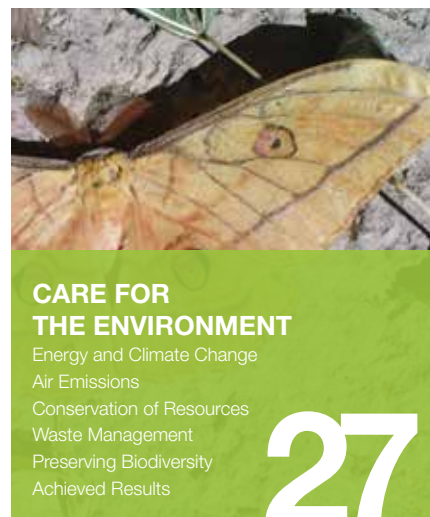
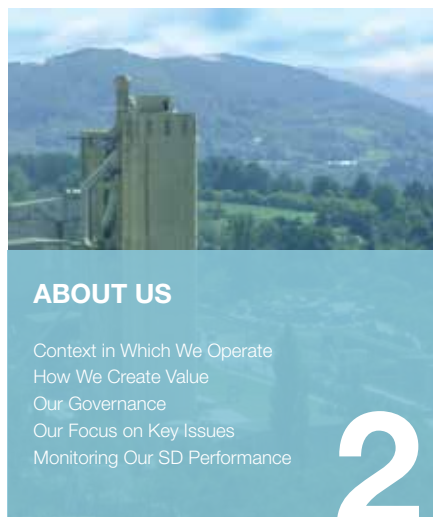


# **BUILDING SUSTAINABLE CONNECTIONS TOGETHER**

Integrated Annual  
Report 2016

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## A MESSAGE FROM THE GENERAL MANAGER



Dear Stakeholders,

In 2016 we marked an important anniversary – 40 years of work validated in our efforts to live the values of an ethical business in a committed and consistent manner, which has always been reflected in our results as well. The report we are publishing for the seventh consecutive year, now following the International Integrated Reporting Framework, is the result of our attempt to comprehensively present our Company's business operations – which include our care for Sustainable Development as an integral part – by listing together our financial, environmental and social results. Being a responsible company that values transparency, we find that offering more information will contribute to relations with our stakeholders.

The previous year brought increases in cement consumption in our two key markets – in Serbia and in Montenegro, and we used the given opportunity and increased the scope of sales by 10% in comparison to 2015. With additional savings in our operations we managed to increase operational profit by 21%. We remain oriented to long-term business stability by constantly

trying to improve three basic fields: financial results, society and the environment. We direct huge efforts into cooperation with local stakeholders, following international trends, and getting involved in important national and global initiatives which promote Corporate Social Responsibility and Sustainable Development. During 2016 we harmonized our goals with the United Nations' Sustainable Development Goals.

Apart from our present efforts which bring progress in the area of safety at work, it is clear that we must try even harder if we want to maintain intended goals on a long-term basis. The management of TITAN Cementara Kosjerić is committed to constant improvements of safety culture within our operations, as well as to promoting safety in the local community and in our supply chain.

High criteria we have set in the area of environmental protection involve continuous investments. The results are visible and constantly monitored. We have achieved and exceeded expected goals in dust emissions and water consumption while we continue with improvements in the areas of energy efficiency, reduced consumption of natural resources, and the fight against climate change.

Expecting the moderate growth trend in cement production to continue in the coming years, we are prepared to respond to market requirements and to participate actively in projects which will improve the society we work and live in.

Our plans for the future are harmonized with TITAN Group priorities: long-term implementation of projects which improve processes of procurement, maintenance, IT, and logistics. We will continue to direct our efforts to socially responsible priorities by achieving even better results in the domain of the environment and health and safety at work.

Support of our partners – employees, customers and suppliers, the local community – is realized in cooperation in all aspects of Sustainable Development and it opens the road to the perspective of future growth and progress with which we build sustainable connections.

Miroslav Gligorijević  
General Manager





TITAN Cementara Kosjerić is part of TITAN Group, a private multinational company, renowned producer of cement and building materials, headquartered in Greece. Throughout TITAN Group we use the notion “ethos” to describe values

which constitute TITAN's identity and guide us to work with responsibility and respect. The Group employs more than 5,500 people and markets products in North and South America, West and North Africa, West Europe and in the Balkans.



TITAN Cementara Kosjerić began its operations in 1976, when the first bag of cement came out of the production line. In the past 40 years we have been achieving long-term results which require flexibility and sensitivity to the dynamic environment, with close cooperation with our suppliers, clients, and the community in which we operate. We base our results on using the best available technologies, continuous improvements, and continuous increase of our Company's knowledge fund.

Our products are applied in various activities and are present in large infrastructural designs, business and private constructions and social projects. Users of our products – companies and individuals – can always count on improved, better-quality and more durable products which are in line with their expectations.

### Our products

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

Apart from the stable quality (water consumption, setting time), this cement is characterized by high early strength, good workability, moderate resistance to aggressive waters, and moderate heat of hydration, so that the product is suitable for individual construction, masonry construction and finishing works.

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

Cement for wide use, from the production of transported and pumped concrete to all kinds of reinforced concrete constructions. It is also suitable for the production of finishing materials in construction. Apart from meeting the requirements for uniform quality, as well as high early and late strengths, this cement is able to achieve high strength concrete.

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

Intended for the production of all kinds of concrete; recommended for making massive concrete constructions, building of bridges, tunnels, roads and other facilities. It has excellent workability and achieves high strength concrete. It is good for preparing the concrete used in aggressive environments and shows high resistance to frost and salt.

## CONTEXT IN WHICH WE OPERATE

72/176

**Position of Serbia by Corruption Perceptions Index for 2016**

Source: Transparency International (transparency.org)

5,540 USD

**Gross National Income per capita in 2015**

Source: The World Bank (worldbank.org)

15.3%

**Unemployment rate for working age population in 2016**

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

With our operations in Serbia we contribute to the GDP of our country, at the same time adding steady value to operations and business results of TITAN Group. Modest signs of economic growth are still not sufficient to encourage significant increase in the demand for cement, which has been substantially lower than our production capacities in the past years. As the largest employer in Kosjerić – the community in which our activities are performed – we approach business decisions by considering broader and long-term needs of the environment within the context of our strategic priorities.

We believe that financial goals and Sustainable Development goals are mutually connected and within that connection we implement economic, social, and environmental improvements, within the sphere of our influence.

**Our Values:  
DELIVERING  
RESULTS**

## Key performance indicators for 2016



Turnover  
**€ 33.5 m**



Total Assets  
**€ 35 m**



EBITDA  
**€ 13 m**



Profit after taxes  
**€ 9.8 m**



Capital  
Expenditure  
**€ 1 m**



Employees  
(31 Dec, 2016)  
**218**



Investments  
in Environment  
**€ 330 k**

## HOW WE CREATE VALUE

Our vision – to be economically, environmentally, and socially one of the most responsible producers of building materials – encourages us to manage resources, our efforts, and relations with associates in a manner that will create additional value for the broadest circle of stakeholders.

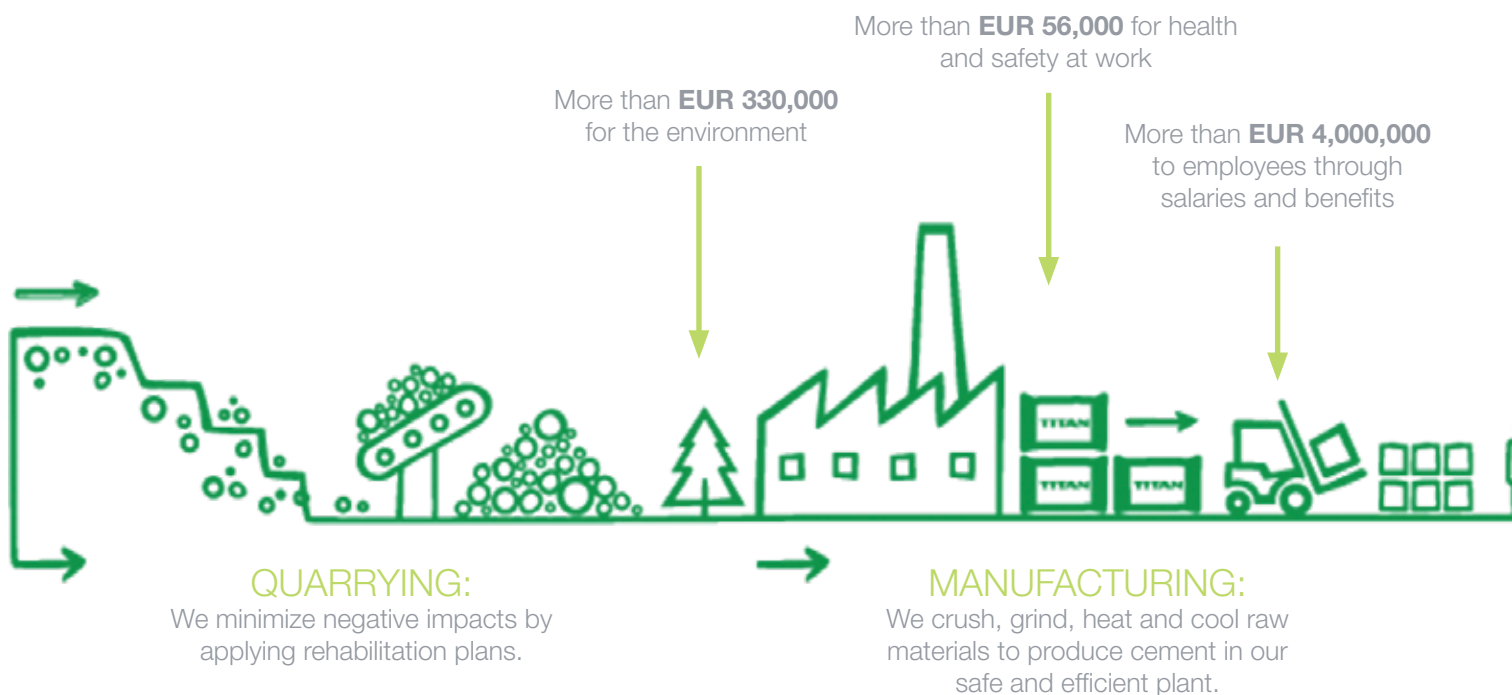
Activities of TITAN Cementara Kosjerić are supported by the global approach, corporate values and strategy, which enable us to grow as a multi-regional, vertically integrated cement producer by combining operational excellence and entrepreneurial spirit with respect for people, society and the environment.

In order to produce cement we use raw materials from nature while taking care of quality control and improvement of operational efficiency. The use of alternative materials brings

significant advantages to the environment – preserves natural resources and contributes to the reduction in emissions of CO<sub>2</sub> and waste produced by the world population. We always try to ensure **quality and durability of our products**, to maintain **high governance standards**, to promote ethical business practices and invest in the future growth of our business – in the course of 2016 our capital investments amounted to more than EUR 1,000,000.

**We care for employees** and invest in their development – we respect human rights, promote health and safety of the people in the Company as well as of those who cooperate with us. Since we **closely collaborate** with our business partners, our customers, and other stakeholders at the local level, monetary and non-monetary investment we determine have a significant impact.

**We are aware that our operations affect people and our environment and that is why we try to reduce and eliminate negative effects by applying methods which balance economic, social, and environmental goals.**



Identified risks	Respond – opportunities
Public Finance – impact on the cement market	TITAN Cementara Kosjerić manages operations responsibly, focusing on the most important investments and development of employees, without exposing itself to financial risks, having in mind that the impact on economic circumstances is limited. Credit Control Committee supports this approach by holding regular meetings.
Recruitment and development of the best applicants – the Company's location	In line with its policies, the Company offers equal opportunities for employment and development, as well as salaries higher than market requirements, harmonized with relevant regulations. The Company is successful at developing education programs for young unemployed people in the local community.
Restructuring of the organization	Restructuring programs are conducted in the Company in line with market circumstances and in a responsible manner, while respecting social conditions and needs and business priorities. Paid severance, is in line with legal requirements, and the Company duly and adequately reacts to the needs of the employees who participate in the programs.
Occupational Health and Safety	Safety constitutes the priority of the Company which is trying to improve systematically working conditions for employees and contractors through safety culture development, training, clear and effective OHSAS 18001 procedures and a sufficient number of employees with direct responsibility for this aspect of business.
Climate Change	In order to reduce emissions of greenhouse gases, the Company continuously invests in the best available technologies, trying to increase the share of alternative raw materials, introduce alternative fuels and improve energy efficiency, in line with WBCSD and CSI guidelines.
Mainstreaming CSR through the Supply Chain	Relationships with suppliers and contractors are regulated by the Procurement Procedure (ISO 9001), the Code of Conduct for Procurement and policies on human rights and prevention of bribery and corruption. Mechanisms are continuously developed to ensure compliance with the highest standards in all stages of the value chain.



