Corporate Social Responsibility and Sustainability Report 2011





| 1 | 1. | Message from the General Manager | 1 |
|---|----|---------------------------------------|----|
| Ź | 2. | Titan Group | 2 |
| 3 | 3. | Titan Cementara Kosjeric | 2 |
| | | 3.1 About the Company | 2 |
| | | 3.2 Our Values | 3 |
| | | 3.3 TCK History | 4 |
| Z | 4. | Commitment to Sustainable Development | 5 |
| | | 4.1 Sustainable Development | 5 |
| | | 4.2 Corporate Social Responsibility | 7 |
| | | 4.3 Stakeholder Engagement | 8 |
| 5 | 5. | Openness towards Society | 10 |
| | | 5.1 Safety First | 11 |
| | | 5.2 Our Employees | 12 |
| | | 5.3 Local Community | 17 |
| 6 | 5. | Environment | 20 |
| | | 6.1 Climate Change | 20 |
| | | 6.2 Emissions | 21 |
| | | 6.3 Environmental Footprint | 23 |
| 7 | 7. | GRI Index, Indicators | 26 |
| 8 | 8. | About the Report, Report verification | 27 |

Dear Stakeholders,

This is the second CSR Report that has been issued by Titan Cementara Kosjeric, guided by a view to both giving credits and enhancing collaboration with stakeholders through transparent and structural presentation of the company results.

Our endeavour to improve continuously has been proven by this report, prepared according to international Global Reporting Initiative Guidelines, with having independent auditors verify its content and thus corroborated that sustainable effects and corporate vitality are to be attained by continuous follow-up performance, assessment and process improvement.

In spite of the fact that 2011 was featured as another year of economic uncertainty that placed new and unexpected challenges before the company, a long-term collaboration with the community we work in, proved to be of invaluable significance. In compliance with corporate values of Titan Group our endeavours, focused on safety and health at work, sustainable development and collaboration with local community, have been recognized by our stakeholders.

Even though we have made comprehensible improvement in the field of providing safe working environment, two injuries at work were recorded in the course of the previous year, from which we have learnt the lesson by applying a systematic approach. Nevertheless, we continue to learn from our flaws as well as our success in order that we can establish the working environment with minimizing risk of injuries and responsibility arisen in each individual concerning safety at work.

In the course of 2011 we ascertained that the sustainable development is the one of our corporate priorities. Thanks to achieved results, we were provided with recognition and stimulation for further promotion – we were granted IPPC permit in compliance with Law on Integrated Pollution Prevention and Control in June, as the first company in the country which succeeded in obtaining this permit.

Collaboration with the local community we perform our operations in, has the effect of attaining the objective of strengthening all segments of social life. We continued supporting a variety of developing initiatives in our community, recognising the importance of joint action and stakeholder engagement in order to create substantial contribution to society. We have participated in some of the most significant projects realized in Kosjeric, with the result of investing more than \in 615,000 in 2011.

This report comprises some of our crucial results achieved. Continuous advancement and investment in knowledge acquisition are fundamental grounds for sustainable development and corporate social responsibility, which refers to any sphere of business. Therefore, we are committed to self-evaluation and comprehending feed-back information concerning the issues of common interest provided by all stakeholders.

Our CSR strategy remains directed towards the challenges precipitated by the time we live in: by doing less harm, and endeavouring to do more good, we aim to achieve progress in every crucial segment. We create safe working environment without injuries at work, contribute to environmental protection by further reduction of emission, water consumption and fossil fuel utilization as well as fruitful communication and collaboration relationships with the local community where our operations are set with a view to improving its life quality.

We are committed to delivering the best results in compliance with the values we uphold in our work. Accordingly we truly believe in the dialogue and trustworthiness as the milestones for further advancement which is the best way of creating a better world.

> Miroslav Gligorijevic General Manager

Usieres -

Titan Group

Titan Group has been engaged in the social aspects of the corporate activities since its establishment and opening of the first plant for cement production in Greece, 1902. Shortly after, in 1922, the company provided insurance for the employees in case of injuries at work and donated the material for construction completion of the Greek University in Smyrna, Turkey. Apart from numerous benefits provided for its employees, the company aided the imperilled population not only in cases of force majeure but also during the war. Company's omnipresent concern for people and environment was acknowledged by introducing the first electrostatic filter in Greece installed at the Elefsis plant in 1960.

As the pioneer in the sphere of corporate social responsibility in Greece, the company issued the Annual Social Report titled "Social Balance" in 1983.

A number of rewards and acknowledgements are the testimony of continuous effort and commitment of Titan industry in the field of safety and health at work, concern for human rights and needs as well as environment. Nowadays, Titan performs its corporate activities in the countries on several continents (Greece, USA, Canada, Great Britain, France, Italy, Bulgaria, Macedonia, Albany, Turkey, Egypt, Serbia, Kosovo region), and therefore, remains consistent in its concept of applying corporate social responsibility as the vital part of corporate activities.

Titan Cementara Kosjeric

In 2011 Titan Cementara Kosjeric Ltd. celebrated its 35th corporate anniversary. In spite of the fact that the Serbian Economy had difficult periods, the plant in Kosjeric has been continually developing and advancing. Common corporate strategy and motivation of the employees are fundamental points in making a recognized brand with transparent results in a high quality product, professional relationship with customers, respect for the working environment and local community. Thanks to incessant investment in human resources and technological performances, the current capacity of the production is cc 750,000 tons of cement per year. Significant link with the local community as a stakeholder is determined by generating useful initiatives coming from Cementara thus representing the interests of the fellow citizens and augmenting the life quality. The history of the cement industry in Kosjeric commenced in the course of the 70s of the 20th century. Municipality of Kosjeric and the plant designer, the Institute "Kirilo Savic", determined the location of the forthcoming plant. The building site commenced its activities in September 1971, and final product was launched in 1976; in the course of the 80s, more than 400,000 tons of cement came out per year.

In April 2002, Cementara became an integral part of the Titan Group, a renowned Greek and international cement producer which meant engaging in a new period of intensive development and productivity. New investments were initiated by the process of privatization. Almost € 55,000,000 has been invested in improving working conditions, capacity increase, corporate process optimization and activities in the sphere of environmental protection issues. The company achieves a particular quality of the corporate activities through affirmation of the sustainable development principle. By conducting this principle which is based on permanent values of Titan Group, international quality systems with local market and domestic resources are connected contributing to the community welfare. This is the starting point for the process of continuous investment and dedication to technological and humane progress.

| Key Financial Indicators | 2010 | 2011 |
|---|--------|--------|
| Total Equity (000 €) | 49,585 | 49,228 |
| Directly Generated Value (000€)* | 45,792 | 42,185 |
| Distributed Economic Value (000 €) | 26,726 | 26,831 |
| Operating Costs (000 €)** | 18,467 | 18,997 |
| Salaries and Benefits of Employees (000 €) | 5,861 | 5,844 |
| Interest Charges (000€) | 7 | 37 |
| Taxes in P&L Statement excluding Profit Tax (000€) | 2,329 | 1,873 |
| Pro Bono Investment In Local Community (000 €) | 62 | 79 |
| Aid for Investment Programmes to Municipality (000 €) | 467 | 476 |
| Economic Value Increase of the Company (000 €) | 19,066 | 15,354 |
| Earnings Before Interest, Taxes and Depreciation | 20,806 | 16,527 |

* Directly Generated Value comprises the revenues from sale, rent, financials, interest rate as well as net income and loss on sale operations Property, Plant and Equipment

** Operating Costs comprise cost value of the sold goods and other operating expenses decreased for different kinds of taxes

Corporate Values

Titan Cementara Kosjeric is part of the company which grows as multi-regional, vertically integrated cement producer combining an entrepreneurial spirit and operational excellence with respect for people, society and the environment.

