction were complemented by the introduction of a new customer web interface for use on smart devices, as well as mobile applications that provide additional services and a faster, simpler and more comprehensive service.

Our environmental protection endeavours in the course of 2019 were concentrated on maintaining low emissions, decreasing our carbon footprint and preserving natural resources. A major initiative in that regard was the use of alternative fuels in one out of two rotary kilns, achieving approximately 4% thermal substitution from the total fuels used in the kilns. In accordance with national legislation, only domestic alternative fuel can be used, but this technology has huge potential for the future.

Last but not least, Cementarnica USJE maintained its good corporate citizen role by implementing a number of projects and activities that include our people's participation and volunteerism, collaborations and know-how sharing with the aim to improve circumstances in educational institutions, support quality education and develop the skills required in today's workplaces.

The steady performance continued throughout most of 2019, but regrettably was abruptly interrupted by the advent of the Covid-19 pandemic. The virus has led us into uncharted territory, as we face human, social and economic challenges around the world. As we go through these difficult times, our thoughts are with those affected by human loss. We are grateful to the professionals who, under great stress, continue running the health and social support systems and we are committed to doing everything we can to support their effort. At USJE we live up to our social responsibility by protecting our people, our communities and our customers. It is inevitable that all businesses around the world will be negatively affected by these developments and so will ours. At the time of preparation of this Report, we have not yet witnessed a negative impact on demand in our markets, or suffered a significant disruption in our operations. We are taking the necessary measures to prepare for all eventualities.

We are convinced that our approach brings shared value for all stakeholders and a sustainable future that provides opportunities for innovations and smart ideas. Looking at the future, we can say with confidence that Cementarnica USJE will continue to be a stable and reliable partner to businesses, the community and the society.

We are collaborating at both local and global level towards the achievement of the Sustainable Development Goals 2030, in accordance with our commitment under the UN Global Compact.

This Report is assured by independent Business Assurance Company at Advanced Level of Communication on Progress according to UNGC criteria.



Boris Hrisafov
Chief Executive Director



About TITAN

About USJE

Delivering value for all

Material issues

Strategic overview

About TITAN

TITAN Group is an international cement and building materials producer aspiring to serve the needs of society, while contributing to sustainable growth with responsibility and integrity.

The Group has cement production facilities in 10 countries and presence in 15 countries. With an annual capacity of 27 million metric tons of cement and cementitious materials, it employs almost 5,500 people worldwide.

The Group's business activities include the production, transportation and distribution of cement, concrete, aggregates, fly ash, mortars and other building materials.

The Group's parent company is TITAN Cement International (TCI), a Belgian company listed on Euronext Brussels, Euronext Paris and Athens Exchange. TITAN Cement International became TITAN Group's parent company following the successful completion of a Voluntary Share Exchange Offer submitted to the shareholders of TITAN Cement Company S.A., the Group's former parent company, which is based in Greece. The statutory seat of TCI is in Brussels, while its seat of management is in Cyprus.

Strategic priorities

To achieve our governing objective, we focus on four strategic priorities:

Geographical diversification

We expand our business through acquisitions and greenfield developments into attractive new markets, to diversify our earnings base 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.

Global presence of TITAN Group

We report on our performance and activities based on our geographic regions, and separately on our joint venture in Brazil.



Greece & Western Europe

- Cement plants
- 1. Thessaloniki
 - 2. Kamari
 - 3. Patras
- Grinding plant
- 4. Elefsina



USA

- Cement plants
- 1. Roanoke - Virginia
 - 2. Pennsuco - Florida



Brazil (Joint venture)

- Cement plants
- 1. Quixere
- Grinding plant
- 2. Pecem

USA

- 2 Cement plants
- 8 Quarries

- 83 Ready-mix plants
- 3 Import terminals

- 10 Concrete block plants
- 5 Fly ash processing plants

Principal products/activities



Revenue
€952m

EBITDA
€179m

Assets
€1,106m

Brazil (Joint venture)*

- 1 Cement plants
- 3 Quarries

- 5 Ready-mix plants
- 1 Grinding plant

Principal products/activities



*The joint venture in Brazil is incorporated in the financial statements using the equity method of consolidation.

In the non-financial performance overview and statements, the joint venture in Brazil is not included.



Southeastern Europe

Cement plants

1. Kosjeric – Serbia
2. Zlatna – Bulgaria
3. Sharr – Kosovo
4. Usje – North Macedonia
5. Antea – Albania



Eastern Mediterranean

Cement plants

1. Tokat

Grinding plant

2. Marmara



Cement plants

1. Alexandria
2. Beni Suef

Greece & Western Europe

3 27

Cement plants Quarries

28 3

Ready-mix plants Import terminals

1 1

Grinding plant Dry mortar plant

Principal products/activities



Revenue
€245m

EBITDA
€12m

Assets
€640m

Southeastern Europe

5 19

Cement plants Quarries

6 1

Ready-mix plants Processed engineered fuel facility

Principal products/activities



Revenue
€263m

EBITDA
€77m

Assets
€483m

Eastern Mediterranean

3 15

Cement plants Quarries

6 2

Ready-mix plants Processed engineered fuel facility

1

Grinding plant

Principal products/activities



Revenue
€150m

EBITDA
€-1m

Assets
€634m

Principal products/activities key:



Number of operational units of all regions as calculated for non-financial performance reporting purposes at Group level

About USJE

Cementarnica USJE AD Skopje (USJE), part of TITAN Cement Group, was founded in 1955 and today is one of the largest domestic companies with a significant contribution to the country's development. Operating a cement plant, a ready-mix and aggregates plant and three quarries, it employs about 244 direct employees and it creates job opportunities for more than 200 indirect employees through partnerships with local suppliers and contractors.

With the aim to achieve balanced, responsible and sustainable long-term growth, and to increase the value it shares with

its stakeholders, USJE continuously invests in environmental management initiatives, new technologies and social programs. By actively participating in local collaborations and partnerships it contributes to local and global efforts to address sustainability challenges under the framework of the UN Sustainable Development Goals for 2030.

Since 2008, USJE has participated in the local network of the UN Global Compact (UNGC).

One governing objective, common values

TITAN governing objective

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

Our values

We have adopted TITAN values that are at the core of who we are; they guide our strategy and provide the foundations for all our operations. They have provided our people with a strong bond and supported the growth that has sustained us for over half a century, stemming directly from the principles, beliefs and vision of TITAN founders back in 1902. They remain the solid basis of our culture and family spirit.



Our values are ingrained in the Group's ethos – the Greek word for 'character' or 'spirit' – that guides the way we conduct our business with respect, accountability and responsibility.

Our products

We draw on, transform and add to our capital resources to provide our products and services and achieve sustainable business growth, creating value for all our stakeholders and contributing to the attainment of the global Sustainable Development Goals.

Types of cement we produce in USJE:

CEM I 52,5 N

CEM II/A-V 42,5 R

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

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

MC5 - USJEMAL/SHARRMAL

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 fine powder.

READY-MIX CONCRETE

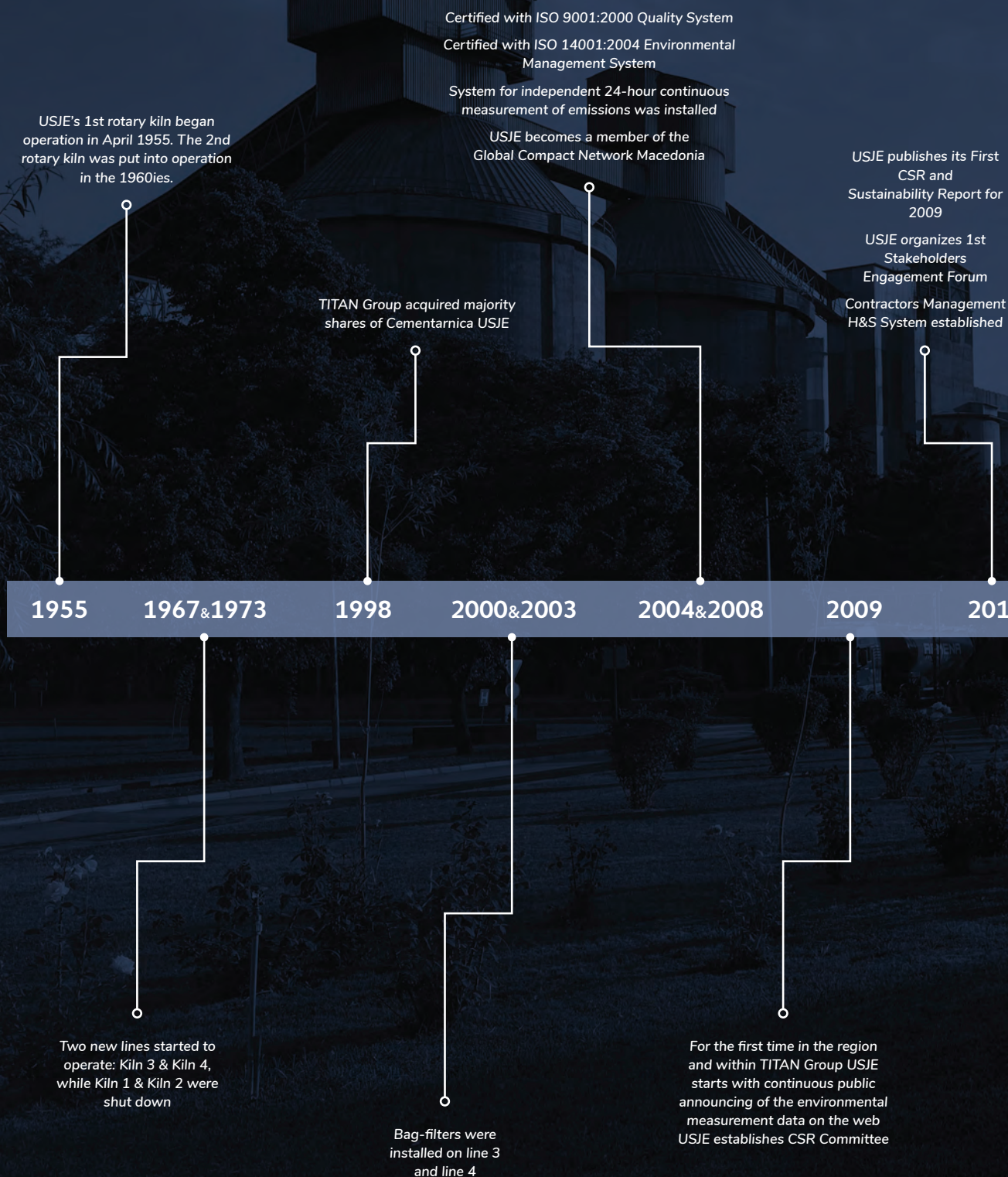
Ready-mix concrete is made from cement, aggregates and water to produce a durable product that can be set in a variety of formats. It is typically mixed at the production plants to specification and then transported to construction sites.

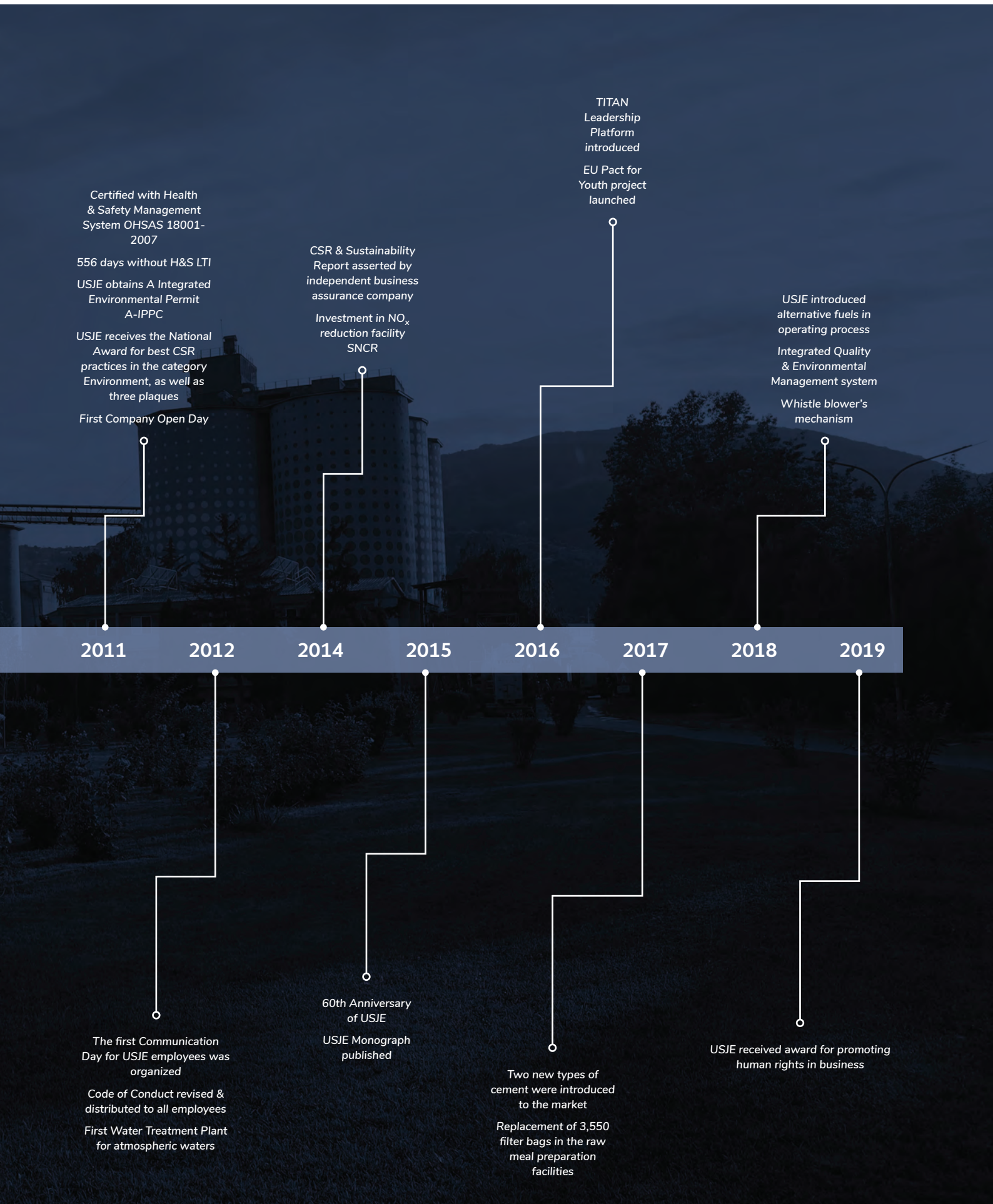
AGGREGATES

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.



