

2019

NORM Cement

SUSTAINABILITY
REPORT





SUSTAINABILITY REPORT

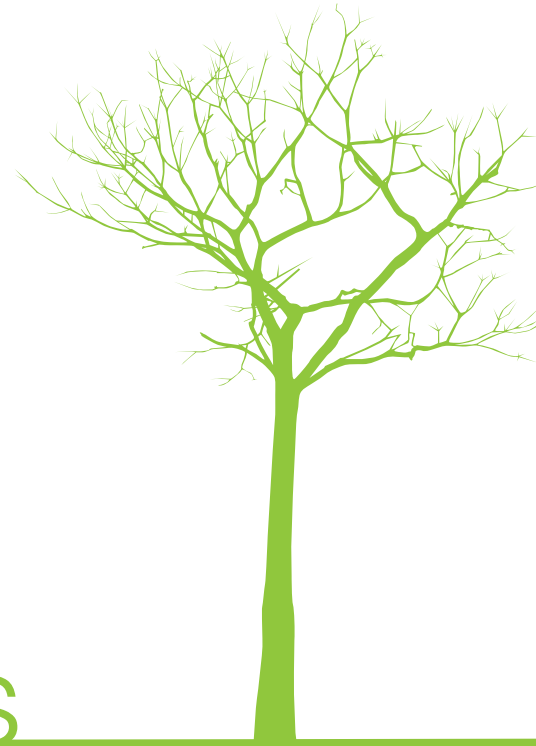


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1. CEO MESSAGE

1. CEO's message to our stakeholders



CEO'S MESSAGE TO OUR STAKEHOLDERS

In 2019, Norm preserved its position as a leader in cement production in Azerbaijan. At the same time, we continued to acknowledge the responsibilities associated with this unique position to contribute to the development of the country's economy.

We are seeing today the positive results of the series of major strategic decisions we have made since 2017 on our business. During the current year, Norm experienced a flattening in sales following growth in prior two years. Vertical integration and portfolio diversification continues to be central elements of our growth strategy. With this in mind, we continued preparations to receive certification of the American Petroleum Institute (API) for Well Cement Manufacturing, and we expect to receive API Spec Q1 by the end of 2020. Moreover, we plan to finalize the construction of a new Silo in 2020 that will produce oil well cement and other low clinker factor cement products.

We understand that cement manufacturing may have negative impacts on the local environment. Major sources of CO₂ emis-

sions in cement industry are calcination of limestone and production of clinker. Currently, 94% of the limestone we use in our production is not virgin limestone, but by-products from the nearby dimensional stonecutting quarries. As of 2019, in CO₂ emissions, we have achieved 4.9% decrease since our base year 2014 as the result of the initiatives to decrease our clinker factor. Moreover, we are happy to beat our short-term targets published in our first Sustainability Report regarding NO_x and Dust emissions per ton of clinker.

To further decrease our negative environmental impact, we plan to increase the usage of alternative fuels in our production process, as there is significant potential for this in Azerbaijan. We have already prepared a technical concept researching alternative fuel options in the local market and are planning to start the implementation process in the upcoming years.

At Norm, we are dedicated to achieving the highest safety standards by building a "Zero harm culture". Despite notable reduction in injury cases during last few years, 1 Lost Time Injury (LTI) was recorded in 2019. We are committed to making continuous efforts to prevent similar cases in future.

We wholeheartedly support the initiatives of the Government of Azerbaijan to achieve the UN SDGs. Specifically we participate in the provision of vocational trainings as a support to achieve them. In that sense, our Master's club with more than 5,000 active members, plays a significant role in increasing work-related knowledge, technical skills and employment opportunities of local masters.

Our sustainability report is a logical continuation of our vision to build an honest and transparent dialogue with our stakeholders. We hope to continue creating a sustainable value and achieving growth with the cooperation of our employees, customers and business partners.

Chief Executive Officer
Henning Sasse

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2. ABOUT THE REPORT

- 2.1. Report profile
- 2.2. Stakeholder engagement
- 2.3. Materiality assessment

2.1. Sustainability approach

This is Norm's second Sustainability Report (the Report), which deals with the 2019 financial year and runs from 1 January to 31 December. In this publication, we explain how the company is fulfilling its economic, environmental, and social responsibilities, and we report on the progress we have made in 2019. The key facts included in this report correspond to those in the financial statements.

The key objective of producing this report is to ensure accountability and transparency for our stakeholders. Our report was prepared taking into account the "Core" option of the Global Reporting Initiative (GRI) Standards, as well as the Guidelines of the Global Cement and Concrete Association (GCCA).

When deciding on the most important sustainability themes for the articles in our report, we were guided by the GRI principles (materiality, stakeholder inclusiveness, sustainability context, completeness). We continuously attempt to refine our reporting processes in line with these standards.

The Report is divided into 14 sections and provides information about our Company, its scope of operations, the achievements and challenges, as well as the 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. Stakeholder engagement

At Norm Open Joint-Stock Company (hereafter Norm), we understand that maintaining good cooperative relationships with our stakeholders plays an essential role in achieving long-term sustainable growth. Therefore, it is our priority to build trustworthiness and transparent dialogue with all such relevant groups.

As part of our stakeholder engagement process, which forms a basis for our materiality analysis, we continuously engage with multiple stakeholders and use different engagement methods depending on the identified stakeholder expectations. The table 1 shows our key stakeholder groups, engagement channels, and the main issues we engage on.

Table 1. Stakeholder engagement

Stakeholders	How we engage	Issues we engage on
<p>● Employees</p>	<ul style="list-style-type: none"> • Team meetings • Performance assessment and objective setting • Development programs • Training • Events • Communication of internal changes and policies 	<ul style="list-style-type: none"> • Opportunity for career development • Health and safety at work • Information provision and transparency • Skills and competence building • Team-building • Diversity and inclusiveness
<p>● Customers and the broader community</p>	<ul style="list-style-type: none"> • Community development programs • Grievance mechanism 	<ul style="list-style-type: none"> • Satisfaction of customers' needs • Support for local communities • Promotion of mutual trust and transparency

	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Promotion of sustainability principles
● Peers and industry experts	<ul style="list-style-type: none"> • Industry collaboration initiatives, i.e. Turkish Cement Manufacturers Association, European Cement Association, etc. 	<ul style="list-style-type: none"> • Shared solution for common challenges • Industry synergies
● Academia	<ul style="list-style-type: none"> • Internships • Joint projects • Cooperation in research (e.g. cooperation with VDZ - German Research Institute) • Conferences 	<ul style="list-style-type: none"> • Hands-on experience for graduates • Shared solutions for common challenges • Industry synergies
● Suppliers and contractors	<ul style="list-style-type: none"> • Training for local suppliers • Supplier assessment procedures 	<ul style="list-style-type: none"> • Enhanced effectiveness and quality throughout the value chain • Opportunities for local suppliers • Industry synergies • Compliance with standards and best practices and prevention of anti-bribery & corruption risk exposure
● Government	<ul style="list-style-type: none"> • Public meetings • Site visits • Regular reporting to government institutions 	<ul style="list-style-type: none"> • Promotion of transparency and mutual trust • Partnerships with local and national governments
● Shareholders	<ul style="list-style-type: none"> • Shareholder meetings • Financial reports • Sustainability report 	<ul style="list-style-type: none"> • Shareholder value and transparency • Having in place proper controls, governance and risk management processes
● Media	<ul style="list-style-type: none"> • Press releases 	<ul style="list-style-type: none"> • Transparency for all stakeholders • Communication of major achievements
● NGOs	<ul style="list-style-type: none"> • Public consultation • Charity activities 	<ul style="list-style-type: none"> • Participatory dialogue • Support for local communities

2.3. Materiality assessment

Alongside our usual business risk management processes, we conducted material issue review to ensure the correct prioritization of sustainability risks, as well as opportunities. Our Integrated Management Sys-

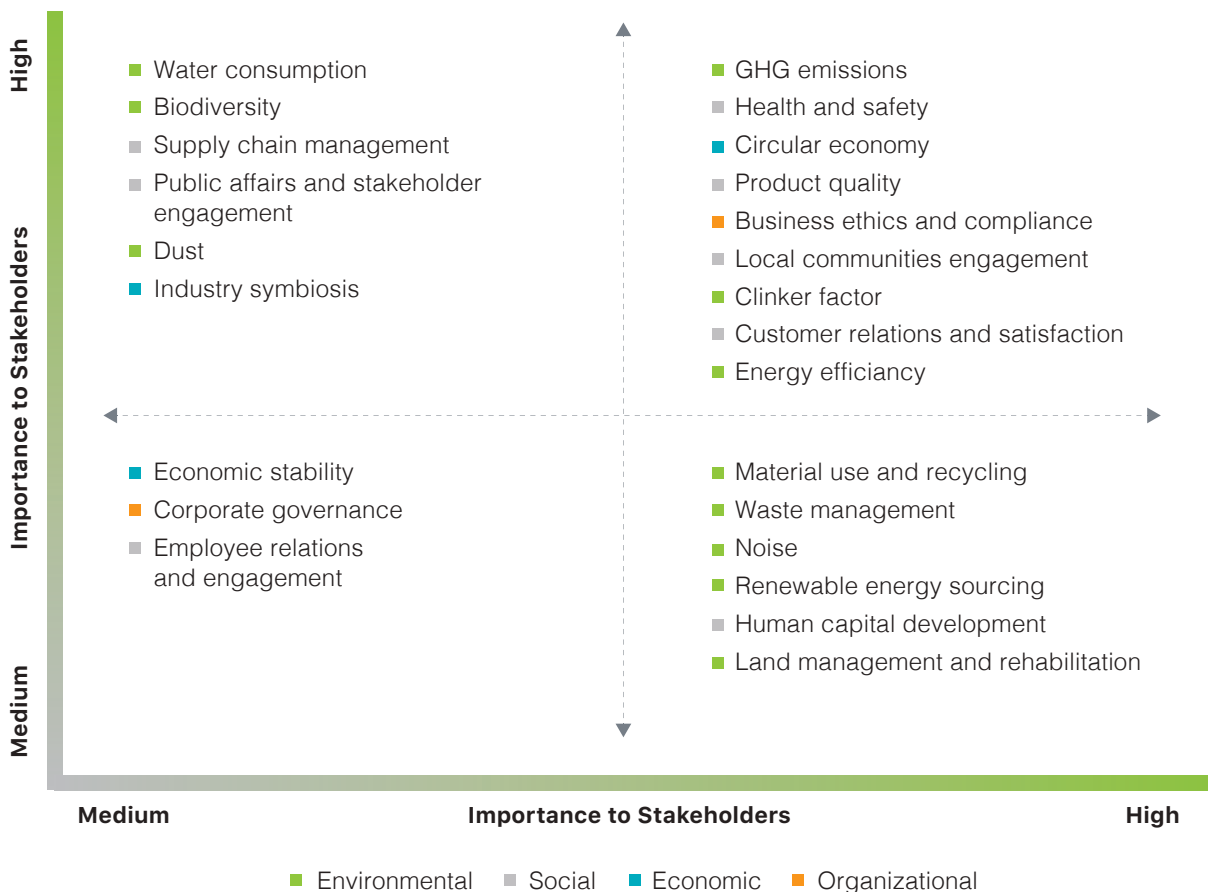
tems (IMS) and Health, Safety and Environmental (HSE) departments checked the relevance of the material issues identified in the prior year by:

- 1 Performing the analysis on the outcomes of the stakeholder engagement procedures;
- 2 Performing the research on best industry practices and peers;
- 3 Reviewing global trends, media publications, the GRI and the GCCA recommendations.

This review process resulted in 24 action areas relevant to the social, economic and environmental impact of our business activity. We then drew up an analysis from a stakeholder, as well as the company perspective, which resulted in an updated materiality matrix in Figure 1. The main difference from the prior year is that, in line with the

global best practices, we report only the list of material issues that are of either medium or high significance. For the upcoming years, we plan to focus on our impact on the issues that are significant to both company and stakeholders, while monitoring and maintaining our impact on the remaining issues reflected in the materiality matrix.

Figure 1. Materiality matrix



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3. COMPANY PROFILE

- 3.1. Major events of the year
- 3.2. Company portrait
- 3.3. Value chain

3.1. Major events of the year

Norm was established in Baku in 2006 and its operations take place mainly within the territory of the Azerbaijan Republic. Today, Norm, despite being a privately owned relatively small company in the global industry, remains to be one of the leaders of the cement industry in Azerbaijan and in the

South Caucasus region. Since entering the market in 2013, we have been actively participating in significant projects and continuously transforming & developing our business, as well as our image. In this respect, the year 2019 was not an exception and included following milestones:

- 1 Norm Cement organized first International Concrete Conference in the country in June, 2019;
- 2 Norm started construction of a new Silo, which will be used in the production of oil well cement and other new products;
- 3 The Norm Masters Club was awarded with National CSR Project award of 2019.

3.2. Company portrait

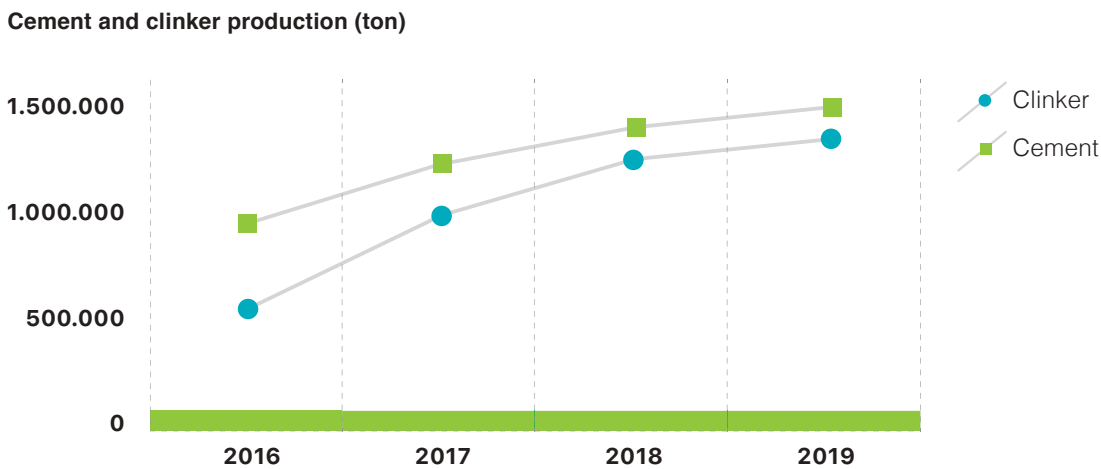
Today at Norm, we seek to be at the forefront of innovation and production in the cement industry. As the largest cement plant both in Azerbaijan and the South Caucasus region, we have increased our production capacity to 5,300 tons of clinker per day and 2.1 million tons of cement per year.

excellent performance property designed for mainly High Strength and High Performance Concrete (HSC and HPC) applications. Main benefit of our newly produced product is its cost effectiveness, as comparatively less cement is required per m3 of concrete than with lower strength cements.

We offer three types of bagged cement and three types of bulk cement products based on customer needs. In 2019 we introduced new bulk cement product - CLASS 1 CEM I 52.5 N, which is Portland cement with

In 2019, the increasing trend in our cement and clinker production continued. Production of cement experienced 5% increase, whereas clinker production went up by 4%.

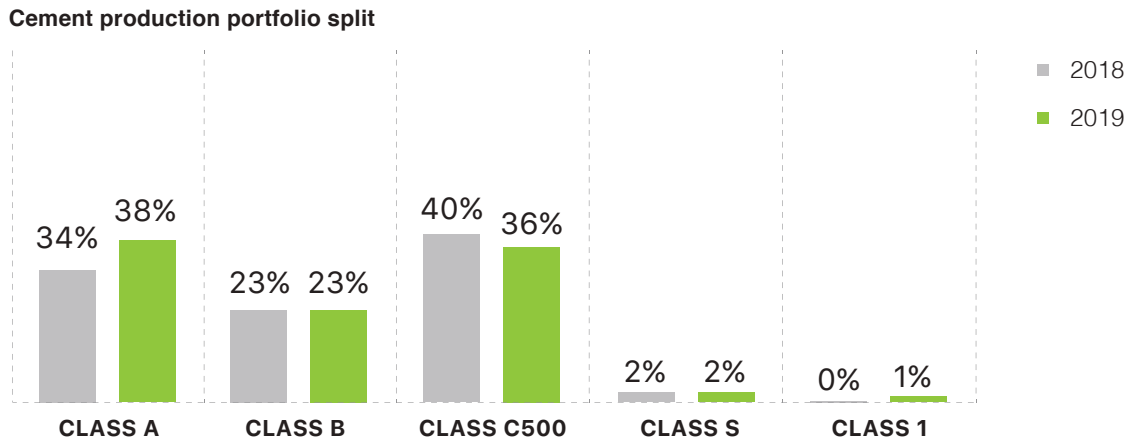
Figure 2. Trend of cement and clinker production



During the current year, the largest share of cement production fell on Class A cement (38% of all production). Production of Class A cement has seen a boost from previous

year due to higher demand (up by 4%). Newly introduced Class 1 cement contributed to 1% of overall production.

