

# ANNUAL SUSTAINABILITY REPORT 2021

CEMENTARNICA USJE  
AD SKOPJE





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**CEMENTARNICA USJE AD SKOPJE**







## About the Report

TITAN Cementarnica USJE Report 2021 has been prepared in accordance with TITAN Cement International S.A. (hereinafter “TITAN Group”) sustainability reporting standards as defined in reference to the implementation of the principles of the United Nations Conference on Trade and Development (UNCTAD), the UN Global Compact Communication on Progress Guidelines, the Global Cement and Concrete Association Guidelines (GCCA), the UN Sustainable Development Goals (SDGs) 2030 and the Sustainability Accounting Standards Board (SASB) for specific KPIs as well.

This Report, 13th in a row, is entirely consistent with TITAN Group global sectoral approach in monitoring, reporting and verifying environmental, social and governance performance. Cementarnica USJE AD Skopje (USJE) is a subsidiary of TITAN Group (our Parent company is Participant of UNGC) and member of the UNGC local network in North Macedonia, and we use SDGs icons throughout the Report connecting them to the particular part of the Report.

With the use of SASB (the Sustainability Accounting Standards Board) Materiality Map® for our sector, we conducted a new materiality assessment cycle in 2020 following the completion of the TITAN Group new cycle of materiality assessment. The outcomes of the materiality assessment are presented in this Report.

Since 2009, USJE has voluntarily committed to annually disclose the Company’s sustainability performance and address the stakeholders’ material issues. All our sustainability reports are available online at USJE’s website: [www.usje.mk](http://www.usje.mk)

Independent limited assurance report on this Annual Sustainability Report was delivered by Grant Thornton doo Skopje whose statement at the end of this Report meets the Advanced Level of Communication on Progress according to the United Nations Global Compact criteria.

The separate and consolidated financial statements of Cementarnica USJE were audited by PriceWaterhouseCoopers (PwC).

The number of employees presented in this Report refers to the total number of employees including Opalit, while all other financial reports present the activity of Cementarnica USJE only.

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# 2021 Highlights

## Financial highlights

**4,983 mil MKD**

Revenue

**1,489 mil MKD**

EBITDA

**1,177 mil MKD**

NPAT

**5,047 mil MKD**

Total assets

**355 mil MKD**

Capital expenditures

## ESG highlights

**250**

Employees  
(as of 31 December 2021)

**0.8% reduction**

of specific gross direct CO<sub>2</sub>  
(compared to 2020)

**21**

New hires in 2021

Certified Energy Management System ISO  
50001: 2018

**68 mil MKD**

Green investment

**17.14**

Health and safety training hours  
per employee

**36,728**

Trees and plants planted

**2.30**

Lost time injuries frequency rate

# Message from the Chief Executive Director



**"Looking ahead to 2022, the war in Ukraine is creating geopolitical uncertainties with macroeconomic implications that are bound to impact market trends and further increase volatility and risks. While we are preparing for different eventualities, we remain cautiously optimistic."**

## **Dear stakeholders,**

The pandemic remained to be a significant factor influencing the functioning of businesses and individuals in 2021. Owing to the remarkable scientific efforts, hopefully, we are moving towards a period when it will be easier managed and will be treated as an endemic. However, despite the undeniable devastating effects, the pandemic did accelerate some positive processes and, in many areas, we will not be able to go back to the old ways. Behaviors have changed and priorities have shifted, placing an even greater importance on sustainability and on our digital future.

Moving away from great uncertainty, in 2021 we placed our focus on accelerating growth. Cementarnica USJE reached a significant achievement with sales exceeding 1 million tons of cement. Our financial performance was strong and the company attained a 6.7% turnover increase.

Of course, these results could only be accomplished by the unified efforts and shared values of all employees. Our team came out of the pandemic stronger than it was before it started and I commend them on their dedication, hard work, adaptability and persistence. We always remain committed to employees' health and safety, wellbeing, engagement and professional development.

The process of digitalization registered further advancements. The TitanUp mobile application became widely accepted by customers, with 99% of all cement clients using it, making up over 96% of the load orders. We continue to be focused on serving our customers efficiently and introducing innovative products that fit their needs and are in line with our de-carbonization efforts.

In order to assure Cementarnica USJE's positive local impact, in 2021 we expanded our cooperation within the established long-term partnerships, providing support to foster the educational process in schools and kindergartens, as well as assisting young people through scholarships and internships. We also continued providing donations to healthcare institutions and engaging with all local stakeholders to address important issues.

Environment protection is one of our main focus areas in sustainable built environment for people and the planet. In this regard, 2021 was another year with many realized initiatives related to minimizing our environmental impact through improving energy efficiency, water and waste management, monitoring emissions, noise minimization and biodiversity and land management. One of the activities with which we aim to reduce carbon emissions is the use of alternative fuels. In 2021 Cementarnica USJE installed new equipment for shredding and dosing alternative fuels, which enables us to use different fractions of non-hazardous waste as alternative fuels.

We are committed to follow the universal standards to ensure corporate social responsibility and sustainability as we have also been focused to throughout 2021.

Looking ahead to 2022, the war in Ukraine is creating geopolitical uncertainties with macroeconomic implications that are bound to impact market trends and further increase volatility and risks. While we are preparing for different eventualities, we remain cautiously optimistic.

With such strong results and activities, I can say with certainty that the company is more than capable to face any future challenges. Guided by the principles of business ethics, transparency and good governance, Cementarnica USJE will continue to deliver value for all stakeholders and stand as a firm pillar of the local economy and society.



**Boris Hrisafov**  
**Chief Executive Director**



# UNDERSTANDING CEMENTARNICA USJE

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- Our Business Approach in a Changing Global Landscape
- Global Presence of TITAN Group
- Overview





# Our Business Approach in a Changing Global Landscape

Building on 119 years of industry experience and driven by its commitment to sustainable growth, TITAN is an international cement producer, serving customers in more than 25 countries worldwide through a network of 14 integrated cement plants and three cement grinding plants. TITAN also operates quarries, ready-mix plants, terminals and other production and distribution facilities. The Group employs about 5,400 people and is present in more than 15 countries, operating cement plants in 10 of them, the USA, Greece, Albania, Bulgaria, North Macedonia, Kosovo,

Serbia, Egypt, Turkey and Brazil. Throughout its history the Group has aspired to serve the needs of society, while contributing to sustainable growth with responsibility and integrity. TITAN Cement International S.A. became TITAN Group's parent company and is listed on Euronext Brussels, Paris and Athens Exchange.

TITAN's vision is to grow by transforming our business, focusing on resilience and innovation to serve our customers more efficiently as we move towards a

## Climate change and the road towards a carbon-neutral future

Climate change represents a long-term risk for our planet and society. It requires the mobilization of organizations across many sectors, the cement industry among them. In 2021, the Global Cement and Concrete Association (GCCA) published its Roadmap for Net-zero Concrete, which sets out a pathway to help limit global warming to 1.5°C and deliver society with net-zero concrete by 2050. Our industry is working across the built environment value chain to deliver on this commitment and is calling on its stakeholders to play their part as well.

### Our approach

Turning aspiration into action, we are working hand in hand with our customers, supply chain partners, peers and our other stakeholders across geographies, to help limit global warming to 1.5°C and achieve a net-zero economy by 2050.

Committed to ambitious science-based targets, we are continuously reducing our carbon footprint by increasing the use of alternative fuels, improving energy efficiency, developing low-carbon products and adopting innovative technologies and solutions.

## Digital transformation as a foundation for future growth

The Fourth Industrial Revolution, driven by the advent of the Internet of Things, big data, artificial intelligence and advanced analytics, promises to transform key components of the industry's value chain.

Traditional value generation drivers and differentiators are complemented by new digital tools that unlock value through improved operational efficiency and higher customer engagement. Companies that embrace Industry 4.0 early on can reap significant benefits.

### Our approach

We are among the early adopters and leaders of digital innovation in the cement industry, harnessing the power of digital breakthroughs.

Our digital journey so far has been powered by our innovative, entrepreneurial spirit and willingness to test and learn. With Artificial Intelligence solutions tailored to the needs of the cement industry, we are transforming our operations for ultimate efficiency and the delivery of high-quality products, with an eye on the present and future needs of our customers. At the same time, we help minimize energy consumption and reduce CO<sub>2</sub> emissions, supporting our net-zero goal.



carbon-neutral world. TITAN's decarbonization strategy includes a comprehensive set of levers to reduce emissions of cement production, by accelerating the use of alternative fuels, substituting clinker by cementitious materials with lower carbon intensity, increasing energy efficiency and optimizing its raw materials mix.

TITAN has been among the pioneers in its sector in implementing innovative Artificial Intelligence (AI) digital

solutions in its operations. Significant innovations have already been implemented, with measurable impact in operational efficiency, such as AI-based real-time optimizers and predictive maintenance in manufacturing, use of advanced analytics for its supply chain network and spare parts inventories, use of Building Information Modelling for its new infrastructure projects, and digital applications for its customer-facing operations.

### Increasing demand for sustainable products and services

As the world continues to urbanize, demand for sustainable infrastructure and green building materials and solutions is set to rise.

Concrete is an essential building material that has shaped our world and is critical for addressing society's needs for the sustainable built environment of tomorrow. It will play an integral role in creating sustainable and prosperous communities through the delivery of key infrastructure, homes, clean energy and a more resilient environment.

Customers increasingly seek sustainable products that will meet their evolving needs.

#### Our approach

As the world is transitioning to a net-zero circular economy, we are playing an active role in the development of the sustainable, green building materials and solutions of tomorrow.

We focus on their affordability, durability and recyclability, as well as on their carbon footprint. When designing them, we evaluate the environmental impact they have throughout their entire life cycle, meeting the increasing needs of our customers for sustainable products and services.

At the same time, we encourage our partners to incorporate sustainability considerations in their business decisions and daily behaviors, promoting responsible sourcing across the built environment value chain.

### Comprehensive sustainability plans to create value for all stakeholders

Building a sustainable future demands comprehensive planning and collaboration with other businesses, governments, academia and society at large.

Companies need to set goals, develop roadmaps to achieve these goals, track their performance and communicate their progress to their stakeholders in a consistent and transparent manner.

#### Our approach

Sustainability is at the heart of our strategy, as reflected in our everyday business practices and the behaviors of our people.

With clear, measurable ESG targets and concrete plans in place across our regions, we are focusing our efforts on the areas where our actions and sustainable solutions can have the biggest positive impact, directly and indirectly, in line with the UN Sustainable Development Goals (SDGs). To address sustainability challenges, we have joined forces with local and global stakeholders.

# Global presence of TITAN Group

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

**USA**

2

Integrated cement plants

8

Quarries

82

Ready-mix plants

3

Import terminals

7

Concrete block plants

4\*

Fly ash processing plants

Principal products/activities



€

Revenue

983.6m

EBITDA

158.0m

Assets

1,133.3m



**USA**

Integrated cement plants

1. Roanoke - Virginia  
2. Pennsuco - Florida



**Brazil (Joint venture)**








Integrated cement plant

1. Quixere

Cement grinding plant

2. Pecem

Principal products/activities key:

-  Cement
-  Ready-mix concrete
-  Aggregates
-  Dry mortars
-  Building blocks
-  Fly ash
-  Wastemanagement and alternative fuels

**Brazil \*\***

1

Integrated cement plant

1

Cement grinding plant

3

Quarries

4

Ready-mix plants

Principal products/activities



Number of operational units of all regions as calculated for ESG performance reporting purposes at Group level

\* 1 facility in Canada is included

\*\* The joint venture in Brazil is incorporated in the financial statements using the equity method of consolidation. In the ESG performance overview and statements, the joint venture in Brazil is not included.



## Southeastern Europe

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

## Southeastern Europe

5  
Integrated cement plants

20  
Quarries

Principal products/activities

6  
Ready-mix plants

1  
Processed engineered fuel facility



€

Revenue  
290.6m

EBITDA  
81.9m

Assets  
467.1m



## Eastern Mediterranean

Integrated cement plants

1. Tokat

Cement grinding plant

2. Marmara



Integrated cement plants

1. Alexandria

2. Beni Suef



## Greece & Western Europe

Integrated cement plants

1. Thessaloniki

2. Kamari

3. Patras

Cement grinding plant

4. Elefsina

## Eastern Mediterranean

3  
Integrated cement plants

1  
Cement grinding plant

13  
Quarries

7  
Ready-mix plants

2  
Processed engineered fuel facilities

Principal products/activities



## Greece & Western Europe

3  
Integrated cement plants

1  
Cement grinding plant

25  
Quarries

Principal products/activities



28  
Ready-mix plants

3  
Import terminals

1  
Dry mortar plant

2  
Processed engineered fuel facilities

€

Revenue  
267.6m

EBITDA  
23.6m

Assets  
549.4m

€

Revenue  
172.8m

EBITDA  
11.8m

Assets  
447.2m

EU Taxonomy Regulation eligible economic activities

Turnover

OpEx

CapEx

% of total TITAN Group

58.6

60.5

58.9

# Overview

## Our Group Strategy: Transforming for Growth

TITAN's growth-oriented Group strategy aims to harness the opportunities presented by decarbonization and digitalization, and to provide the building materials and solutions that will bring additional benefits to our customers, employees, suppliers and communities.

Our strategy is founded on the following three pillars: Deliver, Decarbonize and Digitize, while at the same time our growth-oriented strategic plan is based on the foundation on building capabilities and developing our talent with an entrepreneurial mindset and values-driven culture.



## About Cementarnica USJE

Cementarnica USJE AD Skopje was founded in 1955 near the Usje village in the southeast part of the city of Skopje, just a few kilometers from the city. In 1998, the USJE cement plant was acquired by the TITAN Group by which the company gained opportunities for technological know-how, financial, human and other resources. As of 31 December 2021 TITAN in the Republic of North Macedonia employs 250 direct employees.

Cementarnica USJE operates the cement plant, three quarries and a ready-mix concrete plant. The Opalit quarry in Cesinovo-Oblesevo Municipality was acquired at the end of 2020.

## Principle products

**CEMENT**

**READY-MIX  
CONCRETE**

**AGGREGATES**

**INTRODUCTION OF  
GREEN CEMENT  
WITH REDUCED CO<sub>2</sub>**

**CEM IV/B (V-P) 42.5  
N-POZZOLANIC  
CEMENT**

## Our values

Ingrained in TITAN's identity and embedded in our culture and our people's practices, our values guide the way we conduct our business – with respect, accountability and responsibility.



### Integrity

- ▶ Ethical business practices
- ▶ Transparency
- ▶ Open communication
- ▶ Good governance



### Know-how

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



### Value to the customer

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



### Delivering results

- ▶ Shareholder value
- ▶ Clear objectives
- ▶ High standards



### Continuous improvement

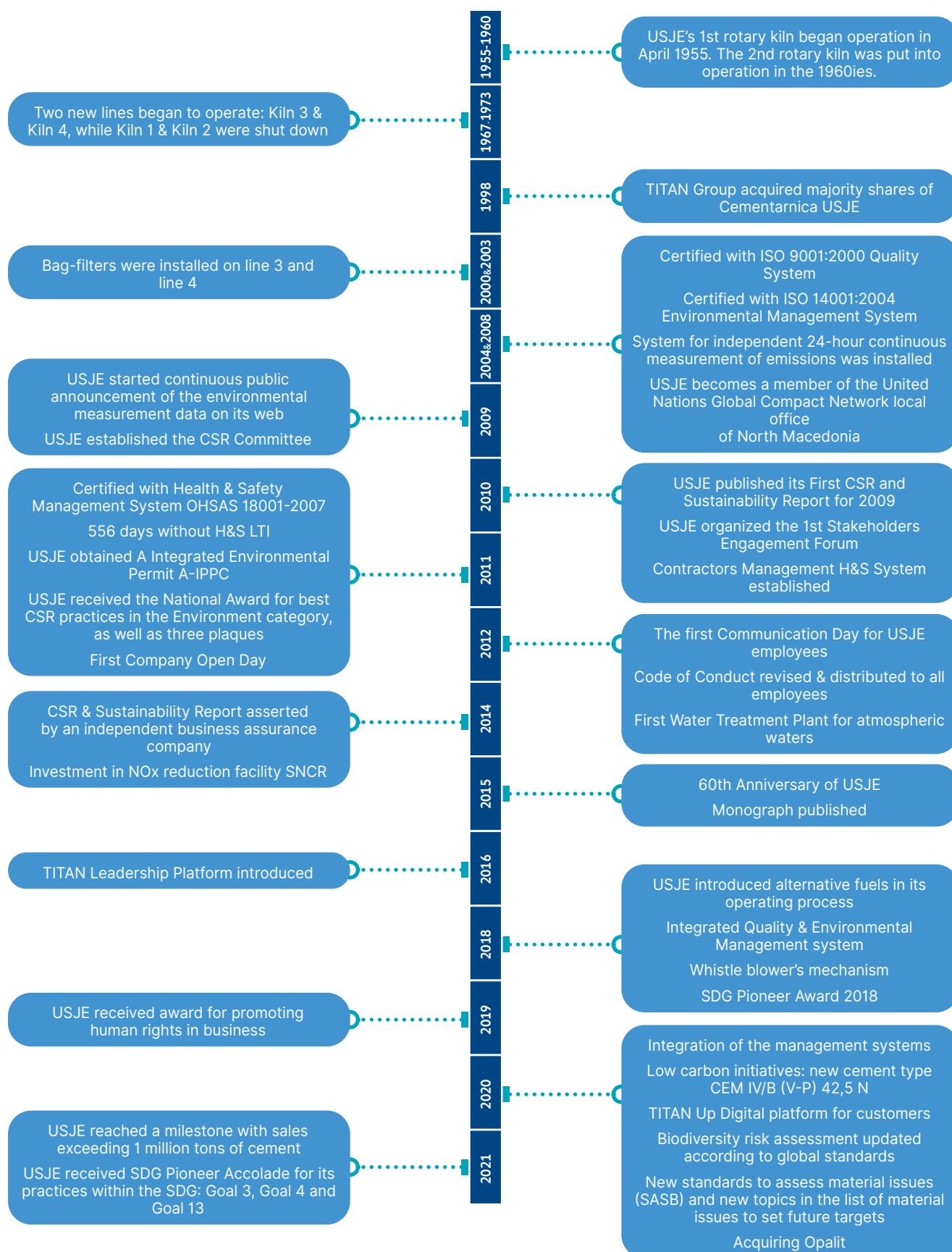
- ▶ Learning organization
- ▶ Willingness to change
- ▶ Rise to challenges



### Corporate Social Responsibility

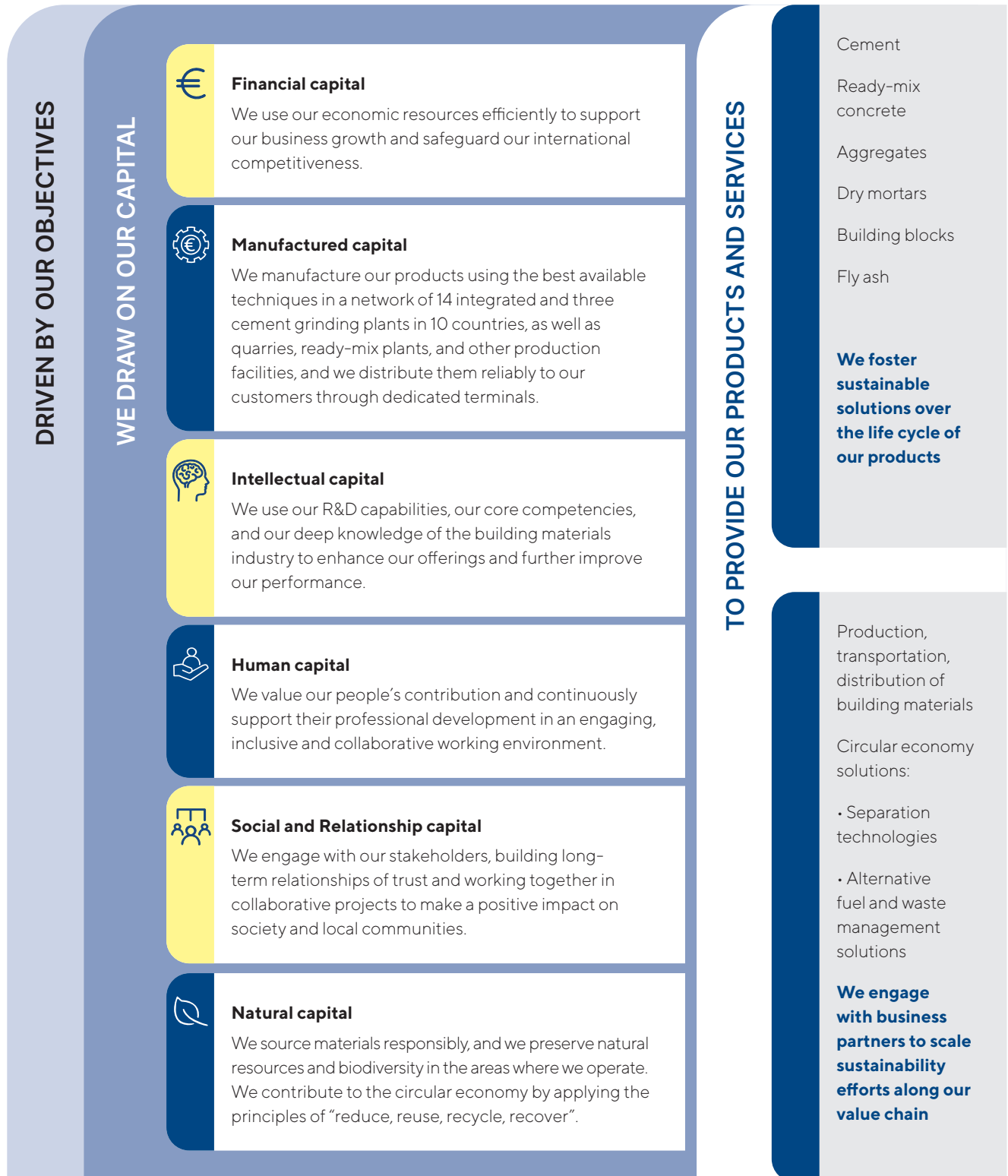
- ▶ Safety first
- ▶ Sustainable development
- ▶ Stakeholder engagement

## Long history of sustainable growth



## Creating and sharing value

We use our capital resources efficiently to drive sustainable, long-term shared value creation, through our products and services. We help address global societal and environmental challenges, and contribute to the attainment of the UN SDGs 2030.



Guided by our governing objective – We draw on our six capitals: financial, manufactured, intellectual, human, social and relationship and natural – to provide products and services – and to create value to our stakeholders – with the contribution to the UN SDGs 2030.



AND CREATE VALUE FOR OUR STAKEHOLDERS

| Key indicators                                                                                       | Amounts       | Stakeholders                                                                                                                                                                                                                              |
|------------------------------------------------------------------------------------------------------|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Investments for Company's growth                                                                     | 355 mil MKD   | Customers<br>Employees<br>Local communities and governments<br>Regulators, authorities<br>Shareholders<br>Business partners and suppliers<br>Contractors<br>Media<br>Local authorities<br>Youth<br>Civil society<br>Academia and research |
| Taxes to national and local authorities                                                              | 259 mil MKD   |                                                                                                                                                                                                                                           |
| Total spend to suppliers, local and international goods and services                                 | 4,377 mil MKD |                                                                                                                                                                                                                                           |
| Gross value added                                                                                    | 1,745 mil MKD |                                                                                                                                                                                                                                           |
| Net value added                                                                                      | 1,556 mil MKD |                                                                                                                                                                                                                                           |
| In salaries, pensions and social benefits including additional benefits beyond those provided by law | 298 mil MKD   |                                                                                                                                                                                                                                           |
| Support to community projects                                                                        | 5,194 mil MKD |                                                                                                                                                                                                                                           |
| Green investment                                                                                     | 68 mil MKD    |                                                                                                                                                                                                                                           |
| New hires                                                                                            | 21            |                                                                                                                                                                                                                                           |
| Internships                                                                                          | 12            |                                                                                                                                                                                                                                           |

## Focus on material issues and stakeholder engagement

Our sustainability strategy is based on a deep understanding of the material issues that affect our business and the people who rely on our activities.

Stakeholder engagement is an important element of our approach to sustainability. Through continuous collaboration, we build trust with all stakeholders, improve our understanding of their needs and problems, and strengthen and deepen our partnership.