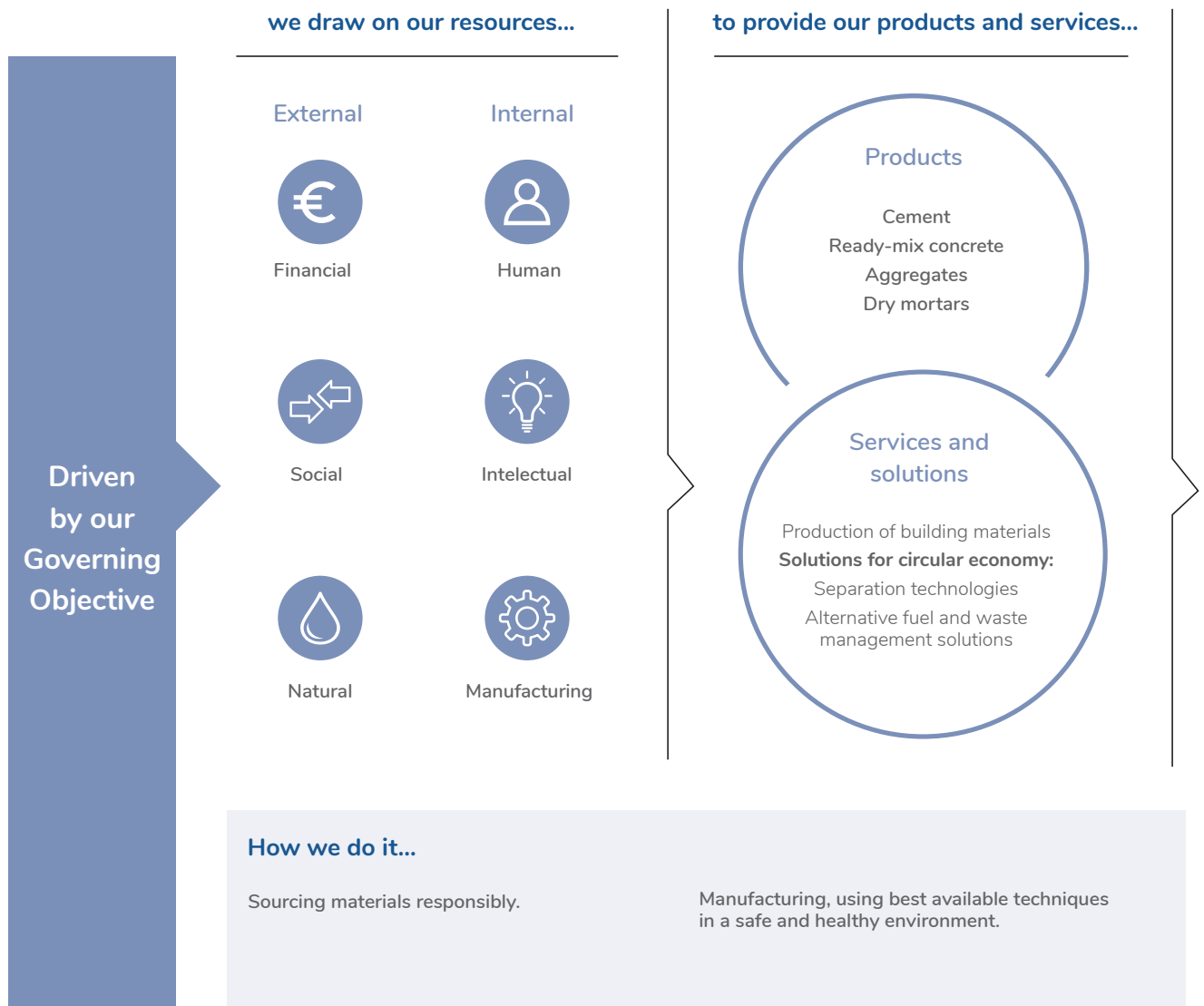
USJE milestones



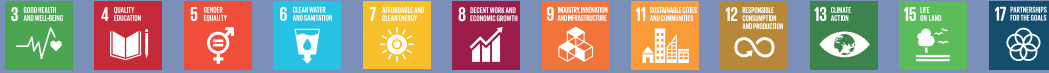


Delivering value for all

We draw on, transform and add to our capital resources to provide our products and services and achieve sustainable business growth, creating value for all our stakeholders and contributing to the attainment of the global Sustainable Development Goals.



The values we create contribute to the following UN SDCs 2030:



and to create value...

for our stakeholders

Economic

- Company's growth
- Tax contributions
- Return to shareholders
- Value chain

Examples of value created

MKD 208 M in investments for Company's future growth

MKD 404 M in taxes to national and local authorities

MKD 4,400 M total spend to suppliers, local and international for goods and services

MKD 1,826 M value added

MKD 1,677 M net value added

- Business partners and suppliers
- Customers
- Capital lenders
- Employees
- Local communities
- Non-governmental organizations (NGOs)
- Regulators, authorities and governments
- Shareholders – investor community

Environmental

- Avoided emissions/avoided resource consumption
- Contribution to circular economy

Examples of value created

MKD 40 M in Green investment

Social

- Jobs, professional skills and productivity
- Contribution to communities

Examples of value created

MKD 291 M in salaries (contributions to) pensions, and social benefits, including additional benefits beyond those provided by law

MKD 2.5 M in investment for training of direct employees as total expenditures

20 new hires (**8.2%** of total employment)

33 internships

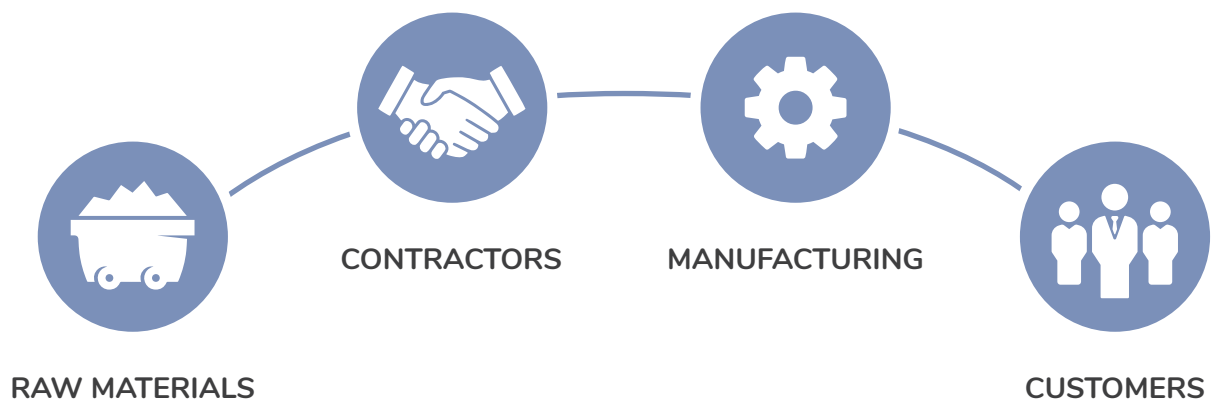
MKD 17.8 M in support to community projects

Servicing our customers and partners. Sharing expertise to enhance the value we create.

Engaging in collaborative projects and sharing know-how to make a positive impact on society and local communities.

Contributing to circular economy, by applying the principles of "reduce, recycle, reuse, recover".

Value chain



Focus on material issues

We engage with our stakeholders to improve our understanding of their diverse needs, expectations and concerns. This enduring and inclusive process helps us to build trust, foster collaboration and deliver on our sustainability commitments. USJE recognizes that conditions with respect to the identification and prioritization of Material Issues for the internal and the external stakeholders were changed since the previous cycle of the Materiality Assessment in our Company during 2018. New conditions include of course the impacts of the public health crisis due to the COVID-19 pandemic in 2020. In 2019, the decision of TITAN Group, was to open a new cycle of materiality assessment, the outcomes of which will be presented in the Integrated TITAN Group Annual Report 2020.

In 2016, we conducted a materiality assessment and linked our material issues to the Sustainable Development Goals (SDGs), established by the UN to achieve long-term growth and development by 2030.

In 2018, when we introduced our 2020 sustainability targets, we went a step further, starting aligning the targets set not only with our material issues but also with core and complementary UN SDGs 2030.

The launch of the new materiality assessment has been an opportunity to upgrade and further develop internal process with the use of SASB Materiality Map. The outcome of this process will be reported in our 2020 Annual Sustainability Report.

Our approach to stakeholder engagement and materiality

Our materiality assessment is an ongoing, inclusive process based on stakeholder dialogue. The feedback received from our key stakeholders of the Group in 2019 reaffirmed that the process we follow provides reliable results and that the issues currently addressed in the Annual Sustainability

Report meet stakeholders' expectations. Moreover, stakeholders responded positively to our efforts to align future sustainability targets with our material issues and the UN SDGs 2030.

Our key stakeholders:










- employees
- business partners and suppliers
- customers
- local communities
- non-governmental organizations (NGOs)
- regulators, authorities and governments
- shareholders and investor community

We seek feedback from key stakeholders through:

- one-to-one meetings
- online surveys
- opinion surveys
- thematic forums
- grievance mechanisms (yellow boxes and EthicsPoint as of 2020)

Our most material issues

The information below summarizes the outcomes of the materiality assessment process:

Material issue	Priority level	Importance to Stakeholders		Correlation to SDGs
Health and Safety	1		<ul style="list-style-type: none"> • Health and Safety • Environmental Management • People Management and Development 	
Environmental Management	2			
People Management and Development	3			
Sustainability of Communities	4			
Customer Relations and Satisfaction	5			
Political and Social Instability	6			
Governance and Transparency (incl. Ethics)	7		<ul style="list-style-type: none"> • Governance and Transparency (incl. Ethics) • Supply Chain • Climate Change and Energy 	
Supply Chain	8			
Climate Change and Energy	9		Importance to USJE	



Company performance



Financial performance

Non- financial performance

Health and safety

Our people

Our business partners – customers & suppliers

Environmental performance

Contributing to sustainable communities

Financial performance

2019 was another year of stable, solid performance for Cementarnica USJE. The company's turnover increased by over 8% compared to 2018 to MKD 4,632 M. The EBITDA increased by 20.4% compared to 2018.

Turnover 2018: 4,269 mil MKD 2019: 4,632 mil MKD	EBITDA 2018: 1,288 mil MKD 2019: 1,547 mil MKD	NPAT: net profit after tax 2018: 1,048 mil MKD 2019: 1,274 mil MKD
CAPEX 2018: 277 mil MKD 2019: 208 mil MKD	ROCE (EBIT/Capital Employed) 2018: 35.24% 2019: 46.70%	Earnings per share 2018: 1,860 MKD 2019: 2,260 MKD

Sales volume

Cement 2018: 942 k tones 2019: 952 k tones	Ready mix concrete 2018: 13 k m ³ 2019: 62 k m ³	Aggregates 2018: 93 k tones 2019: 88 k tones
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Non-financial performance

USJE has further improved its performance in Sustainability during 2019, in specific in the areas of H&S and environmental protection, as presented in the Sustainability KPIs Index (see Appendix). Our commitment for the continuous improvement with respect to Local Impacts, and our continuous engagement with our Key Stakeholders with specific initiatives and actions which aim at strengthening the Sustainability of Local Communities are crucial elements of our Business Strategy.

Under this framework USJE has achieved most of its Targets with horizon 2020, for the Environmental and Social Performance, thus positively contributing to the achievement of the respective TITAN Group Targets 2020.

Future outlook: A new target-setting process is underway in 2020 on Group level and also on company level, for committing to new Targets for Sustainability with horizon 2025. One of the key areas for the Sustainability performance of USJE is the contribution to the Sustainability of our communities.

In this respect, and as published in the TITAN Group IAR 2019 (page 78):

“In 2019, we continued to analyze our impact at local level and we expanded the methodology provided by UNCTAD to estimate local spend.

Setting criteria aligned with our business model and sustainability strategy to encourage the focus on material issues in our community engagement initiatives, we launched a new web-based platform for self-assessment of all actions already taken following stakeholders feedback.”

USJE will be active participant to the assessment of our initiatives and actions for Community Engagement in 2020, by responding with input inside the Group platform, being a new module of the Group data collection system (TITAN Group CSR Databank).

Health & Safety

Committed to a healthy and safe workplace

Health and safety is our top priority issue, affecting our employees and contractors every day, as well as their families and communities. We concentrate our efforts on continuously monitoring and improving our health and safety performance, ensuring that all our employees and contractors have the correct knowledge, skills and experience to perform their jobs safely. We also urge our suppliers and other business partners to adopt a similar approach. Our Group Occupational Health & Safety (OH&S) Policy covers all activities within our management control, with clear responsibilities and accountabilities at all levels of management. TITAN's Group Health and Safety Policy provides assessment of all incidents, proactive planning, the setting of specific targets, safety training and the monitoring of progress. Health monitoring of employees is performed regularly. Meeting periodically, the Central H&S Committee, chaired by the Chief Executive Director, oversees the policy's application, assesses progress and designs strategy.

We strive continuously to improve our H&S indicators and enrich our activities and initiatives. In 2019 we increased the number of safety walks (59 vs 38 in 2018) and field verifications (150 vs 0 in 2018) demonstrating the management engagement and commitment. The

systematic approach to more complex jobs is visible through the number of Safe Work Plans (33 vs 13 in 2018).

The number of training hours of our employees reached 14.4 hours per employee, while training hours for contractors has increased from 3.99 hours in 2018 to 5.96 hours per employee.

This year we had 3 insignificant LTIs, two of contractors, and one of our employee. Additionally, we had 21 Near Misses and Potentially Fatal Occurrences (PFOs).

The Group H&S team performed 4 audits, audits have also been made by the OHSAS Certification Body, internal auditors of the OHSAS system and the Ministry of Labor. Auditors identified positive trends, but also areas for improvement. The Root cause analysis of the gaps is mainly related to: Leadership and supervision; Hazard recognition and mitigation; Standards, procedures, documentation and knowledge.

Upon the Group 360 Review, focus was given on the system of permits as a crucial tool to improve the leadership and hazard recognition and mitigation. The common efforts on all levels resulted in visible improvement recognized during the Group Annual Audit.

At the end of the year we started the process of transition from OHSAS 18001 to the relevant ISO 45001 standard.

