

ROMCARBON S.A. CONSOLIDATED NON-FINANCIAL DECLARATION FOR THE YEAR 2018



**Thinking
forward**

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LANGUAGE DISCLAIMER

This document represents the English version of the original official Romanian document. The English version has been created for English readers' convenience. Reasonable efforts have been made to provide an accurate translation, however, discrepancies may occur. The Romanian version of this document is the original official document. Any discrepancies or differences created in the translation are not binding. If any questions arise related to the accuracy of the information contained in the English version, please refer to the Romanian version of the document which is the official version.



This non-financial declaration contains information through which the management of the Group wishes to communicate transparently to the interested parties represented by business partners, employees, investors, the local community in general and any other interested parties the actions undertaken by the two production companies of the Group (ROMCARBON SA and Livingjumbo Industry SA) in terms of continuous improvement of product quality, environmental protection, occupational health and safety, personnel and social issues, social responsibility, ethics and business integrity and the prevention and fight against corruption.

1. Group Profile

Romcarbon Group consists of companies that produce: (i) plastic packaging products, waste recycling (Romcarbon SA and Livingjumbo Industry SA), (ii) plumbing, heating and air conditioning services and works (RC Energo Install SRL), (iii) business and business consulting services (Recyplat LTD), (iv) information technology services (InfoTech Solutions SRL).

The main production companies of the Group are Romcarbon SA and Livingjumbo Industry SA, owning 71% and 19% of the total fixed assets.

This statement of Romcarbon Group refers especially to the two companies with a production profile that hold the largest share in Romcarbon Group, the other companies / subsidiaries having as their object the provision of services specialized in different fields.

The Group's total assets per company in 2018 are as follows: Romcarbon SA (71%), Livingjumbo Industry SA (19%), Recyplat LTD (6%), RC Energo Install SRL (2%).

The areas in which the Group operates are:

- processing of plastics (polyethylene, polystyrene, polypropylene, PET, PVC - Romcarbon SA and Livingjumbo Industry SA);
- recycling of plastic products (Romcarbon SA);
- other productive activities (production of filters for motor vehicles and industrial filters, production of masks for respiratory protection - Romcarbon SA);
- other activities (RC Energo Install SRL, Recyplat LTD, Info Tech Solutions SRL, Eco Pack Management SA, Grinfilid Ukraine, Grinruh Ukraine, Romcarbon Deutschland GmbH and Project Advice SRL).

The revenue distribution by field of activity in 2018 was as follows:

- plastics processing (polyethylene, polystyrene, polypropylene, PET, PVC): 75% (71% in 2017);
- recycling of plastic products: 13% (13% in 2017);
- other productive activities (production of filters for motor vehicles and industrial filters, production of respiratory protection masks): 2% (3% in 2017);
- other activities: 10% (14% in 2017).

The distribution of assets by field of activity in 2018 was the following:

- plastic processing (polyethylene, polystyrene, polypropylene, PET, PVC): 44% (42% in 2017);
- recycling of plastic products: 29% (26% in 2017);

- other productive activities (production of filters for cars and industrial filters, production of masks for respiratory protection): 1% (1% in 2017);
- other activities: 26% (30% in 2017).

Parent company Romcarbon SA is a well-known organization on the Romanian and European markets as traditional plastics processor. With 65 years of experience in the processing of polyethylene, polypropylene, PVC and polystyrene packaging, Romcarbon has the reputation of one of the leading plastic packaging manufacturers in Romania and one of the largest employers in Buzau county, currently having about 1000 employees. The organization has operating work points in Bucharest, Stefanesti and Iasi.

Livingjumbo Industry SA is a well-known organization on the Romanian and European markets as a plastic processor in the field of polypropylene packaging.

Beginning in 2002 with the production of flexible packaging (big-bag type), Livingjumbo Industry SA has steadily expanded its capacity - both quantity and assortment - and in 2016 opened a new production sector, that of rigid PET film foils / trays and multilayer barrier films for food packaging. The important investment in the new sector was made taking into account the clear trend on the market for this type of packaging, both in terms of the characteristics of extending the shelf life of products and saving and recycling materials.

The sectors in which the company operates are:

- Polypropylene processing: thread extrusion, weaving and packaging production, the products sold are: flexible containers (big-bag type) in various constructive versions, for bulk packing up to 2000 kg, fabric, thread, string, strap
- PET processing: extrusion and thermoforming, the products sold are rigid thermoforming foils, rolled and unlaminated, and trays for modified, transparent and colorful packaging.
- Flexible multilayer film (9 layers) PET sealant barrier seal for fill-form-seal and flow-pack

As of September 2011, Livingjumbo Industry SA is part of Romcarbon Group.

Being aware of the environmental impact of the packaging, we introduce on the market and also because we want to support Romania in meeting the recovery and recycling targets for packaging waste, Romcarbon Group fulfills its recycling obligations through authorized companies for the purpose of taking over the responsibilities of economic operators who place packaging on the market.

Present over the last decade in the green industry through investments made as shareholders in some of the largest waste treatment and recycling plants in central and south-eastern Europe, our Group, through Romcarbon SA, finalized in mid-2012 its investment in the most modern plastic waste recycling plant in Romania, naturally born out of the need to assimilate a technology that integrates and closes the recycling of waste.

The Group's mission is to deliver eco-efficient plastic packaging to serve different industrial and agricultural fields and to close the circle by recycling the resulting plastic waste, turning them into secondary raw materials. The company processes both its own waste and waste on the domestic and foreign markets.

The products manufactured and sold by the Group are in principle single-use packaging for the food industry and with possible multiple uses for the non-food industry. The end-user delivers the used products as waste to collection companies. At the moment, there is no alternative packaging on the market to replace the PP, PE, PSE, PET packaging we produce, so their life cycle is difficult to quantify and is valid until other methods, similar technologies appear.

The production activity of the Group is carried out through Romcarbon SA with 4 sectors of activity, 3 production sites, auxiliary activities (warehouses, transport, maintenance, quality and laboratory) and several cost centers: departments, compartments, offices and services (commercial, legal, financial, accounting, technical investment, human resources, health and safety, emergency services, quality management, supply logistics, transport) and Livingjumbo Industry SA with 2 cost centers corresponding to the activity sectors, 4 production sections, auxiliary activities (warehouses, maintenance, quality and laboratory), departments, compartments, offices and services (commercial, legal, financial, accounting, technical investment, human resources, health and safety, emergency situations, quality management, logistics supply, transport).

