



Together We Build Sustainable Relations

2017 Integrated
Annual Report



TITAN
CEMENTARA KOSJERIĆ

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A MESSAGE FROM THE GENERAL MANAGER

Dear Readers,

We are pleased to regularly share with you our results and achievements, summarised in our annual Report on Corporate Social Responsibility and Sustainable Development, for the eighth time in a row now. We prepared this document in accordance with cement industry standards and the relevant protocols of the World Business Council for Sustainable Development (WBCSD) – the Cement Sustainability Initiative (CSI). Observing the principle of comparability, the structure and the manner of presenting information, we adjusted to the same criteria as in the previous years. During 2017, we have aligned our objectives with the UN Global Compact's sustainable development goals. Modern and demanding format of our current Report frames the business philosophy of sustainable development, in which TITAN Cementara Kosjerić combines economic, environmental and social objectives based on continuous investment in skills and lifelong learning.

This course is the orientation of development of all Cementara's business capacities during its fifteen-year work within the TITAN Group. During that time, until 2017, we invested more than EUR 60,000,000 in modernization of production and the entire business process, and supported local community development with over EUR 17,000,000. By investing in the welfare of the working and living environment, we promote the idea of a common growth of both business and society, which we prove in our everyday practice.

A productive approach to sustainable development remains our permanent platform, reinforced with open and constructive dialogue with stakeholders as an important basis for reporting. Commitment to clear and joint communication in order to resolve substantive and mutually important issues in a cooperative manner by a series of initiatives for diverse and fruitful cooperation with key social actors, whose views, needs and expectations, we are willing to hear and understand. In the spirit of transparent and reasoned exchange of information, we are ready to explain, based on expert analysis, the concept and plans related to the project for the use of alternative fuels to our fellow citizens and stakeholders. By publishing the facts about our work, we ensure our market and social reputation.

A safe and healthy working environment continues to be our priority, in which we integrate proven systems, methodologies, and training, in order to create conditions for optimal functioning of the organization through a culture of caring about both ourselves and others, and to promote such responsibility in the community. Despite the good performance in this area, two incidents in 2017 interrupted the former serie of safe days in Cementara, urging to continual vigilance of learning from practical examples in order to create a working mode in which the developed employees' awareness will guarantee protection against risks.

The ambitious parameters for TCK's environmental management are determined by our environmentally sustainable vision, systematically investing in an effective use of water and energy, biodiversity preservation, and emission reduction, with the consequent effects against climate change. Although we have accomplished prestigious results and the leading position in this area, we continue to improve the performance that contributes to minimizing impact on people and environment, with the aim of preserving natural resources for future generations.

Two years in a row, we have increased operating profit by 20% by maintaining the existing market share through increasing sales which was amounted to 18% in 2017, and constant competitiveness preservation through production costs optimization. Expecting that the moderate growth of the cement demand will continue in the future, we are ready to meet market demands and to wholeheartedly participate in projects that bring prosperity to our employees and fellow citizens. We invest the achieved profit in quality of products and business operations, and with the same care, we anticipate the development of all social aspects that provide decent work and life.

The principle of economic and social activities harmonization connects all activities of TCK. This strategy shapes the progress of the plant and the community, including contemporary context of respect for the customers, social engagement, nature preservation, and fostering health and safety, as well as other promising activities, whose cumulative effect enhances our ability to adequately respond to the dynamic challenges of the business and global world, foregrounding the ethical and humane aspects of responsible work.

Miroslav Gligorijević
General Manager

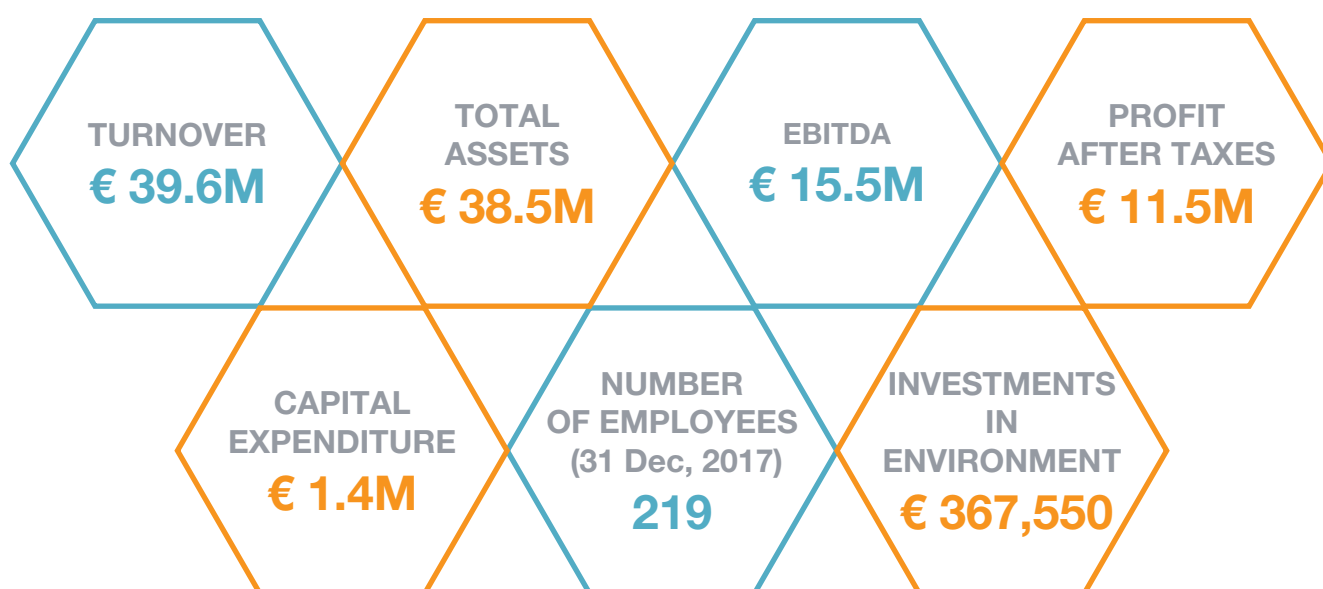




ABOUT US – TODAY

TITAN Cementara Kosjerić is a member of TITAN Group, private international company, known worldwide as a renowned manufacturer of cement and construction materials. Headquartered in Greece, the Group employs about 5,500 people and sells its products in North and South America, West and North Africa, West Europe and in the Balkans region. Values of the Titan's identity focus on the term "ethos", which integrates the principles of responsibility and respect towards the people and the environment into the business model, creating a sustainable system of business and society.

Key performance indicators for 2017



The year of 1976 marked the launch of the first production line and start of the operations at Cementara in Kosjerić. For more than four decades, we have directed the successful business operation of our plant towards long-time results based on the use of the best available technologies, the increasing knowledge fund of the Company and the flexible approach to dynamic challenges of the market and the surroundings. Our continuous development is inseparable from our close cooperation with suppliers, clients and the community, where we improve the life quality of all stakeholders in a partnership-based manner.

Our Products

CEM II/B-M(V-L) 32.5R

In addition to the stable quality (water consumption, setting time), this cement is characterised with high early strength, good workability properties, moderate resistance to exposure to aggressive water, as well as low heat cement, so that the product is suitable for individual construction, masonry works and finishing construction works.

CEM II/B-M(V-L) 42.5R

Cement type for wide use, from production of transported and pumped concrete to the manufacturing of all types of reinforced concrete structures. It is suitable for production of finishing materials in the construction engineering. It meets the requirements for a uniform quality, and for high early and late strength, and has a possibility of achieving high mark of concrete.

CEM II/A-M(S-L) 42.5R

The cement is intended for manufacturing of all concrete types. It is recommended for the manufacturing of massive concrete structures, construction of bridges, tunnels, roads and other objects. It has excellent properties of workability and achieves high concrete grades. It is suitable for preparation of concrete, which is used in aggressive environment and demonstrates high resistance to the effects of frost and salt.



Following the technology trends by continuous improvement of their performance, products of TITAN Cementara Kosjerić meet the wide range of economic and social requirements, finding application in large infrastructure projects, business constructions, private buildings and social initiatives. Users of Titan's products, both companies and individuals, can be certain that we will always respond to their expectations by an improved production programme of higher quality and permanent characteristics.

CORPORATE VALUES



INTEGRITY

- Ethical business practices
- Transparency
- Open communication



KNOW-HOW

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



VALUE TO THE CUSTOMER

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



DELIVERING RESULTS

- Clear objectives
- High standards
- Shareholder value



CONTINUOUS SELF-IMPROVEMENT

- Learning Organization
- Willingness to change
- Rise to meet challenges



CORPORATE SOCIAL RESPONSIBILITY

- Safety first
- Sustainable development
- Stakeholder engagement



HOW WE CREATE VALUE

Aware that our business activities affect people and the environment in which we operate, we are responsibly dedicated to reducing and eliminating the adverse impact by applying a system that brings together our economic, social and environmental objectives.

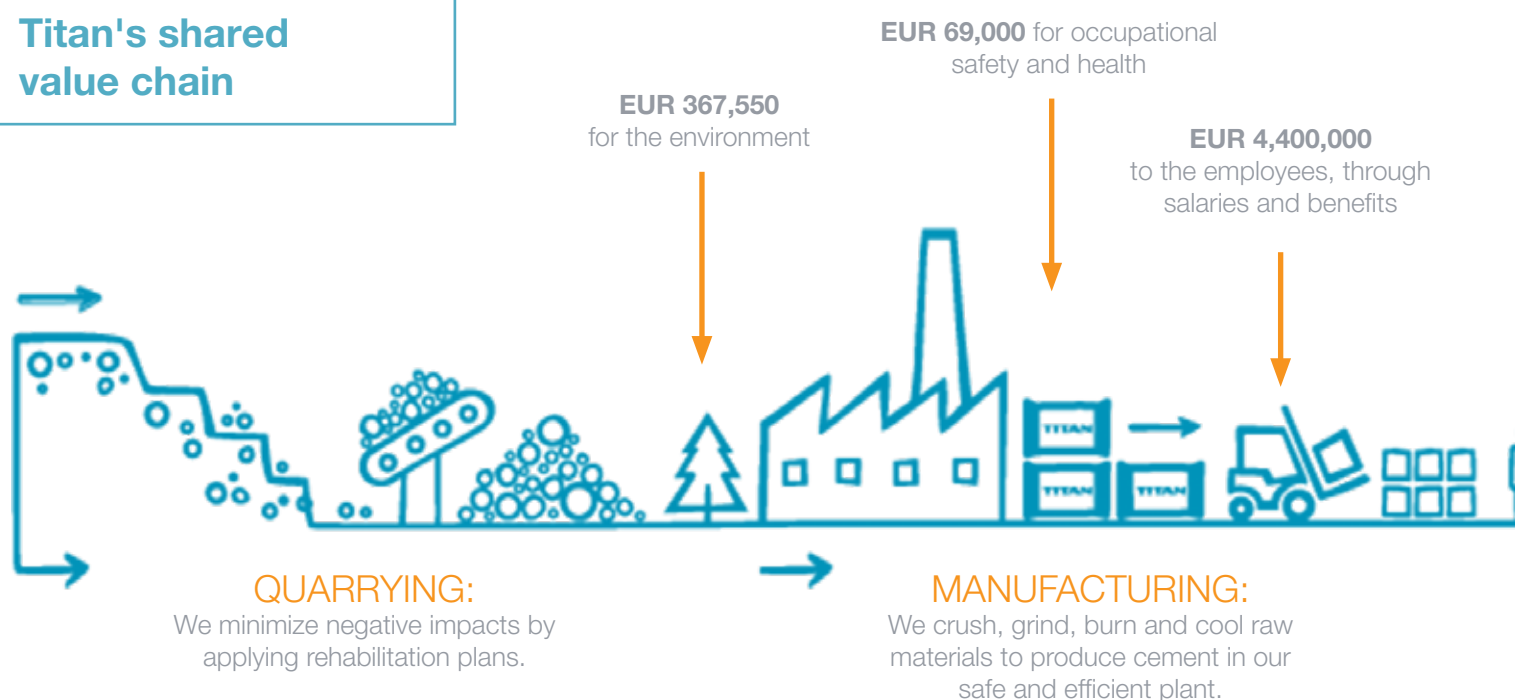
Being economically, environmentally and socially among the leaders of the most responsible producers of building materials is our vision that motivates us to manage the resources and our forces and relationships with associates in the direction of creating shared value for the widest range of stakeholders.

Activities of TITAN Cementara Kosjerić are supported by a global approach, corporate values and a strategy that enables us to develop as a multi-regional, vertically integrated cement producer, combining operational excellence and entrepreneurial spirit with respect for people, society and the environment.

We use natural raw materials in cement production whereby we take care of quality control in the production process and improvement of the operational efficiency. Use of alternative materials has significant advantages for the environment – it preserves natural resources, influences the reduction of CO₂ emissions and reduces deposited waste generated by the modern population. The matrix of the TITAN policy seeks to ensure the quality and durability of our products, maintain high standards in the management, promote ethical business practices and invest in the future growth of our business.

In Cementara, we take care of our employees and invest in their development in a dedicated manner. We protect human rights, affirm dignified work, and promote safety and health of people in the Company and the area of all our activities. Given our close cooperation with our business partners, our customers and other stakeholders at the local level, financial and non-financial grants that we allocate have significant influence in this context.

Titan's shared value chain



Context in Which We Operate

Through our business activities, we unify affirmation of the domestic product in Serbia and stable contribution to the profitability of TITAN Group. Global economic recovery trends are having a slight impact on the increase in the demand for cement, which has been much lower than our production capacity in recent years. As the largest employer in Kosjerić – the community where our activities are located – in the process of business decision making, we inevitably take into account the broader and far-reaching needs of the environment in the context of our strategic priorities. We think that the financial and the objectives of sustainable development are interconnected, and in this correlation we accomplish economic, social and environmental improvements within our range of influence.

The Board of Directors and the Corporate Social Responsibility (CSR) Committee of TITAN Cementara Kosjerić consistently and systematically consider the risks and opportunities for growth of business activities, apply the precautionary principle in assessing relevant issues, and pay attention to the impact on our business as well as on our most important stakeholders.