Health & Safety improvements

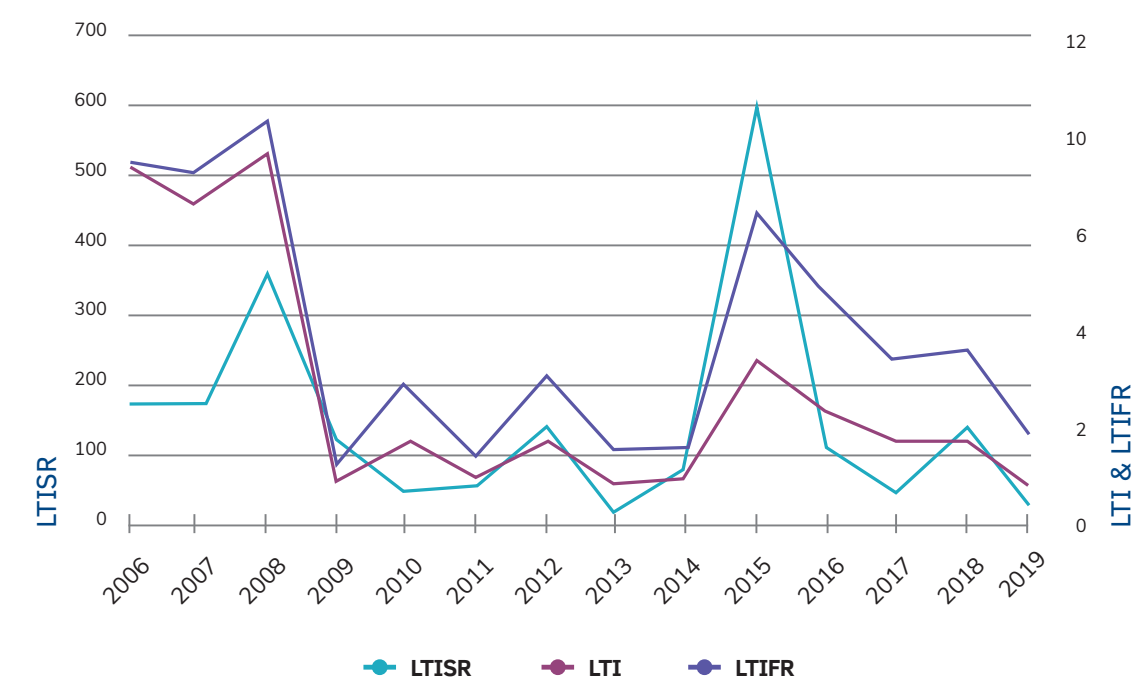




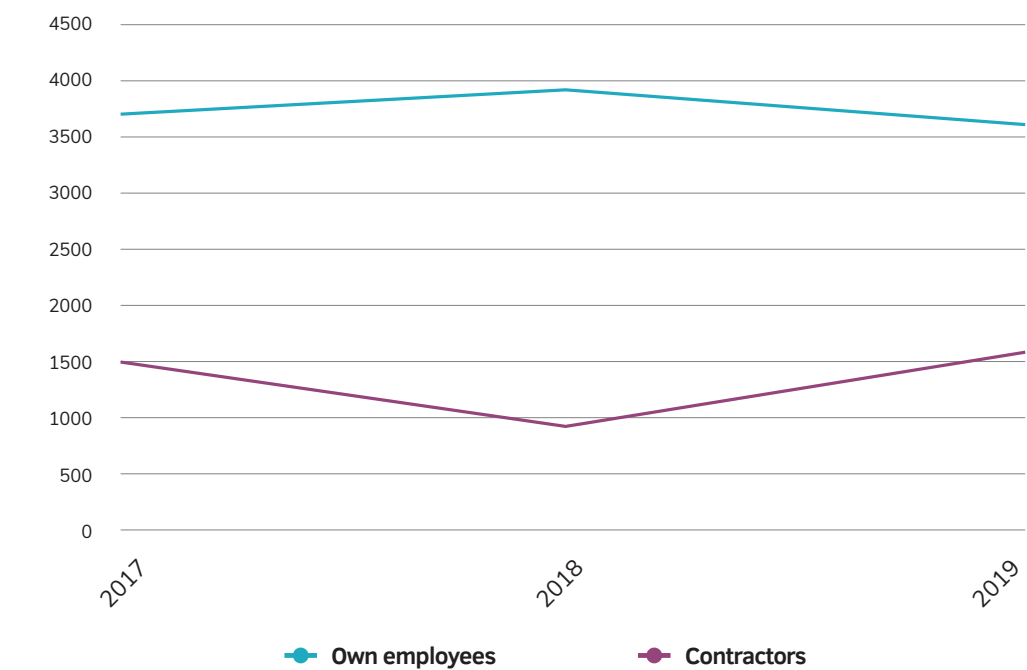
Health & Safety indicators

Objective	No	INDICATOR	TARGET 2019	RESULT 2019	RESULT 2018	TARGET 2020
ZERO fatalities and decrease LTIs	1	Number of reportable fatalities (full year) – Direct Employees	0	0	0	0
	2	Number of reportable fatalities (full year) – Contractors	0	0	2	0
	3	Number of accidents (full year) – Direct Employees	0	1	2	0
	4	Number of accidents (full year) – Contractors	0	2	3	0
	5	Fatality rate – Direct Employees	0	0	0	0
	6	LTI Frequency Ratio – Direct Employees	0	2.27	4.23	0
	7	LTI Frequency Ratio– Contractors	0	3.70	6.57	0
	8	Severity Ratio – Direct Employees	0	33.98	152.29	0
Hazard identification and active participation of all levels	9	Near Misses	30	21	30	30
	10	Investigated incidents (number)	100%	100% (29/29)	88% (35/40)	100%
	11	Number of SIF/PSIF	n/a	n/a	n/a	0
	12	% of analysed incidents for SIF/PSIF	n/a	n/a	n/a	100%
	13	Safety Audits Completion Ratio (number)	100% (36)	100% (36)	100% (36)	100% (36)
	14	Safety Walks Completion Ratio (number)	100% (60)	98% (59)	63% (38)	100% (60)
	15	Recommendations, Remarks & Corrective Actions Closed Out	>85%	84%	75.3%	>85%
Knowledge and competence	16	Training Hours per worker [direct + indirect] (number)	11	10.08 (5123)	9.78 (4765)	11
	17	Training Hours per worker [direct only] (number)	14	14.39 (3579)	14.69 (3873)	14
	18	Training Hours per worker [indirect only] (number)	6	5.96 (1544)	3.99 (892)	6
Leadership and supervision	19	Verification of correctness of implementation of the 5 cardinal procedures (number)	250	150	/	150
	20	Success factor of done verifications	100%	78.4%	n.a.	100%

Health & Safety ratios (historic trends)



Health & Safety training hours





Our people

The responsibility to respect human rights requires that business enterprises have in place policies and processes through which they can both know and show that they respect human rights in practice.

United Nations Guiding Principles on Business and Human Rights

Employment

Cementarnica USJE has always been a people driven organization. We recognize the importance of being a responsible employer and we build long-term relationships with both direct and indirect employees, founded on mutual trust, reliability and shared values. We continued to run training programs focused on improving management capabilities for living our values.

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 and Titan Leadership Platform.

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, but also a critical part of implementing our business strategy. Participation of female employees in top management and provisions to support age diversity remain important priorities. In USJE in 2019, 25% of our managers were women. 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.

Employee engagement and well-being

In 2019 TITAN Group organized and implemented Employee Survey across all of its business units. The employee survey in USJE was very successful with 93% response rate by the employees and their willingness to share their opinion and views. The company Management communicated the results of the survey to all employees at a Communication day. Following the analyses, the Company will prepare an Action Plan which will be implemented in 2020.

Aiming to improve the health and well-being to our people USJE in 2019 provided private medical plan for our people. This is in addition to the preventive medical checks (cardio, mammography, therapy-spa, etc.) that USJE provides for improving the health and well-being of its employees.

We continued introducing the UniTe People, our digital Group-wide Human Resources Management System that provides united HR management and digital development of our people and processes.

Two Communication Days with all employees were organized in 2019. At the first communication day, the business strategy and results of TITAN Group and USJE in the recent period, as well as the future strategy and plans together with the benefits of introducing alternative fuels were presented and discussed. The event continued with a ceremony of presenting employees with jubilee awards for their 40, 30, 20 and 10 years of service in the Company. This year there were 40 employees with jubilee awards. The second communication day was dedicated to communication of the results of the 2019 employee survey.

USJE participated in Skopje marathon

USJE employees participated in team building race of 5 km and in half marathon race of 21km, which took place within the Skopje Marathon on May 4th, 2019. More than 20

employees from USJE successfully completed the marathon and reached the target, achieving solid results. This whole event was attended by over 12.000 competitors and was great way for improving the team spirit and a wonderful experience for our team members.





Number of employees at December 31 2019

TOTAL 2019*		Total number of Direct employees at December 31:
F	M	244
40	204	Total number of contractors at December 31:
		334

Employees per age and gender

TOTAL 2019*		<30		30-50		50 and above	
F	M	F	M	F	M	F	M
40	204	6	15	22	78	12	111

*Number on 31/12/2019 not including USJE expatriates working in other countries in Titan Group

Number of direct employment per category and gender

	F	M
Senior Managers	-	2
Managers	5	13
Administration/Technical	17	38
Semi-skilled/Unskilled Labour	18	151

Percentage of women in management

Male	Female	Total	Female %
15	5	20	25%

Employees' turnover

	Breakdown by age and gender (As of Dec 31 2019)					
End year employees / Total empl. Left / Turnover	F			M		
	<30	30-50	50 and above	<30	30-50	50 and above
2443213%	1	4		2	5	20

New hires

NEW HIRES 2019			
F		M	
<30	30-50	<30	30-50
1	3	8	8

Collective bargaining and unionization

Labour rights are a material issue for all employees, regulators and communities. TITAN Group ensures the freedom of association of employees. Unions, when established by employees, participate in bilateral meetings with management on a yearly basis, as well as stakeholder dialogue that addresses strategic issues within the framework of sustainable development. Union representatives have the right to meet with line management to discuss their concerns and suggest improvements, and to negotiate agreements on different issues, such as wages and additional benefits, and proposals to improve health and safety conditions. USJE has signed Collective Bargaining Agreement with the company Union and in the same time respects the General Collective Agreement for the business sector.

Employees from local community

	F	M	Total
Local	10	65	75
Non-Local	30	139	169
Total			244

Unionized employees

Unionized	No	Yes
F	22	18
M	50	154
Total		172





Protecting human rights

In TITAN and Cementarnica USJE, respect and promotion of human rights is rooted in every area of our operation, with all our stakeholders, our people, our value chain and communities. Our Human Rights Policy is aligned with the Ten UNCG Principles, ILO conventions, the Universal Declaration for Human Rights and the UN Guiding Principles on Business and Human Rights. Within this engagement, we aim to promote respect for human rights within our areas of influence. These include: respect for the freedom of association; the valuing of diversity; equal opportunities for all; the elimination of all forms of discrimination; and consideration of human rights in investment decisions.

On a regular basis, through specialized workshops, our management team, in cooperation with TITAN Group directors and experts, examine exposure to human rights abuses, labor rights conflicts as well as all relevant issues and potential risks.

TITAN's Code of Conduct and People Management Framework adopted by USJE, was translated into the local language and distributed to all employees and a specific training was delivered by the company. All employees received training on the Code of Conduct and on people's rights arising from the law against workplace harassment.

USJE has adopted a Rulebook for Whistle-blowers Protection since 2018. It aims to make available to all our people safe mechanism to report their concerns and grievances and to protect their rights in this process. All our employees were trained on their rights related to whistle-blowers protection and human rights.

All new employees during their formal inductions are provided with the TITAN Code of Conduct and human rights related training and receive written material (brochure and info-guide) on the above three subjects.

In 2020, TITAN Group will launch EthicsPoint as Group-wide platform to report work-related concerns with confidentiality and to help promote ethical behavior across the Group via phone or on-line.

Furthermore, we engaged in the "Promoting Business and Human Rights Principles" project funded by the Delegation of the European Union to the country, implemented by the NGO Konekt, which is also Secretariat of the UN GC Local Network, in partnership with the Business Confederation. Through the project scope and activities (assessment study, expert presentation, communication, etc.) USJE contributed to further promotion of human rights and UN Guiding Principles in the country. TITAN's Senior CSR Director was a keynote speaker at the Guiding Principles on Business and Human Rights Conference in Skopje, in September 2019.

As a recognition, in 2019, USJE received an award for its engagement for Human Rights Promotion in Business.*

This award is given for the first time in our country.

Risk and opportunities identification and assessment is an integral part of our HR management processes, helping to safeguard the long-term sustainability of our business, and is conducted on regular basis.

* More information can be found in the Awards and recognitions section

People development

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.

Total trained employees by country per gender 2019

Employees end of 2019	Total Employees Trained	Male Employees Trained	Female Employees Trained	% of trained women in trained employees	% of trained women in total employees
244	262	220	42	16.03 %	17.21 %

Training hours per subject 2019

	Total Hours
Company On-boarding	1072
Compliance	134
CSR & Sustainability	477
Digital	821
Environment	755
Functional Competence	540
Generic Competence	491
Health & Safety	3579
Managerial skills	722
Other	86
Technical know-how	1298
Totals:	9975



Total training man-hours and man-hours per employee 2019

	Total training hours	Total training hours for Males	Total training hours for Females	Total Employees end 2019	Men	Women	Average training hours per male	Average training hours per female	Average training hours per employee
Total	9,975	7,464	2,511	244	204	40	37	63	41

Total training investment country per gender 2019

	Total training investments for male employees	Total training investments for female employees	Total
Total	34,406 €	6,616 €	41,022 €

Total training hours of contractors 2019

Total training hours of contractors
1,544



Our business partners – customers & suppliers

Supply chain sustainability

TITAN recognizes that supply chain sustainability is a key component of corporate responsibility and can contribute significantly to value creation and distribution at local, regional and global levels. Consequently, we promote the inclusion of sustainability requirements for the evaluation of our suppliers aspiring to cover all sustainability areas, including environment, health and safety, as well as human rights, labour rights and working conditions. We actively seek business partners that have also committed to apply the UNGC Ten Principles within their sphere of influence.

The TITAN Code of Conduct for Procurement guides the selection, management and evaluation of suppliers. Quality, reliability, flexibility and location of business are considered key criteria for this process.

The contracts with our suppliers and contractors include clauses related to contractors' obligation to respect health & safety, anti-corruption, labour & human rights, and environment standards and regulations for which they sign a declaration. USJE's Contractor Management System ensures safe operation and behaviour of contractors on our site. The project owner in USJE then monitors the compliance and observation of the contract by the respective contractor and reports to the Central Committee.

Committed to customers

To facilitate an easier access to information and to simplify the delivery process, USJE has developed a new customer interface in the web and on smart devices, called "TitanUp". The web application is intended to allow customers to place orders, to check delivery status, to review the loading history, to download financial and material statement reports, to check their credit status and to monitor their financial condition. Additionally, striving to enact a positive change and to deliver value not only by improving the product quality but also interaction and services, we have developed an easy to use mobile app for Android

and iOS. The mobile application was creatively designed by an external software company allowing customers to easily navigate through it. To enable fast, modern and unobstructed loading of cement this solution will facilitate our efforts for saving and respecting the customers' time. The application is available for Android; the iOS version will be launched in 2020. Both the web and mobile versions will be further developed and adapted to customer-specific requirements.

Our long-term experience enables us to share the knowledge and to provide our customers (mainly to RMC units) with professional advice about product usage and optimization of the concrete recipes. Over the past year, in order to retain them and keep them satisfied, we continued to develop and improve our product quality in close consultation with them and by on-site visits to support the customers' concrete production process conducted by the sales team or key employees from other related departments.

Aiming to contribute to the environmental protection by decreasing the packaging waste, we continued with our best practice for technical support of RMC units by providing the silos for bulk cement storage free-of charge.

Trying to remain truly connected with our customers, to identify their needs and concerns and to improve the existing process, we continued our successful collaboration with the customers and we conducted our annual customer satisfaction survey. Approximately 140 customers were asked to fill in the questionnaires and to express their opinion about overall cooperation and satisfaction with USJE. The results once again confirmed that USJE is still high-rated producer and cement supplier at the market. This sustained satisfaction can be partly attributed to our commitment to deliver excellence in product and services and to our people who are highly committed to support and assist customers in finding and implementing the solutions that best fit their needs.



Environmental performance

We are continuously improving our environmental performance, concentrating our efforts on tackling climate change, improving our energy efficiency, using natural resources responsibly and contributing to the circular economy.

USJE Cement plant continuously strives to address the defined environmental challenges. In this area, we are fully implementing TITAN policies which guarantee sound and transparent environmental management according

to the international best practices. Monitoring, measuring, reporting, cooperating, continuously acting and improving is how we address environmental issues.

Objective	Results 2019	Target 2020
Water consumption (EP07L)	292.9 lt/cement	USJE remains committed to sustaining the current level of excellence in environmental performance with respect to this objective
Dust emissions (EP31L)	2.49 mg/Nm ³ for Kiln 3 and 6.03 mg/Nm ³ for Kiln 4 or 1.84 t/year and 6.91 t/year, respectively	<10 mg/Nm ³
SOx emissions (EP33L)	3.27 mg/Nm ³ for Kiln 3 and 12.06 mg/Nm ³ for Kiln 4, or a total of 2.42 t/year and 13.82 t/year respectively	<20 mg/Nm ³
NOx emissions (EP32L)	354.99 mg/Nm ³ for Kiln 3 and 527.83 mg/Nm ³ for Kiln 4, or total 262.36 and 604.85 t/year respectively	<600 mg/Nm ³
Participate in at least one global and national environmental protection and climate change initiatives	"Earth Hour", "European Mobility Week", "Let's Do It", and others.	Increase the level of awareness related to environmental protection and climate change



Our approach to environmental management

Protecting the environment and preserving natural resources are key to our sustainable business model. We are always looking to make our operations as efficient as possible, and to continuously improve in areas with potential environmental impacts, such as water and energy use, local biodiversity protection, waste management and emissions abatement.

