

CEMENTARNICA USJE  
AD SKOPJE



# ANNUAL **SUSTAINABILITY REPORT**

# 2022



CEMENTARNICA USJE AD SKOPJE

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ANNUAL  
SUSTAINABILITY REPORT  
**2022**





## About the 2022 Sustainability Report

Cementarnica USJE Sustainability Report 2022 has been prepared in accordance with TITAN Group sustainability reporting standards and with reference to the implementation of the UN Sustainable Development Goals (SDGs) 2030, the UN Global Compact Communication on Progress Guidelines, and the Charter and Guidelines of the Global Cement and Concrete Association (GCCA). Cementarnica USJE has integrated the guidance of the United Nations Conference on Trade and Development (UNCTAD) into its approach to link its reporting on environmental, social and governance (ESG) with SDG targets. In addition, USJE has also incorporated linkages between ESG Performance KPIs and the Sustainability Accounting Standards Board (SASB) Standards.

This 14th Annual Sustainability Report is to present a summary of our financial together with environmental, social and governance performance. The 2022 USJE environmental, social and governance (ESG) performance review and statements were independently verified by Grant Thornton doo Skopje. The separate and consolidated financial statements were audited by PriceWaterhouseCoopers (PwC).

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

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## 2022 Highlights

### Financial

**6,250 mil MKD**

Revenue

**1,364 mil MKD**

EBITDA

**1,029 mil MKD**

NPAT

**5,680 mil MKD**

Total assets

**374 mil MKD**

Capital expenditures

### ESG

**237**

Employees  
(on 31 December 2022)

**2.9% reduction**

of specific net direct CO<sub>2</sub>  
(compared to 2021)

**25**

New hires in 2022

**16.10**

H&S training hours per employee

**51 mil MKD**

Green investment

**Zero**

Lost time injuries frequency rate

**38,798**

Trees and plants planted

# Message from the Chief Executive Director



**"In the year ahead, we will continue to concentrate on creating value for all stakeholders through green investments, innovation and further digitalization of our operations. "**

## **Dear partners,**

The business sector continued to face challenges in 2022 in the form of uncertainty, supply chain disruptions and rising inflation, mainly caused by geopolitical conflicts. The cement industry and our company were seriously affected by the developments in the energy sector and high energy costs, which in turn increased production costs. In such circumstances, our biggest challenge in 2022 was to devise a vigilant pricing policy to secure the market share and maintain profitability at the highest possible level. Cementarnica USJE managed to achieve sound performance and financial results in these extremely difficult conditions, providing stability and value for all our stakeholders, while staying true to our commitment to sustainable development, and achieving the UN Sustainable Development Goals and supporting the Ten UNGC Principles.

Operating in such adverse circumstances prompted the introduction of innovative solutions in all business processes. We focused our efforts on sales of our bulk ECO cement and managed to achieve a 25% share in the total sales by the end of the year. We have also commenced a significant project for using renewable energy that will further create electricity savings and a CO<sub>2</sub> reduction of approximately 3,200 tons per year.

In decarbonization and digitalization, as one of our main focus areas, our efforts were devoted to lowering our carbon footprint by using alternative fuels, promoting green cement, circular economy and energy efficiency measures, resulting in 2.9% lower CO<sub>2</sub> emissions compared to 2021. On the digitalization front and focusing on innovation, we are working on a range of next-generation technologies. We are proud that our plant now has artificial intelligence AI-based real-time optimizers, which have improved productivity and reduced energy consumption and CO<sub>2</sub> emissions for our cement mill.

We have remained committed to our people's development and well-being through various initiatives for upgrading skills and knowledge, employee engagement, occupational safety and health and support for employees and their families. Our project, "Care for the well-being of our people," was awarded a Social Responsibility Recognition by the Ministry of Economy of the Republic of North Macedonia and the Coordinating Body on Corporate Social Responsibility.

Our positive local impact was achieved by continuing with the established projects for environment protection, monitoring emissions, biodiversity and land management, and contribution to the sustainability of the communities. We have implemented nearly 30 community engagement actions with over 5,200 beneficiaries, including youth, marginalized groups and local citizens.

By diligent and sustainable water and waste management, investments in renewable energy for electricity supply, and optimizing energy management and process efficiency, Cementarnica USJE has made a significant contribution to protecting natural resources. Responsible sourcing was also achieved by close cooperation with our suppliers and partners in building a responsible and sustainable supply chain that supports our business goals and minimizes our environmental impact.

Last but not least, our operations, decisions and daily work have been performed with integrity and full adherence to the principles of good governance, transparency and business ethics. We are proud to be a great example of a successful and reliable business partner and member of the community.

In the year ahead, we will continue to concentrate on creating value for all stakeholders through green investments, innovation and further digitalization of our operations. More precisely, in 2023, we will continue to apply the same growth mindset to increase sales and margins, generate cash and execute growth CapEx investments, always with the same sense of caring for our people, as well as with responsibility, integrity, accountability and respect. Safety for our people and contractors will remain a priority. Our community remains an important priority and we will increase our positive impact through various initiatives. We are committed to improving our environmental protection activities, reducing emissions, promoting circular economy, and properly managing natural resources and biodiversity. All these are the foundations for our goal to do more for our customers, our people, the communities in which we operate, and our planet.



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





# OVERVIEW





# About TITAN Group

## The forces shaping our industry and the opportunities ahead

**Building the future means building better. Smarter. More sustainably. TITAN Group is passionate about building a sustainable world with innovative construction solutions.**

TITAN Group addresses society's needs for safe, durable, resilient, affordable housing and infrastructure that protects and improves life. TITAN is harnessing the advantages of decarbonization and digital transformation and bringing those benefits to customers, employees, suppliers and communities. TITAN approaches every issue with an entrepreneurial spirit and constantly innovates new ways to deliver construction solutions designed for tomorrow.

Building on 120 years of industry experience and commitment to sustainable growth, TITAN serves its customers in 25 countries through a network of more than 200 operational sites on four continents, including quarries, ready-mix plants, terminals, and other production and distribution facilities.

In a world of increasing complexity, TITAN is adapting and evolving to serve the needs of society while contributing to sustainable growth with responsibility and integrity.

**The fundamentals of demand for construction materials and solutions remain solid**

**Customer expectations are driving product innovation**

**Climate change mitigation and resource scarcity are calling for a shift towards sustainable solutions**

**Urbanization necessitates communities that are green, safe, resilient, healthy and just for all**

**Reinventing talent management to capture opportunities in a changing world**





Population growth and urbanization are on the rise, leading to higher demand for housing and infrastructure. We have the operating leverage to help our customers build at an accelerated pace with our innovative and sustainable construction solutions.



With our customer-focused innovation strategy, we are growing our business in existing and new markets across the construction value chain. Engaging with our customers from the early design stages helps us understand their needs and offer them innovative products and services, as well as leading-edge Artificial Intelligence-based solutions for ultimate efficiency and an elevated experience.



We are evolving our product portfolio to address environmental challenges. By shifting to more sustainable, lower-carbon and circular construction solutions, we help our customers build more sustainably. In this way, we deliver on our ambitious science-based climate targets for a net-zero, nature-positive world in line with the 1.5°C scenario.



We are addressing sustainability holistically within and beyond our company. While delivering a greener product portfolio with superior environmental performance across the whole life cycle – from the quarry to the customer – we continuously improve our ESG performance in line with the UN SDGs. At the same time, we are encouraging our supply chain partners to meet our sustainability and ESG supplier standards.

We are building our talent and our organization's capabilities to capture all the opportunities ahead. By empowering and enabling our teams across our markets to unleash their full potential, we are helping them to grow together with TITAN in a safe, healthy, inclusive and fair workplace.

# TITAN Group Strategy: Grow the business, focus on the customer, build talent

**TITAN's customer-focused strategy aims to accelerate the growth of the Group in its existing markets and in new areas and to provide the building materials and innovative construction solutions necessary for a more sustainable world, thus benefiting our customers, employees, suppliers and communities.**

TITAN Group has created long-term value for its stakeholders over the course of 120 years by constantly evolving and renewing its strategy.

**Following the latest review of the strategic direction and priorities, TITAN's strategy is founded on the following three pillars:**

## **Deliver**

TITAN will leverage its continuous performance improvement track record to deliver operational excellence in manufacturing, the supply chain and customer experience. The Group will thus continue to focus on cost-to-produce and cost-to-serve, as well as on providing solutions and a superior customer experience across all its businesses.

This operational excellence extends to TITAN's ESG performance, where the Group has achieved a long-standing environmental, safety and social engagement track record. TITAN's 2025 ESG targets provide a rich and ambitious set of measurable goals in all ESG focus areas – decarbonization and digitalization, growth-enabling work environment, positive local impact and responsible sourcing – all underpinned by good governance, transparency and business ethics.

## **Decarbonize**

TITAN Group was among the first companies in the global cement industry to have its 2030 GHG emissions reduction targets validated by the Science Based Targets initiative (SBTi) as consistent with the levels required to limit the global temperature increase to 1.5°C. Raising its climate ambition even higher, TITAN seeks to address not only direct (Scope 1) emissions and indirect emissions from the generation of purchased electricity

(Scope 2), but also other indirect emissions in the supply chain (Scope 3). Furthermore, TITAN is committed to reaching net-zero emissions by 2050. TITAN's decarbonization strategy includes a comprehensive set of levers to reduce emissions from cement production by accelerating the use of alternative fuels, substituting clinker with cementitious materials with lower carbon intensity, increasing energy efficiency and optimizing its raw materials mix. The Group will continue to leverage unique assets and competencies, including its proprietary fly ash beneficiation technology, to provide innovative solutions for the future net-zero construction value chain.

## **Digitalize**

TITAN has been among the pioneers in its sector in implementing innovative Artificial Intelligence (AI) digital solutions in its operations. It has already implemented significant innovations with a measurable impact, such as its real-time optimization and predictive maintenance solutions for its manufacturing operations. TITAN aims to continue improving its operating performance and customer experience by leveraging big data and AI to develop a digitally empowered and efficient operating model and to provide cutting-edge digital solutions to its customers. TITAN's "cement plants of the future" will fully harness the power of digital technologies and advanced analytics to achieve higher asset productivity and reliability, reduce production inputs and energy consumption, and decrease CO<sub>2</sub> emissions. The Group is also deploying innovative digital solutions for the next generation of supply chain management, with optimized distribution networks, predictive planning and dynamic logistics operations. Finally, a digitally-enabled customer experience will drive value generation for our cement and concrete business through excellence in customer service.



**The Group is now launching three strategic initiatives to reinforce TITAN's strategy implementation and accelerate its growth and customer-focused transformation journey.**

**1. Grow the business**

Leveraging operational excellence, a distinctive ESG performance and superior customer engagement, along with decarbonization and digitalization, TITAN will continue to develop its growth platform, capitalizing on opportunities to strengthen and expand its low-carbon cement and concrete core activities as well as to pursue opportunities in adjacencies and new sources of value in the building materials value chain. The Group will grow the business on all fronts to increase revenues but also to build up the Group's overall financial strength by improving margin performance and free cash flow conversion, enhancing capital allocation efficiency and optimizing working capital. For this purpose, targeted opportunities for each market are being developed to be used in conjunction with several Group-led strategic workstreams.

**2. Focus on the customer**

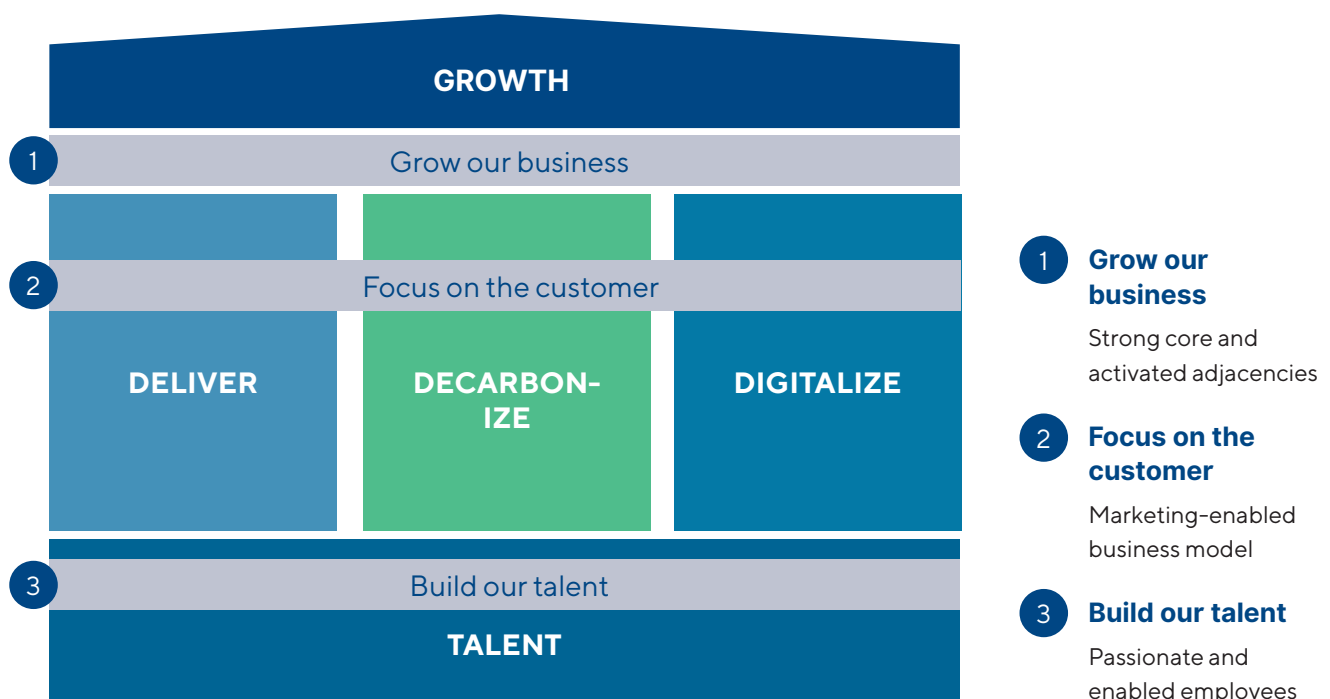
TITAN Group has always served its customers with high-quality products and solutions. To further increase the value offered to its customers, TITAN is enhancing its commercial transformation that, together with digitalization,

decarbonization and operational excellence, will allow the Group to address the evolving customers' needs in each market and segment and offer more innovative, decarbonized and cost-effective materials and solutions.

By following a market-oriented approach, TITAN will collaborate closely with its customers to offer expert advice and tailor-made solutions. To achieve this customer-centric operating model, the Group will stimulate investments to increase sales force excellence and expertise in all construction segments, develop digital solutions that facilitate customer interaction, and launch an innovative, green, complementary product portfolio.

**3. Build talent**

TITAN's long tradition of building capabilities and developing talent with an ambitious, entrepreneurial mindset and a values-driven culture lies at the foundation of its growth-oriented strategic plan. The strategic plan encompasses and is powered by an accelerated drive to transform the Group by further building a talent pool, both in terms of developing core competencies and new skillsets in leadership and managerial practices. The Group will reinforce its lean and agile organization across its entire footprint, where high-performance teams collaborate seamlessly and are empowered to take decisions and respond flexibly to a changing world.



# Global presence

TITAN Group reports on its performance and activities based on four geographic regions and the joint venture in Brazil.

**USA**

2

Integrated cement plants

8

Quarries

82

Ready-mix plants

3

Import terminals

8

Concrete block plants

4\*

Fly ash processing plants

Principal products/activities



€

Sales

1,314.3m

EBITDA

188.2m

Assets

1,362.2m










**USA**  
Integrated cement plants  
1. Roanoke - Virginia  
2. Pennsuco - Florida



**Brazil (Joint venture)**  
Integrated cement plant  
1. Quixere  
Cement grinding plant  
2. Pecem

Principal products/activities key:

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

**Brazil**

1

Integrated cement plant

1

Cement grinding plant

4

Quarries

4

Ready-mix plants

Principal products/activities



\* 1 facility in Canada is included



## Southeastern Europe

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

## Southeastern Europe

**5** Integrated cement plants  
**21** Quarries  
**6** Ready-mix plants  
**1** Processed engineered fuel facility

Principal products/activities  
TITAN  
Cement  
Ready-mix  
Processed engineered fuel

€  
Sales  
385.9m  
EBITDA  
95.0m  
Assets  
489.5m



## Eastern Mediterranean

Integrated cement plants  
1. Tokat  
Cement grinding plant  
2. Marmara



Integrated cement plants  
1. Alexandria  
2. Beni Suef



## Greece & Western Europe

Integrated cement plants  
1. Thessaloniki  
2. Kamari  
3. Patras  
Cement grinding plant  
4. Elefsina

## Eastern Mediterranean

**3** Integrated cement plants  
**1** Cement grinding plant  
**13** Quarries  
**6** Ready-mix plants  
**1** Import terminal  
**2** Processed engineered fuel facilities

Principal products/activities  
TITAN  
Cement  
Ready-mix  
Processed engineered fuel

## Greece & Western Europe

**3** Integrated cement plants  
**1** Cement grinding plant  
**25** Quarries  
**29** Ready-mix plants  
**3** Import terminals  
**1** Dry mortar plant  
**2** Processed engineered fuel facilities

Principal products/activities  
TITAN  
Cement  
Ready-mix  
Processed engineered fuel

€  
Sales  
326.4m  
EBITDA  
28.5m  
Assets  
699.8m

€  
Sales  
255.6m  
EBITDA  
19.6m  
Assets  
442.8m

EU Taxonomy Regulation	Turnover (%)	OpEx (%)	CapEx (%)
EU taxonomy - eligible economic activities	59.2	58.2	56.1
EU taxonomy - aligned products and investments	8.6	7.0	16.0

# About USJE

## Company info

Cementarnica USJE AD Skopje is a producer of cement and other building materials. As a member of TITAN Group, it operates in line with the world's best practices, taking care of the needs of society and sustainable development through responsibility and integrity.

USJE was founded in 1955. Today it is one of the largest domestic companies with a significant contribution to the country's development. It employs about 237 (at 31 December 2022) and creates jobs through cooperation with local suppliers and contractors. The company manages several quarries around the country.

In addition to cement production, USJE also has a ready-mix concrete unit and aggregates facility for producing various types of concrete and aggregates. It supplies its products to the domestic and regional markets (Kosovo, Albania and Bulgaria).

Cementarnica USJE creates value by transforming raw materials into a finished construction product – cement, thus serving society's need for quality, safe and durable housing and infrastructure.

Cementarnica USJE is committed to sustainability and aims to address global sustainability challenges under the 2030 United Nations Sustainable Development Goals framework.



## OUR PRODUCTS

### Cement



### Ready mix concrete



### Aggregates



Introducing CEM II/B-V 42,5 R in line with the global effort of the cement industry and TITAN Group to decrease CO<sub>2</sub> emissions. Clinker content is about 3% lower compared to CE II/A-V 42,5 R, with the possibility of a further decrease by optimization. An additional benefit compared to its predecessor type, CEM II/B-M (V-L) 42,5 R, is that CEM II/B-V 42,5 R consumes higher amounts of fly ash (~4%).



# Our values

We are passionate about building a sustainable world with our innovative construction solutions. Our values are at the core of who we are; they guide our strategy and provide the foundation for all our operations. They remain the solid basis of our culture and family spirit.



## Integrity

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



## Learning organization

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



## Value to the customer

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



## Delivering results

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



## Continuous improvement

- ▶ Focus on innovation
- ▶ Willingness to change
- ▶ Rise to challenges
- ▶ Team collaboration



## Sustainable development

- ▶ Safety first
- ▶ Climate change mitigation
- ▶ Strong environmental performance
- ▶ Stakeholder engagement and CSR

# Responsible business throughout history

Driven by our entrepreneurial spirit and our commitment to sustainable growth, we have expanded our operations throughout the years.

BEGINNINGS  
AND EARLY  
ADVANCEMENT

## 1955 - 1960

Cementarnica USJE was founded, and the 1st rotary kiln began operation in April 1955. The 2nd rotary kiln was put into operation in the 1960s.

## 1967 - 1973

Two new lines began to operate: Kiln 3 and 4, while Kiln 1 and 2 were shut down.

NEW CHAPTER IN  
THE DEVELOPMENT

## 1998

TITAN Group acquired majority shares of Cementarnica USJE

## 2000-2003

Bag filters were installed on line 3 and line 4

## 2004-2008

Certified with ISO 9001:2000 Quality System

Certified with ISO 14001:2004 Environmental Management System

System for independent 24-hour continuous measurement of emissions installed

USJE becomes a member of the UN Global Compact Network office of North Macedonia

CONTINUOUS  
EVOLUTION IN ALL  
AREAS

## 2009-2011

Start of the public announcement of environmental measurement data

CSR Committee was established, and the first CSR and Sustainability Report published

First Stakeholders Engagement Forum organized

Contractors Management H&S System established

Certified with Health & Safety Management System OHSAS 18001:2007

A-Integrated Environmental Permit A-IPPC obtained

National Award for best CSR practices in the Environment category and three plaques received

The first Company Open Day was organized

## 2012-2016

First Communication Day for USJE employees organized

Water Treatment Plant for atmospheric waters built

Investment in NO<sub>x</sub> reduction facility ŠNCR

TITAN Leadership Platform introduced

## 2018 - 2019

Alternative fuels in the operating process introduced

Integrated Quality & Environmental Management system

SDG Pioneer Award 2018

Award for promoting human rights in business 2019

LATEST  
ACHIEVEMENTS AND  
MILESTONES

## 2020

Integration of the management systems: ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and ISO 50001:2018

Low carbon initiatives: new cement type CEM IV/B (V-P) 42,5 N

TITAN Up Digital platform for customers

Biodiversity risk assessment updated according to global standards

Acquiring Opalit

## 2021

Sales exceeded 1 million tons of cement

SDG Pioneer Accolade for its practices within the SDG: Goal 3, Goal 4 and Goal 13

## 2022

Recognition for social responsibility

Installation of PV power plant

2 years with no LTI

# Creating and sharing value

We use our capital resources efficiently to drive sustainable, long-term shared value creation through our products and services.

