

**ROMCARBON S.A. CONSOLIDATED NON-FINANCIAL DECLARATION FOR THE YEAR 2017**



**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 statement 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 companies producing the Group (ROMCARBON SA and Livingjumbo Industry SA) in terms of continuous product quality improvement, 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

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

The main companies with production activities of the Group are Romcarbon SA and Livingjumbo Industry SA, owning 74% and 24% of the total fixed assets.

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

The distribution of Group's total assets per company in 2017 is as follows: Romcarbon SA (72%), Livingjumbo Industry SA (19%), Recyplat LTD (5%), RC Energo Install SRL (2%).

The areas in which the Group operates are:

- processing of plastics (processed from 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 breathing protection masks - Romcarbon SA).
- Other activities (RC Energo Install SRL, Recyplat LTD, Info Tech Solutions SRL, Eco Pack Management SA, Grinfield Ukraine, Grinruh Ukraine, Romcarbon Deutschland GmbH and Project Advice SRL)

The income distribution by field of activity in 2017 was as follows:

- processing of plastics (processed from polyethylene, polystyrene, polypropylene, PET, PVC): 71% (69% in 2016);
- recycling of plastic products: 13% (6% in 2016);
- other productive activities (production of filters for motor vehicles and industrial filters, production of respiratory protection masks): 3% (3% in 2016);
- Other activities: 14% (22% in 2016).

The distribution of assets by field of activity in 2017 was as follows:

- processing of plastics (processed from polyethylene, polystyrene, polypropylene, PVC PET): 42% (42% in 2016);
- recycling of plastic products: 26% (27% in 2016);

- other productive activities (production of filters for motor vehicles and industrial filters, production of masks for respiratory protection): 1% (4% in 2016);
- other activities: 30% (27% in 2016).

The mother company, Romcarbon SA is a well-known organization on the Romanian and European markets as a 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 operational points of business 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 increased its capacity - both quantitative and assortment - and in 2016 opened a new production sector, that of foil foils / trays rigid PET film 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, fabrication and packaging production, the products sold are: flexible containers (big-bag type) in various constructive versions, for packing bulk products up to 2000 kg, fabric, thread, string, strap.
- PET processing: extrusion and thermoforming; the products sold are rigid thermoforming foils, rolled and unlaminated and melted for modified, transparent and colorful packaging.
- Flexible multilayer (9-layer) PET film sealant for fill-form-seal and flow-pack packaging.

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

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

Permanent presence throughout 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 mid-year 2012 investment in the most modern plastic waste recycling plant in Romania, naturally born 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.

Produsele fabricate si vandute de Grup sunt in principiu de unica intrebuintare pentru industria alimentara si cu posibile multiple utilizari pentru industria nealimentara. Utilizatorul final preda produsele uzate ca deseuri ce ajunge la firmele de colectare. Momentan, pe piata nu exista alternativa de ambalare care sa inlocuiasca in totalitate ambalajele din PP, PE, PSE, PET pe care le producem, deci ciclul de viata al acestora este greu de cuantificat, fiind valabil pana la aparitia de alte metode, tehnologii similare.

The products manufactured and sold by the Group are in principle the only use for the food industry and with possible multiple uses for the non-food industry. The final-user passes the used products as waste to the 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.

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

## The expectations and relevant needs of stakeholders

### Financial Institutions

- Compliance with the general laws and the specific field of activity of the company;
- Respecting the status of the company;
- Compliance with contractual terms;
- Responsible use of the equipment and buildings subject to insurance;
- Identifying and managing risks related to the production of insured events;

### Financial Supervisory Authority:

- Compliance with the provisions of the capital market legislation (L.24 / 2017);

### Bucharest Stock Exchange

- Compliance with the provisions of the capital market legislation (L.24 / 2017);
- Compliance with the provisions of the BSE Code;
- Implementing the best practice manual in dealing with investors;

### Financial Analysts:

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



### Shareholders:

- Compliance with the statutes of the company, the law of the companies and the capital market law;
- Adoption by the Group of a dividend policy;
- Sharing a part of the company's profit in the form of dividends;
- Transparency about company decisions that may affect the company's stock price;
- Good communication with investors / online shareholders (via [www.romcarbon.com](http://www.romcarbon.com) and offline.) Respecting the right to information of each shareholder;

### Customers and Suppliers

- Requirements stipulated / stipulated in the contracts concluded;

### Employees

- Requirements under the Collective Labor agreement and individual work contracts.