The expectations and relevant needs of stakeholders

Financial Institutions

- compliance with the civil law and the legislation specific to the field of activity of the company;
- compliance with the articles of incorporation of the company;
- compliance with contractual terms;
- responsible use of equipment and buildings subject to insurance;
- identifying and managing risks related to the production of insured events;

Financial Supervisory Authority

- compliance with capital market legislation (Law 24 / 2017);

Bucharest Stock Exchange

- compliance with capital market legislation (Law 24 / 2017);
- compliance with the provisions of the BSE Code;
- implementing the best practices manual in dealing with investors;

Financial analysts

- organizing regular meetings to present the company's strategy and financial results;

Shareholders

- compliance with the provisions of the articles of incorporation of the company, company law and capital market law;
- Group adoption of a dividend policy;
- sharing a portion of the company's profit as dividends;
- transparency about company decisions that may affect the company's stock price;
- good on-line and off-line communication with investors / shareholders (through www.romcarbon.com). Respecting the right to information of each shareholder;

Customers and Suppliers

- requirements stipulated by the contracts concluded;

Employees

- requirements under the collective employment agreement and individual employment agreements.

Central and local public authorities, control and regulators

- legislative and regulatory requirements specific to the Group's activity and location;
- authorization requirements for products in the regulated areas;
- authorizations, permits and licenses;

The analysis of the external context and of stakeholders is done taking into consideration the issues arising from the legal, technological, competitive, market, cultural, social and economic environments. All of these data were evaluated through SWOT and PESTLE analyzes. The analysis is carried out annually and the data obtained is input to management analysis.

2. Quality policy

According to ROMCARBON's strategic development direction, the Quality, Environment, Occupational Health and Safety Policy is set to track:

- continuously meeting the demands of customers, business partners and other stakeholders, legal and regulatory requirements applicable to the field of activity;
- identifying risk factors and taking actions to eliminate or mitigate risks by complying with the applicable legal requirements in the fields of health and safety at work, environmental protection, and other requirements that the organization adopts, to provide safe and secure jobs for the staff involved in the Group's activities.
- providing customers with safety and confidence in the products made and offered.

The top-level management aims to develop the Integrated Management System in line with the requirements of the reference standards: ISO 9001: 2015, ISO 14001-2015 and OH & S 18001-2007 and continuously improve its effectiveness.

The scope of activity of ROMCARBON SA is regulated for AUTO AND INDUSTRIAL FILTERS and individual respiratory protection equipment. For these products, all applicable legal and regulatory requirements are implemented and maintained, we have all the necessary authorizations and certifications.

Also, for plastic products intended for the food industry, the legal requirements in force, including EC Regulation 1907/2006 of the European Parliament and EU Council on the registration, evaluation, authorization and restriction of chemicals (REACH), are observed.

The ISO 9001: 2015 standard is implemented to demonstrate and maintain the organization's ability to consistently deliver products that meet customer requirements and the requirements of applicable regulations. By ISO 9001: 2015 the company also aims to increase customer satisfaction by effectively

enforcing the system, including continuous improvement processes and ensuring compliance with customer requirements and applicable regulations.

The Group implemented ISO 14001-2015 to improve environmental performance and to keep the environmental impact under control, eliminate or minimize environmental hazards and to demonstrate compliance with legal requirements and other requirements in the field. The OH & S 18001-2007 standard has been implemented to eliminate or minimize the threat to employees and other stakeholders who may be exposed to OH & S risks associated with their activities to improve OH & S performance and to demonstrate compliance with legal requirements and other requirements in the field of OH & S to which the organization adheres.

The Quality, Environment, Health and Occupational Safety Integrated Management System is certified by a Renar accredited body, namely SRAC ROMANIA. The Quality Management System of ROMCARBON SA has been certified since 1994.

The management of LIVINGJUMBO INDUSTRY SA has pursued the development of the Integrated Management System in accordance with the requirements of the reference standards: ISO 9001: 2015, ISO 14001-2015, ISO 22000 -2005 (polypropylene sector) and BRC GLOBAL STANDARD for PACKAGING AND PACKAGING MATERIALS ISSUE 5: JULY 2015 (rigid PET film and multilayer films) and continuous improvement of its effectiveness.

Integrated Quality Management System, Environment, Food Safety is certified by a Renar accredited body, namely RINA-SIMTEX OC. The Quality Management System of LIVINGJUMBO INDUSTRY SA has been certified since 2003. The management system according to BRC GLOBAL STANDARD for PACKAGING AND PACKAGING MATERIALS ISSUE is certified by Lloyds Register since 2016.

The strategic objectives for quality

The main objectives of the Group in 2018 are:

1. **Increase in turnover by at least 27% through:**
 - achieving and overcoming the budget sales program;
 - ensuring the ongoing payment of receivables ;
 - carrying out the investment plan;
2. **Maintaining the value of operating profitability by 185%**
3. **Increasing annual labor productivity by 19%**
4. **Increasing customer satisfaction by:**
 - increasing the level of use of customer feedback;
 - reducing the number of complaints by 30%;
 - reducing delivery bounce rate by 2%;
5. **Ensuring skills growth through training and development opportunities for all staff**
 - ensuring human resources appropriate to the activity.

The indicators related to the strategic objectives of quality, which relate to increasing customer satisfaction are as follows:

- effectiveness of customer collaboration (Percent of questionnaires returned by clients / total questionnaires sent) = 69.25%;
- number of established / implemented actions that have been identified from customer feed analysis;
- the degree of global customer satisfaction;
- number of justified complaints received from clients

In 2018, the indicators reached the established performance values with a total customer satisfaction of 91.3% for ROMCARBON and 95.8% for LIVINGJUMBO INDUSTRY.

	2016	2017	2018
Number of complaints	74	62	59

Other indicators set for the logistics, production, and sales processes are:

- assurance of raw materials / materials / services corresponding to the activity;
- purchase order execution rate (no. of supply / no. of required supply products * 100) = 100%;
- share of non-compliant products supplied from total supply % = 0;
- making products according to the organization / customer requirements;
- compliance with requirements (no. of non-compliant products / total quantity achieved * 100);
- compliance with requirements (number of quality complaints registered monthly and annually, realised value of losses with complaints);
- degree of achievement of budgeted production (realized value / budget value * 100);
- efficient use of raw materials, consumables and utilities;
- degree of compliance with the specific consumption of raw materials (excess values / raw materials consumed);
- degree of compliance with utility consumption;
- execution of the sales program - degree of realization of the sales program (difference between the sales value and the estimated budget value > 100 000);
- timely analysis of orders and contracts - Promptness to analyze bids / orders / contracts (Number of offers / orders / contracts analyzed in 3 days / no. of offers / orders / contracts to be analyzed / month * 100) = 100%;
- ensuring observance of delivery times - Prompt delivery (no. of deliveries with overdue term / total deliveries = 0%).

