

The logo for SHARRCEM, featuring the company name in a bold, black, sans-serif font. A thick green horizontal bar is positioned directly beneath the text.

SHARRCEM

a  **TITAN** Group Company

A large, stylized green wave graphic curves from the top left towards the bottom right. The wave is composed of multiple parallel lines of varying shades of green. To the left of the wave, there is a cluster of light green and white circles of various sizes, resembling bubbles or a particle field.

CORPORATE SOCIAL
RESPONSIBILITY
AND SUSTAINABILITY

REPORT 2012

SHARRCEM SH.P.K.

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Sharrcem is owned 100% by SHARR BETEILIGUNGS GmbH
of Hamburg, Germany, a member of Titan Cement Group.

SHARRCEM SH.P.K.

**CORPORATE
SOCIAL RESPONSIBILITY
AND SUSTAINABILITY
REPORT 2012**

This report is the first annual report of Sharrcem SH.P.K. The company's commitment extends to presenting a CSR Annual Report in the future; such reports will follow the Titan Group reporting instructions as part of the Group's GRI and Sustainability undertakings. Therefore, all elements of the report are submitted through the Group CSR Data Base and cleared by the Group's relevant departments.

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1. About Sharrcem

1.1 Milestones

Sharrcem was founded in 1936 consisting of one vertical kiln with a production capacity of 4,415 tons per year. Sharrcem was acquired by TITAN Group in 2010, following Kosovo's privatization process. It is the only cement plant in the country, located on the border with Macedonia. In 2010, Sharrcem became a member of TITAN Group and remains the leading supplier of cement in Kosovo.

One year after being acquired by TITAN Group, Sharrcem has significantly upgraded its technology and techniques for the production of raw materials and cement and initiated the application of high standards, integrated at all operating levels.

1936
The Sharr Cement Plant is founded.

1972
First upgrade of the plant with a rotary kiln and satellite cooler, increases its capacity to 180,000 tons per year.

1980
A new investment is made to further increase the capacity of the rotary kiln.

2000
Sharrcem is included in the state privatization schedule and a ten year leasing period begins.

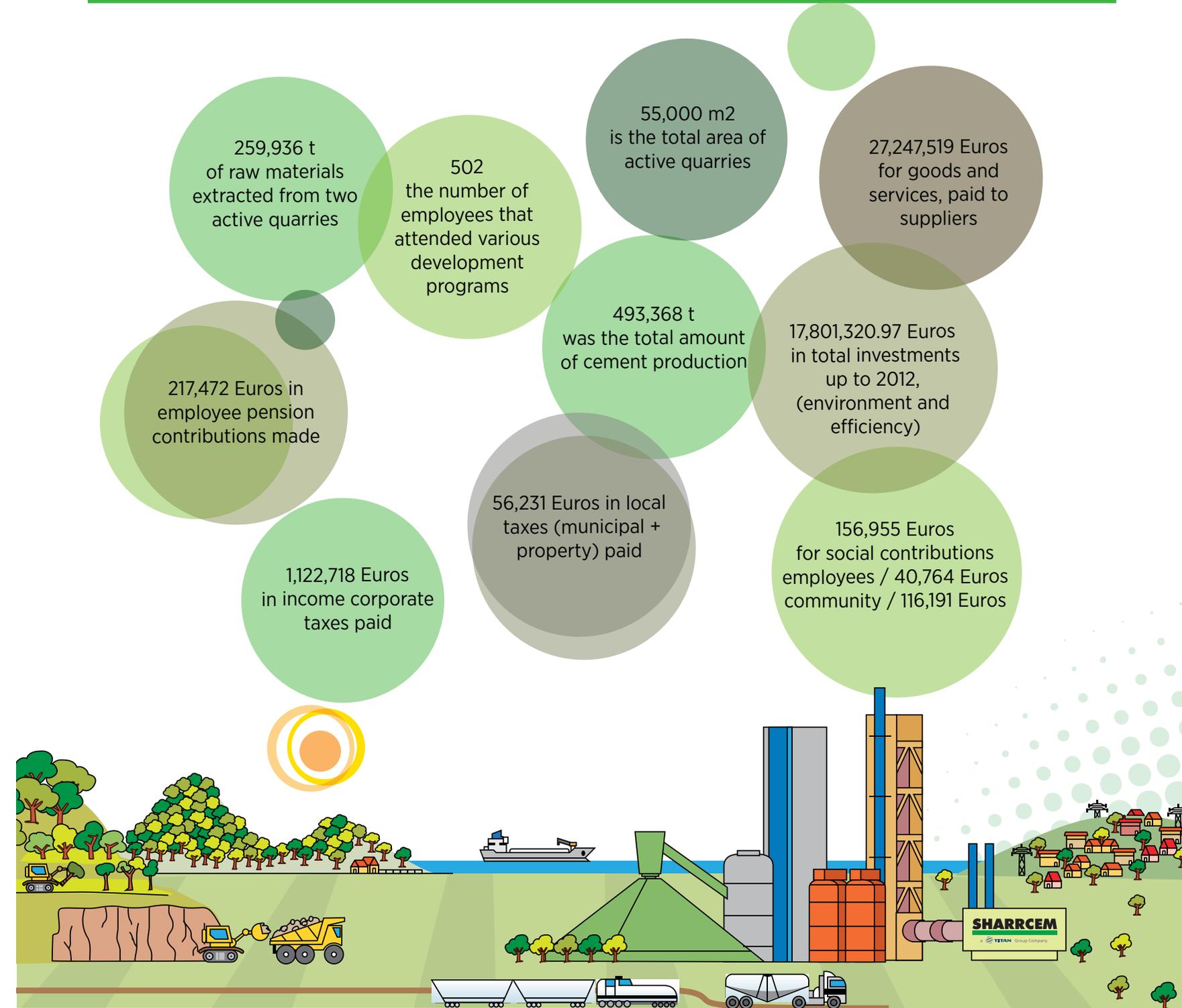
2010
Titan Group acquires Sharrcem and launches an ambitious modernization program to meet international standards in quality, technology and environmental protection.

2011
Sharrcem takes a leading role in the foundation of the Kosovo CSR Network and commits to engage with key stakeholders, while the modernization investment is in full swing.

2012
Sharrcem completes the first phase of the technological upgrade and improves its efficiency and environmental footprint. The plant receives its first certification for quality (ISO 9001) and implements a CO2 Management System. The company serves in principle the market of Kosovo with occasional sales in Macedonia and Serbia.



1.2 2012 in Brief



1.3 Titan Group in Brief

TITAN Group is an independent, vertically integrated, cement and building materials producer with 110 years of industry experience. Headquartered in Greece, TITAN Group owns cement plants in 9 countries and employs more than 5,500 people worldwide. Principal products include cement, concrete, aggregates, building blocks, ProAsh®, etc. TITAN products serve fundamental social needs and their attributes include safety, durability, resource efficiency, connectivity, as well as savings and aesthetics. In 2012, the geographic

reach of TITAN Group extended further with the installation of the first Separation Technologies ash separation equipment at a customer's plant in Asia (South Korea). During the year TITAN also broadened its scope, founding a new subsidiary in environmental solutions, GAEA, as a joint venture with the American company, Environmental Evolution (E2). TITAN Group's CSR and Sustainability commitment is demonstrated in its own policies and practices as well as through active participation in international initiatives. TITAN

was the first company in Greece to sign the United Nations Global Compact, which aims to safeguard human rights, labor rights, protection of the environment as well as to combat bribery and corruption. It is a core member of CSR Europe and of the World Business Council for Sustainable Development. It is also a member of the Hellenic Federation of Enterprises, the Greek Mining Enterprises Association, the Athens Chamber of Commerce and Industry and the Portland Cement Association.



HIGHLIGHTS 2012

In 2012, TITAN Group celebrated:

110 years from the foundation of Titan's first plant in Elefsina

100 years on the Athens Exchange

10 years of active participation in U.N. Global Compact



TITAN GROUP IS A MEMBER OF:



2. Message from the Managing Director

Dear Stakeholders,

2012 was a challenging year for the majority of the world as the financial crisis continued to increase concerns and difficulties in both mature and developing countries. It cannot escape our attention that societies have been, and are still, facing ordeals which were thought a thing of the past.

This concerns corporations too.

In Sharrcem, we are really proud to have accomplished a very demanding modernization program in 2012, that completely changed the environmental footprint of our business operations as well as our potential for future development.

Next to the environment, safety and quality have been successfully addressed and, today, the company is in full compliance with the relevant prerequisites of the sector. Undoubtedly, this was not an easy task, not only due to the constraints of the international financial landscape but also to additional internal market constraints. The local market, although having sustained a sound demand, has been greatly affected by the developments in neighboring markets which experience dire times.

Nevertheless, we remain determined on contributing to the prosperity of the country both by conducting our business based on best international industry standards and by taking initiatives and assuming responsibility towards fostering a fair and transparent market; we consider our own growth sustainable only when it is accompanied by a proportional growth of our community and the society at large. Certainly, we are aware of the efforts and resilience needed for this challenging

task. Our community suffers of high rates of unemployment, poverty and lack of structured support for entrepreneurship to blossom. This has been a strategic objective for Titan Group in Kosovo and the policy followed by Sharrcem underlines the commitment to meet this aim. The track record of Titan Group, besides being a constant source of inspiration, has guided our policies and added value and experience from its Sustainability and Governance engagements, be it through the Global Compact, the GRI or the World Business Council for Sustainable Development and the Cement Sustainability Initiative.

Having completed the 1st Stage of upgrades, that is, (a) elimination of the long-lasting emissions hazard of Sharrcem operations with a continuous monitoring system, (b) implementation of a complete and modern Laboratory bundled with modern automation and IT systems to have a full real-time monitoring of all manufacturing processes, (c) implementation and voluntary annual auditing of our CO2 Management System and the ISO 9001, we have organized in 2012 a stakeholder forum to present our CSR strategy and invite feedback from stakeholders.

The first open plant day was a unique opportunity to invite local stakeholders together with our employees and their families, the media and national authorities to visit our plant and experience the changes that took place for a Green Sharr. Within 2013, Sharrcem will obtain the ISO Certifications in Safety (OHSAS 18001) and Environment (14001) which are both currently implemented as of June 2012. We also envisage obtaining the integrated IPPC license, one of the first - if not the



first - in Kosovo. Still we moved a step further and have invited local stakeholders to participate in a local advisory board, the ILAB, empowered with the mission to judge and decide collectively on proposals received for financial or other contribution by Sharrcem. This is an innovative approach toward meeting more efficiently the needs of our community with the resources we make available for improving its well-being. Although this effort is new we feel certain that it will best address the local challenges through wide-scale consensus and fair prioritization and, therefore, enhance the long term sustainability factor of our community's development.

Dear Stakeholders,

On behalf of the Sharrcem CSR Committee, the CSR Task Force and all our employees, I proudly present this first Annual CSR Report which I would best describe as an open invitation to create a space for interaction and exchange of opinions and considerations. Let it be a tool to help us combine focus and interests to effectively contribute to a shared growth between business and society.

Sincerely,
Emmanuel Mitsou,
Managing Director.

3. Titan Group Strategic Axes

4 Strategic Axes:

Geographical Diversification

We extend our business and strengthen our asset portfolio through acquisitions and Greenfield development in attractive new markets.

Continuous Competitiveness Improvement

We continuously strive to improve our cost structure and enhance our competitive position by investing in our asset base and by implementing new methods and processes throughout our business.

Vertical Integration

We extend our footprint into all products of the heavy building materials value chain, gaining greater diversification, accessing new business opportunities and addressing the needs of the end customer.

Focus on Human Capital and CSR

We develop and continuously improve our good relationships with all internal and external stakeholders based on mutual respect and understanding.

Following the TITAN Group Values and Strategy, Sharrcem has committed to embed CSR in its strategy, policy and practices from the first day of its acquisition by TITAN Group.

To meet this aim, Sharrcem undertook a leading role at national level, raising awareness among key stakeholders and fostering transparency and integrity in its relations with the employees, business partners, local communities, authorities and all interested parties. To meet this aim, Sharrcem established a CSR Committee composed of 12 members.

The Committee is responsible for guiding the development of the CSR action plan and reviewing feedback from stakeholders, so as to promote continuous self-improvement at all levels. As presented in the following chart, the members of the CSR Committee and Task Force represent all functions of the company and various managerial levels.



In 2012, Sharrcem was awarded with the "Taxpayer of the year 2011" award presented by the American Chamber of Commerce in Kosovo and the "Best Business Award" certification presented by the UNDP and the American Chamber of Commerce in Kosovo.

3.1 Our Values and CSR Policy

As a building material producer, our products contribute to the multiple social values provided by concrete structures, such as safety, durability, economy, resource efficiency and connecting people. At the same time, we realize that our operations impact the environment and the neighboring communities. We commit to mitigate and reduce these impacts by "Doing Less Harm". In our endeavor to Do Less Harm, we recognize that there are win-win opportunities which we aim to pursue.

