



TMK-ARTROM S.A.

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Subscribed and Paid Share Capital: 291.587.538,34 lei

TMK-ARTROM SA

SUSTAINABILITY REPORT 2017

Issued in accordance with the Standards of [Global Reporting Initiative \(GRI\)](#)

Consolidated non-financial report



API:
5CT-0440
5L-0352

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ISO 14001
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TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

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Message from the CEO

Dear Partners,

TMK-ARTROM S.A. has prepared and for the first time publishes its sustainability report elaborated in accordance with the Standards of Global Reporting Initiative (GRI) primarily aimed at employees, stakeholders, business partners, local communities, as well as any other interested person. Without claiming that we have succeeded from our first attempt to make fully known our concerns and approaches regarding the economic, social and environmental aspects of our complex production and distribution activities, we want this first report to unambiguously convey to all stakeholders our commitment to build a transparent and credible way of communicating our activities.



TMK-ARTROM has extensive experience in managing relations with the public interest, being a public company, listed in the first batch of companies launched in Bucharest Stock Exchange, opened in 1995. Over the years TMK-ARTROM has developed an internal management culture based on corporate governance, requiring policies based on ethics, morality, accountability and transparency to ensure all shareholders that that we represent a serious and trustworthy partner.

Throughout the years TMK-ARTROM developed an Integrated Quality-Environment-Health & Safety System which led us to approach all aspects of purely economic, technical, quality, environment and commercial relations with all partners and stakeholders. In order to consolidate its collaboration with its partners, TMK-ARTROM aims to integrate the sustainability elements in all its areas of activity so that, in addition to economic success, we add more responsibility to all those who surround us, be them active or passive participants in our business processes.

Our company's policy is to put in the center of any major decisions our employees and shareholders, business partners, local community members and the protection of our environment, be it natural environment or society.

Over the years TMK-ARTROM has developed extensive investment processes that have transformed the company into a leading elite industrial and mechanical pipe manufacturer. In all the technical projects implemented through major investments we have watched the impact on the environment to be extremely low. Through our investments we also consistently pursue environmental friendly effects, reduce energy consumption (gas and electricity) by developing projects and measures to increase energy efficiency.

TMK-ARTROM is a public company, as well as a part of the largest global steel pipe producer, TMK Group. Together with the other companies of the TMK Group, we have developed projects to increase work safety by participating jointly every year at Steel Safety Day under the auspices of the World Steel Association, and we are continually working to turn our plant into a safe job.

Around us, we have permanent challenges, both related to our business and those that involve the interest of those around us. In this ever-changing economic environment, especially in the metallurgical field, which is a sector that has a major impact on society and the environment, we are constantly concerned with the sustainable development of our company. Through our objectives and actions supported by employees, shareholders and partners, we will continue to bring beneficial changes both for the metallurgical sector, in which we operate, and for the local community.

ADRIAN POPESCU-CEO, PRESIDENT OF THE MANAGEMENT BOARD



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INTRODUCTION - THE WORLD NEEDS SUSTAINABILITY!

Today companies all over the world are challenged not only with the need to meet the customers' expectations but also to the performance that reflects the company's values and expectations. Corporate social responsibility (CSR) became a vital part of the healthy strategic development of any company.

CSR is a concept met more often in Romanian business society, it becomes an important part of the business strategy of TMK-ARTROM. And though there is no recommended pattern for the dimensions of CSR, this activity is more and more presented in the strategy of operational development of an organization in the context of increasingly globalized economy.

This is the first report of this kind for our company. It has been drawn up by TMK-ARTROM in accordance with the GRI (Global Reporting Initiative) Standards; using them our company describes the social, economic and environmental performance as it represents an important link between us and our business partners, social partners and any other interested parties.

The Report is prepared in accordance with the CORE option as part of the annual financial report for 2017.

The 10 principles of reporting to determine the content (stakeholder inclusiveness, sustainability context, materiality, completeness) and the quality of report (accuracy, balance, clarity, comparability, reliability, timeliness) have been applied in developing the report.

GRI-102 General Disclosures

We start with the presentation of some contextual information about the organizations and reporting practices of sustainability

102-1 Name of the organization: TMK-ARTROM SA

102-2 Activities, brands, products and services:

The company TMK-Artrom was founded in 1982 as the state company with the name Întreprinderea de Țevi Slatina (Tube Enterprise Slatina) producing seamless pipes and tubes. The first pipe was produced in 1988. Starting with 1991 the name of the company has been changed to ARTROM together with the transformation into a joint stock company. As of the 20th of November 1995 the securities of TMK-Artrom have been listed on the Bucharest Stock Exchange. Privatization of the company has been finalized on the 30th of April 1999 when Staro GmbH, the Austrian company became the major shareholder. In 2001 Staro GmbH has assigned the privatization contract (provided the acceptance of APAPS) in favor of the German company Sinara Handel GmbH (today known as TMK Europe) that became the major shareholder of Artrom.

From the 1st of March 2006, Sinara Handel GmbH became a part of the TMK Group. It had/has the ultimate beneficiary as Sinara Handel GmbH keeping unchanged indirect control over the majority stake. Thus Artrom joined one of the biggest global producers of pipe & tubes – TMK Group and changed its name to TMK-Artrom.

Also in 2006 CSR S.A. (Combinatul siderurgic Reșița) has joined the TMK Group, which major shareholder as of 2004 has also become Sinara Handel GmbH, and which is also the raw material supplier (billets for pipes) of TMK-Artrom. Later on CSR has changed its name to TMK-Reșița SA.

Both companies, TMK-Artrom and TMK Reșița, are managed by the same Management Board and belong to the European Division of TMK. The TMK Group has 4 divisions organized by regions or according to specialization if this is the case (Russian division, American division, European division and Middle East



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division). TMK-Artrom is the leading company of the European division that is managing all the activities of the European division of TMK.

TMK-Artrom has annual production capacity of 220.000 tones of steel seamless pipes, it is recognized brand in Europe being one of the three main producers of seamless carbon, low alloy and alloy pipes with outside diameter from 15.88 mm up to 254 mm and wall thickness from 1.5 mm to 60 mm. Seamless pipes produced in TMK-Artrom are designed for industrial applications such as mechanical pipes, boiler pipes for high and low temperature use, tubing, coupling stock, hydraulic cylinders, precision pipes, etc.

All the products /services of TMK-Artrom are commercialized under the brand of TMK, having TMK-Artrom logo and company identification data on all the labels and documents.

TMK-Artrom produces the following steel seamless pipes:

- Mechanical tubes (MT)
- Boiler pipes for high and low temperature use (BT)
- line pipes (LP)
- tubes for production of coupling stock (CS)
- tubes for production of hydraulic cylinders (HC)
- precision tubes (PT)
- skived and roller burnished pipes (H8 tolerance) for production of hydraulic cylinders
- grinded pipes (POD) for production of cylinder rods
- pipes cut at fixed precise length (CP) with a very small tolerance of (+/- 0.2 mm)

TMK-Artrom does not provide separate services but it processes its own products with the aim to obtain the products of a higher added value (fixed-length cut-outs, flat or threaded holes, outside grinding, skived and roller burnishing pipes, etc).

Products (services) of TMK-Artrom are not prohibited from trading at any market. In 2017 the biggest proportion of TMK-Artrom shipments had mechanical tubes 60%, followed by boiler pipes at 19% - data as shown below.



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102-3 Location of headquarters

- Headquarters of TMK-Artrom is located in Slatina city , Drăgănești Street no 30, Zip Code 230119, Olt county, Romania.
- TMK-ARTROM has representation offices in Slatina city , Ecaterina Teodoroiu Street , bl. V22 and bl. V23, the ground floor, Olt county and Municipality of Bucharest, Daniel Danielopolu 2 Street , 1st floor, Sector 1.
- TMK-ARTROM owns 100% of the U.S. trading company names TMK-Industrial Solutions LLC, with headquarters at 10940 West Sam Houston Pkwy N, Houston, TX 77064, SUA.

Both, the seamless pipe production facility and the managing unit of the European Division of TMK are located at the same address of the headquarters in Slatina (Drăgănești Stree no 30, CP 230119) As for the business organization, the TMK-Artrom company's management is also responsible for managing the European Division of TMK. The CEO of TMK-ARTROM is the Head of the European Division of TMK.

The European Division of TMK includes 5 companies:

- TMK-Artrom – steel seamless pipe producer located in Slatina, Romania .In TMK-Artrom there is also a commercial team responsible for sales of TMK products in South-Eastern Europe and Turkey.
- TMK-Resita – steel smelting factory (pipe billets, bloom), supplies TMK-Artrom with raw material, located in Resita, Romania.
- TMK Industrial Solutions LLC – trading company, located in Houston, USA. The company is responsible for distribution on both American continents of TMK-ARTROM products as all well for other industrial pipes (non-OCTG) produced by TMK mills in Russia and the U.S. TMK-Industrial Solutions is 100% owned by TMK-ARTROM.
- TMK Europe GmbH – trading company located in Dusseldorf, Germania. The company is responsible for sales of TMK products in Central and Northern Europe. It acts on the basis of the Agency agreement being commercial agent of TMK-ARTROM. TMK Europe GmbH is 100% owned by PAO TMK from the Russian Federation.
- TMK Italia s.r.l. – trading company located in Lecco, Italia. The company is responsible for sales of TMK products in Western and South Europe and Northern Africa. It acts on the basis the Agency agreement being commercial agent of TMK-ARTROM. TMK-Italia is 100% owned by TMK-Global, Switzerland.

102-4 Location of operations

TMK-Artrom has production capacities in Slatina, Olt county, Romania. Commercial activity of TMK-Artrom is coordinated direct from the headquarters and it is made through direct sales to all the clients worldwide. In European and American zones, the sales are performed through the trading companies from the European Division of TMK that are not acting as traders but as the commercial agents on the basis of the Agency agreements. Acquisition of raw material and other materials is performed direct from the headquarters.

102-5 Ownership and legal form

- Form of ownership: Private.
- Legal form: open Joint Stock Company (SA), the stocks are listed on the capital market through the Bucharest Stock Exchange (BVB), symbol ART.



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102-6 Markets served

All the products / services of TMK-Artrom are commercialized under the brand of TMK having TMK-Artrom logo and company identification data on all the labels and documents.

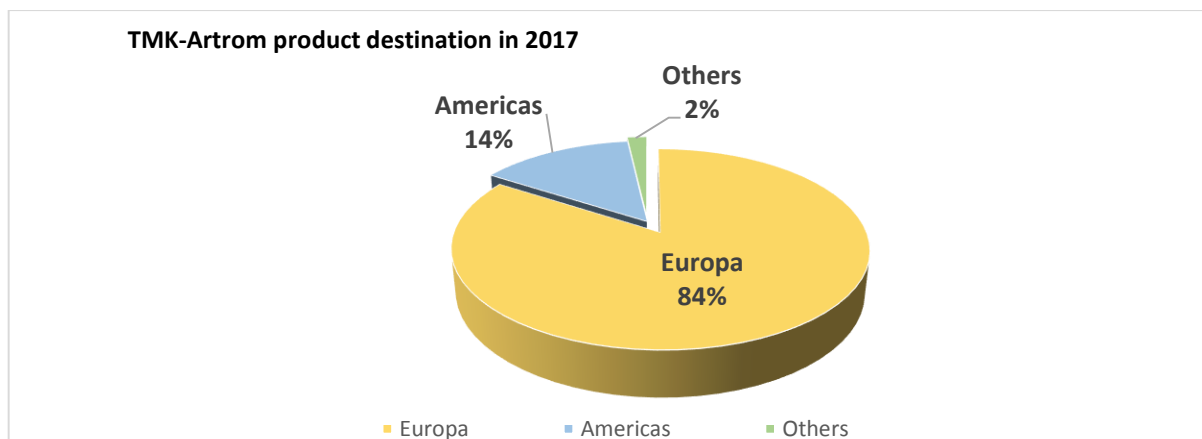
TMK-Artrom products are promoted by the commercial personnel employed at TMK-ARTROM and/or trading companies of the European Division of TMK, acting based on the Agency agreements, including: TMK-Italia s.r.l (Lecco, Italia), TMK Industrial Solutions LLC (Houston, Texas, SUA) and TMK Europe GmbH (Dusseldorf Germania).

The contact with relevant markets is performed through periodical visits and meetings with existing and potential customers, through verbal and visual presentations. TMK-Artrom products are promoted at specialized trade fairs, including: Tube & Wire Dusseldorf - Germania, Made in Steel Milano -Italia, OTC Houston USA etc.

TMK-ARTROM serves the customers portfolio including over 600 companies from Europe (and Turkey), Northern and South America, Middle East and CSI. Major part of the customers are the long-terms partners of TMK-ARTROM. There is no customer that represents more that 8% of TMK-ARTROM products. The web-site of TMK-Artrom (www.tmk-artrom.eu) provides also up-to-date information regarding our recent news regarding the products and services offered, as well as other information regarding periodical financial reporting, job announcements, environment, quality and social responsibility.

In 2017 the geography of sales of TMK-Artrom products included the biggest proportion of shipments to Europe (about 84 %), Northern and South America (about 14 %), the rest being shipped to the other countries (CSI, Norther Africa and Middle East).

Region	Quantity - tons	%
Europa	159897	84
Americas	26939	14
Others	3448	2
TOTAL	190284	100



TMK-Artrom products are used in processing industry (mechanical applications, engineering), commercial and residential constructions, machine building industry, energy industry etc.

The major customers of TMK-Artrom are the major distributors of metallurgical products as well as end users, including automotive producers, hydraulic cylinders' producers, energy companies, etc.



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102-7 Scale of the organization

a) Total number of employees

The total consolidated number of TMK ARTROM employees is 1375 of people. The total number of TMK ARTROM employees is 1365 of people. The total number of TMK –Industrial Solutions LLC employees is 10 of people. Decisions and responsibilities are delegated to employees according to their level of competence. Staff training and development have a high priority for TMK ARTROM that is willing to train the specialists and tomorrow's leaders, the company being focused on promoting the internal candidates in the management or the top management functions. Training courses are not the only ones that lead to the development of staff skills, but also the daily work, in which staff learns new things, where team results are the key to company performance.

In 2017 all the staff of TMK ARTROM had an opportunity to participate in the internal training courses, about 566 persons, which represents 41% of the total average number of personnel that has benefited from the externally organized training courses. Internally organized training of staff is taking place in two stages: initial and continuous training. Initial training is aimed at acquiring the knowledge required by the law to fill a particular position, while continuous training is done to improve the skills on that function and to update the knowledge in accordance with the novelties of the moment. Through professional training the company aims to ensure that the employees acquire the skills necessary to carry out the tasks specified in the job sheet as well as to increase the flexibility and stability of the employees by reducing the fluctuation of personnel.

Internal training is performed with internal lecturers that have training skills in addition to the professional background. External training is conducted by external trainers in the company or in other venues. Participation of the employees in training courses meets the legal provision of the Labor Code Chapter VI: PROFESSIONAL TRAINING.

b) Net sales or net revenues

The total consolidated net revenue of TMK-ARTROM in 2017 is 1076447 th lei (235644 th euro). The total individual net revenue of TMK-ARTROM in 2017 is 1065446 th lei (233236 th euro).

In 2017 TMK ARTROM sold 185.614 tons of seamless pipes from its own production for the amount of 799532 th RON (175.025 th Euro).

c) total capitalization = 291.587.538,34 lei

d)-quantity of products or services provided

In 2017 TMK-Artrom delivered 190.284 tones of seamless pipes thus achieving the biggest quantity of shipments in its the history. The volume of shipments in 2017 increased with 10.3% (+17765 tons) over the 2016 index.

102-8 Information on employees and other workers

The company operates permanently and continuously; its activity is organized in 3 shifts of 8 hours each, 365 days /year, personnel being employed on a permanent basis.

The majority of those 1365 employees have employment contract for an indefinite period of time. There is also a limited number of employees with fixed-term contracts during the probation period. At the end of the



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probation period the employee who stays with the company signs an employment contract for an indefinite period of time;

From the point of view of the daily working hours, the employment contracts are divided into 2 categories:

a. Full-time employment contracts – 8 hours /day (full-time) :

These contracts, 99% allow overtime pay (maximum 8 hours overtime per week). Extra hours, as well as the hours worked in weekends are remunerated at 175 %.

Work during the night hours is remunerated at 125%.

b. Part-time employment contracts with less than 8 hours / day (part-time) :

There are very few employees in TMK ARTROM with part-time employment contracts. Employees with part-time contracts benefit from the same salary and extra-salary rights together with other employees in proportion to the actual time worked.

c. Other information about employees:

As for the region of residence, TMK ARTROM employees come in a proportion of 99% of the city of Slatina(OLT county) and the surroundings of the city. Once percent 1% of the employees come from the neighboring regions (Dolj and Valcea county) and Bucharest .

The company's activity is continuous (not seasonal) and is carried out with its own employees. There are no outsourced services and / or significant parts of current activity. External services are only used for occasional activities that exceed the capacity of the workforce at a time limited in time (ie capital repairs, investment works, etc.).

According to the Collective Bargaining Agreement, employees benefit from a set of rights and benefits based on a social system developed over the years, based on a constructive social dialogue between the social dialogue partners.. These rights and benefits refer (but are not limited to) to: minimum guaranteed salary, bonuses, salary bonuses, compensation for special activities, overtime, occasional additional work, holiday bonuses, rewards, insurance and additional medical services, etc. The Social expenses fund is managed by the Social Commission of representatives of the trade unions, employees and management.

Employee data is retrieved and compiled from the Human Resource Service's own data base that complies with legislative provisions on Personal Data Protection (Regulation 679/ 26.04.2016). The company manages the employment contracts internally and protects all personal data based on and in correlation with the existing legislation.

102-9 Supply chain

In a competitive market, the supply chain is very important in the business of TMK ARTROM. This is an important potential for creating value for the customer: quality of service, performance regarding the term and reactivity.

The company's profitability depends on how the supply chain costs are managed. TMK ARTROM is a seamless pipe supplier that is aware of the fact that traceability and quality of products are of a particular importance for its customers.

