SUSTAINABILITY REPORT 2018

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CEO's MESSAGE TO OUR STAKEHOLDERS

As the biggest cement producer in Azerbaijan we are in a unique position to contribute to the development of infrastructure, housing and industrial projects in the country by supplying high-quality and locally produced building materials.

At NORM, we are passionate about creating solutions to improve our products and processes, and sustainability is a core value that guides our efforts to create a shared value for all our stakeholders while attempting to minimize our negative impact on the environment and society.

What we're seeing today is that the series of major strategic decisions we have made since 2017 has started to yield results. vv revenues increased substantially in both 2017 and 2018 by 47% and 18% respectively. Against this favorable backdrop, demand is growing in the market for local cement products paving the way for us to expand our market position even further.

One of the major sources of CO_2 emissions in cement industry is calcination of limestone and production of clinker. In the last two years, we have achieved a reduction in the clinker factor of our portfolio. As of 2018, 95% of the limestone we use in our production is not virgin limestone, but by-products from the nearby dimensional stone-cutting quarries. We take great pride in knowing that not only have we reduced the consumption of virgin limestone to such a great extent, but also that we are contributing to the restoration of the ecosystem of the quarries and the surrounding areas by using by-products from limestone waste dumps in our manufacturing process.

One of our main strategic goals for the upcoming years is to increase the usage of alternative fuels in our production process as there is a significant potential for this in the country. We have already started researching alternative fuel options in the local market and are planning to start the implementation process in the upcoming years. Furthermore, we are expecting changes in the legal and regulative framework for waste management in Azerbaijan, and we are striving to take a proactive approach by setting an example for our industry.

Central to our growth strategy is vertical integration and portfolio diversification – for example, we are at the final stages of introducing oil-well cement in the local market. We have started preparations to receive certification of American Petroleum Institute (API) for Well Cement Manufacturing, and we expect to receive API Spec Q1 by beginning of 2020. This is a very important step for the local cement industry and for the overall economy as oil well cement is 100% imported currently and, as a consequence - negatively impacts the country's currency reserves.

We acknowledge that the cement manufacturing industry has negative impacts on the local environment and the social fabric of local communities. At NORM, we believe these impacts can be minimized by integrating the principles of sustainability into our business operations. This means we take charge of our responsibility to minimize our environmental impact and protect the ecosystem in and around our production sites, to ensure safe and healthy workplaces for our employees and contractors, and to partner with our communities and the government for creating long-term socio-economic benefits.

I am proud of our team at NORM which is dedicated to achieving the highest safety standards and is passionate about making a difference in our communities. Our success in embedding a safety culture at our Company is also evidenced by the fact that there were no lost time injuries (LTIs) among our own employees during the whole of 2018, dropping from 2 in 2017 and 4 in 2016. Our biggest positive impact is through the work we do – for our customers and in support of partnerships and programs that protect the environment and contribute to the welfare of communities. We also set internal goals to leverage our technology to reduce the consumption of natural resources, and electrical energy in our operations.

At NORM, we wholeheartedly support the initiatives of the Government of Azerbaijan to achieve the UN SDGs, and as a next step, our sustainability contributions will be governed by a more focused and tailored sustainability strategy and implementation program.

Our first sustainability report is a logical continuation of our vision to build an honest and transparent dialogue with our stakeholders. Our approach begins with understanding the needs of the communities we serve. We strive to align our business interests with the needs of different communities and establish mutually beneficial partnerships to make a difference, which is the essence of shared value. In the coming years we look forward to building upon the progress we've made at NORM and continuing to share the results we have achieved towards our sustainability goals.

Henning Sasse
Chief Executive Officer

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ABOUT THE REPORT

2.1. REPORT PROFILE

This is our first Sustainability Report (the Report) which covers the period from 1 January 2016 to 31 December 2018. The key objective of producing this report is to ensure our stakeholders of our accountability and transparency. This is the tool that we use to communicate our economic, social and environmental impacts caused by the activities of our Company. Our report was prepared by referring to the "Core" option of Global Reporting Initiative (GRI) Standards, as well as the Guidelines of Global Cement and Concrete Association (GCCA). We applied GRI principles of stakeholder inclusiveness, sustainability context, materiality and completeness, and tried to make our Report accurate, balanced, clear, reliable and comparable for the selected reporting period. We also reported our non-financial performance on five GCCA pillars.

The Report is divided into 16 sections and provides information about our company, its scope of operations, the achievements and challenges, as well as impacts and risks associated with our economic, social and environmental performance. It is publicly available both in Azerbaijani and English on our website www.norm.az/en

2.2. MATERIALITY ANALYSIS

As part of our sustainability performance management, we conduct materiality analysis to identify and prioritize issues and focus areas perceived to be the most significant to both our Company and our stakeholders, and on this basis, we identified topics to be covered in our first Sustainability Report.

Stakeholder engagement is the most important part of our materiality analysis process. We continuously engage with multiple stakeholders and use different engagement methods depending on identified stakeholder expectations.

Currently, we are considering the development of formal stakeholder engagement plans to ensure a more systemized approach to our relationships with major stakeholders.

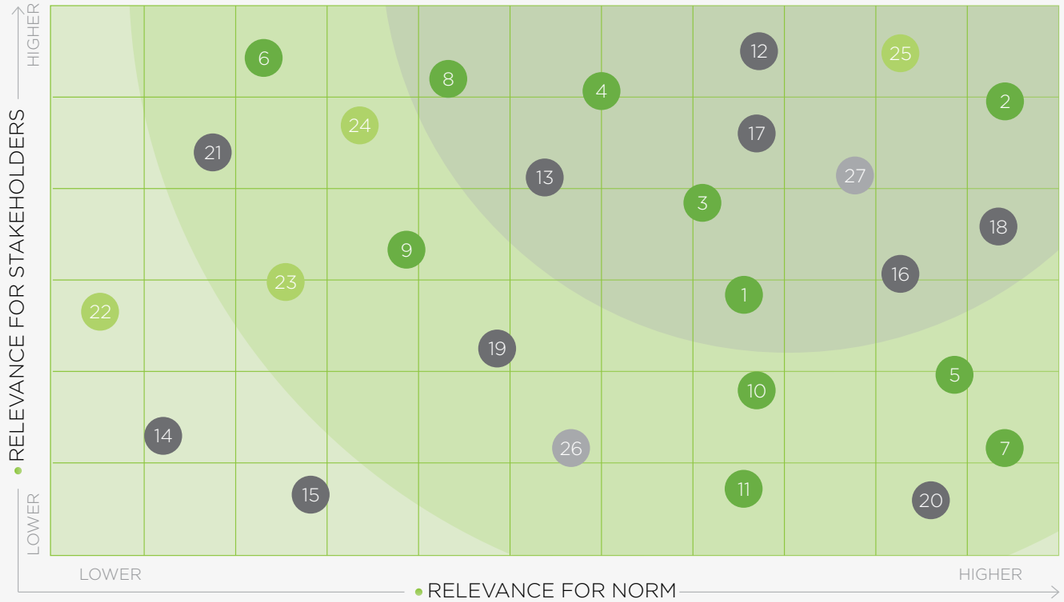
Table 1. Our stakeholders and our engagement mechanism with them

OUR STAKEHOLDERS	ENGAGEMENT METHOD	VALUE GENERATED
Employees	• Performance Assessment • Development programs • Trainings • Events • Communication of internal changes and policies	• Opportunity for career development • Safety at work • Information provision and transparency • Skills and competence building • Team-building • Diversity and inclusiveness
Customers and broader community	• Community development programs • Grievance mechanism • Semi-annual reports prepared by Business • Insight on customer satisfaction and brand reputation • Public meetings • Surveys • Charity activities • Social media • Sustainability report • Meetings and field interviews	• Satisfaction of customers' needs • Support for local communities • Promotion of mutual trust and transparency • Promotion of sustainability values
Peers and industry experts	• Industry collaboration initiatives, i.e. Turkish Cement Manufacturers Association, European Cement Association, etc.	• Shared solution for common challenges • Industry synergies
Academia	• Internships • Joint projects	• Hands-on experience for graduates • Shared solutions for common challenges • Industry synergies
Suppliers and contractors	• Training for local suppliers • Supplier assessment procedures	• Enhanced effectiveness and quality throughout the value chain • Opportunities for local suppliers • Industry synergies • Compliance with standards and best practices
Government	• Public meetings • Site visits • Regular reporting to government institutions	• Promotion of transparency and mutual trust • Partnerships with state institutions
Shareholders	• Shareholder meetings • Financial reports • Sustainability report	• Shareholder value and transparency
Media	• Press releases	• Transparency for all stakeholders • Communication of milestones, events and activities
NGO's	• Public consultation • Charity activities	• To develop participatory dialogue • Support for local communities

Further, to identify the most material topics to be covered in the Report, we analyzed the outcomes of our stakeholder engagements, conducted research on best industry practices and peers, and reviewed global trends, media publications and the GRI and the GCCA recommendations. We believe all these procedures will ensure that the Report meets the expectations of our stakeholders in terms of information disclosure.

As a result of our comprehensive analysis, we identified the material aspects given in the materiality matrix (see **Figure 1**). The reasons why the most important aspects are considered material are given in **Table 2**.

Figure 1. Materiality Matrix



ENVIRONMENTAL

01 Material use and recycling
02 GHG Emissions
03 Clinker factor
04 Energy efficiency
05 Waste management
06 Water consumption
07 Noise
08 Dust
09 Biodiversity preservation
10 Renewable energy sourcing
11 Land management and site rehabilitation

SOCIAL

12 Occupational health and safety
13 Supply chain management
14 Migrant workers
15 Labor practice and human rights
16 Customer relations and satisfaction
17 Product quality
18 Local communities engagement
19 Employee relations and engagement
20 Human capital development
21 Public affairs and stakeholder engagement

ECONOMIC

22 Transport and logistics
23 Economic stability
24 Industry symbiosis
25 Circular economy

ORGANIZATIONAL

26 Corporate governance
27 Business ethics and compliance

* Significance of environmental social, economic and organizational impacts

Table 2. Material topics

MATERIAL TOPICS	MATERIALITY ASPECTS FOR NORM	ELEMENT OF VALUE CHAIN WHERE TOPIC IS MATERIAL	BOUNDARIES OF MATERIAL TOPICS
Greenhouse gas emissions	We are aware that by taking actions to reduce our CO_2 emissions to contribute to achieving global net zero by 2030, we contribute to mitigating the risks from global climate change. These actions will be based on a credible de-carbonization strategy in place. For this, greenhouse gas emissions should be monitored continuously. In addition the production of new clinker and cement types connected with a reduced CO_2 emissions as well as carbon capture, utilization and storage technologies will be reviewed as options to be integrated into the overall manufacturing process.	• Production Packaging • Transportation & Distribution	• Company • Employees • Shareholders • Community • The Government
Energy efficiency	We acknowledge that our energy consumption from fossil fuels has direct impact on GHGs and climate change and to be able to fully transform to decarbonized operations we need to have comprehensive energy efficiency programs in place which in turn will increase our operational efficiency as well. Therefore, targets to increase application of alternative energy throughout our value chain are currently being considered by our management.	Throughout the value chain	• Company • Employees • Shareholders • Community • The Government
Clinker factor	Clinker factor is one of the main indicators of GHG emissions. We try to reduce the clinker factor in our cement products and seek to replace clinker by concrete substitutes.	Production	• Company • Shareholders • Community
Occupational health and safety	OHS risks are one of the most important aspects of cement manufacturing industry due to close work with hazardous chemicals, working with sophisticated technology, etc. As wellbeing of our employees is our main priority and we put all the efforts to maintain comprehensive and rigorous occupational health and safety management and programs.	Throughout the value chain	• Company • Employees • Shareholders • End users and customers
Supply chain management	Our business performance is dependent upon our supply chain management. We endeavor to make use of available resources in a responsible and innovative ways with our prime focus on responsible consumption and exceptional supplier experience	• Supply of raw materials • Transportation • Packaging • Distribution	• Company • Suppliers and contractors • Shareholders
Material use and recycling	With the growing environmental risks and changing resource scenarios, we work to be prepared for challenges that we may face in future. Therefore, we pledge to consume less virgin materials and replace it with renewable/alternative raw materials throughout the value chain.	Production	• Company • Suppliers and contractors • Community
Dust	Prevention and control of dust is one of the priority issues for cement industry. Minimizing the increase in ambient particulate levels by applying latest available techniques is on the top of the CEO agenda which requires to improve operational efficiency and a well designed production process.	Production	• Company • Community • Employees
Customer relation and satisfaction	Long-term success of our business largely depends on how well we meet the needs and expectations of our customers. For this reason, we put all our efforts to ensure that our customers receive high quality production and customer service.	Throughout the value chain	• Company • End users and customers • Shareholders

2.2 Materiality Analysis

MATERIAL TOPICS	MATERIALITY ASPECTS FOR NORM	ELEMENT OF VALUE CHAIN WHERE TOPIC IS MATERIAL	BOUNDARIES OF MATERIAL TOPICS
Local communities engagement	We aim to reconcile the interests of the company with those of the local community. We believe that our performance has multiple direct and indirect impacts on community members. The Company places high emphasis on empowerment, integrity and safety of employees and communities around our plants. We also cooperate with state authorities and local institututions to increase benefits for local communities.	Throughout the value chain	• Company • Employees • Local community • End users and customers • Shareholders
Circular economy	We help to address the global waste challenge and enable circular economy solutions by repurposing and co-processing the by-products generated by other industries into required production materials. Hence, we aim to continue reducing the proportion of natural resources consumed in our production process.	Production	• Company • The Government
Business ethics and compliance	We are committed to ensuring ethical business practices and compliance in every field of NORM's activities. We establish a fair and diverse working environment by stressing on our main values such as integrity, confidentiality and transparency.	Throughout the value chain	• Company • Employees • Shareholders
Product quality	NORM works to maintain the status of organization that understands the needs of all customer groups, focusing on a good experience through timely delivery of a quality product and service at a proper price, that is safe and friendly to the environment and community. For this reason, we also operate two laboratories as well as cooperate with independent laboratories to ensure our quality production to all our customers.	• Production • Packaging	• Company • End users and customers • Suppliers and contractors

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COMPANY PROFILE

3.1. MAJOR EVENTS OF CORPORATE HISTORY

Today, NORM Limited Liability Company (hereafter, NORM) is one of the leaders of the cement industry in Azerbaijan and the biggest cement manufacturer in the South Caucasus region. We entered the market in 2013 as a local cement producer with the vision to reduce the dependency of the national construction sector on imported cement, clinker and cementitious materials. Since then, we have been actively participating in a number of significant infrastructure projects. We are members of the European Cement Research Academy (ECRA), and NORM's products are annually certified by VDZ – the Research Institute of the German Cement Industry.

Table 3. Milestones of our corporate history

Year	Milestones
2006	Registration of NORM LLC by the Baku Regional Office for State Registration of Legal Entities
2008	Development of an integrated cement plant construction project
2009	Approval of the Environmental and Social Impact Assessment Report
2011	Signing a turn-key contract for the construction of the cement plant with CTIEC (China)
2012	Development of the main plant's infrastructure
2013	Production of the first cement agreement with VDZ – the Research Institute of the German Cement Industry
2014	Production of Sulfate resistant Portland cement
2014	Launch of clinker production
2015	ISO 9001, ISO 14001 and OHSAS 18001 certifications
2016	Establishment of NORM's Master's Club; cooperation with Bauhaus University Weimar, Germany
2017	Significant increase in profit margin
2018	Achievement of 365 accident-free working days

3.2. COMPANY PORTFOLIO

As the largest cement plant in the South Caucasus, NORM has a production capacity of 5,000 tons of clinker per day and 2 million tons of cement per year. The cement that we produce is sold in the market either as a bag or bulk product. We offer three types of bagged cement and two types of bulk cement based on customer needs and construction purposes.

Bag products

CLASS A CEM II //A-P 32.5R

- Portland pozzolana cement for ordinary concrete applications.
- Characterized with high strength, durability, water impermeability and adhesion ability.

CLASS B CEM II //B-P 32.5R

- Portland limestone cement for water impermeable layers, plastering and masonry works.
- Characterized with high workability, easy spreading and easy usage.

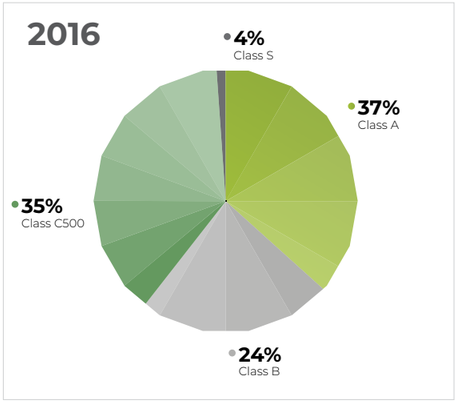
CLASS C500 CEM II //A-P 42.5R

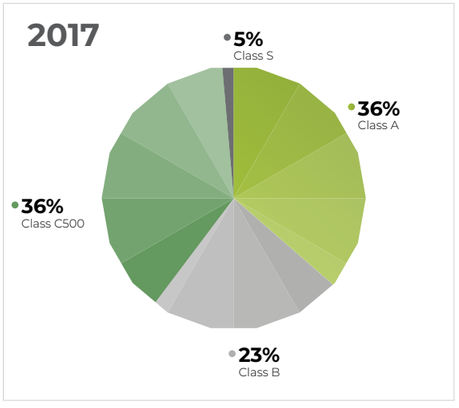
- Portland pozzolana cement for high strength concretes.
- Characterized with high early and final strength and leading to fast completion of construction works.

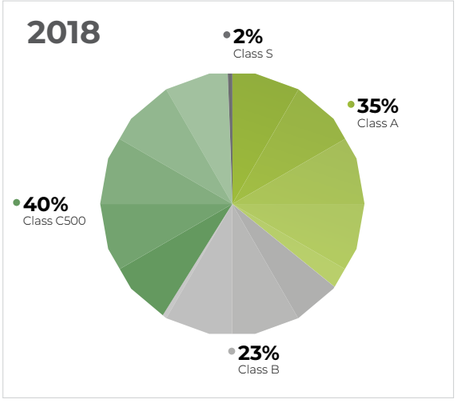
Bulk products

Class C500 CEM II/A-P 42.5 R	Class S CEM II/A-P 42.5 N
• Portland pozzolana cement • Characterized with excellent durability designed for high strength concrete	• Sulfate resistant portland cement • Suitable for production of concrete exposed to sulfate attacks in the soil and watery environments

Figure 2. Production shares of cement types, 2016-2018





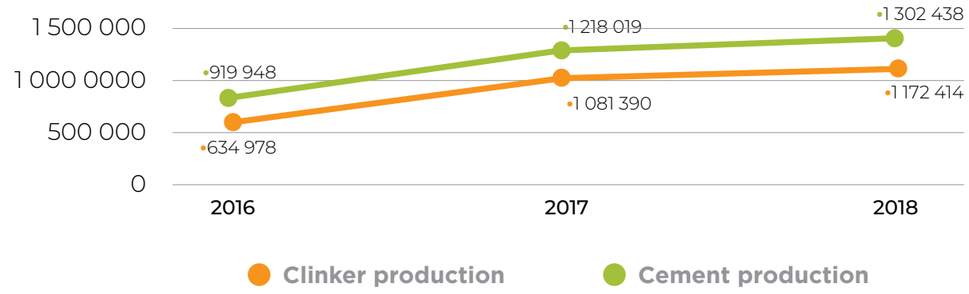


We plan our production based on comprehensive market analysis, incorporating customer needs and demand, and this lays the foundation of our cement production strategy. Class B cement, which features the lowest clinker factor, constitutes a quarter of our cement portfolio. The largest item in our production and sales portfolio is Class C500. As the demand for high-strength concretes has increased throughout the past three years, our C500 type cement production and sales have been boosted.

Before we started the production of clinker in Azerbaijan, it was mainly imported from Iran. Today, we contribute considerably to the local clinker supply and cover 35% of the clinker exports from Azerbaijan to Georgia, at the same time exploring opportunities for further expansion in this region.

There was an observable increase in clinker production during 2016-2018, in parallel to cement production.

Figure 3. The trend of cement and clinker production (ton)

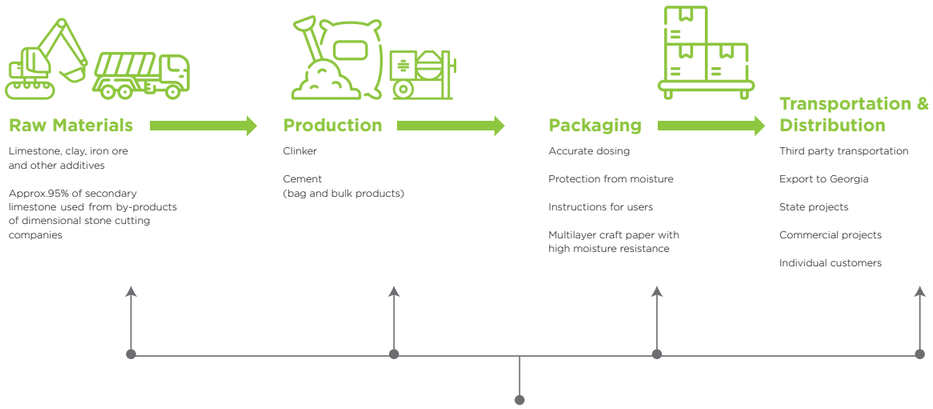


NORM also operates independent cement and concrete laboratories. We collaborate with a number of local and international expert organizations to improve the quality of our services. Moreover, we are committed to the development of the local concrete industry, hence our concrete laboratory offers free testing, sampling and consultancy services to concrete companies. We believe this initiative will boost the quality of the concrete available on the local market, and thus contribute to more reliable and sustainable implementation of infrastructure and construction projects in Azerbaijan.