These values are woven in all our corporate decisions and activities. They determine our relationship towards work, colleagues, associates and surroundings.

| INTEGRITY | KNOW-HOW | VALUE TO CUSTOMER |
|--|---|---|
| Ethical business practices Transparency Open communication | Enhancement of our knowledge base Proficiency in every function Excellence in core competencies | Anticipation of customer needs Innovative solutions High quality of products and services |
| DELIVERING RESULTS | CONTINUOUS SELF-IMPROVEMENT | CORPORATE SOCIAL RESPONSIBILITY |
| Shareholder valueClear objectivesHigh standards | Learning Organization Willingness to change Rise to challenges | Safety first Sustainable development Stakeholder engagement |
| | | |

Titan Cementara Kosjeric Through History

| _ | 2011 | Obtaining the IPPC permit in compliance with Law on Integrated Pollution Prevention and Control. Our company was the first in the country which succeeded in obtaining this permit CE mark was obtained for two types of portland composite cement |
|---|------|---|
| - | 2010 | Launching the waste water treatment system Certification in accordance with the OHSAS 18001 standard – Occupational Safety and Health – and the ISO 14001 standard – Environmental Protection |
| _ | 2007 | New bag filter on the cement mill was installed |
| | 2006 | Certification in accordance with the ISO 9001 standard |
| | 2005 | Equipment for continuous measuring of emissions at most important points (kiln, cement mill, solid fuels mill) was installed |
| - | 2004 | Investments in new chamber of the kiln electro-filter and clinker storage silo – another contribution to environmental protection Opening the cement packing and palletising facility – the first cement plant in Serbia which delivered the overall output of under-foil packed cement on pallets |
| | 2002 | The first reconstruction of the kiln pre-heater was conducted, with an increase of the production capacity Cementara Kosjeric became a member of Titan Group |
| - | 1989 | Transportation service established to satisfy customers' needs |
| | 1987 | Modern mining machines were introduced to improve quarry operations |



Commitment to Sustainable Development

SUSTAINABLE DEVELOPMENT

One of the significant guidelines of Titan Cementara Kosjeric business programs is to meet the needs of the present generations without compromising needs of future generations.

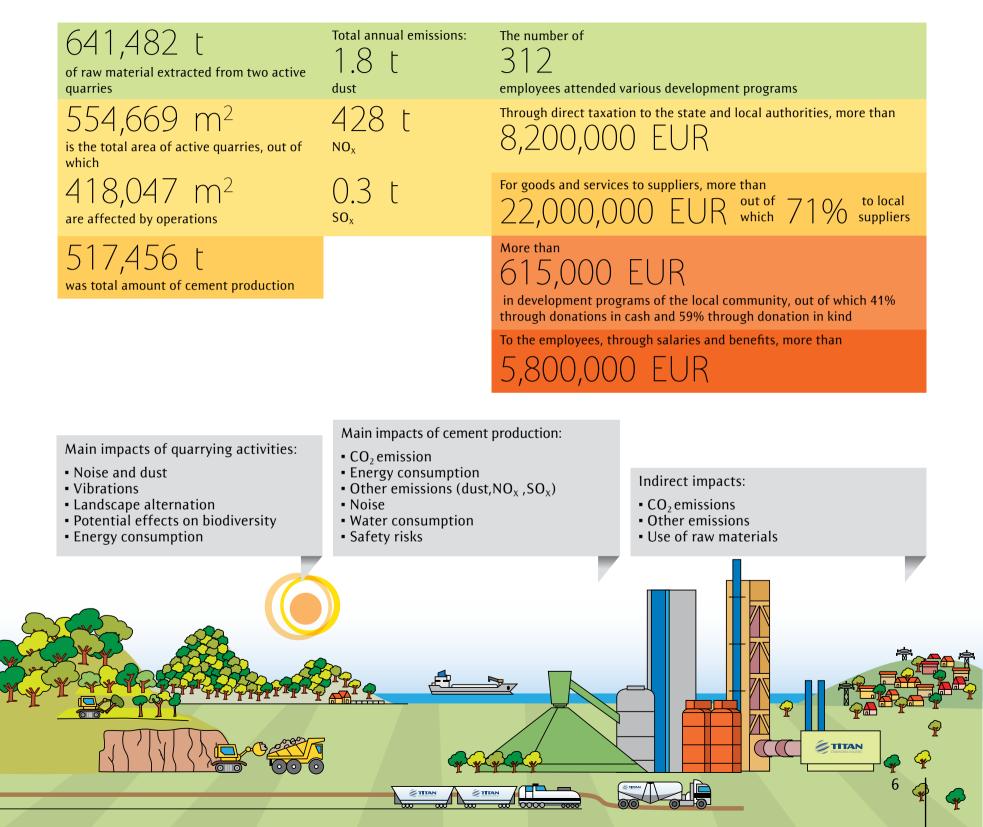
The product which we return to society enables the establishment of values such as safety, durability, cost-efficiency, resource efficiency and connecting people.

Our corporate operations represent a process which including minerals exploitation, raw material grinding and crushing, blending, burning of raw material, cement milling, packaging and distribution of products. We are aware of the impact those processes may have on the environment and local community and thus strive to reduce or mitigate them entirely so as to save the planet for future generations. At the same time, collaboration, dialogue and trustworthiness we create with stakeholders are crucial in achieving sustainable development objectives. "Sustainable Development stands for meeting the needs of present generations without jeopardizing the ability of futures generations to meet their own needs — in other words, a better life quality for everyone now and for generations to come. It offers a vision of progress that integrates immediate and longer-term objectives, local and global action, and regards social, economic and environmental issues as inseparable components of human progress.

Sustainable development will not be brought about by policies only: it must be taken up by society at large as a principle guiding many choices we make every day. This requires profound changes in thinking in the sphere of economic and social structures as well as in the consumption and production patterns."

European Commission

AN OVERVIEW OF ACTIVITIES AND IMPACTS IN 2011



CORPORATE SOCIAL RESPONSIBILITY

Ethical and responsible social behaviour in pursuing the business goals obligates all stakeholders in this process to act conscientiously, transparently and cooperatively. Adopting this pattern of communication in everyday activities, the employees of Titan Cementara Kosjeric established the Corporate Social **Responsibility Committee**, which assembled four times during 2011. The Committee that comprises top management members including heads of different functions is in charge of consistent conducting the initiatives contributing to improvement in health and safety at work, environmental protection issues, local development and corporate management. All herein activities are to be realized in accordance with the moral vision which says: We are to do less harm, and endeavour to do more good. In compliance with this CSR vision, our product contributes to creating social values raising the life quality at higher level together with commitment to decreasing the harmful effects on the environment.

Our endeavour in the sphere of socially responsible business activities is to be proactive and adaptable to dynamic social and business trends. As for this, the vital significance lies in listening skills, commitment to work, a good communication and mutual trust with key stakeholders. In this context, Titan Cementara Kosjeric has a representative within Titan Group's **CSR Liaison Delegates network** Regular communication between Group's delegates enables exchange and sharing ideas and good practices in this area, as well as common development of both the company and local communities where it operates.

All company employees are to take part in the process of creating highly recognizable corporate culture. They present a positive reflection of the company in a number of social segment activities, whereas the independent experts verify the effects by estimating the management systems and activities performed in the sphere of production process, environmental protection or financial reporting.

Value to the Customer

Our business reputation is based on comprehensible and systematic hard work. A long-term significant quality system implementation having been completed, the permit of **CE mark** for two types of our cement was obtained in June, 2011. The CE mark allows the free movement of the products within the European market. The CE mark (abbreviation: Conformité Européenne, French) indicates that our product is complied with applicative European legislation connected with health, safety, ecology, protection of the consumers which means that our product can be present within the market of the European Union and the members of the EFTA (Island, Liechtenstein, Switzerland, Norway).

STAKEHOLDER ENGAGEMENT

The approach of engaging stakeholders in discussing topics of joint interest has been adopted by Titan Cementara Kosjeric. This approach is institutionalised through adequate bodies, procedures and responsibilities, so as to advance identification of stakeholder needs, efficiency of programmes realisation, results follow up, learning and common development.

Within the wider context of sustainable development, we are aware that a good correlation with other social structures is required in the industry we are engaged in. Due to the fact that we are open to our community and demonstrate willingness for constructive and value added dialogue, we create trustworthy relations and goods of joint interest.

By recognising strength and importance of joint action through partnerships at local level, within the industry as well as with national and international institutions and organisations, we endeavour to contribute to responding to contemporary challenges at all times.

Corporate Social Responsibility Training

In March, 2011, a two-day workshop was organized on corporate social responsibility and stakeholder engagement for the employees including the company management. We revised our knowledge on vital concepts of responsibility for the environment, international standards and reporting guidelines. This workshop truly contributed to enhancement of open and intensive communication with all social stakeholders.