As the customers become more demanding to our products, TMK ARTROM becomes more demanding to its suppliers as well. This is how we try our best to offer our customers and stakeholders as much transparency as possible on the supplier channel not only in terms of technical capability but also in terms



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of how the supplier operates on the market from the environmental point of view, social, security and health in work and implicitly towards society.

102-10 Significant changes to the organization and its supply chain NA

Not applicable.

102-11 Precautionary Principle or approach

TMK-ARTROM has an approach based on risk management and has organized risk management of its business entirely but also in what concerns new products and investments. In this regard, besides annual assessment of suppliers, TMK Artrom draws a map of the significant risks that may arise in the supply chain and in the logistics chain.

The risk management consider risks that may arise in connection with supply chain disruption collaboration with them, logistical problems, quality or insolvency problems of climate change and cyber attacks. These risks are assessed, prioritized and followed up by action plans drawn up in the short or long term . Risk Reassessment is performed annually or whenever necessary and it is found that there is a new risk appeared undetermined until then.

In this respect, TMK-ARTROM has approved several suppliers delivering the same type of product so that the risk of lack of service or material due to cases of force majeure or other causes tends to zero

For products designated for the automotive industry, a safety stock of raw material is always stored in the warehouse.

The materials supplied have attached to the delivery documents according to the legal requirements, as appropriate, technical safety data sheets, REACH registration documents, RoHS declaration(it is certified that the product does not contain substances prohibited by EC Directive 211/65 / EU)

Also, designing a new product and implicitly acquiring technology involves risk assessments based on scientific evidence in literature and practice, as well as analyzing the impact the product / technology has on the environment or the user. Each year, the company aims to develop new products in line with market requirements and customers' implications. These products refer to pipes different in size from those in the product catalog as well as in high value added products. At the time of development, we also assess the risks involved in the implementation of this new product in the production and market.

In this respect, in 2017 a new product was developed in the automotive production area and the foundations for the obtaining of higher heat-treated products were completed by finalizing the investment related to the Heat Treatment complex. The products obtained in the new treatment complex can be considered as ecological products in the sense that the environmental impact for their manufacturing is the best possible according to the existing technology at this moment. The Combustion System of the Heat Treatment Complex uses burners with increased combustion efficiency and noxes emissions according to Directive 2010/75 /EU, which requirements are the most stringent in the world in this moment .Combustion efficiency leads to a reduction in the consumption of natural gas and implicitly CO₂/CO emissions. In this way, a maximum collection of iron oxides resulting from combustion is ensured and the water treatment plant ensures a minimum level of waste water, which is rigorously filtered and reused.



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102-12 External initiatives

Through its management strategy, TMK ARTROM develops principles related to human rights, work, the environment, anti-corruption as it is set by the United Nations Global Compact Initiative. TMK ARTROM is not currently subscribed to any external initiative organization.

102-13 Membership of associations

-TMK Artrom is member of UNITUB Romania, the professional and patronage association (Pipe producers' association of Romania).UNITUB as professional association is affiliated with ESTA (European Steel Pipes Association) which has its headquarters in Paris, France, and as a patronage association it is affiliated with the Romanian Federation of Patronage "Metalurgia", affiliated in its turn with the Confederation of Patronages CONPIROM.

- TMK-ARTROM assures the presidency of UNITUB.

The company actively participates through its members at meetings organized by UNITUB and ESTA.

102-14 Statement from senior decision-maker – Adrian POPESCU- President of the Management Board and Chief Executive Officer (CEO) (See page 2)

102-15 Key impacts, risks and opportunities

TMK ARTROM has implemented an Integrated Quality Management System in accordance with the Quality standard ISO 9001, Environmental standard ISO14001 and Occupational Health and Safety standard OHSAS 18001.TMK Artrom is also certified according to IATF 16949.



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Ever since 2014 the formalized risk management process, has ensured the identification, assessment and control of risks that could affect the overall objectives and sub-objectives set in each structure within the company. Risk management is an element of the internal control system that helps identify significant risks to TMK-Artrom's activities. The main objectives of risk management are:

- Keeping threats within acceptable limits;
- Making appropriate decisions to exploit opportunities;
- Contributing to the improvement of our performance

TMK ARTROM S.A has documented how to identify, evaluate, and treat risks and described how to work in two procedures, namely:

- "Risk management" procedure that describes evaluation of financial risks that are presented and made available to the interested persons in financial reporting.

- "Actions to deal with risks and opportunities within the integrated management system" procedure that addresses the risks for the processes and objectives of the Integrated Management System(IMS.) Risks and opportunities are analyzed in relation to achieving the objectives of the IMS and are registered in the register of risks. The Register of risks is verified by the Committee for risk analysis and approved by the Chief Executive Officer (CEO). The risk management actions refer to:

a) Risks and opportunities related to product compliance and meeting customer requirements

b) Risks and opportunities related to ensuring the efficient functioning of the processes and achieving the objectives of the integrated system:

- Process of quality management;
- process of resource management;
- process of training and awareness;
- process of acquisition, process of design and development;
- process of sales, process of the production management;
- process of product management;
- process of monitoring and measurement;



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- process of management efficiency analysis.

Risks and opportunities related to environmental aspects and compliance obligations

All TMK-ARTROM activities are subject to risk analysis, including the "new product development" activity. The company monitors both environmental and security aspects in all project phases starting from the design, manufacturing and until the delivery phases. A product sustainability test has also been introduced.

Risk processing methods may include:

- avoiding risk by not starting or not continuing the activity that has led to the risk;
- taking the risk or raising the level or taking advantage of the opportunity;
- eliminating or diminishing the source of risk;
- changing the probability;
- changing the consequences

Mandatory action plans indicate specific risk actions, timelines for actions, the persons responsible for the execution of the actions and the estimated result of the actions.

Actions are considered effective if, according to monitoring results, the category of each specific risk does not increase and according to the results of the annual analysis all risks have been reduced to an acceptable level.

The Chief Executive Officer has an important role to play in promoting the Company's risk-oriented concept of thinking, providing the resources needed for effective risk and opportunity management, to check how risks and opportunities are identified.

102-16 Values, principles, standards, and norms of behavior

Our mission is coordinated complementary to the TMK Group one, namely to be a responsible global supplier of efficient solutions for users of steel pipes for industrial applications.

Global - because we will increase our participation in the global pipe business. We intend to expand our exports, optimize and balance the range of products and markets, strengthen partnerships with our customers and attract new partners. We consider alliances and partnerships as an opportunity to strengthen our global competitiveness.

Industrial pipes - because we are involved in the business we can do it very well. This is the production of industrial steel pipes and the provision of related services. We strongly believe in the long-term prospects of profit growth in our industry. We will invest in further strengthening TMK-Artrom's competitive position in the industry.

Effective solutions – we continue to be an innovative company that builds and develops strong customer relationships based on the long-term partnership concept, the quality of products and services offered by TMK Artrom, as well as innovative developments that are responsive to the needs of our customers.

Responsibility - because we respect and appreciate the loyalty of our customers and suppliers, employees and shareholders. We support regions and protect the environment in our production locations. We continue to offer our customers additional benefits from using our products. We continue to offer our customers more in terms of number and more interesting results-oriented work and opportunities to



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improve their skills. We appreciate and reward TMK's employees for their contribution to the company's success, and we are committed to protecting health and safety as one of the top priorities.

Our VALUES and PRINCIPLES are:

Technology & innovations

Movement - expanding presence across markets and focusing on constantly increasing customer satisfaction

Knowledge - represents the key to success in keeping the high standards of our activity, aiming for excellence

Attention to the high quality of products - Artrom is a manufacturer of mechanical pipes with a wide range of applications under conditions of a flexible and operable delivery, according to the individual needs of the customer.

Responsibility for environment and sustainability development - to be a company admired in the pipe industry.

Transparency and ethics - we emphasize the transparency, quality, completeness and accuracy of the information provided to the public.

Respect for the relationship with the employees and their needs and professional development - a strong and professional team has been formed, able to solve problems not only in Europe but also in other parts of the world.

Optimization for products - production investments aimed at quality assurance, increased production volume and product range extension, quality control technologies implementation. Thanks to the investment projects, TMK-Artrom has transformed into producer of the high added values industrial and Premium products producer.

Motivation for self-improvement and having an important presence on the world market - we are constantly evolving and constantly growing.

102-17 Mechanisms for advice and concerns about ethics

The TMK-ARTROM SA *Code of Conduct*, developed in 2014 and approved by the Board of Directors, sets out rules (standards) of ethical and professional conduct to be respected by employees regardless of their function, including the members of the Board of Directors or the Management Board, as well as TMK-ARTROM SA collaborators.

The *Code of Conduct* is available in Romanian and English language and it is published on the company's website to ensure a transparent and responsible relationship with business partners, customers, suppliers, local, central and international authorities. The Code of Conduct has been brought to the attention of employees through internal means of communication. Responsibility for providing ethical advice, and for receiving information about possible breaches of ethical principles belongs to the hierarchical chief of each employee. The Company ensures compliance with ethical standards through its own internal control compartments, any violation of the Code of Conduct provisions being immediately investigated.

Thus, within the "Internal Audit Department and Risk Analysis", there is a person designated to be responsible for monitoring the code of conduct issues.

TMK ARTROM encourages employees, stakeholders, business partners, workers and any public person to unmask their non-ethical actions through notification boxes within the company, through letters



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and emails related to the subject addressed to the top management. The existing procedure describes the investigation process and the mode to respond to that information.

As a result of the implementation of a system for promoting fair business models and ethical behavior of our employees, as well as the selection of suppliers of goods and services, which in their turn comply with generally valid ethical codes, in 2017 no reports of non-compliance to the code of conduct were identified, so there were no investigations on this segment.

102-18 Governance Structure

The organizational structure, including governance at the highest level, refers to the following:

I) General Shareholders' Meeting is the supreme governing body of the Company, which decides on its activity and ensures the economic and commercial policy

The General Meetings are ordinary and extraordinary.

THE ORDINARY GENERAL MEETING meets at least once a year, within five months of the end of the financial year, and besides discussing other issues on the agenda, it has the following main attributions:

- a) to discuss, approve or amend the annual financial statements on the basis of the reports submitted by the Board of Directors, by the financial auditor and to set the dividends;
- b) to choose and revoke the members of the Board of Directors, to set their remuneration and to decide on their management
- c) to establish the prerogatives and attributions of the Board of Directors;
- d) to approve the income and expenses budget and work program;
- e) to decide on the pledging, renting or dissolution of one or more the Company's units;
- f) to appoint and revoke the financial auditor and to set the minimum duration of the financial audit contract.

THE EXTRAORDINARY GENERAL MEETING is convened whenever necessary and takes decisions regarding:

- a) change of the legal form of the Company;
- b) relocation of the Company's headquarters;
- c) modification of the Company's object of activity;
- d) prolongation of the Company's duration;
- e) increase of the share capital;
- f) reduction of the share capital or re-incorporation through the issue of shares;
- g) merger with other companies or division;
- h) early dissolution of the Company;
- i) issue of bonds;
- j) conversion of shares from one category to the other;
- k) conversion of a category of bonds into another category or into shares;
- l) any other amendment to the Constitutive Act or any other decision, which requires approval of the extraordinary general meeting. The following attributions are delegated by this Constitutive Act to the Board of Directors:

- changing of headquarters of the Company;
- changing the object of activity except for the main activity object, and



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- establishing or dissolution of secondary offices, branches, agencies, representations or other such units without legal personality.

These powers delegated to the Board of Directors by this Constitutive Act cannot be subject to further delegation of duties to directors.

II) Company's Administration

The company was administered in 2017 by a **BOARD OF DIRECTORS** consisting of 5 members as follows:

1. Mr. Andrey Zimin, as Chairman;
2. Mr. Adrian Popescu, as the President of the Management Board & CEO;
3. Mr. Surif Mikhail Albertovich, as member;
4. Mr. Parkhomchuk Andrey, as member;
5. Ms. Olga Nikolaeva, as member.

Starting with May 2018, the Company will be administrated by the Board of Directors formed of 7 members, including 2 independent directors.

Administrators are appointed by the Ordinary General Shareholders' Meeting for a four-year term that can be renewed. Any of the shareholders may propose candidates for the position of administrator.

The Board of Directors has the following basic competence that cannot be delegated to directors:

- a) Establishing the main directions of activity and development of the Company;
- b) Establishment of the accounting and financial control system and approval of financial planning;
- c) Appointment and dismissal of directors with the exception of the CEO and determination of their remuneration;
- d) Supervision of directors' activity;
- e) Preparing the annual report, organizing the general shareholders' meeting and implementing its decisions;
- f) Introduction of the application regarding opening of insolvency proceeding;

The Board of Directors represents the Society only in relations with the CEO and the other directors.

III) The management of the Company

The Company's management prerogatives are delegated to **the CEO** and six Deputy CEO, namely:

- Deputy CEO on Operations;
- Deputy CEO on Commercial-Logistics-Administrative;
- Deputy CEO on Economics and Accounting;
- Deputy CEO on Finance;
- Deputy CEO on Acquisitions;
- Executive Director of the Production Plant;

The Directors appointed by the Board of Directors form the **Management Board** with individual and collective prerogatives established by the CEO within the limits of the competencies assigned to him.

The Chief Executive Officer is the President of the Management Board.



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The CEO represents the Company in relation to third parties and has full powers to hire, dismiss, determine the remuneration of any employee, to establish and modify at any time the Company's organizational chart.

The MANAGEMENT BOARDS consists of:

1. Mr. Adrian Popescu - the CEO and the President of the Management Board
2. Mr. Cristian Drinciu – the Deputy CEO on Operations
3. Mr. Valeru Mustata – the Deputy CEO on Commercial-Logistics-Administrative
4. Mrs. Cristiana Vaduva – the Deputy CEO on Economics and Accounting
5. Mr. Chernyy Evgeny – the Deputy CEO on Finance,
6. Mr. Alexander Pavlov – the Deputy CEO on Acquisitions,
7. Mr. Constantin Neacsu - Executive Director of the Production Plant

Directors are appointed exclusively outside the Board of Directors, with the exception of the CEO who is also a member of the Board of Directors.

Appointment and dismissal of directors is established by decision of the Board of Directors (except for the appointment and revocation of one of the Company's directors as CEO, which is the competence of the general shareholders' meeting).

The Company is validly represented in relations with third parties, including but not limited to financial institutions, courts of all jurisdictions, governmental authorities, by the following persons acting together or separately, as described below:

1. By the CEO, acting individually; or
2. By the Deputy CEO on Operations (the first signature) acting together with the Deputy CEO on Economics and Accounting (the second signature) according to the mandate given by the CEO, or
3. By the Deputy CEO on Commercial-Logistics-Administrative (the first signature) acting together with the Deputy CEO on Economics and Accounting (the second signature) according to the mandate given by the CEO;
4. By the Deputy CEO of Finance (the first signature) acting together with the Deputy CEO on Economics and Accounting (the second signature) according to the mandate given by the CEO;
5. By the Deputy CEO of Acquisition (the first signature) acting together with the Deputy CEO on Economics and Accounting (the second signature) according to the mandate given by the CEO;
6. By the Executive Director of the Production Plant (the first signature) acting together with the Deputy CEO on Economics and Accounting (the second signature) according to the mandate given by the CEO;

The Deputy CEO on Economics and Accounting is the representative of the CEO in relation with the preventive financial control over the operations of the Company, within the limits of the mandate granted by the CEO.

In the event of an absence, the CEO may delegate his powers of representation to any of the Executive Directors, specifying whether the executive directors to whom these powers have been delegated act jointly or separately, as well as the period of validity and the limits of the mandate granted.

The CEO may delegate his right to sign and represent the Company on a special power of attorney.

Committees responsible for decision-making on economic, environmental, and social topics.

The decisions on the activity of the company are taken by the Board of Directors and / or the Management Board within their competence according to the Articles of Incorporation.



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102-19 Delegating authority

The Company's power of authority is delegated to the CEO and six Deputy CEO, namely:

- - Deputy CEO on Operations;
- - Deputy CEO on Commercial-Logistics-Administrative;
- - Deputy CEO on Economics and Accounting;
- - Deputy CEO on Finance;
- - Deputy CEO on Acquisitions;
- - Executive Director of the Production Plant;
- The CEO represents the Company in relations with third parties;
- The Directors are appointed exclusively outside the Board of Directors, except for the CEO who is also a member of the Board of Directors;
- Appointment and dismissal of directors is established by decision of the Board of Directors (except for the appointment and revocation of one of the Company's directors as CEO, which is the competence of the general shareholders' meeting);
- In the event of an absence, the CEO may delegate his powers of representation to any of the Executive Directors, specifying whether the executive directors to whom these powers have been delegated act jointly or separately, as well as the period of validity and the limits of the mandate granted;
- The CEO may delegate his right to sign and represent the Company on a special power of attorney.

102-40 List of stakeholder groups

TMK Artrom has identified the major stakeholders, namely:

1. Investors (shareholders)

TMK-ARTROM SA is an open joint stock company. The regulated market where the issued securities are traded is the Bucharest Stock Exchange, the Regulated Market STANDARD category – with “ART” as market symbol. TMK-ARTROM is listed on the Bucharest Stock Exchange since 1995.

The quality, completeness and accuracy of the information provided to investors by TMK-Artrom SA is in accordance with the legislation on the capital market. All investors' information is presented in the Investor Relations category on the official website and is published at the same time on BVB and ASF without delay.

There are meetings with financial analysts, placement consultants, brokers and investors for the presentation of financial results, as the case may be, upon request.

2. Creditors, Banks

TMK-ARTROM SA has relations with banks both in the position of borrower and as bank accounts and cash holder.

The relationship with the banks is very tight, the communication is performed almost daily with the persons designated by the banks responsible for the relations with our company. Financial statements are presented periodically, including budgets and calculations of financial conventions imposed by credit agreements.

The main creditor banks are Banca Comercială Română SA, Bancpost SA si Unicredit Bank SA.