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Position of Serbia according to the Index of Corruption for 2017

Source: Transparency International (transparency.org)

5,426 USD

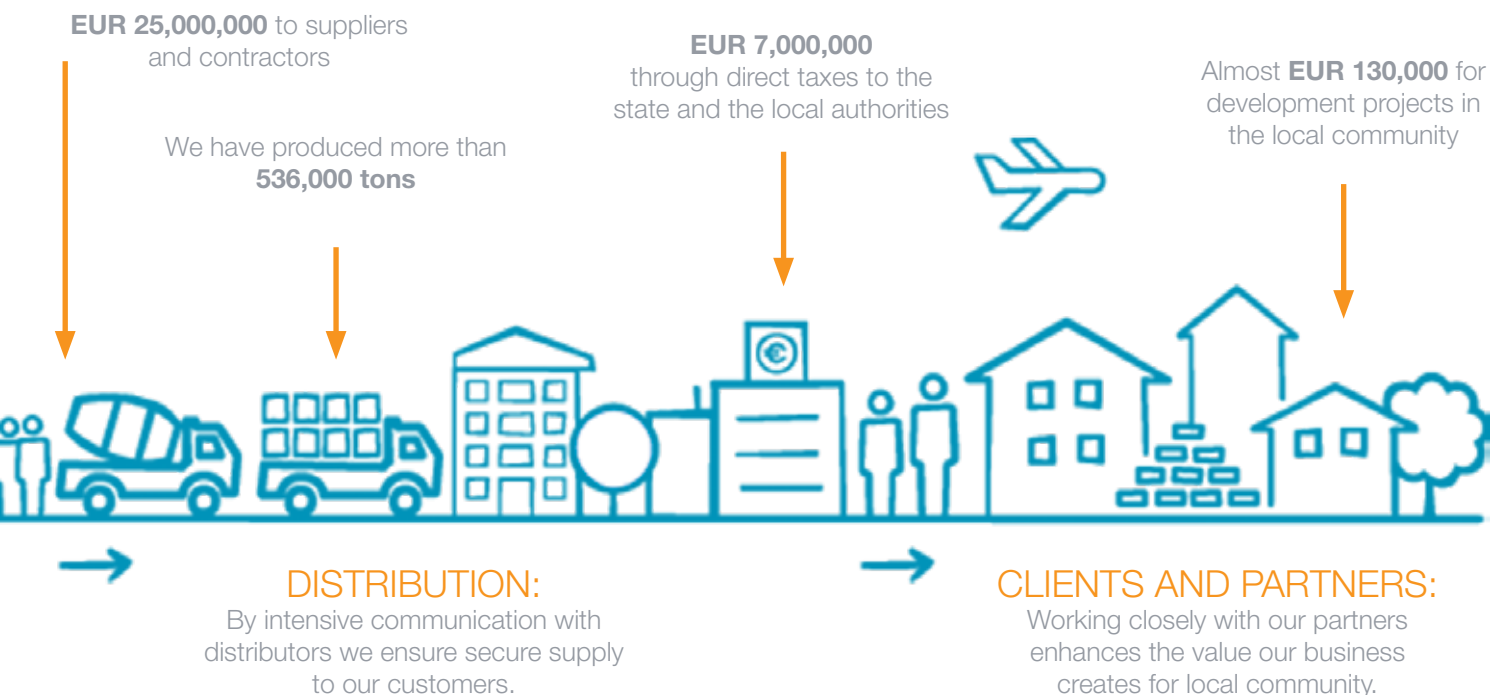
Gross national income per capita in 2016

Source: The World Bank (worldbank.org)

13.5%

Unemployment rate for working-age persons in 2017

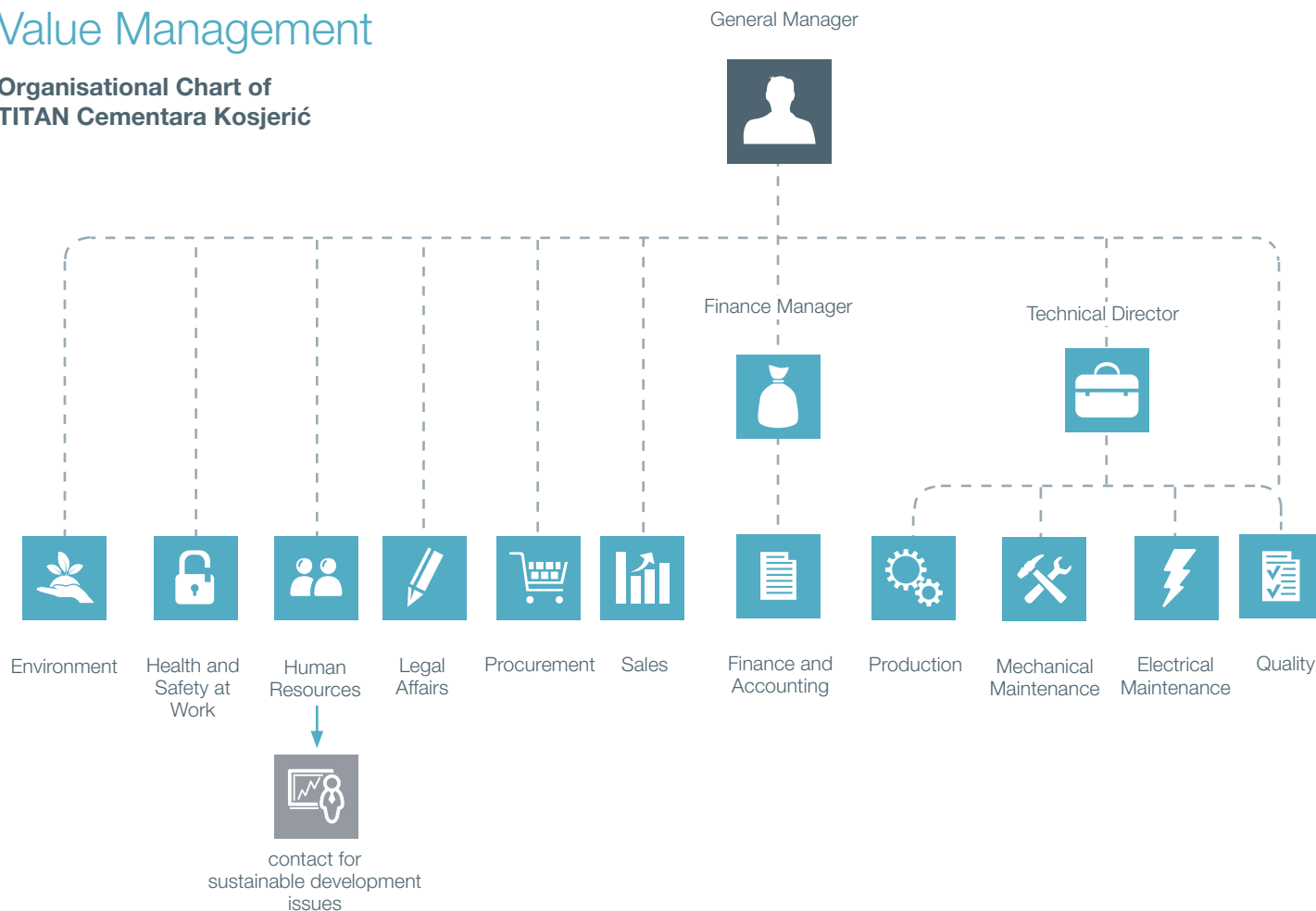
Source: Statistical Office of the Republic of Serbia (stat.gov.rs)



Identified risks	Responses – opportunities
Public finances – impact on the cement market	TITAN Cementara Kosjerić manages its operations in a responsible manner. It focuses on the most important investments and development of employees, and does not expose itself to financial risks, having in mind that influencing the economic circumstances is limited. The Credit Control Committee supports this approach through regular meetings.
Employment and development of best candidates – location of the Company	In accordance with its policy, the Company offers equal opportunities for employment and professional development, as well as earnings above market requirements, in compliance with the relevant regulations. The Company successfully implements training programmes for young unemployed professionals in the local community.
Restructuring the organisation	TITAN Cementara Kosjerić implements restructuring programmes in accordance with the market conditions and in a responsible manner – while respecting social conditions and needs and business priorities. The paid severance comply with all legal requirements, at minimum.
Health and safety at work	Health and safety at work is Cementara's priority. We seek to systematically improve the employees and contractors' working conditions through development of safety culture, trainings, clear and effective OHSAS 18001 system, and sufficient number of personnel with direct responsibility for this aspect of the business.
Climate change	To reduce emissions of greenhouse gases, TCK continuously invests in the best available technologies, tending to increase the share of alternative raw materials, introduce alternative fuels, and improve energy efficiency in line with the WBCSD/CSI Guidelines.
Spreading the CSR principle throughout the supply chain	Relations with suppliers and contractors in TCK are regulated through the Procurement Procedure (ISO 9001), the Code of Conduct for Procurement, and the policies on human rights and prevention of bribery and corruption. We continuously develop mechanisms that ensure compliance with the highest standards of this practice in all stages of the value chain.

Value Management

Organisational Chart of TITAN Cementara Kosjerić



In creating values for the Company and the key stakeholders, TITAN Cementara Kosjerić is guided by the highest, certified, national and international standards, including the adopted procedures of ISO standards in the areas of: 9001 – Quality management, 14001 – Environmental management, 18001 – Occupational health and safety management. Support for this strategy is provided by relevant policies relating to ethical conduct, socially responsible operation, human rights, prevention of bribery and corruption, and non-competing. In this framework, we regularly monitor and analyse the implementation of these criteria in order to bring them to perfection in the procedures and business activities.

The Management Committee, led by General Manager, makes the key business decisions compliant with the guidelines and strategy of TITAN Group. The Corporate Social Responsibility Committee composed of the General and Technical Directors, Environmental Manager, Health and Safety Manager, and HR Manager, addresses the issues of sustainable development. This management body sets the strategic direction and approves action plans for the implementation of short-term and long-term sustainability goals. It also establishes channels of communication with key stakeholders, aiming their involvement in the formulation of priorities in a given area. Operational issues and activities in all areas of sustainable development are the responsibility of the CSR Team. Permanent communication with the corporate center of TITAN Group and other business units is provided by the CSR Representative, who is also the leader of all initiatives of the responsible operation of the Company.

According to specific topics, branched communication, which also includes dialogue with the stakeholders, has been established at all levels of the organization. The obtained feedback on the operational performances and issues related to safety at work, the environment, social responsibility and ethical business practices in the Company is evaluated by top management, which makes adequate decisions and ensures their implementation.

The members of The Management Committee are at the same time the members of working bodies for specific areas – Committees for Quality, Health and Safety, Environment, and Employees' Development, which meet at least once a year, additionally providing continuity and quality of communication, as well as monitoring of results under their competence. Clear procedures and limits of power of these working bodies, along with TITAN Group guidelines and policies and performance evaluation of managers, which also includes the aspects of social responsibility in the context of achieving business objectives and long-term value for the Company, ensure prevention of conflict of interest and a fair approach at remuneration. Cooperation with the stakeholders is an important aspect of the business for the investors, and it is observed by monitoring the top management's work.

TCK regularly upgrades knowledge on all aspects of sustainable development, in direct contacts with experts and through consultancy in the field of responsible operation, or at meetings of Group top management where CSR topic is always a priority.

Titan's CSR Policy

In support of this vision, CSR is one of our corporate values and is embedded in our governing objective. It is a step further than legal or regulatory compliance, a conscious and free pledge to improve the world around us. It has human, social and environmental dimensions. To achieve our goals, we place CSR at the heart of our operations.



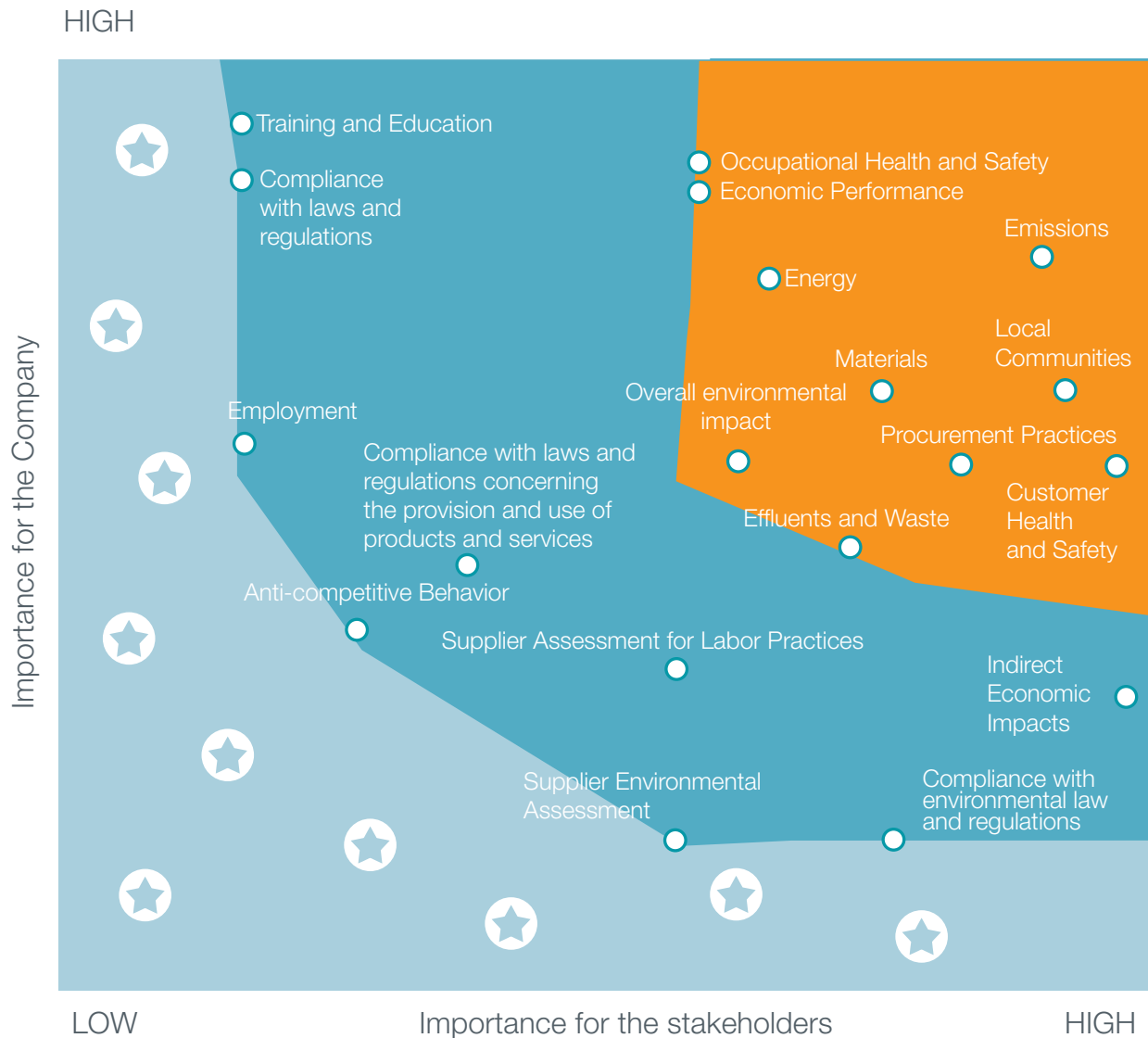
Materiality Assessment – We Focus on Important Topics

Relying on modern reporting standards that procedurally include the participation of all stakeholders, TITAN Cementara Kosjerić regularly includes major stakeholders: employees, customers, suppliers and the local community representatives in the process of creating the Report. Assessment of the topics importance, in line with TITAN Group policy, is conducted biannually at the Stakeholders Forum "Our Community – Our Responsibility", provided that our reports, communication with stakeholders and implemented initiatives remain within the range of areas that are assessed as priorities for the sustainable development of the local community. In this way, we respect the views and opinions of all stakeholders potentially affected by the results of our activities and operations. Our Company appreciates the importance of feedback received in carefully fostered contacts with all stakeholders, and it strives to regularly and as much as possible answer questions, proposals and expectations suggested by this dialogue.