### 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 fields;
- Authorizations, permits and licenses;

The analysis of the external context and of the interested parties is done taking into consideration the issues arising from the legal, technological, competitive, market, cultural, social and economic environments. All of these data were analyzed by a SWOT analysis. The analysis is carried out annually and the data obtained is an 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:

- continually satisfying the requirements of clients, business partners and other stakeholders, legal and regulatory requirements applicable to the field of activity;
- identifying risk factors and undertaking actions to eliminate or mitigate risks by complying with applicable legal requirements in the field of health and safety at work, environmental protection and other requirements to which the organization subscribes to ensure safe employment and health, for the staff involved in the Group's activities.
- assuring customers about safety and trust in 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 settled 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 Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), are respected.

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. ISO 9001: 2015 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 ISO 14001-2015 standard is implemented to improve environmental performance and to keep environmental impact, 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 OH & S to which the organization subscribes.

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

Regarding LIVINGJUMBO INDUSTRY SA, the management 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 film films) and continuous improvement of its effectiveness;

Integrated Quality Management System, Environment, Food Safety is certified by a Renar accredited institute, 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 2017 are:

1. **Increase in turnover by at least 20% through:**
  - Achieving and overcoming the budget sales program ;
  - Ensuring the timely payment of receivables ;
  - Developing the investment plan ;
2. **Maintaining the value of operating profitability at a level comparable to the level of 2016;**
3. **Increasing annual labor productivity;**
4. **Increasing customer satisfaction by:**
  - Increasing the level of use of customer feedback ;
  - Reducing the number of complaints
  - Reducing delivery bounce rate
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:



- Efficiency of customer collaboration (Percent of questionnaires returned by clients / total questionnaires sent) = 100%;
- Number of established / implemented actions that have been identified from customer feedback analysis;
- The degree of global customer satisfaction;
- Number of justified complaints received from clients

In 2017, the indicators reached the established performance values with a total customer satisfaction of 90.86%.

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;
- Producing products according to the organization / customer requirements;
- Compliance with requirements (number non-compliant products / total quantity achieved \* 100);
- Compliance with requirements (number of quality complaints registered monthly and annually, value of losses with complaints made);
- Degree of achievement of budgeted production (realized value / budget value \* 100);
- Efficient use of raw materials, materials and utilities;
- The degree of inclusion in the specific inputs of raw materials (overtaking values / raw materials consumed);
- Degree of use in utilities;
- Execution of the sales program-The degree of realization of the sales program (The 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 deliveries with overdue / total deliveries = 0%).

All the objectives, their indicators and their target performance were analyzed in the Managerial 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

In accordance with the requirements of the reference standards, the identification and evaluation of the main risks and opportunities present within the Group was carried out in a controlled and efficient way, in order to achieve the objectives and the control measures and the actions aimed at preventing the occurrence of the risks and their treatment.

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

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

- Personnel insufficiently specialized for new equipment brought in;
- Some of the orders are small, require frequent changes, so losses;

- Competition in the field;
- Seasonal products;
- Price fluctuations in basic raw materials;
- Some of the equipment is outdated, technologically speaking;
- Changes in the legal requirements affecting the plastic packaging sector.