3.3. VALUE CHAIN

All the operations throughout the value chain are highly interdependent and need constant control to minimize our negative impacts and avoid shutdowns or deficiencies in the system. We understand that due to complexity of the current market and customer needs, each element of our value chain needs to be highly coordinated and enhance positive effects to all our stakeholders, particularly to the end-users. We regularly conduct value chain analysis to timely identify potential threats and subsequently adjust our management strategies in the most cost and resource effective way. Our value chain management approach oversees a range of complex, systemized and highly interconnected issues as given in **Figure 4.**

Figure 4. Value chain



3.4. INDUSTRY THREATS AND OPPORTUNITIES

> Global cement production has almost tripled over the past 15 years, mainly due to high population growth rates, rapid urbanization, accelerated industrialization and large-scale infrastructure development. Durability and expansion of the construction industry, which is the backbone and manifestation of a developed infrastructure in any successful economy, are not possible without maintaining cement production at the same pace.

Threats

Cement production is a complex and elaborate process. The challenges facing cement industry include the likelihood of income loss or additional costs associated with production processes and financial activities. Therefore, we constantly invest in development and modernization of our production equipment to ensure its compliance with internationally recognized norms and standards and to enhance the quality of finished products.

Availability of cement substitutes and scarcity of raw materials. Cement production is a resource-intensive process associated with the release of large amounts of carbon dioxide. In housing construction, the emergence of modern technologies, the displacement of brick by frame and steel structures, as well as the use of sustainable timber may reduce the need for cement. We continuously improve the quality of our products, reduce costs, diversify our product portfolio, develop and innovate our production processes to produce cement types meeting the needs of our customers in a more sustainable way. Responsible raw materials policy must also create a reliable framework conditions for sustainable supply of raw materials.

Lack of qualified staff. This aspect can lead to serious accidents at any stage of cement production, from quarrying to loading and delivery of finished products. We develop and improve the quality of educational and training programs provided to enhance the skills and professional knowledge of our employees which are key elements of our long-term prosperity.

Threat of new players in the market. As a general rule, new competitors pose a threat to current industry players. This is one of the forces that shape the competitive landscape of any organization and help determine the attractiveness of the industry. Currently, there is a low probability of this threat being realized due to recent economic developments leading to overcapacity in the Azerbaijani market, and currency restrictions.

Nevertheless, being a young company, we saw the ability of modern plants and equipment with large amounts of investment to gain a favorable reputation in quite a short period of time.

Electricity tariffs Considering the fact that we plan to expand our operations, we expect energy consumption of our plant to grow significantly which, in turn, will result in increased costs. Therefore, we believe that applying non-peak (night) tariffs for large enterprises like NORM would contribute to reduced energy infrastructure costs as envisaged by Strategic Roadmap of Azerbaijan 2016-2025.

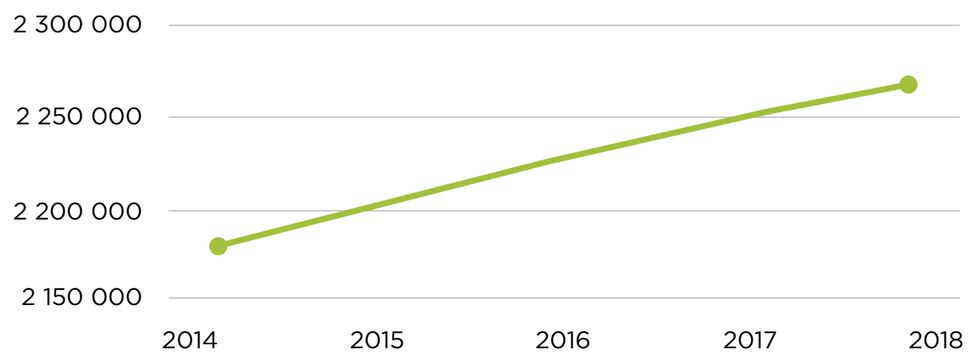
Export customs clearances. Increase of export expenses is one of the major obstacles to our exporting activity. Although export customs duty is zero, the ratio of customs expenses to the sale prices is increased from 5% to 19%. As a result, we experience additional financial burden from exporting to other countries. Therefore, we propose review of existing customs and consider tariff reliefs when possible to stimulate exports and growth of local businesses as well as inflow of foreign capital in the country.

Opportunities

Despite the identified risks, the opportunities afforded by our industry drive us forward with our mission. A positive economic environment is essential to guarantee the optimal performance and preserve the Company's core values.

The rapid pace of urbanization offers major opportunities for the construction sector. Recently, the rate of urbanization measured as a percentage of the population moving to cities has increased significantly, stimulating demand for our cementitious products. Our country's average annual urbanization rate for 2015-2020 is estimated as 1.38% per year, while the current urban population is 55.2% of the total population (World Bank Group, 2019). Thus, more people tend to live in cities and more people need roofs on a reliable frame and roads built on a solid basis.

Population of Baku



Source: State Statistics Committee of Azerbaijan, 2018

Stimulation of local production by the Government of Azerbaijan. Currently, the state policy is focusing on development of local economy by creating favorable conditions for local producers and protection of local consumers against cement and clinker imports based on unfair competition. In November, 2016 import tariffs on special cement types and clinker were enforced and set at 0.07 USD per kilogram of cement/clinker (while previously tariff constituted 15% of the custom value of imported cement/clinker). The enforced tariffs were prolonged by December, 2019. As a result, these changes have positive effect on our major performance indicators. However, this opportunity may be temporary if current tariffs are not extended, which can in turn stimulate unfair competition from neighbouring countries. As a result, dumping techniques applied by other foreign cement companies may cause several negative consequences for NORM's financial and operational indicators. Therefore, we believe that preventive and anti-dumping activities need to be implemented to secure local production and market development.

Infrastructural projects. We operate in an emerging economy with high growth rate. The projects anticipated in Azerbaijan, such as the construction of a nuclear power plant, new bridges and pavements, and other infrastructural developments are expected to bring high demand and create lucrative opportunities for the whole market.

Table 4. Growth rate of local construction sector, 2016-2018

CONSTRUCTION SECTOR GROWTH RATE[1], %	2016	2017	2018
	-27.6	-1.5	-9.0

Source: State Statistics Committee of Azerbaijan, 2018

The most influencing upcoming projects are the construction of international trade seaport in Alat, the renewal and expansion of the maritime fleet, and the establishment of a logistics hub. The reconstruction and modernization of the Baku-Boyuk Kasik and Baku-Yalama railway lines started in 2019, while the Baku-Tbilisi-Kars railway project is to be commissioned in the coming years (UNDP, 2019). In addition, a number of other major construction projects such as modernization of Heydar Aliyev Oil Refinery Plant and construction of SOCAR Polymer Plant inspire confidence in a further growth of the construction sector as well as the whole national economy, since significant economic inflows are predicted upon the completion of mentioned projects.

Future Outlook

To further expand our business portfolio and reduce the dependence on imports, we are working on development of special types of oil-well cements that are currently imported to Azerbaijan. We also plan to initiate the development of a cement center uniting all cement producers in Azerbaijan. We already have certain partnerships with other industry players, and consider the engaging other cement producers.

[1] This value growth rate represents the percentage fluctuations of construction sector contributions to GDP

DID YOU KNOW?

Around 140 million children worldwide are orphans and approximately 263 million children and youth are out of school which makes their adaptation to normal adulthood more challenging.*

* UNICEF, 2017
* UNESCO, 2018

AT NORM

Unfortunately, the number of children living in orphanages appears to be rising and a child who is temporarily or permanently deprived of his family environment is entitled to special protection and assistance. To support the future career of young people who have limited opportunities, we have been successfully implementing a Vocational Training Program since 2016, which covers special boarding schools. In the scope of this program, we try to ensure industry experience to students by organizing visits to our plant, weekly workshops and support the renovation of old and unsuitable premises where students study. The aim of the Program is to rejoice orphan children, partly meet their needs, and to support their future integration into society as full-fledged individuals.

NORM

SUSTAINABILITY APPROACH AT NORM

Although NORM is a relatively young company, we are working hard to integrate sustainability principles throughout the whole value chain. NORM aims to ensure that its operations are highly ethical and transparent, and generate value for all its stakeholders.

> At NORM, we believe that sustainable and long-term performance can only be ensured if all efforts are made to enhance the positive effects for our natural environment and society, secured with a firm and sustainable financial performance.

All these considerations are integrated into our daily operations and act as a blueprint for our strategic decisions. At NORM, we believe that our modern cement production processes can inspire other players in the market to develop more sustainable production methods.

4.1 SUSTAINABLE DEVELOPMENT MANAGEMENT STRUCTURE

At NORM, sustainability issues, including environmental, economic and social issues, are covered by an annual action plan that is developed by NORM's Board of Directors. Action plans for every department are identified and communicated to the heads of the respective departments based on annual KPIs. All heads of department hold weekly meetings with the CEO and submit monthly reports directly to the CEO to discuss the implemented actions, improvements and challenges.

Material sustainability issues, such as stakeholder engagement, community development, occupational health and safety, responsible consumption, human resources management, ethics and integrity, are managed by individual departments. Moreover, our Integrated Management Systems and Health, Safety and Environmental department is among the major drivers of sustainability initiatives throughout the Company. Besides direct responsibilities, this unit plans strategic projects such as international certification programs and the Business Continuity Program to identify production and sustainability risks, initiate circular economy initiatives, and much more.

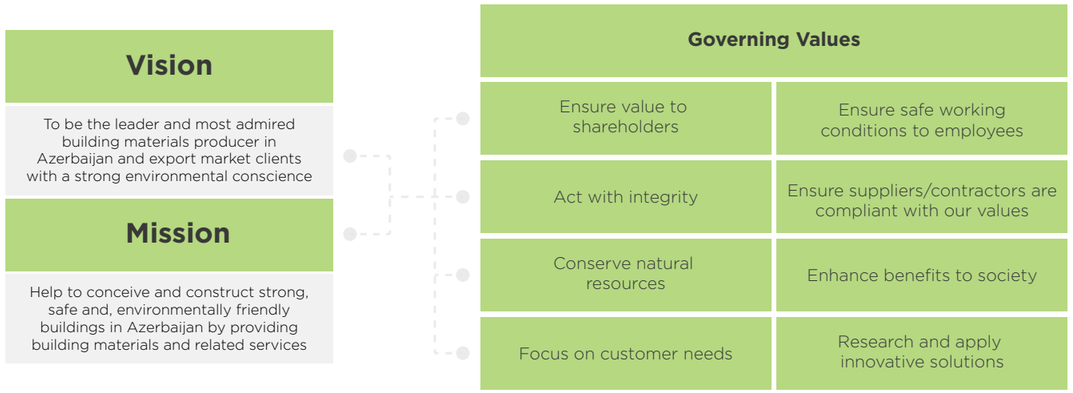
Ultimately, it is the responsibility of each employee to ensure the safety, quality and sustainability of daily operations. Our success directly depends on the attitude and principles followed by the line managers and their staff.

4.2 OUR VISION, MISSION AND GOVERNING VALUES

> The primary objective of NORM is to develop and expand the scope of its business by entering new markets and segments adhering to the principles of sustainable production.

We acknowledge that we are not operating in a vacuum and that our activities impact the wider community and ecosystems. This might compromise the sustainability of our operations throughout our value chain in the long-term. All operations and decisions undertaken at NORM are governed by our vision and set of values, which regulate our relationships with our employees, customers, suppliers, shareholders and society. Our values are constantly revisited, communicated, and integrated within all functional units as well as delivered to all our suppliers and contractors.

Figure 5. Our values



4.3 CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs), developed by the United Nations and adopted by 193 countries in 2015, serve as a blueprint that addresses global challenges faced throughout the world and sets specific targets that need to be achieved by governments by 2030.

We believe that integration of the SDGs in NORM's business processes will significantly contribute to achieving our vision by providing guidance to create shared values and, at the same time, will improve our management systems. Application of the SDGs will also enable us to ensure that we are aware of current market challenges and opportunities.

In 2017, we analyzed all 17 SDGs, the Intended Nationally Determined Contribution (INDC) and first Voluntary Review of Azerbaijan to identify the SDGs most applicable to our core business and how we can contribute to their implementation. Based on this analysis, we also reviewed our existing policies and strategic goals to integrate sustainability principles into our business operations organically.

Although all 17 SDGs are of equal importance to us, the nature of operations and initiatives that we carry out suggests that we mainly impact the 9 SDGs presented in **Table 5**.

Table 5. Sustainable Development Goals and targets relevant to NORM and our contributiion

SUSTAINABLE DEVELOPMENT GOAL	TARGETS PRIORITIZED BY THE GOVERNMENT OF AZERBAIJAN AND RELEVANT TO THE INDUSTRY (NUMBERING AS PER UN)	OUR CONTRIBUTION
SDG 1 No Poverty	1.3. Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable	• Job opportunities provided to members of society with a focus on local communities • Social and development programs to stimulate the empowerment of women, vulnerable groups, young and low-income people
SDG 3 Good Health and Wellbeing	3.4. By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.	• Our commitment to Zero LTI through investment in PPE and equipment modernization at work place • Regular meetings, attestation, monitoring and reporting to assess the health and safety conditions at work place • Training programs to increase the knowledge and skills of our and third-parties' employees necessary to match our values and requirements • International certification and standardization programs (i.e. ISO 14001, OHSAS 18001, API, etc.)
SDG 4 Quality Education	4.4. By 2030, substantially increase the number of young people and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship	• Talent management and educational programs for employees, including third-party involvement • Learning opportunities for members of society, including low-income youth, through running and supporting Vocational Educational Training programs
SDG 5 Gender Equality SDG 8 Decent Work and Economic Growth	5.5. Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life 8.5. By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	• Equal opportunities offered to men and women, including equal pay, other remuneration and career development • Respecting employees' rights (both men and women) by offering a competitive salary, and safe and secure working conditions • Providing women with their rights and needs such as maternity leave and flexible working hours for mothers • A commitment to working with local suppliers where possible • Hiring youth by offering employment opportunities for students
SDG 7 Affordable and Clean Energy	7.2. By 2030, increase substantially the share of renewable energy in the global energy mix	• Research and investment programs to increase the application of alternative fuels for clinker production • Efficient consumption of thermal and electrical energy
SDG 9 Industry, Innovation and Infrastructure	9.5. Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending	• Investment in research, development and innovation to widen the application of clean and environmentally -friendly production technologies and equipment, as well as reduce clinker factor in the cement we produce • Programs to ensure that production infrastructure is reliable and sound, including the Continuous Monitoring System we apply • Ensuring a supply of high-quality and environmentally friendly building materials for sustainable infrastructure projects
SDG 12 Responsible Consumption and Production	12.2. By 2030, achieve the sustainable management and efficient use of natural resources	• Sustainable consumption of resources, including raw materials and fuels, required for production by applying reuse and recycle where possible • Quality assurance of the final product to ensure that cement we offer to customers is sustainable and compliant both with local and international standards • Applying the principles of a circular economy in our production process
SDG 17 Partnership for the Goals	17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries	• Active participation in establishing local and regional partnerships/industry associations to improve the sustainability performance of the industry and eliminate institutional and regulatory barriers • Regular participation in global/regional/local forums and conferences

To contribute to the National Targets for the SDGs, we have also developed specific organizational targets for the most material issues managed by NORM, which are in line with the materiality matrix presented in **Figure 1**.

Table 6. Specific organizational targets (as per 2014 base year)

ISSUES	SHORT-TERM TARGET (BY 2020)	MEDIUM-TERM TARGETS (BY 2025)	LONG-TERM TARGETS (BY 2030)
Climate Change			
Specific net CO_2 emission (kg CO_2/t cement)	Reduce by 6.4%	Reduce by 7.0%	Reduce by 7.9%
Air Emissions			
Specific net Dust emission (g/ton)	Reduce by 59.9%	Reduce by 67.3%	Reduce by 78.3%
NO_x (g/ton)	Reduce by 64.5%	Reduce by 66.0%	Reduce by 67.6%
Specific electrical energy consumption (kWh/t cement)	Reduce by 23.0%	Reduce by 23.8%	Reduce by 24.6%
Specific thermal energy consumption (GJ/t cement)	Reduced by 14.1%	Increase by 14.5%	Increase by 14.9%
Circular Economy			
Alternative fuel thermal substitution rate	2%	3%	5%
Clinker factor (average % per product portfolio)	77.1%	76.8%	76.5%
People And Community			
Fatality	0	0	0
LTIs at work	0	0	0
LTIs among contractors working at site	0	0	0
Recruitment of disabled people	2.5% of annual average number of employees	At least 2.5% of annual average number of employees	At least 2.7% of annual average number of employees
Suppliers			
Sustainability assessment of critical suppliers (% of suppliers)	50%	80%	100%
Customer			
Net Promoter Score (%)	62%	70%	80%

4.4 SUSTAINABILITY GOALS AND KEY PERFORMANCE INDICATORS

Since establishment, we have gradually improved our sustainability performance by innovating and improving our production processes, as well as the quality and content of the cementitious products we offer. We are working hard to ensure the health and safety of our employees, community and environment by keeping constant track of our impact and risks. The initiatives that we have implemented have helped us to become one of the largest cement companies in Azerbaijan, with a positive brand image, and loyal customers and employees.

Although we do not currently have a standalone strategy guiding our sustainability performance, we are working on the development of a corporate strategy that will reflect our vision and principles. Moreover, to allow wide application of sustainability principles throughout the Company, specific policies, KPIs and action plans are reviewed and updated for each department on an annual basis. Based on the corporate targets and NORM's values and principles, we have defined a set of goals that shape our priorities and set a direction for our activities and attitude regarding people, environment and economic results. Goals, their implementation and results achieved so far are presented in **Table 7** and discussed in more detail in the respective parts of the current Report.

Future Outlook

We are working on the development of the sustainability management structure to ensure holistic and focused management of sustainability issues. We continue to implement our improvement strategies and enhance partnerships with other industry players and specialized organizations to yield a positive impact not only for NORM but for all our stakeholders.

Table 7. Goals, their implementation and results achieved

GOAL	SUPPORTING INITIATIVES IN 2018	PROGRESS ACHIEVED
PEOPLE		
Ensure zero LTI	We encourage employees to report on any non-compliance or potential hazards they identify as this is the most effective way to minimize the risks. We are conducting an arc flash study to ensure required protection levels for each electrical distribution and transfer point. By the end of 2019 we are planning to introduce the CARDOX system to automate the manual removal of cyclone blockages, the main OHS risk identified in our day-to-day operations. Our HSE representatives conduct regular site inspections and monitoring.	As a result of our initiatives there were 0 LTIs in 2018, as opposed to 2 in 2017 and 4 in 2016.
Develop our workforce by increasing the number and variety of provided training programs	We understand the importance of training in the development of our employees and, therefore, have developed various projects, such as the Smart Labor Program, Training of Trainers Program and Leadership Development Program.	We have worked to increase the quality of our training and development programs and to cover a higher proportion of employees with our programs. The number of training hours per employee has increased by 3% in the last three years.
Create favorable working conditions to cooperate with local suppliers	To support the national economy, we prefer working with local suppliers. We aim to reduce the proportion of imported materials and use materials local to our operations. We ensure fair and unbiased tender procedures. We cooperate with local research institutions and businesses to invest in building the capacity of specialized local suppliers.	The share of local suppliers at NORM has remained over 70% through 2016-2018.
ENVIRONMENT		
Decrease the ratio of virgin raw materials in production	We have increased the ratio of secondary limestone in the production process instead of virgin limestone to preserve the ecosystem of quarries and reduce our consumption of natural resources.	As of 2018, 95% of the limestone used in production is by-products from nearby dimensional stone cutting quarries.
Reduce fugitive dust emissions	All stationary sources generating fugitive dust emissions have been equipped with high performance bag filters, which are considered one of the most effective filter types in the industry.	As of 2018, a significant reduction has been achieved in fugitive dust emissions
ECONOMIC		
Obtain API certification	We have started procedures to implement production techniques and install machinery to obtain the American Petroleum Institute (API) Certification for Well Cement Manufacturing. We are investing in installation of a new laboratory for oil-well cement to ensure high quality.	The implementation process is halfway through, with completion planned by the end of 2019.
Improve financial results	Following the economic crisis and local currency devaluation, we managed to reduce our current liabilities and operating expenses. By diversifying our product portfolio and ensuring our products' quality, we increased our sales.	The total economic value retained increased substantially through the years 2016-2018 (more detailed information is provided in Financial Performance subsection of Performance Data section).
Launch a new concrete center	We believe that the new concrete center will positively impact the development of the local concrete industry and construction sector. The construction of the center began in 2018. Tenders for construction and procurement have been announced.	We expect to finish construction and launch the center by 2020.
Use new multi-chamber silo	The construction of a new multi-chamber silo has already begun.	We expect to finish construction and commission it in 2019, and to start delivering a much wider product portfolio by the end of 2019.