Figure 3. Cement production portfolio split by main classes

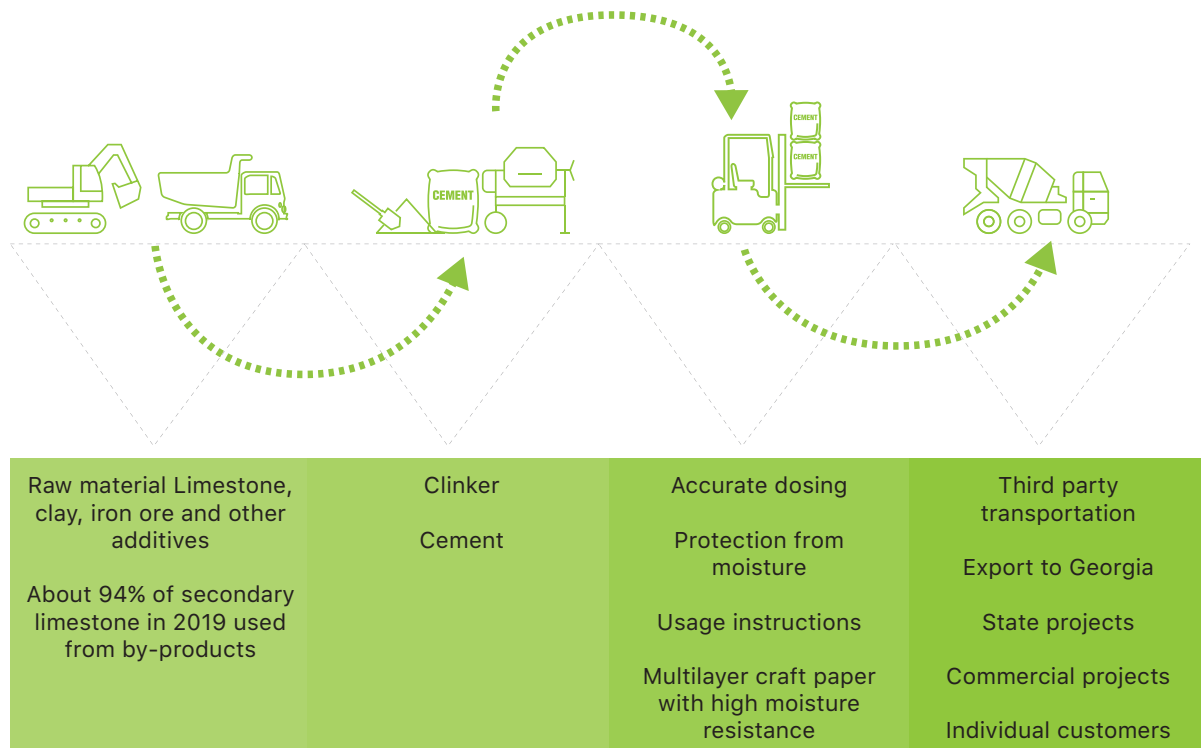


3.3. Value chain

We seek to enhance the positive effect of each element in our value chain for our stakeholders. In order to reduce negative impacts and avoid unnecessary shut-downs of the production just as in the

previous years we have kept all operations throughout the value chain under constant control. In 2019, we conducted value chain analysis to monitor the effectiveness of our value chain management.

Figure 4. Value chain



For each element of the value chain, research and development is conducted to ensure optimization, reduce negative effects and ensure sustainable production. The aim of our research activities is

to provide customers with innovative products and to minimize energy consumption and CO2 emissions by improving processes and creating new formulations.

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4. SUSTAINABILITY APPROACH

- 4.1. Management structure
- 4.2. Our vision, mission and governing values
- 4.3. Contribution to the UN Sustainable Development goals
- 4.4. Goals and key indicators

4. Sustainability approach

As one of the biggest players in Azerbaijan's cement industry, our contribution to the buildings and infrastructure plays a significant role in the country's economic development. However, due to nature of the industry that we operate in, this contribution comes at the expense of environmental challenges. According to different independent stakeholders,

cement manufacture is responsible for between 5%-8% of global GHG emissions. This fact makes sustainability a very sensitive, as well as a very significant topic for us. Therefore, developing solutions for sustainable properties and incorporating Environmental, Social and Governance (hereinafter, ESG) issues into our value chain is of utmost importance for us.

4.1. Management structure

Our highest governance bodies, General meeting of Shareholders, Board of Directors and Senior Management are closely involved in the management of sustainability issues. Action plans, including the actions regarding ESG issues are prepared with the guidance of BoD and communicated to all relevant functions. Feedback for delegated functions are provided back to highest governance bodies in the forms of progress presentations during weekly and monthly meetings. Progress presentations also help us to evaluate management approach to material sustainability topics. As the

result of such evaluations, we make corrections/updates to our action plans.

Norm has not appointed a separate committee to deal with sustainability issues, because these issues are integrated into functions of all individual departments. IMS and HSE departments continue to be major drivers of our sustainability initiatives. These departments are in charge of Business Continuity Plan that identifies main ESG risks and opportunities. Business Continuity Plan is approved by CEO and such approval ensures Senior Management involvement in environmental and social assessment by Norm.

4.2. Our vision, mission and governing values

It is our long-term vision to be the leader and the most admired building materials producer with a strong environmental conscience in the local and international markets. Subsequently, as our business develops, we understand the importance of creating solutions for sustainable development and encompassing social and environmental responsibility. In line with this vision, in 2019 our research and development projects have focused on the development of several new products, which shall decrease our average clinker factor to 77.1 (approx-

mately 2% decrease from current level), if successful.

With this in mind, our operations and business decisions are governed by not only our vision but also a set of values. These values not only answer the challenges created by growth, but also act as a corner stone of our relationship with the stakeholders. Just as the world changes and both new opportunities and threats arise, our values and vision are also constantly revisited, reevaluated and communicated with all of our stakeholders. Figure 5 demonstrates our governing values.



Figure 5. Governing values at Norm



It is our mission to help to conceive and construct strong, safe and environmentally friendly buildings in Azerbaijan by providing building materials and related services. We aim to remain leading cement producer in the Country and achieve a substantial reduction in cement imports to Azerbaijan by fully satisfying the local demand by creation of new production lines in the future. In this area, our primary goal is to address the demand of the oil industry both with in Azerbaijan and whole Caspian region by providing oil-well cement that complies with API standards. In 2019, we have achieved considerable level of progress in our laboratory results for the development of oil well cement. In addition to this,

we have reviewed our processes and made necessary adjustments for compliance with American Petroleum Institute (API) requirements. We have also started the construction of Silo, which we plan to use for the production of oil well cement, as well as other future products.

Our intention is to take a leading position in our industry by focusing on sustainable development, customer satisfaction, high quality, global standards and environmental protection. Just like in the previous years, in 2019, health and safety of our employees and contractors, as well as a close relationship with our business partners and customers have been among the main focus areas for us.

4.3. Contribution to the UN Sustainable Development Goals



We assess the relevance of UN Sustainable Development Goals (SDGs) to our business each year by considering the changes in local legislations, as well as the developments in cement industry. The results of such assessment conducted in 2019 indicated that prioritized nine SDGs reported in our Sustainability

Report 2018 are still the most applicable goals for us.

Additionally, we compile the list of implemented actions on an annual basis, in order to track Norm's contributions. Our initiatives, which contributed to SDGs in 2019 are presented in Table 2.

Table 2. Our contribution to SDGs in 2019

Sustainable Development Goal	Actions in 2019
● SDG 1 No Poverty	<ul style="list-style-type: none"> • Number of our employees reached to 289; • We continued to hire from local communities whenever possible; • We organized social events to support vulnerable groups; • We started to provide certifications and references to the members of Norm masters club to increase their chances of employment.
● SDG 3 Good Health and Wellbeing	<ul style="list-style-type: none"> • To minimize risks associated with cyclone blockage removal (one of the most threatening health and safety risks in cement production), we have completed the testing of CARDOX Build-Up & Blockage Clearing System to automate the process. System will be utilized starting from 2020; • We had regular meetings, attestation, monitoring and reporting to assess the health and safety conditions at work place; • Our Human resources (HR) &HSE departments organized training programs to increase the knowledge and skills of our and third-party employees necessary to match our values and requirements; • We performed health and safety assessment of our operations to meet the requirements of API.
● SDG 4 Quality Education	<ul style="list-style-type: none"> • Our HR team and other departments jointly organized 5,734 hours of trainings during the year for employees; • Around 60 events were organized for Norm masters club mainly focusing on increasing their skills and knowledge; • We hosted students of Construction Engineering Sub-faculty of Khazar University for a site visit.
● SDG 5 Gender Equality SDG 8 Decent Work and Economic Growth	<ul style="list-style-type: none"> • We continued to offer equal opportunities to men and women, including equal pay, other remuneration and career development issues; • We continued to provide women with their rights and needs such as maternity leave and flexible working hours for mothers; • Our Supply chain team conducted a specific research on local supply market during the year to increase our familiarity with the local suppliers and products.
● SDG 7 Affordable and Clean Energy	<ul style="list-style-type: none"> • We performed research to assess the application of alternative fuels and raw materials (AFR) for clinker production and finalized a feasibility study; • Continued our efforts to ensure efficient consumption of thermal and electrical energy.
● SDG 9 Industry Innovation and Infrastructure	<ul style="list-style-type: none"> • We continued to invest in research, development and innovation to widen the application of clean and environment-friendly production. Specifically we are planning to launch new products in 2020, which has potential to bring our average clinker factor close to targeted 77.1%. • In order to produce oil well cement locally in Azerbaijan, which currently is imported by 100 % to the country, we started the construction of a new Silo.

● **SDG 12 Responsible Consumption and Production**

- The percentage by - products from other industrial processes used in our production increased to 83% of all raw materials;

- We continued to obtain quality assurance of the final products to ensure that cement we offer to customers is sustainable and compliant both with local and international standards.

● **SDG 17 Partnership for the Goals**

- We organized first International Concrete Conference in the country;

- We actively participated in establishing local and regional partnerships/ industry associations to improve the sustainability performance of the industry and eliminate institutional and regulatory barriers.

To contribute to the National Targets for the SDGs, in line with our materiality matrix, we have also developed specific organizational targets. We have chosen 2014 as the base year for targets, as it was the year when we launched clinker

production. We constantly measure and discuss our progress towards these targets in weekly and monthly meetings. Table 3 shows the summary of short-term, medium-term and long-term targets and our progress towards them as of 2019.

Table 3. Organization specific targets on SDGs and progress towards them.

Issues	Short-term (by 2020)	Medium term (by 2025)	Long term (by 2030)	2019
Climate change				
Specific net CO ₂ Emission (kg CO ₂ /t cement)	Reduce by 6.4%	reduce by 7.0%	reduce by 7.9%	4.624%
Air Emissions				
Specific Net Dust Emission (g/ton cement)	Reduce by 59.9%	reduce by 67.3%	reduce by 78.3%	66.22%
NO _x (g/ton clinker)	Reduce by 64.5%	reduce by 66.0%	reduce by 67.6%	71.9%
Specific Electrical Energy Consumption (kWh/t cement)	Reduce by 23%	reduce by 23.8%	reduce by 24.6%	21.0%
Specific Thermal Energy consumption (MJ/t clinker)	Reduce by 14.1%	reduce by 14.5%	reduce by 14.9%	12.4%
Circular Economy				
Alternative Fuel Thermal Substitution rate	2%	3%	5%	0%
Clinker factor (average % per product portfolio)	77.1%	76.8%	76.5%	78.7%
People and Community				

Fatality	0	0	0	0
LTI's at work	0	0	0	1
LTI's among contractors working a site	0	0	0	1
Recruitment of disabled people (of annual average number of employees)	2.5%	2.5%	2.5%	1.7%
Suppliers				
Sustainability assessment of critical suppliers (% of suppliers)	50.0%	80.0%	100.0%	16%
People and Community				
Net Promoter Score	62.0%	70.0%	80.0%	NIA

As can be seen from the Table 3, we have already achieved our targets on specific dust emissions, NOX emissions and fatalities. For the other targets, we are in the

process of preparing action plans to ensure that we achieve them by 2020, or make maximum possible progress by that time.

4.4. Goals and key indicators

We do not currently have a standalone strategy guiding our sustainability practices. However, in 2019, we have developed an overall Norm corporate strategy that reflects our vision and principles. Additionally, our business targets, which are reviewed each year, include sustaina-

bility indicators such as loss time injuries, people management and culture scores. Considering our strategy, mission and vision, as well as, corporate targets, we have developed organizational sustainability goals. Table 4 indicates our goals and progress achieved towards each goal in 2019.

Table 4. Sustainability goals and progress

Goal	Progress achieved
People	
● Ensure zero LTI	• LTI was 1 in 2019 in line with the average figure of 1 recorded for this indicator in previous two years.
● Develop our workforce, increase number and variety of provided training programs	• Even though the number of training hours per employee has decreased by 12 % compared to last year, we have worked to increase the quality of trainings delivered.

<ul style="list-style-type: none"> ● Create favorable working conditions to cooperate with local suppliers 	<ul style="list-style-type: none"> • The share of local suppliers at Norm was over 71%, similar to the previous two years.
Environment	
<ul style="list-style-type: none"> ● Decrease the ratio of virgin raw materials in production 	<ul style="list-style-type: none"> • As of 2019, 94% of the limestone used in production is a by - product from nearby dimensional stone cutting quarries. This indicator showed slight increase from the 93% - average of previous 2 years.
<ul style="list-style-type: none"> ● Reduce fugitive dust emissions 	<ul style="list-style-type: none"> • As of 2019, a significant reduction was achieved in fugitive dust emissions.
Economic	
<ul style="list-style-type: none"> ● Obtain API certification 	<ul style="list-style-type: none"> • We have successfully renewed our Corporate Strategy and made appropriate changes to our operational processes to meet requirements of API certification. We plan to get the certification by the end of 2021.
<ul style="list-style-type: none"> ● Improve financial results 	<ul style="list-style-type: none"> • The total economic value retained decreased by 3%, compared to the average figure reported in years 2017-2018. This decrease was not due to decrease in revenue, but due to increase in operational expenses caused by the increase in production.
<ul style="list-style-type: none"> ● Launch a new concrete center 	<ul style="list-style-type: none"> • We expect to finish construction and launch the center by 2020.
<ul style="list-style-type: none"> ● Use new multi-chamber silo 	<ul style="list-style-type: none"> • We have made significant progress in the construction of Silo, which will enable us to deliver a much wider product portfolio. We expect to finish construction and commissioning in May 2020.



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5. GOVERNANCE, ETHICS AND COMPLIANCE

- 5.1. Corporate governance
 - 5.1.1. Governance committees
- 5.2. Code of ethics and code of conduct
 - 5.2.1. Integrity
 - 5.2.2. Human rights management
 - 5.2.3. Transparency
 - 5.2.4. Legal compliance
 - 5.2.5. Compliance management
- 5.3. Risk management



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5.1. Corporate governance

Well organized and managed decisions, are the corner stone of long-term sustainable development and growth. Our management is conducted by the following highest governance bodies:

1	General Meeting of the Shareholders;
2	Board of Directors (BoD);
3	Senior Management.

In 2019, we changed our legal form to an open joint stock company. Similarly to other open joint stock entities, we are ultimately governed by the General Meeting of the Shareholders. Our BoD ensures the Norm's prosperity by collectively directing the company's affairs, whilst meeting the appropriate interests of its shareholder and stakeholders. In addition to business and financial issues, BoD manages issues relating to corporate governance, corporate social responsibility and corporate ethics. BoD meetings are held quarterly and if necessary on unplanned dates. On the other hand, our day-to-day management is the responsibility of the senior management, consisting of: Chief Executive Officer, Chief

Financial Officer, Chief Commercial Officer and Chief Legal Advisor.

Matters of sustainable development are of top priority for our governance bodies. Environmental and social topics are directly reflected in senior management's performance evaluations, which also increases management's interest and involvement in these topics. The progress towards set sustainability goals are reviewed in the management meetings. This, as well as managers' self-assessment, allows creation of individual development plans for senior management to enhance expertise in relevant technical, economic, environmental and social topics.

5.1.1. Governance committees

With the idea of well-organized and managed decisions in mind, we have established the following committees.

Committee	Reports to	Functioning area
HR Committee (non-executive)	BoD	Advises to BoD on HR issues
Internal Audit Committee (non-executive)	BoD	Monitors finance and operations of the company and compliance control
Credit Committee (executive)	CEO	Responsible for the execution of the sales strategy
Tender Committee (executive)	CEO	Decision-making on selection and procurement of goods and services
Ethics Committee (executive)	CEO	Charged with examining alleged breaches of discipline

We have made sure that our corporate governance complies with applicable legislative provisions and our Charter. At the same time, we follow Corporate Governance Standards adopted by the Ministry of Economy of Azerbaijan in collaboration with

the International Finance Corporation. Even though these standards are non-binding, we believe that compliance with them ensures effective and sustainable development, growth and governance.

Figure 6. Organizational structure

5.2. Code of ethics and code of conduct

5.2.1. Integrity

Our Code of Ethics (CoE), which is publicly available on the company website, ensures that the company management, as well as the other employees share Norm's commitment to conducting business with integrity and transparency. It establishes honesty and integrity as our core values and provides practical guidance for compliance.

Our CoE (Azerbaijani version) is supported by the speak-up channel to contact company's Ethics Committee. Speak up channel is established in the form of a hotline, for which contact details are shown at the end of CoE. All employees, as well as, members of general public can contact Ethics Committee via that hotline to report any ethics, integrity or anti-corruption incompliances. The committee reports directly to the CEO, which keeps the top management constantly involved.

We pay special attention to protecting the privacy of our clients and employees. For this purpose, as a supplement to our CoE, we have developed Information Security

policy in 2019 to specify directives to all employees to ensure information security within Norm. This policy also serves to protect our sensitive corporate data, by preventing any leakages.