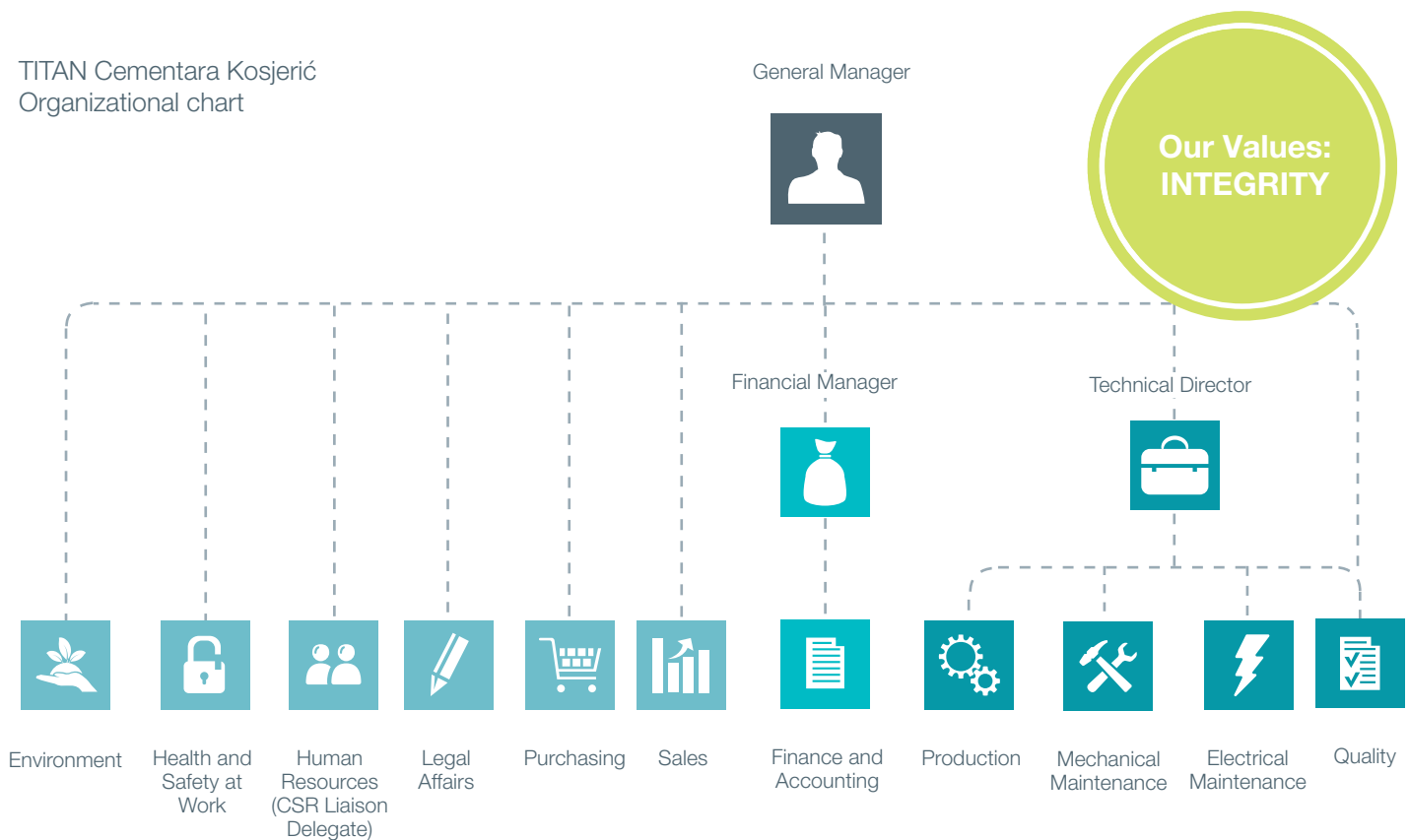






## OUR GOVERNANCE

TITAN Cementara Kosjerić  
Organizational chart



Through our core operations we create value for our key stakeholders, following the highest certified national and international standards, including ISO procedures: 9001 – Quality Management, 14001 – Environmental Management, 18001 – Occupational Health and Safety Management, as well as relevant policies referring to ethical conduct, Corporate Social Responsibility, human rights, prevention of bribery and corruption and prohibition of competition. Within this context, the Company regularly conducts analyses ensuring continuous improvement of processes and activities. Principles of conduct are communicated to employees at the beginning of their employment, while adequate training is also delivered periodically.

The local **Management Committee**, led by the General Manager, makes key business decisions in line with TITAN Group guidelines and strategy, whereas Sustainable Development issues are entrusted to **the Corporate Social Responsibility Committee**, which is composed of the General Manager and Technical Director, Environmental

Manager, Health and Safety Manager, and Human Resources Manager. This Committee determines the strategic direction and approves action plans which enable us to realize short-term and long-term goals of Sustainable Development, including communication channels with key stakeholders and their involvement in formulating priority topics. Operational issues and initiatives in all fields of Sustainable Development are the responsibility of the CSR Team. The regular communication with TITAN Group Corporate Center and all other business units is maintained through CSR Liaison Delegate role, which is a focal point for all CSR initiatives.

At all levels of organization, adequately to specific topics, various forms of communication have been established, including dialogue with stakeholders. The feedback received about work performance and issues regarding safety at work, environment, corporate responsibility and ethical business are assessed by the top management, which makes appropriate decisions and ensures their implementation.



Members of the Management Committee are also members of the **Boards for Quality, Health and Safety, Environment and People Development**, which meet at least once a year, additionally ensuring continuity in communication and close monitoring of results. Clear procedures and limits in the responsibilities of these bodies, set by TITAN Group guidelines, and performance appraisal for managers, which within the context of achieving business goals and long-term value for the Company also implies aspects of Corporate Social Responsibility – ensure prevention of conflicts of interest, as well as a fair approach to rewarding. Cooperation with the stakeholders constitutes an important aspect of business for the investors, which is confirmed through monitoring results of top management.

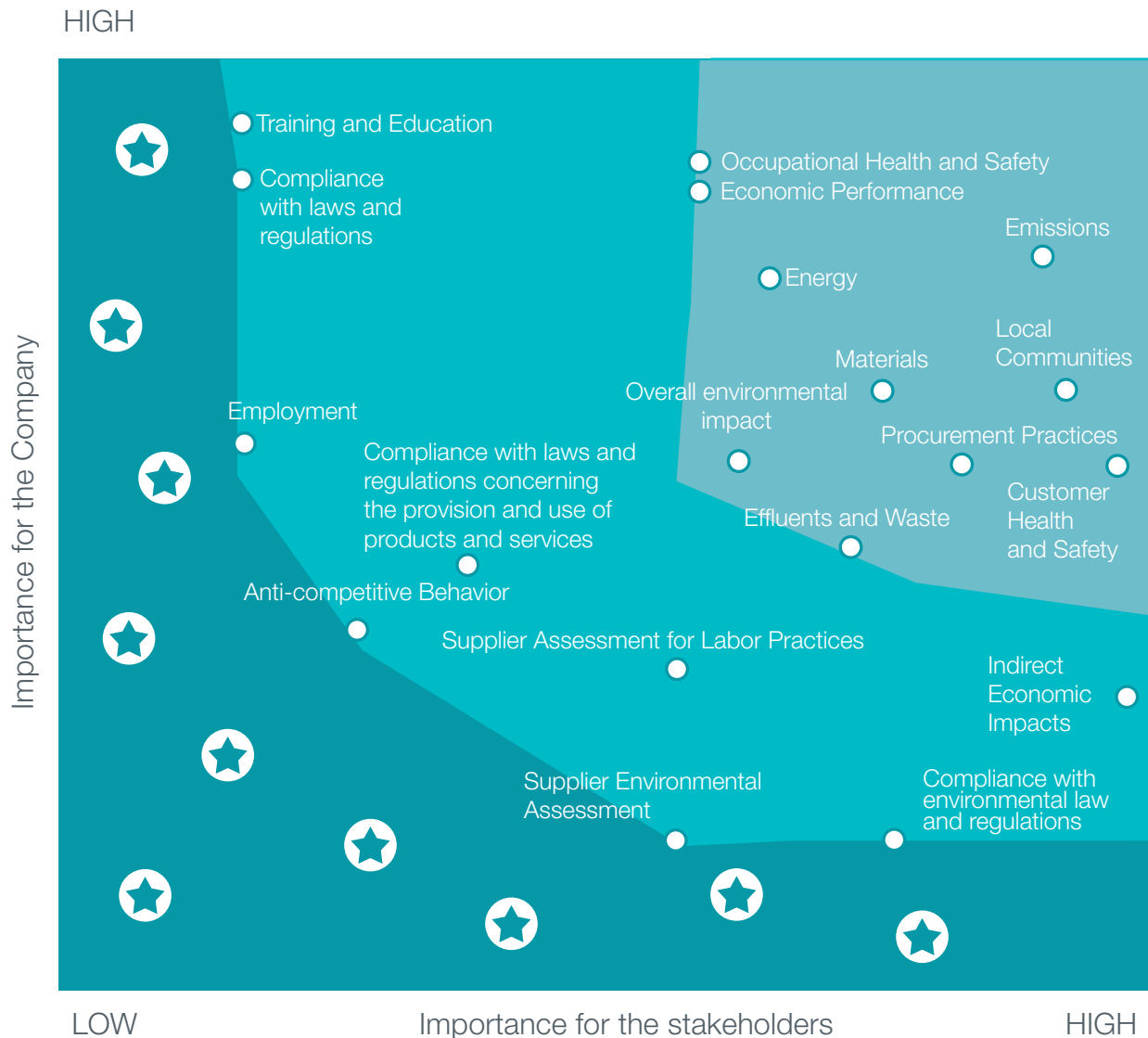
We regularly invest in increasing our knowledge about all aspects of Sustainability in direct contacts with the CSR professionals or at meetings of TITAN Group top management, where Sustainable Development is always a priority topic.

## OUR FOCUS ON KEY ISSUES

We appreciate the importance of feedback we receive from all stakeholders, and that is why every year, in regular contacts, or at different events we organize, we carefully note comments, questions, and suggestions of participants, which enable us to respond to our partners' needs and expectations. We listen to our stakeholders' priorities and their feedback helps us to achieve continuous improvement.

Since 2013 TITAN Cementara Kosjerić has institutionalized this dialogue by involving important stakeholders: employees, customers, suppliers, and representatives of the local community, in the process of materiality assessment of key issues. In line with the policy of TITAN Group, the materiality assessment is performed every second year at the Stakeholder Forum "Our Community – Our Responsibility". We evaluate which of the material issues we can influence to and focus on these issues, trying to keep our reports, communication with stakeholders and implemented initiatives within the frame of the areas which have been assessed as a priority for the future of local development. In this manner we ensure respect for attitudes of those who affect or may be affected by our business operations.

# Materiality Matrix: key topics for the Company and stakeholders



○ KEY TOPICS

● MATERIAL TOPICS

★ NON-MATERIAL TOPICS

- Product and Service Labeling
- 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

## MONITORING OUR SUSTAINABLE DEVELOPMENT PERFORMANCE

The decision to support the realization of **UN Global Compact Sustainable Development Goals**, which are the most relevant to our business, is a natural outcome of consistent application of TITAN's values in our everyday work. Our strategic plan is aligned not only with our commitments but also with the results of an on-going stakeholder dialogue.

Objectives	Performance in 2015	Performance in 2016	Focus for 2020
<b>Employees and Working Environment</b>			
Developing Competencies	There were 33.81 training hours realized per employee.	There were 36.35 hours of training realized per employee.	Organizing at least 30 hours of training per employee.
Ethical Business Practices	The average investment in development is more than EUR 339 per employee.	The average investment in development is more than EUR 320 per employee.	Organizing trainings that meet the employees' needs in a quality manner.
	The training "Strategic HR Management" (48 hours) was organized for the Company's management.	Preparations for the distribution of policies about human rights, anti-corruption, prohibition of competition and sanctions.	Conducting training for the application of the Code of Conduct of TITAN Group for all employees, every second year.
Injuries at Work	Frequency of injuries at work per 1,000,000 working hours is: 1 (one).	No injuries at work (LTI=0).	Maintaining results: 0 (zero) injuries at work.
Employee Engagement	The action plan for increasing the employee satisfaction has been defined.	Implementation of the action plan for increasing the employee satisfaction.	Increase employee satisfaction and engagement.
	Employees have a canteen at their disposal.	The platform for storage and loading of pallet cement is illuminated.	Continuous improvement of working conditions.
<b>The Market</b>			
Maintaining Customer Satisfaction	No justified product complaint has been recorded.	No justified product complaint has been recorded.	Maintaining the low level of complaints, advising and educating buyers.
Responsibility towards the End-Users	New cement packaging of 25 kg has been introduced.	Putting a PVC foil over the pallet for the purpose of protecting cement bags from humidity.	Monitoring EU requirements for the harmonization of safety signs on bags.
Educating Customers and Suppliers about Corporate Social Responsibility	Meetings within the Supply Chain Focus Group.	The Code of Conduct for Procurement – distributed with 165 contracts.	Maintain continuous communication with the aim of ensuring that 80% of key suppliers and buyers respect principles of responsible procurement.
	The Code of Conduct for Procurement – distributed with 160 contracts.		
	Presentation for local contractors and transporters with the topic "Safety First" (165 hours).	The presentation and workshop with the topic "Safety First" (175 hours) have been organized for suppliers.	Continue conducting training for safe work of suppliers.
	There have been 59 hours of training for safe work of suppliers.	There have been 115 hours of training for safe work of suppliers.	
Prequalification of Suppliers	63% suppliers out of the total number of new suppliers prequalified.	100% new suppliers prequalified.	Improve the prequalification process and establish it for 100% new suppliers.



Objectives	Performance in 2015	Performance in 2016	Focus for 2020
<b>The Environment</b>			
Investing in Sustainable Development	Investments in the environment were more than EUR 333,000.	Investments in the environment were more than EUR 330,000.	Work further on improving performance in the area of environment protection.
CO <sub>2</sub> Emission	Total specific direct CO <sub>2</sub> emission was 604,7 kg/t <sub>product</sub> *	Total specific direct CO <sub>2</sub> emission was 615,3 kg/t <sub>product</sub> *	Achieving total specific direct emission of CO <sub>2</sub> < 637,3 kg/t <sub>product</sub> *
Energy Efficiency	Reduced consumption of specific thermal energy by 3.2% compared to 2014.	The total of 303 light bulbs replaced by energy saving light bulbs.	Replace all light bulbs in the Company by energy-efficient ones.
Alternative Fuels and Raw Materials	Realized project of installing a new boiler for wood pellets, in which the fossil fuel (oil fuel) was replaced by a renewable source of energy.	A renewable source of energy, i.e. wood pellets, was exclusively used for office heating.	Continuing efforts to comply with EU standards in relation to alternative fuel utilization.
	The ratio of alternative raw materials used was 11.49%.	The ratio of alternative raw materials used was 10.29%.	Continue to increase the ratio of alternative raw materials used.
<b>The Local Community and Society</b>			
Stakeholder Dialogue	Four initiatives realized within the focus group in relation to the most important aspects of the local community development.  The Stakeholders' Forum "Our Community – Our Responsibility" was held.	In the dialogue with the stakeholders on the occasion of presenting the Report on Sustainable Development for 2015, suggestions about potential volunteering engagement were collected.	Organize meetings with stakeholders and keep the dialogue with them.
Transparency and Integrity	The CSR and Sustainable Development Report was published in line with GRI G4 Guidelines 'in accordance' – core level.	The Report on CSR and Sustainable Development was published in line with GRI G4 Guidelines 'in accordance' – comprehensive level.	Continuous improvement of transparency through reporting on CSR and Sustainable Development.
Strategic Approach to Investing in the Local Community	The total investment in the local community was more than EUR 146,000.	The total investment in the local community was more than EUR 225,000. The third cycle of internship program "Knowledge for Challenges – We Build a Culture of Continuous Learning".	Continue supporting important development programs in the local community.



