

# TMK-ARTROM S.A.

## CONSOLIDATED SUSTAINABILITY REPORT 2019 CONSOLIDATED NON-FINANCIAL STATEMENT

*The content of this report has been drawn up in accordance with the Global Reporting Initiative (GRI) standards and should be read for a better understanding of economic, social and environmental aspects together with the annual financial reporting*



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## Corporate Information

### **TMK-ARTROM S.A. (Management Unit)**

#### **Registered Office**

Drăgănești Str. 30, Slatina,  
OLT county, Romania, 230119  
+40 (249) 436862, 434640, 434641

### **TMK-REȘIȚA S.A.**

Traian Lalescu Str. 36, REȘIȚA,  
Caras-Severin County, Romania, 320050  
+40 (249) 436862, +40 (255) 211783

### **TMK Industrial Solutions LLC**

Legacy Park Office Building  
10940 West Sam Houston Pkwy North  
Suite 325  
Houston, TX 77064  
USA



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Dear partners,



We are now publishing the third sustainability report according to Global Reporting Initiative (GRI) standards for employees, shareholders, business partners, the community, local authorities and for any interested person. This non-financial report is a confirmation of our commitment to make sustainable development a priority within our business strategy and to present ourselves as a company with a transparent and responsible activity.

For many companies, 2019 meant challenges generated by the beginning of a severe global economic decline generated by the decrease in demand for materials and services. The major challenge consisted in flexible policy adaptation to stabilize the basis of our business; we diversified the premium product range and improved our methods of flexible approach to customer needs for products and services.

As a result of our investments in previous years, 2019 marked the sensitive improvement of the ecological footprint generated by productive activity, which is one of the targets of our modernization programs.

In order to meet the needs of the communities in which we live, we have developed numerous social projects so that we are closer to the people and support those that are in need: young students in deprived areas, gifted young people who want to study and deepen hi-tech knowledge outside of school courses, children in the early years of life, elderly people who we managed to cheer up, they were all within our range of interest and support.

The intensity and efficiency of professional training has increased in all our fields of activity and we started a launch program in public, corporate, scientific and professional life of the young generation. As a result of these trainings, our plants have experienced a year with significant advances in technology by assimilating new products with high added value and high degrees of technological complexity, but also by the fact that they have improved significantly indicators in the field of health and safety in work.

Through our work, we try to obtain high quality products that respond as best as possible to the needs of our customers. We are prepared to adapt flexibly to the technical requirements of the market and the individual requirements of each customer, while minimizing the environmental impact.

I wish you all a good year!

*Adrian Popescu - CEO and Chairman of the Management Board*



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## INTRODUCTION

*Corporate Social Responsibility (CSR)* is a vital part of the business strategy of TMK-ARTROM S.A. and TMK-REȘIȚA S.A., a concept that companies can use for autoevaluation. We understand that our work has a certain economic, social and environmental impact on the community and implicitly on society. We aim to harmonise the interests and objectives of our business with the needs of communities and the society. This is where all other responsibilities, dialogue and stakeholder involvement, project management, communication and employee involvement come from.

This report is the third of its kind for our company and has been prepared in accordance with GRI (Global Reporting Initiative) standards. In this report our organization describes its social, economic and environmental performance, which constitutes an important link between us and our business partners, social partners and any interested party.

The report is drawn up in accordance with the CORE option and is part of the 2019 annual financial report. Reporting principles for defining content (stakeholder inclusion, sustainability context, materiality, conclusiveness) and quality of the report (accuracy, balance, clarity, comparability, fairness, topicality) were applied when carrying out the report.

## GRI 102 GENERAL DISCLOSURES

### 1. ORGANIZATIONAL PROFILE

#### 102-1 Name of the organization: TMK-ARTROM S.A.

This non-financial reporting is a **consolidated** one. For an easier read of this material, we will use the name *TMK-ARTROM GROUP* whenever we refer to all four companies: TMK-ARTROM S.A., TMK-REȘIȚA S.A., TMK-ITALIA srl and TMK Industrial Solutions LLC (USA).

#### 102-2 Activities, brand, products and services:

TMK-ARTROM S.A., born in 1982 as a state-owned company called *Întreprinderea de Țevi Slatina* („Slatina Pipe Company”) and known after 1990 as ARTROM, is a manufacturer of seamless pipes. The first pipe was produced in 1988. As of March 1st, 2006, ARTROM has joined one of the world's largest pipe manufacturers: the TMK Group, changing its name to TMK-ARTROM.

In 2006, CSR S.A. - The Reșița Steel Plant – entered the TMK Group as well, and its name became TMK-REȘIȚA S.A. TMK-REȘIȚA S.A is the supplier of raw material (pipe tsar) of TMK-ARTROM S.A. Since December 2018 TMK-ARTROM S.A. controls directly and indirectly, 100% TMK-REȘIȚA S.A. shares.

TMK-ARTROM S.A. is the leading company in the European Division and manages all the activities of the European Division of TMK at the moment. TMK-ARTROM S.A. acquires raw material from TMK-REȘIȚA S.A. With a production capacity of 450,000 tonnes of liquid steel per year, TMK-



REȘIȚA S.A. produces round bars of diameter 177 mm, 220 mm, 280 mm, continuously casted, carbon steel, low alloy and alloy, technological process of TMK-ARTROM S.A.

TMK-ARTROM S.A. has a production capacity of about 200,000 tonnes seamless steel pipes per year, and it is recognized in Europe as one of the most important manufacturers of seamless carbon steel pipes, low alloyed and allied with a range starting with an external diameter from 15.88 mm to 260 mm and wall from 1.5 mm to 60 mm.

All TMK-ARTROM S.A. products/services are marketed under the TMK brand, bearing the TMK-ARTROM logo and the company's identification data on labels and documents.

The products made by TMK-ARTROM S.A. are seamless steel pipes, namely:

- mechanical pipes (MT);
- boiler pipes for high temperature use and low temperature uses (BT) respectively;
- pipe pipe (LP);
- pipes for the production of plugs (CS);
- pipes for the production of hydraulic cylinders (HC);;
- Precision pipes (PT);
- aled pipes and rolled indoors (H8 tolerances) for the production of hydraulic cylinders;
- sanded pipes on the outside (POD) for the production of cylinder rods;
- fixed and precise length (HP) pipes with very low tolerances (+/- 0.2 mm);
- pipes and parts for the automotive industry.

TMK-ARTROM S.A. does not provide separate services, but only provides services to its own products for obtaining high value-added products (fixed length charges, smooth or threaded wall holes, outdoor pipe sanding, boring and rolling of the pipe etc.).

In Reșița, the steel activity began in July 1771, by commissioning two furnaces (1769-1771). Two more furnaces were subsequently built, and since 1876 Siemens-Martin steel-producing furnaces were built. This was followed by the construction of many other metallurgical aggregates and their modernisation one by one, depending on the technical development and market requirements.

As a result of the environmental measures from the Privatisation Compliance Programme, a dry gas dedusting plant resulting from the production of steel was built and put into service on 25 October 2005. As a result, emissions of dust that had severely affected the inhabitants of the neighbouring residential area were significantly reduced.

The new owner's investment programme continued with the commissioning of the Continuous Casting Machine in January 2007, and the modernisation of electrical steelworks, with the aim of achieving high-quality steels with high processability and commissioning of a new electric oven in 2009.

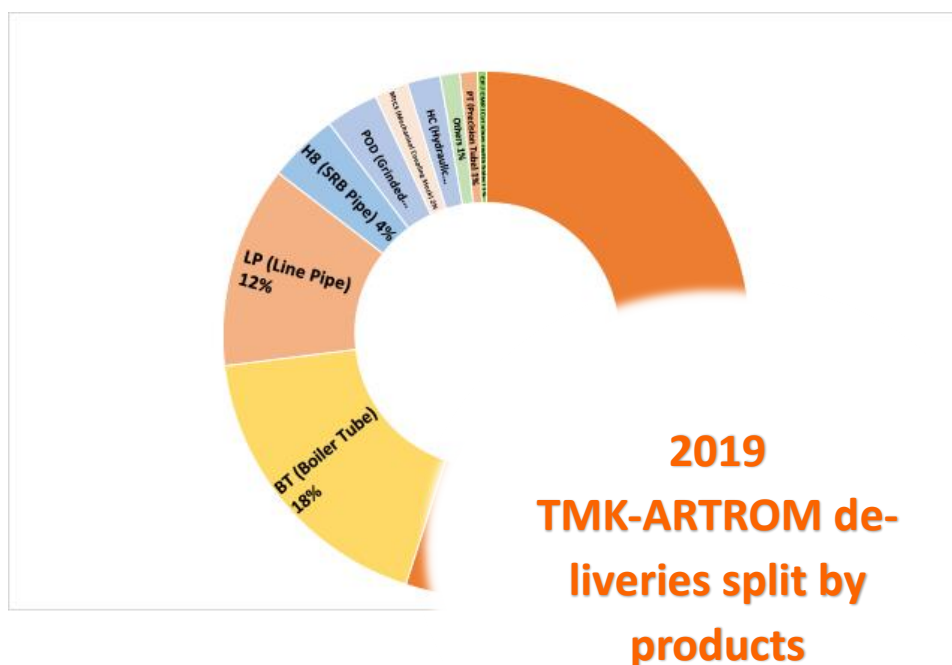
All these investments had the effect of specializing the plant in the production of high quality steels.