To tackle anti-corruption, we take into consideration not only local legislation but also international best practices established by OECD, IFC, Transparency International, ISO and requirements set forth by UK bribery act and US Foreign Corrupt Practices Act. Our CoE includes specific guidance on giving and receiving gifts as well as the directives to tackle conflicts of interests in areas of business relationship with family members, employing close relatives and other similar issues. Our management leads by example, showing zero tolerance for non-compliance with internal anti-corruption guidelines, anti-bribery legislation and adopted best practices. We also have targeted anti-corruption trainings, all of our employees, including highest executives received anti-corruption trainings during 2019.

5.2.2. Human rights management

We believe it is our obligation to provide safe and secure working conditions for one of Norm's most valuable stakeholders, our people. This commitment includes safeguarding human rights within the company and within communities where we operate. We comply with European Human Rights Convention, and all other organizations to

which Republic of Azerbaijan is member. In 2019, no cases of forced labor, child labor, and human rights violations in our business functionalities were identified. As in prior years, we constantly seek to increase awareness of our employees about their rights through our internal meetings.

5.2.3. Transparency

On November 5, 2019, Norm transformed from Limited Liability Company to Open Joint Stock Company, following the initiative from Norm's shareholder to increase transparency and corporate efficiency. Given our values and mission, we accept transparency not only as a legal requirement, but also as one of our core values. Our commitment to transparency is ensured by our public disclosure on information about our non-financial and financial performance. Our public disclosures are communicated

through audited financial statements and this Report, including sales, expenses, taxes paid to the government, environmental, social and governance indicators. Our procurement, HSE, HR policies and Code of Ethics are publicly available and easily accessible on our website. General stakeholder meetings, quarterly meetings of the Board of Directors and weekly management meetings, further contribute to transparency within our day-to-day operations.

5.2.4. Legal compliance

Norm is fully committed to compliance with Laws of Republic of Azerbaijan. Given the industry that we operate in, it is clear to us that such compliance not only ensures lawful operation, but also demonstrates our commitment to sustainable operation. In addition to local legislations, we have adopted provisions set by the International Labor Organization and the United Nations.

In 2019, no dispute or non-compliance cases in the environmental, social, health and safety areas were raised against Norm.

Subsequently, no monetary and non-monetary sanctions were received in the mentioned areas. Table 5 demonstrates total fines received in the economic area, which was the only area that we were subject to any fines. Slight increase in total monetary value of fines received compared to 2018, was due to breach of 270-day grace period for the receipt of prepaid imports. Legislation for 270-day grace period has been replaced with 2 years grace period by the local legislations, and therefore from 2020 we expect a considerable decrease in the fines amount.

Table 5. Total monetary value of significant fines received

Fine indicator, AZN 000s	2017	2018	2019
● Total monetary value of significant fines received in Economic Areas	1,830	28	35

5.2.5. Compliance management

We have a compliance management mechanism to ensure that our employees, as well as, partners and contractors are compliant with required legislative provisions. Besides legal requirements, we seek to adhere to standards and recommendations set by GCCA, to assess our operations, set targets and measure performance. We are planning to become a GCCA member in 2020.

Our compliance management mechanism is built on the basis of our CoE and applicable

ISO standards. Moreover, as we are planning to obtain API certificate, in 2019 we have started to incorporate the requirements of API standards into our compliance management system. It is the responsibility of all departments to ensure compliance management within Norm, controlled by the Chief Legal Advisor reporting directly to the CEO. The responsibilities of the respective departments for ensuring compliance with applicable laws and regulations are presented in Table 6.

Table 6. Compliance management responsibilities

Department	Compliance matter
● Civil Engineering and Projects Management	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Ensuring compliance of Norm with the requirements of legislation and timely updating on amendments in applicable legislation;
● Production	<ul style="list-style-type: none"> • Determining the conformity and reliability of raw materials used in production.
● Quality Assurance and Quality Control	<ul style="list-style-type: none"> • Ensuring the quality of cement produced; • Ensuring the application of quality standards.
● HR	<ul style="list-style-type: none"> • Ensuring working hours comply with local legislative requirements; • Ensuring labor contracts are timely and accurately drafted, signed and maintained.

5.3. Risk management

We operate in a hazardous cement industry, which is subject to uncertain economic, social and environmental risks. Thus, it is extremely important for us to manage our risks and respond to them in a timely and efficient manner. To identify and address potential risks and threats to our business

continuity effectively, we base our risk management on the holistic Business Continuity Model (BCM) starting from 2018. This risk management model takes ISO 22301 and ISO 9001 standards as a basis. Main aims of our BCM are presented in Table 7.

Table 7. BCM main aims

BCM main goals

- Identify and analyze the potential risks and threats to company business processes continuity;
- Determine control measures and necessary actions for mitigation;
- Allocate resources for utilization while responding to critical incidents.

According to this risk management model, restoration period after the occurrence of incident must be less than the time it would take for the adverse impacts that harm our product/service quality.

BCM endorses that CEO carries responsibility for maintaining business continuity. IMS team assists CEO by ensuring effective implementation of BCM program and by coordination of resources. Moreover, department heads are in charge of risk and opportunities assessment, as well as, management at their own business units. In case of a disruption or any related accident, Business Continuity team facilitates the preparation of response action and recovery plans.

Risks identified, their categorization and exposure levels within BCM remain the same as reported in the prior year report. Besides operational risks, our risk management model also incorporates the management of sustainability related risks. Specifically, liquid material spills, natural disasters, social risks such as strikes are among the risk areas mentioned in BCM.

Just like any other internal policy and procedures, we annually review BCM content. Necessity of significant changes to the model did not arise as the result of the review conducted in 2019. However, as we want to be fully compliant with API requirements in 2020, we are planning to deeply analyze BCM next year and make necessary adjustments.



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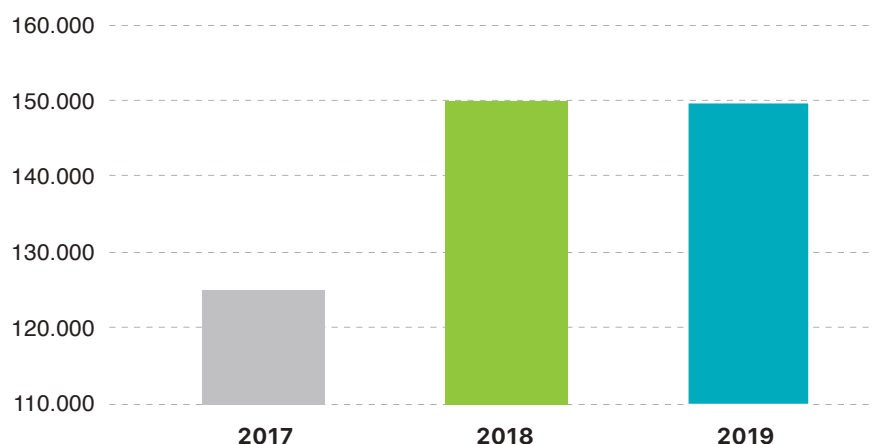
6. Financial performance

We understand that financial and business performance in cement industry involve many risks with high potential of disruptions. However, majority of such risks are external, and cannot be controlled by Norm. Regardless of this, to minimize the effects of

such disruptions and ensure business continuity, we conduct market analysis and monitoring to increase business readiness and to establish stable sales and revenues. It is our aim to provide long-term growth of our business in a sustainable manner.

Figure 7. Economic value generated in AZN 000

Revenue, AZN 000s



In 2019, sales volume of our bag products grew by 8.05% compared to the previous year, while the sales volume of bulk products decreased by 1.55%. The raise in the sales of the bag products was not reflected in our revenues, which remained stable around AZN 149 million, due to the price cuts and the decrease in the sales of the bulk products. Revenue figures achieved in 2019 demonstrate the stabilization following the growth trend achieved in the previous three years. Our net profit margin remained stable around 20%.

Our economic value distributed went up by 4%, which can be explained by the increase in our operational expenses in line with the increase in the production from the previous year. Additionally, our social expenses went up compared to 2018, and the main investment contributing to this fact was the funding of the International Concrete Conference. At the same time, Norm remained as one of the biggest tax payers in the country with the payments to the state budget amounting to over AZN 24 million during the reporting year. Table 8 summarizes our main financial performance indicators.

Table 8. Financial performance indicators

Economic performance, AZN 000s	2017	2018	2019
Direct economic value generated	126,272	149,447	149,210
Economic value distributed	91,584	114,641	119,123
Economic value retained	34,688	34,806	30,087

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7. OUR PEOPLE

- 7.1. Performance and talent management
- 7.2. Performance appraisal, compensations and benefits
- 7.3. Employee engagement
- 7.4. Diversity and Inclusion



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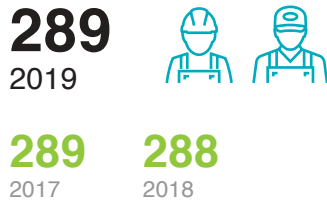
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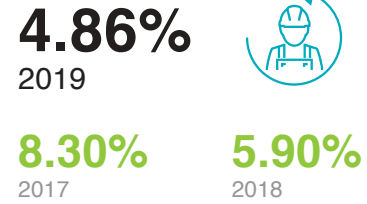
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Performance indicators

NORM employees at the end of the year



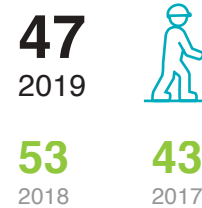
Employees turnover



Number of permanent employees



Number of temporary employees



7.1. Performance and talent management

The success of Norm results from the dedication and technical expertise of its employees. We make every effort to recruit and keep the most talented, skilled employees, whose values are in line with our core values. This means offering them attractive and secure jobs with comprehensive development and training opportunities, as well as a range of options for achieving a better work-life balance. Norm also invests on an ongoing basis in training of its employees and fostering their talents. All employees undergo trainings in ethics, compliance, anti-corruption and anti-competitive

practices. This lets us ensure that they have the sufficient skills to keep pace with future challenges. For our Company, employee satisfaction is one of the most important indicators of success. We understand that, by creating a happy work environment we can create a network of employees who stay with company and thrive to maintain a happy customer base. Based on this, in 2019, we conducted employee engagement survey to analyze and identify the necessary development needs. Figure 8 depicts the areas needing improvement.

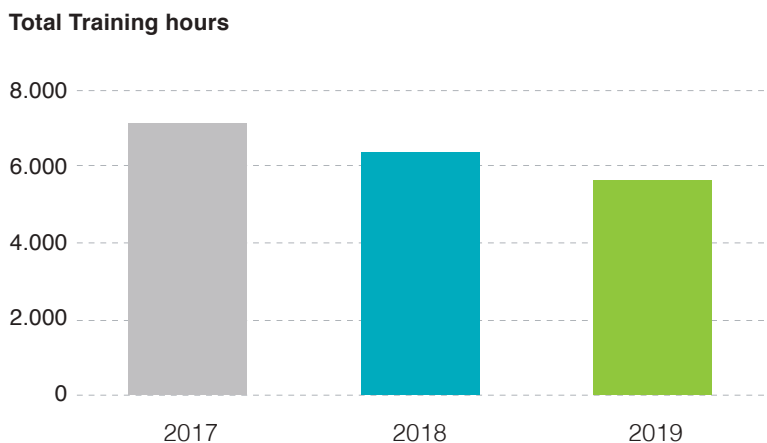
Figure 8. Areas for improvement



Based on the areas that require improvement, identified in the employee engagement survey, our HR team have prepared appropriate action plans. As part of initiatives reflected in our action plans, we have made progress in implementing assessments to ensure clear and more effective determination of training priorities. We are also planning to involve senior staff more closely in the training of their subordinates.

With a look into the future, we created a network with managers to support this effort, helping employees to be included in the preparation of their own development plans. In addition, every Norm employee receives a consistent and comprehensive performance and behavior review at least once a year in order to support their individual development. Figure 9 presents our training hours over the last three years.

Figure 9. Total training hours



Compared with last year, the average time spent in training per employee was slightly less - 20 hours (2018: 23 hours). Even though during 2019, the number of training hours per employee has decreased, we

have been working to increase the quality. As part of our action plan, we are seeking to propose more streamlined and personalized trainings to our staff, by studying their training needs.

7.2. Performance appraisal, compensations, and benefits

Our performance management system involves integration of employees' goals with those of the Company. Based on this, each employee is assigned individual and corporate KPIs. Corporate KPIs, as well as, senior management KPIs include several

sustainability indicators. Since performance management was identified as one of the areas requiring further development, Norm's HR team prepared specific actions in 2019 in this area, which included following:

- 1 Reforming the process of performance management to make it clear for both managers/senior staff and subordinates;
- 2 Explaining positional, as well as functional career development plans to staff;
- 3 Consistently reviewing the results of implemented actions in performance management area.

Employees' physical and mental well-being are important at Norm. Thus, benefits provided by Norm to employees and their families are comprehensive and of high quality. Norm assesses benefits and compensation based on labor market analysis, benchmarking, and internal pay equity. These assessments include pay equity between men and women to ensure fair treatment.

Preserving physical and mental wellbeing of our staff is one of the priorities in our sustainability agenda, therefore all our employees are provided with medical insurance. Starting from 2019, not only employees, but also their families are provided with this benefit. All the benefits offered to full-time employees are also provided to temporary

and part-time employees. In the engagement survey in 2019, “Pay and benefits”

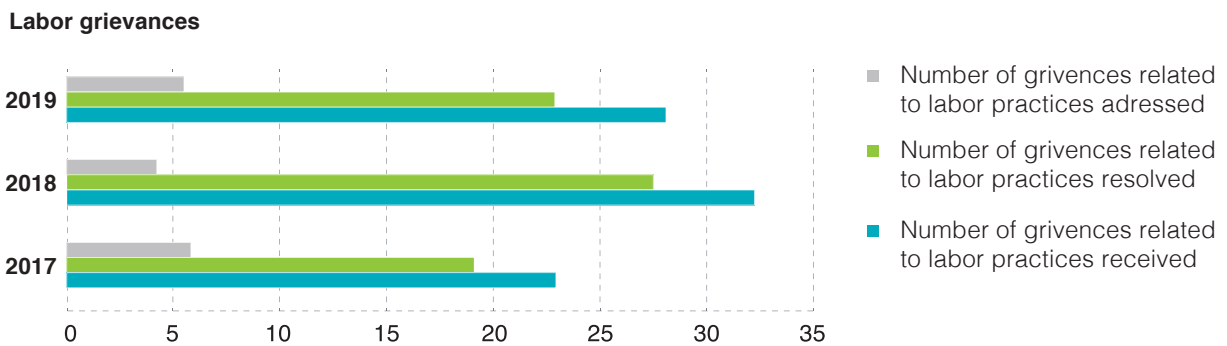
category was valued with the score of 71, which is 21 points over the industry average.

7.3. Employee engagement

To analyze the level of employee engagement, we conducted an engagement survey in 2019 with the involvement of an independent third party – Willis Tower Watson (WTW). The WTW analysis depicts that 45% of employees are highly engaged at their working environment, whereas only 7% were categorized as disengaged. Another notable factor was that, teamwork and employees’ confidence in leadership received scores of over 70.

At Norm, a special focus is placed on transparency in internal communications. Employees can address any queries to their own managers, the relevant offices of the Norm, the HR team or the Ethics Committee. In 2019, number of grievances related to labor practices has decreased by 10% compared to 2018. In the current year, about 80% of labor related grievances were resolved.

Figure 10. Number of grievances about labor practices



HR department, in cooperation with the operational human resources staff and legal

department is responsible for full compliance with the Labor Code.

7.4. Diversity and inclusion

Diversity, inclusion and belonging are parts of our priorities at Norm. Our vision is to create a truly inclusive environment that values and leverages the diversity of our people to better serve our customers and the community. Despite this, our employee engagement survey showed that satisfac-

tion level of female employees were lower than our expectations in all areas, especially regarding diversity. For the improvement of this indicator, Norm has prepared an appropriate action plan. List of prioritized areas to be addressed in this action plan are presented in Table 9.

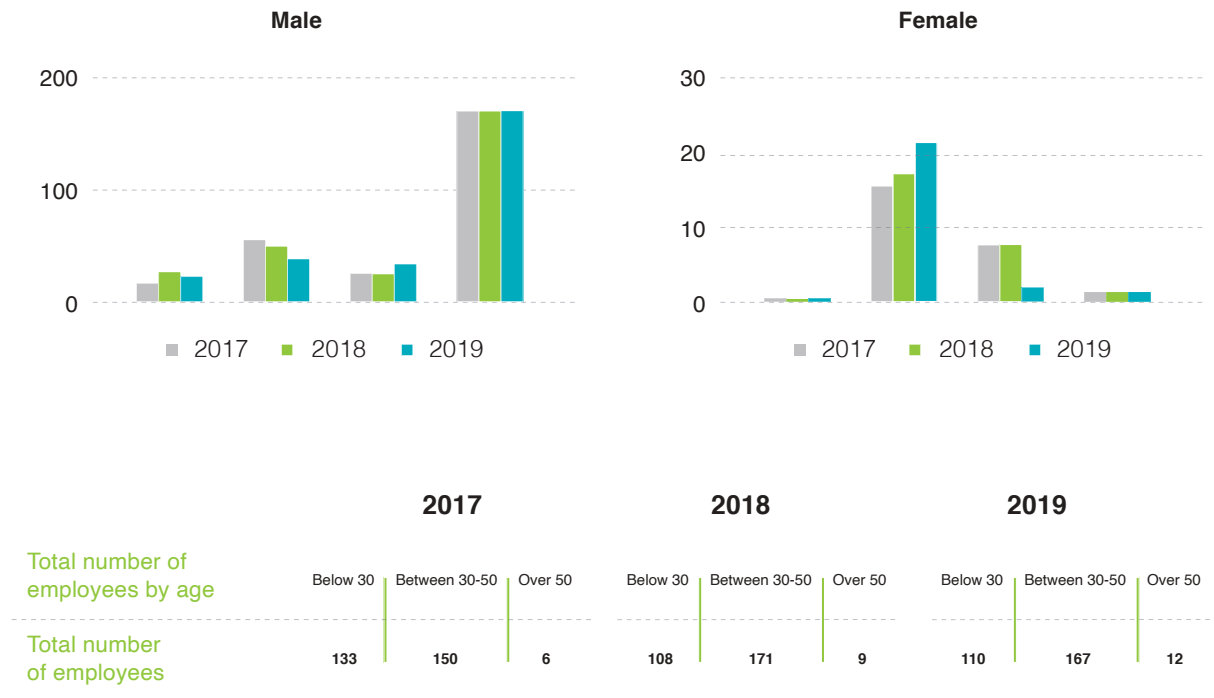
Table 9. Diversity key focus areas

Build inclusive leadership capability	Deliver unconscious bias workshops across all employees
Build gender balanced team	Adhere to inclusive resourcing practices and introduce diversity targets
Deliver a series of events that retain and develop Norm’s women	Build a regular empowerment panel

We seek to maintain high representation of all age groups, genders and nationalities at our Firm. In 2019, the number of female employees in specialist positions has increased by 29% in comparison with 2018.