In 2019, our Group published a revised Group Environmental Policy, including climate change mitigation and adaptation, signifying a more holistic approach towards environmental sustainability.

Our efforts to tackle climate change

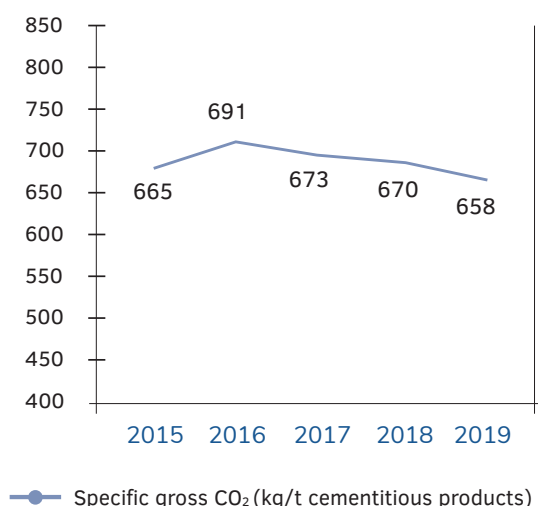
Climate change is a pressing global challenge and a material issue for USJE and our stakeholders. We have adopted a strategy to mitigate our CO₂ emissions by investing in innovative technologies and alternative materials. In 2019, TITAN rolled out the CO₂ Initiative, establishing a unified approach and introducing a consistent methodology to

align all our mitigation activities. These activities focus on energy efficiency; the increased use of alternative fuels; the evaluation and prioritization of activities related to CO₂ abatement at a Group and local level; and the monitoring and leveraging of new technologies.

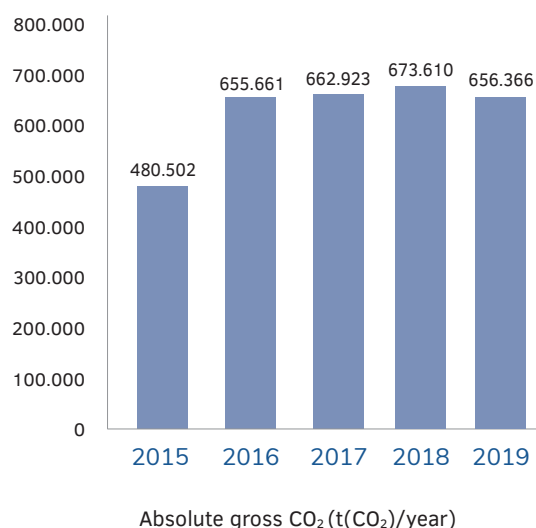
The total emission of gross direct CO₂ is a sum of direct emission (calcination of material, usage of fuels), and indirect emissions (usage of electricity).

As part of TITAN Group, we follow the GCCA protocol¹ (previous WBCSD/CSI) for calculating and reporting CO₂ emissions. In accordance with this protocol, the calculating and reporting of CO₂ and energy is done on a regular basis, despite the fact that this is not a legal requirement in the Republic of Macedonia. In 2019, USJE's total gross direct CO₂ emissions were 0.656 million tons, while the specific gross direct CO₂ emissions were 657,7 kg CO₂/t cementitious product (EP18L) which is 1.77% lower compared to 2018. The reduction in the specific gross CO₂ emissions is due to the increased use of alternative fuels, introduction of new types of cement and decreased clinker to cement ratio compared to 2018.

Specific gross direct CO₂ emissions



Absolute gross direct CO₂



1) GCCA Sustainability Guidelines for the monitoring and reporting of CO₂ emissions from cement manufacturing, edition 2019



Supporting the circular economy

We are committed to promoting practices that are aligned with the principles of the circular economy, and have recognized their importance in our revised Group Environmental Policy. Such practices include the use of alternative low-carbon or carbon-neutral fuels, and the use of alternative raw materials, essentially enabling a reduction in the use of natural, non-renewable resources. Co-processing products of different waste streams in our operations (such as biomass, municipal and other inert waste materials) is not only an environmentally responsible and efficient way of reducing our carbon footprint, but also enables solutions based on the principles of the circular economy.

The use of alternative raw materials in the production of clinker and cement started in the end of 2018 with possibility to replace up to 15% of the conventional fuels with using alternative fuels. The alternative fuels used in one out of two kilns in 2019 were refused derived

fuel (RDF) and biomass from agricultural waste (rice husk), while selected waste from the textile industry will be introduced in near future. USJE managed to replace approximately 8% of the conventional fuels used in one rotary kiln, or approximately 3.5% thermal substitution from the total fuels used in the kilns.

Prior to start of the utilization of alternative fuels, USJE prepared a detailed environmental impact assessment study, made comprehensive market research for possible sources both on domestic and international market, prepared and received license for import of alternative fuels, and established cooperation with local companies that can supply us with a variety of alternative fuels. In order to inform all our stakeholders, USJE organized informative meetings, workshops, and plant visits with all stakeholders.

Environmental benefits:

- Reduction of the use of non-renewable (fossil) fuels and raw materials
- Reduction of greenhouse gases
- Energy recovery instead of disposal (waste hierarchy)

Benefits for the society:

- Promote solid waste management policy for societies – avoidance of land disposal or incineration and accompanying emissions (air, land, water).
- New employment opportunities/focus on local-regional level

USJE has a permit for using alternative fuels in accordance with the national legislation

USJE has installed state of the art equipment for dosing of alternative fuels from the supplier "Schenck"

In 2019, USJE achieved ~8% substitution (thermal basis) with alternative fuels on kiln 4

With this USJE offers a solution for solving local environmental challenges

Cement factories as technology are most suitable to use waste as an alternative fuel

Titan Group has extensive experience in using alternative fuels

Monitoring emissions

Monitoring of the air emissions from our operations is a precondition for controlling and reducing environmental impacts.

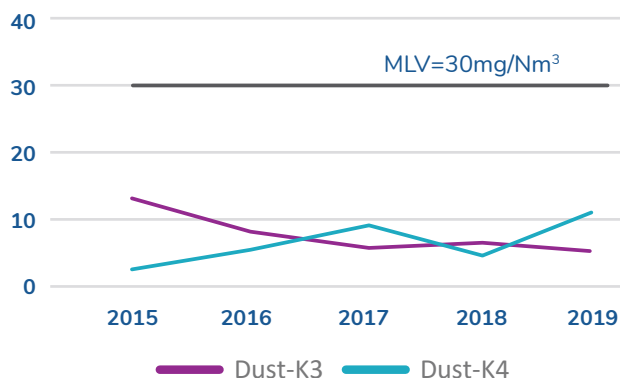
This enables the company to closely monitor the emissions on real-time basis and take action accordingly. At the same time, it gives interested stakeholders regular, updated information on our performance. At our initiative, results from the monitoring are presented at USJE's web page as monthly emission reports from the main emission sources. USJE plant is reporting in accordance with the Guidelines for Emissions Monitoring and Reporting².

Total emissions in 2019		
Dust	t/year	8.75
NO _x	t/year	867.21
SO _x	t/year	16.24

Dust

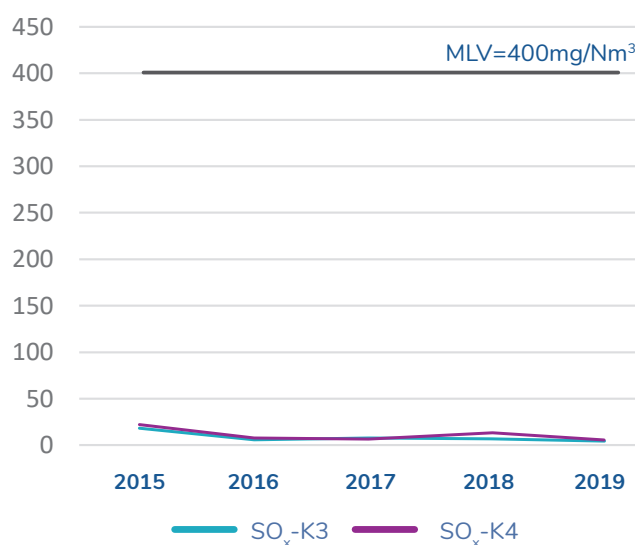
At cement plants, major dust emission sources are kiln stacks. In 2019 the emissions of dust were 1.84 tons for Kiln 3 and 6.91 tons for Kiln 4, respectively per year. Dust emissions are many times below the limits (MLV) set by the environmental terms and conditions of both local and EU legal requirements. The average concentration of dust for Kiln 3 is 2.49 mg/Nm³ and for Kiln 4 is 6.03 mg/Nm³. The MLV is 30 mg/Nm³.

*MLV – Maximum Limit Value



SO_x

The presence of Sulphur (S) in raw materials is the primary cause of SO_x emissions. USJE's SO_x emissions are substantially below the limits (MLV) set by the applicable local and EU regulations. For 2019, the average concentration of SO_x for Kiln 3 is 3.27 mg/Nm³ and for Kiln 4 is 12.06 mg/Nm³, while the MLV is 400 mg/Nm³. In 2019 our activities resulted in SO_x emissions of 2.42 tons for Kiln 3 and 13.82 tons for Kiln 4, respectively. Reduction of SO_x emissions on both Kilns is result of implementing selective exploitation in the Marl Quarry.



2) GCCA Sustainability Guidelines for the monitoring and reporting of emissions from cement manufacturing, edition 2019



NO_x

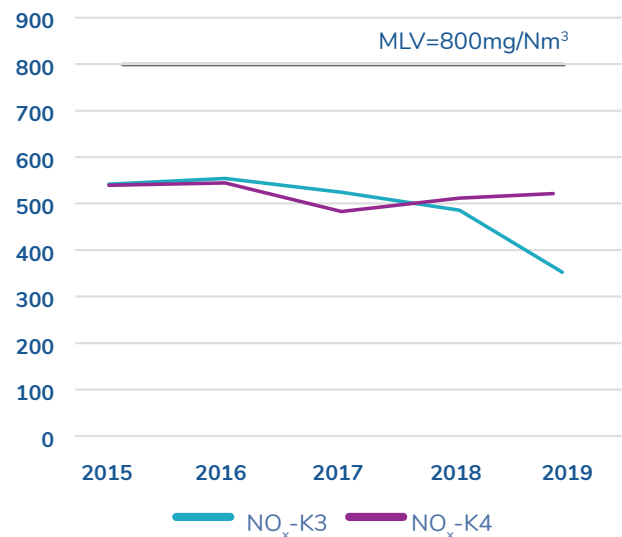
Combustion at high temperatures leads to NO_x emission. In 2019 NO_x emissions were 262.36 tons for Kiln 3 and 604.85 tons for Kiln 4 respectively. The overall NO_x emissions were within the limits (MLV) set by the local and EU legislation. The average concentration of NO_x for Kiln 3 is 345.99 mg/Nm³ for Kiln 3 and 527.83 mg/Nm³ for Kiln 4, while the national MLV is 800 mg/Nm³. Reduction of NO_x emissions on both kilns is the result of using different types of fuels, and using the installation for selective non-catalytic reduction (SNCR). This new technology is used in our plant as a method for reducing the emissions of nitrogen oxides since 2014.

Energy efficiency

In 2019, several projects for improvement of energy efficiency were implemented, such as replacement and modernization of indoor and outdoor lighting, insulation of administrative buildings as part of the proposed measures from the Detailed Energy Audits for buildings, and several activities for improvement of the efficiency of the compressed air production and network. Also, in 2019 we started the implementation of an energy management system ISO 50001:2018, which is expected to be finished and certified in 2020. The project for improvement of the energy efficiency in the plant is continuing in 2020 as well, with activities proposed in the Energy Efficiency Study, and Energy Audits of the buildings and activities proposed from ISO 50001.

Noise minimization

Following our endeavour to do more good and minimize our footprint, despite that the noise generated by our operations is below the legal limits, in 2019 USJE in cooperation with the Faculty of Natural and Technical Sciences in Shtip conducted a second Follow-up Study for Noise Minimization in the vicinity of USJE Cement Factory, including an Action Plan. Within the year 2019 priority measures were completed according to the Action Plan and investments for noise minimization will continue in 2020, as well.



Water management (EP29L)

USJE is using a so-called 'dry technology' for cement production, meaning that water is not used for the main production process. Technical water is used only as a cooling media and there are no waste water discharges from the production, in line with Guidelines for Water Reporting and Accounting³, which USJE adheres to. In 2019, USJE withdrew a total of 324,335 m³ of water, of which 284,650 m³ is ground water from our licensed dwellings, and 39,685 m³ from public municipal water network. The increased ground water consumption compared to previous years is because of use of this water for irrigation of the green areas in the plant and our target to maximize the green areas in the plant.

Our continuous efforts to protect water as a natural resource are reflected in the sustainable water management in the plant that includes:

- Use of water from the city water supplying network for sanitary purposes only
- Closed system for filtering and recycling technical waters (for cooling of the equipment)
- Separation of sewage from atmospheric waters and discharge in the city sewage network
- Re-use of open surface water from quarry collection point
- Collection of atmospheric waters and street spraying waters from the plant in open canals, and their treatment in the atmospheric waste water treatment plant before discharging in the recipient.

3) GCCA Sustainability Guidelines for the monitoring and reporting of water in cement manufacturing, edition 2019

Biodiversity and land management (EP10L & EP11L & EP12L & EP13L & EP14L & EP15L)

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. Both traditional and novel methods for reforestation are employed for quarry rehabilitation. All activities for quarry rehabilitation, and biodiversity management of sites are in line with the Guidelines on Quarry Rehabilitation⁴, and Biodiversity Management Plan (BMP) Guidance⁵.

We employ our best efforts to abate all kinds of impacts 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 part of the plant area has been transformed into a nursery producing planting material necessary for realization of the targets set in the Studies.

Within this project, in 2019 we planted a total of 28,893 plants. More than 314,000 trees have been planted by USJE or donated to third parties for planting since 1998. On final benches of the marl quarry 24,382 trees were planted, 672 trees were planted at the limestone quarry in Govrlevo, 3,000 trees were planted at the sand quarry in Vrlovica, and 839 plants (trees, flowers and bushes) were planted in the plant green areas.

The USJE operating sites will be part of the Group project in 2020 for the assessment of the status and the value of biodiversity in all Group quarries, with the use of the Integrated Biodiversity Assessment Tool (IBAT). Although our sites have not been recognized for high biodiversity value so far, this assessment will help USJE update the status and potential risks, so as to decide specific actions where appropriate.

Waste management (EP38L & EP39L)

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. Following best practices, the waste is separated at source, collected and temporarily

stored into a waste collection storage area. In 2019 we safely disposed around 3,241 tons of waste, of which 2,549 tons were internally reused or recycled. All leaked materials are measured, collected and returned to the process. With this action we have detailed analysis for handling all wastes generated in the plant.

4) *Guidelines on Quarry Rehabilitation, 2011. World Business Council for Sustainable Development, Cement Sustainability Initiative.*

5) *Biodiversity Management Plan (BMP) Guidance, 2014. World Business Council for Sustainable Development, Cement Sustainability Initiative.*



Contributing to sustainable communities

Making a positive impact on communities

We aspire to build transparent, long-term relationships with our local communities and create shared value. Through initiatives that include our people's participation and volunteerism, collaborations and know-how sharing, we aim to develop our distinctive approach to social engagement further.

In 2019, we continued to implement initiatives and participate in collaborative efforts that promote health and well-being, support quality education and develop the skills required in today's workplaces. Over the last three years, we have strengthened our efforts to enable partnerships and collaborations with educational institutions in the country.

Many of our employees (30%) as well as contractors and suppliers are members of our local communities. Together, we work to implement community engagement plans, which we regularly adapt and update to better address our stakeholders' needs and expectations.

We collaborate with local business partners, with more than 57% of our spend allocated to local suppliers who provide USJE operations with materials and services.

