



2019 SUSTAINABILITY REPORT

Milestones mark  
the road ahead,  
but their shadows  
show the **journey**



**Highway A6**  
Delyan, Sofia Province  
Bulgaria



# O

## Summary

The beginning is the most important part of the work.

PLATO

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## Message from the CEO

### DEAR STAKEHOLDERS,

As the new CEO of KMG International, I am delighted to present our 6th Sustainability Report, entitled “Milestones”, a concept which entails numerous connotations that reflect the group's perseverance and commitment to getting further.

The responsibility we have for our business, our employees, the environment, and society motivated us to set KMG International on a course aligned with our views on sustainability. Reaching more impressive milestones along our way is definitely a rewarding bonus.

One such milestone was the 40th anniversary of Petromidia Refinery, which we celebrated in 2019, along with its best operational performance to date, more than 6 million tons of feedstock processed. What started with a Vacuum Atmospheric Distillation Unit in 1979 is now one of the largest modern refineries in Southeastern Europe and the Black Sea region.

With a 11.4 Nelson complexity index, Petromidia is the processing unit with the highest capability of crude oil Sulphur extraction in the region, exclusively producing Euro 5 fuels and aiming at Euro 6 production. Also, the refinery has a utilization rate of 90%, compared to the European average of 83%, a level reached only through constant investments and the commitment of its employees. Also in 2019, we celebrated 45 employees on the

Petromidia platform who have been with us for the past 4 decades. It is because of people like them that we keep getting further.

Nevertheless, the refinery is also welcoming young professionals who will continue to develop the spirit of Petromidia. And so are all other entities in the Group, seeking for new talent to perfect through dedicated programs, such as our Internship program, currently in its 19th edition.

2019 also marked the first steps in developing the Smart Refinery concept, by implementing Advance Process Control (APC) which allows predictive control of units and operational flows, aiming to identify optimal conditions for increasing production capacity, improving product quality, reducing energy consumption and providing more effective control of key parameters. In short, we are actively identifying and implementing digital solutions meant to optimize production, while mitigating the impact on the environment.

Moreover, despite the spectacular increase in output, an all-time record for the production unit and record-breaking levels of gasoline and Diesel produced, Petromidia Refinery managed to record the lowest technological loss to date, 0.8%wt, along with an energy consumption of 2.99 GJ/mt and an energy intensity index of 97.4. The same applies to

Vega Refinery, the oldest processing unit in Romania and the only bitumen and hexane producer in Romania. Registering the highest levels of processed feedstock, the second year in a row to exceed the 400 kt threshold, a new record for hexane production, as well as bitumen production, Vega also managed to reduce its energy consumption to its lowest yet, namely 2.39GJ/mt.

Regarding personal safety, our employees, suppliers, and contractors share a goal of reaching zero safety incidents, through our “100% safety” program. KMG International is committed to the total compliance with safety standards as one of the company's core values and we are glad to announce that no fatal incidents were recorded in 2019. Our commitment to over 5,000 employees, of 17 different nationalities, and their safety is what makes our Group constantly overperform.

Additionally, seeing how our aim is to contribute to the balanced development of all facets of human life, including health and well-being, culture and education, skill development and leadership, or social stewardship, we also reached new milestones in terms of community engagement, 2019 marking the 10th anniversary of our partnership with the “George Enescu” International Festival and with SMURD, the medical emergency service in Romania.

These are some of the milestones that we got the opportunity to celebrate in 2019. About all the rest, you will find more in this edition of our Sustainability Report, and discover how our performance creates added value for our shareholders and stakeholders. By the same token, I would like you to see this report as an invitation. We are confident that our sustainability successes often come as a result of co-operation and collaboration and your input may just be the key in helping us get further.

Join us on this sustainability journey!

---

**Beimbet Shayakhmetov**  
Chief Executive Officer  
KMG International



# 1

## Approach

Remember to celebrate milestones as you prepare for the road ahead.

NELSON MANDELA

## Approach to Sustainability & Reporting

### ABOUT THIS REPORT

The 2019 KMG International sustainability report marks the Group's sixth year of non-financial reporting, depicting some of the many milestones the company has achieved since in terms of sustainable development.

As part of our commitment to the United Nations (UN) Global Compact, the Report furthermore acts as the Group's annual Communication on Progress (CoP). We describe practical actions the Company has taken to implement the 10 Principles and highlight the ways in which we address the UN Sustainable Development Goals<sup>1</sup> (SDGs). We actively support the UN Sustainable Development Goals and the UN Global Compact's 10 Principles on human rights, labor standards, environment, and anti-corruption, within our Group, across our value chain and in the business conduct of our suppliers and partners.

This edition was prepared in accordance with the Comprehensive option of the Global Reporting Initiative<sup>2</sup> (GRI) Standards, maintaining, at the same time, the specific indicators pertaining to the oil and gas sector, which have yet to be adapted and included in the set of available GRI Standards.

The overall indicators of the activities we have carried out in 2019 in the countries with significant operations have been included in this integrated, comprehensive report which presents the economic, social, and environmental aspects of our value creation process. These may include information from previous years that we considered relevant for understanding the information from the year covered by the reporting.

Aimed at solidifying our commitment to transparency and our continuous improvement, our 2019 Sustainability Report is a clear reflection of our mission, as we aim at meeting the growing energy needs of the society in the most sustainable and efficient way, employing a competitive business model. As such, our business model rests on our commitment to carry out our activities in an efficient and responsible manner for the long-term benefit of our shareholders and society.

To fulfill our mission and achieve our objectives, we have set measurable targets in each priority area as part of our sustainability approach and are investing in innovative solutions for sustainable future. These targets, our achievements, and how we contribute to the Sustainable Development Goals are detailed in this Sustainability Report.

1. The United Nations Sustainable Development Goals (SDGs) are an internationally recognized framework that aims to address the three elements of economic growth, social inclusion, and environmental protection as part of a broader endeavor to eradicate poverty and strengthen peace and freedom. There are 17 goals, accompanied by 169 specific targets.
2. The Global Reporting Initiative (GRI) is an independent, international organization dedicated to helping businesses and governments report effectively and publicly disclose the impact of their activities on key environmental, social, and governance (ESG) sustainability topics.

### REPORT CONCEPT

Our sustainability approach is not only comprehensive, but also unitary, as we apply the same professional and responsible approach to people, the environment, and communities as we do in our operational activities. We take great pride in our sustainable practices and we use this report to show our stakeholders how our strong values and solid principles are reflected in our daily operations.

2019 was a special year for KMG International, marking not only the 40-year anniversary of Petromidia Refinery, the largest and most modern refining unit in Southeast Europe, but also many other milestones in the history of the Group. On June 29, 1979, the first unit of Petromidia Refinery was being commissioned, the Vacuum Atmospheric Distillation Unit and the very first barrel of oil was entering the refinery.

We honored such an important anniversary not only for our Group, but also for the local and regional oil and gas industry, thousands employees and numerous communities, through the extraordinary results achieved by the refinery and the Group in 2019. Continuing its streak of record-breaking successes, for KMG International 2019 represented a pinnacle of a positive evolution and major investments carried out every year. It is safe to say that such a year made us reflect on our heritage, our history, and our path into the future. This is way it was natural for our report to mirror our journey and for our report theme to be Milestones.

Our evolution over the past few years stands witness for our efforts to become one of the most sustainable oil and gas players in the national and regional market. With every success, we mark a new milestone. And with every milestone reached, we are even more determined to transform the future into a bright future that we envisage for the next generations. For that, we constantly invest in innovation and sustainable solutions' development because there is no other way than to always improve, become better, achieve greater results.

# 40

**Years of  
operation at  
Petromidia  
Refinery**

# Material Issues within a Global Context

We are committed to providing quantitative and qualitative information on the impacts and outcomes of our activity, so that all our stakeholders can be confident that our operations are delivering not only efficient results but also sustainability benefits.

Our approach regarding the presentation of material impacts and sustainability performance is to publish relevant information in an integrated and comprehensive manner, so that it is easily accessible to our stakeholders.

The contents of this report reflect the KMG International - relevant and material challenges of sustainable development. As a major player in the oil & gas sector, we face the challenge of addressing a wide range of external stakeholders with often diverging requirements, from regulatory bodies and state authorities to shareholders, employees, labor and trade unions, clients, opinion shapers, such as the media, and members of the community, either as individuals or as members of various organizations and associations.

To this end, we constantly strive to expand communications with our internal and external stakeholders, as means to increase engagement, assemble a broad and accurate perspective on our local and global impact and required focus, as well as to improve our strategy and implementation.

## MATERIALITY ASSESSMENT

The content of our annual sustainability report is determined by reference to a detailed materiality assessment. The assessment identifies and evaluates the sustainability topics that mattered most to our businesses and our stakeholders during the year under review and will matter most to them in the near-term future. This activity entails various types of actions, which in their entirety constitute a comprehensive process carried out both by the KMG dedicated reporting team, as well as by various specifically assigned staff from the Group's different divisions.

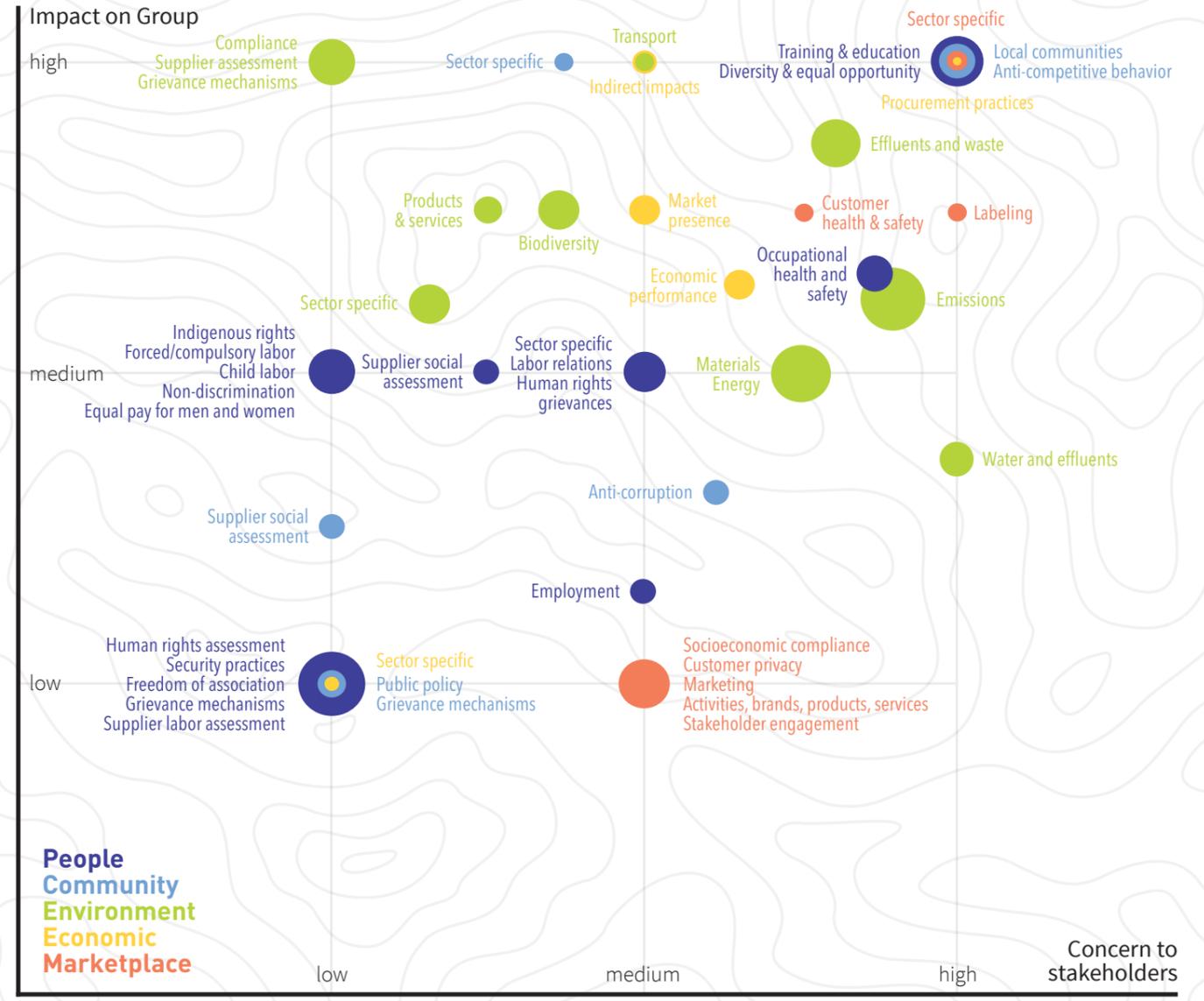
As part of our materiality assessment, we have identified a list of issues which are relevant for our company and our stakeholders, included in the materiality matrix. In drafting the content of this report, we considered not only the Group's values and experience, but also the expectations and interests of our stakeholders, collected through comprehensive consultation and surveys, adapted accordingly to each group.

Consistent with GRI guidance, we prioritized issues important to our stakeholders when developing the content for our sustainability report, using a high-medium-low type of scale that reproduced the stakeholders' view on the indicators. The prioritization was done by scoring the two elements of the analysis: the impact on the Group and the importance to stakeholders.

In determining the importance of the sustainability-related topics, we employed market research and analytics on our consumers, non-profit organizations, and relevant stakeholders from both the private and the public sector.

### More details about each of the indicators used can be found in the GRI Annex at the end of this report.

Outcomes of our Materiality Assessments are included in our annual sustainability reporting, following all material topics and their evolutions throughout the reporting intervals. Additionally, we review our Materiality Assessment each year to make sure we continue to focus on the topics of most interest to our stakeholders and relevance to our business success. In identifying and assessing material topics, we follow guidance from and report with reference to the Global Reporting Initiative (GRI) Standards.



GRI Standards	Definition
<b>PEOPLE</b>	
<b>403-1 to 403-10</b>	Occupational Health & Safety
<b>404-1 to 404-3</b>	Training and Education
<b>405-1</b>	Diversity & Equal Opportunity
<b>402-1</b>	Labor Relations
<b>OG 9</b>	Sector Specific
<b>414-1, 414-2</b>	Supplier Social Assessment
<b>401-1 to 401-3</b>	Employment
<b>405-2</b>	Equal Pay for Men and Women
<b>406-1</b>	Non-Discrimination
<b>408-1</b>	Child Labor
<b>409-1</b>	Forced/Compulsory Labor
<b>411-1</b>	Indigenous Rights
<b>103-2</b>	Human Rights Grievances
<b>414-1, 414-2</b>	Supplier Labor Assessment
<b>103-2</b>	Management Approach: Grievance Mechanisms
<b>412-2, 412-3</b>	Human Rights Assessment
<b>407-1</b>	Freedom of Association and Collective Bargaining
<b>410-1</b>	Security Practices
<b>412-1</b>	Human Rights Assessment
<b>COMMUNITY</b>	
<b>413-1, 413-2</b>	Local Communities
<b>206-1</b>	Anti-Competitive Behavior
<b>419-1</b>	Socio-economic Compliance
<b>OG 10 to OG 13</b>	Sector Specific
<b>205-1 to 205-3</b>	Anti-Corruption
<b>414-1, 414-2</b>	Supplier Social Assessment
<b>415-1</b>	Public Policy
<b>103-2</b>	Grievance Mechanisms

Aspects are listed in descending order of their score.

GRI Standards	Definition
<b>ENVIRONMENT</b>	
<b>305-1 to 305-7</b>	Emissions
<b>N/A</b>	Transport
<b>306-2 to 306-4</b>	Effluents and Waste
<b>303-1 to 303-5</b>	Water and Effluents
<b>301-1, 301-2</b>	Materials
<b>302-1 to 302-5</b>	Energy
<b>304-1 to 304-4</b>	Biodiversity
<b>301-3</b>	Materials
<b>several</b>	Overall
<b>307-1</b>	Environmental Compliance
<b>308-1, 308-2</b>	Supplier Environmental Assessment
<b>103-2</b>	Grievance Mechanisms
<b>OG 2 to OG 8</b>	Sector Specific
<b>ECONOMIC</b>	
<b>203-1, 203-2</b>	Indirect Economic Impacts
<b>201-1 to 201-4</b>	Economic Performance
<b>202-1, 202-2</b>	Market Presence
<b>204-1</b>	Procurement Practices
<b>OG 1</b>	Sector Specific
<b>MARKETPLACE</b>	
<b>416-1, 416-2</b>	Customer Health and Safety
<b>417-1 to 417-3</b>	Marketing and Labeling
<b>102-43, 102-44</b>	Stakeholder Engagement
<b>102-2</b>	Activities, Brands, Products and Services
<b>417-3</b>	Marketing and Labeling
<b>418-1</b>	Customer Privacy
<b>419-1</b>	Socioeconomic Compliance
<b>OG 14</b>	Sector Specific



**Highway N200**

Zuid-Kennemerland National Park  
The Netherlands



## STAKEHOLDER ENGAGEMENT

Stakeholder engagement, a key element of our value creation model, is the process by which information and viewpoints in relation to the Company's activities are exchanged together with our stakeholders.

As part of our Materiality Assessment process, and in line with the GRI Principle of Stakeholder Inclusiveness, we have identified four broad stakeholder groups relevant to our activities: social, industry, regulatory, market. In order to be constantly involved with stakeholders we have developed tailored communication mechanisms for each relevant group as a way to identify our material topics, to understand how we should tackle the wide variety of challenges and to come up with the right answers for different needs.

### REGULATORY

#### Authorities & regulatory bodies

Safeguarding people, environment and assets, job creation, revenue transparency, taxes, socio-economic impact, environmental compliance, policy



#### Local authorities & institutions

Safeguarding people, environment and assets, local community development programs, emergency response, climate change & biodiversity



### MARKET

#### Shareholders

Financial performance, operating responsibly, transparency, social contribution

#### Business partners

Operations, SE

#### Clients

Customer health and safety, customer privacy

#### Media

Operations, financial performance, environment, contribution to society, innovation

### INDUSTRY

#### Trade associations

Economic role, Job creation, HSE, Innovation

#### Suppliers

Business ethics, labor practices, HSE

#### Students & academia

Job creation, tech development, HSE, Innovation, education, skill development

### SOCIAL

#### Employees

Labor practices, HSE, trainings, professional & personal skill development, know-how transfer

#### Trade unions

Safety & working environment, labor practices, job creation

#### NGOs

Socio-economic and environmental impacts, volunteering

#### Community

Safety, climate change, impact assessment, mitigation, grievance mechanisms, contribution to society



## MATERIAL TOPICS

As general practice, our dedicated cross-function reporting team includes people from all different areas of the organization, who have extended knowledge about who our stakeholders are and what topics they consider important. Furthermore, each report undergoes an internal and external assurance process, to make sure all feedback is effectively incorporated.

We conduct reviews and assessments to verify and re-evaluate our materiality topics and any potential shifts in relevance or priority status. Based on stakeholder feedback and consultations, there has been no significant change in our list of material topic or stakeholder attitudes towards said topics, respectively.

As such, greenhouse gas emissions, occupational health and safety, environmental and socioeconomic compliance, fair labor practices, customer health and safety or community engagement continue to be some of the main topics addressed by the report.

Our well-perfected and complex process sees that we embed sustainability into all our projects and operations and aim to balance short- and long-term business interests. Whether we refer to topics like biodiversity, waste, air, energy and water management, and human rights, we make sure we follow all rules and regulations in place, along with the highest standards and industry best practices. This way, we make sure that we walk on a successful path, robust and gentle at the same time, a path that shows kindness to future generations and allows us to reach many more milestones along the way.



**Highway A27**  
Huizen, Amsterdam  
The Netherlands

## Sustainable Development Goals

KMG International recognizes the urgent call for action to achieve a better and more sustainable future for all. Thus, we welcome and support the UN Sustainable Development Goals (SDGs) which are at the heart of the 2030 Agenda for Sustainable Development.

Achieving the sustainable development goals (SDGs) will require action by governments, non-governmental organizations, and the private sector. As a responsible corporate citizen, KMG International is committed to leave its mark, by harmonizing the 2030 Agenda principles with its long-term sustainable development strategy.

Of all 17 SDGs, the following are particularly relevant to KMG International, capturing the Group's specific activities, operation principles and locations.



Health and well-being represent top priorities for KMG International, with regard to both employees and the communities we operate in. Not only do we have strict health and safety work procedures in place, but we also carry out customized internal well-being programs addressing emotional and social, physical and financial well-being. Furthermore, KMG International has been actively involved in supporting the Romanian healthcare system, through its long-standing partnership with the Mobile Emergency Service for Resuscitation and Extrication (SMURD) & the Inspectorate for Emergency Situations (ISU), as well as through its consistent investments in healthcare-related projects across the country.  
**Chapters: Community, People**



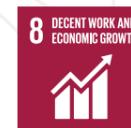
Investing in education, personal and professional development is embedded into our business strategy and part of our mission to nurture the growth of our employees and communities. Beyond our annual internship program, which has been running for more than a decade, we support organizational growth through dedicated development, life-long learning and career progression programs, along with investments and sponsorships addressing community education needs.  
**Chapters: Community, People**



Our sustainable development plans place high emphasis on preserving water and managing its use in a responsible and sustainable way. We invest in new technologies and constantly improve our processes to use this valuable resource more efficiently. Reducing water consumption, wastewater outputs and discharge, is an important part of our environmental standards.  
**Chapter: Environment**



By environmental policy, we undertake reducing consumption of resources by using them in an effective way and by changing old, high energy consumption equipment with modern low-power equipment. Moreover, we have taken on implementing new lower-carbon technologies and sources of green energy (electrical car charging points in gas stations and photovoltaic panels).  
**Chapter: Environment**



Our activities create jobs, use local suppliers and support local communities and we contribute to economic growth through investments and by paying taxes to local governments. We assess those we work with to ensure they adhere to principles laid out in our Code of Ethics and Conduct. We have social investment projects to help consolidate local communities and facilitate their growth.  
**Chapters: Intro, People**



KMG International is constantly investing in the development of the Group's operations, in view of building resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. Under KMG International ownership, Petromidia has become one of the most modern refineries in Eastern Europe, accounting for more than 40% of Romania's current refining capacity.  
**Chapter: Intro**



We have codes, policies and assurance processes to help define how we can protect the environment, respect our stakeholders and communities and cause no harm to people. Energy efficiency is carefully considered in the life cycle of our products, from managing energy consumption in their production to providing customer advice on optimum fuel efficiency.  
**Chapters: Environment, Marketplace**



We continue to work to manage GHG emissions from our operations, in strict compliance with national and international regulations. Our efforts are focused on reducing our environmental footprint year on year and we are proud of our achievements in this regard. For example, in 2017, CO2 emissions for our Refining Business Unit decreased by 5% compared to the previous year.  
**Chapter: Environment**



Being aware of our responsibility when it comes to preserving biodiversity, the Group gives special attention to the Black Sea region, where Petromidia Refinery is situated, and cares about the very active wildlife populating the area. For each new project the impact of the refining activity on biodiversity is analyzed and assessed.  
**Chapter: Environment**



The principles for sustainable development set in the 2030 Agenda have been undertaken by the Group and they are embedded into its business principles and strategy. Moreover, KMG International is one of the founding members of the United Nations Global Compact local network, whose president for a two-year term, starting 2017, is the Group's Sustainability & Communications Manager.  
**Chapter: Approach**



**Military Road**  
Jvari Pass  
Republic of Georgia



# 2

## Intro

The first step towards getting somewhere is to decide you're not going to stay where you are.

JP MORGAN

## Operations Overview

### COUNTRIES OF MAIN OPERATIONS

#### Kazakhstan

KazMunayGas JSC

#### The Netherlands

KMG International NV

#### Romania

Romp petrol Rafinare  
Romp petrol Dowstream  
Romp petrol Gas  
Byron Shipping

#### France & Spain

Dyneff France & Spain (49%)

#### Switzerland

KMG Trading

#### Bulgaria

#### Moldova

#### Georgia

#### Turkey

#### Libya



**Fully**  
REACH  
compliant



**Record**  
operational  
results



**Only**  
EURO5 fuels  
& additives



**Full**  
health & safety  
compliance



**Fully**  
RAR-certified  
fuels



**Full compliance**  
on marketing &  
communication



### ROMANIA OPERATIONS

#### Romp petrol Rafinare

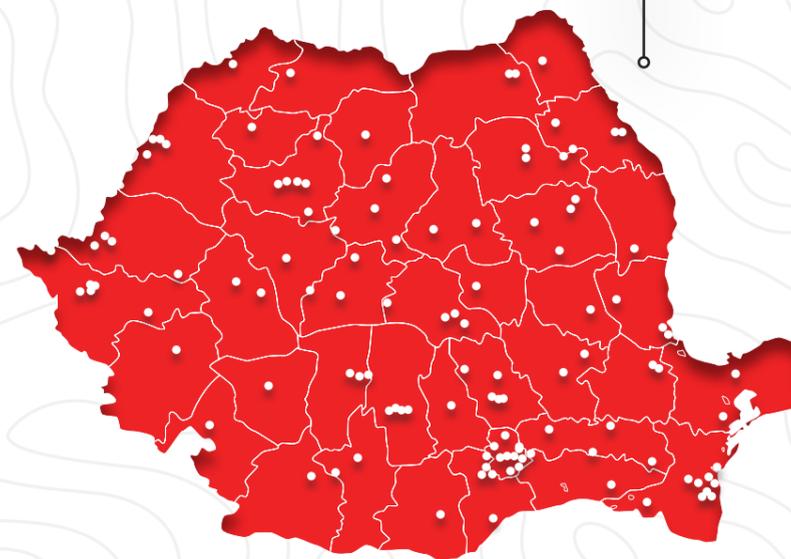
Petromidia Refinery (gasoline, diesel, jet fuel)  
Vega Refinery (n-hexane, bitumen, solvents,  
heating oils, additives)  
Petrochemical Division (HDPE, LDPE, PP)

#### Romp petrol Downstream

Warehouses (Șimleu Silvaniei, Vatra Dornei,  
Mogoșoaia, Zărnești, Craiova, Arad)

#### Romp petrol Gas

Gas cylinders, auto LPG, propane



### CORPORATE BRANDS

#### KMG International

Unifies all our foreign assets under one recognizable trademark, which is present across all the 10 main markets in which we operate.

#### Romp petrol

The main brand of KMG International, used for the refining and petrochemical operations, and retail activities in Romania, the Republic of Moldova, Bulgaria, Georgia, along with well services in the upstream area.

#### Rominserv

Above all, it's a solution provider. Technical and operational advantages establish Rominserv as a leading:

- Turn-key contractor for oil & gas investment projects
- Turn-key multidisciplinary company managing technological upgrades, turnarounds, and plant maintenance.

#### Romp petrol Well Services

With an experience of over 60 years, Romp petrol Well Services (RWS) offers a wide range of specialized services for oil and natural gas wells which include: cementing, sand control, stimulation, slickline, nitrogen services, tubular running, and tools rental.

### RETAIL BRANDS

#### Romp petrol

Our main retail brand for the promotion and distribution of products & services on four European markets – Romania, Moldova, Bulgaria, Georgia.

#### Efix

Romp petrol's advanced range of fuels with outstanding engine protection properties, designed with an optimum combination of additives in order to reduce fuel consumption and improve engine performance. Efix fuels are produced at Petromidia and distributed in Romania, Bulgaria, Republic of Moldova, and Georgia.