Among age groups, just like prior two years the most represented group is the employees at the age of 30-50. Figure 11 gives the full picture of our employees by age, gender and position.

Figure 11. Total number of employees by age, position and gender



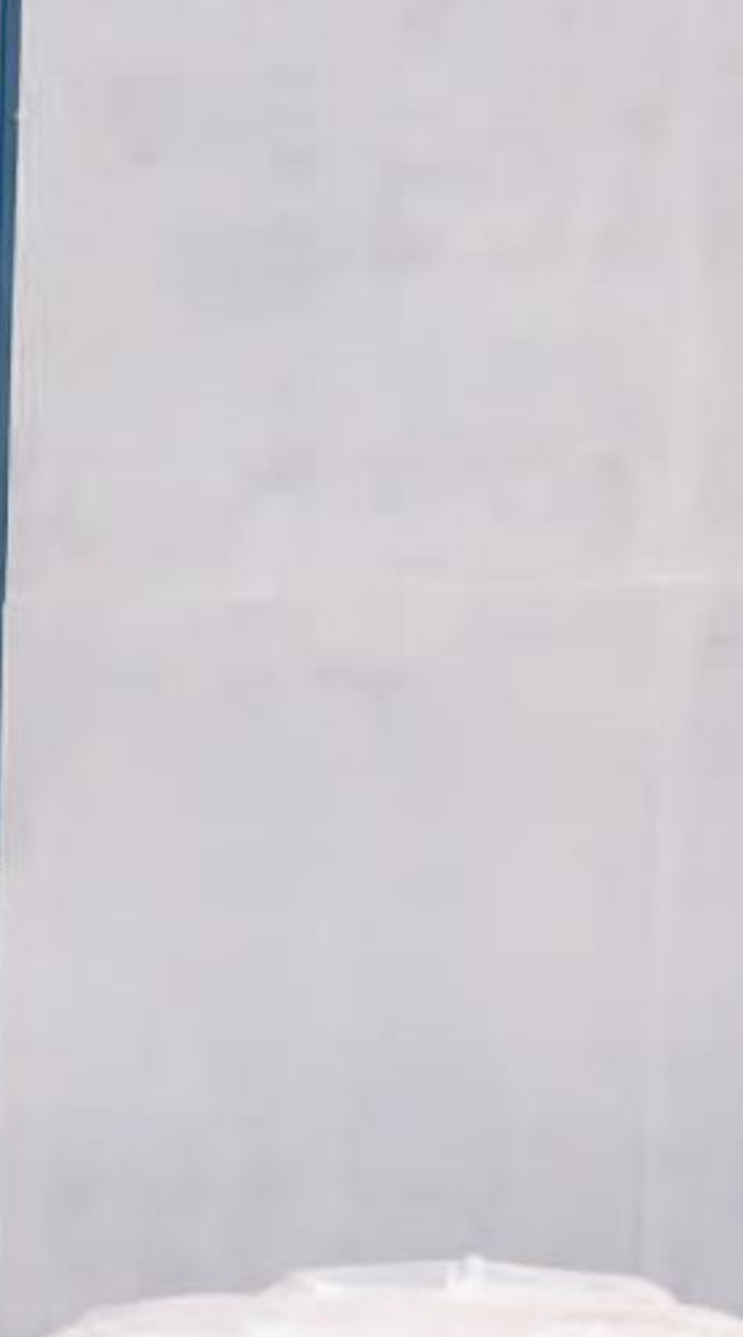
At Norm, we make every effort to enable employees with health-related performance limitations to remain in long-term employment with us. One of our main targets in sustainability issues is related to increasing

the recruitment of disabled people. Thus, not surprisingly, in 2019, the share of employees with disabilities at Norm increased to 1.7% of all employees. This indicator was 1% in 2018.



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8. COMMUNITY SUPPORT

- 8.1. Community investments
- 8.2. Norm master's club
- 8.3. Assessment and management of impact on the local communities

8. Community support

It is our deep rooted belief that ethical relationship with the community where we operate is a vital corner stone of our long-term sustainable development. This belief is

demonstrated by our constant engagement with the stakeholders to understand their needs and expectations.

8.1. Community investments

In 2019, we invested in multiple social and community development projects to enhance our positive impact in eliminating challenges faced by the local communities. Such community development works involved commercial and in-kind contributions to

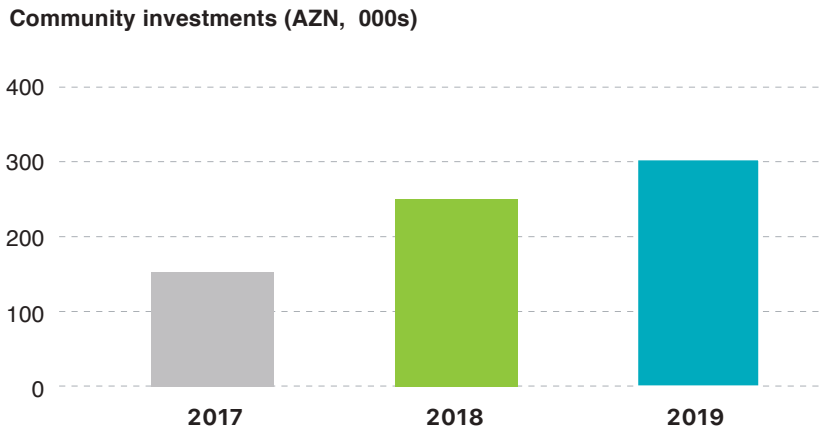
infrastructure projects, construction development programs, educational programs and organization of social events. Table 10 demonstrates the list of community development projects implemented in 2019.

Table 10. Community development projects

Investment area	Description of project
<ul style="list-style-type: none"> ● Infrastructure and Construction Development 	<ul style="list-style-type: none"> • Throughout the year, we supported construction of Port of Baku in Alat district, which is the project of Qaradagh municipality; • We provided 3220 kg cement to the Qaradagh District Police Office for repair works; • 20100 kg cement was provided to The Institute of Petrochemical Processes for repair works.
<ul style="list-style-type: none"> ● Education 	<ul style="list-style-type: none"> • On November 7th 2019, jointly with UNEC Career Center we organized training for the students of Azerbaijan State University of Economics on "Are you ready for a job interview?"; • On October 17th 2019, we organized site visit for students of Construction Engineering Sub-faculty of Khazar University; • Summer Internship Programs were provided for students form different educational and technical backgrounds; • On December 21st 2019, our HR department participated in the VII Graduate Career Exhibition at the Azerbaijan State University of Oil and Industry; • Internship program was organized during 12th July – 13th September, 2019. Totally there were more than 1000 applicants, 200 of them were tested, 50 were interviewed and 25 were selected. Overall 11 departments participated in the Program. Parallel to functional trainings, students received soft skills, legal and HSE trainings. Interns were provided with meal, transportation and minimum salary; • During January – May 2019, totally 26 pupils from 2 Vocational schools in Garadagh region were trained at Norm Plant. Students received trainings in HSE, soft skills and other subjects. They were provided with uniforms, meals and transportation.
<ul style="list-style-type: none"> ● Social Events 	<ul style="list-style-type: none"> • On February 11th 2019, Group of masters from Master's club visited Children's Home number 3, and participated in various interactive activities to understand the needs of children and support their future integration into society; • On March 7th 2019, Master's Club members visited elder care facility, providing residents with needed help and assistance; • On March 19th 2019, collaborating with UAFA (United Aid for Azerbaijan) Public Union, we organized Nowruz celebrations for children and adolescents with physical disabilities.

As can be seen from the projects described, in 2019, we spent significant monetary and non-monetary resources for the develop-

ment of our community. Figure 12 summarizes the monetary figures for the community investments in the current year.

Figure 12. Community investments

We are proud to state that, our community investments increased by more than 15% in comparison with the prior year. On June 20 2019, in partnership with International CPI Worldwide Journal and ICCX (International Concrete Conference and Exhibition) Academy, we organized the first international concrete conference in Azerbaijan named “Modern Concrete Technologies and Construction Directions in Azerbaijan”. Funding of this conference contributed signifi-

cantly to the increase in the value of social investments from prior years. Participants of the concrete conference included companies from Germany, Poland, UAE, Denmark etc. Throughout the event, innovative solutions, sustainable development trends in concrete industry and other important topics were discussed. This event once again established our belief in sustainability issues, emphasis on community development and growth of country’s non-oil sector.



8.2. Norm master's club

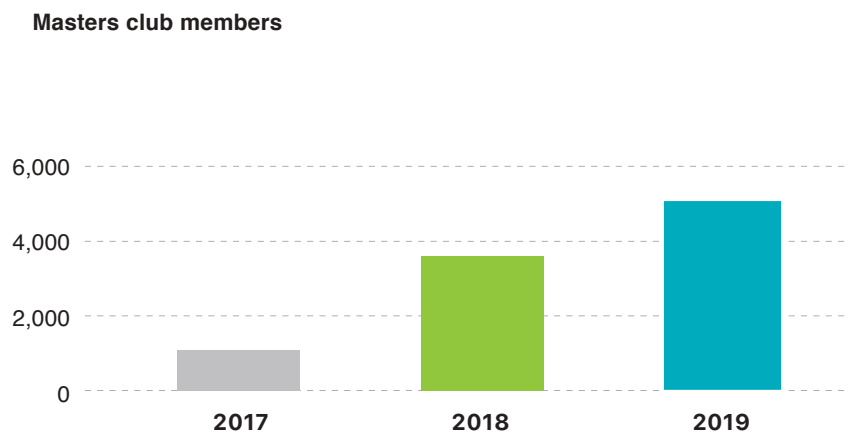
As in previous year, Master's Club played an important role in raising professional awareness across the cement industry. By providing trainings, hosting other public events regarding Norm's products and cement use in general, we have aided the community to cultivate their knowledge and skills.

From 2019, we provided certificates to

masons for completion of trainings as part of Master's Club. We are delighted that by presenting those certificates masons received additional opportunities both in new and ongoing projects across the country.

Currently, Masters Club has 10000 registered members, over 5000 of whom are permanent members.

Figure 13. Number of masters club permanent members



Led by technical support staff of Norm until the end of 2019, 60 events were organized for both experienced and beginner professionals across the country.

In 2019, for efficient communication with end users and management, Master's Club launched its next initiative by appointing ambassadors and councils for regional committees. Any feedback or communication from members of the Club is vital to us, and we use it to increase our product and service quality. To increase effectiveness of these communications, we started implementing a prize system. This system invol-

ves evaluation of ambassadors' performances, on established KPIs involving market and competitor product analysis. Ambassadors' performance is assessed on a monthly basis and top performers receive prizes.

Due to this and other initiatives, in January of 2020, Master's Club received 2019 national CSR project award, once again recognizing the success of this relatively young project. We will continue to support our masters and end users. Norm is devoted to its social commitments and plans to continue this tradition in 2020 as well.

Interesting fact:

Major firms across the country have approached and shown interest in the Master's Club project and its model. Currently corporations from different industries, aspired by Norms Master's Club are prepa-

ring similar projects for their own firm, industry and community. Together, we will ensure all communities across the Country and beyond receive necessary support.

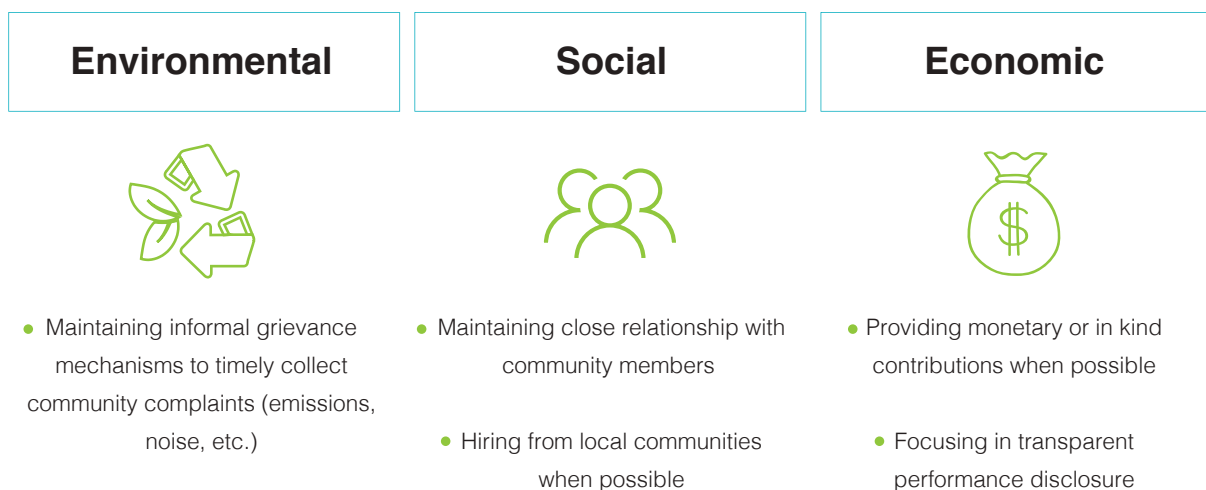
8.3. Assessment and management of impact on local communities

Given the industry we operate in, it is essential for us to understand the impact of our operations on the community and environment. In 2019, results of previous environmental and social impact assessments hold true.

communicated with local community members through both formal and informal channels to discuss issues regarding, traffic, noise, employment, education, infrastructure, health and safety. Figure 14 presents focus areas for such communications.

With this in mind, in 2019, Norm regularly

Figure 14. Focus areas of social, environmental and economic impact management



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9. HEALTH & SAFETY AT WORK

9.1. Occupational health and safety





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9. Health & safety at work

Health & Safety (H&S) is one of our central values and lays the foundation for everything we do. We strive to ensure the health and safety of our employees, customers, members of the public, and anyone else who may get affected by our activities. As a result of our structured intervention approach, with an involvement from the top management, we have achieved zero fatality since our establishment.

Our team within HSE and IMS department is responsible for investigating and minimizing health, safety, and environmental concerns, as well as, raising awareness among workers in those topics. The team provides quality maintenance of H&S procedures through daily inspections, which serve to identify deficiencies and improvement areas. Our HSE rules are applied to and should be followed by all employees and contractors.

We continue to ensure full compliance with Labor Protection Act and Labor Code of the Azerbaijan Republic and international Labor Standards and Occupational Health and Safety codes of practice. Our QHSE (Quality, Health, Safety and Environment) policy, updated in 2019, is aimed at achieving the highest standards of quality, health, safety and environment, incorporating the principles of sustainable development. At Norm, we conduct all of our operations in conformance with the Occupational Health and Safety Assessment Series (OHSAS) 18001:2007. We are now in the process of alignment our safety, equipment, operations, effective water management, spill prevention and environmental protection procedures with standards, guidelines, and recommended practices set by API. Additionally, one of our targets for 2020 is ensuring full compliance of occupational health and safety (OH&S) management system with the ISO 45001 standard.

In 2019, with the purpose of ensuring compliance with the adopted standards, Norm

has benefited from the external audit service of DNV GL, an independent internationally accredited company. Audit resulted in certificates confirming that Norm's Occupational Health and safety, environmental management and quality management systems are respectively in compliance with OHSAS 18001:2007, ISO 14001:2015 and ISO 9001:2015.

Our senior management is also committed to continuous improvement of our health and safety performance. They have immense role at establishing a communications system, which ensures an effective management of health and safety issues. One of the tools assisting senior management to serve better, is the Safety Operation Card (SOC) system implemented by HSE team. This system encourages employees to report any unsafe and or dangerous situations they observed and recommend solutions to eliminate similar incidents in future. During 2019 we received 72 complaints through SOC of which, 24 were resolved, and the remaining were addressed. Norm has built a monthly recognition program, which awards the employee that proposes the most creative solution for eliminating unsafe situations through SOC.

Moreover, each year we design and develop training courses to meet health and safety competence needs of our people, based on the training matrix submitted to HR department. When designing training courses to meet health and safety competencies, all the factors are considered to ensure that they meet organization's training budget, the timescales needed and staff availability. In 2019, 2,118 hours of internal and external trainings were provided. Table 11 presents, health and safety trainings including specific work-related hazards, hazardous activities, or hazardous situations during the reporting period.