In an effort to continuously develop responsible business strategies and at the same time to improve customized and efficient reporting, TITAN Cementara Kosjerić held a working meeting "Our community – Our Responsibility" in 2018 for the third time, bringing together the most important social actors. Through an open and productive dialogue with stakeholder representatives, key issues relevant to all stakeholders were identified. In order to actively respond to important issues of general interest, the identified topics from this meeting, which we deal with in this report, will be acknowledged and included in future reports on CSR and Sustainable Development.



Materiality Matrix: key topics for the Company and stakeholders



KEY TOPICS

MATERIAL TOPICS

NON-MATERIAL TOPICS

- Product and Service Labelling
- Labor Practices Grievance Mechanisms
- Environmental Grievance Mechanisms
- Human Rights Grievance Mechanisms
- Marketing Communications
- Grievance Mechanisms for Impacts on Society
- Biodiversity
- Assessment on Human rights
- Forced or Compulsory Labor
- Child Labor
- Indigenous Rights
- Water
- Labor /Management Relations
- Anti-corruption

- Security Practices
- Public Policy
- Market Presence
- Investment and Human rights
- Non-discrimination
- Equal Remuneration for Women and Men
- Diversity and Equal Opportunity
- Customer Privacy
- Products and Services
- Supplier Assessment for Impacts on Society
- Freedom of Association and Collective Bargaining
- Supplier Human Rights Assessment
- Transport

Sustainable Development in the Long Run

Company's long-term growth, in light of the consistent application of the CSR principles and values, is also reflected in the objectives set for the key areas of our business which we have adopted until 2020, with a regular review under the competence of the TCK's top management and Group's strategy implementation. The Company supports the realization of the Sustainable Development Goals, formulated under the auspices of the UN Global Compact – an organization that is responsible for the international promotion of universal ethical principles, constantly working on the improvement of conscientious action in the society and the environment.

Objectives	2016 Performance	2017 Performance	Focus for 2020
Employees and working environment			
Improvement of competences	36.35 hours of training per employee were realised.	36.53 hours of training per employee were realised.	Organizing at least 30 hours of training per employee.
	Average investment in development per employee is more than 320 EUR.	Average investment in development per employee is more than 300 EUR.	Organizing trainings that meet the employees' needs in a quality manner.
Business ethics	Preparation for distribution of the TITAN Group policies on human rights, prevention of corruption, non-competing and sanctions.	Training on TITAN Group Code of Conduct for all employees – 288 hours of training devoted to this topic.	Implementation of the training on the application of TITAN Group Code of Conduct for all employees every two years.
Injuries at work	There were no injuries at work (LTI = 0).	There were two injuries at work (LTI = 2), one minor and one serious.	Achieving and maintaining the result: 0 (zero) injuries at work.
Employee Engagement	Implementation of the action plan for improvement of the employees' satisfaction.	Implementation of the action plan for improvement of the employees' satisfaction.	Improving the satisfaction and engagement of the employees.
	The plateau for storage and loading of palletised cement was illuminated. Tests for the presence of silicate dust were carried out.	Testing work environment conditions at relevant working positions 4 times a year, using personal portable measuring devices.	Constant improvement of all working conditions.
The Market			
Maintaining customers' satisfaction	No justified complaint on products was recorded.	No justified complaint on products was recorded.	Maintaining the low level of complaints, advising and educating buyers.
Responsibility towards product users	Placing PVC foil over the pallets in order to protect cement bags from moisture.	Sales of the packed cement in winter bags – to the customers in the north of Montenegro and Slavonia (Croatia).	Harmonisation of safety labels on the bags with the EU requirements.
Educating customers and suppliers about the social responsibility	Code of Conduct for Procurement – distributed with 165 contracts.	Code of Conduct for Procurement – distributed with 32 contracts with new suppliers.	Maintain continuous communication with an aim that 80% key suppliers and customers respect the principles of responsible procurement.
	"Safety First" workshop for suppliers (175 hours) was organised.	"Safety First" workshop for suppliers (140 hours) was organised.	
	115 hours of training for contractors' safe work were realised.	51 hours of training for contractors' safe work were realised.	Continue the implementation of trainings for the contractors' safe work.
Pre-qualification of suppliers	100% new suppliers were pre-qualified.	100% new suppliers were pre-qualified.	Maintain the process of pre-qualification for 100% new suppliers.

Objectives	2016 Performance	2017 Performance	Focus for 2020
The Environment			
Investing in the sustainable development	Investments in the environment were more than EUR 330,000.	Investments in the environment were EUR 367,550.	Work further on performance improvement in the field of the environmental protection.
CO ₂ emission	Total specific gross direct CO ₂ emission was 615.3 kg/t _{Product*}	Total specific gross direct CO ₂ emission was 633.8 kg/t _{Product*}	Achieve a value of the specific gross direct CO ₂ emission < 615.9 kg/t _{Product*}
Energy efficiency	303 light bulbs were replaced with corresponding saving bulbs.	350 light bulbs were replaced with corresponding saving bulbs.	All light bulbs in the Company to be replaced with more energy efficient bulbs.
Alternative fuels and raw materials	Renewable sources of energy, the wood pellets, was used fully as the fuel for heating. The ratio of alternative raw materials was 10.29%.	Renewable sources of energy, the wood pellets, was used fully as the fuel for heating. In October 2017, we obtained the Decision on the building permit for execution of works on plant construction for dosing and use of SRF with primary fossil fuel in the rotary kiln. The ratio of alternative raw materials was 9.94%.	Continuing efforts to comply with EU standards in relation to alternative fuel utilization. Increase the ratio of alternative raw materials used.
The Local Community and Society			
Dialogue with stakeholders	In the dialogue with the stakeholders during the presentation of the 2015 Report on Sustainable Development, we collected proposals on the possibilities of voluntary engagement.	The "Plant Open Day" was organised for all interested citizens and associates, who had the opportunity to visit the plant and learn about our business and production processes.	Organise meetings with stakeholders and keep the dialogue with them.
Transparency and integrity	The first integrated Report on CSR and Sustainable Development was published, in accordance with GRI G4 for the advanced level of application, as well as with the standards of the International Integrated Reporting Council (IIRC).	The second integrated Report on CSR and Sustainable Development was published in accordance with the criteria for sectoral approach (WBCSD/CSI) and related criteria for reporting.	Continuous improvement of the transparency through reporting on CSR and sustainable development.
Strategic approach to investment into the local community	Total investment into the local community was more than EUR 225,000. ¹ The third cycle of internship program "Knowledge for Challenges – We Build a Culture of Continuous Learning".	Total investment into the local community approximated to EUR 130,000. The fourth cycle of internship program "Knowledge for Challenges – We Build a Culture of Continuous Learning".	Continue supporting important development programmes in the local community.

¹ Adjustment of data made in accordance of data review from last year



WE BUILD TRUST THROUGH COOPERATION



Cooperation with all stakeholders is an essential pattern of our business, and is inextricably linked with the values and priorities of sustainable growth of TITAN Cementara Kosjerić. We appreciate feedback from the local community, and therefore we have provided additional information to our close associates, employees, stakeholders and fellow citizens on the topic they were particularly interested in recently – the plant impact on the ambient air quality in Kosjerić, as well as on the plans for use of alternative fuels in TCK. Through a series of presentations, meetings, as well as through our internal newsletter – “TCK Novosti”, we wanted to bring these topics closer to the local public and provide insight into our results and long-term plans, in order to build trust together as a pillar for sustainable development of the local community through mutual respect and transparency.

TITAN Cementara Kosjerić's Info Centre embodies the contemporary dimension of our business, in which we achieve a market and social reputation by transparent, accurate and timely placement of information on the overall functioning of the Company. In referent publications about the plant, its strategic policies, production process and indicators of the environmental impact, we provide open and documented communication with citizens, giving them an additional opportunity to get expert answers from our staff to their questions. The place where all relevant information about TCK are available offer literature that promotes the principles of sustainable development and concern for the preservation of natural resources, which confirms our Company's ever-present responsibility towards people and the environment.

The values of continuous measurements of dust, nitrogen and sulfur oxides emissions in the last 8 years can be found on the Company's website, which represent an open communication approach in terms of results that the Company fosters.

Our Employees

The carriers of TCK's harmonious development are our employees and the human resource strategy, which states that practices in the field of labor should provide emotional and mental commitment of all employees. Guidelines for Human Resource Management on the Group level provide equal opportunities for everybody, and promote integrity, meritocracy, open communication and transparency, so that the members of the collective improve performance and achieve their full potential.

In the past two-year period, our Company has introduced the programme – TITAN Leadership Platform: TLP, with the objective to promote competence, ethics, and other qualities of the business conduct among the employees, that will be interwoven in all successes of the Company. This practical approach modernizes the organization, promotes good practice and focuses on the future. Simultaneously facilitating the implementation of the key principles of the human resources organization, through the Performance and Development Process, and performance appraisal well applied at all levels of TCK business operation. Our relations with employees are based on the highest standards of human rights protection.

Basic earnings for all job positions in TCK are harmonized with the market conditions, relevant regulations and provisions of the Collective Agreement which applies to all our employees which was signed in December 2014 with the Trade Union of TITAN Cementara Kosjerić. When retired, staff members receive statutory severance fee, while the colleagues working in the Company for 10, 20, 30, 35 (for women) and 40 years (for men), receive jubilee awards.

While achieving business goals, TCK carefully implements its ethical principles contained in the Code of Conduct, at the same time ensuring a rational approach to risk assessment and designing proactive responses to them. In addition to official channels of communication in the Company, employees can report potential violations of the Code of Conduct via e-mail: kodeksponasanja@titan.rs.



EMPLOYEES in TITAN Cementara Kosjerić (on average)		2015		2016		2017	
Number of full-time employees		226		222		213	
women		33		34		35	
men		193		188		178	
Number of employees on temporary basis		9		3		5	
women		3		1		2	
men		6		2		3	
Total number of employees (on average)		235		225		218	
Number of employees by gender on average		number	%	number	%	number	%
women		37	15,74	35	15,56	37	16,97
men		198	84,26	190	84,44	181	83,03

Employees in the management by gender



Structure by employment category

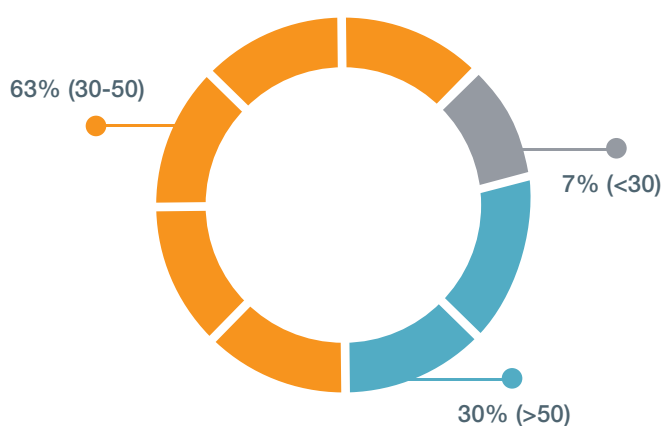


Employees statistics	GENDER	AGE	2015	2016	2017
Newly employed, eight of which are from Kosjerić in 2017	women	<30	1	2	6
		30-50	1	0	0
		>50	0	0	0
	men	<30	0	2	5
		30-50	0	1	2
		>50	0	0	0
Employees who left the organisation – regular turnover	women	<30	1	0	3
		30-50	0	2	1
		>50	0	0	0
	men	<30	0	1	3
		30-50	2	0	3
		>50	0	1	2
Employees who left the organisation – restructuring programme	women	<30	0	0	0
		30-50	0	0	0
		>50	0	0	0
	men	<30	0	0	0
		30-50	0	2	0
			0	13	0
Turnover rate % (number of employees who left the organisation/average number of employees for the period)			2%	9%	5%

INDIRECT EMPLOYEES – CONTRACTORS	2015	2016	2017
Total number of contractors' employees	153*	174*	216*
Number of contractors' employees, without logistics and transport	32*	38*	36*
Number of contractors' employees – logistics and transport	121*	136*	180*
Total number of contractors' employees working hours	288,102	329,447	407,950

* Number of contractors estimated based on working hours (as FTE – Full Time Equivalent)

Employees in management by age



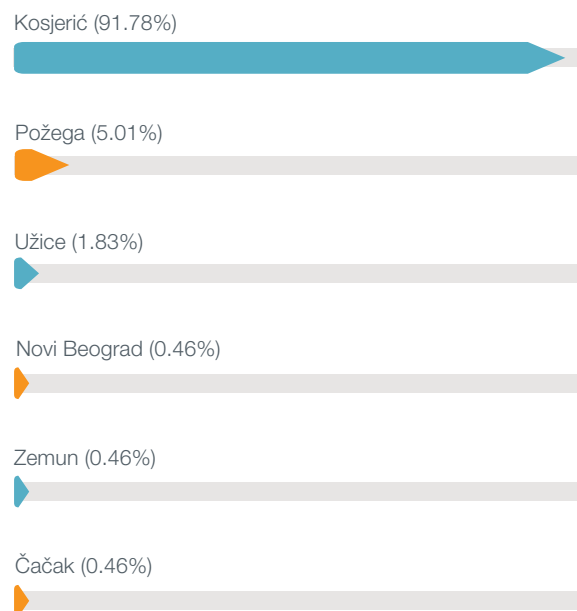
Top management by place of residence



Voluntary initiatives for the society in which everyone is worth more

In the spirit of voluntarism for improving the living conditions of the community, on 26 August 2017 our Company organized the renovation of one classroom in the "Mito Igumanović" elementary school, which was supported by about 50 participants. As a reward for the time and effort TCK employees, pupils, teachers and parents made, the refurbished classroom has become more beautiful, more functional and more comfortable place for the students. The volunteers painted the walls, lacquered the woodwork, fixed the furniture and repaired the blackboard on which future experts will write their new knowledge in a livelier manner. A pleasant atmosphere, working enthusiasm and efficiency marked the joint efforts of people of good will who have proven that collective motivation and enthusiasm can improve the environment that we all need.

Structure of employees by place of residence (31st December 2017)²

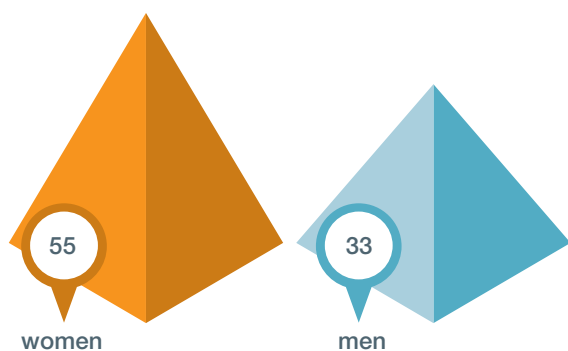


Parental Leave in TITAN Cementara Kosjerić		2016	2017
Employees entitled to parental leave	men	4	6
	women	1	1
Employees who exercised the right to a leave	men	0	0
	women	1	1
Expected number of employees to return from a leave	men	0	0
	women	2	1
Employees who returned to work after the leave	men	0	0
	women	2	1
Employees who returned to work after the leave, and are still employed 12 months later	men	0	0
	women	2	1

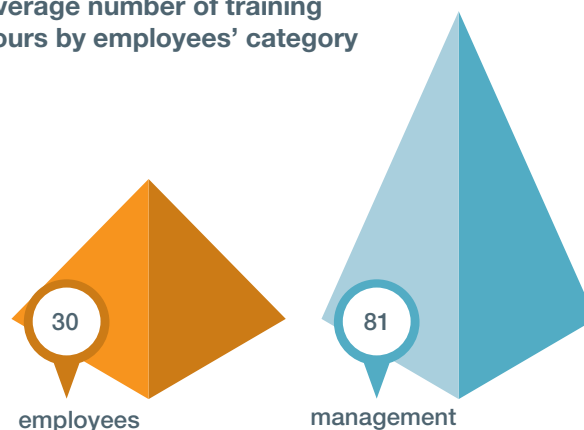
We Build a Culture of Continuous Learning

By the policy of continuous improvement of knowledge and skills of our employees, we encourage the exchange of good practices within the working groups and connecting successful members of the collective, which contributes to strengthening the common – Titan's identity. Willingness to adequately respond to current and future challenges of business competitiveness and social trends stems from the concept of continuous learning as the permanent commitment of TCK. Therefore, we invest in our colleagues' personal and professional development, believing that common trust and open communication guarantees mutual benefit.