Presentation of the results of corporate social responsibility

In February 2011, we assembled the individuals and stakeholder of groups and organizations from Kosjeric so as to present our philosophy of corporate social responsibility and sustainable development as well as concrete results for the previous year 2010. The general manager of Titan Cementara Kosjeric pointed out the achievements in the realm of health and safety at work, environmental protection issues and collaboration with local community. This presentation which is an important step in the process of enhancement of communication with all key stakeholders and particularly local community provided essential feedback on our long-term commitment to corporate social responsibility.

The event was highly appraised by the participants who expressed their interest in joining similar assemblies in the future.



Open Communication – round table discussion in the **Municipality** Town Council

The Town Council organized a round table discussion on June 1, 2011 in Kosjeric, with a view to presenting progressive practices of dealing with waste material. The focus was set on utilization of particular waste streams as the alternative fuels and raw materials in the cement production process. Since this issue is of joint interest, this meeting was attended by not only the representatives from our company, but also local and foreign representatives with significant experience in this field, professors from the Faculty of Chemistry in Belgrade and representative of the company PEER (Pure Earth Energy Source).

They agreed upon the view that the utilization of alternative fuels in the process of cement production is one of the world-wide recognized practices of sustainable development which does not lead to emission increase nor to changes in affecting the environment.



Partnership for the future

In December 2011, the representatives of the Association of the Cement Industry in Serbia (CIS) signed the Sustainable Development Declaration thus supporting international Cement Sustainability Initiative. According to the Declaration, three cement plants in Serbia committed to further compliance to Corporate Social Responsibility and Sustainability standards stipulated by national legal framework and international guidelines.

According to sustainability principles, the efforts of CIS members are focused on decreasing utilisation of non-renewable, natural resources resulting in utilising alternative fuels and thus bringing multiple benefits to both cement factories and local communities. Besides saving natural resources, utilisation of alternative fuels reduces investments in incineration facilities, resolves issues related to lack of space for landfills, and offers opportunities for new jobs as well.

TCK Advisory Board

Endeavouring to transparently present the project of alternative fuels implementation in cement production process to the public, Titan Cementara Kosjeric initiated the foundation of Advisory Board, comprising representatives of local municipal authorities, medical institutions, media, NGOs and TCK. Through constructive dialogue and sharing opinions, new proposals and solutions are examined at the Board's meetings to create added value for all stakeholders.

Even though Advisory Board only stared with its activites, the perspective of the company is to develop it as a platform for improving the quality in community relations while providing a forum for identifying needs and expectations in our stakeholders.

Society: Openness and Transparency

Corporate tradition of Titan Group, more than a century old, is governed by the idea that economy and society are inseparable segments. Obtaining and sustaining the operating licence within a local community require attention and effort. Our endeavour to respond to challenges of corporate social responsibility initiates and directs us towards dialogue which we continually nurture with our employees, local community, clients, suppliers and other stakeholders. Principles of mutual respect and trustworthiness, clear and open actions, encourage the collaboration which is essential to common progress.

"TCK Novosti", the newsletter of Titan Cementara Kosjeric, published since 2006 and directed to almost 1,000 people is the mirror of professionalism and particular business style. This is a periodical publication providing information on business policy of the Group and local plant, affirming the company's values, recording important events from the local community and informing on all vital topics referring to the employees. Respecting the policy of transparency, the newsletter "TCK Novosti" contributes to a good communication among all stakeholders in the process of corporate cooperation.

Stakeholders are persons or groups who are, directly or indirectly affected or can affect on organization's operations, products or services; that is, the persons or organizations who can exert influence on the organization's capabilities with a view to successfully performing their strategy and accomplish their objectives.

Global Reporting Initiative (www.globalreporting.org)



SAFETY FIRST

The personnel of Titan Cementara Kosjeric is committed to a working environment without injuries at work, due to the fact that occupational health and safety is basic business priority, together with defined principle that all incidents and injuries can be prevented and that safe behaviour and compliance with safety regulations are the prerequisite for employment.

Clearly defined responsibilities and obligations in every function of this field, contribute to a stable organization and advancement, and success is verified every year through external auditing in compliance with international standard OHSAS 18001.

The number of **559** days without injuries at work achieved in the middle of the year 2011 testifies that our direct and indirect employees seriously understand interactive role of business operations and occupational health and safety; this is the record for the first time achieved since the plant opening. This success is contributed by our employees' willingness to take part in particular trainings; only in the course of 2011 about **2,100** hours of occupational safety training were held, whereas the injury frequency, less satisfactory than last year, was **3.72**.

| Parameter | Definition | 2009 | 2010 | 2011 |
|-------------------|---|------|------|------|
| Fatal injuries | Number of injuries at work with fatal result | 0 | 0 | 0 |
| LTI | Number of injuries at work accompanied by lost working days | 5 | 1 | 2 |
| LTIFR | Number of injuries at work per one million working hours * | 8.5 | 1.71 | 3.72 |
| LTISR | Number of lost calendar days due to injuries at work ** | 259 | 665 | 262 |

* LTIFR = number of lost days incidents * 1,000,000 / working hours of the employees in a year (total number of accomplished working hours of the directly employed people in a year)

** LTISR = total number of calendar days of absence due to injury at work in a year * 1,000,000 / working hours of the employees in a year (total number of accomplished working hours of the direct employees in a year)

Safety Management and Responsibility

In Titan Cementara Kosjeric the systematic approach to this field, incorporated in the organization at the level of the Group, is realised through a good schedule of the responsibilities. **The Health and Safety Committee,** which is chaired by the General Manager, coordinates the activities of safety subcommittees (for audits, incident investigations, rules and procedures, safety of equipment and constructions, safety of contractors and leading safety indicators).

This stable structure, which includes a significant number of employees and responsibility distribution, makes efforts to continually advance safety. One of the measures to undertake is a thorough safety audit, the so-called "Audit 360°", based on OHSAS 18001 standard, within the frame defined by Titan Group and decisions made by the Group's Occupational Health and Safety Council.

Conducted by a regional manager and manager of Titan Group for health and safety, this audit provides a full benchmark for each plant. In 2011 Titan Cementara Kosjeric was marked as reaching the advanced level according to the outcomes of this process.

Safety Audits and Engagement of the Employees

Safety audits, i.e. methodical investigation and safety control in the working environment, identify safety and non-safety acts and conditions, recognize the spheres which are to be advanced, follow realization and effectiveness of the scheduled activities.

All employees are engaged in safety audits aiming to successfully promoting safe behaviour and advancing culture of safety.

In 2011 there were 866 audits conducted directed towards identifying safety and non-safety conditions and acts, checking regulations and procedures as well as safety in the course of execution of works by a contractor.

Continuous Monitoring of Our Safety Performance

Raising awareness of the need to make a common safe and healthy environment is the main indicator of the performance in this sphere. Due to this, in April 2011, three years after the commencement of the project referring to safety improvement at work, another survey was conducted in the company (in accordance with the same criteria of the entrance survey from 2008), significant for determining the advancement parameters. At the same time, a thorough system audit was conducted by independent external consultants. The results showed exceptional progress in compliance with all criteria which were estimated. In some fields, such as commitment to safety, safety organization and incident investigation the indicators are at the level of the most successful companies in the field of safety. All this implies to the internal enhancement motivation in the employees and that each member of the company feels healthy and safe at work they perform.



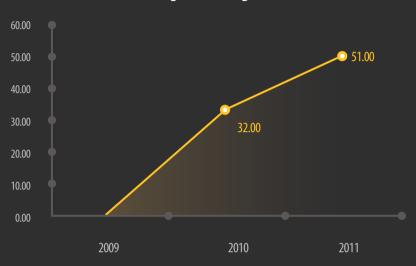
Results of ongoing monitoring of safety culture

Near Misses (NM) – Incidents which could have resulted in an injury or damage of people health, property damage, environmental violation or damage of the company reputation, but they did not (an incident has occurred).

Incident Investigation

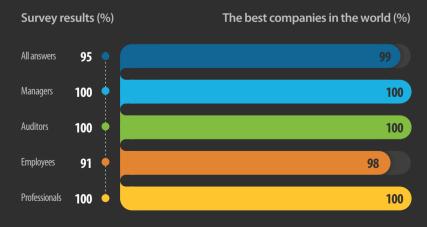
Comparing to previous year, in 2011 more employees were engaged in incident investigation. They attended extra-curricular trainings on methods and systematic approach to ascertaining main reasons for incidents, as well as recognizing and removing flaws in the safety system.