TMK-REȘIȚA S.A. has a production capacity of 450,000 t liquid steel per year and is a manufacturer of continuously casted semi-finished products, i.e. comprises the following range of semi-finished products:



- Round billets Ø 177 mm, Ø 220 mm, Ø 280 mm and Ø 350 mm, continuously casted for carbon steel pipes, low alloy and alloy, intended for rolling mechanical pipes, boiler pipes, pipe pipes, pipes for the production of plugs, pipes for the production of hydraulic cylinders, precision pipes etc.
- Round semi-finished products Ø 177 mm, Ø 220 mm, Ø 280 mm and Ø 350 mm, continuously moulded of carbon steel, low alloy and alloy, intended for hot plastic processing by forging/ moulding (flanges, rings, axes, sprockets);
- Blum 260x340 mm continuously casted carbon steel, low alloy and ally for hot plastic deformation, intended for laminating medium and light profiles for machine construction, laminating trimmed profiles or economic profiles for metal construction and hot processing by forging/moulding (forged/moulded parts, rings, flanges, shafts).

TMK-ARTROM S.A. and TMK-REȘIȚA S.A. services/ services are not banned for marketing in any market. In 2019, 55% of TMK-ARTROM S.A. deliveries were mechanical pipe, followed by boiler by 18%, according to the graph below:



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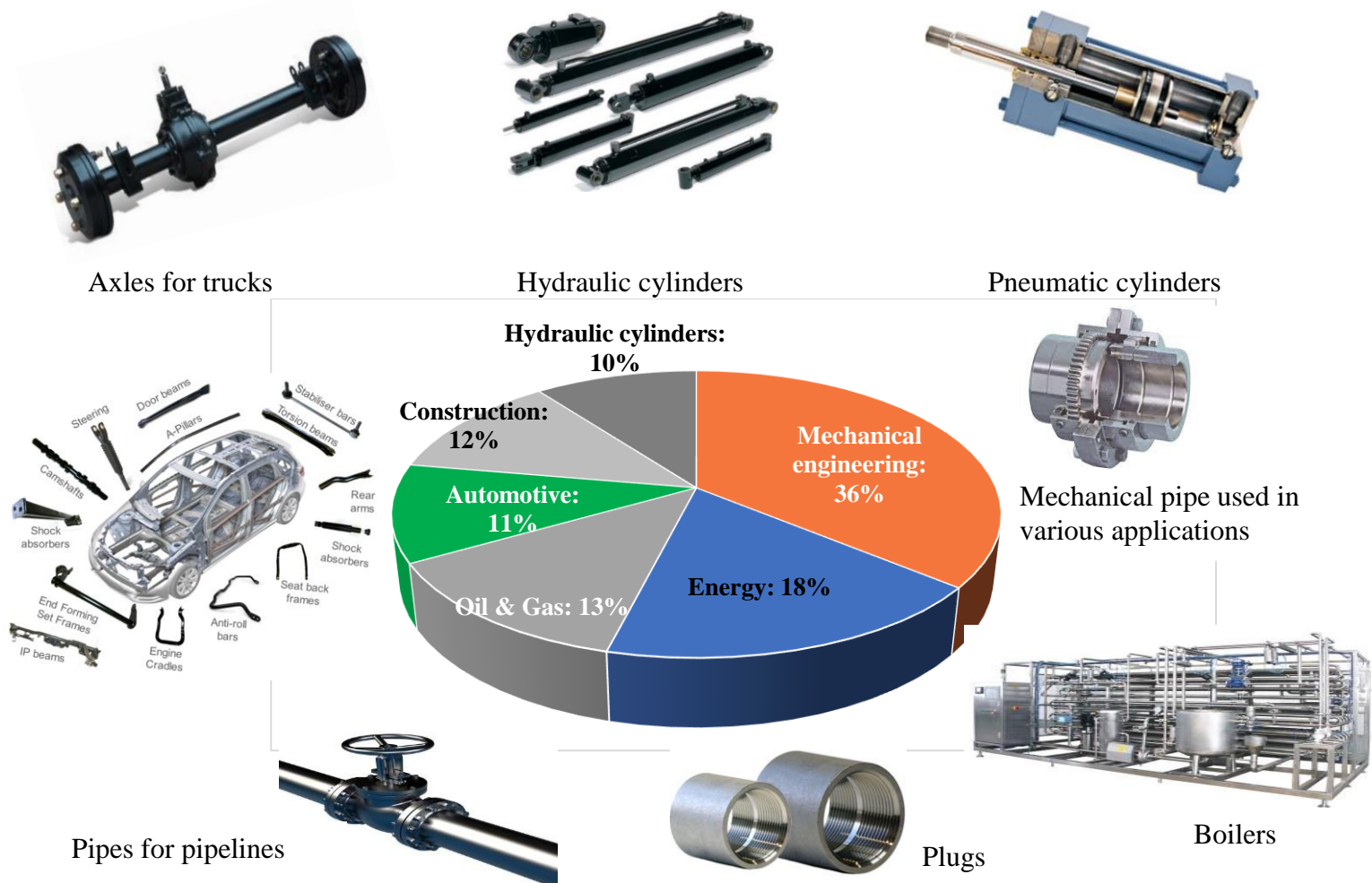
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From all the pipes produced by TMK-ARTROM S.A. the following types of products are obtained:



## 102-3 Location of headquarters

### a) Subsidiaries and its working points

The headquarters (registered office) of TMK-ARTROM S.A. is located in Slatina Municipality, Drăgănești Road no. 30, postal code 230119, Olt County, Romania.

The production plant for seamless pipes is located at the headquarters of Slatina (30 Drăgănești Street, postal code 230119).

TMK-REȘIȚA S.A. is located in Reșița Municipality, Traian Lalescu Street, no. 36, postal code 320050, Caraș-Severin County, Romania.

**TMK-ARTROM S.A.** has working points in:

- Slatina Municipality, Ecaterina Teodoroiu Street, Block V22 and Block V23, Ground Floor, Olt County and
- Bucharest Municipality, Daniel Danielopolu Street, no. 2, 1st floor, sector 1.

**TMK-REȘIȚA S.A.** has working points in:

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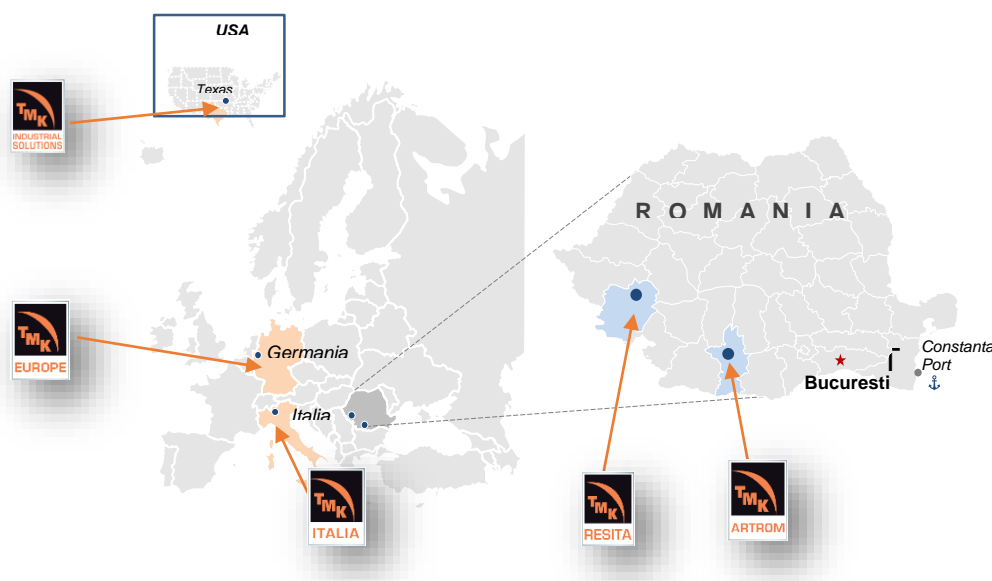


- TMK Pier – Văliug Tourist Area, Văliug, Caraș-Severin County;
- Valea Domanului stone quarry, Reșița Municipality, Caraș-Severin County.

TMK-ARTROM S.A. holds or controls 100% directly or indirectly the following subsidiaries:

- TMK Industrial Solutions LLC, a U.S. trading company with headquarters in 10713 West Sam Houston Pkwy North, Suite 680, Houston, TX 77064, USA.
- TMK-Italia s.r.l. Italian trade company based at Piazza degli Affari, 12, 23900 Lecco, Italy.
- TMK-REȘIȚA S.A., steel production company located in Traian Lalescu Street nr. 36, REȘIȚA, Caraș-Severin County.

## b) Business



The management of TMK-ARTROM S.A. is also responsible for the management of TMK's European Division. The CEO of TMK-ARTROM S.A. is also the head of the European Division of TMK.

Within the European Division TMK operates 5 companies:

1) TMK-ARTROM S.A.- steel pipe plant in Slatina, Romania. At TMK-ARTROM S.A. there is also the sales team responsible for the sale of TMK products in South-Europe East, including Turkey.

2) TMK-REȘIȚA S.A. – steel-producing plant (pipe rod, bloom), supplier of raw material of TMK-ARTROM S.A., located in REȘIȚA. TMK-REȘIȚA S.A. is directly and indirectly controlled 100% by TMK-ARTROM S.A.