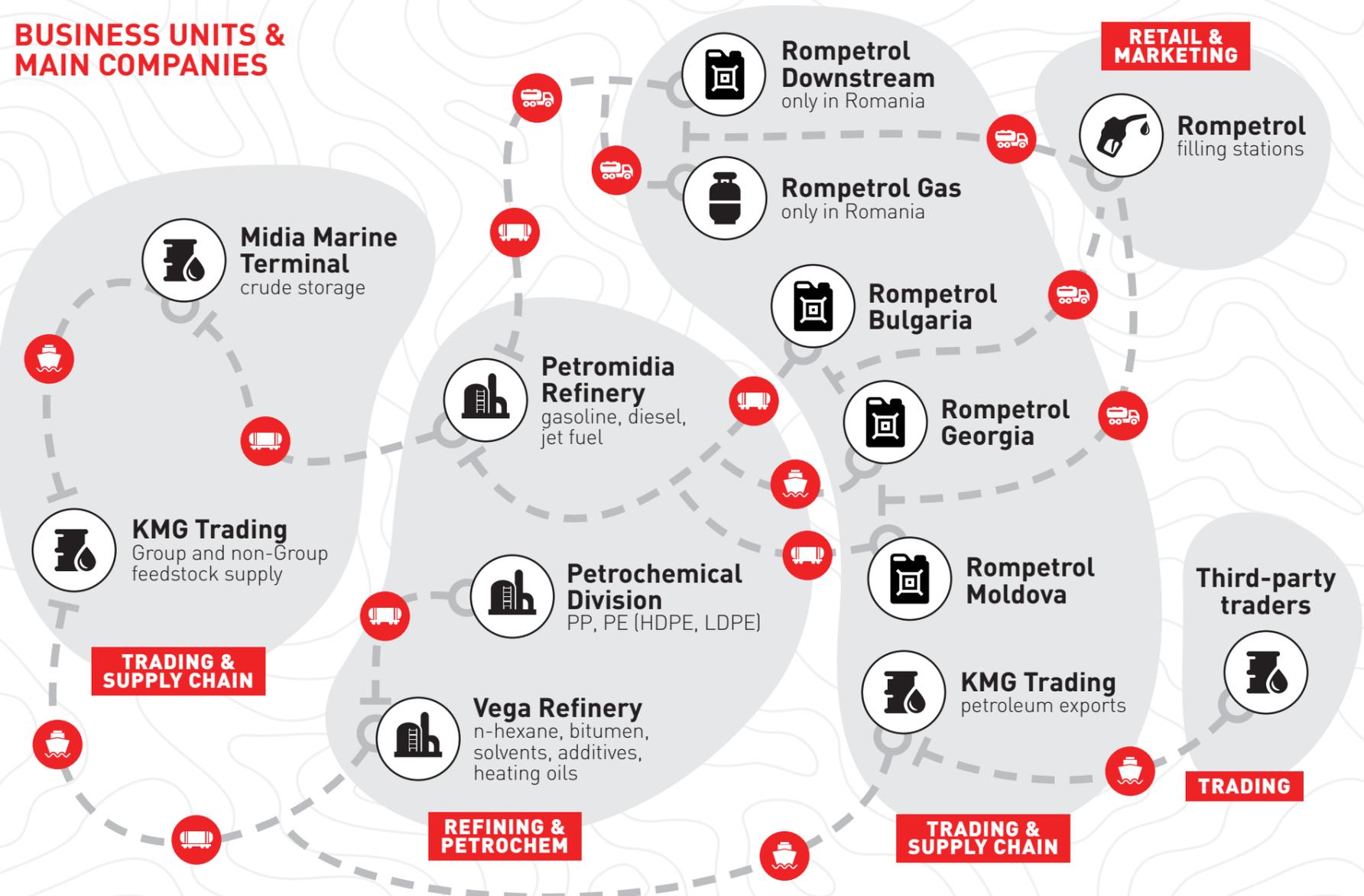
#### Fill&Go

Innovative pay-at-the pump services for fuels and shopping in filling station stores. This is the first identification system at the pump, available in different versions for both individual and corporate clients.

#### hei

Our shop & gastro concept in Romanian filling stations.

**BUSINESS UNITS & MAIN COMPANIES**



**OPERATIONAL MILESTONES**



**Petromidia Refinery**

6.33 MN tons feedstock processed (new record)  
 97.49% mechanical availability  
 2.9 Gj/mt energy consumption (lowest level)  
 406 ktons output for Jet group (new record)  
 6.4%wt Jet yield (all-time record)

**Vega Refinery**

436 kt feedstock processed (new record)  
 92 kt hexane output (new record)  
 120 kt bitumen output (new record)  
 2.39 Gj/mt energy consumption (lowest level)

**Petrochemical Division**

153 Kt processed propylene (Petromidia)  
 38 Kt processed ethylene (import)



**Trading & Supply Chain**

2.63 MN tons of petroleum products exported to KMG International subsidiaries in Bulgaria, Moldova, and Georgia and Black Sea partners



**Retail & Wholesale**

789 Kt fuel sold in retail  
 1,296 Kt fuel sold in wholesale  
 417 Kt auto LPG sold  
 964 filling stations



**Zugdidi - Jvari - Mestia - Lasdili Road**  
 Ushguli, Enguri Gorge  
 Republic of Georgia

## Corporate Governance

**K**MGI takes pride in its solid Corporate Governance culture, which is enriched each year to reflect alignment to global and local benchmarks and best practices in the dynamic sector that we conduct our operations.

Accountability and transparency are some of the strong values that take us forward and they are nowhere else reflected better than in our Corporate Governance principles, contributing to continuously strengthening our stakeholder relations and consolidating our reputation. This is, in turn, mirrored in our operational performance, which adds to our success with each new milestone.

### OPERATIONAL PROFILE

KMG International N.V. is a company incorporated and operating under Dutch laws, having its headquarters located in Amsterdam, The Netherlands. Incorporated in November 1999, the company has been 100%-owned by KazMunayGas JSC since the 9th of May 2016.

KMG International N.V. and its subsidiaries, altogether referred to as the KMG International Group, represent a major worldwide player in the oil & gas sector, carrying out operations in 13 countries throughout Europe, Central Asia and North Africa.

KMG International Group's activities are primarily concentrated in the refining, retail, marketing and trading areas. The Group conducts additional operations in the exploration and production segments, as well as other oil industry services (such as upstream services, industrial services, drilling etc.), business and management consulting services being also performed as support function.

As of December 2019, the KMG International Group comprised 64 entities (sub-divided into 52 legal entities – joint stock or limited liability companies/ partnerships and 12 branches, representative offices and joint ventures), headquartered in 13 countries (i.e. Romania, The Netherlands, Republic of Kazakhstan, Switzerland, Bulgaria, Republic of Moldova, Georgia, Turkey, Ukraine, France, Spain, Libya, Gibraltar), with the four Albanian companies, KazMunayGas Trading Singapore Pte. Ltd. and Rompetrol Well Services S.A. Kazakhstan branch undergoing liquidation.

The Articles of Association and the regulations applicable to each entity comply with local legislation and provide the rules underlying our ethical business conduct, as well as the proper administration and management of each entity. In Romania, the main applicable corporate regulations refer to Company Law no. 31/1990, as further amended and supplemented, and Law no. 297/2004 regarding capital market (the latter being applicable to stock exchange listed companies).

### MAJOR CORPORATE CHANGES IN 2019

The following corporate changes occurred throughout 2019, with regard the organization size, structure, ownership of the Group:

#### KAZMUNAYGAS TRADING SINGAPORE PTE. LTD.

Headquartered at 61 Robinson Road, Robinson Centre, Singapore, the company was dissolved by members' voluntary winding-up on June 1, 2019.

#### PLANTIER SAS

A newly incorporated company where Dyneff holds 50% interest. Completed on July 31, 2019.

### MANAGEMENT STRUCTURE

The management system of KMG International N.V. includes three levels of approval, in line with statutory documents and applicable Dutch law.

The Sole Shareholder of KMG International N.V. is the National Company 'KazMunayGas' JSC.

The Board of Managing Directors comprises 7 (seven) managing directors, of which 1 (one) executive managing director (CEO) and 6 (six) non-executive managing directors.

The KMG Board of Managing Directors consists thus of seven members, of which one executive member and six non-executive members. The non-executive managing directors include three independent directors. Independent members are of paramount importance for Corporate Governance, as they provide well-grounded opinions in their area of expertise in support of management decisions, while also offering an increased protection for the interests of shareholders and other stakeholders, and an adequate guarantee for third parties.

#### Levels of Approval

**Sole Shareholder**  
**Board of Managing Directors**  
**Chief Executive Officer**

#### Board of Managing Directors AS OF DECEMBER 2019

Mr. **Daniyar Berlibayev**  
Chairman of the Board  
Mr. **Beimbet Shayakhmetov**  
Chief Executive Officer  
Mr. **Zhanat Tussupbekov**  
non-executive managing director  
Mr. **Azamat Zhangulov**  
non-executive managing director  
Mr. **Johan Frederik Lodewijk Frowein**  
independent non-executive managing director  
Mr. **Emile Eduard Wolff**  
independent non-executive managing director  
Mr. **Ramon Diego Mendes de Leon**  
independent non-executive managing director

In accordance with KMG International N.V. Articles of Association and Board Regulations, the CEO, being the sole executive member of the Board, is responsible for the day-to-day management of the company, being also in charge of reviewing, defining and submitting strategic options that may contribute to the development of the company and its subsidiaries. The CEO is authorized to independently represent KMG International N.V., with the possibility to delegate his managing function for certain operations or categories of operations to certain third parties.



**Beimbet Shayakhmetov  
is Chief Executive Officer  
of KMG International N.V.**

The non-executive members of KMG International N.V. Board mainly have the following duties: (i) to participate in determining the strategy and general policies of the company; (ii) to supervise the management position and the general affairs of the company and its subsidiaries.

In support of its activity, the Board of Managing Directors established specialized committees, such as the Audit Committee, the Appointment and Remuneration Committee, the Strategy and Innovation Committee and the Finance and Investment Committee.

### Audit Committee

AS OF DECEMBER 2019

Mr. **Ramon Diego Mendes de Leon** (Chairman)  
Mr. **Emile Eduard Wolff**  
Mr. **Marat Serikbayev**

### Appointment & Remuneration Committee

AS OF DECEMBER 2019

Mr. **Johan Frederik Lodewijk Frowein** (Chairman)  
Mr. **Ramon Diego Mendes de Leon**  
Ms. **Simona Popovici**

### Strategy & Innovation Committee

AS OF DECEMBER 2019

Mr. **Azamat Zhangulov** (Chairman)  
Mr. **Johan Frederik Lodewijk Frowein**  
Mr. **Emile Eduard Wolff**  
Mr. **Alexey Golovin**

### Finance & Investment Committee

AS OF DECEMBER 2019

Mr. **Ramon Mendes de Leon** (Chairman)  
Mr. **Azamat Zhangulov**  
Ms. **Mariana Durleșteanu**  
(in practice replaced by **Zhanibek Nugertayev**)  
Mr. **Alexey Golovin**  
Mr. **Johan Frederik Lodewijk Frowein** or  
Mr. **Emile Eduard Wolff** (alternatively)

The unified management system existing at the level of KMG International N.V. is mirrored at the level of the Group's subsidiaries. As a result, the decision-making powers within most of such subsidiaries are divided into two or three layers:

### General Assembly of Shareholders

SOLE SHAREHOLDER



**Board of Directors**



**Sole Director**



**General Manager &  
Chief Financial Officer**

In accordance with KMG International N.V. Board Regulations, the company's Board approves the appointment of general managers (GM) of KMG International N.V. affiliates, as well as the organizational structure of Rompetrol and the appointment of Chief Officers by business units. Therefore, the nomination process of key people within the Group is approached, discussed, and approved by the highest governance body, based on criteria such as expertise, knowledge, skills, in line with the Group's business needs.

As per the above-mentioned Board Regulations, all transactions in which there is a conflict of interest among KMG International N.V. and a Board Member shall be agreed on terms that are customary for arm's-length transactions in the branch of business in which the company and its subsidiaries are active. Such Regulations also lay down rules and requirements concerning a conflict of interest.

In terms of employment and remuneration across the Group, the Appointment and Remuneration Committee established by the Board of Managing Directors at the level of KMG International N.V. is responsible for advising the Board and the General Meeting (i.e. Sole Shareholders) generally in matters related to remuneration policy, terms of employment, total compensation, and performance criteria for top management. They are also responsible for the creation and implementation of any compensation plans, and the monitoring and assistance in the implementation of remuneration policies and plans at the Group level. The decision-making powers of any remuneration policies and plans applicable at Group level would rest upon the KMG International N.V. Board of Managing Directors.

Recognizing our moral responsibility of promoting and protecting the health, safety, and wellbeing of everyone involved in our activities, KMG International has implemented an integrated QHSE management, whose straightforward principles are embraced within all KMG entities.

More precisely, all employees are responsible for actively participation in the development of the QHSE management system and the promotion of a positive QHSE culture within each KMG International entity organization. At the same time, Management is responsible for effectively communicating their commitment to QHSE issues and encouraging employee participation in the QHSE management system. It is the responsibility of all employees to communicate QHSE concerns, hazards, issues, and reward positive QHSE behavior.

Effective communication is what ensures that all the KMG International QHSE objectives and policies are clearly understood by all KMG International entities employees, that action plans, standards, procedures, and systems are efficiently implemented, performance is monitored, and feedback is provided.

The most senior manager in an operational area is responsible for planning, conduction and ensuring minutes of management Review Meetings which will be held twice annually at a minimum.

## CODE OF ETHICS AND BUSINESS CONDUCT

Our Code of Ethics and Code of Business Conduct reflect the Group's set of values, principles and ethical regulations that we observe in our day-by-day activities and we also expect our business partners to align with. Being engaged in almost all the operations pertaining to the Oil & Gas Industry, our success is possible only if our business is based on a clear and long-term strategic orientation towards integrity, honesty and responsibility.

### Code of Ethics

Regarding ethics, human rights, advice-seeking and grievance mechanisms, anti-corruption / anti-bribery policy, and risk management, KMG International has put policies in place that apply to all subsidiaries within our organization, and all organizations we do business with, both domestic and international. These policies are applicable to all employees, contractors, and stakeholders with direct or indirect relation to KMG International, treating all possible concerns raised in a prompt, professional and objective manner.

The Code of Ethics establishes norms of behavior in interaction with colleagues, government bodies, our shareholders, affiliates, business partners, communities, and the media.

We encourage our employees and collaborators to report any breaches of the Code and possible ethical issues – whether these relate to them, their direct reports, line managers or others. The Compliance Department has to be contacted for any ethical issues or concerns that employees may have. The concern will be treated in a strictly confidential manner.

In this regard, we employ various advice seeking and grievance mechanisms so that every employee, business partner and stakeholder can feel confident in sharing any non-compliance incident, environmental concerns or social injustices with our corporate ethics and human resources departments. Concerns about unethical or unlawful behavior and matters related to integrity can also be reported directly to our Compliance Department.

Our procedure for reporting grievances or seeking advice begins with the employee seeking guidance from their immediate supervisor. If he or she can not address the issue, they then go to their next level manager. If they are not able to handle the problem, then functional teams such as HR and compliance departments will step in. However, if any persons in this chain of command are part of the problem, there are dedicated email addresses (and also external emails) made available to each employee for them to report concerns about unethical or unlawful behavior. All reports are treated in a strictly confidential manner, without fear of retaliation. We provide regular training on this process so that employees know how to access the reporting mechanisms.

Furthermore, our anti-bribery and anti-corruption policies promote integrity, accountability, and proper management of the business in an ethical and transparent manner. It is the only way to do business and going forward our employment agreements and internal documents now have informative amendments on anti-corruption topics.

As part of the induction process, the Compliance Department provides training on ethical principles: Equal Chances, Competition Compliance Highlights, Managing Conflicts of Interest, Gifts, Insider Training, Using Confidential Information, Social Media, Channels to be used to report misconduct.

### Code of Conduct

We are a dynamic leader in the regional oil field and believe that our success is possible because it stems from and is shaped by a well-defined set of values all our employees and business partners adhere to:

**Our people:** We place the highest priority on the needs of our employees. Our actions are always determined with their safety and well-being in mind.

**Care, integrity, and responsibility:** We are a trusted global partner and a valued corporate citizen. We are honest with all stakeholders and take responsibility for all our actions.

**Determination:** The strength of our business stems from our strong will and determination to succeed and deliver excellence in everything we do.

**Environmental protection:** As a company and throughout our entire supply chain we adhere to all the national and European laws and regulations governing the environment and proper management of resources.

**Sustainability:** We support the principles set forth in the Universal Declaration of Human Rights and maintain those high standards of integrity. Through the development of profitable business operations and also active engagement with the local communities, we aim to ensure that our business practices contribute to long-term economic and social development.

**High quality:** We are committed to quality in everything we do, and we strive to continuously improve. We are passionate about achieving results that not only satisfy but exceed expectations.

**Commitment to leadership:** We use our experience, our technology, and our perseverance to be an example for all others in our industry. We are committed to leadership in all our actions.

The principles at the core of the Group have been instilled across all operations throughout our history:

**Health, safety, and security:** The health, safety and security of our employees, suppliers and communities are priorities over everything else we do.

**Risk management:** We strive to identify, evaluate, and manage the risks that may impact our host communities, our employees, our contractors, our business and the environment.

**Respect for our employees:** We respect our employees and provide support for their constant improvement.

**Continuous involvement:** We believe that the one true way to grow as a company is to have our employees grow with us. For this reason, we constantly provide continuous improvement opportunities for all employees.

**Education and leadership:** We promote leadership among all employees, especially through activities that encourage social responsibility and entrepreneurship.

**Respect for local communities:** We respect, protect, and promote the human rights, the culture, the traditions, and the values of the local communities where we undertake our activities, and we also give back to our communities through social involvement.

**Best practices:** We adhere to the best global practices. The principles of the United Nations Global Compact and the OECD guidelines for multinational enterprises guide all our activities.

We take pride in being a customer-oriented business, as we place the customer at the center of our business.

We do business in a transparent manner and ensure timely, reliable, and relevant information disclosure.

At the same time, we are an equal opportunity employer, committed to respect all applicable human rights, civil rights, and labor laws. We do not tolerate any form of abuse, harassment, or discrimination in any Group workplace. We continuously strive to better ourselves in this respect as we feel we owe it to our people, our stakeholders, and our communities.

We could have never achieved our success without being a law-abiding corporate citizen. Thus, we comply with all applicable regulations and legal requirements whenever and wherever we operate. We are committed to conducting our business fairly, honorably, with integrity and honesty and in compliance with all applicable laws, and we are requesting the same approach from our partners.

We engage only in fair competition; we do not tolerate conflicts of interests and all our activities must be undertaken for the best interest of the Group. Furthermore, we are politically neutral, and we don't engage in any political activities in the countries where we operate.

We comply with the organizational and behavior rules defined by these Codes in all our activities and we request our business partners to meet the same standards that we have set in our operations.

### Supplier Code of Conduct

Furthermore, KMG International's Supplier Code of Conduct has been developed for the purpose of ensuring that KMG International and all its subsidiaries suppliers are in full compliance with all applicable national and international laws and regulations pertaining to human rights, safe working conditions, promoting fair employment conditions, responsible management of environmental issues and high ethical standards.

The Group expects all potential and current suppliers to share our commitment to the highest level of integrity and ethics in the conduct of business and to ensure accountability for services, products and all data communicated in order to support KMG International's strong reputation as a trusted partner to its stakeholders. As such, we require that all suppliers and their subcontractors with no exception comply with the KMG International Supplier Code of Conduct in order to carry out any business dealings.

### Labor Practices

In all our operations, we apply fair labor practices and abide by all applicable workplace, employment, privacy, and human rights legislation including support of the principles of the Universal Declaration of Human Rights.

### Anti-bribery and anti-corruption

KMG International's Anti-Bribery and Anti-Corruption Policy is communicated and applicable to all Group entities, employees, business units and collaborators. Training on anti-corruption issues is delivered to all employees (including governance body members) and all entities (regions) on a regular basis.

All employees and collaborators are encouraged to raise any concerns to Compliance Department and/or Forensics & Security Department, about any suspicions of bribery or corruption whilst guaranteeing confidentiality of the info.

### Business ethics & compliance

KMG International Codes of Business Conduct and Ethics aim to promote ethical values and principles within KMG International and its affiliated companies in order to support and protect the Group's reputation. For our employees, it is a prerequisite to be signatories of the Group's Code of Ethics and trainings on this matter are provided annually.

Moreover, we encourage our employees and collaborators to report to the Compliance Department any breaches of KMG International's Code of Business Conduct and Ethics, whether these are related to them, their direct reports, line managers or others.

Concerns about unethical or unlawful behavior and matters related to integrity are also reported directly to our Compliance Department. In this regard, trainings are performed on a regular basis on the matters to be reported and how to access the reporting mechanism. More specifically, as part of the induction process, KMG International's Compliance department provides extensive training on the Group's ethical principles: Equal Chances, Competition Compliance Highlights, Managing Conflicts of Interest, Gifts, Insider Training, Using Confidential Information, Social Media, Channels to be used to report misconduct.

### Freedom of association and collective bargaining

At KMG International, we fully acknowledge our employees' legal right to form trade unions and join other third-party organizations without fear of coercion. During our 2019 operations we did not identify any operations or suppliers in which the right to exercise freedom of association and collective bargaining was violated or at significant risk.

### Advice and grievance mechanisms

The overall responsibility for seeking advice mechanisms is assigned to HR, Compliance Forensics and Security Departments. Employees are informed about the mechanisms for seeking advice through internal communication tools: E-mail, Intranet, Internal Magazine.

These mechanisms include line manager direct reporting, HR hot line, Compliance Department advice for ethics, topics pertaining to conflicts of interests. The advice is treated in a confidential manner.

The whistleblower mechanism is managed by the Forensics and Security Department. An external email is used by employees and business partners to report concerns about unethical or unlawful behavior and matters related to integrity, in a strictly confidential manner. The identity of the sender remains anonymous (if our employees wish to keep their identity confidential) and the e-mail address is accessed only by the Forensics & Security Department. This mechanism is regulated by internal policies and contains non-retaliation provisions. Trainings on accessing the mechanism and reporting have been provided to all employees in the company. Valid or proofed concerns are subject to a review of the Ethics Commission, which analyses the matters and may take corrective action, if necessary.

### Child labor

KMG International respects all minimum age laws in countries where it operates. KMG International has never and will never resort in any way to hiring children or putting them in working relations with our Group.

### Forced or compulsory labor

KMG International did not resort to and does not condone the use of forced or compulsory labor within our company. We also enforce this standard on all of our prequalified suppliers.

## Memberships and Affiliations

**K**MG International is associated with the following initiatives and organizations, primarily to give the Group access to the associations' expertise in business, technical and industry best practices – an approach that is consistent with our industry peers:

### **FIC - Foreign Investors Council**

Considers that the dialogue between policy makers and the foreign investment community lies at the very heart of successfully improving the climate for investment, while stimulating the development of the Romanian economy.

### **AMCHAM ROMANIA - American Chamber of Commerce in Romania**

Firmly committed to facilitating an open dialogue between the business community and central authorities, promoting transparent solutions and priorities for making Romania a better home for businesses and increasing the country's economic competitiveness in the region and at European level.

### **NRCC - Netherlands Romanian Chamber of Commerce**

Supports and promotes the Dutch-Romanian business community. Creates business opportunities within its active community of members, acting as a consultation partner between the business sector and the Romanian Government.

### **CRE - Romanian Energy Center**

The general objective of CRE is to promote the participation of member institutions, the Romanian state and private energy companies in the decision process of the European institutions, the participation in European partnerships, in the financing programs of the European institutions and to perform the activity of representation in the interest of the Romanian energy sector's institutions.

## ROMPETROL ROMANIA

### **ROPEPCA - Romanian Petroleum Exploration and Production Companies Association**

ROPEPCA's mission is to provide a common voice for the onshore upstream sector in Romania, by raising overall awareness on the industry and its importance for the national economy and employment.

### **Central-Eastern Europe and Caspian (CEEC) Scout Group**

Group of companies with upstream oil and gas assets within the Central Eastern Europe and Caspian area which aims to keep the regional oil and gas community connected. The Group endeavors to cover all aspects of the upstream petroleum business activities within the region and includes a wide range of members – majors, regional players, small and mid-size independents, niche players and start-ups, as well as NOCs and licensing authorities.

### **IAA - International Advertising Association**

A unique strategic partnership, which defends the common interests of all subjects in the entire spectrum of marketing communications – from advertisers to media companies, agencies and direct marketing firms and individual practitioners.

### **RAC - Romanian Advertising Council**

A professional, non-governmental, non-profit and independent organization. The main activity of the Council is represented by self-regulation in advertising.

## ROMPETROL MOLDOVA

### **AMCHAM**

Its mission is to work with the Moldovan government and business leaders to foster a more favorable business climate in Moldova.

### **FIA - Foreign Investors Association**

The main mission of the Association is to facilitate the dialogue between relevant decision makers and foreign investors in order to create a sound environment for the foreign direct investment.

### **AIR - Association of Romanian Investors in Moldova**

Brings together companies with Romanian capital into Moldova and represents a platform for development and attraction of Romanian investments within national economy.

## ROMPETROL GEORGIA

### **NIA - Association of Oil Products Importers and Distributors**

The main goal of the association is to monitor and analyze the oil market, to protect the interests of its members and also to cooperate with legislative and executive powers for the continuous improvement and progress of the represented sector.

## ROMPETROL BULGARIA

### **BPGA - Bulgarian Petroleum and Gas Association**

Its founders are guided by the desire to pool their potential in order to protect the interests of distributors, producers and retailers of petroleum and gas products, develop petroleum and gas trade and industry in Bulgaria by reaffirming the equal status of economic subjects and fair competition.

### **Bulgaria-Kazakhstan Business Association**

Aims to provide comprehensive assistance for the promotion and expansion of trade, economic and scientific-technical cooperation between business organizations of the Republic of Bulgaria and the Republic of Kazakhstan.

### **Bulgaria-Romania Business Association**

Its main objective is to provide support to the business community of both countries in order to raise their competitiveness and help them build capacity to grow and expand both to the neighboring country and internationally.

### **Bulgarian Chamber of Commerce and Industry**

Local organization of businesses and companies in Sofia with the intention to develop and further the interests of local companies and businesses in Bulgaria.



**Route des Lacs (Lakes Road)**  
Néouvielle Massif, The Pyrenees  
France



# 3

## Environment

Progress is impossible without change, and those who cannot change their minds cannot change anything.

GEORGE BERNARD SHAW

## Approach and Milestones

Safeguarding the environment has always been part of our journey, along with operational performance and process optimization or cost management and human resources development. We are aware that the only way forward is by promoting smart and efficient energy, as a solution to preserving our valuable resources. We are proud that, year on year, we get to include more and more environmental milestones on our path.

Due to our perseverance, commitment, and consistent investments in technological optimization maintenance and integrated QHSE management systems, we have managed to improve our energetic efficiency over the years, reduce our energy and water consumption, along with emissions and waste generated across our operations.

While we have managed to engrain environmental stewardship in our value chain, we are aware that the road to success requires relentless driving and reaching more and more milestones towards your goal. In this regard, our goal does not refer to a destination, our goal is to always get further, and we will keep collecting milestones in our quest for a better, greener future.

As founding member of the local United Nations Global Compact branch in Romania, we have pledged to lead by example in our strive towards achieving the 2030 SDGs. As such, many of our efforts are guided by our environmental goals for the reduction of energy use, greenhouse gas emissions, nitrogen oxide (NOX) emissions, sulfur dioxide (SO2) emissions and waste disposal.

We strive every day to further improve our performance in relation with the environment and we continually prepare to respond to future challenges and opportunities, while minimizing the environmental impact. Therefore, we develop and maintain programs to manage air emissions, prevent and respond to spills, minimize habitat disturbance, and protect water across diverse ecosystems and regulatory requirement.