Percentage of investigated Near Misses



There is a noticeably positive trend in the number of thoroughly investigated near-misses. In 2011 65 missed incidents were registered, out of which 33 (51%) were thoroughly investigated (in compliance with the incident investigation procedure). As the result of the missed incidents, 55 preventive and corrective measures were conducted.

Percentage of the employees who stated that most incidents are investigated



Safe Driving

Since a large number of incidents with fatal consequences and serious body injuries occur while driving, which is also recognized by Cement Sustainability Initiative members, the measures were taken in during 2011 which are to advance this field in a sustainable and long-term manner.

Apart from defensive driving trainings with participation of about forty employees, Rules of Safe Driving were established presenting the basis for upgrading the safety systems in driving. In the middle of the year 2011, at a regular annual conference of Titan Group, dedicated to health and safety at work, safety driving was recognized as one of the essential pillars upon which the overall health and safety system of the company was based. On that occasion, Titan Cementara Kosjeric got the task to prepare "Guide for Safe Driving" which would be the guideline for creating procedures in this field for all plants in the region. The Guide was completed by the end of 2011, and is bound to have been fully implemented by the end of 2012.

Safe driving - basic rules

BE CAREFUL AND FRESH Never take up driving unless you are physically ready and fresh.

DRUGS AND ALCOHOL

Do not take up driving in case you are under influence of alcohol, drugs, medicaments or any other substances which might affect on your being able to safely steer the vehicle

SAFETY BELT

Prior to driving, fasten your seat belt and ensure that your travelling companions have done the same.



 \odot

COMPANION DRIVERS

Do not take companion drivers unless you have been approved of.

PROTECTING AGAINST FALLING CARGO

Prior to starting the vehicle the cargo is to be adequately protecting against falling. Ensure that total weight together with cargo, as well as the cargo itself, do not go over the limitations regulated by a vehicle producer and other regulations.

RESPECTING REGULATIONS AND ROAD SIGNS

Respect regulations as well as other rules referring to the vehicle (speed limit, stop signs) in the road while steering the vehicle.



MOBILE PHONES AND OTHER DEVICES FOR A TWO-WAY COMMUNICATION

It is forbidden to use mobile phones and other devices for a two-way communication unless you use other hands-free devices.

8

EASILY NOTICEABLE DRIVERS AND VEHICLES ON THE ROAD On public roads, roads under construction, and roads within the plant, easily noticeable clothes

are to be worn while performing some activities out of the vehicle or the vehicle which is about to start. Light signalization is obligatory.

Incident Investigation – Root Cause Analysis – Method "5 Why"

Simple and effective way of establishing the main reason for the incident starts from the very event/incident and by simple stepping back, with asking a question "why", for each step, leads to the main reason for the incident. The experience gained so far has shown that it is in most cases enough to ask five questions "why" for this purpose; the method was named after the procedure accordingly.

Contractor Safety

The models of good practices in the area of health and safety at work are endeavoured to be transferred to our stakeholders with a view to raising general level of awareness of this realm importance. Therefore, the contractors performing operations within the company are to comply with the same codex of safe behaviour together with directly employed personnel. In this realm of operations the **Subcommittee for Contractor Safety** is in charge of. In 2010, the Subcommittee established both specific work rules and support for contractors.

This concept comprises pre-qualifying suppliers; a thorough tender preparation with focus on prospective risks in every phase of performing operations; preparatory meeting with a chosen supplier with whom all requirements and expectations referring to safety are to be complied; the trainings of the employees at the supplier's; continuous monitoring and meetings held on a regular basis of the safety supervisors from TCK with the contractor's safety officer together with the contractor's employees; common safety assessment after completion of work.

Working environment and operations of the contractor are subject to regular safety auditing. Contractors and their employees are obliged to report incidents and participate in investigation of incidents connected to the realm of their operations and are perform within Titan Cementara Kosjeric premises.

EMPLOYEES

The principles of corporate and human ethics are firmly connected in Titan Cementara Kosjeric. To be employed with our company does not mean joining the leading producer of construction material but joining the company which is highly dedicated to the process of its employees' development.

We cherish the long-term relationships of mutual respect and trust, since we know that our excellent results are founded on a thorough affirmation of professional, moral and individual qualities of our employees. In compliance with aforementioned values, we systematically invest in potential of our employees and in this manner enhance readiness for demanding corporate challenges.

Raised self-awareness of direct engagement in the current company's issues, reflects through activities of Independent Trade Union of Titan Cementara Kosjeric; out of the total number of employees **79,38%** are members of the Union. Union representatives, through regular contacts with management, mediate in issues of common interest. At the regularly held meetings of the **Board for Safety and Health at Work**, the representatives of both employees and management discuss the key issues from this realm of interest.

Employment

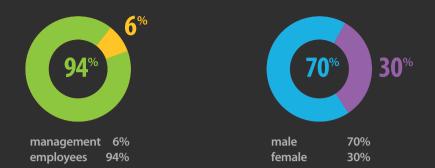
Employment policy, which is compliant with corporate values of the company, focuses on respect and advancement of professional qualifications. Our direct employees have guarantees based upon legislative regulations as well as requisite for continuous development of their competences. The average salary at Titan Cementara Kosjeric for 2011 was 2.27 times higher than the average salary in the Republic of Serbia.

All employees in Titan Cementara Kosjeric work full hours.

| DIRECTLY EMPLOYED on December, 31 | 2010 | | 2011 | |
|--|------|-------|------|-------|
| Number of full-time employees | 315 | | 302 | |
| Number of temporary employees | 5 | | 5 | |
| Total number of employees | 320 | | 307 | |
| Gender: Number of employees | Nº | % | Nº | % |
| female | 52 | 16.25 | 46 | 14.98 |
| male | 268 | 83.75 | 261 | 85.02 |
| Number of employees provided with performance and development feedback information | Nº | % | Nº | % |
| female | 11 | 11.56 | 13 | 12.70 |
| male | 26 | 11.50 | 26 | 12.70 |

Structure by category

Female in management



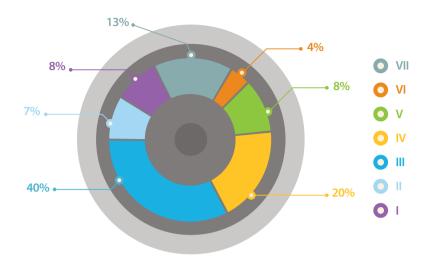
Titan Cementara Kosjeric is one of the rare privatized companies in Serbia which guaranteed the security job status for an added five-year period after Sales-Purchasing Agreement expiration term. This guaranty expires in April, 2102. The number of employees was reduced in the course of 2011 through the Voluntary Early Leave Program. The company earmarked funds for redundancy pay which was € 220.000 for the given period.

| EMPLOYEE TURNOVER | gender | 2011 |
|---|--------|------|
| Newly employed | Female | 2 |
| Newly employed | Male | 5 |
| | Female | 8 |
| Employees having left the company | Male | 12 |
| Turnover rate, excluding retirement (number of employees having left the company / average number of employees for the period) | 6.45 | |

In compliance with its Code of Conduct, Titan Cementara Kosjeric respects partnership with all indirectly employed parties who provide different services, such as contractors and suppliers.

| INDIRECTLY EMPLOYED – CONTRACTORS | 2010 | 2011 |
|---|-----------|---------|
| No. of persons indirectly employed | 207* | 162* |
| Estimated number of indirect employees without logistics and transportation | 41* | 23* |
| Estimated number of indirect employees-logi- stics and transportation | 166* | 138* |
| Total number of working hours provided by employees indirectly employed | 391.190 | 304.921 |
| * No. of contractors estimated as FTE (Full Time E | quivalent |) |