All the objectives, indicators and their target performance were analyzed in the management analysis and were within the limits set in the documented procedures.

For indicators with acceptable performance, analyzes and changes have been established in the system.

Potential risks and opportunities identified

According to the requirements of the reference standards, the Group identified and assessed the main risks and opportunities existing within the Group, in a controlled and efficient manner in order to meet the objectives and laid down the control measures and actions aimed at preventing the emergence of new risks, mitigating the risks identified by the established treatment methods.

Depending on the areas in which the Group carries out its activities, the **main risks are:**

Processing of plastics (processed from polyethylene, polystyrene, polypropylene, PVC)

- personnel insufficiently specialized for new equipment brought in;
- some orders are small, they require frequent changes, so they cause losses;
- competition in the field;
- seasonal products;
- price fluctuations in basic raw materials;
- some of the equipment is technologically outdated;
- changes in legal requirements affecting the plastic packaging sector.

Recycling of plastic products

- high costs, logistics for large volumes (both for the acquisition of waste and storage);
- compound raw materials (waste);
- testing and analysis for obtaining competitive products;
- large consumption of utilities;
- large fluctuation of staff;
- no sales in all the technological process;
- the market is not yet sufficiently shaped to meet both the demand for raw materials (recycled waste) and commercialization of recycled finished product;
- it requires extensive storage space for both raw materials and finished products;
- the lack of a well-developed selective collection system upstream (poor recycling of landfill waste);
- **Other productive activities (production of filters for motor vehicles and industrial filters, production of masks for respiratory protection).**
- the range of filters is not complete (air, oil) as required on the market;
- some developed products are already outdated;
- products require a lot of work, possibly resulting in an uncompetitive price;
- it is a highly regulated area and requires costs with homologation and approvals;
- the main raw materials are imported, they are quantity-dependent;
- large expenses with control (destructive laboratory tests);
- high competition with low cost products.

For all the identified risks, the order of priorities has been set in their treatment so that the residual risks are mitigated.

As a result of the measures established and implemented by the two organizations, the risks have been kept to a minimum. Effective risk control has been materialized by:

- implementation measures and compliance with documented procedures of the integrated system;
- internal audits and controls of the integrated management system with verification of compliance with documented procedures;
- providing the necessary human resources necessary for the development of the activities and processes within the two organizations.

3. Environmental Policy

In the field of environmental protection, the management of ROMCARBON SA has adopted an environmental policy specific to the activity of the two production organizations, the size and impact on the environment, which will provide the framework for establishing and analyzing the tactical and strategic environmental objectives. As a result, management has formulated guidelines that provide the framework for setting environmental objectives and targets.

The main objective of the Group is to focus all actions towards meeting the requirements of customers and all stakeholders, protecting the environment, preventing pollution and promoting a safe and healthy working environment, preventing any work accident or professional illness through:

- ensuring that the processes and activities of the organization are in accordance with the requirements of the reference standards: ISO 9001: 2015, ISO 14001, certified / implemented and certified by the maintenance, continuous improvement and certification of the Integrated Quality, Environment, Occupational Health and Safety Management System, in line with the reference standards: ISO 9001 : 2015, ISO 14001 : 2015 si OH&S 18001:2007; ISO 22000-2005, BRC GLOBAL STANDARD for PACKAGING AND PACKAGING MATERIALS ISSUE 5: JULY 2015;
- compliance with legal and regulatory requirements applicable to products and maintenance of product certifications;
- increasing the general level of compliance with legal requirements and other requirements to which Romcarbon subscribes;
- awareness of own staff and improvement of communication in order to achieve the proposed environmental performance;
- efficient use of raw materials, consumables and utilities by reducing the amount of technological waste generated, quantities of non-compliant products and consumption of utilities;
- pollution prevention - "0" environmental incidents;
- achieving environmental goals by recovering at least 60% of the amount of packaging placed on the market;
- control and monitoring of emergency situations ☑ "0" real emergency situations.

The indicators related to environmental strategic objectives, which concern environmental protection and pollution prevention are the following:

- **preventing pollution and promoting a safe and healthy working environment;**
- number of environmental incidents / accidents produced: 0;
- number of environmental complaints by stakeholders: 0;
- number of fines / warnings or other sanctions received: 0;
- **preventing any possible emergency situation and ensure the ability to respond;**
- emergency response capacity - ICR: 100%
- number of simulations completed / number of planned emergency simulations: 100%;

- actual emergency situations: 0;
- number of fines given by the General Inspectorate for Emergency Situations: 0.

In 2018, the indicators reached the set performance values.

All objectives, related indicators and their target performances were analyzed in the Annual Management Analysis and fell under the limits set in the documented procedures.

Environmental protection is an essential component in the management of the two organizations, representing a social, moral and legal obligation.

The environmental management system, integrated with the general management of the organization, has as main elements:

- The environmental assessment / re-assessment is documented in the specific procedure and has as main elements the determination of the environmental aspects of the activities and products that it can control and the ones it can influence, as well as the associated environmental impacts, from the perspective of the life cycle of the products;
- The following are taken into account when determining environmental issues: air emissions, water leakage, soil flow, use of raw materials or natural resources, energy use, emitted energy (heat, radiation, vibration, noise, light), waste generation, use of space;
- Attention is paid to the stages of the life cycle that can be controlled or influenced by the organization;
- *The list of significant environmental aspects* shall be updated annually or whenever changes occur at organization level, in the applicable legislation or in other requirements to which each organization subscribes;
- The objectives shall be established in accordance with the Quality, Environment and Occupational Safety and Health Policy, and the Policy on Quality, Environment and Food Safety, with the pollution prevention commitments, the compliance and improvement obligations;
- Changes and development of new activities or products may invalidate previously identified issues, or require the addition of new issues to the list, in which case environmental issues are reviewed and updated.

Examples of such changes:

- changing the scope of the Integrated Management System;
- developing new products / services;
- changes in processes / technology / introduction of new processes;
- extending or significantly reducing capacity;
- extending or relocating an activity;
- changes in compliance obligations related to environmental issues;
- emergency situations occurred.
- The process of conforming and assessing compliance with legal requirements is done annually by analyzing all aspects and elements both in the main production processes and the supporting ones: logistics, human resources, etc.
- The water management and environmental permits are reviewed and targeted according to the legislation in force and also the rest of the necessary authorizations for the operation in compliance with the legal requirements.