Major activities carried out in 2019 to achieve the Group's environmental objectives included:

- Integrated Management System documents were maintained /developed /revised /reviewed (policies/objectives/plans/programs/procedures/work instructions/regulations, etc.) in compliance with the requirements of the KMG International Group Policy and ISO 9001 & 14001 ed. 2015, OHSAS 18001- ed. 2018 and ISO 50001 standards- ed. 2018
- Internal audits, safety audits, inspections were performed, both planned and impromptu, in order to identify both weak points and improvement opportunities
- Certifications on vehicle fuels and bitumen were kept in compliance with the legal requirements / regulations of the European Union

- ISCC Certification was maintained for Rompetrol Rafinare and Rompetrol Downstream obtained ISCC certification in 2019 for 6 depots
- Environmental Integrated Authorization was revised as per legislation in force, for both refining units (Petromidia and Vega) and CO2 Permit revised for Petromidia
- Projects with high impact on environmental protection were implemented (LDAR-Leak Detection and Repair, LPG Recovery from DCU Gases, Vapor Recovery System at Auto Loading points, etc.)
- The activity at the Group's refining units was monitored for environmental compliance, pursuant to the Integrated Environment and Water Management Authorizations, as well as the Greenhouse Gas Authorization.



**Road D64**  
Col de la Bonette,  
Mercantour National Park  
France

## Operational Performance

For a few years now, KMG International has been breaking record after record, setting new standards and redefining operational benchmarks. All due to its continuous investment in new technologies and systems aimed at improving the performance of its assets, while optimizing costs and safeguarding the environment.

The key operational drivers for these records were the increase in the processed volumes of raw materials and in the production of finished goods, as well as a significant increase in sales of petroleum products in Romania and in the region.

Through the implementation and adoption of digital solutions, artificial intelligence to increase profitability, more rigorous control of the obtained products, and operational stability of the units and of the technological flows, KMG International managed to maintain a positive trend in terms of operational results, with record values for processed raw materials, fuel production and sales on the domestic market.

In its efforts to increase production, minimize technological losses and eliminate accidental shutdowns in the industrial process, KMG International also continued to invest in the maintenance and continuous improvement of its integrated QHSE management system, with

special focus on reducing its environmental footprint.

Thus, no cases of safety incidents were registered, and no accidental pollution or fuel quality complaints were recorded, while Group overall environmental performance showed significant improvement compared to the previous years.

More specifically, the Group registered record operational and financial results for the 7th consecutive year since the upgrade and processing capacity increase of Petromidia Refinery in 2012, while managing to optimize its water and energy consumption and reduce its technological losses.

The achievement of high operational results in 2019 reflects the constant implementation of internal programs aimed at the progressive development and further diversification of the business. Due to the company's internal financing, the projects implemented focused on the optimization and improvement of the cost-effectiveness of processing, logistics and sales activities, as well as the transformation of current activities in order to reduce operational expenses and increase profitability.

## REFINING & PETROCHEMICALS

In 2019, KMG International continued the broad revamp process of the refinery technology, for the purpose of increasing production, reducing technological losses, as well as eliminating the accidental shutdowns in the industrial process.

Euro 5 fuels (less than 10 parts of Sulphur per million) produced by KMG are improved and constantly optimized, due to revamping the production installations. As a next step, KMG International plans to direct further investment towards increasing the quality of the fuels and entering the Euro 6 segment, which will have an even lower impact on the environment.

At the same time, several important and innovative projects are planned for the upcoming period, such as developing a new bitumen unit that would double the annual production, an alkylation unit that could develop the capacity of obtaining essence or a dewaxing installation that would allow optimum Diesel fuel production for temperatures up to -35 degrees Celsius.

In 2019, the two refineries owned by the Group registered a 7% increase in the total volumes of raw materials processed. For the first time in its 40-year history, Petromidia Refinery exceeded the threshold of 6 million tons of raw materials processed, reaching a new historical record. Also, Vega Refinery broke its previous record, with 436 kt of raw materials processed in 2019, compared to the 406 kt the previous year.

2019 was also the year when the first steps in developing the concept of Smart Refinery were made, by implementing the Advance Process Control (APC) at Petromidia – a software meant to optimize the production and mitigate the impact on the environment. By introducing the digitalization projects at Petromidia level, the refinery entered a new era, focused on activity efficiency, cost reduction, and processed volumes increase.

Other projects aimed at the optimization of refining processes for minimum environmental impact and optimum operational results which were completed in 2019:

### Modernization of the In-Line Blending unit

– meant to ensure fully operational, controlled, and automated processes in order to obtain quality products, while providing system reliability at the lowest cost possible for at least five years

### Increase of railway diesel loading capacity

- upgrading of the CF ramp for diesel loading / unloading. Following project implementation, the loading capacity of diesel for domestic market on the Automated Ramp was increased by an additional 15 kt/month

### Rehabilitation of fuel oil ramp facilities

– rehabilitating the facilities (PSI & sewage systems) in order to have an operable railway fuel oil ramp where to load vacuum residue and diesel for export



**2019 investments in the Refining & Petrochemicals BU were USD 56,371,699**

**LPG recovery from DCU gases** - the Liquefied Petroleum Gas recovery from Delayed Coker Unit gases project was aimed at reducing the amount of organic Sulphur's in the fuel gas before the amine scrubbing, according to national and European regulations regarding the best available techniques (BAT). Reducing total Sulphur in the fuel gas results in the reduction of SO<sub>2</sub> content in the stack

**ISCIR 2019-2020 equipment authorizations** - aligning to legislation requirements in terms of safe operation of the refinery equipment

**VOC recovery system at auto loading points** – to comply with environmental legislation regarding VOC emissions, to decrease loading solvents technological consumption and to reduce emissions in the atmosphere.

## Petromidia Refinery

Petromidia Năvodari refinery continued its production optimization programs and managed, in 2019, to complete a series of new investments, meant to bring more value to the operational processes (new system for liquefied petroleum gas recovery, modernized in-line blending units, digitizing processes by implementing Advanced Process Control). The programs initiated in 2014 and continued throughout the years, aim, among other things, to increase the yield of white products, to reduce the technological loss or to optimize the operational costs.

The production plan of Petromidia Refinery for 2019 was designed with a total processing of 6,025,578 tons, of which 5,300,482 tons crude oil and 725,095 tons other feedstock. However, the processing carried out in 2019 exceeded those values, reaching 105.06% as compared to the schedule set up for the 2019 budget.



### Feedstock processed (million tons)

crude oil	5.02	5.36
other	0.95	0.97

2018 2019

In operational terms, the refinery worked at full output of 17,344 tons of raw material per day, related to the actual worked time, registering record performances. Petromidia Refinery succeeded in capturing the market opportunities, diversifying the structure of the raw materials processed, considering the technological and operational flexibility of the refinery.

The high volume of raw materials processed has determined, at the level of the Petromidia refinery, a total production of 1.37 million tons of gasoline and 2.93 million tons of diesel (up 5% compared to 2018) - the highest level ever reached since its commissioning in 1979. Also, the company managed to obtain 406 kt of Jet A1 aviation fuel in 2019. This was a new record level, higher by almost 30% than the volumes produced in 2018, as a result of optimizing the production recipes, but also to ensure the increasing market demand.

The yields for diesel ranked at 48.53% in 2019, while the yields for fuels (gas, diesel, Jet, auto LPG) reached the level of 75.42%.

The reduction of the operation costs in parallel with the increase in the mechanical and operational availability allowed an improvement of the Energy Intensity Index, which reached 97.06 points.

The largest and most complex refinery in Romania is considered to be one of the best performing units in Europe, Africa, and the Middle East, according to a study made by a leading company specialized in comparative analysis in the energy sector. Petromidia has reached a complexity index of 11.4, which places it in the top refineries in the region. Also, the refinery has a utilization rate of 90%, higher compared to the European average of 83%, a level reached only through constant investments and commitment of employees.

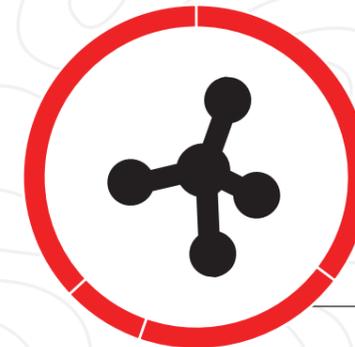
Petromidia produces exclusively high quality Euro5 fuels (10 parts of sulfur per million), from the Efix and EfixS ranges, which can be found on the domestic market, but also in the Rompetrol fuel stations from the Republic of Moldova, Georgia, and Bulgaria.



### Fuels output (thousand tons)

gasoline	1,609
diesel fuel	2,924
jet fuel	405
auto LPG	283
fuel oil	189

2019



### Secondary output (thousand tons)

coke	267
propylene	152
sulphur	58
others	280

2019

## Highlights

**6.33 MN tons** feedstock processed - 406 Kt over previous record

**1.37 MN tons** of gasoline - 10 Kt over previous record

**2.93 MN tons** of diesel fuel - 171 Kt over previous record

**406 ktons** of Jet fuel - 89 Kt over previous record

**6.4%wt** yield for jet fuel (all-time record)

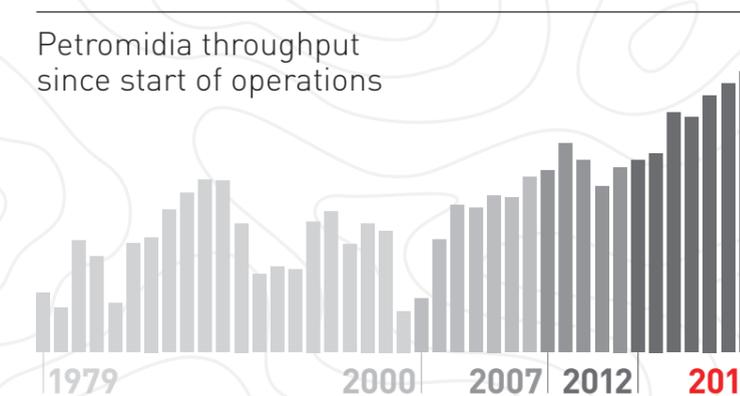
**86.2%wt** yield for white products

**0.8%wt** technological loss (lowest ever) - 0.03% better than previous year's record

**2.99 GJ/mt** energy consumption

## Historic record

Petromidia throughput since start of operations



## Vega Refinery

Vega works in perfect synergy with the Petromidia Refinery, the largest in Romania and one of the most modern in the Black Sea region. Thus, Petromidia supplies the full quantity of raw materials / semi-finished products to the Ploiesti refinery, needed to obtain special products with high added value. Vega Refinery's production continued to be focused on solvents (SE 30/60, n-Hexane, White spirit), naphtha, heating fuels and normal road bitumen and modified bitumen.

In 2019, Vega Refinery, the longest-standing processing unit in Romania and the only domestic producer of bitumen and hexane also achieved major operational records. The refinery reported a total feedstock of 436 kt (up 7,39%), for the second time in history when the 400 kt threshold was exceeded. Furthermore, the refinery achieved operational records for bitumen production (120 kt) and hexane production (92 kt).

The 2019 production schedule of Vega Refinery was designed for a total processing output of 406,043 tons, of which 405,972 tons raw materials inside the Group and 71 tons raw materials acquired outside the Group. Nevertheless, the processing carried out in 2019 amounted to 436,018 tons, of which 436,007 tons from Group and 11 tons non-Group sources. The processing thus represented 107.38% as compared to the schedule established for the 2019 budget, according to the available raw materials from Petromidia Refinery and correlated with the market demand. In 2019, the processed quantity was up by 7.4% from than budgeted quantity, the monthly average being 36,335 tons as compared to the 33,837 tons which were budgeted.



## Highlights

**436 kt** feedstock processed - 30 Kt over previous record

**120 kt** of bitumen - 18 Kt over previous record

**92 kt** of hexane - 7 Kt over previous record

**0.84%wt** technological loss (lowest ever) - 0.1% better than previous year's record

**2.39 GJ/mt** energy consumption



	Output (th. tons)
benzine & solvents	180.3
bitumen	119.8
n-hexane	91.8
heavy fuel oil	32.2
light fuel oil	6.3
white spirit & P-fuel	7.0
Calor Extra I	3.5

2019

## Petrochemical Division

The petrochemical segment is the only polypropylene and polyethylene producer in Romania, constantly increasing its market share and the secondary products categories. Its dynamic development strategy provides the company with a competitive position both on the domestic market and on the regional market - the Black Sea and the Mediterranean, Central and Eastern Europe.

The production plan of the Petrochemical Division for 2019 was prepared for the functioning of the Polypropylene plants as follows: Polypropylene plants during the entire year (PP), low pressure Polypropylene (LDPE) plants beginning from April 2019 and high pressure Polypropylene (HDPE) beginning from July 2019.

Considering that the raw material for polyethylene installations is ensured by imports (ethylene), and the evolution and fluctuation of the quotation for this raw material in 2019 was a high one, the company decided to keep the LDPE installation in operation at a low flow rate and at the conservation of the HDPE unit. As such, the polymer production carried out in 2019 amounted to 126,782 tons, of which PP - 89,535 tons and LDPE - 37,247 tons. The HDPE plant was stopped the entire year.

The Petrochemicals Division continued the program to upgrade the products portfolio, according to market demand, the specialty grades representing ~22% of total production in 2019. A new grade for PP cast film application was produced in 2019, to be tested early 2020.



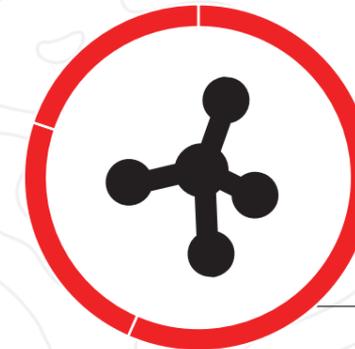
## Highlights

**191 kt** of feedstock processed

**127 kt** of polymers

**30 kt** of polymer-grade propylene

**USD 322/mt** conversion cost



	Output (th. tons)
polypropylene	89.5
low-density polyethylene	37.2
polymerizable propylene	31.4

2019

## RETAIL & WHOLESALE

The distribution segment registered overall increased financial results which were, in turn, supported by the increase in fuel sales, the adaptation to the domestic demand, which is why 54% of the products obtained at the refinery were marketed domestically, but also due of the opening of 46 new fuel sales points.

In 2019, retail fuel sales increased from 714 kt in 2018 to 789 kt, and wholesale volumes increased by 4%, from 1.25 million tons, to almost 1.3 million tons.

This happened in a difficult context, given the fact that the international quotations for fuels depreciated by 10.2% in the case of Euro5 gasoline, respectively 8.2% in the case of Euro5 diesel. In addition, the 7.5% depreciation of the national currency against the dollar led to a drop of one liter of gasoline by 3.5% and one liter of diesel by 1.3%.

Nevertheless, the Group continued the expansion program of its fuel distribution network in 2019, along with the rebranding program of the filling stations operating under the Rompetrol brand. Thus, at the end of 2019 it reached a network of 964 units, compared to 918 points in 2018 (the network of own stations, partner stations, mobile stations: express, internal bases of 9 and 20 cubic meters).

### Romp petrol Gas

In 2019, Rompetrol Gas placed a wide range of products on the market, in total of 84,921 tons distributed domestically via retails channels:



### Highlights

**66,847 tons** of auto LPG sold

**15,524 tons** of household LPG sold

**2,550 tons** of propane fuel sold

## TRADING & SUPPLY CHAIN

In 2019, the share of international sales in total sales represented approximately 43%, the Company focusing more on maximizing sales on the domestic market, which generated profit margins higher than those obtained from export sales, in the context of lower quotations on international markets of reference.

However, KMG International continued to be Romania's largest exporter of petroleum products, the quantities delivered to KMG International subsidiaries in Bulgaria, the Republic of Moldova and Georgia, along with partners in the Black Sea region, amounting to 2.63 million tons of petroleum products, similar to the level of the previous year.



**Road N-634**

Getaria, Basque Country  
Spain

## Environmental Performance

### ENERGY & WATER MANAGEMENT

All Group entities monitor power and water consumption and constantly revise and propose improvements to the Group's strategy, in line with legal requirements and operational evolutions, in order to ensure energy efficiency considering the specific consumption activities of each unit.

In 2019, KMG International provided these services:

- Energy distribution and utilities services. These services have been performed by Thermo-Hydro Unit together with the Electric Unit for the companies on Petromidia platform as well as for other companies outside the platform, consisting of: instrumental air, technical air, fire extinguishing water, drinkable water, hot water, condensed return water, wastewater treatment, demineralized water, raw water, filtered water, combustible refinery gases, electric energy, thermal energy, drinkable water, propane for heating.
- Services provided to third parties: wastewater treatment in the Wastewater Treatment Plant.

All these utilities are transported and distributed by the pipeline network exploited by the Utilities Plant. Transport and distribution costs are included in the price of the utilities, except for:

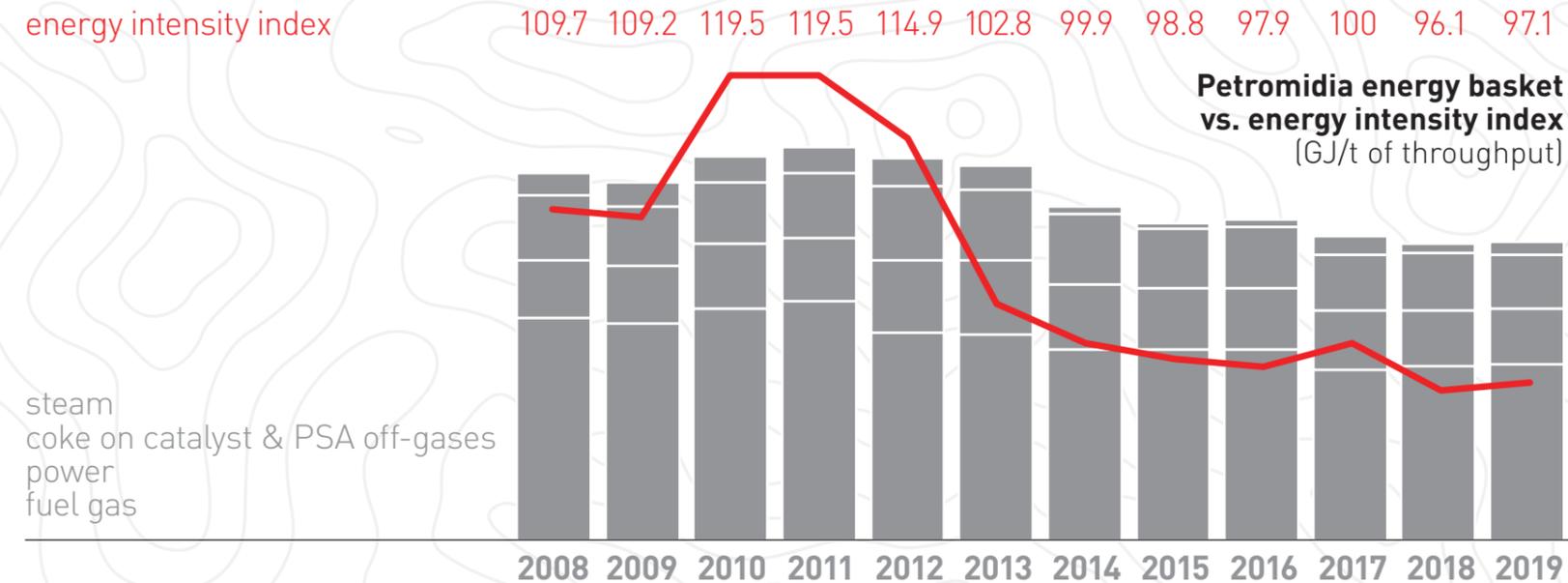
- electric energy – electric energy distribution tariffs on the two voltage levels of low voltage and high voltage are regulated by the National Energy Regulatory Agency;
- drinkable water – the tariff for the distribution of drinkable water is regulated by the National Regulatory Authority for Community Services of Public Utilities.

### Energy Input and Consumption

The implementation of several measures aimed at generating higher throughput, lower costs and increased mechanical and operational availability drove an overall positive evolution of energy indicators throughout the Group in 2019, similar to the evolutions of the previous year.

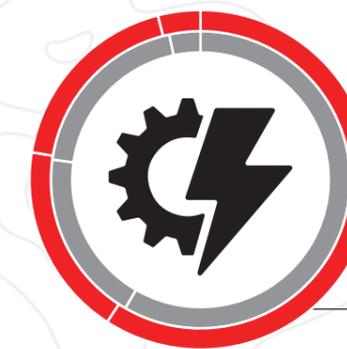
As a result of energetic efficiency and operational performance improvements carried out at the level of the Group's refining operations, both Petromidia and Vega refineries recorded total energy inputs similar to those of 2018, thus maintaining a stable trend, despite the significant increase of processing capacity and record-breaking results in 2019.

energy intensity index



steam  
coke on catalyst & PSA off-gases  
power  
fuel gas

The reduction of the operation costs in parallel with the increase in the mechanical and operational availability allowed an improvement of Petromidia Refinery's Energy Intensity Index, which reached 97.1 points. A constant improvement in energy indicators can be observed starting 2012, due to various factors, such as the increase in the refinery's complexity following the implementation of the "Package 2010" project implementation, the higher throughput (year by year increase) and energy efficiency measures (low cost/no cost) & projects.



Petromidia energy basket vs. energy intensity index (GJ/t of throughput)

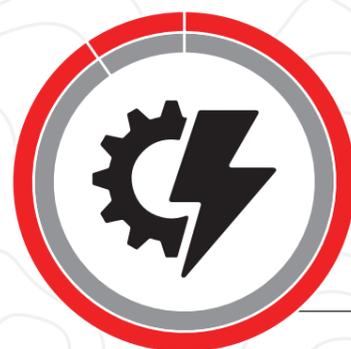
	2018	2019
fuel gas	1.74	1.77
power	0.56	0.55
coke on catalyst & PSA off-gases	0.58	0.55
steam	0.10	0.12

Following the general overhaul performed in 2015 and the implementation of the initiatives within the “Dolphin” project, the equipment functioned in 2017, 2018 and 2019 at a high level of safety, with a low maintenance cost, featuring a mechanical availability of 97.49%.

In 2019, Petromidia Refinery recorded an energy consumption 2.99 GJ/mt related to the ton of throughput, situated at the same level the one recorded in the previous year. The utilities cost increased by 3.6% (USD ~0,34/ton), up to USD 9.6/ton, as compared to the previous year, correlated with an increase in the prices of utilities.

Total energy input for Petromidia Refinery in 2019 reached 475,871 MWh, a relevant decrease in the context of its processing capacity considerable increase, generated by the improvement of its energetic efficiency as well as its operational focus on enhancing energetic performance.

As for Vega Refinery, the energy consumption reported to throughput ton suffered a decrease by approximately 2% in 2019, operational result stemming from the different functioning of the plants, as well as the measures taken to reduce consumption. Fuel gas consumption reported by the ton (GJ/to) decreased by 0.2%, while the power and steam consumption reported by the ton (GJ/to) also decreased, by 1.4%. With a total energy input of 10,940.004 MW in 2019, Vega’s energy consumption reported by the ton registered an increase by 6% as compared to the previous year.

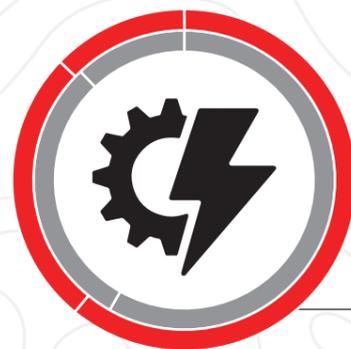


### Vega energy basket (GJ/t)

fuel gas	2.17	2.16
power	0.23	0.23

2018 2019

Due to the low flow rate of the LDPE installation and the conservation of the HDPE unit throughout the entire year, the Petrochemical Division only saw improvements only in its power consumption, from 5.3 to 4.9 GJ/to in 2019. Since utilities consumed during non-operation increase the EIP, the Petrochemical Division reached an energy index of 18.7, slightly higher than the 18.18 of 2018.



### Petrochemical energy basket (GJ/t)

steam	10.6	11.4
power on-site	5.4	4.9
power off-site	2.2	2.4

2018 2019

Given the expansion of the Group’s retail network, Rompetrol Downstream saw an increase in overall power consumption compared to the previous year, from 25,458 MW in 2018 to 26,896 in 2019. As for Rompetrol Gas, the company actually reduced its power consumption by 0.1%, to 940 MW.

By environmental policy, we undertake reducing consumption of resources by using them in an effective way and by changing old, high energy consumption equipment with modern low-power equipment, as well as by implementing new technologies regarding green energy (electrical points for cars charging in gas stations; photovoltaic panels).



### Petromidia Refinery Highlights

**17,344 tons** of throughput/day of operations  
**2.99 GJ/t** total energy consumption, of which:  
**1.77 GJ/t** fuel gas  
**0.55 GJ/t** power  
**0.55 GJ/t** coke on catalyst & PSA off-gases  
**0.12 GJ/t** steam

### Vega Refinery Highlights

**1,195 tons** of throughput/day of operations  
**2.39 GJ/t** total energy consumption, of which:  
**2.17 GJ/t** fuel gas  
**0.23 GJ/t** power

### Petrochemical Division Highlights

**156,716 tons** of polymer pellets /year  
**18.74 GJ/t** total energy consumption, of which:  
**11.4 GJ/t** steam  
**4.9 GJ/t** power on-site  
**2.4 GJ/t** power off-site

### Water Input and Consumption

As part of our commitment to achieving the 2030 Agenda for sustainable development, we strive to preserve water across our operations and ensure that wastewater is properly treated prior to discharge to avoid degradation to the surrounding environment.

All Group operations closely follow the requirements of water and environmental permits and have groundwater monitoring systems in place to monitor water quality in upstream, inside and downstream refining facilities.

In 2019, values set forth in the integrated environmental authorization regarding groundwater quality were not exceeded at Petromidia or Vega refineries, just as the LEVs for land industrial use (7 monitoring points inside Petromidia refinery and 2 proof sample points at Vadu and Năvodari) recorded no exceeding values. Moreover, for both the Retail and Trading Business Units of the Group monitoring systems are in place, in conformity with water and environmental regulations requirements.

In the reporting period, Petromidia refinery’s total water input saw a considerable decrease, from 5,906 thousand m<sup>3</sup> in 2018, to 5,684 thousand m<sup>3</sup> in 2019. Following the same path, Vega Refinery also managed to decrease its water consumption compared to the previous year, from 902.87 thousand m<sup>3</sup> in 2018 to 819,39 thousand m<sup>3</sup> in 2019, with the industrial water supply being provided by water extracted from P1, P2 and P6 own drilling.

While the recycled water at Vega was the same as the previous years, namely 1,272,644 m<sup>3</sup> of treated wastewater discharged, there was a significant decrease in Petromidia’s Refinery wastewater discharge, from the 7.2 million m<sup>3</sup> in 2018, to 6.6 million m<sup>3</sup> in 2019. For more clarity, Petromidia managed to

reduce its water consumption considerably, with 8,410,087 m3 of treated wastewater generated on the Petromidia platform in 2019, compared to 9,443,704 m3 in the previous year. Of this, 6,644,871 m3 were discharged at VADU, while 1,765,216 m3 were being reused. The reused water (recycled) on Petromidia platform was 20.9% of total water withdrawal.

Regarding the Group's Retail Business Unit, an increase in water input was recorded in 2019 by Rompetrol Downstream due to the expansion of the Group's retail network from 157,355 m3 in 2018 to 178,532 m3 in 2019. Of this, 163,973 m3 were discharged into the sewage systems, with the remaining amount being discharged into ponds. For 20 locations where water supply comes from drilled sources there are reports of water quality monitoring wells in sanitary protection zone.

Regarding Rompetrol Gas, the entity maintained a consistency in its water consumption, with a 0,1% decrease from 2018, to 6,060 m3 in 2019. All 3 Rompetrol Gas depots supply with water from drill source, being permanently monitoring.