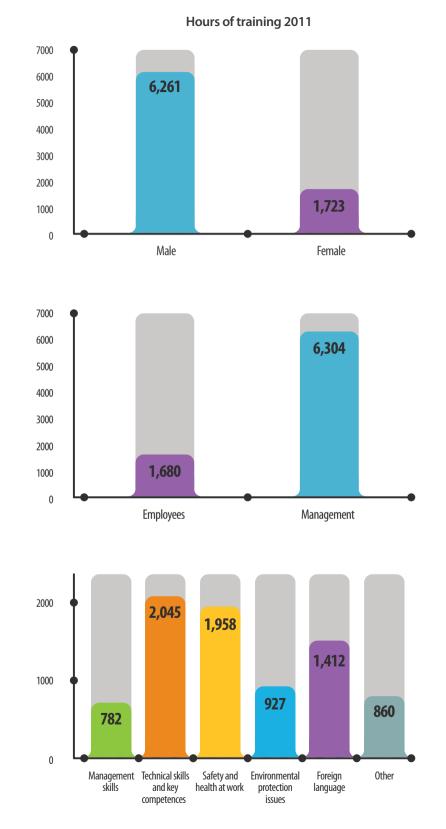
Age distribution of the employees in Titan Cementara Kosjeric

| Year | <25 | 25-29 | 30-34 | 35-39 | 40-44 | 45-49 | 50-54 | 55-59 | 60+ |
|----------------|------|-------|-------|-------|-------|-------|-------|-------|------|
| № of employees | 0 | 10 | 32 | 39 | 45 | 52 | 43 | 70 | 16 |
| % | 0.00 | 3.26 | 10.42 | 12.70 | 14.66 | 16.94 | 14.01 | 22.80 | 5.21 |

People Development

The policy of professional and individual advanced training is the main prerequisite of our continuous improvement. In 2011, a total of **312** employees attended various trainings and development programs. A total of **7,984** hours of training was realised, i.e. **25.75** hours per each employee. Guided by our endeavour to transfer good practices to stakeholders, in the course of the previous year, more than **150** hours of training was realized for contractors.

The process of continuous learning and investment in knowledge as well as a good practice transfer among the employees, have been established as the milestone in personal and corporate responsibility. So as to advance knowledge transfer, the **Training Team** was founded in the company. Including the employees from different departments, this team coordinates various educational programs with the view to recognizing and improving current potentials, enhancing the individuals as well as the company which acquires new knowledge based upon its vital values.



15



COMMUNICATION WITH EMPLOYEES

Wellbeing of our employees and their families is the priority of creating the policy of corporate social responsibility. We respect the diverse sphere of needs and pursuits of our employees initiating us to design a large palette of programs creating a pleasant social milieu and raising awareness of common community values. This extended communication, beyond the pattern of regular working time, contributes to creating quality interpersonal relationships and good corporate climate resulting in complying with underlying corporate principle of Titan Group: permanent commitment that our people create and contribute to the values not only of the company but also of the society at large.

Cementarijada

For 22 years running, employees' favourite Cementarijada was held in Kladovo from May 26 to 29, 2011. About 300 participants from five plants from the region took part in this traditional gathering where through sports competition and entertainment, a successful corporate collaboration and communication are made. Sports competition and supporting atmosphere contributes to creating team spirit and good interpersonal relationships in the company.

Health Prevention

So as to sustain good working capabilities and health in its employees, Titan Cementara Kosjeric expedites financing preventive holidays. In 2011, thirty-one employees were provided with holiday in the spa resorts in Serbia.

Comprehending the significance of health education, we have acquired the initiative of the regional subsidiary of the Society for



Fight Against Cancer, Uzice, and organized the lectures on breast and cervical cancer prevention for our female colleagues. Forty women were provided with useful information on the issue. The lectures were held on November 28 and December 7, 2011.

Excursions for Our Employees

The culture of travelling in our company gathers a large number of devotees. The members of our company with pleasure dedicate their spare time to doing sightseeing – visiting historical and cultural sights and tourist places of interest. In June 2011, the visit to Drvengrad was organized, where we meet fundamentally preserved scenery of Mokra Gora and exotic Sarganska Osmica. Afterwards, we visited ethno village Stanisic near Bijeljina. At the beginning of September we visited a tame and plain region of Novi Sad, Petrovaradin and Backo Petrovo Selo with different cultural backgrounds and heritage. Travelling season ended with "Zupska Berba" in Aleksandrovac where we experienced hospitability of our host, generosity of the nature and traditional values of this region.

New Year – Immense Joy for the Youngest

With forthcoming 2012, Santa Claus, as usual, gave a thrill to all children of our employees in Titan Cementara Kosjeric, giving away wonderful presents. The reception and party for 140 children were organized followed by a holiday program performed by the children from Seca Reka elementary school. Magical New Year celebration was rounded off with theatre performance, another present our company regularly delivers to the children of our employees as well as other youngest children from our community.

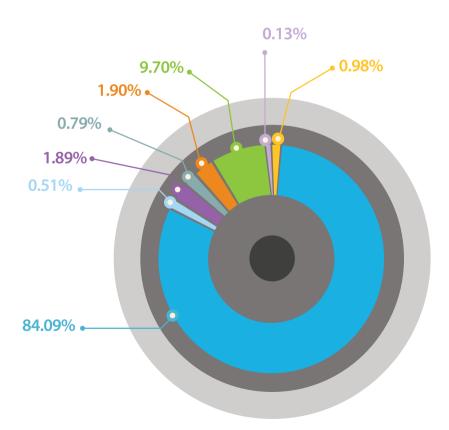
LOCAL COMMUNITY

A long-term practice of creating value for society, Titan Cementara Kosjeric is guided by giving priority to environmental protection issues and support for diverse local community development. By numerous investments and programs, the company marks its presence as the leader in establishing ecological norms and standards as for social behaviour. Economic growth of the company, based on principles of corporate social responsibility and sustainable development, is inseparable from wellness of people from the nearest setting. Due to this fact, public information, good communication and partnership with local organizations are the best way of recognizing joint needs and interests.

The extent to which the company is committed to initiating local development is reflected by the fact that many useful social, cultural, educational and creative programs are supported by Cementara.

Concern for different segments of life in Kosjeric, is reflected through long-term investment in infrastructure and contribution to local communities, as well as concern for safety of fellow citizens. In the middle of the year 2011, by investing more than \in 100,000 in the latest equipment, the railway crossing at the industrial sidetrack going through the town, was reconstructed.

By investing in health, sport and culture, we prove that we are the patron of sports clubs, folklore clubs, mountaineers and creative initiatives. Thanks to such concern, Kosjeric is richer in the sphere of entertainment, educational contents as well as spiritually. One of the most frequented events in 2011 was the exhibition "Svedoci proslosti" of the Museum of Natural History from Belgrade with exhibits of large mammals; in the course of December, this exhibition was visited by 1,200 visitors.









By successful achievements, talents and the future of the young people we are creating the foundations for long-term investments in progressive ideas. There is a good example for our support to a traditional Summer Children Camp in Skakavci, which attracted children from Novi Sad and Belgrade. The most successful students from the schools in the Municipality of Kosjeric are officially rewarded by inevitable and representative Vidovdan rewards by Titan Cementara Kosjeric.



Sports Days of Titan Cementara Kosjeric

For four years running, in March last year, Sports Days were organized for the employees and fellow citizens, on the occasion of anniversary celebration of Titan Cementara Kosjeric. About 250 sports and recreation devotees participated in sports competition in football, volleyball, darts, chess and table tennis as well as in mountaineering action organized in cooperation with the Society for Mountaineering and Ecology "Subjel".

The promotion of fair-play game and enthusiasm as well as values cherished in Titan Cementara Kosjeric, through this local unofficial sports manifestation, contributes to popularizing the culture of physical activities and healthy life styles. Direct contact with fellow citizens contributes to trust enhancement and joint understanding which is the base for everybody's achieving results.





Titan Cementara Kosjeric website

Since the presence of the company on the Internet is not the matter of prestige, but the inevitable part of our corporate strategy, in September last year we created corporate website with the aim of further development of open and transparent communication with all stakeholders. Our business partners, customers, media and beneficiaries are provided by timely and accurate information on our company, products, environmental protection issues and corporate social responsibility.

On website page "Ecomonitor" data are updated every fifteen days on average emissions of dust materials, $SO_2 i NO_x$ emitted on the rotary kiln.