WE DRAW ON OUR CAPITAL



## Financial capital

We use our economic resources efficiently to support our business growth and safeguard our international competitiveness.



## Manufactured capital

We manufacture our products using the best available technologies and distribute them reliably to our customers through dedicated terminals.



## Intellectual capital

We use our R&D capabilities, core competencies and deep knowledge of the building materials industry to enhance our offerings and improve our work performance.



## Human capital

We value our people's contribution and continuously support their professional development in an engaging, inclusive, collaborative working environment.



## Social and Relationship capital

We engage with our stakeholders by building long-term relationships of trust and collaboration to create a profound impact on society and local communities.



## Natural capital

We source materials responsibly by contributing to the circular economy and preserving natural resources and biodiversity in the areas in which we operate.

TO PROVIDE OUR PRODUCTS AND SERVICES

AND TO CREATE VALUE FOR OUR STAKEHOLDERS

Key indicators	Amounts	Stakeholders
Investments in the Company's growth	374 mil MKD	Customers Employees Local communities and governments Regulators, authorities Shareholders Business partners and suppliers Contractors Media Local authorities Civil society Academia and research
Taxes to national and local authorities	52 mil MKD	
Total spend to suppliers, local and international goods and services	6.003 mil MKD	
Value added	1.611 mil MKD	
Net value added	1.419 mil MKD	
In salaries, pensions and social benefits, including additional benefits beyond those provided by law	311 mil MKD	
Green investment	51 mil MKD	
Support to community projects	9.599 mil MKD	
New hires	25	
Internships	18	

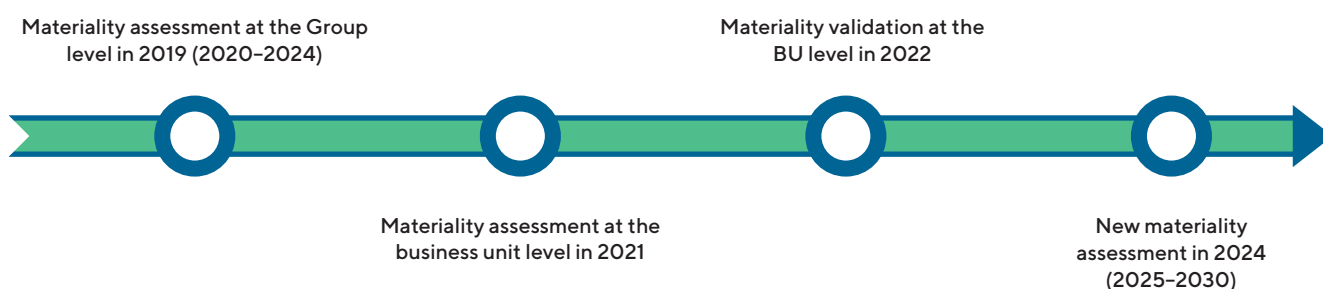
# Materiality validation and stakeholder engagement

**We are engaging with our stakeholders to obtain a deeper understanding of their expectations and needs. Mapping what is most material to them and to the business through a materiality process helps us develop sustainable business strategies and create value that lasts.**

## Materiality assessment – an ongoing process

Our materiality assessment is an ongoing process that provides the foundation for developing and implementing our sustainability strategy. The outcomes of the materiality assessment process are used to shape the contents of the Annual Sustainability Report and guide actions and

initiatives addressing priorities for our operations and key stakeholders. A review and update of the materiality assessment process were carried out in 2016, 2018, and then again in 2020. The full cycle of materiality assessment at TITAN has an overall duration of five years.



In preparation for our next materiality assessment cycle, which is to commence in 2025, we validated our material issues with the key stakeholders. 10 stakeholders were invited to provide direct feedback on their views on the importance and relevance of our material issues through an e-survey. Structured stakeholder engagement e-survey was communicated to all stakeholders via dedicated platform,

ensuring anonymity and impartiality of the answers and other feedback. All stakeholders invited were expected to finish the e-survey within the given deadline. After receiving the outcomes of the e-survey, an assessment by the management team and USJE followed and was presented on a Group ESG performance network meeting.

List of stakeholders	Number of participants
Customers	2
Employees	2
Local communities and governments	1
Business partners and suppliers	2
Contractors	2
Academia and research	1

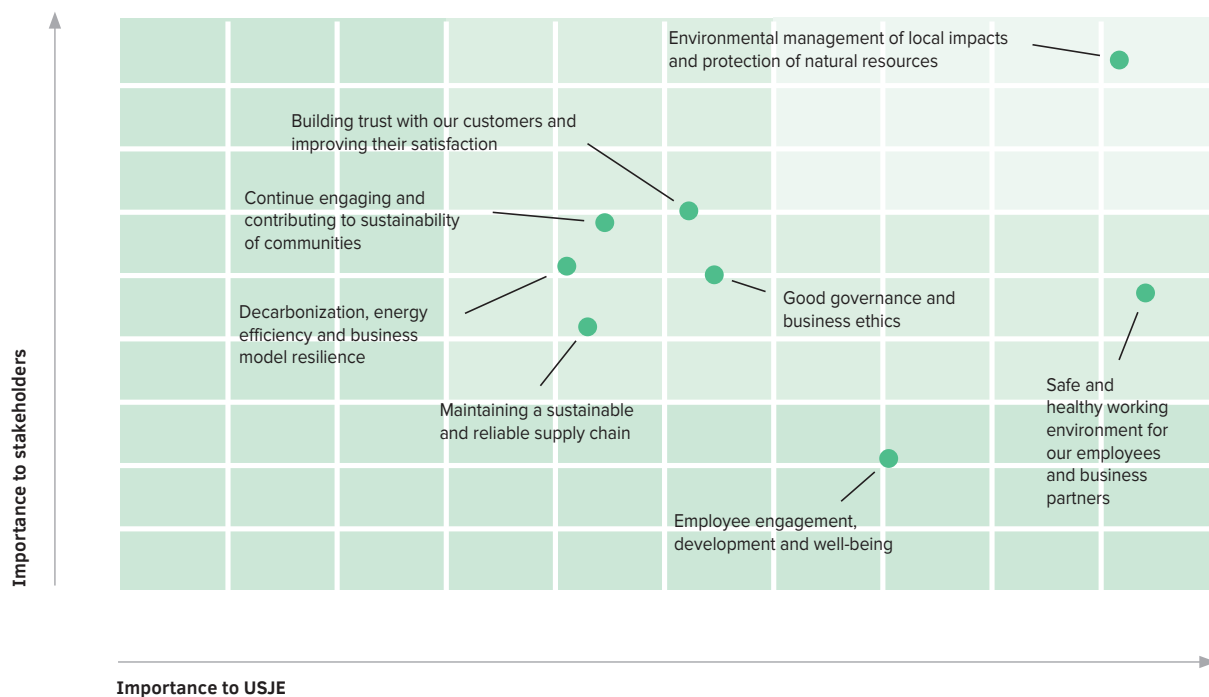
## Materiality validation steps



## General info

Recipients	Responded	Completion Rate	Launched	Survey Duration
10	9	89%	May 16	12 days

## USJE Materiality Matrix 2021-2025





## Corresponding UN-SDGs 2030 for USJE Material Issues 2022

The materiality assessment provides a clear connection between the identified key material issues with the relevant Sustainable Development Goals (SDGs) established by the UN to achieve long-term growth and development by 2030.

We are committed to aligning our strategy and business action plans with material issues of our stakeholders' highest priority and working towards meeting their needs.

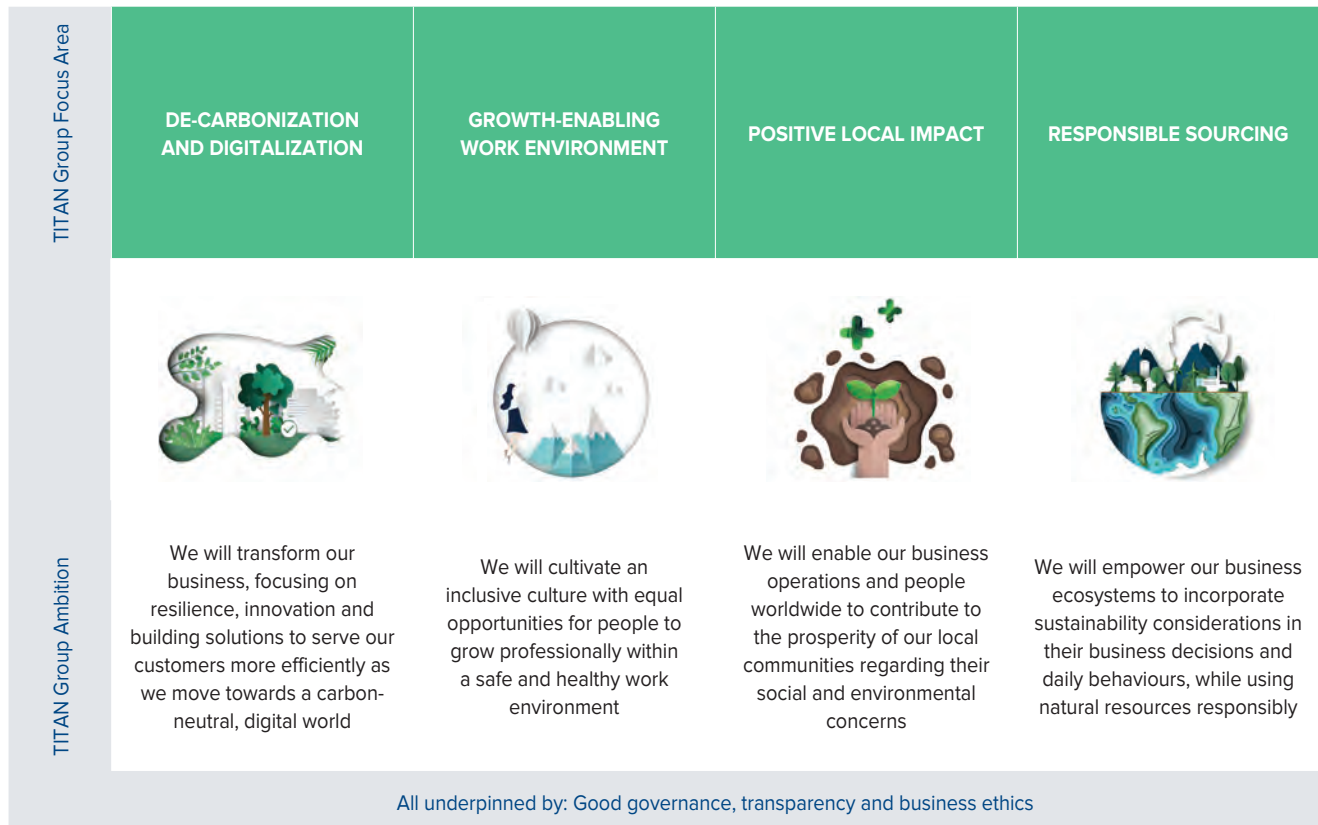
### Relevant SDG for each material issue

Material issues 2022	Core SDGs for the BU	Supplementary SDGs
Environmental management of local impacts and protection of natural resources		    
A safe and healthy working environment for our employees and business partners		  
Building trust with our customers and improving their satisfaction		 
Good governance and business ethics		  
Continue engaging and contributing to the sustainability of the communities		  
Decarbonization, energy efficiency and business model resilience		    
Employee engagement, development and well-being		   
Maintaining a sustainable and reliable supply chain		  

## TITAN Group ESG Targets Focus Areas

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

Further in this report, in the ESG performance chapter, USJE's most significant material issues and their connection to the Focus Areas are presented.



## Connecting USJE material issues to TITAN Group Focus Areas

The eight USJE high-priority material issues have been grouped under the TITAN Group Focus Areas, all underpinned by good governance, transparency, and business ethics. All disclosures for TITAN USJE performance KPIs in the areas of Environment, Social, and Governance in 2021 are restructured by following the outcomes of the materiality assessment at the Group level, with using the "compass" of the TITAN's Focus Areas: 1. De-carbonization and Digitalization; 2. Growth-enabling work environment; 3. Positive local impact; and

4. Responsible sourcing. All underpinned by 5. Good governance, transparency, and business ethics. The respective KPIs for ESG performance are aligned with the material issues most relevant in the Focus Areas. The new approach for our ESG Statements aims at providing to external and internal stakeholders an efficient flow of metrics around performance disclosures focused on TITAN's materiality framework and connected with TITAN's targets for 2025 and beyond. The diagram is placed inside the ESG statements on page 62.



# MANAGEMENT REPORT









# Corporate Governance and Risk Management

## Corporate governance statement

Corporate governance principles, as a system of rules, practices and processes, supported by comprehensive risk management, are essential for building effective external relationships and maintaining the company's stability.

As a listed company in the sub-segment Mandatory listing with the Macedonian Stock Exchange, Cementarnica USJE AD Skopje applies the principles of good corporate governance in accordance with the standards and principles set out by the legislation. The Company applies the principles of the Corporate Governance Code for Companies listed on the Macedonian Stock Exchange (the 2021 CGC or the Code).

The share capital of the Company amounts to 1,747,730 thousand denars and was represented by 563,784 ordinary shares, with nominal value of 3,100.00 denars per share.

The shareholder structure of the Company as of 31 December 2022 is the following:

- TITAN CEMENT Netherlands B.V. holds 535,596 shares corresponding to 95% of the Company's voting rights
- Others: 28,188 shares corresponding to 5% of the Company's voting rights.

The management of the Company is organized as one-tier system, consisting of the Board of Directors (the Board). The Board has the widest powers to carry out all necessary or beneficial actions for achieving the Company's purpose, except those granted solely to the Shareholders Assembly as prescribed by the Law on Trade Companies.

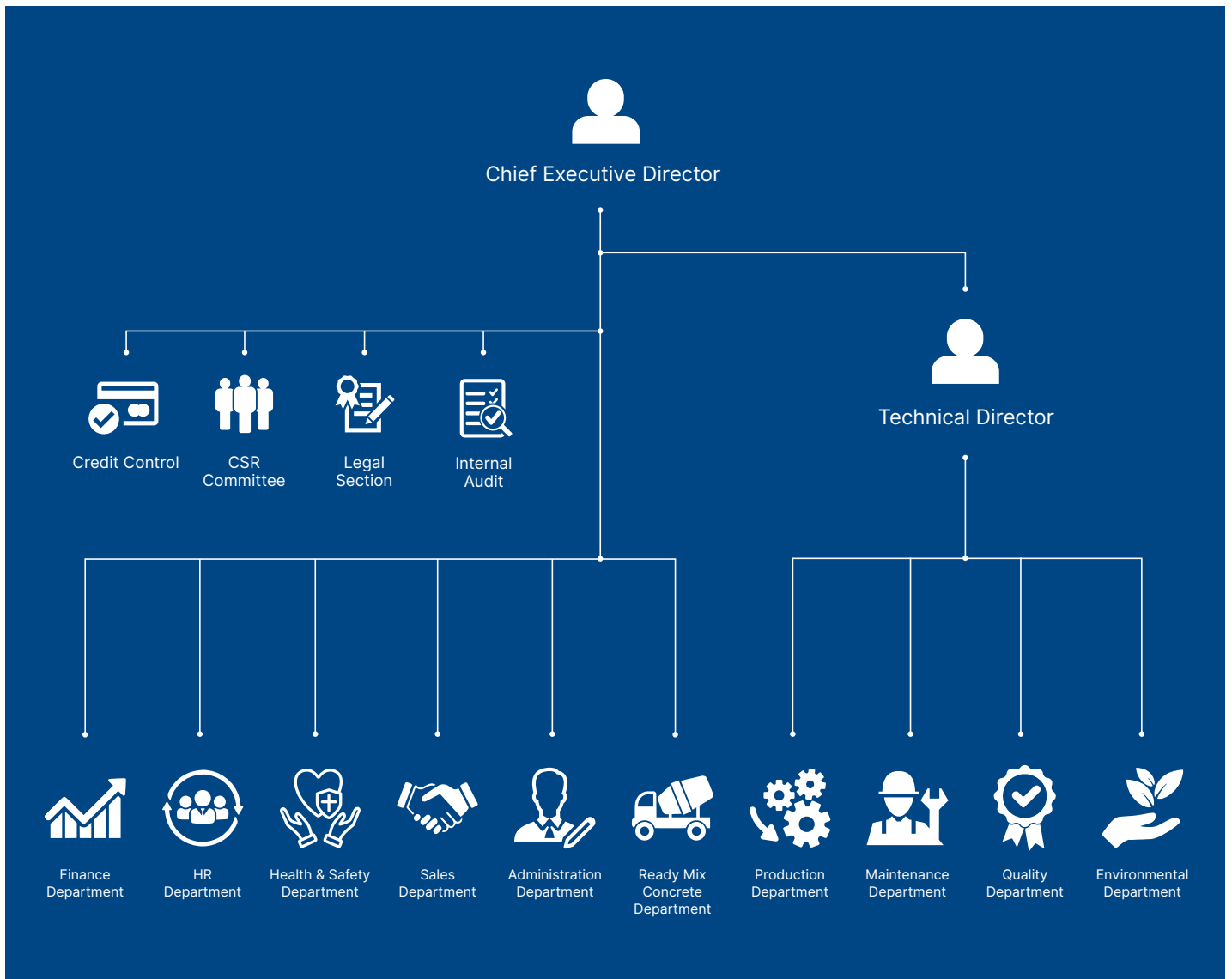
As of 31st December 2022, the Board was composed of six (6) members as follows: one (1) executive member, i.e., the Chief Executive Director (CED) and five (5) non-executive members, of which two (2) are independent. None of the non-executive members have earnings based on their membership in the Board.

The CED is not receiving any earnings based on his membership in the BoD. The total income (salaries, other contributions, bonuses, insurance, and other receipts) of the executive member of the Board and the other members of the 2022 key personnel of the Company is in the amount of 117,125 thousand denars.

To achieve efficiency and effectiveness in daily operations, the Board reached various decisions without holding sessions on multiple occasions throughout 2022. At the same time, all legal deadlines and obligations regarding the correct, timely and accurate informing of the Board members were met, including taking into account the interests of both the Company and the Shareholders. All the decisions from the aforementioned dates were reached with the consent of all Board members.

During 2022, the Annual Shareholders' Assembly was held on 20th May 2022, and an Extraordinary Shareholders' Meeting took place on 31st October 2022.

Cementarnica USJE AD Skopje, as part of TITAN Group, remains committed to the highest governance principles striving for a consistent enhancement of its performance and promoting transparency, sustainability and long-term value creation.



## MEMBERS OF THE BOARD OF DIRECTORS

- ▶ **Yanni Paniaras**, Chairman
- ▶ **Boris Hrisafov**, Chief Executive Director
- ▶ **Loukas Petkidis, Independent**, Non-executive Board Member
- ▶ **Fokion Tassoulas**, Independent, Non-executive Board Member
- ▶ **Miroslav Gligorijevic**, Non-executive Board Member
- ▶ **Mario Bracci**, Non-executive Board Member



### **CREDIT CONTROL COMMITTEE**

This Committee is in charge of customer receivables and debt, and its main tasks include the following:

- Loan assessment and approval
- Customer assessment/ranking forms
- Settling customer debt
- Debt/guarantee coverage
- Credit monitoring and control
- Delineation of provisions related to credit risk

### **CENTRAL MANAGEMENT COMMITTEE**

Since 2013, to further improve the decision-making process and corporate governance, the Company has had a Central Management Committee consisting of the Chief Executive Director, Technical Director, Sales Manager, Finance Manager and HR and CSR Manager. The Central Management Committee holds monthly meetings, at which the members discuss strategic issues and risk management.

### **CORPORATE SOCIAL RESPONSIBILITY COMMITTEE / CSR TASK FORCE**

This Committee was established in 2009 and is in charge of integrating and implementing the TITAN Group's strategy at the local level. Chaired by the Chief Executive Director, this Committee is composed of top-level managers, including the health and safety, environment and human resources managers. The CSR Committee meets four to six times a year, or in some cases on a monthly basis, to review and evaluate the action plans and achievements and to initiate further improvements. To ensure further cohesion within the Group, the USJE CSR Committee has appointed one of its members a representative to the Group ESG Performance Network, which aims to improve internal communication, sharing and learning from the Group's best practices.

### **HEALTH & SAFETY CENTRAL COMMITTEE**

USJE's Health and Safety Central Committee provides strategic directions for initiatives to improve health and safety in our plant. It establishes effective processes to promote the full implementation of the TITAN Group's Health & Safety Policy. The Committee is chaired by the Chief Executive Director and structured of 5 subcommittees: Safety Incidents, Safety Checks, Contractor Management, Guiding Indicators and Rules and Procedures. The ultimate goal of the Committee is to protect the health and safety of our employees and our contractors' employees as one of the fundamental human rights in the workplace.

### **QUALITY AND ENVIRONMENTAL BOARD**

The Quality and Environmental Board is responsible for establishing the company's Quality and Environmental Policy and setting the quality and environmental system targets. The Board also conducts internal quality and environmental audits and reviews the quality and environmental management system. The Quality and Environmental Board identifies the environmental aspects and environmental protection-related emergencies, etc.

## Group Policies and Code of Conduct

To ensure that we conduct our business with respect, accountability, and responsibility, we have fully adopted the Group Code of Conduct and Group Policies, applicable to all our operations, which cover all strategic areas and provide guidelines to employees and external business collaborators, to ensure compliance with the applicable internal and statutory rules.

In 2021, TITAN Group launched a new Procurement policy. This Procurement Policy aims to set forth the fundamental principles governing Procurement in all TITAN business units, which TITAN Group employees must follow and the suppliers are expected to be aligned with when engaged in procurement activities. In addition, the Group Code of Conduct for Procurement was published in 2022 and disseminated to all group business units.