## EMISSIONS & WASTE

GHG permits, valid until the end of 2020 (Phase III), were issued in 2013 for both Petromidia and Vega refineries, with annual external audits being conducted in order to verify CO2 calculations for the previous year. The permit for Petromidia was revised in June 2019 (integrated refinery and petrochemicals GHG activities).

All conformity obligations were fulfilled in 2019. Moreover, all the necessary documentation for Phase IV allocation (starting 2020) was prepared and submitted to the National Environmental Authority. Furthermore, a questionnaire was prepared, verified by the auditor, and submitted to NEPA as request to access the New Entry Reserve for Petromidia (in respect with upgraded production capacities).

The annual CO2 audit for 2019 emissions took place in December 2019, with no non-conformities being identified. The 2019 CO2 emissions for the Refining Business Unit increased by 3.5 % compared to 2018, due to the increased throughput processed at company level (Indirect GHG emissions are not included in calculated GHG direct emission, only scope 1).

As for sulfur dioxide and nitrogen oxide emissions, although within legal limits, there were fluctuations registered by the Group's refining units compared to the previous year. For instance, NOx emissions generated by the Petromidia Refinery increased compared to the previous year, as a direct result of the increased throughput processed by the unit. As such, if in 2018 the refinery recorded 492 tons in NOx emissions, this level reached 502 tons in 2019. However sulfur dioxide emissions showed a slight decrease, from 291 tons in 2018, to 289 tons.

At the opposite end, Vega Refinery recorded increased SO2 emission levels, related to the quality and composition of raw materials processed, while the decrease of NOx emissions is related to the reduction of the emission at the thermal unit (optimizing the use of the the modernized CR3 boiler). More precisely, in 2019 nitrogen oxide emissions generated by Vega Refinery dropped at 68.95 tons from the 86.51 tons recorded in 2018, while SO2 emissions rose from 26.21 tons to 27.77 tons in 2019.

In terms of waste, our waste recovery rate for Petromidia refinery in 2019 was 77.5%, with a waste generation rate of 1.26 kg of waste/ton of raw material processed. In 2019, Petromidia Refinery continued the activity of emptying the historical sludge from lagoon no.1 (approx. 12,800 tones). The sludge was co-incinerated at CRH through Ecomaster, the Group's entity specialized in integrated ecological services for industrial waste management.

Total waste recorded by Vega refinery was lower by 17%, a decrease from 736.97 tons in 2018, to 607.46 tons. Also, in 2019, the refinery in Ploiesti started treating (stabilizing and solidification of the acid tars) in the historical lagoons of the refinery.

While within the Group's Retail Business Unit, with a total generated waste in the amount of 8,560 tons, Rompetrol Downstream registered an increase from the previous year

## CO<sub>2</sub> Emissions Highlights



**963,953 tons** generated by Petromidia Refinery and Petrochemical Plant (June-December 2020)  
**28,906 tons** generated by Petrochemical Plant before incorporation (January-May 2020)  
**50,646 tons** generated by Vega Refinery

as a direct result of the Group's retail network expansion, ( 7388 tons in 2019, compared to 5254 in 2018), Rompetrol Gas maintained its generated waste at the level of the previous year (1,172 tons).

No accidental spills were recorded in 2019 on the Petromidia Platform. However, when it comes to the Vega Refinery, 2 accidental spills were recorded in 2019, caused by the sewage system flooding due to heavy rain (record quantities of precipitation). Solutions were found to avoid this problem in the future.

Furthermore, no hazardous waste was transported in, imported, or treated in the Refining Business Unit. Besides, there was no exceeding of CMA for the treated wastewater discharged from pond 2 and the Black Sea, thus, no risk for species with habitats in the areas of the operations.

## COMPLIANCE & INVESTMENTS

### Integrated Environmental Permit

Throughout 2019 Rompetrol Rafinare SA – Navodari Unit operated based on the Integrated Environmental Permit no 1/10.05.2013 updated on 18.02.2019, update through which the activities of the refinery, petrochemical and liquefied petroleum gas bottling plants were integrated.

Vega Refinery functioned based on the Environment Integrated Permit no 9/08.07.2015 issued by APM Prahova, valid until 08.07.2025. The Integrated Environmental Authorization is in the review procedure.

### Environmental Agreement

During 2019, all investment projects were completed within the assessment procedure of impact on the environment together with the receipt of the regulation documents (Decisions/environmental agreements) on the project category level, from the competent authority on environmental protection.

### Water Permit

In 2019 Petromidia Refinery operated based on Water Management License no. 222 / 05.09.2018, issued by ANAR, valid for 2 years, while Vega Refinery operating in accordance with the provisions of the Water Management Permit no. 1 / 03.01.2018 issued by SGA Prahova with a validity of 3 years.

### The Greenhouse Gas (CO2) Permit

Rompetrol Rafinare SA carried out the procedure for revising the Greenhouse Gas Authorization no. 135 / 12.03.2013, for the period 2013 - 2020, as a result of the fusion of the activities of the refining plant with the petrochemical plant; the revised authorization dated 05.06.2019 is valid until the end of 2020 (phase III 2013 - 2020) for both Rompetrol Rafinare - Petromidia working point and for Rompetrol Rafinare - Vega working point.

In order to meet the Renewable Energy Directive (RED) provisions and to demonstrate compliance with sustainability criteria, KMG International's Refining and Petrochemicals Business Unit renewed its ISCC Management System certification in 2019. The Group also verified and renewed the certification of its Quality, Environment, Occupational Health and Safety Management systems, along with that of its Energy Management System, aimed at improving energy efficiency across Group operations.

Also, the Retail Business Unit successfully recertified both entities', RGS and DWS, their Management Integrated Systems obtaining new certificates valid until 2021 for ISO 9001, 14001, 18001 while DWS was also recertified for the ISO 22000 and 50001 standards. At the same time, Midia Marine Terminal also recertified its activities in conformity with the Quality, Environment, Occupational Health and Safety Management systems, valid until 2021 for ISO 9001, 14001 and 18001.

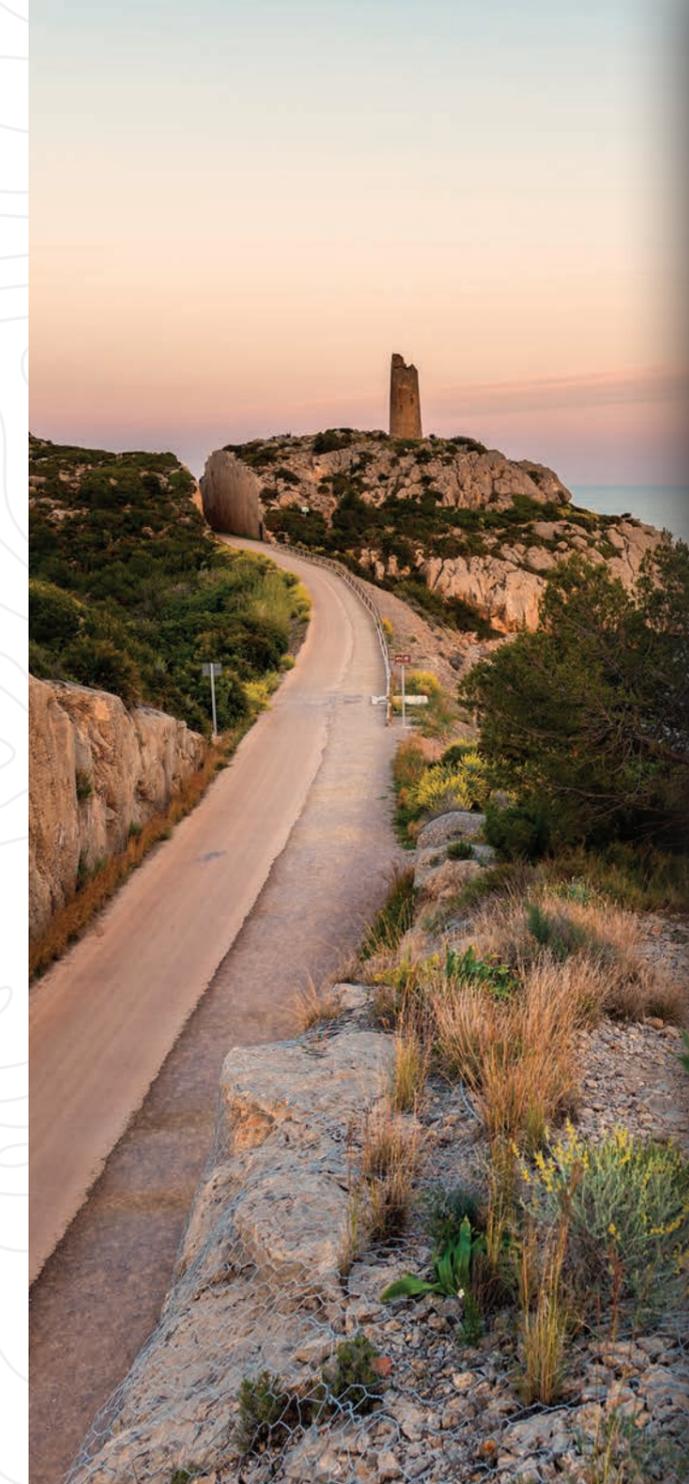
All RRC fuels are certified by the Romanian Automotive Registry according to Emergency Ordinance no. 80/2018 – minimum requirements for market introduction of fuel. Furthermore, all biofuel volumes purchased by KMG International comply with sustainability criteria set out in the EU Legislation, being sourced from EU producers using mainly European feedstock.

Due to the strict requirements and high standards implemented by the Group in its trading and retail operations, no significant environmental impact of transporting products and other goods and materials were registered.

In terms of environmental compliance, there were 61 authority inspections carried out on the premises of KMG International's refining and petrochemical units. As a result, Petromidia Refinery faced a USD 7,000 fine, applied by environmental authorities during July 2019, due to SRU shutdown (complaints regarding olfactory discomfort), while Vega Refinery was charged with USD 40,558 in environmental penalties, aimed at resolving some minor pollution incidents on Dambu river and the second lagoon cleaning process outside of the Lagoon 18 (initiated in June 2019).

While there were 9 inspections carried out within the Trading & Supply Chain Business Unit, no penalties were applied. As for the Retail Business Unit, 382 inspections were carried out across the Group's distribution network. Penalties were applied to Rompetrol Downstream, in amount of USD 11,312, and Rompetrol Georgia, USD 3,698.

In 2019, environment compliance and activities targeting environmental footprint reduction addressed issues like waste disposal, packaging, VOC checks, environmental analysis, sludge collection from lagoons, cleaning works on refining platforms, etc.



In line with the Group's strategy, the investment activity in 2019 was focused on:

- Increasing refining capacity and efficiency of the white products
- Aligning with EU requirements in terms of environmental standards and emission reduction
- Aligning with safety and security regulations and best practices
- Revamping static and dynamic equipment for safe operation in optimum conditions

No grievances about environmental impacts were filed, addressed, or resolved through formal grievance mechanisms in 2019 pertaining to Vega Refinery's activity. However, in relation to Petromidia Refinery's activity, two cassettes (approx. 7 ha) were identified in March 2019, filled with mixtures of soil, sand, and oil residues. The cassettes (owned by Rompetrol Rafinare, KMG International Refining BU) are located on the territory of the Danube Delta Biosphere Reserve - a UNESCO World Heritage Site. EPA Constanța was designated as the regulatory authority in order to carry out the decontamination procedure, the two cassettes being classified according to Law 74/2019 as a contaminated site.

Documents were prepared and submitted to the local authority according with the contaminated sites procedure. The next steps are carried out according to the feedback of the regulatory authorities.



### Petromidia Refinery

Cost of environmental compliance:  
**USD 0**  
Environmental charges:  
**USD 1,030,000**

### Vega Refinery

Cost of environmental compliance:  
**USD 4,956,814**  
Historical lagoons closing project:  
**USD 3,690,221**  
Environmental charges:  
**USD 1,502,281**

### Rompetrol Downstream

Environmental expenditure:  
**USD 123,163**

### Rompetrol Gas

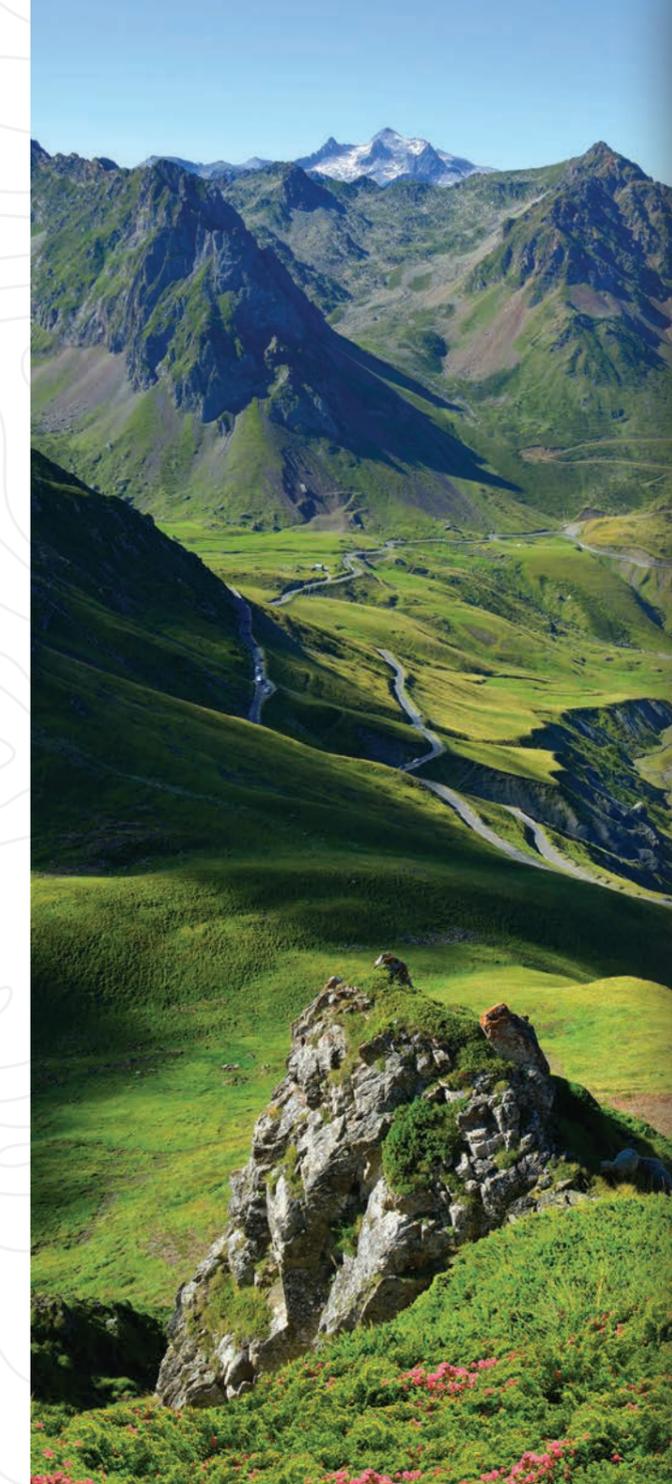
Environmental expenditure:  
**USD 91,025**  
(disposal of gas cylinders, waste disposal, packaging, environmental analysis)

## Biodiversity

**W**e recognize the potential impacts oil and gas development can have on habitats and biodiversity and, in our commitment to preserve the Black Sea Biosphere, located in close proximity to Petromidia refinery, our environmental strategy provides specific actions and measures to prevent ground and underground pollution.

Additionally, aside from the permits issued by the competent authorities and the annual certifications issued by Lloyds Register, KMG International analyzes and assesses the impact of the refining activity on biodiversity for each new project.

In 2019, KMG International kept a stable trend, with no risks imposed to species with habitats in our areas of operations. Furthermore, through our wastewater treatment operations carried out by the Rompetrol Rafinare Wastewater Treatment Plant (treating both the wastewater from the Petromidia platform and the domestic waters of the city of Năvodari) we have contributed to the improvement of habitat development in the plant's two ponds covering an area of approximately 50 hectares (natural purification of wastewater before being discharged in the Black Sea), which host an increasing number of animal species, becoming a real refuge for birds, especially in winter time.



**Road D918**  
Col du Tourmalet,  
The Pyrenees  
France



**National Road 67C "Transalpina"**  
Parâng Mountains  
Romania



# 4

## People

I am convinced that nothing we do is more important than hiring and developing people. At the end of the day, you bet on people not on strategies.

LAWRENCE BOSSIDY

## Approach and Milestones

2019 marked the 40th anniversary of Petromidia Refinery, KMG International's main asset and one of the most modern refineries in SE Europe. It was another year that bestowed record after record upon KMG International, exceeding all expectations in terms of operational results.

But 2019 was more than that. Each year brings a new milestone in our path and 2019 was no different. Along with the refinery, we also celebrated our employees who have always been at the core of our continued success.

Oil & gas is one of the labor market sectors that experiences significant staff shortages, especially experts, due to its complex nature, the technical prowess and the very specific skills required to do the job right. We have discovered throughout the years that a competitive advantage in this sector can be delivered by owning intelligent recruitment programs and, especially, training and orientation programs for young people at early ages. We have learned that we must take care of our people. That is why we offer them long-term careers and multiple possibilities to better themselves personally and professionally. And, in turn, we are rewarded with their loyalty.

In 2019, one of our managers, the Power Distribution Manager of the Petromidia Refinery, was awarded as Manager of the Year within the Human Resources Excellence Awards Gala organized by HR Club Romania. According to him, being a good manager

means being able to see the whole picture instead of only its parts. He applies this philosophy in his work, safeguarding complex synergies within Petromidia Refinery by eagerly sharing his knowledge with younger generations, making sure he is always open and ready to learn from the more experienced and always being there to make things work.

Also in 2019, we celebrated 45 of the original employees on the Petromidia platform who are still with us today. It is because of people like them that we keep getting further.

Our commitment to our people is what makes our Group constantly overperform, with more than 5,000 employees of 17 different nationalities, with 5 different generations in more than 200 different types of jobs, from diver, pilot vessel captain, engineers with different niche specializations up to supporting positions in procurement, financial, human resources or IT.

Our major challenge is to always better ourselves, to continue and improve the programs that we develop for employees on an ongoing basis, to offer them memorable experiences, to appreciate their professional life and respect their personal life, to come with new ideas and always meet their needs.

This way, we know that no matter the challenges that may come our way, we will have the right tools to overcome them. And we will be able to add more milestones to our path and celebrate them together with the people that make it all possible.



**National Road 7C**  
**"Transfăgărășan"**  
Făgăraș Mountains  
Romania

## Workforce Structure and Evolution

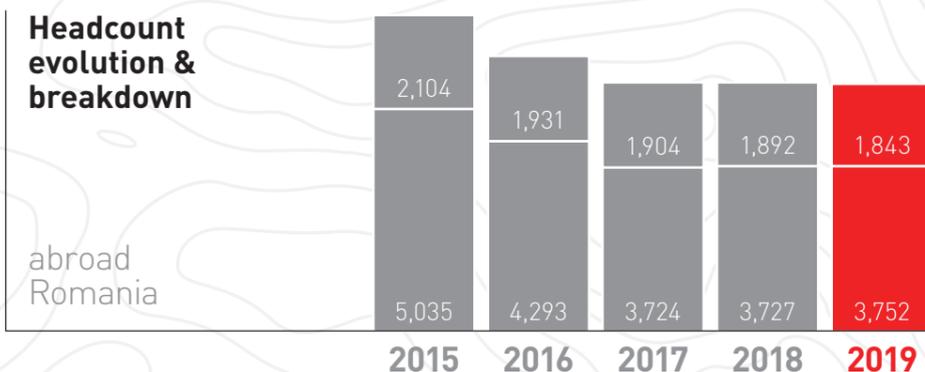
### BREAKDOWN OF EMPLOYMENT

As of December 2019, our total headcount was 5,595, with the majority of KMG International employees being located in Romania (67%), the largest base of operations for the Group.

KMG International's workforce structure evolution continued to follow the stable trend of the past few years, with minimal variations in employee numbers in 2019.

The variations can be attributed mainly to the Group's Romanian operations, which saw a slight increase in employee numbers compared to the previous year. Other minimal variations were noted in Georgia and the Republic of Moldova, where changes can be attributed to the Group's adjustments to its retail chain, in line with the specific business directions of the respective KMG entities.

All our employees have a labor contract and 90% of them have a full-time contract. All 89 part-time employees are active in the Group's Romanian operations. Nevertheless, the Group offers the same benefits to its employees, regardless of their contract type, be it part-time of full-time, as part of KMG International's internal policy.



HEADCOUNT	2015	2016	2017	2018	2019
Romania	5,035	4,293	3,724	3,727	3,752
Georgia	706	774	792	787	762
Moldova	604	708	790	941	931
France	367	0	0	0	0
Kazakhstan	200	328	196	33	27
Bulgaria	65	66	75	79	76
Libya	52	10	10	7	3
Spain	44	0	0	0	0
Switzerland	28	26	26	29	29
Ukraine	21	3	0	0	0
Singapore	8	6	6	5	5
The Netherlands	6	6	6	6	5
Turkey	4	4	5	5	5
<b>TOTAL</b>	<b>7,139</b>	<b>6,224</b>	<b>5,628</b>	<b>5,619</b>	<b>5,595</b>

With the exception of three countries in which KMG International has operations where there is no minimum wage established by national legislation (Georgia, Singapore, Switzerland), in 2019 there were employees earning minimum wage only in Moldova and Romania, in accordance with their experience and their specific line of operations, which mostly included activities pertaining to the fuel station networks in the two countries. However, compared to the previous year, their numbers are obviously decreasing.

We employ a high number of local nationals in our international operations, including senior managers, Group Chief Executive Officers, Senior Vice Presidents and Vice Presidents. By hiring locally, we demonstrate our long-standing policy to support the growth of our host communities and provide an inclusive environment and multiple opportunities for cultural and organizational exchanges.

For example, in Romania, the largest base of operations for the Group, which includes its complex refining activities, there is a mix of nationalities in senior management, with 30% national representatives, alongside 50% Kazakh and 20% Moldavian nationals.

2018 MINIMUM WAGE BY LAW	IN LOCAL CURRENCY	IN USD EQUIVALENT
Romania	2,080.00 RON	490.81 USD
Moldova	2,775.00 MDL	157.72 USD
Bulgaria	560.00 BGN	319.82 USD
Kazakhstan	28,284.00 KZT	81.04 USD
The Netherlands	1,594.00 EUR	1,849.04 USD
Turkey	2,030.00 TRY	426.37 USD
Libya	450.00 LYD	156.40 USD
Georgia	-	-
Singapore	-	-
Switzerland	-	-

## DIVERSITY & EQUAL OPPORTUNITY

We take great pride in the fact that we have managed to build a diverse and balanced work environment based on values like inclusion, equality, mutual trust, and cooperation. Each year, we consolidate it and improve through thorough reviews and assessments, along with policy revisions and upgrades.

The diversity and stability in our human resources reflect our belief system and organizational culture which we base our activities on throughout the Group's entire value chain. More specifically, we have made it our mission to not discriminate by gender, age, nationality or by any other factor that has no bearing on how employees can perform their job.

As such, our employee community includes over 17 nationalities, mostly Romanian, Georgian, Moldovan, Kazakh, French and Spanish. Furthermore, diversity is also reflected in gender and role assignment within the Group, at all levels of operations. While the headcount proportion accurately reflects the dimension of the Group's operations in certain regions, its split into age categories takes into account several other factors, from local legislation, to the specific of the activity carried out and of that of the regional labor market.

We encourage equal opportunity and, while our male to female employee ratio is yet to be ideal, we continue to make efforts towards reaching this goal. Thus, our global percentage of female employees was up by 0.2 points, while Romanian operations recorded an increase by 2.5 points, up to 32.5%.

HEADCOUNT GENDER (VS. 2018)	WOMEN		MEN		TOTAL	
Romania	1,218	-5	2,534	+30	3,752	+24
Moldova	241	+12	690	-31	931	-10
Georgia	34	+3	728	-28	762	-25
Kazakhstan	14	-2	13	-4	27	-6
Bulgaria	26		50	-4	76	-4
Switzerland	12	+1	17	-1	29	
Singapore	5				5	
Libya			3	-4	3	-4
The Netherlands	1		4	-1	5	-1
Turkey			5		5	
TOTAL	1,551	+9	4,044	-33	5,595	-23

HEADCOUNT AGE (% OF TOTAL)	<30		30-50		>50	
Romania	480	13%	2,000	53%	1,272	34%
Moldova	266	29%	486	52%	180	19%
Georgia	283	37%	338	44%	141	19%
Kazakhstan	4	15%	20	74%	3	11%
Bulgaria	13	17%	54	71%	9	12%
Switzerland	1	7%	24	83%	3	10%
Singapore			4	80%	1	20%
Libya			3	100%		
The Netherlands			4	80%	1	20%
Turkey			5	100%		
TOTAL	1,047	19%	2,938	52%	1,610	29%

However, although that there are still improvements to make, we strive to make the gap smaller every day, looking to encourage not only gender diversity, but also equal pay in our operations.

In this regard, the evolution of the ratio of the base salary and remuneration of women to men has recorded an optimistic evolution in various of our regional operations, considering the absolute values of this indicator.

The percentage was calculated as ratio between average gross salary for women and average gross salary for men (negative values means average gross salary for women are below men's average gross salary with % calculated).

Notwithstanding, the specificity of the operations should also be considered when analyzing these values. For example, in Georgia average gross salaries for women are higher due to the fact that the most part of employees are men hired in gas stations with minimum wages while the fewer women are hired in office jobs with higher level of the required skills. On the other hand, in Romania, where the Group carries out extensive operations employing the majority of its workforce, this ratio has evolved from a negative indicator in 2017, to a positive percentage in 2019, as seen in the corresponding figure.

It is clear to us that this is a lengthy process, especially considering our field of operations, where most jobs are traditionally performed by men. Nevertheless, we are making every effort to attract qualified female employees across all areas and functions of our business. Along these lines, our percentage of female new hires in 2019 was 24% across the Group, with a notable increase in the Republic of Moldova (5%) and otherwise stable trend in the other regions.

The highest numbers of new hires were recorded in the Republic of Moldova, Romania, and Georgia, with 533, 432 and 401 new hires, respectively. A stable trend was recorded in the over 50 years old category, with 11% new hires in 2019, comparative to the 10% in the previous year. The under 30 category saw an increase, from 49% in 2018 to 53% in 2019. At the opposite end, the 30 to 50 years old category registered a considerable decrease, from 41% to 36% in 2019.

BASE PAY WOMEN/MEN	2017	2018	2019
Romania	-6%	+2%	+5%
Moldova	+13%	-67%	0%
Georgia	+249%	+280%	+285%
Kazakhstan	+36%	+6%	+8%
Bulgaria	-22%	-27%	-22%
Switzerland	-33%	-42%	-35%
Singapore	-36%	n/a	-78%
Libya	-41%	n/a	n/a
The Netherlands	-76%	-74%	-76%
Turkey	-100%	n/a	n/a

NEW HIRES BY GENDER	WOMEN	MEN	TOTAL
Romania	128	304	432
Moldova	202	331	533
Georgia	2	399	401
Kazakhstan	3	5	8
Bulgaria	4	9	13
Switzerland		2	2
Singapore	n/a	n/a	n/a
Libya	n/a	n/a	n/a
The Netherlands	n/a	n/a	n/a
Turkey	n/a	n/a	n/a
TOTAL	339	1,050	1,389

NEW HIRES AGE & GENDER	<30	30-50	>50
Women	200	126	13
Men	536	376	138

Highlighting the extremes, the lowest rate of new hires was recorded in the over 50 age category in the Republic of Moldova, with 8% of all new hires (44 employees), while the highest rate was registered in the 30-50 years old category in Switzerland (100%).

For a combined view, in terms of age and gender, the most prominent new hire rates in 2019 were male employees over 50 (91 % in their age category), while female new hires in the same age category were only 9% (13 of the 151 new hires in the age category).