The First Report on corporate social responsibility and sustainable development

The content and significance of the first Corporate Social Responsibility and Sustainability Report for 2011, was honourably presented by General Manager of Titan Cementara Kosjeric on October 6, 2011. In the presence of the company representatives and local community, it was emphasised that the Report presents "balanced



symbiosis of economic, ecological and ethical values of Cementara, integrated in socially responsible manner". The Report which transparently points out commitment to corporate values was done in compliance with the highest standards and international guidelines applicable to this sphere.

The step taken with a view to presenting the efforts which the company invests in key realms of corporate social responsibility is the first step along the path of education including all stakeholders in creating sustainable development and responding to challenges of the modern world.



Environment

Sustainable development – development which meets needs of new generations without compromising needs of future generation – is the priority of business operations in Titan Cementara Kosjeric. For this company, concern for environmental protection issues does not only mean respecting regulated standards by law but committing to continuous improvement of the performance, through implementation of international standards and best practices in the cement industry.

As the first industrial plant in Serbia, in 2011, Titan Cementara Kosjeric succeeded in obtaining the IPPC permit, in compliance with Law on Integrated Pollution Prevention and Control. Integrated permit indicates to regulate conditions under which the plant is to perform its activities, and it primarily refers to permitted levels of polluting substances emission. Another aim is prevention and control of polluted environment through rational resource governance, implementation of the best available techniques and raw material reduction.

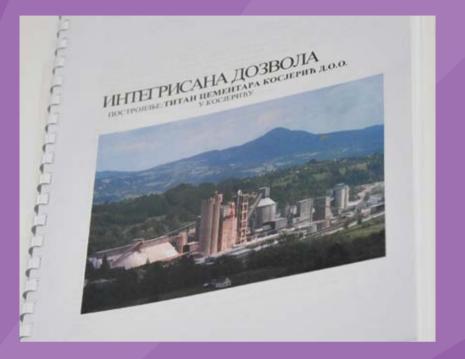
By obtaining IPPC permit, Titan Cementara Kosjeric has established its handling Best Available Technologies and producing its product – cement in accordance with the highest ecological standards.

In Titan Cementara Kosjeric we take pride in being the pioneer in Serbia to obtain the integrated permit which ascertains that we meet standards of the Republic of Serbia and European Union. In this manner, we show our pleasure and honour to present Titan Group which is widely recognized by its commitment to corporate social responsibility.

By this initiative, we set a good example and establish collaboration with local community, state, partners, media and other stakeholders.

Apart from this, we underline our endeavor, seriousness and commitment to environmental protection issues contribution. Not only that we excel at preserving, protecting and advancing environmental surroundings, but we also perform our operations responsibly, professionally as well as legally grounded.

Since 2002, thanks to business operations of TCK, the inflow of \in 11,000,000 has been recorded in our local community, out of which about \in 15,000,000 has been invested in environmental protection issues. With these funds from operations and IPPC permit, Titan Cementara Kosjeric brings upon changes to this region and is recognized as the leader providing wellness to all of us all as well as our surroundings.

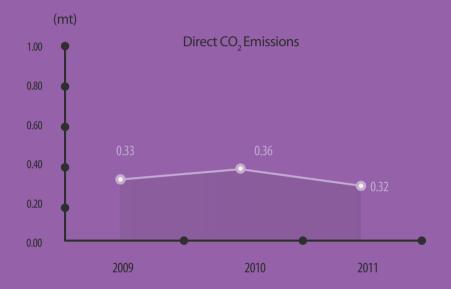


CLIMATE CHANGE

Climate change having undoubtedly been affected by technological processes, remains the most significant challenge for humanity to pursue solutions to ecological issues. As the population grows, demand for energy sources and building material also increases with the effect of pollutant emissions. Therefore, it is crucial that the balance between increasing needs of the society and environmental pollutants should be established. Taking this into consideration, Titan Group is focused on reduction of green house gas emissions and promotion of sustainable cement production in compliance with its strategy of mitigating climate changes, adopted in 2008. By hereinabove statement, the imperative of our business operations is to set a goal of doing less harm but also more good in our production process. This includes development and implementation of new "green" products with a longer life span aiming at both reducing non-renewable resources as well as carbon dioxide emissions.

CO₂ EMISSIONS

Taking into consideration that cement plants generate carbon dioxide with the result of "greenhouse effect" unfavourably affecting on climate changes, one of the priorities of Titan Group is to perform monitoring and decrease CO_2 emissions. Titan Cementara Kosjeric applies The WBCSD/CSI Cement CO_2 Protocol: CO_2 Accounting and Reporting Standard for the Cement Industry. Titan Cementara Kosjeric Reporting on emissions in accordance to this Protocol is voluntary, due to the fact that in Serbia there is no legal obligation in reporting on CO_2 emissions.





Total CO₂ emission in the cement production emerges as the result of:

- decarbonisation and consumption of organic carbon in raw materials;
- fuel consumption that is used in rotary kiln, fuel consumption for heating and material transportation in the factory surroundings;
- production of electricity required for clinker and cement production (indirect emission of CO₂).

Total direct emission of CO_2 of Titan Cementara Kosjeric in 2011, was 0.32 million of tons, which is as the result of decreased production, about 12.6% lower compared to 2010. Reduction of specific CO_2 emission per ton of a product was 3.4% lower compared to 2010 which was the result of increased consumption of alternative raw materials.

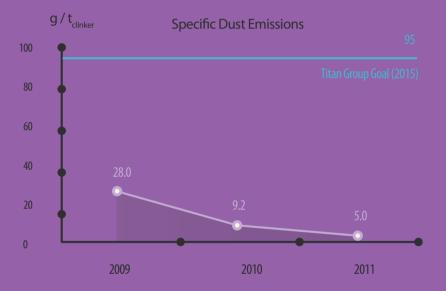
We are to point out that a significant objective of Titan Group was achieved referring to reduction of specific CO_2 emission by 2011, by 15% compared to the base year of 1990. A new, more ambitious objective has been set for the period 2010-2015. Until the next term, specific emissions of CO_2 are to be reduced by 22% compared to 1990.

OTHER AIR EMISSIONS

Dust

Total emission of dust in 2011 was 1.8 t, whereas specific dust emission, per ton of produced clinker, had the value of 5.0 g/t_{clinker}. Emission reduction of dust substances, comparing to 2010, has been achieved by cooling tower reconstruction, that is, by improved gasses conditioning of the kiln emitter.

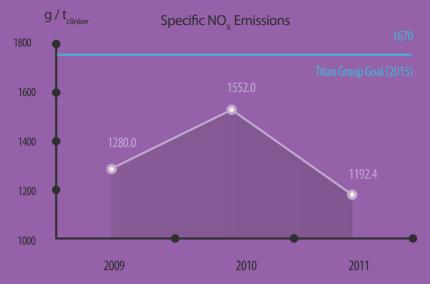
Measuring of the dust emission at the main emitters of the technological process in Titan Cementara Kosjeric is performed by continuous monitoring systems. Every year, control and spot emission measurement are performed by authorized institutions.



Fugitive dust emission, generated by manipulation and transportation of material, is continuously measured by the authorized institution, whereas the controlled condition in Titan Cementara Kosjeric is carried out by continuous monitoring and maintenance of the roads, transportation of material by trucks covered by tarpaulin, etc

NO_x

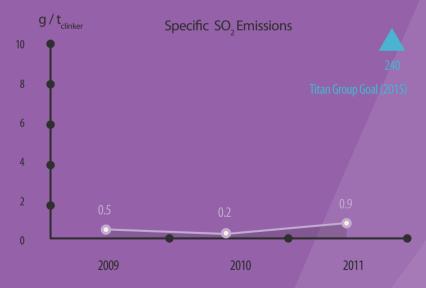
Total emission of nitrogen oxide in 2011 was 428 t, whereas specific emission per ton of produced clinker was 1,192.4 g/t_{clinker}. Emission reduction of nitrogen oxide compared to previous year is the result of increased consumption of coal in the rotary kiln.



Nitrogen oxide emission generates as the result of combustion at high temperatures. Titan Cementara Kosjeric makes all efforts so as to decrease these emissions; scientific studies imply that emitted NO_x causes the formation of acid rains and smog.

SO₂

The presence of sulphur in raw materials is the primary cause of SO_2 emissions which are directly linked with the formation of acid rains.