NORM

GOVERNANCE, ETHICS AND COMPLIANCE

5.1 CORPORATE GOVERNANCE

We understand that long-term development and success greatly depend on how well operations and decisions are organized and managed. Our governance is carried out by the following corporate bodies, comprised of qualified professionals:

General Meeting of Shareholders	Board of Directors	Chief Executive Officer

Being a Limited Liability Company, NORM is ultimately governed by the General Meeting of Shareholders, and day-to-day management of NORM is the prerogative of the Management Team led by the Chief Executive Officer.

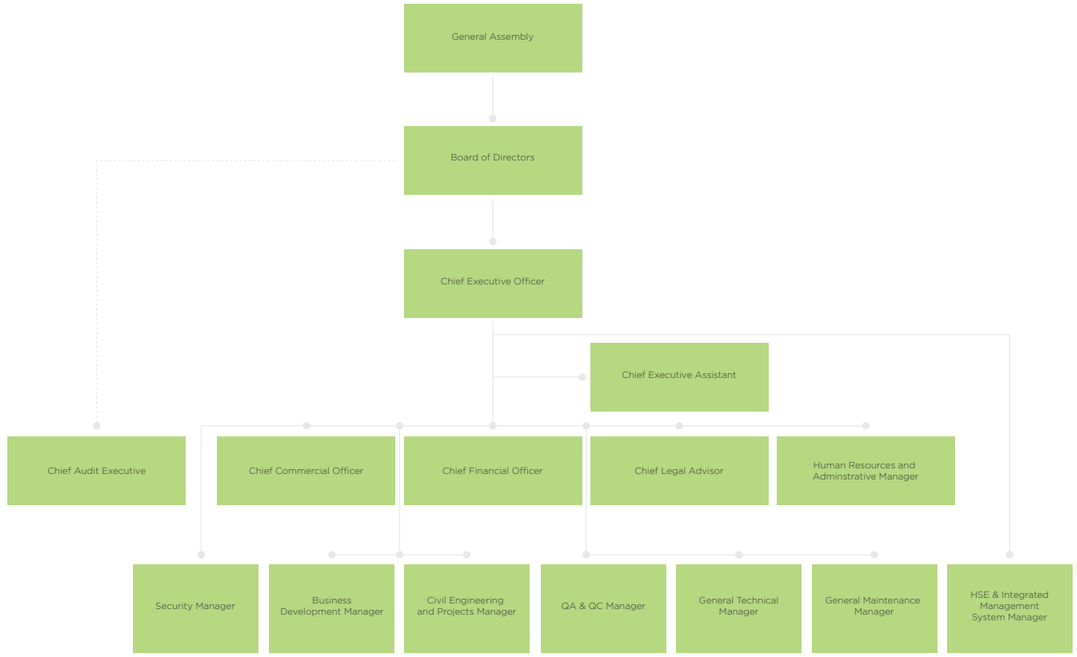
Committees

For the purposes of effective governance we have also established following committees

COMMITTEE	REPORTS TO	FUNCTIONING AREA
HR Committee	BOD	Advises to BOD on HR issues
Internal Audit Committee	BOD	Monitors finance and operations of the company and compliance control
Credit Committee	CEO	Responsible for the execution of the sales strategy
Tender Committee	CEO	Decision-making on selection and procurement of goods and services
Disciplinary Committee	CEO	Charged with examining alleged breaches of discipline

NORM's corporate governance complies with applicable legislation and our Charter. We also follow Corporate Governance Standards adopted by the Ministry of Economy of Azerbaijan in collaboration with the International Finance Corporation. Despite the non-binding character of these Standards, we understand how compliance with them positively impacts effectiveness and sustainability of our corporate governance.

Figure 6. Organizational structure



5.2 INTERNAL CONTROL SYSTEM

Our internal control procedures are designed to ensure that all our business operations are performed in ethical and reliable manner. We consider our internal control system as a tool that secures our assets, prevents fraud and potential errors, ensures compliance and reliability of operational records.

By applying focused and systematic approach to internal control we strive to achieve improved decision-making, effective IT investments and enhanced internal communication between the departments. Our internal control system is based on three pillars as given in **Figure 7**.

Global trends and increased competition call for more multifarious and automated internal control systems. For this reason, we work to increase automation of our internal procedures, including reporting and monitoring, which help us to manage our risks and reduce potential costs associated with incompliance. Smart technologies such as SAP solutions, IT General Computer Controls help us embed transparency and efficiency in our governance process. At NORM, SAP and other IT General Computer Controls are implemented for a range of operational functions, including training, reporting, project management, system management as well as coordination of external audit requirements.
Moreover, we apply Promena solutions to automate procurement and bidding processes and ensure increased efficiency and transparency of our supply-chain management procedures.

Figure 7. Internal Control System

5.3 COMPLIANCE AND INTEGRITY

NORM's management is committed to ensuring compliance and integrity in every field of NORM's activities. Alongside applicable national legislation, we strive to comply with international best practices and standards.

5.3.1 CODE OF ETHICS AND CODE OF CONDUCT

In February 2014 NORM adopted a Code of Ethics which is applicable to every one of our employees. Our Code of Ethics is based on our values and outlines principles and rules we expect our employees to adhere to. Among others, our Code of Ethics includes the following considerations:

Integrity

According to the Code of Ethics, integrity and honesty are our core values. With that, every employee at NORM is required to act with integrity and honesty towards all employees and other stakeholders.

Confidentiality

The Code of Ethics aims to protect the privacy of our customers, employees and other associated individuals and companies. To supplement the respective provisions of the Code of Ethics, in 2019, NORM also adopted an Information Security Policy applicable to every employee. In this policy we laid down a set of measures and requirements aimed at ensuring information security within NORM. We understand our responsibility before our employees and, therefore, the protection of their personal data from threats and misuse is a matter of great importance for us. It should also be highlighted that the requirements of both local and international standards were considered when developing our Information Security Policy.

Anti-corruption and anti-bribery compliance

In NORM we understand that to establish an effective anti-corruption and anti-bribery compliance system not only the requirements envisaged by national legislation should be considered, but also international best practices and standards. We are developing our anti-corruption and anti-bribery compliance framework in line with international best practices established by such reputable organizations as the OECD, IFC, Transparency International and ISO. In the meantime, we also consider the requirements established by the UK Bribery Act and the US Foreign Corrupt Practices Act.

In line with the above mentioned acts, our management provides “tone at the top” by demonstrating an example of required behaviors and showing zero tolerance for non-compliant practices. This approach of management is also displayed by its constant involvement in the examination and investigation of reports on non-compliant behavior.

We understand that our internal policies need a regular review and updating, so we are considering developing a more detailed and comprehensive anti-bribery and anti-corruption framework.

The following matters pertaining to anti-corruption and anti-bribery compliance are reflected in our Code of Ethics:

I. Giving and receiving gifts

We prohibit our employees from receiving any kinds of benefits or gifts with or without an economic value that influence or might influence their impartiality, performance or decision-making when carrying out their duties.

II. Combating corruption in employment and business relations and prevention of conflicts of interest

In our Code of Ethics, we have envisaged necessary measures aimed at ensuring our anti-corruption and anti-bribery compliance in employment relations. Given the volume of our business we also understand that the risk of conflict of interests is vivid for us. With that in mind in the Code of Ethics we provide a number of requirements aimed to tackle potential or existing conflicts of interest (e.g. entering into business relations with family members, employing spouses or close relatives, etc.).
We also ensure regular communication with our employees to prevent bribery, corruption, sanctions and monopolistic practices. Furthermore, we are committed to delivering our values and goals by conducting training and workshops on anti-corruption and anti-bribery compliance for all employees on a regular basis.

III. Reporting

Compliance with the requirements of applicable legislation and the Code of Ethics will not be effective without a robust reporting and monitoring system. In line with our values and Code of Ethics, we encourage our employees to speak up on any cases of non-compliant behavior and integrity issues. We believe that employee engagement is the most effective way to manage and integrate compliance, integrity and ethics throughout NORM.
Corruption issues are managed by our Chief Legal Advisor. In addition, certain compliance obligations are also overseen by line managers. In line with applicable international best practice, we also have a dedicated hotline for reports on incompliant behavior and ethics issues. Reports are handled in accordance with the requirements of applicable laws and our policies.
We impose sanctions based on the outcome of investigations and ensure the prevention of non-compliant behavior in future. We have also established the Ethics Committee, which is also responsible for handling ethics issues, including addressing reports that have not been resolved by the Chief Legal Advisor. The Ethics Committee is accountable before the Board of Directors and this leads to the constant involvement of top management in ensuring compliance at NORM.

Establishing a fair and diverse working environment

Pursuant to the Code of Ethics, zero tolerance is applied to physical, sexual or emotional harassment. Our intention to ensure that NORM is a safe place to work is also displayed in the prohibition of unequal treatment based on gender, religion, language or race. Furthermore, we encourage speaking up and, therefore, aim to protect our employees who complain of harassment and who participate in investigations of such activities. We believe that this approach ultimately leads to the establishment of a fair and respectful working environment. It is worth mentioning that no such incident was recorded during the reporting period.

5.3.2 HUMAN RIGHTS MANAGEMENT

> NORM values its people above everything else. We believe that we are responsible for providing our employees with decent and secure working conditions despite all the challenges that our business and market may face.

Moreover, we are committed to supporting the human rights of the communities where we operate by identifying, analyzing and monitoring potential risks to public health and safety on a timely basis. Ensuring that no forced labor is carried out by NORM or its contractors is important to us, and no such cases have been registered since our establishment.

In the meantime, we make sure that our employees are aware of their rights and we increase their awareness through regular meetings and communications. We encourage our employees as well as external stakeholders to report on any issues or suspicion of human rights violations by NORM through both formal and informal grievance mechanisms, including electronic and telephone reporting.

In accordance with our values and the Code of Ethics we deliver an induction course about human rights to all new NORM employees.

5.3.3 TRANSPARENCY

Given the volume of our operations and the industry we operate in, we understand that transparency is not only a requirement envisaged in legislation, but also a responsibility we accept based on who we are and what we do. We are committed to transparency by ensuring that information on our financial performance, including taxes paid to the government, is publicly available and easily accessible. We have a Procurement and Logistics Policy available to the public, to demonstrate to stakeholders our procurement procedures and selection criteria. Following an initiative proposed by NORM's shareholder, we are currently planning to transform NORM from a Limited Liability Company into a Joint Stock Company. This shall further increase transparency at NORM.

5.3.4 LEGAL COMPLIANCE AND COMPLIANCE MANAGEMENT

Top management of NORM is fully committed to compliance with applicable laws, as this is the only way to ensure sustainability of our operations. As subsoil users, we understand that being compliant not only enables us to operate effectively and lawfully but also indicates our attitude towards and due care for the environment and our people. Following this approach, NORM complies with and respects the provision of applicable laws. For instance, we ensure that NORM obtains all required licenses and permits and adheres to other requirements of legislation, including those envisaged by the Labor Code. In the meantime, by ensuring compliance with national legislation, we also ensure compliance with binding provisions of international legislation, such as provisions adopted by the International Labor Organization and the United Nations.

Compliance Management

Our goal is to be compliant with legislation and the expectations of our clients. We work to ensure that all our employees as well as partners and contractors are also compliant with local and international laws and regulations.

In line with our goals, we have established a compliance management system based on our Code of Ethics and applicable ISO standards. Compliance management within NORM is ensured by each department and controlled by the Chief Legal Advisor reporting directly to the CEO. Our employees, including management, accept that compliance can be effectively managed if every individual takes personal leadership for their actions and decisions. The responsibilities of the respective departments for ensuring compliance with applicable laws and regulations are presented in **Table 8**.

Table 8. Compliance Management Responsibilities

DEPARTMENT	COMPLIANCE MATTER
Civil Engineering and Projects Management	• Support when obtaining permits for construction sites/utilities; • Quality Assurance and Quality Control of construction works carried out at NORM; • Ensuring compliance with health and safety requirements during construction.
HSE and IMS	• Certification and attestation of workplaces and equipment in terms of their compliance with HSE requirements; • Ensuring responsible HSE practices at NORM; • Following air emissions limits.
Legal	• Ensuring compliance of NORM with the requirements of legislation and timely updating on amendments in applicable legislation;
Production	• Determining the conformity, safety and reliability of raw materials used in production.
Quality Assurance and Quality Control	• Ensuring the quality of cement produced; • Ensuring the application of quality standards.
HR	• Ensuring working hours comply with local legislative requirements; • Ensuring labor contracts are timely and accurately drafted, signed and maintained.

5.3.4 Legal Compliance and Compliance Management

We also adhere to the guidelines and recommendations of the Global Cement and Concrete Association (GCCA) when assessing and running our daily operations and plan to widen international collaboration on sustainability. In November 2018 NORM representatives participated in the GCCA 2018 Symposium in London. It is the aim of the GCCA to ensure cement and concrete is recognized as the sustainable building materials of choice for today's needs and to meet the global challenges for future generations.

We follow the GCCA guidelines when setting targets and measuring our performance, as well as integrating KPIs of five pillars of the GCCA Charter, i.e. health and safety, climate change and energy, social responsibility, environment and nature, and the circular economy. NORM is planning to become a GCCA member in 2020.

Future Outlook

It is obvious that the compliance landscape is subject to constant change. Furthermore, we understand that there is always room for improvement. Our top management prioritizes keeping up to date with current requirements and practices. Based on our values we do not have any option other than to be fully compliant.

5.4 RISKS AND OPPORTUNITIES MANAGEMENT

Uncertain economic conditions of the past few years both on a global and national scale have had a major effect on our Company, and we have adjusted our focus from making business judgements based on forecasts and projections alone, to managing our risks more efficiently.
Whilst all the daily activities carried out in our Company are important, not all these activities are time critical. In the event of a major disruption, some of these activities could be suspended temporarily with little or no negative consequences for the business. On the other hand, some activities have very low tolerance for disruption because the consequences of disruption for the organization are unacceptable, even for short periods of time. To identify potential risks and threats to our business continuity in a timely manner, our annual risk management process is based on the Business Continuity Model (BCM). We are guided by ISO 22301 and ISO 9001 as well as our internal Emergency Response Procedure, Backup and Restore Procedure, and Business Impact Analysis Instructions when designing our Business Continuity Plan.

Within the framework of the BCM, we perform the following steps:

- Identify risks and threats that may impact our business continuity
- Conduct Business Impact Analysis (BIA) for each business unit to determine critical business functions
- Develop Business Continuity Strategies for identified critical business functions
- Build and implement required external and internal communication

The CEO has overall responsibility for business continuity while the Integrated System Manager is responsible for close monitoring and management of the processes. Department Managers ensure that mitigation measures are implemented and that the required resources are provided as identified in the BCM.

Risks identified within BCM are divided into five categories and grouped based on their exposure level. Risks identified within BCM are presented in **Table 9**. More detailed information on risk types for critical operations is provided in the respective sections of the Report.

Future Outlook

The systematic processes that we have in place help us to retain a holistic approach to managing our risks. Nonetheless, we accept that a standalone unit will ensure more effective and focused policies, strategies and innovations throughout the Company. With this in mind, we are planning to develop a separate Risk Management unit in the future.

Table 9. Risk types for critical operations

RISK CATEGORY	EXPOSURE	RATIONALE
BASIC		
Fire	LOW	The entire plant is covered by a hydrant system designed in compliance with respective norms and standards. Storage area is provided with sprinkler system, as well as all offices and electrical rooms are protected with an automatic fire detection system and portable fire extinguishers.
Explosion	LOW	The open design and nature of the core business leads to a low risk of explosion.
SPECIAL		
Building collapse	LOW	The modern layout of the plant leads to a low risk of the building collapsing.
Vehicle impact	LOW	The layout of roads and the substantial distance to the main facilities and plant reduce the risk of vehicle accidents on site.
Liquid material spill	AVERAGE	No hazardous liquids are utilized during the production process, although leaks in hydraulic and lube oil systems create some risks.
Liquid a Fire extinguishing system leakagespill	LOW	There is only one sprinkler placed in the packaging materials storage area. No significant loss is anticipated if a leakage occurs.
Radioactive contamination	LOW	All incoming raw materials pass through a two-stage check for radioactive contamination.
NATURAL		
Earthquake	INCREASED	As per Munich re-classification, our plant area is rated 2, which means that its exposure to earthquakes is low. However, the risk of earthquakes aidentified as increased on a global scale.
Volcanic activity	INCREASED	Location of mud volcano – Otman Bozdag – in the vicinity (4 km) of NORM's site increases potential risks.
Flood	AVERAGE	The location of our industrial site near the hill slope increases the risk of flooding from rainfall, although no such flooding has been registered.
POLITICAL		
Strikes	LOW	Mutual respect between management and employees as well as no record of such incidents leads to a low risk of strikes.
OPERATIONAL		
Mechanical breakdown	AVERAGE	Mechanical breakdown risk is reduced following the implementation of regular mitigation measures to keep this risk under control.
Interruption in utilities supply	AVERAGE	We have adequate supply of critical utilities that are provided mainly by the state network. To prevent any risk of potential interruption, we secure our operations with additional sources of required utilities. Electric power supply of the plant is arranged by the State ("Azerenergy" OJSC). Critical utilities are provided with Emergency power from 450 kW diesel generator.Natural gas is supplied to the site via single underground pipeline at 6 bars. Water supply is from the state supplier. However, the plant has multiple reserve water pools.
Arson and malicious damage	LOW	Established relationships between plant management and employees lead to a low risk of arson and malicious damage.

NORM

FINANCIAL PERFORMANCE

Our Company started operating at full capacity in 2013, finishing the year with expected losses due to high operational expenses in the first year. 2016 was a considerably challenging year in terms of profitability and liquidity for most of the companies operating in the local market. The devaluation of the national currency in 2015 and subsequent fluctuations in the exchange rate negatively impacted our financial indicators, and given the foreign currency loss with a consequent expansion of our liabilities, our operating profit suffered a sharp decline, leading to a downward trend in all of our financial ratios. As the currency stabilized the following year, by effectively managing our liabilities and operating expenses we recovered our liquidity and profitability metrics, and boosted the gross margin.

Table 10. Profitability and liquidity ratios[2]

Ratios	2014	2015	2016	2017	2018
ROCE	3%	9%	6%	18%	22%
ROS	11%	18%	13%	31%	31%
GROSS MARGIN	35%	42%	27%	40%	42%
CURRENT RATIO	0.7	0.7	0.9	2.1	2.9
ACID TEST RATIO	0.4	0.4	0.5	0.9	1.3

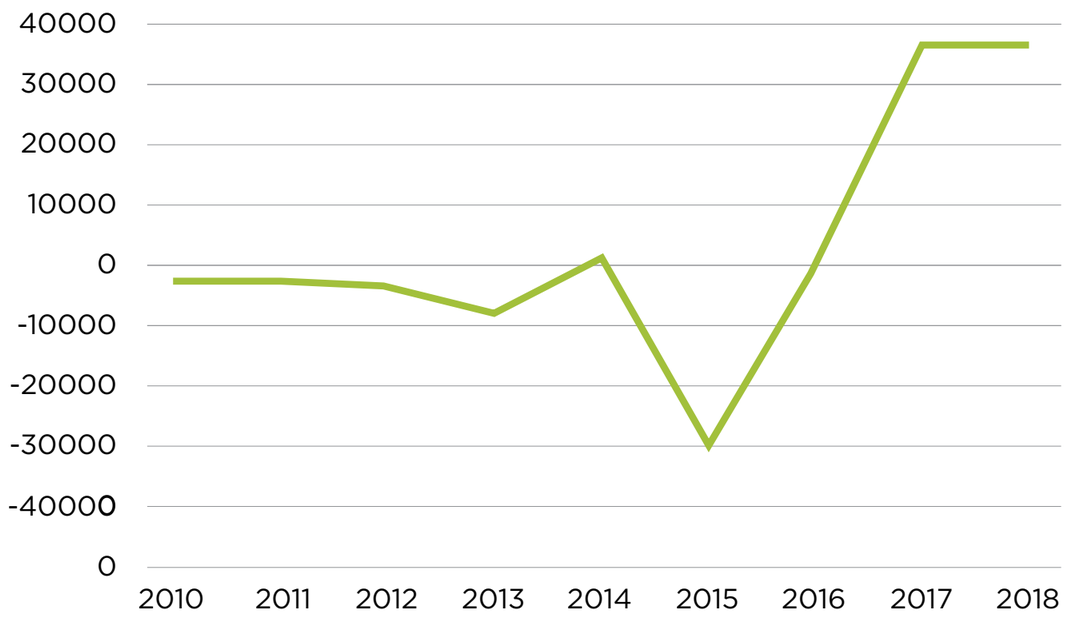
Our revenue figures clearly demonstrate the growth trend achieved during the last three years of operations. In 2018, we contributed AZN 17.5 million to the state budget. We are steadily increasing our sales, and in 2018 our results were 44% higher than in 2016. The performance and solvency position improved considerably in the same period. Our profitability figures show how our business recovered from the economic slowdown of 2016, with a massive increase in our profits from AZN 0.3 million in 2016 to AZN 34.6 million in 2017, and AZN 34.8 million in 2018, respectively.

Table 11. Economic and financial indicators

Economic indicators, AZN	2016	2017	2018
ECONOMIC VALUE GENERATED	85,992,250	126,271,542	149,447,401
ECONOMIC VALUE DISTRIBUTED	(85,690,000)	(91,583,557)	(114,640,752)
ECONOMIC VALUE RETAINED	302,250	34,687,984	34,806,649

[2] More detailed information on financial indicators is provided in Financial Performance subsection of Performance Data section.