At the beginning of 2022, TITAN Group launched a new Diversity, Equity and Inclusion policy. Diversity, equity and inclusion (DE&I) are core to our culture, strategy and everyday working practices. We are committed to creating an environment where all differences are valued and nourished, and everyone has the opportunity to flourish and experience a sense of belonging. This policy was translated and published on Group Intranet Connections. We commit that 1/3 of our Board of Directors members will be women by 2025.

An assessment of Group policies was conducted a few years ago by the Group Human Resources Department to define priorities and future targets accordingly. Our Group Code of Conduct, Human Rights and CSR policies were updated to incorporate clearer references to diversity and inclusion.

## Diversity and inclusion

We are committed to offering equal opportunities and encouraging diversity and inclusion at every level of employment in the Company. A "diverse and inclusive workplace" has been recognized as a material issue for the Group. Diversity includes gender, age, nationality, disability, ethnic origin, sexual orientation, culture, education and professional background. At the Group level, particular attention is given to monitoring the implementation of our Human Rights Policy, part of which refers to the promotion of diversity and ensuring consistent improvement of diversity across the organization. Improving the gender mix at all levels is always an area of focus. Likewise, we focus on inclusion and creating a working environment that maximizes the potential of all employees.

## Human rights

In TITAN and Cementarnica USJE, respect and promotion of human rights are rooted in every area of our operation, with all our stakeholders, employees, value chain, and communities. Our Human Rights Policy is aligned with the Ten UNCG Principles, ILO conventions, the Universal Declaration for Human Rights and the UN Guiding Principles on Business and Human Rights. Within this engagement, we aim to promote respect for human rights within our areas of influence. These include the following:

- respect for the freedom of association;
- the valuing of diversity; equal opportunities for all;
- the elimination of all forms of discrimination;
- consideration of human rights in investment decisions.

Consistent with the United Nations Guiding Principles on Business and Human Rights, TITAN is committed to respecting and supporting human rights with regard to its employees, the communities in which it operates and its business partners. Human rights are one of the key subject areas of the TITAN Group Compliance Program, which provides a well-structured framework to address relevant activities in a disciplined and holistic way across the Group.

Our commitment to respecting the human rights of all people, and particularly of stakeholders who may be affected by our operations, is specified according to the UN Business and Human Rights Guidelines in the Group HR Policy adopted in 2018. Our Whistleblowing Policy, introduced in 2020, encourages employees to report possible misconduct, fraud or abuse. In parallel, EthicsPoint, the Group reporting platform launched in 2020, provides a uniform, anonymous and strictly confidential channel through a globally available digital tool to facilitate the confidential reporting of any concern and to ensure that incidents are reported, examined and resolved with a remedy plan, if and when necessary, thus fostering a culture of integrity and ethical conduct.

Labour rights are a material issue for all employees, regulators, and communities. TITAN Group ensures the freedom of association of employees. Unions, when established by employees, participate in bilateral meetings with management on a yearly basis and in stakeholder dialogue that addresses strategic issues within the framework of sustainable development. Union representatives have the right to meet with line management to discuss their concerns, suggest improvements, and negotiate agreements on different issues, such as wages and additional benefits, and proposals to improve health and safety conditions. USJE has signed a Collective Bargaining Agreement with the company Union and, at the same time, respects the General Collective Agreement for the business sector.

## Risk management

Proactive risk management improves TITAN Group and TITAN USJE's ability to manage risks and helps adapt quickly to a changing business environment. USJE actively address risks to safeguard the long-term sustainability of its business. Our risk management approach includes management systems, strategic objectives setting, corporate governance, policies, reporting, communications with stakeholders and performance measurement across all the business operations.

Current political tensions, which have escalated due to the ongoing situation in Ukraine, have negatively impacted the stability of financial opportunities and commodity markets. The military conflict prompted by the Russian invasion of Ukraine has created geopolitical uncertainties

with macroeconomic implications. The world remains hostage to the tragic events in Ukraine, which translate not only into human suffering and loss but also adverse consequences across the global economy in the form of inflationary pressures, supply chain disruptions and mounting geopolitical uncertainties. It is difficult to predict how long this social and economic instability will last and when and at what level financial indicators will stabilize. The effects of this situation in a much wider context, including the energy sector, were expected to adversely affect the market trends, and thus further increasing the inflation risk. However, USJE management places its employees above all else and undertakes all protective measures to safeguard the integrity and well-being of its people.

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

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

## Audits in USJE

In 2022 there were several external as well as internal scheduled or unplanned audits on different areas. Total of 19 external and 13 internal environmental audits were performed regarding the environmental management systems, Energy Management System/Energy audits, CO<sub>2</sub> emissions, waste management, complaints, permitting and other environmental issues\*. Our financial results and reports were audited by PriceWaterhouseCoopers, whereas Grant Thornton audited our annual sustainability goals. Unscheduled audits were performed by the State environmental inspectorate.

HR and Payroll Audit was conducted by the SEE & Turkey Internal Audit in a three-week period in 2022. Main objectives included compliance with applicable regulations and Company policies, working hours and payroll calculation, administering all kinds of personnel data and confidentiality of personal data. The overall rating of Internal Control System concerning Payroll & HR function was assessed as "Satisfactory" (S) and there were no significant weaknesses to be identified. The process was found well-structured and closely monitored by the HR Department; the internal controls were adequate and contribute to improved effectiveness and efficiency of the Payroll & HR functions while relying on interconnected systems for payroll calculation and personnel's time and attendance monitoring.

**\*Note:** ESG Performance Statements, table 2.5.6, p.78





# ESG PERFORMANCE REVIEW









# ESG Performance Review

As in previous years, 2022 is another year when USJE was proud of its sustainable development endeavours and its enduring commitment towards its local communities and stakeholders, despite the challenges faced due to the impact of the financial crisis and pandemic on business and society. In the ESG performance review section of the Management report, we have provided a detailed overview of our annual performance and progress towards meeting and addressing the material issues identified as priorities for USJE and its stakeholders, highlighting the significant achievements and key performance indicators recorded throughout the year.

## Focus Area: Decarbonization and Digitalization



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



#### Use of alternative fuels

Taking a circular approach, we can reduce the carbon intensity of our cement production process by substituting fossil fuels with pre-treated non-recyclable and biomass waste fuels to operate our cement kilns. Recovering and recycling fuels and materials in our processes enables us to divert waste from landfill and improve the waste management hierarchy at the local level. We have installed new equipment for shredding and dosing to enhance utilization and increase opportunities for the usage of different alternative fuels. This equipment enables USJE to use different fractions of non-hazardous waste as alternative fuels.

The alternative fuels used in one of our two kilns in 2022 were biomass from agricultural waste (rice and coffee husks), selected waste from the textile industry, non-recyclable packaging waste and waste plastics that cannot be reused and recycled. USJE continued the effort for the utilization of alternative fuels and alternative raw materials and tried to find new waste streams. The utilization of alternative fuels is in line with the A-Integrated Environmental Permit. We use the best world practices, established efficient technologies and equipment.

Reducing the use of non-renewable (fossil) fuels and raw materials and greenhouse gas emissions and energy recovery instead of disposal (waste hierarchy) is just a segment of the outcomes and benefits of the co-processing of wastes as an alternative fuel.

USJE was part of the regional project "Waste to Energy for Western Balkan Cement Industry", which started implementation in March 2020 and ended in December 2022 as part of the program for cooperation with the business sector [develoPPP.de](#). This regional project aimed to determine the preconditions for the use of municipal and industrial waste (as mono-fractions) and waste tires for the production of alternative fuel from waste (RDF / SRF) for the cement industry to achieve opportunities for economical utilization of various waste streams through the utilization of the potential of the existing infrastructure and network for collection, preparation and processing of municipal and other priority waste for the production of RDF / SRF. Its task, among other things, was to encourage cooperation with the public and private sectors for knowledge exchange and overcoming challenges.

#### Our efforts toward climate change mitigation

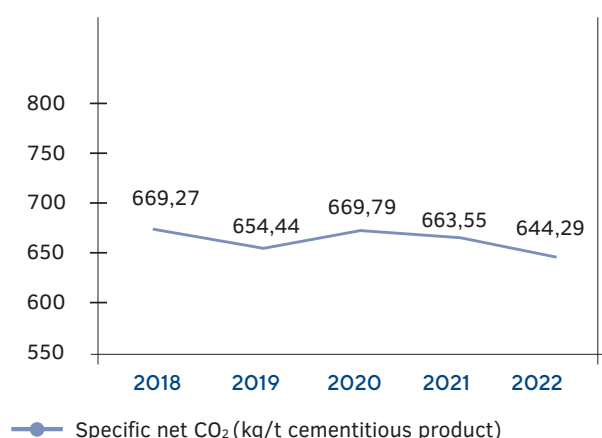
According to the Global Cement and Concrete Association (GCCA), the cement industry is responsible for 5% - 8% of the world's CO<sub>2</sub> emissions. We are well aware that our production processes have a carbon footprint and that our final product – the ready-mix concrete, is the most used material in the world and plays an essential role in development and growth. It motivated us to contribute to climate change mitigation by reducing CO<sub>2</sub> emissions in our production processes and the entire product life cycle.

Therefore, climate change has emerged as one of the biggest environmental challenges in the cement production industry. The total emission of direct CO<sub>2</sub> has resulted from the following processes: calcination of carbonates and combustion of organic carbon contained in raw meal, combustion of fuel in the rotary kiln for clinker production, combustion of fuels used for heating and transportation of materials on plant premises. Indirect carbon dioxide emissions are released during the electricity production required for the clinker and cement manufacturing process, in addition to the production and transportation of raw materials, fuels and final products.

In USJE, for calculating and reporting CO<sub>2</sub> emissions, we follow the GCCA protocol (previous WBCSD/CSI). Following

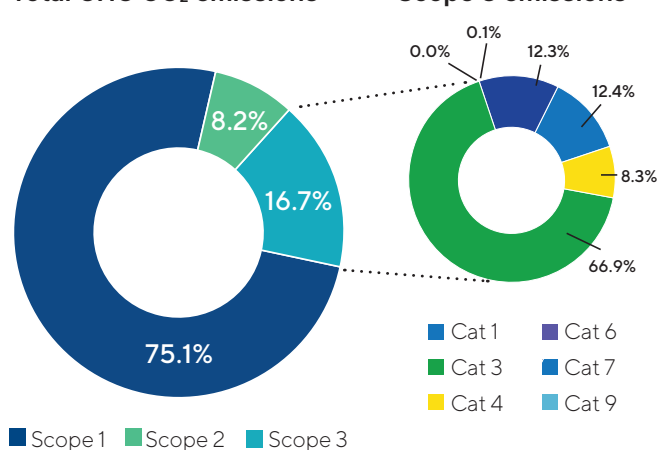
this protocol, the CO<sub>2</sub> and energy calculating and reporting are performed regularly, even though this is not a national legal requirement yet. In 2022, USJE's total net direct CO<sub>2</sub> emissions under Scope 1 were 0.6 million tons, whereas the specific net direct CO<sub>2</sub> emissions were 644.29 kg CO<sub>2</sub>/t cementitious product which is ~2.9% lower compared to 2021. The reduced specific gross CO<sub>2</sub> emissions are due to the introduction of new types of cement that resulted in the reduction of the clinker-to-cement ratio compared to 2021 and increased thermal efficiency.

### Specific net CO<sub>2</sub> emissions



Apart from the calculation of Scope 1&2 CO<sub>2</sub> emissions, we also calculate Scope 3 indirect CO<sub>2</sub> emissions of the supply chain related to six categories considered relevant to cement production activities according to GCCA guidance. Monitoring our supply chain (Scope 3) CO<sub>2</sub> emissions is critical to achieving TITAN's long-term ambition for carbon-neutral concrete by 2050.

### Total GHG CO<sub>2</sub> emissions



Scope 1 emissions account for 75.1% of our footprint and are at the core of our emissions reduction strategy. Scope 1 includes all emissions that are released directly from our operations. Most of these come from cement production. Over 60% of our Scope 1 emissions are generated during the decarbonisation of the raw materials we use to produce clinker. Fuel combustion necessary to heat the cement kilns is another significant source of emissions.

Scope 2 emissions account for 8.2% of our carbon footprint. Scope 2 includes indirect emissions from the generation of purchased electricity consumed in the company's owned or controlled equipment.

Scope 3 emissions account for 16.7% of our carbon footprint. Scope 3 includes all other indirect emissions generated in our supply chain, such as the transportation, extraction and production of purchased materials and fuels.

### Circular economy

We are committed to improving our performance according to targets and ambitions for a circular economy, taking actions to minimize, reuse, recycle or recover materials and energy in order to preserve natural resources, reduce CO<sub>2</sub> emissions and manage waste efficiently. Having recognized the circular economy as fundamental to the development of a more sustainable business model, the plant systematically adopts and applies good practices in order to minimize its footprint and ensure a sustainable future for coming generations. USJE continues its efforts to increase the use of alternative raw materials in clinker, cement, and concrete production by designing and developing new low-carbon cement products to address the present and future needs of its customers. Faced with the limited supply of conventional fuels and natural raw materials, the circular economy has gained significant prominence, becoming more widespread in recent years. The cement industry provides solid solutions and sustainable practices in this regard. USJE is aligned with the principles of a circular economy and has recognized their importance in our Group Environmental Policy. Co-processing products of different waste streams in our operations (such as biomass, municipal and other inert waste materials) is an example of our environmental responsibility policy and is an efficient way of reducing our carbon footprint.

## Low carbon products

In the second half of 2022 new cement type was introduced, CEM II/B-V 42,5 R. It was in the direction of the global effort of the cement industry and the TITAN Group to decrease the carbon footprint. Clinker content is about 3% lower compared to CE II/A-V 42,5 R, but with the optimization, there is a possibility for further decrease. The additional benefit, when compared to its predecessor type, CEM II/B-M (V-L) 42,5 R, CEM II/B-V 42,5 R, consumes a higher amount of fly ash (~4%).

USJE is actively participating in the TITAN Group program for investigating potential natural pozzolanic resources in the SEE region. The scope includes the laboratory testing for the optimization/maximization of pozzolanic activity through several trials of separate grinding or activated natural pozzolana. Higher utilization of natural pozzolana in cement allows us to decrease CO<sub>2</sub> emissions to a greater extent in the cement industry.

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



Following the decarbonization agenda and aiming to improve the know-how in concrete production, we have started a new project for supporting our bulk customers. An external expert on concrete production joined our teams from the Sales and RMC departments. Their goal was to promote low-clinker cement in concrete production by enhancing the mix designs and the usage of adequate admixtures. Many customers were visited, while in 27, our team carried out a thorough evaluation of the results of their operational activities and offered useful advice for improvement. As a result, the sales of our bulk ECO cement CEM II/B-V 42,5R participated with 17.9% of the total sales of bulk cement vs. 1.4% in 2021. There has been a growing tendency ever since, especially in the last few months, and the participation reached 25%.

We have reached 100% usage of the Titan Up application for loading orders. We plan to continue developing the application hoping to fully replace the current ERP system with a new SAP solution. Together with the TITAN plants in Albania, Serbia, Kosovo and Bulgaria, we have also started the preparation for the SAP implementation, a benchmark in business applications. It is a growing transition trend to go alive at the start of 2024.

## Focus Area: Growth-enabling Work Environment



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



## Dealing with the COVID-19 pandemic

The COVID pandemic boosted up at the beginning of 2022. However, as the months of 2022 went by, the pandemic slowed down significantly and ensured the withdrawal of the restrictive measures in early-mid 2022. Nevertheless, USJE continued to support all its employees and their family members with free COVID tests if needed and paid 100% of salary compensation for absence from work due to COVID-19.

## Health and safety performance

Our priorities in the operation of our plant are creating a healthy and safe working environment and implementing measures for ensuring employee well-being. As a member of the TITAN Group, our company strives to implement the highest safety standards while improving the existing ones by acquiring new knowledge, respecting the legal norms and applying the proper safety management tools, practices, and measures.

Cementarnica USJE applies safety standards and cares about the safety of its contractors and employees.

Building a high-level occupational safety and health culture that is part of the Safety and Health Policy is the main focus of our company as a member of the TITAN Group. Always guided primarily by the main goal and vision of the policy, which is zero injuries at the workplace, USJE ended the year 2022 without any accidents in the workplace and a record of almost two (2) years (719 days) without an LTI on our personnel.

USJE encourages and motivates its employees and contractors to actively get involved in the system for reporting unsafe situations and activities, including incidents and near misses, by participating in safety inspections that prevent work-related injuries. The 2022 report noted 562 incidents, 122 safety walks and 42 safety audits. Of these, 28 near misses, 1 contractor injury and 3 contractor medical cases were recognized.

Our good practice is a detailed analysis of unsafe events and by adopting corrective measures and their deviation, we prevent the recurrence of similar or potentially serious incidents. In 2022 USJE maintained the continuity of organizing training on various safety-related topics for our employees and contractors, guided by the belief that extending the knowledge of all employees plays an incredibly important role in improving overall workplace safety and developing a safety culture. The organized training interrupted due to the COVID-19 national emergency has been put back into practice regularly in our work-related activities. Thus, in 2022, 3,755 hours of training were organized for the USJE employees, or an average of 16.10 hours per employee, in addition to 2,140 hours of training for the contractors' employees or 14.44 hours per employee\*. The training focused on the implementation of the TITAN Group's "Next Step in Safety" program, which successfully revised and carried out the Hot Works Procedures and Work at Height Procedures.

In 2022, in order to improve the management and organization of the work activities of our contractors in accordance with all system processes and safety and health norms, we implemented the new project, "System for the management of contractors," ensuring the control of their employees and records of the necessary documentation.

To encourage the importance of employees' health, the H&S department in April 2022, on the occasion of the World Day for Safety and Health at Work, organized an H&S Month campaign which included various sports activities and training held by nutritionists and doctors providing support and care for the employee physical health. The employee reward program for motivating and encouraging employees to be more proactive in the field of safety and environment continues to run this year, rewarding employees on a quarterly basis for their special contribution and engagement in the field of safety and health at work and environmental protection, fostering a good safety culture in the workplace, reporting incidents, making suggestions for safety improvements, in addition to environmental protection and maintaining workplace orderliness. In September 2022, an audit of the ISO 45001 system was carried out by the external company Eurocert, in which no nonconformities in terms of safety and health were found. Regular audits were also carried out by the Group and the Regional H&S Directors.

The company's efforts are focused on improving the safety and health management system, and every safety-and-health-related issue takes priority in our meetings. By transferring information for a greater understanding, we give a sharper focus on mutual safety integration to stimulate more efficient processes in the plant and the company's overall operations.

### H & S ratios (historic trends)



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

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

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

**\*Note:** ESG Performance Statements, table 2.2.1, p.65

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



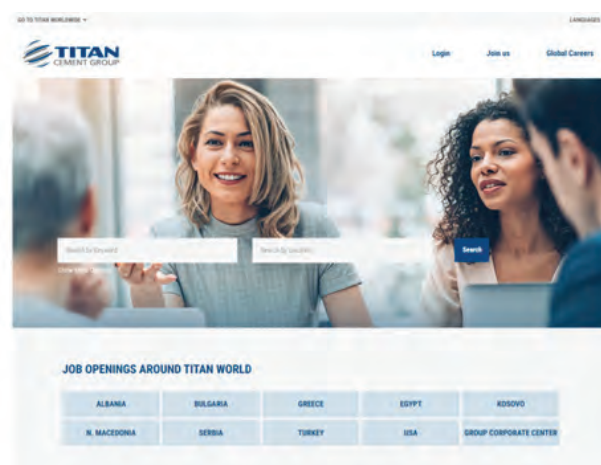
### Employee engagement and human resources management system

TITAN's people strategy focuses on the three pillars of learning, talent, and organization, supported by a foundation of an engaging and inclusive work environment, fair and transparent reward management, and effective human resource management systems. The focus on learning incentivizes upskilling and reskilling programs and strengthens leadership. The focus on talent management ensures the attraction, retention, and development of the talent necessary to meet the strategic workforce needs of the company and the fulfilment of the career aspirations of our employees.

In 2022, we ran an Employee Engagement survey using a short questionnaire to measure our people's engagement, enablement and energy, as well as critical dimensions around authority and empowerment, direction, confidence in leaders, development, performance management, work structure and processes, collaboration, well-being, and diversity and inclusion. For the first time, the engagement survey was carried out in a digital format across the Group, whose results were then quickly shared within the Group and business unit management teams. Our employees were willing to share their opinions and viewpoints, thus

leading to a response rate as high as 90%. The survey results were communicated by the Management to all employees. Based on the in-depth analysis of the results and feedback, priorities were identified by each department teams and a Company Action Plan was designed. Four areas were recognized for improvement and development of the Action Plan: 1) Timely decision-making, 2) Decision-making at the lowest level, 3) Effectively addressing poor performance at work, and 4) Strengthening interdepartmental cooperation.

In 2022, the Group launched the RMK Recruitment Marketing project for improving our employer branding. USJE participated in developing the new branding for our website on the Career page.



<b>Total employment at year-end:</b>	<b>237</b>
<b>Male: 198    Female: 39</b>	
<b>Employees from the local community:</b>	<b>77</b>
<b>Employees belonging to Union:</b>	<b>70.04%</b>
<b>Share of women in employment:</b>	<b>16.46%</b>

<b>Share of women in management:</b>	<b>21.05%</b>
<b>Share of women in new hires:</b>	<b>8%</b>
<b>Share of women in talent pools:</b>	<b>35.7%</b>
<b>Maternity leaves:</b>	<b>2</b>



### Team building 2022

PDP participants took part in a two-day team building outdoor activity by the Ohrid Lake, surrounded by beautiful nature. The activities ranged from informal

gatherings like a karaoke show and treasure hunting to a more formal event consisting of a mini lecture about the importance of team coordination and organization.