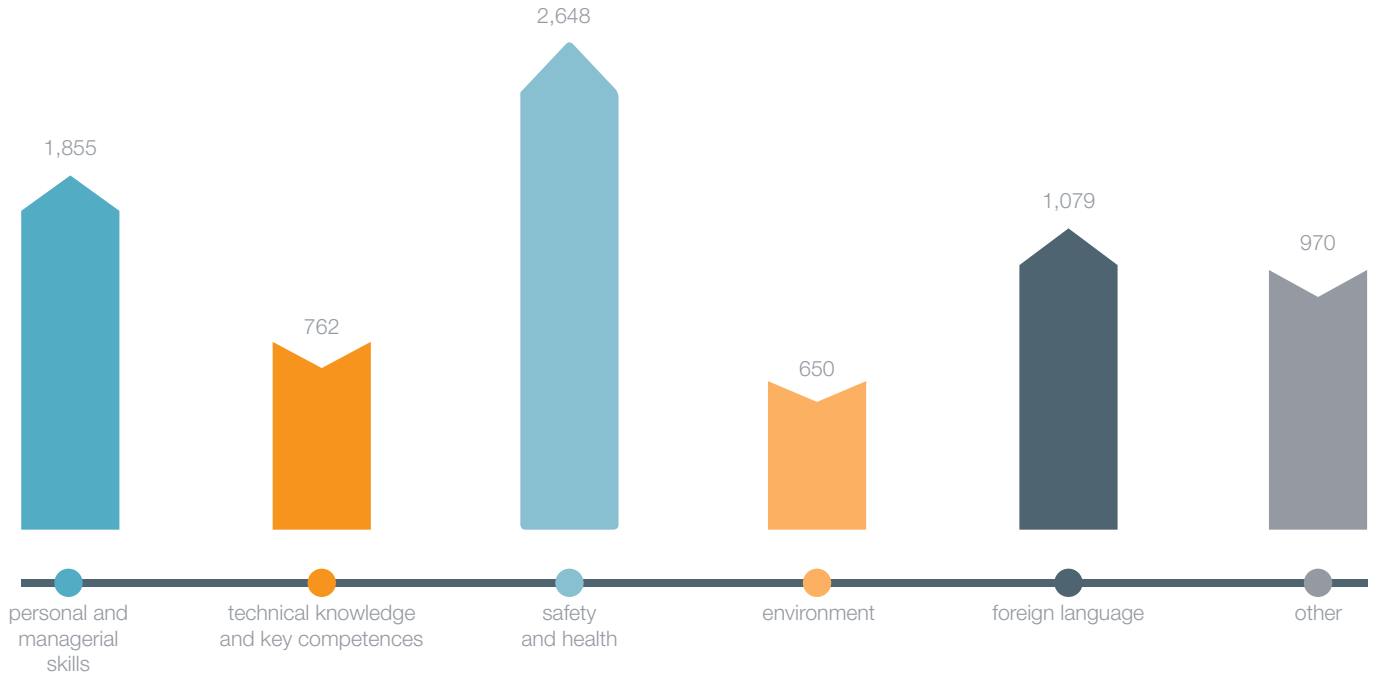
Average number of training hours by gender



Average number of training hours by employees' category



² The data show the balance as of 31 December 2017 (discrepancy with the calculation in the Integrated Report of the TITAN Group for 2017 is roughly >1% since the data used is the average for the set period)

2017 Trainings: 7,964 hours

In the spirit of creating a climate of open opportunities for competences affirmation as a basis for fruitful results and safe growth of the Company, we in Cementara constantly encourage educational processes and employees to educate themselves, to grow and build their careers. In an effort to develop professionalism to the maximum, we focused our attention in the past period on building managerial skills of employees in managerial positions. We believe that the corporate values are based on learning, continuous self-improvement, inclusion and communication, as a prerequisite for an efficient functioning of the organization.



Safety First

Health and safety at work is the priority area in the operations of TITAN Cementara Kosjerić, and the basic meaning of this concept lies in creating a safe working environment without injuries, in which safety and health are prerequisites for good results of all employees. The health and safety policy that has been adopted and distributed throughout the collective is applied in practice on a daily basis, which expresses our commitment to achieving high performance in this business aspect.

Sustainability of the health and safety system requires consistent improvement of its elements: establishing rules and procedures, theoretical and practical training, and recognition of potential risks and hazards. The attitude that every injury can be prevented and the zero tolerance concerning violations of the safety rules are postulates and conditions of employment in our Company, which promotes faith in the achieving these goals at all levels.

TITAN Group and TITAN Cementara Kosjerić are fully committed to reporting about all required H&S data following the CSI guidance and H&S standards. In order to increase transparency, reliability and accuracy of safety key performance indicators reporting to stakeholders, all safety KPIs were independently verified in accordance with CSI guidance.

In the framework of the TCK's safety strategy, besides our employees, we give equal importance to the contractors, in an effort to set our successful model as an example for their safety management. We require our contractors to achieve good safety performance in carrying out their contracts. Implementation of appropriate activities, as well as reporting on the main key performance indicators, is equally important for the plant's safety system. Driving safety measures provided by our Company are directly coming out from a commitment to eliminate driving-related injuries and fatalities. Already developed and implemented procedures on vehicles control, criteria on engaging transport companies and full compliance with local regulations are examples of good practices conducted by our Company in order to reach safe conditions for all drivers.

During 2017, we organized 2,648 training hours, or an average: 12.2 hours per employee in the Company, while for our contractors we conducted 46 hours of training. Along with regular theoretical and practical training for the operational implementation, we continued to educate employees about the prevention of serious incidents.

Benchmark	Definition		2015	2016	2017
Fatalities	Number of fatal injuries	employees	0	0	0
		contractors	0	0	0
LTI*	Number of injuries at work with lost days	employees	1	0	2
		contractors	0	0	0
LTIFR**	Lost time injury frequency rate occurring at the work-place at 1 million hours worked	employees	2.39	0.00	5.09
LTISR***	Lost days injury severity rate referring to the lost calendar days at 1 million hours worked	employees	40.71	0	631.14
AR	Number of days off work normalised at 200,000	employees	5,896	6,073	6,881
Occupational diseases	Number of lost calendar days due to occupational diseases	employees	0	0	0
Training hours for employees	Average number of training hours on H&S issues per employee	employees	10.2	15.5	12.2
		contractors	1.9	3	1.3

* Injury at work is any injury due to which an employee is absent from work, for one or more working days, excluding the day of injury

** Number of injuries with lost days * 1,000,000 / Total number of working hours realized directly by the employees during the year; according to CSI, data about the contractor is not to be reported

*** Total lost calendar days in a year resulting from injuries at work * 1,000,000 / Total number of working hours performed directly by the employees during the year; according to CSI, data about the contractor is not to be reported

Workplace Risk Assessment in TCK recognises 9 working positions with high risk where a total of 28 employees is deployed. By applying mechanisms to identify potential risks and hazards, we found 38 new or hidden hazards, and at the same time realised 183 preventive and corrective measures, based on incidents investigations, external and internal audits, and suggestions for improvements.

Results of 360 Degrees Audit



All important issues in the field of employees health and safety are further detailed in TCK's Collective Agreement. The implementation rate of health and safety system in Cementara for 2017 is 91.3%, as concluded by the 360 Degrees Audit, conducted by experts in this field – Group H&S Manager and the Regional H&S Manager.



In 2017 there were two accidents with LTI of direct employees (one severe and one minor). Analysis of detailed investigations of both events were presented to all colleagues, thus passing the decision to apply preventive and corrective measures in order prevent re-occurrence of such and similar incidents.

Consisting of 5 representatives of the employees and 3 representatives of the employer, Safety Committee operates successfully in Cementara, promoting through the inclusion of employees exchange of information and mutual trust in the safety system as a necessary incentive for everyday development and achievement of good results in this area. We also direct good and regular communication on safety in every segment of the organization through working meetings where this topic is an obligatory subject for consideration, and therefore an integral part of the overall activities of our Company.

In September 2017, verification of compliance of health and safety system with OHSAS 18001 was carried out, and on this occasion, there were no recorded nonconformities. With a view of improving the system, two observations were stated and one proposal for improvement was submitted, which indicates that the audit established a high level of performance of the Titan's culture of health and safety, which is built by all the employees with dedication.

Safety literacy for 100 pupils in lower grades



In 2017, we implemented another set of "Safety Workshops" for all fourth-grade students in primary schools in the Kosjerić Municipality. About 100 children attended the Titan's training program, with an idea that teaching the safe behaviour at an early age is a base for permanent safety responsibility for oneself and others.

The programme included pupils from "Mito Igumanović" central School in Kosjerić, along with 8 classes of this institution in the villages: Brajkovići, Ražana, Seča Reka, Skakavci, Tubići, Zarići, Mušići, and Radanovci. "Jordan Đukanović" School on Varda also took part with its classes in Godečevo and Makovište.

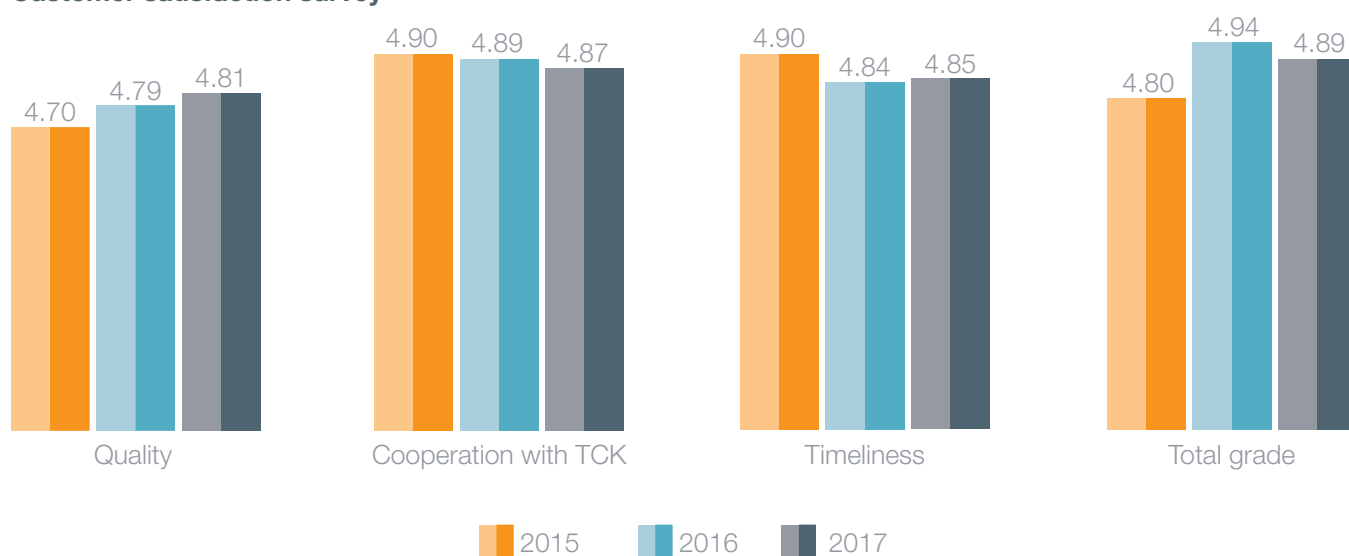
The workshop topics were adjusted to the most common circumstances that require increased vigilance and proper response by children. Consistently to the learning plan so far, we paid the greatest attention to the safe conduct at school, when playing, in traffic, on an excursion, but we went a step further in raising awareness of the youngest by including recommendations for the safe use of the Internet and consultations about bullying. Recognising the prominence of this issue, as a responsible Company, we tend to act preventively.



Our Business Partners - Customers and Suppliers

We in TCK appreciate very much the feedback that we get in our communication with customers – through regular visits or through questionnaires on products and services' quality. By contacting customers and examining their satisfaction, we learn about the changing demands of the market and according to these expectations adapt our business processes and our proactive action. In conjunction with our mission, the values that we promote, and the activities at all levels of the organization, we strive to meet the requirements of every customer and earn their trust and loyalty. By respecting the specific requirements of our customers and maintaining successful cooperation, as well as by the mobility to expand our network of new clients, we prove that the customers have a central place within our business strategies, while we set their satisfaction as a guideline for our future operation.

Customer satisfaction survey



In 2017, not any of our customers submitted an objection regarding the impact of TITAN Cementara Kosjerić's products on health and safety at work. During that period, we did not have any official complaints about cement quality. Also, there were no objections to the labelling of bags or to the recommendations for safe handling, storage and use of the product shown on the packaging.



Bags with the products of TITAN Cementara Kosjerić are labelled in accordance with the applicable regulations and provide all relevant information to users: cement type, Serbian conformity mark, CE mark (evidence of conformity of products to European standards), the standards by which the product is certified. The technical manual is quoted containing basic information on the composition, purpose, mode of transport and storage of cement, and instructions for the production of concrete. In addition, the packaging contains the recommended expiration date, the weight of the product in the bag and the packaging date. To instruct the user on safe handling of the cement, the bags contain pictograms for hazards, warnings, first aid measures in case of improper handling and the necessary protective equipment.

Data on the reduction of Cr (VI) and the period of effects of the reducing agent is also indicated, along with the time limit within which TCK guarantees that the content of Cr (VI) is below the prescribed limit of 0.0002%. Detailed information on the properties and safe use of our products is published on the official website of the Company, in the product section: <http://www.titan.rs/proizvodi>.

All information about customers and orders in Cementara is protected and available only to employees responsible for work with clients. We comply with the confidentiality of information on the users of our products, and this is proved by the fact that during 2017 there were no reasoned complaint about violation of customer privacy, abuse or even loss of their data by TCK and responsible persons in the Company. In our activities related to marketing communications through public announcements, promotions and sponsorships last year, there were no cases of violations of regulations and codes.