Figure 8. Profit in 2010-2018



The financial activities of the Company involve numerous risks, the disruption potential of which is quite high. Most of the financial risks, such as inflation, currency and investment risks, are mainly external, for example, due to export constraints to Georgia, unfair competition and dumping activities in the market, and they are not directly controlled by NORM. However, to ensure long-term continuity of our business, we conduct market analysis and explore solutions to expand our business scope and ensure stable sales and revenue by satisfying market demand.

Future Outlook

We consider our financial situation as stable and strive to improve the quality of our products while focusing on our customers to maintain strong profitability indicators. Despite all the challenges, our aim is to create the most favorable conditions possible for the continuous and sustainable growth of our business

DID YOU KNOW?

Around 2.3 million women and men around the world are exposed to work-related accidents or diseases every year or put it another way, over 6000 deaths due to poor working conditions occur every day.*

* International Labour Organization, 2019

AT NORM

NORM ensures that all its operations are conducted in conformity with local and international standards and requirements. Every year, NORM undergoes a rigorous external audit to ensure compliance and continuous improvement. We focus all our efforts to achieve zero LTI, and we can proudly state that by the end of 2018, NORM had gone 394 days without a single Lost Time Incident. Moreover, major health and safety risks are caused by occupational diseases due to hazardous substances. It is estimated that hazardous substances alone cause 651,279 deaths a year around the globe. Therefore, NORM employs modern and high-quality equipment to minimize these risks. Periodical maintenance activities such as detecting increased dust levels in specific zones of the production process and replacing filters to prevent their occurrence are the most important precautions.

NORM

OUR PEOPLE

> "...we achieve high-quality production through proper work procedures and professional staff."
>
> **Henning Sasse, CEO of NORM**

Our employees are the key assets of our Company. NORM recognizes that, in today's dynamic and continuously changing business environment, it is human capital that distinguishes an organization from its competitors. We create the opportunity for our employees, so that they may avail themselves of their personal rights fully and properly, and provide them with a fair, secure, safe and healthy working environment. We support the initiatives of our employees in the social and public spheres and respect both their private and professional lives.

> One of our main goals for 2019 is succession planning and further talent development.

At NORM, the human resources practice is managed by the Human Resources and Administrative Affairs department and is guided by our internal Human Resources Policy and Annual Action Plan. We fully adhere to the Constitution, Labor Code and other applicable legislation of the Republic of Azerbaijan.

At present, we employ nearly 300 people, including the plant and city office staff. We had the highest turnover rate in 2016, which dropped to 6% in 2018. This was caused by the fact that interns who joined NORM in 2016 were recorded as temporary employees.

Table 12. Total number of employees by employment contract[3]

Total number of employees	2016		2017		2018	
	Male	Female	Male	Female	Male	Female
NUMBER OF PERMANENT EMPLOYEES	227	25	222	24	212	23
NUMBER OF TEMPORARY EMPLOYEES	44	3	40	3	48	5

Table 13. Total number of employees by age

Total number of employees by age	2016			2017			2018		
	Below 30	Between 30-50	Over 50	Below 30	Between 30-50	Over 50	Below 30	Between 30-50	Over 50
TOTAL NUMBER OF EMPLOYEES BY AGE	155	135	9	133	150	6	108	171	9

[3] More detailed information on people management is provided in Our People subsection of Performance Data section.

Table 14. Employee turnover

	2016	2017	2018
NUMBER OF HIRED EMPLOYEES BY AGE	15	14	16
EMPLOYEE TURNOVER RATE	20%	8%	6%

> 89% of our senior management is local

7.1 PERFORMANCE AND TALENT MANAGEMENT

> We are committed to attracting and retaining the most talented and inspired people who will bring value to our business and reflect our values and principles.

Our targeted strategies are designed to establish and maintain long-term relationships with our employees based on mutual respect and commitment.
We seek to attract the best employees and create opportunities for our people to contribute and develop to their full potential.

Our Company is making a valuable contribution to the development of the non-oil sector through training new personnel for the cement industry. In 2018, we carried out 6,520 hours of training, equivalent to 23 hours per employee, in the areas of health, safety and the environment, leadership, and technical and soft skills, targeting all employee categories.

One of our focus areas is the development and education of our workers. For this purpose, we initiated the Smart Labor Program in 2018 to develop our workers and align their skills with high performance standards. Within the framework of the program we have improved and systemized the content and maintenance of the employee profile files. We analyzed the educational level of our labor force and identified key development needs based on functions performed by them. Based on this, we developed training programs (see the list below) for identified groups of workers.

Production
(e.g. Raw Mix Preparation, Prompt Gamma Neutron Activation Analysis, Vertical Roller Mills, etc.)

Maintenance
(e.g. Belt Conveyor, Filtration Problems, Bucket Elevators, Air Slides, etc.)

Technical-environmental
(Secondary Limestone Usage, Alternative Fuel, Quarries and Mining, etc.)

Technological organizational
(SAP, KPI, Create Notification, etc.).

Also, within the program, our employees have the opportunity to obtain exchange experience in Turkish cement manufacturing plants such as Nuh Cement and Bursa Cement.

In 2018, we launched a project with Korn Ferry to advise us on improving our Human Resources Management System. This project focuses on the following areas:

- Grading System
- Talent Management
- Employee Engagement Survey[4]

The improvement of the Grading System helped us to identify the real value and volume of work and responsibilities, to assign the right people to the right positions, and apply fair payment practices. In so doing, we strengthen the employer value proposition, significantly boost employee engagement, and ensure an optimal return on compensation paid. The applied methodology (Korn Ferry Hay Guide Chart - Profile Method of Job Evaluation) is the most widely recognized tool worldwide and has already enabled thousands of organizations across all industries to create effective grading frameworks. The Evolution Grading System was finalized in 2018 and the following steps were implemented as part of the project:

- Evaluation of top executives
- Job evaluation meetings arranged separately with each department
- Salary management meeting with the CEO and Human Resources Department
- Salary Management and Job Evolution training programs
- Application of the Salary Admin tool developed by Korn Ferry

We started implementing the Talent Management program internally in 2016. Within the program, we created a centralized training plan to improve the quality and outcomes of our training courses. We took the performance of our employees as a starting point.

In 2018, as a part of our Succession Management Process, we launched the Leadership Development Program which is intended for managerial and senior staff. Within the program, Psychometric Assessment based on the methodology of Thomas International Personal Profile Assessment was conducted to unleash the capacity and motivational factors of our future leaders. The assessment was carried out by Jansen Capital Management. Twenty mid-level employees, ten managers and ten specialists participated in the program. The participants were provided with detailed feedback by the consultants on their strengths and improvement areas for further development. We plan to initiate similar programs for promotion and recruitment purposes as well.

We actively collaborate with industry experts as well to ensure high quality of our educational programs. In 2017, we initiated an online training program for our chief engineers working with heavy equipment. Further, based on training material provided by an independent expert from Switzerland, we reviewed and developed our training materials and started a Training of Trainers Program in 2017. This program has covered 70 employees so far and is still ongoing.

[4] Please see the Employee Engagement section for more information about the Employee Engagement Survey.

We also believe that it is necessary to invest in young and promising individuals as our potential employees in future. Under this aegis, in 2017 we signed a Memorandum of Understanding with the State Agency for Vocational Education and selected Baku State Sea Transportation, Marine Machinery and the Port Services education center (Sahil dist.) and Baku State Construction and Building Services education center (Gizildash dist.) for cooperation. Based on the Memorandum signed, we designed a focused Vocational Education and Training (VET) Program. More detailed information on the VET Program is provided in the Community Support section of the Report.

In addition to the VET Program, we implement various workshops for local schools and university students. Since 2014, we have organized internship programs for students/new graduates, providing them with the opportunity to be recruited by NORM after the successful completion of the internship program. We cooperate with five state and two private universities and, in 2018, we offered an internship opportunity to 19 students from various universities such as Azerbaijan State Oil and Industry University, Baku State University, Azerbaijan Diplomatic Academy and others.

Table 15. Total training hours

LEARNING AND DEVELOPMENT	2016	2017	2018
TOTAL TRAINING HOURS	4,347	7,194	6,520

7.2 PERFORMANCE APPRAISAL, COMPENSATIONS AND BENEFITS

Our Performance Management Policy and Procedures were adopted in 2012 and align individual targets with organizational goals. Through this system, we identify and distinguish our best employees.

At NORM, performance appraisals are held semi-annually or annually. Management meetings are organized to review employees' performance, to make sure that work to meet targets is done, and to provide feedback on employees' performance. Any change in a target is carried out only with the approval of line managers. Assessment of the overall performance is conducted based on the percentage of the targets and KPIs met. The overall result is determined on a 5-point scale. Following approval of the CEO and Board of Directors, employees who have demonstrated a high performance are rewarded. The remuneration is calculated based on the formula defined in the Performance Management Procedures.

We have several reward packages for our employees, which are determined within our Rewards Procedures. Rewards are given based on the employment period, outstanding work performance, collective service and so on. Leading employees at all levels of the Company have the right to reward employees who have contributed to the success of our Company. The period during which an employee is assessed for the reward covers one calendar year.

All of our employees are provided with medical insurance. All the benefits provided to full-time employees are also provided to temporary and part-time employees. Parental leave and retirement plans are applied according to the Labor Code of the Azerbaijan Republic.

To promote flexible work options, we offer part-time positions, but the ratio of part-time to full-time is very low due to the nature of the industry.

7.3 EMPLOYEE ENGAGEMENT

At NORM, to keep our efforts on track, we monitor employee satisfaction by implementing both annual employee satisfaction surveys and a labor practices grievance mechanism.

In 2018, 86% of employees participated in the employee satisfaction survey, covering both management and staff. The participation rate in 2018 was the highest in the last five years. The survey consisted of the following sections:

- Company reputation
- Compensation and benefits
- Personal development
- Role of the employee
- Corporate culture and communication
- Leadership and planning

Based on the responses provided by our employees, we evaluated the overall satisfaction rate as 87.9%. The results of employee surveys and required system changes are discussed during annual information meetings, where top managers participate as well.

In line with our philosophy to ensure equal opportunities and a positive work environment, we uphold the rights of our employees to express their concerns. Our Human Resources Department is responsible for identifying, tracking and responding to concerns raised by employees both formally and informally. Our grievance mechanism is made accessible to employees through multiple channels, with the first touchpoint being the responsible line manager. Internal complaints of employees are received through e-mails, letters and/or personally addressing the issue to the HR representative. In 2018, we received 32 grievances that were reviewed and communicated to the relevant departments when necessary. Around 90% of the complaints filed were identified as applicable and resolved in 2018.

Table 16. Number of grievances about labor practices

Labor practices grievance mechanisms	2018
NUMBER OF GRIEVANCES ABOUT LABOR PRACTICES RECEIVED	32
NUMBER OF GRIEVANCES ABOUT LABOR PRACTICES ADDRESSED	28
NUMBER OF GRIEVANCES ABOUT LABOR PRACTICES RESOLVED	28

7.4 DIVERSITY AND INCLUSION

We value diversity and promote an inclusive and fair work environment which favors respect for all our employees. We support gender balance, although this creates challenges for us due to the traditional predominance of men in the cement industry. The share of females in our workforce is around 10%, most of whom are employed in specialist positions. The entry level wages and the basic salary across all employee categories are about the same for male and female employees, as shown in **Table 19.**

To support people with disabilities, we have participated in a project aimed at their development, organized by the British Council. We have four employees with disabilities. Two of them have third group disability, and the other two have second group disability[5]. They were hired through the Garadagh employment service and through Independent Life, the Center for Development & Aid for young people with disabilities. All of our employees with disabilities work as weighbridge operators.

[5]People who need social assistance and protection as a result of physical or mental illness are considered people with disabilities. The law on social protection of the disabled of Azerbaijan Republic identifies three groups of disabilities, depending on the severity of the disability.

Table 17. Total number of employees by gender

Total number of employees	2016		2017		2018	
	Male	Female	Male	Female	Male	Female
TOTAL NUMBER OF EMPLOYEES BY GENDER	271	28	262	27	260	28

Table 18. Total number of employees by vulnerable groups

Total number of employees	2018
DISABLED PEOPLE	4
INTERNALLY DISPLACED PEOPLE	14

Table 19. Ratio of basic salary and remuneration of women to men

Ratio of basic salary and remuneration of women to men	2018
EXECUTIVE POSITIONS	1
SPECIALIST POSITIONS[6]	0.7
TECHNICIAN POSITIONS	0.7
OTHER[7]	1

[6]This category includes chief specialists, supervisors, specialists and engineers. As the chief specialist positions are occupied by male employees, there is a sharp difference in the basic salary rate for male and female employees.

[7]This category includes assistant and clerk positions.

Future Outlook

Our employees stand at the heart of our corporate culture and we make constant efforts to reduce any risk associated with them. We will further develop our Human Resources Management to be in line with international standards.

We acknowledge that one of the major risks consists of our professional and qualified employees leaving NORM, i.e. a brain drain, as identified in the Business Continuity Plan. Therefore, we plan to continue our efforts to increase employee engagement and satisfaction, and provide competitive job opportunities for all employee categories. Another risk that threatens many cement companies is the lack of qualified personnel available in the market. For this reason, we aim to strengthen our internal training and development programs by increasing the number and quality of training courses provided, as well as by enhancing our cooperation with various academic institutions to boost the professional development of our current and prospective employees.

NORM

COMMUNITY SUPPORT

Building long-lasting ethical relationships with the community where we operate is an inherent part of our long-term vision and mission. We are committed to demonstrating respect for and trust in our stakeholders by regularly engaging with them to understand their needs and expectations. Our operations impact multiple groups of stakeholders, and we treat them all as equally important.

Community Investments

Since 2016, we have been actively investing in multiple community development projects to enhance our positive effect and contribute to eliminating the challenges that our communities experience.

Table 20. Community investments

Community investments	2016	2017	2018
TOTAL COMMUNITY INVESTMENTS (THOUSAND AZN)	9	146	258

Our community development programs focus mainly on the following areas:

- Support for infrastructure development and construction projects by providing our expertise and supplying cement we produce (e.g. the construction of libraries in four villages of the Tartar region);
- Educational projects by cooperating with a number of universities and vocational schools (e.g. Vocational Training Program, and the Capstone project with the Azerbaijan Diplomatic Academy (ADA));
- Support for the development of industry expertise by offering our free of charge concrete laboratory services and establishing the Master's Club;
- Charity projects to support low-income families and veterans and families with disabled members, as well as membership of the AR Red Crescent Society's Garadagh district branch.

With the aim of upskilling local workmen and reducing the number of complaints, we started the Master's Club project, where we gather concrete foremen and educate them on the proper use of our cement. We have also invited the best industry experts to conduct training for our concrete factory clients for the same purpose.

We have also been successfully implementing a Vocational Training Program (VET) since 2016, which covers special boarding schools to support the future career of young people who have had limited opportunities. In the scope of this program, we provide training on selected specializations and help to renovate old and unsuitable premises where students have to study.

A synopsis of VET activities in 2018

Moreover, we have been implementing the Capstone project since 2017 within the framework of our cooperation with the ADA. One of our research projects conducted jointly with ADA students was on "Alternative fuel" and "Alternative raw materials". This kind of project contributes to building the capacity of academic institutions and helps to find practical solutions to our common challenges.

NORM USTALAR KLUBU

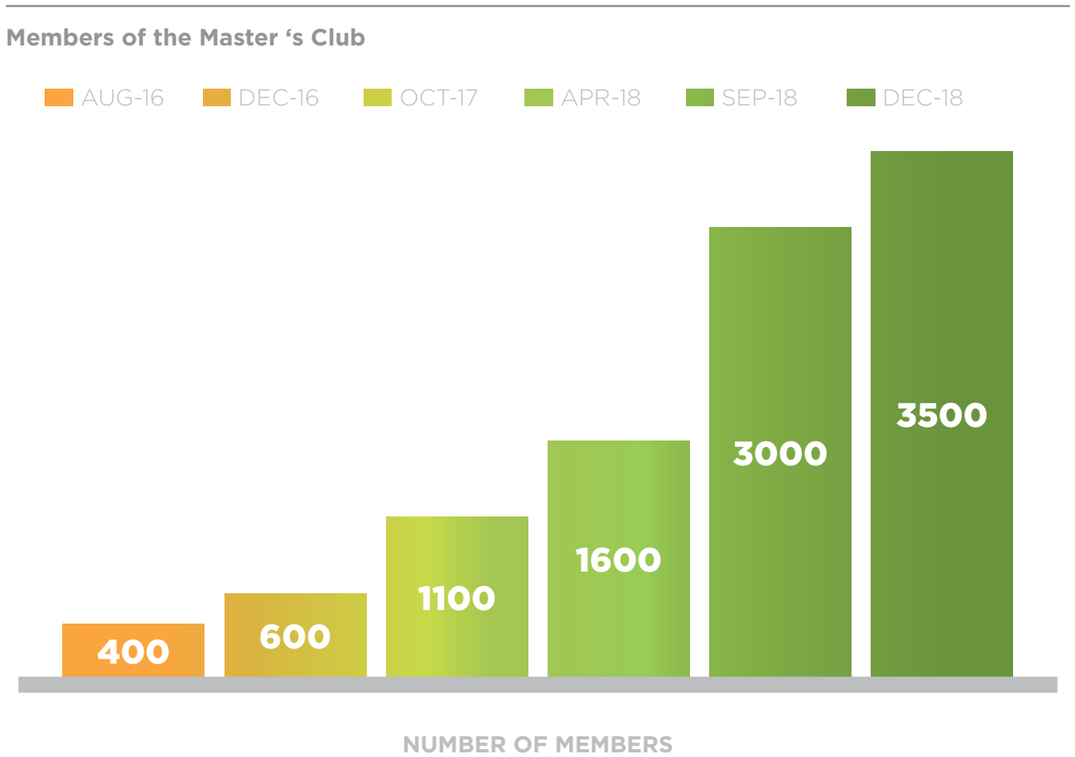
NORM's Success Story – Master's Club (Ustalar Klubu)

We established NORM's Master's Club in 2016. It plays an important role in increasing the professionalism of the workmen, providing them with detailed information about NORM products, cement and cement ingredients in general, mineral additives of cement, the selection of the proper ratio of cement depending on the purpose of use, application rules, special masonry types, specific features of reinforced concrete and measures to consider in seasonal construction work.

Master's ambassadors and consuls were appointed for regions to organize the club's activity more efficiently and to ensure more intensive communication between workmen who are club members and the ambassadors. We now have 45 ambassadors and consuls.

During the last 2 years, 44 awareness-raising training courses were organized with the participation of the technical support staff for both experienced and beginner workmen in different cities and regions of the Republic – Baku, Guba, Gabala, Ganja, Mingachevir, Kurdamir and Masally. Since its establishment, about 1,500 workmen have attended each series of events.

Membership of the Club has been steadily increasing and it has now reached 3,500 members.



8.1 ASSESSMENT AND MANAGEMENT OF IMPACT ON THE LOCAL COMMUNITIES

Considering the scale and essence of our core business, it is very important for us to understand the nature, magnitude and significance of the potential impacts of our operations. Based on the Environmental and Social Impact Assessment conducted, we have identified and evaluated the magnitude of the potential social impacts of our operations on local communities, as well as obtaining comprehensive baseline data on social and economic conditions, and community development needs and priorities.

We regularly communicate with local community members through both formal and informal meetings, correspondence and other mechanisms. Topics that are usually raised by them cover traffic, noise, health and safety issues, employment, education and infrastructure.

Figure 9. Focus areas of social and economic impact management

- RECRUITING LOCALLY AND HIRING LOCAL CONTRACTORS WHEN POSSIBLE
- CLOSE INTERACTION WITH LOCAL COMMUNITY MEMBERS TO TIMELY IDENTIFY AND ASSESS ADVERSE IMPACTS
- MAINTAINING AND IMPROVING FORMAL AND INFORMAL GRIEVANCE MECHANISMS TO TIMELY COLLECT COMMUNITY COMPLAINTS (EMISSIONS, NOISE, ETC.)
- ENSURING DATA TRANSPARENCY ON OUR PERFORMANCE RESULTS AND MAJOR IMPACTS
- PROVIDING IN-KIND CONTRIBUTIONS TO THE LOCAL COMMUNITY WHEREVER POSSIBLE

Future Outlook

We plan to expand the scope of our social performance and enhance development of the local community. Moreover, to better understand the effect of our social practices and positive changes in the community, we plan to measure social return on our investments (SROI).

NORM

HEALTH AND SAFETY AT WORK

The safety of everyone working for NORM is the Company's number one priority. We conduct our operations in full compliance with national legislative OHS requirements as well as international Labor Standards and Occupational Health and Safety codes of practice.

The main legislation guiding our Occupational Health and Safety-related activities are the Labor Protection Act and Labor Code of the Azerbaijan Republic, which cover the procedures we follow in terms of the investigation and registration of industrial accidents, compliance during facility planning, construction and other operations.

Cement production is classified as 'Potentially Dangerous' as per local legislation, thus all NORM operations are conducted in full conformance with the Occupational Health and Safety Assessment Series (OHSAS) 18001:2007. Every year, NORM undergoes a rigorous external audit to ensure compliance and continuous improvement.

NORM's QHSE policy, established in 2016, is an essential part of the Company's Health and Safety System. The policy, reviewed on an annual basis, was last revised in 2018, and further revisions to ensure the Company's continuous improvement approach will take place in 2019.