### Employee voluntarism

The employees of Cementarnica USJE took part in a volunteer action for planting trees on the territory of the Municipality of Kisela Voda. More than 40 employees, including the management team, contributed to the afforestation and greening of a part of the

USJE neighbourhood. Additionally, our employees volunteered to help raise funds for making a donation of New Year gifts for the children at the PHI University Clinic for Child Diseases.



### Blood donation actions

In 2022, several blood donation campaigns were held with the Red Cross Organization. 57 USJE employees and 16 contractors took part in these actions.

### Diverse and inclusive workplace

TITAN USJE follows the TITAN Group's commitment to creating an environment where all differences are valued and initiatives promoting opportunity, equal access, employment and a sense of belonging in the workplace. Following the identification of equality, diversity, and inclusion as Group material issues for 2020–2025, specific targets were set to increase female participation the company.

USJE follows the Group Human Rights Policy that specifies the rights and responsibilities according to international best standards and local law, as well as closely monitoring all aspects related to the implementation of this policy. We are proud to report that in 2022 no human rights, labour rights, or labour law abuses/non-compliance were reported in USJE.

In our Central Management Committee, 40% are women, while 21.05%\* of the management team are women.

### Communication Day with the employees

Employees are one of the most valued stakeholders of the company, and USJE promotes open and transparent communication with its employees. Communication Day was organized in the plant yard. This initiative helped motivate and encourage the employees to feel free to discuss their work-related issues and give suggestions about process and operations improving.



The CED and the Technical Director shared the new Group strategies and targets with the employees emphasizing that their success is impossible without the employee's commitment. The event was rounded with a jubilee award ceremony celebrating 10, 20, 35 and 40 years of service in the company.

\*Note: ESG Performance Statements, table 2.2.2, p.66

## Well-being initiatives

Following the company's commitment to the health care and well-being of its people, we introduced various programs to support employees and their families in times of crisis.

USJE provided additional support through an Employee assistance program, Mental health campaign, and financial support to alleviate the effect of the economic crisis.

 <p>Physical</p>	<ol style="list-style-type: none"> <li>1. Company doctor available</li> <li>2. Medical check-ups for the employees</li> <li>3. COVID support for the employees and their family members</li> <li>4. Providing employees facilities for after-work sports activities</li> <li>5. Nutritionist training sessions for all employees</li> </ol>
 <p>Mental</p>	<ol style="list-style-type: none"> <li>1. TITAN EAP</li> <li>2. Mental health campaign</li> </ol>
 <p>Social</p>	<ol style="list-style-type: none"> <li>1. Planting trees action</li> <li>2. Blood donations actions</li> <li>3. New Year's Eve</li> <li>4. Team building for PDP participants</li> <li>5. Improving H&amp;S conditions and energy efficiency in primary schools in the local community</li> <li>6. Women's Day gifts for female employees</li> </ol>
 <p>Financial</p>	<ol style="list-style-type: none"> <li>1. Medical plan for all employees</li> <li>2. Free meal in the plant canteen</li> <li>3. Supermarket vouchers</li> <li>4. Sport store vouchers</li> <li>5. EVN (electricity paying) vouchers</li> <li>6. Scholarships for the children of the employees</li> <li>7. Bookstore vouchers for the children of the employees for the beginning of the school year</li> <li>8. Financial aid for employees and/or family members</li> <li>9. Seasonal vouchers</li> <li>10. New Year's gifts for the children of the employees</li> <li>11. Jubilee awards for the employees</li> <li>12. Scholarships for postgraduate studies for our employees</li> </ol>

People development

Our talent development initiatives are a critical business priority. We are investing in becoming an employer of choice where people can expand their knowledge, gain new skills, and contribute to business transformation.

The training sessions were mainly focused on developing leadership skills, technical know-how, and induction training for smooth onboarding for the new employees and H&S. More than 50 training hours per employee were achieved in 2022.

Committed to the development of skills leaders need to have at all levels of our organization, we organized a one-year Leadership Development Program for all Heads, Supervisors and other key people.

During our digitalization journey, we are investing in developing the digital skills of our people, promoting agile collaboration and people empowerment by fostering cognitive diversity and bringing different minds together to work on creating digital solutions allowing the company to grow faster and stronger. In 2022, the Group continues with the SAP Success Factor System and the modules implementation for employees from the finance department, sales department and purchasing section.





## Focus Area: Positive Local Impact



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



#### Environmental management

We have a long-held commitment to improving our environmental footprint. We integrate environmental considerations into our key business decisions in order to be able to minimize our potential impacts and protect the environment in the locations and communities where we operate. The implementation of our Environmental Policy ensures that we maintain high environmental protection standards and demonstrate our commitment to implementing and exceeding best practices concerning environmental issues. We are well-trained in integrating mergers and acquisitions into our environmental management processes. Fully aware that our operations are dependent on the use of natural resources, we are committed to actions that reduce our operational impact on the environment. Pursuing our vision to mitigate the effects of our operations on the environment, we strive to be recognized as one of the leading enterprises in our industry on sustainability and environmental stewardship. USJE continuously strives to address the defined environmental challenges. As part of the TITAN Group, we are fully implementing TITAN policies which guarantee sound and transparent environmental management according to international best practices. We address environmental issues through monitoring, measuring, reporting, cooperating, continuously acting and improving.

#### Our approach to environmental management

The company has established, documented, implemented, and maintained an Environmental Management System (EMS) and Energy Management System (EnMS), constantly improving their efficiency following the requirements of the ISO 14001:2015 and ISO 50001:2018 standards. Both systems are part of the Integrated Management System in USJE. The scope of the Environmental System covers all environmental issues related to production and quarries exploitation. These systems are maintained and audited on an annual basis. The last audit of EMS and EnMS was made

in September 2022 by external auditors. Both our and the Group's environmental management teams provide targets for the reduction of air emissions, protection of biodiversity, water management and recycling and quarry rehabilitation. We continue to focus on improving environmental performance through sustainable management of natural resources and landscape, energy efficiency and involvement in the circular economy. Pursuing our Vision, we strive to be recognized as one of the leading enterprises in our industry on a global scale on Sustainability and Environmental Stewardship.

#### Monitoring emissions

We are committed to reducing the impact of our air emissions, not only for the sustainability of our business but for the continued protection of our surrounding environment and communities. The chief air emissions released from our activities are dust, nitrogen oxides (NO<sub>x</sub>) and sulphur oxides (SO<sub>2</sub>). Dust emissions may arise from point sources, such as cement production stacks and are continuously monitored, and can also appear as fugitive emissions from quarrying, open storage of materials, transfer of materials, and from loading and unloading operations. NO<sub>x</sub> is formed during the combustion of fuels, and SO<sub>2</sub> mainly from the oxidation of sulphur in raw materials, with a small proportion from sulphur present in some fuels.

The monitoring of the air emissions from our operations is a precondition for controlling and reducing environmental impact. USJE has continuous emissions monitoring system (CEMS) that enables the company to closely monitor the emissions on a real-time basis and take action accordingly, thus providing regular and updated information on our performance. The USJE's web page regularly updates the results from the monitoring, including the monthly and weekly emission reports from the chief emission sources. USJE plant is reporting in accordance with the Guidelines for Emissions Monitoring and Reporting. Material issues identified by our local stakeholders are monitoring the greenhouse gas (GHG) emissions that have a global effect and all other air emissions.



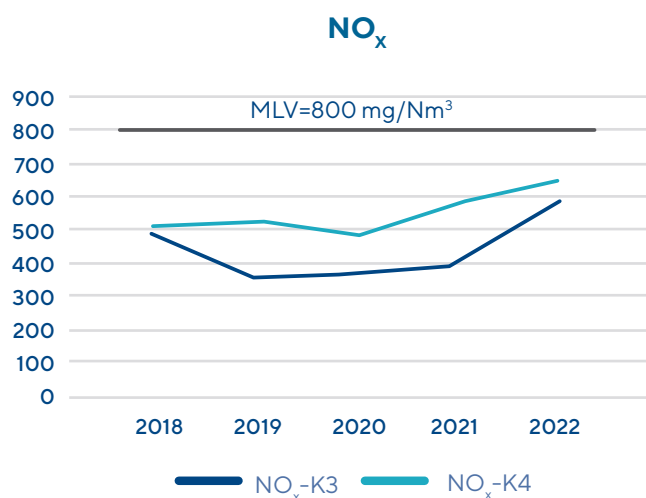
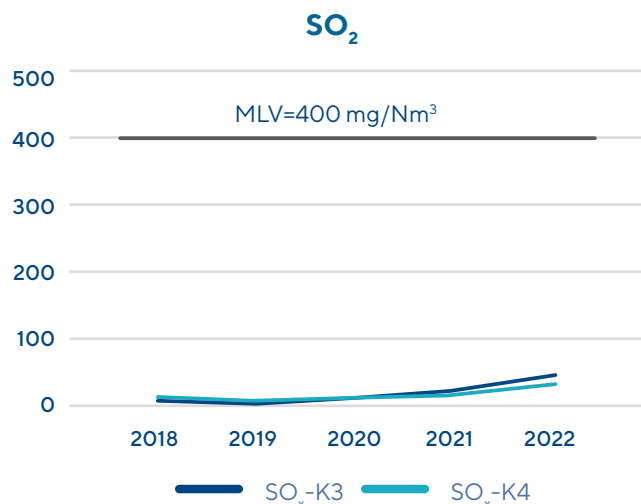
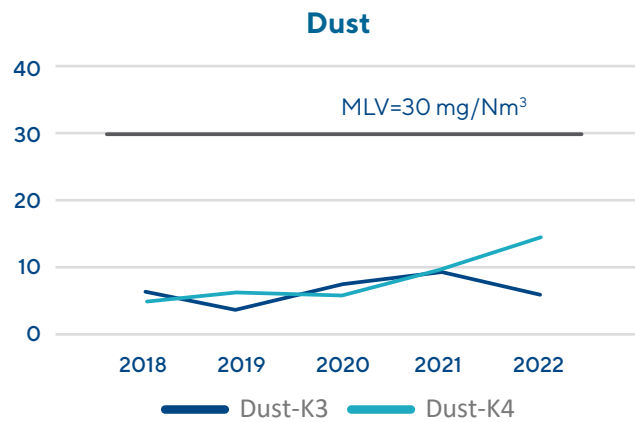
## Emissions

The dominant dust emission sources from the cement plants are kiln stacks. In 2022 the dust emissions were 4.12 tons for Kiln 3 and 18.61 tons for Kiln 4. Dust emissions are far below the limits (MLV) set by the environmental terms and conditions of both local and EU legal requirements. The average concentration of dust for Kiln 3 is 5.50 mg/Nm<sup>3</sup>, and for Kiln 4 is 14.9 mg/Nm<sup>3</sup>, whereas the MLV is 30 mg/Nm<sup>3</sup>.

The primary cause of SO<sub>x</sub> emissions in our plant is the presence of Sulphur (S) in the raw materials. USJE's SO<sub>x</sub> emissions are substantially below the limits (MLV) set by the applicable local and EU regulations. For 2022, the average concentration of SO<sub>x</sub> for Kiln 3 was 48.36 mg/Nm<sup>3</sup> and 21.6 mg/Nm<sup>3</sup> for Kiln 4, whereas the MLV is 400 mg/Nm<sup>3</sup>. In 2022 our activities resulted in SO<sub>x</sub> emissions of 36.25 tons for Kiln 3 and 26.97 tons for Kiln 4, respectively.

NO<sub>x</sub> emissions result from combustion at high temperatures. In 2022, NO<sub>x</sub> emissions were 430.44 tons for Kiln 3 and 808.02 tons for Kiln 4. The overall NO<sub>x</sub> emissions were within the limits (MLV) set by the local and EU legislation. The average concentration of NO<sub>x</sub> for Kiln 3 was 574.32 mg/Nm<sup>3</sup> for Kiln 3 and 647.03 mg/Nm<sup>3</sup> for Kiln 4, whereas the national MLV was 800 mg/Nm<sup>3</sup>. Targets for NO<sub>x</sub> emissions on both kilns are achieved by the usage of the installation for reduction of NO<sub>x</sub> – a selective non-catalytic reduction (SNCR).

USJE invests in modern abatement technologies and CAPEX projects for reducing fugitive dust and ensuring the regular maintenance of equipment at our manufacturing operations. Measures to control fugitive emissions include building enclosures for material storage and conveyor belts, as well as paving plant areas and internal roads and their continuous cleaning.



\*MLV – Maximum Limit Value

## Post-reporting period events

At the beginning of 2023, the media showed increased interest in air quality in Skopje and other major cities. In such a context, public and media interest in the company's operations increased, and in addition to regularly informing the public about the activities in the segment of environmental impact through weekly reports, the company further intensified its communication with the media and the public during this period.

USJE declared that all emissions generated from the plant's production process, including the emissions in the boiler room, are below the legally permitted limits. This can be documented by the measurements that are conducted regularly. In compliance with the A-Integrated Environmental Permit, the results of the process measurements are submitted to the State Environmental Inspectorate and the Ministry of Environment. At the initiative of USJE and in the interest of the public, process measurements are additionally published on the website of USJE and shared with the media.

USJE has a strong and enduring commitment to environmental, social, and economic sustainability and will continue to work both with competent authorities and with relevant stakeholders in order to improve its performance in all ways possible and to enhance the value it creates for all. As a transparent company that maintains open contacts with all stakeholders, and especially with the public and the media, USJE will continue its open communication in the next period, in interest of building a sustainable future for everyone.



## Biodiversity and land management

As a large-scale landholder, it is our responsibility to continue to preserve and protect biodiversity across our locations, increase the ability of ecosystems to adapt to daily threats and extreme events and support the acceleration towards a nature-positive economy. We are working to ensure that biodiversity is well-managed at all our relevant locations, but we also strive to enhance natural systems beyond our operations. Through collaborative efforts with stakeholders, such as the Faculty of Forest Sciences, Landscape Architecture and Environmental Engineering in Skopje, we continue to be actively engaged in promoting biodiversity measures. Detailed environmental impact assessments for the Plant and quarry rehabilitation plans within the Mining Projects cover all aspects of development, operation, and decommissioning of certain areas of the Plant's yard and quarries. In 2022, in cooperation with the Faculty of Forest Sciences, we completed the Rehabilitation Plans for Vrlovica and Spancevo quarries, and this effort shall continue throughout 2023 and 2024 to develop new and/or update the existing Rehabilitation Plans for the rest of our quarries. Special measures, like planting species that are specific for this region (indigenous species), are taken to protect the biodiversity. In line with these efforts is the development of a Green Belt along the Plant's perimeter. To ensure quality implementation of these plans, we engaged a professional company, and a part of the plant area is transformed into a nursery producing planting material necessary for realization of the targets set in the Studies. The results of these long-term efforts for realization of these plans are already evident in the large number of seedlings planted along the Plant's perimeter and the quarries. All activities for quarry rehabilitation, and biodiversity management of sites are in line with the respective GCCA Sustainability Guidelines.

Since 1998, USJE has continued to plant or donate to third parties for planting around 440,000 trees. In 2022 we planted 38,798 plants in total, out of which 14,319 trees were planted on the final benches of the marl quarry, 18,436 trees at the limestone quarry in Govrlevo, 4,600 trees in the sand quarry in Vrlovica, and 1,443 plants (trees, flowers, and bushes) were planted at the factory green areas.

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

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

USJE continued to engage with its stakeholders and contribute to the sustainability of the local community. USJE continuously promotes open dialogue and collaborative actions with its internal and external stakeholders by implementing sustainability initiatives that are in alignment with the TITAN Group's target to have Community Engagement Plans (CEPs) connected with material issues for stakeholders and the UN SDGs 2030 at 100% of its key operations by 2025. Furthermore, we share our knowledge, experience, and the best practices in the areas relevant to our business to add value and contribute to the well-being of our neighbouring communities.

During 2022, USJE's stakeholder engagement practices have been more active due to the less restrictive measures of Covid-19 that allowed us to implement the action plan in the local community as planned\*.

- 13% of initiatives were related to job creation
- 18% of initiatives were related to skills for new jobs
- 15% of initiatives were related to the education of people in communities
- 15% of initiatives were related to the infrastructure of communities
- 3% of initiatives were related to social cohesion and mitigation of inequalities
- 13% of initiatives were related to volunteerism
- 23% belong to another area of sustainability

► USJE supports the Young Managers and Business Leaders Program organized by the Foreign Investors Council, and under the auspices of the President of the Republic of North Macedonia, Mr Stevo Pendarovski. The mission of this Program was to provide 30 young graduates from North Macedonia with competitive skills and knowledge through a series of leadership training, which will lead them into new professional challenges and develop their capacity to deal with global challenges, international competition and cultural and religious diversity.

► USJE donated an ambulance to the Children's Hospital – Kozle. This is only a segment of the total, continuous support provided by the company for further improvement of the conditions in the public health system in the country, as well as for raising the quality of health services for patients.

► USJE has provided space within its facility to be repurposed for the fire brigade. This major project will bring sustainable benefits to the inhabitants of the Municipality of Kisela Voda and beyond. It is an opportunity for faster reaction to unlikely events, and being close to Sopiste, which in addition to the residents of Kisela Voda, will also benefit the residents of another neighbouring municipality.



Donation to Children's Hospital – Kozle

\*Note: ESG Performance Statements, table 2.3.2, p.70

## USJE received a Recognition for Social Responsibility in the category of Employees, with the project "Care for our people's well-being"

The Ministry of Economy of the Republic of North Macedonia and the Coordinating Body for Corporate Social Responsibility gave awards and recognitions for corporate social responsibility.

USJE received the Recognition for Social Responsibility in the category of Employees, with the project "Care for our people's well-being". With this project, the company presented all its undertaken activities for the well-being of its employees during the pandemic. This recognition is a confirmation of USJE's commitment to be a responsible corporate



citizen and to contribute to the growth and well-being of its stakeholders, including its employees, the environment, the community, and society as a whole.

► USJE set up a Workshop with eminent journalists on Using alternative fuels in our plant. The Technical Director and the Environmental Manager presented the latest trends in alternative fuels as an opportunity to accelerate the process of decarbonisation. During the workshop, the Head of the Waste Department at the Ministry of Environment and Physical Planning presented the decarbonisation legal framework and the waste and use of alternative fuels local framework. A professor from the Faculty of Mechanical Engineering spoke about the potential of alternative fuels as one of the solutions to the energy crisis facing the country, whereas a professor from the Faculty of Security highlighted the current situation in this country and spoke about the environmental crime and the legal framework that covers this area.

The President of the Macedonian Solid Waste Association emphasized the situation with waste in the country and suggested possible models for its utilization through selection, proper disposal, recycling and re-use and creation of alternative fuels for more efficient decarbonisation.



► The Elementary School Blazhe Koneski was provided a completely new insulating façade with the support of USJE. USJE has donated materials and rendered services for the construction of an energy-efficient façade for this school located in the Aerodrom Municipality in the total amount of 4.5 million denars. Hence, with the start of the new academic year, both the pupils and the teaching staff will be able to play, study and work in improved and safer school conditions, whereas the Municipality shall incur reduced costs for the heating and cooling of the school premises. This donation is a segment of the long-term program run by Cementarnica USJE, entitled "Partnering with School Projects," implemented in collaboration with the local communities and institutions at a local level.



► **Internships.** In 2022 USJE became part of the RIS Internship program, a sustainable and structured internship program for Eastern European and South-eastern European students (RIS region) enrolled in Master studies in the raw material sector. The overall objective of the project is to increase students' entrepreneurial and business skills, broaden the University-Business Cooperation activities in the RIS region, boost the employment of the RM graduates within the hosting organizations and leverage the regional brain drain. USJE is expecting its first students in 2023.

As for regular internships we had total of 18 interns in 2022.

### Regular Internships in 2022

Males	Females	Total	Entry-level position
12	6	18	2

### Assessment of initiatives and actions for community engagement

The process for assessment of community engagement plans introduced in 2021 continued throughout 2022. Inspired by our results from 2021 and guided by global group values, USJE focused on strengthening authentic social engagement as one of the ways to maximize our potential to benefit the community. The self-assessment process adds value to the efficient and ongoing communication of initiatives and actions related to community engagement within our Community Engagement Plan. The insights drawn from these assessments provide a solid basis for making decisions and building more effective policies for Community Engagement Plans. They provide significant input that may be required by our external stakeholders and beneficiaries.

- 29 ESG initiatives & actions for the closing of 2022 were assessed
- App.5,237 beneficiaries
- 954 participants of which 240 were TITAN employees
- 152,370.95 euros invested in community engagement initiatives

**\*Note:** ESG Performance Statements, table 2.3.3, p.71

### USJE for the youngest

USJE met the needs of the local Municipality of Kisela Voda and donated tables and chairs to equip the kindergarten in the USJE neighbourhood that shall start working next year. Also, USJE participated in the Humanitarian New Year's Bazaar organized by the Municipality of Kisela Voda.



### Promoting open and transparent communication with our stakeholders

USJE maintains regular open communication with all stakeholders, internal and external:

- The New company web site regularly updated;
- Weekly and monthly reports for monitoring air emissions;
- Daily data from the automatic monitoring system regularly submitted to the Ministry of Environment and Physical Planning;
- Monitoring reports sent to the media press;
- TvojotHR, internal mail address for communication with all employees;
- Plant info boards for publishing printed announcements.

### Continuous contribution to the economic sustainability of our communities

In line with our material issues, USJE recognizes the positive economic impact, both direct and indirect, of its operations on the local community. In 2022, the local spending represented 63.86% of USJE's total expenditure\*. This was achieved by choosing local supply companies for specific products and services, thus making a profound impact and creating value for the local communities.