3) TMK Industrial Solutions LLC – commercial company located in Houston, USA. The company is responsible for the distribution on the 2 American continents of TMK-ARTROM S.A. products, as well as industrial pipes (non-OCTG) produced by the other companies of TMK in Russia and the USA. TMK-Industrial Solutions is 100% owned by TMK-ARTROM S.A..

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4) TMK-Italia s.r.l. – commercial company located in Lecco, Italy. The company is responsible for delivering TMK products to Western and Southern Europe, including North Africa. It operates on an Agent contract basis as A Commercial Agent for TMK-ARTROM S.A.. TMK-Italia is 100% owned by TMK-ARTROM S.A.

5) TMK-Europe GmbH – a commercial company located in Dusseldorf, Germany, which is also the majority shareholder of TMK-ARTROM S.A.. The company is responsible for delivering TMK products to central and northern Europe. It operates on an Agent contract basis as A Commercial Agent for TMK-ARTROM S.A.. TMK-Europe GmbH is 100% owned by PAO TMK of the Russian Federation. *102-4*

## 102-4 Location of operations

TMK-ARTROM S.A. has its production capacities in Slatina, Olt County, Romania. The commercial activity is directly coordinated from the registered office and is carried out by direct sale to all customers around the world. In western Europe and America, the sale is made with the help of trade firms within the European Division which do not act as Traders but are appointed on a contractual basis Commercial Agents. The acquisition of raw materials and materials is done directly from the registered office.

The operational headquarters of TMK-REȘIȚA S.A. is located in Reșița Municipality, 36 Traian Lalescu Street, CP320050, Caraș-Severin County, Romania.

## 102- 5 Ownership and legal form

Property Form: Private

Legal form: Open Stock Company (S.A.), shares are listed on the capital market through the Bucharest Stock Exchange (BVB), art symbol.

## 102-6 Markets served

All TMK-ARTROM GROUP products are marketed under the TMK brand, with the TMK-ARTROM logo and company identification data on labels and documents.

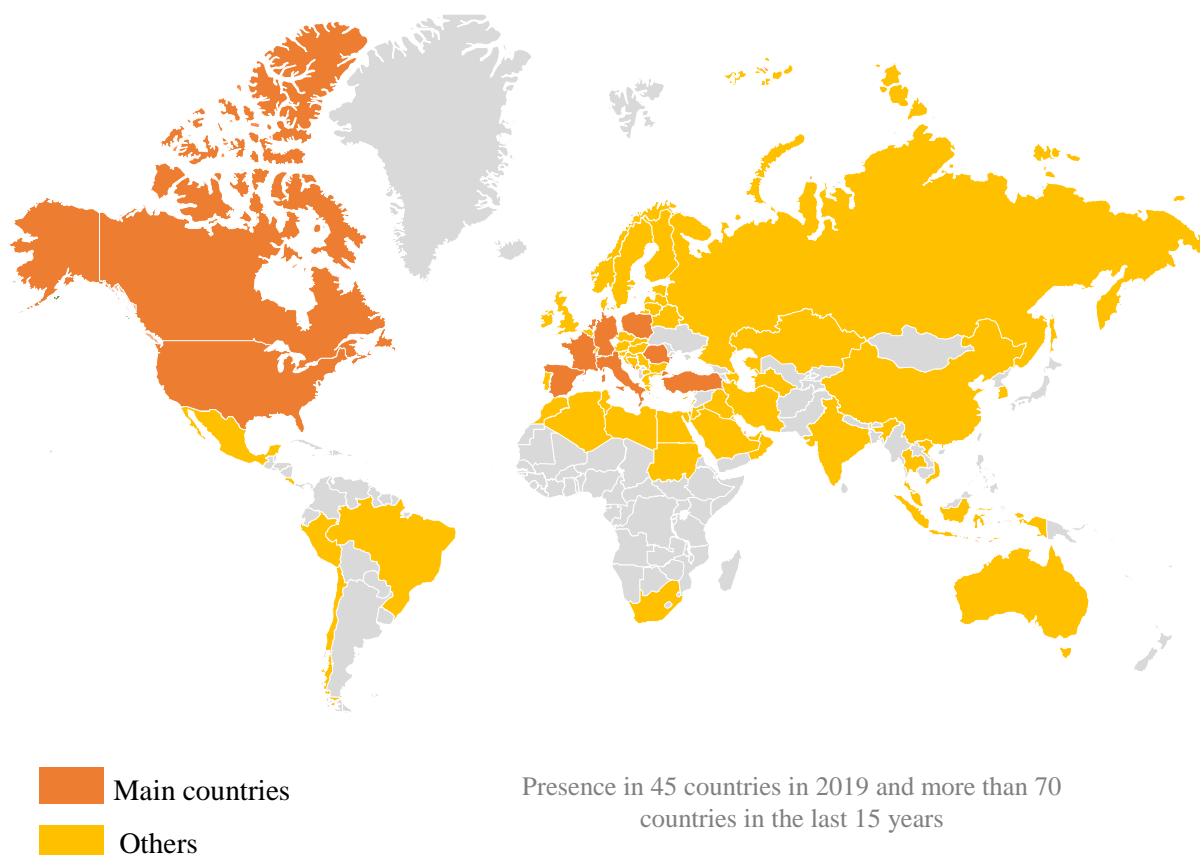
TMK-ARTROM S.A. products are promoted by sales personnel belonging to TMK-ARTROM S.A. and/or commercial companies within the TMK European Division acting as Contract-based Commercial Agents: TMK-Italia s.r.l (Lecco, Italy), TMK Industrial Solutions LLC (Houston, Texas, USA) and TMK-Europe GmbH (Dusseldorf Germany).

The contact with relevant markets shall be made permanently during regular visits and meetings with current and potential clients through verbal or visual presentations. TMK-ARTROM products are



promoted to high-profile fairs such as: Tube&Wire Dusseldorf - Germany, Made in Steel Milan - Italy, OTC Houston USA etc.

TMK-ARTROM S.A. serves a portfolio of more than 650 customers in Europe (including Turkey), North and South America, North Africa, the Middle East and the CIS, of which approximately 450 are permanently active (have open orders). Most customers are long-term partners of TMK-ARTROM S.A. There is no customer representing more than 11% of TMK-ARTROM S.A. production. At the same time, the TMK-ARTROM S.A. ([www.TMK-ARTROM.eu](http://www.TMK-ARTROM.eu)) website provides up-to-date information on the latest product or service updates offered, as well as other information on regular financial statements, employment notices, environment, quality, social responsibility.



Regarding the destination of products made by TMK-ARTROM S.A., the company sold in 2019 mostly in Europe (about 84.6%), North and South America (about 14.7%), the rest of the products being destined for other countries (CIS, North Africa, Orient).



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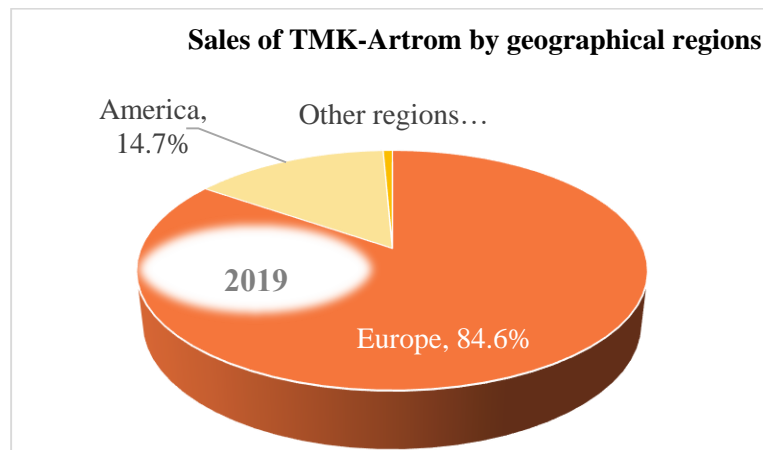
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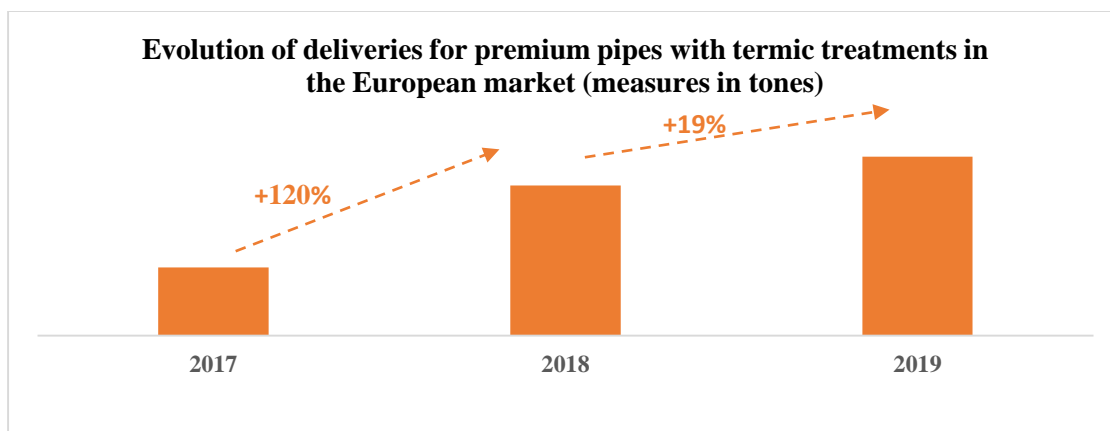
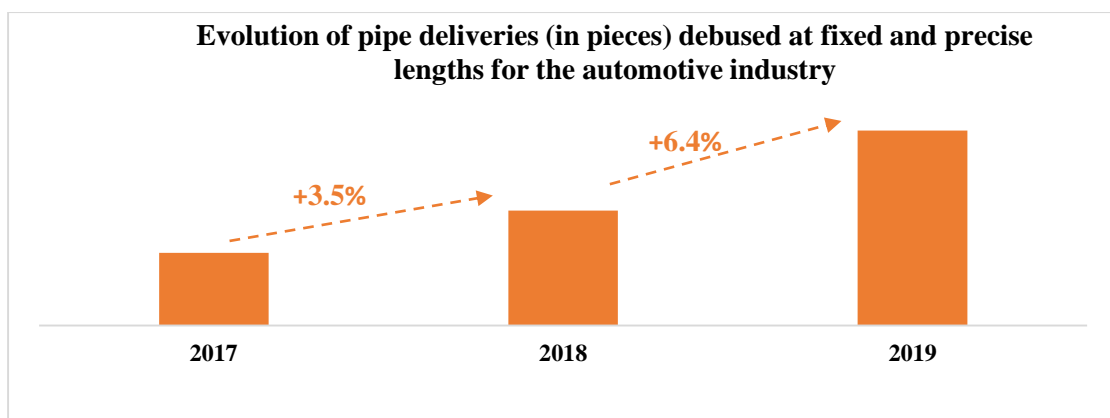
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Pe fondul ultimelor investiții din TMK-ARTROM S.A. din ultimii ani care au avut ca obiectiv principal creșterea ponderii produselor cu valoare adăugată ridicată, procentul țevelor premium (țevi cu valoare adăugată ridicată obținută prin prelucrări suplimentare asupra țevelor sau prin tratamente termice), este în creștere de la an.