We engage closely with individuals and groups in the communities where we operate to learn from each other, develop skills and address challenges.

Feedback from our stakeholders helps us develop a more coherent, inclusive and consistent sustainability strategy. By building consensus in areas of common interest, we can form effective partnerships that support sustainable solutions at both global and local levels.

Cementarnica USJE supports the UN Sustainable Development Goals (SDGs), as well as the global sustainability priorities and aspirations for 2030 and our efforts and activities are focused on achieving these common goals. Linking our material issues to the most relevant of the UN SDGs helps us manage them in line with international best practices.

### Relevant SDG for each material issue

| Material issues 2021                                                          | Core SDGs for the BU                                                                | Supplementary SDGs                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Environmental management of local impacts and protection of natural resources |  |      |
| Safe and healthy working environment for our employees and business partners  |  |                                                                                                                                                                                |
| Building trust with our customers and improving their satisfaction            |  |                                                                                                                                                                                                                                                                     |
| Good governance and business ethics                                           |  |                                                                                                                                                                                |
| Continue engaging and contributing to sustainability of communities           |  |                                                                                                                                                                                |
| Decarbonization, energy efficiency and business model resilience              |  |      |
| Employee engagement, development and well-being                               |  |                                                                                           |
| Maintaining a sustainable and reliable supply chain                           |  |                                                                                                                                                                                |

We have an established materiality assessment process to address the expectations of our stakeholders and pursue sustainable development. Through this process, we aim to build further on our trusted relationships and create shared

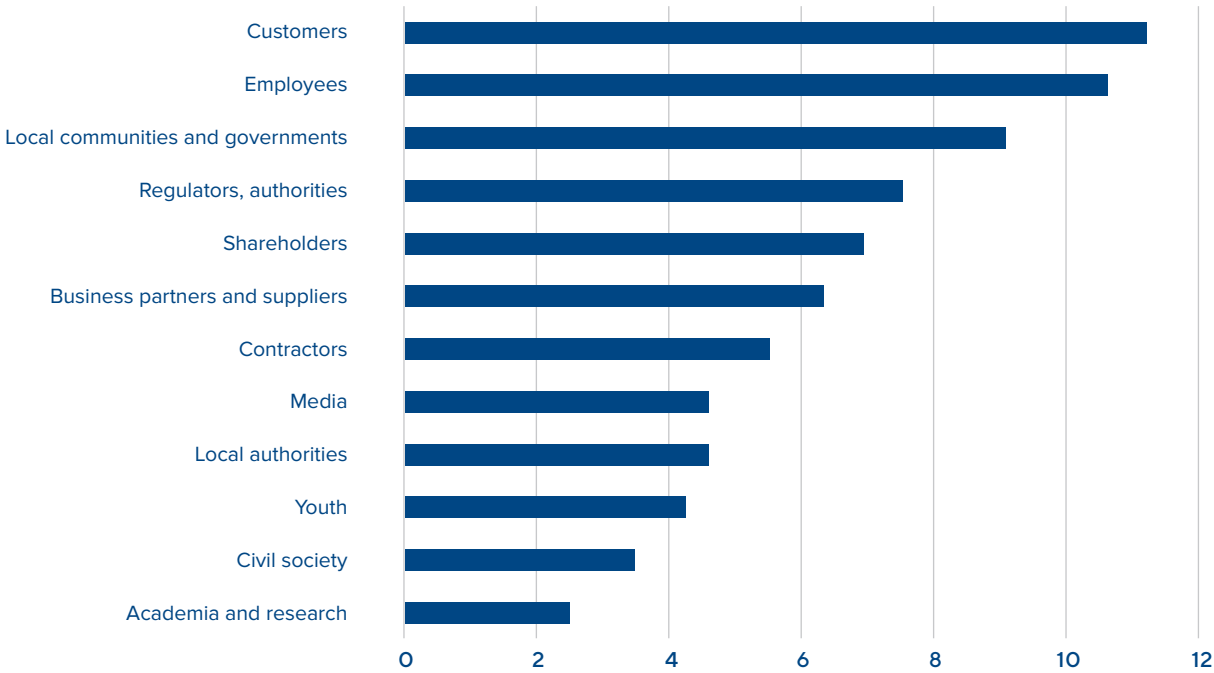
value. The outcomes of the process as conducted in 2020 are presented in the following tables and summarized in the Matrix below.

## Materiality assessment steps



## Our key stakeholders

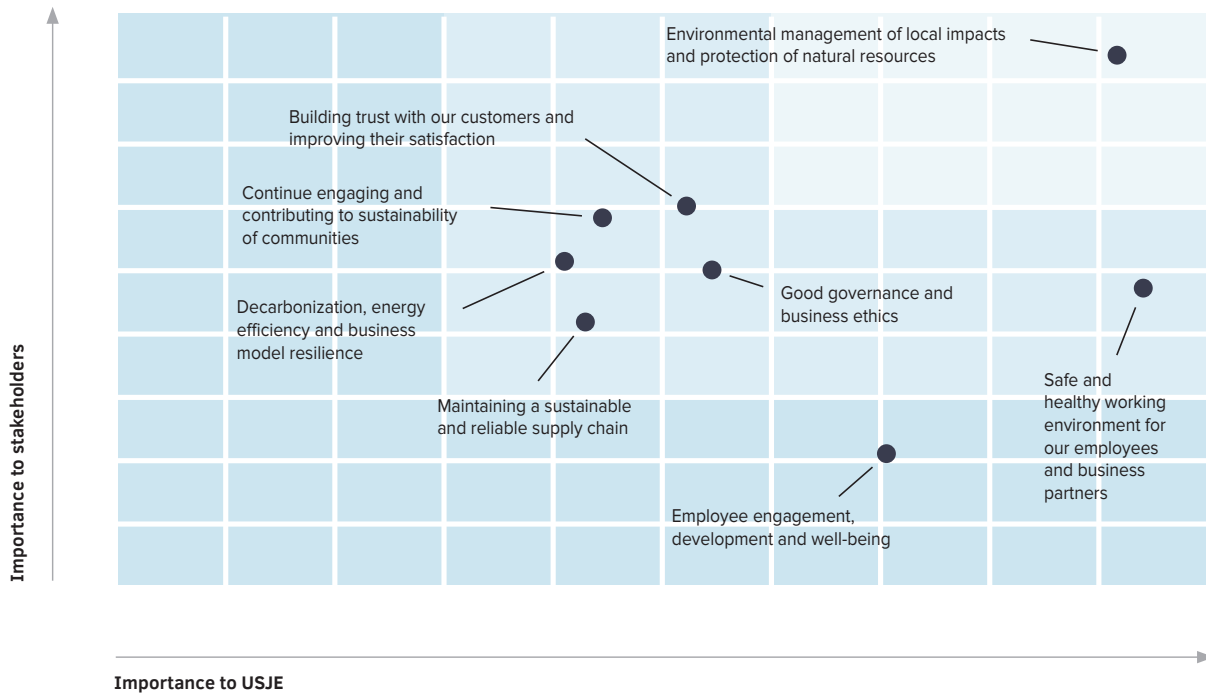
List of our stakeholders according to the relevance and significance for our business looking towards 2025



\*According to the feedback received from the Materiality Assessment Questionnaire (MAQ) 2020 by our 12 key internal stakeholders

This table is an outcome of the materiality assessment process regarding the prioritization of our stakeholders. A full cycle of materiality assessment at TITAN has a duration of five years. We use the resulting prioritization of material issues at local level as input for the materiality assessment at Group level and vice versa. In 2021, we completed a new cycle of materiality assessment, by updating our priorities following the process established by the Group in 2020.

## USJE Materiality Matrix 2021-2025



What is immaterial to a company or industry today can become material tomorrow. Therefore, receiving regular feedback from our stakeholders through open and structured communication is imperative. In this context, the Group has designed a process to validate the existing materiality assessment with key stakeholders at a level of

each business unit. The outcomes of this exercise will help adjust our priorities, if needed, and possibly add to our preparedness before the next materiality cycle. Through this dynamic materiality process, we aim to build on our trusted relationships and create shared value.

## Connecting USJE material issues to TITAN Group Focus Areas

We connect our eight high priority material issues grouped under the four Focus Areas of TITAN Group and all underpinned by good governance, transparency and business ethics. We found strong connection between USJE's material issue Environment Management of Local Impacts and Protection of Natural Resources with TITAN Group Focus Areas 3 Positive Local Impact and 4 Responsible Sourcing. Our material issue Safe and Healthy Working Environment for our Employees and Business Partners is connected with Focus Area Growth Enabling Work Environment. TITAN Group Focus Area Responsible Sourcing also covers our material issues Building Trust

with our Customers and Improving Their Satisfaction, Decarbonization, Energy Efficiency and Business Model Resilience and Maintaining a sustainable and reliable supply chain. The material issue Good Governance and Business Ethics is under Good Governance, Transparency and Business Ethics. The Focus Area Positive Local Impact covers the material issue Continue Engaging and Contributing to Sustainability of Communities, while the material issue Employee Engagement, Development and Well-being is under Focus Area Growth-enabling Work Environment.

The diagram is placed inside the ESG statements on page 52-71.

## ESG targets 2025 and beyond

In 2021 USJE adopted the TITAN Group's Environmental, Social and Governance (ESG) targets 2025 and beyond focusing on four pillars defined as material for TITAN Group.

### Decarbonization and Digitalization

#### Ambition

We will TRANSFORM our business, focusing on resilience, innovation and building solutions to serve our customers more efficiently as we move towards a carbon-neutral, digital world

#### Targets

- we will reduce our CO<sub>2</sub> emissions<sup>1</sup> by 2030, and will
- have our targets validated by the Science Based Initiative (SBTi) as follows:
  - Scope 1 (net): -35% vs. 1990 level
  - Scope 2: -45% vs. 2020 level
- we commit to drive down the CO<sub>2</sub> footprint of our operations and products aspiring to deliver society with carbon-neutral concrete by 2050
- we will monitor and independently verify our supply chain (Scope 3) emissions
- we will increase our annual investment in Research and Innovation to €20m

#### SDGs



#### Material issues addressed

- Future ready business model in a carbon-neutral world
- Innovation with emphasis on digitalization and decarbonization

### Growth-enabling Work Environment

#### Ambition

We will CULTIVATE an inclusive culture with equal opportunities for all our people to grow professionally within a safe and healthy work environment

#### Targets

- we strive for zero fatalities and for employee LTIFR performance which consistently places us among the three best in our peer group<sup>2</sup>
- we will implement initiatives addressing the physical, mental, social and financial dimensions of well-being for our employees, in all countries
- we commit that 1/3 of our BoD members will be women
- we will promote equal opportunities and inclusion and will grow by 20% the participation of women in senior roles, talent pools and new hires
- we will offer upskilling and reskilling opportunities to 100% of our employees, especially in areas vital for sustainable growth, such as health and safety, digitalization, and decarbonization

#### SDGs



#### Material issues addressed

- Safe and healthy working environment
- Diverse and inclusive workplace
- Continuous development of our people

All underpinned by:  
**Good governance, transparency and business ethics**

<sup>1</sup> Scope 1: direct CO<sub>2</sub> emissions; Scope 2: indirect CO<sub>2</sub> emissions from electricity; Scope 3: indirect CO<sub>2</sub> emissions of the supply chain

<sup>2</sup> Peer group definition: Cemex, Holcim, Argos, HeidelbergCement, CRH, Cementir, Vicat, Buzzi

## Positive Local Impact

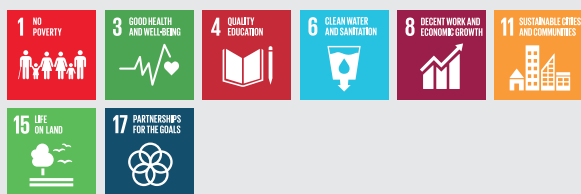
### Ambition

We will ENABLE our business operations and our people worldwide to contribute to the prosperity of our local communities with respect to their social and environmental concerns

### Targets

- we will sustain and further improve our strong performance in cement production-related specific dust, NOx and SOx emissions
- we will have quarry rehabilitation plans at 100% of our sites<sup>3</sup> and will rehabilitate 25% of the affected areas
- we will have quarry biodiversity management plans at 100% of our sites<sup>3</sup> in high biodiversity value areas
- we will have community engagement plans that are aligned with material issues for stakeholders and UN SDGs 2030 at 100% of our key operations
- we will ensure that 2/3 of our total spending is directed to local suppliers and communities

### SDGs



### Material issues addressed

- Positive local social, economic and environmental impact

## Responsible Sourcing

### Ambition

We will EMPOWER our business eco-systems to incorporate sustainability considerations in their business decisions and daily behaviors, while using natural resources responsibly

### Targets

- we commit to a water consumption of 280 l/t cementitious products and to covering 70% of our water demand with recycled water
- we will have 85% of our production<sup>4</sup> covered by ISO 50001 or energy audits
- we will have 50% of our production<sup>4</sup> covered by "Zero Waste to Landfill" certification
- we will ensure that 70% of our key suppliers<sup>5</sup> meet TITAN ESG supplier standards

### SDGs



### Material issues addressed

- Safe and healthy working environment
- Diverse and inclusive workplace
- Continuous development of our people

<sup>3</sup> Active wholly-owned sites; <sup>4</sup> Production of our integrated cement plants; <sup>5</sup> Key suppliers: critical suppliers according to the GCCA Guidance for Sustainable Supply Chain management with a meaningful level of spending for TITAN.



# MANAGEMENT REPORT

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- Corporate Governance and Risk Management
- ESG Performance Review
- ESG Performance Statements
- Review of Progress for the UNGC Ten Principles
- Financial Performance
- Independent Auditor's Report and Financial Statements
- Independent Limited Assurance Report on Annual Sustainability Report 2021
- Glossary

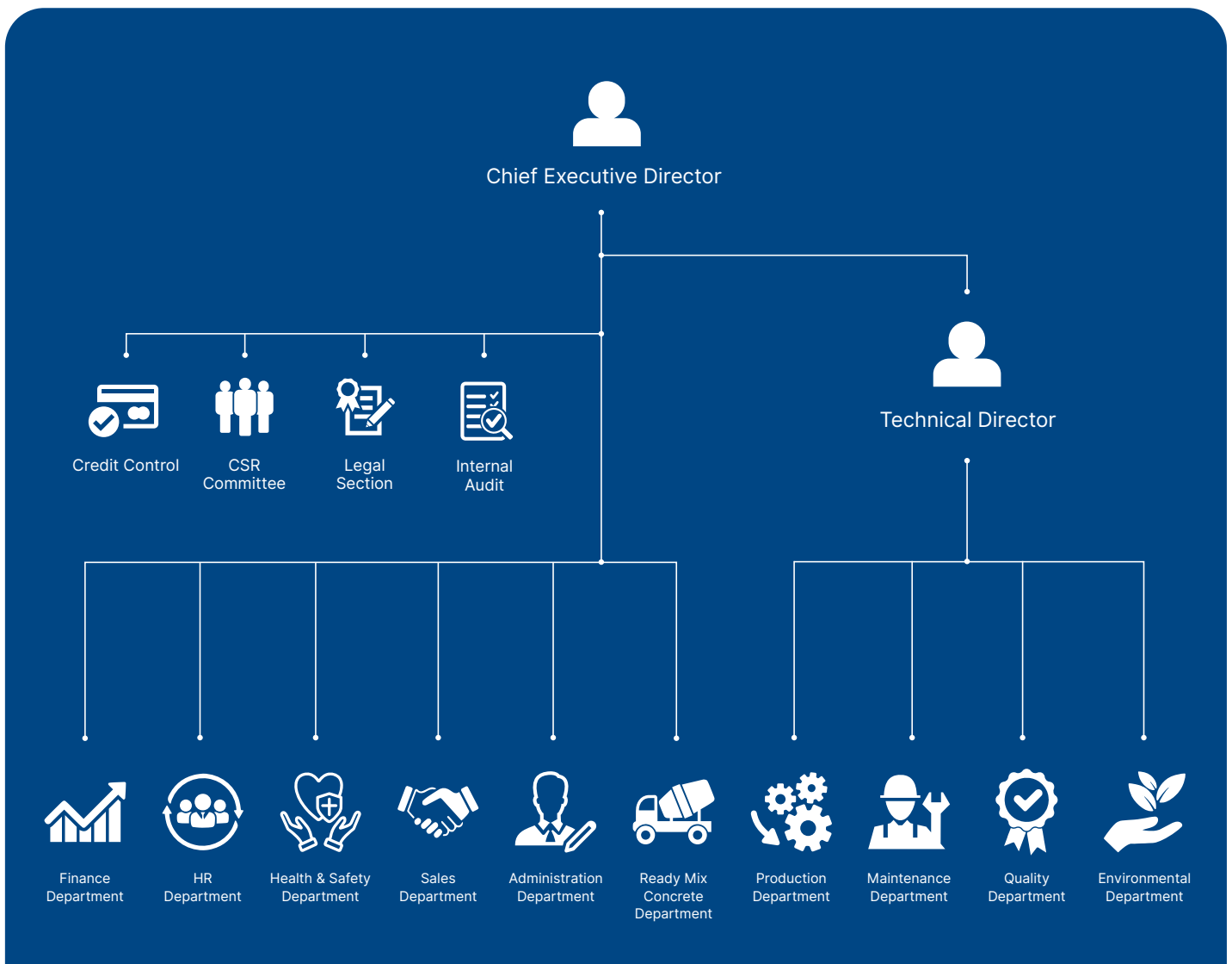


# Corporate Governance and Risk Management

## Corporate governance statement

Good corporate governance principles and comprehensive risk management are essential to building effective external relationships and thus to the Company's stability. These principles coupled with our corporate values guide us

through every aspect of our business. Compliance with and application of these principles in the daily work is ensured at the highest level through the functioning of several boards and committees.



### BOARD OF DIRECTORS

The company follows established corporate governance best practices in its management and has five non-executive members on its Board of Directors, two of whom are independent and two are executive directors – the Chief Executive Director and the Executive Director. The Chief Executive Director and the Executive Director do not receive any earnings based on their membership in the Board of Directors. None of the five non-executive members have earnings based on their membership in the Board of Directors. The Company has chosen the one-tier governance structure, which consists of the Board of Directors, authorized to carry out all actions that are necessary or useful to achieve the Company's purpose, except for those for which the General Meeting of Shareholders is authorized to carry out by law.

### CENTRAL MANAGEMENT COMMITTEE

The role of the Central Management Committee is to develop and implement the Company's strategy, to facilitate supervision of the corporate governance and risk management and supervise the Company's operations and implementation of the Code of Conduct in all areas of operation. It aims to further improve the decision-making process, facilitate cooperation and coordination between departments while monitoring and reporting the company performance. Members of the Central Management Committee are the Chief Executive Director, the Technical Director, the Sales Manager, the Finance Manager, the HR and the CSR Manager. The Central Management Committee holds meetings every week, at which strategic and operational decisions are being made.

### CREDIT CONTROL COMMITTEE

This Committee's main role is related to monitoring and control of customer receivables and debt and its main tasks include the following: loan assessment and approval, customer assessment/ranking forms, settling customer debt, debt/guarantee coverage, credit monitoring and control and delineation of provisions related to credit risk.

### HEALTH & SAFETY CENTRAL COMMITTEE

USJE's Health and Safety Central Committee provides strategic directions for initiatives to improve health and safety of our employees and contractors. It establishes effective processes to promote the full implementation of the TITAN Group's Health & Safety Policy. The common and ultimate goal is to protect the health and safety of our employees and our contractors' employees as one of the basic human rights in the workplace.

### CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

This Committee was established in 2009 and is in charge of integrating and implementing the TITAN Group's strategy at the local level. It is chaired by the Chief Executive Director and consists of the top management and the health and safety, environment and human resources managers. The CSR Committee meets quarterly, to review and evaluate the action plans and achievements, as well as to initiate further improvements. To ensure further cohesion within the Group, the USJE CSR Committee has appointed one of its members as a representative to the Group's CSR Liaison Delegates' Network, which aims to improve internal communication, sharing and learning from the Group's best practices.

### QUALITY AND ENVIRONMENTAL BOARD

The Quality and Environmental Board is responsible for establishing the Company's Quality and Environmental Policy and setting the quality and environmental system targets. The Board also conducts internal quality and environmental audits and reviews the quality and environmental system. The Quality and Environmental Board identifies the environmental aspects and emergency situations related to environmental protection etc.

## The Code of Conduct

A Code of Conduct has been drawn-up, setting out the expectations for the Company's leadership and employees in terms of responsible and ethical behavior.

The principles and values of our Code of Conduct not only guide our people but are also demonstrated daily in their conduct. In 2021 the latest version of the Group Code of Conduct was updated. USJE disseminated printed booklets of the Code of Conduct to all employees. This occurred early January 2021, when every employee signed an acknowledgement form as a confirmation that he/she received and fully understood the content of the Code of Conduct. Total of 194 training hours on the Code of Conduct were delivered in 2021. Additionally, translated version of the Code of Conduct was published on the local Connections intranet.

## Diversity and inclusion

USJE is committed to offering equal opportunities and encourages diversity and inclusion at every level of employment in the Company. Diversity includes more than gender, age, nationality, disability, ethnic origin, sexual orientation, culture, education and professional background. At Group level, particular attention is given to monitoring the implementation of our Human Rights Policy, part of which refers to the promotion of diversity and to ensuring consistent improvement of diversity across the organization. Improving the gender mix at all levels is always an area of focus. Likewise, we focus on inclusion and on creating a working environment that maximizes the potential of all employees. Our Group Code of Conduct, Human Rights and CSR policies were updated to incorporate clearer references to diversity and inclusion.

## Human rights

In consistency with the United Nations Guiding Principles on Business and Human Rights, USJE is committed to respecting and supporting human rights with regard to its employees, the communities where it operates, and its business partners, as expressed in internationally recognized standards, including the UN Universal Declaration of Human Rights.

TITAN Group launched reporting platform EthicsPoint® aiming to ensure that incidents are reported, examined, and resolved with a remedy plan, if and when necessary. It promotes a culture of openness, transparency and accountability, which is essential to safeguarding good governance and integrity. In 2021 we had zero cases of reported violation of human rights.

In 2019 USJE received the "Award for Promoting Human Rights in Business", as a recognition of its commitment for respecting the human rights of its employees, all groups of stakeholders, the wider community, promoting health and safety and principles of good corporate governance.

A Union association at company level exists in USJE, which cooperates with the general Union Association at a country level. The Union representatives participate in bilateral meetings with the top management and it is a part of stakeholder dialogue that addresses strategic issues within the framework of sustainable development. Union representatives meet with the line management as well and discuss their concerns and suggest improvements, in any area of labour relations and employees well-being. USJE has signed Collective Bargaining Agreement with the Company's Union and at the same time respects the General Collective Agreement for the business sector. Total of 172 employees out of 250 are unionized, of which 20 are female employees.

## Risk management

Effective risk management is essential for the achievement of the Company's strategic goals and long-term sustainable development. The Company has developed agile systems for monitoring, eliminating, or minimizing various potential and significant risks.

The Central Management Committee is generally responsible for the Company's risk management plans, implementing and evaluating their effectiveness each year through management systems. The Board of Directors ensures 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 semi-annual financial statements and the annual financial statements of the Company.

TITAN is active in a diverse geographical, business, and operational landscape. This results in a multitude of potential risk exposures, including strategic, financial, sustainability (ESG) and operational risks. Risks are categorized using established risk taxonomies relevant to the Group's business and are assessed in terms of probability, impact and preparedness, in line with the industry best practices.