Table 11. Health and safety trainings

Internal trainings	External trainings
HSE Induction refreshment course	Driving safety
Near Miss	Radiation training
Heat/Sun stroke	
Driving safety	
Environmental aspect and impact	
Lock Out and Tag Out	
Fire safety	
Waste Management	

Cement industry is perceived as a high-risk industry to work. Therefore, at Norm, for each task employees are provided with work orders that list health and safety rules to be followed. In case of an incident, HSE team decides responsive actions and allocates necessary resources based on the nature of the accident. Major events and places involving significant hazardous health and safety risks are cement kiln section, maintenance and cleaning processes carried out in confined spaces, and ope-

rations at conveyer and crusher.

Despite our best efforts to minimize injuries, increase in cement production in 2019, resulted in slightly higher work-related injuries in comparison to previous year results. This is not in line with our targets and everyone in our organization, starting with the senior management, recognizes their responsibility to ensure development and practice of a zero-harm culture. Table 12 presents full list of our health and safety indicators for years 2017-2019.

Table 12. Health and safety indicators

	2017	2018	2019
Total number of recordable injuries	8	3	3
• The number and rate of high-consequence work-related injuries (excluding fatalities)	2	0	1
• Total number of other injuries	6	3	2
Total Lost Time Injuries (LTI)	2	0	1
LTI frequency Rate (Per 1,000,000 hours worked)	4.03	0	1.81
Total man hours during the reporting period	496,588	498,437	552,359
Occupational Disaster Rate (Per 1,000,000 hours worked)	0	0	0
Number of Days Lost Due to Occupational Diseases	0	0	0
LTI severity Rate (Per 1,000,000 hours worked)	60.41	0	10.86
Number of Days Lost Due to Injury/Accident	30	0	6
LTI Frequency Rate (Per 1,000 employees)	6.92	0	3.46
Total Injury Frequency Rate (Per 1,000 employees)	27.68	10.45	10.38

9.1. Occupational health and safety

As in prior year, six major risk types managed by our Occupational Health and Safety Management System that pose a risk of high-consequence injury are the following:

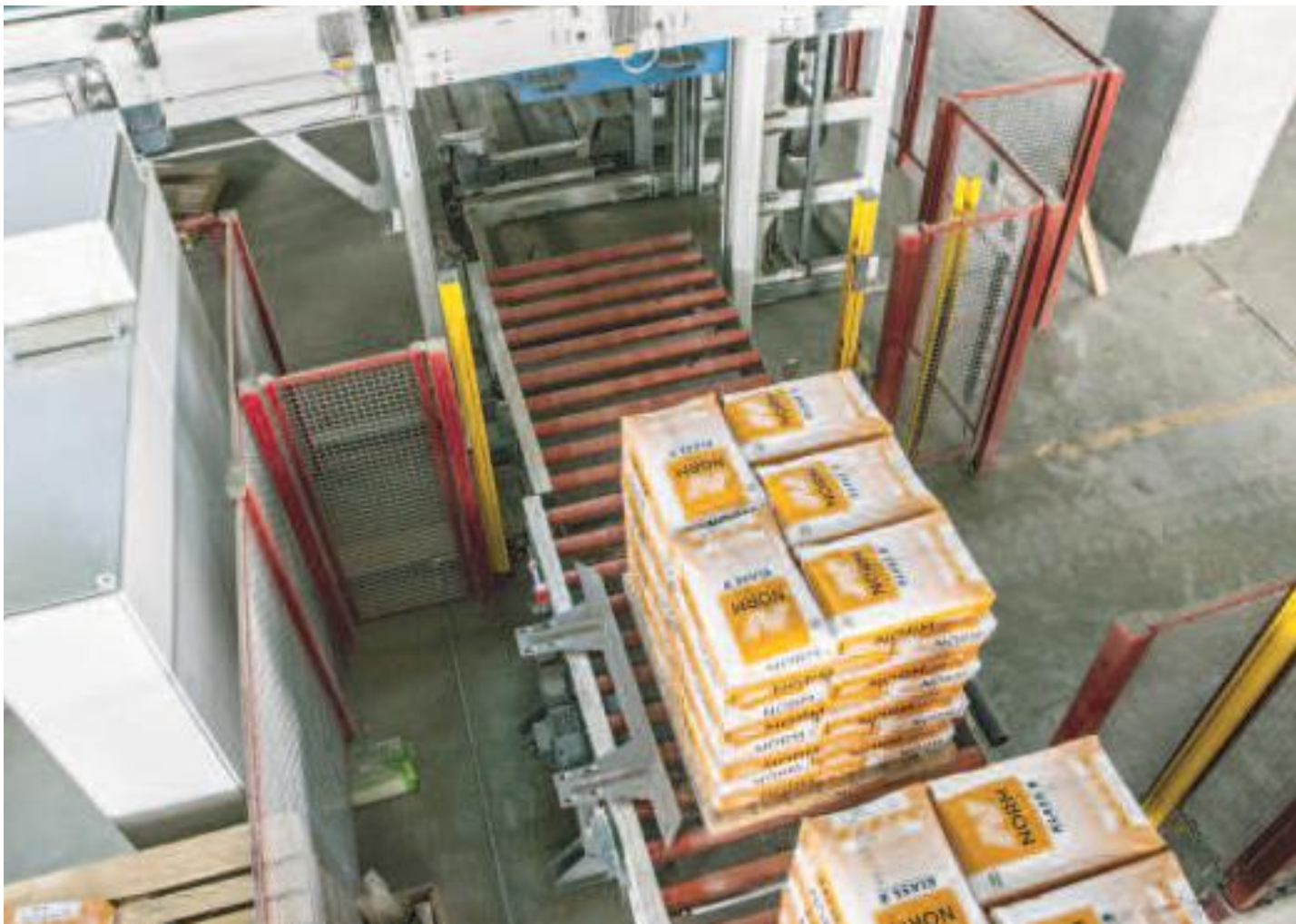
1	Fire and explosion;
2	Risks associated with manual removal of cyclone jamming;
3	Work in confined spaces;
4	Dust and vibration;
5	Risks associated with the transportation of raw materials and final product;
6	Working at heights.

In 2019, our main initiatives focused on the first two risk types. Regarding fire and explosions, during the reporting year, we have constructed an automatic fire suppression system following the recommendations of Ministry of Emergency Situations of the Republic of Azerbaijan.

Regarding risks associated with manual removal of cyclone jamming, as a work order rule, employees are required to use special PPEs with aluminum covers while eliminating remained cyclone to reduce the risk of any incidents. To further eliminate risks associated with cyclone blockage

removal, Norm has begun construction of CARDOX Build-Up & Blockage Clearing System to ensure safe, reliable and efficient automated method of clearing build-ups and blockages. Testing phase of CARDOX - system for automatic removal of blockages was realized in 2019. Implementation stage is planned to take place in 2020.

Our ongoing actions regarding remaining risks in occupational health and safety management system remain relevant as reported in the previous year Sustainability Report.



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10. ENVIRONMENTAL MANAGEMENT

- 10.1. Impact on climate
- 10.2. Air pollutants
- 10.3. Water consumption
- 10.4. Land and biodiversity
- 10.5. Waste management





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10. Environmental management

Cement production is one of the significant sources of Carbon Dioxide (CO₂) emissions globally. Consequentially, we are aware of the negative impact of our production cycle on the environment. Reduction of such negative environmental impacts was one of our top priorities for 2019, and will remain such in future.

Our environmental management policies and actions follow all the applicable laws of the Azerbaijan Republic, and decrees of the Ministry of Ecology and Natural Resources. Moreover, we are guided by our internal QHSE policy adopted in 2012 and ISO 14001 Standard. The HSE department conducts internal monitoring of our environmental performance, while relative legislative organizations conduct external monitoring. Any identified irregularities are immediately followed up and resolved.

Environmental risk, threats, and other issues are of utmost importance to us. Impacts of these factors on our critical business function and related mitigating actions are identified within our Business Continuity Plan. Regarding negative impact

10.1. Impact on climate

The nature of our industry, together with our government's commitments to The Paris Climate agreement, are the reasons why combatting climate change is one our key objectives and has been integrated into our business strategy. In our production cycle, there are two sources of CO₂ emissions: production of clinker and fuel combustion. As we use natural gas, which produces the lowest possible CO₂ emission compared to other fuels, we cannot further decrease emission from fuel combustion. Therefore, we have focused on decreasing clinker factor to reduce our negative impact on the climate change.

In 2019, we started production of our new product Class 1 cement, and conducted

of our production cycle on local community, we are in an advantageous position as no residential district is within our safe zone. However, all necessary actions have been taken to reduce negative impact of our activities, such as noise dust and other emissions, on the local community.

Disclaimer: For transparency reasons we disclose that, several environmental performance indicators for comparable years 2017 and 2018 are restated in this report. Our reasoning for the restatement was that, in 2019, after the issuance of Sustainability Report, we conducted a further review of our environmental indicators, upon submission to local legislative bodies. This review resulted in immaterial adjustments to the power consumption, CO₂, NO_x, and dust emission indicators. Moreover, in conformance with the WRI/WBCSD Protocol, as well as GCCA guidelines, during current year we have included emissions from our vehicles due to the use of fuels such as petrol and diesel within direct CO₂ emissions. Figures for comparative years have been changed accordingly.

extensive testing for three new products to be launched in the nearest future. Consequentially, this led to a slight increase in our average clinker factor. When it comes to clinker factor per product type, even though there are slight year-to-year fluctuations resulting from research and development activities, we have managed to decrease clinker factor for cement classes A and B significantly compared to the base year 2014. This decrease is achieved without compromising quality. For the remaining products, and products on the pipeline, we are putting an effort to decrease clinker factor in order to meet our related short-term, medium term and long-term targets.

Table 13. Clinker factor by cement classes

Cement Classes	2017	2018	2019
Class A	75.3%	76.6%	77.4%
Class B	65.5%	64.7%	65.6%
Class C	88.7%	87.0%	87.5%
Class S	89.0%	86.8%	87.8%
Class 1	-	-	87.5%
Average Clinker	78.6%	78.2%	78.7%

Our production cycle utilizes modern burning technologies and operates in compliance with the regulations for decreasing harmful gas emissions (Legislation on Environmental Protection and the Resolution on Environmental Protection – REP). As noted, we use natural gas in our production, and the environmental impact from burning natural gas is lower than from using other fossil and non-fossil fuel sources widely consumed in clinker production such as petro coke. Our access to abundant natural gas positions allows, us to keep harmful air emissions far below the maximum level allowed. However, we understand that, this come at the price of depletion of natural resources. With this in mind in

2019, we have finalized the Technical Concept for use of alternative fuels and raw materials and now assessing the viability of identified options.

During 2019, total natural gas consumption, including energy used for production of clinker was, 113.1 million cubic meters of natural gas, emitting 241.4 thousand tons of CO₂. Our total direct CO₂ emissions rose slightly from 2018 due to increases in our clinker, cement production, and addition of new type of product. This had led to an insignificant increase in our per unit CO₂ emissions from 565 to 569 kg of CO₂ per ton of cement, still significantly lower than our base year. Table 14 presents specific CO₂ emissions for the last three years 2017-2019.

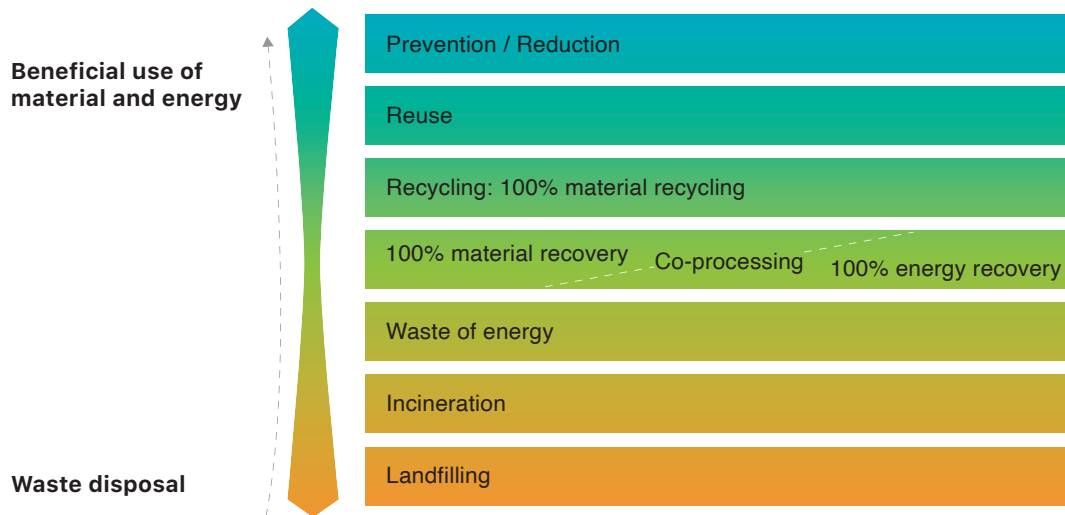
Table 14. CO₂ emissions during the reporting period (SCOPE 1)

GHG emissions	2017	2018	2019
Specific direct CO ₂ emissions, gross (kg / ton of cementitious production)	568	565	569

In 2019, we continued to explore solutions to lower emissions below 0.51 tons of CO₂ per ton of cement based on the Sustainable Development Scenario (SDS) of the International Energy Agency. At the same time through implantation of energy efficiency initiatives, we have kept the thermal energy intensity of clinker to 3.27 GJ per ton clinker, which is lower than the maximum determined intensity to achieve the SDGs by 2030.

We are still evaluating co-processing of alternative fuels and raw materials (AFR) option in our cement manufacturing process. This involves use of wastes, by-products, co-products, or other secondary materials from sources outside of our company for production of energy and subsequently reducing consumption of natural gas and raw materials. Our kilns provide ideal conditions for co-processing.

Figure 15. Co-processing hierarchy



In 2019, as part of technical concept for use of alternative fuels and raw materials, we performed in depth analysis for the use of drilling cutting. It was determined to provide some cost cutting benefits, but we are still in negotiations to acquiring it at the commercially viable price.

In the coming years, we aim to switch to alternative energy options, considering the

10.2. Air pollutants

In 2019 through our initiatives, we have drastically reduced our NO_x emissions, both total and specific, resulting in decrease of creation of particular matter (PM). There is

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 CO₂ emissions from the oil and gas industry, as well as supporting the state rehabilitation programs for oil-contaminated lands.

an immaterial increase in dust emission, due to increase in production and dry weather conditions.

Table 15. Air pollutants from Norm's manufacturing process

Air pollutants	2017	2018	2019
Dust			
Total dust emissions, ton/year	197	186	208
Specific emissions, g/ton clinker	182	159	171
NO _x			
Total emissions, ton/year	1,180	1,089	1,021
Specific emissions, g/ton clinker	1,091	929	837
VOC/THC ¹			
Total emissions, kg/year	-	594	217
Specific emissions, g/ton clinker	-	0.507	0.178

In the reporting year, we collaborated with the Ministry of Ecology and Natural Resources of Azerbaijan and implemented a Twinning Project developing dispersion modelling of concentrations of our NO_x, SO₂ and PM emissions. The assessment was 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 produces hourly, daily and annual data, which is used to compare concent-

rations with local air quality guidelines and the EU's permissible concentration limits. The model concluded that these emissions do not reach beyond our safe zone, consequently do not affect the local residential areas.

We continue our collaboration with AZECO-LAB, 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 2019, confirmed the accuracy and reliability of our measurements of stack gas concentration.

10.3. Water consumption

We are committed to reducing our freshwater consumption and, hence, decreasing the depletion of natural resources in the areas of our functioning. We are in constant search to reduce our water consumption through reissuing and recycling. At the same time, we are fully pledged to comply with the

legislative directives of the Government of Azerbaijan.

Water consumed by Norm is mostly obtained from the water supply network. We have identified three main types of water consumption:

1	Water used for the production process;
2	Water used for irrigation;
3	Water used for administrative purposes.

Water consumed for each of these areas is monitored on a monthly basis at the monthly performance meeting, with relevant targets drawn up and variance analysis carried out at the end of each reporting period. Because of our initiatives, such as repair of water pipes and transition from metal pipes to PVC, we have reduced our water consumption in the last three year, achieving 30% decrease in specific water and 20% decrease in total water withdrawal.

We are currently recycling the water used for cooling purposes in the production cycle. However, due to evaporation from time to time water is added to the system to keep it safe and effective. Our water treatment facility was being upgraded for continuous operations. In 2019, all necessary upgrades were completed and therefore from 2020, we hope to start using recycled water for administrative and irrigation purposes.

Table 16. Water consumption

Water management	2017	2018	2019
Total water consumption, thousand m ³	77,609	68,270	50,117
Specific water consumption, l/ton of cementitious production	63.7	52.4	36.6

¹ VOC/THC were included in the scope of calculations since 2018.

10.4. Land and biodiversity

We are fully pledged to our commitment to protect ecosystems that are directly and or indirectly affected by our activities. During the design and EPC (Engineering Procurement and Construction) phase of the facility, we conducted analysis of indigenous flora and fauna in order to understand the characteristics of the surrounding environment where our plant is located. The results indicated that the habitat of this region was underdeveloped with no areas of high biodiversity value or “protected” status, deeming the area highly suitable for our operations. Initial analysis of environment and local biodiversity still holds effect. This kind of

analysis are not conducted each year, as the area of use is already degraded. However, some flora and fauna species, such as astragalus, iris, Jersey fern, the Syrian spadefoot, spur-thighed tortoise, and agamid lizard, still may be found in the area, and appropriate measures are taken so as not to disturb the habitat of these resident species. Ministry of Ecology and Natural Resources continuously monitors our negative impact on biodiversity, and they make inquiries if they deem our measures to decrease negative impact on biodiversity ineffective. No such inquiries were addressed to us in 2019.