### Recycling of plastic products

- Large costs require a lot of logistics (both for the acquisition of waste and storage);
- Compound raw materials (waste);
- Large consumption of utilities;
- Large fluctuation of staff;
- There are no sales on all the outputs of the technological process;
- The market is not yet sufficiently shaped to meet both the demand for raw materials; (recycled wastes) and commercialization of recycled finished product;
- Requires many storage spaces for both raw material and finished products;
- The lack of a well-developed selective collection system upstream (the degree of recycling of garbage waste has a very low yield);

### 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 out of reach;
- Products require a lot of work, possibly uncompetitive;
- It is a highly regulated area and requires spending with approvals and approvals;
- Raw materials are imported, they are quantity-dependent;
- Requires large expense 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 fall.

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, ROMCARBON SA management has adopted an environmental policy specific to the activity of the two organizations, the size and impact on the environment, to provide the framework for establishing and analyzing 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 the orientation of all actions to meet the demands of customers and all stakeholders, to protect the environment, to prevent pollution and to promote a safe and healthy working environment, to prevent any work accident or professional illness through:**

- Ensure 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.: 2015 and 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, materials and utilities by reducing the amount of technological waste generated, the quantities of non-compliant products and the consumption of utilities ;
- Pollution prevention - "o" environmental incidents ;
- Achieving environmental goals by achieving recycling of at least 60% of the amount of packaging placed on the market ;
- Control and control of emergency situations - "o" 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 incidents / environmental accidents produced;
- Number of environmental complaints by interested parties;
- Number of fines / warnings or other sanction received;
- **Prevent any possible emergency situation and ensure the ability to respond;**
- Response capacity to SU- I<sub>CR</sub>;
- Number of simulations completed / Planned SU number;
- Actual SU number;
- Number of fines given by IGSU;

**In 2017, the indicators reached the set performance values.**

**All objectives, related indicators and their target performance were analyzed in the Annual Management Review and were within the limits set in the documented procedures.**

Environmental protection is an essential component in the management process 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-evaluation activity 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 environmental impacts associated with them, from the life cycle perspective of products;
- Environmental issues that are taken into account: air emissions, water leakage, soil flow, use of raw materials or natural resources, energy use, emitted energy (heat, radiation, vibration, noise, light), waste generation, the 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 the organization level, in the applicable legislation or in other requirements to which each organization subscribes;
- Objectives are established in accordance with the Quality, Environment and Occupational Safety and Health Policies, Pollution Prevention Commitments, 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 application field of SMI;
  - Dezvoltarea de noi produse/servicii;
  - Development of new products/services;
  - Changes in processes / technology / introduction of new processes;
  - Extending or significantly reducing capacity;
  - Extending or moving an activity;
  - Changes in compliance obligations related to environmental issues;
  - Occurred emergency situations;
- 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 and environmental management permits shall be reviewed in accordance with the legislation in force as well as the rest of the authorizations required for the operation under the conditions of the legal requirements.
- All the employees are trained in the prevention of environmental pollution, compliance with the legislation in force, 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 Water, etc.
- The environmental aspects were re-evaluated at the beginning of 2017 and it was found that significant environmental aspects can only be signaled under abnormal conditions and 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;
- COV emission filtering installation;

- condenser replacement in PCB-containing electrical stations with ecological condensers.

#### **Measures, equipment and arrangements for soil and subsoil protection:**

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

- collection of domestic, street and industrial wastes and their disposal in accordance with the legal provisions
- to prevent soil and subsurface pollution with possible leakage from internal sewage and pre-treatment facilities, they are controlled and maintained properly, intervening immediately to remedy some malfunctions (infiltrations, pipe breaks)
- collection of waste oils, waste oil, degreasing, storage according to legal provisions and their surrender to authorized economic agents for recovery.
- handling, proper storage of fuels and lubricants.
- handling, proper disposal of toxic and dangerous 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, the regranulating head. Water is recirculated and comes from our 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 mills for grinding waste, weaving looms. These are in the premises of buildings, away from protected areas;
- means of transport for the supply of raw materials and dispatch of the finished product;
- in order to exceed the limits of noxious noise in the area of the weaving looms of the company LIVINGJUMBO INDUSTRY SA, measures of personnel protection are taken;

#### **Possible sources of soil and subsoil pollution:**

- sewerage network in case of leaks and / or damages of various causes;
- Inappropriate disposal of wastes 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 waste on concrete platforms for a short period of time until delivery to authorized agents.
- Non-ferrous metal waste is stored in the material storehouse.
- Worn tires and accumulators of cars are handed over to authorized economic agents.
- Waste oil resulting from engine oil exchanges and machine transmission systems is collected and stored, according to HG 235/2007, in the fuel depot and handed over to authorized units for recovery.