## Focus Area: Responsible Sourcing



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



#### Energy efficiency

Energy efficiency and increasing the use of renewable energy are crucial for nurturing our ambition for carbon neutrality along the cement and concrete value chain and securing reliable future energy resources for society. To decrease our contribution to climate change, we are investing in optimizing energy and process efficiencies and replacing fossil fuel-based energy with renewable biomass or other alternative sources. Energy efficiency measures are increasingly recognized as valuable means to achieve a sustainable energy supply. Furthermore, the implementation of the EE measures reduces greenhouse gas emissions, improves security of energy supply, lower costs, and even promotes competitiveness. Cement production is an energy-intensive process requiring large volumes of energy, fuels, and raw materials. For this reason, the cement industry has developed a range of technological solutions, which enable reducing the energy needs for manufacturing cement products. Since 2021, we have certified ISO 50001:2018 System for energy management, helping us to continuously monitor our energy intensity and the results from implemented measures. Our teams are continuously trying to increase our energy efficiency in every segment of our operations by developing action plans to improve our energy performance.

In 2022 USJE managed to reduce electricity consumption by ~5.9 kWh/t of cement compared to 2021. This reduction resulted in a total electricity savings of ~5,522,600 kWh, or about 3,940 t CO<sub>2</sub> for 2022.

#### Water management

USJE continuously aims at reusing and recycling water to reduce water withdrawal, discharge and wastewater treatment. Activities such as closed-loop cooling systems and increasing reuse of water from sedimentation pools and ponds aim to reduce the amount of water intake from natural resources.

Water management is a crucial aspect of our environmental performance for conserving and sustaining the quality of water resources in our facilities and the neighbouring areas. We continue to be making significant efforts to protect water as a natural resource, as reflected in our sustainable water management framework:

- Closed system for filtering and recycling industrial water (for cooling of the equipment);
- Water from the city water supplying network used for sanitary purposes only (water class 1);
- Separation of sewage from atmospheric water and discharge in the city sewage network;
- Collection of atmospheric water and street spraying water from the plant in open canals and sedimentation pools and their treatment in the atmospheric wastewater treatment plant before discharge;
- Automatic monitoring of the groundwater withdrawn quantities allows for a fast response in case of network damages and water losses;
- Reuse of water from sedimentation pools and ponds for roads and machinery cleaning.

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

In 2022, USJE withdrew a total of 372,109 m<sup>3</sup> of water (for clinker and cement production), of which 346,889 m<sup>3</sup> is groundwater from our licensed water wells and 25,220 m<sup>3</sup> from the public municipal water network. From this quantity, a total of 34,274 m<sup>3</sup> was used by third parties that operate within the USJE premises and are not in correlation with our operations.

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

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

## Waste management

We are constantly trying to minimize process waste and improve waste management across our production chain. We are dedicated to complying, as a minimum, with all regulations concerning the safe and responsible management of waste materials. Our practices for waste minimization help to address growing resource efficiency and reduce industrial waste and emissions. This includes reducing the amount of waste materials generated and enhancing process efficiency with reuse of the recycled materials. The production process for clinker and cement at USJE is not generating any waste or by-products. All filters in the plant are connected to the raw meal supply enabling us to reuse the cement and clinker dust generated in the plant. Solid waste is generated mainly from plant maintenance and product packaging (packaging waste). In line with best practices, waste is separated at the source and is collected and temporarily stored in designated areas. All waste generated is handed over to authorized collectors and operators for further recycling, and a small portion is landfilled.

In 2022, within our operations we generated a total of 4,920 tons of waste, of which 4,285 tons were internally reused or recycled (introduced to the raw meal), 513 tons was handover to authorized recycling facilities, and 122 tons were landfilled.

Reduction, reuse and recycling of raw materials, energy, and waste remain the key elements of the Group's environmental policy. All leaked materials are measured, collected and returned to the process. With this action, we have detailed analysis for handling all waste generated in the plant.

## Production and Utilization of Electrical Energy from Renewable Energy Sources

To meet our carbon reduction objectives, we are reducing direct and indirect emissions in our production processes through the implementation of CO<sub>2</sub> reduction projects. One of our materiality issues in the field of decarbonisation and digitalization is reduction of usage of non-renewable (fossil) fuels, as well as reduction of carbon emissions (direct and indirect). In 2022, USJE started the project of installation of photovoltaics powerplant for production and utilization of electrical energy from the sun. The project started at the end of 2022 and it should be finished by the first half of 2023. With this project, we plan to install photovoltaic powerplant on the roof constructions of the buildings in the factory yard on a total surface of ~15,000 m<sup>2</sup>, with an install capacity of 3.1 MWp. The powerplant is expected to produce electrical energy that can be substituted for approximately 3.4% of the total consumption of the plant. Produced electrical energy will be used entirely for factory needs. With this project, the USJE cement plant will save approximately 3,200 tons CO<sub>2</sub> per year.



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



In 2022, we conducted a customer survey among 130 customers, out of which 106 had positively responded and submitted back the questionnaires. The outcomes of the survey were very satisfactory for USJE, thus showing that 78% rated the quality of our packed cement as excellent or very good and 97% excellent or very good for bulk cement. As for the technical support that we provide for the customers, 88% of the bulk cement customers and 77% of bagged cement customers are aware for the technical support, and 74% (bulk cement) and 46% (bagged cement) of them have asked for some support, which is way better compared to the previous year. Evaluating the overall cooperation with USJE, 92% of answers are excellent or very good (bulk customers), and 82% of answers are excellent or very good (bagged customers).

In an environment where competitors are offering high-ranking cements, we put great efforts in promoting green cement, which resulted in increased sales of our low-clinker types of cement. Sales of packaged cement CEM IV/B (V-P) 42,5 N reached 79.5% share of our packed cement, while the bulk CEM II/B -V 42.5R a share of 17.9%. There is a growing tendency, so we have discontinued production of packed CEM II/B 42.5N.

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



At USJE, we remain committed to continuously improving our sustainability practices and building strong relationships with our suppliers and partners founded on trust, mutual benefit, and sustainability. We believe these efforts are crucial to achieving long-term sustainability goals and creating value for all stakeholders.

To ensure that we maintain a responsible and sustainable supply chain, we are fully aligned with the TITAN Group's Procurement Policy that incorporates the values of the UN Global Compact. In 2022, the Code of Conduct for Procurement has been updated, setting out the principles and standards that govern the behaviour, conduct and actions of all persons involved in any procurement process.

In our General Terms for Procurement of Goods and Provision of Services ([https://www.usje.mk/media/a24hrcli/general\\_terms\\_for\\_procurement\\_of\\_goods.pdf](https://www.usje.mk/media/a24hrcli/general_terms_for_procurement_of_goods.pdf)) it is stated that our suppliers shall use their best efforts to ensure that their employees, agents and subcontractors share the values and principles as defined by the 10 principles of the UN Global Compact and at the same time the suppliers shall not unlawfully discriminate within the meaning and scope of the UN International Declaration of Human Rights.

Inflation and high energy prices have been our main challenges this year. To address these challenges, we have invested in a renewable energy solution, a 3.1MWp photovoltaic energy plant to partially power our operations.

Collaborating with local contractors and suppliers has contributed to the local community's development by creating job opportunities and supporting the local economy. We believe that by working together with our suppliers and partners, we can build a responsible, reliable, and sustainable supply chain that supports our business goals while minimizing our impact on the environment.



## Good governance, transparency and business ethics



Through sound corporate governance, we aim to ensure that every management decision is aligned with our purpose and core values, takes due account of our sustainability ambitions and serves the best interests of our stakeholders. Our ESG targets for 2025 and beyond, in direct alignment with our commitment to the UN Sustainable Development Goals (SDGs) and the Adherence to the Ten Principles of the UN Global Compact, are underpinned by strong governance, transparency and business ethics.

Sustainability is embedded firmly in our strategy through the regular review of all issues that are material to the business and our stakeholders, the definition of appropriate actions and targets, and the adherence to environmental, social and governance policies.

### Material issue: Good governance and business ethics



As part of the TITAN Group, USJE is strongly dedicated to operating in harmony with all leading principles of integrity and business ethics. Integrity, incorporating transparency and ethical business practices, is a core value embedded in our culture and reflected in the way the company performs its business activities, in line with its key governing objectives of sustainability and social responsibility. Our integrated management approach, characterized by open, responsible, and accountable decision-making, ensures that governance and ethics considerations are properly addressed. Consistent with the Group's strong commitment to good governance and transparent business ethics, the Group Compliance and Anti-Fraud function was established in January 2020 as part of the Group's Internal Audit, Risk and Compliance Department, reporting to the Group Audit and Risk Committee. In 2022, a total of 183 training hours were dedicated to Anti-Fraud Program Framework, whereas 81 training hours to Sanctions Policy.

183 training hours dedicated to Group  
Anti-Fraud Program Framework

## Anti-bribery and corruption

Doing business with absolute transparency and integrity, and demonstrating accountability to the utmost degree, are strong and non-negotiable commitments in TITAN Group and comprise indispensable parts of our long-lasting culture and robust ethical standards. The effective management of governance and ethics considerations and deterring bribery and corruption risks are considered fundamental to the implementation of our sustainability strategy and the achievement of our 2025 objectives.

Our zero-tolerance stance against bribery and corruption across the TITAN Group is confirmed through a consistent management approach and a strong governance structure prescribed in the Group Corporate Governance Charter. It is supported by a comprehensive framework of tools, controls and deterrence mechanisms, overseen by the Audit and Risk Committee, a Board Committee comprised of non-executive and independent Board members. The Group Compliance and Anti-Fraud Department, part of Group Internal Audit Risk and Compliance, maintains the overall responsibility for monitoring compliance risks and coordinating relevant controlling activities in cooperation with management and the Legal Department. Business fraud risks are effectively mitigated through the TITAN Group Anti-Fraud Program, a modular and comprehensive system incorporating dynamic elements, risk assessment, proactive activities and ongoing monitoring.

The Program, outlined by the Anti-Fraud Program Framework, covers a wide spectrum of possible fraud schemes related to Corruption, Asset Misappropriation and Financial Statements risks. Deployed throughout the Group, it aims to provide a protection shield for assets and resources, corporate reputation and credibility, cultural strengths and operational efficiency. The emphasis is placed on fraud prevention, mainly through the Fraud Risk Assessment projects in high-risk areas, as well as the early detection of any possible indications or instances of occupational fraud through the EthicsPoint reporting platform and anti-fraud analytics.

The TITAN Group Code of Conduct and Anti-Bribery and Corruption Policy set forth the principles, rules and responsibilities and provide specific guidance for the preventive and detective procedures in place to mitigate the risk.

## Compliance program and Group policies

A strong compliance culture across TITAN Group, underpinned by our values and ethical standards, is a key driver of our performance and a solid foundation on which operational excellence is achieved. Our disciplined approach and consistent efforts to ensure compliance are enabled through the TITAN Group Compliance Program, a dynamic, risk-based program incorporating awareness and training, assurance activities, continuous monitoring and oversight.

The Corporate Code of Conduct and the Group Policies convey the rules, standards and principles, providing the necessary guidelines to employees and business collaborators. All employees have unrestricted access to Group Policies in all local languages on the Intranet.

**Group Policies include, but are not limited to:**

 Anti-bribery and corruption	 Conflict of interest	 Competition law	 Sanctions	 CSR Corporate Social Responsibility
 Whistleblower	 Environmental and climate mitigation	 Protection of personal data	 Human rights	 Occupational Health and Safety



# ESG PERFORMANCE STATEMENTS







# TITAN's approach for ESG Performance reporting in the Integrated Annual Report and adopted by USJE

The approach of the BU to ESG Performance reporting is consistent with voluntary commitments of TITAN to the IIRC principles, UNGC Ten Principles, the GCCA Charter and Guidelines, and TCFD recommendations, and provides a connection with the Sustainability Accounting Standards Board (SASB) Framework.

## Changes in the structure and content of the 2022 Integrated Annual Report (IAR) ESG Statements

New Key Performance Indicators (KPIs) and other disclosures under each focus area:

- Growth-enabling work environment: Parental leave programs, and Employees with disabilities KPIs in Table 2.2.
- Positive local impact: Total use of land related to quarries rehabilitation in Table 2.3.
- Responsible sourcing: Energy consumption and production for total amount of energy consumed within the organization, % share of electricity consumed. Waste management as % per type of treatment (composted, recycled, or landfilled). See Table 2.4.
- Good governance, transparency, and business ethics: for training hours on anti-bribery and corruption (Table 2.5.1), revenues from sustainability-related products and % share of net sales from sustainability-related products in Table 2.5.2. We added Table 2.5.10 'Value Creation Indicators', and introduced the new Table 2.5.11 'Connecting our Disclosures with TITAN COP according to the enhanced platform of the UNGC'.

The use of 'average yearly' exchange rate for all TITAN subsidiaries', the BU currency in 2022 was in accordance with TITAN's accounting policy for the foreign currency translation, in specific for the income and expenses for statements of profit or loss and comprehensive income\*. See the Notes below for facilitating the ESG performance statements review (in connection with KPIs under Tables 2.1, 2.2, 2.3, 2.4, and 2.5.1).

Assurance: Specific KPIs included in the scope of the assurance engagement by Third Party Independent Auditors.

GCCA: Specific KPIs calculated according to sector commitments integrated by TITAN, following the GCCA Charter and Framework Guidelines. See Table 2.5.9.

UNGC: TITAN follows the reporting requirements for the UN Global Compact concerning Communication on Progress (COP) according to the Enhanced platform and Guidance published by the UNGC in 2022. The BU is covered by the COP of the Parent company of TITAN Group (TITAN Cement International). See table 2.5.11.

UNCTAD: TITAN has adopted under its reporting framework the applicable KPIs according to the Guidance on Core Indicators for Sustainability and SDG Impact Reporting (latest publication 2022).

TCFD: TITAN reports according to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

SASB: TITAN aligns with the requirements of the Sustainability Accounting Standard Board (SASB), which merged with the International Integrated Reporting Council (IIRC) in 2021 to form the Value Reporting Foundation (VRF). In 2022 the VRF was consolidated under the International Financial Reporting Standards (IFRS) Foundation to support the work of the International Sustainability Standards Board (ISSB).

## Guidelines for KPIs and other disclosures

Table 2.5.9 "Sector and Other Standards for the Non-financial disclosures in 2022" provides detailed references for guidance documents for the sector (GCCA) and other global institutions (UNCTAD and UNGC) which are incorporated in the reporting approach of TITAN. Connections of KPIs are exemplified under the ESG performance statements for all focus areas of Decarbonization and Digitalization (see Table 2.1), Growth-enabling work environment (Table 2.2), Positive local impact focus area (Table 2.3), Responsible sourcing (Table 2.4), and Good governance, transparency, and business ethics (Tables 2.5.1 and 2.5.10), specifically for the reporting guidance according to UNGC see Table 2.5.11."

**\*Note:** All amounts in EUR in this Report are calculated according to 'Yearly average' rate: 1 EUR = 61.62207 MKD

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

## Connecting material issues to TITAN Group Focus Areas

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

Strong connection between our material issues and the Titan Group Focus areas are presented with 🔗 Those are primary connections.

### Notes

The first column of Table 1 provides the order of prioritization of the material issues for TITAN Group, and BU, according to the outcomes of the materiality assessment of the last cycle in 2020 and 2021, respectively. In 2022, through the validation of the materiality assessment, additional issues were identified and are also presented.

#### About definitions:

The boundaries of reporting for every material issue are defined by the principles of "strategic focus and future orientation", "connectivity of information", "stakeholder relationships", "materiality", "conciseness", "reliability and completeness", and "consistency and comparability", aligned with the guidance of the International Integrated Reporting Council (IIRC):

#### Strategic focus and future orientation

TITAN's integrated annual report provides insight into the organization's strategy, and how it relates to its ability to create value in the short, medium and long term and to its use of and effects on the Capitals (Financial, Manufacturing, Intellectual, Human, Social and Relationship and Natural capital). We highlight inside the report significant risks, opportunities and dependencies flowing from the organization's market position and business model.

#### Connectivity of information

We aim to address the connection between financial and non-financial information in the report, in order to present a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time. The report provides connectivity of information throughout management reporting, analysis, and decision-making.

#### Stakeholder relationships

TITAN provides insights into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests. The report presents the approach for stakeholder engagement, which ensures their feedback and provides useful insights about matters that are important to them, including economic, environmental, and social issues that also affect the ability of the organization to create value.

#### Materiality

A matter is material if it is of such relevance and importance that it could substantively influence the assessments of providers of financial capital about the organization's ability to create value over the short, medium, and long term. In determining whether a matter is material, TITAN's senior management and those charged with governance to consider whether the matter substantively affects, or has the potential to substantively affect, the organization's strategy, its business

model, or one or more of the capitals it uses or affects.

#### Conciseness

TITAN's report includes sufficient context to understand the organization's strategy, governance, performance, and prospects without being burdened with less relevant information that is redundant in nature. Disclosures about material matters include concise information supports the above. We also seek a balance in our report between conciseness and the other Guiding Principles, in particular completeness and comparability.

#### Reliability and completeness

The report includes all matters related to our material issues and provides both positive and negative information with respect to TITAN's performance across all focus areas of our materiality framework, in a balanced way and without material error. The reliability of TITAN's disclosures is enhanced by mechanisms of robust internal control and reporting systems, stakeholder engagement, internal audits and implementation of internal processes and standard operating practices, and the independent (external) assurance verification by third-party auditors. With regard to completeness, TITAN ensures that all material information has been identified with consideration given to the materiality of our sector, which was integrally part of the assessment in the last materiality cycle (2020).

#### Consistency and comparability

We ensure consistency of the reported disclosures by safeguarding that TITAN's reporting policies are followed consistently from one reporting period to the next unless a change is needed in order to improve the quality of information. This includes reporting the same key performance indicators assuming they continue to be material across reporting periods. When making significant changes we promptly explain the reason and describe (and quantify if practicable and material) their effect. With regard to comparability of reported information is intended to enable comparison with other organizations to the extent it is material to the organization's own ability to create value over time. About comparability, the information in TITAN's report is presented in a way that enables comparison with other organizations in the same sector, following the agreed common framework of guidelines for sustainability performance in the areas of health & safety and environment, providing information according to standardized performance KPIs with common definitions across all companies in the sector and using benchmark data, such as industry or regional benchmarks.

1. Source: "The International <IR> Framework" (IIRC, January 2021). Further information about the IIRC can be found on its website [www.theiirc.org](http://www.theiirc.org).

2. TITAN uses the equivalent term "significance".

2.	ESG Key Performance Indicators (KPIs)										
2.1	Focus area: De-carbonization and Digitalization										
code	ESG Performance Indicators	Unit	2022	2021	2020	GCCA	UNGC	UNCTAD	TCFD	SASB	SDGs and Targets
2.1.1	Material Issue: Future-ready business model in a carbon-neutral world										
Cement and cementitious production activities											
1.1	Scope 1 gross CO <sub>2</sub> emissions <sup>2</sup>	million t	0.6	0.7	0.7	●	●	●	●	EM-CM-110a.1	SDG 9.4
1.2	Scope 1 specific gross CO <sub>2</sub> emissions	kg/t cementitious product	647.5	665.9	671.4	●	●		●		
1.3	Scope 1 gross CO <sub>2</sub> emissions coverage rate	% clinker production	100.0	100.0	100.0						
1.4	Scope 1 gross CO <sub>2</sub> emissions covered under limiting regulations	%	0.0	0.0	0.0		●	●		EM-CM-110a.1	
1.5	Scope 1 net CO <sub>2</sub> emissions	million t	0.6	0.7	0.7	●	●	●	●		
1.6	Scope 1 specific net CO <sub>2</sub> emissions	kg/t cementitious product	644.2	663.5	669.9	●	●		●		
1.7	Scope 1 net CO <sub>2</sub> emissions coverage rate	% clinker production	100.0	100.0	100.0						
1.8	Scope 2 CO <sub>2</sub> emissions <sup>3</sup>	million t	0.1	0.1	0.1	●	●	●	●		
1.9	Scope 2 specific CO <sub>2</sub> emissions	kg/t cementitious product	70.8	90.2	97.3	●	●		●		
1.10	Scope 2 CO <sub>2</sub> emissions coverage rate	% clinker production	100.0	100.0	100.0						
1.11	Scope 3 CO <sub>2</sub> emissions <sup>4,8</sup>	kt	134.2	130.6	141.4	●			●		
1.12	Category 1 - Purchased goods and services <sup>9</sup>	kt	16.6	17.0	16.6	●			●		
1.13	Category 3 - Fuel and energy related activities	kt	89.8	89.6	108.3	●			●		
1.14	Category 4 - Upstream transportation and distribution	kt	11.2	8.1	7.2	●			●		
1.15	Category 6 - Business travels	kt	0.0	0.0	0.0	●			●		
1.16	Category 7 - Employee commuting	kt	0.2	0.2	0.2	●			●		
1.17	Category 9 - Downstream transportation and distribution	kt	16.5	15.8	9.1	●			●		



code	ESG Performance Indicators	Unit	2022	2021	2020	GCCA	UNGC	UNCTAD	TCFD	SASB	SDGs and Targets
1.18	Scope 3 specific CO <sub>2</sub> emissions <sup>8</sup>	kg/t cementitious product	143.6	120.8	137.0	●			●		SDG 9.4
1.19	Scope 3 CO <sub>2</sub> emissions coverage rate	% clinker production	100.0	100.0	100.0						
1.20	Conventional fossil fuels substitution rate	% Heat	97.0	97.9	98.4	●	●	●	●		
1.21	Alternative fuel substitution rate	% Heat	3.0	2.1	1.6	●	●	●	●	EM-CM-130a.1	
1.22	Biomass in fuel mix <sup>5</sup>	% Heat	1.6	1.2	0.9	●	●	●	●	EM-CM-130a.1	
1.44	Alternative fuels consumption (total)	t	3,167	2,731	2,729	●	●	●	●	EM-CM-130a.1	SDG 7.2 SDG 12.2 SDG 13.1
1.45	Clinker to cement ratio	%	72.1	72.6	73.8	●	●		●		
1.46	Moderate carbon products <sup>6</sup>	% cement production	93.6	93.6	96.2				●		
1.47	Green (lower carbon) products <sup>1,7</sup>	% cement production	21.6	9.6	7.4				●		

## Notes

### Notes for specific KPIs

1. New indicator. More details you may find in the section "TITAN's approach for ESG Performance reporting" section.
2. Direct CO<sub>2</sub> emissions related to the operation of TITAN's clinker, cement, and cementitious production facilities.
3. Indirect CO<sub>2</sub> emissions related to emissions released for the production of the electrical energy consumed at TITAN's clinker, cement and cementitious production facilities. For their calculation, we use emission factors provided by the supplier of the electrical energy (market based) or other publicly available data sources (location based).
4. Indirect CO<sub>2</sub> emissions related to the emissions of the supply chain.
5. % of energy originated from biomass over the total thermal energy consumption.
6. Moderate carbon products refer to produced cement types with a carbon footprint that is at least 10.0% lower than that of a typical OPC type as well as any cementitious product sold to be used as cement or concrete additive.
7. Green (lower carbon) products refer to produced cement types with a carbon footprint that is at least 25.0% lower than that of a typical OPC type as well as any cementitious product sold to be used as cement or concrete additive.