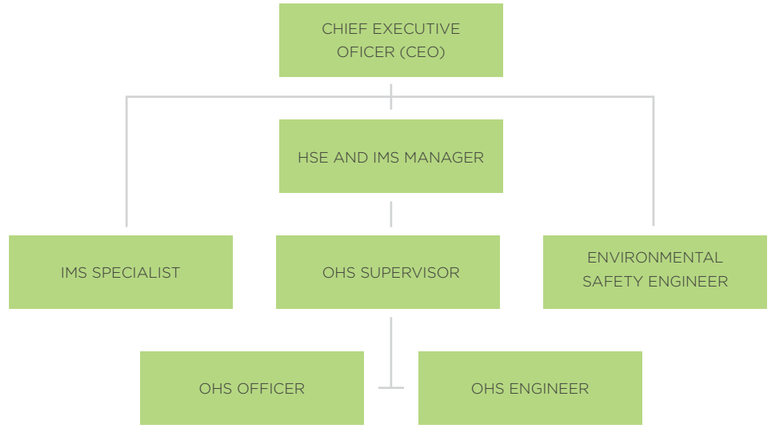
At NORM, all employees are required to follow NORM's Six Golden Rules at all times:

- Complying with the rules regarding Personal Protective Equipment (PPE)
- Any work that takes place indoors or at heights, as well as work involving energy, land scaping and hot rolling, is only allowed by permits
- Lockout-tagout (LOTO) procedure and requirements should always be followed
- Working under the influence of alcohol or other substances is strictly prohibited
- The safety rules should not be violated or compromised by employees, violation of safety rules by others should be prevented
- Any damage or incident should be immediately reported.

OHS issues are the responsibility of the department for Health, Safety and Environment and the Integrated Management System (HSE and IMS) department.

9.0 Health and Safety at Work

Figure 10. Health, Safety and Environment (HSE) and Integrated Management System (IMS) Department structure



The Company's OHS performance is regularly monitored in the Action Tracking System (ATS). All OHS issues and indicators are discussed regularly at technical performance meetings. For any case of non-compliance, a Non-Compliance Report (NCR) is prepared and swift corrective action is taken along with root cause analysis to prevent any future potential incident. NORM keeps track of the following health and safety indicators:

- Fatality
- Lost Time Injury (LTI)
- Permanent Disability Injury
- Near Misses
- Damage Occurrence
- First Aid Injury
- Unsafe behavior/condition

The KPIs on each indicator are monitored and reported on a monthly basis to ensure health and safety risks are assessed, managed and mitigated before any incident takes place.

Table 21. Health and Safety indicators

Health and safety indicators	2016	2017	2018
Total number of fatalities	0	0	0
Total number of injuries, including	15	8	3
Total lost time injuries (LTI)	4[8]	2	0
Number of days lost due to occupational diseases	0	0	0
Number of days lost due to injury/accident	40	30	0
Lost time injury rate (per 1,000,000 hours worked)	7.52	4.02	0
Fatality rate (per 10,000 employees)	0	0	0
Occupational disease rate (per 1,000,000 hours worked)	0	0	0
Lost days rate (per 1,000,000 hours worked)	75.21	60.41	0
Total injury frequency rate (per 1,000 employees)	50	27.68	10.45
LTI frequency rate (per 1,000 employees)	13.3	6.92	0
Injury severity rate (number of working days lost due to injuries per each accident)	10	15	0

We aim to achieve zero LTIs. By the end of 2018, the Company had gone 394 days without a single Lost Time Incident for own employees. In 2018, this constituted zero LTIs per 500,000 man hours worked. A single incident took place in June 2018 that required a first aid response, but this incident did not result in a LTI.

We have started conducting an arc flash study to analyze electrical safety indicators, so that we can update the required protection level for each electrical distribution and transfer point.

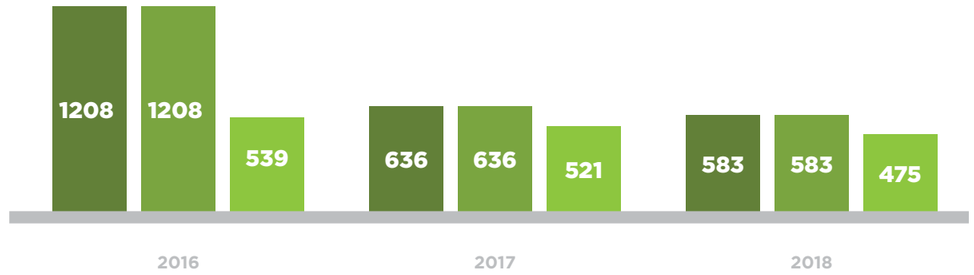
As our operations involve working with risky and hazardous equipment, we apply Lockout-tagout (LOTO) system. LOTO procedures help us to identify and isolate potential hazards to our employees and third-party workers.

We understand that top management commitment is essential for good OHS performance. Therefore, we developed the Site Monitoring and Tour program. For any at-risk behaviors observed, a Safety Observation and Conversation (SOC) method is implemented to encourage safe work practices. The SOC reporting program covers all employees, visitors and contractors.

[8] Two total lost time injuries were indicated in the formal report to the State Labor Inspection of Republic of Azerbaijan (SLIRA). Discrepancy in this indicator is caused by NORM's internal categorization and methodology differing from the approach of SLIRA to calculation of LTIs.

NORM considers a swift resolution of all observations and grievances related to OHS as a very important KPI towards continuous improvement. Total observations from the SOC process and OHS tours, along with the status of identified issues, are represented in **Figure 11** below. All OHS observations were addressed in 2018, while 81.4% of them were also resolved in the reporting period.

Figure 11. Results of SOC and HSE Observations



One of our challenges is low awareness of OHS culture among our contractors. To increase their knowledge and qualifications, we conduct mandatory OHS trainings.

9.1 OCCUPATIONAL HEALTH AND SAFETY RISKS

Due to the nature of our business, there are six major risk types managed by our Occupational Health and Safety Management System.

Figure 12. The major risk types

- RISKS ASSOCIATED WITH MANUAL REMOVAL OF CYCLONE JAMMING
- FIRE AND EXPLOSION
- WORK IN CONFINED SPACES
- DUST AND VIBRATION
- RISKS ASSOCIATED WITH THE TRANSPORTATION OF RAW MATERIALS AND FINAL PRODUCT
- WORK ING AT HEIGHTS

One of the main OHS risk is the manual removal of cyclone blockages. Therefore, it is important to implement proper risk management procedures such as following the specific work procedures and the permit system. Employees use special PPEs with aluminum covers to reduce the risk of any incidents. To further minimize risks associated with cyclone blockage removal, NORM is planning to introduce the CARDOX Build-Up & Blockage Clearing System to automate the process and ensure safe, reliable and efficient method of clearing build-ups and blockages.

The second OHS risk consists of fire and explosion risks, specifically in the cement kiln section. NORM is a modern cement factory built to the highest industry standards, therefore, the majority of the production processes is automated. However, the risk of fire and explosion can be initiated by storage and transportation of liquefied petroleum gas (LPG). For these reasons, we work to ensure proper handling, transportation and use of LPG cylinders. In 2018, we built a special LPG storage area and an automatic water sprinkler system, fire detectors and hot work permit procedures have been implemented to ensure the safety of these areas.

The third type of OHS risk involves maintenance or cleaning operations carried out in confined spaces, especially in silos. NORM conducts special trainings and hires contractors specialized in these types of operation to mitigate the risk of incidents associated with confined space.

In addition to the accident risks, NORM is also aware of the potential negative impact of occupational illnesses. Occupational illnesses in the cement sector include dust-related respiratory conditions and noise- and vibration-related hearing loss.

Although the occurrence of vibration and emission of dust are inevitable risks, NORM employs modern and high-quality equipment to minimize these risks. Periodical maintenance activities such as detecting increased dust levels in specific zones of the production process and replacing filters to prevent their occurrence are the most important precautions. A water sprinkler suppression system has been installed in high-risk production zones throughout the production process. Moreover, we ensure employees are equipped with proper PPE (respirators and ear plugs) to address noise, dust and vibration. NORM implements measures to inspect work-sites regularly for any factors hazardous to worker health and conducts regular medical check-ups for all employees, including for specific respiratory-system and hearing-related conditions.

OHS risks associated with the transportation of raw materials and final production are mitigated via the conduct of frequent drug and alcohol tests to ensure safe logistics operations. GPS monitoring is carried out to monitor the speed and location of vehicles.

Finally, before working at heights, we make sure that work is properly planned, supervised and carried out by competent employees with the necessary skills, knowledge and experience suitable for the job. Permanent work platforms are installed where possible, and safety access platforms have been installed to prevent falls.

More detailed information on identified risks, their occurrence zones and mitigation measures implemented by NORM is presented **Table 22.**

Table 22. Risk types for critical operations

MAIN HAZARD FACTOR	IDENTIFIED HIGH RISK ZONES/ PROCESSES	APPLIED/PLANNED PREVENTIVE ACTIONS
Fugitive dust emissions, noise, vibration	Conveyers	Use of high-performance bag filters.
	Crusher	Installed water suppression system.
Confined space (e.g. cyclone, bag filter, cement mill, crusher, refractory replacement in kiln, silo etc.)	Cyclone	Use of proper Personnel Protective Equipment (PPE); permit to work procedure; provision of ventilation, cleaning, and lighting before entry;
	Refractory replacement in kiln	Use of proper PPE; cleaning and lighting before entry; use of de-bricking machine.
	Silo	Use of proper PPE; provision of ventilation, cleaning, and lighting before entry; agreement with contractors specialized in silo cleaning.
Fire/Explosion	Kiln	Use of high-quality equipment; completely automated process.
	LPG storage area	Proper storage handling and transporting of LPG.
	Bag Warehouse	Automated water sprinkler system; no smoking area; permits for hot works.
Other	Transportation	Frequent drug and alcohol tests; GPS control system of all vehicles.
	Work at height	Installation of permanent working and safety access platforms; permit to work procedure; regular training of personnel.
	Contact with electricity	Labeled electric panels; use of safe equipment; use of proper PPE; regular training of personnel.
	Cyclone cleaning	Use of proper PPE; permit to work procedure;
	Elevators, conveyor belts	Protection from falling and moving objects; use of proper PPE.

Future Outlook

The nature of our operations involves high risks to the safety of our employees. We consider OHS management as one of the most important areas of our performance, as it can directly impact our core business, reputation and relationships with our stakeholders. We aim to continue working on improvements required to develop our OHS management system and fully eliminate identified risks. We also face potential electrical risks as electrical current generated through photovoltaic installation is dangerous during work on a photovoltaic array. To mitigate these potential risks, we are planning to install VCS (a visual cut-off switch) which will reduce safety risk and maintenance time. The VCS installation process has already begun and will be completed by the end of August 2019.

DID YOU KNOW?

if climate change continues, by the end of the XXI century the life on Earth may become unsuitable for human life due to high heat and humidity.*

* WWF, 2019

AT NORM

An increase in ambient temperature and changes in related processes are directly related to increased emissions of anthropogenic greenhouse gases into the atmosphere. We acknowledge that cumulative amount of CO_2 in the atmosphere needs to be reduced to limit the detrimental impact of climate change. We hence endeavor to fulfill our share of global and local responsibilities by constantly reviewing and updating our CO_2 emissions management strategies and employing modern and efficient production methods. Since 2016, we achieved 5% reduction in our direct and 33% reduction in our indirect GHG emissions per ton of production. We aim to further reduce GHG emissions from our operations by investing into alternative fuels and alternative raw materials as well as implement regular monitoring and consider Carbon Capture, Utilization and Storage programs.

NORM

ENVIRONMENTAL MANAGEMENT

At NORM, we are proud of the input our Company contributes to the development of construction and infrastructure projects in Azerbaijan. At the same time, we are aware of the environmental consequences of not only our production processes, but also of the entire lifecycle of our products. From the extraction and transportation of raw materials to the utilization of finished goods, we aim to address the consequences that arise and, in particular, to reduce our negative environmental impact. We have prioritized these matters since the establishment of our Company.

Environmental management at NORM is regulated by the relevant laws, as well as decrees of the Ministry of Ecology and Natural Resources of Azerbaijan Republic, our internal QHSE policy adopted in 2012, and ISO 14001 Standards. This policy was updated in 2016 and will be revised further in 2020 to reflect aspects of latest global best practice.

10.1 ENVIRONMENTAL PERFORMANCE

We have committed to continuously improving our environmental performance. Each year, relevant objectives are established by the management, with their subsequent communication and delegation to the relevant departments responsible for the execution of the set objectives and monitoring their progress. Currently, priority issues that we are making efforts to address include utilization of alternative fuels, as well as the consumption of thermal energy in our production processes.

Identifying and managing our key environmental risks and related opportunities

Management considers environmental issues to be of the utmost importance. Risks and external threats, in particular, are analyzed within the framework of our Business Continuity Plan, wherein critical business functions and the relevant impacts are identified. In terms of negative impacts to the health and safety of the local community, we are in an advantageous position as our plant's safe zone has been estimated as 1,000 meters which is far away from the nearest residential district - Umid.

10.2 IMPACT ON CLIMATE CHANGE

At NORM, we acknowledge that the cement industry is traditionally energy intensive, and is a significant contributor to climate change. Therefore, combatting climate change has been identified as one of the key objectives at NORM, and thus has been integrated into our business strategy. We are aware of our Government's commitment to the Paris Climate Agreement to reduce **GHG emissions by 35%** by 2030 compared to the baseline year. We hence endeavor to fulfill our share of global and local responsibilities by decreasing our GHG emissions. We are aware of the fact that despite the adoption of alternative energy sources and energy efficient systems to reduce the rate of CO_2 emissions, the cumulative amount of CO_2 in the atmosphere needs to be reduced to limit the detrimental impact of climate change. Minimizing harmful emissions and protecting people and the natural environment are among NORM's priorities when conducting its operations. We therefore intend to explore new strategies and technologies to reduce our carbon footprint and are strongly considering the application of CCUS[9] technologies in the future.

CO_2 emissions originate from two sources – during the production of clinker, when such emissions are also known as process emissions, and during fuel combustion to provide the kiln with the necessary heat.

We have been striving to reduce the clinker factor in our cement, since calcination of limestone generates most of the emissions. For two of our manufactured classes, Classes A and B, we have managed to significantly reduce the clinker factor without compromising the durability or strength of the produced cement.

> To meet the requirements of the 2030 Sustainable Development Scenario and comply with International Energy Agency recommendations, we fully accept that a further reduction of our clinker factor must be accomplished for all three classes of produced cement. One of the cement types we manufacture, Class B, is already close to desired level, and research and development activities to further decrease the clinker factor of Classes A and C are still in progress.

[9] Carbon Capture, Utilization and Storage

Table 23. Clinker Factor of Cement Classes

	2016	2017	2018
CLASS A	83.5%	75.3%	76.6%
CLASS B	72.3%	65.5%	64.7%
CLASS C	88.3%	88.7%	87.0%
AVERAGE CLINKER FACTOR	82.4%	78.6%	78.2%

By researching and achieving the optimal clinker factor for two of our cement products, we target reducing CO_2 emissions from heating the kiln while maintaining the desired process temperatures.

Moreover, NORM utilizes modern burning technologies and operates in compliance with the regulations for decreasing harmful gas emissions (Legislation on Environmental Protection of Azerbaijan Republic and the Resolution on Environmental Protection – REP). The environmental impact from burning natural gas is lower than from using other fossil fuel sources widely consumed in clinker production such as pet coke. NORM's access to abundant natural gas positions the Company to keep harmful air emissions far below the maximum level allowed.

During 2018, we burned about 108 million cubic meters of natural gas, emitting 232 thousand tons of CO_2, which only accounted for 27% of our total emissions in that year. Although our gross CO_2 emissions rose significantly between 2016 and 2017 due to the 70% increase in our clinker production, we have decreased our per unit CO_2 emissions from 598 to 564 kg of CO_2 per ton of cement since we launched operations.

As de-carbonization is at the core of our long-term strategy, we will continue to explore further solutions to lower our emission levels below 0.51 tons of CO_2 per ton of cement based on the Sustainable Development Scenario (SDS) of the International Energy Agency.

Table 24. NORM's CO_2 emissions during the reporting period (Scope 1 and Scope 2)[10]

GHG emissions	2016	2017	2018
SPECIFIC DIRECT CO_2 EMISSIONS (KG / TON CEMENTITIOUS PRODUCTION)	599	572	569
SPECIFIC INDIRECT CO_2 EMISSIONS (KG / TON CEMENTITIOUS PRODUCTION)	76	53	51

Moreover, the maximum global thermal energy intensity of clinker needed to achieve the SDGs by 2030 was determined to be 3.3 GJ per ton. At NORM, we have reduced this value to below the targeted global level – to approximately 3.2 GJ per ton of clinker – by implementing energy efficiency initiatives.

[10] More detailed information on environmental performance is provided in Environmental Management subsection of Performance Data section.

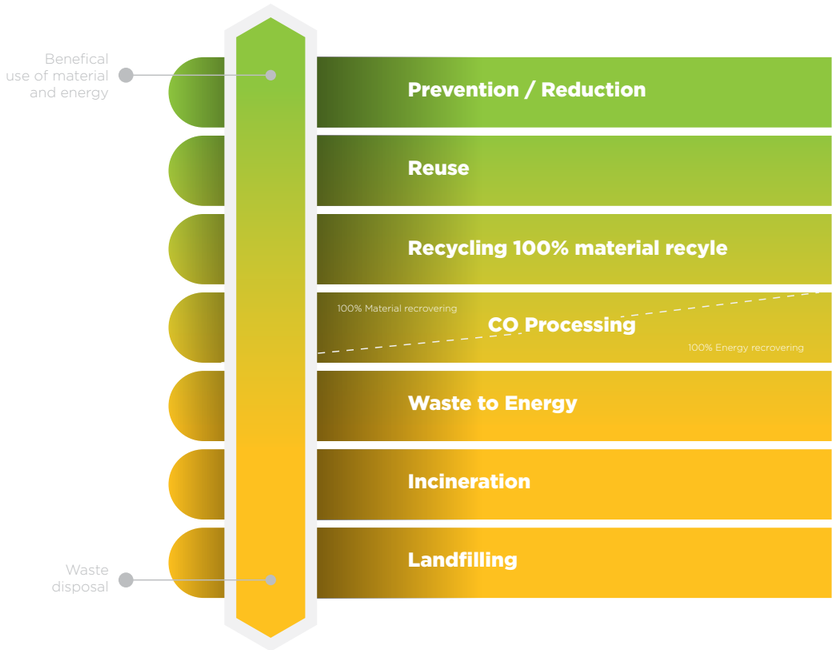
> Our per unit power consumption has declined by 21% in the last three years, reaching 85 kWh per ton of cementitious production in 2018.

Table 25. Energy consumption at NORM

Energy consumption	2016	2017	2018
SPECIFIC POWER CONSUMPTION (KWH/TON CEMENTITIOUS PRODUCTION)	107	87	85
SPECIFIC DIRECT ENERGY CONSUMPTION (GJ / TON CLINKER) USED FOR PRODUCTION PURPOSES	3.2443	3.2109	3.2344

At the same time, we consider the utilization of alternative CO_2 neutral fuels in the production process as one of our major goals to conserve natural resources, reduce air emissions and solve the major waste problem of local municipalities and industrial companies. We consider applying a co-processing option in our cement manufacturing process. The co-processing concept involves the use of waste, by-products, co-products or secondary materials in manufacturing processes for the purpose of energy and/or resource recovery and the resultant reduction in the consumption of primary fuels and raw materials. Cement kilns provide ideal conditions for co-processing. Where it is not beneficial to avoid, reduce, recycle or reuse waste materials or by-products from the technical or economic point of view, we plan to offer a more ecologically sustainable solution than incineration or landfill options.

Figure 13. Co-processing hierarchy



We have conducted initial market research in our region and identified three major types of waste – obsolete tires, polyethylene and plastic waste – that can be utilized as alternative energy sources for our processes without increasing our CO_2 emissions. Moreover, we have identified a significant potential for flare gas, drilling cuttings and oil sludge, produced as waste in the oil and gas industry, to be co-processed as alternative fuel and raw material in our production process. In the coming years, NORM aims to fully switch to alternative energy options, considering the country's potential to provide them.

We believe that this will not only lead to a reduction in our natural gas consumption, but also contribute to the reduction of CO_2 emissions from the oil and gas industry, as well as supporting the state rehabilitation programs for oil contaminated lands.

10.3 AIR POLLUTANTS AND NOISE

In addition to CO_2 and other GHG emissions, we constantly strive to address dust, noise, NO_X, SO_2, CO and heavy metal pollution by continuously monitoring and managing it. We have identified 46 stationary sources generating air emissions, including conveyers and electricity generators. Dust has been identified as the primary type of emission released from the majority of these stationary sources, such as from unloading and storage bunkers and transport points. Meanwhile, other types of released chemical compounds originate primarily from the kiln unit.

As part of our continuous maintenance procedures, we have equipped 45 of these stationary sources with high performance bag filters which are considered as among the most effective filter types in the industry. Dry/cold mist water spraying systems are used in the unloading bunkers to prevent additional dust pollution from unloading and transportation. NORM's heaper and mixer storage is completely enclosed, to prevent dust emissions and outside interference from the environment.