- Ecological solvent waste SE 80/155, resulting from the degreasing of metallic parts, is collected in metal containers (barrels), stored in the fuel storage and is used by authorized economic agents.
- From extrusion operations, thermoforming it results 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

Management of ROMCARBON GROUP is continuously engaged to create 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 the orientation of all our actions to meet the demands of our clients and all stakeholders in order to prevent any work accident or professional illness through:***

- Ensure 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. : 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 its own employees and for the staff working under the control of the organization - 30% reduction in the number of accidents at work;
- Maintaining the SSO RISK LEVEL at the level of 2016;
- Control and control of emergency situations - "o" real emergency situations.

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

- Ensuring the safety and health of staff in all aspects of work;
- Consulting, informing 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 for approving the methodological norms for the application of the provisions of the Law on Health and Safety at Work 319/2006, 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 IPPS Internal Prevention and Protection Service;
- There are identified dangers and risks assessed for each component of the work system using the National Institute for Research and Development for Occupational Safety method;



- Job evaluation is permanently updated;
- The frequency of risk reassessment is correlated with the measure programs, respectively the management, after evaluating the effectiveness of the actions undertaken;
- Based on the risk assessment, prevention and protection plans are developed for each job;
- Own instructions (ISSM) for all work equipment and activities are developed, updated and disseminated taking into account their particularities;
- Workplace health and safety responsibilities are established for all staff in the organization, both the management and the executive;
- Areas that require security signage and signaling required for each area are identified according to the hazards identified, according to the GD 971/2006 regarding the minimum requirements for signaling of workplace health / health;
- It is ensured the evidence of 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;
- Hygienic and sanitary materials and facilities for staff are provided;
- The staff health surveillance is ensured through its own medical cabinet and contract with a medical work service (MAT CORD);
- Checks on the state of operation of the alarm, warning, emergency signaling, 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 maximum admitted limit.

**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-compliances found being immediately remedied some even on the spot, no sanctions being required.**

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 the fire protection is organized.

- The Private Service for Emergency Situations (PSES) is established with attributions 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, generators of dangerous events;

## 5. Energy strategies

ROMCARBON S.A. 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 nationwide.

In order to evaluate the energy situation of the company once every 4 years, Romcarbon SA performs an energetic audit on the entire energy contour (with authorized suppliers 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 (2012-2017), a wide range of modern technological lines have been acquired for the recovery of plastic waste and its re-use as raw materials.

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

**Through the equipment maintenance plan, it is always intended to bring equipment into the parameters and fit into specific consumption.**

Energy consumption is measured at each profit center by counters fitted to each consumer. Ensuring correct operation of both measuring and energy equipment is ensured by firm contract with accredited suppliers. The maintenance of the energetic equipment as well as the preventive maintenance is done on the basis of a firm contract with accredited companies respecting 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 with permanent fit in consumption.

In case of electrical interruptions, 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 could be used only where it is needed. Another measure of reducing energy consumption is replacing existing luminaires with LED lighting both inside and outside lighting.

For efficient use of compressed air, each compressor 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 analyzes of both the employed and the existing personnel on the labor market, an adaptation to the company's requirements was achieved and a supplement and update as needed.

Within the two organizations were developed and implemented internal procedures 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 fluctuation, 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 social and personnel risks at a low level.**

***The main objective in the field of human resources is to provide human resources for the activity;***

To achieve the goal, actions have been set up to do so:

- 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 evaluation based on professional and personal competence criteria;
- Correct and timely communication of information;
- Compliance with 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 suffered significant earthquake damage, landslides land 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 the year 2017, given the economic context, labor migration, and the lack of skilled labor, the company has focused its attention on the retention of qualified staff and on the training of newly employed staff.