Cooperation with all stakeholders is essential element of our way of work, and is inseparably connected with our values and sustainable growth priorities.

## Stakeholder engagement process



Engagement with local organizations, which was initiated by TITAN Cementara Kosjerić in 2014 by forming focus groups with the idea to improve different aspects of life in Kosjerić through their long-term impact, was not continued in 2016. Limited resources, demanding tasks for which there was no sufficient interest and initiative of interested parties have made us to search for and apply different partnership relationships, which will make visible positive changes and improvements in

our community. The feedback from our neighborhood has an outstanding value to us because it improves our results in the long run and enables us to give unambiguous and measurable contribution to the environment in which we live and work, and on the basis of which we also get a social license to operate. That is why we will base our future activities on constructive dialogue with all stakeholders.



## FOCUS ON OUR PEOPLE

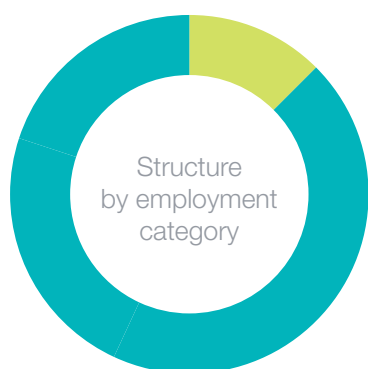
During 2016 we introduced TITAN Leadership Platform in our organization (TLP). The platform assumes a series of behaviors which support our employees ethical and competent connective tissue of all successes of the Company. This practical approach modernizes the organization, promotes good practice and focus on the future, and at the same time facilitates the application of our principles: integrity, equal opportunity for everyone, meritocracy, open communication and transparency, through the new Performance and Development Process and performance assessment, adequately applied at all levels of TITAN Cementara Kosjerić.

The highest standards of human rights protection are present in all aspects of relationships with employees. The basic salary for all positions is adjusted to market conditions, applicable regulations, and provisions of the Collective Bargaining

Agreement, which covers all employees, and which was signed with the Union of TITAN Cementara Kosjerić in December 2014. At the time of retirement employees receive legally stipulated allowances, while employees working in the Company for 10, 20, 30, or 40 years receive jubilee awards. In 2016, our Company implemented a Restructuring Program, in compliance with legal regulations, which 15 employees volunteered to be a part of, and the cost of implementation was nearly EUR 300,000.

In line with the Company's continuous efforts to improve openness, apart from other forms of direct communication, employees have at their disposal an e-mail address to which they may report potential infringements of the Code of Conduct: kodeksponasanja@titan.rs. In the period covered by this Report there were no reported infringements of the Code of Conduct.

EMPLOYEES in TITAN Cementara Kosjerić on 31 December		2014		2015		2016	
Number of full-time employees		224		230		214	
	women	32		34		34	
	men	192		196		180	
Number of part-time employees		10		3		4	
	women	3		2		2	
	men	7		1		2	
Total number of employees		234		233		218	
Number of employees per gender		number		number		number	
	women	35	14.96	36	15.45	36	16.51
	men	199	85.04	197	84.54	182	83.49

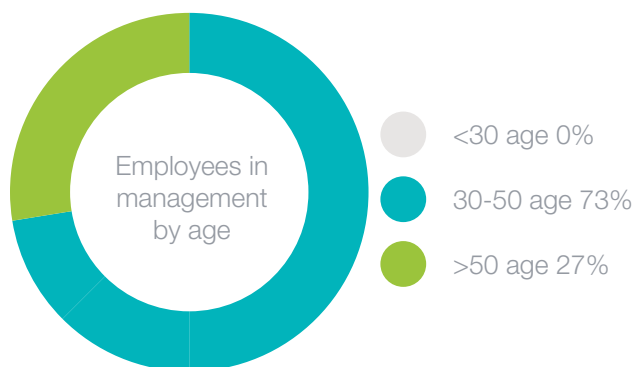


- Management 12%
- Employees 88%

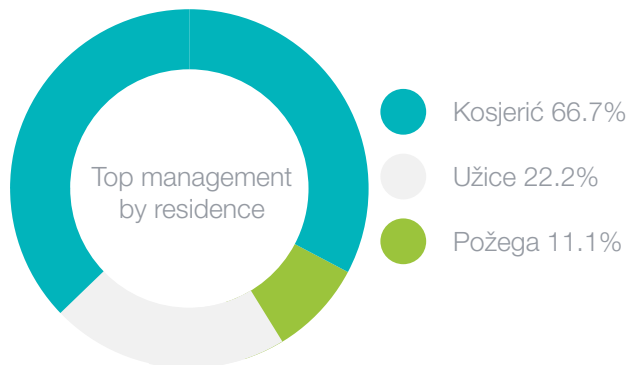
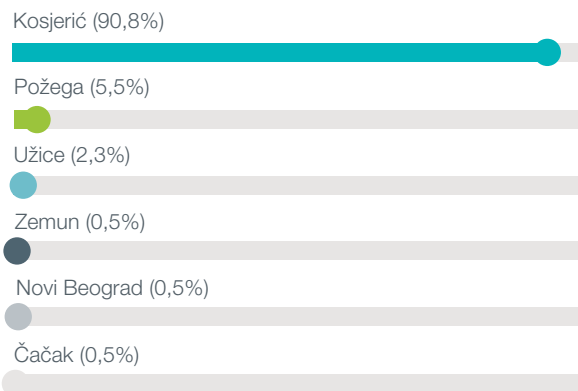
CONTRACTORS	2014	2015	2016
Total number of employed contractors	155*	153*	174*
Number of contractors without logistics and transport	37*	32*	38*
Number of contractors – logistics and transport	118*	121*	136*
Total number of contractors' hours of work	291,875	288,102	329,447

\* Number of contractors estimated on the basis of hours of work (as FTE – Full Time Equivalent)

EMPLOYEE TURNOVER	GENDER	AGE	2014	2015	2016
New hires, two of which are from Kosjerić	women	<30	3	1	2
		30-50	0	1	0
		>50	0	0	0
	men	<30	6	0	2
		30-50	2	0	1
		>50	0	0	0
Employees who left the organization – regular turnover	women	<30	1	1	0
		30-50	0	0	2
		>50	0	0	0
	men	<30	1	0	2
		30-50	2	2	0
		>50	1	0	1
Employees who left the organization – Restructuring Program	women	<30	0	0	0
		30-50	0	0	0
		>50	2	0	0
	men	<30	0	0	0
		30-50	2	0	2
			27	0	13
Turnover rate, % (number of employees who left the organization/average number of employees for the period)			14.40	1.28	8.85



#### Structure of employees by residence





Parental leave in TITAN Cementara Kosjerić		2015	2016
Employees entitled to parental leave	men	4	4
	women	2	1
Employees who exercised the right to leave	men	0	0
	women	2	1
Expected number of employees to return from leave	men	0	0
	women	2	2
Employees who returned to work after taking leave	men	0	0
	women	2	2
Employees who returned to work after leave and are still employed 12 months later	men	0	0
	women	1	2

## NETWORKING VALUES THROUGH VOLUNTEERING

In the area of social commitment and responsible citizenship we recognize the importance of the employees' social role outside their working environment. That is why we try to ensure a career full of challenges for our colleagues together with the balance between professional life, private life and public engagement. Moreover, we try to promote the notion of a "good citizen" by encouraging and making popular the participation in volunteering and other activities which contribute to the welfare of the community. In that spirit and in cooperation with Folk Dance Ensemble "Maksim Marković" from Kosjerić we organized the painting of the fence and premises of Han, the oldest preserved historical building in Kosjerić. In that way we continued the works of preserving the interior and exterior of the old Turkish building whose renovation was financed by Cementara. The initiative was supported by more than 50 participants from TITAN and the folklore troupe, which will be more inspired for preparing its repertoire in the nicer and safer interior of this cultural monument. This job was joined by other participants in the local community through volunteering and donating necessary materials.



## Safety First

Another year of 2016 passed in TITAN Cementara Kosjerić without injuries at work, which again underlines that employees' health and safety constitute the priority for our Company. A well-established system, obligations and responsibilities of all members of the organization, as well as their high awareness in this area, are the proper way of achieving the goal: "Safe working environment, without injuries at work".

**Our Values:  
CSR**

Benchmark	Definition		2014	2015	2016
Fatalities	Number of fatal injuries	employees	0	0	0
		contractors	0	0	0
LTI*	Number of injuries at work with lost days	employees	0	1	0
		contractors	0	0	0
LTIFR**	Frequency of injuries at work normalized per million hours of work	employees	0.00	2.39	0.00
LTISR***	Number of lost calendar days due to injuries at work normalized per million hours of work	employees	0.00	40.72	0.00
AR	Number of days off work normalized at 200,000 (GRI definition)	employees	6,166	5,896	6,073
Occupational diseases	Number of lost calendar days due to occupational diseases	employees	0	0	0
Hours of training for employees	Average number of training about safety per employee	employees	6.65	10.16	15.51
		contractors	4.31	1.87	3.02

\* An injury at work is considered as any injury due to which an employee is absent from work one or several working days, not counting the day of the injury.

\*\* The number of injuries with lost days x 1,000,000 / Total number of hours of work realized directly by employees during the year; according to CSI, there is no report for contractors.

\*\*\* Total number of lost calendar days in the year due to injuries at work x 1,000,000 / Total number of hours of work realized directly by employees during the year; according to CSI, there is no report for contractors.



In order to make the system of health and safety at work sustainable, it is necessary to continuously improve and upgrade all its aspects, starting from rules and procedures, via systems of training and education, to recognizing new and often hidden risks and hazards. Two postulates of safety in our Company are: each injury is possible to prevent and observing safety rules is an employment requirement. These postulates are the basis of good performances and achievement of established goals in a safe working environment, integrated in all activities of TITAN Cementara Kosjerić.

In 2016 we delivered 3,490 hours of trainings, or 15.51 hour per employee, while for our contractors we organized 115 hours of training, or 3 hours of training per contractor as full time equivalent. Apart from regular theoretical and operational trainings which pay greater attention to practical education, we also began organizing education about serious incidents

prevention. Based on detailed analyses of causes of incidents that took place at other locations, such education is aimed at developing employees' awareness by transferring the experience about risks and precautionary measures in everyday work.

Last year we conducted 7 training sessions for all employees, with the following topics:

- Explosions;
- Falls from height;
- LOTOTO (Lock Out, Tag Out, Try Out);
- Confined spaces;
- Hot works;
- Quarry blasting;
- Overhead and underground power lines.

## PROMOTING SAFETY

Acquiring new and improving existing knowledge is a prerequisite of each success, including the area of health and safety at work. Apart from training for employees, we also organize "Safety First" workshops for children of the fourth grade of all elementary schools in the Municipality of Kosjerić, as well as the health and safety training program for our contractors and business partners, in which we transfer our knowledge and experience and thus establish better mutual understanding, better-quality cooperation, and improved safety in the broader scope of the Company's activities. In October 2016 we participated at the Health and Safety at Work Fair, where – in cooperation with the Occupational Safety and Health Directorate within the Ministry of Labor, Employment, Veteran and Social Policy – we held a public class for schoolchildren in Belgrade about safety in traffic and games, harmful substances and child abuse prevention.



By using adequate tools for detecting risks and hazards, we found 57 new or hidden sources of risk and at the same time we took 98 preventive and correctional measures based on incident investigation, external and internal audits, and suggestions for improvement.

**Safety committees** constantly monitor relevant trends and take measures for maintaining the direction of continuous improvement of safety procedures, control of the system implementation, and learning from incidents in TITAN Group and the whole world. Within the safety system, apart from the Central Committee, there are also committees for safety audits, rules and procedures, and incident investigation.



The Safety Committee, composed of five representatives of the employees and three representatives of the employer has been set up in the Company. Through this body TITAN employees have been directly involved in the organization of the safety system, thus good communication and atmosphere of trust in the entire organization is encouraged as a prerequisite for improvement of safety culture and achievement of good results in this field.

Our approach that every meeting and training should begin with a safety topic is good practice which we do not give up, and we recommend that everyone should dedicate some time and attention to the development of safety awareness both in personal and collective behavior.

After amendments to the Labor Law and Law on Health and Safety at Work, corrections were made in the employer's Collective Agreement which also includes important topics of safety at work.

The percentage of implementation of the Health and Safety at Work system for 2016 in TITAN Cementara Kosjerić is 89.6%, which was examined by the 360 Degrees Audit conducted every year by the Health and Safety Manager of TITAN Group and the respective regional manager.

In September 2016 there was a successful control of compliance and recertification of the Health and Safety system in line with OHSAS18001 Standard.