Following the latest investments of TMK-Artrom in recent years, aimed at increasing the share of high value added products, the percentage of premium pipes (high value added pipes obtained by processing pipes or thermal treatments) is increasing year by year.



In 2019 we continued to sell and deliver the pipe produced at TMK-ARTROM S.A. to large energy projects, including below several:



*Sannazzaaro Refinery, Italy*



*Zohr Development Project, Egypt*



*Fjernvarme Power Plant, Denmark*



*Liza Project, Guyana*



*Amursky Gas Processing Plant, Russia*



*Coker Complex at Kstovo Refinery, Russia*

În ceea ce privește TMK-REȘIȚA S.A., piața principală de desfacere a produselor este piața internă, majoritatea clienților fiind parteneri pe termen lung.

În anul 2019 s-au livrat cele mai mari cantități către TMK-ARTROM S.A. (cca 99.3 %), terți din piața internă (cca 0.2 %) restul fiind destinat pieței externe Non-EU (cca 0.5%).

Produsele realizate la TMK-REȘIȚA S.A. sunt utilizate pentru producția țevelor din oțel fără sudură, (99,3% fiind destinate producției de țeava din TMK-ARTROM S.A.), a profilelor mijlocii și ușoare laminate la cald, a produselor obținute prin forjare/matrițare. Destinația finală este utilizarea în industria prelucrătoare, construcții comerciale și civile, industria de automobile, industria petrolieră și gaze naturale etc.

For TMK-REȘIȚA S.A. the main market for product outlets is the internal market, with most customers being long-term partners.

In 2019 the largest quantities were delivered to TMK-ARTROM S.A. (approx. 99.3 %), third parties in the internal market (approx. 0.2 %) and the rest were intended for the external non-EU market (about 0.5%).

Products made at TMK-REȘIȚA S.A. are used for the production of seamless steel pipes (99.3% intended for the production of TMK-ARTROM S.A. pipe), medium and light hot-rolled profiles, forging/molding products. The final destination is manufacturing, commercial and civil construction, automotive, oil and natural gas etc.

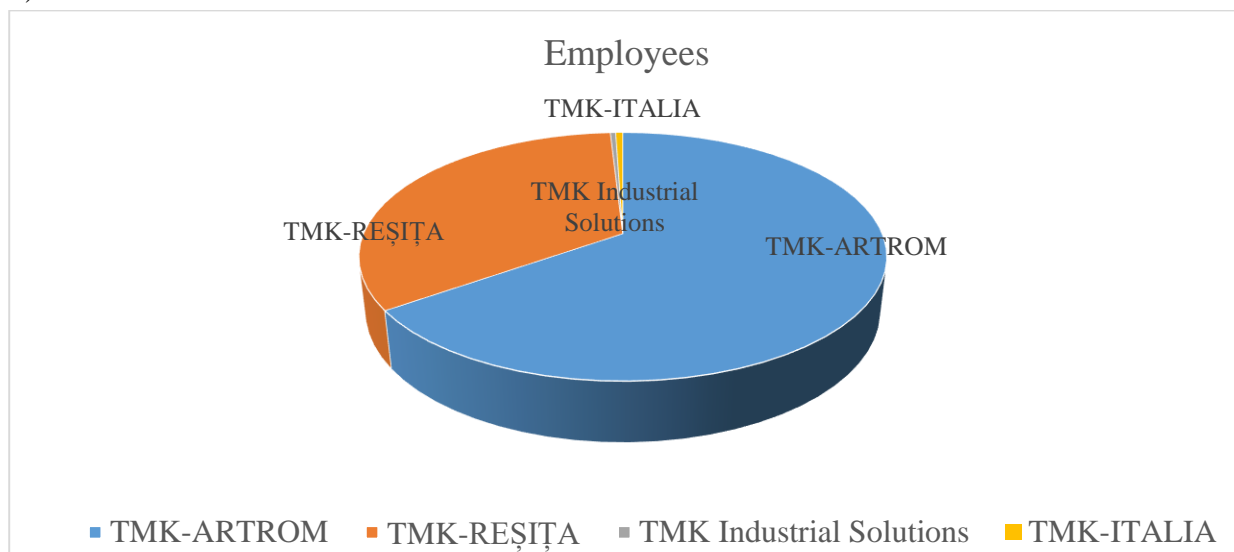
## 102-7 Scale of the organization

- a) On 31 December 2019, TMK-ARTROM GROUP has a consolidated average number of 2299 employees. Thus, TMK-ARTROM S.A. has an average number of 1498 employees, TMK-REȘIȚA S.A. has an average number of 776 employees, TMK-ITALIA srl has an average



number of 13 employees and TMK-Industrial Solutions LLC has an average number of 9 employees.

b)



Training and staff development have a special priority in our organization, as we want to train our future specialists and leaders; therefore, the company is focused on promoting internal candidates in medium or top management positions. Training courses are not the only ones that lead to the development of staff skills, but also the day-to-day work in which the staff learns new things and where the team results are the key to the company's performance. All TMK-ARTROM S.A. employees received training, both internal and external, in the fields of activity necessary for the work they carry out.

The internal training provided to all employees relates to training on safety and health at work, training based on the procedures in force (internal procedures, procedures related to the code of ethics and anti-corruption policy), vocational trainings required for workplace qualification (quality control training, ISCIR training).

TMK-ARTROM S.A.			
Training field	Number of people who have completed the training course	Number of courses	Percentage % (of the total number of trained employees)
SMI	734	3	49%
Labor protection	270	12	18%
Technological changes	180	7	12%
Internal procedures	150	10	10%
CTC	105	3	7%
ISCIR	30	5	2%
Others	29	3	2%
Total	1498		100%

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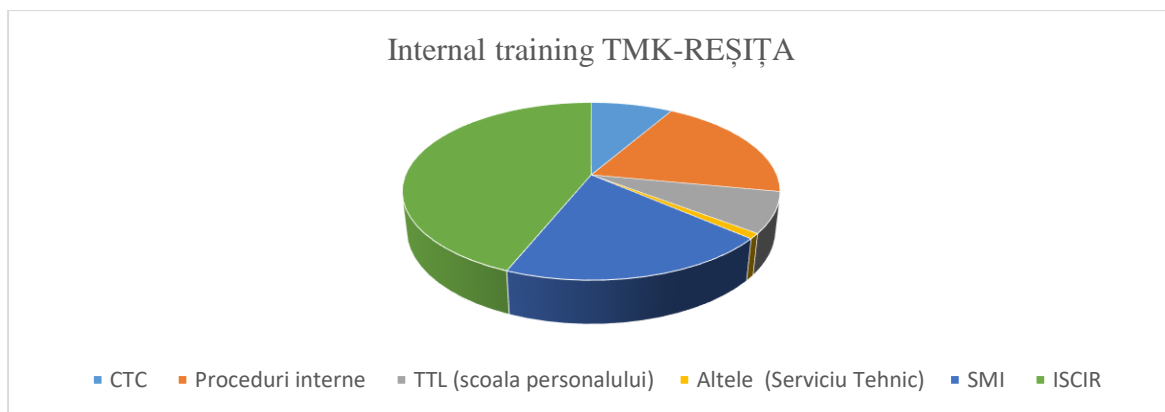
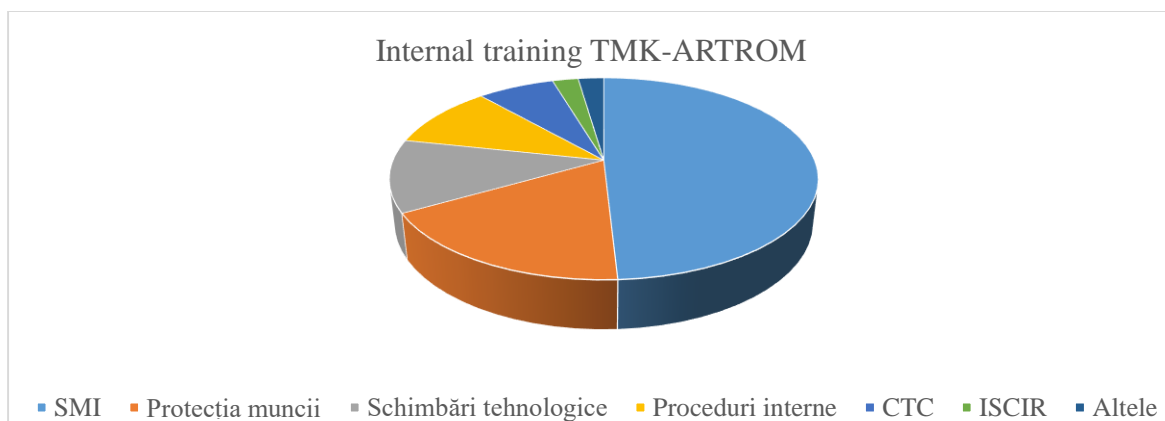
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TMK-REȘIȚA S.A.			
Training field	Number of people who have completed the training course	Number of courses	Percentage % (of the total number of trained employees)
CTC	68	8	8.35
Internal procedures	160	6	19.66
TTL (școala personalului)	60	1	7.37
Altele (Serviciu Tehnic)	8	4	0.98
SMI	161	1	19.78
ISCIR	357	4	43.86
Total	814	24	100%