- All staff are trained in environmental pollution prevention, compliance with applicable legislation, procedures and responsibilities. Annually, the Training Program provides training and assessments on environmental issues, applicable legal and regulatory requirements and waste management.
- Permanent collaboration with environmental authorities: National Agency for Environmental Protection, National Environmental Guard, National Administration of Romanian Waters, etc.
- Annual environmental aspects are reassessed and significant environmental aspects have been reported only under abnormal conditions and in Emergency Situations.

Facilities and equipment for protecting the environment and preventing pollution

- protection of electrical installations against corrosion of acid vapors,
- closed containers are provided with valves for air evacuation at the time of filling,
- storage of fuels arranged for the storage of liquid fuels and oils, provided with a fenced concrete platform, the access being allowed only in the presence of the manager.
- waste storage platform compartmentalised by type and waste sorting;
- emission filtering facility for volatile organic compounds (VOC);
- replacement of condensers in electrical stations containing polychlorinated biphenyls (PCBs) with ecological capacitors

Measures, equipment and arrangements for soil and subsoil protection:

To prevent pollution and protect the soil and subsoil, the following technical and organizational measures are taken:

- collection of domestic, street and industrial waste and its disposal in accordance with the legal provisions
- to prevent soil and subsoil pollution with possible leakage from internal sewage and pre-treatment facilities, they are controlled and maintained properly, intervening immediately to remedy malfunctions (infiltrations, pipe clogging)
- collection of waste oils, degreasing), storage according to legal provisions and their delivery to authorized economic agents for recovery.
- proper handling and storage of fuels and lubricants.
- proper handling and disposal of toxic and hazardous substances.

Water quality protection:

Water is used in the technology of washing / separating plastics, which is provided with a waste water treatment plant with recirculation system.

The water is used for the thermostatic extruder, regranulating head. Water is recirculated and comes from own sources.

Sources of noise and vibration:

The identified noise sources are:

- electrically operated tools, punching presses for the manufacture of sheet metal subassemblies and waste grinding mills, looms. These are located in the premises of buildings, away from protected areas;
- means of transport for the supply of raw materials and delivery of the finished product;
- for excesses of the limits of noxae noise in the area of the looms measures are taken for personnel protection both at ROMCARBON and at LIVINGJUMBO INDUSTRY SA;

Possible sources of soil and subsoil pollution:

- sewerage network in case of leaks and / or damages for various reasons;
- inappropriate disposal of waste of any type and especially household waste.

Established measures

- collection, storage, and proper handling of petroleum products and waste of any kind;
- storage of ferrous metal scrap on concrete platforms for a short period of time until delivery to authorized agents;
- non-ferrous metal waste is stored in the materials warehouse;
- worn tires and accumulators are handed over to authorized economic agents;
- used oil resulting from oil changes in engines and equipment transmission systems is collected and stored, according to GD 235/2007, in the fuel warehouse and handed over to authorized units for recovery;
- ecological solvent SE 80/155 waste from degreasing the metal landmarks are collected in metal containers (barrels), stored in the fuel warehouse and is used by authorized economic agents;
- the extrusion, thermoforming operations cause technological waste that is collected and recycled in our own production process, and the non-recyclable ones are used by authorized economic agents.

4. Occupational Health and Safety Policy

The management of ROMCARBON GROUP is constantly concerned with the creation of safe and healthy jobs, always respecting the requirements of the legislation in force.

As a result, the management of the two organizations formulated guidelines that represent the framework for setting the objectives and targets for Occupational Health and Safety.

The main objective for Occupational Health and Safety is to focus all our actions towards meeting the needs of our clients and all stakeholders, in order to prevent any work accident or occupational disease by:

- ensuring that the processes and activities of the organization are in accordance with the requirements of the IMS certified / implemented and certified by the maintenance, continuous improvement and certification of the Integrated Quality, Environment, Occupational Health and Safety Management System, in line with reference standards ISO 9001: 2015, ISO 14001: 2015 and

OH & S 18001: 2007; ISO 22000: 2005; BRC GLOBAL STANDARD FOR PACKAGING AND PACKAGING MATERIALS ISSUE 5: JULY 2015;

- compliance with applicable legal and regulatory requirements;
- prevention of occupational injuries and illnesses, for our own employees and for the staff working under the control of the organization - 30% decrease in the number of labour accidents;
- maintaining the SSO RISK LEVEL for both ROMCARBON and LIVINGJUMBO below 3.5%
- control and monitoring of emergency situations - "0" real emergency situations

In 2018, the number of work-related accidents decreased by 63% compared to the previous year

	2016	2017	2018
Number of labour accidents	3	8	3

Through the policy in this area, the senior management assumes the legal obligations that it has for:

- ensuring the safety and health of staff in all aspects of work;
- consultation, information and training of staff;
- ensuring the organizational framework and means for health and safety at work.

According to the requirements deriving from the legislation in force in the field of health and safety at work, namely Law 319/2006, the Law on Health and Safety at Work and GD 1425/2006 approving the methodological norms for the application of the provisions of the Law 319/2006 on Health and Safety at Work, the occupational safety and health conditions and the prevention of work accidents and occupational diseases are ensured as follows:

- internal prevention and protection activities are organized internally through the SIPP Internal Prevention and Protection Service;
- the hazards are identified and the risks for each component of the work system are assessed using the National Institute for Labor and Social Protection Research;
- the assessment of job vacancies is constantly updated as required by law;
- the frequency of the risk reassessment is correlated with the established measure programs, after evaluating the effectiveness of the actions undertaken;
- based on the risk assessment, prevention and protection plans are developed for each job;
- instructions (ISSM) for all work equipment and activities carried out are drafted, updated and disseminated taking into account their particularities;
- occupational health and safety responsibilities are established for all staff in the organization, both the management and the executive through the job descriptions;
- areas that require security signalling and types of signaling for each area are identified according to the hazards identified, according to GD 971/2006 regarding the minimum requirements for security signaling / occupational health;
- records are being kept of the work equipment, periodic maintenance that is carried out by the appropriate personnel in compliance with the legal requirements so that the equipment does not pose a danger to the health and safety of the executing personnel;
- personal protective equipment, including noise protection (noise suppression), is provided;
- healthy and sanitary ware and adequate facilities for staff are provided;
- the staff health surveillance is ensured through our own medical practice and contract with an occupational medicine service (MAT CORD);
- checks on the operation of the alarm, warning, emergency signalling, and safety systems.

The two organizations assessed the risks for each job and by implementing the above-mentioned measures, the overall risk level for each organization is below the admissible maximum admission limit of 3.5%.

As a result of the inspections carried out by the labor inspectors, no corrective measures were taken, no deviations from the legal provisions were found, the non-conformities being immediately remedied, some of them even on the spot, no measures / sanctions being necessary.