8. Scope 3 analysis covers 6 (out of 15) categories, namely purchased goods and services, fuel and energy-related activities, upstream transportation and distribution, business travel, employee commuting and downstream transportation and distribution, that are considered relevant to cement activities according to the GCCA analysis.

9. Scope 3 Category 1 emissions do not include emissions related to services like data services, professional services, maintenance services, catering services, security services, cleaning services, etc. as there are not considered to contribute significantly to the overall Scope 3 emissions while reliable relevant information are not readily available.

### Connection of KPIs with the SASB Standards

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

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

2.2	Focus area: Growth-enabling work environment										
code	ESG Performance Indicators	Unit	2022	2021	2020	GCCA	UNGC	UNCTAD	TCFD	SASB	SDGs and Targets
2.2.1	Material issue: Safe and healthy working environment										
All activities											
2.1	Employee fatalities	#	0	0	0	●	●	●			
2.2	Employee fatality rate	#/10 <sup>4</sup> persons	0.0	0.0	0.0	●	●	●			
2.3	Contractor fatalities	#	0	0	0	●	●	●			
2.4	Third-party fatalities	#	0	0	0	●	●	●			
2.5	Employee Lost Time Injuries (LTIs)	#	0	1	1	●	●	●			
2.6	Employee Lost Time Injuries Frequency Rate (LTIFR)	#/10 <sup>6</sup> h	0.00	2.30	2.47	●	●	●		EM-CM-320a.1	SDG 3.6 SDG 3.8 SDG 4.3 SDG 8.8
2.7	Employee lost working days <sup>4</sup>	d	0	102	147	●	●				
2.8	Employee Lost Time Injuries Severity Rate <sup>4</sup>	d/10 <sup>6</sup> h	0.0	234.2	363.4	●	●	●			
2.9	Contractor Lost Time Injuries (LTIs)	#	1	2	1	●	●	●			
2.10	Contractor Lost Time Injuries Frequency Rate (LTIFR)	#/10 <sup>6</sup> h	3.2	4.7	1.8	●	●	●		EM-CM-320a.1	
All activities											
2.11	Near misses	#	28	38	19		●			EM-CM-320a.1	
2.12	Training man-hours on health and safety / employee <sup>5</sup>	h/ person	16.1	17.1	5.3		●	●			SDG 3.6 SDG 3.8 SDG 4.3 SDG 8.8
2.13	Training man-hours on health and safety / contractor <sup>5</sup>	h/ person	14.4	16.4	2.0		●	●			
2.14	Expenditures for Health and Safety <sup>2</sup>	€	97.68	416.07	551.44		●	●			
Cement production activities											
2.24	Wellbeing initiatives for employees <sup>1,2</sup>	#	25	14							SDG 3.6

code	ESG Performance Indicators	Unit	2022	2021	2020	GCCA	UNGC	UNCTAD	TCFD	SASB	SDGs and Targets
2.2.2	Material issue: Diverse and Inclusive workplace										
2.26	Number of employees by year end,	#	237	250	253		●				SDG 5.4 SDG 8.5
	Employee turnover / gender, avg.	%	15.19	9.0	9.0		●				
Employee new hires / gender <sup>7</sup>											
2.40	Females	#	2	5	6		●				SDG 5.4
2.41	Males	#	23	16	27		●				SDG 8.5
New hires / age <sup>7</sup>											
2.42	Under 30	#	14	6	10		●				SDG 5.4
											SDG 8.5
2.43	Between 30-50	#	11	14	20		●				SDG 8.6
											SDG 8.8
2.44	Over 50	#	0	1	3		●				SDG 10.3
Employment / type <sup>7</sup>											
2.45	Full time	#	214	218	214		●				SDG 5.4
											SDG 8.5
2.46	Part Time	#	0	1	5		●				SDG 8.6
											SDG 8.8
2.47	Temporary	#	23	31	34		●				SDG 10.3
Employment / category <sup>7</sup>											
2.48	Senior managers	#	2	2	4		●				SDG 5.4
2.49	Managers	#	17	18	19		●				SDG 8.5
2.50	Administration/technical	#	79	72	62		●				SDG 8.6
2.51	Semi-skilled/unskilled	#	139	158	168		●				SDG 8.8
											SDG 10.3
Employment / gender <sup>7</sup>											
2.55	Females	#	39	42	42		●				SDG 5.4 SDG 8.5 SDG 8.6 SDG 8.8 SDG 10.3
2.56	Males	#	198	208	211		●				
2.57	Share of women in employment, avg. <sup>7</sup>	%	16.46	16.80	16.60		●				
2.58	Share of women in management, avg. <sup>7</sup>	%	21.05	20.00	21.74		●	●			
2.59	Share of women in Senior Management, avg. <sup>7</sup>	%	0.0	0.0	0.0		●	●			
2.60	Number of employees with dissabilities, BU	#	0	0	0						
2.61	Number of parental leaves <sup>1,2</sup>	#	2	3	n/a						

code	ESG Performance Indicators	Unit	2022	2021	2020	GCCA	UNGC	UNCTAD	TCFD	SASB	SDGs and Targets
2.2.3	Material issue: Continuous development of our people										
2.62	Training investment / (trained) employee, avg. <sup>3,7</sup>	€	166	155	98		●	●			SDG 4.3 SDG 4.4 SDG 5.1 SDG 5.5 SDG 8.5
2.63	Training investment <sup>3</sup>	€	37.864	39.726	23.005		●	●			SDG 10.2 SDG 10.3 SDG 16.5
Training investment / gender <sup>7</sup>											
2.64	Females	€	18.390	7.144	5.628		●	●			
2.65	Males	€	24.199	32.58	17.38		●	●			SDG 4.3 SDG 4.4
2.66	Trained employees, total <sup>7</sup>	#	257	256	234		●				SDG 5.1 SDG 5.5 SDG 8.5 SDG 10.2 SDG 10.3 SDG 16.5
2.67	Share of trained employees, avg. <sup>7</sup>	%	108.0	102.0	92.0		●				
2.68	Share of trained female employees (in total female employees), avg. <sup>7</sup>	%	108.0	100.0	92.9		●				
Trained employees / category <sup>7</sup>											
2.69	Senior Managers	#	2	2	2						SDG 4.3 SDG 4.4 SDG 5.1 SDG 5.5 SDG 8.5 SDG 10.2 SDG 10.3 SDG 16.5
2.70	Managers	#	21	20	21						
2.71	Administration/technical	#	80	72	61						
2.72	Semi-skilled/Unskilled	#	154	162	150						
Trained employees / age group											
2.73	Under 30	#	27	23	26		●				
2.74	Between 30-50	#	145	135	113		●				
2.75	Over 50	#	85	98	95		●				SDG 4.3 SDG 4.4 SDG 5.1 SDG 5.5 SDG 8.5 SDG 10.2 SDG 10.3 SDG 16.5
2.76	Training hours	#	12,933	12,057	7,009		●	●			
2.77	Average training hours / employee (over the total number of direct employees), and breakdown per gender <sup>4</sup>	h/ person	50.0	48.0	28.0		●	●			
2.78	Average female	#	73.0	71.0	50.0						
2.79	Average male	#	46.0	44.0	23.0						



code	ESG Performance Indicators	Unit	2022	2021	2020	GCCA	UNGC	UNCTAD	TCFD	SASB	SDGs and Targets
Training hours / subject											
2.80	Company onboarding	#	1,014	1,200	845						
2.81	Compliance	#	722	615	376				●		
2.82	Sustainability	#	157	263	32				●		
2.83	Decarbonization <sup>1,2</sup>	#	157	n/a	n/a						
2.84	Digital & IT <sup>2</sup>	#	1,838	769	507						SDG 4.3
2.85	Environment	#	416	723	841						SDG 4.4
2.86	Foreign languages	#	432	1,586	352						SDG 5.1
2.87	Functional competence	#	848	634	292						SDG 5.5
2.88	Generic competence	#	187	61	16						SDG 8.5
2.89	Health and Safety	#	3,755	4,204	1,319						SDG 10.2
2.90	Managerial skills	#	1,256	570	154						SDG 10.3
2.91	Other	#	840	318	1,628						SDG 16.5
2.92	Security	#	41	0	18						
2.93	Technical know-how		1,270	1,113	629						

## Notes

### Notes for specific KPIs

1. New indicator. More details you may find in the section "TITAN's approach for ESG Performance reporting" and in the below:

• "Decarbonization" was introduced as a new subject area and presented separately in this report for the first time, whereas in the past respective subjects to GHG emissions were covered under Environment.

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

3. For the definition see Table 2.5.10 "Value Creation Indicators".

4. Figure(s) for 2020 adjusted to include previously unreported data.

5. The KPI was calculated for closing of the reporting period 2022 in accordance with the practice for all Safety data, being the use of "Average Employment" (see Note 6 below). This is consistent with all years prior to 2022. As exception, the KPI for "Performance by activity" was calculated by using the figures of "Number of employees by year end", due to different data consolidation criteria and methodology, but with insignificant impact on the results.

6. The calculation was made according to Belgian Law (sec. 165 XIVB of RD of 30 January 2001).

7. KPIs calculated on the basis of "Average Employment" data for year 2018. Since 2019 the specific KPIs have been calculated on the basis of the number of employees as of 31 December for each year. Figures for the KPI "Share of trained female employees (in total female employees)" which were calculated above 100% (because of the Turnover for Females, or other reasons) needed to be reported as 100% (adjusted to 100% of female employees).

### Connection of KPIs with the SASB Standards

Connection of ESG performance indicators with the metric EM-CM-320a.1 according to SASB Standards, under the topic (area) "Workforce Health and Safety": Specifically, the connection concerns the KPIs of near misses and frequency rate for full-time employees, and contract employees."

2.3	Focus area: Positive local impact										
code	ESG Performance Indicators	Unit	2022	2021	2020	GCCA	UNGC	UNCTAD	TCFD	SASB	SDGs and Targets
2.3.1	Material issue: Environmental positive impact										
Air emissions											
Cement production activities											
3.1	Coverage rate continuous measurement	%	100.0	100.0	100.0	●	●			EM-CM-120a.1	SDG 3.9 SDG 9.4
3.2	Specific dust emissions	g/t clinker	33.7	25.3	18.6	●	●			EM-CM-120a.1	
3.3	Specific NO <sub>x</sub> emissions	g/t clinker	1,838	1,338	1,242	●	●			EM-CM-120a.1	
3.4	Specific SO <sub>x</sub> emissions	g/t clinker	93.8	47.9	51.2	●	●			EM-CM-120a.1	
3.5	Integrated cement plants and cement grinding plants with certified Environmental Management System (ISO 14001 or similar)	% of plants	100.0	100.0	100.0		●				
All activities											
3.6	Environmental complaints <sup>2</sup>	#	3	3	0						
Rehabilitation											
Cement production and aggregates activities											
3.7	Sites with rehabilitation plans <sup>3</sup>	%	50.0	42.9	42.9	●	●			EM-CM-160a.1	SDG 15.3 SDG 15.4 SDG 15.9 SDG 15a
3.8	Total land use <sup>1,3</sup>	million m <sup>2</sup>	0.99	n/a	n/a					EM-CM-160a.2	
3.9	Rehabilitated areas over affected areas (cumulative) <sup>1,3,6</sup>	%	25.7	27.4	23.8		●			EM-CM-160a.2	
3.10	Sites with Environmental Management System (ISO14001 or similar) <sup>3</sup>	%	87.5	100.0	100.0		●			EM-CM-160a.1	
Biodiversity											
Cement production and aggregates activities											
3.11	Sites in high biodiversity value areas <sup>3,4</sup>	#	0	0	0	●	●			EM-CM-160a.1	"SDG 15.3 SDG 15.4 SDG 15.9 SDG 15a"
3.12	Sites with biodiversity management plans <sup>3,5</sup>	#	0	0.0	0.0	●	●			EM-CM-160a.1	
3.13	Sites with biodiversity management plans	%	-	-	-	●	●			EM-CM-160a.1	

code	ESG Performance Indicators	Unit	2022	2021	2020	GCCA	UNGC	UNCTAD	TCFD	SASB	SDGs and Targets
Investments in environmental protection											
All activities											
3.14	Environmental expenditures across all activities <sup>7</sup>	million €	1.8	1.2	0.4	●	●				
3.15	Environmental management	million €	0.0	0.0	0.0	●	●				
3.16	Reforestation	million €	0.1	0.1	0.1	●	●				
3.17	Rehabilitation	million €	0.0	0.0	0.0	●	●				
3.18	Environmental training and awareness building	million €	0.0	0.0	0.0	●	●				SDG 7b SDG 9.4
3.19	Application of best available technologies	million €	1.6	0.9	0.2	●	●				
3.20	Waste management	million €	0.1	0.1	0.1	●	●				
2.3.2	Material issue: Social positive impact										
3.21	Donations <sup>8</sup>	€	114.264	125.101	140.109		●	●			
3.22	Donations in cash <sup>8</sup>	€	0	8.276	0		●	●			
3.23	Donations in kind <sup>8</sup>	€	114.264	116.825	140.109		●	●			
3.24	Employees from local community, avg.	%	32.49	75.0	73.0						
3.25	Internships	#	18	12	9		●				
3.26	New entry level jobs from internships/traineeships	#	2	1	5		●				
3.29	Total number of Initiatives under Community Engagement Plans <sup>1</sup>	#	29	18	n/a						SDG 2.1 SDG 2.3 SDG 4.3 SDG 4.4 SDG 9.3
3.30	Total number of Participants to Community Engagement Plans <sup>1,2</sup>	#	954	89	n/a						
3.31	TITAN Employees, volunteers to Community Engagement Plans <sup>1</sup>	#	240	73	n/a						
3.32	Social investment (in cash and in kind) for community initiatives <sup>1,2</sup>	million €	152,371.0	158.543	n/a						
3.33	Blood donations (TITAN employees, business partners and communities) <sup>1</sup>	#	73	4.0	n/a						

code	ESG Performance Indicators	Unit	2022	2021	2020	GCCA	UNGC	UNCTAD	TCFD	SASB	SDGs and Targets
2.3.3	Material issue: Economic positive impact										
3.34	Local Spend, avg. <sup>18</sup>	%	63.86	56.77	62.21		●	●			

## Notes

### Notes for specific KPIs

1. Relevant information is not available for the specific years denoted as 'n/a'.
2. Specifically, with regard to the KPIs of Total number of Participants to Community Engagement Plans (CEPs), TITAN Employees as volunteers to Community Engagement Plans, and Total amount of 'social investment' for the implementation of Community Engagement Plans related to the KPI Key operations with CEPs connected with material issues and Group policies these were incorporated for the first time in the ESG performance statements in the TITAN IAR 2020. In 2022 TITAN progressed further with the alignment of BUs for implementing the Framework Guidance for CEPs which was introduced for the first time in 2021. Actions were focused on the collection and consolidation of data for the KPIs of "Participants" and "Beneficiaries" of CEPs, with respective definitions as below:  
- "Participants" are persons who had active involvement (engagement) in the initiatives for Community Engagement, and the figure includes the sum of the number of persons of two sub-categories: (a) Direct Employees who volunteered, or/and had active role because of their position/role in the BU organization, and (b) Partners (Local Authorities, Specialists e.g., Academia or other Experts, NGOs, Suppliers and Contractors, and possibly also Customers etc.).  
- "Beneficiaries" are persons who – directly or indirectly – have received or will receive benefits from the initiatives for Community Engagement. In order to estimate this figure, the BU requires to have an overall view of the initiative, and the impacts this has in the local community. The number of Beneficiaries may include also some of the Participants.
3. Coverage includes all quarries attached to cement plants and quarries for aggregates production, which are wholly-owned and under full management control of TITAN. Since 2021, all Titan Cement Egypt quarries have been excluded from the baseline and the calculations of the respective local impact indicators, as they are no longer considered to be under full management control of TITAN due to changes in mining legislation in the country.
4. Active quarries within, containing or adjacent to areas designated for their high biodiversity value, see Table "TITAN Group Quarry Sites with High Biodiversity Value".

5. Active quarries with high biodiversity value where biodiversity management plans are actively implemented, see Table "TITAN Group Quarry Sites with High Biodiversity Value".
6. Calculated as the percentage of the impacted/disturbed quarry areas that have been rehabilitated (total and cumulative), aggregated at Group level. 2020 was the initial year for disclosing data for this indicator.
7. Total amount of expenditures (capital and operational) for those investments whose primary purpose is the prevention, reduction and elimination of pollution and other forms of degradation to the environment (UNCTAD Guidance, 2022). In 2022 TITAN incorporated in this disclosure the figure of total capital expenditures (Capex) which are aligned with the EU Taxonomy Regulation, in specific projects for meeting the Technical Screening Criteria for the environmental objectives of climate change mitigation and climate change adaptation.
8. For definitions related to "Social investment" (in cash and in kind) for community initiatives", "Donations", and "Local Spend", see Table 2.5.10.

### Connection of KPIs with the SASB Standards

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

- EM-CM-120a.1 under the topic (area) "Air Quality" for air emissions of pollutants including NO<sub>x</sub>, SO<sub>x</sub>, particulate matter (PM10), dioxins/furans, volatile organic compounds (VOCs), polycyclic aromatic hydrocarbons (PAHs), and (7) heavy metals.
- EM-CM-160a.1 and EM-CM-160a.2 under the topic (area) "Biodiversity Impacts" for the environmental management policies and practices for active sites, and terrestrial acreage disturbed, percentage of impacted area restored. See also Table "TITAN Group Quarry Sites with High Biodiversity Value" part of the ESG performance statements."