We will continue to pursue business goals in a socially responsible manner, contributing

to the well being of our employees, their families, neighboring communities and society at large, in short "Doing More Good".

Our CSR commitment is not only an ethical, values-driven endeavor, but also a value-creating good business practice, enhancing our reputation, strengthening our license to operate and improving our competitiveness. Just as important, it is a source of pride and motivation for our people, adding to our ability to attract and retain good people. We consider our CSR engagement as a proactive and on-going self-improvement and continuous learn-

ing process, adapting to an ever changing complex business and social environment. Essential to this endeavor is listening, engaging, communicating and building mutual trust with our stakeholders.

Our CSR Policy aims to embed sustainability in the organization while at the same time supporting a better balance of long and short-term interests, adapting policies and practice to local market needs and priorities and driving sustainability across the value chain.



" TITAN is a vertically integrated Group of companies, active in the cement and other heavy building materials industries, operating in four regions and committed to: "...pursuing at all times our business goals and creating value, in an ethical and socially responsible manner, doing less harm and endeavoring to do more good"

TITAN Group CSR Policy

"To pursue at all times our business goals and create value, in an ethical and socially responsible manner, doing less harm, and endeavoring to do more good"

To achieve our Vision

- Our business practices are guided and based on our Titan Values and our code of conduct.
- Safety is our top business priority aiming to achieve an accident and incident free work environment.
- We are committed to sustainable growth, integrating human, environ-

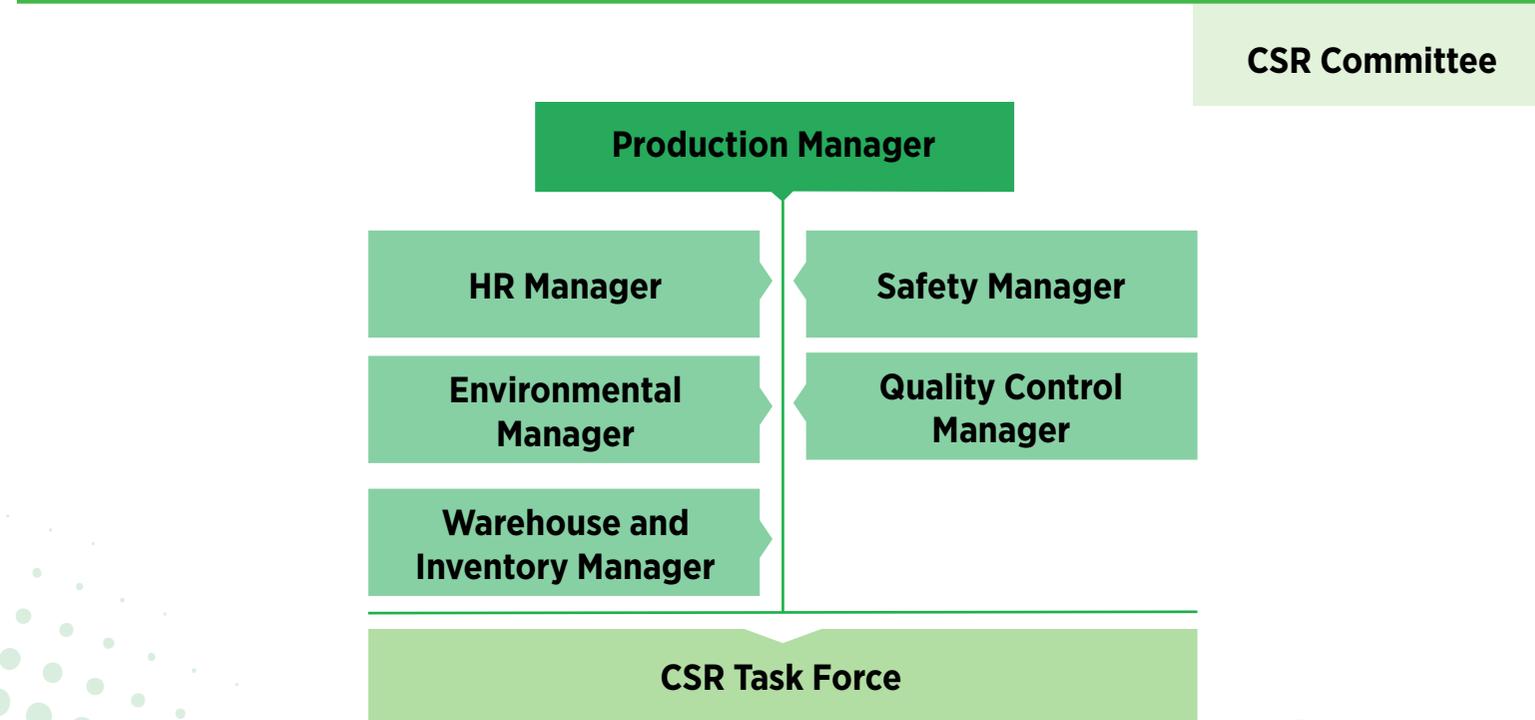
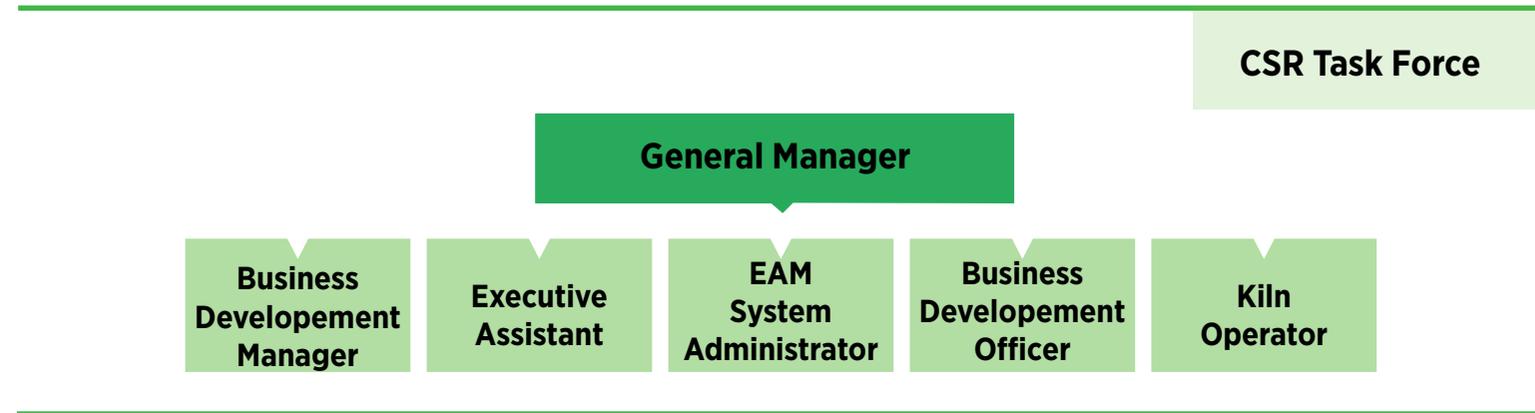
mental and social elements into our business decisions.

- We aim to continuously improve our environmental and social performance, measuring our impacts and contributions, and assessing our environmental and social footprint.
- We aim to build trust with all our stakeholders by communicating openly and transparently, and seeking engagement to understand the impact of our operations and their concerns.
- We share our know-how, experience and best practices in areas relevant to our business to add value and contribute to the well-being of our neighboring communities.

- We value our employees and follow human resources practices that promote equal opportunity in recruitment, employment and development, regardless of gender, ethnic origin, religion etc., respect individuality and are consistent with national laws and international voluntary guidelines, such as the UN Universal Declaration of Human Rights.
- We deal with our supply chain in accordance with our Group and Regional Procurement Code of Conducts.
- We voluntarily engage in and support partnerships and business networks that promote our business goals and CSR vision, such as

- the U.N. Global Compact, WBCSD/CSI, the E.U. Alliance for CSR, the U.S. Concrete Joint Sustainability Initiative etc.
- We aim to be active in civic efforts and the process to advance the use and benefits of our products and preserve the long term viability and economic prosperity of our industry.
- We encourage and recognize individual initiative and voluntarism in community and civic activities at all employee levels, both related and unrelated to our business.
- We are committed to periodically having our CSR practices and reports externally assured.

3.2 CSR Organization



Key-priorities

- Identify and communicate with our Stakeholders
- Engagement with key Stakeholders
- Focus on material issues of the Community
- Support and contribute to the Kosovo CSR Network
- Meet high sustainability standards through Certified Systems

3.2 CSR Organization | Continued

Working Principles

The main priorities of the CSR Committee are to establish the CSR principles in Sharrcem through the creation of appropriate CSR policies and strategy that could be well perceived by the entire stakeholder community.

- Decide CSR policies + projects
- CSR Reporting
- Self Assessment
- Engaging with the Local Community
- CSR Network Coordination

Following the results of 2012 the CSR Committee agreed to further their efforts to engage stakeholders and increase communi-

ty contributions in 2013 through:

- Stakeholder Engagement Forum
- Contractor Management
- Establishing a Business Incubator

Following the recommendations of Enterprise 2020, Sharrcem will try innovative incentives incorporated through the establishment of the Business Incubator to create new jobs in the Municipality of Hani i Elezit and therefore sustainably improve the economic development in the surrounding area. To better co-ordinate the alignment of local priorities and targets with Group commitments and goals, as well as the continuous alignment of Sharrcem policies and practices with international standards for social and environmental per-

formance, a co-ordination CSR Task Force comprised of 6 CSR Committee members has also been formed as described in the opposite page.

An additional effort was undertaken as of November, 2011 so as to encourage involvement and collaboration with local stakeholders in the framework of implementing Sharrcem's CSR Policy.

The company's CSR Committee invited local stakeholder groups to appoint their own representative in the Independent Local Advisory Board (ILAB), whose main goal is to support and facilitate the collaboration between Sharrcem and local communities in development projects.

3.3 Our Stakeholders

Listening and responding to the concerns of our stakeholders is considered a driving force in our efforts to effectively meet corporate social responsibility challenges. In addition, feedback from stakeholders is necessary for continuous improvement. Identifying key stakeholders is a process aligned with international standards. Relevant workshops and trainings are provided to the managers of the company to facilitate this process as an on-going integral part of the operations.

Following the principles of proximity, relevance and materiality, Sharrcem has included employees, local communities, customers, suppliers, civil society and governmental authorities in the list of key stakeholders.

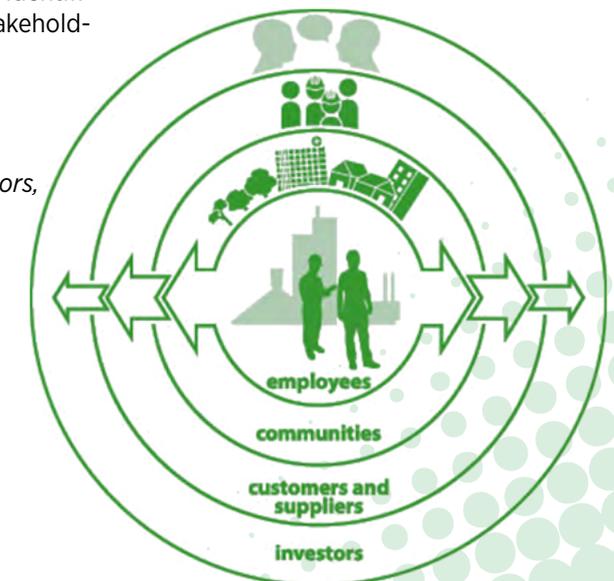
Since 2010, a number of initiatives have been implemented to encourage stakeholder dialogue and seek feedback on material

issues, such as the environmental impact of operations and how Sharrcem became "greener".

As a key part of our CSR rules of engagement we have conducted an initial identification of our local and national Stakeholders:

- Employees,
Local Communities,
Customers, Suppliers and Contractors,
Investors,
Governments,
NGO's,
Unions etc.

Sharrcem is a member of:



3.3 Our Stakeholders | Continued

Kosovo, being a young independent country, is still facing structural and regulative challenges for its social and economic framework. In addition, the fact that it has a rather limited overall industrial activity and output makes our operation one of the most important in the whole territory. As a result, we have identified as stakeholders, not only the business related parties and the immediate community we are operating in, but in addition, the entities – public, non-for-profit or private – which play a significant role in the shaping of the business environment in Kosovo, in its larger sense. A good portion of the identified stakeholders has already been contacted by Sharrcem's CSR Task Force with the purpose to communicate its Social Responsibility plans and doings. Sharrcem will carry on with these communications through ad-hoc engagement fora, publications and project-specific meetings.