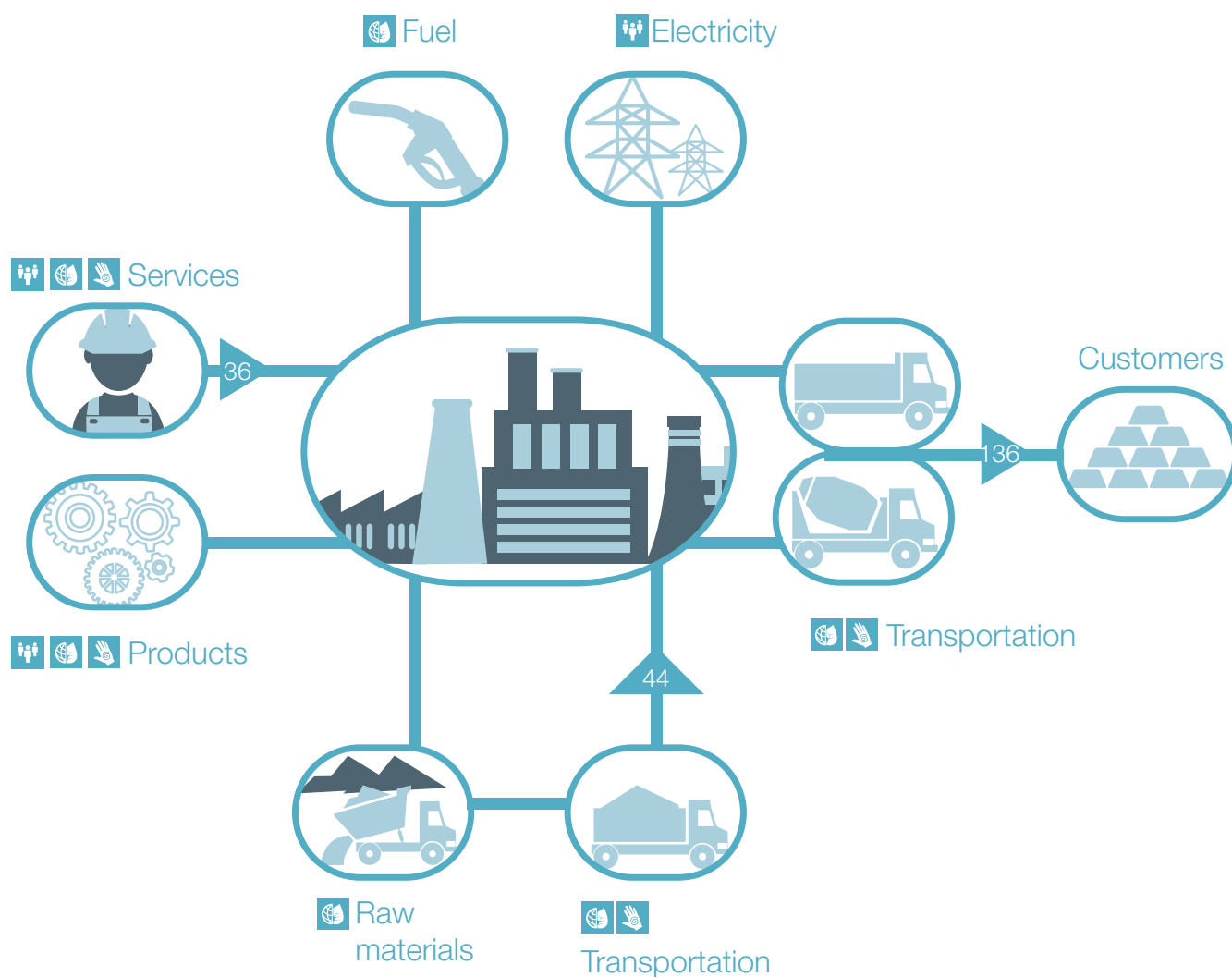
A welcome to understanding and cooperation



In order to transparently present the functioning of its modern business system and strengthen the closeness with the community, TCK regularly organises the "Plant Open Day", welcoming the Company's employees and their families, fellow citizens of all generations, partners, associates and representatives of various stakeholders with whom we develop successful cooperation. The guests have an opportunity to visit the plant and familiarise with the stages of the plant process, and under the expert guidance of Titan's engineers, to gain insight into the work of modern cement production technologies. Last year, it had been the first time we organized a visit to the modern TCK laboratory where all materials that are essential for the production: from mineral raw materials, additives and fuel to semi-products to cement as our final product are tested here.

The successful work of TITAN Cementara Kosjerić is also contributed by the very well organized supply chain, in which special attention is given to suppliers. We harmonize this relationship primarily with the requirements of safety and environmental protection, respect for human rights and the application of general legislation. Methods of selection, control and evaluation of suppliers are governed by the Code of Conduct for Procurement of the TITAN Group, in which the categories of quality, reliability, adaptability and location of business are the key criteria of assessment, relying on the recognisable willingness of our Company to approach every cooperation in an open manner and to respond to customers' expectations with maximum effort.

TITAN Cementara Kosjerić consistently promotes the practice of social responsibility through its sphere of influence, which in the field of supply chain management encourages suppliers to adopt the Titan's Code of Conduct for Procurement and Titan's business practices, and develop or improve their business performance based on this model. Therefore, our Company distributed 32 copies of the Code of Conduct for Procurement with each contract signed with new suppliers in 2017.



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



In accordance with CSR principles, we make an influence on suppliers in a direct way: by pre-qualification of suppliers and signing contracts with them, and indirectly: through the promotion of responsible procurement. In this communication, by pre-qualification procedure, upon signing the contract and before the start of the job for which they were selected, we request from all suppliers that relationship with their employees and subcontractors be adapted to the general legal obligations of safety and health, and to accept the rules our Company sets. They should comply with all relevant environmental legislation as well as with TCK requirements that go beyond legal regulation. In accordance with the set norms, suppliers work with the obligation to be guided in their practice by the principles of ethical operation, fostering fair competition and business relationships without corruption and bribery.

Cooperation in the spirit of the safety culture

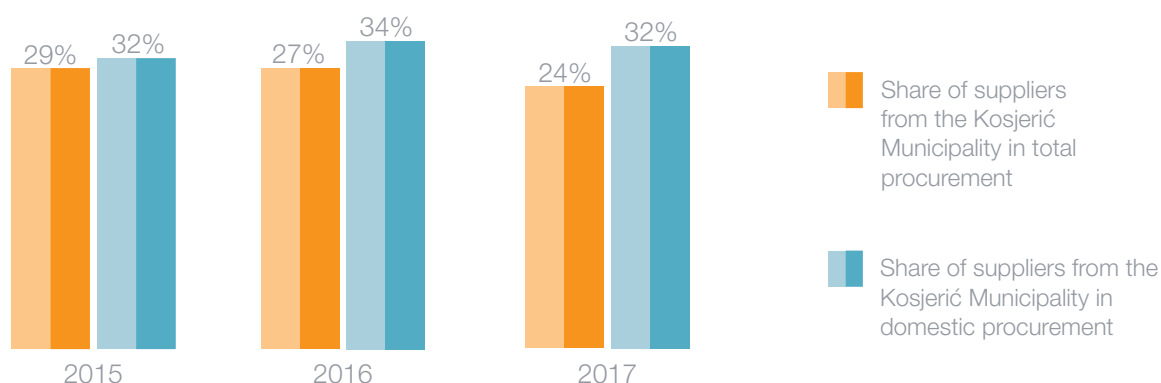
In October 2017, we organized a presentation with an interactive workshop for local contractors and carriers. Together, we analyzed the safety incidents in TITAN Group plants, and conducted training on the dangers of power lines. This training, as an example of fostering successful business relationships and sharing good practices, contributes to the promotion of responsible procurement in the supply chain and, at the same time, improves the health and safety culture in the Company and community.

Before starting cooperation, our Company performs pre-qualification of potential suppliers, primarily contractors, in accordance with the internal procedures, applying the standards of ISO 9001, ISO 14001 and OHSAS 18001. We use the following criteria for suppliers' evaluation:

- **environmental impacts** (complying with benchmarks in this field set by the legal norms and standards)
- **respect for labor and human rights** (health and safety, minimum wage, contractual relationships with employees, insurance of property and employees, risk assessment of jobs, keeping records of injuries)
- **social impacts** (ethical business, fair competition, economic offenses, possession and complying with the Code of Conduct).

During 2017, all of the potential 7 new contractors were pre-qualified by the criteria of labour and human rights, and their impact on the society. Later on, in execution of works, 5 of them were subject to the criterion of the impact on the environment.

Participation of local community suppliers in total procurement costs



We in Cementara also conduct the evaluation of suppliers as a continuous process during the cooperation, setting multiple requirements. We consider reviews of the contractors, evaluation according to the criteria of health and safety at work after the completion of activities, and monitoring the quality of products/services. At the end of the year, we evaluate the suppliers with whom the Company has worked in the previous twelve-month period. Additionally, we evaluate the quality of products or services, quality of cooperation and application of responsible operation in practice. In 2017, all 52% evaluated suppliers in TCK fulfilled the listed requirements. Of the total number of evaluated suppliers on an annual basis, 75% were evaluated in terms of the health and safety. In addition to the contractors, 25 new suppliers with whom we established cooperation in 2017, were evaluated according to the criteria of labour and human rights and their impact on society, including 3 suppliers evaluated according to the criteria of their impact on the environment.

In accordance with the procurement procedure in the tender bidding process, we make an effort to invite to a tender all local suppliers that can offer the required product or service. In addition, while selecting the most acceptable bid, **we give priority to local suppliers**, if their offers are approximate to the price of a supplier who is not from the territory of the Kosjerić Municipality.

Value of procurements from suppliers operating at the territory of the Kosjerić Municipality in 2017 was amounted to significant EUR 6,200,000.



TITAN IN KOSJERIĆ

Fifteen Years Since Cementara in Kosjerić Became a Part of TITAN Group

Fifteen years have passed since Cementara in Kosjerić became a part of TITAN Group. Until the jubilee in 2017, we achieved noticeable success in the Company and the community in which we operate. Our effectiveness is reflected in more efficient operations, development of active policy of social responsibility, improvement of the health and safety culture, and significant performance in the field of the environmental protection, assuming obtaining the IPPC permit, continuous measurements, and implementation of ISO 14001 and OHSAS 18001.

With the commitment to preserve the natural resources, we surpassed the goals set in relation to the levels of dust emissions and water consumption, and our pursuit towards high achievements in energy efficiency is understood as a constant challenge. By systemic improvement, we design the priority area – health and safety, achieving the best result in 2015 when we completed a three-year period without a single injury at work. Creating a favourable business and living environment, tailored to our employees and fellow citizens, is the permanent orientation with which TITAN Cementara Kosjerić summarizes results in the preceding period of privatization, which is supported by substantial financial investments.

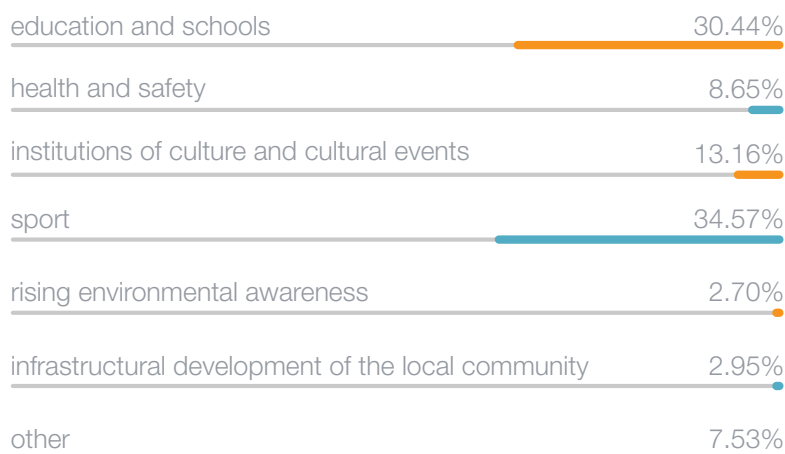
TITAN has operated in Serbia for 15 years

More than EUR 60 million has been invested in the improvement of the business

Over EUR 17 million has been invested in the local community

1,635 tree seedlings have been planted

Usage of fresh water for industrial use has been reduced by 90%



Approximately EUR 130,000 were invested in development programmes of the local community



The first integrated report marked 40 years of sustainable relationships with the community

Giving equal consideration to business success and interests of the Company, in July 2017 TCK presented its seventh annual CSR and SD Report for 2016. This was the first integrated report which the Company prepared following the framework of the International Integrated Reporting Council (IIRC), with the ambition to present to the public in a more complete and transparent manner the financial, social and environmental achievements, and thus strengthen good cooperation with the community. The report was verified by the independent auditors from EY Serbia in accordance with the guidelines of the Global Reporting Initiative – GRI.



Internship in TCK – contribution to the educational capital of the modern world

By upgrading the university knowledge in TCK's departments, a traditional three-month cycle of the programme "Knowledge for challenges – We build a culture of continuous learning" was implemented, involving, from July to September 2017, 10 graduates and final year students from the local community. At each stage of internship, candidates are faced with the real business situations, they master useful professional skills, and deal with complex working tasks. The participants showed the acquired knowledge in final presentations and confirmed the justification of this Cementara's project, which gives local contribution to the European Pact for Youth implementation, launched within the European Network for Corporate Social Responsibility (CSR Europe), signed by TITAN Group.



For My Kosjerić – harmonizing business and social objectives in the community

TCK presented awards to the best projects in the competition "For My Kosjerić", which shapes better quality of life in our surroundings by collecting creative and prosperous initiatives over years. In 2017, 31 applications were submitted of which 15 projects were given the opportunity to realize their ideas. The total amount of allocated funds exceeded EUR 27,000. "For My Kosjerić" is an important part of our CSR policy, which we implement through cooperation with all local authorities and institutions, supporting citizens' involvement, organizations' networking, and productive use of local resources. Projects implementation, adjusted to our corporate values and developmental strategy of the Kosjerić Municipality, directly impacts the sustainable development of key areas in the local community.



CARE FOR THE ENVIRONMENT

TCK, as a part of TITAN Group, has recognized the environmental management as a material issue since 2005, and has introduced measurable qualitative and quantitative targets for monitoring the performance progress in that domain, in accordance with the WBCSD/CSI initiative “Agenda for Action”. Over the last 15 years, TCK has invested over EUR 16,000,000 in application of the best available techniques (BAT) and has achieved high level of environmental performance (installation of new filters, construction of indoor storages of materials, installation of devices for continuous emission measurement, construction of waste water treatment and plant for water recirculation, increasing energy efficiency, etc.).