The training, improvement and professional development of the personnel is carried out on the basis of the "Annual training plan" elaborated at the company level.

The annual training plan was meant to be a systematic process of changing the 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 SC Romcarbon SA.

The internal regulation of the company includes provisions for the prohibition of any form of discrimination based on religion, gender, social status, etc.

The women in the two companies account for 53% of the total number of staff (Romcarbon SA - 47%, Livingjumbo Industry SA - 63%), 58% of all higher education staff (Romcarbon SA - 60%, Livingjumbo Industry SA - 51%), and 32% of the total staff with management and coordination (Romcarbon SA - 29%, Livingjumbo Industry SA - 44%). This statistic results in the participation of women in a high number both in the production process and in the decision-making and management process at all levels and in the important fields of activity of the company.

Thus, according to the organizational chart in force on 31.12.2017 out of a total of 103 positions of management and coordination a number of 33 were occupied by women.

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.

## 7. Business ethics. Values. Combating corruption.

### General principles of business ethics

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, quality culture 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 our commitment to ethical conduct is one of the essential components of each organization functioning in Romcarbon Group. The activities are carried out correctly, based on a culture of ethics and compliance, social satisfaction being a permanent concern of the company's management.

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

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

- honesty
- competence
- responsibility
- commitment
- innovation

### THE CODE OF ETHICS

Ethical behavior is the foundation of trust both in business and within the organization. ROMCARBON S.A. 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 S.A. and its subsidiaries are determined to operate in good faith within the appropriate legal framework. Complies with rules, regulations and regulatory requirements, industry profile codes, and organizational standards for business activities. Regulatory measures are considered benchmarks, ethics goes beyond legal compliance, integrating standards of good corporate governance, good practices and community expectations.

**Competence:** ROMCARBON S.A. can gain trust through competence and integrity in his or her 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 S.A. takes 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, government and policy stakeholders, non-governmental organizations (NGOs) and local communities.

**Professionalism:** Recognizing and accepting 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 providing the right environment for business development:

- Fully knows, understands and complies with applicable laws, regulations and rules. It 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 agreement between them and 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-realizations.

## 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 the attributions, the management of each organization, as well as the employees, must constantly be guided by the ethical principles that ensure the performance in the business:

- 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 valorisation of waste by specialized units;
- compliance with the laws and internal rules of the organization;
- presenting a proper dressing and language, both in the relationship with clients / suppliers / collaborators / institutions, and in interdepartmental relationships;
- not to be in a situation of conflict of interest and not to yield to internal and external pressures in relation to any relationship that would involve contractually the organization;
- to empower management to promote social investment programs by joining non-governmental, non-patrimonial 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;
- The absence of a conflict of interest, any involvement or participation in procedures involving a conflict of interest;
- Using the function in order to gain 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, piles / interventions), on the people in management;

#### Human rights

ROMCARBON S.A. is determined to respect human rights in the relationship with each interested party 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 right to human dignity;
- The right to life;
- Freedom and security of the person;
- Right to access to the highest health standards;
- The right to legal and favorable working conditions;
- Right to fair wages and decent living;
- The right to an adequate standard of living;
- The right to form and to join a trade union and the right to collective bargaining;
- Prohibition of all forms of forced or compulsory labor;
- Prohibition of child labor;
- Prohibition of Discrimination;
- Freedom of opinion.



### **Equal treatment, chances and privacy protecting**

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 nationalities, beliefs, religions, beliefs, different cultures. Promoting the prohibition and preventing discrimination of any kind, such as but not limited to discrimination based on race, color, gender, age, language, religion, political or other opinion, ethnic, national or social origin, property, birth, sexual orientation or any other criteria, including marital status or parental status;

ROMCARBON S.A. is dedicated to respecting the privacy of individuals and preserving the confidentiality of their personal information.