All of the chemical compounds except heavy metals are measured by Continuous Emissions Monitoring Systems (CEMS). Data from CEMS is collected and reported to the senior management monthly. This particular strategy assists us in solving potential problems immediately, before they can cause significant damage to production equipment and/or to the environment, by identifying in a timely manner any unusual emission-related deviations and their root cause. Additionally, we collaborate with AZECOLAB, which carries out third-party inspections of our online emission analyzer and runs an independent stack emission monitoring program. The most recent analysis, performed in 2018, confirmed the accuracy and reliability of our measurements of stack gas concentration. We consider these regular assessments as an important tool for ensuring the quality of our control equipment.

Our Company adheres to the limits established by the Government of Azerbaijan for all the emission types generated on our premises. In addition to this, we have set our own internal limits and targets based on EU guidelines and limits to reduce dust and NO_X emissions and maintain them in the ranges of 0.3-227 mg/Nm^3 and 145-2040 mg/Nm^3, respectively, which are the levels established in the Guidelines for Emissions Monitoring and Reporting in the Cement Industry. Since 2018, we have monitored our heavy metal emissions based on the measurements of AZECOLAB, as can be seen from the respective table in Section 13.5.

Table 26. Air pollutants from NORM's manufacturing process

Air pollutants	2016	2017	2018
DUST			
TOTAL DUST EMISSIONS, TON/YEAR	80	143	154
SPECIFIC EMISSIONS, G/TON CLINKER	130	132	131
NO_X			
TOTAL EMISSIONS, TON/YEAR	611	1,117	1,089
SPECIFIC EMISSIONS, G/TON CLINKER	962	1,033	929
VOC/THC[11]			
TOTAL EMISSIONS, KG/YEAR			594
SPECIFIC EMISSIONS, G/TON CLINKER			0.506

[11] Volatile Organic Compounds/Total Hydrocarbons were included in the scope of calculations since 2018.

10.4 WATER CONSUMPTION

At NORM, we are committed to reducing our freshwater consumption and, hence, mitigating our impact on natural water resources to a greater extent. Beyond complying with the legislative directives set by the Government of Azerbaijan, we continuously strive to reduce our water consumption by exploring options for reusing or recycling it.

We have identified three main types of water consumption, as indicated below:

- Water used for the production process (i.e. crushing bunkers, raw materials mill, clinker cooling systems, cement mill)
- Water used for irrigation
- Water used for administrative purposes

Water consumed for each of these areas is monitored on a monthly basis, with relevant targets drawn up and variance analysis carried out at the end of each reporting period.

To achieve our targets set for water management, we have constructed a biological water treatment facility for wastewater. The capacity of the water treatment facility is 400 m^3 per day, which is sufficient considering the average wastewater production at NORM is approximately 200 m^3 per day. The facility was constructed in 2016, but it was upgraded to allow continuous operation in 2018. Although the treated water is currently discharged to the land, in the near future we plan to employ the closed loop concept by reusing the treated water for cooling, irrigation of plants and, potentially, as process water.

As can been seen from the table below, as a result of water efficiency initiatives we have managed to reduce our specific water consumption by roughly 46% in the last three years.

Table 27. Water consumption

Water management	2016	2017	2018
TOTAL WATER CONSUMPTION, THOUSAND m^3	121,100	104,020	92,890
SPECIFIC WATER CONSUMPTION, L/TON CEMENTITIOUS PRODUCTION	131.6	85.4	71.3

10.5 LAND AND BIODIVERSITY

We are committed to preserving and protecting ecosystems that may be directly or indirectly impacted by our activities. We value the biodiversity of our local environment and, hence, conduct environmental analysis before any limestone deposit exploitation. During the design and EPC (Engineering Procurement and Construction) phase of the facility, analysis of indigenous flora and fauna was conducted to understand the characteristics of the surrounding environment where our plant is located. The results indicated that the habitat of this region was underdeveloped and that it was highly suitable for our operations. However, some flora and fauna species, such as astragalus, iris, Jersey fern, the Syrian spadefoot, spur-thighed tortoise, and agamid lizard, may still be found in the area, and appropriate measures are taken so as not to disturb the habitat of these resident species.

We have identified the impact of our production processes on the IUCN Red List species as minimal, since no such species have been identified within or near the area of operations. In addition, as we use the waste and by-products of quarries in proximity (please refer to the Responsible Production section for more details), the rehabilitation of the region has in fact seen an improvement in recent years.

Re-cultivation of plants and the restoration of biodiversity of quarry regions after the extraction of limestone for extended periods is regarded as the backbone of our environmental strategy. We intend to set specific restoration plans and targets for all three of our quarries, even while they are still operational.

10.6 WASTE MANAGEMENT

Waste management at NORM is regulated by the Waste Management Procedures adopted in 2015. We are working to apply co-processing techniques and to reuse, recycle and minimize the waste derived from our operations.

There are two main categories of waste generated at our Company:

- Non-hazardous waste – this category includes waste types that are non-hazardous for public health and the environment. Two subcategories have been identified, namely those waste types that are suitable for recycling (e.g. paper, metals, wood, cardboard, plastic, polyethylene, etc.) and others (e.g. sewage water and administrative waste)

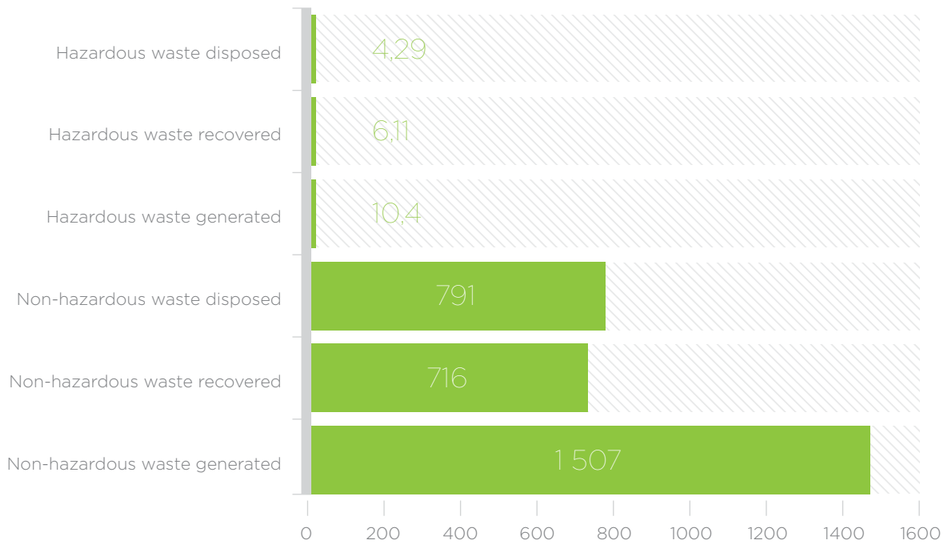
- Hazardous waste – this category includes waste types that are hazardous both for public health and the environment, with toxic, infectious, oxidizing or corrosive properties (luminescent lamps, utilized oil, waste tires, etc.)

Only the first waste category is submitted for recycling to third parties.

As can be seen from the **Figure 14**, a significant portion of the waste generated by NORM is non-hazardous. We disposed of almost all of our generated non-hazardous waste in 2016, however, starting from 2017, we have been exploring the market for third-party recycling companies (see page 124). Since then, around 40% of non-hazardous waste we generate has been recycled. 98% and 61% of hazardous waste was handed to third parties for recycling in 2017 and 2018, respectively, whereas all of our hazardous waste was disposed of in 2016.

Figure 14. Waste Management

Waste materials (ton), 2018



Future Outlook

At NORM, we are determined to understand and correctly assess our current and potential impact on the environment. To identify the different types of impact, we have collaborated with the Ministry of Ecology and Natural Resources of Azerbaijan to implement a Twinning Project, which aims to develop dispersion modelling of concentrations of our NO_x, SO_2 and PM emissions. The assessment will be conducted by the Finnish Meteorological Institute, covering a ten-kilometer radius taking into account the exact location of emissions, temperature of the smoke, distribution of particles and climate conditions of the area. The model will produce hourly, daily and annual data which will later be used to compare concentrations with local air quality guidelines and the EU's permissible concentration limits.

We are planning to acquire equipment in the near future to identify any deterioration in the filter bags, and hence to determine the time for replacement during the early stages, avoiding unnecessary dust emissions from the filters.

We acknowledge that, as a business entity, we will continue to have an impact on the environment, however, our primary goal is to reduce the impact to the greatest extent possible, including by combatting climate change, consuming natural resources responsibly, cutting our emissions and preserving the biodiversity neighboring our quarry and production facilities. To ensure long-term reduction in our GHG emissions, we are currently considering application of CCUS, a technology that enables CO_2 emissions capture at source and their further injection underground. We also study the viability of Limestone Calcined Clay Cement (LC3) production that is a new type of cement allowing up to 30% reductions in specific CO_2 emissions. Today, mentioned technologies are not economically viable for NORM, however we continue to follow up with technological advances and consider their application based on economic and technical viability.

NORM

RESPONSIBLE PRODUCTION

As the urbanization of the world's population continuously increases, so does the growth of the building materials sector. This demand growth also brings new challenges and untapped markets in the form of different cement products for a widening market. The question arises how not to compromise natural resources while meeting market demand and ensuring customer satisfaction. At NORM, we attempt to balance this by applying the principles of resource efficiency and the circular economy.

11.1 CUSTOMER FOCUS

Considering the buildings materials market is developing and competition is higher than ever for cement in Azerbaijan, customer satisfaction and the ability to compete on various non-price parameters are paramount for NORM to attract and retain key customers. Hence, we regularly engage with our customers through various tools to anticipate their needs by monitoring customer queries and complaints. The grievance mechanism is part of our proactive customer engagement and support policy. We continuously work to ensure transparency of the grievance mechanism, as it is one of our social impact mitigation barometers.

For this purpose, NORM utilizes a customer relationship management (CRM) system that streamlines sales, marketing and service for the benefit of the customer. Our CRM system covers the following services:

- Technical Support Service – to respond in a timely manner to any customer problems with cement quality;
- 927 Hotline – to handle incoming/outgoing calls;
- Marketing research – to monitor the quality of service based on key performance indicators.

Moreover, each customer can log in to NORM's E-commerce system, which has been designed to be easily accessible online 24/7, to track their orders, as well as to obtain general information through functions such as GPS tracking, reviewing order history and monitoring debt. In addition to the daily reports generated by NORM's sales representatives that cover all customer complaints, direct questions from customers are tracked through online Customer Complaint Software. After NORM had just launched production, most complaints were quality-related. However, our analysis, following response actions and commitment to continuous improvement, helped us to increase the quality of our cement.

As a result, quality-related issues have been reduced by 45% in the last four years and comprised only 38% of all grievances received in 2018.

Other complaints and issues were due to the consumer's lack of expertise or knowledge about the application of cement, clinker, plaster or mortar. To resolve these issues, we have ensured that our packaging provides step-by-step instructions and, most importantly, we have launched a Master's Club for the purpose of increasing end user knowledge on the smart and efficient use of cementitious products.

In 2018, 89% of the grievances received from our customers were identified as justified and positively resolved.

Figure 15. Number of grievances in 2016-2018[12]

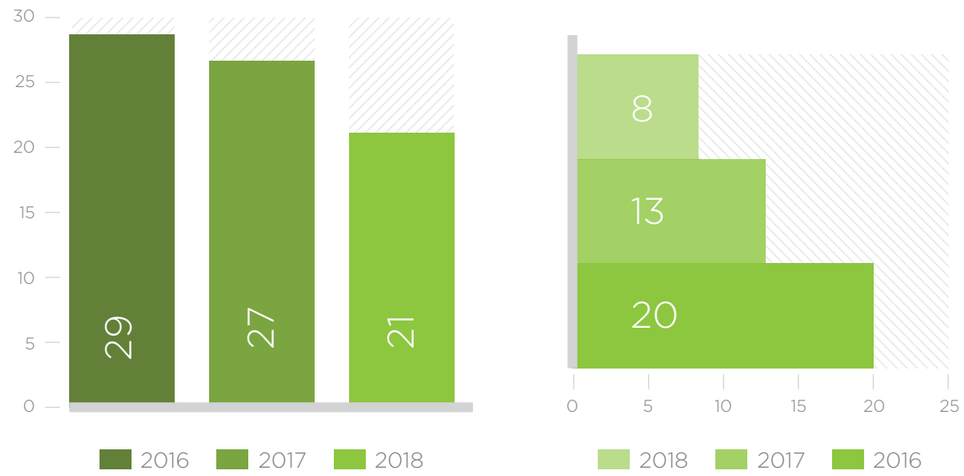
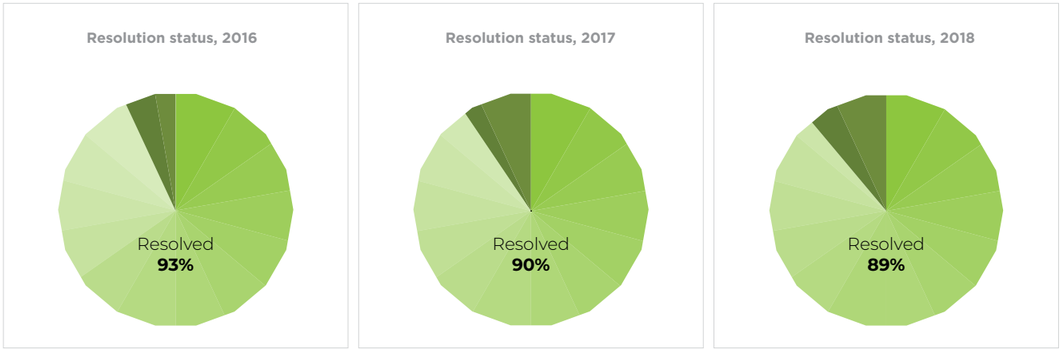
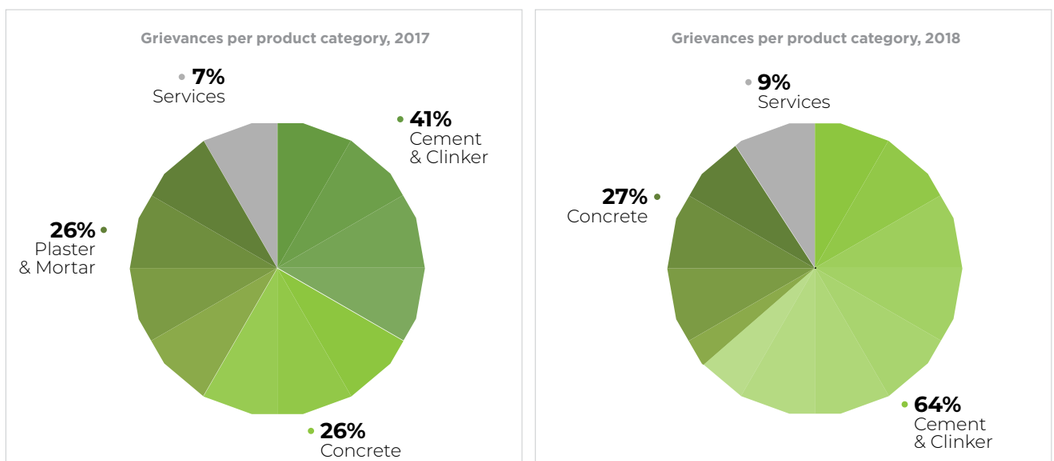


Figure 16. Resolution status of grievances, 2016-2018



[12] More detailed information on responsible production is provided in Responsible Production subsection of Performance Data section

Figure 17. Grievances per product category, 2017-2018[13]



To further review customer feedback, weekly sales meetings are held; in addition to sales meetings, logistics meetings are held to optimize joint measures for the benefit of both NORM and its customers. NORM also engages third parties to survey customers' and market players' satisfaction to understand how the market responds to its products and initiatives through a wide variety of categories, such as Quality of Electronic Services, Transport and Delivery Services, Technical Support, NORM Products, and Contact with a Representative. Overall customer satisfaction with NORM's products and services was 84.4% in 2018.

Table 28. Customer satisfaction with NORM

	2016	2017	2018
QUALITY OF ELECTRONIC SERVICES	n/a[14]	96.4%	86.6%
TRANSPORT AND DELIVERY SERVICES	83.3%	89.3%	85.8%
TECHNICAL SUPPORT	80.5%	82.6%	82.2%
NORM PRODUCTS	79.6%	79.5%	79.4%
CONTACT WITH A REPRESENTATIVE	83.3%	83.3%	86.0%
OVERALL SATISFACTION LEVEL	81.7%	85%	84.4%

[13] Comprehensive analysis of customer complaints was initiated in 2017. No complaints on Plaster & Mortar were filed in 2018

[14] Analysis of quality of electronic services provided by NORM has been initiated since 2017.

We regularly invite experts from other international companies to deliver consulting services to our customers, in particular, to those who require a special approach in terms of concrete composition.

Being committed to offering the best-quality products in the market to its customers, NORM, through its Technical Solution Team, comprised of concrete specialists, engineers and three laboratories, also provides its customers top-quality after-sales service for their ongoing needs.

NORM is considering to grow and transform the Technical Solution Team into an R&D Center to widen its product portfolio and improve service quality to respond to shifting customer demands and market forces.

11.2 RESEARCH AND DEVELOPMENT

Cement is an essential product for modern life and increased urbanization. While concrete has been in use for more than 150 years, shifts in market conditions and modern infrastructure requirements mean that R&D and innovation are essential for NORM to compete in a rapidly developing market.

One of the main areas in which NORM has started to work is the production of oil-well cement, which is in high demand in Azerbaijan and is currently imported. Procedures to obtain the American Petroleum Institute (API) Certification for Well Cement Manufacturing to become the first cement plant in Azerbaijan to do so have begun in order to reduce the burden on the Azerbaijani economy. NORM will continue to increase its value proposition to its customers by widening its product portfolio to better respond to changing market conditions.

11.3 MATERIALS USE AND CIRCULAR ECONOMY

Cement production requires high volumes of raw materials and fuel, mostly from fossil sources. However, it is also a sector with high potential for alternative raw materials and fuel substitution. The sector can utilize waste and by-products from building materials and construction sectors, as well as from many other sectors, such as oil and gas, iron and steel, chemicals, etc.

Our Company displays its commitment to the circular economy by repurposing and using by-products generated by other industries as production materials and, thereby, reducing the consumption of natural resources in our production process. We cooperate with several construction companies to purchase their building materials, including unused limestone that is by product generated from their operations, and some of the additives from the nearby quarries, which we then use in our operations. As we increase our total production, secondary limestone's share in our feedstock has also been increasing consistently. Since 2017, we increased our production and use of other industries' by-products and waste materials by 7% and 5%, respectively, and in 2018, proportion of raw materials obtained from secoundary materials accounted for almost 81.2% of our total raw material consumption. Waste iron ore and secondary limestone are obtained from quarries in Baku and Dashkasan. Along with the goal of positively contributing to Azerbaijan's economy not only through our products and services, but through the co-processing of waste, alternative materials and fuels, we are also planning a waste processing project to collect all sold cement bags and process them to use as raw materials, minimizing waste generated from our products.

Table 29. Materials used for cementitious production

Materials used for cementitious production	2018
RAW MATERIALS OBTAINED FROM SECONDARY MATERIALS[15] (%), INCLUDING	81.2
ALTERNATIVE RAW MATERIALS (%)	3.5
TOTAL RAW MATERIAL CONSUMPTION (TONS)	2,196,181
RAW MATERIALS OBTAINED FROM SECONDARY MATERIALS (TON), INCLUDING	1,784,292
ALTERNATIVE RAW MATERIALS (TONS)	76,130

[15] This indicator includes raw materials obtained from by-products of dimensional stone cutting companies as well as iron ore.

11.4 QUALITY ASSURANCE

High and stable product quality is very important to customers in an increasingly competitive environment. NORM ensures its products and services are consistently of the highest quality through its Quality Assurance/Quality Control (QA/QC) Department.

Two main parameters are monitored in cement production: chemical and physical. Therefore, NORM has decided to appoint two laboratories to monitor each parameter. The laboratories implement DIN EN 196 European Standard for testing cement. As the process begins with raw materials, the sample preparation technicians test material samples against supplier contracts to ensure that all raw material received is of the required quality. Clinker and cement samples from the production line are automatically collected every hour and sent to the chemical analysis laboratory, which operates 24/7.

DIN EN 197-1: European Standard on Composition, specifications and conformity criteria for common cements is the key quality standard to which NORM ensures its products conform. NORM's laboratories are audited and certified annually by VDZ, an internationally renowned scientific institute focusing on comprehensive service offerings in the field of cement. International inspection and certification agencies Bureau Veritas and SGS collect automated control samples every two months. During its annual audit, VDZ compares the test results from the samples collected by Bureau Veritas and SGS with NORM's own analysis. In addition to NORM's own laboratories, third-party laboratory analysis of production samples is also carried out upon customer request and in case of grievances.

Through its QA/QC operations, NORM has ensured that both its bagged and bulk products are of a high quality. Consistent quality of bulk products is especially important in the cement industry, as these products are used in large construction projects. Workability, strength and consistency of bulk cement is therefore extremely important to retain key clients. Improvements to one particular property of a cement may lead to weaknesses in others. NORM's QA/QC Department tests chemical mixtures and cement grinding aids of other large companies in the building materials sector and ensures the highest product quality, optimized for workability, strength and consistency.

Future Outlook

For us, one of the challenges to ensuring green cement production is the absence of alternative raw materials and fuel usage during the process. We aim to use alternative and renewable fuels and reduce natural gas application in production, as renewable energy sources can decrease the cost of production and reduce our negative impact on the environment. We actively collaborate with the business community and our peers to enhance the research and application of alternative fuels in our processes and to increase our contribution to the circular economy.