2.4	Focus area: Responsible sourcing										
code	ESG Performance Indicators	Unit	2022	2021	2020	GCCA	UNGC	UNCTAD	TCFD	SASB	SDGs and Targets
2.4.1	Material issue: Resource efficiency, recycling and recovery, contributing to circular economy										
All Activities											
4.1	Water consumption (total)	million m³	0.3	0.3	0.3	●	●				
4.2	Water withdrawal (total, by source)²	million m³	0.4	0.4	0.4	●	●	●			EM-CM-140a.1
4.3	Groundwater	million m³	0.4	0.4	0.3						EM-CM-140a.1
4.4	Municipal water	million m³	0.0	-	0.1						EM-CM-140a.1
4.5	Rainwater	million m³	0.0	-	-						EM-CM-140a.1
4.6	Surface water	million m³	0.0	-	-						EM-CM-140a.1
4.7	Quarry water used (from quarry dewatering)	million m³	0.0	-	-						SDG 6.3 SDG 6.4 SDG 6.5
4.8	Ocean or sea water	million m³	0.0	-	-						
4.9	Waste water	million m³	0.0	-	-						
4.10	Water discharge (total, by destination)³	million m³	0.1	0.1	0.1	●	●	●			
4.11	Surface (river, lake)	million m³	0.0	-	-						
4.12	Sub-surface water (well)	million m³	0.0	-	-						
4.13	Ocean or sea	million m³	0.0	-	-						
4.14	Off-site treatment	million m³	0.0	-	-						
4.15	Other⁴,⁵	million m³	0.0	-	n/a						
4.16	Water recycled (total)¹	million m³	1.2	1.1	1.3						
4.17	Water demand covered with recycled water¹	%	76.2	73.5	75.8						
Cement and cementitious production activities											
4.18	Water consumption (total)	million m³	0.3	0.3	0.3	●	●				
4.19	Water withdrawal (total)²	million m³	0.4	0.4	0.4						EM-CM-140a.1
4.20	Water discharge (total)³	million m³	0.1	0.1	0.1						
4.21	Water recycled (total)	million m³	1.2	1.1	1.3	●	●	●			EM-CM-140a.1
4.22	Specific water consumption	l/t cementitious product	329.7	293.0	304.6	●	●	●			SDG 6.3 SDG 6.4 SDG 6.5
4.23	Specific water consumption	l/t cement	329.2	312.1	314.0	●	●	●			
4.24	Water demand covered with recycled water	%	76.8	73.3	76.5						

code	ESG Performance Indicators	Unit	2022	2021	2020	GCCA	UNGC	UNCTAD	TCFD	SASB	SDGs and Targets
All Activities											
4.25	Thermal energy consumption	TJ	2,455	2,924	2,835	●	●	●		EM-CM-130a.1	SDG 7 SDG 12
4.26	Thermal energy consumption <sup>1</sup>	% of total	88.0	88.5	87.8						
4.27	Electrical energy consumption	TJ	334	380	395	●	●	●		EM-CM-130a.1	
4.28	Electrical energy consumption <sup>1</sup>	% of total	12.0	11.5	12.2						
4.29	Total energy consumption <sup>1</sup>	TJ	2,789	3,304	3,230						
Cement production activities											
4.30	Percentage of production covered by ISO50001 or energy audits	% clinker production	100.0	100.0	0.0		●		●		SDG 7.2 SDG 7.3 SDG 9.4 SDG 12.2
4.31	Specific thermal energy consumption	kcal/kg clinker	870	869.3	878.7	●	●	●	●		
4.32	Specific electrical energy consumption	kWh/t cement	99.1	105.0	109.6				●		
4.33	Renewable energy as part of total electrical energy consumption <sup>5</sup>	% Electrical energy consumed	21.5	45.5	26.3				●		
All activities											
4.34	Natural raw materials extracted (total, wet)	million t	1.5	1.7	1.6	●					SDG 12.2
4.35	Raw materials extracted for clinker and cement production	million t	1.4	1.6	1.5	●					
4.36	Raw materials extracted for aggregates	million t	0.1	0.1	0.1	●					
Cement production activities											
4.37	Materials consumption (total, dry)	million t	1.3	1.5	1.5		●			EM-CM-130a.1	SDG 12.2 SDG 12.4 SDG 12.5
4.38	Extracted (natural) raw materials consumption (dry)	million t	1.2	1.4	1.3						
4.39	Alternative raw materials consumption (dry)	million t	0.1	0.1	0.1						
4.40	Alternative raw materials use (of total raw materials consumed)	% Dry	9.5	8.0	8.6	●		●			
4.41	Alternative raw materials rate (based on clinker-to-cement equivalent factor)	% Dry	13.3	12.0	12.4	●	●	●			

code	ESG Performance Indicators	Unit	2022	2021	2020	GCCA	UNGC	UNCTAD	TCFD	SASB	SDGs and Targets
All Activities											
4.42	Waste disposal (total, wet)	t	635	775	596		●	●		EM-CM-150a.1	SDG 12.2 SDG 12.4 SDG 12.5
4.43	Non-hazardous waste (total)	t	513	748	546		●	●		EM-CM-150a.1	
4.44	Hazardous waste (total)	t	122	27	50		●	●		EM-CM-150a.1	
4.45	Externally recycled waste materials (total, wet)	t	378	537	355		●	●			
4.46	Reused	t	0	0	0						
4.47	Recycled	t	378	537	355						
4.48	Recovered	t	0	0	0						
4.49	Waste disposal, breakdown by destination-usage (wet)	% w/w	100.0	100.0	100.0		●	●		EM-CM-150a.1	SDG 12.2 SDG 12.5
4.50	Reuse	% w/w	0.0	0.0	0.0		●	●		EM-CM-150a.1	
4.51	Recycled	% w/w	59.5	69.2	59.5		●	●		EM-CM-150a.1	
4.52	Recovered (including energy recovery)	% w/w	0.0	0.0	0.0		●	●		EM-CM-150a.1	
4.53	Incineration	% w/w	0.0	0.0	0.0		●	●		EM-CM-150a.1	
4.54	Landfilled	% w/w	40.2	30.3	40.2		●	●		EM-CM-150a.1	
4.55	Composted	% w/w	0.0	0.0	0.0		●	●		EM-CM-150a.1	
4.56	Other (incl. storage)	% w/w	0.3	0.5	0.3		●	●		EM-CM-150a.1	
Cement production activities											
4.57	Integrated cement plants with “Zero Waste to Landfill” certification	% clinker production	0.0	0.0	0.0						SDG 12.2 SDG 12.4

code	ESG Performance Indicators	Unit	2022	2021	2020	GCCA	UNGC	UNCTAD	TCFD	SASB	SDGs and Targets
2.4.2	Material Issue: Reliable and Sustainable Supply Chain										
All Activities											
4.58	Key suppliers meeting TITAN ESG standards <sup>5,6</sup>	%	See Note below	n/a	n/a						SDG 6 SDG 7 SDG 12 SDG 13

## Notes

### Notes for specific KPIs

1. New indicator. More details can be found in the section "TITAN's approach to ESG Performance reporting".
2. Total withdrawal also includes quantities of water withdrawn by TITAN and supplied to third parties without being used in any of TITAN facilities.
3. Total discharge also includes quantities of water withdrawn by TITAN and supplied to third parties without being used in any of TITAN facilities.
4. Refers to the quantities of water withdrawn by TITAN and supplied to third parties without being used in any of TITAN facilities.
5. Relevant information is not available for the specific years denoted as 'n/a'.
6. TITAN progressed in 2022 according to the internal Roadmap for Sustainable Supply Chain as described in the management report under the focus area "Responsible Sourcing", and material issue "Reliable and sustainable supply chain".

### Connection of KPIs with the SASB Standards

Connection of ESG performance indicators with metrics according to SASB

Standards, specifically:

- EM-CM-130a.1 under the area "Energy Management" for total energy consumed, percentage grid electricity, percentage alternative, and percentage renewable.
- EM-CM-140a.1 under the area "Water Management" for total fresh water withdrawn, percentage recycled, percentage in regions with high or extremely high baseline water stress. See also Table "TITAN Group Cement Plant Sites within water-stressed Areas" part of the ESG performance statements.
- EM-CM-150a.1 under the area "Waste Management" for amount of waste generated, percentage hazardous, percentage recycled.
- Connection of the disclosures under Note 7 of the above "Notes for specific KPIs", about the 2022 progress aligned with the Sustainable Supply Chain Roadmap of TITAN cover the requirements for reporting according to the SASB Standards for the area "Business Ethics and Transparency" and more specifically the metric (KPI) EM-MM-510a.1. The connection concerns the description of the management system for prevention of corruption and bribery throughout the value chain.

2.5	Good governance, transparency and business ethics			
2.5.1	Governance Core Indicators			
Code	Governance Core Indicators	Notes	Performance 2022	Reporting Standards
Compliance and business ethics				
5.1	Percentage of unionised employees (%)		70.0%	SDG 5.5
5.2	Percentage of employees covered by Collective Bargain Agreements (CBAs)	2	100.00%	SDG 16.5 SDG 16.6 SDG 16.7
5.3	Average number of hours of training on subjects related to Compliance, per employee	3	3.04	UNGC UNCTAD SASB
5.4	Anti-bribery and corruption training	1. 3	183 training hours realted to Group Anti- Fraud Program Framework	

## Notes

### Notes for specific KPIs

1. New indicator.
2. In 2022 this percentage reached 50.33% [Group figure], slightly decreased compared to 52.3% [Group figure] in 2021.
3. Average number of hours of training per employee and per year, on policies & internal procedures of TITAN (priority being on the Code of Conduct, Policies for Human Rights, Anti-Bribery, GDPR, although this list should not be considered as exhaustive). The KPI is calculated as total hours of training in the

subject areas, divided by the total number of employees. TITAN categorizes these training subjects under the overall subject area: "Compliance" (see Table 2.2 "Focus area: Growth-enabling work environment", for the KPI "Training hours per subject, Group total"). TITAN also provides the total number of hours for anti-bribery and corruption training in 2022, connected with the above. This information is extracted from the human resources management system in each country and consolidated on Group level following the same rules and practices as the above data for compliance trainings.

### Additional Notes

4. TITAN does not operate in or near areas of conflict, according to data of the Uppsala Conflict Data Program UCDP - see the website: Uppsala Conflict Data Program (uu.se).
5. In 2022 TITAN followed an enhanced process of receiving feedback from our stakeholders in each country of operation by promoting the principles of open and structured communication and implemented a project for validating the existing materiality matrix on the level of each BU. For details see the section "Focusing on material issues" of this report, and more specific the "Dynamic Materiality". About outcomes of the BUs Validation Materiality Project 2022 see Table 1.1 "Material issues", part of the ESG performance statements.  
About background work: Preparatory work on the analysis and the assessment of the Materiality Assessment for all countries of operation was completed in 2020, including focused research in each country by a third party. This process enabled the engagement of TITAN's management in each country, and the due diligence at BU level with respect to human rights and indigenous peoples' rights and possible related conflicts. The country-level research concluded that no matters of conflict with respect to the above had emerged or are expected. No new information on the subject matter was noted in the press/media in any of the countries of our operations, either in 2021 or in 2022.
6. In 2022 TITAN continued the development by operating a dedicated

Group e-platform to record our community initiatives and actions at each BU level, as well as to facilitate the self-assessment and alignment of BUs with Group targets and key priorities. Community Engagement Plans are implemented in all countries where we operate, covering programs of initiatives for contributing to the sustainability of local communities and enhance the engagement with our stakeholders, aiming at long-term positive impacts for communities and the society. See the section "Social Positive Impact" in the Management Report for the assessment of TITAN's community engagement initiatives across all countries of operations in 2022.

No incidents were recorded in 2022 concerning site shutdowns or project delays due to non-technical factors, such as those resulting from pending regulatory permits or other political delays related to community concerns, community or stakeholder resistance or protest, and armed conflict.

### Connection of KPIs and other disclosures with the SASB Standards

- The disclosures of Note 6 (above) about the percentage of employees covered by collective bargaining agreements and number and duration of strikes and lockouts cover the requirements for reporting according to the SASB Standards for the topic (area) of "Labor Relations" and in more specific the metrics (KPIs) EM-MM-310a.1 and EM-MM-310a.2.



2.5.3 ESG Polices and Code of Conduct		TITAN Focus Areas mostly relevant				
Group Polices	New or Updated in 2022	TITAN Focus Areas mostly relevant				
		Decarbonization and Digitalization	Growth-enabling work environment	Positive local impact	Responsible sourcing	Good governance, transparency and business ethics
Code of Conduct			●			●
Code of Conduct of Procurement	✓			●	●	●
Group Policies						
Anti-Bribery and Corruption Policy						●
Competition Law Compliance Policy						●
Conflict of Interest Policy						●
Corporate Social Responsibility (CSR) Policy				●		
Protection of Personal Data Policy			●			●
Diversity Equity and Inclusion (DE&I) Policy	✓		●			
Environmental Policy (Climate change incl.)		●		●	●	
Human Rights Policy			●	●	●	●
Information Security Policy		●				●
Occupational Health and Safety (OH&S) Policy			●			
Procurement Policy				●	●	
Sanctions Policy						●
Whistleblowing Policy						●

2.5.6		Environmental Audits									
Area		Albania	Bulgaria	Egypt	Greece	North Macedonia	Kosovo	Serbia	Turkey	USA	Total
Environmental Management System	External	2	1	9	5	3	1	1	1	16	39
	Internal	1	0	2	18	1	1	1	0	2	26
Energy Management System/Energy audits	External	0	1	2	4	1	1	0	0	2	11
	Internal	0	0	2	5	1	1	0	0	0	9
CO <sub>2</sub> emissions	External	0	2	0	4	2	1	0	0	0	9
	Internal	0	0	2	5	1	1	0	0	0	9
Waste Management	External	0	2	3	4	0	1	0	13	0	23
	Internal	0	0	2	2	1	1	0	0	0	6
Complaints	External	0	0	2	3	3	0	0	0	1	9
	Internal	0	0	0		0	0	0	0	0	0
Permitting	External	1	1	3	2	9	0	0	1	0	17
	Internal	0	0	0	1	9	0	0	0	0	10
Other	External	1	1	2	0	1	0	1	0	0	6
	Internal	0	0	0	0	0	0	0	0	0	0
TOTAL	External	4	8	21	22	19	4	2	15	19	114
	Internal	1	0	8	31	13	4	1	0	2	60

2.5.9 Sector and Other Standards for the Non-financial disclosures in 2022		
Sector Association or Initiative	Guidelines and other documents of reference	Published
GCCA <sup>1</sup>	Sustainability Charter	Latest edition (publications between 2019 and 2021)
	Sustainability Framework Guidelines	
	Sustainability Guidelines for the monitoring and reporting of safety in cement and concrete manufacturing. This document has been agreed within the GCCA to have extended application to concrete and other related activities [Pillar 1]	
	Sustainability Guidelines for the monitoring and reporting of CO <sub>2</sub> emissions from cement manufacturing [Pillar 2]	
	Sustainability Guidelines for the monitoring and reporting of water in cement manufacturing [Pillar 4]	
	Sustainability Guidelines for the monitoring and reporting of emissions from cement manufacturing [Pillar 4]	
	Sustainability Guidelines for co-processing fuels and raw materials in cement manufacturing [Pillar 5]	
	Sustainability Guidelines for quarry rehabilitation and biodiversity management [Pillar 4]	
	Guidance for Sustainable Supply Chain Management [Pillars 1, 3 and 5]	
Supplementary to the GCCA standards: (Previously) WBCSD/CSI	Recommended Good Practices for: (a) Contractor Safety, and (b) Driving Safety	2009
	Cement Sector Scope 3 GHG Accounting and Reporting Guidance	2016
UNCTAD <sup>2</sup>	Guidance on Core Indicators for Sustainability and SDG Impact Reporting	2022
UNGC COP <sup>3</sup>	Questionnaire Guidebook for the COP	2022

## Notes

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

Pillar 1: Health and Safety, Pillar 2: Climate Change and Energy, Pillar 3: Social Responsibility, Pillar 4: Environment and Nature and Pillar 5: Circular Economy. The terminology of the 'Pillars' is specific to the GCCA Charter of commitments for member companies, and details are available in the Charter and Framework Guidelines in the GCCA website: <https://gccassociation.org/sustainability-innovation/sustainability-charter-and-guidelines/>

TITAN continued efforts in 2022 for implementing the GCCA 2050 Roadmap to Net Zero Concrete "Concrete Future" and focused on SBTi Targets for the 1.5 degrees scenario, while continuing active participation in various working groups and contributing with knowhow and expertise, in line with its practice since the foundation of the Sectoral Association.

In 2022 TITAN participated in the first GCCA Compliance Charter Audit, with purposes including (a) supporting members in developing implementing their sustainability strategy (focused but not limited to GCCA obligations),

(b) enabling the assessment of members' sustainability performance and benchmark with peer companies, (c) Identifying areas where the GCCA guidelines and charter need to be clarified or strengthened.

2. The UNCTAD Guidance provides meaningful connections of KPIs with the most relevant SDGs and specific targets for each SDG, and is leveraged under the reporting approach of TITAN for all focus areas of De-carbonization and Digitalization, Growth-enabling work environment, Positive local impact focus area, Responsible sourcing, and Good governance, transparency, and business ethics.

3. The Guidance of the UNGC COP was enhanced in 2022 and is considered essential for reporting on progress with respect to TITAN's commitments for the UNGC Ten Principles. See Table 2.5.11 for details on the UNGC guidance and specific connections with KPIs and other disclosures in this Report.

Overall: Tables 2.1, 2.2, 2.3, 2.4, 2.5.1, 2.5.10, and 2.5.11 provide references and connections for the standards under the above Notes (1), (2) and (3).

2.5.10	Value creation indicators	
Value Creation Core Indicators <sup>1</sup>	Unit	2022
Total spend on suppliers, local, national and international for goods and services <sup>2a</sup>	million €	6,003,324,936
% local spend of TITAN <sup>2b</sup>	%	63.86
Taxes to national and local authorities <sup>3</sup>	million €	52,818,954
Social investment (in cash and in kind) for community initiatives <sup>4</sup>	million €	152,370.95
Salaries, (contributions to) pensions, and social benefits, including additional benefits beyond those provided by law <sup>5</sup>	million €	311,708,313
Investments in training of direct employee <sup>6</sup>	million €	166.0
Internships	#	18
Capital expenditures <sup>7</sup>	million €	374,000,000

## Notes

The following Notes are inclusive of definitions for terms used specifically for value creation and distribution to stakeholders.

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

Most terms related to the Value Creation Core Indicators were adopted from the "Guidance on Core Indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals" (in short: UNCTAD Guidance, 2022), and incorporated under the TITAN standards. The related terms are outlined here and connected with the KPIs in the Index above. The figures for the Value Creation Core Indicators are provided in "Understanding TITAN, Creating and sharing value".

1. The economic value created and distributed to key stakeholders has been calculated using the United Nations UNCTAD Guidance on Core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals (2022 edition).

2a. According to TITAN Standards and the application of the IFRS, and in accordance with the approach for "% local spend of TITAN".

2b. The ratio of spend on local suppliers over the total spend on all suppliers, as a percentage. Costs of local procurement are a general indicator of the extent of an entity's linkages with the local economy (UNCTAD Guidance, 2022). Local are those suppliers which provide goods or services to TITAN and have company tax registration inside the country of interest, same as the country of TITAN BUs location and tax registration. For countries with a governmental structure characterized as federation-of-states this applies specifically today to the USA, where different states have local governments and vast geographical extent, the term local refers to those suppliers with company tax registration in the same state with the tax registration of the BU or location of operations, and also in the states which are neighboring to the state of the BU or location of operations (the definition is applicable

to TITAN's operations in the USA, for the above KPI figure). TITAN discloses the respective KPI with historical data in Table 2.3 of the ESG Performance Statements.

3. According to TITAN Standards and the application of the IFRS, see Financial Statements.

4. "Social investment" as total expenditures incurred in cash and in kind, and investments of funds (both capital expenditures and operating ones) for TITAN BUs' community initiatives. See Table 2.3.2 related to Community Engagement Plans for details. Target beneficiaries were stakeholders in the broader communities, while TITAN employees from local communities were included as beneficiaries of specific initiatives for community engagement. Also, with reference to Table 2.3.2 the amount of "Donations" is reported as equivalent to charitable/voluntary donations and investments of funds (the approach is in line with the UNCTAD Guidance, 2022).

5. According to TITAN Standards and the application of the IFRS, see Financial Statements.

6. Total expenditures including the direct and indirect costs of training for direct employees (including costs such as trainers' fees, training facilities, training equipment, related travel costs etc.) reported also per employee and per year, and broken down by employee category (UNCTAD Guidance, 2022). TITAN discloses the respective KPI with historical data in Table 2.2 of the ESG Performance Statements.

7. Capital expenditures, commonly known as CapEx, are funds used by a company to acquire, upgrade, and maintain physical assets such as property, buildings, an industrial plant, technology, or equipment.

## Review of progress for supporting the UNGC Ten principles

The United Nations Global Compact (UNGC) is the world's largest voluntary initiative dedicated to promoting socially responsible practices for businesses. This initiative includes representatives of companies, academic institutions, civil societies, municipal government, and trade unions to align their operations with the Ten Principles of the UNGC for the areas of Governance, Human Rights, Labour, Environment, and Anti-Corruption. TITAN was among the first 500 signatories in 2002 and became a participant of the UNGC in 2017. In 2022 TITAN became also a volunteer company in the Early Adopter Program of the UNGC Communication on Progress (COP) and worked with the newly established 'Enhanced platform' for COP, being among the first 6% of UNGC participants worldwide who joined the initiative.

For Cementarnica USJE: The disclosures about our actions, performance, and progress for contributing to the efforts of parent company TITAN are already covered by the COP of the parent company, and accessible on the UNGC web site. In this Report USJE provides a review of connections for our performance and our actions to adhere and support the Ten Principles of the UNGC.[1]

The review table is part of the ESG Statements section, see page 82.

## WE SUPPORT



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



2.5.11 Review of progress for supporting the UNGC Ten principles			
Sections <sup>1</sup>	Question <sup>1</sup>	UNGC Principles <sup>1</sup>	Reference to the Report <sup>1</sup>
Governance	G1: Board/senior management engagement	1,7,10	About the report Overview Performance highlights: Good governance, transparency, and business ethics Management report Corporate Governance and risk management: Corporate Governance Statement ESG Performance review: Good governance, transparency, and business ethics ESG performance statements: TITAN's approach for ESG Performance reporting, and Tables 2.5.1, 2.5.3.
	G2: Publicly stated commitment		
	G3: Code of conduct		
	G4: Individual or group responsible		
	G5: Formal structure		
Governance	G6 and G.6.1: Risk assessment processes	1,3,7,10	ESG performance statements: TITAN's approach for ESG Performance reporting, and Tables 2.5.1, 2.5.3.
	G7 and G7.1: Due diligence		
	G9: Lessons		
	G10: Executive pay linked to sustainability performance		
	G12: Sustainability reporting		
Governance	G8 and G8.1: Raising concerns about the company's conduct	16	
	G11: Board composition		
	G13: Information assurance		
Human Rights <sup>2</sup>	HR1: Material topics	1,2	Overview Performance highlights: Focusing on material issues and stakeholder engagement Management report Corporate Governance and risk management ESG Performance review: Good governance, transparency, and business ethics ESG performance statements: Tables 2.5.1, 2.5.3, 2.5.9.
	HR2 and HR2.1: Policy commitment		
	HR3: Stakeholder engagement		
	HR4: Prevention/mitigation		
	HR5: Training		
	HR6: Prevention/mitigation progress assessment		
	HR8: Practical actions		
Labour	L1 and L1.1: Policy commitment	3,4,5,6	Overview Performance highlights: Good governance, transparency, and business ethics ESG Performance Management report Corporate Governance and risk management ESG Performance review: Good governance, transparency, and business ethics ESG performance statements: Tables 2.2.1, 2.2.2., 2.2.3, 2.5.1, 2.5.3, 2.5.9.
	L2: Stakeholder engagement		
	L3: Prevention/mitigation		
	L4: Training		
	L5: Prevention/ mitigation progress assessment		
	L9: Injury frequency		
	L10: Incident rate		
	L11: Remedy		
	L12: Practical actions		
	L1.2: Freedom of association and collective bargaining	3,4,6	
	L6: Collective bargaining agreements		
	L7: Women in managerial positions		

Sections <sup>1</sup>	Question <sup>1</sup>	UNGC Principles <sup>1</sup>	Reference to the Report <sup>1</sup>
Environment	E1 and E1.1: Policy commitment E2: Stakeholder engagement E3: Prevention/mitigation E4: Prevention/mitigation progress assessment E4.1: Goals and targets E4.2: Measuring progress against targets E6: Greenhouse gas emissions E6.1: Scope 3 emissions detail E14: Conversion of natural ecosystems E16: Air pollution E17: Waste E18: Hazardous waste	7,8	Overview Performance highlights ESG Performance Management report Corporate Governance and risk management ESG Performance review: Focus areas: De-carbonization and Digitalization, Growth-enabling work environment, Positive local impact, Responsible sourcing Good governance, transparency, and business ethics ESG performance statements: Tables 2.1.1, 2.3.1. and TITAN Group Quarry Sites with High Biodiversity Value supplement table, also Tables 2.4.1, 2.5.3.
	E7: R&D investment in low-carbon products and services E8: Climate adaptation E9: Renewable energy E10: Low carbon products/services E11: Water withdrawal and consumption E12: Water intensity E13: Sites in or adjacent to key biodiversity areas E15: Ecosystem restoration and protection E20: Practical actions E: Sector (Construction & materials)	7,8,9	
Anti-corruption	AC1 Compliance programme AC1.1 Year of programme review AC2 Policy AC3 Training AC3.1 Training frequency AC4 Compliance monitoring AC5 Incidents of corruption AC6 Measures to address suspected incidents of the corruption AC7 Collective action against corruption AC8 Practical actions	10	Performance highlights Management report Corporate Governance and risk management ESG Performance review: Good governance, transparency and business ethics ESG performance statements: Tables 2.5.1, 2.5.3, 2.5.9.