Looking at the composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity, one can observe that, of a total of 80 Board members across the Group, the largest number correspond to its largest operations location, Romania, with 55 members here, the remaining being split by 5 members in each of the following regions: Bulgaria, Georgia, Republic of Moldova, Switzerland and Turkey. They are split into 7 different nationalities, with the majority being Romanian (42) and Kazakh (35). Also, the vast majority of Board members are between 30 and 50 years old (69), with 9 Board members over 50 and only 2 under 30 years old, which is natural, given the complexity of the operations and the skill development period usually required for such a position.

NEW HIRES BY AGE	<30		30-50		>50	
Romania	228	+78	151	-22	53	+6
Moldova	269	+38	220	0	44	+6
Georgia	229	+16	120	+38	52	+29
Kazakhstan	3	+1	5	-4	0	-1
Bulgaria	5	-1	6	-6	2	+1
Switzerland	0	0	2	-3	0	0
TOTAL	734	+132	504	+3	151	+41

BOARD MEMBERS AGE	<30	30-50	>50	BM GENDER	W	M
Romania	1	46	8	Romania	4	51
Moldova	0	5	0	Moldova	1	4
Georgia	0	5	0	Georgia	1	4
Bulgaria	1	4	0	Bulgaria	1	4
Switzerland	0	4	1	Switzerland	0	5
Turkey	0	5	0	Turkey	0	5
TOTAL	2	69	9	TOTAL	7	73

BOARD NATIONALITIES	AUS	BUL	GEO	KAZ	MDA	ROU	RUS
Romania				24	1	29	1
Moldova				1		4	
Georgia				2		3	
Bulgaria			1			4	
Switzerland	1			3		1	
Turkey				4		1	
TOTAL	1	1		34	1	42	1



## TURNOVER & RETENTION

In 2019, KMG International's overall employee turnover was 1,334, slightly higher compared to the previous year. The highest number of departures was recorded in the Republic of Moldova, with 464 employees who left the Group, followed by Romania, with 437, and Georgia, with 401 employees who left the Group.

Judging by regional retention rates, these all keep into the same pattern, given the Group's new business model implementation in its retail network, especially in these particular countries of operations.

The highest turnover rates were recorded in Georgia – 53%, the Republic of Moldova – 50% and Kazakhstan – 48% (the turnover rate recorded in Singapore was determined by the dissolution of the Group's entity here by members' voluntary winding-up on June 1st, 2019). Moreover, highest turnover rates in female employees were registered in the Republic of Moldova (66%) and Kazakhstan (58%), while those of male employees were in Georgia (54%) and the Republic of Moldova (44%).

In total, 996 male and 338 female employees left the Group. Of all Group operations, the highest turnover of male employees was recorded by Georgia, with 393 male employees who left the Group in 2019, while the Republic of Moldova had the most female employees to leave the Group, namely 160. In terms of age categories,

EMPLOYEE TURNOVER	#	%
Romania	437	12%
Moldova	464	50%
Georgia	401	53%
Kazakhstan	13	48%
Bulgaria	10	13%
Switzerland	3	10%
Singapore	5	100%
Libya	0	0%
The Netherlands	1	20%
Turkey	0	0%
TOTAL	1,334	

TURNOVER BY AGE	<30		30-50		>50	
Romania	147	31%	126	6%	164	13%
Moldova	228	86%	196	40%	40	22%
Georgia	238	84%	120	36%	43	30%
Kazakhstan	1	23%	12	61%	0	0%
Bulgaria	0	0%	10	19%	0	0%
Switzerland	0	0%	3	12%	0	0%
Singapore	0	0%	4	100%	1	100%
Libya	0	0%	0	0%	0	0%
The Netherlands	0	0%	1	25%	0	0%
Turkey	0	0%	0	0%	0	0%
TOTAL	614		472		248	

TURNOVER GENDER	WOMEN	MEN
Romania	154	283
Moldova	160	304
Georgia	8	393
Kazakhstan	8	5
Bulgaria	4	6
Switzerland	0	3
Singapore	4	1
Libya	0	0
The Netherlands	0	1
Turkey	0	0
TOTAL	338	996

highest turnover was in the under 30 years old category in Georgia. In antithesis, the lowest turnover for the same age category was recorded in Kazakhstan. For the over 50 category, the highest turnover was in Romania, with 164 employees who left the Group in 2019, while the lowest was in the Republic of Moldova, with only 40 employees having left the Group. In the 30-50 years old category, the 196 employees from the Republic of Moldova who left KMG International brought the country the highest employee turnover. At the opposite end, there was only 1 employee in the same age category to leave the Group in 2019 and they were carrying out their activity in the Netherlands.

The highest volatility in 2019 was recorded in the “under 30” age group, with the highest rates in the Republic of Moldova and Georgia, namely 86% and 84%, respectively.

A moderate evolution could be observed in the 30-50 years old category, the highest rate being recorded in Kazakhstan (61%) and the lowest in Romania (6%).

For the over 50 category, turnover rates were at the lower end of the spectrum, with 30% in Georgia, 22% in the Republic and Moldova and 13% in Romania.

For a more comprehensive view, in Georgia and Moldova KMG International's main operations focus on retail which in general report a high turnover. In Romania and Bulgaria, where the Group also has retail activities, among other operations, we have a different business model for gas stations that suppose that we own the stations and the dealers operates it with his/her employees (Company Owned Dealer Operated).

PARENTAL LEAVE ENTITLED/ACTUAL	WOMEN		MEN	
Romania	35	33	51	4
Moldova	21	20	37	1
Georgia	1	1	0	0
Kazakhstan	3	1	6	0
Bulgaria	4	4	1	1
TOTAL	64	59	95	6

At Group level, 159 employees were entitled to parental leave in 2019, of which 65 (59 women and 6 men) took the leave, a rather balanced trend compared to the previous years: 64 in 2018 and 66, in 2017.

The total number of employees who returned to work after parental leave ended (in 2019) was 47, considering legal provisions which, depending of the country of operations, allow variations in parental leave, such is the case of Romania, for example, where employee can opt between a 1-year and 2-year parental leave. The majority were women (37), with the highest retention being recorded in Romania – 38 (33 women and 5 men).

RETURNED/REMAINED FOR 12 MO.	WOMEN		MEN	
Romania	51	25	2	2
Moldova	3	1	3	0
Georgia	2	2	0	0
Kazakhstan	0	0	0	0
Bulgaria	0	0	2	2
TOTAL	56	28	7	4

The total number of employees who returned to work in 2018 after parental leave ended was 63, of which 56 were women and 7 were men. Of these, those who were still employed 12 months after their return to work were 32, of which 28 women and 4 men, with a employee turnover of nearly 50% in Romania and more than 80% in the Republic of Moldova (1 employee left of 6 returning to work in 2018).

While the return-to-work was 98% in 2019 (100% for the past consecutive years, namely 2018, 2017 and 2016) the overall retention rate of employees who took parental leave (calculated for 2019 taking into consideration the number of employees who worked more than 1 year after return to work) was increasingly higher than the previous years. As such, the average retention rate across the Group in 2019 was 51%, compared to 29% in 2018, with an average of 50% for female employees and 57% for male employees from the analyzed representative countries. Whilst Bulgaria and Georgia recorded an overall 100% retention rate, Romania had 51% and the Republic of Moldova, 17%.

RETURN TO WORK RATE	WOMEN	MEN	TOTAL
Romania	49%	100%	51%
Moldova	33%	0%	17%
Georgia	100%	0%	100%
Kazakhstan	0%	0%	0%
Bulgaria	0%	100%	100%

## Economic Performance & Market Presence

### REMUNERATION, COMPENSATION & BENEFITS

At KMG International, we are constantly working to provide the best compensation and benefits because for us motivated and engaged employees are the key drivers of individual and company performance.

The Appointment and Remuneration Committee established by the Board of Managing Directors at the level of KMG International N.V. is responsible for advising the Board and the General Meeting (i.e. Sole Shareholders) in matters related to remuneration policy, terms of employment, total compensation, and performance criteria for top management. They are also responsible for the creation and implementation of any compensation plans, and the monitoring and assistance in the implementation of remuneration policies and plans at the Group level. The decision-making powers of any remuneration policies and plans applicable at Group level would rest upon the KMG International N.V. Board of Managing Directors.

Our current pay policy intends to set a comprehensive framework for establishing and adjusting the compensation elements and to provide the line management with a useful tool to ensure its consistent implementation (in terms of pay movements and related decisions), while maintaining internal equity and external competitiveness. In order to ensure market competitiveness, an external benchmarking is carried out in order to understand changes in the market compared to the previous year (annual salary surveys rolled out with leading consulting companies).

Across all locations within our company, our goal is to provide our team with one of the most competitive compensation and benefits packages in the markets where we operate. Our global pay positioning is at or above the market median. Our pay packages are generally composed of base salary and variable pay and are linked to employee's and management's performance and business results.

Complementing the base pay, variable pay bonuses are structured in a variety of ways and may take the form of performance bonuses, bonus schemes for production, operational, sales and projects jobs, and also bonuses stipulated in the Collective Labor Agreements (profit sharing, overtime allowance and/or night shift allowance).

In addition to compensation, we believe a highly competitive benefits package is just as valuable for our employees. Providing a comprehensive benefits package is another way to thank our employees for all their hard work and contributions. As part of their benefits package, and depending on their individual situation, each employee may have access to several financial and non-financial benefits:

- Days off paid by the company, in addition to annual bank holidays calendar
- Short Friday schedule
- Paid time off
- Significant life events support and allowances (marriage, childbirth, illness, bereavement)
- Relocation assistance and allowances
- Kindergarten allowances
- Pregnancy and postpartum support and allowances
- Medical care support
- Rest and relaxation allowances/tickets
- Retirement planning and management services and allowances
- Health, life, illness and disability insurance
- Humanitarian aid - for significant damages further to calamities
- Transportation and commuting reimbursement
- Gifts for employees' children on Christmas and International Children's Day
- Discounts for company products or other third-party suppliers

In order to support employees to deal with important life aspects and daily issues (traffic, kids school schedule, etc.), from the second half of the year we implemented in office based locations both flexible working hours and work from home arrangements. These two measures increased productivity performance and responded to multi-generational expectations and life style, as many candidates, especially the young generation, accept jobs based on company's lifestyle offer.

Furthermore, under the collective labor agreements that some of the Group's entities have in force, employees are entitled to specific retirement benefits that are payable upon retirement, if the employees are employed with Group entities at the date of their retirement. A corresponding provision has been recognized based on the specific benefits provided in the agreement, the number of employees working within the relevant Group entities, and actuarial forecasts regarding mortality, staff turnover etc. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these forecasts. As such, they are reviewed periodically.

## EMPLOYER CONTRIBUTION & MARKET PRESENCE

KMG International is one of the greatest players in the regional oil & gas market, with significant investments and contributions to the local state budget. The Group's contribution to the Romanian budget since its acquisition by KazMunayGas NC in 2007 has exceeded USD 16 billion.

Investments of over 1.6 billion dollars were made since the acquisition, of which approximately one billion dollars were directed towards Petromidia, which, in turn, allowed KMG International to maintain its position as Romania's largest petroleum exporter, as the quantities exported by the refining and petrochemicals divisions to the KMG International entities in Bulgaria, Moldova and Georgia and to the partners in the Black Sea region increased by 27% last year, up to USD 1.7 billion.

CONTRIBUTIONS (USD)	2018	2019
Employer Social Contributions	5,125,868	4,595,463
Employer Health Insurance Contributions	1,445,134	702,042
TOTAL	6,571,003	5,297,505

In 2019, the percentage of employees covered by collective bargaining agreements was 66.57% at Group level, with a percentage of 44.45% of unionized employees out of the total Group headcount. In Romania, 99.26 employees are covered by collective bargaining agreements, with 3,752 employees from the Group's local operations included into 6 trade unions.

In each region where we have operations the minimum notice period typically provided to employees and their elected representatives to the implementation of significant operational changes that could substantially affect them is as per the local legislation. In Romania, the minimum notice period is 20 working days and in Moldova, Bulgaria, Georgia it is 30 days. However, in Switzerland the minimum notice period is 2 months for the employees with work seniority less than 1 year and for the employees with work seniority more than 1 year, the legislation states a minimum 3 months' notice.

Where we have collective labor agreements, these contain provisions related to the minimum notice period, as well as provisions for consultation and negotiation. The minimum notice period mentioned in the CLAs is the minimum period regulated by local legislation or higher (in the employees' favor) in some cases.



## Occupational Health & Safety

The health and safety of our employees are top priorities across all our operations. Whether if it is included in a formal agreement with the trade unions in a specific region or part of our internal regulations, the “safety first” culture is at the core of every decision we take. Where we have formal agreements with trade unions, several health and safety topics are covered to underline their critical importance.

In order to ensure the principles and responsibilities of Quality, Health, Safety and Environmental (QHSE) management is clearly understood through all levels of each KMG International entity organization. Furthermore, employees are responsible for active participation in the development of the QHSE management system and the promotion of a positive QHSE culture within each KMG International entity organization.

Management is responsible for effectively communicating their commitment to QHSE issues and encouraging employee participation in the QHSE management system. It is the responsibility of all employees to communicate QHSE concerns, hazards, issues, and reward positive QHSE behavior.

Effective communication ensures that all the KMG International QHSE objectives and policies are clearly understood by all KMG International entities employees, that action plans, standards, procedures, and systems are implemented, and that performance is monitored, and feedback is provided.

The most senior manager in an operational area is responsible for planning, conduction and ensuring minutes of management Review Meetings which are held twice annually at a minimum.

Additionally, in accordance with law no. 319/2006, health & safety committees are active throughout the Group’s operations and business units, being comprised of management representatives, labor administration and employees, as well as union reps, looking to ensure full compliance with the applicable legislation, as well as to incorporate everyone’s opinions on how KMG International can continue to improve health and safety. Committees meet regularly and minutes from each meeting are recorded and kept for future reference.

Given the prominence in the Group’s operation of refining and trading activities, the most comprehensive committees are reflective of this aspect:

### Refining Committee

**General Director** (President of CSSM)  
**HS Coordinator** (Secretary of CSSM)  
**Employee management representatives**

with responsibilities for health and safety at work  
(Refinery Plant Director, Petrochemical Plant Director, Utilities Plant Director, Plant Inspection Director, QHSE Manager, HR Manager)

**7 employees**  
with specific responsibilities  
in the field of security and health

**Doctor of Medicine**

### Trading Committee

**General Director** (President of CSSM)  
**QHSE Coordinator** (Secretary of CSSM)  
**Employee management representatives**

with responsibilities for safety and health at work  
(Logistics Manager, Offshore Manager, HR Manager)

**7 employees**  
with specific responsibilities  
in the field of security and health

**Doctor of Medicine**

Also, both Retail and Upstream sectors have health and safety committees composed of representatives from labor administration and employee unions.

KMG International’s HSE Index in 2019 was 0.09 (calculated as 50%Fatal Incident Rate + 30%Total Recordable Injuries Rate + 20% Motor Vehicle Crash Rate).

As a result of the implementation of constantly updated and high-standard safe systems of work and safety programs, no fatal incidents occurred in 2019. Of a total of 89 HSE incidents occurred in 2019, there were only 4 incidents classified as major incidents, as a result of their impact, of which 1 LTI, 1 MCV Serious and 2 DAFWC.

Employee absenteeism rate in 2019 saw a slight increase compared to the previous year, with higher rates being observed in women compared to men, unlike the previous year. While most cases can be attributed to employee medical leave, which recorded slightly higher rates in women compared to men, the indicator is also reflective of workforce ageing and the factors associated with the process.

ABSENTEEISM RATE	WOMEN	MEN	TOTAL
Romania	3.45%	2.32%	2.69%
Near abroad	2.48%	1.59%	1.75%
Group	3.24%	2.04%	2.38%

ABSENTEEISM RATE	2016	2017	2018	2019
Group	2.41%	2.54%	1.97%	2.38%

HSE PERFORMANCE INDICATORS		UNIT	2019
<b>FTL</b>	Fatalities	cases	0
<b>FIR</b>	Fatal Incident Rate	%	0.00
<b>LTI</b>	Lost Time Injury	cases	3
<b>LTIFR</b>	Lost Time Injury Frequency Rate	%	0.26
<b>TRI</b>	Total Recordable Injuries	cases	3
<b>TRIFR</b>	Total Recordable Injuries Frequency Rate	%	0.26
<b>DAFWC</b>	Days Away From Work Case	cases	3
<b>FR</b>	Frequency Rate	%	-
<b>RWDC</b>	Restricted Work Days Case	cases	0
<b>MTC</b>	Medical Treatment Case	cases	0
<b>FAC</b>	First Aid Case	cases	3
<b>NM</b>	Near Miss	cases	6
<b>PD</b>	Property Damage	cases	33
<b>NC</b>	Nonconformities opened/closed	%	[6,691 / 6,120] 91
<b>MVC-L</b>	Motor Vehicle Accident - Light	cases	10
<b>MVC-S</b>	Motor Vehicle Accident - Serious	cases	0
<b>MVC-M</b>	Motor Vehicle Accident - Major	cases	1
<b>MVC-C</b>	Motor Vehicle Accident - Catastrophic	cases	0
<b>MVAT</b>	Motor Vehicle Accident Total	cases	11
<b>MVCR</b>	Motor Vehicle Accident Rate	%	0.06
<b>DT</b>	Distance Travelled (by company cars)	km	15,918,962
<b>WH</b>	Worked Hours	hours	11,545,469

To make sure all QHSE standards in place guarantee the health and safety of KMG International employees, suppliers and all other stakeholders involved in its operations, the Group constantly performs internal and external safety audits and inspections, both planned and impromptu, in order to identify both weak points and improvement opportunities. Subsequently, specific statistics and reports are drawn with various frequencies (weekly/monthly/quarterly/half-yearly/annual/upon request), in order to meet internal requirements and compliance obligations. In 2019, more than 7,500 QHSE audits and inspections were performed across the Group.

Aside for the safety procedures and processes carried out by KMG International at all Group levels and in all its Business Units, the Group places high focus on health and safety training, with nearly 30,000 training hours of QHSE training in 2019 alone. Furthermore, defensive driving training continued to be provided to KMG International employees in order to reduce the number of motor vehicle crashes. This could be observed in the improvement of the Group's MVCR rate, which dropped from 0.10 in 2018 to 0.06 in 2019.

The safety awareness **1. Life** project also continued to be woven into day-to-day business activities in an effort to build a culture of safety for all employees, contractors and subcontractors. It is meant to consolidate the safety culture on the Petromidia and Vega platforms, by involving all the employees of the entities, ongoing for more than 9 years. Monthly meetings are organized for the analysis of occupational safety, the findings are analysed, solutions are discussed, and decisions are made to improve the safety culture on the Petromidia and Vega platforms.

DIVISION	ENTITY	HOC ISSUED	HOC CLOSED	TRAINING HRS.	FIRE/EMERG. DRILLS	AUDITS/CHECKS
<b>Trading &amp; Supply Chain</b>	KMG Trading (fmr. Vector Energy)	n/a	n/a	n/a	n/a	n/a
	Rompetrol Turkey	n/a	n/a	n/a	n/a	n/a
	Midia Marine Terminal	139	131	1,812	39	144
	Byron Shipping	0	0	31	0	1
<b>Retail &amp; Marketing</b>	Rompetrol Downstream (Romania)	151	132	8,162	688	1,941
	Rompetrol Gas (Romania)	84	82	129	48	5
	Rompetrol Bulgaria	10	6	6	27	350
	Rompetrol Georgia	107	60	706	2	123
	Rompetrol Moldova	242	232	5,102	731	168
<b>Production</b>	Petromidia Refinery	1,699	1,210	938	58	2,522
	Vega Refinery	383	412	612	27	269
<b>Upstream</b>	Rompetrol Well Services	3,031	3,031	672	17	0
	Oilfield Exploration Business Solutions	0	0	48	0	0
<b>Industrial Services</b>	Rominserv	621	610	1,778	5	1,274
	Rominserv IAIFO Zalău	54	50	350	0	566
	Palplast	30	30	272	11	46
<b>Non-Core</b>	KMG Rompetrol	0	0	1,789	0	0
	GSS	0	0	4,997	117	11
	Rompetrol Quality Control	140	134	874	34	168
<b>KMG International</b>	Total year to date	6,691	6,120	28,278	1,804	7,588



## Skill Management & Lifelong Learning

### DEVELOPMENT PROGRAMS

#### "Knowledge Builder" program in the Retail Business Unit

The "Knowledge Builder" program was developed as a learning platform (Business Academy) where employees can gain cross-functional business knowledge and understanding. The project's goal is to equip KMG employees with all the skills and knowledge required to help them make informed decisions, based on KMG International business specificities.

The program is driven by a cross-functional team willing to share their vision, experience and expertise and provide a package of practical functional workshops related to managing the business within competitive markets. The first business areas in scope were: Commercial, Retail Finance, Shop, Retail Operations and Marketing.

More than 80 colleagues from various departments participated in the 2019 sessions organized at our main office in Bucharest, and the program is planned to continue on a regular basis in the following years. In 2020 the "Knowledge Builder" program is planned to be extended to the near-abroad entities Rompetrol Moldova, Rompetrol Georgia and Rompetrol Bulgaria.

#### Cross-Training in the Refining Business Unit

- Knowledge sharing through job shadowing
- Increase employees' flexibility and readiness to switch to a new role
- Develop the technical skills of employees with operational roles and improve their operating efficiency.

Throughout 2019, over 150 employees participated in requalification and retraining courses as part of the cross-training program.

#### Encourage Innovation

Another essential growth factor that we focused on was to create an organizational culture based on Innovation. Thus, we developed and implemented projects such as Innovation Workshops and Innovative Ideas Contest aimed at cultivating innovative thinking and encouraging a generation of new ideas that could be viable solutions to current business challenges. The innovative projects which were implemented tackled different challenges in business areas such as HR, Marketing, QHSE, Finance, Budgeting & Control.

#### "Refinery Fundamentals" program

The "Refinery Fundamentals" program continued in 2019 and consisted in learning sessions facilitated by one of our senior experts in the field. It is designed to provide a better understanding of the processes through which KMG International is producing its high-quality fuel under the Rompetrol band as well as the economics and operational aspects that make Petromidia one of the most profitable refineries in the region.

Through this program, 150 employees had the opportunity to better understand the oil and gas industry, the Group's challenges throughout its history and the factors that are bringing added value to our products and business results.

Also, we facilitated the workshop in one of our partner university, where almost 100 students had the opportunity to learn more about our industry.

#### Management Development Programs

In 2019, the focus within all the Group's entities was to improve the work environment, communication, and inter-personal relations by helping people develop their potential through learning, coaching and behavioural change.

2019 was the first year for our 2 years-cycle Management Development Program, in which all the Group's managers developed their management skills and leadership competencies, through programs like: Identifying Stakeholder Needs, Effective Negotiation Skills: Influencing with Impact, Change Management Skills, etc. In addition, they participated in coaching workshops where they discovered their potential by understanding their personal abilities and skills, using top rated global assessment tools.

The main objective of this program was to develop a strong leadership benchmark fed by a focus on high potential people that is surely an essential priority for business growth and success.

#### Top E-Learning platform

Over 200 employees have access to a digital learning platform with unlimited access to more than 5,000 video courses covering business, creative and technology topics. The platform provides 240 curated learning paths and more than 800 industry experts chosen from around the world. Also, we have used the platform as support for our Management Development Program to consolidate the knowledge acquired in workshops and coaching sessions.

#### Working in a Rompetrol Station for a Day

"Working in a Rompetrol Station for a Day" is an internal initiative aimed at creating communities within the organization and encouraging positive relationships throughout the Group's operations, experience sharing being essential to the understanding of the diverse roles and activities within KMG International.

The activities carried out at our distribution stations are all the more important, these being the places where our customers interact with our products and services, and where we receive their direct feedback. The program was initiated in 2018, when 100 employees from KMG HQ, from specialists to top managers left their daily routines and responsibilities to work in a fuel distribution station for a day. In 2019, the program took place in several filling stations in Romania, including the very busy stations on the A2 highway to the Romanian seaside, the Republic of Moldova, Georgia, and Bulgaria.

Participants in the program had to perform various activities specific to the filling stations network, from assisting the unloading of tanks and serving customers, to windscreen washing.

### Dual career path

Based on the model developed for our expatriate colleagues, a dual career path methodology was rolled-out as a pilot to KMG International entities in Romania, mapping all roles to each of the career levels set. Our Management has the possibility to segment and motivate their professionals through a career development path that allows upward & lateral mobility. This choice is for two equivalent career progression paths, one to recognize managerial ability and the other to recognize technical expertise.

### Reinforcement of feedback importance in employee development

During 2019, our HR department developed an easy-to-use and practical Feedback guide, delivering our employees Feedback sessions that would remind them why feedback is important (to recognize and reinforce STRENGTHS, to orient professional DEVELOPMENT, to realign, BEHAVIOR when needed, to create TRUST between the manager and the employee, to ENCOURAGE employees to continue, to strengthen the manager's LEADERSHIP towards results). During the sessions, specific feedback exercises were delivered, reinforcing the importance of communication in a positive, motivating, and inspiring way.

### Expatriate development in the Corporate Center Business Unit

The program was aimed at implementing, educating, and communicating the expat management & development framework and the role of managers in the development of expat personnel. The expatriate development framework gives the possibility to the expat employees to access a 4-layer organizational/ career development path, starting from an entry-level professional, going further to 2 managerial layers to the most senior layer, Top Management segmentation.

The 2 managerial layers have the characteristic to differentiate between the expatriates with people management skills and the ones subject matter experts or technical experts within their field of operation. This feature helps the organization segment its employees to a higher degree of accuracy and put them on their respective career track, more suitable to their professional expertise, seniority, know-how etc.

For each type of segmentation, a personalized development plan of actions was defined, with the purpose to grow each of the employees from the different stages of their career: on-the job training, professional qualifications, access to e-learning platforms, mentoring, access to different programs developed by KMG International.

### "Thank You" project across all Group business units

The project was built to create a culture of recognition inside our organization. To support/further our mission, goals, values, and the initiatives of our community, we understood the power and science behind the positive emotions from both giving and receiving thoughtful recognition. Our "Thank You" program rewards behaviors that we want to see continued and perfected and acknowledges efforts, hard work, dedication, good performance and accomplishments.

### "Customer Service Excellence" project

Its objectives are to encourage, sustain and reward the employees of our Services Center, who deliver outstanding services to the customers. Our organization, through the Credit & Control department, was awarded in 2019 the "Best Collection Center-Internal" award at the Romanian Contact Center Awards 2019 – an important event dedicated to the services center industry in Romania. The award addresses internal contact centers, as well as departments which focus on customer interaction/support. In addition to recognizing service excellency through vision and innovation, the award focuses on the people who are empowering the business results.

### Knowledge transfer inside the Refining Business Unit

- Extend knowledge and expertise area of employees and prepare them for taking on new roles.
- Facilitate knowledge and technical skills transfer.

We are currently in the Knowledge Transfer phase of the program with pairs already established

and approved by management for RIS, RR, RQC and MMT. Currently the status is following:

KNOWLEDGE TRANSFER PAIRS	FINALIZED	ONGOING	STANDBY
Rompetrol Rafinare	26	11	2
Rompetrol Industrial Services	14	20	-
Rompetrol Quality Control	5	18	1
Midia Marine Terminal	6	10	-

### Digital workplace workshops

The continuous technological advancements have had a drastic impact on the way we communicate and collaborate. Therefore, we have conducted several workshops and interactive sessions in which our employees learned how to work in a more productive way with technology. Our employees learned to connect and exchange information with their team members through an online global program that can be accessed from different locations. In order to turn scattered data into actionable reports and use data analytics in their work, our employees were trained to use a top-rated program and store and share files, easily.