1	Employees of Sharrcem	No: 502	26	University of Prishtina
2	Suppliers and Contractors (including personnel in plant)	No: approx.	27	AUK – American University in Kosovo
3	Municipality of Hani i Elezit		28	Kosovo Economic Chamber of Commerce
4	Local Religious Associations		29	American Chamber of Commerce
5	Local Education Institutions		30	German Chamber of Commerce
6	Local Health Care Institution		31	Business Alliance of Kosovo
7	Local War Invalids Association		32	German Cooperation / GIZ, KfW
8	Local Business Community		33	Swiss Cooperation / SDC
9	Local Customs Authority Office		34	ADA – Austrian Development Agency
10	Local Police Station		35	DANIDA – Danish International Development Agency
11	RDA – East / Regional Development Agency - East		36	SIDA – Swedish International Development Agency
12	Ministries and Central Public Authorities		37	NORAD – Norwegian Agency for Development Cooperation
13	REC – Regional Environmental Centre		38	Kosovo CSR Network
14	Handikos		39	ICK – Innovation Centre Kosovo
15	UNDP		40	KCSF – Kosovo Civil Society Foundation
16	UNICEF		41	CDI – Community Development Initiatives
17	FAO – Food & Agriculture Organization		42	FES – Friedrich Ebert Stiftung
18	OSCE Mission in Kosovo		43	GAP – Institute for Advanced Studies
19	EU Office in Kosovo		44	ISC – Institute for Sustainable Communities
20	Greek Liaison Office		45	KEC – Kosova Education Centre
21	German Embassy		46	Riinvest
22	World Bank		47	KFOS – Kosovo Foundation for Open Society
23	IFC – International Finance Co.		48	Helvetas Swiss Inter-cooperation
24	EBRD – European Bank for Reconstruction and Development		49	NOA Kos – New Opportunities in Agriculture
25	UNKT – United Nations Kosovo Team / ILO, UNESCO, UNIDO, UN Women		50	Care Kosovo
			51	KAEF – Kosovo American Education Fund

Suppliers Policy

Suppliers, including contractors, are a critical and direct part of the generation of business activity in a region and, therefore, Sharrcem has a clear policy through its procurement and recruitment procedures in providing preference to the local factor.

Suppliers	No.	% Turnover
Foreign	178	60,9
National	201	39,1
(Therefore Local)	53	42,3

3.4 Plan of Action 2012

ACTION	FIELD OF CONTRIBUTION				LOCATION
	Environment	Social Investment	Employment and Education	Health and Safety	
Fly ash					Prishtina
Pyrite (Ferrum oxide) <i>Environmental liability</i>	✓				Various locations
Alternative Fuels <i>Municipal waste treatment, Lignite, Biomass waste</i>	✓	✓	✓	✓	Ferizaj, Kacanik, Gjilan
Lignite <i>Substitution of imported fuel</i>		✓	✓		Mine Location
Water treatment plant <i>Linked to community sewage system</i>	✓	✓	✓	✓	Hani i Elezit
Sanitary water supply <i>Lagging main supply for households coverage</i>				✓	Hani i Elezit
Recovery of river banks <i>Enlarge/ complete local project</i>	✓	✓		✓	Hani i Elezit
Lighting, traffic and urban arrangements <i>Improve conditions main road</i>		✓		✓	Hani i Elezit
Survey for new business potential (incl. SME) <i>Creation of new activities</i>		✓	✓		Hani i Elezit, Kacanik
Education <i>Building materials specialists (scholarships/grants)</i>			✓		Hani i Elezit, Kacanik
Local Advisory Board	✓	✓	✓	✓	Hani i Elezit, Kacanik
What efficient policies could result to:	Field of contribution				Location
	Environment	Social investment	Employment & education	Health & Safety	
	By creating a policy that environmental liabilities that cannot be treated by the entities that produce them should be put into effective industrial use to minimize their impact on the environment and – at the same time – assist industrial entities to (i) minimize their cost of production; (ii) ensure security of supply; and (iii) prevent them from exporting such substances abroad.	Every two or three year's major industrial entities and/or Administration institutions will commission studies and invite proposals for community projects or SME business ventures that benefit the community. The ideas would be heard by a board composed of a business representative, a municipality representative and a neutral organization such as the AmCham or the CSR Network. In other words, creation of a Business Incubator adapted and focused on the real needs of the local society.		Gradual induction of safety conscience and increased perception of the intrinsic inter-dependence among professional activity and standard of living. Not to mention, less accidents (or higher prevention measures) equals less state expenditure in the public health account.	Country-wide

3.5 Sustainability through Certified Systems

According to Titan Policy Sharrcem has started implementing International and European Certified Management Systems.

Sharrcem's quality department is very strict in reference with the requirements of the standards for the chemical and mechanical analysis of the cements and mortars, so as to assure its customers high quality, essential for these critical products for the construction industry.

Following these Management commitments Sharrcem has been certified with the European Norms ISO 9001-2008 quality management system in all of its processes, with special focus on its laboratory, which in 2012 has been equipped with the most advanced instruments for chemical and mechanical analysis, which guarantees our customers quality products. The laboratory is accredited for testing cements in accordance with ISO/ IEC 17025 by the Kosovo Accreditation Directorate.

Since 2011, Sharrcem has accomplished certification for ISO 9001 related to quality of products and services, while it intensively prepares for ISO 14001 related to Environmental Management Systems and OHSAS 18001 related to Health and Safety Management Systems. Both are already established and certification is expected to be accomplished by the end of 2013.



ITEM	MGT System / Certification	Status	
All products / cement types	CEM IV/B (P-W) 32.5R	} EN 197-1: 2000	✓
	CEM II/B-M (W-L) 42.5R		✓
	CEM I 52.5N		✓
	MC 5 Sharrmall		✓
CO2 Footprint	CO2 Mgt System according to the WBCSD protocol	Implemented in 2011 / Audited 2012	
Quality	ISO 9001	✓	
Environmental	ISO 14001	Implemented / Certification: End of 2013	
Environmental	IPPC	End of 2013	
Safety	ISO 18001 / OHSAS	Implemented / Certification: End of 2013	
Accountability	SA 8000	Planned for 2014	
Finance	Voluntary mid-year independent audit	✓	

Product Quality

Sharrcem has a documented internal process for treatment of claims on product quality. The procedure extends investigations to production - time - tracking and requires documentation by production daily reports involving the sales, quality and production departments. Claims are treated then by product and eventually by service provided. There have been no non-compliance incidents in 2012.

4. Kosovo CSR Network



In April 2011, Sharrcem was among the founding members of the Kosovo CSR Network, a Non-profit and Non-Governmental association that aims to increase the awareness of businesses for the need for a responsible and proactive behavior towards the community and the environ-

ment. The CSR Network strives to fully comply with the ten Principles of the Global Compact which refer to human rights, labor, the environment and anti-corruption. All Members of the Kosovo CSR Network are voluntarily bound to, and actively engaged in, the CSR principles.

Moreover, Sharrcem fully supported the closer collaboration between the Kosovo CSR Network and CSR Europe, the leading CSR business network in Europe and E.U.'s advocate on CSR and Sustainable Development.

In 2012 the Kosovo CSR Network became a member of CSR Europe. Sharrcem maintains a strong and active involvement in the Network since its first day.

The Kosovo CSR Network today has a total of 14 members. (More information www.csrkosovo.org). Sharrcem seats at the Network's board from the beginning.



Members of Kosovo CSR Network



Robert Wright - CEO, Raiffeisen Bank and Chairman of Kosovo CSR Network

In my role as the Chief Executive Officer of Raiffeisen Bank Kosovo and as Chairman of the Kosovo CSR Network I would like to express my sincere thanks and appreciation for the excellent working relationship and cooperation that exists with the management of Sharrcem SH.P.K. - the Titan Group Company located in Hani i Elezit.

As a long term loyal customer of the Bank and as a founder member of the CSR Network, Sharrcem has consistently been a

role model for other businesses in Kosovo to emulate.

They have always been very cooperative, have shown great commitment to their local community and always operate fully in line with their strong values and principles.

In particular they have shown great concern and commitment to the health and safety standards for their employees and the local community and are a great example for the rest of Kosovo to follow. I look forward to continuing this excellent relationship for many years to come.



**KOSOVO CSR NETWORK
MEMBERSHIP CODE OF ETHICS**

“_____” is COMMITTED TO THE PRINCIPLES AND PRACTICE OF CORPORATE RESPONSIBILITY and embraces the PRINCIPLES OF THE UNITED NATION’S GLOBAL COMPACT. We recognize that they are fundamental to the long – term sustainability of this company.

We strive for BUSINESS EXCELLENCE in all areas that IMPACT ON OUR STAKEHOLDERS. These include our Customers, Employees, Shareholders, Suppliers, Community and the Environment.

We undertake to ENGAGE IN OPEN AND TRANSPARENT CONSULTATION AND DIALOGUE with all our stakeholders on an ongoing basis.

We commit to CONTINUOUSLY IMPROVE OUR BUSINESS PRACTICES through evaluation and learning and to SHARE EXAMPLES OF BEST PRACTICE TO INSPIRE OTHERS to embrace Corporate Responsibility and to be a good Corporate Citizen.

We commit to undertake the actions necessary to pursue the objectives of this charter.

Signed by on

For “_____”

“Our workforce is our most valued resource. Respect for their human rights, providing safe, open, non-discriminatory, diverse and good working conditions and an emphasis on employee relations, is a priority for TITAN Group to attain its objectives.”

(TITAN Group Code of Conduct)

Employment and Procurement policies of Sharrcem are focused primarily on people

and businesses from the Local Community. Collaboration lies at the heart of our employee strategy, which focuses on six areas:

Working together: Embedding a collaborative, non-discriminative working culture. No discrimination incidents have been registered.

A safe and healthy work environment: Focusing on our people’s safety and promot-

ing their physical and mental well-being.

An open and diverse culture: Engaging our employees and promoting inclusion and diversity.

Employee opportunities: Realizing the full potential of our employees through development and training opportunities.

Rewarding our people: Rewarding employees through competitive, performance-based compensation and benefits. Sharrcem is committed to comply with the U.N. Global Compact Principles (www.unglobalcompact.org).

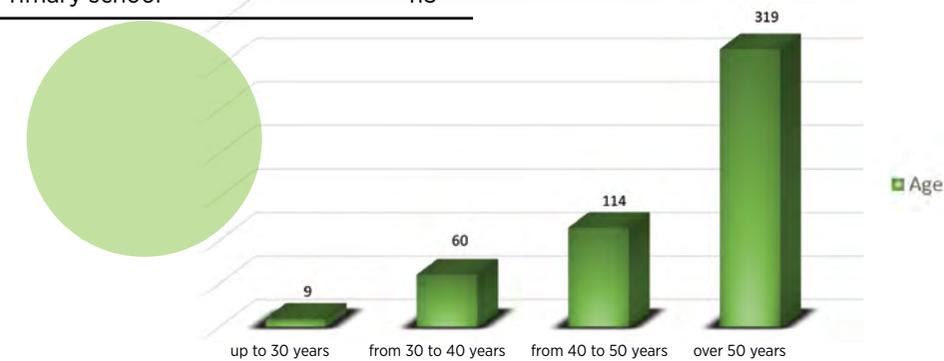
Hiring policy: The HR procedures provide preference for local hirings as a response to the community’s unemployment problem. In 2012 zero personnel resigned and 16 were hired under full-time employment contracts (thereof, 12 locals).

Qualification of the Employees

University degree	41
High school degree	14
Secondary school	89
Qualified	245
Primary school	113

Gender Structure

Male	484
Female	18



EMPLOYEES in Sharrcem / a Titan Group Company	2012
Number of full-time employees	502
Number of temporary employees	0
Total number of employees	502
Number of employees by Gender	
female	# 18, % 3,6
male	# 484, % 96,4

MONTHLY SALARIES

	Kosovo	Sharrcem	
Minimum	130 - 170 € ⁽¹⁾	293 €	⁽¹⁾ Establishment of official minimum salary, currently under negotiation
Average	300 - 400 € ⁽²⁾	768 €	⁽²⁾ Statistical Office of Kosovo

**Local Managers /
Extended Management Board**

Expats	8
Nationals	11
(There of locals)	5
TOTAL	19

5.1 Health and Safety First

Our Vision - To achieve a healthy work environment with “Zero” Injuries and Incidents.

Our Goal - We aim at the continuous improvement of our OH&S performance by managing it as our first business Goal. We manage OH&S as an integrated system of goals, clear responsibilities and accountabilities.

Our Policies - We use our influence to the best of our ability to persuade our suppliers, contractors and third parties to adopt similar OH&S policies. To continuously improve our Health and Safety Policies at all levels, in all areas.



As a heavy industry, we continuously strive to embed safe and sound behavior throughout the organization in our everyday activities and to create an environment in which everyone and all of us are responsible for our own and our colleagues’ safety.

We ensure identifying all legal obligations with respect to H&S and address them in a satisfactory manner and defining all necessary OH&S functions required by national and local legislation. Health and Safety is the first priority for Sharrcem, as it is for TITAN Group.