In 2019, TITAN continued to analyze its impact at local level and expanded the methodology provided by UNCTAD to estimate local spend. The Local Spend calculation was piloted first as a project in TITAN Greece operations, and before closing of 2019 the project was up-scaled and rolled-out in the Group, with consistent rules across the Group for the first time.

Youth Empowerment

Business-University Cooperation

In line with our continuous efforts to promote education of young talented professionals, as well as our commitment for close cooperation with educational institutions and the community in general, we undertake initiatives and support diverse projects related to talent development.

A 2019 case study was the second phase of the project on Empowering Youth Through Engagement with students and professors from the Faculty of Architecture at Ss. Cyril and Methodius University of Skopje. Aiming to take further care

for the well-being in our immediate community, in 2018 USJE initiated a project for reconstruction of the silos facades, in order to improve its visual impact of some of the buildings and installations that are most visible to the wider community.

Intending to involve more students that would take on the opportunity to work on a real project, together with the Faculty, we opened a student competition for students to propose ideas and solutions for improving the visual impact of the silo facades. A total of 25 students in teams or individually participated in the competition, whereupon a Committee comprised of representatives of USJE's management team and Faculty professors selected the two winning teams which proceeded with proposals for implementation of the design and the project solution and the actual silo facade reconstruction was implemented in 2019.

Through this project, students participated in a real case of restoration of industrial buildings and gained competence and practical experience.

This project case was published in the UNGC Bulletin issue of November 2019 titled Navigating the Future of Business and Human Rights.

Internships

Initiatives benefiting young people have been established for many years, though in 2015 we put a particular focus on developing young people through our internship programs and our commitment to the European Pact for Youth, which is a mutual engagement of business and the European Union leaders. Our commitment through the European Pact for Youth is to develop and consolidate partnerships in support of youth employability and inclusion, which is a priority across our international operations.

Number of internships per category and gender 2019

Age	Gender		
	Males	Females	Total
18 - 20	7	0	7
21 - 25	6	20	26
Total	13	20	33

Cementarnica USJE granted scholarships for MBA postgraduate studies

Aiming to support the employability of young talents by raising the level of quality education, during 2019 USJE again awarded three scholarships for MA and MBA studies at the University American College Skopje. The selection was

made through an open competition, and the interviews were conducted by a panel of members representing USJE and American College.

Support of dual education

Youth Development – Cooperation with State electrical high school

Following our endeavours for supporting dual education, USJE signed a Memorandum of Cooperation with the State Electrical High School “Mihajlo Pupin” as a part of the dual education process, aiming to improve the education system, curricula and practice of young professionals, who after finishing high school will be able to directly engage in the work process. This cooperation includes establishment

of a group of the best students who during their high school studies will attend practical work in USJE with a possibility for employment in the company after finishing their high school education. The project was launched in 2019, while the practical training of the high school students started in the beginning of 2020.



The CED of Cementarnica USJE, Mr. Hrisafov, was present at the panel Challenges for Improving Dual Education – Future Steps – organized by the Chamber of Commerce of Macedonia in cooperation with the European Business Association. Cementarnica USJE emphasized the need to introduce dual education as combination of practical skills, theoretical knowledge and key competencies, establishing balance between the offer and demand of expert, qualified and easily hireable staff, as the lack of professionals and skilled staff is felt by all companies. Increased commitment of all stakeholders to introduce modern measures is needed to achieve quality education.

Partnering with schools

Following our strategic determination for support of development through education and building upon our strong local partnership, good neighbourly relations and the needs of our community and society at large, USJE has traditionally implemented the “Partnering with Schools” Project for 11 years in a row. 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 the 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 facades of the elementary schools in Kisela Voda. In 2019, USJE completely renovated the sanitary facilities of the local “Kuzman Josifovski Pitu” primary school worth around 40,000 euro, while the total investment in this project so far amounts to 560,000 euros providing improved conditions for more than 5,000 elementary school students.



Open Days and Communication

Company's Open Day under the motto "Sustainability, Partnership, Development"

Following our strategic commitment for social responsibility and transparency, USJE organized an Open Day this year under the motto "Sustainability, Partnership, Development". This year's Open Day was organized in cooperation with the civic organizations EKO Svest and Nov Impuls with the participation of pupils from the elementary schools "Kuzman Josifovski-Pitu", "Gjorgjija Pulevski", "Krume Kepeski" and "Goce Delchev" from the municipalities of Kisela Voda and of Aerodrom, as well as children from municipal kindergartens. The focus of the event was on education and collaboration with the youngest members of the community, who in addition to getting acquainted with the production process of Cementarnica USJE, participated in the educational interactive workshops – "I played, now you play", "Everyone has the right to eat healthy", "Traffic Safety" and "Youth and the Environment".



Open Days

In line with our strategic determination to be a transparent and open partner of all groups of stakeholders, USJE organized 5 open days in 2019, hosting different groups of stakeholders, among which environmental NGO's, the Minister of Environment and Physical Planning, and journalists and citizens from the local community.

Moreover, USJE opened the doors to about 150 students from different educational institutions, among which students from UACS and their professors, students from the Faculty of Technology and students from the Faculty of Economics, students from the civil engineering high school and students from the elementary schools in Kisela Voda Municipality visited the company to get familiar with our production process, manner of operation, environmental endeavours and had a tour around our facilities and processes.



USJE donated 100 trees to the City of Skopje for the new park “Ibni Pajko”

Following our cooperation with the City of Skopje, USJE donated 100 trees for the new park Ibni Pajko that was built in the center of the city in an effort to improve environmental conditions in the city.

USJE joined the global campaign Earth hour 2019

For eleven consecutive years USJE has been a part of the global campaign Earth Hour. By joining the action, USJE was part of the large family that takes care of preserving natural resources and the environment. The company turned off the power supply of all facilities where safety measures allowed it.

Awards and recognitions

USJE won the Human Rights in Business Promotion Award

USJE received an award for promoting human rights in business as a recognition of USJE's commitment for respecting the human rights of its employees, all groups of stakeholders, wider community, promoting health and safety, environmental protection and principles of good corporate governance. This award is part of the project "Promoting Business and Human Rights Principles", funded by the EU Delegation, implemented by the NGO Konekt, in partnership with the Business Confederation and the Global Compact Local Network. By introducing this award for the first time in our country, the project aims to highlight positive examples and thereby foster and promote the commitment of local companies to the continuous promotion of human rights through their policies, operational practices and communication.



Cementarnica USJE won an award as SDG Pioneer

USJE received the award Company Leader of the Sustainable Development Goals in 2019 in the framework of the project "Building interdepartmental partnerships for sustainable development", financed by the EU and implemented by the NGO Konekt. USJE received this recognition for its activities in the implementation of the principles of the UN Global Compact in all of its business practices, especially in the areas defined with the Compact – good health and well-being, responsible consumption and production, environmental protection and partnership for the accomplishment of the goals of the Global Compact. Since 2015 USJE has aligned its strategy with the 2030 UN SDG's and applies them in its daily operations.





USJE part of panel conference “GLOBAL GOALS FOR LOCAL SUSTAINABILITY“

As a SDG Pioneer, USJE participated in the panel conference “Global goals for local sustainability” which was organized by the Association Konekt and funded by the European Union.

The HR & CSR Manager, Ms. Magdalena Slavejkova was a participant in the conference, speaking about the benefits for USJE from aligning the USJE strategy for social responsibility with the goals for sustainable development, as well as which are our key cooperation with other parts and with greatest impact on the society.

The conference gathered together in one place all relevant stakeholders from the country that are committed to the fulfilment of the Agenda 2030.



USJE received CSR recognition for its Youth Empowerment project

USJE received recognition for its Youth Empowerment project in the category “Community Relations” awarded by the National CSR Coordinative Body and the Ministry of Economy.

Further to the collaborative project with the students and professors from the Faculty of Architecture for reconstruction of its silo facades and improving our visual impact to the surrounding, USJE donated digital equipment to the Faculty of Engineering and Information Technology, we were part of the SARKOS RILEM project with the Faculty of Technology and Metallurgy in Skopje, and continued the internship programs.

Accolades for successful cooperation and support

On the occasion of the 60th anniversary of the Faculty of Electrical Engineering and Information Technologies and the Faculty of Technology and Metallurgy, USJE received accolades in the name of the long-lasting cooperation with these faculties.

USJE received an accolade for outstanding contribution, support and engagement with the Municipality of Kisela Voda at the occasion of marking the 64th anniversary of the municipality.

Corporate Governance

**Organizational structure,
Boards and Committees
Compliance and due diligence
Risk management and control
Anti-bribery and corruption
management
UN Global Compact initiative**

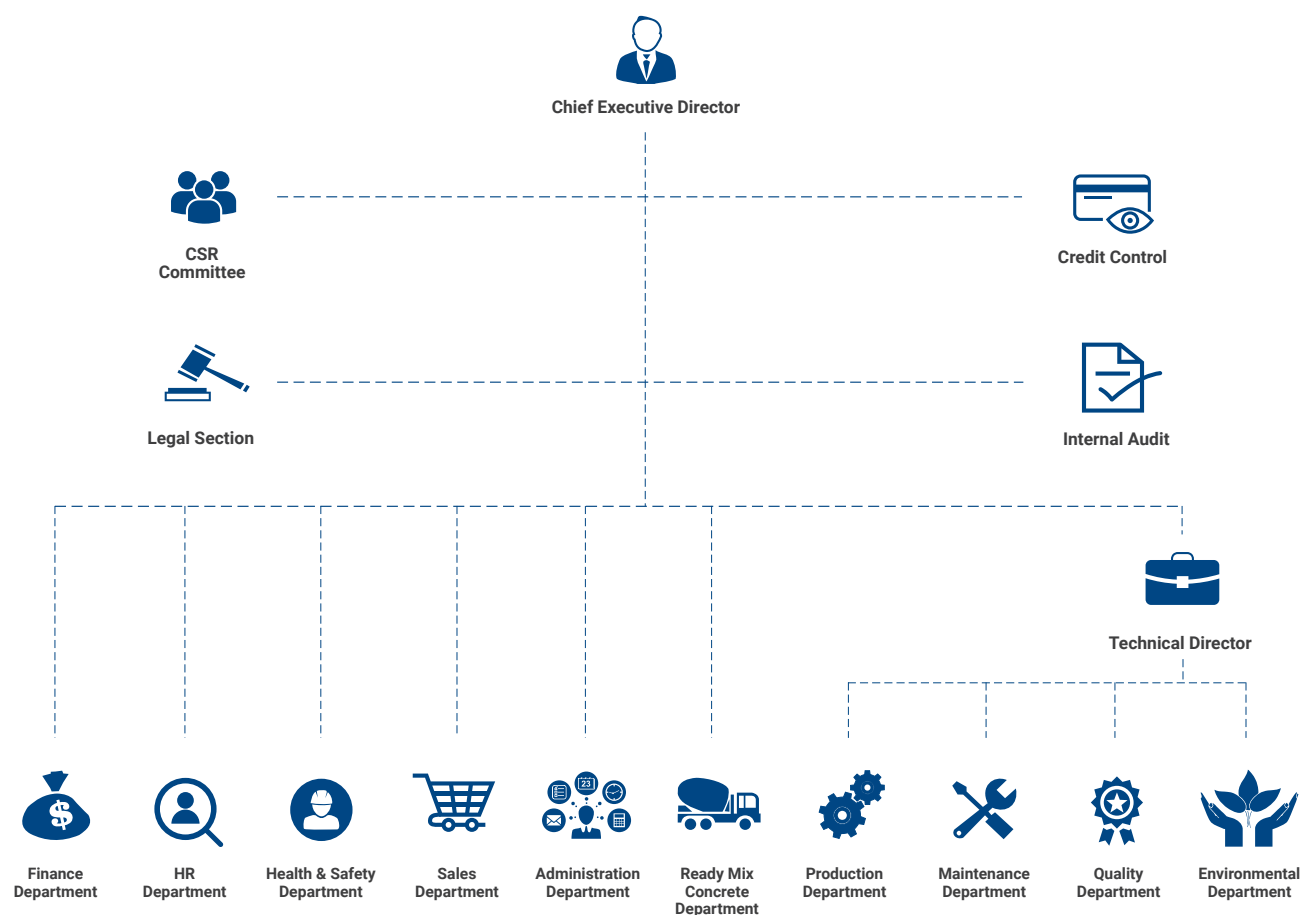


Corporate Governance

Through sound corporate governance we aim to ensure that every management decision lives up to our purpose and core values, takes due account of sustainability considerations and is in the best interest of our stakeholders. By proactively identifying, assessing and managing all our potentially significant risks and opportunities, we are able to prepare for issues that may affect the long - term sustainability of our business and achieve our strategic objectives.

Organizational structure, Boards and Committees

Organizational structure, Boards and Committees



The following boards assure that the Group policies are respected, followed and implemented:

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 are executive members, the Chief Executive Director and the 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

consists of five management team members: the Chief Executive Director, the Technical Director, the Sales Manager, the Finance Manager and the HR&CSR Manager. The Central Management Committee has weekly meetings to discuss and make decisions on strategic issues and risk management.

INTERNAL AUDIT

is an independent department, supervised by the Group Internal Audit.

CREDIT CONTROL COMMITTEE

has responsibilities of credit monitoring and control and definition of provisions linked to credit risk, receivables and debts from the clients, evaluation and approval of credit, customer's appraisal forms/customer rating, settlement of customers' debts, debt coverage/ guarantees, etc.

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 the workplace.

CSR COMMITTEE

was established in 2009 and is responsible for integrating and implementing the TITAN Group sustainability strategy at local level. Chaired by the CED and consisting of senior management and the managers of health and safety, environment and human resources, the CSR Committee meets four to six times a 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) aimed at improving internal communication, sharing and learning from the Group's best practice.

QUALITY AND ENVIRONMENTAL BOARD

is responsible for: establishing the Company's Quality and Environmental Policy and establishing Quality and Environmental System targets. The Board also conducts the internal Quality and Environmental Audits and conducts reviews of the Quality and Environmental System as well. The Quality and Environmental Board identifies the environmental aspects and determines the emergency situations related to environmental protection, etc.

Compliance and due diligence

The TITAN Group Executive Committee is responsible for setting Group policies and ensuring that they are implemented throughout the Group. In parallel, the ethics and compliance programs implemented throughout TITAN's operations, ensure that the Group's principles and values are integrated in the day-to-day operations and the risk management culture is reinforced across the TITAN Group.

The effectiveness of the systems and policies implemented at Group and business unit level are systematically reviewed by the TITAN Group Executive Committee and the business units' management, including in terms of compliance with relevant standards of the Group. Whenever weaknesses are identified, corrective measures are taken.

All compliance processes are supervised by the TITAN Group Internal Audit Department that assumed a broader role since January 2020, taking over responsibility for risk and compliance, in addition to the internal audit.

The TITAN Group Internal Audit is an independent department with its own written regulation, reporting directly to the Audit and Risk Committee. The TITAN Group Internal Audit's primary role is to monitor the effectiveness of the internal control environment. Internal Audit's scope also includes:

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

After the establishment of the Audit and Risk Committee on TITAN Group level on 19 July 2019, the Committee received all audit reports issued thereafter. Likewise, the Audit and Risk Committee received all progress reports referring to the most important audit findings during the third and fourth quarters of 2019.

The Group Internal Audit performed a follow-up audit at the end of 2018 in the HR Department related to all Human Resources processes, including Human Rights and there were no non-compliances identified (for more please see Risk management and control section).

We monitor a variety of Human Rights related issues, such as Gender Equality and participation in union and relevant KPIs are presented in detail in the Non-financial statements section, in the table of Social Performance KPIs Index.