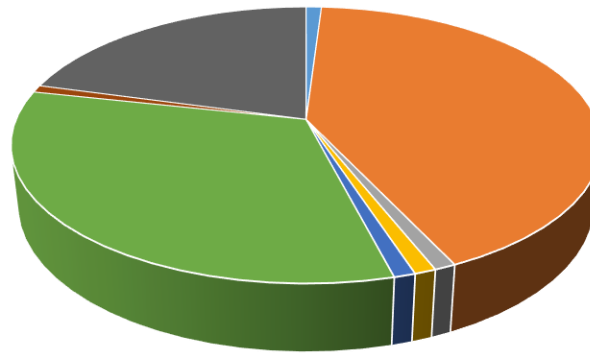
External training targeted the commercial field, ISCIR authorisations, quality technical control, AFER transport, auditor training, courses related to labour protection or the protection of the environment, metrology courses, courses on compliance with the legal requirements.

TMK-ARTROM S.A.			
Training field	Number of persons who have completed the training course	Number of courses	Percentage % (of the total number of trained employees)
Commercial	6	2	1%
ISCIR authorisations	234	4	42%
Technical quality control	6	2	1%
SMI	6	2	1%
Transports - AFER	6	3	1%
Labor protection	178	7	32%
Audit	6	1	1%
Metrology	6	1	1%
Others	109	5	20%
Total	557		100%

TMK-REȘIȚA S.A.			
Training field	Number of people who have completed the training course	Number of courses	Percentage % (of the total number of trained employees)
AUDIT	2	2	1.06
SSM	4	4	2.13
Macaragii	69	4	36.70
Autorizari ISCIR	7	3	3.72
Formator	19	1	10.11
SU	48	2	25.53
Metrologie	2	1	1.06
AFER	1	1	0.53
Control nuclear	1	1	0.53
Altele	35	2	18.62
Total	188	21	100.00%

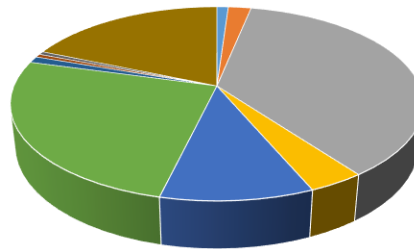


### Internal training TMK-ARTROM



- Comercial
- Autorizări ISCIR
- Control tehnic de calitate
- SMI
- Transporturi - AFER
- Protecția muncii
- Audit
- Metrologie
- Altele

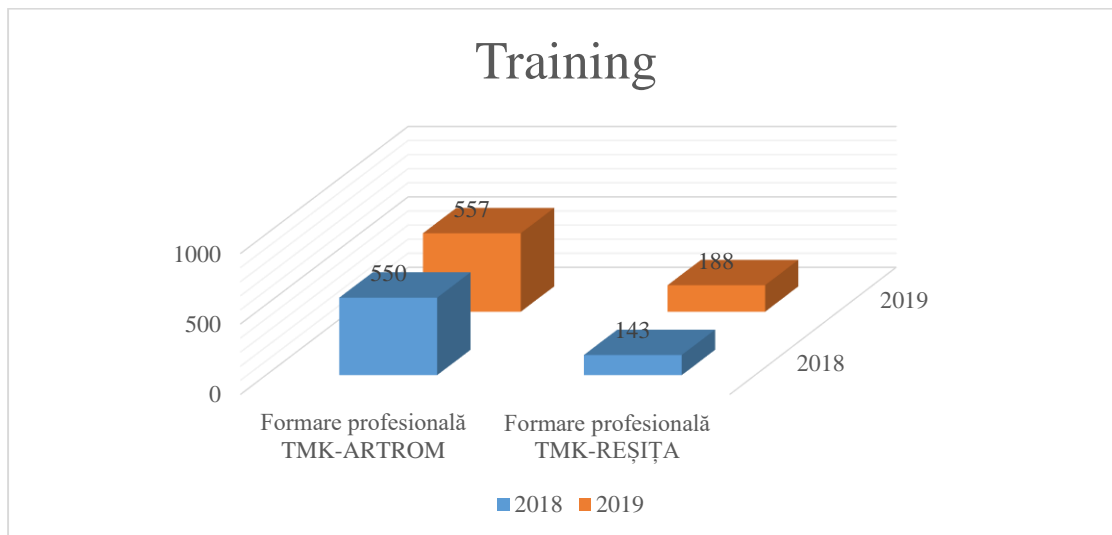
### External training TMK-REȘIȚA



- AUDIT
- SSM
- Macaragii
- Autorizari ISCIR
- Formator
- SU
- Metrologie
- AFER
- Control nuclear
- Altele

Compared to 2018, the level of employees who benefited from TMK-ARTROM S.A and TMK-REȘIȚA S.A. of external training showed a slight increase in the number of trained persons.





## 102-8 Information on employees and other workers

Within the company the activity is permanent and continuous (organized in 3 shifts of 8 hours per day, 365 days/year), employees providing permanent work. The majority of employees have indefinite employment contracts. There is a limited number of employees with fixed-term contracts during the probationary period. At the end of the probationary period, the employee who is kept in the company shall sign an indefinite employment contract.

From a daily working time point of view, employment contracts are divided into 2 categories:

### Full-time employment contracts – 8 hours/day;

These contracts, which make 99% of the total number of contract, allow for paid overtime (maximum 8 overtime per week). Overtime as well as work during Saturdays and Sundays or during the night are remunerated according to the law.

### Contracts of employment with less than 8 hours / day (part-time);

TMK-ARTROM S.A. uses employees with a part-time employment contract only to a small extent. Employees with part-time employment contract shall enjoy all the salary and extra-wage rights that all employees have in proportion to the time they actually worked.

Other information on the employees:

Depending on the region in which they are domiciled, 99% of TMK-ARTROM S.A. employees come from Slatina (OLT County) and the surroundings of the city. A percentage of 1% of employees come from neighbouring regions (Dolj County, Vâlcea County) and Bucharest.

In TMK-REȘIȚA S.A., 99% of the employees come from Reșița (Caraș-Severin County) and the surroundings of the city. A percentage of 1% of employees come from neighbouring regions (Timiș County, Hunedoara).

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



According to the Collective Labor Agreement, the employees of the company have a set of rights and benefits based on a social system developed over the years on the basis of a constructive social dialogue between social dialogue partners. These rights and benefits refer (but are not limited) to: guaranteed minimum wage, raises, salary bonuses, compensation of special activities, systematic work overtime, occasional additional work, holiday bonuses, rewards, insurance and additional medical services etc. The Social Spending Fund shall be managed by the Social Commission composed of representatives of trade unions, employees and management.

Employee data is collected and compiled from the human resources service's own database that complies with personal data protection laws. The company manages employees' employment contracts internally by protecting all personal data under existing legislation and in conjunction with it.

## 102-9 Supply chain

Under the conditions of a competitive market, the supply chain is of particular importance in the TMK-ARTROM GROUP business. This represents an important potential for creating value for the customer: quality of service, performance in terms of term and reactivity.

Through the streamlining of the supply chain costs, part of the company's profitability is being disputed. TMK-ARTROM S.A. is a supplier of seamless pipe who realizes that traceability and quality of products are extremely important to its customers.

Just as customers have increasing requirements for our products, TMK-ARTROM GROUP requirements are increasing. We are therefore doing our best, together with all our collaborators, to provide customers and stakeholders with as much transparency as possible on the supplier channel not only in terms of technical capability, but also in terms of how the supplier is active in the market from an environmental, social, safety and health point of view.

Atunci când ne selectăm partenerii de afaceri, și în mod implicit furnizorii, ne asigurăm că aceștia au un comportament etic. Deviza noastră este un comportament responsabil și sustenabil față de angajați, clienți, parteneri și furnizori.