Results of 360 degrees audit for 2016



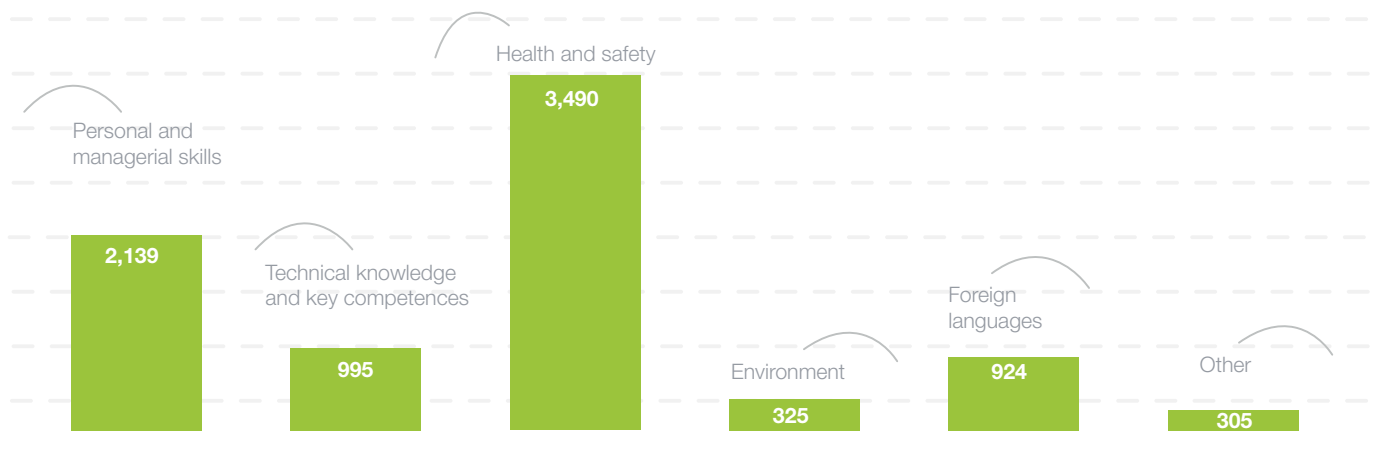


## Building a Culture of Continuous Learning

For the sixth consecutive year managers in TITAN Cementara Kosjerić and other TITAN Group business units have at their disposal a customized program of learning and acquiring managerial skills. The program is called STEP (Self Training E-learning Program) and it involves participants who are highly motivated for independent learning via an online platform, created to improve management and leadership in line with high standards of Harvard Business School and TITAN Leadership Platform (TLP). This development program also encourages the exchange of good practices within working groups as well as connecting successful employees in our Company, which contributes to enhancing the joint identity of TITAN. The program content is divided into modules which are networked with TITAN Leadership Platform and formulated in the following competencies: Inspire and develop people, Build unity and facilitate cooperation, Provide solutions and deliver results, and Envision and implement change.



Trainings in 2016: 8,178 hours



Average number of training hours per employee category



Average number of training hours per gender



## CUSTOMERS AND SUPPLIERS

Products of TITAN Cementara Kosjerić undergo examinations in the internal laboratory conditions while additional quality testing is performed in cooperation with the Institute for Testing of Materials, where the technological analysis of our production program is completed. After such control we receive a certificate which is a warranty of good performances and readiness of a product to enter the market, with continuous technical support.

**Evaluation of customer satisfaction**, which is performed once a year, implies further placement of products to the market. Moreover, quality processes and results of our

Company are closely connected with the successful supply chain and that is why we approach cooperation with suppliers and contractors with special care. We give priority to compliance with safety at work requirements, environmental protection, respect for human rights and legislation on the whole. Selection, control and evaluation of suppliers are regulated by the **Code of Conduct for Procurement**, according to which key criteria are: quality, reliability, adaptability and location of business, supported by the strategy of TITAN Cementara Kosjerić to approach to all cooperation in a spirit of partnership, by finding the best way of replying to customers' expectations.

### Culture of Excellent Service



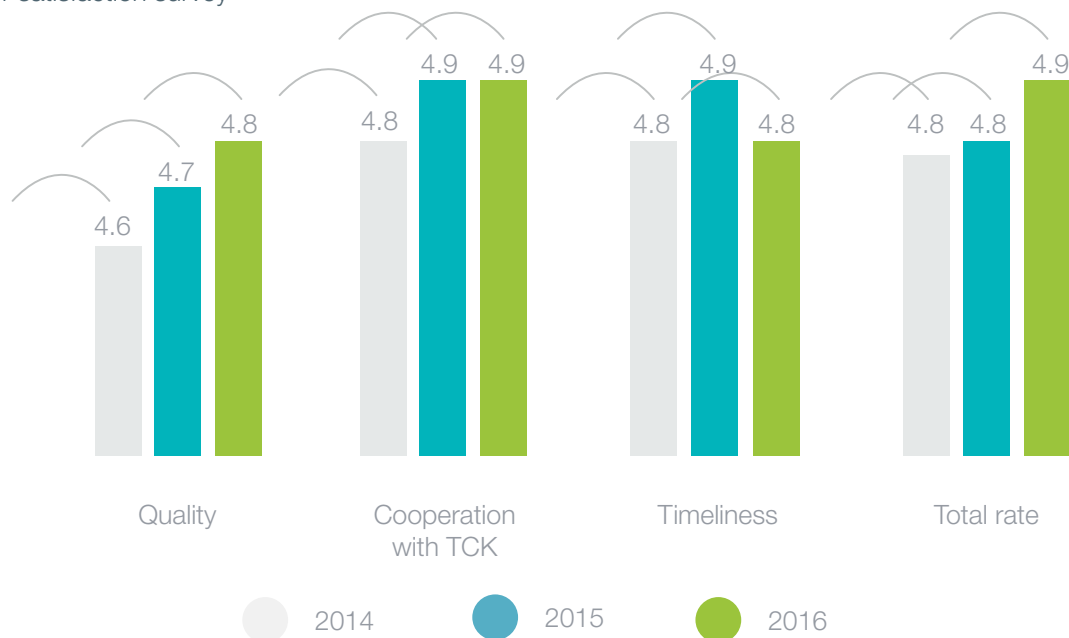
We see customer care as responding to overall needs of clients through providing professional, useful and high-quality services and products, while involving all employees of TITAN Cementara Kosjerić.

The care for each user of our products is placed as a priority by the management, which supports the importance of our clients and their satisfaction. In line with our corporate values, we pay special attention to the quality of products and services we offer, which is compatible with the customer satisfaction aspect.

In the course of 2016, our clients had no complaints about impacts of our products on health and safety and there were no objections to the labeling of packaging (bags with packed cement produced in our plant) or the information on bags regarding safe handling, storage and use of products. Last year we did not receive any official complaints about our products and there were six unofficial oral complaints which were proved to be unsubstantiated, while successful cooperation with those clients continued to mutual satisfaction.

In our attempt to meet the customers' expectations, in 2016 we also conducted a customer satisfaction survey which gave us feedback about product quality, our attitudes to the customer, professionalism and service quality, quality of cement shipping and delivery and customers' suggestions and ideas with the aim of improving cooperation.

#### Customer satisfaction survey



**Being committed to a continuous review of customers' needs, last year we improved the product packaging by installing an applicator for PVC foil placement on pallets and thus reduced potential effect of humidity on bagged cement, which advanced the quality of delivered products and services.**

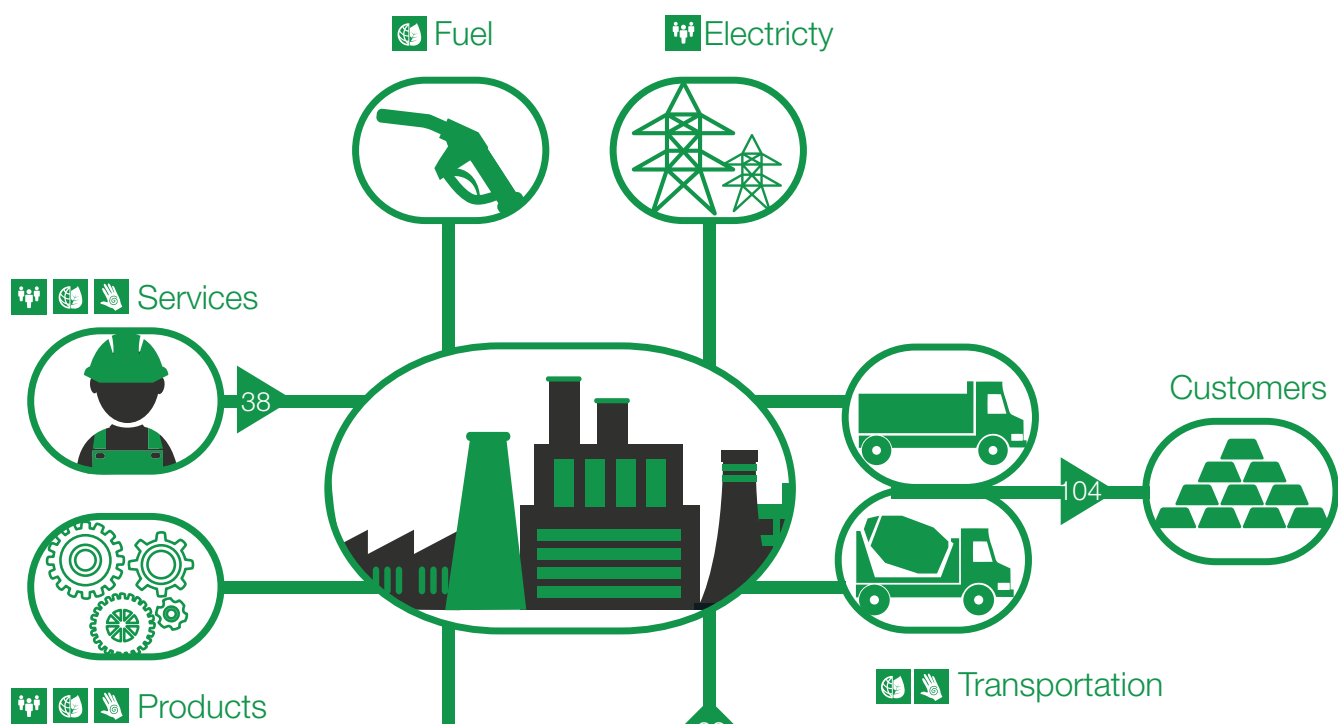
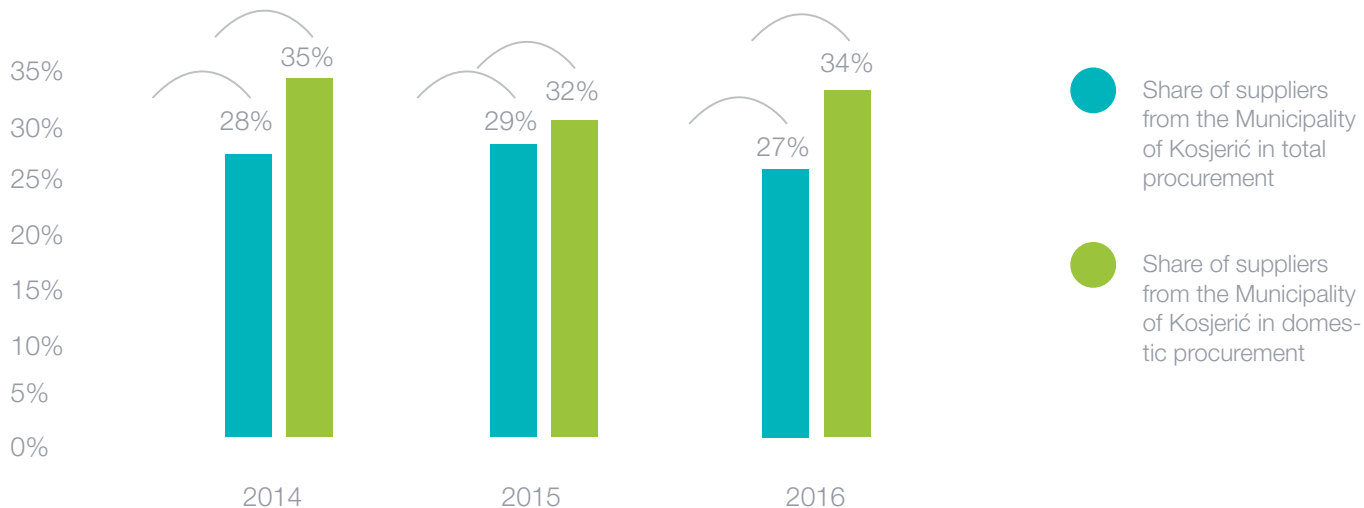
In the following years our Company will be oriented to improving the cooperation with customers because we plan to enable colleagues from other organizational units (Quality, Production, Procurement) to visit customers together with sales representatives. We believe that this type of enhanced communication will ensure stronger cooperation and mutual understanding with our business partners.

Products of TITAN Cementara Kosjerić are harmonized with the national legislation and norms of the European Union. TITAN Cementara Kosjerić has had the European Compliance sign, known as CE, for 42.5R cements for several years, and since the end of last year we have also acquired CE sign for 32.5R cement. Thanks to this certificate, we can offer our overall production assortment to the European Union market.

Our cement bags, apart from the certificate, i.e. compliance with national and European legislation, also display the following information: type of cement, weight, purpose and composition of the product, addresses of the producer and importer, and optimal shelf life. Apart from these general characteristics, the user is also given recommendations for concrete production, transport and storage, as well as the information about safe product use, such as: pictograms of danger, warnings about harmfulness, first aid measures, instruction manual for personal protection equipment and notifications about reduction of Cr(VI). Transparent information on bags is not where our care for users ends because extensive and detailed information about TITAN Cementara Kosjerić products may be found on the Company's website: [www.titan.rs/proizvodi](http://www.titan.rs/proizvodi), or through technical support provided by the Company's professional staff.

## Value Chain Management

Participation of local community suppliers in total procurement



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

- Labor and Human Rights
- Impact on environment
- Impact on society

Total number of indirect employees



Advocating principles of Sustainable Development, TITAN Cementara Kosjerić promotes responsible business in the entire supply chain by involving suppliers. We implement this approach directly – by prequalification of suppliers and contracts with them, and indirectly – by promoting responsible procurement. During the prequalification procedure and when signing agreements we request that all suppliers should fulfill their legal obligations to their employees and sub-contractors, as well as the regulations requested by our Company in the health and safety domain.

They are also obliged to observe all relevant regulations concerning environmental protection and to perform jobs in line with TITAN's policy. Moreover, in their practice they should observe principles of ethical business while promoting fair competition and business relationships without corruption and bribery.