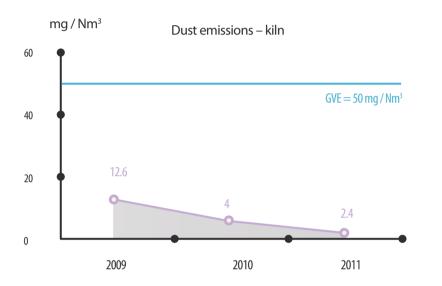


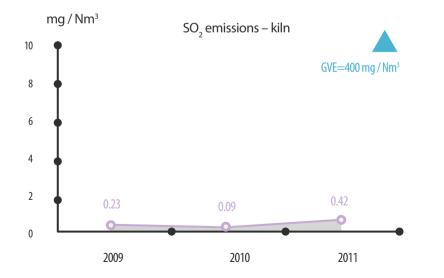
Total emission of SO_2 in 2011 was 0.3t. Specific SO_2 emission per ton of produced clinker, valued 0.9 g/t_{clinker}. In compliance with national regulations, the levels of emissions are presented in milligrams per normal cubic meter.

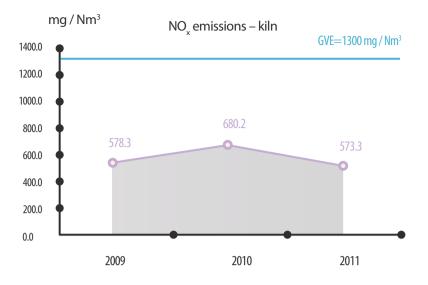
Emissions compared to limit values prescribed by national legislation

During 2011, emissions in the air from Titan Cementara Kosjeric were below the limit values of emissions prescribed by laws (ELV).

Values of emissions of the most important emitter – rotary kiln, are timely updated on Titan Cementara Kosjeric website. (www.titan.rs).



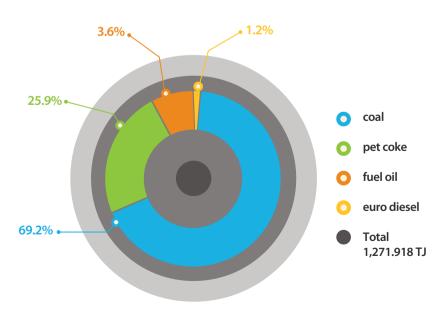




ENVIRONMENTAL FOOTPRINT

In compliance with the principles of environmental protection issues, the *Kyoto Declaration* and concept of sustainable development, TCK thoroughly supports modern technologies based upon economical utilization of raw materials. Reduce-Reuse-Recycle (3R) of raw materials is a major element of Titan Group in implementing technological trends.

Consumption of thermal energy according to fuel types (%)



Energy Efficiency

Cement production is an intensive energy consumption process demanding high quantities of thermal and electrical energy. Titan Cementara Kosjeric endeavours to increase energy efficiency of its production process, that is, to reduce the consumption of energy required for clinker and cement to be produced. During 2011, the saving in production of technological steam was achieved with the effect of fuel oil consumption reduction by about 22%.

Total thermal energy consumption in Titan Cementara Kosjeric (together with quarries) in 2011, was 1,271,918 TJ. All consumed thermal energy was provided from fossil fuels.

Total electrical energy consumption in Titan Cementara Kosjeric (together with quarries) in 2011, was 51,030,705 kWh.

Alternative Energy Sources

Utilization of alternative fuels so as to save the limited natural resources, is the benchmark of the strategy of Titan Group sustainable development.

Alternative energy resources have not been used in the production process of Titan Cementara Kosjeric so far. During 2011 the plant adopted the concept for utilizing solid fuel from municipal and unfenced industrial waste, as the alternative fuel for rotary kilns. Also, during 2011, the waste material samplings were performed at the Regional landfill Duboko with the aim of checking its adequacy for the Solid Recovered Fuel (SRF) production.

Solid Recovered Fuel is the fuel generated by mechanically by crushing of the secondary raw materials. This kind of waste is featured as unfenced waste that is not suitable for recycling and has usability value only for generating energy. SRF is generated at the public utility landfill where, after recyclable fractions are being separated, the remaining waste is sorted and crushed. In the course of the production, the quality control is performed with the aim of providing the fuel which complies with the standards required. The concept adopted in TCK assumes waste processing and fuel production at public landfill premises, fuel transportation to Titan Cementara Kosjeric by closed trucks, where another quality control is to be performed which complies with law regulations and standards; henceforward, the fuel is to be transported by dosing material plant to the burner of the rotary kiln.

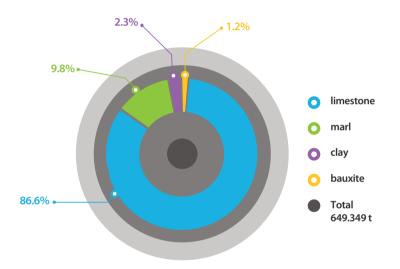
Had Titan Cementara Kosjeric in 2011 been in position to utilize alternative fuels so as to provide 20% of thermal energy required for clinker production, we would have reduced the consumption of coal (non-renewable fuel) by 9,700 t within only one year.

Raw Materials

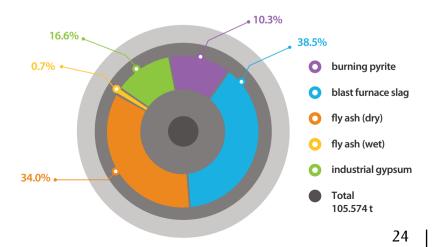
Cement production requires large quantities of raw material consumption such as: limestone, marl, clay, bauxite. Reduction of natural resources and utilization of alternative raw materials is one of the principles Titan Group is guided by in its strategy of sustainable development.

During 2011, the total consumption of raw materials for cement production in Titan Cementara Kosjeric, was 754,923 t out of which 649,349 t were natural raw materials. Within the same period, the consumption of alternative raw materials – secondary raw materials, was 105,574 t, that is, 13.98% out of the total consumption of raw materials.





Consumption of Alternative raw materials (%)



Waste Management

Treatment of generated waste material in Titan Cementara Kosjeric is in compliance with law regulation of the Republic of Serbia; the waste material generated from everyday activities is collected, sorted, temporarily stored and submitted to authorized collectors and operators.

Water Management

The integrated system of water management of Titan Group is developed at the corporate level, and by the end of 2012 a thorough implementation of this system in all plants of the Group will have been performed. This system comprises mapping of all water streams within the plant, data base for water balance assessment and water quality analyses.

The water sources Titan Cementara Kosjeric is supplied by is the water from the utility water supply system as well as from the treated water of the Skrapez river. The water from the utility water supply system is used as drinking and sanitary water, whereas the water drained from the river Skrapez is used as the industrial water for technological needs (water supply for the cooling tower, steam boilers, machines and plants cooling), fire safety needs, as well as for washing the transportation line roads and manipulative surfaces.

All waste waters in Titan Cementara Kosjeric, after being purified by means water purifying device, are drained away into the River Skrapez. Quality of purified waste water analyses as well as the analyses of the Skrapez waters, after and before draining away of purified waste waters from Titan Cementara Kosjeric, indicate that conditions regulated by law are not violated for waste water drain-away into the Skrapez stream.