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

Not applicable.

## 102-11 Precautionary principle or approach

TMK-ARTROM S.A. and TMK-REȘIȚA S.A. have a risk management approach, with risk management activity being organised in terms of production activity, but also in terms of new products and investments. In this respect, in addition to the annual supplier evaluation, TMK-ARTROM S.A. and TMK-REȘIȚA S.A. draw up a map of the significant risks that may arise in the supply and logistics chain.

Through risk management we analyse the risks that may arise on the supplier channel in connection with the interruption of collaboration with the supplier, logistical problems, quality or insolvency problems, climate change issues or cyber attacks. These risks shall be assessed, prioritised and



pursued by short or long-term action plans. The risk reassessment shall be carried out annually or whenever necessary.

For this purpose, in the list of suppliers, TMK-ARTROM S.A. and TMK-REȘIȚA S.A. approved several suppliers delivering the same type of product so that the risk of lack of a service or material due to cases of force majeure or other causes is close to zero.

For pipes intended for the automotive industry, TMK-ARTROM S.A. always keeps in storage a safe stock for raw materials and, according to the contracts in force, safety material.

Where applicable and according to the laws in force, the materials supplied by both companies come with a series of documents attached to the delivery documents, such as: technical safety records, REACH registration documents, RoHS declaration of conformity (it is certified that the product does not contain substances prohibited by European Community Directive No 211/65/EU), certificates of inspection 3.1 or certificates of conformity.

Also, the design of a new product and hence the acquisition of technology involves risk assessments based on existing scientific evidence in literature and specialized practice, and the analysis of the impact that the product/ purchased technology has on the environment or the user. Every year, TMK-ARTROM S.A. and TMK-REȘIȚA S.A. aim to develop new products in accordance with market and customer requirements. These products refer both to pipes with different sizes from those existing in the product catalogue and to high value added products. At the time of design, the risks involved in the production and market implementation of this new product shall also be assessed.

New products were produced in 2018, including:

#### 1. Treated pipes with a wall thickness exceeding 25 mm

Under the new heat treatment facility equipped with the most modern furnaces, TMK-ARTROM S.A. managed to create pipes with thick walls of over 25 mm. These pipes hardened on the new heat treatment complex have high mechanical characteristics, which allow them to be used in the manufacture of different components of the oil industry.

To increase mechanical characteristics, especially for those of resilience where very good values can be achieved at minus 60 degrees, this way of tempering is a very appropriate one.

Through the investment made at the end of 2017, the technology for tempering pipes to a wall thickness of 60 mm was developed, making TMK-ARTROM S.A. unique in the world in the creation of this process.

#### 2. Production of mechanical pipes of structural construction steel and lifting equipment with high flow limit (S690G2QL1)

Steel developed in TMK-ARTROM S.A. and laminated from the raw material produced at TMK-REȘIȚA S.A. is a structural steel with a high flow limit and hardness. With a minimum flow resistance of 690 N / mm<sup>2</sup> and good resilience even at minus 60 degrees, steel has a high bending capacity and weldability. Due to the high strength nature of the materials, the use of the S690QL promotes less designed structures with an increased capacity of useful load and energy efficiency.

Structural steel delivered to customers since 2018 is used in a variety of sectors, including: heavy transport, machinery construction, metal construction, lifting equipment.

Products obtained in the 'Thermal Treatment Complex' are considered organic products in the sense that the environmental impact to achieve them is the best possible according to the current

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technology. The combustion system of the 'Heat Treatment Complex' uses burners with increased combustion efficiency and noxious emissions under Directive 2010/75/EU, whose the requirements are the strictest in the world at the moment.



## 102-12 External initiatives

Through the management strategy, TMK-ARTROM GROUP develops the principles of human rights, work, environment, anti-corruption as set out by the United Nations Global Compact Initiatives. TMK-ARTROM S.A. has not currently subscribed to any external initiative organisation. The same principles develop its suppliers, and implicitly TMK-REȘITA S.A.

## 102-13 Membership of associations

TMK-ARTROM S.A. is a member of the professional and patronage association UNITUB Romania (Romanian Pipe Manufacturers Association). As a professional association, UNITUB is affiliated with the EUROPEAN Steel Pipes Association (TSI) based in Paris in France, and, as an employers' organization, is affiliated with the Employers' Federation "Metallurgy" in Romania and the Employers' Confederation CONPIROM.

TMK-ARTROM S.A. provides the UNITUB presidency.

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



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TMK-REȘIȚA S.A. is a member of the professional association UNIROM SIDER - Union of steel producers in Romania, actively participating through its members in the meetings organized by it.

## 2. STRATEGY

### 102-14 Statement from senior decision-maker

Adrian POPESCU- CEO and Chairman of the Management Board (see page 2)

### 102-15 Key impacts, risks and opportunities

TMK-ARTROM S.A. and TMK-REȘIȚA S.A. have implemented an integrated quality, environment, health and occupational safety management system (SMI) in accordance with quality standard ISO 9001, environmental standard ISO14001 and health standard and occupational security ISO 45001. TMK-ARTROM S.A. is also certified according to IATF 19649.

As early as 2014, the formalised risk management process ensures at both companies the identification, assessment and control of risks that could affect the achievement of the overall objectives and sub-objectives set at the level of each structures within the company.

**Risk management** is an element of the internal control system, used to identify risks of the activities that are carried out. The main objectives of risk management are:

- Keep threats within acceptable limits;
- Make appropriate decisions to exploit opportunities;
- Avoid risk by deciding not to start or continue the activity that led to the occurrence of risk;
- Take the existing risk or increase its level to seize the opportunity.

TMK-ARTROM S.A and TMK-REȘIȚA S.A. documented how to identify, assess and treat risks and described how they worked in two procedures, namely:

- the 'Risk Management' procedure describing the assessment of financial and strategy risks made available to persons concerned in financial reporting;
- the 'Actions to treat risks and opportunities of SMI (within the integrated management system)' which refers to the risks of processes and objectives of the Integrated SMI system. Risks and opportunities are analysed in relation to the achievement of the objectives of the Integrated Management System and significant or critical ones are recorded in the risk register. The risk register shall be verified by the Risk Analysis Committee and approved by the CEO.

Risk-treatment actions refer to:

- a) Risks and opportunities related to product compliance and customer requirements;
- b) Risks and opportunities related to ensuring efficient processes and achieving the objectives of the integrated system (quality management process, resource management process, training and awareness



process, process of design and development process, product sales and delivery process, product management process, monitoring and measurement process, management analysis process).

c) Risks and opportunities related to environmental aspects, hazard identification and OSO risk assessment, environmental compliance obligations and SoS, emergency preparedness and response capacity, consultation and participation of workers.

All activities of TMK-ARTROM S.A. and TMK-REŞİTA S.A. are subject to risk analysis, including the development activity of new products. The company monitors both environmental and security aspects at all stages of the project, from the design and production phase to delivery. In this respect, a verification on the sustainability of the product was also introduced.

The plans for measures shall indicate concrete actions relating to the risk, the time limits for carrying out the actions, the persons responsible for carrying out the actions and the estimated outcome of the actions.

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

The CEO has an important active role in promoting the concept of risk-oriented thinking at the company level, providing the resources needed for efficient risk and opportunity management, and verifying the way risks and opportunities are identified.

### 3. ETHICS and INTEGRITY

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

Our mission is coordinated complementary to TMK Group's mission, namely to be a responsible global supplier for efficient solutions for steel pipe consumers in the field of industrial applications.

**GLOBAL** – because we will increase our participation in the global pipe business. We intend to expand exports, optimize and balance product range and markets, strengthen partnerships with our customers and attract new partners. We consider alliances and partnerships to be an opportunity to strengthen our global competitiveness.

**INDUSTRIAL PIPES** - because we are involved in the production of industrial steel pipes and the provision of related services, we can run this high-level business. We strongly believe in the long-term prospects of increasing profits in our industry. We will invest in strengthening the future competitive position of TMK-ARTROM in the industry.

#### EFFICIENT SOLUTIONS

– because we are an innovative company that builds and develops strong customer relationships based on the concept of long-term partnership, product quality and services offered by TMK-ARTROM S.A., and because we are in a permanent search for innovative solutions that meet the needs of our customers

– 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 to the use of our products. We properly appreciate and reward

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TMK employees for their contribution to the company's success, and we are committed to protecting safety and health as one of the most important priorities.

Our values and principles that have been and will continue to be viable for the future success of the organization are as follows:

### 1. Innovations

Through the continuous development of business practices and technologies, TMK-ARTROM GRUP aspires to performance and wants to position itself as a leader in its field of long-term and sustainable activity. TMK-ARTROM S.A. pays attention to the quality of its products, being a manufacturer of mechanical pipes whose deliveries are operative and flexible, in accordance with the individual needs of the customer.

### 2. Social responsibility

TMK-ARTROM GROUP develops a culture of social responsibility based on business ethics, respect for customer rights, environmentally friendly technologies and products, fairness in working relationships, transparency towards public authorities, integrity and investment in the community.

TMK-ARTROM GROUP protects the environment, harnesses and recycles materials, saves natural resources.

At the same time, TMK-ARTROM S.A. and TMK-REȘIȚA S.A. are constantly concerned with increasing the level of involvement of its employees, its representatives, trade unions, as well as those outside the organisation (creditors, consumers and investors) in the development and implementation of its social responsibility practices.