TITAN's risk management framework is presented below.

| Risk Management          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
|                          | Centrally-led                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Hybrid                                                                                                                                                                                                                                                                                                                                                                                                                                                  | BU-led                                                                                                                                         |
| Risks covered            | <b>Strategic, e.g.:</b> <ul style="list-style-type: none"> <li>• Climate change mitigation and adaptation</li> <li>• Industry cyclicalities</li> <li>• Market conditions</li> <li>• Political and economic uncertainty</li> <li>• Global disruptions (e.g. COVID-19)</li> </ul> <b>Financial - in particular:</b> <ul style="list-style-type: none"> <li>• Foreign currency risks</li> <li>• Interest rate risks</li> <li>• Liquidity and leverage risks</li> <li>• Counterparty risks</li> </ul> | <b>ESG risks:</b> <ul style="list-style-type: none"> <li>• Health and safety</li> <li>• Risks related to the environment</li> <li>• Human Resources, Diversity and Inclusion</li> <li>• Regulatory compliance risk</li> </ul> <b>Operational Risks:</b> <ul style="list-style-type: none"> <li>• Production cost</li> <li>• Natural disasters (e.g. due to climate change)</li> <li>• Cybersecurity risks</li> <li>• Supply chain disruption</li> </ul> | Most operational/ ESG risks that occur at the level of individual businesses                                                                   |
| Risk Management Approach | <ul style="list-style-type: none"> <li>• Executive Committee</li> <li>• Capex Committee</li> <li>• Group Finance</li> <li>• Other Group functions (e.g. Procurement, R&amp;I, IT, HR, ESG)</li> </ul>                                                                                                                                                                                                                                                                                             | <ul style="list-style-type: none"> <li>• Business Units (BU)</li> <li>• Higher central oversight vs. BU-led risks</li> </ul>                                                                                                                                                                                                                                                                                                                            | <ul style="list-style-type: none"> <li>• BU management as part of day-to-day operations</li> <li>• Embedded into business processes</li> </ul> |

← Internal Audit, Risk and Compliance Unit and Audit and Risk Committee →

In 2021 a specific scenario-modelling assessment of the Group's climate-related risks and opportunities took place implementing the TCFD framework. The exercise covered

physical risks like extreme temperatures, flooding and water stress, as well as transition risks, like carbon pricing, reputational risks and litigation.

## Internal & external audits performed in USJE

Consistent with the Group's strong commitment to good governance and transparent business ethics, the Group's Compliance and Anti-fraud function was established in January 2020 as part of the Group's Internal Audit, Risk and Compliance Department, reporting to the Group Audit and Risk Committee.

In 2021 there was regular internal audit process on ISO 9001, ISO 14001 и ISO 45001 systems in USJE aiming to monitor and control the systems implementation in operations and mostly to focus on the replacement of OHSAS with ISO 45001. The Group's internal 360° audit was performed in the Health and Safety Department and USJE received green light (satisfactory).

As for the external audits, a team from Eurocert visited our company and audited the Occupational Health and Safety Management System, the Environmental Management System, the CO<sub>2</sub> and the newly implemented Energy Management System ISO 50001 (certified in 2021). The Company's ESG performance and reporting was audited by Grant Thornton, while the financial statements were audited by Price Waterhouse Coopers (PwC). The audit company Bakertilly performed a scheduled audit in the Environmental Department regarding waste management.

## Management systems

Cementarnica USJE's Integrated Management System (IMS) brings together the needed methodology and tools to meet requirements in a number of areas – including quality, occupational health and safety, the environment and energy within a unified structure. The system thus helps the Company control and manage our values, oriented towards corporate leadership, while at the same time ensuring the fulfillment of our customers' needs in terms of products and services.

Cementarnica USJE's IMS is process-oriented. The Integrated Management Manual (as part of IMS) aims to introduce the system and, in particular, the functionality of the processes tailored to our customers' requirements. It describes the integrated system for quality management, occupational health and safety, environment and energy.

**2003** The first preparations for certification under the **ISO 9001:2000** system in Cementarnica USJE started in 2003, and the first certification was completed in 2004.

**2005** The first preparations for certification under the **ISO 14001:2004** system began and it was introduced and certified in 2006.

**2010** A little later, in 2010, the preparations for certification under the **OHSAS 18001:2007** system started, for it to be certified over the course of 2011.

**2018** The Quality Management System and the Environmental Management System were integrated in 2018 in accordance with the new **ISO 9001:2015** and **ISO 14001:2015** standards respectively.

**2020** In 2020, we completed the integration of the system, which includes the three systems: **ISO 9001:2015**, **ISO 14001:2015** and **ISO 45001:2018**.

**2021** Certification and integration of a system for Energy Management according to **ISO 50001:2018**.





# ESG PERFORMANCE REVIEW







# ESG Performance Review

TITAN has set ambitious Environmental, Social and Governance (ESG) targets for 2025 and beyond, underscoring its enduring commitment to sustainability and value creation for all. They focus on four pillars: Decarbonization and Digitalization; Growth-enabling Work Environment; Positive Local Impact; and Responsible Sourcing, all underpinned by good governance, transparency and business ethics.

In this ESG performance review section of the Management Report, we provide a detailed overview of our annual performance and progress towards meeting our ESG targets. For each of the issues that have been identified as material for us and our stakeholders, we present the foundations that we have built on and describe our management approach to addressing them, highlighting important achievements recorded throughout the year.

## Focus Area: Decarbonization and Digitalization

### Material issue: Decarbonization, energy efficiency and business model resilience

USJE aspires to reduce its carbon emissions by increasing the use of alternative fuels, accelerating its efforts in energy efficiency, developing low-carbon products, and adopting innovative technologies and solutions. Through the participation in European and international consortia, as well as through collaborations in R&D projects, USJE will continue to develop low-carbon cementitious products and pilot carbon-capture technologies in its plants, actively contributing to the industry's ambition for a carbon-neutral future.

#### Use of alternative fuels for climate mitigation

In order to enhance utilization and to increase opportunity for usage of different alternative fuels, in May 2021, USJE installed new equipment for shredding and dosing alternative fuels. This equipment enables USJE to use different fractions of non-hazardous waste as alternative fuels.

The alternative fuels used in one of our two kilns in 2021 were biomass from agricultural waste (rice husk and coffee husks), selected waste from the textile industry, non-recyclable packaging waste, as well as waste plastics that cannot be reused and recycled. USJE continued the effort for utilization of alternative fuels and alternative raw materials and tried to find new waste streams. The utilization of the alternative fuels is in line with the A-Integrated Environmental Permit. In this process, we use the best world practices, proven efficient technologies and equipment.

Mitigating environmental impact::

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

#### • Benefits for the society:

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

### Our efforts toward climate change mitigation

The overall worldwide cement production contributes with about 5% of total anthropogenic greenhouse gases emission. Therefore, climate change is considered one of the most important environmental challenges in the cement production industry. The total emission of direct CO<sub>2</sub> is a result of the following: calcinations of carbonates and combustion of organic carbon contained in raw meal, combustion of fuel in the rotary kiln for clinker production, combustion of fuels used for heating and transportation of materials on plant premises. Indirect emissions of carbon dioxide are released during the production of the electricity required for the production of clinker and cement, as well as during the production and transportation of raw materials and fuels along with the transportation of our products.

Through conventional and innovative actions to mitigate CO<sub>2</sub> emissions TITAN rolled out the CO<sub>2</sub> 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 CO<sub>2</sub> abatement at a Group and local level; and the monitoring and leveraging of new technologies.

We follow the GCCA protocol\* (previous WBCSD/CSI) for calculating and reporting CO<sub>2</sub> emissions. In accordance with this protocol, the calculating and reporting of CO<sub>2</sub> and energy is performed on a regular basis, despite the fact that this is not a national legal requirement. In 2021, USJE's total gross direct

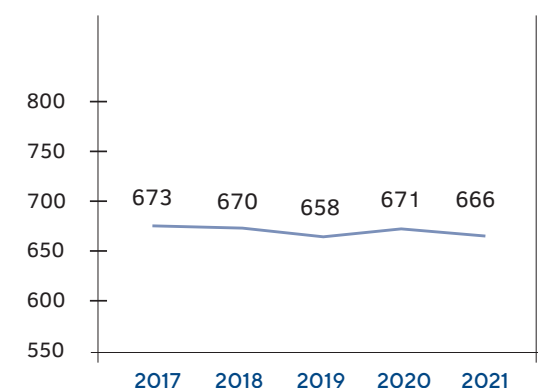
\* GCCA Sustainability Guidelines for the monitoring and reporting of CO<sub>2</sub> emissions from cement manufacturing, edition 2019



CO<sub>2</sub> emissions were 0.72 million tons (1.1), while the specific gross direct CO<sub>2</sub> emissions were 665.9 kg CO<sub>2</sub>/t cementitious product (1.6) which is ~0.8% lower compared to 2020. The reduced specific gross CO<sub>2</sub> emissions are due to the introduction of new types of cement that resulted in reducing clinker to cement ratio compared to 2020 and increased thermal efficiency.

Cementarnica USJE in 2021 managed to reduce electricity consumption by 5 kWh/t of cement compared to 2020. This reduction results in a total electricity savings of 5,076,000 kWh, or about 4,640 t CO<sub>2</sub> for 2021.

### Specific gross direct CO<sub>2</sub> emissions



— Specific gross CO<sub>2</sub> (kg/t cementitious products)

Faced with limited availability of conventional fuels and raw materials, the circular economy has gained significant prominence, becoming more widespread and pervasive in the last ten years. Practices such as product reuse, as well as recycling and recovery of materials clearly present concept of circular economy and are crucial for both waste reduction and resource efficiency. 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. The cement industry provides solid solutions and sustainable practices in this regard. USJE is aligned with the principles of circular economy and has recognized their importance in our Group Environmental Policy. Co-processing products of different waste streams in our operations (such as biomass, municipal and other inert waste materials) is an example of our environmental responsibility and is efficient way of reducing our carbon footprint.

### Low carbon products – green cement

USJE introduced a new cement type CEM IV/B (V-P) 42.5 N – Pozzolan cement. By producing and promoting this

type of cement USJE contributes to the reduction of CO<sub>2</sub> and greenhouse gas emissions.

### “Waste to Energy for Western Balkans” Project

This year USJE continues the participation in the “Waste to Energy for Western Balkans” Project together with Antea Plant in Albania and Kosjeric Plant in Serbia. The main project objectives are:

- Evaluate the potential in the region for the production of RDF/SRF
- Facilitate the cooperation with the public sector to evaluate options for enabling the production of RDF/SRF
- Function as a knowledge transfer for the stakeholders involved
- Analyses of the infrastructure and collection network for co-processing of municipal waste and production of RDF/SRF

### Material issue: Building trust with our customers and improving their satisfaction

#### Business model resilience – Digitalization with focus on process improvements

Our digital journey so far has been powered by our innovative, entrepreneurial spirit and willingness to test and learn.

Value to customers is defined as one of our core Company’s values. We work dedicated on anticipating the customers’ needs while providing innovative solutions and offering high quality products and services. Despite the COVID-19 pandemic and limited physical contact with our customers, in 2021 USJE managed to increase the customer visits aiming to deepen our understanding of customers’ needs and to better response to market demand.



The TitanUp application allows orders to be made without physical contact, which saves customers time. In 2021, TitanUp became very “easy to use” tool, for more than 99%

of our cement buying clients, and more than 96% of all the load orders. The customers have accepted it, and USJE is constantly trying to improve it according to their needs.

Innovative outcomes of the digitalization process:

#### **Heat map concept**

The main idea of the Heat map is improvement of production process by a digital tool that collects process data and through analyses provides improved key variables aimed to improve the processes in each production section. The gap analysis investigates areas in the process exhibiting high variability in key operational metrics indicating possible issues with equipment – infrastructure or the process itself. The program creates lists of key variables for each section and the variables

are classified in three groups: input variables, process variables and output variables. The data is stored every half hour and analyzed for possible solutions. The Heat Map digital tool was implemented on a trial basis in the USJE plant for four different assets: Kiln 4, RM4, VM coal mill, CM4.

#### **Precognize concept**

The system is a typical maintenance digitalize tool for preventive maintenance. It is created based on signal inputs from various sensors, such as temperature, vibration, pressure, amps, limit switches and etc. In total more than 2,000 inputs are monitored. The software receives data from various sensors and if there is difference from the normal operation at the particular machine, the software creates events. The main purpose of the system is to find all possible problems before they occur.

## **Focus Area: Growth-enabling Work Environment**

### **Material issue: Safe and healthy working environment for our employees and business partners**

#### **Supporting and protecting our employees in times of COVID-19 pandemic**

COVID-19 brought on a new set of employer's pressures, including trying to take care of work and business in circumstances not usual for any of us. Furthermore, the pandemic created an endemic situation of uncertainty and confusion about the increasing pressure by stakeholders, the decision of governments to proceed with shutdown and impose new recovery plans (including assistance to the most affected companies), and the global fear for possibly new waves of contamination, seems to significantly change consumer habits, particularly those of younger people. In 2021 safeguarding the employees against COVID-19 remained top priority for the Company through various actions.

#### **Occupational health and safety**

USJE is strongly committed to maintaining a safe and healthy work environment, fostering the development of quality workforce, enhancing efficiency and productivity and caring for the physical and mental well-being of the employees. As a company we strictly follow all state Occupational Health and Safety regulation, as well the Group Occupational Health and Safety Policy. USJE's goal is to achieve a year without injury at the workplace, so we continue to share the best practices in Occupational Health and Safety with focus on identifying the risks in order to prevent accidents. We encourage our contractors and other business partners to follow our health and safety rules and policies as well. In order to recognize

efforts and motivate our people, eight employees from different departments were awarded for special contribution and engagement in the field of health and safety at work, fostering a culture of safe work, reporting incidents, making suggestions for safety improvements and protecting the environment and workplace. The Next Step group program has been launched in the region targeting to achieve higher and sustainable safety performance.

**2021:** average health and safety training hours per employee: 17.14 and per contractor: 16.41. From the GAP analysis of our supervisors we came up with training with focus on the specific needs of each employee.

Through the three ways of reporting: incident reporting, safety walks and safety audits, we strive to "hunt" the issues and take corrective actions to eliminate them for a long term. In 2021, the trend of reporting incidents continued so at the end of the year we had 766 reported incidents, 136 safety walks and 44 safety audits, followed by 38 near misses and 3 LTIs, one for our employee and two for contractors. Near miss reporting was doubled. All the near miss and LTIs incidents were properly investigated and followed with corrective actions.

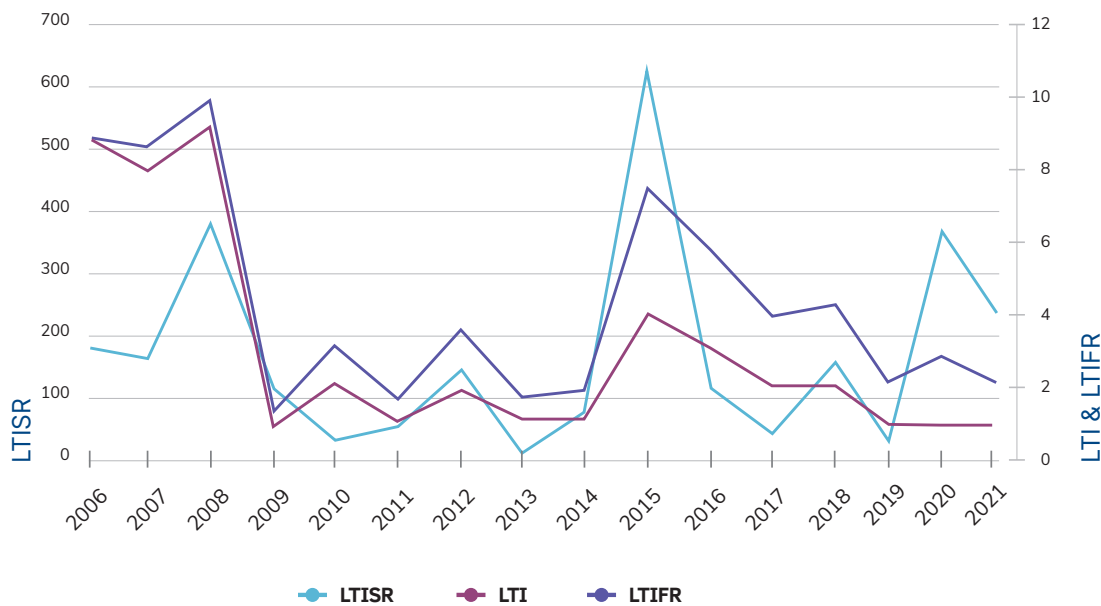
We introduced a new Contractor Management System project for gate entrance control of all contractors, as well as management of required documents for contractor's employee doing any kind of activity in our plant.

Relying on statistics, 100% of injuries in USJE in the past three years occurred for one reason – slip, trip, fall. Hence, we started a campaign about "Slip, Trip, Fall Hazards".

As part of it, we designed a poster, and it was placed all around the plant to raise the awareness. Additionally, trainings were done according to a plan that included all departments with a support of managers and heads of the departments. USJE took part in the EU H&S Campaign for Musculoskeletal

Disease (MSD) "Lighten the Load". One external audit was done by Eurocert for the ISO 45001 System without any non-conformity. One internal audit from the Group H&S and Regional H&S director was done in which we got green satisfactory assessment.

### Health & Safety ratios (historic trends)



\*LTI - A Lost Time Injury (LTI) is defined as a work-related injury causing the absence of one or more working days (or shifts), counting from the day after the injury, before the person returns to normal or restricted work (if two or more people are injured in any accident, then the event is to be counted as two or more LTIs, as well as the "Lost Days" for each injured individual)

\*\* LTIFR - Number of LTIs in a year per 1,000,000 hours worked

\*\*\* LTISR - Number of lost calendar days due to LTIs during reporting period per 1,000,000 hours worked

## Material issue: Employee engagement, development and well-being

### Employee engagement and human resources management system

Engaging with our employees is a continuous process for USJE, which incorporates feedback in structured and organized ways, via wide surveys, focus groups and local pulse surveys. In 2021, we implemented our action plans as developed to address the results of the 2019 Employee Engagement Survey. As a result, a number of initiatives were introduced in the following areas: maintain pride to work in TITAN, authority and empowerment and communication and collaboration. We have capitalized on recent investments in the human resources management system (HRMS) to use data and effectively manage all key

processes throughout the employee life cycle, from talent acquisition to performance management, learning and development, career planning and reward management. TITAN's HRMS data on recruitment, learning and performance is analyzed to provide insights and inform improvement efforts and investment decisions on future programs.

### Team building for PDP participants in 2021

After more than a year of break due to the corona virus outbreak, team-building for all PDP participants was organized again. The team-building took place on a local mountain surrounded with beautiful nature near the Kozjak Lake. A dynamic workshop of competitive character was organized for the team-building. Later, the time was reserved for lunch, networking and enjoying the lovely nature.

### **Employee voluntarism-planting trees in the neighboring community**

USJE team of more than 40 volunteers, including the management team, organized an autumn action for planting trees. The action was organized in the USJE quarry, near the Pripor settlement. During the action, more than 2,000 tree seedlings were planted.

### **Blood donation actions**

During 2021 three regular blood donation actions were organized in cooperation with the Red Cross and one blood donation action with special purpose for collecting blood units needed for the surgery of employee relative. A total of 38 USJE employees and 24 contractors participated in these humanitarian acts.

### **Diversity, equity and inclusion**

TITAN Group monitors the full implementation of the Human Rights Policy and is committed to providing equal opportunities and promoting diversity and inclusion of employees at all levels. Diversity includes different aspects, such as: gender, age, nationality, and people with special needs, different ethnic backgrounds, sexual orientation, culture, education, and professional experience. Our priority is to create a work environment that utilizes the potential of all employees.

We strive for equality in the employment process and we differentiate between remuneration and benefits according to expertise, results, and performance. In all our activities, we protect the rights of every human being (non-discrimination on all criteria) and strictly follow the labour legislation. We strictly state in all our job announcements that USJE provides equal employment opportunities and positively encourages suitably qualified candidates regardless of gender, race, disability, age, sexual orientation, religion or belief.

In the USJE Central Management Committee there is 20% female representation and 20% of the whole management team are female.

### **Employees well-being**

At USJE, we are continuously seeking out ways in which we can dedicate greater attention to maintaining the health and overall well-being of everyone, our collective and the community. Building on TITAN's care legacy, we have developed the Employee Assistance Program. This confidential service is available to all our employees and their family members. It offers access to expert counselling providing practical advice and guidance. The Employee

Assistance Program will contribute to improving health, psychological and emotional well-being, and professional performance. Each employee and/or their family members have up to five individual sessions available to them throughout the year, on each subject of their choosing. The discussions are led by competent counsellors via telephone, video call or in person, depending on the complexity of the questions and desires of the service user.

The Group-wide mental health campaign "How Are You" was launched with communication of info, sharing the WHO Well-being Questionnaire, videos, and other materials with all employees. Posters have also been printed and published on the info boards in all department buildings.

### **Communication days with the employees**

Having in mind that one of the outcomes from the Employee Engagement Survey and the Action Plan upon the Survey was communication and cooperation, USJE organized five communication events with all employees in our factory yard. These events were excellent opportunity for the management to present the successful history of USJE, our values, well-being programs, our biggest technological improvements and the quality of our cement, as well as the biggest H&S achievements.

On the occasion of reaching a sales milestone of one million tons of cement, several communication meetings with all employees were organized to celebrate success together and to give recognition to all our people.

USJE organized an Open Day for the employees and hosted their family members. The event was organized in the open space of the plant which was decorated in the spirit of the New Year holidays. The main focus of the event was the Occupational Safety and Health Awards which were given to three employees for the biggest contribution in the field of occupational health and safety.

### **Employees development**

We believe that investing in education makes sense as a long-term investment with a profound impact. In 2021 we widened the scope of educational channels by organizing most of the training online and incorporating access to new knowledge through digital sources like LinkedIn Learning into our daily routine. Decarbonization and digitization have shifted the type of training offered to our employees through long-term projects. We invest in upskilling our people and building the required capabilities for our organization's long-term growth. In 2021, as the COVID-19 restrictions continued, most of the trainings were online. Thus, efforts focused on

digital training reaching all targeted audiences. The virtual learning environment we have been building for the past years through our Learning Management System enabled us to operate effectively in this unforeseen situation.

Besides being a strategic priority, continuous development of our employees' expertise and sustaining an excellent

level of know-how is among our Company values. We know that this is a prerequisite for stable and sustainable business results. In line with group strategic focus, new Decarbonization training category was defined in our Learning Management System, while enriching the Digitalization category. In 2021 we conducted more than 5,000 training hours compared to 2020.

## Focus Area: Positive Local Impact

### Material issue: Environmental management of local impacts and protection of natural resources

#### Environmental management

As a confirmation of the good management of environmental issues and mitigation of possible negative impacts, for more than 15 years Cementarnica USJE has a certified Environmental Management System according to ISO 14001: 2015. This system confirms that noise, air and water pollution, as well as other issues relevant to biodiversity are fully acknowledged and controlled. In line with the Group's priority to continuously mitigate the environmental impact of its operations and the increasingly stringent restrictions imposed on land use, rehabilitation, air emissions, waste management and water use, TITAN applies in all its plants management systems to monitor and report environmental impact against specific targets. Over the years, USJE has devoted considerable human resources and invested heavily in incorporating Best Available Techniques

(BAT), reaching and sustaining an advanced environmental performance level.

The upgrade and modernization of all existing or acquired plants with new bag filters, hybrid filters, de-NO equipment (SNCR), the installation of closed storage and the feeding of alternative fuels, water recycling, and wastewater treatment facilities, ensure that our performance meets existing and potential new regulatory requirements, as well as our own targets, which are often more demanding. As part of TITAN Group, we fully implement TITAN policies which guarantee sound and transparent environmental management according to international best practices. Monitoring, measuring, reporting, cooperating, continuously acting and improving is how we address environmental issues. 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.

| Objective                                                                                               | Results 2021                                                                                                                                                   | Target 2025                                                                     |
|---------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Water consumption (4.16)                                                                                | 293 l/cementitious product                                                                                                                                     | < 250 l/t cementitious product                                                  |
| Dust emissions (3.2)                                                                                    | 8.88 mg/Nm <sup>3</sup> for Kiln 3 and 9.70 mg/Nm <sup>3</sup> for Kiln 4 or as an emitted quantity: 8.25 t/year and 12.05 t/year, respectively for Kiln 3&4   | < 10 mg/Nm <sup>3</sup>                                                         |
| SO <sub>x</sub> emissions (3.4)                                                                         | 23.24 mg/Nm <sup>3</sup> for Kiln 3 and 13.59 mg/Nm <sup>3</sup> for Kiln 4, or as an emitted quantity: 21.6 t/year and 16.89 t/year respectively for Kiln 3&4 | < 20 mg/Nm <sup>3</sup>                                                         |
| NO <sub>x</sub> emissions (3.3)                                                                         | 384.55 mg/Nm <sup>3</sup> for Kiln 3 and 577.53 mg/Nm <sup>3</sup> for Kiln 4, or as an emitted quantity: 357.4 and 717.57 t/year respectively for Kiln 3&4    | < 480 mg/Nm <sup>3</sup>                                                        |
| Participate in at least one global and national environmental protection and climate change initiatives | "Earth Hour", Planting with neighbors at green public areas, and others.                                                                                       | Increase public awareness regarding environmental protection and climate change |

\*All stated concentrations are normalized on dry gas @10%O<sub>2</sub>



### Our approach to environmental management

Continuously focusing on improving the environmental performance through sustainable management of natural resources and landscape, improvement of energy efficiency and involvement in circular economy. Our, as well as the Group's environmental management provides targets for the reduction of air emissions, protection of biodiversity, water management and recycling and quarry rehabilitation. Pursuing our vision, we strive to be recognized as one of the leading enterprises in our industry on sustainability and environmental stewardship. The company has established, documented, implemented and maintains an environmental management system and continually improves its effectiveness in accordance with the requirements of the ISO 14001:2015 standard. The environmental management system is part of USJE's integrated management system. The scope of the system also covers all environmental issues concerning the production and the exploitation of quarries. The system is maintained and audited on yearly basis for its compliance. The last re-certification of the EMS was performed in August 2021.