The environmental management system, which refers to all activities, products and services of TCK, establishes, promotes and reviews continuous performance improvement in this area. Relying on the Environmental Policy adopted in 2009 in the Company, we continually advocate for sustainable development principles: through the support of research programmes and technological advances, as well as through raising the awareness of our employees and associates. Adequate facilities management is governed by the legal regulations, international standard ISO 14001, and internal procedures such as: Environment Protection Performance Management procedure, Water management and other guidance documentation of the sector, and the Green House Gas (CO₂) emissions and Energy management systems in accordance with relevant WBCSD/CSI Guidelines and Protocols.³



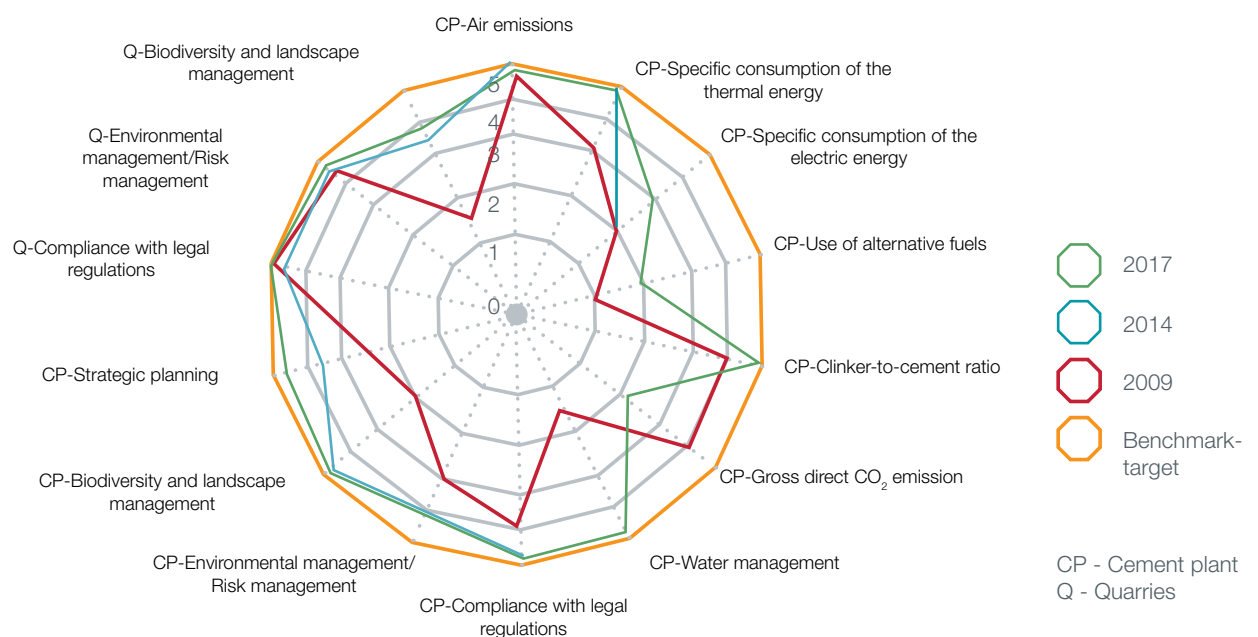
³ „The Cement CO₂ and Energy Protocol – CO₂ and Energy Accounting and Reporting Standard for the Cement Industry “, v.3 (2011) Guidelines for Emissions Monitoring and Reporting in the Cement Industry, v.2.0 (2012) Protocol for Water Reporting (2014) Guidance on Good Practices for Water Accounting (2016); Guidelines for Co-processing Fuels and Raw Materials in Cement Manufacturing v.2.0 (2014)

Audits of the Environmental Management System

Determining the degree of establishment of the environmental management system was the subject of TITAN Group internal audit, in line with internally developed guidelines for all Group's plants. The performance level for 2017 is 92.3% and represents notable improvement compared to the previous level of success of 87.5% in 2014 (the result of the previous internal audit of the system).

In 2017, according to ISO 14001 external audit of the system, was successfully conducted without non-conformities.

Results of the internal audit of the environmental management system



Energy and Climate Change

Impact of the cement industry on climate change depends primarily on the carbon dioxide emissions resulting from the use of fossil fuels and raw materials necessary for the production of cement.

In TITAN Cementara Kosjerić, approach to challenges that contribute to reducing emissions of the greenhouse gases is based on the precautionary principle to foresee and reduce potential risks through the introduction and use of biomass, alternative fuels and alternative raw materials in our production cycle. For that purpose we conduct regular monitoring of the carbon dioxide emissions and energy consumption, in accordance with the WBCSD / CSI Guidelines.⁴

Energy

Thermal energy in TITAN Cementara Kosjerić generated by the direct combustion of fossil fuels and biomass is mainly used in the clinker production, while a lower amount is used for production of the technological steam, necessary for operation of the equipment and machines with internal combustion engines, as well as for heating the working area. Types of fuels used in Cementara for the production of thermal energy are: petroleum coke, lignite, fuel oil, diesel and wood pellets. Electricity is used to run electrical equipment at all stages of the cement production.

In general, during 2017, the energy consumption in TITAN Cementara Kosjerić, in proportion to cement production, was in line with the indicators of energy consumption in the cement plants of the Group (http://www.titan-cement.com/integrated_report_2017_EN.pdf); and this proportion applies to the achieved value of the specific energy consumption per unit of product.

⁴ WBCSD/CSI CO₂ and Energy Protocol: CO₂ and Energy Accounting and Reporting Standard for the Cement Industry, ver. 3.0, 2011

Detailed information on the consumption of thermal and electrical energy in TCK is subject to data confidentiality in accordance with the Company policy.

In 2017, consumption of thermal energy from renewable sources (combustion of wood pellets for heating of the premises) amounted to 5.7 TJ, an increase of 4.0% compared to 2016. At the same time, by the reconstruction of the heating system (realized in 2014) which has been enabling complete replacement of heavy fuel oil with wood pellets for heating purposes, we achieved savings of 6.62 TJ of energy, compared to 2014.

Compared to 2016, consumption of thermal and electrical energy in 2017 was higher (thermal energy by 26.3% and electricity by 19.9%), which stems from the increase in clinker production by 26.8% and cement by 18.3%. With planned rationalisation of the energy consumption and by applying measures of increasing the energy efficiency (the existing lighting system with mercury bulbs is being replaced by LED lamps; planning of the kiln operation in the mode of best efficiency, thereby minimising the stoppages), we achieved 1.1% reduction of the total specific energy consumption⁵, compared to 2016.



CO₂ Emission

Given that the emission of carbon dioxide in the cement industry, occurs mainly from the process of raw materials transformation – during the clinker production, as well as by combustion of fuel in the kiln – the basic measures we undertake in order to reduce our emissions include an increase in energy efficiency of the process, a reduction of clinker-to-cement ratio, and using alternative fuels or biomass.

Total gross direct carbon dioxide emissions in 2017 was 0.35 million tons, which is about 27.1% more than in 2016, due to increased quantities of products. In the same period, the total emission of the biogenic CO₂ originating from the combustion of wood pellets amounted to 629 tons. Specific gross direct emissions of carbon dioxide per ton of product⁶ was 633.8 kg CO₂/t_{Product}, which is 3.0% more than in 2016. Using wood pellets, which replaced heavy oil as a fuel for heating of the working premises, Cementara reduced CO₂ emissions by 955 tons in 2017.

Although there is no obligation yet in Serbia to calculate and report CO₂ emissions, TITAN Cementara Kosjerić continuously calculates its emissions and reports regularly on them.

⁵ Total specific energy expressed in GJ/t_{Clinker}

⁶ Cementitious products according to the WBCSD/CSI definition

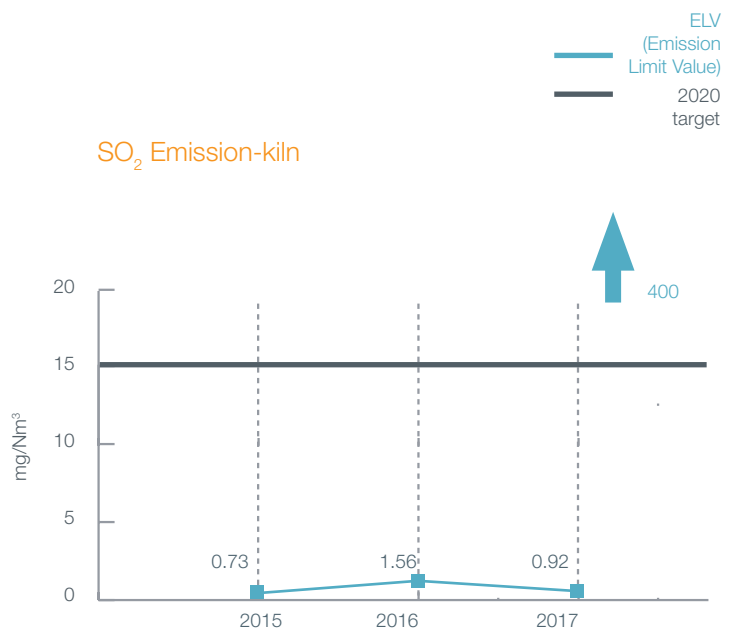
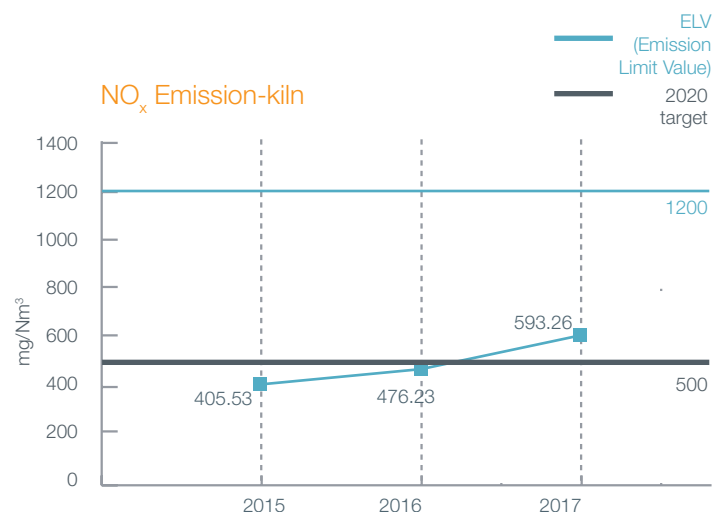
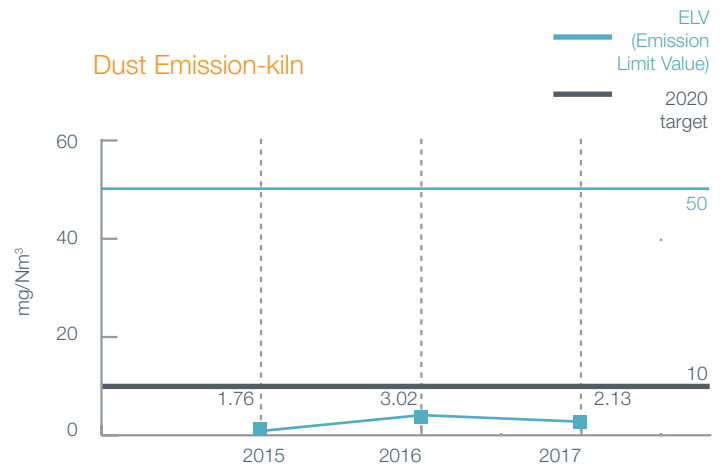
Air Emission

As a socially responsible company, TITAN Cementara Kosjerić monitors significant emissions of pollutants, in accordance with the requirements of the legislation and the WBCSD/CSI Guidelines⁷. In this regard, we conduct regular monitoring of air emissions and, depending on the results and set goals, apply measures to reduce the emissions.

Automatic devices for measuring emissions in our plant are installed on all major emitters of air emissions, which ensure availability of indicators of emissions into the air in real time. Fifteen-day average values of the emissions on the rotary kiln are also published on the Company's website: www.titan.rs, and availability of this information represents a kind of communication with our stakeholders. Authorised institutions periodically perform measurements of emissions from other emitters.

Since the rotary kiln operation during production of clinker is based on combustion of fossil fuels, major air pollutants emitted into the air are nitrogen oxides (NO_x), sulfur oxides (SO₂) and dust. In 2017, total dust emission was 2.15 tons, of nitrogen oxides 599.59 tons, and of sulfur oxides 0.93 tons. The increase of nitrogen oxides emissions in relation to 2016 resulted as a consequence of change in the chemical composition of the raw meal.

The graphs show the levels of air emissions, compared to the limits prescribed by the Regulation on the limit values for emissions of air pollutants from stationary sources of pollution, except the combustion plants, and with the IPPC permit, which TITAN Cementara Kosjerić obtained in June 2011. In addition to the general regulatory limits, we set internal targets that are more demanding and pledged to reach them by 2020 (Table: Results achieved in the field of environment protection, page 37). TCK regularly reports its emissions to the competent Ministry and the Environmental Protection Agency.



⁷ WBCSD/CSI Guidelines for Emissions Monitoring and Reporting in the Cement Industry, ver. 2.0, ed. 2012

Ambient Air Quality in Kosjerić

Realized investments in environmental protection projects, as well as establishment and implementation of the management system and the environmental measures, are the guarantee of our plant's environmentally safe operation. Pollutants emission levels from our plants are far below the limits prescribed by law and such low levels of emission ensure that the impact of our operation on the air quality in Kosjerić is negligible. The best indicator of the low impact of our plant's operation to the air quality in Kosjerić is measurement of the air quality parameters conducted by the Environmental Protection Agency. Stationary Air Quality monitoring station in Kosjerić has been out of operation for three years. On December 26 2017, the Agency had assembled and activated a mobile station (AMSKV) which worked by the end of April 2018, when a stationary air quality monitoring station was put in operation and under control of Environmental Protection Agency, again.

Data obtained from these stations show that in order to assess the air quality in Kosjerić the concentration of suspended particulate matter of PM10⁸ is crucial, as this parameter is sometimes above the prescribed limit values. Also, it is evident that during 2018 the exceeding PM10 concentrations mostly occurred during the winter months – in heating season, while during the warmer period, PM10 concentration was significantly lower and there were no exceeding concentrations. Periods of increased air pollution in Kosjerić correspond to the periods when the plant mostly is out of operation due to the annual overhaul and seasonal demand drop, while during the periods when the plant operates at its full capacity, PM10 concentration in the air is low and far below the prescribed limits. These trends – pollution increase when the operation of our plants is paused and a good air quality during the periods of operations with full capacity – are the best confirmation of the efficiency of our plant as well as of our environmental management system.

The following chart shows the ambient air quality in Kosjerić, based on PM10 concentration according to air quality classes and months as well as the number of our kiln work days during 2018. It is evident that the classes of 'polluted' and 'very polluted' air occur only during heating season and the air quality improves as the need for heating decreases. In May, only for 5 days the air was not in the class 'excellent' while in June and July the air was in class 'excellent' the whole month. It is also evident that TCK's operations do not have a significant effect on the air quality in Kosjerić – months with the most days of polluted and very polluted air in Kosjerić are simultaneously the months with the least number of work days of our kiln, while the intervals when there is no heating, the air quality in Kosjerić is mostly in the excellent class, despite that our plant operated at full capacity.

Ambient air quality in Kosjerić 2018
(based on daily average concentrations of PM10)



Note: Air classes are determined based on data from the Environmental Protection Agency and categorization guidelines according to SAQI where based on daily average PM10, classes are 'excellent', 'good' and 'acceptable' within the first class of air quality - pure or slightly polluted air, that is, the PM10 concentration limit of 50 µg/m³ is not exceeded for these air quality classes; while for air quality classes 'polluted' and 'highly polluted' the limit value is exceeded.

*For 1 day in May and 2 days in June, data from the Environmental Protection Agency is not available.

⁸ PM10 implies a portion of suspended particulate matter in the air 10 µm or less in diameter (often it is about a mixture of smoke, soot, dust and other particles) which can occur during various natural phenomena as well as urban environment caused by human factor (individual fireplaces, heating plants, industry, fires etc.)

Similar trends have been recorded in previous years when the air quality monitoring station operated, which are confirmed by the results of ambient air quality measurements in Kosjerić from 2011 to 2014 (source: <http://www.sepa.gov.rs>). All these measurements show that the greatest number of days for classes 'polluted' and 'very polluted' air occur between January – April and October – December, respectively during the heating season and it can be also seen that the ambient air quality in Kosjerić does not depend on the fact whether the plant operates or not (more details in TCK Novosti 41 supplement).