Our efforts are focused on raising awareness, so as to do our best to safeguard the OH&S of all of our direct and indirect

Incidents Overview

Lost Time Injury (LTI)	0
LTI Frequency Rate (LTIFR)	0
LTI Severity Rate (LTISR)	0

employees in all activities where we have management control.

Sharrcem continuously strives to embed safe and sound behavior throughout the organization in our everyday activities and to create an environment in which everyone and all of us are responsible for our own and our colleagues’ safety.

Health and Safety measures are applied for our own employees, contractors, suppliers and also for the local community where we operate.

Maintaining Zero Accidents

2012 was a year without Lost Time Injuries (LTI) for Sharrcem. This was the outcome of continuous and intensive efforts to upgrade and improve our working environment, management systems, as well as our mentality and safety consciousness.

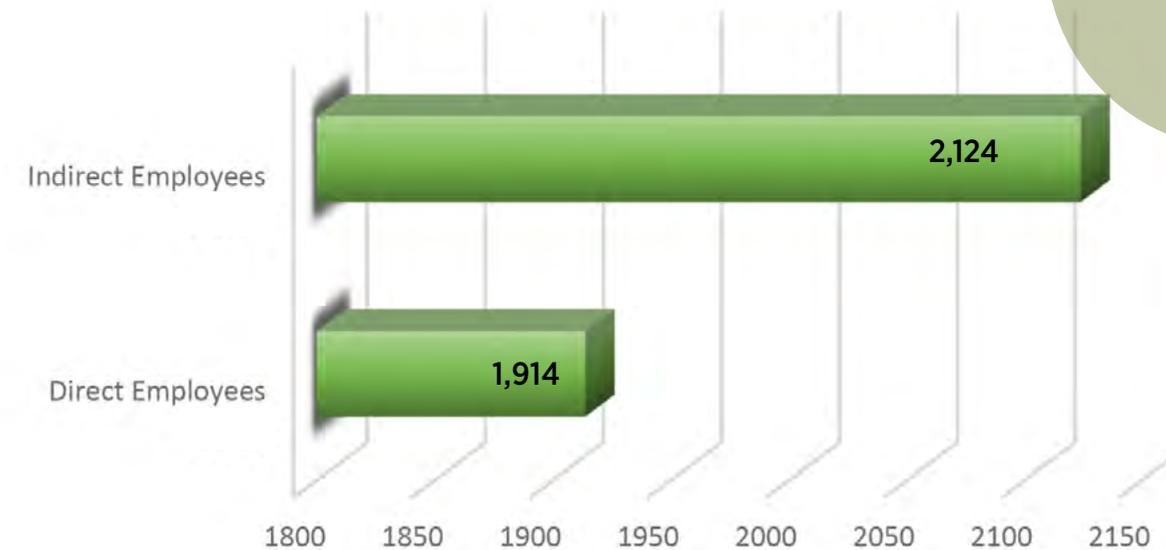
Sharrcem’s commitment to this was and is highly appreciated. It is true that our target to cause ZERO harm to people seems to still be far ahead, however this goal will be much closer each day. These statistics confirm the determination of the company to continuously improve and maintain Health and Safety.

For Sharrcem, Health and Safety is a top priority. To embed a safety culture that will provide all employees with a proactive and precautionary approach to accidents we are focused on raising awareness and training our employees, our contractors, but also our key stakeholders.

To start with every Thursday is dedicated to safety training, a program which is implemented by the Health and Safety Department and it is attended by all employees within the company.

5.2 Training

Training Man Hours



Thursday’s training now more a tradition than a program

Sharrcem maintains Health and Safety as a first priority through training every employee. For that purpose we developed Thursday’s training program which is implemented by the Health and Safety department and is attended by all employees in the company. The program is earning the appreciation of our workforce day by day and we envisage it becoming a “Safe Ideas” generator in the near future.

Achievements

OHSAS system started in June 2012

Zero fatalities or serious accidents in 2012

Adopted standards

Sharrcem has adopted and documented the Titan Group Training Standards. These standards include job-specific certifications, continuously updated literature, communication of best practices (published by the Group and the World Business Council for Sustainable Development / CSI) and OH&S efficiency measurements through 3rd party controls. Trainings are delivered by the OH&S department of Sharrcem and external experts.

5.3 OH&S Activities and Investemts

Initiation of Near Miss Reporting

A Near Miss is an unplanned event that did not result in injury, illness, or damage – but had the potential to do so. A Near Miss can be reported by any employee and has to be recorded with the HS department. Every Near Miss reported gives a space to creative thinking, counsciousness in hazards identification and ultimately to specific measures which entail a gradual and ever lasting improvement of Safety at Work.

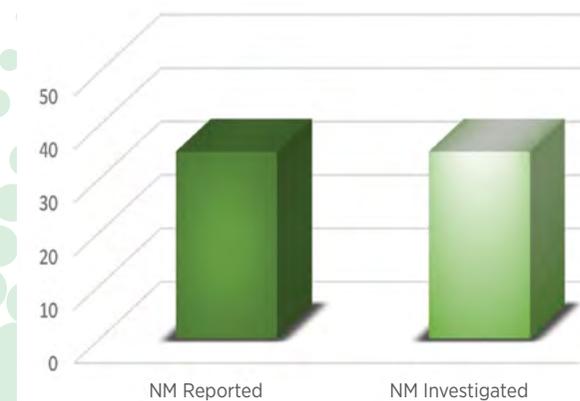
To prevent the near misses from happening again, the organization instituted team work training, feedback on performance and a commitment to continued data collection and analysis, a process called continuous improvement.

Near miss incident reporting, attempts to solve directly or indirectly safety issues, and aims to create an open culture whereby everyone shares and contributes in a responsible manner.

Near-Miss reporting has been shown to increase employee relationships and encourage teamwork in creating a safer work environment.



Reporting of Near Misses (NM)



OH&S Target Planning

TARGET 2013	TARGET 2015
Complete the process of OHSAS 18001 Management System Certification	Continuous improvements
Zero fatalities and zero serious accidents	Maintain zero fatalities and zero serious accidents
Continuous decrease in the: Lost Time Injury (LTI) LTI Frequency Rate (LTIFR) LTI Severity Rate (LTISR)	Achieve and sustain zero LTI, LTIFR and LTISR
Increase near miss reports to > 64	Increase near miss reports to > 120

5.3 OH&S Activities and Investemts | Continued

Area of Investment	Project	Status
Fire Fighting	New Hydrants Network	20%
	Cables Insulation	70%
Demolition of Unsafe Structures	Various Silos } old plant Tanks } Buildings }	85%
		85%
		85%
LOTO and VCS System (Electrical Safety)	Raw Mill Line	Initiated
	Kiln Line	Initiated
	Cement Mills Line	Received (20%)
MCC / CCR (Control Rooms)	Unsafe MCC's replaced by extended and upgraded CCR	100%
Cement Mill # 3	Demolition of the clinker feeding hall + decommissioning of crane	General ham large (80%) Investment for new feeding systems (design phase)
Railing / Fences Protection	Physical protection measures planned for 2012	100%
Lifts	Decrease the risk of personnel at height	100%
Man and Vehicle Traffic	Complete, re-design of traffic (all vehicles + pedestrians) + protective measures / bars	100%
Canteen + Restroom	Complete refurbishment of installations with proper utilities	100%
Work Safety	Integrated system for issuance of work permits Implementation of EAM (Coswin 7i)	95%

Contractors and Suppliers

Sharrcem is concerned about the Health and Safety of contractors and suppliers as well. We consider them an integral and vital part of our operations thus ensuring proper Health & Safety standards. For this purpose, in 2012 we have developed a new Contractor Management Process which incorporates Health and Safety. The aim of this process is to put in place a new system of Contractor Management from the H&S aspect. Its goal is to raise their awareness so they can understand that good H&S performance is good business performance as well.



We have organized trainings and communications and total training hours for 2012 were 2,124 h.

Contractual Obligation

Sharrcem has established a standard contract clearance for all Contractors and Suppliers that physically enter the plant. Further to that, all Contractors or Suppliers personnel are obliged to report to the OH&S office of the plant before initiating any job within the premises of the plant.





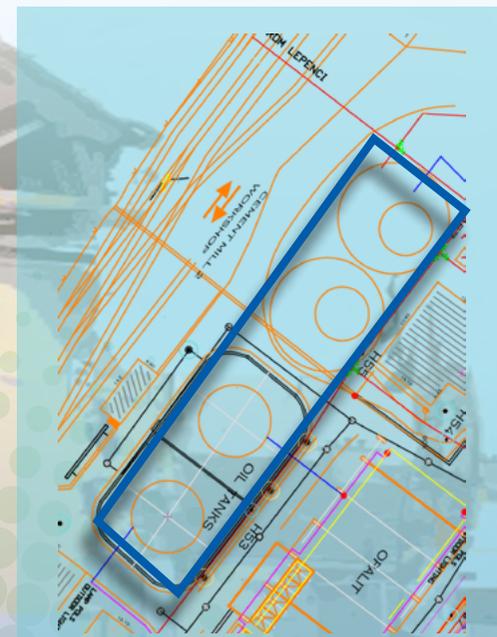
Demolition of Unsafe Structures

The buildings at the Old Plant have been built in two periods: the 30's and 60's and have been poorly maintained since then.

The actual state of structural elements of the buildings does not provide sufficient safety and stability according to an on purpose evaluation report commissioned by Sharrcem and conducted by INTERCONSTRUCTION Engineering of Skopje, Macedonia on 2011.

So the recommendation was to remove all old infrastructure in this area and, thus, eliminate a substantial hazard from the working space.

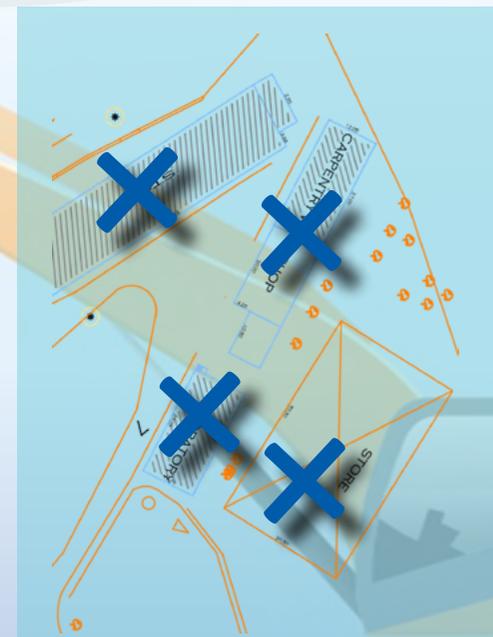
Actually, after the first stage of demolition works, certain non-operating structures remain; they are isolated and forced and no circulation of persons or vehicles is permitted. A further demolition stage is foreseen for 2013 concerning the old-plant materials gallery.



4 heavy oil tanks:
Environmental neutralization and removal



Old Kiln line and old materials handling gallery:
demolished and removed



Old buildings including initial vertical kilns (30's) and ancillary warehouses:
demolished and removed

Safety Culture Development

Highly raised self-awareness of the company employees is a key feature of an incessant safety culture development. It requires individual responsibility not only for themselves but also for colleagues, associates and all other people related to Sharrcem.

This ambitious but achievable guiding idea, underlying the overall organization together with operations in the field of health and safety, is conducted through a direct engagement of the company staff.

The employees are involved in safety sub-committees, trainings, thematic meetings concerning safety issues and initiatives. In the course of 2012, numerous safety meetings were held with ample participation of employees. Important topics were discussed (incident investigation, tools, equipment, procedures), related to the general safety policy of the company.

With the introduction of the Enterprise Asset Management System (EAM / Coswin i7) as of January 2012, the company has already specified in its operating procedures all safety related works and permits to assume documented approval to each job. All „work orders“ and „permits to work“ are part of the system.

In Sharrcem, further to the HS Committee where 7 employees participate, 6 HS Sub-Committees are established and operating with the participation of a total of 20 employees. In Q IV, 2012 the company has assigned an ISCI contract to the specialist provider Management Force Group LLC aiming to enhance its operational safety culture;

this dedicated coaching program creates among employees successive nuclei of advanced sensitivity in the field of detection of hazards and unsafe acts and provides relevant know-how for their elimination.



Rufki Suma
Mayor of the Municipality, Hani i Elezit

As the Mayor of the Municipality of Hani i Elezit I want to express my satisfaction with Sharrcem and Titan Group Company, for the close attention they pay towards the health and safety of their employees in the workplace, which I believe should be a priority for all companies in our country, especially those classified as heavy industry companies. Besides their commitment to safety within the plant, Sharrcem has afforded attention to safety in the community, whereby in cooperation with the Municipality and the students of the "Ilaz Thaci" Elementary School they have realized a safety project titled "Painting the Pedestrian Crossings and the Installment of Traffic Signs" in Hani i Elezit, a project that was welcomed by all citizens. Such projects, in addition to different trainings offered by Sharrcem in relation to occupational health and safety, as well as community

safety, are very necessary and justified. Sharrcem is also implementing the ISO 18001 management system and is expected to be certified by the end of this year. As a Municipality we recommend Sharrcem for their particular care towards Health and Safety.