### 3. Integrity

TMK-ARTROM GROUP correctly informs public opinion and stakeholders about what it intends to do (*transparency*), is consistent in its actions and has verticality. TMK-ARTROM GROUP assumes responsibility for its decisions and actions, and is in this way legally and socially responsible.

### 4. Loyalty

All staff is devoted to the organisation, stakeholders and community/society in order to achieve the assumed objectives, both on their own behalf and on behalf of the organisation.

### 5. Responsibility

TMK-ARTROM GROUP staff shall comply with their obligations and assume responsibility for their own actions.

### 6. Objectivity





TMK-ARTROM GROUP and its staff are characterised by impartiality and do not allow professional reasoning to be influenced by prejudices, conflicts of interest or other unwanted influencers that may occur in the course of the professional activity.

## 7. Transparency and ethics

TMK-ARTROM GROUP emphasises transparency, quality, completeness and accuracy of information provided to the public. TMK-ARTROM GROUP and its staff are in an open and constructive dialogue with all stakeholders, dialogue based on respect and professionalism.

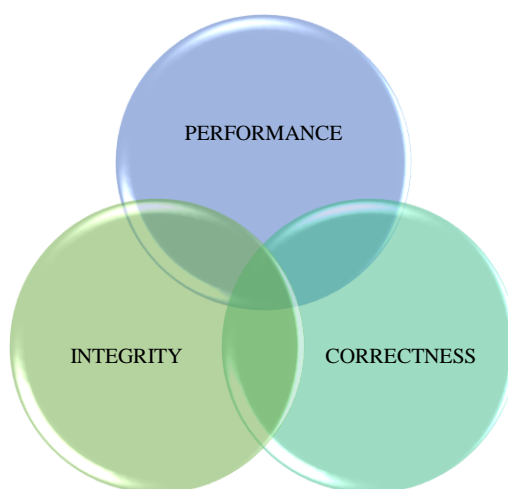
## 8. Nondiscrimination

TMK-ARTROM GROUP, its staff and its partners do not have discriminatory attitudes related to race, sex, religion, sexual orientation, political affiliation or other criteria that may underpin discrimination.

## 9. Fair competition

TMK-ARTROM GROUP and its staff behave integrity and honestly in relations with competitors, thereby ensuring fair and equitable competition in their field of activity.

## 102–17 Mechanisms for advice and concerns about ethics



TMK-ARTROM GROUP acts responsibly to achieve excellence in all aspects of the work carried out and is constantly concerned with improving the quality of the products and services offered, in order to provide the highest degree of professionalism, under the motto:

### "INTEGRITY AND FAIRNESS IN PERFORMANCE"

TMK-ARTROM GROUP promotes responsible behaviour in its relations with business partners and own employees, as well as in relations with competent, local, central, regional and international authorities. Our employees are an integral part of the success that the company enjoys, making an important contribution in obtaining and promoting the good reputation and confidence that TMK-ARTROM S.A. has built and developed.



*The Code of Conduct* of TMK-ARTROM and TMK-REȘIȚA developed in 2014 and approved by the Board of Directors reflects ethical standards governing the company's work, including relations between management and employees, as well as between them and various external partners. The Code of Conduct is published on the company's website and is available in both Romanian and English.

TMK-ARTROM S.A. aims to develop responsibility-based relationships with partners, customers and contractors, principles of good faith, honesty, accountability, transparency, professionalism, mutual trust and respect, non-infringement obligations and the full presentation of the necessary information. The company's success is ensured by long-term, mutually beneficial relationships with partners, customers and suppliers.

*The Code of Conduct* is brought to the attention of employees through internal means of communication and regular training. Compliance with the requirements of the Code of Conduct and the level of awareness and understanding among staff shall be regularly assessed through their own control compartments.

The two companies encourage employees and stakeholders to demact any deviations from the requirements of the Code of Conduct and any unlawful/inappropriate behavior, which are immediately investigated for the necessary measures, in accordance with applicable law and internal regulations valid within the company.



*The Code of Conduct* is available in Romanian and English and is published on the company's website in order to ensure a transparent and responsible relationship with business partners, customers, suppliers, local and international authorities. The Code of Conduct shall be brought to the attention of employees through internal means of communication and regular training. The responsibility for providing advice on ethics, i.e. for receiving information on possible violations of ethical principles lies with the hierarchical head of each employee.

The company ensures compliance with ethical standards through its own internal control compartments.

Following the implementation of a system promoting the correct business models and ethical behaviour of our employees, as well as the selection of suppliers of goods and services which in turn comply with generally valid ethical codes, in 2019, at TMK-ARTROM S.A. and TMK-REȘIȚA S.A. there were no complaints related to non-compliance with the Code of Conduct and no investigations were made in this segment.





## 4. GOVERNANCE

### 102-18 Governance structure

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

I) The General Meeting of Shareholders is the Supreme Management Body of the Company which decides on its business and ensures economic and commercial policy.

General meetings are ordinary and extraordinary.

The ORDINARY GENERAL ASSEMBLY shall meet at least once a year, no later than five months after the end of the financial year, and, in addition to discussing other issues on the agenda, shall have the following main tasks:

(a) discuss, approve or amend the annual financial statements on the basis of reports submitted by the Management Board, the financial auditor and set the dividend;

(b) choose and revoke the members of the Management Board, determine their remuneration and rule on their management;

(c) establish the powers and powers of the Management Board;

(d) approve the revenue and expenditure budget and the work programme;

(e) decide to pledge, lease or disband one or more of the Company's units;

(f) appoint and revoke the financial auditor and determine the minimum duration of the financial audit contract.

THE EXTRAORDINARY GENERAL ASSEMBLY WILL BE CONVENED WHENEVER NECESSARY AND WILL TAKE DECISIONS ON:

(a) changing the legal form of the Company;

b) moving the Company's headquarters;

c) modification of the Company's activity;

d) extending the Duration of the Company;

e) increase in share capital;

f) reducing the share capital or reunification thereof through the issue of shares;

g) merger with other companies or division;

h) early dissolution of the Society;

(i) the issue of bonds;

j) converting actions from one category to the other;

k) converting a category of bonds to another category or shares;

(l) any other amendment to the Articles of Association or any other decision for which the approval of the extraordinary general meeting is sought.

The following tasks shall be delegated by this Instrument constituent to the Management Board:



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ISO 9001  
ISO 14001  
ISO 45001

TUV:  
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Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

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- a) Moving the Company's premises;
- b) Modification of the activity object except the main activity object;
- c) Establishment or dissolution of secondary establishments, branches, agents, representations or other establishments without legal personality.

These powers delegated to the Management Board by this Instrument of Incorporation may not be subject to further delegation of tasks to directors.

## II) Management of the Company

The company was managed in May 2018 by a 5-member Board of Directors (Board of Directors) as follows:

- Mr. Andrey Zimin, as President;
- Mr. Adrian Popescu, as General Manager;
- Mr. Surif Mikhail Albertovich, as a member;
- Mr. Parkhomchuk Andrey, as a member;
- Mrs. Olga Nikolaeva as a member.

As of May 2018, the company has been managed by a Board of Directors of 7 members of which 2 independents. Thus, by decision of the General Meeting of Shareholders of 25 April 2018 and having the mandate until 25 April 2022, the composition of the Management Board is:

- Andrey Zimin – President of Board of Directors;
- Adrian Popescu – General Manager (CEO) ;
- Surif Mikhail – Member;
- Parkhomchuk Andrey – Member;
- Olga Nikolaeva – Member;
- Tat Florin-Tudor – Independent Member;
- Nastase Vlad – Independent Member.

Administrators shall be appointed by the ordinary general meeting of shareholders for a term of four years which may be renewed. Any shareholder may propose candidates for the position of administrator.

The Management Board shall have the following basic powers which cannot be delegated to directors:

- a) Establishment of 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 revocation of directors with the exception of the Director-General and determination of their remuneration;
- d) Supervision of the work of directors;



e) Preparation of the annual report, organisation of the general meeting of shareholders and implementation of its decisions;

f) The introduction of the application for the opening of insolvency proceedings;

The Management Board shall represent the Company only in relations with the Director-General and the other directors.

Starting with 25 April 2018, the Management Board approved the establishment and component of the Audit Committee of the Board of Directors of TMK-ARTROM S.A. (in accordance with Article 13 of the Company's Instrument of Incorporation) consisting of three members:

Mr. Florin-Tudor Tat – Chairman of the Audit Committee – independent;

Mr Mikhail Surif – member of the Audit Committee;

Mr. Nastase Vlad – an independent member of the Audit Committee.

The Audit Committee shall act as an advisory body for the Management Board on economic and financial issues.

### III) Company Leadership

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

Deputy Chief Operational Officer COO

Deputy Chief Commercial, Logistic and Administrative Officer (CCO)

Deputy Chief Economy – Accounting Officer (CEAO)

Deputy Chief Financial Officer CFO

Deputy Chief Procurement Officer CPO

Executive Plant Officer (ExPO)

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

The CEO is also the Chairman of the Management Board.