TMK EUROPE GmbH Germania, the major shareholder of TMK-Artrom SA, is one of the main creditors through short and long-term loans granted and which are reported to all parties publicly in current reports through the Bucharest Stock Exchange and the Company's website.



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3. Customers and suppliers

TMK ARTROM maintains open dialog with customers and suppliers, which is the key element of the Company's success. TMK ARTROM's requirements to the supplied materials are clearly and transparently described to all suppliers equally in the "Supplier Quality Manual".

Since 2017, TMK ARTROM has developed a close collaboration with customers and suppliers sharing corporate responsibility information. The company strives to increase transparency on the supply chain by improving information on the origin of the material (see Supply Chain chapter).

Minimum requirements for suppliers and business partners are described in the Code of Conduct. The anti-corruption clause is an integral part of TMK ARTROM's business contracts.

4. Employees or other individuals that are related to the Company's activity.

The Company's employees are in permanent contact with the management of the company through various internal actions that become a possibility to dialogue and evaluate various aspects of the company. Dialogue between middle management and employees is happening on a daily basis in formal, operational and social-related discussions.

Annually, employees fill in the "employee satisfaction measurement and loyalty questionnaire" and the employer completes the "employee performance analysis" where the employee can make positive or negative comments about his performance, needs and aspirations. The results are centralized and structured in such a way as to undertake improvement measures in this area of activity.

- 1) **State bodies, centralized state authorities and services, decentralized state and local authorities and services** (Slatina, Ilt county, Bucharest).
- 2) **Local community**, which mainly refers to the 99% secured workforce from the local community.
- 3) **Internal Stakeholders:** Management Board, Board of Directors, executive managers, auditors.

Trade unions as representatives and employees and social dialogue partners are informed and consulted in various decisions taken by management or in relation to employee security, issues related to the social aspect, work program and other benefits provided by the Collective Bargaining Agreement.

102-41 Collective bargaining agreements

Of the 1365 employees, a percentage of 90.5%, or 1240 people, is affiliated to the trade unions. The remaining 125 employees, i.e. 9.5%, are not affiliated to trade unions. All employees regardless of their membership or non-membership to a trade union organization benefit from the rights provided by the CBA.

At the level of the company there is a CBA in force, concluded with the social dialogue partners' representatives of the employees, the trade unions Representatives. The CBA establishes the general and specific parameters of the conditions provided by the company to all employees in and for the work performed as well as the employees' obligations towards the company. Also the CBA provides for a set of rules for joint management of the social fund, the negotiation and renegotiation of some contractual provisions, the general conditions of the individual employment contracts, the rights other than those directly related to the work done (for the family, retirement, holidays, medical insurance and additional medical treatment, etc.), the Internal Order Regulation and other aspects related to the relationship between employer, employees and social dialogue partners.



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Annually, every December, the articles of the CBA which relate to the remuneration of employees for the work done are renegotiated as well as other rights related to the negotiated salary or the average / minimum wage per company.

102-42 Identifying and selecting stakeholders

As a company with an important role in the metallurgy industry, TMK-ARTROM understands and assumes the fact that its activities have a significant impact on the relevant stakeholders. After identifying the TMK-ARTROM stakeholders, it issued a list of them correlated with their expectations and requirements, the consequence of the non-fulfillment of the expectations and the strategy of the behavior to meet the expectations. For this reason, the company has put in place the process of stakeholders' consultation and engagement to identify potential opportunities and risks.

Stakeholders have been identified and prioritized according to the influence and interest of stakeholders on the company. Through discussions with stakeholders, close relations have been established with a prompt responding to their needs.

102-43 Approach to stakeholder engagement

TMK ARTROM intends to develop closer collaboration relations with the identified stakeholders. For the next year, it has proposed to continue and develop collaboration with customers as relevant stakeholders. The customer satisfaction level as a measurable quality objective is assessed annually and gives a vision of how the company and the products delivered are perceived. The company has set out to expand the number of customers evaluated in terms of the satisfaction level of the delivered products, trying to understand the needs of the customers.

In other words, the Company aims to further analyze the impact of its decisions on stakeholders and analyze how to interact with stakeholders who do not have business relationships with the company, such as the local community.

As a business strategy in 2018, TMK ARTROM aims to question online its stakeholders on sustainability issues and integrate the results into the management analysis.

102-44 Key topics and concerns raised

Customer satisfaction, performance and supplier requirements, information flow with banks, state institutions and other stakeholders.

The company achieved a high degree of customer satisfaction in the reporting year according to the assessment report.

The assessment was based on responses to customer questionnaires, customer meeting results at customer's premises, at company headquarter, and specialized trade fairs.

The performance of the main suppliers is communicated during meetings and through scoring. Sent monthly. Supplier requirements have been analyzed in meetings at their headquarters or at the company headquarter.

The company replied to questionnaires submitted by interested parties.

103-45 Entities included in the consolidated financial statements

The entities that make part of the consolidated financial statement and presented in this report are TMK -ARTROM SA and TMK Industrial Solution LLC (SUA).



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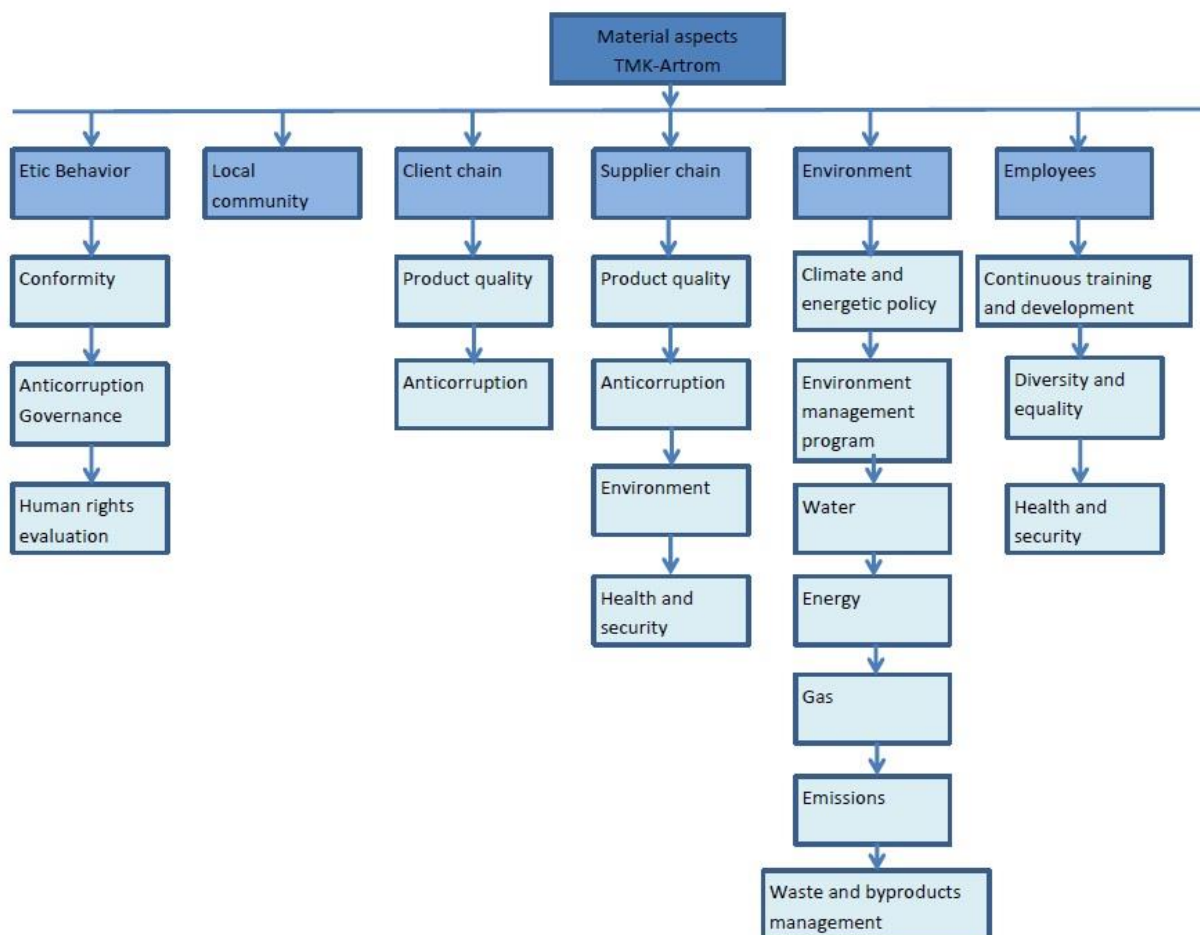
102-46 Defining report content and topic boundaries

Working on GRI report TMK ARTROM identified topics related to sustainability reporting that are of particular importance to the company. Various sources of information have been analyzed so that subjects are chosen according to their importance.

The most important principle for the collection of topics was the discussion with the stakeholders. Sustainability officers collected responses and information from the specialists in sales, procurement, environment, health & security departments, receiving information about the subjects concerned. The result was a long series of issues representing importance for the stakeholder, identified during collaboration with customers, suppliers, state bodies, and benchmark analysis of selected suppliers, competitors and selected customers.

Finally, the "material aspects" for sustainability performance in TMK-ARTROM were identified.

102-47 List of material topics



102-48 Restatements of information NA: Not applicable , 2017 is the first year of GRI reporting

102-49 Changes in reporting NA: Not applicable, 2017 is the first year of GRI reporting



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102-50 Reporting period : Refers to the calendar year 2017

102-51 Date of most recent report: 2017 is the first year of GRI reporting

102-52 Reporting cycle : Annual reporting

102-53 Contact point for questions regarding the report : office.slatina@tmk-artrom.eu

102-54 Claims of reporting in accordance with GRI standards :

‘This report has been prepared in accordance with the GRI Standards: ‘Core option’

102-55 GRI Content Index

102-56 External assurance

This sustainability report has not been audited externally, but internal control systems have been used to ensure the integrity and accuracy of the data presented in the report.

GRI 103: Management Approach

103-1 Explanation of the material topic and its boundary

The following aspects have been identified as having a high materiality for the company: Ethical behavior, customer chain, supplier chain, environment, employees because they can contribute significantly to the material results of the company, can influence negatively or positively the economic and financial results and may generate losses if they are not properly managed.

By influencing economic and financial results, they represent a major concern for stakeholders, directly or indirectly influencing the stakeholders’ interest.

For these aspects, the company has designed and implemented internal procedures and internal regulations for compliance, monitoring and a correction system through audits and corrective plans. The company carries out internal and external audits periodically to identify the limits, risks and impacts on any stakeholder.

The customer and supplier chains have a significant impact on the business and the company compliance with various regulations. Therefore, their selection is done through evaluations, monitoring and audits that reduce the risks and the negative impact.

Environmental aspects have a significant impact on stakeholders through the effects of non-compliance with the rules imposed by legal norms. That is why the company permanently and periodically identifies (as appropriate) what these effects are, what is the impact on the stakeholders and implemented internal regulations and procedures that control the effects on stakeholders and compliance with the legislation in the field.



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Employees have a direct impact on the company and the stakeholders. Health, security and high qualifications of personnel ensure for the company the continuity of operational flow and business, reduce incidental expenditures, etc.

For this, TMK-ARTROM has also implemented specific procedures for selection, periodic evaluation, education and qualification of employees, motivation, as well as an internal social dialogue system and their involvement in major company decisions.

Ethical behavior is essential and has a significant impact in terms of being the company's business card in relations with suppliers, customers, authorities, collaborators, and establishing a business classification morale rating. That is why TMK-ARTROM imposed internal rules of compliance with an ethical code and periodically assesses the ethical level of activities of business partners and its employees.

The local community does not have a significant impact and is not a critical issue for the company, so policies and regulations have not yet been implemented to analyze and assess the impact of this issue on the company. In turn, the company does not have an essential effect on the community because its impact may be minor through the geographic position of the operational activity and the stability of the company (which has never ceased its activity since its foundation). However, there is an interaction with the local community that is indirect and within the limits of generally accepted rules, and the company proposes in the coming years to implement policies that examine and deepen the level of impact in both directions between the company and the local community.

103-2 The management approach and its components

1. INTEGRATED MANAGEMENT SYSTEM

TMK ARTROM has implemented the Integrated Management System on Quality, Environment and Occupational health and safety (IMS) in accordance with the international standards ISO 9001:2015, ISO 14001:2015; OHSAS 18001:2007, certified by Lloyd's Register.

The Quality, Environment, Occupational Safety and Health Policy is an integral part of our own business. It ensures that interested parties continue to maintain and develop their business respecting the requirements of international, regional and national standards, mandatory legal requirements and regulation, ensuring environmental protection environment, employee protection and rational use of energy resources.

The Integrated Management System policy is compatible with the organizational context and strategic direction. The needs and expectations of stakeholders are understood and integrated into the business process.

Every year, TMK-ARTROM managerial team sets targets with measurable indicators on quality, environment and occupational health and safety.

For 2017 the following objectives were set:

- Reducing the amount of non-conforming products delivered to customer so that it is as close to zero;
- Increasing production volume compliance and reducing metal consumption;
- Efficiency of assimilating new products according to the assimilation plan;
- Decreasing the amount of inert and non-hazardous waste;
- Reduce risk factors for injury and occupational diseases;

For their implementation, the management programs, which include the necessary measures / actions, the responsible persons and the related resources are set up. Measures to achieve these goals use statistical analysis methods such as: 8D, SIX SIGMA, or FMEA methodology . Responsibilities for fulfilling the



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management programs are assigned to executive managers and top management that provide the necessary resources to implement the measures set for achieving the objectives.

2. RESPONSIBILITY FOR ECONOMIC-FINANCIAL PERFORMANCE

The responsibility for the economic and financial performance belongs to the top level management such as the Board of Directors and the Management Board.

TMK ARTROM has defined its economic and financial targets in line with the interest of investors (shareholders) and the spirit of complying with the banks' covenants. These targets include:

- Net sales
- Profit
- Cash flow and turnover
- Liquidity and degree of indebtedness

The target of 2017 as regards the realization of a sellable production volume was met (192268 tons) thus becoming the biggest volumes produced in the history of TMK-ARTROM.

The pre-tax profit in 2017 was significantly higher than the one in 2016, with an increase of 2300 % versus previous year as a result of intensifying of cost management as well as management of sales of higher added value products.

3. STRATEGY

TMK-ARTROM has a 5 year strategy, and the investments made in 2017 will lead to a change in the production structure by increasing the share of PREMIUM products with high added value. Our long-term strategies refer to EBIDTA and operational cash flow growth.

4. COST MANAGEMENT

TMK-ARTROM has drawn up policies, procedures and documentation necessary for effective planning, management, collection and control of costs.

5. INVESTMENT POLICIES

In its development policy, TMK-ARTROM has pursued and aims to strengthen existing capabilities and achieve strategic objectives as follows:

- Increasing the quality of its products
- Increasing the share of Premium products with high added value
- Quick and secure recovery of investment

In order to ensure that its strategic objectives are achieved through implemented investment projects and investment projects in the process of approval, TMK-ARTROM performs TECHNICAL-ECONOMIC ANALYSIS with internal or external specialists subject to corporate approval at the company level (Management Board, Board of Directors, ASM).

6. MANAGEMENT OF RISKS, COMPLIANCE AND PROFESSIONAL CONDUCT

There is a specialized department within the company that monitors business risks, respecting compliance and conduct regulations. The Internal Audit, Compliance, and Risk Management Department assesses its area of interest, identifies aspects of management's findings as a result of its assessments, and proposes compliance or redress measures. The department manager is also the Chairman of the Risk Committee.



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As of 2014 TMK-ARTROM S.A. has developed and implemented the internal risk management procedure that allows identification and management of risks and opportunities both at the company level and at the level of each internal structure of the company.

In TMK-ARTROM there is also an approved Business Code of Conduct that is already known and accepted by all employees. The Code of Conduct is published on the TMK-ARTROM S.A. web page and establishes standards (rules) of ethical and professional behavior to be respected by employees regardless of their function (including the members of the Board of Directors, Management or the Management Board) as well as those collaborating with TMK-ARTROM S.A.

Compliance rules established in the TMK-ARTROM S.A. Code of Conduct are based on the company's philosophy, which implies, on the one hand, the pretense to provide customers with the highest quality for the delivered products and services under the conditions of total fairness and, on the other hand, the desire to be perceived as a trustworthy partner, a milestone in the ongoing work, both nationally and internationally.

TMK-ARTROM S.A. Code of Conduct includes provisions on the company's and its employees' obligations to comply with legislation on combating corruption and bribery and to support the international community's efforts to combat bribery and corruption. Conflict of interests issues, as well as donation and sponsorship rules, offering and receiving gifts, protocol and hospitality are also included in the TMK-ARTROM S.A. Code of Conduct.

To support the TMK-ARTROM S.A. Code of Conduct on corruption prevention and conflict management, specific documents such as the "Procedure on Preventing and Reporting Corrupt Practices" (in force since January 2015) and the Regulation on Conflict of Interests (approved in July 2016) were elaborated.

7. HUMAN RESOURCES MANAGEMENT

The company is aware of the fact that the employed workforce is one of the most valuable resources and an "asset" with a major impact on the economic results of the business. That is why TMK-ARTROM considers human resources as a major chapter of its activity and bases its human resources policies on several principles, namely:

- Respect for employees' work;
- Active participation of employees in major decisions through their elected representatives;
- Correct and timely remuneration of human resource work;
- Providing all benefits and remuneration agreed with social dialogue partners without discrimination or limitation, strictly based on the assessment of the workplace's importance, the professional training and the dedication of the employees to the work done;
- Pay special attention to the professional training of employees and encourage multidisciplinary qualifications;
- Encourages employee stability in the company and the traditionalism of transferring professional knowledge between generations;
- Encourage employees' children to continue their parents' tradition and engage in the company.

103-3 Evaluation of the management approach

1. Evaluation of the Integrated Management System (IMS)



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At the beginning of each year, Top Management conducts the Management review, in order to analyze the suitability of the Policy with the applicable business strategy, the degree of achievement of the objectives and the measures set.

During Management Review the Policy is maintained or, if necessary, updated, new targets are set for the following year. Integrated Management System certifications are found on the site www.tmk-artrom.eu.