In line with internal procedures, by applying standards ISO 9001, ISO 14001, and OHSAS 18001, our Company performs the prequalification of potential supplies, primarily contractors, before initiating cooperation.

Criteria for evaluating suppliers are as follows:

- environmental impacts (respecting legal requirements and standards of established norms in this area);
- respect for labor and human rights (protection and safety at work, secured salary, contractual relationship with employees, insurance of property and employees, risk assessments for work places, keeping records of injuries);
- social impact (ethical business, fair competition, economic offences, possession and observance of the Code of Conduct).

**Whenever it is possible, our Company involves suppliers from social enterprises in the procurement process and uses their products and services for its needs.**



In 2016 there were 9 new suppliers screened for respecting labor and human rights, 30 suppliers screened by the social impact criterion and 7 suppliers screened by the environmental impact criterion.

Aiming for it to be a continuous process, we perform the assessment of suppliers during the course of our cooperation and by setting multiple requirements. We conduct internal audits of contractors' work, and evaluate it by the criteria of health and safety at work upon the completion of their activities. We also constantly monitor the quality of products and/or services. At the end of the year there is annual evaluation of suppliers our Company cooperated with. Furthermore, there is evaluation of the quality of products and/or services, the quality of cooperation and implementation of responsible business in

practice. In 2016, the evaluation of 318 out of 557 suppliers we cooperated with took place. There were 54 suppliers evaluated by the criteria of human rights and safety at work, while 71 suppliers were evaluated by their environmental impact.

TITAN Cementara Kosjerić set the task to promote principles of Corporate Social Responsibility through its sphere of influence, which in the area of the supply chain management means motivating suppliers to accept TITAN's Code of Conduct for Procurement and TITAN's business practices, as well as to develop or improve their own business capacities in that direction. With such intention our Company distributed 165 copies of the Code of Conduct for Procurement for each agreement signed with suppliers in 2016.

## BY SHARING GOOD PRACTICES WE IMPROVE HEALTH AND SAFETY

In an attempt to promote social responsibility in the supply chain and at the same time raise awareness of Occupational Health and Safety, we adopted the model of sharing good practices and keeping successful business relationships and accordingly, in September 2016 we organized a presentation with an interactive workshop for local contractors and transporters.

Together with them we analyzed safety incidents in TITAN Group plants and emphasized the importance of safe driving and dangers of using the telephone while driving a motor vehicle. In cooperation with the fire-rescue unit from Kosjerić, we provided a short training session for acting in the event of fire.



There was also a demonstration exercise of using fire extinguishers and simulation of fire extinguishing, which was evaluated as an added value for us and our partners. The Company is planning to continue delivering workshops in the following years too, because we have a great many positive feedback comments from the participants.

## BUILDING CONNECTIONS FOR 40 YEARS

TITAN Cementara Kosjerić marked an important anniversary in 2016. Under the slogan **“Building Connections for 40 Years”**, we celebrated in the atmosphere of good partnership relations we maintain with all stakeholders.

Although the youngest among the cement plants in Serbia, our Company proved its leading position as one of the most economically, environmentally, and socially responsible producers of building materials in the country, which is continuously demonstrated by our Sustainable Development efforts.

Being a signatory to the **European Pact for Youth**, our Company creates and improves the frames within which students and graduates from the local community acquire their

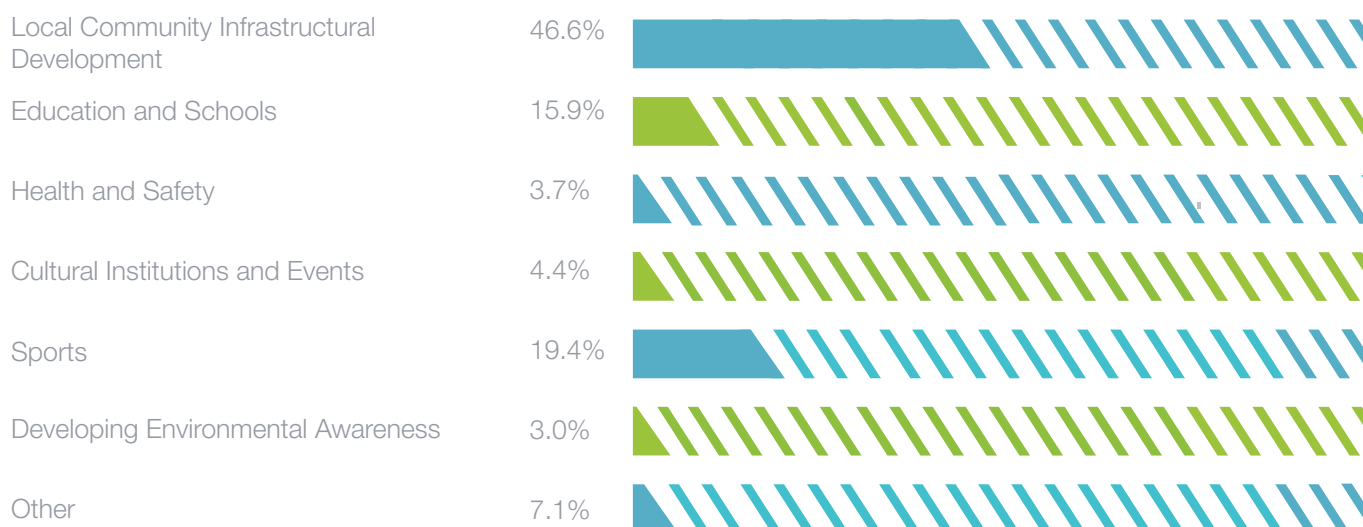
first practical business knowledge. By an internship program called **“Knowledge for the Challenges – Building a Culture of Continuous Learning”** TITAN Cementara Kosjerić supports young professionals in mastering their knowledge and skills and building future careers. Three-month practice, which begins by selecting the best applicants, was realized in the following departments in 2016: Health and Safety, Purchasing, Quality, Human Resources, Production and Finance.

We demonstrate our long-standing support to learning by awarding the best students in the Municipality of Kosjerić. In 2016 we provided **Vidovdan awards** for 21 students in Kosjerić, who achieved excellent results during their schooling or at national competitions.



Thanks to the public competition **“For My Kosjerić”**, with which we enable the implementation of the best local projects intended for better-quality life in our community, last year we rewarded 11 innovative solutions with the funds in the amount of over EUR 20,000.

In the period from July to September 2016, in the joint investment of the Municipality of Kosjerić and our Company, rehabilitation works were performed on the part of the road in Živojina Mišića Street, in Kosjerić, for the stretch of almost 2 kilometers. The funds invested by our Company in this project ensured further renovation of other six streets in the town. Both our citizens and our customers benefited from this project because we got the road which will ensure comfortable and safe traffic in the following years.



**More than EUR 225,000 was invested in development programs for the local community.**



## COOPERATION OF BUSINESS AND SOCIETY – THE MOST VALUABLE PLEDGE FOR FUTURE GENERATIONS

We presented the 2015 CSR & SD Report to local public in the authentic ambience of the ethnic village of “Gostoljublje” in Kosjerić Mionica. The event involved our employees, associates, and representatives of the community with the aim of keeping dialogue which helps us to give a valid contribution to our surroundings. We published the report following the Guidelines of Global Reporting Initiative, G4 – meeting ‘in accordance’ – comprehensive criteria. Our efforts to present results from all fields of work transparently and comprehensively is also recognized by the Responsible Business Forum, which this year again has granted us the award for contribution to the development of non-financial reporting in Serbia.



## CLOSE CONNECTIONS WITH THE COMMUNITY BUILT IN OPEN AND INTENSIVE DIALOGUE

The “Plant Open Day”, as one of the attainments of TITAN’s Sustainable Development policy, this year also gathered our interested fellow citizens and associates with whom the Company builds intensive and fruitful partnership. The guests had the opportunity to visit the plant facilities and the control room, where our experts explained the production process, modern installations and technology ensuring cement production in line with environmental standards. There was a presentation of the production cycle together with the video-material about the plant’s history. Socializing was accompanied by an educational and entertainment program and special attention was once again paid to entertaining children who participated energetically in art and sport activities, thus confirming that close connections between our Company and its environment has perspective.



## WE BUILD A WORLD OF CULTURE THROUGH MENTORSHIP

In the past two years our Company has supported the program “Creative Mentorship” which involves 50 participants on a yearly basis: 25 future leaders in the area of culture and 25 mentors who monitor their personal and professional development. Under the slogan “Transforming society – one conversation at a time!” this form of counseling encourages ideas, professional orientation, achievement of goals, and exchange of opinions about plans in the area of cultural creativity. Apart from such interaction, joint training of mentorship and personal development are organized, as well as various educational workshops, while an important segment includes formal and informal gatherings which open space for networking, establishing contacts, and cooperation between participants. Three young people from Kosjerić also took part in two cycles of the program.





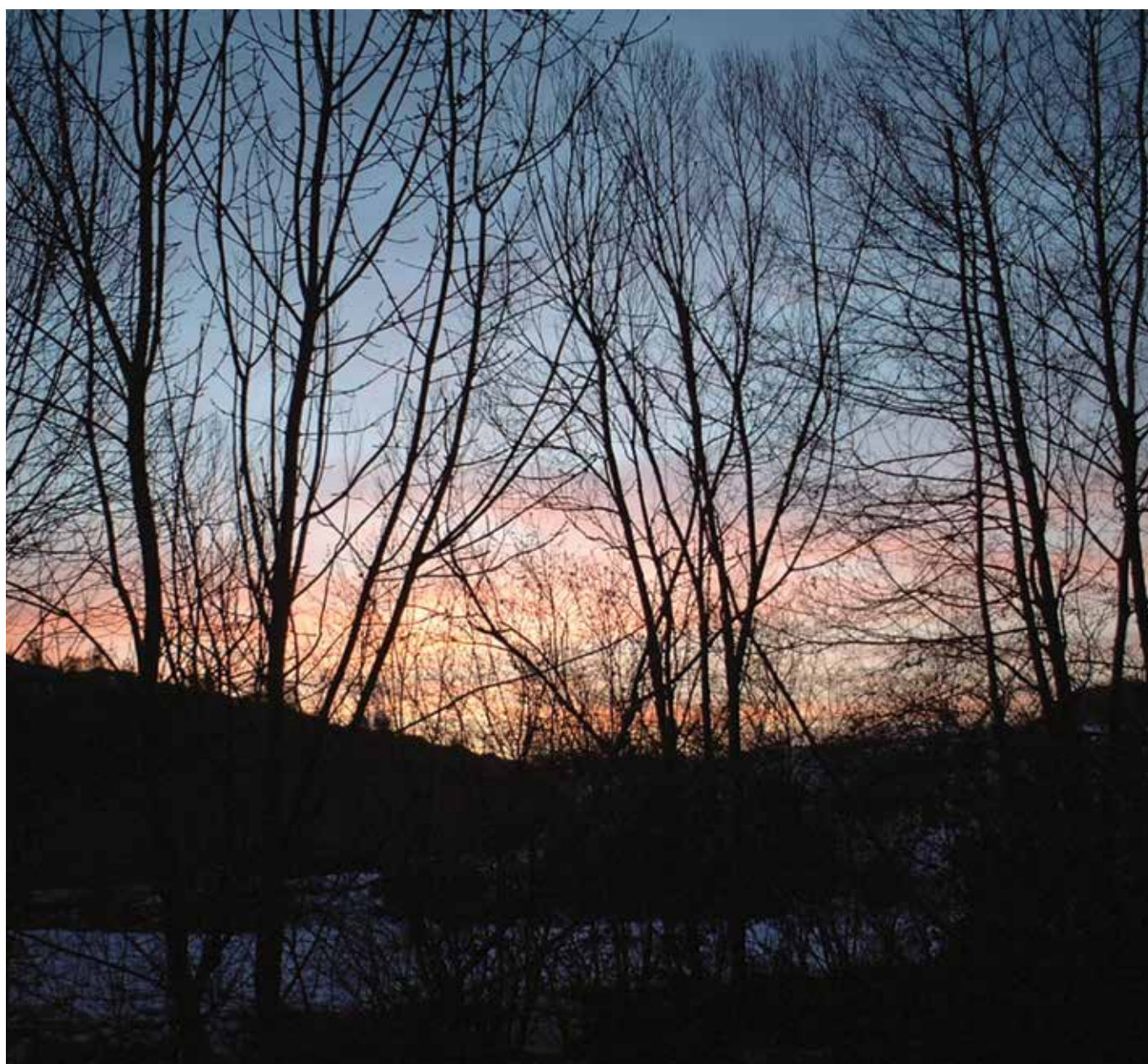


## CARE FOR THE ENVIRONMENT

In 2016 TITAN Cementara Kosjerić continued conducting its business in line with the Environmental Policy adopted in 2009 and Sustainable Development principles, engaging in resolving challenges in relation to the use of water, energy and alternative resources, biodiversity protection, reduction of impacts on climate changes, air emissions and waste management. Alignment with rules and leading practices in this area, as well as investments in the best available technologies is of exceptional importance to the Company because this approach constitutes part of our social license to operate and simultaneously ensures fulfilling potentially new regulatory requirements.

TITAN Cementara Kosjerić assigns substantial funds for improvement and maintenance of performances in the area of the environment, thus ensuring our respect for regulations and achievement of the Company's internal goals, which are often more demanding than the framework regulations. We regularly conduct internal and external audits in order to monitor our progress and also to identify problems and plan new investments in this area.

Believing that following our performance in relation to established goals constitutes an important incentive of continuous improvement, we strive to involve experts and stakeholders in this long-term process and thus create an added value in that area both for TITAN Cementara Kosjerić and for our environment.



## ENERGY AND CLIMATE CHANGE

Knowing that the process of cement production affects climate changes, primarily because of the emission of carbon-dioxide produced in the use of fuels and raw materials in the production cycle, TITAN Group focuses its activities on increasing energy efficiency in industrial procedures and developing eco-efficient products.