10.5. Waste management

Currently our waste management is guided by the internal waste management procedures adopted in 2015.

There are two categories of waste generated by our production cycle.

- Hazardous waste – this category includes waste that has substantial or potential threats to public health or the environment. With toxic, infectious, oxidizing or corrosive properties (luminescent lamps, utilized oil, waste tires, etc.)

- Non-hazardous waste – this category includes waste types that are not specifically deemed hazardous. 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)

Both hazardous and non-hazardous waste are separated and stored according to internal policies and local legislations. Currently, we work with a professional licensed third party “AA service” for transportation, utilization, recycling and disposal of hazardous and non-hazardous waste to landfills.

Non-hazardous waste are separated and kept in the designated polygon within our facility, once the appropriate amount is collected these types of waste are sold or

reused in the production cycle. For example, metal balls in mills that have been broken down into smaller pieces during production cycle are separated by size and smallest pieces are sold once a year as scrap metal. At the same time, refractive concrete and bricks used as insulation of the burning chambers are added into clinker production once they reach their useful life cycle, without compromising the quality of the clinker.

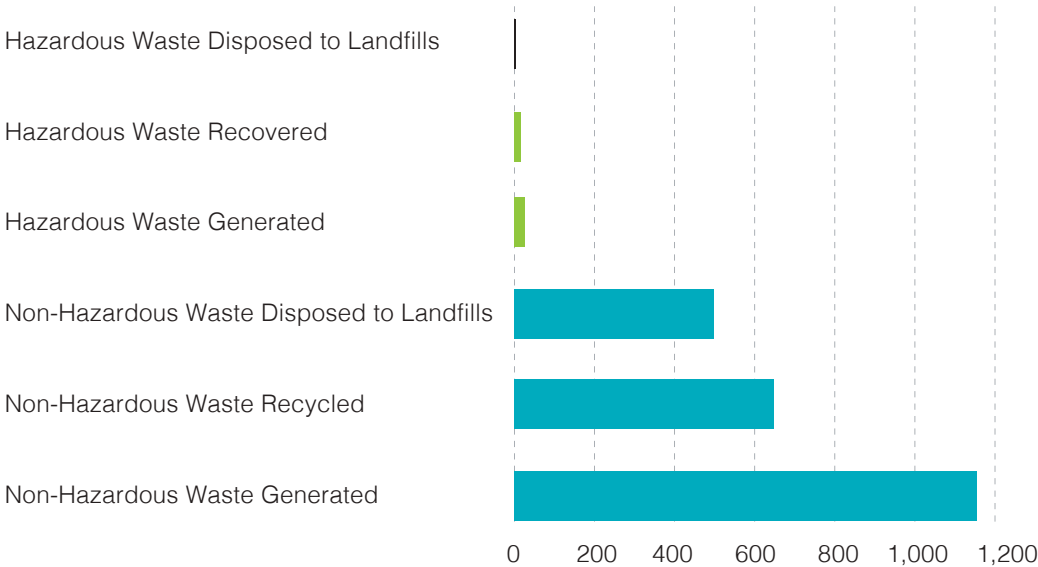
² The difference in the water consumption figures for 2017 and 2018 with the figures reported is due to the fact that, in the prior year report we did not account for water discharge. For water discharge figures, please refer to section 13.

In 2019 Non-hazardous waste generated decreased, and majority of this waste material was recycled. Even though the amount of hazardous waste generated increased compared to 2018, 95% of such waste was recovered. As part of improving our waste management, in

2019, we expanded our separation procedure for recycling purposes to include paper and plastic waste as well. Special disposal bins were set across the office building, production sites and other facilities. These improvements allowed us to recycle majority of the waste materials generated.

Figure 16. Waste management

Waste Material (Tonnes) 2019





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11. RESPONSIBLE PRODUCTION

- 11.1. Customer focus
- 11.2. Research & development
- 11.3. Materials use and circular economy
- 11.4. Quality assurance

11.1. Customer focus

In order to understand the customer needs and respond to them proactively, we regularly engage with our customers through various events and mechanisms. Bearing in mind huge role of masters at the decision-making process of cement purchase, we established Masters Club at 2016, with

the purpose of enhancing customer retention.

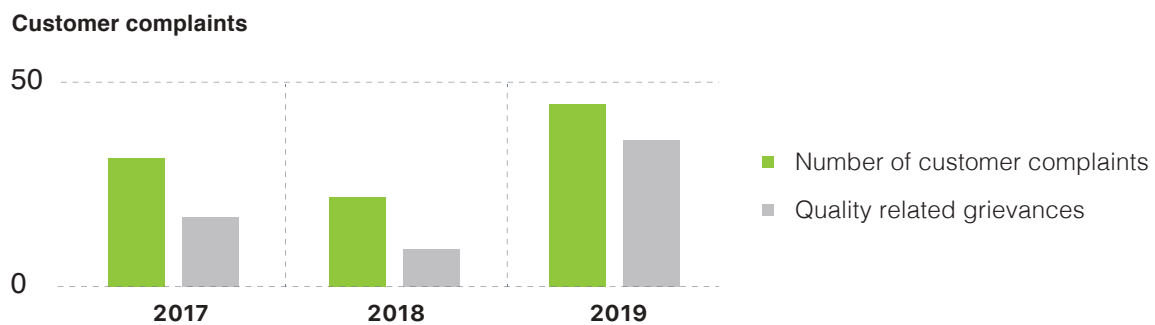
Our Customer Relationship Management (CRM) system embraces number of other mechanisms ensuring effective communication, which includes:

- 1 Technical Support Service – communication tool for addressing customer concerns related to cement quality in a timely manner;
- 2 927 Hotline – call center for customer issues;
- 3 E-commerce system- 7/24 accessible online user platform allowing customers to track their orders through GPS, view order and debt history;
- 4 Marketing research – annually held project by the Marketing department for monitoring the quality of product and service based on key performance indicators.

To achieve high level of customer satisfaction, we place an immense importance on our grievance mechanisms. Figure 17

presents the number of general and quality related grievances received through these mechanisms over the last 3 years.

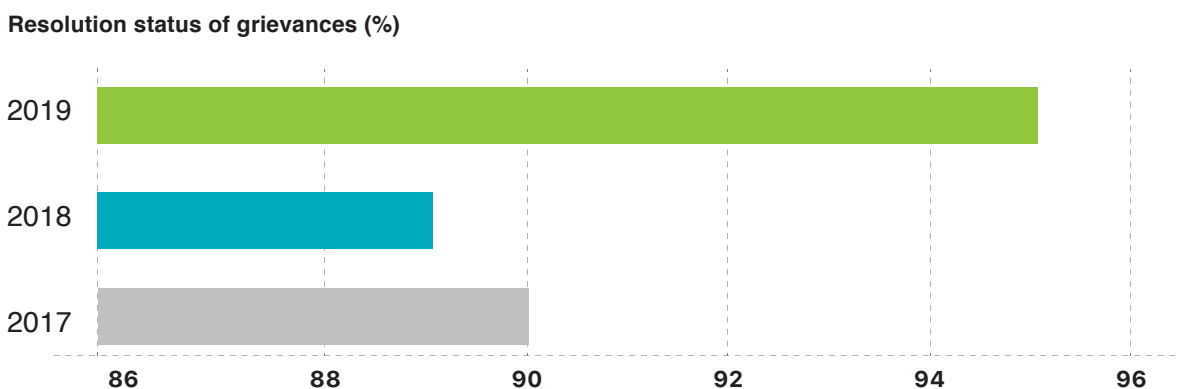
Figure 17. Customer complaints



In 2019, customer complaints, including quality related grievances increased in 2019. This is usually a case when we launch a new product, as customers get some time to familiarize themselves with new products.

Additionally, as can be seen from Figure 18, even though customer grievances increased in the reporting year, their resolution ratio also increased significantly compared to prior years.

Figure 18. Resolution of grievances



For providing superior customer service, we are planning to establish a new mobile application in 2020. The application will assist retail customers to select the

11.2. Research & development

In order to be competitive in an ever-evolving market, we seek to stay at the forefront of research and development (R&D) in the local cement industry.

In 2019, we continued our R&D activities for the development of local oil well cement. At the same time, as the result of successful development activities, we have launched our new product - Class 1 cement. Three more products are in the

11.3. Materials use and circular economy

Norm puts a special emphasis on circular economy in its production process. Enhancement of repurposed material usage allows us to establish sustainable operations, to conserve natural resources and to provide society-wide benefits.

Luckily, cement industry creates opportunities for the utilization of waste, by-pro-

ducts, and alternative raw materials from related industries. Therefore, we collaborate with third parties who can provide us with waste materials from their operations, and nearby quarries. In 2019, our 83 % of raw materials consumed came from secondary materials (waste that substitutes primary materials) and alternative raw materials (materials recovered from previous use).

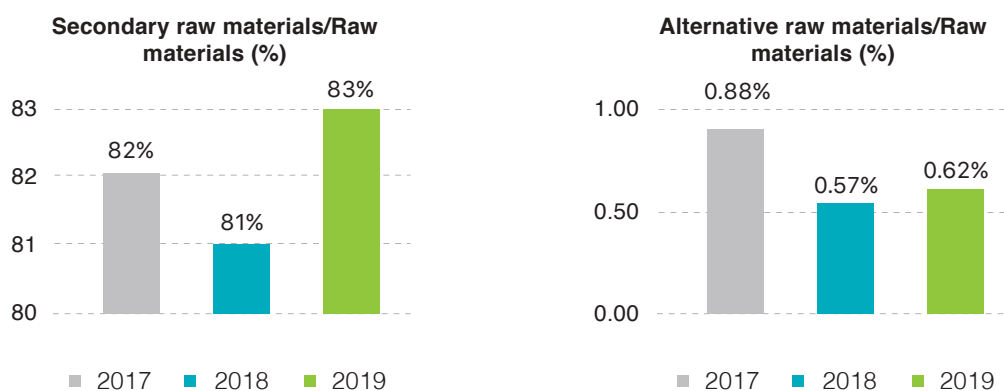
product most appropriate to their needs, to calculate required quantity of cement for intended usage area and to find highest rated masters in their close proximity.

pipeline to be launched in 2020. If successful, we hope these products will lower our average clinker factor and help us to achieve our related short-term targets.

Using the facilities in hand, we hope to continue to increase quality of our products and widen our product portfolio, while monitoring and decreasing our negative effect on the environment.

ducts, and alternative raw materials from related industries. Therefore, we collaborate with third parties who can provide us with waste materials from their operations, and nearby quarries. In 2019, our 83 % of raw materials consumed came from secondary materials (waste that substitutes primary materials) and alternative raw materials (materials recovered from previous use).

Figure 19. Alternative and secondary raw materials



11.4. Quality assurance

At Norm, Quality Assurance/Quality Control (QA/QC) Department is responsible for ensuring quality and compliance of our both bagged and bulk products and services with international standards and internal regulations. Our quality management system is certified by DNV GL for compliance with ISO 9001:2015 standard.

In 2019, audit results of samples selected

by Bureau Veritas from our laboratories, confirmed compliance our products with EN 197-1 Standard. Moreover, with the milestone of producing oil well cement, we are planning to acquire full compliance with API standards in 2020. In order to receive the compliance certificate, we are trying to develop a product, which can easily pass the tests in terms of chemistry, thickening time, fluid loss, free fluid, rheology and compressive strength.



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12. SUPPLY CHAIN

12.1. Our suppliers

12.2. Supplier selection

Our supply chain prioritizes social and environmental consciousness, climate protection, and transparency. We are committed to conducting all our business processes in a responsible manner. To ensure a comprehensive sustainable approach to these processes, we apply our core principles and regulations to our business partners and suppliers as well.

Our supply chain is regulated through a number of internal procedures, which are compliant with both local legislations and international practices for trading. Such most notable procedures are:

- 1 Procurement Procedure;
- 2 Tender Procedure;
- 3 Inventory Management Procedure;
- 4 Warehouse Management Procedure.

Moreover, during the current year, Norm has issued "Raw material source management, procurement, storage and utilization procedures". These procedures set standards for

quality, safety and efficiency in addition to assisting departments to assign appropriate accountability in the relevant decision-making processes.

12.1. Our suppliers

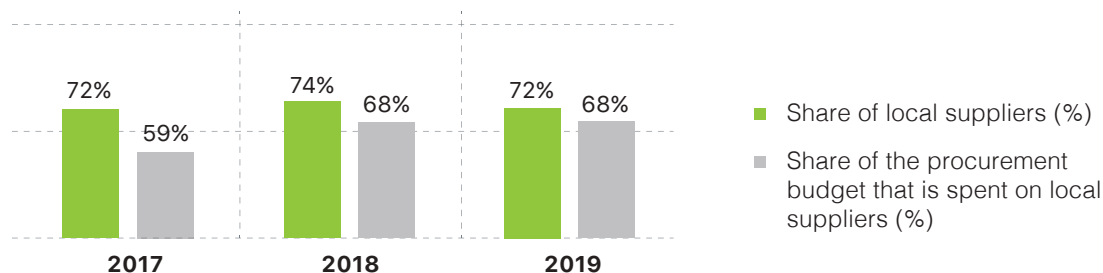
As of reporting year, we have managed to establish a large network of local and foreign suppliers, whose number reached in total to 578. Under the term of local supplier, we refer to suppliers based on Azerbaijani market.

In line with our commitment to contributing "SDG8: Decent work and economic growth", we prefer working with local suppliers whenever possible. Therefore, it is no surprise that, 68% of our procurement budget was spent on local suppliers in 2019. As can be

seen in Figure 20, the percentage of procurement budget spent locally in the current year stayed at the same level as reported in 2018. In contrast, share of local suppliers has slightly decreased compared to the prior year. As certain spare parts and other necessary materials for our production and construction works are not available in the local supply market at the required quality we were obliged to work with foreign suppliers for the purchase of such goods. These purchases contributed to the decrease in "share of local suppliers/contractors" indicator.

Figure 20. Local suppliers in our supply chain

Local market focus



12.2. Supplier selection

We are committed to preserving our sustainability values and principles within our supply chain management. Therefore, all our vendors are required to meet certain conditions regarding their business continuity and sustainability. In 2019, we established new prequalification form for selection of suppliers. These forms were prepared in order to optimize our vendor selection

process and to make it compliant with the requirements of API standards. The forms emphasize social and environmental necessities, in addition to setting standard commercial and quality requirements. Figure 21 presents four main areas that the selection criteria focuses on at Norm per new prequalification forms.

Figure 21. Supplier selection criteria

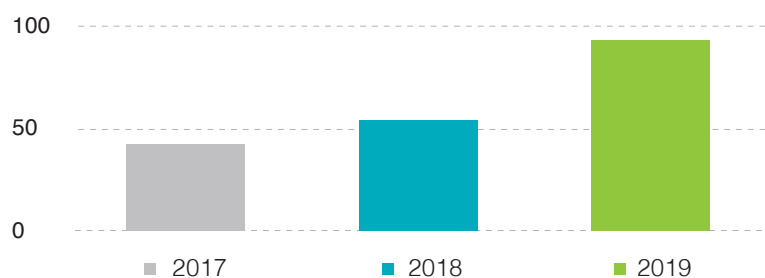


The prequalification forms establish a scoring system and hence, act as a negative screening tool. As a result of prequalification analysis, candidates firms getting score below 50 are disqualified. The remaining suppliers are categorized and treated according to their scores. New supplier categori-

zation system allows us to communicate with our critical suppliers effectively and offer them recommendations in their improvement areas. Overall, this year, we have assessed 93 suppliers, significantly higher number compared to the years 2017-2018 as reflected in Figure 22.

Figure 22. Quality and performance related supplier assessments

Total number of suppliers/contractors assessed for the quality of production and performance



As the prequalification form is filled by suppliers themselves, we supplement information gained from these forms with vendor site trips and inspections. Findings acquired by Norm's procurement team during such site trips and inspections, play a key role in the decisions to start/continue working with suppliers.

We continuously seek to improve and innovate our procurement processes. To increase efficiency and transparency of our supplier selection procedures, we utilize additional e-Sourcing, e-Auction, and e-Procurement solutions.

Use of E-sourcing by Norm improves transparency between the company and its suppliers. In our procurement portal, suppliers can see deadlines, status, and other key information. We believe, by using E-sourcing, we have managed to build a closer and more open relationship with our suppliers, at the same time facilitating reduced costs, a better communication process and a more efficient procurement management process.