At the end of each year TMK ARTROM SA draws up the internal and external audit plan on the integrated Management system (IMS) for the next year.

Internal audits of IMS refer to the verification of the compliance of the Integrated management System with the ISO 9001, 14001 and 18001 standards, the process audits, product audits or audits performed according to the IATF Standard (auto).

External audits are carried out by TMK-ARTROM representatives at the major suppliers of raw materials, materials, manufacturing tools and spare parts.

At the same time, an increasing number of clients performed audits at TMK-ARTROM, in accordance with the quality requirements, the environmental and occupational health requirements. In the recent years, TMK ARTROM has also been assessed in accordance with the social responsibility standard (ISO 26000) by most of major external customers. External audits also have the role of building a close relationship between IMS of TMK-ARTROM and IMS of customers, as an opportunity to recirculate knowledge and a useful exchange of experience.

In all cases, customer audits have been finalized with positive results, this being the case for further collaboration or receipt of new orders.

The results of the audits are analyzed to determine their effectiveness, the achievement of established indicators for the audit process, the downward trend or even the lack of non-conformities. Depending on the results of audits, the frequency and the necessity of the following audits are established, managerial decisions are taken, the identified risks are reassessed.

Environmental compliance is also one of TMK ARTROM's objectives. All employees support the ISO 14001 management system that comprises legal requirements and requirements to ensure the internal and external control mechanism for the environment. The annual management review ensures that no problems or fines have arisen and that environmental legislation has been respected

2.Evaluation of the economic and financial indicators and the conformance with policies of compliance and conduct

TMK-ARTROM evaluates its economic and financial activity, how management approaches are handled through internal and external audits conducted either by third parties or by specialized internal departments.

External Financial Audits

Financial audit is carried out by an external audit team (appointed by the General Shareholders' Meeting) every six months. The economic and financial results included in the financial statements are audited by the statutory auditor. In 2017 the economic-financial audit was carried out by Ernst & Young Romania. The audit report is published on the TMK-ARTROM website (www.tmk-artrom.eu) and on the website of the Bucharest Stock Exchange and the ASF.



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Internal Financial Audits

TMK-ARTROM evaluates its management approach to economic, compliance and risk management through internal audits performed by the Internal Audit and Risk Management Department

The audits are done either for themes and topics planned in the annual internal audit plan, or for themes and topics spoken on-spot as a result of emerging risk items or new business topics that need to be evaluated in real time.

2. Evaluation of the management activity

Activity and performance of management at all levels is measured and analyzed based on a set of Key Performance Indicators (KPIs) established for each manager by its superior. KPIs include both economic and financial indicators as well as quantitative-operational or qualitative indicators. The management's assessment is done annually in close correlation with the income and expense budget approved by the AGM.

CONCLUSION: TMK-ARTROM S.A. acts with responsibility to achieve excellence in all aspects of the business and is constantly concerned with improving the quality of products and services offered to provide them with the highest degree of professionalism under the motto "INTEGRITY AND PERFORMANCE CORRECTNESS".

GRI 200 Economic

GRI 201 Economic performance

201-1 Direct economic value generated and distributed :

2017

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1 Direct value generated:

Net sales	1.076.447.122
Revenues from financial investments	957
Sales of assets	559.256
Total income	1.077.007.335

2 Economic value distributed:

Operating costs	923.359.325
Employee wages and benefits	105.569.576
Payment to providers of capital	6.027.422
Payments to government	6.361.989
Community investments	183.901
Total	1.041.502.213

3 Economic value retained 35.505.122



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201-2 Financial implications and other risks and opportunity due to climate change

As a result of the assessments it was considered that there may be climatic risks due the increase of the ambient temperature during the spring - summer season and a very low temperature level during the winter season compared to the specific climate situation in ROMANIA, which required additional expenses to ensure the following:

- Air conditioning of the premises where electrical, electronic, automation and hydraulic equipment is installed;
- Air-conditioning of control panels in all production areas;
- Ensure climate in production workshops for operating and maintenance equipment on production streams.

In 2017 all these expenses amounted to the value of 862,283 lei representing central heating, air conditioners, buying air conditioners, producing cabinets, consuming central heating gas.

201-3 Defined benefit plan and other pension plans

TMK-ARTROM has the employees' benefit plan. Employees' Benefits Assessment is presented in an actuarial report of Pricewaterhouse Coopers Audit SRL in accordance with the requirements of IAS 19 "Employees' Benefits". Estimates of employee benefits are updated annually because actuarial projections depend on future events and are based on the assumptions that may change over the projected period.

Employee benefits are retirement benefits and death benefits from any cause. In the case of retirement benefit, employees who retire, receive an allowance equal to two gross salaries they had in the month of retirement. And in case of the death of an employee of any cause, his family receives two average salaries negotiated on the company. According to the actuarial report of 2017 the up-to-date value of liabilities at 31st of December 2017 is 3.034.324 lei. For this value the company has made a provision.

Benefit plan and other pension plans

The Company's employees have 2 types of benefits:

- a. Monthly remuneration;
 - b. Extra pay benefits under the Collective Bargaining Agreement
- a. The monthly remuneration is represented by the monthly salary received by each employee according to the work done and the professional training.
Monthly remuneration is composed of:
 - monthly salary;
 - salary increases for various specific conditions;
 - monthly bonuses – bonus;
 - paid holidays and holidays' allowance for all employees;
 - overtime paid at 175% rate, work in weekend paid at 175% rate, night shifts - paid at 125% rate, official holidays – paid at 200% rate.
 - b. TMK-ARTROM offers employees the following benefits in accordance with the conditions negotiated between the Employer and the Trade Unions and sanctioned by signing the Collective Bargaining Agreement:
 - meal vouchers for all employees;



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- treatment tickets, touristic services and transport paid by the unit for all employees;
- paid days, for special events (births, baptism, etc.);
- persons dismissed by collective redundancies-a number of compensatory average salaries;
- retired employees receive an allowance equal to at least 2 basic salaries in the month of retirement, granted only once;
- an average salary negotiated, indexed by society for the birth of each child or the death of a relative;
- two negotiated average salaries indexed to society in case of death of a first degree relative;
- three negotiated salaries indexed by the company, if the employee has suffered a first and second degree disability accident;
- nine average indexed negotiated salaries, if the employee has suffered a work accident, or in connection with the work, causing his death, paid to the descendants;
- the employees of the company sent to the delegation in other localities - the daily subsistence allowance;
- humanitarian, cultural and tourist cultural actions;
- expenses occasioned by anniversaries and religious holidays, festive days, children's days, women's day and Christmas;
- the amounts needed to contribute to the establishment of funds for activities in the field of preparation, negotiation and application of the collective labor agreement at all levels;
- nutrition to strengthen and protect the body's resistance;
- the value of the individual protective equipment is fully supported by the company;
- regular medical examination and employment;
- additional medical insurance covering and covering the costs of medical treatments.

201-4 Financial assistance received from government :

- The Government of Romania granted the tax exemption of the reinvested profit according to art. 22 of Law 227/2015 "Fiscal Code". In 2017, TMK ARTROM put into operation technological equipment, machinery, equipment, work equipment, as well as electronic computers and peripheral equipment and thus benefited from the tax reduction of the profit tax with the amount of 5.296.352 lei.
- In 2017 TMK ARTROM has benefited from exemption from paying of 60% of the Green Certificates number in the amount of 1.646.455 lei for the mandatory quota in accordance with the Governmental decision nr. 495/2014 on the establishment of a state aid scheme for the exemption of certain categories of final consumers from the application of Law no. 220/2008 establishing the system for promoting the production of energy from renewable energy sources.
- In 2017 TMK ARTROM benefited from the excise duty exemption for electricity and natural gas in the value of 1.191.081 lei, according the Section 13 art. 394, art. 355 paragraph 3, respectively art. 358 from the Fiscal Code

GRI 202 Market presence

The ratio of employees in the company by sex and age compared to the local one cannot be done at this moment because in our company and in the other companies any information related to the employment contracts is subject to strict confidentiality rules.



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202-1 Ratios of standard entry level wage by gender compared to local minimum wage

In 2017 the minimum local salary was at 1450 lei in accordance with the Romanian Law. In 2017 in TMK- ARTROM the minimum salary established after negotiations between the Employer and the Trade Unions was of 1600 lei for all employees regardless of gender. To this salary is added salary bonuses (seniority pay, management increase, non-standard labor, replacement rate). Also, the other financial benefits stipulated in the Collective Labor Agreement (the 8% monthly bonus, the holiday bonus, the rest and holiday vouchers, the lunch vouchers) are added to the established salary of 1600 lei. All listed benefits are granted to all-sex-paid salaries ("by gender").

In our company there is no 'significant' number of employees paid at the minimum salary rate provided for in the Romanian legislation in 2017.

There are no daily workers in our company. All employees are employed with a 'employees' contract. In the annual negotiations with the trade unions, the minimum salary rate per company that cannot be lower than the minimum legal level provided for in the legislation is negotiate

The minimum salary rate is 1600 lei plus the other benefits listed applied to newly enrolled workers without gender differentiation.

202-2 Proportion of senior management hired from the local community

People from the local community and have senior management ("senior management") positions as defined below represent 67%.

a. The "senior management" includes:

- The Board of directors
(see http://www.tmk-artrom.eu/tmkartrom_board_of_directors)
- Management Board, Executive managers, Chiefs of departments
(see http://www.tmk-artrom.eu/tmkartrom_management)

By "senior management" coming from the **local** community, we defined Romanian citizens with stable residence in Romania (residents) in Slatina, OLT County.

The company has one important location, the working and management facility in Slatina, OLT county (region).

GRI 203 Indirect economic impacts

203-1 Infrastructure investments and services supported

During 2017, in TMK-ARTROM there were investments carried out to increase the production capacity of TMK-ARTROM pipes with a high degree of finishing, investments aimed to increase the heat treatment capacity, investment measures of energy efficiency, endowment with equipment for the provision of IT data and major capitalized works to ensure the safety of the machines in the rolling lines.

TMK-ARTROM is one of the main contributors to local budgets, and through co-operation with local firms, it brings added value to contributions. The construction and mechanical assembly works for the 2017 investments as well as a large part of the company's services were subcontracted with local companies, with payment records for them exceeding EUR 9 million.



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For the local community, during 2017, TMK-ARTROM provided production facilities and facilities for practice work for Slatina's school students and for other higher education units.

203-2 Significant indirect economic impacts

In 2017 a total of 28.2 mln. EUR were registered as investment payments, including the major part with destination for the investment project "Heat Treatment Complex". This investment was started in 2016, so performance tests for this new production capacity were completed at the end of 2017.

Besides the main impact on production capacity and productivity, these projects will have a positive impact on energy consumption, with a natural gas consumption level of about 40% lower than the old heat treatment capacities; some of the old heat treatments furnaces will be decommissioned in the following year.

Heat treatment furnaces in this complex are equipped with auto-regenerative burners and are designed for low emissions according to EU DIRECTIVE 2010/75 / EU of 24 November 2010 on industrial emissions.

This new investment has a positive effect on the labor market. Through the supplementary volumes of activities, the number of employees in TMK-Artrom SA and TMK Resita SA has grown with 245, the majority of them in TMK-Artrom SA. Therefore, local qualification and work conditions according to modern technologies have been ensured for employees.

The new products incorporate additional added value that together with increased production levels and reduced manufacturing costs will generate revenue growth for the company.

GRI 204 PROCUREMENT PRACTICES

204-1 Proportion of spending local suppliers

TMK ARTROM S.A. is making its own purchases of raw materials, materials and services through its specialized internal offices. The main raw material, billets, used for pipe production is purchased from TMK RESITA, which has the same top management as TMK ARTROM. The other materials and services used in the production process are purchased from domestic or foreign suppliers who have been active on the market for a long time being recognized for the products they deliver. Sources of materials and services can therefore be either local, national or international.

Certain specific materials are available only from international suppliers and must be imported. Wherever there are quality products and competitive prices, materials are purchased from local suppliers (from Romania). There are no cases in which purchases are made on a preferential basis, the only way of analyzing the products is the quality - price ratio and the existence of the supplier in the List of Approved Suppliers. The use of local suppliers has the advantage of reducing the purchase time, cost and time of transport and increasing the availability of quality control to the supplier.

The share of local suppliers (from Romania) out of total number of suppliers in 2017 was 83.39% (231 suppliers from 277 total number of suppliers as of the 2017-year end in accordance with the TMK ARTROM S.A. List of Approved Suppliers). Of the total 231 suppliers in Romania, there were 87 regional suppliers (suppliers from Olt county and neighboring counties: Dolj, Valcea, Arges, Teleorman), which represents 31.41% of the total suppliers.



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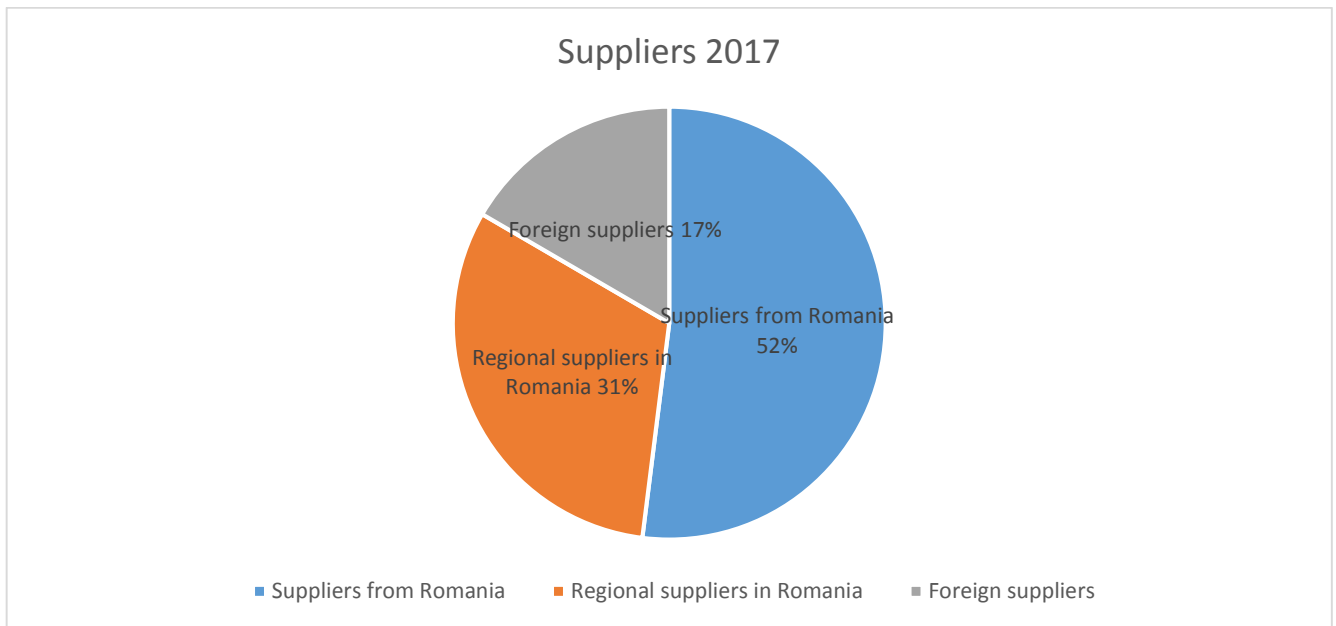
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Total suppliers as of 31.12.2017 in the List of Approved Suppliers	Suppliers from Romania	Regional suppliers Romania) (in	Foreign Suppliers
277	144	87	46
	231		



GRI 205: ANTI-CORRUPTION

Within TMK-ARTROM there is a set of internal norms (procedures, policies and regulations) that regulate how company management understands to manage these topics:

- The code of conduct.
- The procedure for the prevention and reporting of corruption offenses.
- The policy transparency in recruiting staff.
- The regulation regarding conflict of interest.
- The risk Management Procedure.

Disclosure 205-1 Operations assessed for risks related to corruption

The internal procedure for the prevention and reporting of corruption acts regulates the basic principles of TMK-ARTROM S.A. anti-corruption culture, as well as the main measures for the prevention, detection and reporting of corruption offenses.

Corruption risk is periodically and systematically evaluated by all company structural units as an integral part of TMK-ARTROM SA's risk management process as well as through the internal audit function that performs regular reviews of the company's operations, including to identify any corrupt or unbiased information.



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Disclosure 205-2 Communication and training about anti-corruption policies and procedures

The company's anti-corruption principles are contained in the Code of Conduct and the Procedure for Preventing and Reporting Corrupt Practices (documents available both in Romanian and in English) and are brought to the knowledge of employees through internal intranet. The leadership of TMK-ARTROM S.A. is permanently involved in obtaining and maintaining an impeccable reputation of the company, the anti-corruption principles being discussed and approved at the highest levels of management: members of the Board of Directors, General Manager and Board of Directors.

The Zero Tolerance on Corruption is also communicated to potential employees through the Transparency Policy for Staff Recruitment, and they are informed about the anti-corruption principles of TMK-ARTROM S.A. and the existence of a reporting system for possible violations of Transparency Policy principles in recruiting staff.

In addition, as part of TMK-ARTROM S.A.'s contractual policy, contracts with commercial partners include the "anti-corruption clause, under which the parties undertake to comply with anti-corruption legislation and not to be involved in corruption.

205-3 Confirmed incidents of corruption and actions taken

Corruption acts can be reported and identified in TMK-ARTROM S.A. (internal and external audits) conducted during the reporting period, being analyzed and settled in accordance with the internal force procedure (the final decision on the actions taken by the Board of Directors and CEO of TMK-ARTROM SA).

In 2017 there were no confirmed corrupt incidents in which the company and / or its employees were involved .

GRI 300 ENVIRONMENTAL

GRI 301 –MATERIALS

301-1 Materials used by weight or volume

Pipe production is an industrial process with a high consumption of raw material – steel billets, energy consumption, water, packaging materials, pipe protection and other materials to obtain a product that meets customer requirements.