As regards the management of emergency situations in the field of fire protection and civil protection with implications for the safety and health of the personnel, the preventive measures are ensured through the fulfillment of the applicable legal requirements and fire protection is organized.

- the Private Service for Emergency Situations (SPSU) has been set up with tasks in the field of fire protection through control, verification, simulation;
- a contract has been signed with the authorized fire protection company;
- ISU operating authorizations are obtained for all newly built / refurbished facilities;
- appropriate maintenance / verification of the technical means of fire protection;
- identify, monitor and evaluate specific risk factors, triggers of dangerous events.

5. Energy strategies

ROMCARBON SA is a big consumer of electricity, therefore the efficient use of electricity and in general of all forms of energy is a priority in the production processes.

The main objective of the Energy Management Program consists in the efficient use of energy in the immediate and prospective term, through the efficient use of energy throughout the entire energy cycle of the company, the incorporation of energy efficiency in the existing equipment and in the selection criteria for the acquisition of new equipment and compliance with energy regulations issued country-wide.

In order to evaluate the energy situation of the company, once every 4 years, Romcarbon SA performs an energetic audit on the entire energy flow (with authorized contractors in the field), with clear solutions in the energy economy, with the annual monitoring and reporting of the degree of implementation programs for measures to reduce energy consumption.

In the development program of the two organizations, we are considering the acquisition of high-tech equipment and lines in order to replace the old technologies with new technologies of high technical efficiency and low energy consumption. In the last period (2012-2018), a wide range of modern technological lines have been acquired for the recovery of plastic waste and its re-use as raw material.

Also, in order to reduce the energy consumption of large consuming machines, measures have been taken over time to bring the equipment to normal parameters together with the replacement of high power motors with low power motors with variable speed, measures that have led to significant savings of energy.

Through the equipment maintenance plan, our constant wish is to bring the equipment into the parameters and fit into specific consumption.

Energy consumption is measured at each profit center through counters fitted to each consuming unit. Ensuring the proper operation of both measuring and energy equipment is ensured by firm contract with accredited contractors.

The maintenance of the energetic equipment as well as the preventive maintenance is done on the basis of a firm contract with accredited companies in line with the technical specifications of the installations in operation.

For the efficient exploitation of the technological lines, we implement permanent programs of professional training and periodical evaluation of our operators in order to use the production capacities at maximum capacity while always complying with the consumption limits.

In case of electricity cut-offs, there are generating sets that ensure the maintenance of the technological lines in operation. A significant reduction in electricity consumption was achieved through local lighting in the technological flow. Local lighting was sectorized so it would be used only where needed. Another measure of reducing energy consumption is replacing existing lighting appliances with LED lighting both inside and outside the workshops.

For efficient use of compressed air, each workshop has been equipped with compressors, so compressors are used only in the required places. At the same time, variable speed compressors have been purchased that have a much lower specific consumption.

6. Social and Personnel Policy

Romcarbon Group has constantly reconsidered human resources policy and labor value. In this respect, following the permanent assessments of both the employed and the existing personnel on the labor market, an adaptation to the company's requirements was achieved and a supplementation and updating as needed.

Within the two organizational internal procedures were developed and implemented through which the organization of the activity was established and the necessary human resources were allocated efficiently.

Social and staff related risks are identified and analyzed and their potential adverse effects are kept to an acceptable level through established objectives, actions taken and appropriate measures to cancel or mitigate them.

The main potential risks in the social and personnel field analyzed within the company are:

- large personnel turnover, lower retention rate of new hired personnel or key positions;
- lack of qualified staff to ensure the continuity of specific company activities;

The effects of these potential risks may consist in increasing absenteeism, lowering efficiency, increasing recruitment costs, employee demotivation, or labor conflicts.

In this respect, the adopted measures have managed to keep the risks in the social and personnel field at a low level.

The main objective in the field of human resources is to provide the proper human resources for the activity.

To achieve the goal, actions have been set up:

- employing staff on the basis of professional competence and experience;
- increasing staff skills through training and development opportunities and allocating sufficient resources to continually train and improve staff;
- performance appraisal based on professional and personal competence criteria;
- correct and timely communication of information;
- compliance with the legal requirements;
- social facilities (financial support for employees and in exceptional situations, their family members (husband, wife, children in their care) who have special medical problems, as well as employees who were severely affected by earthquake, landslides or floods or other natural phenomena, fires, etc.);
- communicating and permanently consulting with the representatives of the employees designated under the law.

Competent, motivated and integrated employees are the key to success in meeting the company's goals, being the most important resource for the proper conduct of the business.

In 2018, given the economic context, labor migration, and the lack of qualified workforce, the company focused its attention to retention of qualified staff and training of new staff.

The training, improvement and professional development of the staff is carried out on the basis of the "Annual Training Plan" elaborated at the level of the two organizations:

During the analyzed period, the level of achievement of the training plan was:

	2017	2018
Proposed matters	187	245
Accomplished matters	168	226
Achievement (%)	90%	92%

The annual training plan was intended to be a systematic process of changing behavior, knowledge and motivation of staff in order to improve the balance between personal characteristics and job requirements.

Both women and men benefit from equal appreciation and promotion within Romcarbon SA. Internal regulations of companies include provisions for the prohibition of any form of discrimination on grounds of religion, sex, social status, etc.

The distribution of staff by gender is presented in the following table:

Description	No. of staff	
	2017	2018
Total number of staff, of which:	1,728	1,626
Men	769	721
Women	959	905
<i>% women out of total staff</i>	<i>55%</i>	<i>56%</i>
Number of execution staff, of which:	641	606
Men	209	197
Women	432	409
<i>% women out of total execution staff</i>	<i>67%</i>	<i>67%</i>
Number of management staff, of which:	56	51
Men	15	16
Women	41	35
<i>% women out of total management staff</i>	<i>73%</i>	<i>69%</i>

From this statistic we can see that the share of women in total management positions is higher than the share of women in the total number of staff in the two organizations of the Group.

By eliminating any form of discrimination within the company, women are free to choose their occupation, to engage in any vacancy, and at any level of the professional hierarchy. This creates non-discriminatory conditions for career advancement, for remuneration of work in relation to professional competencies and quality of work carried out as well as for participation in vocational qualification / retraining programs, training, specialization.

The company guarantees for all employees, irrespective of gender, the application of the principle of equal pay and the right to other benefits paid by the employer to the employees.

Non-financial statistics and indicators relevant to social and staff policy assessment.