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13. PERFORMANCE TABLES

- 13.1. Company profile
- 13.2. Financial performance
- 13.3. Our people
- 13.4. Health and safety
- 13.5. Environment
- 13.6. Responsible production
- 13.7. Supply chain

13. Performance tables

13.1. Company profile

Clinker and Cement Production (Tons)	2017	2018	2019
Clinker production	1,081,390	1,172,414	1,219,360
Cement production, including:	1,218,019	1,302,438	1,367,734
Class A	435,542	448,395	519,996
Class B	278,381	303,817	311,475
Class C500	444,345	522,852	492,472
Class S	59,751	27,374	25,657
Class 1	-	-	18,134

13.2. Financial performance

Economic performance, AZN 000s	2017	2018	2019
Direct economic value generated	126,272	149,447	149,210
Revenues	126,272	149,447	149,210
Economic value distributed	91,584	114,641	119,123
Operating expenses	65,816	77,710	83,669
Social expenses	146	258	299
Salary, bonuses and other payments to employees	8,213	9,566	10,851
Payments to the state budget, including	17,409	27,107	24,304
Property tax	1,979	1,506	1,095
Withholding tax	240	193	422
Land tax	197	193	198
VAT charges	13,253	14,977	12,253
22% SSPF charges	1,698	1,716	1,457
Income tax	42	8,522	8,879
Economic value retained	34,688	34,806	30,087
Total capitalization	234,888	228,341	288,696
Total equity	147,887	180,025	210,113
Total debt	87,001	48,316	78,583

13.3. Our people

Total number of employees, by gender	2017		2018		2019	
	Male	Female	Male	Female	Male	Female
Total number of employees by employment contract	262	27	260	28	262	29

Part-time employees	1	0	2	0	3	0
Full-time employees	261	27	258	28	257	29
Total number of employees by employment type	262	27	260	28	260	29
Permanent employees	222	24	212	23	220	22
Temporary employees	40	3	48	5	40	7
Total number of employees by employment position	262	27	260	28	260	29
Execution position	16	1	19	1	18	1
Specialist position	53	16	50	17	44	22
Technician position	26	8	25	8	32	4
Other position	167	2	166	2	166	2

Employee indicators, by age	2017			2018			2019		
	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50
Total number of employees	133	150	6	108	171	9	110	166	13
Execution position	0	15	2	0	17	3	0	15	4
Specialist position	22	45	2	15	50	2	25	40	1
Technician position	17	17	0	15	18	0	7	26	3
Other position	94	73	2	78	86	4	78	85	5
Percentage of employees	46%	52%	2%	38%	59%	3%	38%	58%	4%
Number of hires	3	5	0	6	10	0	9	7	1
Number of dismissals	5	12	7	7	10	0	5	7	2

Turnover indicators, by gender	2017		2018		2019	
	Male	Female	Male	Female	Male	Female
Number of employees dismissed	22	2	15	2	10	4
Number of employees who left voluntarily	16	2	11	2	7	4
Number of new hires	8	0	13	3	12	5
Employee turnover rate	0.15	0.15	0.10	0.14	0.07	0.27

Senior management hired from local communities	2017	2018	2019
Senior management hired, from local community ³	2	1	0
Senior management hired, total	4	1	0
Ratio of senior management hired from local communities	0.5	1	-

³ Local community - Azerbaijan

Compensation indicators, by gender	2017		2018		2019	
	Male	Female	Male	Female	Male	Female
Entry level salary	577	638	698	696	600	547
Minimum salary (for Azerbaijan)	105	105	135	135	250	250
Entry level wage/minimum wage, by gender	5.50	6.08	5.17	5.16	2.40	2.19
Ratio of basic male salary to basic female salary	1.07		1.12		1.20	

Parental leave indicators, by gender	2017		2018		2019	
	Male	Female	Male	Female	Male	Female
Total number of employees that were entitled to parental leave	0	8	0	2	4	12
Total number of employees that took parental leave	0	8	0	2	0	0
Total number of employees that returned to work in the reporting period after parental leave ended	0	0	0	0	0	0
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	0	6	0	0	0	5

Number of employees by vulnerable groups	2017	2018	2019
	Total number of employees, by vulnerable groups	16	18
Disabled people	2	4	5
Internally displaced people	14	14	14

13.4. Health and safety

Health and Safety Indicators	2017	2018	2019
Fatality rate (Per 10,000 employees)	0	0	0
Total number of fatalities	0	0	0
Total number of recordable injuries	8	3	3
The number and rate of high-consequence work-related injuries (excluding fatalities)	2	0	1
Total number of other injuries	6	3	2
Total Lost Time Injuries (LTI)	2	0	1
LTI frequency rate (Per 1,000,000 hours worked)	4.03	0.00	1.81
Total man hours during the reporting period	496,588	498,437	552,359

Occupational disease rate (Per 1,000,000 hours worked)	0	0	0
Number of days lost due to occupational diseases	0	0	0
LTI severity rate (Per 1,000,000 hours worked)	60.41	0	10.86
Number of days lost due to injury/accident	30	0	6
LTI frequency rate (Per 1,000 employees)	6.92	0	3.46
Total injury frequency rate (Per 1,000 employees)	27.68	10.45	10.38

13.5. Environment

Clinker Factor	2017	2018	2019
Average clinker factor	78.62%	78.18%	78.69%

CO ₂ and Energy indicators	2017	2018	2019
Total Amount of Direct CO ₂ Emissions (metric tons/year)	781,879	847,695	881,842
Specific Direct CO ₂ Emissions (KG/Ton Cementitious Production)	568	565	569
Energy consumption total (GJ)	3,908,667	4,250,599	4,460,994
Thermal energy consumption (GJ)	3,472,229	3,792,038	3,981,790
Thermal energy consumption fossil fuels (natural gas) (GJ)	3,472,229	3,792,038	3,981,790
Electrical energy consumption (GJ)	436,438	458,561	479,204
Electrical energy consumption non-renewable (GJ)	436,438	458,561	479,204
Thermal energy intensity of production ⁴ (GJ per ton clinker)	3.21	3.23	3.27
Total natural gas consumption (m ³)	99,268,497	107,774,443	113,103,464

Water indicators	2017	2018	2019
Total water withdrawal (MI)	104	93	75
Total freshwater withdrawal (MI)	104	93	75
Freshwater withdrawal from third parties (MI)	104	93	75
Total water discharge (MI)	26	25	25
Water discharge to ground (MI)	6	6	5
Other water discharge (MI)	20	19	20
Total water consumption (MI)	78	68	50
Specific Water Consumption, L/ton cementitious production	63.7	52.4	36.6

⁴ Specific energy consumption

Emission Indicators	2017	2018	2019
Dust			
Total Emission (Ton/Year)	196.8	186.4	208.4
Specific Emission (G/Ton Clinker)	182.0	159.0	170.9
NOx			
Total Emission (Ton/Year)	1,179.8	1,089.2	1,020.5
Specific Emission (G/Ton Clinker)	1,091.0	929.1	836.9
VOC/THC (mg/Nm3)	-	0.220	0.063
Total Emission (KG/Year)	-	594.0	217.1
Specific Emission (G/Ton Clinker)	-	0.507	0.178
Hg (ug/Nm3)	-	0.179	0.050
Total Emission (KG/Year)	-	0.483	0.172
Specific Emission (MG/Ton Clinker)	-	0.412	0.141
HM1* (ug/Nm3)	-	0.013	0.031
Total Emission (KG/Year)	-	0.035	0.108
Specific Emission (MG/Ton Clinker)	-	0.030	0.089
HM2** (ug/Nm3)	-	3.4200	3.0078
Total Emission (KG/Year)	-	9.234	10.367
Specific Emission (MG/Ton Clinker)	-	7.876	8.502
SOX (Ton/Year)	0.994	0.878	0.759

* HM1: Sum of Cd and TI

** HM2: Sum of Sb, As, Pb, Cr, Co, Cu, Mn, Ni, V

Waste Indicators	2017	2018	2019
Waste Materials (Tons) including:	1,607.00	1,517.10	1,175.38
Non-Hazardous Waste Generated	1,601.09	1,506.70	1154.59
Non-Hazardous Waste Recycled	644.04	715.60	663.77
Non-Hazardous Waste Disposed to Landfill	957.05	791.10	490.82
Hazardous Waste Generated	5.91	10.40	20.79
Hazardous Waste Recycled	5.81	6.11	19.66
Hazardous Waste Disposed to Landfills	0.10	4.29	1.132

13.6. Responsible production

Materials	2017	2018	2019
Total raw material consumption (tons)	2,056,142	2,196,181	2,319,448
Raw materials obtained from secondary materials (tons), including:	1,693,520	1,784,744	1,916,562

Alternative raw materials (tons)	14,972	10,212	11,959
Raw materials obtained from secondary materials (%), including:	82%	81%	83%
Alternative raw materials (%)	0.9%	0.6%	0.6%

13.7. Supply chain

Supply chain indicators	2017	2018	2019
Total number of suppliers	640	658	578
Number of local suppliers	462	488	418
Share of local suppliers (%)	72%	74%	72%
Total procurement budget, AZN 000s	50,263	62,677	78,689
Procurement budget that is spent on local suppliers/-contractors, AZN 000s	29,706	42,742	53,513
Share of the procurement budget that is spent on local suppliers/contractors (%)	59%	68%	68%
Total number of suppliers assessed for the quality of production and performance	57	-	93

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14. METHODOLOGY AND ASSUMPTIONS

- 14.1. Methods of data collection and reporting methodologies
 - 14.1.1. Environmental indicators
 - 14.1.2. Social indicators
 - 14.1.3. Economic indicators
- 14.2. GRI index
- 14.3. Independent assurance report

14. Methodology and assumptions

As in the prior year, we have made sure that Sustainability report covers all our operations. Information reported here was collected via interviews, questionnaires, company internal reports and in certain cases information provided by independent third parties.

In our second year of reporting, we have made an effort to make our disclosures more in line with GRI and GCCA reporting guidelines. Indicators regarding the energy

and water consumption were the most affected ones as a result of these further efforts.

At Norm, we understand the importance of further developing our internal reporting system for clearer and more comprehensive sustainability disclosures. We plan to continue issuing Sustainability reports on an annual basis, while expanding the range and variety of disclosed indicators per GRI Standards and GCCA Guidelines in upcoming years.

14.1. Methods of data collection and reporting methodologies

14.1.1. Environmental indicators

GCCA guidelines and GRI standards guide our data collection and reporting methodology for environmental indicators. Norm's internal reporting system is main source of data reported. This data is supplemented with the information provided by the measurements conducted by an independent environmental study and lab analytical services provider - AZECOLAB.

The scope of this report mainly covers all processes at Norm in 2019. However, last year, after the issuance of the sustainability report, we conducted further review of environmental indicators before submitting them to local legislative bodies. As a result of that review, minor errors were identified, which resulted in immaterial adjustments to some environmental indicators reported in the previous year. Subsequently, our power consumption, CO₂, NO_x and dust emission indicators for 2017 and 2018 were restated in this report.

All our active sites, including quarrying, manufacturing, and packaging sites are included in quantitative and qualitative environmental information reported.

CO₂ and Power: To report our power consumption performance, we follow the requirements of GRI 302 Energy Standard, as well as GCCA Guidelines for co-processing fuels and raw materials for cement manufacturing. The scope of energy consumption covers all energy intense operations. The main difference from prior year

is the change in the presentation of energy indicators to make their disclosure more in line with the industry best practices. In the current year report, we present total power consumption, electrical energy consumption and thermal energy consumption according to their sources.

GRI 305.1-305.5 Emissions Disclosure Standards, as well as GCCA Sustainability Guidelines for the monitoring and reporting of CO₂ emissions guide our reporting on CO₂ emissions. The scope of GHG emissions covers all energy intense operations. To calculate CO₂ emission indicators we use material balance method. Inputs for the method come from our Command Control Room (CCR) using CTIEC system, production daily reports and laboratory reports showing composition of raw meal. In conformance with the WRI/WBCSD Protocol, as well as GCCA guidelines, during current year we have included emissions from our vehicles due to the use of fuels such as petrol and diesel within direct CO₂ emissions. Figures for comparative years have been changed accordingly.

Emissions: Our emissions disclosures follow the requirements 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. In 2017, we internally monitored dust and NO_x emissions via our emission tracking system and included these parameters in the com

parable figures. Since 2018, our inputs for emissions indicators come from measurements by AZECOLAB, who has been tracking our specific and total VOC/THC and heavy metals (Hg, Cd, Tl, and Sb, As, Pb, Cr, Co, Cu, Mn, Ni and V) emissions originating from the kiln unit.

Water: We use GRI 303 Water Disclosure Standard as well as GCCA Sustainability Guidelines as reference to measure and report our water performance. We have classified our water consumption into three categories – production, irrigation and administrative – to enable the application of efficient monitoring and usage mechanisms. To make our disclosures more complaint with GRI-303 standard, this year we report water withdrawal and water discharge indicators besides water consumption. The coverage of water data is 100 percent.

Materials and waste: GRI 301 Materials and GRI 306 Effluents and Waste Disclosure Standards guide our measurements and

14.1.2. Social indicators

Health and safety: Our health and safety performance disclosures in 2019 follow GCCA Sustainability Guidelines for the monitoring and reporting of safety, GRI 403 Occupational Health and Safety (OHS) standard, as well as the local legislative requirements.

We collect data on Health and Safety indicators at the site level and consolidate them at the company level. Internal reporting system built on incident investigations reports act as the main source of the disclosed information. Moreover, Safety Observation Cards, as well as internal management meetings play an essential role in collection of the related qualitative data.

Disclosed information in this report covers both on-site and off-site incidents and includes all employees, regardless of their contract type. Unfortunately, comprehensive

14.1.3. Economic indicators

Financial performance indicators follow International Financial Reporting Standards (IFRS) and The International Accounting Standards Board (IASB) Conceptual

reporting processes related to waste performance. All solid and liquid waste, except for wastewater are included in our waste indicators. Division of waste materials into hazardous and non-hazardous categories is in line with adopted standards and local legislations. All waste is either disposed or submitted third parties for recycling. Thus, handled/transported waste is presented as the 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/m³ based on the types of household waste generated.

Biodiversity and quarries: Just as in last year, we follow the requirements, recommendations and guidance of GRI 304 Biodiversity Disclosure Standard and local legislations to report the impact of our operations on biodiversity. For the purpose of accountability, we have included the rehabilitation activities and plans in place for all of our quarries.

data on contractors is not currently available. However, we are planning to factor health and safety indicators of contractors into our KPIs in 2020. Therefore, we plan to include related information in our upcoming Sustainability reports.

Other Social Indicators: 400 series of the GRI Standards guide our social performance disclosures. Social performance data covers all operations and business units of the company. Besides information collected through internal reporting system, our human resources data is compiled using the results from employee engagement survey conducted with the help of independent advisory firm- Willis Towers Watson. Customer data is collected through internal customer complaints software and reports from Business Insight. Whereas, the data on suppliers is collected and consolidated through Norm's internal reporting system.

Framework. The key facts and figures included in this report correspond to those in the financial statements.

14.2. GRI index

Standard	Description	Status	Reference/Comment
GRI 102: GENERAL DISCLOSURES			
Organizational profile			
102-1	Name of the organization	Covered	Pg. 12-13
102-2	Activities, brands, products, and services	Covered	Pg. 12-13
102-3	Location of headquarters	Covered	Pg. 12-13
102-4	Location of operations	Covered	Pg. 12-13
102-5	Ownership and legal form	Covered	Pg. 12 & 28
102-6	Markets served	Covered	Our products are offered to all customers in retail and wholesale segments of the manufacturing sector, mainly construction industry in Azerbaijan.
102-7	Scale of the organization	Covered	Pg. 73-74
102-8	Information on employees and other workers	Covered	Pg. 74 & 81
102-9	Supply chain	Covered	Pg. 68-70
102-10	Significant changes to the organization and its supply chain	Covered	Pg. 26 & 68
102-11	Precautionary Principle or approach	Covered	We apply the "precautionary approach" to our risk management system and follow this principle in producing our products.
102-12	External initiatives	Covered	We endorse building an industrial platform in Azerbaijan to share resources and knowledge, and several peer companies have already expressed interest. Organization of first International Concrete Conference in Azerbaijan was a significant step in this process.
102-13	Membership of associations	Covered	We are members of the European Cement Research Academy, and we collaborate with the Turkish Cement Manufacturers Association.
Strategy			
102-14	Statement from senior decision-maker	Covered	Pg. 6
102-15	Key impacts, risks, and opportunities	Partially covered	Pg. 29-30
Ethics and integrity			
102-16	Values, principles, standards and norms of behavior	Covered	Pg. 17 & 27-30
102-17	Mechanisms for advice and concerns about ethics	Covered	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.
Governance			
102-18	Governance structure	Covered	Pg. 26-27
102-19	Delegating authority	Covered	Pg. 17
102-20	Executive-level responsibility for economic, environmental, and social topics	Covered	Pg. 17
102-21	Consulting stakeholders on economic, environmental, and social topics	Covered	Consultations with stakeholders 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.
102-22	Composition of the highest governance body and its committees	Not covered	
102-23	Chair of the highest governance body	Covered	Chairman of the BoD does not hold executive position at Norm.
102-24	Nominating and selecting the highest governance body	Covered	The CEO is nominated and appointed by the BoD of Norm. In the process issues such as independence, diversity, technical knowledge and experience, as well as ESG expertise are considered.
102-25	Conflicts of interest	Partially covered	Our code of ethics act as a tool to avoid and manage conflicts. Conflicts of interest arising from related-party transactions are disclosed in accordance with the Civil Code of the Republic of Azerbaijan.
102-26	Role of the highest governance body in setting purpose, value, and strategy	Covered	The CEO and BoD approve the organization's purpose, vision and mission statements, strategies, policies, and goals related to economic, environmental, and social topics.