In 2019, and in the framework of the project "Fostering Business and Human Rights Principles" implemented by 'Konekt' NGO, civic association whose mission is to promote the corporate social responsibility in the country, a due diligence related to Human Rights in our Company was carried out (please see Awards and Recognition section). Our involvement in the project and the due diligence process enabled us to identify opportunities and challenges in the integration of human rights in our business, especially related to our contractors considering the results of the due diligence on country level that only 30% of micro and 50% medium-sized companies have ethics-related procedures, concluding that our established systems and procedures for monitoring the operation of our suppliers needs to be maintained and further reinforced.

Furthermore, the ERM Certification and Verification Services Ltd. (ERM CVS) performed a complete audit of USJE's sustainability performance, and also management systems and practices, according to the agreement with TITAN Group to provide assurance in relation to the information presented in TITAN Group's Integrated Annual Report 2018.

Other Audits in the areas of Human Rights and Environment: The (internal) TITAN Group resources of Group Engineering & Technology have an established process of annual and 3-year Audits for the areas – correspondingly – of Health & Safety, and Environment (please see more in Health & Safety section).

The Integrated Management System describes in detail the process of dealing with environmental incidents, whereby in case of incident the Company reports, investigates and records any incident related to our environmental impact. If a significant environmental incident occurs, the Company, in line with the IPPC Permit and the legal requirements, reports thereof the competent Regulator in 48 hours. A team is established to investigate the incident and the root causes as well as to propose corrective measures and necessary preventive measures that would prevent any future occurrence. No incident was reported or recorded in 2019.

Last but not least, regarding Audits, on country level, the Competent Authorities make regular audits whereby no non-compliances or fines related to noncompliance of USJE operations with labor, environmental or competition laws were indicted.

More about Reporting and Transparency: One more element of the integrated approach of the TITAN Group, and the established practices in USJE, is the continuous effort

to record, assess, and report to the larger audience, the incidents and related penalties and fines for the areas of:

- Laws and Regulation related to human rights (incl. breaching of regulations of Health & Safety, and other for Human Rights, Anti-corruption)
- Laws and Regulation related to environment
- Law and Regulations related to provisions of products and services

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

TITAN Group also records and reports on the Political contributions by Country and Recipient/Beneficiary. USJE had no such amounts paid in 2019, and this was reported under the TITAN Group IAR 2019.

Grievance mechanisms: Please see more in the Protecting human rights section.



Risk management and control

Managing risks proactively enables the USJE to better adapt to a changing business environment. During operations USJE faces risks of financial and non-financial nature which the management seeks to prevent or mitigate. Our company has developed flexible systems for monitoring and eliminating or minimizing various potential and significant risks such as:

- Internal and Systems' audits to keep the 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

The Central Management Committee is generally responsible for the Company's risk management plans, implementation and for evaluating their effectiveness each year through management systems. 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 monthly monitoring of the financial statements is the key element of the controlling mechanism regarding the quality and integrity of financial results. External auditors review the mid-year financial statements and the full-year financial statements of the Company.

In line with the TITAN Group's Fraud Risk Management program, at the end of 2018 and beginning of 2019, a Fraud Risk Assessment was performed in USJE by TITAN Group Internal Audit Department. USJE's management undertook necessary measures and addressed all identified areas for improvement.

Consistent with the Internal Audit Annual plan, throughout 2019 two audit assignments were performed in the Packaging and Procurement Department in USJE. The audit report confirmed that the Internal Control System is well-designed and appropriately manages underlying risks and ensures compliance with the statutory and internal framework in force.

The consequences of COVID-19 do not have a material impact on the Group's or USJE's financial position for the year ended 31.12.2019. The Group and the Company management concludes that, although COVID-19 may have a significant impact on the Group's and Company's operations in 2020, such impact will be absorbable and does not endanger the long-term viability of the Group and USJE.

Anti-bribery and corruption management

One of our Group's Code of Conduct core principles is the fight against 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).

USJE has adopted the Group Anti-bribery and Corruption Policy since 2017. Our Code of Conduct (<http://usje.com.mk/upload/pdf/CodeOfConduct%20EN%20USJE.pdf>) clearly prohibits giving and receiving bribes, while as signatories of the Global Compact we are fully committed to join national and other programs aimed at eliminating bribery and corruption.

Moreover, TITAN's Procurement Code of Conduct issued in 2008 clearly states against bribery, corruption and fraud.

Compliance training

Sanctions, Anti-Bribery & Corruption (ABC) and Conflict of Interest Policies of the Group were delivered on 5 December 2018 by the Head Counsel – International Legal Affairs, TITAN Group.

Competition compliance training was delivered in May 2019, Group Competition Counsel, TITAN Group.

Policies related to NFP (Non-Financial Performance)	Percentage of coverage in TITAN key operations in 2019 (cement plants, ready mix concrete, aggregates quarries, and terminals)				
	Launched		Implementation		
	Communicated to managers	Translated and sent to employees	Training @ Managers	Training @ Employees	Training @ Other stakeholders (suppliers/ contractors)
Group Human Rights Policy (Freedom of association, child labour)	●	●	●	●	●
Group Anti-Bribery and Corruption Policy (Compliance, grants, donations and contributions)	●		●		
Group People Management Framework (Labour rights and freedom of association, equal opportunities)	●	●	●	●	
Group CSR Policy	●	●	●	●	
Group Code of Conduct (Labour rights, freedom of association, equal opportunities, compliance, human rights, environment, donations, bribery and corruption, conflict of interest)	●	●	●	●	
Group Environmental Policy	●		●		
Group Occupational Health and Safety Policy	●	●	●	●	
Group Occupational Health and Safety Framework					
Group Code of Conduct for Procurement (Supply chain/Procurement issues)	●		●	●	●
Group Purchasing Manual					
Preference to locally based suppliers					
Preference to local residents, when hiring					
Hiring local contractors/subcontractors					
Group Social Media Policy for Employees	●	●	●	●	
Conflict of Interest Policy	●		●		
Group Competition Law Compliance Policy and Guidelines (compliance, customers and suppliers)	●		●		
Group Sanctions Policy	●		●		

UN Global Compact initiative

The Global Compact Network North Macedonia was founded in 2004. USJE has been a member of this network since 2008.

PROGRESS REVIEW for the UNGC Ten Principles 2019

The “UNGC 10 Principles - Progress Review Index” summarizes and updates our actions as a participant to the UN Global Compact. It is an integral part of the 2019 TITAN USJE Corporate Social Responsibility and Sustainability Report and provides references about our commitments, policies and practices relevant to the implementation of the ten principles.

TITAN USJE abides by all the requirements set by the United Nations Global Compact Initiative, to which TITAN is committed at both Group level and local level.

The “UNGC 10 Principles - Progress Review Index” contains the following three elements:

1. CEO statement of continued support for the UN Global Compact and its Ten Principles.
2. Description of actions or/and direct reference to relevant policies related to Human Rights, Labor, Environment and Anti-Corruption.

3. Measurement of outcomes is covered this year by direct reference to the Index System for Sustainability Performance review and monitoring, namely the two Appendix tables of KPIs Index:

- a. Environmental Performance Index of KPIs (EP KPIs), and
- b. Social Performance Index of KPIs (SP KPIs).

In the table next, the Index System for Sustainability Performance is connected with the UNGC Ten Principles and TITAN USJE's commitments. There are direct references to disclosures and pages inside the Report. However, the Table cannot be exhaustive, and provides the main points of importance.

UNGC Area	UNGC Related Principle(s)	Our Commitments	Reference in 2019 TITAN USJE Corporate Social Responsibility and Sustainability Report
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within the scope of their influence.	a. TITAN Corporate Values 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 Policy and guidelines g. TITAN Group Anti-Bribery and Corruption Policy h. TITAN USJE Policies	STRATEGIC REVIEW: Our Values (p14), Our Governance Structure (p50), Ensuring Fair Competition and Fighting Corruption (p54), Focus on Material Issues (p20-21). PERFORMANCE HIGHLIGHTS: Value Creation (p19). HEALTH and SAFETY: TITAN Group Health and Safety Guidelines, and systems in place (p26-28,55), and SP KPIs (SP01L-SP12L). PEOPLE DEVELOPMENT: TITAN People Management Framework, Fostering Human Rights and Equal Opportunities (p29,33-35) and SP KPIs (SP13L-SP38L). ENGAGING WITH LOCAL COMMUNITIES (p43-48) and SP KPIs (SP39L-SP43L). BUSINESS PARTNERS: Improve Suppliers' Overall Performance According to TITAN Standards (p36). ANNEXES: Environmental Performance Index of KPIs (EP KPIs), and Social Performance Index of KPIs (SP KPIs). The SP KPIs Index includes the KPIs for Health & Safety.
	Principle 2: Business should make sure that they are not complicit in human rights abuses.		
Labor Standards	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	a. TITAN Corporate Values 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 Policy and guidelines g. TITAN Group Anti-Bribery and Corruption Policy h. TITAN USJE Policies	STRATEGIC REVIEW: Our Values (p14), Our Governance Structure (p50), Ensuring Fair Competition and Fighting Corruption (p54), Focus on Material Issues (p20-21). PERFORMANCE HIGHLIGHTS: Non-financial Highlights (p25), Value Creation (p18-19). HEALTH and SAFETY: TITAN Group Health and Safety Guidelines, and systems in place (p26-28,55), and SP KPIs (SP01L-SP12L). PEOPLE DEVELOPMENT: TITAN People Management Framework, Fostering Human Rights and Equal Opportunities, Ensuring Labor Rights and Freedom of Association, TITAN Group Employee Standards, Employee Benefits, Compensation and Welfare Programs ENGAGING WITH LOCAL COMMUNITIES: (p43-48) and SP KPIs (SP13L-SP43L). ANNEXES: Social Performance Index of KPIs (SP KPIs). The SP KPIs Index includes the KPIs for Health & Safety.
	Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor.		
	Principle 5: should uphold the effective abolition of child labor.		
	Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.		
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges.		STRATEGIC REVIEW: Our Values (p14), Our Governance Structure (p50), Certified Management Systems. PERFORMANCE HIGHLIGHTS: Non-financial Highlights (p25), Value Creation (p18-19). ENVIRONMENTAL PERFORMANCE: (p37-42) and EP KPIs (EP01L-EP40L). ENGAGING WITH LOCAL COMMUNITIES: Focusing on Local Development, SP KPIs (SP13L-SP43L). ANNEXES: Environmental Performance Index of KPIs (EP KPIs) and Social Performance Index of KPIs (SP KPIs). The SP KPIs Index includes the KPIs for Health & Safety.
	Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.	a. TITAN Corporate Values b. TITAN Group Code of Conduct c. TITAN Group CSR Policy d. TITAN Group Environmental Policy and TITAN USJE Policies	
	Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.		
Anti-corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	a. TITAN Corporate Values b. TITAN Group Code of Conduct c. TITAN Group CSR Policy d. TITAN Group Code of Conduct for Procurement e. TITAN USJE Policies	STRATEGIC REVIEW: Our Values (p14), Our Governance Structure (p50), Ensuring Fair Competition and Fighting Corruption (p54), Focus on Material Issues (p20-21). BUSINESS PARTNERS: Improve Suppliers' Overall Performance According to TITAN Standards.



Independent limited assurance report



Independent limited assurance report

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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 to as “the Company”), to provide limited assurance in relation to the following information, presented in Cementarnica USJE AD, Skopje Annual Sustainability Report for 2019 (further referred as to “the Sustainability Report”):

- The consistency of qualitative and quantitative sustainability disclosures presented, with regard to the UN Global Compact principles and specifically to the Advanced Level of Communication on Progress Report criteria.
- The completeness and accuracy of qualitative and quantitative sustainability disclosures, in specific for the areas of Environment and Health & Safety and regarding the criteria applicable in 2019, which are aligned with the sectoral guidelines and reporting standards (GCCA¹ Sustainability Charter, GCCA Sustainability Framework Guidelines, and other relevant and applicable GCCA Guidelines, and the guidelines of the World Business Council for Sustainable Development / Cement Sustainability Initiative (WBCSD/CSI) only as applicable in 2019) and with the TITAN Group² Standards for Reporting on Group level and Business Unit level.
- The methodology of materiality assessment with regard to the guidelines of AA1000 Standard.

Management responsibility

The Management of the Company is responsible for complete and accurate preparation and presentation of the Sustainability Report in accordance with the principles and standards listed in “Introduction and scope of work” paragraph above. 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.

¹ Global Cement and Concrete Association (GCCA)

² TITAN Cement International (referred to as “TITAN Group”) is the Owner of the Company.

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), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In this context, the assurance team is independent from the Company and has not participated in the preparation of the Company's Sustainability Report for the year 2019.

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 based on the procedures carried out for the selected data, as described in the "Introduction and scope of work" section above.

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

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 criteria detailed in the "Introduction and scope of work" section in this Independent limited assurance report;
- Review of external media reports to identify relevant sustainability issues in the reporting period, if any;
- Interviews with key 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 issues had been included and whether the reported text and data was accurately drawn from the underlying information.

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.

To conduct our work, we relied exclusively on the information provided to us by the Company's executives, which we accepted in good faith as being complete, accurate, real and not misleading. Therefore, we did not submit it to any verification procedures, apart from the procedures explicitly stated in our Report and which arise from our mutually agreed methodology.

- No work has been conducted on data for previous reporting periods, as well as on data related to forecasts and targets.
- No work has been conducted on anything other than the agreed scope and consequently, our opinion is limited to that scope.

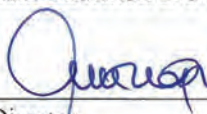
Limited assurance conclusion


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 (including explanatory notes and relevant references) and that the Sustainability Report for 2019 of Cementarnica USJE AD, Skopje was not prepared, in all material respects, in accordance with the criteria mentioned above, in the "Introduction and scope of work" section.

Skopje,

28 July 2020

Grant Thornton DOO, Skopje


Director
Suzana Stavrikj




Certified auditor
Suzana Stavrikj

Appendices

**Independent Auditor's Report
and financial statements**

Non-financial statements

Independent Auditor's Report and financial statements



Independent auditor's report

To the Board of Directors and Shareholders of Cementarnica Usje AD Skopje

Report on the separate financial statements

We have audited the accompanying separate financial statements of Cementarnica Usje AD Skopje, which comprise the separate statement of financial position as of 31 December 2019, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the separate financial statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Accounting Standards applicable in the Republic of North Macedonia and for such internal control as management determines is necessary to enable the preparation of separate 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 separate financial statements based on our audit. We conducted our audit in accordance with Standards on auditing applicable in the Republic of North Macedonia (the "Standards"). The Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate 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 separate financial statements present fairly, in all material respects, the financial position of Cementarnica Usje AD Skopje as of 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Accounting standards applicable in the Republic of North Macedonia.

Report on other legal and regulatory requirements

Annual report prepared by the Management in accordance with the requirement of the article 384 of the Company Law.

Management is also responsible for the preparation of the Annual accounts and Annual Report of Cementarnica Usje AD Skopje, which were approved by the Board of Directors.

As required by the Audit Law, we report that the historical information presented in the Annual Report prepared by Management of Cementarnica Usje AD Skopje 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 Cementarnica Usje AD Skopje, as of 31 December 2019 and for the year then ended.