This has led to the development of an unique thinking where resource efficiency has become a second nature. Effective use of resources, such as energy, water, raw material, has an important place in the priority list, including other areas such as management and recycling of metallic waste, byproducts, water quality, and air.

The company constantly seeks to improve the production process. One of the goals is to minimize the residues generated by the production process of pipes and finished product packaging, but also to ensure the best functioning of the equipment used in the manufacturing process. Thus, the organization uses environmentally friendly oils and emulsions of the highest quality. 104.4 tons of oil and 88 tons of emulsion were used for the maintenance of the equipment in 2017.

All materials used in the packaging process are made of recyclable materials such as steel, paper and cardboard, wood. In 2017 we have used 231599 tons of billets and 298.86 tons of strip.



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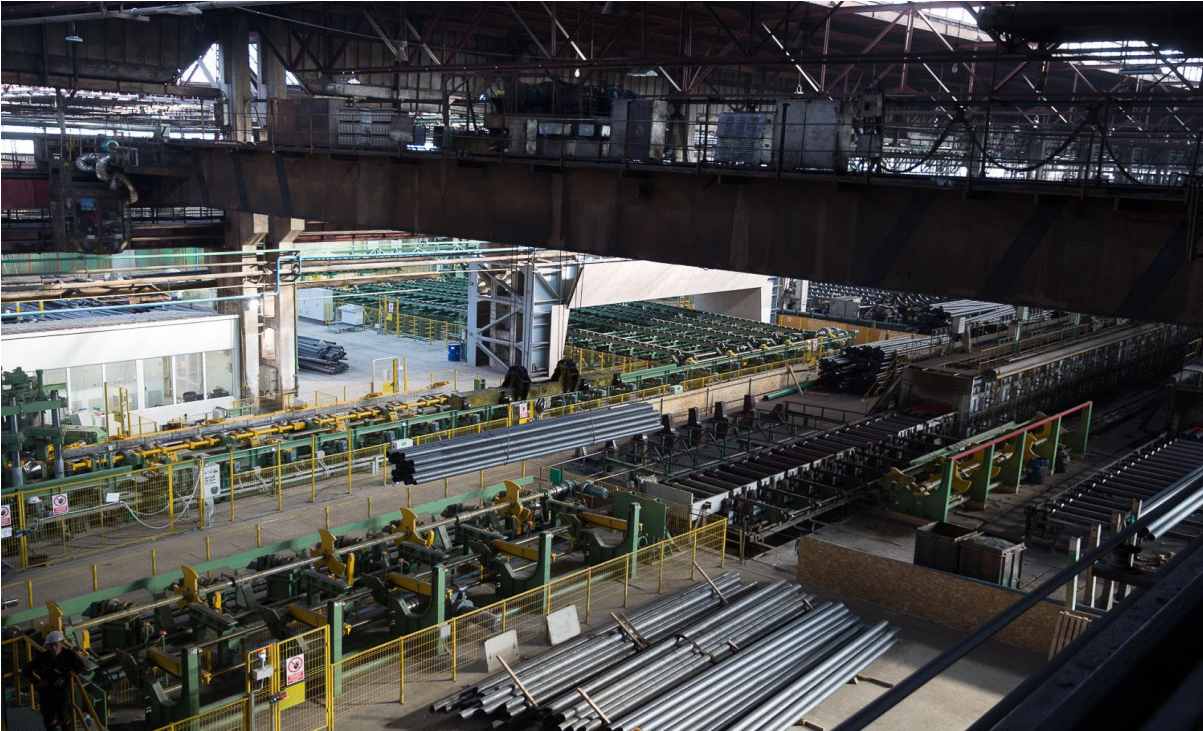
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301-2 Recycled input materials used

Only recyclable materials are used in the process of pipes' manufacturing. The packing materials received with the raw materials, the connecting wire and the spacers of wood are used in the auxiliary processes until their deterioration and transformation into waste respectively in the process of transporting and storing raw materials and finished products.

301-3 Reclaimed products and their packaging materials

Out of the total of 33.51 tons of claimed pipes, 99.54% (33.36 tons) were from external sales, while 0.46% (0,16 tones) were sold in the domestic market

All the 2017 complaints were solved at the customer, the pipes were not returned to the company, which made it unnecessary to have an extra consumption of packaging materials.

In 2017 a specific consumption of the materials used for packing and transporting the pipes was of 2.9 kg of packaging / ton of pipe sold.



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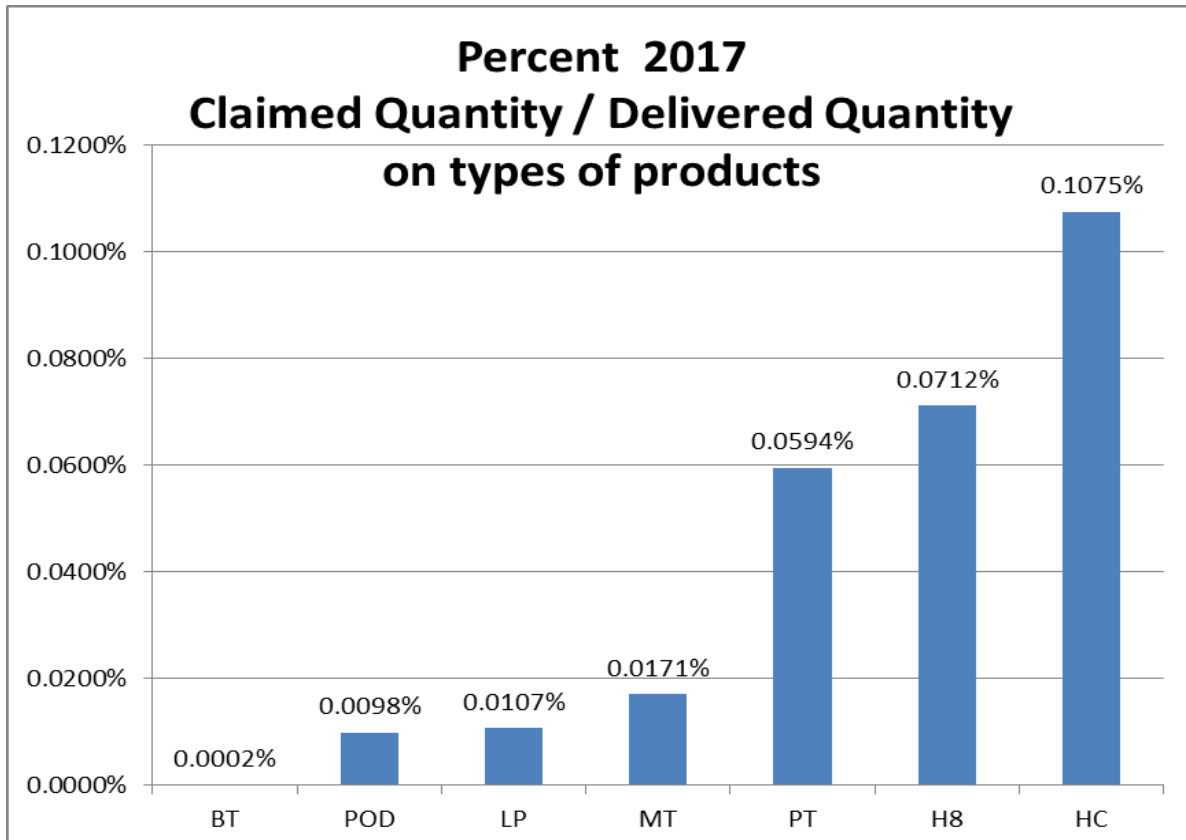
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GRI 302 – Energy

Through its policies and measures, TMK ARTROM manages effectively the environmental aspects of its activities, the same time actively contributing to reducing the negative impact on the environment.

Our concern is to minimize the environmental impact by using the best technologies. Our investments are well thought out at the design stage.

302-1 Energy consumption within the organization

The energy consumption in 2017 was at 214,619 GJ, the natural gas consumption was at 1,342,309 GJ.

TMK -ARTROM acquires electricity from electricity suppliers accredited by ANRE. The electricity suppliers that TMK-ARTROM had in 2017 are traders buying electricity from the OPCOM electricity market through the PCCB and PZU trading platforms.

The purchased electric power transported through the lines of the national TRANSELECTRICA and is distributed through the distributor networks "DISTRIBUTION OLTENIA". In 2017, more than 40% of the electricity supplied came from renewable sources: hydroelectric, wind, solar, biomass and others.



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302-2 Energy consumption outside the organization

Of the total electricity consumption, 76% was used for metallurgical purposes and 24% for auxiliary activities. Natural gas consumption was used in 94% for metallurgical purposes and 6% for auxiliary activities. All consumption is made by TMK-ARTROM only within its organization.

302-3 Energy Intensity

Energy intensity in 2017 was at 8,4 GJ/to. The energy intensity calculation methodology is the ratio between the energy consumed during the year in GJ and the production of pipes measured in tones.

302-4 Reduction of Energy consumption

In the year 2017 two energy efficiency projects were carried out:

- a) Modernization of the industrial water pump station by mounting a frequency convector.
- b) Replacement of existing luminaires from production workshops with LED luminaires.

This measure was started in December 2017 to be completed in 2018. The effect of implementing this measure will be a reduction in electricity consumption by about 30%.

302-5 Reduction in energy requirements of products and services

TMK-ARTROM performs on-line monitoring of energy consumption by activity sectors and on its own technological and auxiliary process.

In 2017, the investment of "Heat Treatment Complex" was carried out, which will have an impact on energy efficiency in the sense that it will ensure reduction of the unitary consumption of natural gas by about 40% -50% than it was with the old furnaces, some of which will be decommissioned in 2018.

The new investment, which can be classified as a minor emission source, is the commitment of the company to use technology that reduces the impact of the activity on the environment but which at the same time improves the product quality and the safety conditions of the work.

GRI 303 WATER

303 -1 Water withdrawal by source

TMK-ARTROM secures its water supply from its own source, having nine wells drilled at a depth of 120 m inside the company. The dumps have a flow rate of 3 L / s.

The amount of water extracted from the underground in 2017 is 545,574 m³.

This amount was used as follows:

- a) 166 445 m³ - for drinking
- b) 379 129 m³ – for technological purposes, where the water is used for cooling down of equipment, then is collected to the pumping station basins where it is pumped into the cooling towers and reintroduced into the circuit.



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303-2 Water sources significantly affected by withdrawal of water

With great care for water resources, the company constantly seeks solutions for the rational use of water in the production process and in the consumption of domestic water. The plant has 9 sources of water supply from a depth of 120 m, the water consumption in 2017 being 546 000 m³, which is under the authorized value of 758 000 m³.

All water sources are duly authorized by the OLT Water Basin Administration. In the area near the site there are no areas of interest for the conservation of nature or bird species, the supply of water to the local community at about 5 km from the society's amplitude is not affected. the amount of water extracted and used by the company.

The volume of extracted water represents a minor impact on the depth of the aquifer.

303-3 Water recycled and reused

Access to water in the pipe industry is particularly important when we are speaking about quenching or direct cooling of pipes. . Most of the water used in the production process is recirculated into the cooling system. All activity is done in accordance with legal regulations.

In 2017 a volume of 9,735,000 m³ of water was recirculated.

The utilization rate of recirculated water is approximately 97%.

305- EMISSIONS

305 – 1 Direct (Scope 1) GHG emissions

TMK-ARTROM S.A. produces seamless carbon or low-alloy pipes by hot-rolling, rolling or cold drawing; direct gas emission is generated in the pipe production process, and TMK has as a priority the reduction of CO₂ emissions from the air.

The company receives natural gas through the SRG gas control station, which consists of two gas metering control stations, imposed by the consumer supply pressure level.

In 2017, the direct CO₂ emissions from heating and heat treatment of the pipes and from the process of heating the working areas was 68719 tons of CO₂, at a production of 190284 tons of the sold goods.



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The quantity of emissions is calculated on base of calculation methodology and based on the weekly determinations of the natural gas composition.
The company is interested and strives to minimize the impact of CO2 emissions on the environment, applying the best existing technologies.

305-2 Energy indirect (Scope 2) GHG emissions

In 2017 the electric energy consumption for production purposes was at 59615.5 MWh. In Romania, in 2017, to produce 1 kwh of electric power, the CO2 generated was 0.282 kg CO2 / kwh. By computing for our society, the CO2 emissions from energy purchases are 16812 kg of CO2.

305-3 Other indirect (Scope 3) GHG emissions

Emissions were calculated using the "GHG protocol methodology", which distinguishes between direct emissions, indirect emissions from electricity, and indirect emissions from other sources of energy. Company's internal traffic has little impact on indirect CO2 emissions, the carbon footprint is 601kg CO2 / year. However, in order to reduce the air emissions of vehicles and diesel-driven equipment belonging to TMK ARTROM, the company has implemented a monitoring program for them. Thus, every vehicle is periodically checked and if it is found not to work in normal conditions, it is removed from circulation until the problem is remedied.

TMK ARTROM actively works to reduce emissions. In this respect, together with its business partners, for a part of the goods delivered to Europe, multimodal transport has been carried out with LKW Walter Austria transport company. Through multimodal transport to the center of Europe, we understand the combined transport on the road and on the train platforms (the trucks are standing on these platforms with the engines stopped, for which they no longer emit CO2): In this way in 2016 the company reduced the emissions of CO2 by 458,588 tons and in 2017 by 773,300 tons.

Since 2015 TMK ARTROM has obtained the Certificate for CO2 reduction from transport utilization from some business partners for its involvement in reducing of NOx and CO2

Also, TMK ARTROM is finalizing other multimodal transport contracts with other companies such as Italy and ZANINONI Italy.

Certificate for reduction of CO2 emissions:



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CO2 Reduction Certificate | Overview

"Combined Transport"-Data for CO2 Reduction Certificate:

Partnernumber.....	50573
Company name.....	TMK Artrom SA
Post Code / City.....	RO-230119 Slatina
Period.....	2017, Jänner 2018
Number of transports.....	713 transports
CO2-reduction.....	773.300 kg

How the numbers are written:

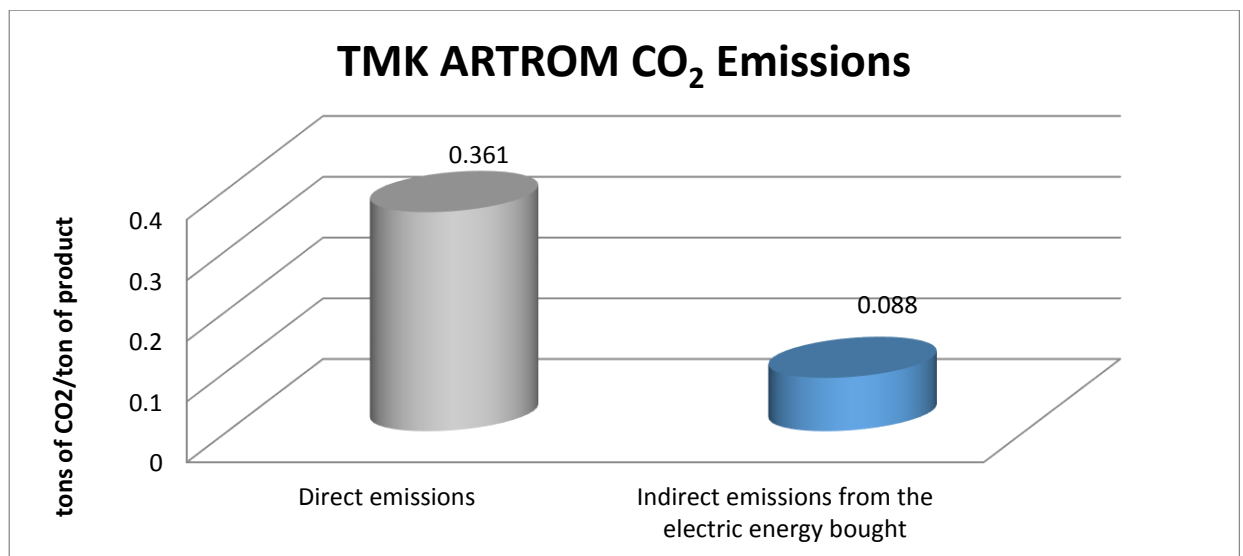
Please note, that the comma (,) is used as decimal separator and the dot (.) is used as thousands separator.

305-4 GHG emissions intensity

In 2017, the company generated 0.36 kg of CO₂ /ton of sold pipe, from direct and indirect energy used to convert raw materials into finished products, including transportation.

Indirect emission intensity CO₂ / tone of product = 0.088

Direct emission intensity tCO₂ / tone of product = 0.361



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305-5 Reduction of GHG emissions

Every year, the company is considering reducing the consumption of natural gas/ton of pipe sold. Measures taken to reduce natural gas consumption in 2017 led to a specific consumption of 178.5 Ncm³ of gas per tone of sold pipe, this consumption representing 361 kg of CO₂ per ton of sold pipe.

305-6 Emissions of ozone-depleting substances (ODS)

TMK-ARTROM does not produce, import or export ozone-depleting substances.

305-7 Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions

The activity carried out within TMK ARTROM SA can lead to the emission of pollutants into the atmosphere through directed and diffuse emission sources.

Reducing air emissions is a priority within the company. Conscious of its environmental impact, TMK-ARTROM monitors, controls and monitors emissions levels in the atmosphere.

Thus, in 2017, the following emission values were recorded:

NO_x = 28.3 tons

SO_x = 4 tons

Dust = 1.7 tons

These quantities are below the threshold values for air pollutant emissions established under environmental legislation (for NO_x = 100 tones/year; SO_x = 150 tones/ year and dust = 50 tones/year).

The quantities were determined by monthly measurements at the treatment furnaces, made by own laboratory, but also by annual measurements made by the accredited laboratory.

Thanks to the investment in the Heat Treatment Complex were reduced NO_x, SO₂ and dust emissions using the latest "low NO_x auto-regenerative " burner technology.

306 EFFLUENTS AND WASTE

306-1 Water discharge by quality and destination

Water is an environmental challenge that the pipe industry must take into account. Lately, water as a resource is associated with climate change and is increasingly relevant as water management is an important issue in terms of use and consumption.