## TRAININGS AND ASSESSMENTS

Each of our employees participate in an annual performance review. This is their opportunity to share their goals and desires with their leaders, but also hear constructive feedback on how they can improve and reach their goals.

In 2019, nearly 100% of our employees participated in this annual review. All locations, all genders and all levels of management have this opportunity and we look forward to continuing this in the future. Following performance assessment, based on employees' development needs, customized development programs are designed and implemented. During 2019, our development programs covered both professional and personal development, such as leadership, communication, personal branding etc.

The performance appraisal process is approached differently depending

on employee category as follows: top management (1.8%), middle management (10.7%) and non-management (87.5%).

In terms of trainings, the average hours of training that the organization's employees have undertaken during the reporting period have seen a significant increase compared to the previous year, from an average of 4.31 hours per employee in 2018, up to more than 10 hours in 2019, with managers and execution level employees benefitting from a rather balanced number of hours of training.

For the Group's employees operating in refining, several programs were carried out in areas like functional competences; general knowledge; legislation; communication; QHSE certifications; safety; professional knowledge - support functions, etc. A total number of 540 employees attended the trainings, which totaled 10,103.5 hours, meaning an approximate average of 20.2 hours of training per employee.

AVERAGE NUMBER OF TRAINING HOURS	GROUP	ROU	BUL	GROUP (EXCL. ROU)
Average number of training hours per employee	23.83	35.85	46.26	10.46
Female employees benefited, on average	26.64	24.15	98.57	45.01
Male employees benefited, on average	23.04	42.54	27.48	8.58
Managers benefited, on average	38.64	41.58	26.15	10.61
Execution level employees benefited, on average	21.93	34.55	52.80	10.44

## Employee Well-being & Engagement

### ROMPETROL WELL STATION

In addition to our existing pay and benefits system, we have also developed the Well Station global platform, designed to integrate all our initiatives on the well-being area. Inspired by the company's profile, the gas stations being one of the most known symbols, Well Station is a program to inspire energy, a pit stop for all employees to refill with well-being, mindfulness & good information about health, a source of fuel for a better life.

Well Station consists of three pillars: 1) Emotional and social well-being, 2) Physical well-being and 3) Financial well-being. Under the three pillars, we mapped and implemented throughout 2019 programs such as: family and care events, stress management and mindfulness, hobbies and cultures, themed workshops, health education and prevention, nutrition and hydration, financial coaching and education, financial contribution for extraordinary life circumstances.

### SPORTS ACADEMY

Sports Academy is KMG International leading internal event, with more than 10% of all employees in the Group taking part in the competition. Sports Academy brought together 700 employees from all the Group's companies, who took part in the over 20 competitions in the preliminary and final stages of the Sports Academy tournament.

Celebrating its 10th edition in 2019, the competition included football, ping-pong and chess, swimming, double tennis, and badminton, for the preliminary stages, followed by weightlifting, arm-wrestling, tennis, basketball, and volleyball in the finals.

The countries represented in the competition include Romania, Moldova, Bulgaria, Georgia, Switzerland, and Kazakhstan.



**Local Road 165**  
Lalova, Dniester River  
Republic of Moldova



**Highway A5**  
Asparuhov Bridge, Varna  
Bulgaria



# 5

## Community

There is no power for change greater than a community discovering what it cares about.

MARGARET J. WHEATLEY

## Approach and Milestones

**A** solid operational foundation and successful performance must always be reflected in what you give back into the community. It is the natural way of things, the intrinsic balance that makes all the cogs in an otherwise very complex mechanism work smoothly.

We have always been a corporate player committed to maximize not just their business output, but our social, educational, environmental involvement as well. And we believe we have managed to do so over the years, with the help of our dedicated employees and partners. For every operational milestones that we have marked, we made sure our joy and pride were also echoed into our communities.

The change needed for progress can only be driven by action. And to achieve significant change, we must take on the role of a long-distance runner, it is not enough to be a sprinter, albeit the best sprinter there is. We have learned that early on and we discovered that responsibility is a continuum, each good deed tends to multiply and attract other. As such, every significant milestone for the Group also represented great inspiration for new projects. That is to say that we are extremely proud of our long-standing partnerships, which only made us

better. But, at the same time, we are very excited about our new projects and initiatives, which will definitely grow their roots strong and wide.

2019 was a historic year for KMG International from multiple perspectives. It brought new record operational performances, just as it brought new highs in terms of our reach and engagement in the benefit of the communities we represent.

For more than 10 years, KMG International has been actively involved in supporting the healthcare system in Romania, both through its long-lasting partnership with the Emergency Mobile Service for Resuscitation and Extrication (SMURD) and the Emergency Situation Inspectorate (ISU), as well as through other considerable investments in health projects across the country.

As education is one of the main pillars of sustainable development, KMG International has been offering internship and apprenticeship programs as investment tools in the development of human resources and transfer skills from its professionals to young graduates. The Group has initiated extensive collaborations with universities from various cities across the country, developing custom-made projects for the needs of students interested in pursuing a career in the energy sector. Furthermore, it expanded its support through various projects meant to encourage equal access and opportunity to educational resources.

We believe society and individuals need all their needs addressed to be able to develop harmoniously and sustainably. That also includes access and exposure to arts and culture, beyond health and well-being, social or environmental stewardship. We have a long history of supporting artists, as part of our commitment to foster the cultural partnership between Romania and Kazakhstan through a wide variety of initiatives. We believe education through art plays an important role in the alternative development of communities, and we plan to continue to support male & female artists who are active contributors to this change.

Breaking the records and breaking the mold has become the new regular for KMG International, and that also applies to our corporate responsibility initiatives. This year, we have marked several milestones, with numerous projects spanning over a decade and other brand new, adding value and consistency to our communities. We have a clear responsibility and we plan on consolidating our engagement with every year passed, with every new milestone.

## Projects

**W**e have a holistic approach to sustainability, which is why our efforts to improve the life of local communities address all aspects of human life, beyond environmental stewardship or social inclusion and spanning to health and well-being, culture and education or skill development and leadership.

### ENVIRONMENTAL STEWARDSHIP

#### Cleaning of Corbu Beach

Every spring, our colleagues working on the Petromidia platform take the time to give back to their community and nurture the environment by cleaning the local beaches. In 2019, 200 volunteers cleaned more than one kilometer of wild beach, collecting over 100 bags of waste from the Corbu Beach. Given the strategic position of Petromidia Refinery to the Black Sea (Mamaia, Corbu, Vadu, Siutghiol Lake), this initiative is a moral duty for all the companies operating on the industrial platform and also for employees, to actively support projects that have an impact on the surrounding environment and close community.

#### Tree planting on the Petromidia platform

Spring is the season of nature's rebirth. But every once in a while, nature needs our help, to compensate for the otherwise destructive nature of humankind. In 2019, our colleagues working on the Petromidia platform did not stop at proving their cleaning skills at Corbu Beach, they also planted nearly 500 trees on the platform near the Refinery Control Center.

The 500 linden trees support our efforts to constantly reduce our environmental footprint.

We chose this tree specifically, as an average linden tree in height can filter 4,000-5,000 cubic meters of air, consuming about 9kg of carbon dioxide and producing 6-7kg of oxygen. It is also a long-lived species, reaching up to the age of 200 years.

Planting trees has become a tradition for us and in recent years we have been implementing such projects in Corbu, in the vicinity of the Petromidia refinery, as well as near the second refinery of the Group, Vega, in Ploiesti.

#### Tree planting in the Făgăraș Mountains together with Agent Green

In partnership with Agent Green, an NGO that develops projects to combat illegal deforestation and protect virgin forests, KMG International supported the reforestation of an area of 20,000 square meters in the Făgăraș Mountains. Located at the edge of the alpine plain, the area had been deforested 12 years ago, without further protection against erosion and drainage.

The action was inspired by our colleagues attending the 2019 edition of KMG International's charitable internal event, Run & Care, KMG International pledging to reward their effort and commitment by planting one tree for each participant. We are glad that the Group's involvement also stimulated the engagement of other companies, contributing to the goal of transforming the Făgăraș area into a national park and increasing the wooded area in Romania.

## HEALTH & WELL-BEING

### Blood donation & support for the Constanta Blood Transfusion Center

KMG International continued its commitment to support the Romanian public healthcare system, by donating new equipment to the Regional Blood Transfusion Center in Constanta, meant to increase the technical capacity of the medical institution.

The donation included a platelet agitator used for platelet concentrates storage and a hemo-mixer for whole blood collection, critical equipment for a blood transfusion center, EC marked and compliant with specific European standards. The acquisition of the equipment amounted to 65,000 RON, contributing to the medical team's efforts to ensure compliance of blood transfusion activities carried out by the blood transfusion center of Constanta.

The equipment was inaugurated with a blood transfusion awareness campaign carried out in Petromidia. In the same spirit, on World Blood Donor Day, employees at company headquarters in Bucharest also marked the inauguration of the donation made to the Constanta Regional Blood Transfusion Center by joining the campaign and donating blood. Rompetrol Hub, the multifunctional space for all our internal events was the new place for good deeds on this occasion, hosting 40 colleagues who have donated blood, with the support of the Bucharest Blood Transfusion Center.

### Promoting children's dental health & hygiene

#### Support for the first mobile dental office in Romania

KMG International supported the initiative of the "Zâna Merciluță" (Tooth Fairy) mobile dental office in several rural areas of Constanța County, offering free dental treatment to over 100 children coming from Mihai Viteazu, Independența and other villages in Constanța County. The services provided by the mobile office included prophylaxis and dental treatment, and children also received oral care kits. Moreover, the two dentists present at the event, together with the volunteers of Zâna Merciluță, held interactive dental brushing sessions for parents and children on school grounds.

In Romania, over 75% of children aged 6 to 11 have dental problems, most of them living in villages where there is no access to a dental clinic. 79% of the children treated on this trip had never been to the dentist. The value of the treatments amounted to RON 33,000.

### Support for children's dental health program

Between October 2019 and October 2020, KMG International committed to support a national dental health program carried out by Merci Charity Association, aiming to improve the access to dental healthcare for children in rural areas. 1,000 children from 40 localities from Constanța, Prahova and Galați counties are set to receive free dental care with the help of a mobile dental office, the first one of this kind in Romania.

Through this partnership, KMG International and Merci Charity aim to improve the lives of children aged 4 to 14 years from 40 rural communities through oral care education, prophylaxis, and nutrition advice:

- Improving the oral health of 1,000 children through oral prophylaxis interventions in the association's mobile dental office, dental brushing and nutrition sessions conducted in schools with the support of volunteering dental practitioners.
- Informing 2,000 parents and members of the beneficiaries' families about the rights of the child to free interventions in dental offices that have contracts in place with the County's medical insurance fund.
- Improving the quality of life in 40 villages by facilitating access to free dental care and treatment services.
- Offering 1,000 dental consultations, 2,000 treated cavities, 3,000 dental seals and 5,000 saved teeth.

### SMURD & ISU continued partnership

We continued to offer our support to the Romanian healthcare system throughout 2019, by consolidating the long-standing partnership with the Mobile Emergency Service for Resuscitation and Extrication (SMURD) & the Inspectorate for Emergency Situations (ISU).

As the needs of the public healthcare system are steadily increasing, we believe it is our social duty to contribute to the country's development and to invest in the healthcare sector. This initiative comes as a follow-up to the commitment we made in 2009, when we started both the collaboration with SMURD and a grants program for the medical sector.

Throughout our long-standing partnership, KMG International has invested more than USD 5 million in aero-medical helicopters, uniforms for volunteers, medical equipment, rehabilitation and equipment supply for various medical facilities, so that members of the communities where the Group operates in to benefit from quality medical services.



**Road 181**  
Vitosha Mountain  
Bulgaria

## SOCIAL SUPPORT & RELIEF

### Romp petrol Run & Care

KMG International employees participated in the sixth edition of the Rompetrol Run and Care charitable cross, which took place in September, in Carol Park, Bucharest. More than 200 employees from different Group companies ran alongside families and business partners on distances of 5, 10 and 15 km, while the company donated 5 USD per kilometer to support the causes of two major NGOs, Agent Green and Hope and Homes for Children.

Our employees are involved in volunteering activities carried out by the Group's companies every year, programs launched by the company (blood donation, fundraising for orphanages, toys & books collection etc.) or individual charitable projects.

All funds raised at the 2019 edition of the Rompetrol Run & Care charitable cross were directed to Hope and Homes for Children and their program for preventing the separation of children from their families, one of the main pillars of the organization's activity. Furthermore, for each runner in the event KMG International committed to plant a tree in the Fagaras Mountains, along with Agent Green.

Romp petrol Run and Care is part of the Group's approach to encourage a healthy lifestyle and a strong volunteering spirit among its employees. Throughout the years, more than 3,000 colleagues, half of the Groups' headcount, donated time and effort to support various social, environmental, health and educational initiatives for the benefit of the community, such as M.A.M.E. Association, Hospice Casa Speranței, "Association for Dravet and other Rare Epilepsies" or MagiCamp, NGOs that improve the quality of life for children and adults with severe diseases.

### Civil Society Gala

For 17 years, we have been the main supporter of the Civil Society Gala that awards people & projects who actively contribute to change. Whether they were about change in mentalities, expectations, and attitudes, they managed to change lives and improve the overall well-being of countless local communities.

The grand prize of the 17th edition well-deservedly went to the MagiCAMP volunteer community, thus awarding the dedication of over 2,000 people, volunteers who consistently support the activities carried out by the NGO.

181 initiatives from the nongovernmental sector, including 144 projects, 23 programs and 14 communication campaigns were enrolled in the 2019 edition of the program.

### Kind Tap for HOSPICE Casa Speranței

In 2019, 24 "Kind Tap" donation boxes were installed in Rompetrol filling stations, a novelty in the Romanian retail industry. The device allows customers to donate with the help of contactless bank cards or by smartphones to HOSPICE Casa Speranței, a foundation we have been supporting for over 10 years through various projects. The boxes were set-up in Rompetrol stations in Bucharest, Ilfov, Mureș, Prahova, Brașov and Constanța. Customers were encouraged to donate by paying a single amount of 5 RON, in support of the palliative care services offered by HOSPICE Casa Speranței.

## EDUCATION & SKILL DEVELOPMENT

### Internship Program

Internship programs are part of our strategy to invest in human resources by combining practical work with learning experience and create the context to develop the skills of students and fresh graduates and identify the best candidates for employment.

The 2019 edition saw 88 youngsters from all over the country participate in the program designed to help them develop their professional skills for two months. Participants had the opportunity to learn, practice and take up new skills in the Petromidia Năvodari and Vega Ploiești refineries, the Midia Marine Terminal, Rominserv, Rompetrol Quality Control and Rompetrol Well Services.

The students were guided step by step by mentors, people whose experience in the oil & gas sector is set to represent an additional motivation for the interns, as they had the chance learn the most important concepts directly from the specialists.

During the two months, the interns went through several stages of practice and found out how the oil is processed, how the Petrochemical Division works, how thorough the lab work, maintenance or planning are, why risk management is crucial, the importance of occupational security and

why the focus should be on environmental protection. At the same time, selected students also took part in numerous workshops aimed at developing their knowledge on management or personal branding.

The 2019 edition of KMG International's internship program was "Petromidia 40", in honor of the 40th anniversary of the largest refinery in Romania. This year's interns thus had the opportunity to witness a historic milestone first-hand, learning various facts and details about the history and the evolution of the platform right from those who had personally and professionally witnessed it themselves since the first day of Petromidia refinery's operation.

Our mission is to guide the interns who want to develop their career in a competitive environment, open to innovation and performance. Throughout the years, more than 1,400 students took part in the internship programs developed by KMG International. Many of them are today installation chiefs, decision makers or experts in the areas in which they operate. As such, there is a very high interest for the program amongst students from Bucharest, Constanța and Ploiești universities, proving that the program is a real success.

### Scholarship program

Offering support to high-achieving students who are at the beginning of the professional path can play a tremendous role in their future evolution. The KMG International scholarship program, offered to high school and university students from our internship program, as well as to external applicants has been designed as a support system for the next generation of oil and gas professionals.

In 2019, 100 high-achievers university and high-school students from Bucharest, Constanta and Prahova were selected as winners of the KMG International Scholarships program, now at its second edition, receiving annual grants amounting to USD 100,000.

Applications were assessed by a jury comprised of KMG International representatives and two university professors: Prof. Daniela Popovici, from the Petroleum and Gas University of Ploiesti, and Prof. Anca Sterpu from Ovidius University in Constanta, Faculty of Physics, Chemistry, Electronics and Petroleum Technology. The eligibility criteria included

an average academic score above 8, involvement in extra-curricular or volunteering activities, strong desire to build a career in the energy sector while the targeted profiles included chemistry, mechanical engineering, petroleum and gas engineering, economics etc.

50 scholarships were awarded to students from the company's internship program, upon the evaluation of their performance. The remaining 50 were awarded to high school and university students with high academic achievements, determined to build a career in the energy sector, who applied to our scholarships call. Their areas of study included: chemistry, mechanical engineering, petroleum, and gas engineering. Selected applicants were enrolled at universities such as the Petroleum and Gas University of Ploiesti, Ovidius University in Constanta, Polytechnical University of Bucharest, University of Bucharest and high schools from Constanta, Bucharest, and Ploiesti.

KMG International has been actively involved in the development of skills and competencies for students, having carried out internship programs for 18 years, for high school and university students from all our operational areas in Romania. Starting with 2018, we have extended the addressability of our programs, by including students from high schools in our initiatives, with the aim of increasing their technical understanding and to provide them with the guidance they need to choose the right career.

### Teach for Romania

KMG International has always been an avid supporter of reducing inequity, by promoting workplace diversity and inclusion, first and foremost, but also by promoting equal opportunity in education. This projects stands testament to our commitment in that regards. More specifically, KMG International set to support quality education in Constanța County through Teach for Romania during the 2019-2020 academic year, supporting two teachers enrolled in the primary and secondary education system from the area, which are part of the NGO's program.

The teachers supported through this partnership are role models and mentors for students from the partner schools in the region. By supporting them, the program actually promotes access and exposure for children from vulnerable communities to an innovative learning environment, which allows them to develop their interests and knowledge, while emphasizing career orientation, as well as core growth elements: literacy (functional literacy, digital/numeracy), emotional intelligence (values, self-esteem), leadership.

We believe that quality education, especially in vulnerable areas, is the first step towards the sustainable development of communities. We are supporting the teachers that are part of Teach for Romania program in Constanta County because we believe that through this partnership we can address more efficiently the needs of children in the region, we can fight educational inequality and contribute to the harmonious development of future generations.

### Chemistry Competition

KMG International (Rompertrol) was the main sponsor of the 53rd edition of the National Chemistry Competition, organized by the Constanța County School Inspectorate and attended by 350 students from the 8th to 12th grade.

Performance can be fostered through fair competition. By supporting the National Chemistry Competition, we were, in fact, supporting an event which also encourages students to pursue a career in the energy sector. Thus, aside from support for the competition itself, KMG International also organized a customized guided tour of Petromidia Refinery for contest participants and 50 teachers.



**Path to Cherni Vrah Peak**  
Vitosha Mountain  
Bulgaria

## Other projects

Partnered with several high-schools and universities to provide support in guiding and preparing students for the competitive labor market

Acted as compulsory practice partner for several high-schools and universities

Sponsored career conferences and workshops organized by student organizations to support their projects addressed to students

Facilitated meetings and discussions between students and our experts to meet the questions and curiosities of the students

Gold Partner in the Energy Industry Career Conference organized by SIER Youth Bucharest and the Faculty of Electrical Engineer. During the event, 15 students were selected for a technical visit organized at the Petromidia Refinery, the Command and Control Center and the Offshore Maritime Terminal.

Apprenticeship @Petromidia Program. Ten young people from Kazakhstan had the opportunity to learn, for a couple of weeks, how a modern refinery works. In its first edition, the program gathered the best students from the Kazakh-British University in Almaty, who received over 200 hours of theory and practice in the refinery under the direct guidance of KMG International mentors.

Organized "Ready for Your Career" workshops in high schools and universities to prepare the young generation for a future career

Organized "Open doors" events and technical visits at Petromidia Refinery for 100 students from 6 universities and 3 university centers in Bucharest, Ploiesti, and Constanta. These students were selected during the many workshops organized by the company in 2019 in universities, from those who actively participated in the workshops, showing their curiosity and passion for what they were doing.

## ARTS & CULTURE

### "George Enescu" International Festival & Contest

KMG International, under the "Rompetrol" brand, has been the main partner of the "George Enescu" International Festival & Contest, key cultural events in the region, which promote classical music and Romanian cultural values. At its 10th anniversary, the partnership continues to reflect KMG International's strong commitment to support the evolution of culture in Romania, with the participation of Romanian and international musicians.

In 2019, which marks the 10th anniversary of the partnership, the activities supported by „KMG International” within the Festival included the closing concert of the Royal Concertgebouw Orchestra Amsterdam which took place on September 22nd. Part of the „Great Orchestras of the World” series, the Royal Concertgebouw Orchestra Amsterdam is considered one of the best orchestras worldwide due to its unique sound made possible with the help of the 120 artists from over 20 countries.

Throughout the years, numerous cultural projects were developed in the framework of this partnership, bringing Romanian and international artists closer to our local communities, and promoting classical music through various initiatives.

During the 2019 edition, KMG International and the "George Enescu" International Festival developed several associated projects, including quizzes and contests on various media channels (radio, online), which reward audiophiles with tickets to various concerts with the festival. Furthermore throughout the entire festival duration, all Rompetrol filling stations broadcast classical music from the current and previous editions of the festival.



### HERE I AM Bucharest exhibit by Kazakh artist Leyla Mahat

KMG International, in partnership with the Embassy of the Republic of Kazakhstan, brought the art-loving public of Bucharest the exhibition of Kazakh artist Leyla Mahat - HERE I AM, held in the spring of 2019.

Leyla Mahat, an associate professor at the Art Faculty of the Kazakh National University of Arts, has held exhibitions around the world, including in countries such as Italy, USA, India, China, Germany, Japan, Belgium, UK and is the winner of many awards, including the State Award "Medal - 20 years of Independence" for the contribution to the culture of the Republic of Kazakhstan and the Franz Kafka medal, received in Prague, the Czech Republic.

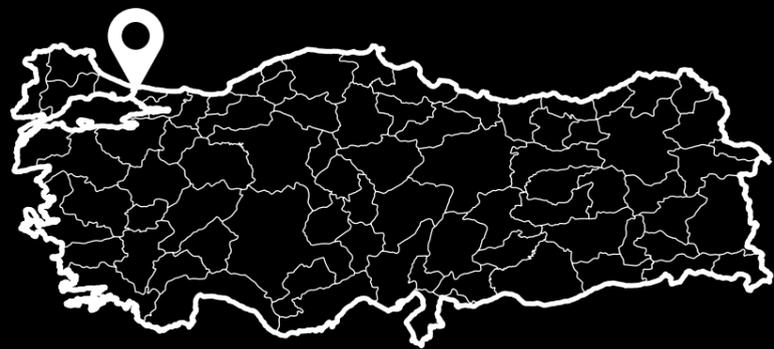
The HERE I AM exhibit was focused on finding one's identity and the relationship between humankind and nature, which are universal themes, tackled daily and of great importance in today's society.



### Kazakh Film Days

Taking into consideration the rich and proud history of Kazakhstan and its incredibly diverse population of over 130 ethnic groups, KMG International, together with the Embassy of the Republic of Kazakhstan in Romania, has been organizing the Kazakh Film Days in Bucharest since 2015, an event that greatly contributed to the cultural exchange between the two countries.

The fifth edition of the Kazakh Film Festival brought the Romanian cinephile public two art films representative for the Kazakh cinema: "Kazakh Khanate - Golden Throne" (2019) and "Deep well" (2018). The event, organized by the Embassy of the Republic of Kazakhstan in Romania, in collaboration with KMG International, took place at Cinema Elvire Popesco between December 11-12.



### First Bosphorus Bridge

Istanbul  
Republic of Turkey



# 6

## Marketplace

In this business if you're good,  
you're right six times out of ten.  
You're never going to be right  
nine times out of ten.

PETER LYNCH

## Approach and Milestones

Over the years, KMG International has constantly tested its deep-rooted values and indelible vision by reaching new milestones and marking new records, which when extended to its entire operations, including marketplace activities, create shared value across the Group.

Using the valuable feedback obtained throughout our supply chain operations to constantly assess our policies and upgrade our processes and procedures has awarded us with record performances, high-quality products, and increased customer satisfaction.

We continued to deliver only Euro 5 fuels (max Sulphur content 10 mg/kg) and a content of biofuel of minimum 8 % in volume for gasoline, respectively minimum 6,5% in volume for Diesel fuel, in compliance with the applicable legislation. However, our continuous drive for performance improvements led us to develop the “Xtreme Winter Efix S”, a new product which is stable in wintertime at temperatures up to -35 degrees Celsius. Moreover, the Petrochemical Division continued its program to upgrade the products portfolio according to market demand by producing a new grade of PP (Polypropylene) cast film application, to be tested early 2020.

Also, due to upcoming changes in EU regulation regarding single-use plastic articles ban, KMG International specialists gave their support to plastics processors, regarding the conversion of some PET-based production lines to PP as new raw material.

But our work has a lot more to say about us. To show our multi-faceted inclination towards development and advancement, it is best to leave our actions speak for ourselves. To this end, we will emphasize here only some of the milestones validating our journey and invite you to discover the rest throughout the chapter.



KMG International was the first company in Romania to be awarded the “**Standard**” accreditation level by CIPS (Chartered Institute of Procurement and Supply). The Certification of this level shows that the Group has robust and professional procurement practices/systems in place and performs world-class services in procurement and supply.



In 2019, KMG International celebrated **15 years** since the founding of Rompetrol Quality Control (RQC), a company that owns and operates 4 high-end laboratories conducting petroleum, petrochemical and environmental analyses for both Petromidia and Vega refineries as well as for external customers. Over the years, RQC has conducted about 9 million tests that resulted in the creation of quality products and the improvement of operational activity in the two Rompetrol refineries.



Midia Marine Terminal, the offshore terminal of Petromidia Refinery and a strategic asset of the Group, celebrated **11 years** since its commissioning in 2019. Each year, our colleagues at Midia Marine Terminal replace the 11.5 km pipeline transporting crude oil from ships to the Petromidia tank park. Working under low visibility conditions and handling heavy equipment with great precision, they have a clear goal: zero pollution, zero accidents.



**Akropolis Road**  
Pergamon  
Republic of Turkey



## Supply Chain

### OPERATING PRINCIPLES

We make it both our goal and responsibility to observe sustainability throughout our entire supply chain, as a sure way to use our resources in a conscientious manner while, at the same time, improving our operations, saving costs and increasing our productivity.

We take pride in conducting our supply chain operational activities in accordance with our corporate policies and guidelines, in a professional, transparent, and ethical environment. This also applies to our network of suppliers, contractors and subcontractors, as we only work with third parties that constantly operate in line with our company values and in compliance with national and international legislation in the fields of environmental protection, work health & safety, quality management, ethics and anti-corruption, corporate social responsibility, including human rights and labor standards.

For this reason, we constantly improve our Supplier Code of Conduct and we also conduct extensive screening when selecting suppliers and subcontractors. We routinely monitor our business relationships and address any red flag that may arise. Furthermore, as we are committed to conducting business with fully ethical and socially responsible suppliers, we have based our operations on competitive biddings, transparency, equal treatment, and non-discrimination of bidders.

We continually review and measure our performance and that of our suppliers, so that we can improve the quality, efficiency, and effectiveness of our services. As part of our selection process,

100% of the prequalified suppliers are screened using strict environmental and labor practices criteria, which are assessed and improved each year to comprise extended relevant data, in line with international regulations and best practices.