### **Equitable work practices**

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

ROMCARBON S.A. does not tolerate any form of forced, compulsory or children work, nor any other ethical practices such as wage restraint, denial of sick leave or daily rest, abusive use of alternative forms of employment. Supporting people with special needs is a priority in 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 S.A. does not engage or tolerate corruption in any form (including bribery, payments to facilitate certain services, money support, blackmail, abuse of power for personal gain, undue benefits or gifts with intent to influence), whether this occurs in the public or private sector and regardless of its size.

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

ROMCARBON S.A. 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 their breaches are not accepted.

Signaling 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 ROMCARBON S.A. shareholders are treated fairly. All shares issued give the holders equal rights.

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

ROMCARBON S.A. facilitates and encourages: the participation of shareholders in the works of the General Meeting of Shareholders (AGA), the full exercise of their rights, the dialogue between shareholders and members of the Board of Directors and / or management.

The attributions of the General Meeting of Shareholders are those set forth in the Articles of Incorporation of ROMCARBON S.A. being in strict compliance with the legal provisions, being ensured the presentation of the materials, the recording of the works and the decisions taken.

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

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

At the designation of the members of the General Meeting, seeks a balanced composition according to the structure and activity of S.C. ROMCARBON S.A. as well as with the personal experience and qualifications of the Board of Directors.

Incompatible with the membership of the Board of Directors, persons who, under the law, are incapable or have been convicted of fraudulent misconduct, abuse of trust, forgery, deceit, embezzlement, false testimony, giving or bribery, and other offenses provided by the law on commercial companies.

The decision-making process remains a collective responsibility of the Board of Directors members, who are held jointly and severally accountable for all decisions taken in exercising their competences.

In addition to the Board of Directors, 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 The Council, as well as the ability of the management to react to and solve the weaknesses or weaknesses in the internal control system, identified and presented to the Council through relevant reports. The Audit Committee should reconsider conflicts of interest in the transactions of the organization and its subsidiaries with the parties involved. The Audit Committee is responsible for reviewing the Corporate Governance Statement in its Annual Report on Risk and Internal 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 internal audit team reports.

The internal auditor participates in the meetings of the Board of Directors and of the General Shareholders' Meetings and informs them about the irregularities in the administration, the violations of the legal provisions and the provisions of the constitutive act that they find.

Risk factors include general issues (emerging markets pose a higher risk than developed economies and mature legal and mature systems), potential political instability, risks from 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 S.A. 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 Directors and is applied through action policies 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 constitutive act, the collective labor contract and the organizational structure, as follows:

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

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

Each Board of Directors member 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 Directors of conflicts of interest, in which he will refrain from debating and voting on the issues in question.

It is also forbidden to any person holding privileged information:

- to use that information for the acquisition or alienation or intent to acquire or alienate, on its own account or on behalf of a third party, directly or indirectly, the financial instruments to which that information relates;
- to recommend to third parties to carry out transactions in securities held by the company, if it holds information;
- to disclose internal information for a purpose other than that of his tasks and attributions;
- to spread 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 privileged information in circumstances where those people know or ought to know that information is privileged.

**The 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 professional training and 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 organization of labor protection and the means necessary for it. (eg periodic training, granting of personal protective equipment, work equipment, sanitary-sanitary materials, periodic medical check-up, etc.) ROMCARBON S.A and its subsidiaries do not use child labor, do not engage in trafficking in 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 sustain 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 labor contract at the organization level. Employees' representatives are provided with the protection of the law against any form of conditioning, constraint or limitation of the exercise of their functions;
- to contribute to the elimination of discrimination in employment, the pursuit of the profession, the setting and granting of salary. Any direct or indirect discrimination against an employee based on sex, sexual orientation, genetic characteristics, age, nationality, race, color, ethnicity, religion, political option, social origin, disability, family status or responsibility, membership trade union activity;
- 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.



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