Rexhep Luri
N.T.P LURI - Contractor, Hani i Elezit

We express our delight for the cooperation and good relationship enjoyed with Sharrcem SH.P.K. - a TITAN Group Company, located in Hani i Elezit, respectively with the Management of the Company. This cooperation has been in existence for many years accompanied with a high degree of understanding and collaboration reflecting an excellent relationship between the parties. During this time of cooperation and collaboration we have accepted the Safety Standards and Values enacted by Sharrcem. The Contractor Management Process of Sharrcem raised the awareness of our employees regarding their own Health and Safety, thus changing their attitude and behavior resulting in significant improvement of our Safety Culture. We wish to continue this level of cooperation in the future as well.

5.4 Human Recourses Continuous Improvemnet

Sharrcem, as part of Titan Group, recognizes that the workforce is central to the success of our operations, so we respect workers' rights, ensure wages that meet local industry good practices and strive to provide the best possible working and development conditions.

We value diversity in all respects and promote equal opportunities irrespective of ethnic or national origin, sex, age, religion, disability, sexual orientation, union membership, class and marital or family status.

Currently our workforce consists of 502 direct employees

The number of regular indirect employees, which are engaged in various services within our premises such as quarrying, security, catering, employee transportation, maintenance and technical support, is approximately 75.

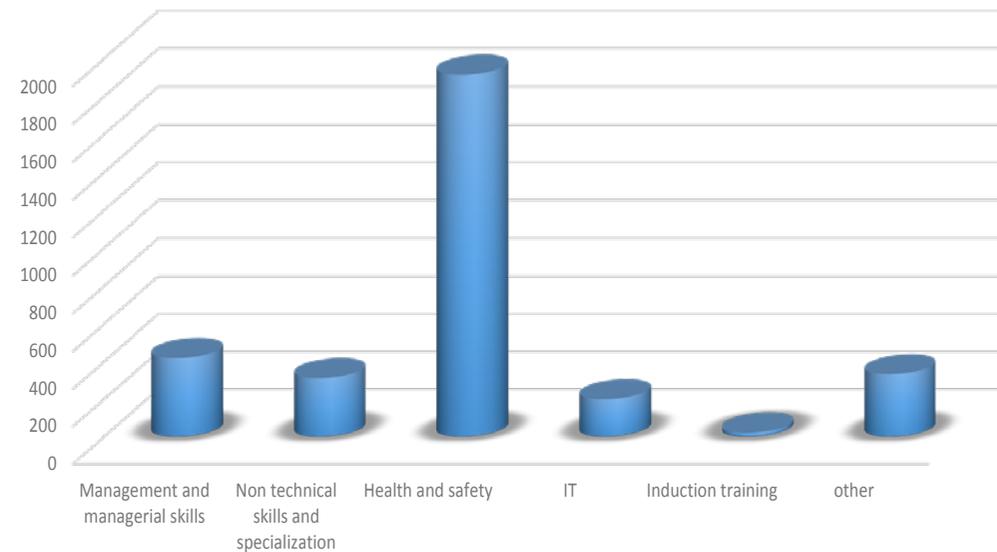
We offer a variety of training courses for management, technical, and professional development.

In 2012 we have provided more than 3177 training man- hours for direct employees and more than 2124 training man- hours for contractors.

Moreover, Sharrcem has adopted a granting program to assist employees in further improving their professional background with bachelor level or master level education. Four employees are currently benefiting from this program.

Acknowledging that the development of professional skills and competencies is very necessary and important for our employees, various trainings were organized for all levels of employees with the aim to develop employee and leadership capabilities and build a mindset that understands the needs of the cement industry and the needs of the global markets.

Man Hours Training

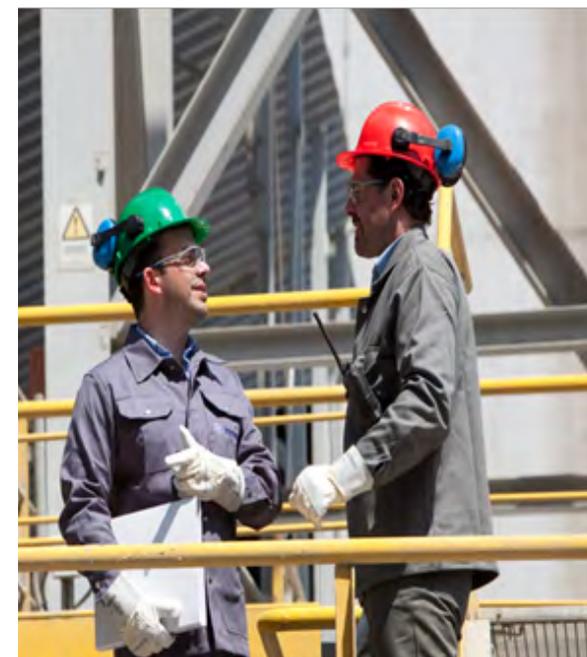


We also started implementing policies for Performance Improvement Processes, individual development plans and succession planning, career development and development of multi-disciplinary skills and competencies for our workforce. Performance appraisals and training, transferring "Know-How" and experience are common objectives in our company.

Benefits and Compensation

We believe in sharing our success with our employees. We wish to align employee and company goals through our bonus program, which makes a direct link between the company's performance, the individual's performance, and employee pay. We understand this as an important cultural change but, still, consider it a key element in achieving excellence. Benefits and compensation of employees

in Sharrcem are in full compliance with the Labor Law in force in Kosovo. We ensure salaries that meet local industry good practices, with an average which is higher than the local industry one.



5.4 Human Recourses Continuous Improvemnet | Continued

Human Recourses Activities

Health Checks

Considering the health of our employees as a very important issue we have a health facility on company premises which offers elementary health services to all our employees on a daily basis in the areas of first aid and professional consultation and advise regarding health protection and disease prevention.

In addition, we organize the general health check-up for all employees at the Labor Medical Institute in Kastriot, once a year, in March.

Blood Donation

On June 13th, 2012 our company organized a voluntary blood drive for the occasion of World Blood Donation Day of June 14th. 39 donors answered the call of which 30 had donated the previous year. Of the 39 donors 31 were male while 8 were female. Each donor received a free meal at our cantina. We are hoping to continue celebrating this day with future blood drives and hope to recruit more and more donors as we move forward.

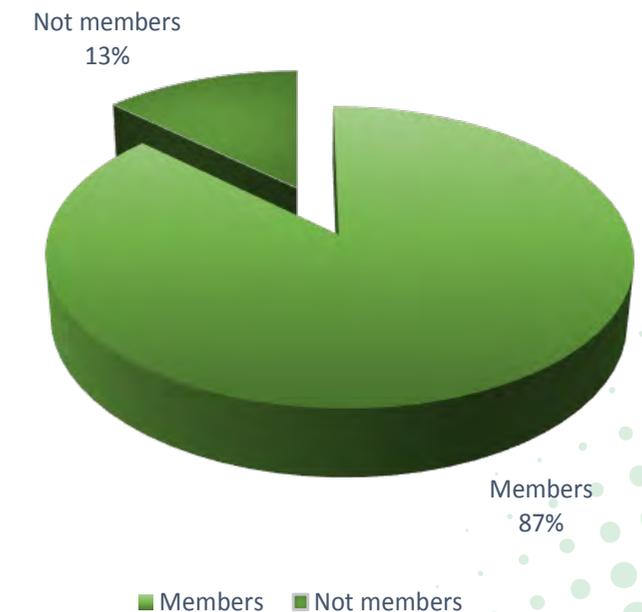
Canteen and Lockers + Rest Room

In 2012, Sharrcem in order to provide a better working space has completely refurbished and equipped two buildings in the factory, creating a modern canteen, where lunch is offered to employees and adequate and hygienic lockers and rest rooms for their daily needs.

Benefits provided to full-time employees

Health Check		Yes
Labor Insurance		Yes
Gifts	On Religion Holidays	Yes
	Woman's Day	Yes
	New Year	Yes
Education	MBA	5
	English Courses	3
	Conferences	12 Con./15 Managers
Trade Union	Ordinary 50% Contribution	Yes
	Extraordinary Direct Contribution	Yes
Communication	Fact Sheets	Yes
	Billboard	Yes
	Suggestion Boxes	Yes

Employees Members of Trade Union (average 2012)

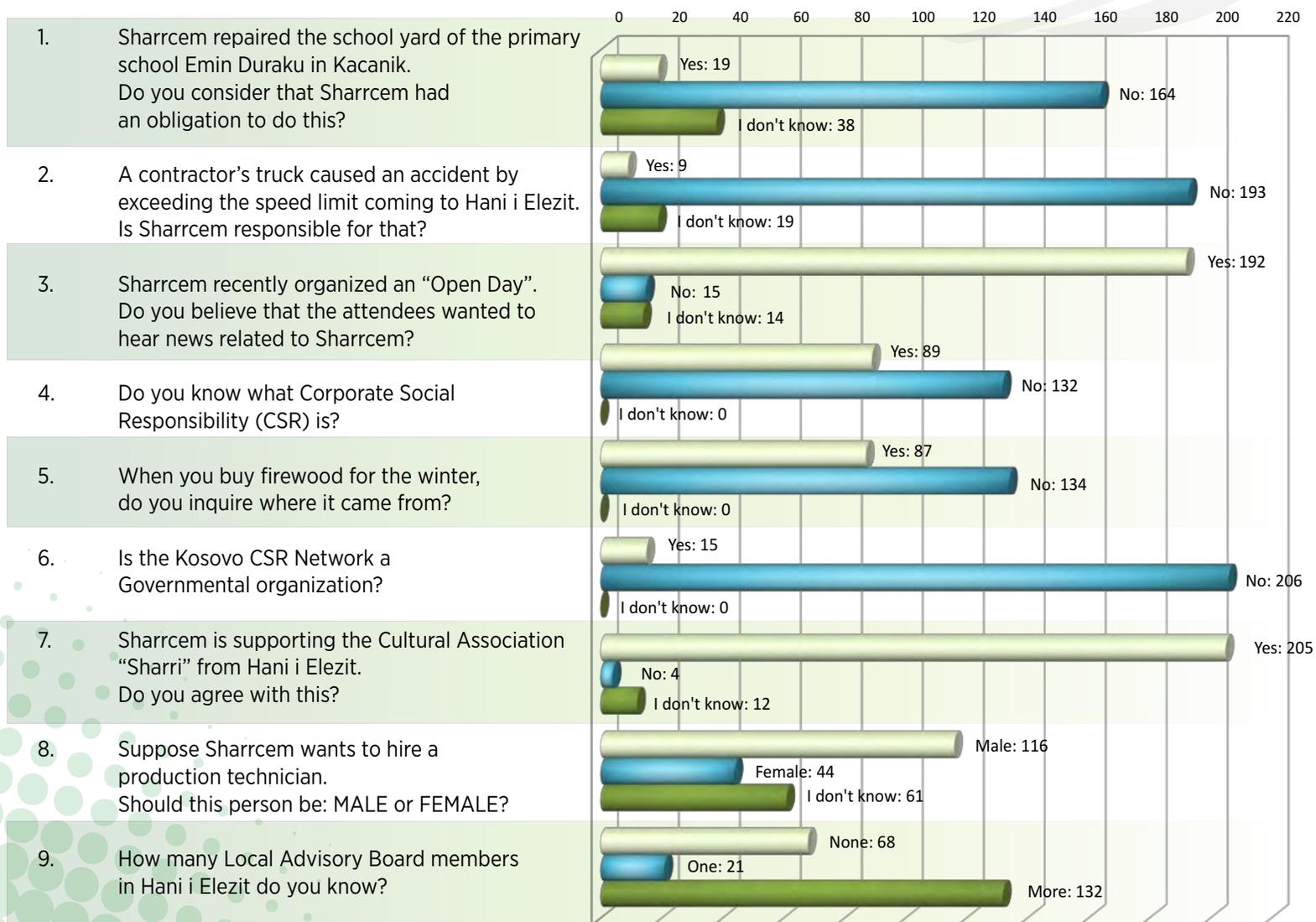


5.4 Human Recourses Continuous Improvemnet | Continued

Raising Internal Awareness

A way to open communication in order to establish CSR Values as a living culture among all our employees.

CSR Questionnaire sent to all employees for a yes/no answer



With this we have started to communicate the CSR meaning and reasoning. It will develop to quarterly "Discussion Issues" and trigger the participation of employees through the usage of "Suggestions Boxes".

6. Local Community

Hani i Elezit Municipality Characteristics

Hani i Elezit is located in the south eastern part of Kosovo close to the border with the F.Y.R. of Macedonia. It is situated in the valley between the Sharr Mountains in the west and Karadaku Mountains (Rodope Mountains -1218m) in the east. The Municipality contains ten villages and the town of Hani i Elezit.