Within TMK ARTROM, the technological water supply is made through 6 capture installations, the risk of water to be lost in the technological process being virtually null even in very dry time. The emphasis is on reducing water consumption by recycling it, the percentage of industrial water recirculation in the year 2017 being 97%.

Compared to the volume of wastewater technologically and pluvial medium admitted through the water permit, respectively 365 000 m³, last year the company evacuated 235.780 m³ of technological wastewater.



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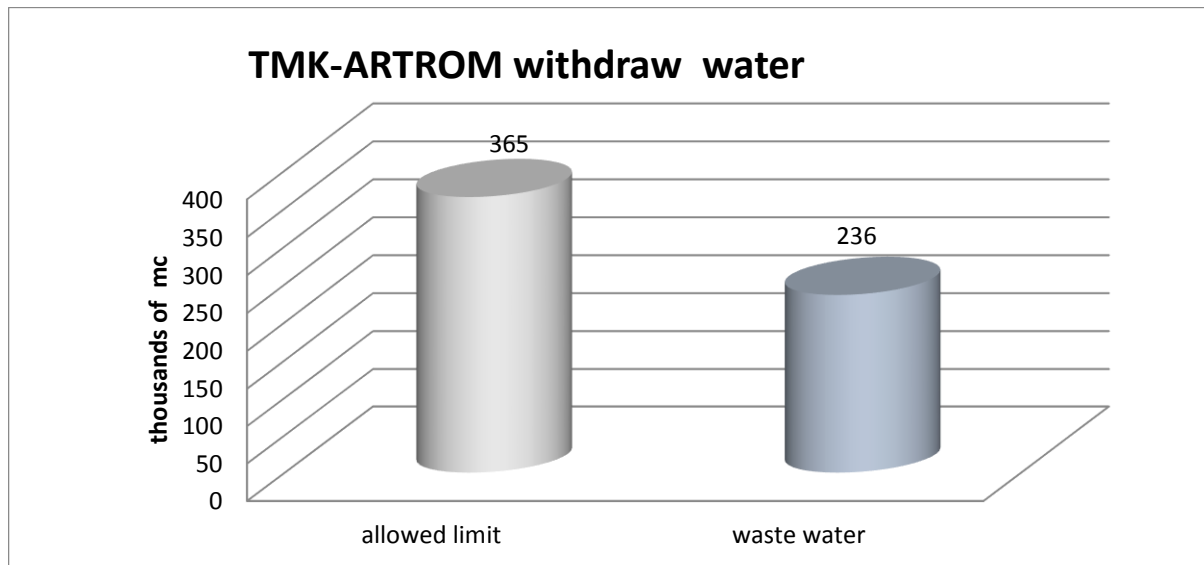
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Clean technological wastewater is discharged into the Milcov stream, after it has been treated by decantation and neutralization with lime milk.



Reduction of noise

TMK ARTROM is located in the industrial park area of Slatina, about 5 km away from inhabited urban areas. As far as the noise level is concerned, it is monitored professionally and the results are periodically analyzed. In 2017, the noise level at the enclosure boundary was 59.1 dB (A), below the admissible 65 dB industrial enclosure limit.

Among the measures taken in the past years to reduce the noise level generated by the production process were: lining the large metal surfaces of storage tanks with shock absorbers (rubber, wood), rehabilitation of railway lines and asphaltting the road surface of the roads, replacing conventional compressors with screw compressor pistons, performing the technical revisions of the machines according to the established programs.

306-2 Waste by type and disposal method

As a way of preserving resources, sustainability is not limited to production and process itself, but also to waste recycling and recovery activities.

TMK ARTROM uses the concept of circular economy based on the concept of increased recycling of steel scrap and any waste resulting from its production process, focusing on emission control technologies as well. In a circular economy, the value of products and materials is kept as much as possible: waste and resource use are minimized and they do not leave the economic flow once they reach the end of their lifetime, but they are re-used to create value.

In this respect, the European Commission has proposed the revision of the waste legislation and a comprehensive action plan aimed at recycling and reducing waste disposal.

During the production process of obtaining the finished product – (hot rolled and cold rolled and drawn pipe), end-pipe and mill scale are obtained as a result, additionally to the pipes. Both materials are considered by-products that fulfill all the requirements regarding the criteria to be named as by-products in



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accordance with the Waste Act 211/2011 law that is in line with the current notion of "waste". The pipe ends are collected in specially arranged storages and sent to recovery by recycling directly.

The mill scale is considered to be a very rich iron oxide material with a minimum of impurities. That's why it is sold for various applications in the industry being considered a non-hazardous product and a valuable raw material. It is used in the steel industry for the primary steel production, ferroalloy production, pellet manufacture, cement and clinker industry and as a catalyst in the chemical industry, etc.

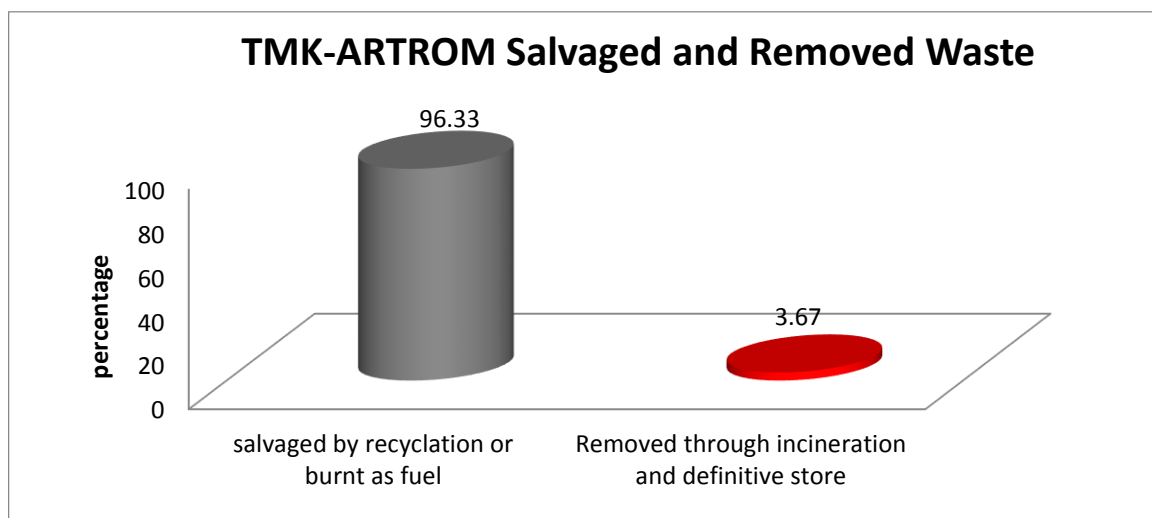
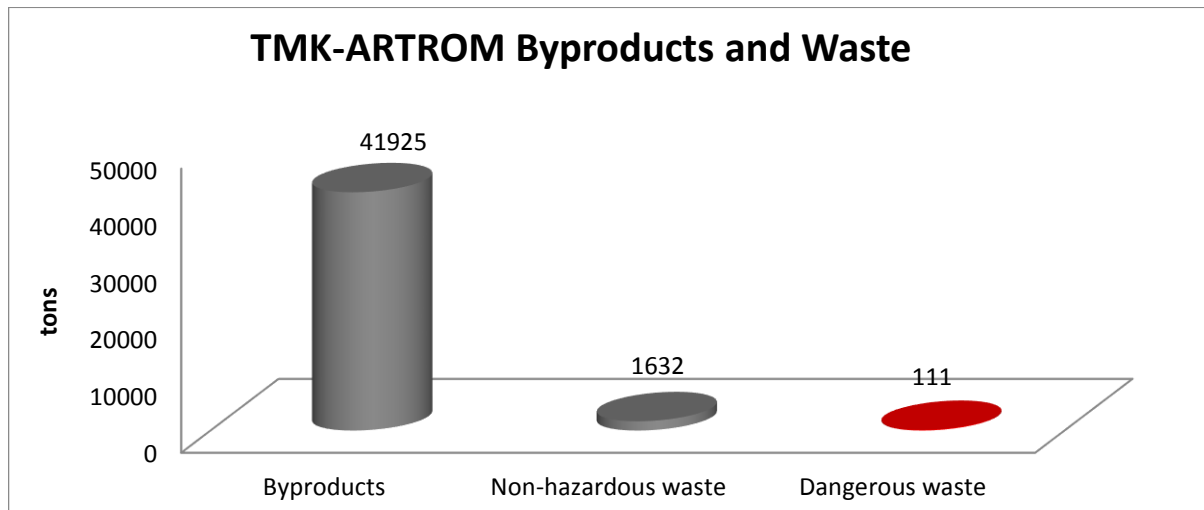
The by-products (mill scale and pipe ends) as well as waste generated are collected selectively in the same place where there are generated and then temporarily stored for future recovery.

The company is constantly looking for solutions and ways to recycle as much as possible the generated waste.

In 2010, the company registered the mill scale in accordance with REACH Regulation (EC)no.1907/2006.

The quantity of by-products and waste generated in 2017 was 43312 tones (95.98 % of them were by-products; 3,77% - was the non-hazardous waste and 0.25% - hazardous waste).

Out of the total of 1743 tons of waste generated on site, 111 tones represented the hazardous waste and 1632 tones were non-hazardous waste (6.34 % hazardous waste and 93.66% non- hazardous waste).



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Of the total waste collected and exploited by authorized firms, recovered through recycling or direct burning of fuel represented 96.33% (1760 tons) and eliminated through incineration and final disposal was at 3.67% (67 tons).

306-3 Significant spills

Annually, based on a monitoring program and in accordance with legal requirements, the company carries out monitoring of environmental factors through self-monitoring and monitoring with an accredited laboratory for all indicators. In the reference year, there were no exceedances of the admissible limits for the measured indicators and there was no accidental pollution that would affect the environment no exceedances of the admissible limits for the measured indicators and there was no accidental pollution that would affect the environment.



306-4 Transport of hazardous waste

TMK ARTROM has concluded contracts with authorized companies for the collection and transport of hazardous waste. In order to carry out the transport of hazardous waste, the company requests the authorities to approve the transport by completing the Annex 2 - Dangerous Goods transport/ Shipment Form.

306-5 Water bodies affected by water discharges and/or runoff

The waste water resulting from the technological process of pickling, after neutralization and settling, is discharged to the emissary - the Milcov stream, which flows into the Olt River. The value of the



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technological wastewater pH is continuously monitored at the source, and the pollutants emitted in the water are monitored weekly at the exhaust point in the emissary.

In 2017 there were no exceedances of the admissible limits for the monitored indicators.

There are no protected areas for historical or cultural reasons and no plant species protected by the applicable legislation.

GRI 307 ENVIRONMENTAL COMPLIANCE



307-1 Non-compliance with environmental laws and regulations

The company carries out its activity in accordance with the legal requirements. As a result of the controls carried out on the company's platform by the control bodies, there were no non-compliances and no fines were imposed regarding non-compliance with the environmental requirements.

GRI 308 –SUPPLIER ENVIRONMENTAL ASSESSMENT

308-1 New suppliers that were screened using environmental criteria

Supplier rating within TMK ARTROM S.A. is done annually. In the supplier evaluation procedure, one of the indicators analyzed (monitored) through the annual evaluation questionnaire is the "Responsibility to the Environment" of the supplier.

One point from questionnaire is referring whether the supplier holds the legal environmental permits, an environmental management system certified according to ISO 14001 and if the company has been registered his substances according to REACH Regulation(only in applicable cases) . The evaluation questionnaire



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requests information about the supplier's availability to withdraw the packaging of delivered goods or waste resulting from the processing / use of the delivered goods / products.

At this time TMK ARTROM's suppliers have obligation to have implemented the ISO 9001 quality management system, ISO 14001 certification being an advantage in order to obtain a higher score as supplier.

In the absence of environmental management certification, auditors from TMK Artrom carry out an audit at the supplier's premises to assess it from the point of view of complying with legal requirements.

308-2 Negative environmental impacts in the supply chain and actions taken

In the annual evaluation of TMK ARTROM suppliers, it is being assessed the supplier's impact on the supplier channel. Through its policy, TMK ARTROM supports suppliers for lasting collaboration.

If this impact was negative (identified suppliers with significant environmental problems), the supplier is required to provide a plan of measures to eliminate the identified environmental problem with real time and responsibility.

If this action plan is not followed or met, TMK ARTROM may decide to discontinue the collaboration. In 2017 no cases of suppliers with significant environmental problems were identified. These issues have been verified both on the basis of questionnaires and on the basis of audits carried out at suppliers.

Labeling

From the point of view of REACH Regulation 1907/2006, the pipe is considered an article. No hazardous elements were identified in its composition. Consequently, there are no requirements to labeling.

However, the company monitors suppliers and distributors of products covered by REACH Regulation 1907/2006 so that these products to be labeled according to Regulation 1272/2008 of the European Parliament and of the Council on Classification, Labeling and Packaging of Substances and Mixtures.

GRI 400 Social

GRI 401 EMPLOYMENT

401-1 New employee hires and employee turnover

Employees hired in the year 2017 come from the local region, OLT county in a proportion of 99%.

Structure of the personnel hired in the year 2017 from the point of view of gender differentiation:

- 16 females hired, representing 11 %;
- 130 males hired, representing 89 %;

Structure of the employees hired in 2017 from the point of view of age differentiation:

- 52 persons under 30 years of age, representing 36 % ;
- 81 persons between 30 and 50 year of age, representing 55% ;
- 13 persons elder than 50 year of age, representing 9% ;

Personnel fluctuation is used to assess organization performance and refers to employees leaving the company within a representative time frame. Personnel fluctuation can have benefits in terms of employee retirement, but also many downsides related to decreasing productivity, resumption of training for new employees as well as indirect costs (loss of employees who have accumulated a range of knowledge within the organization).

Over time, TMK-Artrom has run the employment policy that keeps employees with a certain specialization for as long as possible in the company. The technological flow of the plant has unique aspects,



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so the company paid special attention in order to avoid the leave of employees prepared for our technology. Training for new generations has become a priority as the average age of specialized staff has increased.

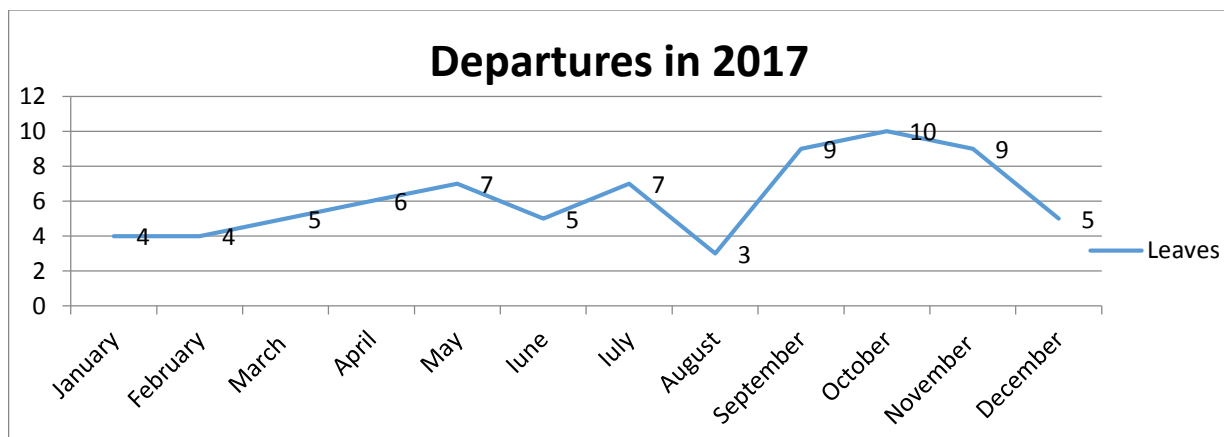
In this sense, the personnel turnover rate in TMK ARTROM is extremely low, below 1% per month and includes leaves based on the agreement of the parties or resignations and retirees at the age limit, of the medical pensioners. The fluctuation rate falls within acceptable limits. TMK Artrom developed a retention plan in 2017, whose application hopes that key and loyal employees remain in the company until retirement.

SEMESTER I - 2017

2017	January	February	March	April	May	June
Departures	4	4	5	6	7	5
Personnel fluctuation of	0.29%	0.29%	0.36%	0.44%	0.51%	0.36%

SEMESTER II - 2017

2017	July	August	September	October	November	December
Departures	7	3	9	10	9	5
Personnel fluctuation	0.51%	0.22%	0.66%	0.73%	0.66%	0.36%



The gender and age group structure of the company's personnel that terminated the labor relations in 2017 is the following:

	Males	Females
Under 30 years	17	0
30-50 years	26	4
Over 50 years	21	8



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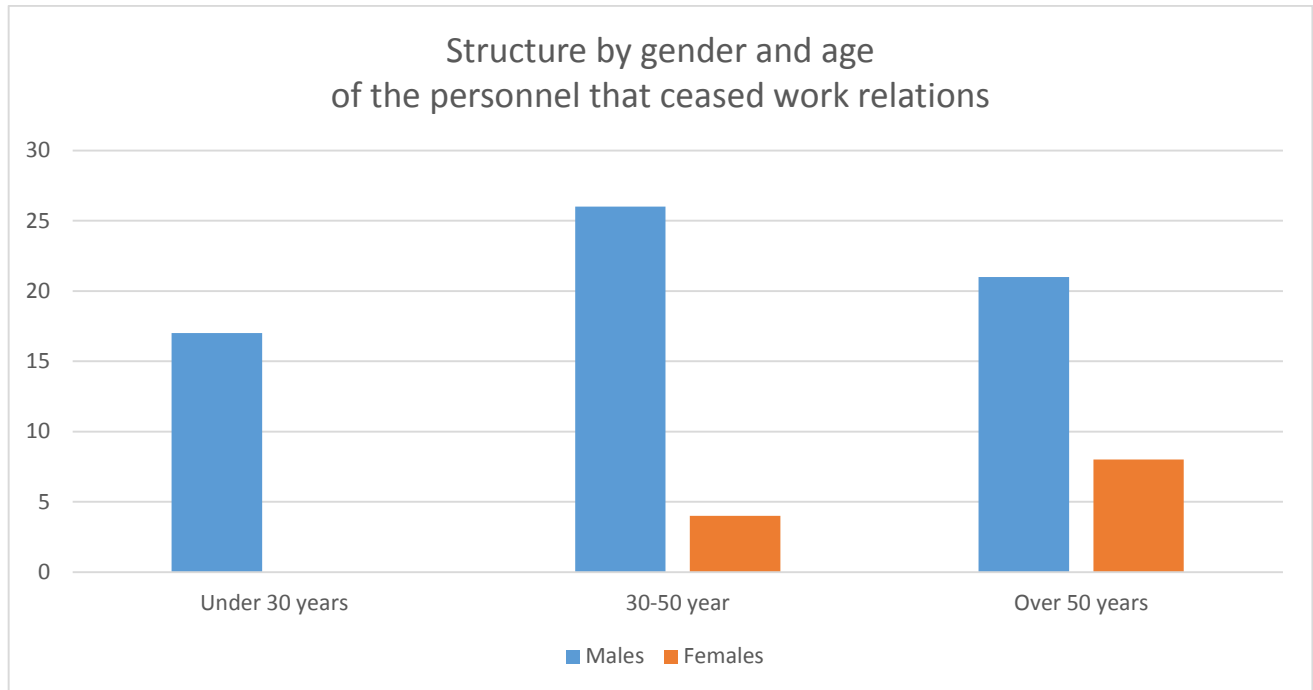
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401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

In our company there are no temporary employees. All wage and salary rights are granted to all employees equally without discriminatory differentiation, according to the annually negotiated Collective Bargaining Agreement.