Moreover, we also aim to ensure the sustainability of our packaging and integrate the principles of Extended Producer Responsibility into our operations. In this context, we are considering strategies to encourage our customers to return cement bags and are currently negotiating with local companies for further recycling.

NORM

SUPPLY CHAIN

We consider managing the impacts of our supply chain as an integral part of our sustainability practices. At NORM, we ensure transparency and competitiveness of our supply chain and take appropriate measures to ensure that all activities in the supply chain are carried out in the most responsible way possible. Along with organizing cost-effective procurement processes, our top priority is making sure that every phase of our supply chain adds value for our end user – the customer – at the same time taking into consideration the environmental and social aspects relevant to the chain. We continuously work to use waste and by-products from other industries to reduce the extraction of natural resources.

Our supply chain is regulated through a number of internal procedures, including the Procurement Procedure, Tender Procedure, Inventory Management Procedure and Warehouse Management Procedure. Furthermore, our procurement practices are fully compliant with the Customs Code of the Azerbaijan Republic dated 24 June 2011 and WTO Incoterms rules 2010.

We are committed to embedding sustainability principles throughout our supply chain and we build relationships with suppliers compliant with our values and principles. To become our vendors, suppliers have to pass the prequalification process set up by our Tender Committee. The Tender Committee is composed of the CEO, the Chief Legal Officer, Financial Director, Commercial Director and Head of Production Unit. Purchase orders above AZN 20,000 need to be approved by the CEO. We announce tenders for orders exceeding AZN 100,000, and they have to be reviewed and approved by the Tender Committee.

Figure 18. Supplier and service provider selection criteria

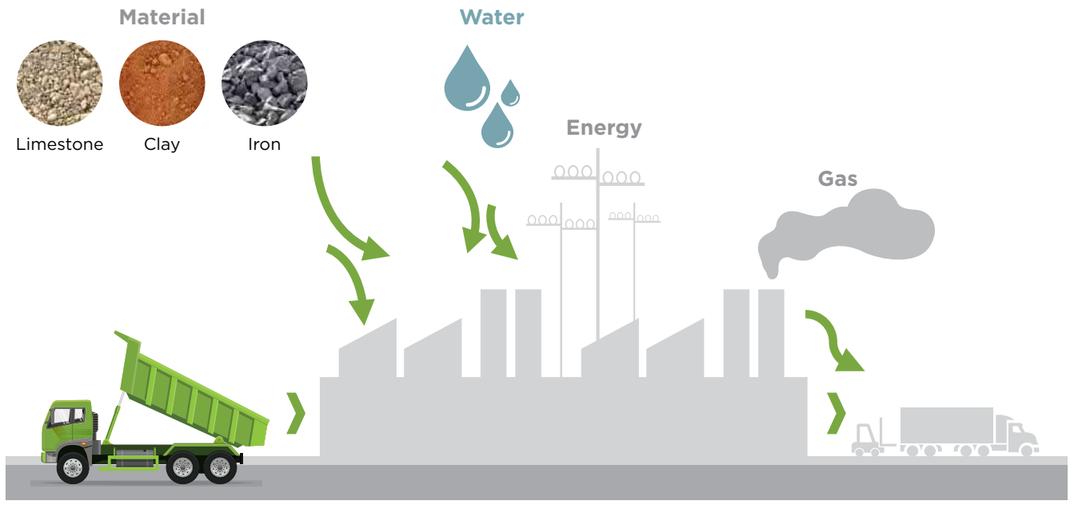
Moreover, we regularly apply Supplier Assessment Form that encompasses a wide range of issues, such as compliance with HSE rules and norms, general HSE performance, conformity to quality standards and other operational and technical matters against which each supplier is regularly assessed. Based on this procedure, we are able to understand the overall rating of each supplier as well as design and implement necessary mitigation measures to ensure ethics and effectiveness of our supply-chain.

12.1 OUR SUPPLY CHAIN

To carry out our operations more effectively, we have a network of 658 local and international suppliers and service providers. We treat our suppliers as the most important element of our value chain, supporting effective implementation of all our steps, from raw materials and production equipment supply to transportation services. We are proud that our cement production is sourced locally – 74% of the materials and services we use are supplied by local companies. We aim to reduce the proportion of imported materials, increase efficiency in construction and use more local materials.

Our international suppliers are mostly engaged in providing equipment required for analysis of our processes and cement/clinker quality. Physical and mechanical tests of cement and clinker are performed through devices produced by well-known European and American companies such as PANalytical (Netherlands), SIEBTECHNIK (Germany), Mettler Toledo (Switzerland), Toni Technik (Germany), RatioTEC (Germany), Memmert (Germany), Micromeritics (Germany), and Retsch (Germany) at the Test and Laboratory Analysis Laboratory. NORM plans to make a list of services, materials and equipment to be procured in the next 3-5 years upcoming years publicly available to stimulate the growth of local suppliers.

Figure 19. NORM's supply chain process



- Raw material supplies from quarries
- Transportation

- Water, energy and gas supply
- Maintenance, catering, and office services
- Construction services
- Laboratory services
- Spare parts and equipment

- Distribution networks of bulk and bag production
- Transportation services

In addition to raw materials, the main inputs of the cement production process include natural gas, electrical energy and water. The electric power supply of the plant is arranged from a 110 kW substation operated by the State via two 9 km transmission lines installed on a single pole. Water is obtained through an off-site pump station (two pumps, one in operation, and one in reserve) that transfers water from the state pipeline to the plant via a single 8 km local pipeline. Natural gas is supplied to the site by the state supplier and arranged via a single underground pipeline.

Table 30. Share of local suppliers at NORM

Share of local suppliers	2016	2017	2018
PERCENTAGE OF LOCAL SUPPLIERS/CONTRACTORS	75%	72%	74%
PERCENTAGE OF THE PROCUREMENT BUDGET THAT IS SPENT ON LOCAL SUPPLIERS/CONTRACTORS	61%	59%	68%

Table 31. NORM's supplier assessment

Supplier/contractor assessment	2016	2017	2018
TOTAL NUMBER OF SUPPLIERS/CONTRACTORS ASSESSED FOR THE QUALITY OF PRODUCTION AND PERFORMANCE	N/A[16]	44	57

Sales are performed both directly and via third-party distributors. At NORM, we nurture relationships with reliable distributors that reflect our principles when dealing with our customers.

Figure 20. Distributor selection – business and operational criteria

- Business age of the candidate
- Professional background of key executives
- Business and managerial stability
- Branch locations
- Number of active customer accounts
- Present territorial coverage
- Complementary manufacturer product lines represented
- Competitive product lines represented
- Product variables
- Service capabilities
- Knowledge of local market conditions
- Employee qualification
- Overall condition of facilities

[16] Evaluation of suppliers has been conducted since 2017.

With a strong procurement team and low purchase prices for most raw materials, we are competitively positioned in the market. However, there are several risks that we acknowledge and continuously monitor through our Business Continuity Plans. One of the major risks that we try to minimize through our joint efforts with other industry players is the limited local expertise of third parties in providing maintenance services for our production and laboratory equipment. To address this challenge, we cooperate with local research institutions and businesses to invest in building the capacity of local suppliers, including developing independent laboratories through partnering with the best field experts.

Future Outlook

One of the most complex and time consuming aspects of procurement is the collection of bids and management of negotiation process. Presently, we utilize conventional procurement means such as email and telephone correspondence or face-to-face meetings. Although these methods are deemed practical and productive, they are also associated with significant delays and high probability of errors or frauds. Furthermore, traditional procurement methods do not address such crucial issues as cost analysis, suppliers' performance evaluation or procurement strategy development. To address these issues, we are working to launch a new application which will facilitate the migration of all procurement processes into single electronic base and integrate sustainability into our supply chain. We are planning to use the following solutions for our procurement activities:

- Promena RFI & RFQ solutions which productively manage collection of all information and proposals from suppliers;
- Promena e-Auction solutions which enable suppliers to bid simultaneously, by organizing the e-bidding process.

In this regard, we plan to organize comprehensive training on application of new solutions for purchasing specialists and vendors aiming to encourage all suppliers to use this system when responding to our requests for proposal.

We expect that e-Sourcing, e-Auction and e-Procurement solutions will ensure labor and cost savings as well as better efficiency, transparency and risk management within our supply chain.

DID YOU KNOW?

Poor-quality of cement used in construction is one of the major reasons of fatal building collapse.*

* The Building and Roads Research Institute, 2017
* Business & Human Rights Resource Center, 2014

AT NORM

NORM acknowledges its responsibilities that it has to its customers. We work to ensure high quality of all cement types we produce as it is the only way to ensure customer loyalty and win the competitive edge. At NORM, we control the quality of production through Technical Solution Team, comprised of concrete specialists, engineers and two laboratories. We also provide top-quality after-sales service to meet customer needs on ongoing basis. Our certified laboratories regularly analyze and monitor chemical and physical parameters of the final production to guarantee our customers receive the product of a distinctive quality.

NORM

PERFORMANCE DATA

13.1 COMPANY PROFILE

Cement and clinker production	2016	2017	2018
CLINKER PRODUCTION	634,978	1,081,390	1,172,414
CEMENT PRODUCTION	919,948	1,218,019	1,302,438

13.2 FINANCIAL PERFORMANCE

Economic indicators, AZN	2016	2017	2018
ECONOMIC VALUE GENERATED	85,992,250	126,271,542	148,947,401
REVENUES	85,992,250	126,271,542	149,947,401
ECONOMIC VALUE DISTRIBUTED	(85,690,000)	(91,583,557)	(114,640,752)
OPERATING EXPENSES	(60,697,417)	(61,636,666)	(75,194,666)
SOCIAL EXPENSES	(8,602)	(146,318)	(257,749)
SALARY, BONUSES AND OTHER PAYMENTS TO EMPLOYEES	(10,129,089)	(12,106,347)	(12,185,910)
PAYMENTS TO THE STATE BUDGET, INCLUDING	(14,854,892)	(17,694,226)	(27,002,427)
PROPERTY TAX	(1,921,315)	(1,979,237)	(1,506,390)
WITHHOLDING TAX	(282,692)	(240,193)	(193,443)
LAND TAX	(187,685)	(196,763)	(192,610)
VAT CHARGES	(9,150,000)	(13,252,826)	(14,976,616)
22% SSPF CHARGES	(2,258,201)	(1,983,207)	(1,611,367)
INCOME TAX	(1,055,000)	(42,000)	(8,522,000)
ECONOMIC VALUE RETAINED	302,250	34,687,984	34,806,649

13.3 OUR PEOPLE

Total number of employees	2016		2017		2018	
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
TOTAL NUMBER OF EMPLOYEES BY GENDER	271	28	262	27	260	28
TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT	271	28	262	27	260	28
NUMBER OF PERMANENT EMPLOYEES	227	25	222	24	212	23
NUMBER OF TEMPORARY EMPLOYEES	44	3	40	3	48	5
TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT TYPE	271	28	262	27	260	28
NUMBER OF FULL-TIME EMPLOYEES	270	28	261	27	258	28
NUMBER OF PART-TIME EMPLOYEES	1	0	1	0	2	0

Number of employees by age and employee category	2016			2017			2018		
	Below 30	Between 30-50	Over 50	Below 30	Between 30-50	Over 50	Below 30	Between 30-50	Over 50
TOTAL NUMBER OF EMPLOYEES BY AGE, INCLUDING	155	135	9	133	150	6	108	171	9
EXECUTIVE POSITIONS	0	13	5	0	15	2	0	17	3
SPECIALIST POSITIONS	29	41	2	22	45	2	15	50	2
TECHNICIAN POSITIONS	19	17	0	17	17	0	15	18	0
OTHER (WORKERS)	107	64	2	94	73	2	78	86	4

Employee turnover rate	2016	2017	2018
EMPLOYEE TURNOVER RATE	20%	8%	6%

Senior management hired from the local community	2016	2017	2018
SHARE OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY, %	78%	88%	89%

Learning and Development	2016	2017	2018
TOTAL TRAINING HOURS BY TRAINING CATEGORY	4,347	7,194	6,520
SOFT SKILLS	892	56	742
OHS	2,262	2,362	1,176
SPECIALIST TRAINING	1,193	3,472	2,260
LANGUAGE		792	1,126
OTHER		512	1,216

Parental leave indicators	2016	2017	2018
TOTAL NUMBER OF EMPLOYEES THAT WERE ENTITLED TO PARENTAL LEAVE	7	8	2
TOTAL NUMBER OF EMPLOYEES THAT TOOK PARENTAL LEAVE	7	8	2
TOTAL NUMBER OF EMPLOYEES THAT RETURNED TO WORK IN THE REPORTING PERIOD AFTER PARENTAL LEAVE ENDED	1	6	0
TOTAL NUMBER OF EMPLOYEES THAT RETURNED TO WORK IN THE REPORTING PERIOD AFTER PARENTAL LEAVE ENDED AND WERE STILL EMPLOYED FOR 12 MONTHS AFTER THEIR RETURN TO WORK	1	6	0
RETURN TO WORK RATE OF EMPLOYEES THAT TOOK PARENTAL LEAVE	0.14	0.75	0

Labor practices grievance mechanisms	2016	2017	2018
NUMBER OF GRIEVANCES ABOUT LABOR PRACTICES RECEIVED	25	23	32
NUMBER OF GRIEVANCES ABOUT LABOR PRACTICES ADDRESSED	22	20	28
NUMBER OF GRIEVANCES ABOUT LABOR PRACTICES RESOLVED	20	19	28

Number of employees by category	2016		2017		2018	
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
TOTAL NUMBER OF EMPLOYEES BY GENDER AND EMPLOYEE CATEGORY	271	28	262	27	260	28
EXECUTIVE POSITIONS	17	1	16	1	19	1
SPECIALIST POSITIONS	55	17	53	16	50	17
TECHNICIAN POSITIONS	28	8	26	8	25	8
OTHER[17]	171	2	167	2	166	2

Number of employees by vulnerable groups	2016	2017	2018
TOTAL NUMBER OF EMPLOYEES BY VULNERABLE GROUPS,	15	16	18
DISABLED PEOPLE	1	2	4
INTERNALLY DISPLACED PEOPLE	14	14	14

Standard entry level wage by gender	2016			2017			2018		
	LOCAL MINIMUM WAGE	ENTRY LEVEL WAGE		LOCAL MINIMUM WAGE	ENTRY LEVEL WAGE		LOCAL MINIMUM WAGE	ENTRY LEVEL WAGE	
		MALE	FEMALE		MALE	FEMALE		MALE	FEMALE
RATIOS OF STANDARD ENTRY LEVEL WAGE[18] BY GENDER COMPARED TO LOCAL MINIMUM WAGE, AZN	105	580	567	105	577	638	135	698	696

[17] This category includes assistant and clerk positions.

[18] Full-time wages in the lowest employment category

Ratio of basic salary and remuneration of women to men	2016	2017	2018
EXECUTIVE POSITIONS	1	1	1
SPECIALIST POSITIONS[19]	0.7	0.7	0.7
TECHNICIAN POSITIONS	0.7	0.7	0.7
OTHER[20]	1	1	1

Number of hired and dismissed employees by age	2016			2017			2018		
	Below 30	Between 30-50	Over 50	Below 30	Between 30-50	Over 50	Below 30	Between 30-50	Over 50
NUMBER OF HIRED EMPLOYEES BY AGE	10	5	0	5	9	0	6	10	0
NUMBER OF DISMISSED EMPLOYEES BY AGE	7	26	10	6	13	5	7	10	0

13.4 HEALTH AND SAFETY

Health and safety indicators	2016	2017	2018
TOTAL NUMBER OF FATALITIES	0	0	0
TOTAL NUMBER OF INJURIES, INCLUDING	15	8	3
TOTAL LOST TIME INJURIES (LTI)	4	2	0
NUMBER OF DAYS LOST DUE TO OCCUPATIONAL DISEASES	0	0	0
NUMBER OF DAYS LOST DUE TO INJURY/ACCIDENT	40	30	0
LOST TIME INJURY RATE (PER 1,000,000 HOURS WORKED)	7.52	4.02	0
FATALITY RATE (PER 10,000 EMPLOYEES)	0	0	0
OCCUPATIONAL DISEASE RATE (PER 1,000,000 HOURS WORKED)	22	20	28
LOST DAYS RATE (PER 1,000,000 HOURS WORKED)	75.21	60.41	0
TOTAL INJURY FREQUENCY RATE (PER 1,000 EMPLOYEES)	50	27.68	10.45
LTI FREQUENCY RATE (PER 1,000 EMPLOYEES)	13.3	6.92	0
INJURY SEVERITY RATE (NUMBER OF WORKING DAYS LOST DUE TO INJURIES PER EACH ACCIDENT)	10	15	0

[19] This category includes chief specialists, supervisors, specialists and engineers. As the chief specialist positions are occupied by male employees, there is a sharp difference in the basic salary rate for male and female employees.

[20] This category includes assistant and clerk positions.

13.5 ENVIRONMENTAL MANAGEMENT

Clinker Factor of Cement Classes	2016	2017	2018
CLASS A	83.5%	75.3%	76.6%
CLASS B	72.3%	65.5%	64.7%
CLASS C	88.3%	88.7%	87.0%
AVERAGE CLINKER FACTOR	82.4%	78.6%	78.2%

CO_2 emissions during the reporting period	2016	2017	2018
TOTAL AMOUNT OF DIRECT CO_2 EMISSIONS (METRIC TONS / YEAR)	452,747	793,003	847,047
SPECIFIC DIRECT CO_2 EMISSIONS (KG / TON CEMENTITIOUS PRODUCTION)	599	572	569
TOTAL AMOUNT OF INDIRECT CO_2 EMISSIONS (METRIC TONS / YEAR)	58,742	72,740	76,427
SPECIFIC INDIRECT CO_2 EMISSIONS (KG / TON CEMENTITIOUS PRODUCTION)	76	53	51

Energy consumption	2016	2017	2018
TOTAL POWER CONSUMPTION, INCLUDING THERMAL AND ELECTRICAL (KWH)	97,903,080	121,232,760	127,378,020
SPECIFIC POWER CONSUMPTION (KWH/TON CEMENTITIOUS PRODUCTION)	107	87	85
TOTAL DIRECT ENERGY CONSUMPTION (THOUSAND GJ) USED FOR PRODUCTION PURPOSES	2,060	3,472	3,792
SPECIFIC DIRECT ENERGY CONSUMPTION[21] (GJ/TON CLINKER) INCLUDING ENERGY USED FOR PRODUCTION PURPOSES	3.2443	3.2109	3.2344
TOTAL CONVENTIONAL FUEL CONSUMPTION (TON), FOR ALL OPERATIONS	198,670	165,256	154,826
TOTAL NATURAL GAS CONSUMPTION (M^3), INCLUDING ENERGY USED FOR PRODUCTION OF CLINKER	59,786,328	99,268,438	107,774,443

[21] This indicator includes energy obtained from combustion of fuel and used for production of clinker

Air pollutants[22]	2016	2017	2018
Dust			
TOTAL DUST EMISSIONS, TON/YEAR	80	143	154
SPECIFIC EMISSIONS, G/TON CLINKER	130	132	131
NOx			
TOTAL EMISSIONS, TON/YEAR	611	1,117	1,089
SPECIFIC EMISSIONS, G/TON CLINKER	962	1,033	929
VOC/THC			
TOTAL EMISSIONS, KG/YEAR			594
SPECIFIC EMISSIONS, G/TON CLINKER			0.506
Hg			
TOTAL EMISSIONS, KG/YEAR			0.483
SPECIFIC EMISSIONS, MG/TON CLINKER			0.412
HM1			
TOTAL EMISSIONS, KG/YEAR			0.035
SPECIFIC EMISSIONS, MG/TONCLINKER			0.03
HM2			
TOTAL EMISSIONS, KG/YEAR			9.230
SPECIFIC EMISSIONS, MG/TON CLINKER			7.872

* HM1: Sum of Cd and Tl
* HM2: Sum of Sb, As, Pb, Cr, Co, Cu, Mn, Ni, V

Water consumption	2016	2017	2018
TOTAL WATER CONSUMPTION, THOUSAND M^3	121,100	104,020	92,890
SPECIFIC WATER CONSUMPTION, L/TON CEMENTITIOUS PRODUCTION	131,6	85,4	71.3

[22] Calculation and monitoring of VOC/THC, Hg,HM1 and HM2 was initiated in 2018.

Waste management	2016	2017	2018
WASTE MATERIALS (TONS)			
NON-HAZARDOUS WASTE GENERATED	1,292	1,602	1,507
NON-HAZARDOUS WASTE RECOVERED	1.9	644	716
NON-HAZARDOUS WASTE DISPOSED	1.291	958	791
HAZARDOUS WASTE GENERATED	1.23	5.91	10.4
HAZARDOUS WASTE RECOVERED	0	5.81	6.11
HAZARDOUS WASTE DISPOSED	1.23	0.1	4.29

13.6 RESPONSIBLE PRODUCTION

Materials used for cementitious production	2016	2017	2018
RAW MATERIALS OBTAINED FROM SECONDARY MATERIALS[23] (%), INCLUDING	69	82.4	81.2
ALTERNATIVE RAW MATERIALS (%)	4.3	3.2	3.5
TOTAL RAW MATERIAL CONSUMPTION (TONS)	1,133,464	2,056,142	2,196,181
RAW MATERIALS OBTAINED FROM SECONDARY MATERIALS (TON), INCLUDING	782,343	1,693,520	1,784,292
ALTERNATIVE RAW MATERIALS (TONS)	48,476	65,181	76,130

[23] This indicator includes raw materials obtained from from by-products of of dimensional stone cutting companies as well as irone ore.