### Monitoring emissions

Monitoring the air emissions from our operations is a precondition for controlling and reducing environmental impacts. The installed continuous monitoring system (CEMS) 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. On our initiative, results from the monitoring are presented at USJE's web page as monthly and weekly emission reports from the main emission sources. The USJE plant reports in accordance with the Guidelines for Emissions Monitoring and Reporting\*.

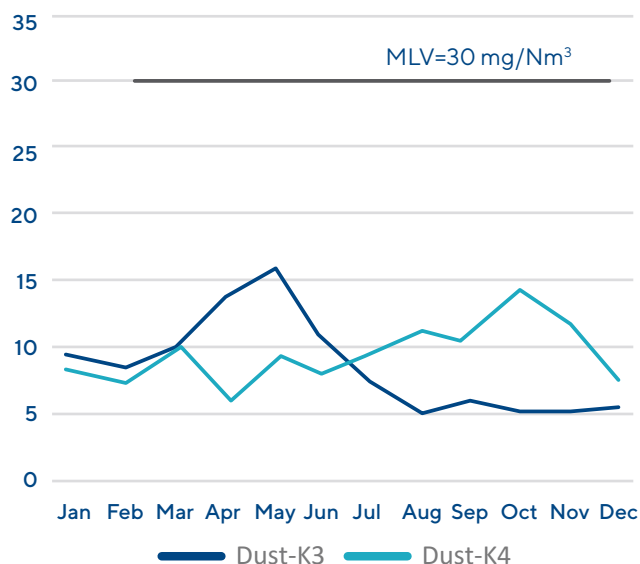
Apart from greenhouse gas (GHG) emissions that have a global effect, the monitoring of all other air emissions is among the material issues identified by our local stakeholders. We control air emissions adopting the Best Available Techniques and monitor them using monitoring devices.



\* GCCA Sustainability Guidelines for the monitoring and reporting of emissions from cement manufacturing, edition 2019.

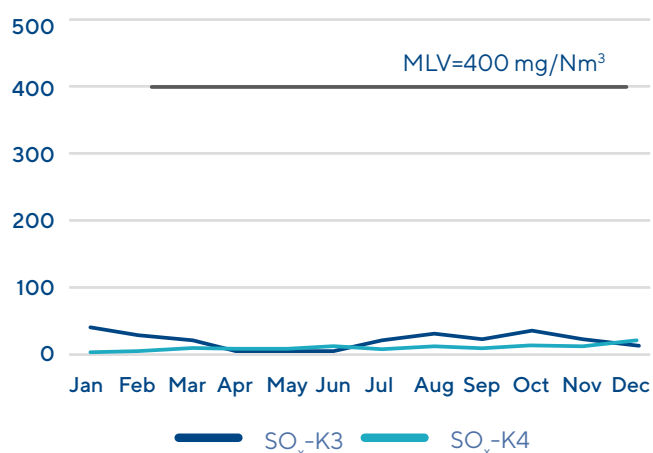
## Dust

At cement plants, major dust emission sources are the kiln stacks. In 2021 the emissions of dust were 8.25 tons for Kiln 3 and 12.05 tons for Kiln 4, respectively per year. Dust emissions are far below the limits (MLV) set by the environmental terms and conditions of both local and EU legal requirements. The average concentration of dust for Kiln 3 is 8.88 mg/Nm<sup>3</sup> and for Kiln 4 is 9.70 mg/Nm<sup>3</sup> while the MLV is 30 mg/Nm<sup>3</sup>.



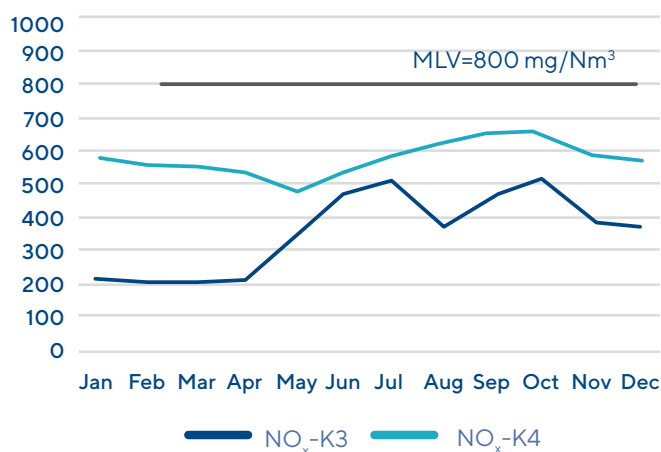
## SO<sub>x</sub>

The presence of Sulphur (S) in raw materials is the primary cause of SO<sub>x</sub> emissions. USJE's SO<sub>x</sub> emissions are substantially below the limits (MLV) set by the applicable local and EU regulations. For 2021, the average concentration of SO<sub>x</sub> for Kiln 3 was 23.24 mg/Nm<sup>3</sup> and for Kiln 4 was 13.59 mg/Nm<sup>3</sup>, while the MLV was 400 mg/Nm<sup>3</sup>. In 2021 our activities resulted in SO<sub>x</sub> emissions of 21.6 tons for Kiln 3 and 16.89 tons for Kiln 4, respectively.



## NO<sub>x</sub>

Combustion at high temperatures leads to NO<sub>x</sub> emission. In 2021 NO<sub>x</sub> emissions were 357.4 tons for Kiln 3 and 717.57 tons for Kiln 4 respectively. The overall NO<sub>x</sub> emissions were within the limits (MLV) set by the local and EU legislation. The average concentration of NO<sub>x</sub> for Kiln 3 is 384.55 mg/Nm<sup>3</sup> for Kiln 3 and 577.53 mg/Nm<sup>3</sup> for Kiln 4, while the national MLV is 800 mg/Nm<sup>3</sup>. Reduction of NO<sub>x</sub> emissions on both kilns is result of usage of different types of fuels, and usage of the installation for selective non-catalytic reduction (SNCR).



\*MLV – Maximum Limit Value



### Noise minimization

The production of cement, like most other industrial activities, causes noise as a result of the type of equipment employed in the production process, the transport of materials, etc. Since our plant is located in a combined industrial and residential zone, surrounded by streets with heavy traffic, it is difficult to make distinction between noise generated by activities within USJE and outside activities (traffic, other industrial activities). The measured noise at the monitoring points at the perimeter of the factory and quarries does not exceed the stipulated permit limits. Following our endeavor to do more good and minimize our footprint despite the fact that the noise generated by our operations is below the legal limits, in 2021 USJE continued to implement activities for noise minimization.

### Biodiversity and land management

Detailed environmental impact assessments for the plant and quarry rehabilitation plans within the mining projects cover all aspects of the development, operation, as well as decommissioning of certain areas of the plant yard and the quarries. Methods such as development of green belt along the plant's perimeter or greening areas inside the factory yard, as well as reforestation of final benches of the quarries are employed in this respect. In order to further protect biodiversity, special measures are undertaken, like planting species that are specific for this region (indigenous species). To ensure the quality of implementation for these

plans, we have engaged a professional company and a part of the plant area has been transformed into a nursery for growing and producing the required planting material (both in terms of quantity and type) for the realization of the objectives set in the respective studies and plans. The results of our long-term efforts to realize these plans are already evident in the large number of seedlings planted along the plant's perimeter and the quarries. At the end of 2021 we have started cooperation with the Faculty of Forestry to conduct new rehabilitation plans for all USJE quarries, planned for 2022-2024. All activities for quarry rehabilitation and biodiversity management of sites are in line with the respective GCCA Sustainability Guidelines\*.

### Biodiversity risk assessment

According to the biodiversity risk assessment that was conducted in 2020 for all Group sites with the use of the Integrated Biodiversity Assessment Tool (IBAT, <https://ibatalliance.org/>), none of the USJE Quarries has been identified as in proximity to (or part of) areas of high biodiversity value. Therefore, no specific Biodiversity Management Plans are required for our sites.



Since 1998, USJE has planted or donated more than 400,700 trees. In 2021 we planted a total of 36,728 plants, of which 30,301 trees were planted at the marl quarry, 4,070 trees were planted at the limestone quarry in Govrlevo and 2,357 plants (trees, flowers, and bushes) were planted at the plant green areas.

\*GCCA Sustainability Guidelines for Quarry Rehabilitation and Biodiversity Management, 2020

## Material issue: Continue engaging and contributing to sustainability of communities

In USJE, ensuring our business has a positive impact on society and the local communities around our facilities is of a great importance. Our respect and genuine interest in the needs of the communities we engage with has helped us build trust. We are proud of our role as a caring, active corporate citizen that works closely with local stakeholders to improve their quality of life and create shared value. To understand the community's problems and challenges, we maintain an ongoing dialogue and assess needs and opportunities, after which we contribute with resources and share our know-how to help build solid foundations for a better future for all. When engaging with the community, we are particularly committed to raising awareness of certain societal topics and issues, with particular care for the environment, health and safety, employability, entrepreneurship, social inclusion, education and the development of young peoples' professional skills.

We will remain focused on strengthening our efforts to achieve authentic and distinctive social engagement. What we mean by that is we build trust with local stakeholders and focus on opportunities to create value for all stakeholders, based on: engaging and empowering our stakeholders, increasing skills and sharing 'know-how', promoting enthusiasm and volunteerism of our people, and offering social investments for our communities. What makes TITAN's social approach distinctive is that our efforts in the area of social responsibility are not driven by compliance, but by long-term and trustworthy relations with our key stakeholders.

In 2021, our approach to community engagement was further enhanced through the introduction of a new framework to ensure that our efforts are aligned with TITAN's principles and priorities. Through the ESG databank – TITAN's in-house information management system as a tool – we ran a structured assessment of all initiatives and actions across business units in 2021 to ensure alignment with our material issues.

In 2021 we supported the local, as well as the wider community in different ways, such as: improving the conditions in the premises of City Hospital "Sv. Naum Ohridski", donation to the University Clinic for Gynecology – CRP apparatus for blood testing of newborns and in cooperation with the Ministry of Labour and Social Policy within the CeProSard Project, USJE supported the equipping of 24-hour care centers for housing people with disabilities.

We continue with the "Partnering with Schools" Project through facilitating the educational process during COVID pandemic and donating building materials for renovation of local kindergartens and schools. The project has been ongoing for more than 10 years. The Project is aimed at improving the health & safety and environmental conditions in the schools and kindergartens as part of our voluntary commitment for support of the education and the educational process in the country, as well as our H&S and environmental commitment and know-how. The Project covers eight primary schools, one school for children with special needs and two kindergartens with four different buildings in the Municipality of Kisela Voda. More than 660,000 euros have been invested until 2021.

In 2021 USJE was awarded an Accolade as SDG Pioneer. The Company presented the best practices by linking them with following SDGs: **Goal 3: Good Health and Well-being**, **Goal 4: Quality Education** and **Goal 13 Climate Change**. Through its application USJE presented how the selected goals for sustainable development are implemented in the Company's operations and how the activities we undertake contribute to the fulfillment of the stated goals.

In order to be competitive on the market, companies more than ever need young people with the right skills. At the same time, we have a significant untapped human capital potential. To achieve higher sustainable growth and more innovation, and take full advantage of the skills and talent available, youths are always welcomed in USJE. Aligned with SDG 4 “Quality Education”, in 2021 USJE participated

in the second virtual Job Fair, organized by BEST (Board of European Students of Technology), signed agreement with IAESTE (International Association for Exchange of Students for Technical Experiences) and accepted international exchange intern from Poland in the IT Section. In 2021 USJE registered a total of 12 interns, of which 4 were females and 1 was at entry level position.

### Internships in 2021

| Male | Female | Total | New entry level position |
|------|--------|-------|--------------------------|
| 8    | 4      | 12    | 1                        |

### Assessment of our initiatives and actions at local level

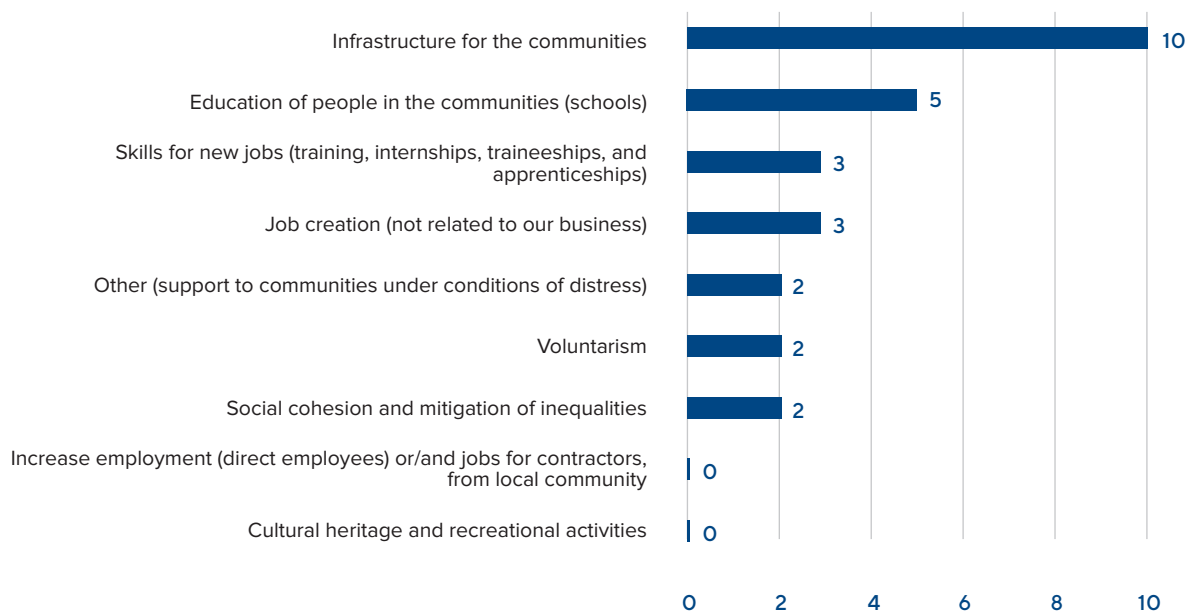
We are committed to align community engagement plans with SDGs aiming to act as enabler of long-term sustainability and growth of people and communities. For this reason, we related our strategic goals with the specific SDGs that we mostly influence with our policies, practices and long-term investments.

In 2020 we engaged in self-assessment of our initiatives and actions at local level in the CSR Databank online platform to ensure both alignment of community engagement plans with material issues as prioritized by key stakeholders and the outcomes of these initiatives. The investment for a total number of 18 initiatives directed to our community and targeted to improve our social positive impact was 158,000 euros in 2021.

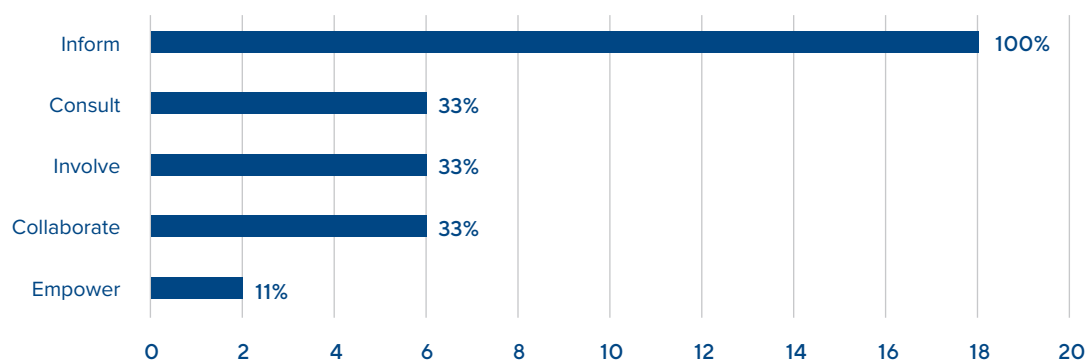
The process of self-assessment creates additional value to the efficient and on-going communication of initiatives and actions related to community engagement as part of our Community Engagement Plan. The outcomes of this help us make decisions for future Community Engagement Plans and for specific input that may be required by external stakeholders and beneficiaries of our initiatives and actions.



## Number of Initiatives supporting key priorities of our communities



## Number of Initiatives assessed by level of community engagement



## Open dialog and communication with the stakeholders

Communication to the wider public through our website and media press

Weekly and monthly reports for monitoring our air emissions

In parallel with investing in modern air emission control and reduction technologies, we have invested in establishing a monitoring system that allows us to take continuous measurements of air emissions from stationary sources. This measurement system provides regular and accurate information to all stakeholders. USJE performs the reporting on the conducted measurements in accordance with the legally prescribed Emissions Monitoring and Reporting Guidelines. From the measured emission data, the system independently calculates the half-hour and average daily emissions, from which daily, weekly and monthly reports are created. The daily data from the automatic monitoring system are regularly submitted to the Ministry of Environment and Physical Planning, and at our initiative, the monitoring results, in addition to this website, are submitted to the media and other interested parties as well.

## Stakeholders' engagement event

A stakeholders' engagement event was organized in the plant yard. More than 200 guests were present at the event, such as: business partners, customers, suppliers, academy professors, journalists, representatives of NGOs, local government and ministries. Guests were welcomed by the CED who shared information about USJE's results and sustainability engagement.

## Improving visual impact

Although improving visual impact could be an issue within the Environment material issues, we address it under the Social Positive Impact. Aiming to improve the visual impact of the plant, USJE has continued the project of repainting silos, and following the successful practice from the previous year, two more silos were repainted in 2021.

## University American College Skopje branding

In respect to our long-term cooperation and support of USJE to undergraduate students offering them opportunity to continue their education through master and MBA studies at the University American College Skopje, the University gave us opportunity to present our TITAN Brand in their biggest amphitheater.

## Contributing to the economic sustainability of our communities

TITAN recognizes the positive economic impact, both direct and indirect, of its operations on its local communities. The monitoring and reporting of "local spending" (calculated as the ratio of the spending on local suppliers to the spending on all suppliers in each country) according to TITAN standards and following the UNCTAD Guidance was first introduced in 2019. The ongoing Group digital transformation process and the unification of digital systems has enabled TITAN to track local spending of global activities accurately and efficiently. A total amount of 4,377 M denars was paid to suppliers in 2021 of which 56.77% were paid to local suppliers. Our ethical business practices towards suppliers are described in our Code of Conduct, while the procurement manual regulates the specifics of our procurement process.

## Focus Area: Responsible Sourcing

### Material issue: Decarbonization, energy efficiency and business model resilience

#### Energy efficiency

The measures for energy efficiency are increasingly recognized as valuable means to achieve a sustainable energy supply. Furthermore, the implementation of energy efficiency measures reduces greenhouse gas emissions, improves security of energy supply, lowers costs, and even promotes competitiveness. Cement production is an energy intensive process requiring large volumes of energy and fuels, as well as large quantities of raw materials. For this reason, the cement industry has developed a range of technological solutions

which enable lowering the energy needs for manufacturing cement products. In 2021, part of the planned 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. Additionally, in 2021 we voluntarily developed and implemented an energy management system that was certified according to ISO 50001:2018. The activities for improvement of energy efficiency in the plant will continue in 2022 as well, with activities proposed in the energy efficiency study, and energy audits of the buildings and activities proposed from ISO 50001.

## Material issue: Environmental management of local impacts and protection of natural resources

### Water management (4.1-4.15)

Water management is an important aspect of our environmental performance, in order to conserve the quantity and sustain the quality of water resources in our facilities and the neighboring areas. Our continuous efforts to protect water as a natural resource are reflected with the sustainable water management implemented in our plant that includes:

- Use of water from the city water supplying network for sanitary purposes only
- Closed system for filtering and recycling industrial water (for cooling of the equipment)
- Separation of sewage from atmospheric water and discharge in the city sewage network
- Collection of atmospheric water and street spraying water from the plant in open canals, and their treatment in the atmospheric wastewater treatment plant before discharging in the recipient
- Automatic monitoring of the ground water withdrawn quantities, which allows for a fast response in case of network damages and water losses

The technology applied at the USJE plant for cement production requires just small quantities of water, so most of the water used is for environmental purposes (dust suppression on roads, watering of green areas etc.). The water accounting and reporting principles that we follow at USJE are in line with the respective GCCA Sustainability Guidelines\*.

In 2021, USJE withdrew a total of 389,135 m<sup>3</sup> of water (for clinker and cement production), of which 356,573 m<sup>3</sup> was ground water from our licensed water wells, and 32,562 m<sup>3</sup> was from public municipal water network. From this quantity, a total of 28,137 m<sup>3</sup> was used by third parties that operate within the USJE premises and are not in correlation with our operations. In 2021, the specific water consumption (lt/ton cement) remained at the same level as that of 2020.

### Water risk assessment

The water risk assessment for all TITAN Group sites was completed in 2020 using the Aqueduct tool of the World Resources Institute (WRI). According to this assessment, the USJE plant is not in a water-stressed area.

### Waste management (4.48-4.50)

The production process for clinker and cement at Cementarnica USJE does not generate any waste nor by-product. Waste is generated mainly from plant maintenance and product packaging (packaging waste). In line with best practices, waste is separated at the source and is collected and temporarily stored in designated areas. All waste generated is handed over to authorized collectors and operators for further treatment or disposal.

In 2021, we generated a total of 3,977 tons of waste, of which 3,202 tons were internally reused or recycled, 540 tons were shipped to authorized recycling facilities, while 235 tons were prepared for disposal.

Reduction, re-use and recycling of raw materials, energy, and waste remain the key elements of the Group's environmental policy. 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.

## Material issue: Building trust with our customers and improving their satisfaction

Aiming to better understand our customers, in 2021 we went one step further by offering them more specific customer satisfaction survey, per group of customers: customers that buy/load bulk cement & customers that buy packed cement in bags. 87% of customers rated the quality of our products excellent or very good for bagged cement and 94% of the customers rated our bulk cement excellent or very good. The satisfaction of loading both bagged and bulk cement is significantly increased to almost 100%, while 96% of our bagged cement and 98% of our bulk cement customers know about our technical support, and more than 66 customers have utilized it. 90% of the customers rated overall cooperation with USJE as excellent or very good.

New project started at the end of 2021 and will run in the course of 2022. The project object is the education of our RMC customers how to improve the quality of their products, minimize the costs and how to apply standards' requirements. For the purpose of this project USJE cooperates with a competent concrete expert to share his expertise on the adjustments in the mixtures according to client's needs with the help of our RMC laboratory and other concrete additive specialists.

\* GCCA Sustainability Guidelines for the monitoring and reporting of water in cement manufacturing



## Material issue: Maintaining a sustainable and reliable supply chain

USJE's supply chain consists of various business partners that provide us with services (as contractors) and products (as suppliers). USJE is committed to building strong and lasting relationships with customers and suppliers, founded on trust and mutual benefit. We actively promote our commitment to UNGC principles and at the same time encourage our business partners to commit to the principles through the General Terms for Procurement of Goods. Our suppliers acknowledge that we create and develop strong and sustainable relations on a global level which are based on trust, common interest and high standards. In our General Terms for Procurement of Goods and Provision of Services it is stated that our suppliers shall use their best efforts to ensure that their employees, agents and subcontractors share the values and principles as defined by the 10 principles of the UN Global Compact and at the same time the suppliers shall not unlawfully discriminate within the meaning and scope of the UN International Declaration of Human Rights.

We collaborate mainly with local contractors and suppliers, which contributes to the community we work in by creating opportunities for local business development that will strengthen the stability of the existing jobs and create new ones.