The prequalification is an internal two-step process aimed at obtaining accurate, complete, and updated information of potential suppliers as well as identifying the ones that are financially, reputationally and technically capable of undertaking our projects. This is the reason why, they have to fill in a comprehensive questionnaire and undergo our assessment prior to receiving, reviewing and signing that they respect the ethical principles stated in the KMG International Supplier Code of Conduct and take responsibility for the provided services and products and all data communicated to KMG International, including their commitment to meeting the Group's environmental, labor, social and human rights standards.

Moreover, suppliers are subjected to follow-up, assessment, and monitoring activities on a regular basis as part of the company's risk mitigation efforts, while potential suppliers and contractors go through a complex screening and selection process before any dealing is signed with the company. Any failed attempt to meet KMG International requirements may ultimately result in contract termination.

### PROCUREMENT AND SUPPLY CHAIN OPERATIONS

The Group's procurement and supply chain operations are responsible for contract and material management, commercial strategies, procurement systems, logistics and indirect procurement. Supply chain operational activities, which generate short and mid-term plans are based on production scenarios, forecasts, annual delivery plans and daily schedules, covering 3 major business areas: feedstock purchasing, planning & production optimization and volumes allocations & overall logistics for all the Group subsidiaries.

Petromidia refinery (Romp petrol Rafinare) relies on raw materials purchased under important contracts concluded both on the import and on the domestic market. The main raw material used by Rompetrol Rafinare, crude oil, comes exclusively from import, based on firm contracts signed on an annual basis. This ensures the stability and safety that the refinery needs to operate at maximum capacity. The main source of crude oil is Kazakhstan, reaching Romania through Midia Marine Terminal. Other raw materials come from both external and internal sources.

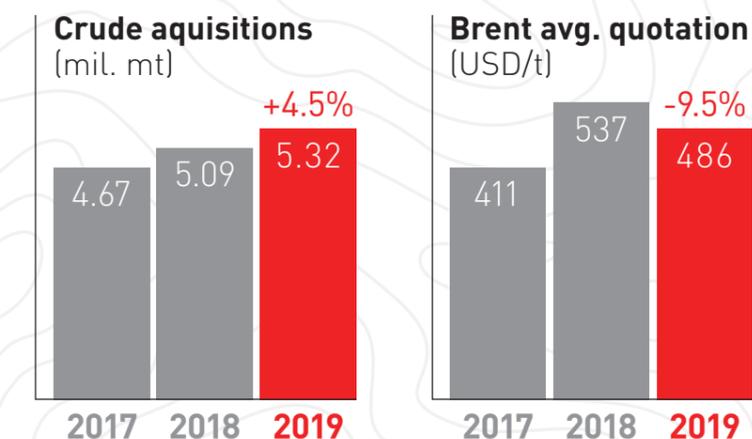
When it comes to the purchase of raw materials, the Group follows the trends and quotations on international markets, and, as a rule, the reference quotation calculation (Brent, Ural) is used. Each year, the level is influenced by fluctuations in the market, by the international context influenced by geopolitical or economic factors. All factors are ultimately reflected in the level of purchase prices of raw materials.



### KMG Trading handles trading for all of KMG International

In 2019, crude oil acquisitions were higher than the previous year, thus maintaining the ascending trend of the past years, triggered by the consistent investments in Petromidia refinery's capacity increase and production optimization.

Average price of acquisition for crude was lower than in 2018 due to decrease of international quotations. In 2019, a crude oil purchase price of USD 506.38/ton was budgeted, with an average final price of USD 476.41/ton, the evolution of the crude oil market as compared to the budget forecast registering an annual decrease of 5.92%.



All feedstock volumes purchased in 2019 from external sources were considerably higher than in 2018. At the opposite end, domestic acquisitions in 2019 saw a decrease, even if in 2018 the amount had recorded a slight increase from the previous year. To these, volumes transferred from Vega refinery add to the increasing trend, with an approximately 60% increase from the 2018 amount.



### Feedstock supply sources (mil. mt)

External	5.795	6.074
Domestic	0.118	0.108
Vega	0.042	0.067

2018 2019

Both feedstock acquisition and sales of finished products exceeded budget forecasts, with 6,182,108 tons of crude oil, instead of the 6,025,578 tons budgeted, respectively 5,412,286 tons of finished products, compared to the 5,178,881 tons included in the budget for 2019.

Compared to 2018, there was a slight shift in the scale of domestic and external exports, with a 43% - 57% ratio between external and domestic exports, compared to the previous year, when the ratio was 47% - 53%. Even so, Rompetrol Rafinare continued to be Romania's largest exporter of petroleum products, quantities delivered to KMG International subsidiaries in Bulgaria, Republic of Moldova, and Georgia and to partners in the Black Sea region, amounting to 2.63 million tons of petroleum products - near the level of 2018.

In 2019, the two refineries owned by the Group (Petromidia and Vega) registered a 7% increase in the total volumes of raw materials processed. For the first time in its 40-year history, Petromidia Refinery exceeded the threshold of 6 million tons - 6.33 million tons, a historical record. Also, Vega Refinery recorded all-time-high numbers, namely 436 kt, compared to the 406 kt processed in 2018, which was at the time another historical record for the refinery.

**Petromidia Refinery** produces exclusively high quality Euro5 fuels (10 parts of sulfur per million), from the Efix and EfixS ranges, which can be found on the domestic market, but also in the Rompetrol fuel stations in the Republic of Moldova, Georgia, and Bulgaria.

Due to the volumes of raw material processed, the distribution segment registered significant increases in terms of fuel marketing. Thus, in 2019, total fuel sales increased by 5%, from 2.38 million tons in 2018, to 2.5 million tons. More precisely, retail fuel sales increased from 714 kt in 2018 to 789 kt in 2019, and wholesale volumes increased by 4%, from 1.25 million tons, to almost 1.3 million tons.

For more context, international quotations for fuels depreciated by 10.2% for Euro 5 gasoline, respectively 8.2% for Euro 5 diesel. In addition, the 7.5% depreciation of the national currency against the dollar led to a price drop of one liter of gasoline by 3.5% and one liter of diesel by 1.3%.

Sales on the domestic market accounted for 57% of total sales, slightly higher than in 2018, with the domestic market absorbing about 52% of total motor fuels sold in 2019.

The share of motor fuels (gasoline and diesel) reached 80% of total finished products sales. While gasoline sales were rather consistent, Diesel sales showed a 6% increase in 2019 compared to the previous year.



### Fuel sales (mil. mt)

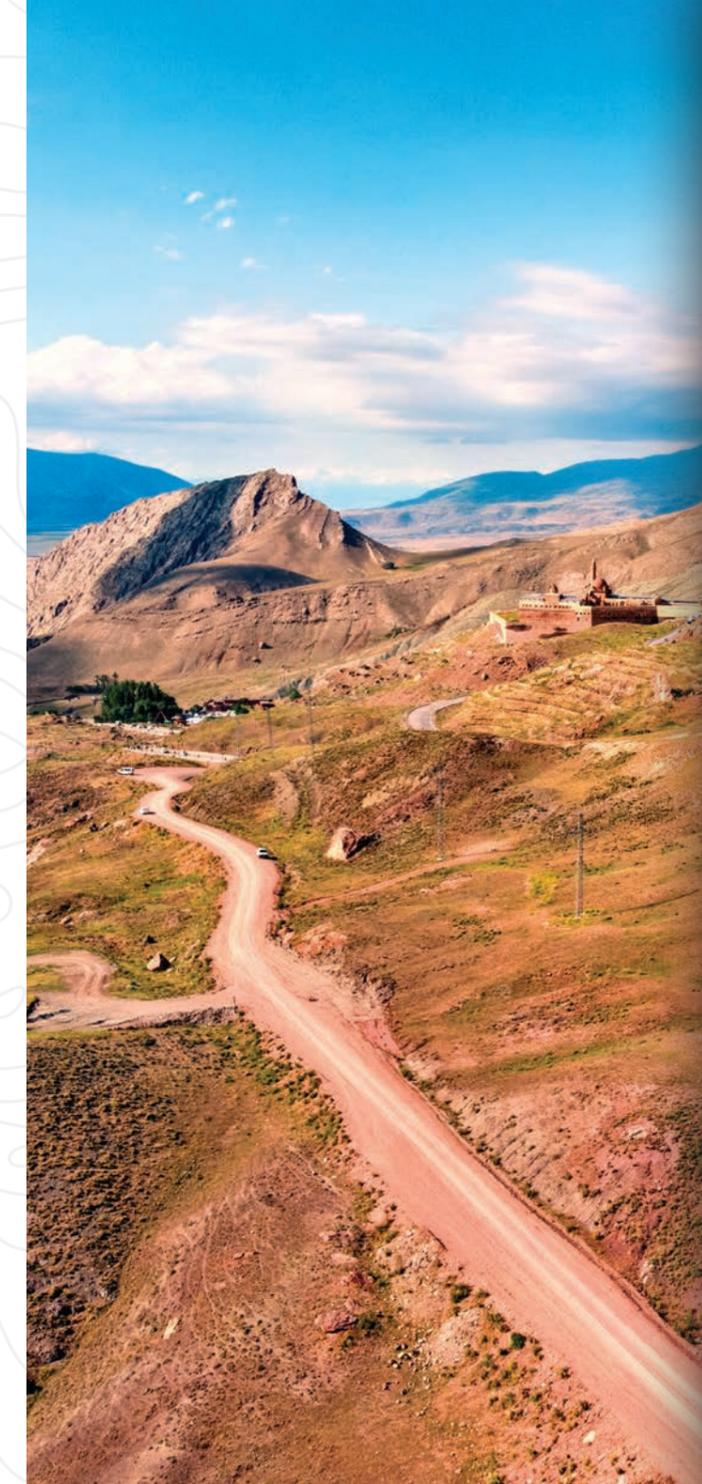
Gasoline	1.364	1.376
Diesel	2.761	2.927

2018 2019

The highest share, approximately 84%, of total motor fuels sold on the domestic market was represented by diesel sales. External sales had as final destination both the European Community and non-EU states. Intra-Community deliveries accounted for about 33% of the total finished products sold on the external market, slightly higher than in 2018 (32%), as a result of increased sold volumes.

Total sales in 2019 increased compared to 2018, with a more important growth on the domestic market, especially in diesel, jet fuel, liquefied petroleum gases. On the external market, volumes traded were slightly lower than in 2018, with an increase in sales of jet fuel, petroleum coke, diesel. Regional markets were consolidated (Greece, Georgia, Turkey, Bulgaria, Moldova) but important quantities were sold on other markets (Middle East, Africa).

Main external markets were Greece, Georgia, Lebanon, Bulgaria, Moldova, Turkey for gasoline, Greece, Bulgaria, Moldova, Turkey, Georgia, Serbia for Diesel, Moldova, Georgia, Bulgaria, Albania for Jet fuel, Turkey, Moldova, Ukraine, Serbia, Hungary for petroleum coke and Egypt, Ukraine for sulphur.



Petroleum products were shipped mostly by road trucks and by rail, but also by barges (domestic sales). Externally, most of the volumes were dispatched by sea via the Midia and Constanta ports, but also by road and rail transportation means.

**Vega Refinery**, the longest-standing unit in Romania and the only domestic producer of bitumen and hexane also recorded operational records in 2019, with a bitumen production of 120 kt, an all-time record in Vega Refinery history and above the previous year record by 18 kt. Moreover, another record was registered in terms of hexane production, which reached 92 kt, above its previous record by 7 kt.

Vega works in perfect synergy with the Petromidia Refinery, the largest in Romania and one of the most modern in the Black Sea region. Thus, Petromidia supplies the full quantity of raw materials / semi-finished products to Vega Refinery, needed to obtain special products with high added value.

#### Product sales (% of total)

naphta gasoline	31.33%
bitumen	27.10%
n-hexane	20.27%
eco-solvents	9.30%
fuel oil	8.37%
heating oil	2.08%
petrol & white spirits	1.55%

2019

Total sales of Vega Refinery products in 2019 reached 443,526 tons, of which 222,837 tons were domestic and 220,689 tons external. The main external markets were Hungary, Slovakia, Czech Republic, Poland, Spain for naphtha, India, Turkey, Ukraine, Bulgaria, Russia for hexane, Germany, Cyprus, Spain, Ukraine, Hungary, Moldova for ecological solvents, Bulgaria and Moldova for white spirit, Bulgaria for fuel oil and bitumen. White products sales (naphtha, ecological solvents, n-hexane, and white spirit) represented about 62% of total sales in 2019.

**Petrochemical Division** sales in 2019 amounted to 162,424 tons in 2019. 56.5% of total sales stand for polypropylene (PP), 25.5% stand for polyethylene (PE) and the remaining 18% represents sales of propylene and trading activity. Sales growth, compared to 2018, was recorded in polypropylene (PP) (+5%) and propylene (+33%).

Of the total sales of the Petrochemical Division in 2019, 59% represented the domestic market and the rest of 41% represented exports, a visible shift from 2018, when the domestic market made for 51% and exports for 49%.

The most important distribution channels for polymers (PP, LDPE, HDPE, PET and PVC) were Romania, Bulgaria, Serbia, and Italy. External sales of polymers targeted both the European Union and third-party countries. However, intra-communitarian deliveries represented approx. 88% of the total export sales of finished goods, the difference representing export sales to non-EU markets.

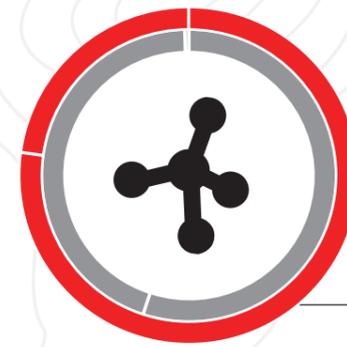
The distribution of petrochemical products was carried out by road and railway in the case of sales on the domestic market and via road and maritime transport through the ports of Agigea and Constanta, for foreign markets.



#### Petrochem sales on domestic market (th. tons)

polypropylene	33.7	40.1
polyethylene	24.8	26.1
propylene	21.4	28.5
trading	3.1	0.67

2018 2019



#### Petrochem exports (th. tons)

polypropylene	33.5	51.6
polyethylene	27.1	15.3
trading	0.27	0.0

2018 2019

**Romp petrol Downstream**, covering the Romanian market, reached record sales in 2019, of 2.11 million tons, increase by 7% against 2018 (1.98 million tons), mainly due to a boost in sales of diesel by 104 thousand tons and opening of 6 new CODO gas stations. As of December 2019, Romp petrol Downstream's distribution segment was comprised of 964 points of sale, including the network of owned stations, partner stations and mobile stations: express, tanks and internal bases.

During 2019, Romp petrol Gas improved its retail sales volume performance by +10% compared to 2018, up to 58.6 ktons, while LPG Auto wholesale performance within Romania reached 71.7ktons, +16% above 2018.

In accordance with the applicable legislation regarding the use of **biofuels and bio liquids**, in 2019 Petromidia Refinery produced diesel with a biofuel content of not less than 6.5% by volume and gasoline with max. 8%.

In 2019, the Group continued to reduce its impact on the environment by considerably increasing the quantity of biofuels used in processing. As such, KMG International purchased 112,857 tons of biodiesel, up from 96,615 tons in 2018 and 67,637 tons in 2017. Furthermore, the bioethanol purchased by the Group reached 41,543 tons in 2019, up by nearly 50% from the amount of 2018, 21,082 tons of bioethanol, which was already an increase compared to the 19,600 tons in 2017.

All biofuel volumes purchased by KMG International comply with sustainability criteria set out in the EU Legislation, being sourced from EU producers using mainly European feedstock.

Furthermore, in compliance with national and European rules and regulations, traceability bulletins, entitled Proof of Sustainability (Pos) were issued for bioproducts delivered to clients, through the ISCC-EU application.



#### Biofuel acquisition (tons)

EU	79,714
Romania	74,687
biodiesel	112,857
bioethanol	41,543

2019

## Market Research & Product Responsibility

### QUALITY MANAGEMENT

All companies in the Group comply with the best practice code whereby operators are required to provide details of marketed products in conformity with the NP 004/2003 technical standard (normative) on fueling station design and operation, Law no - 307/2006 on firefighting, Law no 319/2006 on occupational health & safety and Emergency Ordinance no. 80/2018, which sets the minimum requirements for fuel market introduction.

For all our products, we are diligent in conducting thorough hazard and regulatory assessments and developing comprehensive and publicly displayed Material Safety Data Sheets (MSDS), each containing 16 sections according to Regulation (CE) no.1907/2006 (REACH), amended and supplemented by Regulation No. 453/2010 (EU) and Regulation (EC) no. 830/2015.

Furthermore, Standard Specifications (SS) are provided for all products of the Group companies, which are also documented and publicly displayed. Each SS contains information on product description, properties, limits, test method, quality control, sampling, handling, storage, transport, while the Material Safety Data Sheet of each product contains safety, fire hazard, recycling, and disposal information.

All products are developed in compliance with the REACH regulation, being registered in accordance with the requirements of the European Chemicals Agency (ECHA) and all work points apply the required signaling, in line with CLP requirements.

Romp petrol Rafinare (RRC), KMG International's refining division, only produces Euro 5 fuels and only processes sulfurous oil. All RRC fuels and the LPG distributed by Rompetrol Gas and fuels delivered by Rompetrol Downstream are certified by the Romanian Automotive Registry.

Fuels are designed and labeled according to EN 590:2017 (diesel), EN 228:2017 (gasoline), EN 589:2008 (LPG), as well as certified by the Romanian Automobile Registry according to GD no. 928/2012 - minimum requirements for market introduction of fuel amended by Emergency Ordinance no. 80/2018.

Bitumen is designed according SR EN 12591:2009 (paving grade bitumen); SR EN 14023:2010 (polymer modified bitumen) and certified by Romanian Accreditation Certification Society (SRAC) according to GD no. 622:2004.

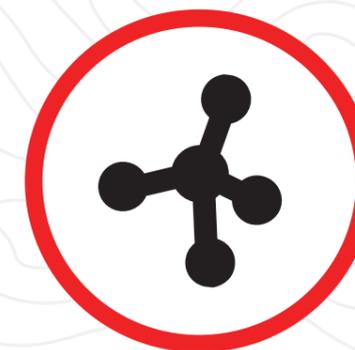
All companies part of KMG I are following our MSDS and safety labeling regulations. There has been no identified non-compliance to regulations and voluntary codes concerning health and safety impacts of products or product and service information and labeling in 2018, in line with the trend established in the previous years.

### CUSTOMER SATISFACTION

Since the opinion of our customers is of utmost importance to us at KMG International, we have procedures in place to rate customer satisfaction and claims across our business units, in accordance with international standards ISO 9001, ISO 14001 and ISO 45001 for the refining segment, and ISO 9001 and ISO 14001 on OHSAS 18001 for the retail segment.

KMG International conducts extensive consumer surveys across its operations periodically, to identify its best assets, as well as all segments that might require improvement in terms of customer satisfaction.

The Group's strategy includes objectives like increasing loyalty and strengthening customer confidence, gaining new customers, and building stronger business relations. Thus, surveys and studies carried out throughout its retail network are aimed at monitoring customer perception, loyalty, customer satisfaction and claims related to the range of products commercialized by the Group. Based on such surveys, the Group constantly implements projects and actions to improve delivery logistics and seeks to improve and expand its product portfolio.



**Polymer quality claims decreased by 10% in 2019, compared to 2018.**

Furthermore, in a consistent manner, results obtained by Rompetrol Gas in the customer satisfaction survey conducted in 2019 demonstrated that the company had a strong relationship with its clients, and, just like the previous year, for most of them (65%) Rompetrol Gas continued to be a unique supplier, while Rompetrol Downstream (DWS) recorded 2 claims in 2019, a decrease from the 4 claims recorded in 2018.

## Compliance

Our operations include various projects to oversee compliance across all Group business units and departments, such as the CAPEX program, for example, regarding HSE compliance in Rompetrol Rafinare (RRC), Rompetrol Downstream (RPD) and Rompetrol Gas (RPG) depots and gas stations.

In terms of legal matters, KMG International was identified as party in several legal proceedings, most of which represented long-standing cases or appeals from previous years.

### Legal proceedings involving Rompetrol Rafinare SA, Rominserv SRL and employees of the two companies, following a technical incident at Petromidia refinery on August 22, 2016

On August 22, 2016, a technical incident occurred within the DAV plant. Following the event, two employees of a Group' subsidiary, Rominserv SRL, suffered burns and two persons were deceased. Following the completion of the criminal prosecution, Rompetrol Rafinare S.A., Rominserv SRL and three employees of these companies were put on trial for the non-observance of labor, health and safety measures, bodily harm by negligence, manslaughter, and accidental pollution. Rompetrol Rafinare S.A. and Rominserv was also involved as civilly liable parties in the case.

On August 16, 2017 both Rompetrol Rafinare and Rominserv received fines set by the Constanta Territorial Labor Inspectorate (in cumulated amount of RON 31,000), which were appealed by both entities. However, given the ongoing criminal case, the court suspended the subsequent proceedings pending resolution of the former.

As a result of the completion of the prosecutor activities, the file was sent into the court twice, the court finding each time the relative nullity of the indictment of the Prosecutor's Office attached to the Constanta Court of Appeal, as well as the irregularity which leads to the impossibility of establishing the object and limits of the indictment judgement. In May 2020, the prosecutor started to perform, for the third time, activities in the criminal case.

On October 15, 2019, the court decided again to send back the indictment to the prosecutorial office due to the irregularities mentioned therein.

On the other hand, the request filed by Rominserv for the plea of unconstitutionality of certain provisions to be settled further by the Constitutional Court was admitted. The respective provisions concern the possibility to rectify the document instituting court proceedings during the preliminary chamber procedure. Considering the allegations, each company is facing a maximum exposure of approximately RON 3.6 million.

### Vega residual lagoons remediation project

On November 15, 2017, the Environmental National Guard (ENG) performed an inspection at Vega Refinery in order to determine the status of the Remedial Project implementation. Following the inspection, a 100,000 RON fine would be applied for the Company's failure to send a notice to PEPA with respect to the commencement of the remedial works and to the identity of the contractor appointed in the Project, including for the failure to perform the works described in the remedial project and to comply with the deadlines specified in relation thereto.

On November 21, 2017, PEPA transmitted the Notice no. 149, informing that the Company had to comply with the provisions of the Integrated Environmental Authorization (EIA) until December 21, 2017 (related to the execution of residual pools remediation project), otherwise the EIA would be suspended until remedial of Company's failure, but, in any case, no longer than 6 (six) months, after which the EIA would be cancelled.

The following actions were carried out towards the implementation of the project:

- the works related to phase I of the Environmental Agreement were completed
- a pilot test for 200 tons of waste was conducted
- laboratory testing to identify new technologies
- risk analysis relating unexpected UXO, which highlighted the high probability of accidental detonation of unexploded projectiles if applying the technology regulated by the current environmental agreement.
- rehabilitation works were contracted for lagoons no. 16, 17, 18.

On August 22, 2019, PEPA transmitted the Notice no.109, for suspension of Vega refinery activity due to lagoons non-compliance, respectively for not presenting a firm agreement for all lagoons' execution, with deadline for compliance max. regulated 60 days, otherwise the EIP would be suspended until remedial of Company's failure, but, in any case, no longer than 6 (six) months, after which the EIP could be canceled.

This was countered by Rompetrol Rafinare with an appeal; however, the Court dismissed the appeal as no longer having a scope, considering the EPA Letter withdrawing the notification.

On December 4, another notification was received from PEPA, mentioning that the notification from August 22 had ceased its applicability.

### Litigation on Tax Assessments received by Rompetrol Rafinare S.A. in 2017

The action refers to a Decision by the National Agency for Tax Administration issued in 2017 and covering the 2011-2015 period, for the payment of RON 26.1 million representing VAT (of which RON 13.1 million related to VAT of Rompetrol Rafinare SA the rest belonging to the VAT group companies), RON 6.5 million representing Rompetrol Rafinare SA withholding tax and decrease of Rompetrol Rafinare's fiscal loss with RON 144.4 million. The related penalties assessed were in amount of RON 16.3 million for all VAT group companies. The principal additional taxes and related penalties were partially paid and partially compensated with receivable taxes and the remaining paid in cash.

The tax assessment was challenged on February 26, 2018, but the taxation authorities rejected parts of the amounts included in the challenge. As a result, the Company submitted a claim to challenge the amounts rejected by ANAF - DGSC in the Decision regarding the Company's administrative appeal.

The claim submitted by Rompetrol Rafinare S.A. was registered on July 25, 2019, at the Constanta Court of Appeal. On December 11, 2019, the Court approved RRC's request to carry out a financial – accounting expertise in the Case file and set the next term for January 15, 2020 when the Court would nominate three experts to perform the expertise and would set the term for the Expertise Report to be filled.

### Litigation regarding CO<sub>2</sub> emission allowances

On 28 February 2011 Rompetrol Rafinare S.A. won the court case against The Romanian Government and The Ministry of Environment which required the Romanian authorities to allocate to Rompetrol Rafinare an additional number of 2.577.938 CO<sub>2</sub> emission certificates for the entire period 2008-2012 (Decision 69/CA/2011). This first decision issued by the Constanta Court of Appeal was challenged by the Ministry of Environment and The Romanian Government, but the appeals were rejected by the High Court of Cassation and Justice and the first court decision became final.

According to the current Romanian and European legislation, the certificates obtained for the 2008 – 2012 period may be owned and used also for the next period, 2013 – 2020. Considering that the Ministry of Environment and the Romanian Government did not fulfil the Court decision according to the deadline, Rompetrol Rafinare SA started a court claim against them, having as object damages in amount of EUR 36 million.

The court admitted the claim and found liable both the Romanian Government and Ministry of Environmental for damages in amount of EUR 31,806,598.74 in RON at the payment date for failure to observe the final Supreme Court decision issued in October 2012.

The Supreme Court set the first hearing for November 11, 2021, but the Company applied for an earlier hearing considering that 7 years had already passed since the Supreme Court decision was issued in favor of the company. The Supreme Court admitted the Company's request for an earlier hearing and set the next term on June 4, 2020 and the decision was postponed for June 18. The Supreme Court issued the final decision according to which the appeals filed by all parties were rejected. Therefore, the favorable decision of the first court by which Rompetrol Rafinare was granted damage compensations of EUR 31,806,598.74 is final and binding.

### Litigation between Rompetrol Downstream S.R.L. and RATB (Bucharest public transIt)

In 2011, following a public tender organized by RATB, the biggest public transport company in Romania serving the Bucharest metropolitan area, Rompetrol Downstream was awarded with a 4-year framework Agreement (divided into 4 yearly contract) for delivery of fuel for RATB fleet through an integrated system.

Even if Rompetrol Downstream had complied in full and on time with the obligations to supply RATB with the requested quantities of fuel for the 4 years, the related IT system was gradually implemented until September 16, 2015. This led to 4 legal court cases (one per each agreement) initiated by RATB.

The first three cases were closed after the Courts had decided in favor of Rompetrol Downstream with the first hearing in the 4th case being set for September 9, 2020, after the initial favorable decision for Rompetrol Downstream was appealed by RATB.





**Overalp Pass Road**  
Swiss Alps  
Switzerland



# 7

## Finance

Know what you own,  
and know why you own it.

PETER LYNCH

## Financial Brief (IFRS)

The abbreviated financial information is derived from the Consolidated Financial Statements as of and for the year ended 31 December 2019 and should be read in conjunction with these audited Consolidated Financial Statements.

On the full consolidated financial statements an unqualified audit opinion was issued. Check our Group's Annual Report for the full financial disclosure.