CRI Index and Indicators

| 1.0 | Strategy and Analysis | | |
|------|--|------------|---------------------|
| 1.1 | CEO statement | 1 | |
| 2.0 | Organisational Profile | | |
| 2.1 | Name of the organisation | ź | 2 |
| 2.2 | Primary brands, products, and/or services | | 2, 7 |
| 2.3 | Operational structure of the organisation | ź | 2 |
| 2.4 | Location of the organisation's headquarters | ź | 2 |
| 2.5 | Number of countries where the organisation operate | | |
| 2.6 | Nature of ownership and legal form | Ž | |
| 2.7 | Markets served | ź | |
| 2.8 | Scale of the reporting organisation | | 2, 14 |
| 2.9 | Significant changes during the reporting period | / | |
| 2.10 | Awards received in the reporting period | / | |
| 3.0 | Report Parameters | | |
| 3.1 | Reporting period | Ź | 27 |
| 3.2 | Date of previous report | 1 | 1, 27 |
| 3.3 | Reporting cycle | - 4 | 27 |
| 3.4 | Contact for questions regarding the report or its contents | Ź | 27 |
| 3.5 | Process for defining the report content | 1 | 1, 7–10, 27 |
| 3.6 | Boundary of the report | ź | |
| 3.7 | Limitations on the scope or boundary of the report | / | |
| 3.8 | Basis for reporting on business entities that can affe comparability | ct / | |
| 3.10 | Re-statements of information provided in previous reports | / | |
| 3.11 | Significant changes from previous reporting period | / | |
| 3.12 | GRI index | 2 | 26 |
| 4.0 | Governance, Commitments and Engagement | | |
| 4.1 | Governance structure of the organisation | 1 | 1, 7, 11–13 |
| 4.2 | Whether the Chair of the governance body is also CE | O 1 | |
| 4.3 | Number of members of the governance body that are independent and/or non-executive members | e / | |
| 4.4 | Mechanisms for shareholders and employees to provide recommendations to governance body | 1 | 14 |
| 4.14 | List of stakeholder groups | 1 | 10 |
| 4.15 | Basis for identification and selection of stakeholders | | 1, 10, 17–19, 27 |
| | | | |

EC – Economic Performance

| EC1 | Direct economic value generated and distributed | 2 |
|---------------------------------|--|----------------------|
| EC8 | Investment and services provided for public benefit | 2, 6, 8-9, 17-19 |
| EN – | Environment | |
| EN1 | Materials used | 24 |
| EN2 | Percentage of materials used that are recycled input materials | 24 |
| EN3 | Direct energy consumption | 24 |
| EN16 | Total direct and indirect greenhouse gas emissions by weight | 21 |
| EN20 | NOX, SOX and other significant air emissions by | /21-23 |
| | type and weight | |
| LA – I | type and weight Labour Practices and Decent Work | |
| LA — I | | 14 |
| | Labour Practices and Decent Work | 14 15 |
| LA1 | Labour Practices and Decent Work | |
| LA1 LA2 | Labour Practices and Decent Work Total workforce Total number and rate of employee turnover | 15 |
| LA1 LA2 LA3 | Labour Practices and Decent Work Total workforce Total number and rate of employee turnover Benefits provided to full-time employees | 15 16 |
| LA1 LA2 LA3 LA7 | Labour Practices and Decent Work Total workforce Total number and rate of employee turnover Benefits provided to full-time employees Rates of injuries Education to assist on prevention of serious | 15 16 11 |
| LA1 LA2 LA3 LA7 LA8 | Labour Practices and Decent Work Total workforce Total number and rate of employee turnover Benefits provided to full-time employees Rates of injuries Education to assist on prevention of serious diseases | 15 16 11 16 |

Reporting Principles

Titan Cementara Kosjeric produced its first annual Corporate Social Responsibility and Sustainable Development Report in 2011 and is continuing with the same reporting format.

The 2011 Report content and material issues are examined in respect to relevant feedback received from stakeholders as well as developments within the company and the country. CSR Committee works cross-functionally to define reporting priorities which are in line with Titan Group strategy.

This Report is developed according to GRI G3 Sustainability Reporting Guidelines, and all information related to Occupational Health and Safety and CO2 emission is provided according to industry standards and relevant WBCSD/CSI protocols. The company is committed to raising its level of transparency and improving reporting to stakeholders. The 2011 Report fulfils GRI G3 requirements for application level "C+" and this has also been independently verified by external independent Auditors, namely KPMG and verification statement is included in the Report.

Feedback from all stakeholders is welcomed at the following e-mail address: csr@titan.rs; for more information please visit our website: www.titan.rs

The report reflects positive and negative aspects of the organization's performance to enable a reasoned Balance assessment of overall performance Issues and information are selected, compiled, and reported consistently. Reported information is Comparability presented in a manner that enables stakeholders to analyze changes in the organization's performance over time, and could support analysis relative to other organizations The reported information should be sufficiently accurate and detailed for stakeholders to assess the Accuracy reporting organization's performance Reporting occurs on a regular schedule and information is available in time for stakeholders to make Timeliness informed decisions Information is made available in a manner that is understandable and accessible to stakeholders using Clarity the report Information and processes used in the preparation of a report are gathered, recorded, compiled, Reliability analyzed, and disclosed in a way that could be subject to examination and that establishes the quality and materiality of the information

Reporting Principles



KPMG d.o.o. Beograd Kraljice Natalije 11 11000 Belgrade Serbia

d Telephone: Fax: E-mail: Internet: +381 11 20 50 500 +381 11 20 50 550 info@kpmg.rs www.kpmg.rs Agencija za privredne registre BD 7113 Matični broj 17148656 Račun 265-1100310000190-€1 Raiffeisen banka a.d. Beograd PIB 100058593

TRANSLATION

Limited assurance report on the Corporate Social Responsibility and Sustainable Development 2011 Report

TO THE OWNERS

TITAN CEMENTARA KOSJERIĆ D.O.O.

Scope and Responsibility

We have reviewed the Corporate Social Responsibility and Sustainable Development 2011 Report ("the Report") of Titan Cementara Kosjerić d.o.o. Kosjerić (the "Company"). Management is responsible for the preparation of the Report in accordance with the *Global Reporting Initiative Guidelines (GRI)* issued in 2006, as set out in the "Reporting Principles" section. Management is also responsible for determining the Company's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived. Our responsibility is to issue this report based on our review.

Procedures performed

We carried out our work in accordance with the criteria established for review engagements by "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information (*ISAE 3000*)", issued by the International Auditing and Assurance Standards Board (*IAASB*). That Standard requires that we comply with applicable ethical requirements (the Code of Ethics for Professional Accountants issued by the International Federation of Accountants, IFAC), including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the report is free from material misstatement. A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the sustainability report, and applying analytical and other evidence gathering procedures, as appropriate.

These procedures included:

- comparison of information and data presented in the "Titan Cementara Kosjerić" section of the Report to the corresponding information and data included in the Company's standalone financial statements as at and for the year ended 31 December 2011, on which auditor issued report dated 30 January 2012 in accordance with the Law on Accounting and Auditing of the Republic of Serbia;
- analysis of key processes for generating, recording and managing quantitative data presented in the Report. In particular we performed the following procedures:
 - interviews and discussions with management of the Company to gather information on the IT, accounting and reporting systems used in
 preparing the Report, and on the processes and internal control procedures used to gather, combine, process and transmit data and
 information to the office that prepares the Report;

© 2012 KPMG d.o.o. Beograd, a Serbian limited liability company and a member firm of the KPMG network of ndependent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss enlity. All rights reserved. Upisani osnovni kapital Društva od EUR 50.790,42 uplačen, odnosno unet je u celosti. KPMG d.o.o. Beograd je jednočlano društvo.

- sample based analysis of related documents used in preparing the Report serves the purpose of confirming process effectiveness, their
 adequacy with respect to described goals, as well as that the internal control system is properly managing data and information included in
 the Report;
- analysis of reconciliation of qualitative information included in the Report, with guidelines noted under Scope and Responsibility, as well as
 general consistency, especially in the sense of strategy and policy of sustainable development and assignment of material issues for each
 category of interested parties;
- analysis of the process of involvement of interested parties in terms of methods used and completeness of participants, based on review of
 minutes from meetings or through all other available information on identified key factors;
- receipt of representation letter from the Company's legal representative on compliance with guidelines set out under Scope and Responsibility, as well as reliability and completeness of information and data presented therein.

The extent of evidence gathering procedures performed in a limited assurance engagement is compliant with *ISAE 3000* and provides a lower level of assurance in that we would potentially have identified significant issues and events in an audit.

Opinion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Report of the Company is not prepared, in all material respects, in accordance with the GRI - Global Reporting Initiative Guidelines issued in 2006, as set out in the "Reporting Principles" section.

As indicated by the management in the "Reporting Principles" section of the Report, the Company intends to continue to extend the reporting scope of the Report through further standardisation of the existing information and data gathering procedures.

Belgrade, 10 August 2012

KPMG d.o.o. Beograd

(L.S.)

James Thornley Partner

This is a translation of the original Independent Auditors' Report issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.

Belgrade, 10 August 2012



KPMG d.o.o. Beograd James Thornley

© 2012 KPMG d.o.o. Beograd, a Serbian limited liability company and a member firm of the KPMG network of ndependent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Upisani osnovni kapital Društva od EUR 50.790,42 uplačen, odnosno unet je u celosti. KPMG d.o.o. Beograd je jednočlano društvo.