Assessment of staff turnover

Description	Number of staff		
	2016	2017	2018
Total number of staff	1,628	1,728	1,626
Staff increase compared to previous year	177	100	-102
No. of leavers	301	342	386
<i>% out of total number of staff</i>	<i>18%</i>	<i>20%</i>	<i>24%</i>
No. of new hires	497	451	302
<i>% out of total number of staff</i>	<i>31%</i>	<i>26%</i>	<i>19%</i>
No. of hires/leavers	165%	132%	78%

Assessment of the efficiency of recruitments

Description	Number of staff		
	2016	2017	2018
No. of interviewees	1,155	981	760
No. of individuals selected for employment	497	451	305
Achievement rate (hires/interviewees)	43%	46%	40%

Disaggregation of staff by sex, age and job

		Total, of which:	Processing of plastics	Waste recycling	Other production departments	Support departments
18 -24 years	Men	88	71	15	0	2
	Women	48	46	2	0	0
25 - 34 years	Men	119	85	14	3	17
	Women	146	125	6	1	14
35 - 44 years	Men	165	109	24	3	29
	Women	272	233	14	0	25
45 - 54 years	Men	243	142	36	20	45
	Women	366	299	20	5	42
Over 55 years	Men	105	55	12	22	16
	Women	74	42	4	7	21
Total	Men	720	462	101	48	109
	Women	906	745	46	13	102
	Total	1,626	1,207	147	61	211

Disaggregation of staff by sex and age

Age	Total, din care:	%	men	%	women	%
18 -24 years	136	8%	88	12%	48	5%
25 - 34 years	265	16%	119	17%	146	16%
35 - 44 years	437	27%	165	23%	272	30%
45 - 54 years	609	37%	243	34%	366	40%
Over 55 years	179	11%	105	15%	74	8%
Total	1.626	100%	720	100%	906	100%

Disaggregation of staff by sex and seniority

Seniority	Total, of which:	%	Men	%	Women	%
Less than 3 years	261	16%	145	20%	116	13%
3 -5 years	293	18%	126	17%	167	18%
5 - 10 years	269	17%	87	12%	182	20%
10 - 15 years	256	16%	86	12%	170	19%
15 - 20 years	136	8%	49	7%	87	10%
20 - 25 years	84	5%	44	6%	40	4%
More than 25 years	327	20%	186	26%	141	16%
Total	1,626	100%	723	100%	903	100%

Disaggregation of staff by sex, seniority and field of activity:

Range	Gender	Total, of which:	Processing of plastics	Waste recycling	Other production departments	Support departments
Less than 3 years	Men	145	106	20	1	18
	Women	116	98	12	0	6
3 - 5 years	Men	126	107	10	1	8
	Women	167	157	4	0	6
5 - 10 years	Men	87	58	12	4	13
	Women	182	161	12	0	9
10 - 15 years	Men	86	61	12	2	11
	Women	170	159	1	1	9
15 - 20 years	Men	49	31	6	0	12
	Women	87	64	5	0	18
20 - 25 years	Men	44	17	20	2	5
	Women	40	29	5	0	6
More than 25 years	Men	186	85	21	38	42
	Women	141	74	7	12	48
Total	Men	723	465	101	48	109
	Women	903	742	46	13	102
	Total	1,626	1,207	147	61	211

Staff distribution by COR structure

	Men	Women	Total
Senior management and officers	65	28	93
Specialists in various fields of activity	23	34	57
Technicians and other technical specialists	16	52	68
Administrative clerks	10	38	48
Services workers	10	1	11
Qualified workers in agriculture, forestry and fishery	1	0	1
qualified and similar workers	173	246	419
Operators of installations and machinery; machine and equipment assembler	147	105	252
Unqualified workers	276	401	677
Total	721	905	1,626

Average monthly salary by sex and field of activity

	Processing of plastics	Waste recycling	Other production departments	Support departments
Men	2,634	2,459	2,689	2,697
Women	2,472	2,610	2,509	3,204

7. Business ethics. Values. Fight against corruption

General business ethics principles

The Code of Professional Ethics adopted by the Group includes a minimum set of principles, values and rules of conduct that should be taken as a reference in the activities that the directors, executive management and the functional departments of the companies fulfill.

The Code aims to promote social responsibility, a culture of quality that contributes to the achievement of superior quality products and compliance with business ethics principles. It aims at preventing the occurrence of illegal and unlawful acts that may occur in the course of the company's activities. We believe that commitment to ethical conduct is one of the essential components of the functioning of each organization in Romcarbon Group. The activities are carried out correctly, based on a culture of ethics and compliance, social satisfaction being a permanent concern for the company's management.

ROMCARBON SA has a policy of zero tolerance to corruption, cartels, human rights violations and violation of health, safety and environmental protection rules.

The group of companies is structured and operates on a set of values whose observance ensures a stable business and development environment:

- honor
- competence
- responsibility
- commitment
- innovation

CODE OF ETHICS

Thinking forward

Ethical behavior is the foundation of trust both in business and within the organization. ROMCARBON SA as a company operating on the principles of integrated management has thought and implemented this code that contains guidelines on the need to respect the legal framework, human rights and ethics, as well as the company's commitment to an ethical and socially responsible business environment.

A. Values and principles

Legality: ROMCARBON SA and its subsidiaries are committed to acting in good faith, within the appropriate legal framework. They comply with rules, regulations and regulatory requirements, codes of the industries in the field, organizational standards for business activities. Regulatory measures are considered benchmarks, ethics goes beyond legal compliance, integrating standards of good corporate governance, best practices and community expectations.

Competence: ROMCARBON SA can gain the trust through competence and integrity in its activity, consistency in thinking, words and actions. This implies promoting and respecting professional ethics standards just before individual or organizational goals.

Objectivity: Consider the effect felt by all stakeholders on actions taken from business, social, environmental and health perspectives. Achieving business goals must be done in a way that does not

harm the entire value chain promoted in the community, the organization and the environment in general.

Personal and Social Responsibility: ROMCARBON SA assumes responsibility for the impact of its activities and takes into account the needs and expectations of all internal and external parties: employees, shareholders, business partners, competitors, governmental and political stakeholders, non-governmental organizations (NGOs) and local communities.

Professionalism: Recognition and acceptance of corporate and personal responsibility for the ethical quality of the actions and operations undertaken.

Innovation

B. Commitment to this set of values implies that every person involved in securing a proper environment for business development:

- fully knows, understands and complies with applicable laws, regulations and rules. Consistently uses the criteria, standards and performance indicators in conducting the business.
- maintains a high level of professional competence, implying a continuous care for improving knowledge.
- assumes the personal responsibility for the statements and opinions expressed and may at any time prove the compliance thereof with the applicable legal regulations, internal rules, implemented standards. Accepts the obligation to account for the activities undertaken, the opinions and conclusions formulated and to bear the consequences for non-achievements.