The fact that our operations have minimal impact on the air quality in Kosjerić is considered as great achievement we are immensely proud of. However, as the data from the Environmental Protection Agency show, it is not enough. In order for the citizens of Kosjerić to enjoy clean air throughout the entire year, additional effort is necessary independently of TITAN Cementara Kosjerić. We have performed our part of the work, but as a responsible Company that is an active member of the local community, we are ready to support every planned and reasonable activity that would result in increasing the air quality in Kosjerić and ensure unpolluted air even during the winter months as it is in summer.

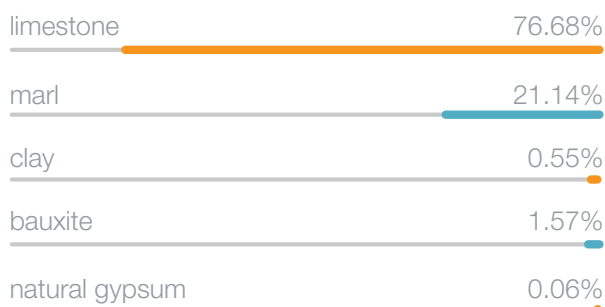
Resources Preservation

Business growth of our Company is strengthened by the strategic commitment to the preservation of natural resources. On this front, TITAN Cementara Kosjerić sees its chance to reduce the use of natural raw materials, on account of the increase of alternative raw materials. Thus, we give our contribution to the limitation of exploitation of non-renewable resources, while reducing waste deposited in other industries.

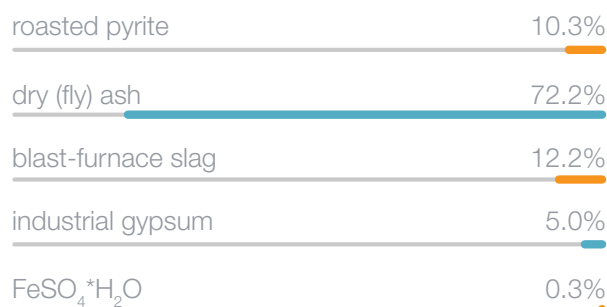
Natural and Alternative Raw Materials

In 2017, TITAN Cementara Kosjerić used 770,933.61⁹ tons of raw materials for the production of cement, of which: 694,267.12¹⁰ tons of natural and 76,666.49¹¹ tons of secondary – alternative raw materials. The ratio of secondary raw materials in the total consumption of raw materials amounted to 9.94%, which was by 0.35% less than in 2016, due to the lack of appropriate industrial waste in the market of the Republic of Serbia.

Consumption of natural raw materials (%)



Consumption of secondary raw materials (%)



Water

The use of water resources in our Company is considered a substantive issue, equally important from the aspects of the business and the stakeholders. After the investment in a wastewater treatment plant, and then in the water recirculation system, we have achieved a significant reduction in the specific water consumption in our plant.

We use water for industrial purposes, sanitary purposes and as drinking water. For industrial purposes, we use water from the Skrapež River and collected storm and drainage water, while we use the water from the municipal water supply as drinking water. TCK plant does not produce wastewater in the technological process, since industrial water is used in production only as a cooling medium (cooling of materials, gases, equipment) and for washing the roads.

In 2017, to provide the smooth functioning of our production process, we used a total of 82,339.9 m³ of water from the following sources: 388.8 m³ of water was abstracted from the Skrapež River, 52,152.1 m³ was collected rainwater and drainage water, and the quantity of water from the municipal water supply was 29,799 m³.

⁹ on a dry basis

¹⁰ on a dry basis

¹¹ on a dry basis

Through the system of recirculation of industrial water, we reused 581,939 m³ of treated wastewater, which means that the total share of reused water in relation to all of our water needs amounted to 87.6%. High criteria for implementation of the system for water protection which we have installed in the Company means that all our waste, drainage, and storm water are purified to the required level and quality and only after full procedure are they discharged into the Skrapež River. The quality of the treated wastewater and water from the Skrapež River is subject to regular monitoring, and reporting and analysis show that we meet the prescribed requirements for discharge of wastewater into the watercourse. Last year, after the purification treatment, Cementara discharged 29,799 m³ of water into the Skrapež River. Additionally, 115,523 m³ of purified rain and drained water was discharged into the Skrapež. Based on the available estimates, the quantities of water that we extract and release in Skrapež do not jeopardize the potential of this watercourse.

Waste Management

In our plant, no waste is generated in the technological production of clinker and cement, but only in the process of maintenance of the plant. The entire amount of such waste is delivered to authorized collectors and operators for further treatment.

Generated quantity of waste in TITAN Cementara Kosjerić was 179.5 tons in 2017. Non-hazardous waste (scrap, waste paper, waste foil, municipal waste, etc.) was present in the amount of 172 tons, of which 142.6 tons were handed over to certified operators to be recycled, and 29.4 tons were delivered to a certified operator for disposal. All generated hazardous waste (waste oil and grease, batteries, light bulbs, etc.), in the amount of 7.5 tons, was delivered to authorized operators for further treatment. Transport of waste was only made by companies that had permission to dispatch the appropriate type of waste.

Packaging Waste

In 2017, TCK used a total of 2,909.1 tons of packaging materials for packing of its products, of the following types:

- paper packaging – 635.9 tons
- plastic packaging – 72.8 tons
- wooden packaging – 2,200.4 tons

In the whole quantity of used packaging material for packaging cement, the highest proportion, 97.5% was produced from renewable materials (paper, wood), while the remaining 2.5% of the packaging material was obtained from non-renewable sources.

TITAN Cementara Kosjerić delivered a total of 1,635.5 tons of packaging material to the market of the Republic of Serbia, and in cooperation with the authorised operator, it fulfilled its obligations (provided for by the national strategy of the Plan for reducing packaging waste) for 2017, while continuing to strive for successful implementation and realisation of the national strategy.

Biodiversity Preservation

TITAN Cementara Kosjerić does not carry out its manufacturing operations on locations in protected areas or in areas of particular importance for the preservation and enhancement of nature. Since the production process of our Company is directly dependent on the exploitation of mineral resources, we are systematically dedicated to an accountable and efficient manner of land management, and advocate for the maintenance of biological balance. With ongoing efforts, we accelerate rehabilitation of our quarries and the biodiversity, applying in our activities the standards and best practices formulated in the WBCSD/CSI Guidelines for Rehabilitation of Quarries, as well as the Guidelines for Biodiversity Management Plans.¹²

We carry out biological recultivation in order to create a protective forest zone, to prevent erosion, and ensure the stability of the land, soil conservation and regulation of water runoff. Continuing the work of the implementation of the plans for rehabilitation of our quarries Suvo vrelo and Godljevo, in 2017 we planted 70 seedlings of deciduous trees at the site of the marl quarry Godljevo.

Good results of TITAN Cementara Kosjerić in the field of the environmental protection are reflected in the fact that during 2017, there was no accidental spillage of materials, fuel, waste, or discharge of oil and chemicals. Moreover, during this period, no punitive measure stipulated for non-compliance with laws and regulations in the field of environmental protection was addressed to our organisation.

¹² Guidelines for Quarry Rehabilitation (2011), Biodiversity Management Plan (BMP) Guidance (2014)

Achieved Results Related to Environmental Protection

Performance of TITAN Cementara Kosjerić	2015	2016	2017	2020 Objective
Consumption of natural raw materials (t)	514,503.04	580,622.13	730,251.34	
Consumption of secondary raw materials (t)	67,043.14	68,336.35	80,690.74	
Consumption of natural raw materials (t _{dry})	488,816.12	556,530.02	694,267.12	
Consumption of secondary raw materials (t _{dry})	63,419.74	63,802.67	76,666.49	
Secondary raw materials ratio in the material consumption (in accordance with WBCSD/CSI)	11.49% _{dry}	10.29% _{dry}	9.94% _{dry}	12% _{dry}
Abstracted water – total (m ³)	58,765.8	59,983.4	82,339.9	
• abstracted river water (m ³)	1,141.20	520.9	388.8	
• rainwater and drainage water (m ³)	37,230.6	38,226.5	52,152.1	
• drinking water (m ³)	20,394	21,236	29,799	
Discharged water (m ³)	99,649	161,670	145,322	
• used water (m ³)	20,394	21,236	29,799	
• rainwater and drainage water (m ³)	79,255	140,434	115,523	
Water consumption (l/t _{cement})	93.6	85.5	98.0	250
Total direct CO ₂ emission (million t)	0.24	0.28	0.35	
Specific gross direct emission (kgCO ₂ /t _{product}) ¹³	604.73	615.3	633.8	615.9
Indirect CO ₂ emission – Scope 2 (million t) ¹⁴	0.033	0.037	0.045	
Total dust emission (t)	1.14	2.25	2.15	
Dust emission (mg/Nm ³)	1.76	3.02	2.13	10
Specific dust emission (g/t _{clinker})	4.16	7.18	5.41	24.0
Total NO _x emission (t)	262.3	354.9	599.6	
NO _x emission (mg/Nm ³)	405.5	476.2	593.3	500
NO _x specific emission (g/t _{clinker})	957.56	1,131.51	1,506.55	1,202.4
Total SO ₂ emission (t)	0.47	1.16	0.93	
SO ₂ emission mg/Nm ³	0.73	1.56	0.92	15
Specific SO ₂ emission (g/t _{clinker})	1.72	3.71	2.34	36.1
Recycled (externally) amount of waste (t)	136.10	57.39	150.12	

Environmental protection costs (000 €)	2017
Environmental protection management (000 €)	275.6
Reforestation (000 €)	5.0
Remediation (000 €)	0
Trainings and development of environmental awareness (000 €)	0
Costs for application of environmental friendly technologies (000 €)	75.7
Waste management (000 €)	11.2
Total (000 €)	367.6

¹³ Cementitious products according to the WBCSD

¹⁴ Indirect CO₂ emissions (related to energy consumption outside the organization) are presented in accordance with the Decree on determining the limit values of annual energy consumption, which determines which companies are taxpayers of energy management, the annual energy savings targets and the application form for energy consumption ("Official Gazette of RS" No.18 /16) and refers to the CO₂ emissions from the production of electricity consumed by the TCK

SUSTAINABLE BUSINESS ADVANCEMENT

USE OF ALTERNATIVE FUELS

Increasing energy efficiency in production has been a long-term preoccupation of the cement industry. Besides mitigating harmful global warming, it results in cost reduction and savings in exploitation of non-renewable fuels. Considering that fossil fuel reserves are limited and that for now our Company receives all necessary energy for kiln operation exclusively from this type of energy generating products, the use of alternative fuels is the only way for the long-term sustainability of the Company's business. The use of alternative fuels would benefit our economic needs, ensure more certain availability of energy and energy generating products, and contribute to the safeguarding of natural resources that need to be protected for future generations.

Average share
of **alternative fuels**
at the cement plants
of EU is **41%**

Cement production is an energy intensive process requiring large amounts of energy, respectively fuel. For that reason, the cement industry has developed a range of technological solutions for the safe use of alternative fuels, without negative impact on the environment and people's health, as well as the product quality¹⁵. With the use of alternative fuels, waste is used as a resource, with a range of positive effects:

- Negative impact on the environment is reduced – by safe disposal, the amount of waste that is permanently disposed to landfills is reduced, thus extending the lifetime of existing municipal waste landfills. Costs of expansion and construction of new municipal waste landfill sites are delayed and reduced
- Emission of gases with greenhouse effects is reduced (primarily CO₂)
- Waste management costs are reduced
- Consumption of non-renewable fossil fuels is reduced and the lifetime of existing reserves is extended
- Production costs of cement industry are reduced and, consequently, preservation of competitiveness on the market is achieved

Due to the listed positive effects, high percentage of the alternative fuels share is present in the countries of the European Union, while their use in local cement plants is planned by the Waste Management Strategy for the period 2010-2019 ("Official Gazette RS", no. 29/2010 from May 2, 2010).

Planned annual consumption of SRF at TCK would be around 25.000 t/year. Solid Recovered Fuel – SRF represents mechanically crushed (prepared) solid secondary raw materials unusable for recycling, but appropriate for obtaining energy and are classified into non-hazardous waste. SRF is produced in a special plant (near municipal waste landfills), place where the recyclable waste fractions are extracted (parts appropriate for recycling) – the waste residue is shred, dried, stabilized and packed. SRF consists of combustible components: paper, textile, light fractions of artificial materials, wood, rope, thread and similar and must comply with minimal requirements prescribed by the law. The norms require that for the co-incineration process (combustion with fossil fuels) the following cannot be used: radioactive waste, medical and infective waste, electrical and electronic waste, batteries and storage batteries, reactive waste, waste containing mercury, waste of unknown or unspecified composition.

¹⁵ Guidelines for Co-processing Fuels and Raw Materials in Cement Manufacturing v.2.0 (2014)

If the usage of alternative fuels in TCK had started in 2014, the amount of waste deposited in JKP “Duboko” would have been lesser for approximately **100,000 tons.**

The nature of the technological process and the equipment used for cement production together provide the safe use of alternative fuels. With appropriate fuel quality control and production parameters, no additional risks to environment and people's health occur. Burning in cement kilns represents a secure and safe way of reusing the energy and materials from waste, due to several reasons:

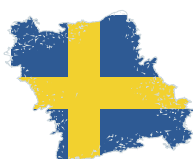
- The high temperature that the material is exposed to in the rotary kiln – cement clinker is produced by burning raw materials inside the kiln at temperature higher than 1,450°C, higher than the temperature of lava running out of a volcano, while the temperature of flame at which the combustion is performed measures between 1,800 and 2,000°C
- Material retention time at these high temperatures is long enough to result in degradation of organic compounds
- Gases from the kiln are filtered at the preheating system during the contact with raw material, before filters where a final gas purification is performed prior to their release into the atmosphere and
- Non-organic components of waste fuel (“ashes”) decompose and become a constituent of cement clinker like minerals and as they mostly contain the same chemical compounds like cement, they do not cause changes in the cement composition and properties

Use of alternative fuels is measured and expressed in substitution rate – percentage showing what part of total thermal energy originates from alternative sources and what remains for the fossil fuels. The highest percentage of use in alternative fuels is achieved in the most developed and ecologically advanced countries.

The highest percentage of alternative fuels use in the cement industry is achieved in the most developed and ecologically advanced countries:



Germany:
65%



Sweden:
45%



Norway:
60%



Switzerland:
>50%



Poland:
45%



Holland:
85%

Our plans refer to the use of fuels generated from municipal and non-hazardous industrial waste (such as, for example, packaging waste) which represents solid recovered fuel (so-called SRF). We have started the process of obtaining the necessary permits and consents several years ago, primarily the Study of the evaluation of environmental impact assessment, then a location permit for docking plant and eventually a construction permit that was recently issued by the Ministry of Construction, Transportation and Infrastructure. This documentation, together with our plans, imply the use of fuel prepared at sites outside the plant; respectively waste selection and preparation is not planned in Cementara, neither its larger storage – the amounts of prepared fuel matching the daily consumption would be transported to the plant.