Dragan Davitkov
General Manager




Dragan Davitkov
Certified Auditor

PricewaterhouseCoopers Revizija DOO Skopje

26 March 2020
Skopje, Republic of North Macedonia

Cementarnica “USJE” AD - Skopje



SEPARATE STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2019

	Notes	2019 MKD'000	2018 MKD'000
Sales	3a	4,517,948	4,168,702
Other revenue	3b	114,541	101,090
Cost of sales	3c	(2,955,103)	(2,893,627)
Gross profit		1,677,386	1,376,165
Other operating income	3d	97,253	102,351
Other operating expenses	3e	(150,558)	(137,993)
Selling and marketing expenses	3f	(40,969)	(37,872)
Administrative expenses	3g	(194,300)	(169,621)
Operating profit		1,388,812	1,133,030
Finance income		10,098	5,698
Foreign exchange gains/(losses) net		(3,141)	3,236
Finance costs		(1,422)	(1,041)
Net finance income	3h	5,535	7,893
Profit before tax		1,394,347	1,140,923
Income tax expense	4	(120,276)	(92,373)
Profit for the year		1,274,071	1,048,550
Other comprehensive income			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Investment Property revaluation surplus	7	10,605	9,844
Total comprehensive income for the year		1,284,676	1,058,394
Net profit for the period attributable to:			
Equity holder of the parent company		1,208,329	994,445
Non- controlling interest		65,742	54,105
		1,274,071	1,048,550
Earnings per share information:			
Basic, profit for the period attributable to ordinary equity holders of the parent company	5	2.26	1.86
Total Comprehensive income for the period attributable to:			
Equity holder of the parent company		1,218,387	1,003,781
Non - controlling interest		66,289	54,613
		1,284,676	1,058,394

The accompanying notes from 8 to 51 are an integral part of these financial statements

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Cementarnica "USJE" AD - Skopje

SEPARATE STATEMENT OF FINANCIAL POSITION
at 31 December 2019

	Notes	2019 MKD'000	2018 MKD'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,462,022	2,411,653
Investment properties	7	208,428	187,396
Investment in subsidiary		14,660	14,660
Exploration and evaluation assets	8	4,232	4,183
		2,689,342	2,617,892
Current assets			
Inventories	9	709,660	712,461
Trade and other receivables	10	315,801	496,868
Income tax receivable		-	15,562
Cash and short term deposits	11	1,602,417	930,564
		2,627,878	2,155,455
TOTAL ASSETS		5,317,220	4,773,347
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	1,747,730	1,747,730
Retained earnings		1,274,071	1,048,550
Other reserves	13	557,613	547,992
Reinvested profit		996,625	801,080
		4,576,039	4,145,352
Non-current liabilities			
Provision for retirement benefits	14	45,979	46,177
Provision for rehabilitation of quarries		9,121	10,612
		55,100	56,789
Current liabilities			
Trade and other payables	15	636,809	544,626
Provision for unused holidays		10,072	10,139
Current portion of retirement benefit obligations	14	4,275	6,707
Income tax payable		34,482	8,869
Dividend payable		443	865
		686,081	571,206
TOTAL EQUITY AND LIABILITIES		5,317,220	4,773,347

Authorized on behalf of the Board of Directors on 26 February 2020:

Hrisafov Boris

Chief Executive Director

Nikos Mousouris

Finance Manager

Prepared by authorised accountant with certificate number 102613:

Burlakoska Gabriela

Head of Accounting

The accompanying notes from 8 to 51 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 2019



	<i>Notes</i>	<i>2019</i> <i>MKD '000</i>	<i>2018</i> <i>MKD '000</i>
Cash flows from operating activities			
Profit before income taxes		1,394,347	1,140,923
<i>Adjustments for:</i>			
Gain, net on disposal of property, plant and equipment		(863)	(4,925)
Depreciation of PPE and investment properties		158,789	155,383
Actuarial losses/(gain), net		4,876	(337)
Interest income		(10,098)	(5,698)
Provision for obsolete inventory		4,701	3,152
Provision for unused holidays (net)		(67)	(183)
Fair value gains		(12,395)	(9,054)
Interest expense and bank charges		1,422	1,041
Write off and provision for trade receivables		1,513	1,654
NBV of disposed and written off PPE		513	19
Operating profit before working capital changes		1,542,738	1,281,975
Increase in trade and other receivables		179,554	4,306
Decrease in inventories		(1,900)	(43,372)
Increase in trade and other payables		83,602	85,957
Cash generated from operations		1,803,994	1,328,866
Interest expense and bank charges paid		(1,422)	(1,041)
Income tax paid		(79,102)	(84,760)
Net cash flows generated from operations		1,723,470	1,243,065
Cash flows from investing activities			
Purchase of property, plant and equipment		(208,686)	(277,377)
Increase of participation in subsidiaries		-	(14,504)
Expenditures for exploration and evaluation assets		49	-
Proceeds from sale of property, plant and equipment		349	4,646
Interest income received		10,098	5,698
Net cash flows generated (used in) investing activities		(198,190)	(281,537)
Cash flows from financing activities			
Dividends paid to group shareholders		(808,951)	(816,437)
Dividends paid to minority shareholders		(44,476)	(43,851)
Net cash flows (used) in financing activities		(853,427)	(860,288)
Net increase in cash and cash equivalents		671,853	101,240
Cash and cash equivalents at 1 January		930,564	829,324
Cash and cash equivalents at 31 December	11	1,602,417	930,564

The accompanying notes from 8 to 51 are an integral part of these financial statements

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Non-financial statements

APPENDIX A

We connect our Performance Review with the UN Sustainability Development Goals.

Related to Value Creation:

- **Local Spend:** Defined according to TITAN Group standards for reporting, see KPIs Index for Social Performance, KPI SP45L. This new KPI, related to Value Creation, is connected with the UNGC Ten Principles, and the SDG9/Target 9.3, according to the UNCTAD Approach (ed. 2019).
- **Donations:** Defined according to TITAN Group standards for reporting, see KPIs Index for Social Performance, KPI SP40L.

Related to Social Performance:

We connect our 2019 performance and provide a 3-year data history in the Social Performance KPIs Index for:

- **Health & Safety (SP01L-SP12L), see Appendix B.**
We connect also our performance with our commitment to the UNGC Ten Principles and the SDG8/Target 8.8, according to the UNCTAD Guidance (ed. 2019).
- **Employment (SP14L-SP29L), see Appendix B.**
We connect also our performance with our commitment to the UNGC Ten Principles and the UN SDG5/Target 5.5, according to the UNCTAD Guidance (ed. 2019).
- **People Development (SP30L-SP39L), see Appendix B.**
We connect our performance with our commitment to the UNGC Ten Principles and the SDG4/Target 4.3, according to the UNCTAD Guidance (ed. 2019).
- **Stakeholder Engagement (SP40L-SP45L), see Appendix B.**
We connect also our performance with the UNGC Ten Principles and the SDG9/Target 9.3, and SDG17/17.17, according to the UNCTAD Guidance (ed. 2019).
- **Internships as part of our Stakeholder Engagement (SP43L-SP44L), see Appendix B.**
We connect also our performance with our commitment to the UNGC Ten Principles and the European Pact for Youth.

In more specific:

- **Energy and Climate Change:** See KPIs Index (Appendix C), EP18L-EP22L, and EP34L-EP37L, connected with the GCCA Charter, Guidelines and Sector KPIs, and the SDG7/Targets 7.2, 7.3, and 7a, SDG9/Target 9.4, and SDG12/Target 12.2.
- **Use of Alternative Fuels:** See KPIs Index (Appendix C), EP22L, EP36L, and EP37L, connected with the GCCA Charter, Guidelines and Sector KPIs, and the SDG7/Targets 7.2, 7.3, and 7a, and SDG12/Target 12.2.
- **CO2 Emissions:** See KPIs Index (Appendix C), EP18L-EP20L, connected with the GCCA Charter, Guidelines and Sector KPIs, and the SDG9/Target 9.4.
- **Air Emissions:** See KPIs Index (Appendix C), EP30L-EP33L, connected with the GCCA Charter, Guidelines and Sector KPIs, and the SDG3/Target 3.9, and SDG9/Target 9.4.
- **Natural Resources (Preservation):** See KPIs Index (Appendix C), EP01L-EP05L, and EP27L and EP28L, connected with the GCCA Charter, Guidelines and Sector KPIs, and the SDG12/Target 12.2.
- **Water:** See KPIs Index (Appendix C), EP07L-EP09L, and EP29, connected with the GCCA Charter, Guidelines and Sector KPIs, and the SDG6/Targets 6.3, 6.4, and 6.5.
- **Waste Management:** See KPIs Index (Appendix C), EP06L, EP38L, and EP39L, connected with the GCCA Charter, Guidelines and Sector KPIs, and the SDG12/Targets 12.4, and 12.5.
- **Biodiversity Preservation:** See KPIs Index (Appendix C).

Related to Environmental Performance:

We connect our 2019 performance and provide a 3-year data history in the Environmental Performance KPIs Index for:

- **Green Investment or equivalent: 'Investments for the Environment':** Defined according to TITAN Group standards for reporting, see KPIs Index for Social Performance, KPI EP40L.
- **For our overall Environmental Performance, see KPIs Index (EP01L-EP40L), Appendix C.**
We connect also our performance with our commitment to the UNGC Ten Principles and the UNCTAD Guidance (ed. 2019).

APPENDIX B

Social Performance Index for Cementarnica USJE						
		2019	2018	2017	SDGs & Targets	Codes
Health and safety (SG)	All activities performance acc. to the TITAN Global Sectoral Approach					
	Employee fatalities	0	0	0		SP01L
	Employee fatality rate	0.00	0.00	0		SP02L
	Contractors fatalities	0	2	0		SP03L
	Third-party fatalities	0	0	0		SP04L
	Employee Lost Time Injuries (LTIs)	1	2	2		SP05L
	Employee Lost Time Injuries Frequency Rate (LTIFR)	2.27	4.23	3.97	SDG 3; Target 3.6	SP06L
	Employee lost working days	15.00	72	20		SP07L
	Employee Lost Time Injuries Severity Rate	33.98	152.29	39.75		SDG 8; Target 8.8
	Contractors Lost Time Injuries (LTIs)	2	3	1	SP09L	
	Contractors Lost Time Injuries Frequency Rate (LTIFR)	3.70	6.57	2.28	SP10L	
	All activities performance leading indicators					
	Near misses	21	30	35		SP11L
Training man-hours on health and safety per employee	14.39	14.69	13.04		SP12L	

Social Performance Index for Cementarnica USJE					
		2019	2018	2017	SDGs & Targets
Employment	Number of employees as of 31 December	244	258	275	
	Employee turnover (%)	13.11%	10.08%	8.00%	
	Employees left	32	26	22	
	Employee new hires (%)	8.20%	3.49%	4.36%	
	Employee new hires	20	9	12	
	New hires per age group				
	Under 30	9	2	6	
	Between 30-50	11	6	6	
	Over 50	0	1	0	
	New hires per gender				
	Females	4	5	4	
	Males	16	4	8	
	Employment per age group				SDG 5; Targets: 5.1, 5.4, and 5.5
	Under 30	21	21	35	
	Between 30-50	100	96	86	
	Over 50	123	147	147	SDG 8; Targets: 8.5, 8.6, and 8.8
	Employment per type				
	Full time	221	264	277	
	Part Time	0	0	0	SDG 10; Target 10.3
	Temporary	23	0	0	
	Employment per category				
	Managers	18	22	20	
	Senior managers	2	5	5	
	Administration/technical	55	88	91	
	Semi skilled/unskilled	169	148	161	
	Employment per gender				
	Females	40	40	41	
	Males	204	224	236	
	Share of women in employment (%)	16.39%	15.15%	14.8%	
	Share of women in management (%)	25.00%	25.93%	28%	
	Share of women in Senior Management (%)	0.00%	20.00%	20.00%	
	Employees from local community (%)	30.74%	30.68%	25.63%	
	Unionized employees (%)	70.49%	75.97%	78.55%	

Social Performance Index for Cementarnica USJE					
		2019	2018	2017	SDGs & Targets
People Development	Training investment per employee (Euros)	157	152	153	
	Training investment per gender (Euros)				
	Females	6,616	18,023	9,294	
	Males	34,406	22,058	31,750	
	Trained employees	262	264	268	
	Share of trained employees (% in total workforce)	100%	100%	97%	
	Share of trained female employees (% in total trained)	100%	100%	100%	
	Trained employees per category				
	Managers	19	22	21	
	Senior managers	2	5	4	
	Administration/technical	59	87	84	
	Semi skilled/unskilled	182	150	159	SDG 4; Targets: 4.3, 4.4, and 4.5
	Trained employees per age group				
	Under 30	21	21	35	
	Between 30-50	100	96	86	SDG 5; Targets: 5.1, and 5.5
	Over 50	123	147	147	
	Training hours	9,975	10,431	11,259	SDG 8; Target 8.5
	Average training hours per employee, and breakdown per gender	41	40	41	
	average female	63	64	63	
	average male	37	35	37	SDG 10; Target: 10.2, and 10.3
	Training hours per subject				
	Company on-boarding	1,072	n/a	n/a	SDG 16; Target 16.5
	Compliance (previously: TITAN Group Code of Conduct)	134	231	0	
	CSR and Sustainability (previously: Human Rights)	477	0	12	
	Digital	821	n/a	n/a	
	Environment (previously: Environment: care and management systems)	755	312	1,015	
	Foreign languages	-	-	-	
	Functional competence (previously: Non-technical skills and specialization)	540	1,000	1,000	
	Generic competence (previously: Non-technical skills and specialization)	491	745	910	
	Health and safety	3,579	3,873	3,610	
	Managerial skills (previously: Management and managerial skills)	722	211	1,412	
	Other	86	712	1,490	
	Security	-	-	-	
	Technical know-how (previously: Technical know-how and core competence)	1,298	3,347	1,810	

Social Performance Index for Cementarnica USJE						
		2019	2018	2017	SDGs & Targets	Codes
Stakeholder Engagement	Donations (Euros)	291,006	130,257	98,011	SDG 2; Targets 2.1, and 2.3 SDG 4; Targets: 4.3, and 4.4 SDG 8; Targets: 8.5, and 8.6 SDG 9; Targets: 9.1, and 9.5 SDG 11; Target 11.4 SDG 16; Target 16.5 SDG 17; Target 17.17	SP40L
	Donations in cash (Euros)	182,697	12,645	93,884		SP41L
	Donations in kind (Euros)	108,309	117,612	4,127		SP42L
	Internships	33	43	42		SP43L
	New entry level jobs from internships/traineeships	1	2	1		SP44L
	Local Spend (%)	57.58%	n/a	n/a	SDG 9; Target 9.3	SP45L

Notes for the external verification, standards, guidance, and terms used

'(SG) Health and safety performance indicators for 2019 was reported following the GCCA Sustainability Guidelines for the monitoring and reporting of safety in cement manufacturing (last edition in October 2019), which had superseded in 2019 the Guidelines of the WBCSD/CSI. This document has been agreed within the GCCA to have extended application to concrete and other related activities. For the Sector Standards see details in Table. 'Sector Standards for the Non-financial disclosures' (provided below).

Notes for specific Social Performance indicators

1. The reported figures of 'Near misses' are the total figures for both direct employee and contractors. This is should be clear to All involved in the Social Performance, and in conjunction with the last revised and communicated Guidance by the Group Corporate Dept. for H&S.
2. KPI calculated on the basis of the 'Average' number of Employees. No change in this Index for the 2019 data, compared to previous practices, either on Group level or BU level.
3. KPIs calculated on the basis of 'Average' number of Employees for years 2017 and 2018. As of 2019, the specific KPIs are calculated on the basis of the number of employees as of 31 December.
4. KPIs based on the new definition(s) of TITAN Group (according to the Sustainability Glossary & Guidelines for Social Performance, ed. 2019). The figures for the KPI "Share of trained female employees" and KPI "Training hours per subject" were adjusted by re-calculation for years before 2019, in order to reflect the performance acc. to the new definition.
5. For the definition of Training Investment, Donations, and Local Spend see 'Glossary' (required). Note in specific for the Local Spend: TITAN launched an improved methodology in 2019, following the approach of the UNCTAD (see Glossary), and building on bench strength and the technical capacity of internal systems (coordinated by the Group Procurement). It is implied that comparable figures for the Local Spend were not available for years before 2019.