Since this area has been a great challenge to TITAN Cementara Kosjerić, our approach to the reduction of greenhouse gas emissions is based on the precautionary principle, by which we

anticipate and reduce potential risks through introduction and use of biomass and alternative raw materials in our production cycle, as well as by monitoring used energy sources. TITAN Group is a member of Cement Sustainability Initiative within World Business Council for Sustainable Development (WBCSD/CSI), therefore we perform the calculation and reporting about carbon-dioxide emissions in line with CSI Guidelines for CO<sub>2</sub> and energy (CO<sub>2</sub> and Energy Protocol: CO<sub>2</sub> and Energy Accounting and Reporting Standard for the Cement Industry, ver. 3.0).

**Using energy from waste materials in cement kilns may significantly contribute to efficient waste management and help the local self-government to overcome challenges of its own impacts on climate changes.**

### Energy

In the past year, TITAN Cementara Kosjerić used thermal energy produced by burning fossil fuels and biomass, and electrical energy. Thermal energy produced from biomass (burning wood pellets for heating the work premises) accounted for 0.5% of the total consumed thermal energy, which is an increase of 8.4% in comparison to 2015. At the same time, by complete replacement of oil fuel by wood pellets for heating needs, there was achieved energy saving of 6.84TJ.

Consumption of thermal and electrical energy in 2016 was slightly higher than in 2015: thermal energy consumption by 14.2% and electrical energy consumption by 11.1%, which is caused by increased production of clinker by 14.6% and cement by 10.5%. Generally, energy consumption in 2016 was, proportionally to cement production, in line with the energy consumption indicators in TITAN Group plants ([www.titan.gr](http://www.titan.gr)). In the same period, specific energy consumption by the product unit was at the level of values achieved within the Group. As it constitutes a substantial part of operating costs, a more detailed review of data about thermal and electrical energy consumption in Cementara is subject to specific confidentiality restrictions in line with the Company's policy.

### CO<sub>2</sub> Emissions

For many years the Company has made substantial efforts in reducing carbon-dioxide emissions resulting from the cement production process by directing its activities to increasing energy efficiency, reducing the ratio of clinker in cement and using alternative fuels, i.e. biomass.

Total direct carbon-dioxide emission in 2016 was 0.28 million tons and was by 14.1% higher than in 2015 due to increased scope of production. At the same time, total emission of biogenic CO<sub>2</sub>, produced by burning wood pellets, was 605 tons. Specific direct carbon-dioxide emission per ton product was 615.3 kg CO<sub>2</sub>/t<sub>product</sub>, which is 1.8% more than in 2015.

Calculation of direct carbon-dioxide emission caused by the activity of cement production is performed in line with WBCSD/CSI Guidelines and we regularly report on those data. We perform such monitoring continuously, although in Serbia there is still no obligation of calculating and reporting about CO<sub>2</sub> emissions. By using wood pellets as a replacement for heavy fuel oil as an energy source for heating working premises, we reduced CO<sub>2</sub> emissions by 955 tons.

## AIR EMISSIONS

In the process of cement production, main air emissions are made of nitrogen oxides ( $\text{NO}_x$ ), sulfur oxides ( $\text{SO}_2$ ) and dust. During the reporting period, 100% clinker in our Company was produced with continuous monitoring of these main emissions.

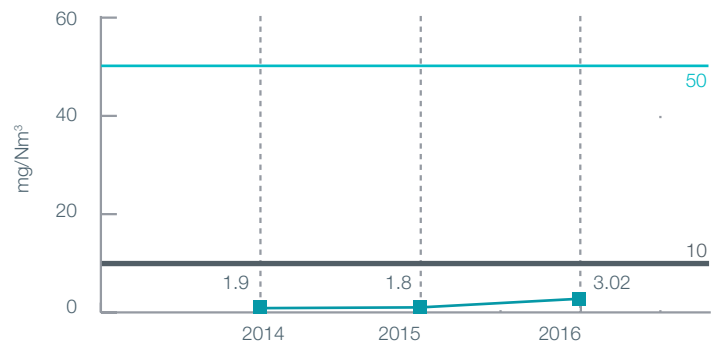
We installed automatic devices for continuous emissions measurements on all the main emitters of air emissions. In that manner we achieve availability of information on such emissions in real time, ensured by preventive activities for keeping emissions below limit values. Fifteen-day average values measured at the emitter on the rotary kiln are available to the public on the Company's website: [www.titan.rs](http://www.titan.rs), and they represent only one way of communicating with our stakeholders.

In calculation and reporting on emissions we follow WBCSD/CSI Guidelines for Emissions Monitoring and Reporting in the Cement Industry, ver. 2.0), while limit values of air emissions are prescribed in the Regulation on the limit values for emissions of air pollutants from stationary sources except for combustion facilities. We also apply the IPPC permit acquired by TITAN Cementara Kosjerić in June 2011. Apart from regulatory goals, we also established more demanding internal goals which must be achieved by 2020 (Table: Achieved results). We also regularly report to the relevant Ministry and the Serbian Environmental Protection Agency about our emissions.

In 2016 total emission of dust was 2.25 tons, of nitrogen oxides: 354.89 tons and of sulfur oxides: 1.16 tons. Increased emissions compared to 2015 were the consequence of a larger number of working hours and reduced ratio of lignite in the solid fuels mixture.

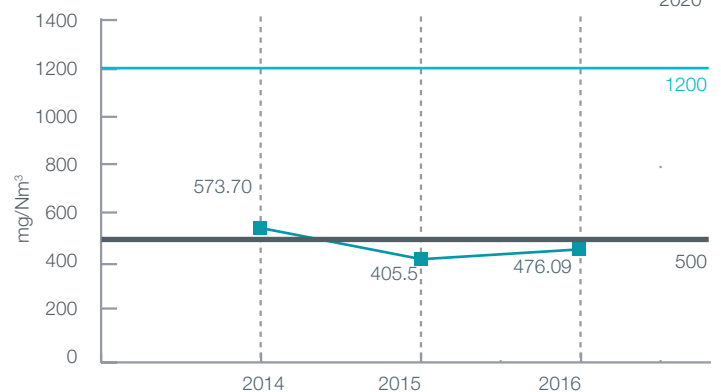
Dust emission – kiln

ELV (Emission Limit Value)  
Target 2020



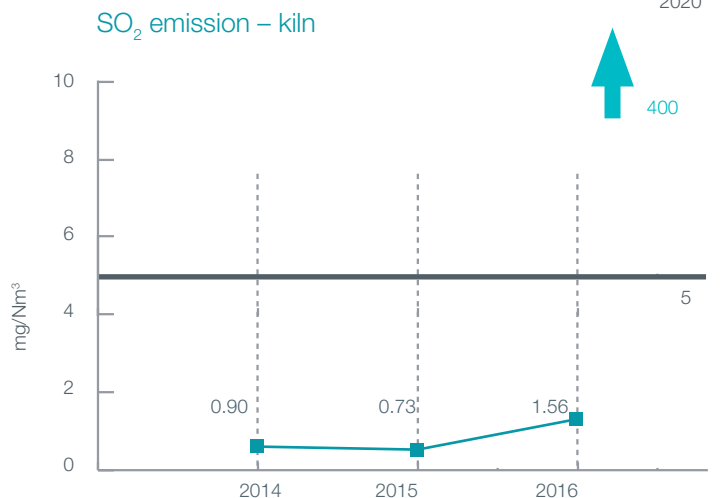
$\text{NO}_x$  emission – kiln

ELV (Emission Limit Value)  
Target 2020



$\text{SO}_2$  emission – kiln

ELV (Emission Limit Value)  
Target 2020





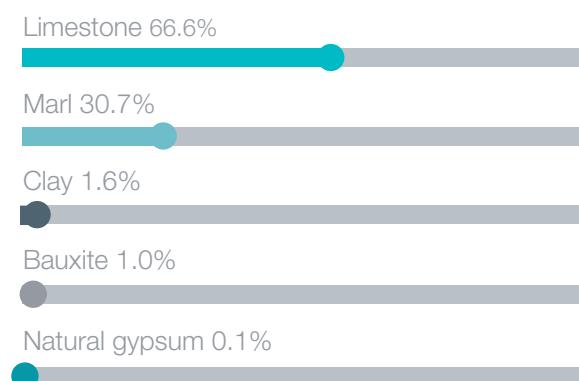
## CONSERVATION OF RESOURCES

Within our efforts for achieving sustainability, we continuously try to discover ways of fulfilling demands of a growing urban society without disturbing the living space for future generations. We find new uses of the materials which would, otherwise end up at industrial landfills, while simultaneously reducing the use of non-renewable raw materials.

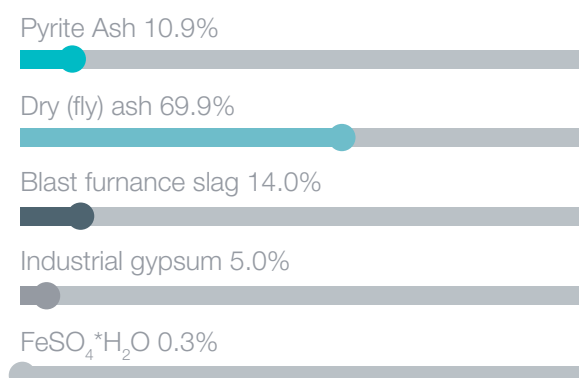
### Natural and Alternative Raw Materials

Last year in cement production we used 648,958 tons of raw materials, 580,622 tons of which were natural raw materials and 68,336 tons were secondary – alternative raw materials. The ratio of secondary raw materials in the total amount of used raw materials was 10.53%, which is a decrease of 1% compared to 2015.

#### Consumption of natural raw materials (%)



#### Consumption of secondary raw materials (%)





## Water

Being aware of importance of water as a valuable resource we are encouraged to manage this potential efficiently and in a sustainable manner and it is our obligation to mitigate impacts of our activities on natural water resources to the largest extent possible.

In TITAN Cementara Kosjerić we use water for industrial needs, sanitary needs as well as for drinking. For industrial needs we take water from the Skrapež River and collect atmospheric and drainage water, while we use drinking and sanitary water from the utility supply system. We use industrial water in production solely as a cooling medium (cooling of materials, gases, and equipment) and for washing roads so there are no process/technological waters produced in our process.

In 2016 a total of 59,983.4 m<sup>3</sup> of water was taken for the needs of the unobstructed course of our production process, out of which 520.9 m<sup>3</sup> was water from the Skrapež River, 38,226.5 m<sup>3</sup> – collected rainwater and drainage water, while the water from the town water supply system amounted to 21,236 m<sup>3</sup>.

Via the system for industrial water recirculation we re-used 514,747.6 m<sup>3</sup> of treated waste water, which means that in that manner we met 93% of our overall water requirements.

We established high criteria in the implementation of the water protection system and all our waste, drainage and atmospheric water are treated mechanically and biologically to the required level of quality and as such released into the Skrapež River. This 48 km long river is made of the Sečica and Godljevača Rivers, whose source area is characterized by exceptionally well-preserved nature, the forested ground and clear and clean water. There are stream trout whose status and protection regime are defined in regulations in the area of fishing. Moreover, we regularly monitor the quality of treated waste waters and the water from the Skrapež River and the analyses show that all prescribed conditions concerning the release of waste waters into the water course have been met. After the purification treatment, 161,670 m<sup>3</sup> of water was released into the Skrapež River.



## WASTE MANAGEMENT

No waste is generated in the technological process of clinker and cement production. It is generated mainly in the course of facilities maintenance and the whole amount of such waste is given to authorized collectors and operators for further treatment. In 2016 the amount of the waste generated in this manner in TITAN Cementara Kosjerić was 85.25 tons. There were 79 tons of non-hazardous waste (metal waste, paper waste,

waste foil, communal waste etc.), out of which 51.14 tons were given for recycling to authorized operators, while 27.86 tons were given for disposal to the authorized operator. Hazardous waste (waste oils and greases, batteries, light bulbs etc.) was generated in the amount of 6.25 tons, out of which 5.25 tons were given for further treatment to authorized operators, and 1 ton was temporarily stored in the plant.

### Packaging Waste

In 2016 we used the total of 2,797.7 tons of packaging waste for packing our products, as follows:

- paper packaging – 609.2 tons;
- plastic packaging – 69.6 tons;
- wooden packaging – 2,118.9 tons.

The percentage of the packaging we used for packing cement and which was generated from non-renewable sources was 2.5%, while 97.5% of used packaging was produced from renewable materials (paper, wood).

We delivered the total of 1,491 tons of packaging to the market of the Republic of Serbia, and in cooperation with the authorized operator we fulfilled our obligations stipulated in the national strategy of the 2016 Plan on Reduction of Packaging Waste. We continue to make efforts aimed at successful implementation of the national strategy.



## PRESERVING BIODIVERSITY

The production process in TITAN Cementara Kosjerić directly depends on the exploitation of mineral resources and that is why we are committed to responsible and efficient land management while taking care of preserving the diversity of ecological systems. By biological recultivation we conduct continuously we will ensure the creation of a protective green belt, prevention of erosion, land stability, soil protection and regulation of water drainage. All our activities in this area are aligned with WBCSD/CSI Quarries Rehabilitation Guidelines. In 2016 we continued realizing Rehabilitation plans for our mining pits of Suvo Vrelo

and Godljevo, which served as a model for the preparation of the ground for recultivation in parts of the pits with completed exploitation. We made the plans in 2013 so as to ensure land management in a systematic manner, thus increasing our contribution to nature conservation.

Apart from our activities on the quarries, we also continued landscaping our plant grounds where in 2016 we planted 68 coniferous seedlings and 99 deciduous seedlings.