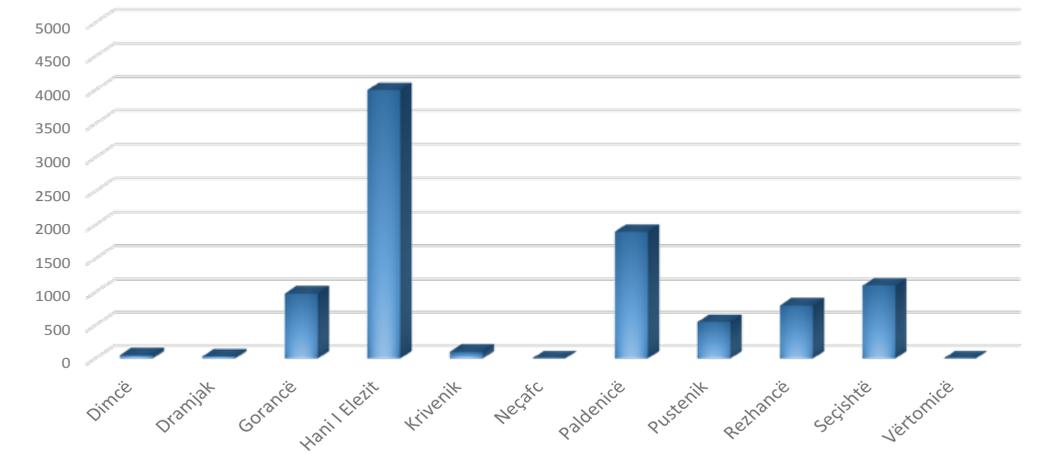
In developing markets, and even more so in those emerging from warlike situations, as is the case in Kosovo, it is of capital importance to understand the actual hardship and problems the society is facing.

Sharrcem has surveyed carefully the situation in the Country and in particular in the Hani i Elezit Municipality using all available sources of information. In the following pages the actions of 2012 are outlined; The company prepared in 2012 a full strategic actions approach for 2013 to address the local problems and sensitivities.

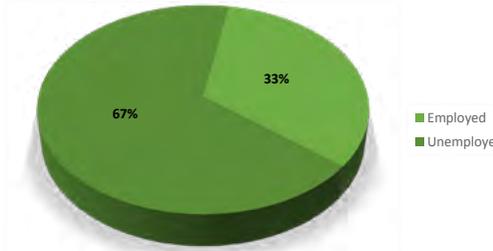


Population

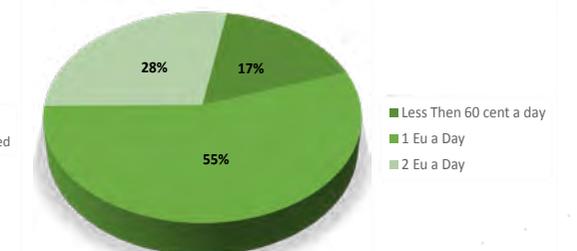
According to the data from field surveys the population is estimated to be around 10,065 inhabitants, who are predominately ethnic Albanians.



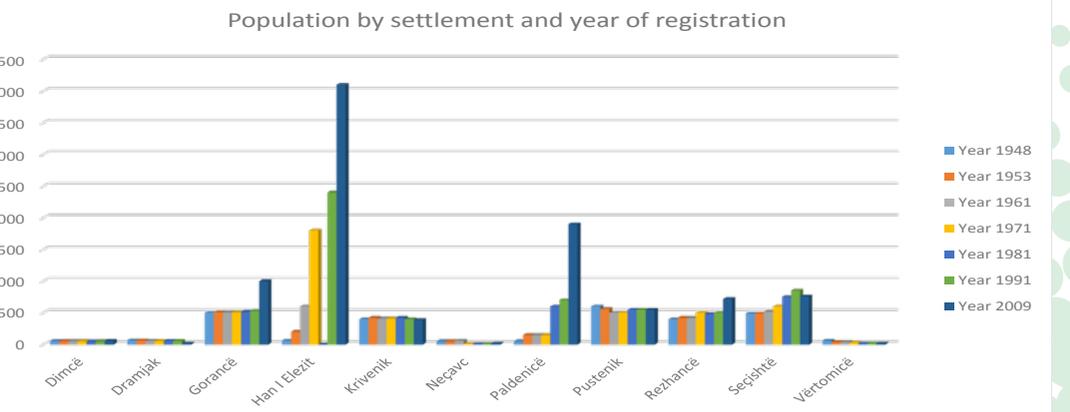
Unemployment



Poverty rate



Migration



Source: Municipal Mid-Term Plan

6.1 ILAB (Independent Local Advisory Board)

With the goal of strengthening transparency and direct involvement of key stakeholders, Sharrcem's Management proceeded with the foundation of a Local Community Advisory Board. This board was designed to serve as a liaison between the Community and Sharrcem in order to streamline the company's support activities toward the local society. The board is made up of different community stakeholders as well as two Sharrcem employees of middle management level and residents of Hani i Elezit, and is responsible for the understanding of the needs and proposals filed by local stakeholders for financial support by the company, as well as the fair distribution of Sharrcem funds dedicated to Community Development. This resulted in many different local initiatives that improved the situation both for the community and the company.

This partnership was created to improve communication and collaboration between Sharrcem and the community where it operates. The primary objectives were to create a collaborative and transparent initiative that would establish a partnership between the company and the stakeholders so the community development funds would be better allocated and invested. By tradition, a lot of requests for help and support were addressed to the company which used to tender its assistance on a rather arbitrary basis for the previous ten years. The idea was that, through this partnership, a positive impact for all would be created, by involving the local community and giving them the responsibility of a fair response to the local needs, while at the same time strengthening the ties between the community and the company. The scope of the ILAB is to detect and prioritize the needs of the Community and

allocate accordingly, on a unanimous decision basis, the funds assigned by Sharrcem for the improvement of the community living standards in three main directions: Safety, Environment and Education. On top, the ILAB is allowed to allocate funds to philanthropy in those cases it judges necessary. The ILAB has been in operation since 2011 and has developed the ability to decide with unanimity and a high degree of involvement and collaboration. The ILAB meets in the Municipal facilities and enjoys an excellent reputation and support



from the Authority and the citizens alike. A number of projects have been proposed and concluded through the ILAB process in principal, in the Environment, Infrastructure and Safety fields. On the Education side Sharrcem has also launched a distinct initiative with the Basic Education School in Hani i Elezit. It has to be stated that, on a case by case basis, Sharrcem also directly adds supplementary funds to those ILAB's projects that are deemed to be of specific environmental or safety weight and match the priorities of the Company. An open and continuous dialogue has been developed immediately after the first couple of Board meetings. These exchanges of views and information have been actually extended to deeper organizational levels both in the Municipality



and the Company. Through such communication, the local authorities and citizens, for the first time, have better understood the manner the plant operates in and discussed the priorities of the community. In turn, Sharrcem's employees and management also had the opportunity to obtain a clear view of the constraints the local society faces, thus confirming and adapting its CSR strategy. In fact, the new long term strategy of the Company is based on the analysis of the data and feedback of the Board's work. The Board, based on a unanimous voting method, distributes funds to projects and actions for the benefit of the Local Community. All ILAB decisions are documented and kept in the municipality and company files. The members appointed in this Board by relevant stakeholder groups include: the Chairperson of the Municipal Assembly, the Municipal Director for Economic Development, the Municipal Director for Urbanism and Cadastre, the Director of QKMF (from the Medical Center), an Imam (from the Religious Community), an Employee from the Education Sector, a Private Citizen (Businessperson) and 2 Sharrcem Representatives. We wish to extend our gratitude to the municipality of Hani i Elezit for its support and contribution to the success of the ILAB.

For 2012, the funding of the ILAB was 33.550 € out of a total of 156.955 € in social contributions.

6.2 Community Activities

"Green Sharr" a Plant Open Day for the Community

Celebrating the implementation of the plant modernization program and mainly the environment protection investment in June of 2012, our Green Sharr / Open Day was held and attended by over 5,000 participants, eager to hear the latest news and developments surrounding Sharrcem. Furthermore, escorted tours of the plant were on offer for all groups interested in visiting the production site and learning more about our process.

These tours served to educate the visitors regarding the considerable investments made by Sharrcem aimed at improving the environment and production process.



The Mayor of Hani i Elezit thanked Sharrcem and Titan Group for their commitment towards environmental protection and commended the work done alluding to the noticeably cleaner air in and around the plant. This was accompanied by the organization of a cultural, artistic program for all ages which was highlighted by a special moment where young children from the local community were dressed in Sharrcem plant uniforms and recited a poem dedicated to Sharrcem, written by a local schoolteacher. This poem was translated and proudly adopted by Sharrcem and is included in this report, along with the original version in Albanian (next page). The attendees were then treated to a meet and greet with cocktails and snacks.



Fabrika jonë

*Bam, bam, bam, bam, bam, bam
Kjo fabrika bën gdo gast*

*Ne jemi të vegjël po dimë dëgja
Qyteti ynë shumë nam ka*

*Oxhaku i gjatë tregon dëgja
Kjo fabrika jonë më pluhur nuk ka*

*E bukur krenare në mes të qytetit
Kjo fabrika jonë ja rrit vlerat vendit*

*Të thithim ajër të thithim oksigjen
Mushkërit tona asgjë mos ti qjenë*

*Një falenderim për ju që menduat
E hoqët pluhurin për ne investuat*

*Të dashur qytetarë ne thirrje ju bëjmë
Qytetin tonë të pasatër ta mbajmë*

*Një falenderim dhe për ju komunar
Na zbukuruat qytetin e bëtë të paparë*

Qershor 2012, Lindita Kaloshi

Our Factory

*Bam-bam, bam-bam, bam-bam
This factory of ours hums every day*

*We are young but know full stride
Our dear town has lots of pride*

*The long chimney shows something just
This factory of ours no longer has dust*

*Beautiful and proud in the middle of town
This factory of ours is our town's crown*

*Great, big thanks to you who thought of us
Taking care of the people and removing all the dust*

*Dear and honorable citizens we have one request
That our town to be kept clean is best*

*A big thanks to our municipal leaders
For making our town the most beautiful and cleanest*

Composed by: Lindita Kaloshi - Teacher

6.2 Community Activities | *Continued*

Street Lighting in Hani i Elezit

The situation on the main highway leading to the border crossing of Hani i Elezit was inadequate and completely unsafe during night hours, where a stretch of road 1,150 meters long was not lighted at all. A project proposal was made to install lighting, which was approved by Sharrcem's Management at the end of 2011. Due to collected data regarding highway frequency (cars, trucks, pedestrians) the class of public lighting proposed was B1.

- Walkers, 150-600/h
- Cars and trucks, 1000-3000/24h
- Driving speed, 40km/h

Electrical power for the project is being supplied from the transformer by the highway which runs through an erected electrical distribution box.



The highest standards were followed during electrical cable laying and the foundation and erection of the lighting poles.

... a bit nicer ... a bit safer ...

Kosovo's public infrastructure in general suffers of lack of safety conditions for the citizens, nation-wide. With its "... a bit nicer ... a bit safer ..." projects, Sharrcem plans to improve safety and functionality at selected sites in need, through small urban improvements across Kosovo.

Elementary School "Emin Duraku" - Kaçanik

Sharrcem continued proving its dedication to infrastructure improvements in the urban areas of neighboring communities. In August 2012 it undertook the effort for a complete refurbishment of the worn and hazardous schoolyard of the elementary school "Emin Duraku" in Kaçanik. As a cement producer, Sharrcem has overtaken and financially covered the civil works, an area where it has the best expertise and could contribute the most. For over three weeks, six Sharrcem employees resisted the sweltering August heat in a rush to prepare the school yard before the beginning of the school year.

Urbanization (trees and signs) - Quarry and Inside the Plant

The first step of the rehabilitation plan according to the EIA study for the Dimçe Quarry with 46,185 tons of overburden, green zone planting of 227 pieces of trees and creation of 700 meters of green belt started in 2012.

Greenery increases and new tree plantings within the plant take place every year.



6.2 Community Activities | Continued

After laying down over 400 square meters of concrete stones, 120 meters of walls, a stage for the handicapped, a water sink with 5 water faucets, with a total value of over 8,000 Euros, the youngsters of the primary school will be able to enjoy a much nicer and safer environment.

An excellent CSR practice since it involved workforces and materials offered by Sharrcem and other local contractors free of charge.

The Dimce River

The Municipality of Hani i Elezit had initiated a project for the regulation of the Dimçe River banks and bed in Hani i Elezit having secured the co-financing from Community Development Fund ("CDF"), through a grant that CDF had



obtained from the World Bank as part of the "SILED". CDF and the Municipality had concluded a Memorandum of Understanding for the co-financing and implementation of the project and jointly developed the project proposal which had been approved by the competent bodies of the Municipality, in accordance with the applicable Law. The project's budget however, exceeded the available Municipal

and CDF funds and Sharrcem was called to assist for the implementation of the design. Dropping right in the core of Sharrcem's CSR Strategy to support projects which aimed to improve and protect the environment of the Local Community, the company agreed to cover the remaining 27,000 Euros for the implementation of the project in cooperation with CDF and the Municipality.