General terms for our customers and suppliers: [http://www.usje.mk/media/a24hrcli/general\\_terms\\_for\\_procurement\\_of\\_goods.pdf](http://www.usje.mk/media/a24hrcli/general_terms_for_procurement_of_goods.pdf)





## Focus Area: Good Governance, Transparency and Business Ethics

### Material issue: Good governance and business ethics

We are strongly committed to conducting business in accordance with the highest standards of integrity and ethical business practices. Compliance with high governance standards to address and manage risks related to bribery and corruption and human rights throughout the Group's operations are considered fundamental in the implementation of TITAN's Sustainability Strategy. TITAN's Code of Conduct and Policies ensure, beyond compliance with applicable laws and regulations, the commitment to international norms and standards, including the UN Guiding Principles for Business and Human Rights and International Law against Bribery and Corruption. It is imperative that governance and ethics considerations are properly addressed at Group level and BU level as well and this is ensured through a consistent management approach and a strong governance structure, prescribed by the Group Corporate Governance Charter.

#### Anti-bribery and corruption

Bribery and corruption constitute a threat for businesses and societies across the world, one that impairs ethical values, enables crime and illegal activity, undermines equal opportunities in doing business and imposes a huge financial cost on societies. Consistent with our values and culture, and as clearly articulated in the TITAN's Code of Conduct and relevant Group Policies, the Group follows a zero-tolerance approach towards bribery, fraud and any other corruptive practice. Our Anti-Bribery and Corruption Policy sets forth principles, rules and responsibilities, specifies high-risk areas in which bribery and corruption may most often occur during business activities and provides guidance for preventive and detective procedures, including the performance of risk assessment activities and due diligence of third parties who perform services for or on behalf of TITAN Group. Among preventive actions, the Fraud Risk Assessment projects, conducted in risk areas, aim to identify and remediate potential gaps and weaknesses in the applied anti-fraud preventive controls, through consistent and effective action plans.

### Compliance program and Group policies

USJE operates under the ethics and compliance programs set by TITAN Cement Group. USJE observes the highest governance principles, seeking consistent enhancement of its corporate governance performance and promoting transparency, sustainability, and long-term value creation. Our business practices are guided by and based on TITAN Cement Group values and Code of Conduct. According to the TITAN Group's Anti Bribery and Corruption Policy, we have principles for working with suppliers, contractors, or other related parties. They should comply with all applicable laws and willingly make a contractual commitment, where it is feasible, to represent that they abide by the relevant anti-bribery and anti-corruption rules.

Our corporate policies are the fundamental guide for maintaining a healthy business process. To ensure consistency with the principles and values of the TITAN Group, USJE applies the Group's policies in all its business operations. The Company strives to offer long-term contributions to the sustainable development of the community and society. Our efforts are guided by TITAN Group policies which, within their domains and combined, increase the quality of our operations and imbued responsibility towards present and future generations.



# ESG PERFORMANCE STATEMENTS





USJE entrance



## TITAN's approach for ESG Performance reporting, and adopted by Cementarnica USJE AD in this Report

"In 2021 the approach of TITAN Group for integrated ESG Performance reporting on the basis of voluntary commitments to IIRC principles, UNGC Communication on Progress according to Criteria Advanced Level, GCCA Charter and Guidelines, and connection with the Sustainability Accounting Standards Board (SASB) Framework, was expanded for covering the Regulatory requirements of the EU Taxonomy Regulation (in brief: EU Taxonomy), and the TCFD requirements for climate-related risks.

In more specific about the EU Taxonomy: TITAN encompassed in the TITAN Integrated Annual Report 2021 (in brief: TITAN IAR 2021) the requirements of the EU Taxonomy (Regulation (EU) 2020/852), as supplemented with the respective Commission Delegated Regulation EU 2021/2178 of 6 July 2021 in specific for climate change mitigation and adaptation. The Regulation specifies the content and presentation of information to be disclosed by undertakings concerning environmentally sustainable economic activities, and the methodology to comply with that disclosure obligation. TITAN complies in the TITAN IAR 2021 with the requirements on disclosures pursuant to Article 8 of the Regulation, for its EU Taxonomy-eligible economic activities in their total turnover, capital, and operational expenditures, these being the key performance indicators (KPIs) set by the Regulation and provides qualitative information (description) for its Taxonomy-eligible activities and investments. TITAN acknowledges that the requirements for the EU Taxonomy reporting is linked to the EU Non-Financial Reporting Directive (NFRD), which allows subsidiaries to meet their reporting obligations if the reporting is addressed by the 'mother' company. In this case, no separate report from the Cementarnica USJE AD as TITAN's subsidiary is required for the requirements of the EU Taxonomy."

"Baseline years: For committing on targets 2025 and reporting on progress for all other environmental parameters except CO<sub>2</sub>, the base line year is 2020. Also 2020 is used as base line for SBTi Targets on CO<sub>2</sub> emissions. For CO<sub>2</sub> emissions other than SBTi the baseline year for relevant target(s) is 1990 in line with the Kyoto Protocol.

Changes in the structure and content of this Report: Materiality: TITAN's framework of material issues, as outcomes of the last cycle for materiality assessment for the Group (2019), is presented in Table 1 of the ESG Statements.

In this framework we have connected the outcomes of BUS' materiality, again following the outcomes of assessment in the most recent cycle for each country/BU level completed between 2020-2021. The connections provide a more inclusive approach of materiality for TITAN, which is seen as a bottom-up and top-down approach and combines the merits of BU level analysis and engagement with the Group level blueprint and guidance."

"Restructuring of the ESG KPIs Index: All disclosures for the performance KPIs for the areas of Environment, Social and Governance, were restructured by following the outcomes of materiality assessment on Group level, with using the ""compass"" of TITAN's Focus Areas. The respective KPIs for ESG performance were aligned according to material issues mostly relevant under each of the Focus Areas. The new approach for our ESG Statements aimed at providing to the external as well as internal stakeholders an efficient flow of metrics around disclosures of performance focused on TITAN's materiality framework and connected with TITAN's targets 2025 and beyond. See Tables 2.1, 2.2, 2.3, 2.4, and the group of Tables 2.5.1-2.5.8, aligned with the Focus Areas of TITAN's materiality: 1. De-carbonization and Digitalization, 2. Growth-enabling work environment, 3. Positive local impact, and 4. Responsible sourcing. All underpinned by 5. Good governance, transparency, and business ethics.

New disclosures under the Focus Area Decarbonization and Digitalization, Table 2.1: Scope 1 gross and net direct CO<sub>2</sub> emissions, also with regional performance data and % clinker production emissions coverage rate, Scope 2 CO<sub>2</sub> emissions, and Scope 3 emissions, also with regional performance data, % clinker production emissions coverage rate, and specific CO<sub>2</sub> emissions per t cementitious product. Also, we report on Sustainable products as part of our cement production, disclosed as % cement production, and annual investment in Research and Innovation.

New disclosures under the Focus Area Growth-enabling work environment, Table 2.2: We added the KPIs for Wellbeing initiatives for employees, % Turnover breakdown by gender and age structure, % share of employees with performance evaluation and % Share female employees with performance evaluation.

Under the Focus Area Positive local impact, Table 2.3, we added the KPIs: % employees from local communities, % Share of Internships from local community, total number

of Initiatives under community engagement plans, total number of participants to community engagement plans, TITAN employees as volunteers to community engagement plans, total amount of "social investment" for the implementation of these community engagement plans, and blood donations (TITAN employees, business partners and communities)."

Under the Focus Area Responsible sourcing, Table 2.4, we added KPIs for: water withdrawal and discharge, % water demand covered with recycled water, also regional performance in water consumption, regional performance in specific thermal energy consumption, Group performance and regional performance in specific electrical energy consumption, % renewable energy as part of total electrical energy consumption, number of integrated cement plants with "Zero Waste to Landfill" certification, and Key suppliers meeting TITAN ESG standards.

Last, under the Focus Area Good governance, transparency, and business ethics, we added the information under the Table 2.5.1 for: KPI for Grievance mechanism (EthicsPoint) coverage, % Unionized employees, and % Employees covered by Collective Bargain Agreements.

New and revised Tables under the ESG Statements as new KPIs and supplementary information supporting our disclosures for Governance: ESG Policies, Political

contributions & Fines and other non-monetary sanctions, Environmental Audits, Management Systems, Report on Payments to Governments for extractive operations, and Notes for Value Creation Indicators.

See Notes below for facilitating the ESG performance statements review (in connection with KPIs under Tables 2.1, 2.2, 2.3, 2.4, and the Tables of the group 2.5.1-2.5.8).

GCCA: Specific KPIs calculated according to sector commitments integrated by TITAN, following the GCCA Charter and Framework Guidelines.

UNGC: TITAN follows the reporting requirements for meeting the criteria of UN Global Compact concerning to a Communication on Progress (COP) Advanced Level.

UNCTAD: TITAN has adopted under its reporting framework the applicable KPIs according to the Guidance of UNCTAD, as supplementary to the above Reporting Standards.

SASB: TITAN aligns its reporting on ESG performance with the Sustainability Accounting Standard Board (SASB).

| 1. Material Issues |                                                                               |                                                                               |
|--------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
|                    | TITAN Group                                                                   | North Macedonia                                                               |
| 1                  | Future-ready business model for a carbon neutral world                        | Environmental management of local impacts and protection of natural resources |
| 2                  | Safe and healthy working environment                                          | Safe and healthy working environment for our employees and business partners  |
| 3                  | Good Governance, transparency and business ethics                             | Building trust of our customers and improve their satisfaction                |
| 4                  | Diverse and inclusive workplace                                               | Good governance and business ethics                                           |
| 5                  | Positive local social, economic and environmental impact                      | Continue engaging and contributing to sustainability of communities           |
| 6                  | Innovation with emphasis on digital and de-carbonization                      | Decarbonization energy efficiency, and business model resilience              |
| 7                  | Continuous development of our people                                          | Employee engagement, development and well-being                               |
| 8                  | Reliable and sustainable supply chain                                         | Maintaining a sustainable and reliable supply chain                           |
| 9                  | Resource efficiency, recycling and recovery, contribution to circular economy |                                                                               |

## Connecting material issues to TITAN Group Focus Areas

|                                                                        |                                     | Environmental management of local impacts and protection of natural resources - 1 | Safe and healthy working environment for our employees and business partners - 2 | Building trust with our customers and improving their satisfaction - 3 | Good governance and business ethics - 4 | Continue engaging and contributing to sustainability of communities - 5 | Decarbonization, energy efficiency and business model resilience - 6 | Employee engagement, development and well-being - 7 | Maintaining a sustainable and reliable supply chain - 8 |
|------------------------------------------------------------------------|-------------------------------------|-----------------------------------------------------------------------------------|----------------------------------------------------------------------------------|------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------------------------|---------------------------------------------------------|
| TITAN Group focus areas                                                | De-carbonization and digitalization | ●                                                                                 |                                                                                  | ●                                                                      |                                         |                                                                         | ●                                                                    |                                                     |                                                         |
|                                                                        | Growth-enabling work environment    |                                                                                   | ●                                                                                |                                                                        | ●                                       | ●                                                                       |                                                                      | ●                                                   |                                                         |
|                                                                        | Positive local impact               | ●                                                                                 |                                                                                  | ●                                                                      |                                         | ●                                                                       |                                                                      |                                                     |                                                         |
|                                                                        | Responsible sourcing                | ●                                                                                 |                                                                                  | ●                                                                      | ●                                       | ●                                                                       | ●                                                                    |                                                     | ●                                                       |
| Underpinned by: Good governance, Transparency and Business Ethics 3, 4 |                                     |                                                                                   |                                                                                  |                                                                        | ●                                       |                                                                         |                                                                      |                                                     |                                                         |

The yellow “dots” provide and demonstrate our strong connection of our material issues to the Group focus areas. Although there might be ‘multiple connection’, these are identified as primary connections.

### Notes

The first column of the Table above provides the order of prioritization of the material issues for TITAN and Cementarnica USJE AD, according to the outcomes of the materiality assessment of the last cycle in 2020 and 2021.

#### About definitions:

The boundaries of reporting for each material issue are defined by the principles of “materiality”, “relevance”, “conciseness”, “consistency”, and “connectivity” aligned with the guidance of the International Integrated Reporting Council (IIRC):

#### Materiality

A matter is material if it is of such relevance and importance<sup>2</sup> that it could substantively influence the assessments of providers of financial capital with regard to the organization’s ability to create value over the short, medium and long term. In determining whether or not a matter is material, senior management and those charged with governance should consider whether the matter substantively affects, or has the potential to substantively affect, the organization’s strategy, its business model, or one or more of the capitals it uses or affects.

#### Relevance

Relevant matters are past, present or future matters that impact or may impact the organization’s strategy, its business model or one or more of the capitals and thus ultimately affect the organization’s ability to create value over time. Identifying relevant matters for inclusion in the integrated report includes identifying the population of potentially relevant matters and narrowing these down to matters that are relevant for inclusion in the integrated report. Information about relevant matters will have either, or both, predictive value or confirmatory value with respect to intended users’ decisions.

#### Conciseness

Disclosures about material matters should include concise information that provides sufficient context to make the disclosures understandable and should avoid information that is redundant in nature.

#### Consistency and comparability

Reporting policies should be followed consistently from one period to the next unless a change is needed to improve the quality of information reported. This includes using the same KPIs to report on the same matters if they continue to be material across reporting periods. When a significant change has been made, the organization explains the reason for the change, describing (and quantifying if practicable and material) its impact. Comparability of reported information is intended to enable comparison with other organizations to the extent it is material to the organization’s own ability to create value over time.

#### Connectivity

Connectivity is intended to address the connection between financial and non-financial information, in order to provide a holistic view of the combination, interrelatedness and dependencies between all the factors that affect the organization’s ability to create value over time.

1. Sources: ‘Materiality Background Paper for <IR>’ (IIRC, 2013), and ‘The International <IR> Framework’ (IIRC 2013). Further information about the IIRC can be found on its website [www.theiirc.org](http://www.theiirc.org).

2. TITAN uses the equivalent term “significance”.



| 2.                                            | ESG Key Performance Indicators (KPIs)                                 |                           |        |        |        |      |      |        |              |                                 |
|-----------------------------------------------|-----------------------------------------------------------------------|---------------------------|--------|--------|--------|------|------|--------|--------------|---------------------------------|
| 2.1                                           | Focus area: De-carbonization and Digitalization                       |                           |        |        |        |      |      |        |              |                                 |
| code                                          | ESG Performance Indicators                                            | Unit                      | 2021   | 2020   | 2019   | GCCA | UNGC | UNCTAD | SASB         | SDGs and Targets                |
| 2.1.1                                         | Material Issue: Future-ready business model in a carbon neutral world |                           |        |        |        |      |      |        |              |                                 |
| Cement and cementitious production activities |                                                                       |                           |        |        |        |      |      |        |              |                                 |
| 1.1                                           | Scope 1 gross CO <sub>2</sub> emissions                               | million t                 | 0.7    | 0.7    | 0.7    | ●    | ●    | ●      | EM-CM-110a.1 | SDG 9.4                         |
| 1.3                                           | Scope 1 gross CO <sub>2</sub> emissions coverage rate                 | % Clinker production      | 100.0  | 100.0  | 100.0  |      |      |        |              |                                 |
| 1.4                                           | Scope 1 net CO <sub>2</sub> emissions                                 | million t                 | 0.7    | 0.7    | 0.7    | ●    | ●    | ●      |              |                                 |
| 1.5                                           | Scope 1 net CO <sub>2</sub> emissions coverage rate                   | % Clinker production      | 100.0  | 100.0  | 100.0  |      |      |        |              |                                 |
| 1.6                                           | Scope 1 specific gross CO <sub>2</sub> emissions                      | kg/t Cementitious Product | 665.89 | 671.37 | 657.73 | ●    | ●    |        |              |                                 |
| 1.7                                           | Scope 1 specific net CO <sub>2</sub> emissions                        | kg/t Cementitious Product | 663.54 | 669.87 | 654.35 | ●    | ●    |        |              |                                 |
| 1.8                                           | Scope 2 CO <sub>2</sub> emissions                                     | million t                 | 0.1    | 0.1    | 0.1    | ●    | ●    | ●      |              |                                 |
| 1.9                                           | Scope 2 CO <sub>2</sub> emissions coverage rate                       | % Clinker production      | 100.0  | 100.0  | 100.0  |      |      |        |              | SDG 9.4                         |
| 1.11                                          | Scope 3 CO <sub>2</sub> emissions                                     | million t                 | 0.1    | n/a    | n/a    |      |      |        |              |                                 |
| 1.18                                          | Scope 3 CO <sub>2</sub> emissions coverage rate                       | % Clinker production      | 100.0  | n/a    | n/a    |      |      |        |              |                                 |
| 1.20                                          | Conventional fossil fuels substitution rate                           | % Heat                    | 97.9   | 98.4   | 96.6   |      |      |        |              |                                 |
| 1.21                                          | Alternative fuel substitution rate                                    | % Heat                    | 2.1    | 1.6    | 3.4    |      |      |        |              |                                 |
| 1.22                                          | Biomass in fuel mix                                                   | % Heat                    | 1.2    | 0.9    | 2.0    |      |      |        |              |                                 |
| 1.44                                          | Alternative fuels consumption (total)                                 | t                         | 2,731  | 2,729  | 5,629  |      | ●    |        |              | SDG 7.2<br>SDG 12.2<br>SDG 13.1 |
| 1.45                                          | Clinker to cement ratio                                               | %                         | 72.64  | 73.84  | 72.78  |      | ●    |        |              |                                 |

## Notes

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

"Standards: For the reporting standards under TITAN's Global Sectoral Approach, namely the GCCA, UNGC, UNCTAD and SASB, please refer to the section "TITAN's approach for ESG Performance reporting" in the ESG performance statements.

Guidance: TITAN follows the GCCA Sustainability Framework Guidelines, and the Sustainability Guidelines for the monitoring and reporting of CO<sub>2</sub> emissions from cement manufacturing, and coprocessing fuels and raw materials. The above Guidelines had superseded before 2021 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. For the Sector standards, see details in Table 2.5.7 "Sector Standards for the Non-financial disclosures in 2021".

### Notes on specific KPIs

1. New indicator.
2. Direct CO<sub>2</sub> emissions related to the operation of TITAN's cement production facilities.
3. Indirect CO<sub>2</sub> emissions related to emissions released for the production of the electrical energy consumed at TITAN's cement production facilities.

For their calculation, we use emission factors provided by the supplier of the electrical energy or other publicly available data sources.

4. Indirect CO<sub>2</sub> emissions related to the emissions of the supply chain.

5. Relevant information is not available for the specific years denoted as 'n/a'.

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

7. Lower carbon products refer to produced cement types with a carbon footprint that is at least 10.0% lower than that of a typical OPC type as well as any cementitious product sold to be used as cement or concrete additive.

#### Notes for connection of KPIs with the SASB Standards

Connection of ESG performance indicators with metrics according to SASB Standards, in specific:

- EM-CM-110a.1 under the area "Greenhouse Gas Emissions" for Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations, and
- EM-CM-130a.1 under the area "Energy Management" for total energy consumed, percentage grid electricity, percentage alternative, and percentage renewable.

| 2.2   | Focus area: Growth-enabling work environment           |                           |         |         |       |      |      |        |              |                                          |
|-------|--------------------------------------------------------|---------------------------|---------|---------|-------|------|------|--------|--------------|------------------------------------------|
| code  | ESG Performance Indicators                             | Unit                      | 2021    | 2020    | 2019  | GCCA | UNGC | UNCTAD | SASB         | SDGs and Targets                         |
| 2.2.1 | Material issue: Safe and healthy working environment   |                           |         |         |       |      |      |        |              |                                          |
| 2.1   | Employee fatalities                                    | #                         | 0       | 0       | 0     | ●    | ●    | ●      |              |                                          |
| 2.2   | Employee fatality rate                                 | #/10 <sup>4</sup> persons | 0.00    | 0.00    | 0.00  | ●    | ●    | ●      |              |                                          |
| 2.3   | Contractors fatalities                                 | #                         | 0       | 0       | 0     | ●    | ●    | ●      |              |                                          |
| 2.4   | Third-party fatalities                                 | #                         | 0       | 0       | 0     | ●    | ●    | ●      |              |                                          |
| 2.5   | Employee Lost Time Injuries (LTIs)                     | #                         | 1       | 1       | 1     | ●    | ●    | ●      |              |                                          |
| 2.6   | Employee Lost Time Injuries Frequency Rate (LTIFR)     | #/10 <sup>6</sup> h       | 2.30    | 2.47    | 2.27  | ●    | ●    | ●      | EM-CM-320a.1 |                                          |
| 2.7   | Employee lost working days                             | d                         | 102     | 147     | 15    | ●    | ●    |        |              |                                          |
| 2.8   | Employee Lost Time Injuries Severity Rate              | d/10 <sup>6</sup> h       | 234.2   | 363.4   | 34.0  | ●    | ●    | ●      |              | SDG 3.6<br>SDG 3.8<br>SDG 4.3<br>SDG 8.8 |
| 2.9   | Contractors Lost Time Injuries (LTIs)                  | #                         | 2       | 1       | 2     | ●    | ●    | ●      |              |                                          |
| 2.10  | Contractors Lost Time Injuries Frequency Rate (LTIFR)  | #/10 <sup>6</sup> h       | 4.73    | 1.80    | 3.70  | ●    | ●    | ●      | EM-CM-320a.1 |                                          |
| 2.11  | Near misses                                            | #                         | 38      | 19      | 21    |      | ●    |        | EM-CM-320a.1 |                                          |
| 2.12  | Training man-hours on health and safety per employee   | h/ person                 | 17.14   | 5.34    | 14.39 |      | ●    | ●      |              |                                          |
| 2.13  | Training man-hours on health and safety per contractor | h/ person                 | 16.41   | 1.99    | 5.96  |      | ●    | ●      |              |                                          |
| 2.14  | Expenditures for Health and Safety, BU total           | €                         | 416,070 | 551,439 | n/a   |      | ●    | ●      |              |                                          |
| 2.24  | Wellbeing initiatives for employees, BU total          | #                         | 14      |         | n/a   |      |      |        |              |                                          |

| 2.2.2                         | Material issue: Diverse and Inclusive workplace     |      |       |       |       |      |      |        |      |                               |
|-------------------------------|-----------------------------------------------------|------|-------|-------|-------|------|------|--------|------|-------------------------------|
| code                          | ESG Performance Indicators                          | Unit | 2021  | 2020  | 2019  | GCCA | UNGC | UNCTAD | SASB | SDGs and Targets              |
| 2.26                          | Number of employees as of 31 December 2021 BU total | #    | 250   | 253   | 244   |      | ●    |        |      | SDG 5.4<br>SDG 8.5<br>SDG 8.6 |
| 2.27                          | Employee turnover                                   | %    | 9     | 9     | 13    |      | ●    |        |      | SDG 8.8<br>SDG 10.3           |
| Employee new hires per gender |                                                     |      |       |       |       |      |      |        |      |                               |
| 2.41                          | Females                                             | #    | 5     | 6     | 4     |      | ●    |        |      | SDG 5.4<br>SDG 8.5<br>SDG 8.6 |
| 2.42                          | Males                                               | #    | 16    | 27    | 16    |      | ●    |        |      | SDG 8.8<br>SDG 10.3           |
| New hires per age             |                                                     |      |       |       |       |      |      |        |      |                               |
| 2.43                          | Under 30                                            | #    | 6     | 10    | 9     |      | ●    |        |      | SDG 5.4<br>SDG 8.5            |
| 2.44                          | Between 30-50                                       | #    | 14    | 20    | 11    |      | ●    |        |      | SDG 8.6<br>SDG 8.8            |
| 2.45                          | Over 50                                             | #    | 1     | 3     | 0     |      | ●    |        |      | SDG 10.3                      |
| Employment per type           |                                                     |      |       |       |       |      |      |        |      |                               |
| 2.46                          | Full time                                           | #    | 218   | 214   | 221   |      | ●    |        |      | SDG 5.4<br>SDG 8.5            |
| 2.47                          | Part Time                                           | #    | 1     | 5     | 0     |      | ●    |        |      | SDG 8.6<br>SDG 8.8            |
| 2.48                          | Temporary                                           | #    | 31    | 34    | 23    |      | ●    |        |      | SDG 10.3                      |
| Employment per category       |                                                     |      |       |       |       |      |      |        |      |                               |
| 2.49                          | Managers                                            | #    | 18    | 19    | 18    |      | ●    |        |      | SDG 5.4<br>SDG 8.5            |
| 2.50                          | Senior managers                                     | #    | 2     | 4     | 2     |      | ●    |        |      | SDG 8.6<br>SDG 8.8            |
| 2.51                          | Administration/technical                            | #    | 72    | 62    | 55    |      | ●    |        |      | SDG 10.3                      |
| 2.52                          | Semi skilled/unskilled                              | #    | 158   | 168   | 169   |      | ●    |        |      |                               |
| Employment per gender         |                                                     |      |       |       |       |      |      |        |      |                               |
| 2.49                          | Females                                             | #    | 42    | 42    | 40    |      | ●    |        |      |                               |
| 2.50                          | Males                                               | #    | 208   | 211   | 204   |      | ●    |        |      |                               |
| 2.51                          | Share of women in employment, BU total              | %    | 16.80 | 16.60 | 16.39 |      | ●    |        |      | SDG 5.4<br>SDG 8.5<br>SDG 8.6 |
| 2.52                          | Share of women in management, BU total              | %    | 20.00 | 21.74 | 25.00 |      | ●    | ●      |      | SDG 8.8<br>SDG 10.3           |
| 2.53                          | Share of women in Senior Management, BU total       | %    | 0.00  | 0.00  | 0.00  |      | ●    | ●      |      |                               |