## ACHIEVED RESULTS

Performance of TITAN Cementara Kosjerić	2014	2015	2016	Objective 2020.
Consumption of natural raw materials (t)	466,429	514,503.04	580,622.13	
Consumption of alternative raw materials (t)	70,856.8	67,043.14	68,336.35	
Alternative Raw Materials Substitution Rate	15.2%	11.53%	10.53%	
Alternative Raw Materials Substitution Rate (acc.to WBCSD-CSI)	13.1% <sub>dry</sub>	11.49% <sub>dry</sub>	10.29% <sub>dry</sub>	12% <sub>dry</sub>
Water withdrawal – total (m <sup>3</sup> )	56,272.8	58,765.8	59,983.4	
drained river water (m <sup>3</sup> )	1,871.3	1,141.20	520.9	
rain water and drainage water (m <sup>3</sup> )	42,992.5	37,230.6	38,226.5	
drinking water (m <sup>3</sup> )	11,409	20,394	21,236	
Water discharge (m <sup>3</sup> )	182,069	99,649	161,670	
Water consumption (l/t cement)	118.0	93.6	85.5	<220
Total direct CO <sub>2</sub> emission (million t)	0.23	0.24	0.28	
Specific direct CO <sub>2</sub> emission (kg CO <sub>2</sub> /t <sub>product</sub> )	615.8	604.73	615.3	<637,3
Total dust emissions (t)	1.08	1.14	2.25	
Dust emissions (mg/Nm <sup>3</sup> )	1.88	1.76	3.02	<10
Total NOx emissions (t)	329.4	262.3	354.9	
NOx emissions (mg/Nm <sup>3</sup> )	573.7	405.5	476.1	<500
Total SO <sub>2</sub> emissions (t)	0.52	0.47	1.16	
SO <sub>2</sub> emissions (mg/Nm <sup>3</sup> )	0.9	0.73	1.56	<5
Recycled (externally) waste material (t)	417.4	163.16	56.39	

\* The product is a cementitious product by WBCSD

Environmental Costs (000€)	2016
Environmental protection management (000€)	256.0
Reforestation (000€)	5.3
Remediation (000€)	-
Environmental Awareness Training and Development (000€)	-
Environmental Development Technology Implementation Costs (000€)	61.3
Waste management (000€)	8.3
Total (000€)	330.9

Indicator	Data
Location of the organization seat	Kosjerić
Number of countries where our organization operates	1 (Serbia)
Number of countries where our organization operates	Serbia, Montenegro, Croatia
Number of employees covered by the Collective Bargaining Agreement	100%
Significant changes during the reporting period	None
Charters, principles or initiatives supported by the organization	Code of Conduct, UN Global Compact, Cement Sustainability Initiative
Membership in associations considered as important by the organization	Cement Industry of Serbia, Foreign Investors Council, AmCham, Responsible Business Forum
Reporting period	1 January – 31 December 2016
Date of most recent previous report	22 July 2016
Ratio between the lowest salary in the Company and minimal salary in Serbia, by gender	The lowest basic salary paid in the Company for December 2016 was 2.5 times higher than the minimum salary in Serbia
Energy consumption outside the organization	418,3 TJ*
Water sources significantly affected by withdrawal of water	None
Indirect greenhouse gas emissions (Scope 2)	Total indirect CO <sub>2</sub> emission was 0.037 million tons
Other indirect greenhouse gas emissions (Scope 3)	Due to the unavailability of reliable information, this indicator is not included in the Report.
Emissions of ozone-depleting substances	There is no emission of ozone-depleting substances in the process of cement production.
Total number of recorded significant spills	None
Employee benefits which are not provided to temporary or part-time employees	All benefits, except for jubilee awards, are provided regardless of the term of contract.
Employees in workplaces with increased risk	27 employees
Percentage of employees receiving regular performance reviews	97.84%
Number of legal actions initiated for anti-competitive behavior	None
Value of significant fines and total number of non-monetary sanctions for non-compliance with laws	None
Percentage of significant product categories for which health and safety impacts are assessed	100%
Number of incidents of non-compliance concerning the health and safety impacts of products	None

\* Energy consumption outside the organization and indirect CO<sub>2</sub> emission (regarding energy consumption outside the organization) is shown in line with the Decree on thresholds of annual energy consumption, on the basis of which it is determined which business subjects are subject to the energy management system, annual targets in energy saving and the application form about realized energy consumption ("Official Gazette of RS" No. 18/16)

\*\* Ibid



EXCERPTS FROM FINANCIAL STATEMENTS  
OF TITAN CEMENTARA KOSJERIC

## INDEPENDENT AUDITOR'S REPORT

**To the Management of Titan Cementara Kosjeric d.o.o., Kosjeric**

We have audited the accompanying financial statements of Titan Cementara Kosjeric d.o.o., Kosjeric (the „Company“) which comprise the balance sheet as of 31 December 2016 and the income statement, statement of other comprehensive income, statement of changes equity and cash flow statement for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information..

***Management's responsibility for the financial statements***

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

***Auditor's responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Law on Auditing and auditing regulation effective in the Republic of Serbia. This regulation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of Titan Cementara Kosjeric d.o.o., Kosjeric as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the requirements of the Law on Accounting and accounting regulation effective in the Republic of Serbia.

Milivoje Nešović  
Licensed Auditor

Belgrade, 14 March 2017



PricewaterhouseCoopers d.o.o., Beograd

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This version of our report/ the accompanying documents is a translation from the original, which was prepared in Serbian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

## INCOME STATEMENT

For the year ended 31 December	2016 '000 RSD	2015 '000 RSD
<b>OPERATING REVENUES</b>	<b>4,128,590</b>	<b>3,790,483</b>
Revenues from the sale of merchandise	18,394	87,337
Revenues from the sale of products and services	4,109,817	3,698,902
Other operating income	379	4,244
<b>OPERATING EXPENSES</b>	<b>2,716,507</b>	<b>2,690,098</b>
Cost of goods sold	16,354	81,409
Income from the own use of products, services and merchandise	5,308	4,322
Increase in value of finished goods, work in progress and services in progress	636	-
Decrease in value of finished goods, work in progress and services in progress	-	30,125
Costs of materials	416,815	412,991
Costs of fuel and energy	655,013	611,155
Cost of salaries, salaries compensations and other employee benefits	557,229	526,522
Costs of production services	660,439	614,287
Depreciation and amortization	187,214	191,113
Long-term provisions	14,344	9,017
Non-production costs	215,043	217,801
<b>OPERATING PROFIT</b>	<b>1,412,083</b>	<b>1,100,385</b>
Financial income	31,229	24,177
Financial expenses	4,439	13,579
Expenses from value adjustments of other assets measured at fair value through Income Statement	1,111	8,187
Other income	10,054	21,188
Other expenses	18,321	13,119
Net profit from discontinued operations, effects of changes in the accounting policies and correction of errors from previous years	-	2,233
Net loss from discontinued operations, effects of changes in the accounting policies and correction of errors from previous years	993	-
<b>PROFIT BEFORE TAX</b>	<b>1,428,502</b>	<b>1,113,098</b>
Income tax	221,423	172,756
Deferred income tax	4,612	5,350
<b>NET PROFIT</b>	<b>1,211,691</b>	<b>945,692</b>

## BALANCE SHEET

As on 31 December	2016 '000 RSD	2015 '000 RSD
<b>NON CURRENT ASSETS</b>	<b>1,964,315</b>	<b>2,028,192</b>
Intangible assets	1,969	5,046
Property, plant and equipment	1,954,380	2,015,180
Long-term financial investments	7,966	7,966
<b>DEFERRED TAX ASSETS</b>	<b>7,159</b>	<b>5,361</b>
<b>CURRENT ASSETS</b>	<b>2,356,297</b>	<b>1,930,901</b>
Inventories	473,003	490,255
Trade receivables	311,589	278,239
Other receivables	10,011	10,724
Short-term financial investments	1,522,245	1,027,085
Cash and cash equivalents	25,848	112,752
Prepaid Value Added Tax and Accruals	13,601	11,846
<b>TOTAL ASSETS</b>	<b>4,327,771</b>	<b>3,964,454</b>
<b>EQUITY</b>	<b>3,883,375</b>	<b>3,617,376</b>
Share capital	2,505,209	2,505,209
Reserves	166,475	166,475
Retained earnings	1,211,691	945,692
<b>LONG-TERM PROVISIONS AND LIABILITIES</b>	<b>43,369</b>	<b>40,256</b>
Long-term provisions	43,369	40,256
<b>DEFERRED TAX LIABILITIES</b>	<b>0</b>	<b>2,814</b>
<b>SHORT-TERM LIABILITIES</b>	<b>401,027</b>	<b>304,008</b>
Received advances, deposits and caution money	23,395	12,952
Current liabilities	276,225	227,532
Other short-term liabilities	28,816	43,831
Value Added Tax liabilities	0	15,669
Liabilities for other taxes, contributions and other duties	68,413	3,653
Accrued expenses	4,178	371
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,327,771</b>	<b>3,964,454</b>

## CASH FLOW STATEMENT

For the year ended 31 December	2016 '000 RSD	2015 '000 RSD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash inflow from operating activities</b>	<b>4,096,198</b>	<b>3,847,656</b>
Sales and received advances	4,086,636	3,816,307
Other inflows from operating activities	9,562	31,349
<b>Cash outflow from operating activities</b>	<b>2,646,089</b>	<b>2,544,213</b>
Payments and prepayments to suppliers	1,879,674	1,816,151
Salaries, wages and other personal expenses	556,245	525,391
Interest expenses	145	39
Income tax	155,847	184,120
Outflows related to other public revenues	54,178	18,512
<b>Net cash inflow from operating activities (A)</b>	<b>1,450,109</b>	<b>1,303,443</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
<b>Cash inflow from investing activities</b>	<b>18,292</b>	<b>5,834</b>
Sales of intangible assets, property, plant and equipment	-	217
Interest from investing activities	18,292	5,617
<b>Cash outflow from investing activities</b>	<b>618,516</b>	<b>158,600</b>
Purchase of intangible assets, property, plant and equipment	123,356	84,846
Other financial investments (net outflows)	495,160	73,754
<b>Net cash outflow from investing activities (B)</b>	<b>(600,224)</b>	<b>(152,766)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>Cash inflow from financing activities</b>	<b>-</b>	<b>-</b>
<b>Cash outflow from financing activities</b>	<b>945,692</b>	<b>1,054,473</b>
Paid dividends	945,692	1,054,473
<b>Net cash outflow from financing activities (C)</b>	<b>(945,692)</b>	<b>(1,054,473)</b>
<b>Net cash inflow (A+B+C&gt;0)</b>		<b>96,204</b>
<b>Net cash outflow (A+B+C&lt;0)</b>	<b>(95,807)</b>	
Cash at the beginning of the period	112,752	11,400
Effect of foreign exchange rate change – gains	10,286	13,209
Effect of foreign exchange rate change – losses	1,383	8,061
<b>Cash at the end of the period</b>	<b>25,848</b>	<b>112,752</b>

## 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
<b>Balance on 1 January 2015</b>	<b>2,505,209</b>	<b>166,475</b>	<b>1,054,473</b>	<b>3,726,157</b>
Net profit	-	-	945,692	945,692
Distribution of dividends	-	-	(1,054,473)	(1,054,473)
<b>Balance on 31 December 2015</b>	<b>2,505,209</b>	<b>166,475</b>	<b>945,692</b>	<b>3,617,376</b>
<b>Balance on 1 January 2016</b>	<b>2,505,209</b>	<b>166,475</b>	<b>945,692</b>	<b>3,617,376</b>
Net profit	-	-	1,211,691	1,211,691
Distribution of dividends	-	-	(945,692)	(945,692)
<b>Balance on 31 December 2016</b>	<b>2,505,209</b>	<b>166,475</b>	<b>1,211,691</b>	<b>3,883,375</b>

## GRI INDEX

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G4-54	Ratio of the annual highest-paid individual to the median annual total compensation for all employees	The information is subject to confidentiality restrictions in line with the Company's policy about reporting
G4-55	Ratio of percentage increase in the highest annual compensation to the median percentage increase for all employees	
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	G4-EN5	Energy intensity	28
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	G4-EN8	Total water withdrawal by source	31
Water	G4-EN9	Water sources significantly affected by withdrawal of water	34
	G4-EN10	Percentage or volume of water recycled and reused	31
Biodiversity	G4-DMA	Management approach	32
	G4-EN11	Sites adjacent to or in protected areas	The Company does not own any sites adjacent to or in protected areas
	G4-EN13	Habitats protected or restored	32
	G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations	In the area of the organization's operations there are no IUCN Red List species
Emissions	G4-DMA	Management approach	28–29
	G4-EN15	Total direct greenhouse gas emissions (Scope 1)	28–29
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	G4-EN23	Total amount of waste and disposal methods	31–32
	G4-EN24	Total number of recorded significant spills	34
	G4-EN25	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention, Annex I, II, III and VIII, and percentage of transported waste shipped internationally	32
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Products and services	G4-EN27	Extent of environmental impact mitigation of products and services	32
	G4-EN28	Percentage of products sold and their packaging materials by category	32
Compliance	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	None
General	G4-DMA	Management approach	27
	G4-EN31	Total environmental expenditures and investments	33
Supplier environmental assessment	G4-DMA	Management approach	20, 22–24
	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	22–24
	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	22–24
Environmental grievance mechanisms	G4-DMA	Management approach	Regulated through ISO 14001
	G4-EN34	Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms	None
SOCIAL INDICATORS: EMPLOYMENT AND WORK PRACTICES			
Aspect	#	Indicator	Page in this Report
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	G4-LA1	Employee turnover by gender, age group and region	13–15
	G4-LA2	Employee benefits which are not provided to temporary or part-time employees	34
	G4-LA3	Return to work and retention rates after parental leave	15
Labor/management relations	G4-LA4	Minimum notice periods regarding significant changes	Eight days
Health and safety at work	G4-DMA	Management approach	16
	G4-LA5	Percentage of total workforce represented in joint health and safety committees	100%, p. 18
	G4-LA6	Injuries at work and absenteeism	10, 16
	G4-LA7	Employees in workplaces with increased risk	34
	G4-LA8	Issues of health and safety at work covered by agreements with unions	18
Training and education	G4-DMA	Management approach	19
	G4-LA9	Average hours of training per employee by gender and category	19
	G4-LA10	Education of management and employees which ensures employability and career management	19
	G4-LA11	Percentage of employees receiving regular performance and career reviews	34
Equal opportunities	G4-DMA	Management approach	13
	G4-LA12	Composition of governance bodies and breakdown of employees	13–15
Equal Remuneration for Women and Men	G4-DMA	Management approach	13
	G4-LA13	Ratio of the basic salary of women to men by employee category	13
Supplier assessment for labor practices	G4-DMA	Management approach	20, 22–24
	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	22–24
	G4-LA15	Significant impacts for labor practices in the supply chain	22–24
Labor practices grievance mechanisms	G4-DMA	Management approach	13
	G4-LA16	Number of grievances about labor practices through formal grievance mechanisms	None
SOCIAL INDICATORS: HUMAN RIGHTS			
Aspect	#	Indicator	Page in this Report
Investments	G4-DMA	Management approach	7–11, 13
	G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses	None
	G4-HR2	Total number of training hours about human rights	45 hours, p.10
Non-discrimination	G4-HR3	Total number of incidents of discrimination	None
Freedom of association and collective bargaining	G4-DMA	Management approach	13
	G4-HR4	Potential violation of the freedom of association and collective bargaining	72.94% of employees are members of the Union
Security practices	G4-HR7	Percentage of security personnel trained in the human rights policies	100%
	G4-DMA	Management approach	20, 22–24
Supplier human rights assessment	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	22–24
	G4-HR11	Significant actual and potential negative human rights impacts identified in the supply chain	22–24
Human rights grievance mechanisms	G4-DMA	Management approach	13
	G4-HR12	Number of grievances about human rights impacts filed through formal grievance mechanisms	None