A Memorandum of Understanding leading to a new partnership agreement between Sharrcem and the Municipality of Hani i Elezit was reached in 2012 and opened the door for construction.

The "NEW SHARRCEM" Conference

Sharrcem proudly announced the final stage of its program for the improvement of Environmental Sustainability, its Emission Footprint and the enhancement of its Efficiency, required for the expanding construction market in Kosovo.

Wishing to share the benefits of these investments with all stakeholders Sharrcem organized the "New Sharrcem" conference, a significant engagement meeting since over 150 customers and suppliers were present together with Public Authorities and Civil Society representatives.

The company had the occasion to lay out the achieved results and its future plans and respond to questions of the audience.



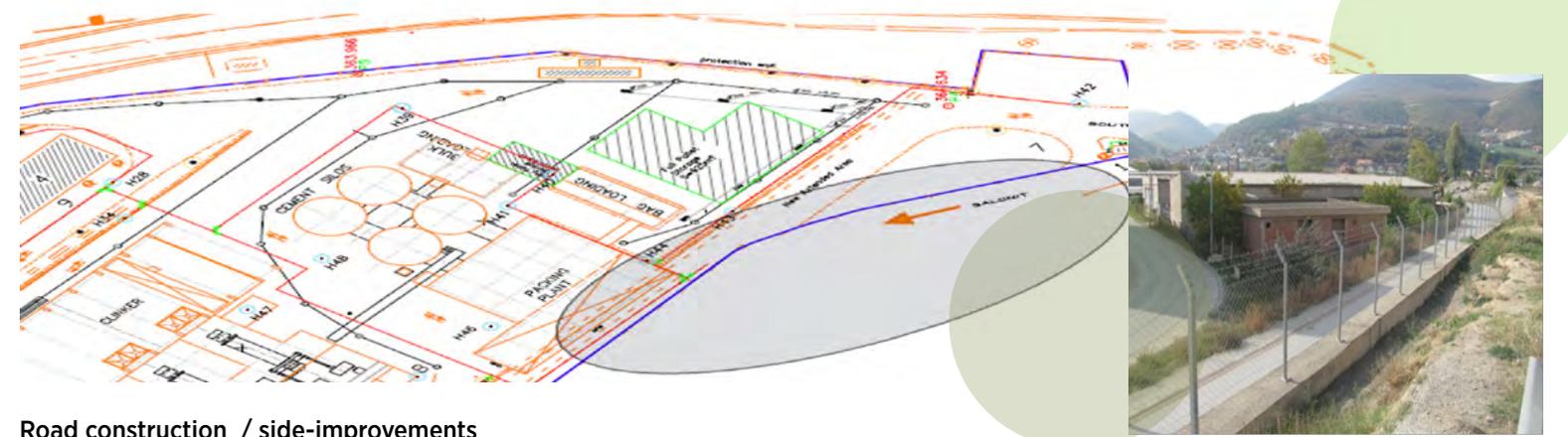
Sharrcem - part of the "LET'S DO IT KOSOVA" campaign

In May 2012 Sharrcem took part of the campaign "Let's do it Kosova, 2012". The Aim of this campaign was to mobilize the citizens of Kosovo to protect and keep the environment clean. Sharrcem took an active part in this

organization within the Municipality of Hani i Elezit and supported this action of the municipality with 150 boxes of plastic waste bags; 500 pairs of plastic gloves and 500 protective masks. As an active participant Sharrcem was involved in the cleaning activities as well with 35 employees successfully contributing to this event.



6.2 Community Activities | Continued



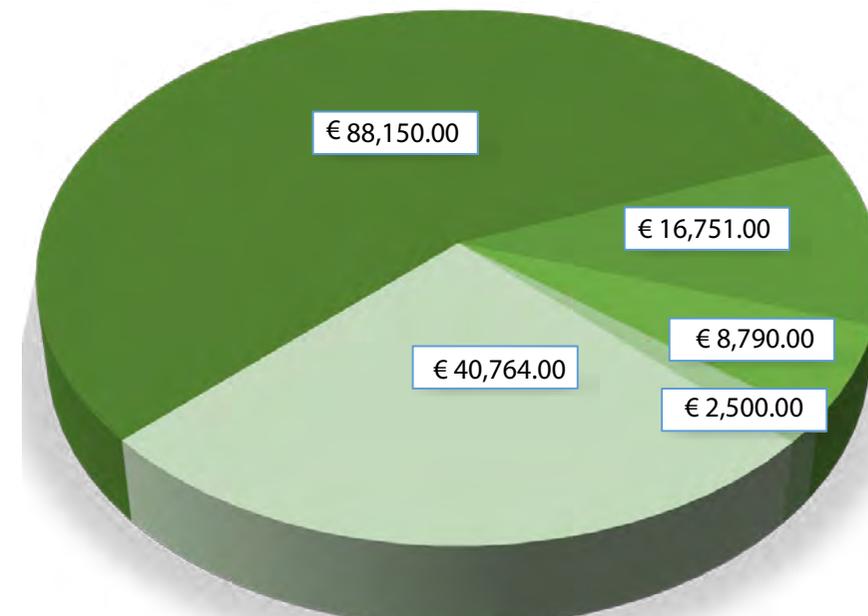
Road construction / side-improvements

Next to the Southern Gate II of the plant a municipal road has been under re-construction in QII 2012. The construction interventions at a lateral slope adjacent to the plant's border were completed without slope stability calculations and measures.

Also, the intervention works had damaged a high voltage electricity pylon creating a very unsafe situation (where the power cable was unprotected and insufficiently supported). Sharrcem intervened by designing a proper retention wall to

reinstate slope stability and financing and constructing appropriate fencing and a new foundation for bearing the damaged power cable pylon, thereby increasing the safety of all those affected.

Breakdown of social contribution in 2012



- Infrastructure
- Culture / Sports and Religion
- Individual Solidarity Help
- Education
- Additional Benefits to Employees and Trade Union

7. Environment



Environment and Climate Change

The process of cement production affects the environment. Sharrcem operations are heavily dependent on the use of natural resources. We are aware of our impact on nature and that is the reason why environmental care is one of our first priorities in all aspects of our conduct.

Dust, noise, safety risks, landscape alteration by using raw materials, air emissions, energy and water consumption are issues related to our day-to-day performance. For this reason, we are committed to actions that reduce our operational impact on the environment.

Monitoring, measuring, reporting, cooperating, continuously acting and improving is how we address environmental issues. Through our CSR approaches, we aim to address these main environmental issues:

- Climate change
- Energy and raw materials
- Air and other emissions
- Biodiversity
- Water

Sharrcem complies with all local and national regulations on environmental protection.

ISO 14001

Sharrcem continuously strives to address the defined environmental challenges. In this area, we are fully implementing TITAN policies which guarantee sound and transparent environmental management according to international best practices. In addition, in June 2012, we started to establish and develop the Environmental Management Standard ISO 14001 which is going to be implemented and certified by the end of 2013.

IPPC

On 14 September, Sharrcem has submitted an Application for the Integrated Pollution Protection Control (IPPC) permit to the Ministry of Environment and Spatial Planning. The application, in addition to environmental impact planning for regular operations, covers the prerequisites of co-processing of AF (alternative fuels)

which forms today an integral part of cement industry standards as it offers a win-win solution by both reducing the emissions footprint and the disposal of waste volumes.

Striving towards environmental friendly operations is a part the Titan Group Corporate Values and at the same time an obligation arising from the local and EU legislation for a sustainable environment.

Sharrcem will have a formal and transparent approach to an operationally integrated management of the environmental impact together with an annually reviewed plan of continuous improvement. For this propose, the company has already established close and regular cooperation with the MESP.

CO2 Management System

The company, according to Group policies, has implemented a full CO2 measurements and management system which is annually audited by a third party independent and certified auditor (for 2012 KPMG).

7. Environment | Continued

Investments

Cement production is a capital intensive industry. At the same time it is a fuel intensive process. Using raw materials and energy for cement production affects the surrounding environment, a key priority is thus to continuously improve technology and management systems so as to minimize the potential impact to people and the environment.

True to its corporate values, Titan's vision for Sharrcem is "to be recognized as the point of reference in Kosovo through operational excellence, respect for the environment and a significant contribution to society". In line with this vision, right after Sharrcem's acquisition, Titan embarked on a modernization program with emphasis on improving safety, environmental performance, productivity and reliability, while

ensuring that cement quality is at the highest level.

On June 20th 2012, the Sharrcem plant in Kosovo, inaugurated its new "state of the art" environmental protection equipment. Two new bag filters, for the kiln and the grate cooler, and a continuous emission measuring system (CEMS) were installed. Further to these priority investments, the company has also invested in a new 3rd generation separator with our de-dusting filter for the Cement Mill # 3, a new Laboratory including XRF spectrometer and QCX automation and a completely new and updated CCR (central control room). To assure sustainable performance, the company has commissioned all machinery to int'l manufactures of proven track record and reputation from Germany, Austria, Italy, Denmark and the Netherlands.



Environmental Protection		€	
1	Main Kiln Filter	2.600.000	Mar'12
2	Cooler Filter	2.100.000	Mar'12
3	Continuous Measuring System	350.000	Feb' 12
TOTAL		5,050.000	

Efficiency Improvement		€	
4	CM#2 Seperator	1.800.000	Mar'12
5	Packing Station #2	680.000	
6	Laboratory Spectro-Analyzer	710.000	Jan'12
TOTAL		3,190.000	

As already started, the company has invested the de-commissioning and removal of four large and old heavy oil tanks and installed a new small state-of-the-art tank. This way, hazard of leakages or spill-overs has been completely eliminated (zero incidents during 2012).

7.1 Environment Performance

Monitoring emissions is a pre-condition for controlling and reducing environmental impacts from cement production. In 2012, the Sharrcem plant was the first company in the country to introduce independent continuous monitoring systems, operating 24 hours a day. This enables the company to closely monitor the emissions on a real time basis and take action accordingly. At the same time, it gives interested stake-

holders regular, updated information on its performance. Sharrcem actually operates a 24-hour automatic continuous monitoring system (installed in March 2012) calibrated and certified by an independent party according to European Standards. An overview of the types of instruments, the points of installation and the parameters being measured are presented in the table on page 38.

The data derived from the measured values is processed using the licensed software MEAC 2000. The processed values are presented in conformity with the legal requirements and are submitted regularly to the Ministry of Environment and Spatial Planning ("MESP").

Measuring our CO2 Footprint

Climate change is considered the most important environmental challenge of our time. The nature of the cement industry is such that it produces and emits carbon dioxide (CO₂), thus contributing to the greenhouse effect and climate change. Direct CO₂ emissions from the production of cement itself are attributed to:

- De-carbonization, the process of transforming raw materials (mainly marl) into clinker, the main component of cement.
- Fuel consumption, including both fuels burned in the kilns (heavy oil and pet-coke) and fuels used for internal transportation, produce CO₂ as a result of the chemical reaction between carbon (C) and oxygen (O₂). Indirect emissions of carbon dioxide are released from the electricity required for the production of clinker and cement, as well as during the external transportation of raw materials, fuel and final products. As part of Titan Group we follow WBCSD/CSI standards for calculation and reporting of CO₂ emissions.

Air Emissions / Dust

At cement plants, major dust emission sources are kiln stacks and open surfaces creating fugitive dust from the transportation of materials. From 2012 Sharrcem has been equipped with a 24-hour automatic continuous monitoring system that measures and records its emissions on a real time basis. After the new reconstruction of the bag filters in the kiln and raw mill, dust emissions have been reduced to largely below the limits (ELV) set by the environmental terms and conditions of both local and EU legal requirements.

The graph in opposite page shows immediate effect of the above said investment.

SOx

The presence of sulphur (S) in raw materials is the primary cause of Sox emissions. Sharrcem's Sox emissions are substantially below the limits (EV) set by the applicable local and EU regulations.

NOx

Combustion at high temperatures leads to NOx emissions. Scientific studies have indicated that NOx emissions may contribute to acid rain and smog. In 2012 Sharrcem's overall NOx emissions were clearly under the limits (ELV) set by local and EU

legislation, on a steady improving trend.

Water

Sharrcem operates with a completely closed water system. Water is used for process needs, cooling of equipment, environment needs and sanitary needs. Main sources of water supply to the Sharrcem plant are underground waters from wells opened within the plant area. There is no industrial waste water discharge; only sanitary water is discharged in two water outfalls in the plant.