There are no provisions in the Collective Bargaining Agreement, which provide additional rights for permanent employees to the detriment of temporary employees if the company would use temporary labor.

401-3 Parental leave

The total number of employees who were entitled to parental leave and expressed the intention to benefit from this right is 5 people, 4 women and 1 man.

The total number of Company's employees that are benefiting from parental leave is 5 people, including 4 women and 1 man.

After the parental leave is completed, all people are reintegrated into the same job with the same wage entitlements. This is guaranteed by the Romanian legislation and by the provisions of the Collective Bargaining Agreement. According to the Romanian legislation, parental leave can last up to 2 years, depending on the employee's option. The return to work of persons on parental leave will be in 2019 or at the employee's request earlier than the 2-year term.

Persons who have entered the child's parental leave during the reporting period, 2017, will return to work in 2019. Later, in 2020, this indicator can be updated.

Our company has accepted all employees' demands for granting parental leave.

The rate of return to work is 100%.

The acceptance rate is 100%.



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We mention that our company is providing assistance and material support to employees in this situation. Thus, our company provides money support to employees for childbirth in the amount of 2 average indexed salaries per company. The company also offers free days paid for the birth and baptism of infants. The company also offers in exceptional cases a reduction in working time with the retention of wage rights for breastfeeding mothers or in case of children's medical problems.

The company also offers holidays for accommodation in case of children adoption.

GRI 402: LABOR/MANAGEMENT RELATIONS

402-1 Minimum notice periods regarding operational changes

Significant changes in the company that could affect workers are discussed between employer and trade union representatives. Patronage - Trade Union Negotiations - are held annually or whenever needed.

Management decisions dealing with individual issues are subject to the confidentiality rules provided for in the Labor Code and in the national legislation on the confidentiality of personal data. Management decisions dealing with collective issues are debated with existing trade unions in the company that have an active role in the company.

The active role of the Trade Unions in the company refers on the one hand to the representation of each employee in individual matters, solving individual employees' problems by assisting them and consulting, as well as to the annual collective negotiations on the Collective Bargaining Agreement.

Management decisions concerning the matters to be brought to the attention of the Unions concern the following aspects:

1. The professional interests of the employees, including: the vocational training plan, the evaluation of the employees, the possibilities of advancement, the internal rules of operation;
2. Economic aspects with impact on all employees regarding the following: the minimum wage negotiated on the company, the level of existing salary increases, the level of payment of overtime, the level of salary bonuses for presence and performance, monthly or yearly existing in the Collective Bargaining Agreement.
3. Technical and Production Aspects: production level for the current and next year, production structure by product categories, technological flows, technological changes in production flows due to investments in new machinery and new technological lines.
4. Aspects of social, humanitarian, cultural and sporting aspects. All social, humanitarian, cultural - sporting actions are made in partnership with existing trade unions in society.

In the case of unforeseen situations requiring changes in operational programs (operational), accidental situations (lack of orders, accidents, orders requiring work over normal mountaineering, etc.) the Management and the Unions have a real-time dialogue as soon as the exceptional situation occurs and mutually agree to make the necessary changes so as not to affect the economic interest of the company, not to endanger the jobs and to protect the interests of the employees involved.

GRI 403 Occupational health and safety

Employee security and health are priority notions in TMK ARTROM and is one of the performance indicators. The main responsibility of management and employees responsible for labor protection within the "Internal Prevention and Protection Service" is to promote a culture related to the observance of labor



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protection standards, to share their knowledge and experience, but also to do everything to prevent illness or accidents of any kind.



TMK ARTROM is certified according to Occupational Health and Safety Standard OHSAS 18001: 2007 (see www.tmk-artrom.eu).

In 2017, the company participated in the international campaign "Steel Safety Day". Together with World Health and Safety Day, this action promotes the prevention of occupational accidents and work-related illnesses globally by trying to create a safer work environment for the steel industry. This action identifies areas of danger, analyzes the causes of these hazards to act for the elimination of the first five (moving machines, work at height, falling objects, factory traffic, security incidents).

The objective of this action is to evaluate these five causes that lead to serious incidents and to get safer jobs. Starting from the notion that nothing is more important than the safety and health of people working in the company, we must prevent all work related affections. Occupational health and safety performance is translated into management goals and programs related to reducing the level of occupational illness and reducing the number of accidents or incidents.

The leadership of TMK-ARTROM S.A. take all necessary measures to protect the life and health of employees, including occupational risk prevention activities, to ensure the safety and health of employees in all aspects of work

TMK-ARTROM S.A. ensure that each worker is sufficiently and adequately trained in the field of occupational safety and health, in particular in the form of information and working instructions specific to the job and his / her job:

- a) when entering employment;
- b) when changing job or transferring between production areas;
- c) when introducing new work equipment or modifying existing equipment;
- d) when introducing any new technology or working procedure;
- e) when performing some special works.

TMK-ARTROM establishes in the job description the duties and responsibility of the employees in the field of health and safety at work, corresponding to the functions exercised.

In order to maintain the health of employees in periods of high external temperatures, the company ensures the work schedule and facilities according to the legislation in force.



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In 2017 the risk assessment for occupational safety and health was also carried out. Depending on the risks identified on each job, the technical, organizational and sanitary measures included in the prevention and protection plan were established. The organizational measures refer to medical and psychological testing, personnel authorization, risk assessment, certification of technical equipment and protective equipment, manuals, work safety standards, protection equipment.

Protective food is provided free of charge by the employer to the persons working under the conditions of work that require this and is established by the collective labor contract and / or the individual labor contract.

GRI 403-1 Workers representation in formal joint management-workers health and safety committees

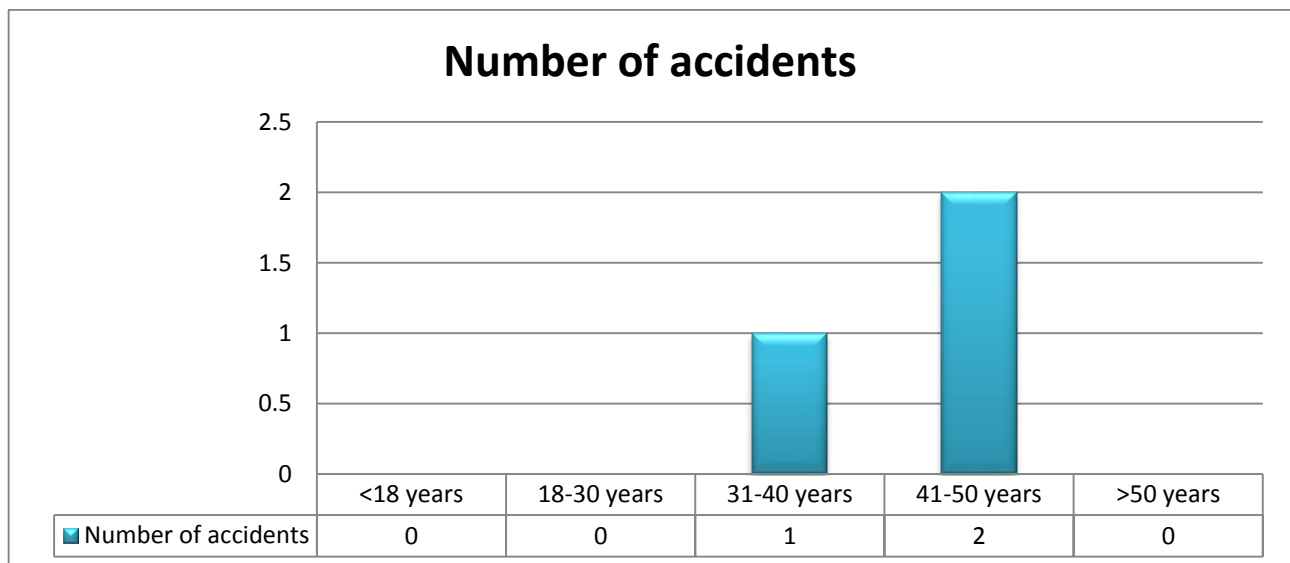
At the company level, there is **Health and Safety Committee** established, consisting of 14 management representatives and 14 representatives of employees (trade union members).

GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities

In 2017 there were 3 (three) accidents with temporary incapacity to work: one accident consisting in an eye injury and two accidents related to fingers injury.

The three people who have suffered accidents are men.

On age groups the situation is as follows:



Health Status analysis in 2017

The calculation of health and safety indicators at the workplace was done according to the GRI 403: OCCUPATIONAL HEALTH AND SAFETY standard, namely:

1. Rate of accidents: IR (Injury Rate) = (Number of registerable accidents x 200000)/ number of hours worked in company = (3x200000)/2975993=0,201 – for men, IR for women is zero.

Thus for every 100 employees, 0,201 employees have been involved in a minor accident, which is an extremely low rate.



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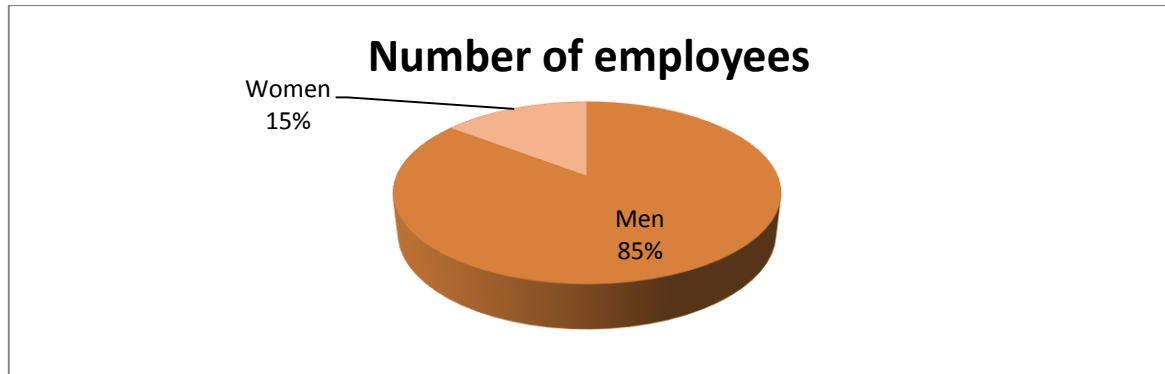
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2. Lost days' rate due to accidents : LDRi (lost days rate due to accidents) = (number of days lost because of accidents x 200000)/ number of hours worked in company = (162x200000)/ 2975993 = **10,887**
3. Occupational diseases rate ODR= total cases of occupational diseases per total of hours worked.

In TMK-ARTROM the ODR (occupational diseases rate) is ZERO, we do not have occupational diseases.



4. Lost days' rate: LDR (lost day rate) = (total lost days / total hours worked) x 200000/number of days lost because of accidents

LDR=11.996 x 200 000/2.975.993 x162 =4,98 for men; LDR for women is zero.

5. Absenteeism Rate: AR (Absenteeism Rate) = (total number of days lost or absent in a period of time / total days of workforce that worked during the same period) =(11.996)/371999)=0,033 for men. AR for women is zero.

There were no fatal accidents, fatalities related to work = ZERO.

We will continue to focus on employee safety. We are convinced that the measures we implement, combined with employee awareness, will be reflected in the continuous improvement of our indicators to mitigate the risk of injury.

403-3 Workers with high incidence or high risk of diseases related to their occupation

In TMK ARTROM emissions (noise, vibration, gas, CO, CH₄, HCl, O₂) measurements have been performed using different measurement devices calibrated according to national/international legislation .The only risk of work-related illness is the noise level that exceeds the value of the accepted limit (87dB) in some workplaces (8%, i.e. in 19 jobs out of 249 the noise value is over 85 dB).

The company has taken actions to reduce ambient noise by:

- protecting the areas of pipes' circulation (troughs, collecting pockets) with materials that reduce noise below the highest exposure value (85 dB).
- the construction of booths at the operators' desks so as to isolate the personnel by building soundproofing booths.
- staff training and awareness was carried out to wear earphones and earphones in places where an increased noise risk (85 dB) was identified.



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The regular medical examination including the audio testing of workers' hearing is carried out according to the legislation in force (File no 109 of the GD 355/2007 regarding the health surveillance of the workers for the detection of the diseases – otic or external otic effects).

403-4 Health and safety topics covered in formal agreements

At the level of the company, the *Health and Safety Committee* is established, consisting of representatives of the management, representatives of the workers, as well as representatives of the trade union. Its role is to establish the system of technical and harmful factors that affect the employees in the process of work, as well as the organizational or disciplinary measures that are necessary and ensure the control of the labor protection activity.

The manner of appointing the employees' representatives in the occupational safety and health committees is established by the Collective Bargaining Agreement, the internal regulation or the regulation of organization and functioning.

The workers' representatives in the occupational safety and health committees are appointed by workers from workers' representatives with specific responsibilities in the field of the safety and health of workers.

The minimum number of workers' representatives in the occupational safety and health committees is established by the Collective Bargaining Agreement, internal regulation or the regulation of organization and functioning,

GRI 404 TRAINING AND EDUCATION

404-1 Average hours of training per year per employee.

In TMK ARTROM training means improvement of personnel performances using a continuously training for professional development. We are proud to be able to provide to our employees with adequate training in all areas: integrated management system, technical training courses, sales and marketing courses, human resource courses, statistics courses, technological changes courses, legislative changes courses.

The trainings are done both by internal and external trainer.

The hourly average of employees calculated at 2017 by sex:

- 6,21 hours per female employee;
- 6,67 hours per male employee;

The hourly average of employees calculated at the level of 2017 per employee category

- 6,84 hours per employee – workers;
- 2,33 hours per employee –technical -economic personnel;
- 3,94 hours per employee – clerks;

404-2 Programs for upgrading employee skills and transition assistance programs

Programs implemented to increase employee knowledge or programs that facilitate career management are provided annually in the Vocational Training Plan. According to the training needs



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communicated by each department, the Human Resources Department prepares and submits to the management of the company the Vocational Training Plan.

Employee Improvement Programs include:

- Advanced knowledge of national legislation that is specific to each department / business sector in the company;
- Following the legislative changes in the field;
- Technology and modern technological changes;
- Modern techniques that can be implemented in the current activity of each compartment;
- Methods and means that can be used to increase the efficiency of the activity;
- Re-qualifications and multidisciplinary qualifications of operators.

The type of employee knowledge improvement programs used in the company is varied and consists of:

- Seminars focused especially on the theoretical part of the activities;
- Workshops focused on practical aspects;
- Training, to acquire new skills or improve those already owned;
- Team buildings, to strengthen the social and communication aspects between the company's employees;

Retirement

The retirement benefits, i.e. the amount of the pension, is information that is only available to persons who filed the retirement file at the date of the retirement decision. This information is confidential and it is not communicated by the Territorial House of Pensions to the company.

At the date of retirement, employees receive in writing the documents mentioning and certifying all the financial aspects related to the performance of the employment contract.

At the time of retirement all employees of the company benefit from a substantial amount of money as a reward for the activity carried out within the company.

The contractual period ends in accordance with the legislation in force in order to meet the cumulative conditions for retirement, with the possibility of reducing the retirement age by 2 years due to the social protection laws for the persons in our company area due to historical pollution.

Termination of the employment agreement

In the event of termination of the employment contract on a voluntary basis, the employees benefit from the issuance of the financial documents proving the activity within the company. If the employment contract is terminated on a voluntary basis, employees receive the payment of all salary rights up to date. The payment of salary rights includes the payment of holiday entitlements not paid under national law.

404-3. Percentage of employees receiving regular performance and career development review

Performance appraisal in the company refers to the results obtained by the employee in the efforts to meet their goals. Performance appraisal consists of analyzing the successes and failures of employees, as well as the prospects for promoting those evaluated.

All company angels benefit from Performance and Career appraisals. Internal procedures set an annual frequency of wage performance appraisals. The percentage of evaluations performed is 100%, regardless of professional or gender category.



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Within this procedure, the superior hierarchical chiefs evaluate various aspects of the employee's activity, including:

- the quality of work;
- efficiency of labor
- knowledge and skills;
- professional adaptation;
- creativity and spirit of initiative;
- discipline in work;
- collective integration, behavior;

GRI 405 Diversity and equal opportunity

Within TMK ARTROM there are no ethnic groups or national minorities protected by special laws. There are employees of non-Romanian citizenship. But regardless of citizenship, nationality or gender, all employees benefit from the same rights as social and labor law, professional, economic and social interests. Employees of non-Romania citizenship benefit from support and counseling from the company in solving the problems related to the preparation of the necessary documents in order to obtain the residence permit and the work permit in the relationship with the state authorities

	Men	Women
Under 30 year	116	13
30-50 years	655	108
Over 50 years	404	79

405-1 Diversity of governance bodies and employees

I. Gender;

The company's management structure includes the Board of Directors, the Management Board, the directors and department heads within the company.