Reporting on progress – UN Global Compact

10 principles of the Global Compact	Description	Page in this Report
Human rights		
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.	Total number and percentage of significant investment agreements and contracts that include human rights clauses	n/a
	Total number of training hours about human rights	12
	Potential violation of the freedom of association and collective bargaining	71.23% of employees are members of the Union
	Percentage of new suppliers that were screened using human rights criteria	25-27
	Significant actual and potential negative human rights impacts identified in the supply chain	25-27
	Programs of implemented local community engagement, impact assessments and development programs	28-29
	Operations with significant actual and potential negative impacts on local communities	7-8
	Percentage of new suppliers that were screened using criteria for impacts on society	25-27
	Significant actual and potential impacts on society in the supply chain	25-27
Principle 2: Companies should make sure that they are not complicit in human rights abuses.	Total number and percentage of significant investment agreements and contracts that include human rights clauses	n/a
	Total number of training hours about human rights	12
	Potential violation of the freedom of association and collective bargaining	71.23% of employees are members of the Union
	Percentage of new suppliers that were screened using human rights criteria	25-27
	Significant actual and potential negative human rights impacts identified in the supply chain	25-27
Work standards		
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Percentage of employees covered by collective bargaining agreements	15
	Minimum notice periods regarding significant changes	Eight days
	Potential violation of the freedom of association and collective bargaining	71.23% of employees are members of the Union
Principle 4: Companies should eliminate forced and compulsory labor.	Not material	
Principle 5: Companies should abolish child labor.	Not material	

10 principles of the Global Compact	Description	Page in this Report
Principle 6: Companies should eliminate discrimination in respect of employment and occupation.	Employee structure	16-18
	Employee turnover by gender, age group and region	16-18
	Employee benefits which are not provided to temporary or part-time employees	All benefits, apart from jubilee awards, are provided regardless of the duration of the contract
	Return to work and retention rates after parental leave	18
	Percentage of total workforce represented in joint health and safety committees	100%, p. 22
	Injuries at work and absenteeism	12, 21-22
	Employees in workplaces with increased risk	21
	Issues of health and safety at work covered by agreements with unions	22
	Average hours of training per employee by gender and category	18
	Education of management and employees which ensures employability and career management	18-19
	Percentage of employees receiving regular performance and career reviews	95.89%
	Composition of governance bodies and breakdown of employees	16-18
	Percentage of new suppliers that were screened using labor practices criteria	25-27
	Significant impacts for labor practices in the supply chain	25-27
	Total number of incidents of discrimination	n/a
Environment protection		
Principle 7: Businesses should support a precautionary approach to environmental challenges.	Environment Section	31-38
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.	Environment Section	31-38
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.	Environment Section	31-38
Anti-corruption		
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	Assessed risk from corruption Total value of financial and in-kind political contributions to politicians and related organizations	11

Our efforts to provide a long-term contribution to the sustainable development of our local community and society in a wider perspective, are framed by the policies of TITAN Group in diverse domains of sustainable business: Corporate Social Responsibility Policy, Health and Safety Policy, Environmental Policy, Human Rights Policy, Anti-Bribery and Corruption Policy, as well as the Code of Conduct of TITAN Group.

INCOME STATEMENT

For the year ended 31 December	2017 '000 RSD	2016 '000 RSD
OPERATING REVENUES	4,812,834	4,128,590
Revenues from sale of merchandise	18,116	18,394
Revenues from sale of products and services	4,794,353	4,109,817
Other operating income	365	379
OPERATING EXPENSES	3,107,163	2,716,507
Cost of goods sold	16,306	16,354
Income from the own use of products, services and merchandise	4,299	5,308
Increase in value of finished goods, work in progress and services in progress	77,042	636
Cost of materials	442,887	416,815
Cost of fuel and energy	934,716	655,013
Cost of salaries, salaries compensations and other employee benefits	531,841	557,229
Cost of production services	843,510	660,439
Depreciation and amortization	184,775	187,214
Long-term provisions	19,719	14,344
Non-production costs	214,750	215,043
OPERATING PROFIT	1,705,671	1,412,083
Financial income	23,923	31,229
Financial expenses	68,385	4,439
Income from value adjustments of other assets measured at fair value through Income Statement	21	-
Expenses from value adjustments of other assets measured at fair value through Income Statement	7,011	1,111
Other income	10,606	10,054
Other expenses	16,004	18,321
Net loss from discontinued operations, the effects of changes in accounting policies and corrections from previous periods mistakes	254	993
PROFIT BEFORE TAX	1,648,567	1,428,502
Income tax	253,939	221,423
Deferred income tax	4,846	4,612
NET PROFIT	1,399,474	1,211,691



On the website of the Business Registers Agency, www.apr.gov.rs, the Register of Financial Statements features a complete set of forms of regular annual financial statements for 2017, together with the report of the independent auditor and other documents attached to the financial statements, in accordance with Articles 33 and 34 of the Law on Accounting.

BALANCE SHEET

As of 31 December	2017 '000 RSD	2016 '000 RSD
NON CURRENT ASSETS	1,953,728	1,964,315
Intangible assets	9,401	1,969
Property, plant & equipment	1,934,977	1,954,380
Long-term financial investments	7,966	7,966
Long-term receivables	1,384	-
DEFERRED TAX ASSETS	12,005	7,159
CURRENT ASSETS	2,592,069	2,356,297
Inventories	604,384	473,003
Trade receivables	437,933	311,589
Other receivables	9,716	10,011
Short-term financial investments	14,921	13,167
Cash and cash equivalents	1,498,437	1,534,926
Prepaid Value Added Tax	24,265	7,977
Accruals	2,413	5,624
TOTAL ASSETS	4,557,802	4,327,771

EQUITY	4,071,158	3,883,375
Share capital	2,505,209	2,505,209
Reserves	166,475	166,475
Retained earnings	1,399,474	1,211,691
LONG-TERM PROVISIONS AND LIABILITIES	57,319	43,369
Long-term provisions	57,319	43,369
SHORT-TERM LIABILITIES	429,325	401,027
Received advances, deposits and caution money	18,441	23,395
Current liabilities	316,501	276,225
Other short-term liabilities	27,776	28,816
Liabilities for other taxes, contributions and other duties	59,458	68,413
Accrued expenses	7,149	4,178
TOTAL EQUITY AND LIABILITIES	4,557,802	4,327,771

CASH FLOW STATEMENT

For the year ended 31 December	2017 '000 RSD	2016 '000 RSD
CASH FLOW FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	4,668,023	4,096,198
Sales and advances received	4,667,352	4,086,636
Other inflow from operating activities	671	9,562
Cash outflow from operating activities	3,280,387	2,646,089
Payments and prepayments to suppliers	2,437,611	1,879,674
Salaries, wages and other personal expenses	532,499	556,245
Interest paid	588	145
Income tax	266,034	155,847
Payments for other public revenues	43,655	54,178
Net cash inflow from operating activities (A)	1,387,636	1,450,109
CASH FLOW FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	13,271	23,932
Other financial investments (net inflows)	-	5,640
Interest received from investing activities	13,271	18,292
Cash outflow from investing activities	222,621	123,356
Purchase of intangible assets, property plant and equipment	172,831	123,356
Other financial investments (net outflows)	49,790	-
Net cash outflow from investing activities (B)	(209,350)	(99,424)
CASH FLOW FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	-	-
Cash outflow from financing activities	1,211,692	945,692
Dividends paid	1,211,692	945,692
Net cash outflow from financing activities (C)	(1,211,692)	(945,692)
Net cash inflow (A+B+C>0)		404,993
Net cash outflow (A+B+C<0)	(33,406)	
Cash at the beginning of the period	1,534,926	1,121,030
Foreign exchange gains on translation of cash	1,603	10,286
Effect of foreign exchange rate change - losses	4,686	1,383
Cash at the end of the period	1,498,437	1,534,926

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December	Share capital '000 RSD	Reserves '000 RSD	Retained earnings '000 RSD	Total equity '000 RSD
Balance at 1 January 2016	2,505,209	166,475	945,692	3,617,376
Profit for the year	-	-	1,211,691	1,211,691
Dividends distribution	-	-	(945,692)	(945,692)
Balance at 31 December 2016	2,505,209	166,475	1,211,691	3,883,375
Balance at 1 January 2017	2,505,209	166,475	1,211,691	3,883,375
Profit for the year	-	-	1,399,474	1,399,474
Dividends distribution	-	-	(1,211,691)	(1,211,691)
Balance at 31 December 2017	2,505,209	166,475	1,399,474	4,071,158

GLOBAL NETWORK OF COOPERATION AND SUPPORT

Through partnerships and collaborative action, we aim to multiply the value we create, sharing at the same time our know-how, experience and best practices, through joint activism with stakeholders. We are committed to improving and spreading positive impacts in business and the community. Our most important associates in international relations are:



WE SUPPORT

The United Nations Global Compact Initiative

The UN Global Compact is the world's largest corporate sustainability initiative. It is a call to companies to align their strategies and operations with Ten Universal Principles on human rights, labor, environment and anti-corruption, and to develop practice that advance societal goals.

TITAN Group was among the first 500 signatories of the UNGC worldwide. It is involved in the development of local networks in the countries in which it operates, particularly in Greece, Serbia, FYROM and Egypt.



The World Business Council for Sustainable Development and Cement Sustainability Initiative

The World Business Council for Sustainable Development (WBCSD) is a CEO-led organization of forward-thinking companies that galvanizes the global business community to create a sustainable future in which the principles of business, society and the environment are functioning in harmony. The Cement Sustainability Initiative (CSI) is a joint commitment by 24 major cement producers with operations in more than 100 countries who believe there is a strong business case for the pursuit of sustainable development. Collectively, these companies account for around 30% of the world's cement production and range in size from very large multinationals to smaller local producers.

Following TITAN Group's voluntary engagement in the framework of the WBCSD and CSI, TCK applies the CSI Guidelines for monitoring, assessing and reporting its sustainable development performance, in particular for the following areas:

- Safety and health at work
- CO₂ emissions
- Dust and other air emissions
- Water management
- Quarry rehabilitation and protection of local biodiversity
- Responsible procurement and supply chain
- Stakeholders engagement and environmental and social impact assessment

REPORTING PRINCIPLES

We published our first report on Corporate Social Responsibility and Sustainable Development for 2010 in 2011, and thus marked our position as one of the pioneers in sustainability activities and reporting on the subject among companies in Serbia. The content and structure of this eighth annual report is the result of years of continuous development of responsible business strategy, as well as the continuous improvement in the area of tailored and efficient reporting. The report is designed according to the circumstances in which the business is developing as well as suggestions from all stakeholders. Assessment of materiality that the Company implements through a dialogue with representatives of the stakeholders is aligned with the strategy of the TITAN Group and its priorities. We refer to the disclosures in the Integrated Annual Report of TITAN Group of 2015 (<http://integratedreport2015.titan.gr/>).

For the preparation of the Integrated Report 2017, TCK has made the effort to provide the content, and apply the structure of presentation of our business, and its impact on society to all interested parties, by following the Guiding Principles of the International Integrated Reporting Council (IIRC, <https://integratedreporting.org/>). The Integrated Report follows the Global sustainable development goals in accordance with the priorities of the Company.

The 2017 Integrated Report includes material topics related to the plant in Kosjerić (cement plant and quarries), while the consolidated financial statements of the Company, which are not a part of this Report, also include the daughter-company: TCK Montenegro, which operates in Montenegro and deals with commercial affairs.

Again, the CSR Team of TITAN Cementara Kosjerić can be credited for the preparation of the Report. The team is composed of experts from all relevant areas, while the Report was revised and approved by the CSR Committee with the support of professionals from the TITAN Group. Company is committed to continuously improving the level of transparency and reporting, and establishing communication with all interested parties.

The 2017 Report follows an integrated reporting framework with limited assurance verification for its non-financial performance disclosures for year 2017, according to the criteria for Communication on Progress of the UN Global Compact, and the sectoral approach and related criteria for reporting on Health and Safety performance and Environmental performance, in adherence with the Guidelines of WBCSD/CSI, as determined by the independent auditors from Grant Thornton Serbia. Their statement on the audit is a part of this Report.

**Additional information,
questions and suggestions:**

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Magdalena Joksimović, HR Department Head

More information on the Company:

www.titan.rs

**More information on the
integrated reporting:**

www.integratedreporting.org

More information on TITAN Group:

www.titan.gr

Independent Limited Assurance Report

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To the Management of TITAN Cementara Kosjeric d.o.o. Kosjeric

The Management of TITAN Cementara Kosjeric d.o.o. Kosjeric (the "Company") engaged Grant Thornton d.o.o. Beograd, Serbia ("Grant Thornton") to review the non-financial disclosures presented in the 2017 Integrated Annual Report for the fiscal year ended on December 31st, 2017 ("selected data"), in order to provide limited assurance in relation to the criteria as described below (Scope of work). For the purposes of this Report, the selected data relate to the Company's activity in Serbia and do not include information pertaining to other cooperating companies or third-party activities / performance.

Scope of work

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

- The consistency of qualitative and quantitative non-financial disclosures presented, with regard to the criteria for Communication on Progress of the UN Global Compact.
- The completeness and accuracy of qualitative and quantitative non-financial disclosures, in specific for the areas of Environment and Health & Safety and regarding the criteria applicable in 2017, which are aligned with the sectoral guidelines and reporting standards (Cement Sustainability Initiative), and with the TITAN Standards for Reporting on Group and BU level.
- The methodology of materiality assessment, with regard to the AA1000 AccountAbility Principles.

Management's Responsibility

TITAN Cementara Kosjeric is responsible for the preparation, presentation, completeness and accuracy of the non-financial data provided to us, as incorporated in the 2017 Integrated Annual Report. Furthermore, the Company's Management is responsible for maintaining records and adequate internal controls that are designed to support the reporting process. In particular, the Company's Management is responsible for internal controls being designed and implemented to prevent the Report from being materially misstated.

Grant Thornton's Responsibility

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

Our responsibility is limited to the non-financial information related to the fiscal year that ended on December 31, 2017, as these were presented in the 2017 Integrated Annual Report.

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, unless the terms have been agreed explicitly in writing, with our prior consent.

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

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

Level of Assurance

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

Limitations

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

- Therefore, we did not submit it to any verification procedures, apart from the procedures explicitly stated in our 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 conclusion is limited to that scope.

Independence

Grant Thornton implements the requirements of International Standard on Quality Control 1 (ISQC1). Based on this, it maintains an integrated quality control system that includes policies and procedures for compliance with moral principles, professional standards and relevant legal and regulatory requirements. We comply with the independence requirements and other ethical standards of the IFAC Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, impartiality, professional adequacy, confidentiality and professional conduct. In this context, the assurance team is independent from the Company and has not participated in the preparation of the 2017 Integrated Annual Report.

Conclusions

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that there are any errors or misstatements that would materially affect the non-financial disclosures (including explanatory notes and relevant references) as presented in the Integrated Annual Report of TITAN Cementara Kosjeric for the year ended 31 December 2017. Moreover, nothing has come to our attention that causes us to believe that the non-financial data presented, are not prepared, in all material aspects, in accordance with the criteria mentioned above, in the "Scope of work" section.

Beograd, 12 September 2018

Grant Thornton d.o.o. Beograd




 Predrag Đorđević
 Certified Auditor