Sector Standards for the Non-financial Disclosures

Sector Association or Initiative	Guidelines and other documents of reference	Published
GCCA	GCCA Sustainability Charter	Latest edition in October 2019
	GCCA Sustainability Framework Guidelines	
	GCCA Sustainability Guidelines for the monitoring and reporting of safety in cement manufacturing. This document has been agreed within the GCCA to have extended application to concrete and other related activities [Pillar 1]	
	GCCA Sustainability Guidelines for the monitoring and reporting of CO2 emissions from cement manufacturing [Pillar 2]	
	GCCA Sustainability Guidelines for the monitoring and reporting of water in cement manufacturing [Pillar 4]	
	GCCA Sustainability Guidelines for the monitoring and reporting of emissions from cement manufacturing [Pillar 4]	
	GCCA Sustainability Guidelines for co-processing fuels and raw materials in cement manufacturing [Pillar 5]	
(Previously) WBCSD/CSI	Guidelines for Environmental and Social Impact Assessment (ESIA)	2016
	Biodiversity Management Plan Guidance	2014
	Guidelines on Quarry Rehabilitation	2011
	Recommended Good Practices for: (a) Contractor Safety, and (b) Driving Safety	2009

NOTES

The GCCA has built its Sustainability Charter around five (5) Sustainability Pillars

Pillar 1: Health and Safety, Pillar 2: Climate Change and Energy, Pillar 3: Social Responsibility, Pillar 4: Environment and Nature and Pillar 5: Circular Economy

APPENDIX C

Environmental Performance Index for Cementarnica USJE						
	Units	2019	2018	2017	SDGs & Targets	Codes
1. All Activities - Environmental Performance (acc. to the Sectoral Approach adopted by TITAN) (SG)						
Local Impacts Impact on natural raw materials resources	Natural raw materials extracted (total, wet)	million t	1.6	1.5	1.5	EP01L
	Raw materials extracted for clinker and cement production	million t	1.4	1.4	1.4	EP02L
	Raw materials extracted for aggregates	million t	0.2	0.1	0.1	EP03L
	Raw materials consumed (total)				SDG 12 Target 12.2	
	Raw materials consumed for clinker and cement production (dry)	million t	1.4	1.4	1.4	EP04L
	Raw materials consumed for ready mix, dry mortar and block production (wet)	million t	0.1	0.0	0.0	EP05L
	Externally recycled waste materials (total, wet)	t	392	496	250	EP06L
	Recycled	t	392	496	250	
	Reused	t				
	Recovered	t				
Impact on water resources	Water consumption (total)	million m ³	0.3	0.1	0.1	EP07L
	Water withdrawal (total, by source)	million m ³	0.3	0.3	0.1	EP08L
	Ground water	million m ³	0.3	0.2	0.1	
	Municipal water	million m ³	0.0	0.0	0.0	
	Rain water	million m ³	0.0	0.0	0.0	
	Surface water	million m ³	0.0	0.0	0.0	
	Quarry water used (from quarry dewatering)	million m ³	0.0	0.0	0.0	SDG 6 Targets 6.3, 6.4 and 6.5
	Ocean or sea water	million m ³	0.0	0.0	0.0	
	Waste water	million m ³	0.0	0.0	0.0	
	Water discharge (total, by destination)	million m ³	0.0	0.2	0.0	EP09L
	Surface (river, lake)	million m ³	0.0	0.1	0.0	
	Ocean or sea	million m ³	0.0	0.0	0.0	
	Off-site treatment	million m ³	0.0	0.0	0.0	

Impact on biodiversity and land stewardship	Active quarry sites with biodiversity issues		0	0	0	SDG 15 Targets 15.3, 15.4, 15.5, 15.9 and 15.a	EP10L
	Active quarry sites with biodiversity management plans		-	-	-		EP11L
	Active quarry sites with biodiversity management plans	%	-	-	-		EP12L
	Sites with community engagement plans	%	100.0	100.0	100.0		EP13L
	Sites with quarry rehabilitation plans	%	50.0	50.0	50.0		EP14L
	Active quarry sites (wholly owned) with Environmental Management System (ISO14001 or similar)	%	100.0	90.0	90.0		EP15L
Fuels and Energy	Thermal energy consumption (total)	TJ	2,696	2,732	2,627	SDG 7 Target 7.2	EP16L
Impact on energy resources	Electrical energy consumption (total)	TJ	378	373	363		EP17L
2. Cement Activities - Environmental Performance (acc. to the Sectoral Approach adopted by TITAN) (SG)							
Climate change Impact on Green House Gas Emissions	Specific gross direct CO ₂ emissions	kg/t Cementitious Product	657.7	669.6	673.1	SDG 9 Target 9.4	EP18L
	Specific net direct CO ₂ emissions	kg/t Cementitious Product	654.4	669.3	673.1		EP19L
	Indirect CO ₂ emissions (total)	million t	0.1	0.1	0.1		EP20L
Alternative fuels and materials	Alternative fuel substitution rate	% Heat Basis	3.5	0.5	0.0	SDG 7 Targets 7.2, 7.3 and 7.a	EP21L
	Biomass in fuel mix	% Heat Basis	2.0	0.4	0.0		EP22L
	Clinker to cement ratio		0.728	0.730	0.731		EP23L
Impact on energy resources	Thermal energy consumption					SDG 12 Target 12.2	
	Cement and grinding plants and attached quarries	TJ	2,696	2,732	2,628		EP24L
	Alternative fuels consumption (total)	t	5,629	920	0		EP25L
	Electrical energy consumption (total)						
	Cement plants and attached quarries	GWh	104.9	103.6	100.8		EP26L
Local Impacts Impact on natural raw materials resources	Materials consumption (total, dry)	million t	1.4	1.4	1.4	SDG 12 Target 12.2	EP27L
	Extracted (natural) raw materials consumption (dry)	million t	1.3	1.3	1.3		
	Alternative raw materials consumption (dry)	million t	0.1	0.1	0.1		
	Alternative raw materials use (of total raw materials consumed)	%Dry	9.5	9.6	8.2		
	Alternative raw materials rate (based on clinker-to-cement (equivalent) factor)	%Dry	13.9	14.2	12.3		EP28L
Impact on water resources	Water consumption (total)	million m ³	0.3	0.1	0.1	SDG 6 Targets 6.4 and 6.5	EP29L

Other air emissions	Coverage rate continuous measurement	%	100.0	100.0	100.0	SDG 3 Target 3.9	EP30L
	Specific dust emissions	g/t Clinker	11.9	13.0	22.6		EP31L
	Specific NOx emissions	g/t Clinker	1,175.6	1,236.3	1,372.7	SDG 9 Target 9.4	EP32L
	Specific SOx emissions	g/t Clinker	22.0	46.5	20.0		EP33L
3. All Activities - Disclosures concerning materials, fuels and wastes (SG)							
Impact on fuels and energy resources	Fuel mix, energy consumption for clinker and cement production	%Heat Basis	100.0	100.0	100.0		EP34L
	Conventional fossil fuels	%Heat Basis	96.6	99.5	100.0		EP35L
	Coal, anthracite, and waste coal	%Heat Basis	82.3	88.9	88.3	SDG 7 Target 7.2	
	Petrol coke	%Heat Basis	4.2	0.0	0.0		
	Lignite	%Heat Basis	5.3	5.1	6.9		
	Other solid fossil fuel	%Heat Basis	0.0	0.0	0.0		
	Natural gas	%Heat Basis	2.6	2.2	2.3		
	Heavy fuel (ultra)	%Heat Basis	2.2	3.3	2.5		
	Diesel oil	%Heat Basis	0.0	0.0	0.0		
	Gasoline, LPG (Liquified petroleum gas or liquid propane gas)	%Heat Basis	0.0	0.0	0.0		
	Alternative fossil and mixed fuels	%Heat Basis	3.0	0.3	0.0	SDG 12 Target 12.2	EP36L
	Tyres	%Heat Basis	0.0	0.0	0.0		
	RDF including plastics	%Heat Basis	3.0	0.3	0.0		
	Impregnated saw dust	%Heat Basis	0.0	0.0	0.0		
	Mixed industrial waste	%Heat Basis	0.0	0.0	0.0		
	Other fossil based and mixed wastes (solid)	%Heat Basis	0.0	0.0	0.0		
	Biomass fuels	%Heat Basis	0.5	0.2	0.0		EP37L
	Dried sewage sludge	%Heat Basis	0.0	0.0	0.0		
	Wood, non-impregnated saw dust	%Heat Basis	0.0	0.0	0.0		
	Agricultural, organic, diaper waste, charcoal	%Heat Basis	0.5	0.2	0.0		
	Other	%Heat Basis	0.0	0.0	0.0		
Management of waste	Waste disposal (total, wet)	t	693	704	457	SDG 12 Targets 12.4 and 12.5	EP38L
	Waste disposal, break down by destination-usage (wet)	%By mass	100.0	100.0	100.0		EP39L
	Reuse	%By mass	0.0	0.0	0.0		
	Recycled	%By mass	56.6	70.5	54.6		
	Recovered (including energy recovery)	%By mass	0.0	0.0	0.0		
	Incineration	%By mass	0.0	0.0	0.0		
	Landfilled	%By mass	43.2	28.9	43.8		
	Other (incl. storage)	%By mass	0.3	0.7	1.6		

4. All Activities - Investments for the Environment

Environmental expenditures across all activities	million €	0.6	1.1	0.8		EP40L
Environmental management	million €	0.0	0.0	0.0		
Reforestation	million €	0.1	0.1	0.1	SDG 7 Target 7.b	
Rehabilitation	million €	0.0	0.0	0.0		
Environmental training and awareness building	million €	0.0	0.0	0.0	SDG 9 Target 9.4	
Application of environmental friendly technologies	million €	0.3	0.8	0.5		
Waste management	million €	0.1	0.1	0.1		

Notes for the external verification, standards, guidance, and terms used

'(SG) TITAN follows the GCCA Sustainability Framework Guidelines (last edition 2019), and the Sustainability Guidelines for the monitoring and reporting of CO₂ emissions from cement manufacturing, co-processing fuels and raw materials, monitoring and reporting of emissions, and monitoring and reporting of water in cement manufacturing (for all documents the reference is to the last edition in 2019). The above Guidelines had superseded in 2019 the previous – and respective – Guidelines of the WBCSD/CSI, which were the guidance for measuring, reporting and verifying environmental performance until (and including) year 2018. Further, TITAN has used in 2019 the Guidelines of the (previously) WBCSD/CSI for the monitoring and reporting of our performance in the areas of: quarry rehabilitation, biodiversity management, and environmental and social impact assessment. This was necessary because of the absence of any such (superseding or equivalent) documents of the GCCA. For the Sector standards see details in Table. 'Sector Standards for the Non-financial disclosures' (provided below).

Notes for specific Environmental Performance indicators

1. Active quarries within, containing or adjacent to areas designated for their high biodiversity value.
2. Sites with high biodiversity value where biodiversity management plans are actively implemented.
3. Coverage includes both quarries attached to cement plants and quarries for aggregates production.
4. Indicator on "Sites with community engagement plan" is related only to quarries and is reported for 2019.
5. Indirect CO₂ emissions are related to emissions released for the production of the electrical energy consumed at TITAN's facilities. For their calculation, we use emission factors provided by the supplier of the electrical energy or other publicly available data sources.
6. Biomass rate corresponds to the percentage of total thermal energy consumption that comes from renewable energy sources.
7. The definition of Environmental expenditures across all activities is equivalent to the definition of Green Investment. See 'Glossary' (required).

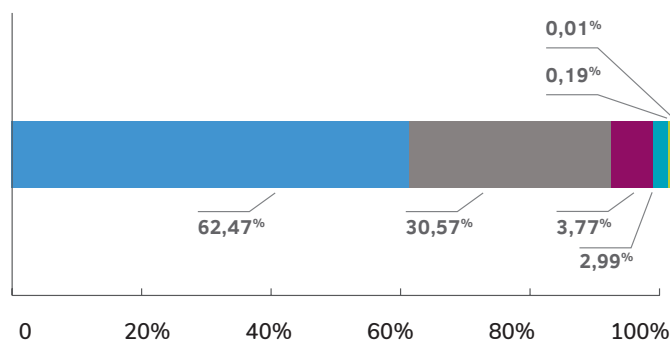
Sector Standards for the Non-financial Disclosures

Sector Association or Initiative	Guidelines and other documents of reference	Published
GCCA	GCCA Sustainability Charter	Latest edition in October 2019
	GCCA Sustainability Framework Guidelines	
	GCCA Sustainability Guidelines for the monitoring and reporting of safety in cement manufacturing. This document has been agreed within the GCCA to have extended application to concrete and other related activities [Pillar 1]	
	GCCA Sustainability Guidelines for the monitoring and reporting of CO2 emissions from cement manufacturing [Pillar 2]	
	GCCA Sustainability Guidelines for the monitoring and reporting of water in cement manufacturing [Pillar 4]	
	GCCA Sustainability Guidelines for the monitoring and reporting of emissions from cement manufacturing [Pillar 4]	
	GCCA Sustainability Guidelines for co-processing fuels and raw materials in cement manufacturing [Pillar 5]	
(Previously) WBCSD/CSI	Guidelines for Environmental and Social Impact Assessment (ESIA)	2016
	Biodiversity Management Plan Guidance	2014
	Guidelines on Quarry Rehabilitation	2011
	Recommended Good Practices for: (a) Contractor Safety, and (b) Driving Safety	2009

NOTES

The GCCA has built its Sustainability Charter around five (5) Sustainability Pillars

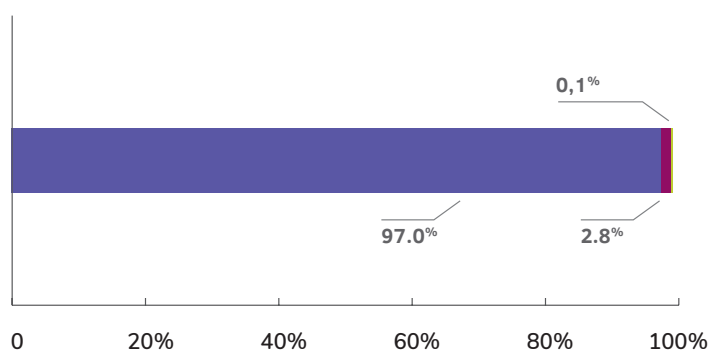
Pillar 1: Health and Safety, Pillar 2: Climate Change and Energy, Pillar 3: Social Responsibility, Pillar 4: Environment and Nature and Pillar 5: Circular Economy



Use of Natural Raw Materials (%)

■ Marl ■ Limestone ■ Sand ■ Gypsum
■ Natural pozzolanes ■ Other

Use of Natural Raw Materials (%)		2019	%
Marl	t/y _{Wet}	889,681.41	62.47%
Limestone	t/y _{Wet}	435,443.29	30.57%
Sand	t/y _{Wet}	53,698.39	3.77%
Gypsum	t/y _{Wet}	42,625.53	2.99%
Natural pozzolanes	t/y _{Wet}	2,657.44	0.19%
Other	t/y _{Wet}	145.50	0.01%
Total	t/y _{Wet}	1,424,252	100.00%



Use of Alternative Raw Materials (%)

■ Dry Fly ash ■ Pyrite ash ■ FeSO₄*H₂O

Use of Alternative Raw Materials (%)		2019	%
Dry Fly ash	t/y _{Wet}	130,045	97.0%
Pyrite-ash	t/y _{Wet}	3,793	2.8%
FeSO ₄ *H ₂ O	t/y _{Wet}	168	0.1%
Total		134,005	100%

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