13.7 SUPPLY CHAIN

Share of local suppliers	2016	2017	2018
TOTAL NUMBER OF SUPPLIERS	559	640	658
NUMBER OF LOCAL SUPPLIERS	420	462	488
NUMBER OF SUPPLIERS OF GOODS[24]	226	253	211
NUMBER OF SUPPLIERS OF SERVICES (CONTRACTORS)	194	209	277
TOTAL PROCUREMENT BUDGET, AZN	44,667,958	50,263,425	62,677,096
PROCUREMENT BUDGET THAT IS SPENT ON LOCAL SUPPLIERS/ CONTRACTORS, AZN	27,453,957	29,705,666	42,741,618
PERCENTAGE OF SUPPLIERS OF GOODS	54%	55%	43%
PERCENTAGE OF SUPPLIERS OF SERVICES (CONTRACTORS)	46%	45%	57%
PERCENTAGE OF LOCAL SUPPLIERS/CONTRACTORS	75%	72%	74%
PERCENTAGE OF THE PROCUREMENT BUDGET THAT IS SPENT ON LOCAL SUPPLIERS/CONTRACTORS	61%	59%	68%

Supplier/contractor assessment	2016	2017	2018
TOTAL NUMBER OF SUPPLIERS/CONTRACTORS ASSESSED FOR THE QUALITY OF PRODUCTION AND PERFORMANCE	N/A[25]	44	57

[24] Some suppliers (approx. 20) provided both products and services.

[25] Evaluation of suppliers has been conducted since 2017.

NORM

METHODOLOGY AND ASSUMPTIONS

NORM is committed to ensuring transparency when presenting its performance results and impact. In our Report, we have tried to provide accurate, clear, reliable, comparable and balanced information. The information we disclose in this Report covers all our operations and was collected via interviews, questionnaires and internal reports of NORM.
Given that this is the first Sustainability Report of NORM, some data was not available at this point as per GRI and GCCA reporting guidelines, but we are considering further developing our internal reporting system and including unavailable information in the next report.

14.1 METHODS OF DATA COLLECTION AND REPORTING METHODOLOGIES

Environmental performance indicators comply with the reporting guidelines of the Global Reporting Initiative (GRI) Standards and Global Cement and Concrete Association (GCCA) Sustainability Guidelines for monitoring and reporting.

The primary source for environmental data collection is NORM's internal reporting system. For 2018, measurements by AZECOLAB – an independent environmental study and lab analytical services provider – were taken into consideration for the calculation of several environmental parameters.

All active sites, including quarrying, manufacturing, and packaging, are regarded as eligible for inclusion in environmental reporting. The scope of this Report covers all processes at NORM between 2016 and 2018.

CO_2 and power: We follow the requirements, recommendations and guidance of GRI 302 Energy and GRI 305.1-305.5 Emissions Disclosure Standards, as well as GCCA Sustainability Guidelines for the monitoring and reporting of CO_2 emissions and Guidelines for co-processing fuels and raw materials for cement manufacturing. Based on the aforementioned standards, all historical emission and energy data has been recalculated to enable a feasible and effective comparison. The scope of GHG emissions and energy consumption covers all energy intense operations, indicating a measurable and accountable approach in 2017 and 2018. For GHG emissions in 2016, an additional amount of clinker – an intermediate product – was purchased to meet the demand of customers. Therefore, GHG emissions and energy consumption of that specific share have been excluded from the consolidation.

Emissions: We follow the requirements, recommendations and guidance of GRI 305.7 Emissions Disclosure Standard and GCCA Sustainability Guidelines for the monitoring and reporting of emissions to measure and indicate the significant air emissions for all of our active operational years. In 2016 and 2017, we continuously monitored dust and NOx emissions via our emission tracking system and included these parameters in the consolidation. Since 2018, we have been collaborating with AZECOLAB, which has tracked our specific and total VOC/THC and heavy metals (Hg, Cd, Tl, Sb, As, Pb, Cr, Co, Cu, Mn, Ni and V) emissions originating from the kiln unit.
Water: We follow the requirements, recommendations and guidance of GRI 303 Water Disclosure Standard as well as GCCA Sustainability Guidelines for the monitoring and reporting of water in

cement manufacturing to measure and indicate the water performance for all of our active operational years. We have classified our water consumption into three categories – production, irrigation and administrative – to enable the application of efficient monitoring and usage mechanisms. The coverage of water data is 100 percent.

Materials and waste: We follow the requirements, recommendations and guidance of GRI 301 Materials and GRI 306 Effluents and Waste Disclosure Standards to measure our material use and waste recycling performance. We have divided our produced waste materials into two categories, hazardous and non-hazardous, taking into consideration their environmental impact. This classification is particularly advantageous in determining disposal and recycling methods. Waste recycling is carried out by third parties, which is why we indicate the amount of handled/transported waste sent
for recovery. To convert the volume of household waste from cubic meters to tons, we use the average conversion coefficient 450.5 kg/m^3 based on the types of household waste generated.

Biodiversity and quarries: We follow the requirements, recommendations and guidance of GRI 304 Biodiversity Disclosure Standard to indicate the significant impact of our activities, products and services on biodiversity. Additionally, we apply the requirements contained in the country's laws and regulations. For the purpose of accountability, we have included the rehabilitation activities and plans in place for all of our quarries.

Health and safety
Our health and safety performance is in full compliance with the requirements, recommendations and guidance of GRI 403 Occupational Health and Safety (OHS), GRI 416 Customer Health and Safety Disclosure Standards, GCCA Sustainability Guidelines for the monitoring and reporting of safety as well as the legislative requirements of the country.

Health and Safety data is collected at the site level and further consolidated at the Company level and covers NORM's own operations. Health and safety data is compiled from NORM's internal reporting system and incident reports.

Social Indicators
Social performance indicators were collected referring to the 400 series of the GRI Standards. Data was consolidated from NORM's internal reporting system and covers all operations and business units of the Company. Moreover, the questionnaire on social performance includes questions on diversity, equal rights, employment, workforce development, benefits provided to employees as well as investments in the development of the local community. Information on complaints received from society and customers has been consolidated using both internal customer complaints software and reports from Business Insight. Data on suppliers and spending on suppliers is consolidated based on NORM's internal reporting system.

Future Outlook

We plan to continue issuing Sustainability reports on an annual basis and to expand the range and improve the quality of disclosed indicators as per GRI Standards and GCCA Guidelines.

NORM

GRI INDEX

GRI standards and indicators	Notes	Disclosure status and page reference
GRI 102: GENERAL DISCLOSURES		
Organizational profile		
102-1 Name of the organization		Covered, page 18
102-2 Activities, brands, products, and services		Covered, page 19
102-3 Location of headquarters		Covered, page 19
102-4 Location of operations		Covered, page 19
102-5 Ownership and legal form		Covered, page 18
102-6 Markets served		Covered, page 20
102-7 Scale of the organization		Covered, page 118-119
102-8 Information on employees and other workers		Partially covered, page 119
102-9 Supply chain		Covered, page 108-111
102-10 Significant changes to the organization and its supply chain		Covered, page 108-111
102-11 Precautionary Principle or approach	We apply the “precautionary approach” to our risk management system and follow this principle in producing our products.	Covered
102-12 External initiatives	Throughout the report	Partially covered
102-13 Membership of associations	We are members of the European Cement Research Academy, and we collaborate with the Turkish Cement Manufacturers Association.	Covered
Strategy		
102-14 Statement from senior decision-maker		Covered, page 4
102-15 Key impacts, risks, and opportunities		Covered, page 50
Ethics and integrity		
102-16 Values, principles, standards and norms of behavior		Covered, page 32
102-17 Mechanisms for advice and concerns about ethics	We do not have an established mechanism for seeking advice about ethical or lawful behavior, or organizational integrity, but the overall responsibility is assigned to line managers.	Covered
Governance		
102-18 Governance structure		Covered, page 31
102-19 Delegating authority		Not covered
102-20 Executive-level responsibility for economic, environmental, and social topics	The CEO is responsible for reviewing and approving economic, environmental and social targets, KPIs and action plans.	Covered
102-21 Consulting stakeholders on economic, environmental, and social topics	Consultations on environmental topics are held by the IMS & HSE department, on social topics - by the IMS & HSE, HR and Commercial Departments, and on economic topics - by the Finance Department.	Partially covered
102-22 Composition of the highest governance body and its committees		Not covered

GRI standards and indicators	Notes	Disclosure status and page reference
102-23 Chair of the highest governance body		Partially covered, page 31
102-24 Nominating and selecting the highest governance body	The CEO is appointed by the BoD of NORM LLC.	Covered
102-25 Conflicts of interest	Conflicts of interest arising from related-party transactions are disclosed in accordance with the Civil Code of the Republic of Azerbaijan. Other issues are partially covered in the Code of Ethics.	Partially covered
102-26 Role of the highest governance body in setting purpose, value, and strategy	The CEO and BoD approve the organization’s purpose, vision and mission statements, strategies, policies, and goals related to economic, environmental, and social topics.	Covered
102-27 Collective knowledge of highest governance body		Covered, page 31
102-28 Evaluating the highest governance body’s performance	The BoD of NORM assesses NORM’s top management performance on a variety of issues, including environmental, social and economic performance, based on reports received by the different departments.	Covered
102-29 Identifying and managing economic, environmental, and social impact		Covered, page 28-30
102-30 Effectiveness of risk management processes		Covered, page 50
102-31 Review of economic, environmental, and social topics		Covered, page 28-30
102-32 Highest governance body’s role in sustainability reporting	The CEO reviews and approves the organization’s sustainability report and ensures that all material topics are covered.	Covered
102-33 Communicating critical concerns		Covered, page 10-11
102-34 Nature and total number of critical concerns		Not covered
102-35 Remuneration policies	The policy and system are currently being developed by Korn Ferry. We expect the project to be finalized by the end of this year. We will provide complete information in our next sustainability report	Not covered
102-36 Process for determining remuneration	The same with 102-35	Not covered
102-37 Stakeholders’ involvement in remuneration	Investors have the opportunity to share their point of view regarding remuneration for NORM executives during the Annual Shareholders Meeting. Compensation is agreed through this feedback.	Covered
102-38 Annual total compensation ratio	The ratio of annual total compensation for NORM’s highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual) in 2018 was 14%. This data was not reported in 2016 and 2017.	Covered
102-39 Percentage increase in annual total compensation ratio	Due to the fact that the annual total compensation ratio has been calculated starting from 2018, we’re unable to present this information. However, we will provide this information in our next sustainability reports	Covered
Stakeholder engagement		
102-40 List of stakeholder groups		Covered, page 11
102-41 Collective bargaining agreements	Employees are not covered by any bargaining agreements.	Not Covered

GRI standards and indicators	Notes	Disclosure status and page reference
102-42 Identifying and selecting stakeholders	We do not have a formal stakeholder engagement model, but we are considering the development of formal mechanisms in the near future. We will provide information in our next sustainability reports.	Not Covered
102-43 Approach to stakeholder engagement		Covered, page 11
102-44 Key topics and concerns raised		Covered, page 10-11
Reporting practice		
102-45 Entities included in the consolidated financial statements		Covered, page 118
102-46 Defining report content and topic Boundaries		Covered, page 8-10
102-47 List of material topics		Covered, page 10
102-48 Restatements of information	No restatements were made as this is the first Sustainable Development Report of the Company.	Covered
102-49 Changes in reporting	There are no significant changes as this is the first Sustainable Development Report of the Company.	Covered
102-50 Reporting period		Covered, page 8
102-51 Date of most recent report		Covered, page 8
102-52 Reporting cycle		Covered, page 8
102-53 Contact point for questions regarding the report		Covered, page 142
102-54 Claims of reporting in accordance with GRI Standards	We referred to the GRI Standards 'Core' option	Covered
102-55 GRI content index		Covered, page 130-140
102-56 External assurance	No external assurance provider was engaged as this is the first sustainability report. We will arrange third-party assurance for our next reports	Covered
GRI 103: MANAGEMENT APPROACH		
103-1 Explanation of the material topic and its Boundary		Covered page 8-11
103-2 The management approach and its components		Covered page 28-31
103-3 Evaluation of the management approach		Covered page 28-31
GRI 201: ECONOMIC PERFORMANCE		
201-1 Direct economic value generated and distributed		Covered, page 118
201-2 Financial implications and other risks and opportunities due to climate change	Currently we do not conduct such analysis. However, some of the climate-change related risks are covered in our BCM.	Not covered

GRI standards and indicators	Notes	Disclosure status and page reference
201-3 Defined benefit plan obligations and other retirement plans	Parental leave and retirement plans are applied according to the Labor Code of the Republic of Azerbaijan. Payments to the State Social Protection Fund (SSPF) are regulated by the Labor Code of the Republic of Azerbaijan. The Company pays SSPF a mandatory state social insurance fee of 22% of the labor payment fund.	Covered
201-4 Financial assistance received from the government	No financial assistance was received from the government during the reporting period.	Covered
GRI 202: MARKET PRESENCE		
202-1 Ratios of standard entry level wage by gender compared to local minimum wage		Covered, page 119
202-2 Proportion of senior management hired from the local community		Covered, page 61
GRI 203: INDIRECT ECONOMIC IMPACTS		
203-1 Infrastructure investments and services supported		Covered, page 118
203-2 Significant indirect economic impacts	Our positive indirect impacts include supporting jobs, enhancing the knowledge and skills of our employees, and use of products and services from local suppliers.	Covered
GRI 204: PROCUREMENT PRACTICES		
204-1 Proportion of spending on local suppliers		Covered, page 112
GRI 205: ANTI-CORRUPTION		
205-1 Operations assessed for risks related to corruption		Not covered
205-2 Communication and training about anti-corruption policies and procedures		Covered, page 44
205-3 Confirmed incidents of corruption and actions taken	No such incidents occurred during the reporting period.	Covered
GRI 206: ANTI-COMPETITIVE BEHAVIOR		
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No such incidents occurred during the reporting period.	Covered
GRI 301: MATERIALS		
301-1 Materials used by weight or volume		Covered, page 106-107

GRI standards and indicators	Notes	Disclosure status and page reference
301-2 Recycled input materials used		Covered, page 106-107
301-3 Reclaimed products and their packaging materials		Not covered
GRI 302: ENERGY		
302-1 Energy consumption within the organization		Covered, page 92
302-2 Energy consumption outside of the organization		Not covered
302-3 Energy intensity		Covered, page 122
302-4 Reduction of energy consumption		Covered, page 123
302-5 Reductions in energy requirements of products and services		Not covered
GRI 303: WATER		
303-1 Water withdrawal by source	Water consumed by NORM is mostly obtained from the water supply network.	Covered
303-2 Water sources significantly affected by withdrawal of water	The water is provided by the municipal water supplier and no water sources have been significantly affected by any withdrawal of water.	Covered
303-3 Water recycled and reused	No water is recycled or reused at NORM.	Covered
GRI 304: BIODIVERSITY		
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Covered, page 97
304-2 Significant impacts of activities, products, and services on biodiversity		Covered, page 97
304-3 Habitats protected or restored		Covered, page 97
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		Covered, page 97
GRI 305: EMISSIONS		
305-1 Direct (Scope 1) GHG emissions		Covered, page 92-93
305-2 Energy indirect (Scope 2) GHG emissions		Covered, page 92-93
305-3 Other indirect (Scope 3) GHG emissions		Not covered
305-4 GHG emissions intensity		Covered, page 92-93
305-5 Reduction of GHG emissions		Covered, page 92-93

GRI standards and indicators	Notes	Disclosure status and page reference
305-6 Emissions of ozone-depleting substances (ODS)		Not applicable
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		Covered, page 122
GRI 306: EFFLUENTS AND WASTE		
306-1 Water discharge by quality and destination	Treated household water is discharged to the land, and no untreated water is discharged to the land.	Partially covered
306-2 Waste by type and disposal method		Covered, page 98-99
306-3 Significant spills	No significant spills were recorded during the reporting period.	Covered
306-4 Transport of hazardous waste		Covered, page 98-99
306-5 Water bodies affected by water discharges and/or runoff	No water bodies were affected by water discharges for various purposes of our operations during the reporting period.	Covered
GRI 307: ENVIRONMENTAL COMPLIANCE		
307-1 Non-compliance with environmental laws and regulations	We have not identified any non-compliance with environmental laws and/or regulations	Covered
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT		
308-1 New suppliers that were screened using environmental criteria	All new suppliers are screened using environmental criteria.	Covered
308-2 Negative environmental impacts in the supply chain and actions taken		Not covered
GRI 401: EMPLOYMENT		
401-1 New employee hires and employee turnover		Covered, page 61
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees		Covered, page 60-67
401-3 Parental leave		Covered, page 60-67
GRI 402: LABOR/ MANAGEMENT RELATIONS		
402-1 Minimum notice periods regarding operational changes	We adhere to the Labor Code of the Republic of Azerbaijan.	Covered

GRI standards and indicators	Notes	Disclosure status and page reference
GRI 403: OCCUPATIONAL HEALTH AND SAFETY		
403-1 Workers representation in formal joint management-worker health and safety committees	This is under the control of IMS Manager and the CEO.	Covered
403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		Covered, page 121
403-3 Workers with high incidence or high risk of diseases related to their occupation		Covered, page 121
403-4 Health and safety topics covered in formal agreements with trade unions		Not covered
GRI 404: TRAINING AND EDUCATION		
404-1 Average hours of training per year per employee		Partially covered, page 62-66
404-2 Programs for upgrading employee skills and transition assistance programs		Covered, page 62-66
404-3 Percentage of employees receiving regular performance and career development reviews	All of our employees received a regular performance and career development review through our Grading and Performance Assessment System review during the reporting period.	Covered
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY		
405-1 Diversity of governance bodies and employees		Not covered
405-2 Ratio of basic salary and remuneration of women to men		Covered, page 68
GRI 406: NON-DISCRIMINATION		
406-1 Incidents of discrimination and corrective actions taken	We did not identify any incidents of discrimination during the reporting period.	Covered
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	No operations or suppliers in which the right to freedom of association and collective bargaining may be at risk were identified during the reporting period.	Covered

GRI standards and indicators	Notes	Disclosure status and page reference
GRI 408: CHILD LABOR		
408-1 Operations and suppliers at significant risk for incidents of child labor	No incidents of child labor were identified during the reporting period.	Covered
GRI 409: FORCED OR COMPULSORY LABOR		
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	No incidents of forced or compulsory labour were identified during the reporting period.	Covered
GRI 410: SECURITY PRACTICES		
410-1 Security personnel trained in human rights policies or procedures	No security personnel have received training in human rights policies or procedures.	Covered
GRI 411: RIGHTS OF INDIGENOUS PEOPLES		
411-1 Incidents of violations involving rights of indigenous peoples		Not applicable
GRI 412: HUMAN RIGHTS ASSESSMENT		
412-1 Operations that have been subject to human rights reviews or impact assessments	Although we do not have a stand-alone policy for Human Rights, we take them into account throughout all our operations.	Partially covered
412-2 Employee training on human rights policies or procedures	Although we do not have a stand-alone policy for Human Rights, all our employees receive an induction on Human Rights	Covered
412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	No significant investment agreements subject to close human rights monitoring were signed during the reporting period.	Covered
GRI 413: LOCAL COMMUNITIES		
413-1 Operations with local community engagement, impact assessments, and development programs		Covered, page 70-75
413-2 Operations with significant actual and potential negative impacts on local communities	There were no operations with significant negative impacts on local communities during the reporting period.	Covered
GRI 414: SUPPLIER SOCIAL ASSESSMENT		
414-1 New suppliers that were screened using social criteria	All of our new suppliers are screened using social criteria covered in supplier contracts.	Covered

GRI standards and indicators	Notes	Disclosure status and page reference
414-2 Negative social impacts in the supply chain and actions taken	We did not identify any negative social impacts in our supply chain during the reporting period.	Covered
GRI 415: PUBLIC POLICY		
415-1 Political contributions		Covered, page 118
GRI 416: CUSTOMER HEALTH AND SAFETY		
416-1 Assessment of the health and safety impacts of product and service categories		Covered, page 102-105
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	We have not identified any non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services.	Covered
GRI 417: MARKETING AND LABELING		
417-1 Requirements for product and service information and labeling	All products go through regular quality assurance procedures. For packaging, we partner only with the best suppliers to be in compliance with quality standards on packaging. Labeling is aligned with EN 197-1:2000 and AZS 411:2010.	Covered
417-2 Incidents of non-compliance concerning product and service information and labeling	We have not identified any non-compliance with regulations and/or voluntary codes concerning product and service information and labeling.	Covered
417-3 Incidents of non-compliance concerning marketing communications	We have not identified any non-compliance with regulations and/or voluntary codes concerning marketing communications.	Covered
GRI 418: CUSTOMER PRIVACY		
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	No breaches of customer privacy were identified during the reporting period	Covered
GRI 419: SOCIOECONOMIC COMPLIANCE		
419-1 Non-compliance with laws and regulations in the social and economic area	We have not identified any non-compliance with socio-economic laws and/or regulations.	Covered

NORM

CONTACT DETAILS

Given that this is the first Sustainable Development Report of NORM, we assume that there will most probably be recommendations and comments from our stakeholders. We are open to any suggestions and appreciate significant input that would help improve our Report and performance.

Contact person for suggestions/feedback on our report:

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