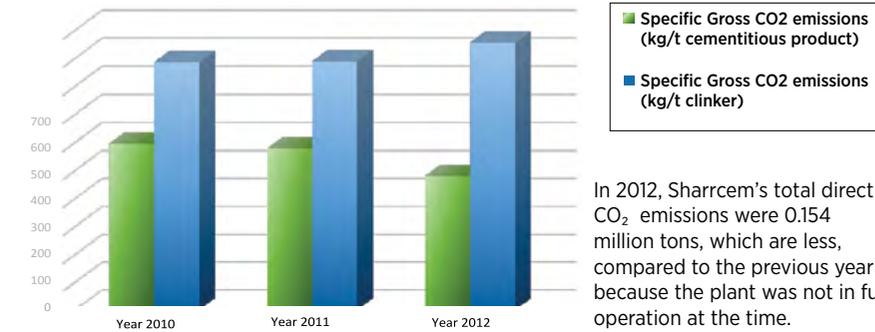
Total water consumption by cement product is very efficient – 320 l water / t cement. A full hydro geological study has been prepared by external experts to provide the assessment of the hydro geological conditions of Sharrcem and its surrounding areas in order to:

- assure a sustainable use of the underground water abstracted from wells within the plant
- evaluate impact on the aquifers – maps and drawings
- verify zero effect by our operation
- the study was commissioned in 2012 for a full 18 month survey and results will be presented in the 2013 report.

Continuing Measurements Environment

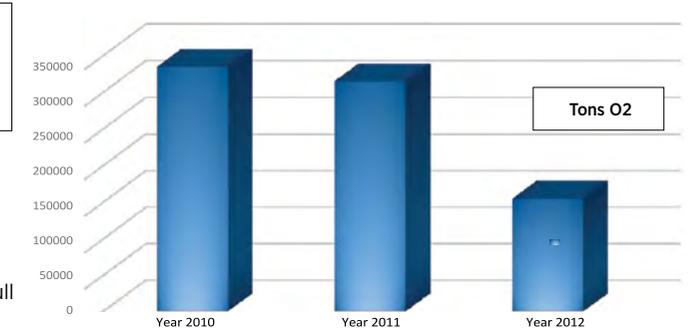
#	Equipment	Sub-type	Measured parameters	Installation date	Location
1	SICK DUSTHUNTER SB100	Dust Concentration Monitor	Dust	April 2012	Kiln & Raw mill Stack
2	SICK GM 32	In-situ Gas Analyzer	SO ₂ , NOx, T, P	April 2012	Kiln & Raw mill Stack
3	SICK GM 35	Gas Analyzer for CO, CO ₂ and H ₂ O	CO, CO ₂ , H ₂ O, T, P	April 2012	Kiln & Raw mill Stack
4	SICK FLOWSIC100 H	Gas Velocity Monitor	Velocity of Gas, Speed of Sound,	April 2012	Kiln & Raw mill Stack
5	SICK ZIRKOR302 P	Oxygen Analyzer	O ₂	April 2012	Kiln & Raw mill Stack
6	SICK DUSTHUNTER SP100	Dust Concentration Monitor	Dust	January 2013	Clinker Cooler Chimney
7	SICK FLOWSIC100/200	Gas Velocity Monitor	Velocity	January 2013	Clinker Cooler Chimney

Specific Gross CO2 emissions

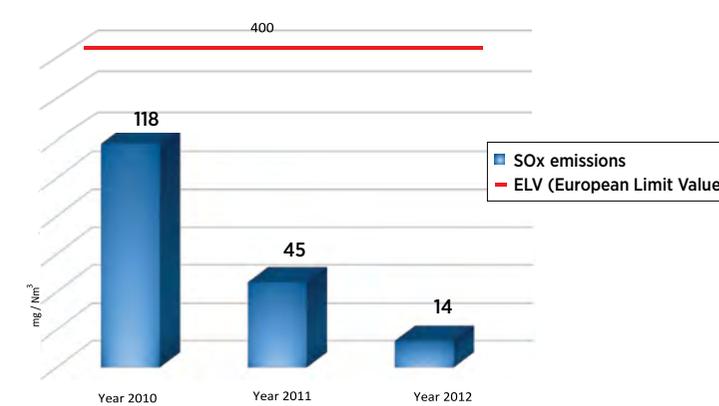


In 2012, Sharrcem's total direct CO₂ emissions were 0.154 million tons, which are less, compared to the previous year because the plant was not in full operation at the time.

Specific Gross CO2 emissions

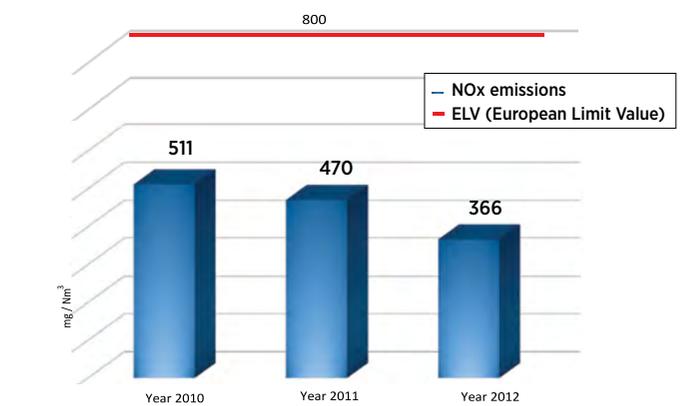


SOx emissions



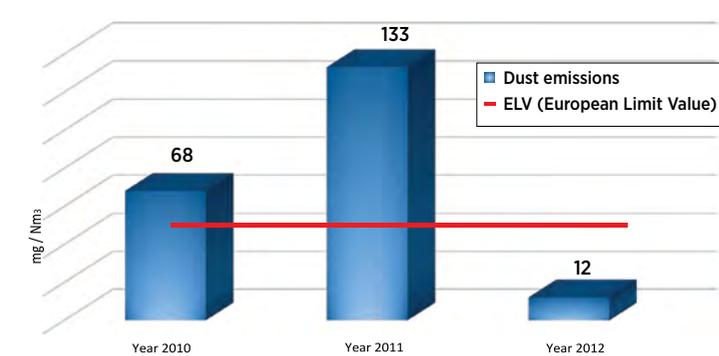
The average concentration of Sox for the kiln was 14 mg/Nm³, while the ELV is 400 mg/Nm³.

NOx emissions



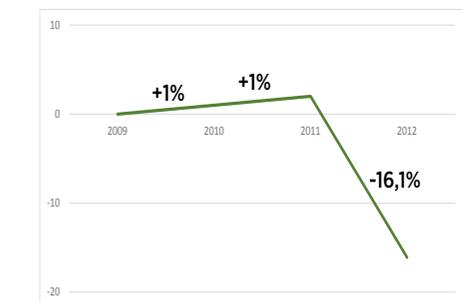
The average concentration of NOx for the kiln was 366 mg/Nm³, while the ELV is 800 mg/Nm³.

Dust emissions



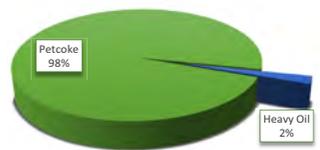
The average concentration of dust for the kiln was 12 mg/Nm³. The ELV is 50 mg/Nm³. The investment realized in 2012 shows the immediate improvement achieved.

Specific Heat Consumption Development (YOY, reference year: 2009)



The efficiency upgrades initiated in 2011 and completed in 2012 have resulted to a significant improvement of the heat consumption rate.

Thermal Energy Consumption



Thermal Energy Consumption **687,732 GJ**

Electrical Energy Consumption **42,881 MWh**

7.2 Building Environmental Awareness

Visit from the Ministry of Environment and Spatial Planning

In June 2012, the Minister of Environment and Spatial Planning, Mr. Dardan Gashi visited the Sharrcem plant, where he received first hand information regarding the investments on environmental protection. The visit was closely followed by the media.



“GREEN SHARR” Inauguration CEREMONY

An Inauguration Ceremony for the new, state-of-the-art environmental protection equipment, was held on the morning of June 20th, 2012 at Sharrcem. This event was attended by numerous state and local officials, foreign ambassadors as well as representatives of the Kosovo business community. The event was opened with speeches by the Mayor of Hani i Elezit, Mr. Refki Suma, the Deputy Minister of Environment and Spatial Planning, Mr. Shpëtim Rudi and high level Sharrcem and Titan Group representatives. It was then followed by a ribbon cutting ceremony carried out by the aforementioned persons to celebrate the activation of the environmental protection equipment installed. The Mayor of Hani i Elezit thanked Sharrcem and Titan Group for their commitment towards environmen-



tal protection and commended the work done alluding to the noticeably cleaner air in and around the plant.

Partnering with the School

Following its social policy of support for development through education, based on a strong local partnership, good neighborly relations and the needs of the Local Community, Sharrcem’s Management has approved a request from the secondary school, “Dardania” from Hani i Elezit to visit the Sharrcem plant with an aim to get better informed about the new investments and improvement of environmental protection.

The plant visit was organized in May 2012 and Sharrcem ensured that, for students’ safety purposes, the plant tour was organized by bus under the supervision of responsible Managers.

At the end of the plant tour and presentation by the Environmental Manager lunch was served to all the students and their educator at the Sharrcem canteen.



Nusret Shiti
Administrator of Hani i Elezit

Taking into consideration our small town, that at its center houses a giant cement producer, in the past besides serving as a privilege has also been a nuisance, as the dust emitted by it covered the whole town to the point that it was impossible to find a red roof anywhere. Now this situation has changed 99%. Since the giant plant became property of Titan Group, and as a result of their care for environmental protection, filters were installed that prevent dust pollution. We want to express our gratitude to the new owners for this consideration.

8. GRI Disclosure Tables

EC – Economic Performance

#	Indicator	Definition	Page in this Report
1	EC1	Direct economic value generated and distributed	7
2	EC5 *add	Ratio of the minimum salary in the company and minimum salary in Kosovo	19
3	EC6	Policy, business practices and percentage of local suppliers in total number of company suppliers	14
4	EC7	Procedures for local employment and percentage of top management from the local community	19
5	EC8	Investment in the local community	7,35

EN - Environment

#	Indicator	Definition	Page in this Report
6	EN1	Materials used by weight and volume.	7
8	EN3	Direct energy consumption by primary source	39
9	EN8	Total water consumption by source	38
10	EN16	Total direct and indirect emission of gases with “greenhouse effect”	39
11	EN20	NOX, SOX and other significant air emissions	39
12	EN21	Waste waters	38
14	EN23	Total number and volume of significant spills	37
15	EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	36

LA - Labour

#	Indicator	Definition	Page in this Report
16	LA1	Total workforce	19
17	LA2	Total number and rate of employees turnover	19
18	LA3	Benefits provided to full-time employees	27, 35
19	LA6 *add	Employees involved in mutual boards and occupational health and safety	25
20	LA7	Injuries at work	20
21	LA10	Training hours	21, 26
23	LA13	Workforce structure	19, 27

HR – Human Rights

#	Indicator	Definition	Page in this Report
25	HR4	Total number of discrimination incidents and performed corrective activities	19

SO – Society

#	Indicator	Definition	Page in this Report
26	SO1	Applied programs as for local community involvement, impact assessment and development programs	30, 35

8. GRI Disclosure Tables | *Continued*

PR – Product Responsibility

#	Indicator	Definition	Page in this Report
29	PR2 *add	Number of incidents of non-compliance with regulations concerning products	16
30	PR3	Type of product and service information required by procedures	16
31	PR4 *add	Total number of incidents of non-compliance with regulations	16

1. Strategy and Analysis

#	Disclosure	Page in this Report
1.1.	General manager message	9
1.2.	Key impacts	7

2. Organizational Profile

#	Disclosure	Page in this Report
2.1.	Name of the organization ³	2
2.2.	Primary brands, products, and/or services	16
2.4.	Location of the organization`s headquarters	2
2.6.	Nature of ownership and legal form	2
2.7.	Markets served	6
2.9.	Significant changes during the reporting period	16, 22, 37
2.10.	Awards received in the reporting period	10

3. Report Parameters

#	Disclosure	Page in this Report
3.1.	Reporting period	3
3.3.	Reporting cycle	9
3.4.	Contact for questions regarding the report or its content	4
3.5.	Process for defining the report content	3
3.6.	Boundary of the report	3
3.9.	Techniques of data providing.	3
3.13.	Report verification	3

4. Governance, Commitments and Engagement

#	Disclosure	Page in this Report
4.8.	CSR policy and principles	10 - 14
4.9.	Management participation in sustainability issues.	12
4.10.	Managers' performances relating to corporate social responsibility	12
4.12.	Economic, environmental and social charters, principles or	10, 11, 14, 19
4.13.	Membership in organizations	13, 17
4.14.	List of stakeholder groups	13, 14
4.16.	Involvement of stakeholders	14, 30, 31, 33, 34

The background features a light green gradient with several thick, curved green lines arching across the lower half. On the right side, there is a pattern of semi-transparent green circles of varying sizes, creating a bokeh effect.

SHARRCEM

a  **TITAN** Group Company