## Notes

1. The connection among the 'Questions' under the COP with specific codification under the different areas of the Questionnaire, and the Ten Principles of the UNGC is facilitated by references in the Report (including the ESG performance statements). About connection to the SDGs, see the references to Tables 2.1, 2.2, 2.3, 2.4, and 2.5, of the ESG performance statements.

2. With reference the area of Human Rights: TITAN does not operate in or near areas of conflict, according to data of the Uppsala Conflict Data Program UCDP – see the web site: Uppsala Conflict Data Program (uu.se). In 2022 TITAN implemented a project for validating the existing materiality matrix on the level of each BU (see section "Focusing on material issues"), which enabled the engagement of TITAN's management in each country, and the due diligence on BU level with respect to human rights and indigenous peoples' rights and possible related conflicts. No matters of conflicts with respect to the above emerged or are expected. No new information on the subject matter was noted in the press/media in any of the countries of our operations. No

incidents were recorded in 2022 concerning site shutdowns or project delays due to non-technical factors, such as those resulting from pending regulatory permits or other political delays related to community concerns, community or stakeholder resistance or protest, and armed conflict.

Connection of KPIs and other disclosures with the SASB Standards

– With reference to above Note 4, we cover the requirements for reporting according to the SASB Standards for two topics (areas): "Security, Human Rights and Rights of Indigenous Peoples" and in more specific the metrics (KPIs) EM-MM-210a.1, EM-MM-210a.2, and EM-MM-210a.3, and "Community Relations", in more specific the metrics (KPIs) EM-MM-210b.1, and EM-MM-210b.2, concerning the discussion of process to manage risks and opportunities associated with community rights and interests.

– Concerning the topic (area) of "Business Ethics and Transparency" and in specific the connection with the metric (KPI) EM-MM-510a.2, see supplement Table "Transparency International – Corruption Perception Index 2022".



# FINANCIAL HIGHLIGHTS

## Financial highlights 2022

In 2022 our biggest challenge was the pricing policy for securing the market share but also maintaining the profitability at the highest possible level in an environment where the wholesale energy prices were constantly increasing. With a frequent elevation of our prices, we managed to secure the EBITDA for 8.6% lower than last year, although our sales have dropped by 10.4%.

<b>Turnover</b>	<b>EBITDA</b>	<b>NPAT</b>
<b>2022: 6,250 mil MKD</b> (2021: 4,983 mil MKD)	<b>2022: 1,364 mil MKD</b> (2021: 1,489 mil MKD)	<b>2022: 1,029 mil MKD</b> (2021: 1,177mil MKD)
<b>CAPEX</b>	<b>ROCE</b>	<b>Earnings per share</b>
<b>2022: 374 mil MKD</b> (2021: 355 mil MKD)	<b>2022: 24.94%</b> (2021: 26.19%)	<b>2022: 1,826 MKD</b> (2021: 2,088 MKD)

### Sales volume

<b>Cement</b>	<b>Ready mix concrete</b>	<b>Aggregates</b>
<b>2022: 925.137 tons</b> (2021: 1.032.212 tons)	<b>2022: 36.153 m<sup>3</sup></b> (2021: 34.600 m <sup>3</sup> )	<b>2022: 62.191 tons</b> (2021: 83.267 tons)





# INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS





## Independent auditor's report

To the Board of Directors and Shareholders of Cementarnica Usje AD Skopje

### Report on the separate financial statements

We have audited the accompanying separate financial statements of Cementarnica Usje AD Skopje, which comprise the separate statement of financial position as of 31 December 2022, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the separate financial statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Accounting Standards applicable in the Republic of North Macedonia and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with Standards on auditing applicable in the Republic of North Macedonia (the "Standards"). The Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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



### Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Cementarnica Usje AD Skopje as of 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Accounting standards applicable in the Republic of North Macedonia.

### Report on other legal and regulatory requirements

Annual report prepared by the Management in accordance with the requirement of the article 384 of the Company Law.

Management is also responsible for the preparation of the Separate Annual accounts and Annual Report of Cementarnica Usje AD Skopje, which were approved by the Board of Directors.

As required by the Audit Law, we report that the historical information presented in the Annual Report prepared by Management of Cementarnica Usje AD Skopje in accordance with article 384 of the Company Law is consistent in all material respects with the financial information presented in the Separate Annual Accounts and audited Separate Financial Statements of Cementarnica Usje AD Skopje, as of 31 December 2022 and for the year then ended.

  
Dragan Davitkov  
General Manager



  
Dragan Davitkov  
Certified Auditor

PricewaterhouseCoopers Revizija DOO Skopje

7 April 2023  
Skopje, Republic of North Macedonia





## Cementarnica “USJE” AD - Skopje

SEPARATE STATEMENT OF COMPREHENSIVE INCOME  
For the year ended 31 December 2022

	Notes	2022 MKD '000	2021 MKD '000
Sales	3a	6,124,359	4,876,144
Other revenue	3b	126,356	107,244
Cost of sales	3c	(4,831,536)	(3,427,101)
<b>Gross profit</b>		<b>1,419,179</b>	<b>1,556,287</b>
Other operating income	3d	205,767	158,232
Other operating expenses	3e	(189,985)	(184,782)
Selling and marketing expenses		(41,313)	(36,300)
Administrative expenses	3f	(239,771)	(209,664)
<b>Operating profit</b>		<b>1,153,877</b>	<b>1,283,773</b>
Finance income		1,321	2,660
Foreign exchange gains/(losses) net		(27,958)	(587)
Finance costs		(22,683)	(6,764)
<b>Net finance expense</b>	3g	<b>(49,320)</b>	<b>(4,691)</b>
<b>Profit before tax</b>		<b>1,104,557</b>	<b>1,279,082</b>
Income tax expense	4	(75,225)	(101,654)
<b>Profit for the year</b>		<b>1,029,332</b>	<b>1,177,428</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Investment Property revaluation surplus	8	-	14,932
<b>Total comprehensive income for the year</b>		<b>1,029,332</b>	<b>1,192,360</b>
<b>Net profit for the period attributable to:</b>			
Equity holder of the parent company		977,865	1,118,557
Non- controlling interest		51,467	58,871
		<b>1,029,332</b>	<b>1,177,428</b>
<b>Earnings per share information:</b>			
Basic, profit for the period attributable to ordinary equity holders of the parent company	5	1.83	2.09
<b>Total Comprehensive income for the period attributable to:</b>			
Equity holder of the parent company		977,865	1,132,742
Non - controlling interest		51,467	59,618
		<b>1,029,332</b>	<b>1,192,360</b>

## Cementarnica "USJE" AD - Skopje



### SEPARATE STATEMENT OF FINANCIAL POSITION at 31 December 2022

	Notes	2022 MKD '000	2021 MKD '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	2,782,745	2,638,302
Intangible assets	7	32,594	14,001
Investment properties	8	276,172	250,812
Investment in subsidiaries		24,061	38,722
Exploration and evaluation assets	9	1,220	1,220
		<b>3,116,792</b>	<b>2,943,057</b>
<b>Current assets</b>			
Inventories	10	1,771,655	1,243,716
Trade and other receivables	11	623,590	487,072
Income tax receivable		12,465	18,809
Cash and short term deposits	12	155,711	354,646
		<b>2,563,421</b>	<b>2,104,243</b>
<b>TOTAL ASSETS</b>		<b>5,680,213</b>	<b>5,047,300</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	13	1,747,730	1,747,730
Share premium		2,322	1,122
Retained earnings		1,029,332	491,134
Other reserves	14	319,796	319,796
Reinvested profit		1,338,700	1,105,778
		<b>4,437,880</b>	<b>3,665,560</b>
<b>Non-current liabilities</b>			
Provision for retirement benefits	15	54,055	55,543
Provision for rehabilitation of quarries		7,642	1,493
		<b>61,697</b>	<b>57,036</b>
<b>Current liabilities</b>			
Trade and other payables	16	819,490	1,307,746
Provision for unused holidays		6,233	4,003
Current portion of retirement benefit obligations	15	3,174	3,040
Income tax payable		7,879	9,474
Short term borrowings	17	343,630	-
Dividend payable		230	441
		<b>1,180,636</b>	<b>1,324,704</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,680,213</b>	<b>5,047,300</b>

Authorized on behalf of the Board of Directors on 28 February 2023:

Hrisafov Boris

Chief Executive Director

Barlakoska Gabriela

Acting Finance Manager and authorized accountant

Prepared by authorised accountant with certificate number 102613

The accompanying notes from 9 to 51 are an integral part of these financial statements

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## Cementarnica “USJE” AD - Skopje

SEPARATE STATEMENT OF CASH FLOWS  
For the year ended 31 December 2022

	Notes	2022 MKD '000	2021 MKD '000
<b>Cash flows from operating activities</b>			
Profit before income taxes		<b>1,104,557</b>	<b>1,279,082</b>
<i>Adjustments for:</i>			
Gain, net on disposal of property, plant and equipment		-	(801)
Depreciation and amortization of PPE and Intangible assets		210,983	205,442
Actuarial losses, net		24	7,387
Interest cost, accretion on provision for retirement benefit obligations		1,704	1,535
Interest income		(1,321)	(2,660)
Correction of inventory stocks and Provision for obsolete inventory		5,903	19,225
Provision for unused holidays (net)		2,230	493
Fair value (gain)/losses, net		(25,360)	(11,111)
Interest expense and bank charges		13,747	5,231
Write off and provision for trade receivables		6,520	400
NBV of disposed and written off PPE		345	3,141
<b>Operating profit before working capital changes</b>		<b>1,319,332</b>	<b>1,507,364</b>
Increase in trade and other receivables		(143,039)	(64,214)
Increase in inventories		(533,843)	(405,522)
Decrease/ (Increase) in trade and other payables		(484,330)	336,815
<b>Cash generated from operations</b>		<b>158,120</b>	<b>1,374,443</b>
Interest expense and bank charges paid		(13,747)	(5,231)
Income tax paid		(70,475)	(168,731)
<b>Net cash flows generated from operations</b>		<b>73,898</b>	<b>1,200,481</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(374,365)	(355,592)
Increase/(decrease) of participation in subsidiaries		14,660	(2,468)
Proceeds from sale of property, plant and equipment		345	973
Interest income received		1,321	2,660
<b>Net cash flows used in investing activities</b>		<b>(358,039)</b>	<b>(354,427)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to group shareholders		(245,303)	(1,094,487)
Dividends paid to minority shareholders		(13,122)	(59,692)
Received borrowings		1,148,840	-
Repayment of borrowings		(805,209)	-
<b>Net cash flows (used) in financing activities</b>		<b>85,206</b>	<b>(1,154,179)</b>
Net increase in cash and cash equivalents		<b>(198,935)</b>	<b>(308,125)</b>
Cash and cash equivalents at 1 January		354,646	662,771
<b>Cash and cash equivalents at 31 December</b>	12	<b>155,711</b>	<b>354,646</b>

The accompanying notes from 9 to 51 are an integral part of these financial statements

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## Cementarnica "USJE" AD - Skopje



### SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	<i>Share capital</i>	<i>Share premium</i>	<i>Retained earnings</i>	<i>Other Reserves (Note 14)</i>	<i>Reinvested profit</i>	<i>Total</i>
	<i>MKD '000</i>	<i>MKD '000</i>	<i>MKD '000</i>	<i>MKD '000</i>	<i>MKD '000</i>	<i>MKD '000</i>
<b>At 1 January 2022</b>	<b>1,747,730</b>	<b>1,122</b>	<b>491,134</b>	<b>319,796</b>	<b>1,105,778</b>	<b>3,665,560</b>
Profit for the year	-	-	1,029,332	-	-	1,029,332
<b>Total comprehensive income</b>	-	-	<b>1,029,332</b>	-	-	<b>1,029,332</b>
Dividends, net	-	-	(258,213)	-	-	(258,213)
Transfer to retained earnings	-	-	216,886	-	(216,886)	-
Reinvested profit	-	-	(449,807)	-	449,807	-
Share options	-	1,201	-	-	-	1,201
<b>At 31 December 2022</b>	<b>1,747,730</b>	<b>2,322</b>	<b>1,029,332</b>	<b>319,796</b>	<b>1,338,700</b>	<b>4,437,880</b>

On 20 May 2022, the General Assembly brought a Decision for distribution of the remaining dividend for the year ended 2021 after the payment of the advanced dividend for the period 1 January - 30 June 2021 in accordance with the Company Law. The dividend declared was in amount of MKD 708,020 thousand which consists of MKD 41,327 thousand profit from 2021, MKD 216,886 thousand reinvested profit from 2016. The remaining profit from 2021 in amount of MKD 449,807 thousand was reinvested to benefit from the new tax incentives available for such activities.

## Cementarnica "USJE" AD - Skopje



## SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	<i>Share capital</i>	<i>Share premium</i>	<i>Retained earnings</i>	<i>Other Reserves (Note 14)</i>	<i>Reinvested profit</i>	<i>Total</i>
	<i>MKD '000</i>	<i>MKD '000</i>	<i>MKD '000</i>	<i>MKD '000</i>	<i>MKD '000</i>	<i>MKD '000</i>
<b>At 1 January 2021</b>	<b>1,747,730</b>	<b>307</b>	<b>387,743</b>	<b>573,413</b>	<b>940,166</b>	<b>3,649,359</b>
Profit for the year	-	-	1,177,428	-	-	1,177,428
Other comprehensive income (See note 8)	-	-	-	14,932	-	14,932
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1,177,428</b>	<b>14,932</b>	<b>-</b>	<b>1,192,360</b>
Dividends, net	-	-	(222,131)	-	-	(222,131)
Advanced dividend	-	-	(927,988)	-	-	(927,988)
Transfer to retained earnings	-	-	382,056	(268,549)	(140,362)	(26,855)
Reinvested profit	-	-	(305,974)	-	305,974	-
Share options	-	815	-	-	-	815
<b>At 31 December 2021</b>	<b>1,747,730</b>	<b>1,122</b>	<b>491,134</b>	<b>319,796</b>	<b>1,105,778</b>	<b>3,665,560</b>

On 25 May 2021, the General Assembly brought a Decision for distribution of the remaining dividend for the year ended 2020 after the payment of the advanced dividend for the period 1 January - 30 September 2020 in accordance with the Company Law. The dividend declared was in amount of MKD 528,105 thousand which consists of MKD 81,769 thousand profit from 2020, MKD 140,362 thousand reinvested profit from 2015 and the remaining profit from 2020 in amount of MKD 305,974 thousand was reinvested to benefit from the new tax incentives available for such activities.

On 22 September 2021, the Bord of Directors brought a Decision for distribution of advanced dividend for the period January - June 2021 in accordance with the Company Law. The dividend declared was in amount of MKD 927,988 thousand based on the approved statutory separate financial statements as of 30 June 2021 and for the six - month period then ended and transferred revaluation surplus included in the Equity in relation to the item Property, Plant and Equipment directly to Retained Earnings, as net amount of MKD 241,694 thousand and at the same time creating an obligation to pay the profit tax on revaluation reserves when transferred to accumulated profit in amount of MKD 26,854 thousand.

Transfers from Revaluation Surpluses to Retained Earnings are not made through the Profit or Loss.

The accompanying notes from 9 to 51 are an integral part of these financial statements

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# INDEPENDENT LIMITED ASSURANCE REPORT



## Independent limited assurance report

**Cementarnica USJE AD, Skopje**  
Bul. Boris Trajkovski no. 94  
1000 Skopje

**Grant Thornton DOO**  
Sv. Kiril i Metodij 52b-1/20  
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E [Contact@mk.gt.com](mailto:Contact@mk.gt.com)  
VAT No. 4030003475973

To the management of Cementarnica USJE AD, Skopje

### Introduction

The Board of Directors of Cementarnica USJE AD, Skopje (the "Company") engaged Grant Thornton Doo Skopje ("Grant Thornton") to review the non-financial disclosures presented in the Annual Sustainability Report 2022 of the Company (further referred to in this Independent Limited Assurance Report as "the Sustainability Report") for the fiscal year ended on 31 December 2022 ("selected data"), in order to provide limited assurance in relation to the criteria as described below (Scope of work). For the purposes of this Independent Limited Assurance Report, the selected data relate to the Company's activity in 2022 and do not include information pertaining to other cooperating companies or third-party activities / performance.

### Scope of work

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

- The methodology of materiality assessment with regard to the guidelines of AA1000 Standard and more specifically the process followed by the Company with respect to identifying and prioritizing the most relevant Material Issues.
- The completeness and accuracy of qualitative and quantitative non-financial disclosures, in specific for the areas of Environment and Social performance and regarding the criteria applicable in 2022 on Group level, (the "Reporting Criteria", as exemplified in the TITAN Group Integrated Annual Report 2022), which are aligned with the sectoral guidelines and reporting standards and with the specific framework guidance and reporting standards developed by TITAN Group. All disclosures for reporting on Environmental and Social Performance on BU level are aligned with the TITAN Group Standards, which are embedded into the processes in place. More specific the disclosure and indicators for:
  - Environmental Performance have been established in all material aspect in accordance with the Reporting Criteria, and in specific with the respective GCCA Sustainability Framework Guidelines,
  - Social performance, covering the following: Health & Safety, where TITAN BUs follow the GCCA Sustainability Framework Guidelines, People Development (for Training hours of Employees) and Community Engagement (according to the Group Target for all key operations having in place community engagement plans aligned with material issues for stakeholders and the Sustainable Development Goals).
- The consistency of qualitative and quantitative non-financial disclosures presented which provide evidence for adherence to the Ten Principles of the UNGC, and in specific for the areas of Environment and Social performance.



## Management responsibility

The Company Cementarnica USJE AD, Skopje is responsible for the preparation, presentation, completeness and accuracy of the non-financial data provided to us, as incorporated in the Sustainability Report. This responsibility also includes the selection and application of appropriate methods to prepare the Sustainability Report and the use of assumptions and estimates for the individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the Company's Management is responsible for maintaining records and adequate internal controls that are designed to support the reporting process. In particular, the Company's Management is responsible for internal controls being designed and implemented to prevent the Sustainability Report from being materially misstated.

## Our responsibility

Our responsibility is to perform an independent limited assurance engagement in order to express a conclusion based on the procedures carried out for the selected data, as described in the "Introduction and scope of work" section above.

Our work has been conducted in accordance with the ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the Board of International Standards on Auditing and Assurance. This standard requires that we comply with ethical requirements from Code of Ethics for Professional Accountants issued by the for International Ethical Standards Board for Accountants, as well as to plan and perform independent limited assurance engagement in a way that will allow us to express a conclusion with limited assurance.

A limited assurance engagement is restricted primarily to enquiries and analytical procedures. The procedures performed in a limited assurance engagement vary in nature and timing and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with International Standards on Auditing and Assurance Engagements. To the extent it is permitted by the legislation in force, we neither accept nor assume any responsibility for our engagement or this Sustainability Report towards anyone other than the Company and the TITAN Group, unless the terms have been agreed explicitly in writing, with our prior consent.

## Summary of work performed

Within the scope of our work we performed, amongst others, the following procedures concerning the materiality analysis, management approaches and key data presented in the Sustainability Report:

- Read the Sustainability Report (in its entirety) to ensure it is in accordance with the criteria detailed in the "Introduction and scope of work" section in this Independent limited assurance report;
- Interviews with key personnel responsible for the preparation of the Sustainability Report, providing the sustainability performance information to understand and evaluate the processes, internal controls and information systems relating to the preparation of the aforementioned information;
- Understanding the Company regarding to its sustainability organizational structure, stakeholder dialogue and development process of the sustainability program;
- Comparing text and data (on a sample basis) presented in the Sustainability Report to underlying sources. This included considering whether all material issues had been included and whether the reported text and data was accurately drawn from the underlying information.



## Limitations

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

- Therefore, we did not submit it to any verification procedures, apart from the procedures explicitly stated in our Independent Limited Assurance Report and which arise from our mutually agreed methodology.
- No additional work has been conducted on data for previous reporting periods, as well as on data related to forecasts and targets.
- No work has been conducted on anything other than the agreed scope and consequently, our opinion is limited to that scope.

## Our Independence and Quality Control

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

## Limited assurance conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that there are any errors or misstatements that would materially affect the non-financial disclosures (including explanatory notes and relevant references) as presented in the Sustainability Report of Cementarnica USJE AD, Skopje for the year ended 31 December 2022. Moreover, nothing has come to our attention that causes us to believe that the non-financial data presented, are not prepared, in all material aspects, in accordance with the criteria mentioned above, in the "Scope of work" section.

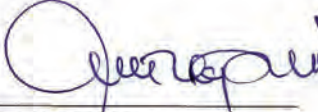
Skopje,

29 May 2023

Grant Thornton DOO, Skopje

  
Director  
Suzana Stavrikj



  
Certified auditor  
Suzana Stavrikj

# Glossary

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





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