SOCIAL INDICATORS: SOCIETY			
Aspect	#	Indicator	Page in this Report
Local communities	G4-DMA	Management approach	25
	G4-SO1	Programs of implemented local community engagement, impact assessments and development programs	25–26
	G4-SO2	Operations with significant actual and potential negative impacts on local communities	4–5
Anti-corruption	G4-DMA	Management approach	7–11
	G4-SO3	Assessed risk from corruption	9
	G4-SO4	Communication on anti-corruption	7, 10
	G4-SO5	Incidents of corruption and actions taken	None
Public policies	G4-DMA	Management approach	7–10
	G4-SO6	Total value of financial and in-kind political contributions to politicians and related organizations	None
Prohibition of competition	G4-DMA	Management approach	7–11
	G4-SO7	Number of legal actions initiated for anti-competitive behavior	34
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws	34
Supplier assessment for impacts on society	G4-DMA	Management approach	20–24
	G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	20, 22–24
	G4-SO10	Significant actual and potential impacts on society in the supply chain	22–24
Grievance mechanisms for impacts on society	G4-DMA	Management approach	7–10, 25
	G4-SO11	Number of grievances about impacts on society filed through formal grievance mechanisms	None
SOCIAL INDICATORS: RESPONSIBLE PRODUCT			
Aspect	#	Indicator	Page in this Report
Customers' health and safety	G4-DMA	Management approach	20–21
	G4-PR1	Percentage of significant product categories for which health and safety impacts are assessed	34
	G4-PR2	Number of incidents of non-compliance concerning the health and safety impacts of products	34
Product and Service Labelling	G4-DMA	Management approach	20–21
	G4-PR3	Product and service information required by the procedures	100%, p. 20–21
	G4-PR4	Non-compliance with regulations concerning product and service information and labeling	None, p. 20 – 21
	G4-PR5	Results of customer satisfaction surveys	20–21
Marketing communication	G4-PR6	Sale of banned or disputed products	Products are not on the list of banned products in the markets where the Company operates
	G4-PR7	Non-compliance with regulations regarding communications and promotion	None
Clients' privacy	G4-PR8	Number of complaints regarding breaches of customer privacy and losses of customer data	None
Compliance	G4-DMA	Management approach	20–21
	G4-PR9	Monetary value of significant fines for non-compliance with regulations concerning the provision and use of products and services	None

## COMMUNICATION ON PROGRESS — UN GLOBAL COMPACT

10 principles of the Global Compact	Corresponding GRI indicators	Page in this Report
Human rights		
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.	G4-HR1, G4-HR2, G4-HR4, G4-HR10, G4-HR11, G4-SO1, G4-SO2, G4-SO9, G4-SO10	4–5, 7–10, 13–25
Principle 2: Companies should make sure that they are not complicit in human rights abuses.	G4-HR1, G4-HR2, G4-HR4, G4-HR10, G4-HR11	7–10, 13–24
Work standards		
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	G4-11, G4-LA4, G4-HR4	13–24, 39–44
Principle 4: Companies should eliminate forced and compulsory labor.	G4-HR6	Not material
Principle 5: Companies should abolish child labor.	G4-HR5	Not material
Principle 6: Companies should eliminate discrimination in respect of employment and occupation.	G4-10, G4-LA1, G4-LA2, G4-LA3, G4-LA5, G4-LA6, G4-LA7, G4-LA8, G4-LA9, G4-LA10, G4-LA11, G4-LA12, G4-LA13, G4-LA14, G4-LA15, G4-HR3	13–24, 39–44
Environment protection		
Principle 7: Businesses should support a precautionary approach to environmental challenges.	Environment	27–34
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.	Environment	27–34
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.	Environment	27–34
Anti-corruption		
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	G4-SO3, G4-SO6	7–10, 39–44



We published the first Report on Corporate Social Responsibility and Sustainable Development for 2010 in 2011 and seven-year long experience in presenting our commitment to creating common values in the Company and the environment contributed to steady improvement of the structure and contents of annual reports of TITAN Cementara Kosjerić. The concept of this document is established according to the circumstances in which business develops and suggestions of our stakeholders, while the materiality assessment performed by the Company through the dialogue with the stakeholders is harmonized with the strategy of TITAN Group and its priorities.

The Report for 2016 is prepared in line with the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) and the International Integrated Reporting Council (IIRC) Framework. The Company applied this additional standard in order to provide all interested parties with the overall picture of its business and impacts on society. The information about health and safety and the environment are aligned with the standards of cement industry and corresponding protocols of the World Business Council for Sustainable Development (WBCSD) – Cement Sustainability Initiative (CSI). The integrated Report follows Sustainable Development Goals in line with the Company's priorities.

The Integrated Report for 2016 includes material topics in respect to the Kosjerić facility (cement plant and quarries), while the Company's consolidated financial statements, that are not presented in this Report, also include the daughter-company: TCK Montenegro, which operates in Montenegro and deals with commercial business.

Some information stipulated in the Reporting Guidelines of the Global Reporting Initiative, is impossible to present due to economic and social circumstances in which the Company operates. In line with corporate values and the applied business model, the Company follows trends and opportunities for more complete reporting. The production of this year's Report once again involved the CSR Team of TITAN Cementara Kosjerić, which ensured all relevant topics from the expert position are included, while the CSR Committee reviewed and approved the Report with the support of professionals from TITAN Group. More information about the Corporate Social Responsibility Committee may be found in Chapter "Our Governance".

Committed to continuous improvement of the level of transparency and reporting, the Company practices this approach in communication with interested parties. The Report for 2016 follows the International Integrated Reporting Framework, and meets the GRI G4 'In accordance' – comprehensive requirements, which was also verified by independent auditors from the auditing company E&Y Serbia. Their statement about the review is part of this Report.

**Further information, questions  
and suggestions:**

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**More information about the Company:**

[www.titan.rs](http://www.titan.rs)

**More information about  
Integrated Reporting:**  
[www.integratedreporting.org](http://www.integratedreporting.org)

**More information about  
Global Reporting Initiative:**  
[www.globalreporting.org](http://www.globalreporting.org)

## INDEPENDENT ASSURANCE STATEMENT

### TO THE MANAGEMENT OF TITAN CEMENTARA KOSJERIĆ D.O.O. KOSJERIĆ

The 2016 Corporate Responsibility Report ("the Report") of Titan Cementara Kosjerić d.o.o. Kosjerić ("the Company") has been prepared by the Company's management which is responsible for the collection and presentation of the information contained therein. Our responsibility is limited in carrying out a limited assurance engagement on specific scope on the Report, which is prepared in accordance with the "In accordance - Comprehensive" option level of the GRI G4 Sustainability Reporting Guidelines ("GRI G4"). Our responsibility in performing our assurance engagement is solely to the management of the Company and in accordance with the terms of reference agreed between us. We neither accept nor we assume any responsibility and for any other purpose to any other person or organization. Any reliance any third party may place on the Report is entirely at its own risk and responsibility.

The Company's management is responsible for the preparation of the Report in accordance with the GRI G4. In particular, the Company's management is responsible for internal controls being designed and implemented to prevent the Report from being materially misstated. In addition, the Company's management is responsible for ensuring that the documentation provided to us is complete and accurate. The Company's management is also responsible for maintaining the internal control system that reasonably ensures that the documentation described above is free from material misstatements, whether due to fraud or error.

### WORK SCOPE AND CRITERIA

The assurance engagement has been planned and performed in accordance with the International Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ("ISAE3000" revised), in order to provide a limited level assurance opinion on:

1. The accuracy and completeness of quantitative data and the plausibility of qualitative information related to the GRI G4 General Standard Disclosures, required for the "In accordance - Comprehensive" option.
2. The accuracy and completeness of quantitative data (performance indicators) and plausibility of statements (GRI G4 Disclosures on Management Approach) related to the GRI G4 Specific Standard Disclosures, which correspond to the most material issues, as presented in the Company's materiality analysis.
3. The Report's "In accordance - Comprehensive" adherence against the related GRI G4 requirements.

## WHAT WE DID TO FORM OUR CONCLUSIONS

In order to form our conclusions we performed (but were not limited to) the steps outlined below:

- Performed interviews with Management executives in order to understand the Company's corporate responsibility processes, policies and activities during the reporting period.
- Reviewed information in order to substantiate data and statements regarding the Company's sustainability performance in 2016, as these are presented in the Report.
- Reviewed the Company's processes for determining material issues to be included in the Report, as well as the coverage of these material issues within the Report, material issues covered by media, and sustainability reports of selected peers.
- Interviewed specialists responsible for managing, collating and reviewing data related to the GRI G4 General and Specific Disclosures under the scope of our engagement, for internal and public reporting purposes.
- Reviewed relevant documentation and reporting systems, including collation tools, templates used, and guidance documents.
- Reviewed the Report for the appropriate presentation of the GRI G4 General and Specific Standard Disclosures under the scope of our engagement, which included discussions of limitations and assumptions relating to the way data are presented.
- Reviewed the GRI G4 Content Index and the references included therein, against the GRI G4 requirements for the "In accordance - Comprehensive" option.

### LEVEL OF ASSURANCE

Our procedures were designed in order to obtain a limited level of assurance (as set out in ISAE 3000-revised) on which we formed our conclusions. The extent of these procedures is less than those designed to obtain a reasonable level of assurance and therefore a lower level of assurance is obtained.

### LIMITATIONS OF OUR REVIEW

- ▶ Our review was limited to the Serbian version of the Report. In the event of any inconsistency in translation between the English and Serbian versions, as far as our conclusions are concerned, the Serbian version of the Report prevails.
- ▶ We do not provide any assurance relating to future information such as estimates, expectations or targets, or their achievability.
- ▶ The scope of our work did not include any review of third party activities or performance, nor attending any stakeholder engagement activities.
- ▶ Our review did not include testing of the Information Technology systems used or upon which the collection and aggregation of data was based by the Company.

## CONCLUSIONS

Based on our review and according to the terms of reference and the limitations of our work, we report the following conclusions. Our conclusions are based on the appropriate application of the selected criteria and should be read in conjunction with the "What we did to form our conclusions" section above.

1. How complete and accurate are the quantitative data and how plausible is the qualitative information related to the GRI G4 General Standard Disclosures under the scope of our engagement?
  - Nothing has come to our attention that causes us to believe that any reporting unit, according to the set boundary and time period stated in the Report, is not included in the quantitative data of the Report related to the GRI G4 General Standard Disclosures under the scope of our engagement.
  - Nothing has come to our attention that causes us to believe that errors or inaccuracies exist in the collation of the qualitative data related to the GRI G4 General Standard Disclosures under the scope of our engagement, or in the transposition of these data to the Report, that would materially affect the way they are presented.
  - We have reviewed information and explanations on selected Management statements (qualitative information) related to the GRI G4 General Standard Disclosures, as these are presented in the Report and no material misstatements came to our attention.
  - Nothing has come to our attention that causes us to believe that materiality analysis is inaccurately presented based on the procedures followed by the Company.
2. How complete and accurate are the quantitative data (performance indicators) and how plausible are the statements (GRI G4 Disclosures on Management Approach) related to the GRI G4 Specific Standard Disclosures under the scope of our engagement?
  - Nothing has come to our attention that causes us to believe that any reporting, according to the set boundary per material issue and the time period stated in the Report, is not included into the quantitative data (performance indicators) of the Report related to the GRI G4 Specific Standard Disclosures under the scope of our engagement.
  - Nothing has come to our attention that causes us to believe that errors or inaccuracies exist in the collation of the data related to the GRI G4 Specific Standard Disclosures under the scope of our engagement, or in the transposition of these data to the Report that would materially affect the way they are presented.
  - We have reviewed information and explanations on selected Management statements (GRI G4 Disclosures on Management Approach) related to the GRI G4 Specific Standard Disclosures, as presented in the Report and no material misstatements came to our attention.

3. Does the Report meet the GRI G4 requirements of the "In accordance - Comprehensive" option?

- Based on our review, nothing has come to our attention that causes us to believe that the Report does not meet the requirements of the "In accordance - Comprehensive" option, as presented in the GRI G4 Content Index.

## INDEPENDENCE

We conducted our assurance engagement in accordance with International Assurance Standards, particularly ISAE 3000 (revised). These regulations require that we comply with ethical standards and plan and perform our assurance engagement to obtain limited assurance about the specific scope explained above.

We apply International Standard on Quality Control 1 (ISQC 1), and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements in law or regulation.

We comply with the independence and other ethical requirements of the IESBA Code of Ethics for Professional Accountants, which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Belgrade, 15 June 2017



**Olivera Andrijašević**  
Authorized Auditor  
for Ernst & Young d.o.o. Beograd