CONSOLIDATED FINANCIAL POSITION	2019 (USD)	2018 (USD)	2017 (USD)
Total non-current assets	1,389,144,645	1,355,049,407	1,370,399,247
Total current assets	1,088,301,424	1,276,085,430	1,290,357,019
<b>Total assets</b>	<b>2,477,446,069</b>	<b>2,631,134,837</b>	<b>2,660,756,266</b>
Equity attributable to shareholders of the parent	1,115,445,287	1,127,664,575	1,086,335,229
Non-controlling interest	(260,908,156)	(251,491,655)	(246,226,690)
<b>Total equity</b>	<b>854,537,131</b>	<b>876,172,920</b>	<b>840,108,539</b>
Total non-current liabilities	425,712,794	349,127,882	173,666,783
Total current liabilities	1,197,196,144	1,405,834,035	1,646,980,944
<b>Total liabilities</b>	<b>1,622,908,938</b>	<b>1,754,961,917</b>	<b>1,820,647,727</b>

CONSOLIDATED INCOME STATEMENT	2019 (USD)	2018 (USD)	2017 (USD)
Revenue	9,289,739,299	11,669,147,774	8,322,706,699
Cost of sales	(8,927,808,493)	(11,267,370,278)	(7,886,317,048)
<b>Gross profit</b>	<b>361,930,806</b>	<b>386,877,862</b>	<b>436,389,651</b>
Operating profit	65,811,392	97,294,705	117,712,915
<b>Profit (loss) before income tax</b>	<b>20,555,080</b>	<b>50,964,995</b>	<b>85,983,954</b>
Income tax	(17,416,874)	(10,681,191)	(5,560,284)
<b>Profit (loss) for the year</b>	<b>3,138,206</b>	<b>40,283,804</b>	<b>80,423,670</b>





**Road to Shymbulak ski resort**  
Medeu Valley  
Kazakhstan



# 8

## Appendices

There is no real ending.  
It's just the place where  
you stop the story.

FRANK HERBERT

## Independent Opinion

The 2019 KMG International (KMGI) sustainability report, Milestones, although has a strong focus on the Romanian market and the company's operations on this market, offers its readers an encompassing view regarding the company's practice on other markets as well. This is one of the many welcomed additions to the report, bringing a more balanced perspective and clarity over the complex structure of the group compared to previous years.

KMGI strives and succeeded in offering a clear, balanced and honest perspective of its operations, impacts and approaches. The Milestones Sustainability report uses a mixture of data, detailing (mainly) the company's performance in the specific characteristics of the Romanian market. At the same time, the company uses activities from the previous year to benchmark its reported results for 2019. This allows readers to easily observe the company's progress in terms of operational optimization and its environmental commitments and makes the report a useful tool for different types of stakeholders, irrespective of their background and knowledge of KMG International's business.

Examining the 2019 KMGI report, we can see that it reflects the company's diligence to align the information presented with the stakeholders' areas of interest, and to provide concise yet comprehensive content on selected indicators. All areas established as being material in the stakeholder engagement process, have received extensive coverage. The company presents its progress over the years and looks at the challenges faced in a well-structured and succinct manner, each chapter providing valuable data and information regarding the company's approach to each relevant aspect and the progress made on relevant material aspects. The document also offers a detailed perspective on the company's internal procedures and codes, governance and performance.

### As a general overview of the report we can state that:

- The report follows the Global Reporting Initiative (GRI) Standard Sustainability Reporting Guidelines and the associated Oil and Gas Sector Supplement, covering both General and Specific Disclosures;
- The company covers material aspects and indicators required, including management approaches and industry specific requirements and local context;
- Reporting principles of content and quality are well reflected in the report.

### As potential improvements with respect to the content of future reports, we suggest the following:

- Environmental protection is high on both stakeholder and company agenda. Nevertheless, most of the performance indicators in this area reflect the company's progress in the Romanian market. As the KMGI group includes other downstream operative units in different markets which may have important environmental impact, it would be useful to dedicate reporting space concerning the environmental performance related to these units as well.
- Considering the size of the company and its' complex operations in the Romanian market, we consider that a broader description of such indicators as Indirect economic impact (203-2) and Total spending on local markets (204-1) may add valuable information for stakeholders and increase report quality at the same time.
- Reflecting community partners' opinions and needs as they arise in company activity (case studies and quotes) is another area that could use strengthening;

With regards to the formatting of the report, there is not much to improve. The report is at the usual high quality in this regard as well.

In our professional opinion the 2019 KMGI Sustainability Report has increased in quality compared to previous years. It can be considered a balanced document that reports adequately on relevant material aspects, with some room for improvement, but not in the essential parts. The advancements made from year-to-year in the quality of the report highlights the Group's progress in its journey towards sustainability, as this report may well be the best one we have had the pleasure to review from KMG International. We are confident that if the Group takes into consideration the improvements suggested above, future reports will be even more informative and chiselled.



Hope for everyone, strength from all

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## GRI Annex

GRI STANDARD NO. & TITLE	DESCRIPTION	CHAPTER	PAGES	REPORTED
<b>STRATEGY</b>				
<b>102-14</b> General Disclosures (Core)	<b>Statement from senior decision-maker.</b> A statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability.	<b>Summary</b>	2, 3	FULLY
<b>102-15</b> General Disclosures	Description of key impacts, risks, and opportunities	<b>Summary</b>	2, 3	PARTIALLY
<b>ORGANIZATIONAL PROFILE</b>				
<b>102-1</b> General Disclosures (Core)	Name of the organization	<b>Intro</b>	22	FULLY
<b>102-2</b> General Disclosures (Core)	Activities, brands, products, and services	<b>Intro</b>	19, 20	FULLY
<b>102-3</b> General Disclosures (Core)	Location of the organization's headquarters	<b>Intro</b>	22	FULLY
<b>102-4</b> General Disclosures (Core)	Location of operations	<b>Intro</b>	18	FULLY
<b>102-5</b> General Disclosures (Core)	Ownership and legal form	<b>Intro</b>	22	FULLY
<b>102-6</b> General Disclosures (Core)	Markets served	<b>Intro</b>	22	PARTIALLY
<b>102-7</b> General Disclosures (Core)	Scale of the organization	<b>Intro Marketplace</b>	22, 23 98, 99	FULLY
<b>102-8</b>	Information on employees and other workers	<b>People</b>	56, 58-66	FULLY
<b>102-9</b> General Disclosures (Core)	<b>Supply chain.</b> Description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services.	<b>Intro Marketplace</b>	18-20 97-101	FULLY
<b>102-10</b> General Disclosures (Core)	Changes during the reporting period regarding the organization's size, structure, ownership or its supply chain	<b>Intro</b>	23	FULLY
<b>102-11</b> General Disclosures (Core)	Whether and how the precautionary approach or principle is addressed by the organization.	-	-	NO
<b>102-12</b> General Disclosures (Core)	<b>External initiatives.</b> A list of externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses.	<b>Approach Summary</b>	6 30, 31	FULLY

GRI STANDARD NO. & TITLE	DESCRIPTION	CHAPTER	PAGES	REPORTED
<b>102-13</b> General Disclosures (Core)	<b>Membership of associations.</b> A list of the main memberships of industry or other associations, and national or international advocacy organizations.	<b>Intro</b>	30, 31	FULLY
<b>REPORTING PRACTICE</b>				
<b>102-45</b> General Disclosures (Core)	Entities included in the consolidated financial statements	<b>Intro Finance</b>	22, 23 110	PARTIALLY
<b>102-46</b> General Disclosures (Core)	Defining report content and topic Boundaries	<b>Approach</b>	6, 8	FULLY
<b>102-47</b> General Disclosures (Core)	List of material topics	<b>Approach</b>	9, 10	FULLY
<b>103-1</b> Management Approach	Explanation of the material topic and its Boundary	<b>Approach</b>	8-10, 13	PARTIALLY
<b>102-48</b> General Disclosures (Core)	<b>Restatements of information.</b> The effect of any restatements of information given in previous reports, and the reasons for such restatements.	-	-	NO
<b>102-49</b> General Disclosures (Core)	Changes in reporting	<b>Approach</b>	7	FULLY
<b>102-50</b> General Disclosures (Core)	Reporting period	<b>Approach</b>	6	FULLY
<b>102-51</b> General Disclosures (Core)	Date of most recent previous report (if any)	<b>Approach</b>	6	FULLY
<b>102-52</b> General Disclosures (Core)	Reporting cycle	<b>Approach</b>	6	FULLY
<b>102-53</b> General Disclosures (Core)	Contact point for questions regarding the report or its contents	<b>Appendices</b>	126	FULLY
<b>102-54</b> General Disclosures (Core)	Claims of reporting in accordance with the GRI Standards	<b>Approach</b>	6, 8	FULLY
<b>102-55</b> General Disclosures (Core)	GRI Content Index	<b>Appendices</b>	116-124	FULLY
<b>102-56</b> General Disclosures (Core)	External assurance	<b>Appendices</b>	114, 115	PARTIALLY
<b>STAKEHOLDER ENGAGEMENT</b>				
<b>102-40</b> General Disclosures (Core)	List of stakeholder groups	<b>Approach</b>	12	FULLY
<b>102-41</b> General Disclosures (Core)	Percentage of total employees covered by collective bargaining agreements	<b>People</b>	68	FULLY
<b>102-42</b> General Disclosures (Core)	Identifying and selecting stakeholders	<b>Approach</b>	12, 13	PARTIALLY
<b>102-43</b> General Disclosures (Core)	Approach to stakeholder engagement	<b>Approach</b>	12, 13	PARTIALLY

GRI STANDARD NO. & TITLE	DESCRIPTION	CHAPTER	PAGES	REPORTED
<b>102-44</b> General Disclosures (Core)	Key topics and concerns that have been raised through stakeholder engagement	<b>Approach</b>	12, 13	PARTIALLY
<b>GOVERNANCE</b>				
<b>102-18</b> General Disclosures (Core)	<b>Governance structure.</b> a. Governance structure of the organization, including committees of the highest governance body. b. Committees responsible for decision-making on economic, environmental, and social topics.	<b>Intro</b>	23-25	FULLY
<b>102-19</b> General Disclosures	<b>Delegating authority.</b> Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees.	<b>Intro</b>	23-25	FULLY
<b>102-20</b> General Disclosures	Executive-level responsibility for economic, environmental, and social topics	<b>Intro</b>	23-25	PARTIALLY
<b>102-21</b> General Disclosures	Consulting stakeholders on economic, environmental, and social topics	-	-	NO
<b>102-22</b> General Disclosures	Composition of the highest governance body and its committees	<b>Intro</b>	24	PARTIALLY
<b>102-23</b> General Disclosures	Chair of the highest governance body	<b>Intro</b>	24	FULLY
<b>102-24</b> General Disclosures	Nominating and selecting the highest governance body	<b>Intro</b>	23-34	PARTIALLY
<b>102-25</b> General Disclosures	Conflicts of interest	<b>Intro</b>	26-29	PARTIALLY
<b>102-26</b> General Disclosures	Role of highest governance body in setting purpose, values, and strategy.	<b>Intro</b>	24, 25	PARTIALLY
<b>102-27</b> General Disclosures	<b>Collective knowledge of highest governance body.</b> Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics.	-	-	NO
<b>102-28</b> General Disclosures	Evaluating the highest governance body's performance	-	-	NO
<b>102-29</b> General Disclosures	Identifying and managing economic, environmental, and social impacts	<b>Approach Intro</b>	13-15 24, 25	PARTIALLY
<b>102-30</b> General Disclosures	Effectiveness of risk management processes	-	-	NO
<b>102-31</b> General Disclosures	Review of economic, environmental, and social topics	<b>Approach</b>	8-13	PARTIALLY
<b>102-32</b> General Disclosures	Highest governance body's role in sustainability reporting	-	-	NO
<b>102-33</b> General Disclosures	Process for communicating critical concerns to the highest governance body.	-	-	NO

GRI STANDARD NO. & TITLE	DESCRIPTION	CHAPTER	PAGES	REPORTED
<b>102-34</b> General Disclosures	Nature and total number of critical concerns	<b>Intro</b>	28, 29	PARTIALLY
<b>102-35</b> General Disclosures	Remuneration policies	-	-	NO
<b>102-36</b> General Disclosures	Process for determining remuneration	<b>Intro People</b>	24, 25 66	FULLY
<b>102-37</b> General Disclosures	Stakeholders' involvement in remuneration	-	-	NO
<b>102-38</b> General Disclosures	Annual total compensation ratio	-	-	NO
<b>102-39</b> General Disclosures	Percentage increase in annual total compensation ratio	-	-	NO
<b>ETHICS AND INTEGRITY</b>				
<b>102-16</b> General Disclosures (Core)	Description of the organization's values, principles, standards, and norms of behavior.	<b>Intro</b>	26-28	FULLY
<b>102-17</b> General Disclosures	Mechanisms for advice and concerns about ethics	<b>Intro</b>	29	FULLY
<b>ECONOMIC</b>				
<b>201-1</b> Topic-Specific Disclosures - Economic Performance	Direct economic value generated and distributed.	<b>Finance</b>	110	PARTIALLY
<b>201-2</b> Topic-Specific Disclosures - Economic Performance	Financial implications and other risks and opportunities due to climate change.	<b>Environment</b>	50-52	PARTIALLY
<b>201-3</b> Topic-Specific Disclosures - Economic Performance	Defined benefit plan obligations and other retirement plans.	<b>People</b>	66-68	PARTIALLY
<b>201-4</b> Topic-Specific Disclosures - Economic Performance	Financial assistance received from government.	-	-	NO NEED
<b>202-1</b> Topic-Specific Disclosures - Market Presence	Ratios of standard entry level wage by gender compared to local minimum wage.	<b>People</b>	58-62	PARTIALLY
<b>202-2</b> Topic-Specific Disclosures - Market Presence	Proportion of senior management hired from the local community.	<b>People</b>	59	FULLY
<b>203-1</b> Topic-Specific Disclosures - Indirect Economic Impacts	Infrastructure investments and services supported	<b>Intro Environment Community</b>	22, 23 37, 52 83-91	FULLY
<b>203-2</b> Topic-Specific Disclosures - Indirect Economic Impacts	Significant indirect economic impacts	<b>Intro Environment Community</b>	22, 23 52 83-91	FULLY

GRI STANDARD NO. & TITLE	DESCRIPTION	CHAPTER	PAGES	REPORTED
<b>204-1</b> Topic-Specific Disclosures - Procurement Practices	Proportion of spending on local suppliers	-	-	NO
<b>ENVIRONMENTAL</b>				
<b>301-1</b> Topic-Specific Disclosures - Materials	Materials used by weight or volume	<b>Environment Marketplace</b>	38-42 97-101	FULLY
<b>301-2</b> Topic-Specific Disclosures - Materials	Percentage of materials used that are recycled input materials	<b>Environment</b>	48	FULLY
<b>302-1</b> Topic-Specific Disclosures - Energy	Energy consumption within the organization	<b>Environment</b>	44-47	FULLY
<b>302-2</b> Topic-Specific Disclosures - Energy	Energy consumption outside the organization	<b>Environment</b>	44-47	FULLY
<b>302-3</b> Topic-Specific Disclosures - Energy	Energy intensity	<b>Environment</b>	44-47	FULLY
<b>302-4</b> Topic-Specific Disclosures - Energy	Reduction of energy consumption	<b>Environment</b>	44-47	FULLY
<b>302-5</b> Topic-Specific Disclosures - Energy	Reductions in energy requirements of products and services	<b>Environment</b>	44-47	FULLY
<b>303-1</b> Topic-Specific Disclosures - Water and Effluents	Interactions with water as a shared resource	<b>Environment</b>	47, 48	PARTIALLY
<b>303-2</b> Topic-Specific Disclosures - Water and Effluents	Management of water discharge-related impacts	<b>Environment</b>	47, 48	PARTIALLY
<b>303-3</b> Topic-Specific Disclosures - Water and Effluents	Water withdrawal	<b>Environment</b>	47, 48	PARTIALLY
<b>303-4</b> Topic-Specific Disclosures - Water and Effluents	Water discharge	<b>Environment</b>	47, 48	FULLY
<b>303-5</b> Topic-Specific Disclosures - Water and Effluents	Water consumption	<b>Environment</b>	47, 48	FULLY
<b>304-1</b> Topic-Specific Disclosures - Biodiversity	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	<b>Environment</b>	53	PARTIALLY
<b>304-2</b> Topic-Specific Disclosures - Biodiversity	Significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	<b>Environment</b>	53	FULLY
<b>304-3</b> Topic-Specific Disclosures - Biodiversity	Habitats protected or restored	<b>Environment</b>	53	PARTIALLY
<b>304-4</b> Topic-Specific Disclosures - Biodiversity	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	-	-	NO
<b>305-1</b> Topic-Specific Disclosures - Emissions	Direct (Scope 1) GHG emissions	<b>Environment</b>	49	PARTIALLY
<b>305-2</b> Topic-Specific Disclosures - Emissions	Energy indirect (Scope 2) GHG emissions	-	-	NO

GRI STANDARD NO. & TITLE	DESCRIPTION	CHAPTER	PAGES	REPORTED
<b>305-3</b> Topic-Specific Disclosures - Emissions	Other indirect (Scope 3) GHG emissions	-	-	NO
<b>305-4</b> Topic-Specific Disclosures - Emissions	Greenhouse gas emissions intensity	-	-	NO
<b>305-5</b> Topic-Specific Disclosures - Emissions	Reduction of greenhouse gas emissions	<b>Environment</b>	49	FULLY
<b>305-6</b> Topic-Specific Disclosures - Emissions	Emissions of ozone-depleting substances (ODS)	-	-	NO
<b>305-7</b> Topic-Specific Disclosures - Emissions	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	<b>Environment</b>	49	FULLY
<b>306-2</b> Topic-Specific Disclosures - Waste and Effluents	Total weight of waste by type and disposal method	<b>Environment</b>	49	FULLY
<b>306-3</b> Topic-Specific Disclosures - Waste and Effluents	Total number and volume of significant spills	<b>Environment</b>	49	FULLY
<b>306-4</b> Topic-Specific Disclosures - Waste and Effluents	Transport of hazardous waste	<b>Environment</b>	49	FULLY
<b>301-3</b> Topic-Specific Disclosures - Materials	Percentage of products sold and their packaging materials that are reclaimed by category	-	-	NO NEED
<b>307-1</b> Topic-Specific Disclosures - Materials	Non-compliance with environmental laws and regulations	<b>Environment Marketplace</b>	49-52 102-107	FULLY
<b>308-1</b> Topic-Specific Disclosures - Supplier Environmental Assessment	New suppliers screened using environmental criteria	-	-	NO
<b>308-2</b> Topic-Specific Disclosures - Supplier Environmental Assessment	Negative environmental impacts in the supply chain and actions taken	-	-	NO
<b>103-2</b> Management Approach	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	<b>Environment Marketplace</b>	49-52 102-107	FULLY
<b>SOCIAL</b>				
<b>401-1</b> Topic-Specific Disclosures - Employment	Total number and rates of new employee hires and employee turnover by age group, gender, and region	<b>People</b>	58-62	FULLY
<b>401-2</b> Topic-Specific Disclosures - Employment	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	<b>People</b>	58	FULLY
<b>401-3</b> Topic-Specific Disclosures - Employment	Return to work and retention rates after parental leave, by gender	<b>People</b>	64-66	FULLY
<b>402-1</b> Topic-Specific Disclosures - Labor/Management Relations	Minimum notice periods regarding operational changes	<b>People</b>	68	FULLY

GRI STANDARD NO. & TITLE	DESCRIPTION	CHAPTER	PAGES	REPORTED
<b>403-1</b> Topic-Specific Disclosures - Occupational Health and Safety	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	<b>People</b>	70	FULLY
<b>403-2</b> Topic-Specific Disclosures - Occupational Health and Safety	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	<b>People</b>	71	PARTIALLY
<b>403-3</b> Topic-Specific Disclosures - Occupational Health and Safety	Workers with high incidence or high risk of diseases related to their occupation	-	-	NO
<b>403-4</b> Topic-Specific Disclosures - Occupational Health and Safety	Health and safety topics covered in formal agreements with trade unions	<b>People</b>	70-72	PARTIALLY
<b>404-1</b> Topic-Specific Disclosures - Training and Education	Average hours of training per year per employee	<b>People</b>	72	FULLY
<b>404-2</b> Topic-Specific Disclosures - Training and Education	Programs for upgrading employee skills and transition assistance programs	<b>People</b>	74-77	FULLY
<b>404-3</b> Topic-Specific Disclosures - Training and Education	Percentage of employees receiving regular performance and career development reviews	<b>People</b>	77	FULLY
<b>405-1</b> Topic-Specific Disclosures - Diversity and Equal Opportunity	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	<b>People</b>	62	FULLY
<b>405-2</b> Topic-Specific Disclosures - Diversity and Equal Opportunity	Ratio of basic salary and remuneration of women to men by employee category	<b>People</b>	60, 61	FULLY
<b>414-1</b> Topic-Specific Disclosures - Supplier Social Assessment	Percentage of new suppliers that were screened using labor practices criteria	-	-	NO
<b>414-2</b> Topic-Specific Disclosures - Supplier Social Assessment	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	<b>Intro</b>	28, 29	FULLY
<b>103-2</b> Management Approach	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	<b>Intro</b>	28, 29	FULLY
<b>412-3</b> Topic-Specific Disclosures - Human Rights Assessment	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	<b>Intro Marketplace</b>	28, 29 96	FULLY
<b>412-2</b> Topic-Specific Disclosures - Human Rights Assessment	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	-	-	NO

GRI STANDARD NO. & TITLE	DESCRIPTION	CHAPTER	PAGES	REPORTED
<b>406-1</b> Topic-Specific Disclosures - Non-Discrimination	Total number of incidents of discrimination and corrective actions taken	-	-	NO NEED
<b>407-1</b> Topic-Specific Disclosures - Freedom of Association and Collective Bargaining	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	<b>Intro Marketplace</b>	28, 29 96	FULLY
<b>408-1</b> Topic-Specific Disclosures - Child Labor	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	<b>Intro Marketplace</b>	28, 29 96	FULLY
<b>409-1</b> Topic-Specific Disclosures - Forced and Compulsory Labor	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	<b>Intro Marketplace</b>	28, 29 96	FULLY
<b>410-1</b> Topic-Specific Disclosures - Security Practices	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	-	-	NO NEED
<b>411-1</b> Topic-Specific Disclosures - Rights of Indigenous People	Total number of incidents of violations involving rights of indigenous peoples and actions taken	-	-	NO NEED
<b>412-1</b> Topic-Specific Disclosures - Human Rights Assessment	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	-	-	NO
<b>414-1</b> Topic-Specific Disclosures - Supplier Social Assessment	Percentage of new suppliers that were screened using human rights criteria	<b>Intro Marketplace</b>	28, 29 96	FULLY
<b>414-2</b> Topic-Specific Disclosures - Supplier Social Assessment	Negative human rights impact in the supply chain and actions taken	-	-	NO NEED
<b>103-2</b> Management Approach	Number of grievances about human rights filed, addressed, and resolved through formal grievance mechanisms	<b>Intro</b>	28, 29	FULLY
<b>413-1</b> Topic-Specific Disclosures - Local Communities	Percentage of operations with implemented local community engagement, impact assessments and development programs	<b>Community</b>	82-91	FULLY
<b>413-2</b> Topic-Specific Disclosures - Local Communities	Operations with significant actual or potential negative impacts on local communities	<b>Environment Community</b>	34, 53 82, 83	PARTIALLY
<b>205-1</b> Topic-Specific Disclosures - Anti-Corruption	Operations assessed for risks related to corruption	-	-	NO
<b>205-2</b> Topic-Specific Disclosures - Anti-Corruption	Communication and training about anti-corruption policies and procedures	<b>Intro Marketplace</b>	28, 29 96	FULLY

GRI STANDARD NO. & TITLE	DESCRIPTION	CHAPTER	PAGES	REPORTED
<b>205-3</b> Topic-Specific Disclosures - Anti-Corruption	Confirmed incidents of corruption and actions taken	<b>Intro</b>	28, 29	PARTIALLY
<b>415-1</b> Topic-Specific Disclosures - Public Policy	Political contributions	-	-	NO NEED
<b>206-1</b> Topic-Specific Disclosures - Anti-Competitive Behavior	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-	-	NO
<b>419-1</b> Topic-Specific Disclosures - Socioeconomic Compliance	Non-compliance with laws and regulations in the social and economic area	<b>Intro</b> <b>People</b> <b>Marketplace</b>	28, 29 68 102-107	FULLY
<b>414-1</b> Topic-Specific Disclosures - Supplier Social Assessment	Percentage of new suppliers that were screened using criteria for impacts on society	-	-	NO
<b>414-2</b> Topic-Specific Disclosures - Supplier Social Assessment	Negative impacts on society in the supply chain and actions taken	-	-	NO
<b>103-2</b> Management Approach	Number of grievances about impacts on society filed, addressed, and through formal grievance mechanisms	-	-	NO NEED
<b>416-1</b> Topic-Specific Disclosures - Customer Health and Safety	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	<b>Marketplace</b>	102, 103	FULLY
<b>416-2</b> Topic-Specific Disclosures - Customer Health and Safety	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	<b>Marketplace</b>	102, 103	FULLY
<b>417-1</b> Topic-Specific Disclosures - Marketing and Labeling	Requirements for product and service information and labeling	<b>Marketplace</b>	102, 103	FULLY
<b>417-2</b> Topic-Specific Disclosures - Marketing and Labeling	Incidents of non-compliance concerning product and service information and labeling	<b>Marketplace</b>	102, 103	FULLY
<b>417-3</b> Topic-Specific Disclosures - Marketing and Labeling	Incidents of non-compliance concerning marketing communications	<b>Marketplace</b>	102, 103	FULLY
<b>418-1</b> Topic-Specific Disclosures - Customer Privacy	Substantiated complaints concerning breaches of customer privacy and losses of customer data	<b>Marketplace</b>	102, 103	FULLY
<b>419-1</b> Topic-Specific Disclosures - Socioeconomic Compliance	Non-compliance with laws and regulations in the social and economic area	<b>Marketplace</b>	104-107	FULLY



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## Stakeholder Feedback Form

**Which of the following  
interests you the most?**  
(multiple choice)

- Corporate Governance & Transparency
- Corporate Responsibility Actions
- Environment
- Health & Safety
- Human Resources
- Stakeholders' information (shareholders, employees, neighboring municipalities, customers, suppliers, NGOs, etc)

**Mark the statements as  
to how much you agree  
with the following**

- (1) strongly disagree
- (2) disagree
- (3) neither agree nor disagree
- (4) agree
- (5) highly agree

- The principles and issues are sufficiently covered in accordance with the company's sustainable development strategy.
- The content is complete and clear.
- The report's structure is functional and sufficient.
- The information presented is reliable and accurate.
- The tables and charts are easily understood and depicted in a satisfactory manner.
- The photographs and images positively enhance the report making it easier to read and more attractive.
- The printed version conforms to a Sustainable Development publication.
- I prefer the electronic version of the report.
- I will recommend the report to others.

Please take a few minutes to fill out this questionnaire on the 2019 Sustainability Report.

We value your opinion as it helps us better manage our efforts and improve our results.

**Assess in the order of priority from 1 to 5 the following areas in which the company has developed significant initiatives and activities, in your opinion:**

(choose five)

- Safety
- Workplace
- Protecting the environment
- Caring for society and the environment
- Programs to support the local communities
- Transparency
- Human rights

**To which of these groups of stakeholders do you belong?**

(single choice)

- Employees
- Local community
- NGOs
- Media
- Suppliers
- Customers
- Business partners
- Authority representatives
- Others

**How was your opinion of KMG International influenced after reading the 2019 Sustainability Report?**

(single choice)

- Positively influenced
- Not influenced
- Negatively influenced

The data we collect will help us improve our Sustainability Report and our Group's Corporate Responsibility actions.

**THANK YOU FOR  
YOUR FEEDBACK!**  
**csr@rompetrol.com**

FIRST NAME

LAST NAME

OCCUPATION

COMPANY

POSITION

PHONE

E-MAIL

WEBSITE

ADDRESS

Please specify any issues not included in the 2019 Sustainability Report and which you want featured in the next report: