



2023 Annual Audit Report

Audit services

**provided to USJE by Titan Group Internal
Audit, Risk and Compliance function**

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USJE 2023 ANNUAL AUDIT REPORT

A. Introduction

Internal audit services are provided to *USJE* by Titan Group Internal Audit (IA) independent function. According to the current organizational chart of Titan Group, the Group Internal Audit, Risk and Compliance Director reports functionally to Titan Group Audit and Risk Committee, as well as administratively to Titan Group CFO and Managing Director of Titan Cement International.

In respect to *USJE* Business Unit, the primary objective of Titan Group IA function is to provide the Board of Directors of *USJE*, as well as the BoD and Audit and Risk Committee of Titan Group with an independent and objective opinion concerning internal controls, risk management, and corporate governance systems, through the assessment of their effectiveness in achieving business objectives.

Additionally, Group IA provides consulting services, upon request of *USJE*'s Chief Executive Director or TITAN Regional Management.

B. 2023 Internal Audit Assignments

Based on the Annual Audit Plan of Titan Group IA function, one (1) follow-up audit assignment was performed in *USJE* during 2023 by "South-East & Turkey IA department". This referred to the Payroll-HR processes.

SEET 23-06 Payroll-HR Follow-up Audit [Follow-up Report SEET 22/06]

During September 2023, the SEE & Turkey Internal Audit Department performed the follow-up of the Payroll-HR Audit, which had been conducted in June-July 2023 at *USJE* Cementarnica AD. In the 2022 audit report, the internal control environment of the function had been assessed as "Satisfactory".

The objective of the assignment was to ascertain whether the agreed corrective actions of the previous audit have been implemented and contribute to the strengthening of controls and to improved efficiency.

In our opinion, the Internal Controls System of the Payroll-HR function has been improved, considering Management actions on issues identified during the initial audit and assuming that other controls continue to operate as intended. The agreed corrective actions related to overtime monitoring and various improvements have been implemented.

The main issue identified during the initial audit related to the monitoring of overtime. To this end, the BU monitors closely the overtime work hours and is implementing a plan to increase the number of available employees to cover overtime work. Especially within the Mechanical Maintenance Department, knowledge sharing and training initiatives are on progress targeted to specific employees.

C. Overall opinion

Based on the aforementioned follow-up audit assignment performed throughout 2023, we have reached to the conclusion that the Internal Control System of the audited/reviewed Payroll-HR function is well designed, in order to appropriately manage underlying risks and to ensure compliance with the statutory and internal framework in force.