| 2.2.3                           | Material issue: Continuous development of our people                                                                |      |         |         |         |      |      |        |      |                                                     |
|---------------------------------|---------------------------------------------------------------------------------------------------------------------|------|---------|---------|---------|------|------|--------|------|-----------------------------------------------------|
| code                            | ESG Performance Indicators                                                                                          | Unit | 2021    | 2020    | 2019    | GCCA | UNGC | UNCTAD | SASB | SDGs and Targets                                    |
| 2.54                            | Training investment per (trained) employee, BU total                                                                | €    | 155     | 98      | 157     |      | ●    | ●      |      | SDG 4.3<br>SDG 4.4<br>SDG 5.1<br>SDG 5.5<br>SDG 8.5 |
| 2.55                            | Training investment, BU total                                                                                       | €    | 39.726  | 23.005  | 41.022  |      | ●    | ●      |      | SDG 10.2<br>SDG 10.3<br>SDG 16.5                    |
| Training investment per gender  |                                                                                                                     |      |         |         |         |      |      |        |      |                                                     |
| 2.56                            | Females                                                                                                             | €    | 7.144   | 5.628   | 6.616   |      | ●    | ●      |      | SDG 4.3                                             |
| 2.57                            | Males                                                                                                               | €    | 32.581  | 17.377  | 34.406  |      | ●    | ●      |      | SDG 4.4                                             |
| 2.58                            | Trained employees, BU total                                                                                         | #    | 256.000 | 234.000 | 262.000 |      | ●    |        |      | SDG 5.1<br>SDG 5.5                                  |
| 2.59                            | Share of trained employees (in total workforce), BU total                                                           | %    | 102     | 92      | 100     |      | ●    |        |      | SDG 8.5<br>SDG 10.2<br>SDG 10.3                     |
| 2.60                            | Share of trained female employees (in total female employees), BU total                                             | %    | 100     | 92.86   | 100     |      | ●    |        |      | SDG 16.5                                            |
| Trained employees per category  |                                                                                                                     |      |         |         |         |      |      |        |      |                                                     |
| 2.61                            | Managers                                                                                                            | #    | 2       | 21      | 19      |      |      |        |      | SDG 4.3<br>SDG 4.4                                  |
| 2.62                            | Senior Managers                                                                                                     | #    | 20      | 2       | 2       |      |      |        |      | SDG 5.1<br>SDG 5.5                                  |
| 2.63                            | Administration/technical                                                                                            | #    | 72      | 61      | 59      |      |      |        |      | SDG 8.5<br>SDG 10.2                                 |
| 2.64                            | Semi skilled/Unskilled                                                                                              | #    | 162     | 150     | 182     |      |      |        |      | SDG 10.3<br>SDG 16.5                                |
| Trained employees per age group |                                                                                                                     |      |         |         |         |      |      |        |      |                                                     |
| 2.65                            | Under 30                                                                                                            | #    | 23      | 26      | 21      |      | ●    |        |      |                                                     |
| 2.66                            | Between 30-50                                                                                                       | #    | 135     | 113     | 100     |      | ●    |        |      |                                                     |
| 2.67                            | Over 50                                                                                                             | #    | 98      | 95      | 123     |      | ●    |        |      | SDG 4.3<br>SDG 4.4                                  |
| 2.68                            | Training hours, BU total                                                                                            | #    | 12,057  | 7,009   | 9,975   |      | ●    | ●      |      | SDG 5.1<br>SDG 5.5                                  |
| 2.69                            | Average training hours per employee (over the total number of direct employees), and breakdown per gender, BU total | #    | 48      | 28      | 41      |      | ●    | ●      |      | SDG 8.5<br>SDG 10.2<br>SDG 10.3<br>SDG 16.5         |
| 2.70                            | Average female                                                                                                      | #    | 71      | 50      | 63      |      |      |        |      |                                                     |
| 2.71                            | Average male                                                                                                        | #    | 44      | 23      | 37      |      |      |        |      |                                                     |



| code                       | ESG Performance Indicators | Unit | 2021  | 2020  | 2019  | GCCA | UNGC | UNCTAD | SASB | SDGs and Targets |
|----------------------------|----------------------------|------|-------|-------|-------|------|------|--------|------|------------------|
| Training hours per subject |                            |      |       |       |       |      |      |        |      |                  |
| 2.72                       | Company on-boarding        | #    | 1,200 | 845   | 1,072 |      |      |        |      |                  |
| 2.73                       | Compliance                 | #    | 615   | 376   | 134   |      |      |        | ●    |                  |
| 2.74                       | CSR and Sustainability     | #    | 263   | 32    | 477   |      |      |        | ●    |                  |
| 2.75                       | Digital                    | #    | 769   | 507   | 821   |      |      |        |      |                  |
| 2.76                       | Environment                | #    | 723   | 841   | 755   |      |      |        |      | SDG 4.3          |
| 2.77                       | Foreign languages          | #    | 1,586 | 352   | /     |      |      |        |      | SDG 4.4          |
| 2.78                       | Functional competence      | #    | 634   | 292   | 540   |      |      |        |      | SDG 5.1          |
| 2.79                       | Generic competence         | #    | 61    | 16    | 491   |      |      |        |      | SDG 5.5          |
| 2.80                       | Health and safety          | #    | 4,204 | 1,319 | 3,579 |      |      |        |      | SDG 8.5          |
| 2.81                       | Managerial skills          | #    | 570   | 154   | 722   |      |      |        |      | SDG 10.2         |
| 2.82                       | Other                      | #    | 318   | 1,628 | 86    |      |      |        |      | SDG 10.3         |
| 2.83                       | Security                   | #    | 0     | 18    | /     |      |      |        |      | SDG 16.5         |
| 2.84                       | Technical know-how         | #    | 1,113 | 629   | 1,298 |      |      |        |      |                  |

## Notes

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

"Standards: For the reporting standards under TITAN's Global Sectoral Approach, namely the GCCA, UNGC, UNCTAD and SASB, please refer to the section 'TITAN's approach for ESG Performance reporting' in the ESG performance statements.

Guidance: TITAN follows the GCCA Sustainability Framework Guidelines, and the Sustainability Guidelines for the monitoring and reporting of safety in cement and concrete manufacturing (last edition in February 2020). This document has been agreed within the GCCA to have extended application to concrete and other related activities.

### Notes on specific KPIs

- Figure for 2020 was adjusted to include previously unreported data,
- The KPI was calculated for closing of the reporting period 2020 in accordance with the practice for all Safety data, being the use of "Average Employment" (see Note 3 below). This is consistent with all years prior to 2021.
- New KPIs and other notes:
  - "Wellbeing initiatives" was introduced in this report for providing the total number of initiatives which aim to support employees on all dimensions of the TITAN Health and Wellbeing framework (the four dimensions are: physical, mental, social, and financial), in a holistic and integrated way. The KPI aims to strengthen our reporting on performance for the Material Issue Safe and healthy working environment, under the Focus Area Growth-enabling work environment.
  - "Employee turnover per gender" (females and males), "Employee turnover per age group" (under 30, between 30–50, and over 50), "Employees left per age group", and "Employees left per gender", were introduced for the first time in this report, to enlarge the coverage of TITAN's disclosures on performance related to the Material Issue Material Issue Diverse and Inclusive workplace.

- Also new KPIs were introduced for TITAN's disclosure of performance related to the Material Issue Continuous development of our people, in specific: "Share of employees with performance evaluation", and "Share of female employees with performance evaluation". TITAN follows an inclusive approach for increasing the coverage of employees under the performance evaluation programs on each BU level and engages employees from all categories or employment (managers and senior managers, administration/technical, and employees in the category semi-skilled/unskilled).
- Last, for the definition of KPI "Training Investment" see the section 2.5.8 "Notes for Value Creation Indicators".
- The calculation of the KPI "Average Employment" was made according to Belgian Law (sec. 165 XIVB of RD of 30 January 2001).
- Other notes for KPIs calculated on the basis of "Average Employment": As of 2019, the specific KPIs are calculated on the basis of the number of employees as of 31 December. Figures for the KPI "Share of trained female employees (in total female employees)" which were calculated above 100% (because of the Turnover for Females, or other reasons) needed to be reported as 100%.
- The total hours of training under the subject area "Environment" cover also the hours of training for the topics related to "Decarbonization" which was introduced as a new subject area in the last quarter of 2021 and accounted for insignificant in the total hours of training on Group level.
- Relevant information is not available for the specific years denoted as 'n/a'.

### Notes for connection of KPIs with the SASB Standards

Connection of ESG performance indicators with the metric EM-CM-320a.1 according to SASB Standards, under the area "Workforce Health and Safety", and in specific for the near misses and frequency rate for full-time employees, and contract employees.

| 2.3                                         | Focus area: Positive local impact                                                                                         |             |         |         |         |      |      |        |              |                                             |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-------------|---------|---------|---------|------|------|--------|--------------|---------------------------------------------|
| Code                                        | ESG Performance Indicators                                                                                                | Unit        | 2021    | 2020    | 2019    | GCCA | UNGC | UNCTAD | SASB         | SDGs and Targets                            |
| 2.3.1                                       | Material issue: Environmental positive impact                                                                             |             |         |         |         |      |      |        |              |                                             |
| Air emissions                               |                                                                                                                           |             |         |         |         |      |      |        |              |                                             |
| Cement production activities                |                                                                                                                           |             |         |         |         |      |      |        |              |                                             |
| 3.1                                         | Coverage rate continuous measurement                                                                                      | %           | 100.0   | 100.0   | 100.0   | ●    | ●    |        | EM-CM-120a.1 | SDG 3.9<br>SDG 9.4                          |
| 3.2                                         | Specific dust emissions                                                                                                   | g/t Clinker | 25.3    | 18.6    | 11.9    | ●    | ●    |        | EM-CM-120a.1 |                                             |
| 3.3                                         | Specific NOx emissions                                                                                                    | g/t Clinker | 1,337.5 | 1,241.9 | 1,175.6 | ●    | ●    |        | EM-CM-120a.1 |                                             |
| 3.4                                         | Specific SOx emissions                                                                                                    | g/t Clinker | 47.9    | 51.2    | 22.0    | ●    | ●    |        | EM-CM-120a.1 |                                             |
| 3.5                                         | Integrated cement plants and cement grinding plants with certified Environmental Management System (ISO 14001 or similar) | % of plants | 100.0   | 100.0   | 100.0   |      | ●    |        |              |                                             |
| All activities                              |                                                                                                                           |             |         |         |         |      |      |        |              |                                             |
| 3.6                                         | Environmental complaints                                                                                                  | #           | 3       | 0       | 0       |      | ●    | ●      |              |                                             |
| Rehabilitation                              |                                                                                                                           |             |         |         |         |      |      |        |              |                                             |
| Cement production and aggregates activities |                                                                                                                           |             |         |         |         |      |      |        |              |                                             |
| 3.7                                         | Sites with rehabilitation plans                                                                                           | %           | 42.9    | 42.9    | 50.0    | ●    | ●    |        | EM-CM-120a.1 | SDG 15.3<br>SDG 15.4<br>SDG 15.9<br>SDG 15a |
| 3.8                                         | Sites rehabilitated areas over affected areas (cumulative)                                                                | %           | 27.4    | 23.8    | n/a     | ●    | ●    |        | EM-CM-120a.1 |                                             |
| 3.9                                         | Sites with Environmental Management System (ISO14001 or similar)                                                          | %           | 100.0   | 100.0   | 100.0   | ●    | ●    |        | EM-CM-120a.1 |                                             |
| Biodiversity                                |                                                                                                                           |             |         |         |         |      |      |        |              |                                             |
| Cement production and aggregates activities |                                                                                                                           |             |         |         |         |      |      |        |              |                                             |
| 3.10                                        | Sites in high biodiversity value areas                                                                                    | #           | 0       | 0       | 0       |      | ●    | ●      |              | SDG 15.3<br>SDG 15.4<br>SDG 15.9<br>SDG 15a |
| 3.11                                        | Sites with biodiversity management plans                                                                                  | #           | 0       | 0       | 0       | ●    | ●    |        | EM-CM-120a.1 |                                             |
| 3.12                                        | Sites with biodiversity management plans                                                                                  | %           | -       | -       | -       | ●    | ●    |        | EM-CM-120a.1 |                                             |

| Code                                    | ESG Performance Indicators                                                                             | Unit      | 2021    | 2020    | 2019    | GCCA | UNGC | UNCTAD | SASB         | SDGs and Targets                                    |
|-----------------------------------------|--------------------------------------------------------------------------------------------------------|-----------|---------|---------|---------|------|------|--------|--------------|-----------------------------------------------------|
| Investments in environmental protection |                                                                                                        |           |         |         |         |      |      |        |              |                                                     |
| All activities                          |                                                                                                        |           |         |         |         |      |      |        |              |                                                     |
| 3.13                                    | Environmental expenditures across all activities                                                       | million € | 1.2     | 0.4     | 0.6     | ●    | ●    |        | EM-CM-120a.1 | SDG 7b<br>SDG 9.4                                   |
| 3.14                                    | Environmental management                                                                               | million € | 0.0     | 0.0     | 0.0     | ●    | ●    |        | EM-CM-120a.1 |                                                     |
| 3.15                                    | Reforestation                                                                                          | million € | 0.1     | 0.1     | 0.1     | ●    | ●    |        | EM-CM-120a.1 |                                                     |
| 3.16                                    | Rehabilitation                                                                                         | million € | 0.0     | 0.0     | 0.0     | ●    | ●    |        | EM-CM-120a.1 |                                                     |
| 3.17                                    | Environmental training and awareness building                                                          | million € | 0.0     | 0.0     | 0.0     | ●    | ●    |        | EM-CM-120a.1 |                                                     |
| 3.18                                    | Application of best available technologies                                                             | million € | 0.9     | 0.2     | 0.3     | ●    | ●    |        | EM-CM-120a.1 |                                                     |
| 3.19                                    | Waste management                                                                                       | million € | 0.1     | 0.1     | 0.1     | ●    | ●    |        | EM-CM-120a.1 |                                                     |
| 2.3.2                                   | Material issue: Social positive impact                                                                 |           |         |         |         |      |      |        |              |                                                     |
| 3.20                                    | Donations, BU total                                                                                    | €         | 125.101 | 140.109 | 291.006 |      | ●    | ●      |              | SDG 2.1<br>SDG 2.3<br>SDG 4.3<br>SDG 4.4<br>SDG 9.3 |
| 3.21                                    | Donations in cash, BU total                                                                            | €         | 8.276   | 0       | 182.697 |      | ●    | ●      |              |                                                     |
| 3.22                                    | Donations in kind, BU total                                                                            | €         | 116.825 | 140.109 | 108.309 |      | ●    | ●      |              |                                                     |
| 3.23                                    | Employees from local community, BU average                                                             | %         | 75      | 73      | 75      |      |      |        |              |                                                     |
| 3.24                                    | Internships, BU total                                                                                  | #         | 12      | 9       | 33      |      | ●    |        |              |                                                     |
| 3.25                                    | New entry level jobs from internships/traineeships, BU total                                           | #         | 1       | 5       | 1       |      | ●    |        |              |                                                     |
| 3.28                                    | Total number of Initiatives under Community Engagement Plans, BU total                                 | #         | 18      | n/a     | n/a     |      |      |        |              |                                                     |
| 3.29                                    | Total number of Participants to Community Engagement Plans, BU total                                   | #         | 89      | n/a     | n/a     |      |      |        |              |                                                     |
| 3.30                                    | TITAN Employees, volunteers to Community Engagement Plans, BU total                                    | #         | 73      | n/a     | n/a     |      |      |        |              |                                                     |
| 3.31                                    | Total amount of “social investment” for the implementation of the Community Engagement Plans, BU total | €         | 158,543 | n/a     | n/a     |      |      |        |              |                                                     |
| 3.32                                    | Blood donations (TITAN employees, business partners and communities), BU total                         | #         | 4       | n/a     | n/a     |      |      |        |              |                                                     |

| Code  | ESG Performance Indicators               | Unit | 2021  | 2020  | 2019  | GCCA | UNGC | UNCTAD | SASB | SDGs and Targets |
|-------|------------------------------------------|------|-------|-------|-------|------|------|--------|------|------------------|
| 2.3.3 | Material issue: Economic positive impact |      |       |       |       |      |      |        |      |                  |
| 3.33  | Local Spend, BU average                  | %    | 56.77 | 62.21 | 57.58 |      | ●    | ●      |      |                  |

## Notes

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

Standards: For the reporting standards under TITAN's Global Sectoral Approach, namely the GCCA, UNGC, UNCTAD and SASB, please refer to the section "TITAN's approach for ESG Performance reporting" in the ESG performance statements.

Guidance: TITAN follows the GCCA Sustainability Framework Guidelines, and the Sustainability Guidelines for the monitoring and reporting of emissions from cement manufacturing, and quarry rehabilitation and biodiversity management. The above Guidelines had superseded before 2021 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. For the Sector standards, see details in Table "Sector Standards for the Non-financial disclosures in 2021".

### Notes on specific KPIs

1. New indicators. More details:

- "Internships from Local Community", "Total number of Initiatives under Community Engagement Plans", "Total number of Participants to Community Engagement Plans", "TITAN Employees, volunteers to Community Engagement Plans", "Total amount of 'social investment' for the implementation of the Community Engagement Plans", and "Blood donations (TITAN employees, business partners and communities)" were introduced as new KPIs in this report for strengthening our disclosures on performance related to the Material Issue "Social positive impact".
- In more specific:
  - The number of "Internships from Local Community" is calculated as %share of Interns (students or other) who are residents from the local communities, over the total number of Internships, as reported by the KPI "Internships".
  - The KPIs of "Total number of Participants to Community Engagement Plans", "TITAN Employees, volunteers to Community Engagement Plans", and "Total amount of 'social investment' for the implementation of the Community Engagement Plans" are related to the KPI "Key operations with Community Engagement Plans related to material issues and Group policies" which was incorporated for the first time in the ESG performance statements in the TITAN IAR 2020. In 2021 TITAN progressed with the implementation of a new framework guidance for Community Engagement Plans across all BUs and strengthened its approach. The discussion on performance in 2021 is provided in the Management report, section "ESG performance review", for Material issue: "Social positive impact". Few definitions for providing more clarity about TITAN's approach to stakeholders engagement in communities, are as follows:
    - o "Inform" refers to: Provide (local) Stakeholders with info on the BU Materiality Assessment outcomes and the ESG targets, and assist in understanding problems, alternatives, and solutions, as well as exploring opportunities for win-win collaborative initiatives.
    - o "Consult" refers to: Obtain Stakeholders feedback following the 'Inform' stage, and explore synergies of the BU with the local community.
    - o "Involve" refers to: Work directly with Stakeholders, and consider their

concerns, aspirations, and expectations from the company (BU).

- o "Collaborate" refers to: Listen to the input of Stakeholders as part the decision-making of the BU, following the previous 3 stages. Identify best option(s) for solutions, and agree on win-win opportunities for the local community and the company. Plan for implementation jointly with Stakeholders, and agree on the adequate level of advocacy for your decisions and actions.
- o "Empower" refers to: Stakeholders and the local community can make their decisions and plan for their actions, for leading (their) solution-based efforts. The company aims to be the 'enabler' or 'facilitator'.
- 2. Relevant information is not available for the specific years denoted as 'n/a'.
- 3. Coverage includes all wholly-owned quarries attached to cement plants and quarries for aggregates production.
- 4. Active quarries within, containing or adjacent to areas designated for their high biodiversity value. See also Table "Quarry Sites with High Biodiversity Value".
- 5. Active quarries with high biodiversity value where biodiversity management plans are actively implemented. See also Table "Quarry Sites with High Biodiversity Value".
- 6. Performance figures of previous years have been re-calculated and adjusted to reflect the revised baseline (scope) (see Note 2).
- 7. 2020 is the initial year for disclosing data for this indicator.
- 8. The definition of "Environmental expenditures across all activities" is equivalent to the definition of "Investment in the Environment", see section 2.5.8 "Notes for Value Creation Indicators".
- 9. For definitions related to "Donations", and "Local Spend", see section 2.5.8 "Notes for Value Creation Indicators" (see the equivalent definitions, respectively: "Total spend on donations and social engagement initiatives", and "% local spend of TITAN").
- 10. Specific information is not available for the operations of TITAN in USA. The percentages for the Group Average are calculated excluding the employment of TITAN in USA. For specific method of calculation see respective Note under the Table 2.2 "Growth-enabling work environment", part of the ESG performance statements.