The percentage gender structure is the following:

- Men - 77 % ;
- Women - 23 % ;

II. Age group: under 30 years old, 30-50 years old, over 50 years old;

The percentage age structure is the following:

- Under 30 years - 0 % ;
- 30-50 years - 46 % ;
- Over 50 years - 54 % ;

III. Other indicators of diversity where relevant (such as minority or vulnerable groups).

There are no minority or vulnerable groups within the company.

At company level, the structure of the personnel is as follows:

1. Gender

Men = 85,4 %

Women = 13,6 %



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2. Age group: under 30 years old, 30-50 years old, over 50 years old;

under 30 years - 9,1 % ;
30-50 years - 55,7 % ;
over 50 years - 35,2 % ;

3. Other indicators of diversity where relevant (such as minority or vulnerable groups).

There are no minority or vulnerable groups within the company .

405-2 Ratio of basic salary and remuneration of women to men

a. Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation.

There is no gender discrimination in the company in determining the basic salary or other remuneration related to salary. The policy of professional promotion and remuneration does not take into account gender differences. This is strictly forbidden by the provisions of the Collective Bargaining Agreement applicable at company level and by national legislation in the field of combating sex discrimination. The salary level is given by the importance of the work and the level of professional training of each employee. The average wage divided by women and men for each category of employees is the following

Categories	Men	Women
Workers	2178 Ron	2280 Ron
Technical –economic personnel	3180 Ron	2836 Ron
Clerks	5050 Ron	4991 Ron

b. The definition used for 'significant locations of operation'.

Through significant locations we have defined the locations where the company's production capacities, company management and administration are located.

Production facilities, management and entire administration are in the same place in Slatina, OLT county, Draganesti no. 30 (at the headquarters). There are no major locations for operations other than the one mentioned above

GRI 406 NON-DISCRIMINATION

GRI 406-1 Incidents of discrimination and corrective actions taken

Our company pays special attention to any kind of discrimination and does not tolerate these practices. Our company promotes the principle of equal opportunities and the principle of tolerance.

Any discrimination regarding race, nationality, ethnicity, language, religion, social category, beliefs, gender, sexual orientation, age, disability, chronic non-contagious disease, HIV infection, affiliation to a disadvantaged category, and any other criterion that the purpose or effect of restricting, recognizing, using or exercising, on an equal basis, human rights and fundamental freedoms or rights recognized by law in the political, economic, social and cultural spheres or in any other sphere of public life is not tolerated within the company. Human dignity, citizens' rights and freedoms, the free development of human personality are supreme values for the company.



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No complaints about discriminatory actions within the company's business have been reported to management or law enforcement agencies.

GRI 407 Freedom of association and collective bargaining

407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk

There are 2 unions in the company that together have a syndication degree of 91% of the total number of employees.

The trade unions benefit from material, logistic and financial support from the company according to the legislation in force. Thus, the trade unions have a living space for the daily activities within the company, the office needed for the activity, personnel emanating from permanent and temporary production during one year, budget for training and professional training in the trade union, budget for artistic cultural activities, budget for social and humanitarian activities.

The management of the company responds to all of the Trade Unions' requests to initiate a negotiation dialogue on the rights and obligations of the employees.

Annually, the Unions and the Company's Management meet and negotiate the provisions of the Collective Bargaining Agreement.

In 2017, the Unions and the Company' Management Meeting culminated in the signing of the Protocol on the Transfer of Contributions and Ensuring Employees' Net Income, as well as by an Additional Act to the Collective Bargaining Agreement with regard to collective wage increases starting with 01.01.2018.

The employees of the Company (100%) benefit from the provisions of the Collective Bargaining Agreement, even if they are not union members.

There were no misunderstandings, strikes, stops of activity or legal action between the Unions and the Company Management over the past 15 years.

GRI 408 Child labor

408-1 Operations and suppliers at significant risk for incidents of child labor

At TMK ARTROM there are no employees under the age of 18, the legal age of employment. The youngest employee in the company is 20 years old.

GRI 409 Forced or compulsory labor

409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor

Suppliers of TMK ARTROM S.A. are subject to a rigorous evaluation process. TMK ARTROM does not acquire materials from regions where there is a risk of using work with young children or workers.



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Additionally, there are laws to abolish child labor in countries where TMK ARTROM S.A. (especially European Union countries) buys materials .

Most TMK ARTROM S.A. suppliers (over 96%) are certified according to ISO 9001 and are therefore monitored by certification bodies.

No cases have been identified with providers who are at risk of using children or young workers.

GRI 410 Security practices

410-1 Security personnel trained in human rights policies or procedures

The company has outsourced security and security services to a local firm. Its services are evaluated annually. The security company respects national legislation.

GRI 411 Rights of indigenous peoples

411-1 Incidents of violations involving rights of indigenous peoples

In the geographical area of the company's operation the indigenous population are the Romanian citizens, which make up 99.9% of the total number of employees. All employees, irrespective of their nationality, religion, gender, age, enjoy the same rights without discrimination.

The rights of indigenous persons (of Romanian nationality) as well as the rights of persons of another nationality (eg Russian, Spanish) are the same according to the Romanian and European legislation in force.

GRI 412 Human right assessment

412-1 Operations that have been subject to human rights review or impact assessments

Human rights in terms of labor law are respected within our company.

our company has never been sanctioned for failing to respect fundamental rights and freedoms by the accredited human rights monitoring bodies (the Territorial Labor Inspectorate, the Territorial Unemployment Agency, the Council for Combating Discrimination, the Emigration Office, the police and the justice structures).

Also, no internal complaints have been filed regarding the violation of fundamental human rights. Employees' rights and obligations are subject to collective debate annually on the basis of the Law on Social Dialogue in Employers and Trade Unions. The debates take place in the signing of the Employment Agreement and the Internal Rules of Operation, which are then sent to the Territorial Labor Inspectorate for approval, which verifies these documents in terms of legality. The Collective Bargaining Agreement is brought to the attention of all existing Unions in the Company. Within the company, the Collective Bargaining Agreement is valid for the period 2017-2018.

According to the Constitution, Romania is a democratic and social state of law, in which the dignity of man, citizens' rights and freedoms, the free development of human personality, justice and political pluralism



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are supreme values in the spirit of the democratic traditions of the Romanian people and the ideals of the Revolution of December 1989, and those values are guaranteed.

The Romanian Constitution enshrines Chapter II of "Title II. Fundamental rights, freedoms and duties". Romania, in its capacity as a member of the United Nations, signed the Universal Declaration of Human Rights and is part of the two UN pacts: the International Covenant on Civil and Political Rights and the International Covenant on Economic, social and cultural".

Since 1994, Romania has been a member of the "European Convention for the Protection of Human Rights and Fundamental Freedoms" and is subject to the jurisdiction of the European Court of Human Rights in Strasbourg. Also in December 2007 in the European Union, Romania signed the Treaty of Lisbon containing the "Charter of Fundamental Rights".

412-2 Employee training on human right policies or procedures

Within the company, the Code of Conduct also covers the assessment of human rights. In our company all employees (100%) benefit from 16 hours of human rights training related to the contractual relations between the employee and the employer

412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human right screening

No investments or commercial contracts have been carried out that have been investigated as 'underwent human rights screening'.

GRI 413 LOCAL COMMUNITIES

413-1 Operations with local community engagement, impact assessment and development programs

TMK-ARTROM's local activity contributes directly to the socio-economic development of the local community by providing jobs, security and a decent living standard for employees. Through raw materials suppliers, materials and spare parts or services in the TMK-ARTROM area, it supports thousands of local jobs in the horizontal industry.

The company also support the sports boxing club, in which young people from the local areas get involved in sport activities.

In 2017, TMK-ARTROM developed projects for children's employees and local community, drawings and creative works. Like every year, the Christmas period was an opportunity for us to engage in charity actions, donations and sponsorships for people in the local community in distress. We also participated in activities to reward hundreds of children in the community for their cultural-traditional activities.

The sponsorship funds in 2017 were directed to support the traditional domains of TMK-ARTROM SA involvement like art, culture and heritage preservation, education and sport, humanitarian cases, health.



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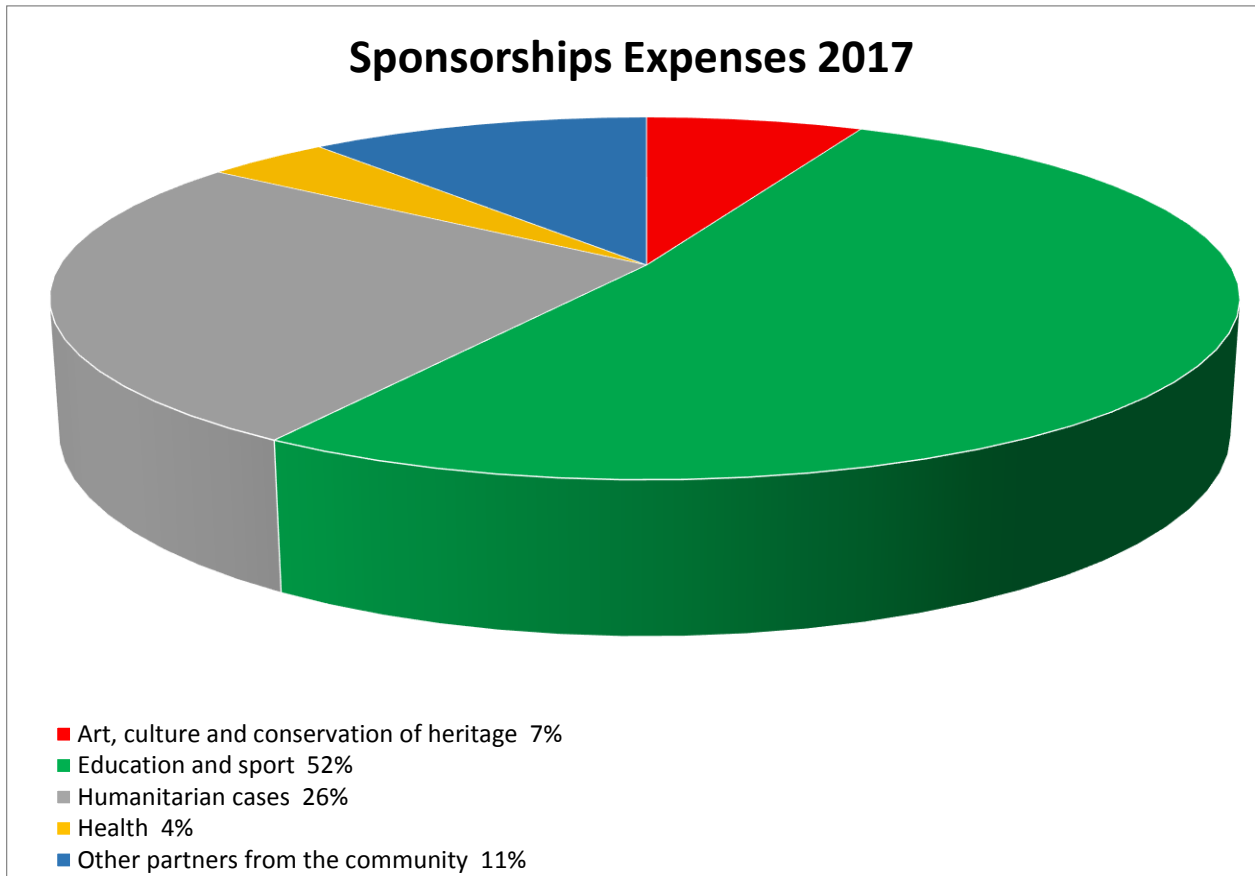
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413-2 Operations with significant actual and potential negative impact on local communities

No such actions have been identified with negative impacts or having a potentially negative impact on the local community

GRI 414 SUPPLIER SOCIAL ASSESSMENT

414-1 New suppliers that were screened using social criteria

In order to get to the list of approved suppliers, all suppliers are evaluated on the basis of evaluation questionnaires. Depending on the impact the supplied product has for pipe production, it may be decided to perform an additional audit at the supplier. During audits, in addition to technological and quality aspects, environmental and occupational health and safety issues are audited.

The company selects its suppliers on the basis of all the above-mentioned criteria by following closely whether the company audited ensures the safety of the employees, if there are adequate working conditions, equipment specific to the type of activity, if the personnel are trained and know their rights, and PSI, if environmental legislation, waste management etc.



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In this way, we ensure that the provider we work with is a trustworthy one that respects the environmental legislation in force, as well as health and safety at work. In accordance with ISO standards, job descriptions, employee contracts, trainings, worked. In 2018, TMK ARTORM plans to expand its supplier evaluation by placing more emphasis on social criteria.

414-2 Negative social impacts in the supply chain and actions taken

In 2017, TMK ARTROM evaluated its suppliers as in the other years, requiring more detailed information. Most assessments have been based on requirements for the assessment of occupational health and safety risks and compliance with legal requirements in relation to the environment.

Suppliers have demonstrated good practice in all these evaluations. In turn, they also evaluate their suppliers according to the same criteria. There was no negative social impact on the supply chain.

GRI 415 Public policy

As a defining practice, TMK ARTROM is apolitical and does not engage in political activities. It has no deontology as political party sponsorship, nor has it ever interfered with political activities and exercised political influence. The members of the Board of Directors and the members of the Management Board do not exercise any active political activity.

415-1 Political contributions

TMK ARTROM has not contributed directly or indirectly, financially or non-financially to supporting or sponsoring political or political lobbying, and has no such practices in its work and deontology.

GRI 416 Customer health and safety

416-1 Assessment of the health and safety impact of product and service categories

TMK Artrom assesses all raw materials and finished products in terms of population health and safety and environmental impact, including impacts on transport, storage, production, distribution and use.

TMK ARTROM checks on its supplier chain whether chemical raw materials (acids, soda, oils) used in the manufacturing process are registered according with REACH Regulation 1907/2006 and what their impact on the health of the population and environmental safety.

Additionally, the company requires suppliers to verify and declare for the raw material supplied a level of radioactivity that must not be higher than background aria. This aspect is also verified during audits to suppliers but also by checking the radioactivity of the products delivered by the company.

The company seeks to improve its health and safety impact on a continuous basis by:

- preparing internal working procedures and observing them for hazardous materials
- Information and education of the users of these products through the safety data sheets and the occupational safety requirements existing at each workplace;



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

TUV:
PED/AD-2000 W0/W4/
TRD 100/102
Vd TUV

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

- Reduction of hazardous chemicals, solvents or volatile substances where possible;
- Safe working devices and equipment

The company seeks to improve its impact on health and safety

416-2 Incidents of non-compliance concerning the health and safety impacts of product and services

There have been no incidents of non-compliance with the legal requirements regarding the health and safety impact of the product and services during the reporting period. As regards the REACH Regulation 1907/2006, the pipe is considered an article. The company has adopted the principles of circular economy. Steel is one of the most sustainable products and can be recycled indefinitely without losing its properties.

GRI 417 Marketing and Labeling

Packaging and labeling of pipes is done in accordance with the requirements of the standards in force as well as the requirements of the TMK brand. The plasticized label contains product-related information and is considered to be tertiary packaging.

Packaging management is made on packaging types, and for a number of them (returnable packaging: barrels, drums, IBCs) there is a contractual clause with return providers at their expense. The rest of the packaging is handed over to specialized firms for recycling or disposal (as appropriate).

417-1 Requirements for product and service information and labeling

Bundling and tube labeling is made according to standards in force and TMK requirements TMK .The plastic label is filed with information about the product .

(CE) no. 1272/2008]Regulation regarding classification, labelling and bundling (CLP) ,based on Global Harmonized system is designed to assure a high protection level for health and environment and for free circulation of goods ,mixture and article CLP Regulation ask to producers, importators and aval users which sell substances and mixture to classify them, to label them and to bundle the dangerous substances in a proper way before to put them on the market Because tubes are considered article ,those are not covered by CE 1272/2008 Regulation .

Because the pipe is considered an article it does not fall under EC Regulation 1272/2008.

417-2 Incidents of non-compliance concerning product and service information and labeling NA

417-3 Incidents of non-compliance concerning marketing communications

TMK-ARTROM did not report incidents of non-compliance with marketing communications.



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GRI 418 Customer privacy

418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

Companies managing personal data and / or customers' data must organize their work in order to comply with Regulation (EU) 2016/679 of the European Parliament and of the Council. The document has already been published in the Official Journal of the EU and will be applied from May 25, 2018 directly in all EU countries without the need for authorities to transpose it into Romanian law.

TMK Artrom intends to organize this activity in strict compliance with the provisions of the mentioned regulation until the date of its entry into force. In TMK ARTROM data protection is done at the level of all offices and departments that use confidential data in their current activity; Any individual who, by their nature, use personal employee data, financial or other data that is subject to confidentiality have signed individual data privacy agreements that provide for drastic sanctions for privacy breaches. All people who manage confidential data have personal secure computers through passwords, antivirus and firewall systems. This in software is restricted by password and hardware restriction systems (hardware access keys)

TMK ARTROM SA is aware of the importance of protecting personal and customer data and respects the confidentiality of staff, customers, or any person whose data can be made available to the company. In the year 2017 no complaints related to confidentiality were received from clients, staff or organizations with whom the company came into contact

GRI 419 SOCIO-ECONOMIC COMPLIANCE

419-1 Non-compliance with laws and regulations in the social and economic area

In 2017 TMK ARTROM SA did not record any significant monetary fine.

Chief Executive Officer
Ing.Popescu Adrian

Chief Economical and Accountancy Officer
Ec Văduva Cristiana

Prepared by ,

Popescu Laura Cristina Certified in [Global Reporting Initiative Standards\(GRI\)](#)
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