C. Applicability of the code in the organization's activities

All managers and employees must act in accordance with the Code of Ethics and respect it. In order to fulfill their duties, the management of each organization, as well as the employees, must constantly be guided by the ethical principles that ensure business performance:

- treatment of employees / colleagues with respect and dignity, not choosing any aggressive physical or mental behavior, no verbal abuse or inhuman treatment;
- maintaining trust and partnership relationships with shareholders / clients / suppliers / employees;
- providing safe, high-quality products;
- respect for the environment through conservation of resources; reuse of waste resulting from production processes, selective collection of waste and waste recovery through specialized units;
- compliance with the laws and internal rules of the organization;
- displaying a proper attitude and language, both in the relationship with clients / suppliers / collaborators / institutions, and in cross-department relationships;
- not to be in a situation of conflict of interest and not to yield to internal and external pressures in any relationship that would contractually bind the organization;
- management awareness to promote social investment programs by joining non-governmental, not-for-profit and apolitical associations that aim to promote human spirit and solidarity by organizing and sustaining humanitarian actions.

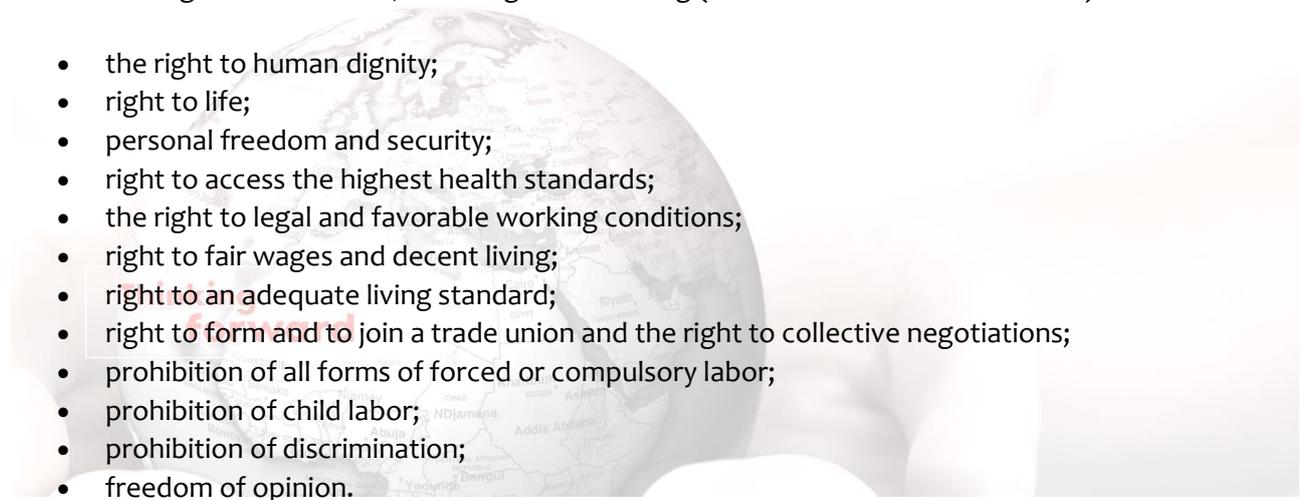
D. Ethical deviations

The following acts and attitudes will be considered ethical deviations:

- failure to comply with laws and regulations;
- failure to comply with internal rules and procedures;
- absence of a conflict of interest, any involvement or participation in procedures involving a conflict of interest;
- use of position to obtain personal gains of a material nature or other advantages;
- disclosure of confidential information;
- discretionary treatment of shareholders;
- refusal to cooperate with other institutions, departments or employees;
- intimidation, creating any kind of pressure, visible (bribery, threats) or less visible (blackmail, intercessions / interventions), on the people in management;

Human rights

ROMCARBON SA is committed to respecting human rights in the relationship with each stakeholder and we ask that they, in turn, respect the rights of others. A broad range of civil, political, economic, social and cultural rights are included, including the following (enumeration is not exhaustive):

- 
- The background of the Human Rights section features a semi-transparent image of a globe on the left and a close-up of a person's face on the right, both in a light, faded tone.
- the right to human dignity;
 - right to life;
 - personal freedom and security;
 - right to access the highest health standards;
 - the right to legal and favorable working conditions;
 - right to fair wages and decent living;
 - right to an adequate living standard;
 - right to form and to join a trade union and the right to collective negotiations;
 - prohibition of all forms of forced or compulsory labor;
 - prohibition of child labor;
 - prohibition of discrimination;
 - freedom of opinion.

Equal treatment and chances and protection of privacy

Each member organization of the Group understands the value of diversity. Employees, clients, business partners, suppliers and all other interested third parties are citizens who come from many countries, with different nationalities, beliefs, religions, convictions, cultures. The Group promotes the prohibition and prevention of discrimination of any kind, such as, but not limited to, discrimination based on race, color, gender, age, language, religion, political or other opinion, ethnicity, national or social origin, property, birth, sexual orientation or any other criteria, including marital status or parental status.

ROMCARBON SA is committed to respecting the privacy of individuals and preserving the confidentiality of their personal information.

Fair work practices

Human resources are the most important resources of Romcarbon Group, each organization being dedicated to the growth of their employees and ensuring a good balance between professional and personal life.

ROMCARBON SA does not tolerate any form of forced, compulsory or child labor, nor any other ethical practices such as wage denial, denial of sick leave or daily rest, abusive use of alternative forms of employment. Supporting people with special needs is a priority in the human resources policy.

The organization is committed to implementing a fair employment and remuneration policy in accordance with applicable laws. Disciplinary procedures are exercised fairly, impartially and transparently.

Anti-corruption and anti-fraud

ROMCARBON SA does not engage in or tolerate corruption in any form (including bribery, payments to facilitate certain services, money support, blackmail, abuse of power for personal gains, undue benefits or gifts with intent to influence), regardless of whether it occurs in the public or private sector and irrespective of size.

Fraud, including forgery of financial or non-financial information registers, money laundering and insider trading are forbidden.

ROMCARBON SA and its affiliates fight fraud and do not tolerate fraudulent practices. In order to protect the organization's values, assets and reputation, each member of the organization is responsible for acting in good faith, in accordance with the rules and regulations, and paying attention to any indication of fraud. Even ignoring suspicion of fraud can result in company and employee liability.

FINAL PROVISIONS

The ethical conduct rules presented in the Code of Ethics are mandatory for all members of the management: administrators and managers, as well as other employees, and breaches are not accepted.