### Notes for connection of KPIs with the SASB Standards

Connection of ESG performance indicators with metrics according to SASB Standards, in specific:

- EM-CM-120a.1 under the area "Air Quality" for air emissions of pollutants including NOx, SOx, particulate matter (PM10), dioxins/furans, volatile organic compounds (VOCs), polycyclic aromatic hydrocarbons (PAHs), and (7) heavy metals,
- EM-CM-160a.1 and EM-CM-160a.2 under the area "Biodiversity Impacts" for the environmental management policies and practices for active sites, and terrestrial acreage disturbed, percentage of impacted area restored (see also Table "TITAN Group Quarry Sites with High Biodiversity Value" part of the ESG performance statements),



| 2.4                                           | Focus area: Responsible sourcing                                                              |                          |        |        |        |      |      |        |              |                               |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------|--------------------------|--------|--------|--------|------|------|--------|--------------|-------------------------------|
| code                                          | ESG Performance Indicators                                                                    | Unit                     | 2021   | 2020   | 2019   | GCCA | UNGC | UNCTAD | SASB         | SDGs and Targets              |
| 2.4.1                                         | Material issue: Resource efficiency, recycling and recovery, contributing to circular economy |                          |        |        |        |      |      |        |              |                               |
| All Activities                                |                                                                                               |                          |        |        |        |      |      |        |              |                               |
| 4.1                                           | Water consumption (total)                                                                     | million m³               | 0.3    | 0.3    | 0.3    | ●    | ●    |        |              |                               |
| 4.2                                           | Water withdrawal (total, by source)                                                           | million m³               | 0.4    | 0.4    | 0.3    | ●    | ●    | ●      | EM-CM-140a.1 | SDG 6.3<br>SDG 6.4<br>SDG 6.5 |
| 4.3                                           | Ground water                                                                                  | million m³               | 0.4    | 0.3    | 0.3    |      |      |        | EM-CM-140a.1 |                               |
| 4.4                                           | Municipal water                                                                               | million m³               | 0.0    | 0.1    | 0.0    |      |      |        | EM-CM-140a.1 |                               |
| 4.5                                           | Rain water                                                                                    | million m³               | 0.0    | 0.0    | 0.0    |      |      |        | EM-CM-140a.1 |                               |
| 4.6                                           | Surface water                                                                                 | million m³               | 0.0    | 0.0    | 0.0    |      |      |        | EM-CM-140a.1 |                               |
| 4.7                                           | Quarry water used (from quarry dewatering)                                                    | million m³               | 0.0    | 0.0    | 0.0    |      |      |        |              |                               |
| 4.8                                           | Ocean or sea water                                                                            | million m³               | 0.0    | 0.0    | 0.0    |      |      |        |              |                               |
| 4.9                                           | Waste water                                                                                   | million m³               | 0.0    | 0.0    | 0.0    |      |      |        |              |                               |
| 4.10                                          | Water discharge (total, by destination)                                                       | million m³               | 0.1    | 0.1    | 0.0    | ●    | ●    | ●      |              |                               |
| 4.11                                          | Surface (river, lake)                                                                         | million m³               | 0.0    | 0.0    | 0.0    |      |      |        |              |                               |
| 4.12                                          | Sub-surface water (well)                                                                      | million m³               | 0.0    | 0.0    | 0.0    |      |      |        |              |                               |
| 4.13                                          | Ocean or sea                                                                                  | million m³               | 0.0    | 0.0    | 0.0    |      |      |        |              |                               |
| 4.14                                          | Off-site treatment                                                                            | million m³               | 0.0    | 0.0    | 0.0    |      |      |        |              |                               |
| 4.15                                          | Other                                                                                         | million m³               | 0.0    | n/a    | n/a    |      |      |        |              |                               |
| Cement and cementitious production activities |                                                                                               |                          |        |        |        |      |      |        |              |                               |
| 4.16                                          | Water consumption (total)                                                                     | million m³               | 0.3    | 0.3    | 0.3    | ●    | ●    |        |              |                               |
| 4.17                                          | Water withdrawal (total)                                                                      | million m³               | 0.4    | 0.4    | 0.3    |      |      |        | EM-CM-140a.1 |                               |
| 4.18                                          | Water discharge (total)                                                                       | million m³               | 0.1    | 0.1    | 0.0    |      |      |        |              |                               |
| 4.19                                          | Water recycled (total)                                                                        | million m³               | 1.1    | 1.3    | 1.3    | ●    | ●    | ●      | EM-CM-140a.1 | SDG 6.3<br>SDG 6.4<br>SDG 6.5 |
| 4.20                                          | Specific water consumption                                                                    | l/t Cementitious Product | 293.01 | 304.58 | 280.45 | ●    | ●    | ●      |              |                               |
| 4.21                                          | Specific water consumption                                                                    | l/t Cement               | 312.13 | 314.05 | 292.88 | ●    | ●    | ●      |              |                               |
| 4.22                                          | Water demand covered with recycled water                                                      | %                        | 74.0   | 75.9   | 78.9   |      |      |        |              |                               |

| 2.4.1                        | Material issue: Resource efficiency, recycling and recovery, contributing to circular economy |                              |       |       |       |   |   |   |              |                                           |
|------------------------------|-----------------------------------------------------------------------------------------------|------------------------------|-------|-------|-------|---|---|---|--------------|-------------------------------------------|
| All Activities               |                                                                                               |                              |       |       |       |   |   |   |              |                                           |
| 4.23                         | Thermal energy consumption (total)                                                            | TJ                           | 2,924 | 2,835 | 2,696 |   |   |   | EM-CM-140a.1 | SDG 7<br>SDG 12                           |
| 4.24                         | Electrical energy consumption (total)                                                         | TJ                           | 380   | 395   | 378   |   |   |   |              |                                           |
| Cement production activities |                                                                                               |                              |       |       |       |   |   |   |              |                                           |
| 4.25                         | Integrated cement plants with certified Energy Management System (ISO 50001 or similar)       | % Clinker production         | 100.0 | 0.0   | 0.0   | ● | ● | ● | EM-CM-140a.1 | SDG 7.2<br>SDG 7.3<br>SDG 9.4<br>SDG 12.2 |
| 4.26                         | Specific thermal energy consumption                                                           | kcal/kg Clinker              | 869.3 | 878.7 | 873.0 | ● | ● | ● |              |                                           |
| 4.27                         | Specific electrical energy consumption                                                        | kWh/t Cement                 | 105.0 | 109.6 | 109.8 |   | ● |   |              |                                           |
| 4.28                         | Renewable energy as part of total electrical energy consumption                               | % Electrical energy consumed | 45.5  | 26.3  | n/a   |   |   |   |              |                                           |
| All activities               |                                                                                               |                              |       |       |       |   |   |   |              |                                           |
| 4.29                         | Natural raw materials extracted (total, wet)                                                  | million t                    | 1.7   | 1.6   | 1.6   | ● | ● | ● | EM-CM-130a.1 | SDG 12.2                                  |
| 4.30                         | Raw materials extracted for clinker and cement production                                     | million t                    | 1.6   | 1.5   | 1.4   | ● | ● | ● | EM-CM-130a.1 |                                           |
| 4.31                         | Raw materials extracted for aggregates                                                        | million t                    | 0.1   | 0.1   | 0.2   |   | ● |   |              |                                           |
| Cement production activities |                                                                                               |                              |       |       |       |   |   |   |              |                                           |
| 4.32                         | Materials consumption (total, dry)                                                            | million t                    | 1.5   | 1.5   | 1.4   | ● | ● | ● | EM-CM-130a.1 | SDG 12.2<br>SDG 12.4<br>SDG 12.5          |
| 4.33                         | Extracted (natural) raw materials consumption (dry)                                           | million t                    | 1.4   | 1.3   | 1.3   | ● | ● | ● |              |                                           |
| 4.34                         | Alternative raw materials consumption (dry)                                                   | million t                    | 0.1   | 0.1   | 0.1   |   |   |   |              |                                           |
| 4.35                         | Alternative raw materials use (of total raw materials consumed)                               | % Dry                        | 8.0   | 8.6   | 9.5   |   |   |   |              |                                           |
| 4.36                         | Alternative raw materials rate (based on clinker-to-cement (equivalent) factor)               | % Dry                        | 12.0  | 12.4  | 13.9  |   |   |   |              |                                           |
| All activities               |                                                                                               |                              |       |       |       |   |   |   |              |                                           |
| 4.37                         | Externally recycled waste materials (total, wet)                                              | t                            | 537   | 355   | 392   | ● | ● | ● | EM-CM-130a.1 | SDG 12.2<br>SDG 12.4<br>SDG 12.5          |
| 4.38                         | Reused                                                                                        | t                            | 0     | 0     | 0     |   |   |   | EM-CM-130a.1 |                                           |
| 4.39                         | Recycled                                                                                      | t                            | 537   | 355   | 392   |   |   |   |              |                                           |
| 4.40                         | Recovered                                                                                     | t                            | 0     | 0     | 0     |   |   |   |              |                                           |
| 4.41                         | Waste disposal, break down by destination-usage (wet)                                         | % By mass                    | 100.0 | 100.0 | 100.0 |   |   |   |              |                                           |

| code                  | ESG Performance Indicators            | Unit      | 2021 | 2020 | 2019 | GCCA | UNGC | UNCTAD | SASB | SDGs and Targets |
|-----------------------|---------------------------------------|-----------|------|------|------|------|------|--------|------|------------------|
| <b>All Activities</b> |                                       |           |      |      |      |      |      |        |      |                  |
| 4.42                  | Reuse                                 | % By mass | 0.0  | 0.0  | 0.0  |      |      |        |      |                  |
| 4.43                  | Recycled                              | % By mass | 69.2 | 59.5 | 56.6 |      |      |        |      |                  |
| 4.44                  | Recovered (including energy recovery) | % By mass | 0.0  | 0.0  | 0.0  |      |      |        |      | SDG 12.2         |
| 4.45                  | Incineration                          | % By mass | 0.0  | 0.0  | 0.0  |      | ●    | ●      |      | SDG 12.4         |
| 4.46                  | Landfilled                            | % By mass | 30.3 | 40.2 | 43.2 |      | ●    |        |      | SDG 12.5         |
| 4.47                  | Other (incl. storage)                 | % By mass | 0.5  | 0.3  | 0.3  |      | ●    |        |      |                  |
| 4.48                  | Waste disposal (total, wet)           | t         | 775  | 596  | 693  |      | ●    |        |      |                  |
| 4.49                  | Non-hazardous waste                   | t         | 748  | 546  | 612  |      | ●    |        |      | SDG 12.2         |
| 4.50                  | Hazardous waste                       | t         | 27   | 50   | 80   |      |      |        |      | SDG 12.5         |

## Notes

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

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Guidance: TITAN follows the GCCA Sustainability Framework Guidelines, and the Sustainability Guidelines for the monitoring and reporting of monitoring and reporting of water in cement manufacturing. The above Guidelines had superseded before 2021 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. For the Sector standards, see details in Table "Sector Standards for the Non-financial disclosures in 2021".

### Notes on specific KPIs

1. New indicator.
2. Total withdrawal includes also the water quantities withdrawn by TITAN and supplied to third parties without being used in any of TITAN facilities.
3. Total discharge includes also the water quantities withdrawn by TITAN and supplied to third parties without being used in any of TITAN facilities.
4. Refers to the water quantities withdrawn by TITAN and supplied to third

parties without being used in any of TITAN facilities.

5. Relevant information is not available for the specific years denoted as 'n/a'.

6. TITAN progressed in 2021 with building an internal Sustainable Supply Chain Roadmap and establishing: (a) New Group Procurement Policy, and (b) Foundations for ESG criteria to evaluate key suppliers, as defined in accordance with the GCCA Guidance for Sustainable Supply Chain management, and with a meaningful level of spend for TITAN.

### Notes for connection of KPIs with the SASB Standards

Connection of ESG performance indicators with metrics according to SASB Standards, in specific:

- EM-CM-130a.1 under the area "Energy Management" for total energy consumed, percentage grid electricity, percentage alternative, and percentage renewable,
- EM-CM-140a.1 under the area "Water Management" for total fresh water withdrawn, percentage recycled, percentage in regions with high or extremely high baseline water stress (see also Table "TITAN Group Cement Plant Sites within water-stressed Areas" part of the ESG performance statements), and
- EM-CM-150a.1 under the area "Waste Management" for amount of waste generated, percentage hazardous, percentage recycled.

| 2.5.1                          | Good governance, transparency and business ethics                                   |       |                  |                                     |
|--------------------------------|-------------------------------------------------------------------------------------|-------|------------------|-------------------------------------|
| Code                           | Governance Core Indicators                                                          | Notes | Performance 2022 | Reporting Standards                 |
| Compliance and business ethics |                                                                                     |       |                  |                                     |
| 5.1                            | Grievance mechanism (Ethicspoint) coverage                                          | 1     | 100%             | SDG 5.5<br>SDG 16.5                 |
| 5.3                            | Percentage of unionised employees (%)                                               |       | 68.40%           | SDG 16.6<br>SDG 16.7                |
| 5.5                            | Average number of hours of training on subjects related to Compliance, per employee | 3     | 2,4              | UNGC<br>UNCTAD<br>SASB <sup>5</sup> |

## Notes

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

The KPIs referred in ESG Performance Statements as Governance core indicators are in line with the requirements of the UNCTAD Guidance on reporting of Core Indicators (UNCTAD, 2019), and are connected with the most relevant SDGs and specific Targets for each SDG. Specific KPIs from this list are also essential to reporting on progress with respect to TITAN Group commitments for the UNGC Ten Principles.

### Notes for specific Governance core indicators

1. The EthicsPoint is accessible to all Employees of TITAN. For each of the substantiated cases an action plan for remediation was implemented.
2. TITAN Group : In 2021 this percentage reached 52.3%, slightly increased

compared to 51.7% in 2020. TITAN keeps annual records of number and duration of strikes and lockouts inside internal data collection systems (zero cases recorded in 2021). These disclosures cover the requirements for reporting according to the SASB Standards for 'Labor Relations' and in more specific the metrics (KPIs) EM-MM-310a.1 and EM-MM-310a.2.

3. Average number of hours of training per employee and per year, on Policies & internal regulations of TITAN (priority being on the Code of Conduct, Policies for Human Rights, Anti-Bribery, GDPR, but without considering this list as exhaustive). The KPI is calculated as total hours of training in the subject areas, divided by the total number of employees. TITAN categorizes these training subjects under the overall subject area: "Compliance" (see Table 2.2, for the KPI "Training hours per subject, Group total").



| 2.5.2                                        | ESG Policies           |                                    |                                  |                       |                      |                                                   |
|----------------------------------------------|------------------------|------------------------------------|----------------------------------|-----------------------|----------------------|---------------------------------------------------|
| Group Policies                               | New or Updated in 2021 | TITAN Focus Areas mostly relevant  |                                  |                       |                      |                                                   |
|                                              |                        | Decarbonization and Digitalization | Growth-enabling work environment | Positive local impact | Responsible sourcing | Good governance, transparency and business ethics |
| Environmental Policy                         |                        | ●                                  |                                  | ●                     | ●                    |                                                   |
| Occupational Health and Safety (OH&S) Policy |                        |                                    | ●                                |                       |                      |                                                   |
| Code of Conduct Policy                       | ✓                      |                                    | ●                                |                       |                      | ●                                                 |
| Diversity and inclusion Policy               | ✓                      |                                    | ●                                |                       |                      |                                                   |
| CSR Policy                                   |                        |                                    |                                  | ●                     |                      |                                                   |
| Procurement Policy                           | ✓                      |                                    |                                  | ●                     | ●                    |                                                   |
| Whistleblowing Policy                        |                        |                                    |                                  |                       |                      | ●                                                 |
| Human Rights Policy                          |                        |                                    | ●                                | ●                     | ●                    | ●                                                 |
| Anti-Bribery and Corruption Policy           |                        |                                    |                                  |                       |                      | ●                                                 |
| Competition Law Compliance Policy            |                        |                                    |                                  |                       |                      | ●                                                 |
| Conflict of Interest Policy                  |                        |                                    |                                  |                       |                      | ●                                                 |
| Data Protection Policy                       |                        |                                    | ●                                |                       |                      | ●                                                 |
| Information Security Policy                  |                        | ●                                  |                                  |                       |                      | ●                                                 |
| Sanctions Policy                             |                        |                                    |                                  |                       |                      | ●                                                 |

| 2.5.5 Environmental Audits             |          |                 |
|----------------------------------------|----------|-----------------|
| Area                                   |          | North Macedonia |
| Environmental Management System        | External | 3               |
|                                        | Internal | 1               |
| Energy Management System/Energy audits | External | 1               |
|                                        | Internal |                 |
| CO <sub>2</sub> emissions              | External | 2               |
|                                        | Internal | 1               |
| Waste Management                       | External | 1               |
|                                        | Internal | 1               |
| Complaints                             | External | 3               |
|                                        | Internal |                 |
| Permitting                             | External |                 |
|                                        | Internal |                 |
| Other                                  | External | 10              |
|                                        | Internal |                 |
| TOTAL                                  | External | 20              |
|                                        | Internal | 3               |

| 2.5.7                            | Sector Standards for the Non-financial disclosures in 2021                                                                                                                                                                                |                                                        |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
| Sector Association or Initiative | Guidelines and other documents of reference                                                                                                                                                                                               | Published                                              |
| GCCA                             | Sustainability Charter                                                                                                                                                                                                                    | Latest edition<br>(publications between 2019 and 2021) |
|                                  | Sustainability Framework Guidelines                                                                                                                                                                                                       |                                                        |
|                                  | Sustainability Guidelines for the monitoring and reporting of safety in cement and concrete manufacturing. This document has been agreed within the GCCA to have extended application to concrete and other related activities [Pillar 1] |                                                        |
|                                  | Sustainability Guidelines for the monitoring and reporting of CO <sub>2</sub> emissions from cement manufacturing [Pillar 2]                                                                                                              |                                                        |
|                                  | Sustainability Guidelines for the monitoring and reporting of water in cement manufacturing [Pillar 4]                                                                                                                                    |                                                        |
|                                  | Sustainability Guidelines for the monitoring and reporting of emissions from cement manufacturing [Pillar 4]                                                                                                                              |                                                        |
|                                  | Sustainability Guidelines for co-processing fuels and raw materials in cement manufacturing [Pillar 5]                                                                                                                                    |                                                        |
|                                  | Sustainability Guidelines for quarry rehabilitation and biodiversity management [Pillar 4]                                                                                                                                                |                                                        |
|                                  | Guidance for Sustainable Supply Chain Management [Pillars 1, 3 and 5]                                                                                                                                                                     |                                                        |
| (Previously) WBCSD/CSI           | Recommended Good Practices for: (a) Contractor Safety, and (b) Driving Safety                                                                                                                                                             | 2009                                                   |

## Notes

The Global Cement and Concrete Association (GCCA) has built its Sustainability Charter around five (5) Sustainability Pillars, to encompass the full sustainability spectrum for its work purposes:

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. The terminology of 'Pillars' is specific to the GCCA Charter of commitments for

member companies, and details are available in the Charter and Framework Guidelines in the GCCA website: <https://gccassociation.org/sustainability-innovation/sustainability-charter-and-guidelines/>

TITAN was actively participant in 2021 in various working groups of the GCCA, contributing with knowhow and expertise, in line with its practice in the previous years.

## 2.5.8 Notes for Value Creation Indicators

The following Notes are inclusive of definitions for terms used in specific for Value creation and distribution to stakeholders and serves as index of Notes for Table "Creating and sharing value"

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

TITAN Group ; Most terms related to the Value Creation Core Indicators were adopted from the "Guidance on Core Indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals" (in short: UNCTAD Guidance, 2019), and incorporated under the TITAN standards. The related terms are outlined here and connected with the KPIs in the Index above. The figures for the Value Creation Core Indicators are provided in "Understanding TITAN, Creating and sharing value".

### Detailed figures are provided in the Report under 'Creating and sharing value', see also: Tables 2.1, 2.2 and 2.3.

1. The economic value created and distributed to key stakeholders has been calculated using the United Nations – UNCTAD "Guidance on Core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals" (2019 edition).
2. Gross Value added. Revenue minus costs of bought-in materials, goods, and services (called also: Value Added, according to the UNCTAD Guidance, 2019). TITAN's approach is based on the verified and disclosed Financial Statements for the same reporting period, acc. to the IFRS.
3. Net value added. Revenue minus costs of bought-in materials, goods and services and minus depreciation on tangible assets (UNCTAD Guidance, 2019). TITAN's approach is based on the verified and disclosed Financial Statements for the same reporting period, acc. to the IFRS.
- 4a. Total spend on Suppliers, local and international, for goods and services. According to TITAN Standards and the application of the IFRS, see Financial Statements.
- 4b. % local spend of TITAN. The ratio of spend to local suppliers over the spend to all suppliers, as a percentage. Costs of local procurement are a general indicator of the extent of an entity's linkages with the local economy (UNCTAD Guidance, 2019). TITAN uses a bottom-up approach of raising awareness, guiding, and supporting the local BUs, in the direction of gathering – from the respective data sources – all such information, and consolidating on Group level. 'Local' are those suppliers which provide goods or services to TITAN and have company tax registration inside the country of interest, same as the country of TITAN BUs' location and tax registration. For cases of countries with governmental structure characterized as 'Federation-of-states' – in specific applies today to USA where different states have 'local' governments and vast

geographical extent – the term 'local' refers to those suppliers with company tax registration in the same state with the tax registration of the BU or location of operations. TITAN discloses the respective figure in Table 2.3 of the ESG Performance Statements.

5. Taxes to national and local authorities. According to TITAN Standards and the application of the IFRS, see Financial Statements.
6. Payments in cash, to shareholders and minorities. According to TITAN Standards and the application of the IFRS, see Financial Statements.
7. Total spend on donations and social engagement initiatives. Total amount of charitable/voluntary donations and investments of funds (both capital expenditures and operating ones) in the broader community where the target beneficiaries are external to the enterprise incurred in the reporting period, in absolute amount (UNCTAD Guidance, 2019). TITAN discloses this amount as "Donations", as equivalent to "charitable/voluntary donations and investments of funds", and in detail in Table 2.3 based on the verified and disclosed Financial Statements for the same reporting period.
8. Investments in environmental protection. Total amount of expenditures (capital and operational) for those investments whose primary purpose is the prevention, reduction and elimination of pollution and other forms of degradation to the environment (UNCTAD Guidance, 2019). TITAN discloses the respective figures in detail in Table 2.3 of the ESG Performance Statements (KPI "Environmental expenditures across all activities").
9. Salaries (contributions to) pensions, and social benefits, including additional benefits beyond those provided by law. According to TITAN Standards and the application of the IFRS, see Financial Statements.
10. Investments in training of direct employees. Total expenditures including the direct and indirect costs of training for direct employees (including costs such as trainers' fees, training facilities, training equipment, related travel costs etc.) reported also per employee and per year, and broken down by employee category (UNCTAD Guidance, 2019). TITAN discloses the respective figures in detail in Table 2.2 of the ESG Performance Statements.
11. Investments for Research and Innovation. Total amount of expenditures on research and development (R&D) and Innovation by the reporting entity during the reporting period (UNCTAD Guidance, 2019). It includes all expenditures for the R&D and Innovation activities, and projects, and incl. salaries, participations, travelling and other expenses of our employees which are related directly and indirectly, and other expenditures for promoting innovative technologies and products. TITAN uses the verified and disclosed Financial Statements for the same reporting period. TITAN discloses the respective figure in detail in Table 2.1 of the ESG Performance Statements.
12. Capital expenditures. Capital expenditures, commonly known as CapEx, are funds used by a company to acquire, upgrade, and maintain physical assets such as property, buildings, an industrial plant, technology, or equipment.

# Review of progress for the UNGC Ten principles

## UN Global Compact commitment

The United Nations Global Compact is the world's largest voluntary initiative, dedicated to promoting socially responsible practices. This initiative includes representatives of companies, academic institutions, civil societies, municipal government, and trade unions to align their operations with the Ten Universal Principles on human rights, labor rights, environmental protection and anti-corruption. TITAN Group was among the first 500 signatories in 2002 and became a participant of the UN Global Compact (UNGC)<sup>1</sup> in 2017. In 2004 the United Nations Global Compact Network North Macedonia was founded as local network. In 2008 USJE joined the UNGC local network and participates actively ever since, with own resources and knowhow, while contributing to our Parent company's (TITAN) efforts.

*Sources: North Macedonia | UN Global Compact, and: Our Participants | UN Global Compact*

Since 2009, USJE has regularly published annual sustainability reports for 12 consecutive years and made those available on the UNGC web site, also uploaded annually a complete Communication on Progress statement on the UNGC web site<sup>1</sup>. The level of completeness and coverage of disclosures for the annual CoP of USJE fulfils the requirements according to the UNGC COP Criteria Advance Level (see in the web site of the UNGC: "This COP qualifies for the Global Compact Advanced level").

*Source: TITAN Cementarnica USJE AD Skopje | UN Global Compact*

The present Report was verified by a Third-Party Auditor for this purpose and the Letter of Assurance is provided in page 83. See also a disclaimer about the practices of USJE, as Note<sup>1</sup> (footnote) in this page.

## WE SUPPORT



**1 Note:** We acknowledge that our parent company TITAN Cement International S.A. participates in the UN Global Compact, and we support the Ten Principles and advancement of the Sustainable Development Goals as well as broader UN goals. We consolidate our support for this initiative fully under our parent's commitment.