102-27	Collective knowledge of highest governance body	Covered	Our senior management have individual development plans, which include planned actions to enhance their technical, as well as, ESG related expertise
102-28	Evaluating the highest governance body's performance	Covered	The BoD 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 on an annual basis. The BoD also decides on actions to be taken as response to the issued identified in these assessments
102-29	Identifying and managing economic, environmental, and social impact	Covered	Pg. 16-17
102-30	Effectiveness of risk management processes	Covered	Pg. 29-30
102-31	Review of economic, environmental, and social topics	Covered	BCM is reviewed by IMS and HSE teams and approved by CEO on an annual basis. BoD is consulted when significant changes are made.
102-32	Highest governance body's role in sustainability reporting	Covered	The CEO reviews and approves the organization's sustainability report and ensures that all material topics are covered.
102-33	Communicating critical concerns	Covered	Pg. 8-9
102-34	Nature and total number of critical concerns	Not covered	
102-35	Remuneration policies	Not covered	
102-36	Process for determining remuneration	Not covered	
102-37	Stakeholders' involvement in remuneration	Covered	Pg. 37-38
102-38	Annual total compensation ratio	Not covered	
102-39	Percentage increase in annual total compensation ratio	Not covered	
Stakeholder engagement			
102-40	List of stakeholder groups	Covered	Pg. 8-9
102-41	Collective bargaining agreements	Covered	At Norm, our employees are not covered by collective bargaining agreements. However, we always consider employees opinion in significant decisions affecting them. Action plans prepared as response to employee engagement survey in 2019 was an example to this.
102-42	Identifying and selecting stakeholders	Covered	Currently we choose stakeholders to engage based on relevant stakeholder groups identified using our experience and industry best practices. We do not have a formal stakeholder engagement model, but we are considering the development of formal mechanisms in the near future.
102-43	Approach to stakeholder engagement	Covered	Pg. 8-9
102-44	Key topics and concerns raised	Covered	Pg. 8-9
Reporting practice			
102-45	Entities included in the consolidated financial statements	Covered	Norm is a single entity, not a group. All financial statements and relevant documents cover entity's all operations.
102-46	Defining report content and topic Boundaries	Covered	Pg. 8-10
102-47	List of material topics	Covered	Pg. 10
102-48	Restatements of information	Covered	Pg. 80-81
102-49	Changes in reporting	Covered	Pg. 10
102-50	Reporting period	Covered	Pg. 8
102-51	Date of most recent report	Covered	Most recent Sustainability report was issued in 2018, covering years 2016-2018.
102-52	Reporting cycle	Covered	Pg. 80-81
102-53	Contact point for questions regarding the report	Covered	Pg. 91
102-54	Claims of reporting in accordance with GRI Standards	Covered	Pg. 8
102-55	GRI content index	Covered	Pg. 82-87
102-56	External assurance	Covered	Pg. 88
GRI 103: MANAGEMENT APPROACH			
103-1	Explanation of the material topic and its Boundary	Covered	Throughout the report

103-2	The management approach and its components	Covered	Pg. 17-22
103-3	Evaluation of the management approach	Covered	Pg. 17-22
GRI 201: ECONOMIC PERFORMANCE			
201-1	Direct economic value generated and distributed	Covered	Pg. 32
201-2	Financial implications and other risks and opportunities due to climate change	Not covered	
201-3	Defined benefit plan obligations and other retirement plans	Covered	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. There is no voluntary retirement obligation plan in place.
201-4	Financial assistance received from the government	Covered	No financial assistance was received from the government during the reporting period. Also government is not present in company's governance structure
GRI 202: MARKET PRESENCE			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Covered	Pg. 12 & 73-75
202-2	Proportion of senior management hired from the local community	Covered	Pg. 26 & 74
GRI 203: INDIRECT ECONOMIC IMPACTS			
203-1	Infrastructure investments and services supported	Covered	Pg. 43-44
203-2	Significant indirect economic impacts	Covered	Our positive indirect impacts include supporting jobs, enhancing the knowledge and skills of our employees, and use of products and services from local suppliers. These impacts contribute to SDG 8, prioritized by local government and global cement industry.
GRI 204: PROCUREMENT PRACTICES			
204-1	Proportion of spending on local suppliers	Covered	Pg. 68-70
GRI 205: ANTI-CORRUPTION			
205-1	Operations assessed for risks related to corruption	Covered	We do not currently assess suppliers for corruption related risks
205-2	Communication and training about anti-corruption policies and procedures	Covered	Pg. 27
205-3	Confirmed incidents of corruption and actions taken	Covered	No corruption related such incidents occurred during the reporting period.
GRI 206: ANTI-COMPETITIVE BEHAVIOR			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Covered	No such anti-competitive behavior related incidents occurred during the reporting period.
GRI 301: MATERIALS			
301-1	Materials used by weight or volume	Partially covered	Pg. 77-78
301-2	Recycled input materials used	Covered	Pg. 77-78
301-3	Reclaimed products and their packaging materials	Not covered	
GRI 302: ENERGY			
302-1	Energy consumption within the organization	Covered	Pg. 56-59,76 & 80-81
302-2	Energy consumption outside of the organization	Not covered	
302-3	Energy intensity	Covered	Pg. 56-59,76 & 80-81
302-4	Reduction of energy consumption	Covered	Pg. 20
302-5	Reductions in energy requirements of products and services	Not covered	
GRI 303: WATER			
303-1	Interactions with water as a shared resource	Covered	Pg. 59
303-2	Management of water discharge -related impacts	Covered	The water is provided by the municipal water supplier. During the reporting period, Norm did not pass the limits imposed by local legislations for effluent water discharges and paid determined taxes for all such discharges.

303-3	Water withdrawal	Covered	Pg. 76
303-4	Water discharge	Partially Covered	Pg. 76
303-5	Water consumption	Covered	Pg. 76
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	Pg. 60
304-2	Significant impacts of activities, products, and services on biodiversity	Covered	Pg. 60
304-3	Habitats protected or restored	Covered	We do not have protected or restored areas. However, In 2019 as part of our re-cultivation of plants initiatives, 100 trees were planted in our functioning area.
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Covered	There are no IUCN Red List species and national conservation list species with habitats in areas affected by the operations of Norm.
GRI 305: EMISSIONS			
305-1	Direct (Scope 1) GHG emissions	Covered	Pg. 56-59,76 & 80-81
305-2	Energy indirect (Scope 2) GHG emissions	Not Covered	
305-3	Other indirect (Scope 3) GHG emissions	Not covered	
305-4	GHG emissions intensity	Partially Covered	Pg. 56-59
305-5	Reduction of GHG emissions	Covered	Pg. 19
305-6	Emissions of ozone-depleting substances (ODS)	Not covered	
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Covered	Pg. 58-59 & 80-81
GRI 306: EFFLUENTS AND WASTE			
306-1	Water discharge by quality and destination	Not covered	
306-2	Waste by type and disposal method	Covered	Pg. 60-61
306-3	Significant spills	Covered	No significant spill occurred during the reporting period
306-4	Transport of hazardous waste	Covered	All our recovered hazardous waste is transported. We do not import, export (including international shipments) or internally treat hazardous waste. For standards, methodologies and assumptions, please see our "Methodology and Assumptions" section.
306-5	Water bodies affected by water discharges and/or runoff	Covered	No water bodies and related habitats were affected by water discharges for various purposes of our operations during the reporting period.
GRI 307: ENVIRONMENTAL COMPLIANCE			
307-1	Non-compliance with environmental laws and regulations	Covered	Pg. 28
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT			
308-1	New suppliers that were screened using environmental criteria	Covered	Currently supplier prequalification forms (for all suppliers) and site visits (for critical suppliers) are used for environmental impact assessment of our suppliers. Using these tools we did not identify significant environmental negative impacts in our supply chain.
308-2	Negative environmental impacts in the supply chain and actions taken	Covered	We did not identify significant environmental negative impacts in our supply chain in 2019. Consequently no environmental performance related improvements are agreed upon with suppliers. Moreover, we did not terminate our business relationship with any suppliers due to their negative environmental impact.
GRI 401: EMPLOYMENT			
401-1	New employee hires and employee turnover	Covered	Pg. 74
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Covered	Pg. 37-38
401-3	Parental leave	Covered	Pg. 75
GRI 402: LABOR/MANAGEMENT RELATIONS			

402-1	Minimum notice periods regarding operational changes	Covered	We do not have standard notice period typically provided to employees prior to the implementation of significant operational changes. Such notice period is decided according to the action planned for each significant operational change. Additionally, we adhere to the Labor Code of the Republic of Azerbaijan.
GRI 403: OCCUPATIONAL HEALTH AND SAFETY			
403-1	Occupational health and safety management system	Covered	Our occupational health and safety management system is established both due to internal risk management and requirements of local legislations. Requirements of local legislations can be found in www.e-qanun.az , whereas the requirements per internal risk management can be found in our QHSE policy published on our website. This system covers all our employees, contractors and independent visitors, all our activities and operation sites.
403-2	Hazard identification, risk assessment, and incident investigation	Covered	Pg. 50-52
403-3	Occupational health services	Covered	Pg. 50-52
403-4	Worker participation, consultation, and communication on occupational health and safety	Covered	We do not have a separate worker health and safety committee. But we have established a joint management system, where employees can contribute via SOC and monthly production meetings. Additionally, regardless of their position, all our employees has right and obligation to stop production process, if they observe any health & safety hazards.
403-5	Worker training on occupational health and safety	Covered	Pg. 50-52
403-6	Promotion of worker health	Covered	Pg. 37-38
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Covered	To mitigate significant negative occupational health and safety impacts that are directly linked to our operations, products or services by our business relationships, we add a separate health and safety clause to all agreements with our business partners.
403-8	Workers covered by an occupational health and safety management system	Covered	Pg. 50-51,75-76 & 80-81
403-9	Work-related injuries	Partially covered	Pg. 50-52 & 80-81
403-10	Work related ill health	Partially covered	Pg. 50-52 & 80-81
GRI 404: TRAINING AND EDUCATION			
404-1	Average hours of training per year per employee	Partially covered	Pg. 37
404-2	Programs for upgrading employee skills and transition assistance programs	Covered	Pg. 36-38
404-3	Percentage of employees receiving regular performance and career development reviews	Covered	We do not have established transition programs for employees to help with retirement and employment contract termination. All of our employees received a regular performance and career development review through our Grading and Performance Assessment System during the reporting period.
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	Pg. 75
GRI 406: NON-DISCRIMINATION			
406-1	Incidents of discrimination and corrective actions taken	Covered	We did not identify any incidents of discrimination during the reporting period.
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	Partially covered	We do not perform specific risk assessments to check collective bargaining or freedom rights, but during the normal course of the business 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.

GRI 408: CHILD LABOR			
408-1	Operations and suppliers at significant risk for incidents of child labor	Covered	Pg. 28
GRI 409: FORCED OR COMPULSORY LABOR			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Covered	Pg. 28
GRI 410: SECURITY PRACTICES			
410-1	Security personnel trained in human rights policies or procedures	Covered	No security personnel have received training in human rights policies or procedures.
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	Covered	No operations were subject to human rights reviews or human rights impact assessments during the reporting period
412-2	Employee training on human rights policies or procedures	Covered	No personnel have received training in human rights policies or procedures. All our agreements include clauses for compliance with all local legislations including the legislations on human rights.
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Covered	No significant investment agreements subject to close human rights monitoring were signed during the reporting period.
GRI 413: LOCAL COMMUNITIES			
413-1	Operations with local community engagement, impact assessments, and development programs	Partially covered	Pg. 43-46
413-2	Operations with significant actual and potential negative impacts on local communities	Covered	There were no operations with significant direct negative impacts on local communities during the reporting period.
GRI 414: SUPPLIER SOCIAL ASSESSMENT			
414-1	New suppliers that were screened using social criteria	Covered	All of our new suppliers are screened using social criteria.
414-2	Negative social impacts in the supply chain and actions taken	Covered	Currently supplier prequalification forms and site visits are used for social impact assessment of our suppliers. Using these tools we did not identify significant social negative impacts in our supply chain. Consequently, we did not terminate agreements with any suppliers because of such negative impacts in 2019.
GRI 415: PUBLIC POLICY			
415-1	Political contributions	Covered	Pg. 43-44
GRI 416: CUSTOMER HEALTH AND SAFETY			
416-1	Assessment of the health and safety impacts of product and service categories	Not covered	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Covered	We did not identify any non-compliance with regulations and/ or voluntary codes concerning the health and safety impacts of our products and services during the reporting period.
GRI 417: MARKETING AND LABELING			
417-1	Requirements for product and service information and labeling	Covered	All products go through regular quality assurance procedures. Labeling is aligned with EN 197-1:2000 and AZS 411:2010.
417-2	Incidents of non-compliance concerning product and service information and labeling	Covered	No incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labeling were identified during the reporting period.
417-3	Incidents of non-compliance concerning marketing communications	Covered	No incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications were identified during the reporting period.
GRI 418: CUSTOMER PRIVACY			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Covered	No breaches of customer privacy were identified during the reporting period
GRI 419: SOCIOECONOMIC COMPLIANCE			
419-1	Non-compliance with laws and regulations in the social and economic area	Covered	Pg. 28

INDEPENDENT ASSURANCE REPORT

Independent practitioner's limited assurance report by Deloitte & Touche LLAC ('Deloitte') to the Board of Directors of Norm OJSC ('the Company') on the 2019 Sustainability Report for the year ended 31 December 2019.

Scope of assurance

We have been engaged by Norm OJSC to perform an assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) ('the Standard') to provide public limited assurance on accuracy of Selected Data presented in 'Norm Sustainability Report' ('the Report') prepared in accordance with the requirements of Global Reporting Initiative (GRI) Sustainability Reporting Standards for the year ended 31 December 2019.

Assurance procedures and roles

We carried out limited assurance on accuracy of the following data related to 2019 year and included into the Report:

- (1) Selected key performance indicators specified below in the section 'Selected non-financial performance data for public limited assurance', and
- (2) The Company's self-declaration in preparing its Report 2019 in accordance with the requirements of GRI Sustainability Reporting Standards as stated on 'Report Profile' subsection of the Report.

Our key assurance procedures

To achieve limited assurance, the ISAE 3000 (Revised) requires that we review the processes, systems and competencies used to compile the areas on which we provide our assurance. Considering the risk of material error, we planned and performed our work to obtain all of the information and explanations we considered necessary to provide sufficient evidence to support our assurance conclusion.

To form our conclusions, we undertook the following procedures:

- Analyzed on a sample basis the key systems, processes, policies and controls relating to the collation, aggregation, validation and reporting processes of the selected sustainability performance indicators;
- Conducted interviews with employees of the Company responsible for sustainability performance, policies and corresponding reporting;
- Conducted selective substantive testing to confirm accuracy of received data to the selected key performance indicators;
- Made enquiries of management and senior executives to obtain an understanding of the overall governance and internal control environment, risk management, materiality assessment and stakeholder engagement processes relevant to the identification, management and reporting of sustainability issues;
- Performed selective review of disclosures in the Report on compliance with GRI Standards.

We believe that our evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally non-financial information, such as that included in reporting documents is subject to more inherent limitations than financial information, given the nature and methods used for determining, calculating and sampling or estimating such information.

Our work has been undertaken so that we might state to the Company those matters we are required to state to them in this Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our work, for this Report, or for the conclusions we have formed.

Our engagement provides limited assurance as defined in ISAE 3000 (Revised). The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Roles and responsibilities

- The Directors of the Company are responsible for the preparation, accuracy and completeness of the sustainability information and statements contained within the Report. They are responsible for determining Norm OJSC sustainability objectives and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.
- Our responsibility is to express a conclusion on the selected Subject Matter based on our procedures. We conducted our engagement in accordance with the ISAE 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board.

Independence and quality control

We have complied with the independence and other ethical requirements established by the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which are based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Deloitte applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Selected non-financial performance data for public limited assurance

We have been engaged by Norm OJSC to perform limited assurance procedures on accuracy of the following key performance data of the 2019 reporting year included into the Report:

Employees	<ul style="list-style-type: none"> • Total number of employees • Total number of employees by gender, male • Total number of employees by gender, female • Hired employees • Number of dismissed employees • Employee turnover rate • Number of permanent employees • Number of temporary employees • Number of full-time employees • Number of part-time employees
Health and safety	<ul style="list-style-type: none"> • Number of hours worked • Total number of fatalities, directly employed • Total number of recordable injuries • Number of lost time injuries (LTI) • Number of days lost due to injury/accident • LTI frequency rate (per 1,000,000 hours worked) • LTI severity rate (per 1,000,000 hours worked)
Emissions into the atmosphere	<ul style="list-style-type: none"> • Total dust emissions • Total NOx emissions
Greenhouse gas emissions	<ul style="list-style-type: none"> • Total amount of direct CO2 emissions • Specific direct CO2 emissions
Waste	<ul style="list-style-type: none"> • Non-hazardous waste generated • Non-hazardous waste disposed to landfills • Non-hazardous waste recycled • Hazardous waste generated • Hazardous waste disposed to landfills • Hazardous waste recovered

Water consumption	<ul style="list-style-type: none">• Total water withdrawal
Energy	<ul style="list-style-type: none">• Electrical energy consumption• Total natural gas consumption
Supply chain	<ul style="list-style-type: none">• Total number of suppliers• Number of local suppliers• Share of the procurement budget that is spent on local suppliers/contractors• Procurement budget that is spent on local suppliers/contractors
Production	<ul style="list-style-type: none">• Average clinker factor

Limited assurance conclusion

Based on the scope of our work and the assurance procedures performed we conclude that nothing has come to our attention that causes us to believe that the aforementioned Selected Data, which we were engaged to provide limited assurance on, as specified in the 'Roles and responsibilities' section above are materially misstated.

05 June 2020



We value 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:
Elmar Mammadov
Integrated Management System and HSE Manager
Norm OJSC, 1C M. Mushfig Str., Baku, Azerbaijan
Phone: +994(12)310 1010
E-mail: Elmar.Mammadov@norm.az




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