Signalling issues helps the company protect the culture of integrity and ethics, reputation and financial health, and ultimately protects employees' jobs and community welfare.

8. Corporate Governance and Social Responsibility Policies

All shareholders of ROMCARBON SA are equally treated. All shares issued give the holders equal rights.

The General Meeting of Shareholders is the governing body of the company that decides on its activity and ensures its economic and commercial policy.

ROMCARBON SA facilitates and encourages: the participation of the shareholders in the works of the General Meetings of Shareholders (GMS), the full exercise of their rights, the dialogue between the shareholders and the members of the Board of Administration and / or the management.

The duties of the General Meeting of Shareholders are those stipulated in the Articles of Incorporation of ROMCARBON SA being strictly in accordance with the legal provisions, ensuring the presentation of the materials, the recording of the works and the decisions taken.

The general meeting is convened by the board of administration whenever necessary and the shareholders exercise their rights within the meetings in accordance with the legal provisions and the procedure approved by the Board of Administration in this respect.

The members of the Board of Administration guarantee the efficiency of the capacity to supervise, analyze and evaluate the activity of the administrators, as well as the fair treatment of shareholders.

When appointing the members of the Board of Administration, the General Meeting seeks a balanced membership according to the structure and activity of ROMCARBON SA, as well as the experience and personal qualifications of the members of the Board of Administration.

Persons who, under the law, are incapable or have been convicted of fraudulent misconduct, abuse of trust, forgery, deceit, embezzlement, false testimony, bribe giving or taking, and other offenses provided by the law on commercial companies are incompatible with the capacity of member of the Board of Administration.

The decision-making process remains a collective responsibility of the members of the Board of Administration, and they are held jointly and severally liable for all decisions taken in the exercise of their duties.

In addition to the Board of Administration, the 2-member Audit Committee, which carries out an annual assessment of the internal control system, considers the efficiency and scope of the internal audit function, risk management and internal control reporting to the audit committee within the Council, as well as the ability to react to and management's efficiency in solving the deficiencies or weaknesses in the internal control system, identified and presented to the Council through relevant reports. The Audit Committee must reconsider conflict of interest in the transactions of the organization and its subsidiaries with stakeholders. The Audit Committee is responsible for reviewing the Corporate Governance Statement in its Annual Report on Internal Risk and Control as well as for assessing corporate governance and monitoring the application of statutory and generally accepted internal audit standards. The Audit Committee must receive and evaluate the reports of the internal audit team.

The internal auditor participates in the meetings of the Board of Administration and of the General Meeting of Shareholders and informs them about irregularities in the administration, violations of the legal provisions and provisions of the articles of incorporation that they find.

Risk factors include general issues (emerging markets pose a higher risk than developed economies with mature legal and political systems), potential political instability, risks of temporary instability of the legislative framework, risks linked to the instability of the foreign exchange and inflation rates, as well as risks related to the capital market and its liquidity.

ROMCARBON SA addresses the risk prudently, in line with its long-term strategy. Prudent risk management is growing in importance given the prolongation of economic uncertainties at the

economic and financial level and the prominent manifestation of market volatility. The strategic vision of risk management is set by the Board of Administration and is implemented through policy actions at the level of executive management of the company. The activity of control and risk management is ensured through a series of specific structures regulated by the specific provisions of the capital market, the articles of incorporation, the collective employment agreement and the organizational structure, as follows:

- financial auditor;
- internal auditor;
- configuration of the organizational and functional structure.

The financial statements of the company are audited, according to law, by an external financial auditor (legal person), member of the Chamber of Financial Auditors of Romania, appointed by the Ordinary General Meeting of Shareholders (OGMS) and operating under a services agreement approved by the Board of Administration.

Each member of the Board of Administration will avoid any direct or indirect conflict of interest with the organization or any subsidiary controlled by it. Each administrator will inform the Board of Administration of any conflict of interest occurred, in which case he will refrain from debating and voting on the issues in question.

It is also forbidden to any person holding inside information:

- to use that information for the acquisition or alienation or intended acquisition or alienation, on its own account or on behalf of a third party, directly or indirectly, of financial instruments to which that information relates;
- to recommend to third parties to carry out transactions with securities held by the company, if it holds information in such respect;
- to disclose internal information for a purpose other than that falling under the realm of his tasks and duties;
- to disseminate information in any way that creates or is likely to create a false or wrong impression;
- to adopt a behavior that creates a false or wrong impression of the demand, offer, price, or value of the investments;
- to engage in market manipulation activities.

These obligations apply to any person who holds inside information in circumstances where those people know or ought to know that such information is sensitive.

Romcarbon Group proposes, through an active Corporate Social Responsibility Policy:

- to support and respect human rights, in particular its own employees. In this respect, the employees benefit from various programs of specialisation/professional training, as well as permanent information on the evolution of the organization (presentation of employees' representatives and periodical analysis of the financial statements of the organization). Within their own responsibilities, each organization takes the necessary measures to protect the safety and health of employees, including activities to prevent occupational risks of information and training, as well as to implement the labor protection and the necessary means for it (e.g. periodic training, provision of personal

protective equipment, work equipment, hygienic-sanitary materials, periodic medical check-up, etc.). ROMCARBON SA and its subsidiaries do not use child labour, do not engage in trafficking of human beings, nor encourage these ideas in any way. No physical or mental punishment, physical or verbal pressure or any form of inhuman treatment is tolerated in any way;

- to uphold the right to free association. The Romcarbon Group companies respect the legal right of all staff to appoint representatives, who negotiate on behalf of and for them in the periodic negotiations of the/ collective employment agreement at organization level. Employees' representatives are protected by law against any form of conditioning, constraint or limitation of the exercise of their duties;
- to contribute to the elimination of discrimination in employment, the pursuit of the profession, the setting and granting of salaries. Any direct or indirect discrimination against an employee based on sex, sexual orientation, genetic characteristics, age, nationality, race, color, ethnicity, religion, political options, social origin, disability, family status or responsibility, membership in trade unions;
- to combat any form of corruption;
- to support educational activities, both as a partner and as a sponsor, projects and initiatives that have an educational purpose.

A large, semi-transparent globe is centered in the lower half of the page. The globe shows the continents of Europe, Africa, and Asia. Overlaid on the globe is the text 'Thinking forward' in a red, sans-serif font. The word 'Thinking' is on the top line and 'forward' is on the bottom line, both in red. The globe is set against a background of a blurred image of a person's hands holding a pen, suggesting a professional or business context.

**Thinking
forward**

**HUANG LIANG NENG,
ADMINISTRATOR**

**VIORICA ZAINESCU,
CHIEF FINANCIAL OFFICER**

**ANDREI RADU,
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