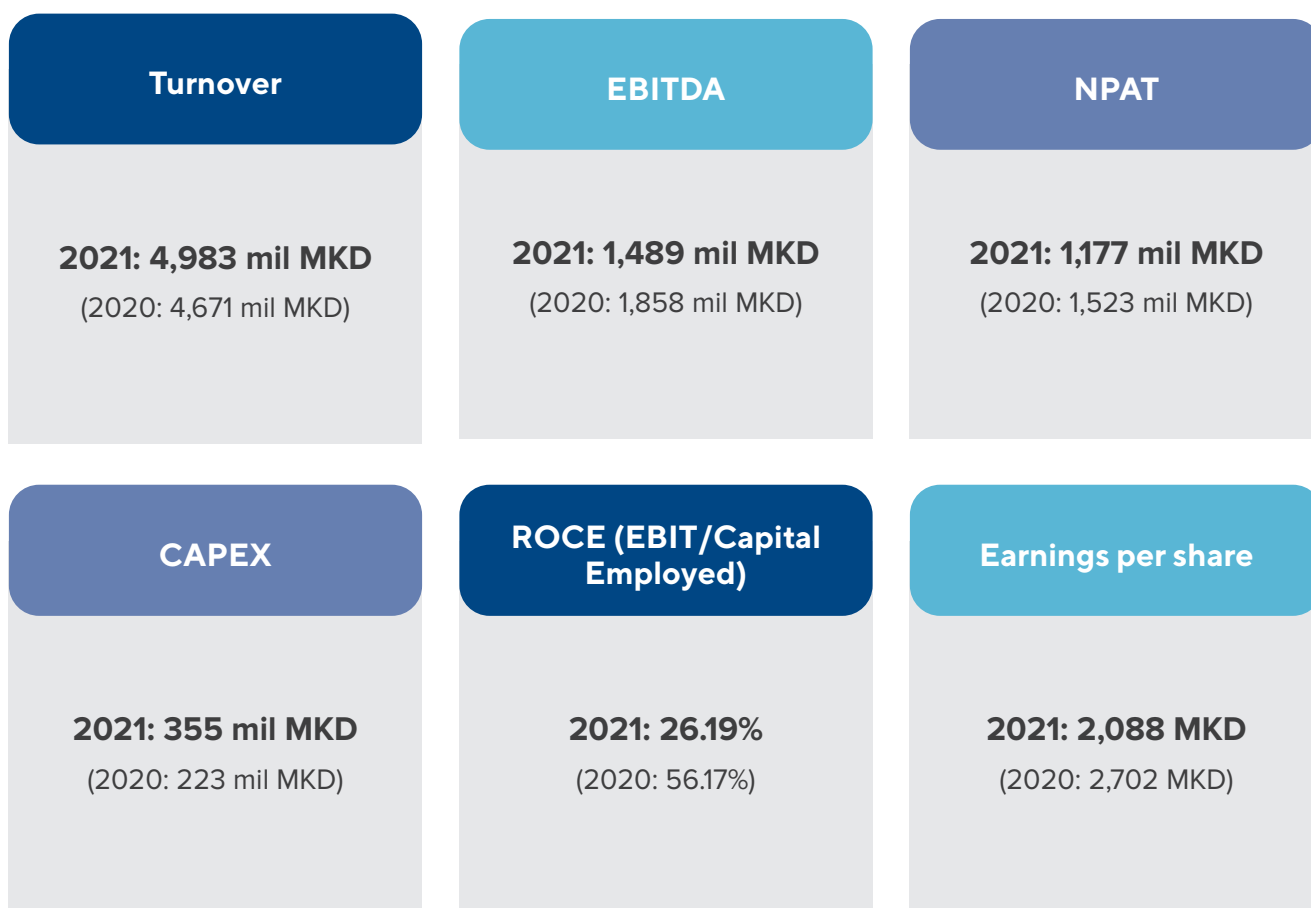


| UNGC Area       | UNGC Related Principle(s)                                                                                                                                | Our Commitments                                                                                                                                                                                                                                                                                                                    | Reference in Annual Sustainability Report 2021                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Human Rights    | <b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights within the scope of their influence. | a. TITAN Corporate Values<br>b. TITAN Group Code of Conduct<br>c. TITAN Group CSR Policy<br>d. TITAN Group Code of Conduct for Procurement<br>e. TITAN People Management Framework<br>f. TITAN Occupational Health and Safety Policy and guidelines<br>g. TITAN Group Anti-Bribery and Corruption Policy<br>h. TITAN USJE Policies | <b>STRATEGIC REVIEW:</b> Our Values (p18), Our Governance Structure (p29), Ensuring Fair Competition and Fighting Corruption (p51), Focus on Material Issues (p22-25).<br><b>PERFORMANCE HIGHLIGHTS:</b> Value Creation (p20-21).<br><b>HEALTH and SAFETY:</b> TITAN Group Health and Safety Guidelines, and systems in place (p38), and code 2.2.1 Material issue: Safe and healthy working environment<br><b>PEOPLE DEVELOPMENT:</b> TITAN People Management Framework, Fostering Human Rights and Equal Opportunities (p31, p40) and code 2.2.3 Material issue: Continuous development of our people<br><b>ENGAGING WITH LOCAL COMMUNITIES:</b> (p45-48) and Code 2.3.2. Material issue: Social positive impact<br><b>BUSINESS PARTNERS:</b> Improve Suppliers' Overall Performance According to TITAN Standards (p50).<br><b>ESG PERFORMANCE STATEMENTS:</b> p52-71 |
|                 | <b>Principle 2:</b> Business should make sure that they are not complicit in human rights abuses.                                                        |                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Labor Standards | <b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.             | a. TITAN Corporate Values<br>b. TITAN Group Code of Conduct<br>c. TITAN Group CSR Policy<br>d. TITAN Group Code of Conduct for Procurement<br>e. TITAN People Management Framework<br>f. TITAN Occupational Health and Safety Policy and guidelines<br>g. TITAN Group Anti-Bribery and Corruption Policy<br>h. TITAN USJE Policies | <b>STRATEGIC REVIEW:</b> Our Values (p18), Our Governance Structure (p29), Ensuring Fair Competition and Fighting Corruption (p51), Focus on Material Issues (p22-25).<br><b>PERFORMANCE HIGHLIGHTS:</b> ESG Performance (p52-71), Value Creation (p20-21).<br><b>HEALTH and SAFETY:</b> TITAN Group Health and Safety Guidelines, and systems in place (p38), and code 2.2.1 Material issue: Safe and healthy working environment<br><b>PEOPLE DEVELOPMENT:</b> TITAN People Management Framework, Fostering Human Rights and Equal Opportunities (p31, p40) and code 2.2.3 Material issue: Continuous development of our people<br><b>ENGAGING WITH LOCAL COMMUNITIES</b> (p45-48) and Code 2.3.2. Material issue: Social positive impact<br><b>ESG PERFORMANCE STATEMENTS:</b> p52-71                                                                                |
|                 | <b>Principle 4:</b> Businesses should uphold the elimination of all forms of forced and compulsory labor.                                                |                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|                 | <b>Principle 5:</b> should uphold the effective abolition of child labor.                                                                                |                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|                 | <b>Principle 6:</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation.                                  |                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Environment     | <b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges.                                                      | a. TITAN Corporate Values<br>b. TITAN Group Code of Conduct<br>c. TITAN Group CSR Policy<br>d. TITAN Group Environmental Policy and TITAN USJE Policies                                                                                                                                                                            | <b>STRATEGIC REVIEW:</b> Our Values (p18), Our Governance Structure (p29), Ensuring Fair Competition and Fighting Corruption (p51), Focus on Material Issues (p22-25).<br><b>PERFORMANCE HIGHLIGHTS:</b> ESG Performance (p52-71), Value Creation (p20-21).<br><b>ENVIRONMENTAL PERFORMANCE:</b> (p36-37), (p41-44), p49 and code 2.1.1. Material issue: Future-ready business model in a carbon neutral world, 2.3.1 Material issue: Environmental positive impact and code 2.4.1 Material issue: Resource efficiency, recycling and recovery, contributing to circular economy<br><b>ENGAGING WITH LOCAL COMMUNITIES:</b> (p45-48) and Code 2.3.2. Material issue: Social positive impact<br><b>ESG PERFORMANCE STATEMENTS:</b> p52-71                                                                                                                                |
|                 | <b>Principle 8:</b> Businesses should undertake initiatives to promote greater environmental responsibility.                                             |                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|                 | <b>Principle 9:</b> Businesses should encourage the development and diffusion of environmentally friendly technologies.                                  |                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Anti-corruption | <b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery.                                        | a. TITAN Corporate Values<br>b. TITAN Group Code of Conduct<br>c. TITAN Group CSR Policy<br>d. TITAN Group Code of Conduct for Procurement                                                                                                                                                                                         | <b>STRATEGIC REVIEW:</b> Our Values (p18), Our Governance Structure (p29), Ensuring Fair Competition and Fighting Corruption (p51), Focus on Material Issues (p22-25).<br><b>BUSINESS PARTNERS:</b> Improve Suppliers' Overall Performance According to TITAN Standards (p50).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

# FINANCIAL PERFORMANCE

## Financial highlights 2021

2021 was another year confirming the strong financial performance of USJE. Regardless of the duration of the COVID-19 pandemic, the Company's turnover increased more than 6%. In 2021 USJE reached a milestone with sales exceeding 1 million tons of cement.



## Sales volume





# 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 2021, 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 2021, 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 Separate 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 2021 and for the year then ended.

  
Dragan Davitkov  
General Manager



  
Dragan Davitkov  
Certified Auditor

PricewaterhouseCoopers Revizija DOO Skopje

1 April 2022  
Skopje, Republic of North Macedonia



## Cementarnica “USJE” AD - Skopje

### SEPARATE STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2021

|                                                                                                   | Notes | 2021<br>MKD '000 | 2020<br>MKD '000 |
|---------------------------------------------------------------------------------------------------|-------|------------------|------------------|
| Sales                                                                                             | 3a    | 4,876,144        | 4,552,417        |
| Other revenue                                                                                     |       | 107,244          | 118,636          |
| Cost of sales                                                                                     | 3b    | (3,427,101)      | (2,644,523)      |
| <b>Gross profit</b>                                                                               |       | <b>1,556,287</b> | <b>2,026,530</b> |
| Other operating income                                                                            | 3c    | 158,232          | 122,287          |
| Other operating expenses                                                                          | 3e    | (184,782)        | (215,912)        |
| Selling and marketing expenses                                                                    |       | (36,300)         | (33,830)         |
| Administrative expenses                                                                           | 3f    | (209,664)        | (221,543)        |
| <b>Operating profit</b>                                                                           |       | <b>1,283,773</b> | <b>1,677,532</b> |
| Finance income                                                                                    |       | 2,660            | 3,232            |
| Foreign exchange gains/(losses) net                                                               |       | (587)            | 7,145            |
| Finance costs                                                                                     |       | (6,764)          | (3,085)          |
| <b>Net finance income</b>                                                                         | 3d    | <b>(4,691)</b>   | <b>7,292</b>     |
| <b>Profit before tax</b>                                                                          |       | <b>1,279,082</b> | <b>1,684,824</b> |
| Income tax expense                                                                                | 4     | (101,654)        | (161,620)        |
| <b>Profit for the year</b>                                                                        |       | <b>1,177,428</b> | <b>1,523,204</b> |
| <b>Other comprehensive income</b>                                                                 |       |                  |                  |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i> |       |                  |                  |
| Investment Property revaluation surplus                                                           | 8     | 14,932           | 15,800           |
| <b>Total comprehensive income for the year</b>                                                    |       | <b>1,192,360</b> | <b>1,539,004</b> |
| <b>Net profit for the period attributable to:</b>                                                 |       |                  |                  |
| Equity holder of the parent company                                                               |       | 1,118,557        | 1,444,607        |
| Non- controlling interest                                                                         |       | 58,871           | 78,597           |
|                                                                                                   |       | <b>1,177,428</b> | <b>1,523,204</b> |
| <b>Earnings per share information:</b>                                                            |       |                  |                  |
| Basic, profit for the period attributable to ordinary equity holders of the parent company        | 5     | 2.09             | 2.70             |
| <b>Total Comprehensive income for the period attributable to:</b>                                 |       |                  |                  |
| Equity holder of the parent company                                                               |       | 1,132,742        | 1,459,591        |
| Non - controlling interest                                                                        |       | 59,618           | 79,413           |
|                                                                                                   |       | <b>1,192,360</b> | <b>1,539,004</b> |

## Cementarnica "USJE" AD - Skopje



### SEPARATE STATEMENT OF FINANCIAL POSITION at 31 December 2021

|                                                   | Notes | 2021<br>MKD '000 | 2020<br>MKD '000 |
|---------------------------------------------------|-------|------------------|------------------|
| <b>ASSETS</b>                                     |       |                  |                  |
| <b>Non-current assets</b>                         |       |                  |                  |
| Property, plant and equipment                     | 6     | 2,638,302        | 2,490,645        |
| Intangible assets                                 | 7     | 14,001           | 13,705           |
| Investment properties                             | 8     | 250,812          | 222,744          |
| Investment in subsidiaries                        |       | 38,722           | 36,254           |
| Exploration and evaluation assets                 | 9     | 1,220            | 4,232            |
|                                                   |       | <b>2,943,057</b> | <b>2,767,580</b> |
| <b>Current assets</b>                             |       |                  |                  |
| Inventories                                       | 10    | 1,243,716        | 857,418          |
| Trade and other receivables                       | 11    | 487,072          | 423,260          |
| Income tax receivable                             |       | 18,809           | -                |
| Cash and short term deposits                      | 12    | 354,646          | 662,771          |
|                                                   |       | <b>2,104,243</b> | <b>1,943,449</b> |
| <b>TOTAL ASSETS</b>                               |       | <b>5,047,300</b> | <b>4,711,029</b> |
| <b>EQUITY AND LIABILITIES</b>                     |       |                  |                  |
| <b>Capital and reserves</b>                       |       |                  |                  |
| Share capital                                     | 13    | 1,747,730        | 1,747,730        |
| Share premium                                     |       | 1,122            | 307              |
| Retained earnings                                 |       | 491,134          | 387,743          |
| Other reserves                                    | 14    | 319,796          | 573,413          |
| Reinvested profit                                 |       | 1,105,778        | 940,166          |
|                                                   |       | <b>3,665,560</b> | <b>3,649,359</b> |
| <b>Non-current liabilities</b>                    |       |                  |                  |
| Provision for retirement benefits                 | 15    | 55,543           | 49,438           |
| Provision for rehabilitation of quarries          |       | 1,493            | 6,894            |
|                                                   |       | <b>57,036</b>    | <b>56,332</b>    |
| <b>Current liabilities</b>                        |       |                  |                  |
| Trade and other payables                          | 16    | 1,307,746        | 961,726          |
| Provision for unused holidays                     |       | 4,003            | 4,496            |
| Current portion of retirement benefit obligations | 15    | 3,040            | 3,728            |
| Income tax payable                                |       | 9,474            | 30,887           |
| Dividend payable                                  |       | 441              | 4,501            |
|                                                   |       | <b>1,324,704</b> | <b>1,005,338</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>               |       | <b>5,047,300</b> | <b>4,711,029</b> |

Authorized on behalf of the Board of Directors on 28 February 2022:

Hrisafov Boris

Nikos Mousouras

Chief Executive Director

Finance Manager

Prepared by authorised accountant with certificate number 102613:

Barlakoska Gabriela

Head of Accounting



The accompanying notes from 8 to 48 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 2021

|                                                                          | Notes | 2021<br>MKD '000   | 2020<br>MKD '000   |
|--------------------------------------------------------------------------|-------|--------------------|--------------------|
| <b>Cash flows from operating activities</b>                              |       |                    |                    |
| Profit before income taxes                                               |       | 1,279,082          | 1,684,824          |
| <i>Adjustments for:</i>                                                  |       |                    |                    |
| Gain, net on disposal of property, plant and equipment                   |       | (801)              | -                  |
| Depreciation and amortization of PPE and Intangible assets               |       | 205,442            | 180,886            |
| Actuarial losses, net                                                    |       | 7,387              | 6,239              |
| Interest cost, accretion on provision for retirement benefit obligations |       | 1,535              | 1,617              |
| Interest income                                                          |       | (2,660)            | (3,232)            |
| Correction of inventory stocks and Provision for obsolete inventory      |       | 19,225             | 49,484             |
| Provision for unused holidays (net)                                      |       | 493                | (5,576)            |
| Fair value (gain)/losses, net                                            |       | (11,111)           | 1,484              |
| Interest expense and bank charges                                        |       | 5,231              | 1,468              |
| Write off and provision for trade receivables                            |       | 400                | 978                |
| NBV of disposed and written off PPE                                      |       | 3,141              | 12                 |
| <b>Operating profit before working capital changes</b>                   |       | <b>1,507,364</b>   | <b>1,918,184</b>   |
| Increase in trade and other receivables                                  |       | (64,214)           | (108,293)          |
| Decrease in inventories                                                  |       | (405,522)          | (197,243)          |
| Increase in trade and other payables                                     |       | 336,815            | 317,896            |
| <b>Cash generated from operations</b>                                    |       | <b>1,374,443</b>   | <b>1,930,544</b>   |
| Interest expense and bank charges paid                                   |       | (5,231)            | (1,468)            |
| Income tax paid                                                          |       | (168,731)          | (165,215)          |
| <b>Net cash flows generated from operations</b>                          |       | <b>1,200,481</b>   | <b>1,763,861</b>   |
| <b>Cash flows from investing activities</b>                              |       |                    |                    |
| Purchase of property, plant and equipment                                |       | (355,592)          | (223,225)          |
| Increase of participation in subsidiaries                                |       | (2,468)            | (21,593)           |
| Expenditures for exploration and evaluation assets                       |       | -                  | -                  |
| Proceeds from sale of property, plant and equipment                      |       | 973                | 12                 |
| Interest income received                                                 |       | 2,660              | 3,232              |
| <b>Net cash flows used in investing activities</b>                       |       | <b>(354,427)</b>   | <b>(241,574)</b>   |
| <b>Cash flows from financing activities</b>                              |       |                    |                    |
| Dividends paid to group shareholders                                     |       | (1,094,487)        | (2,338,633)        |
| Dividends paid to minority shareholders                                  |       | (59,692)           | (123,300)          |
| <b>Net cash flows (used) in financing activities</b>                     |       | <b>(1,154,179)</b> | <b>(2,461,933)</b> |
| <b>Net increase in cash and cash equivalents</b>                         |       | <b>(308,125)</b>   | <b>(939,646)</b>   |
| Cash and cash equivalents at 1 January                                   |       | 662,771            | 1,602,417          |
| <b>Cash and cash equivalents at 31 December</b>                          | 12    | <b>354,646</b>     | <b>662,771</b>     |

The accompanying notes from 8 to 48 are an integral part of these financial statements

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# INDEPENDENT LIMITED ASSURANCE REPORT ON ANNUAL SUSTAINABILITY REPORT 2021



**Cementarnica USJE AD, Skopje**

Bul. Boris Trajkovski no. 94  
1000 Skopje

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**Grant Thornton DOO**

Sv. Kiril i Metodij 52b-1/20  
1000 Skopje  
North Macedonia

**T** +389 (0)2 3214 700

**F** +389 (0)2 3214 710

**E** Contact@mk.gt.com

VAT No. 4030003475973

**Independent limited assurance report**

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 2021 (further referred as to “the Sustainability Report”):

- The consistency of qualitative and quantitative non-financial disclosures presented, with regard to the UN Global Compact principles and specifically to the Advanced Level of Communication on Progress Report criteria.
- The completeness and accuracy of qualitative and quantitative non-financial disclosures, in specific for the areas of Environment and Social performance and regarding the criteria applicable in 2021 on Group level, which are aligned with the sectoral guidelines and reporting standards (GCCA) and with the specific framework guidance and reporting standards developed by TITAN and have been adopted by the Group also for the individual Business Unit (further referred to as “BU”), within the audit scope. All disclosures for the reporting on Environment and Social performance on BU level are aligned with the Titan Group Standards, which are embedded into process in place. More specific the disclosure and indicators for:
  - Environmental Performance have been established in all material aspect in accordance with the Reporting Criteria, and in specific with the respective GCCA Sustainability Framework Guidelines,
  - Social performance, covering the following: Health & Safety, where TITAN BUs follow the GCCA Sustainability Framework Guidelines, People Development (for Training hours of Employees) and Community Engagement (according to the Group Target for all key operations having in place community engagement plans aligned with material issues for stakeholders and the Sustainable Development Goals.
- The methodology of materiality assessment with regard to the guidelines of AA1000 Standard and more specifically the process followed by the company with respect to identifying and prioritising the most relevant Material Issues.

**Management responsibility**

The Management of the Company is responsible for complete and accurate preparation and presentation of the non-financial data provided to us, as incorporated in 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 Company’s Management is responsible for maintaining records and adequate internal controls that are designed to support the reporting process. In particular, the Company’s Management is responsible for internal controls being designed and implemented to prevent the Report from being materially misstated.

### 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 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;
- 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

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.

#### Our Independence and Quality Control

The firm implement the requirements of International Standard on Quality Control 1. Based on this, it maintains an integrated quality control system that includes policies and procedures for compliance with moral principles, professional standards and relevant legal and regulatory requirements. We have complied with the independence and other ethical requirements of the IFAC 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 behaviour. 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 2021.

#### Limited assurance conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that there are any errors or misstatements that would materially affect the non-financial disclosures (including explanatory notes and relevant references) as presented in the Sustainability Report for 2021 of Cementarnica USJE AD. Moreover, nothing has come to our attention that causes us to believe that the non-financial data presented are not prepared, in all material respects, in accordance with the criteria mentioned above, in the "Introduction and scope of work" section.

Skopje,

09 June 2022

Grant Thornton DOO, Skopje



Director  
Suzana Stavrikj



Certified auditor  
Suzana Stavrikj



# Glossary

|                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Total assets                                                            | The sum of all current and noncurrent assets.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Turnover                                                                | Revenue received from the sale of goods and services to customers.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) | Operating profit before impairment losses on goodwill plus depreciation, amortization and impairment of tangible and intangible assets and amortization of government grants. It provides a measure of operating profitability that is comparable among reportable segments consistently.                                                                                                                                                                                                                                                                                                                                                                                                      |
| Materiality                                                             | A matter is material if it is of such relevance and importance or significance that it could substantively influence the assessments of providers of financial capital with regard to the organization's ability to create value over the short, medium, and long term.                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Sustainability Accounting Standards Board (SASB)                        | The Sustainability Accounting Standards Board is an independent standards board that is accountable for the due process, outcomes, and ratification of its standards, the application of which (being the SASB's mission) is to help businesses around the world identify, manage and report on sustainability topics that matter most to their investors.                                                                                                                                                                                                                                                                                                                                     |
| Sustainable Development Goals (SDGs)                                    | The Sustainable Development Goals are a collection of 17 global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The SDGs, set in 2015 by the United Nations General Assembly and intended to be achieved by the year 2030, are part of UN Resolution 70/1, the 2030 Agenda.                                                                                                                                                                                                                                                                                                                                                                        |
| United Nations Conference on Trade and Development (UNCTAD)             | The United Nations Conference on Trade and Development is a United Nations body responsible for dealing with economic and sustainable development issues with a focus on trade, finance, investment and technology, in particular for helping developing countries to participate equitably in the global economy.                                                                                                                                                                                                                                                                                                                                                                             |
| United Nations Global Compact (UNGC)                                    | The United Nations Global Compact is a voluntary initiative based on CEO commitments to implement universal sustainability principles ('Ten Principles') and to take steps to support UN goals. 'Ten Principles' are derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.                                                                                                                                                                                                       |
| Global Cement and Concrete Association (GCCA)                           | The Global Cement and Concrete Association is a CEO-led industry initiative established in 2018, representing the global voice of the sector. The GCCA took over the role of the former CSI Project of the WBCSD and has carried, since 1 January 2019, the work programs and sustainable development activities of the CSI, with key objectives to develop and strengthen the sector's contribution to sustainable construction across the value chain, and to foster innovation in collaboration with industry, associations and key experts-stakeholders.                                                                                                                                   |
| World Business Council for Sustainable Development (WBCSD)              | The World Business Council for Sustainable Development is a global, CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world, helping member companies to become more successful and sustainable by focusing on the maximum positive impact for shareholders, the environment and societies. The Cement Sustainability Initiative (CSI) was a Project under the WBCSD between 2002 and 2018, with the role of collaborative initiative for cement companies supporting collective efforts for sustainability in the cement sector. The work areas and projects of the CSI were transferred to the GCCA since January 1st 2019. |
| Fatality                                                                | A death resulting from a work-related accident, with no time limit between the date of the accident and the date of death.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Fatality Rate                                                           | Number of fatalities in a year per 10,000 people directly employed i.e. Fatality rate (Directly employed) = $\frac{\text{Number of Fatalities in a year (Directly employed)}}{\text{Number of Directly employed personnel}} \times 10,000$                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Lost Time Injury (LTI)                                                  | A work-related injury causing the loss on one or more working days (or shifts), counting from the day after the injury, before the person returns to normal or restricted work. Injuries incurred while travelling to and from work, arising from criminal acts and due to natural causes are excluded.                                                                                                                                                                                                                                                                                                                                                                                        |
| Lost Time Injury Frequency Rate (LTIFR)                                 | Number of LTIs in a year per 1,000,000 hours worked, i.e. LTI Frequency Rate = $\frac{\text{Number of Lost Time Injuries in a year} \times 1,000,000}{\text{Total actual hours worked and paid to employees in the year}}$                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| COP (Communication of progress)                                         | The Communication on Progress is intended as a mechanism to inform, in a standardized format of an annual report, company stakeholders (e.g., investors, consumers, civil society, and governments) on progress made in implementing the Ten Principles of the United Nations Global Compact.                                                                                                                                                                                                                                                                                                                                                                                                  |



**Cementarnica USJE AD Skopje**  
ul. Boris Trajkovski br.94  
1000 Skopje  
Tel: +389 (2) 2782 500  
[www.usje.mk](http://www.usje.mk)