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

By decision of the General Meeting of Shareholders of 25 April 2018, the following changes in the management structure of the company were approved:

Thus, the Director's Committee consists of:

1. Mr. Adrian Popescu – Director General and Chairman of the Steering Committee;
2. Mr. Cristian Drinciu – Deputy Director General Operations;
3. Mr. Valeru Mustața – Deputy Commercial Director General - Logistics- Administrative;
4. Mrs. Cristiana Widow – Deputy Director General Economic – Accounting;
5. Mr. Chernyy Evgeny – Deputy Chief Financial Officer;
6. Mr. Alexander Pavlov – Deputy Director General Procurement;



7. Mr. Constantin Neacsu – Central Executive Director. The CEO represents the Company in relation to third parties and has full powers to hire, dismiss, establish the remuneration of any employees, establish and amend at any time the Company's organizational chart.

By the decision of the General Meeting of Shareholders taken on April 25, 2018, the following changes were approved in the company's management structure:

Thus, the MANAGEMENT BOARD is composed of:

1. Mr. Adrian Popescu - CEO and Chairman of the Management Board
2. Mr. Cristian Drinciu - Deputy Chief Operational Officer
3. Mr. Valeru Mustață - Deputy Chief Commercial, Logistic and Administrative Officer
4. Ms. Cristiana Văduva - Deputy Chief Financial Officer
5. Mr. Chernyy Evgeny - Deputy Chief Financial Officer
6. Mr. Alexander Pavlov - Deputy Chief Procurement Officer
7. Mr. Constantin Neacsu - Executive Plant Officer

Officers are appointed exclusively from outside of the Board of Directors, except for the CEO who is also a member of the Board of Directors.

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 jointly or separately, as follows:

- a) by the CEO acting individually; or
- b) by the joint signatures of the COO (first signature) and the CEO (second signature) in accordance with the mandate given by CEO or,
- c) by the joint signature of the CCO (first signature) and the CEO (second signature), in accordance with the mandate given by CEO.
- d) by the joint signature of the CFO (first signature) and the CEO (second signature) in accordance with the mandate given by the CEO; or
- e) by the joint signature of the CPO (first signature) and the CEO (second signature) in accordance with the mandate given by the CEO, or,
- f) by the joint signature of the ExPO (first signature) and the CEO (second signature) in accordance with the mandate given by the CEO.
- g) The Chief Economy – Accounting Officer is the representative of CEO regarding the preventive financial control over the company's operations within the limit of the mandate given by the CEO.

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

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

III) The boards responsible for decision-making on economic, environmental and social issues.

Decisions on the activity of the company are taken by the Board of Directors and / or the Management Board within their competence in accordance with the Articles of Incorporation.



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## 102-19 Delegating authority

The Company's management prerogatives are delegated by the Articles of Incorporation to the CEO and six deputy officers, namely:

Deputy Chief Operational Officer  
 Deputy Chief Commercial, Logistic and Administrative Officer  
 Deputy Chief Financial Officer  
 Deputy Chief Financial Officer  
 Deputy Chief Procurement Officer  
 Executive Plant Officer

The CEO represents the Company in relation to third parties;

Officers are appointed exclusively from outside the Board of Directors, except for the CEO who is also a member of the Board of Directors.

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

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

## 102-25 Conflicts of interest

The conflict of interest regulation, approved by the CEO of TMK-ARTROM S.A. in July 2016, aims to limit the influence of the private, personal interests of employees on their functions, decisions ensure and respect for high corporate management standards on principles of openness, transparency and predictability. The provisions of the Regulation are applicable to all employees of the company, including management (persons who hold a position in the management team: managing director, executive director, head of sections, heads of compartment etc), members of the Board of Directors administration and other committees or boards. The Regulation includes a special section relating to the reporting obligations of the members of the Management Board, in accordance with the applicable law (notification of any conflict of interest to the Management Board, participation in discussions and voting in these situations etc).

The conflict of interest regulation was distributed through internal means of communication and is posted on the company's Intranet page and can be consulted by all employees. In addition, regular trainings on conflict of interest are organized within the company, with all employees of the company being (re)trained in 2019.

## 5. STAKEHOLDER ENGAGEMENT

### 102-40 List of stakeholder groups

TMK-ARTROM S.A. has identified its main stakeholders, namely:

1) Investors (Shareholders)



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TMK-ARTROM S.A. is an open-listed stock company. The regulated market on which the securities issued are the Bucharest Stock Exchange, Regulated Market - STANDARD Category - market symbol ART. TMK-ARTROM S.A. has been listed on the Bucharest Stock Exchange since 1995.

The quality, completeness and accuracy of the information provided to investors by TMK-ARTROM S.A. are in accordance with the legislation in force on the capital market. All investor interest information is presented under the "Investor Relationship" category on the official website and is published at the same time on Bucharest Stock Exchange and ASF without delay.

Meetings shall be held with financial analysts, placement consultants, brokers and investors to present financial results, as appropriate upon request.

As of 17.02.2020 the majority shareholder, TMK-Europe GmbH, has initiated the procedure for withdrawing the company's shares from the Bucharest Stock Exchange and the delisting of the Company which after completion will become a public limited company closed type.

## **2) Creditors, Banks**

TMK-ARTROM S.A. has relations with banks both as a borrower and as a bank account holder and cash funds.

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

The main lending banks are the Commercial Bank Romanian S.A. and VTB Bank (Europe) SE. TMK EUROPE GmbH Germany, which is also the majority shareholder of TMK-Artrom SA, is one of the main creditors through short and long-term loans granted and reported to all stakeholders publicly in current reports through the Bucharest Stock Exchange and the Company's website.

## **3) Customers and suppliers**

TMK-ARTROM S.A. maintains an open dialogue with customers and suppliers, which is a key element in the company's success. TMK-ARTROM S.A. requirements relating to supplied materials are clearly and transparently described to all suppliers equidistantly in the 'Supplier Quality Manual'.

Since 2017, TMK-ARTROM S.A. has developed close collaboration with customers and suppliers by sharing information related to corporate responsibility. The company is working to increase transparency on the supplier chain by improving information about the origin of the material (see Supply Chain).

The minimum requirements for suppliers and business partners are also described in the Code of Conduct. The anti-corruption clause is an integral part of the business contracts of TMK-ARTROM S.A.

## **4) Employees or other individuals related to the company's business**

The company's employees are in constant contact with the company's management through various internal actions becoming an opportunity to dialogue and evaluate various aspects of the company. Dialogue between environmental management and employees is also carried out daily in formal, operational and social discussions.





Each year employees fill in the questionnaire 'measuring employee satisfaction and loyalty' where the employee can comment on his aspirations and needs and the employer complements the Employee Performance Analysis, where it can comment on its performance. The results shall be centralised and structured in such a way as to take improvement measures in this area of activity.

**5) State bodies, centralized and decentralized authorities and services of the state and local authorities** (Slatina Municipality, Olt County, Bucharest Municipality).

**6) The local community**, which relates mainly to 99 % of the local community's workforce.

**7) Internal stakeholders:** Board of Directors Board, Board of Directors, executive managers, auditors.

**8) Trade unions as representatives and employees and social dialogue partners** shall be informed and consulted in various management decisions or in relation to employee security, social issues, work programme and other aspects of the Collective Labour Agreement.

## 102-41 Collective bargaining agreements

Out of the average number of 1498 TMK-ARTROM S.A. employees, 93%, i.e. 1398 people are affiliated to trade unions. The remaining 100 employees or 7% are unaffiliated with trade unions. All employees regardless of membership or non-membership of a trade union organisation shall enjoy the rights provided for by the collective bargaining agreement.

### Employees affiliated to trade unions



■ Affiliated ■ Not affiliated

Out of the average total of 776 employees TMK-REȘIȚA S.A. a percentage of 99.4 % or 771 people are union members. The remaining 5 employees i.e. 0,6 % are not union members. All employees, regardless of membership or non-membership of a trade union organisation, shall benefit from the rights provided for in the Collective Labour Agreement.

A Collective Bargaining Agreement is in force in the company, concluded with the social dialogue partners representatives of employees. The Collective Bargaining Agreement establishes the general and concrete parameters of the conditions provided by the company to all employees in and for the work performed and the obligations of employees towards the company.

The CBA also provides for a number of rules for the joint management of the social fund, the way in which contractual provisions are negotiated and renegotiated, the general conditions of individual employment contracts, various rights other than those directly related to work performed (for family, retirement, holidays, medical insurance and additional medical treatment etc.) and other aspects related to the relationship between employer, employees and dialogue partners Social.

## 102-42 Identifying and selecting stakeholders

After identifying stakeholders, TMK-ARTROM GROUP issued a list of them correlated with their expectations and requirements, the consequence of not meeting expectations and the behaviour strategy to meet expectations. For this reason, the company has put in place a process of consulting and involving stakeholders so that they can identify potential opportunities and risks.

Stakeholders have been identified and prioritised according to the influence and interest of stakeholders on the company. Discussions with stakeholders have a close relationship with stakeholders in response to their needs in time.

## 102-43 Approach to stakeholder engagement

TMK-ARTROM GROUP intends to develop closer collaboration relations with identified stakeholders. Also, customer satisfaction as a measurable quality objective is evaluated annually and gives a vision of how the group and the products delivered are perceived. TMK-ARTROM GROUP aims to expand the number of customers assessed in terms of the level of satisfaction of the products delivered by trying to understand customers' needs as much as possible.

TMK-ARTROM GROUP aims to look deeper at the impact of its decisions on stakeholders and will look at how to interact with stakeholders who do not have commercial relations with the company, for example the local community.

As a business strategy in 2019, TMK-ARTROM GROUP aims to question some of its stakeholders via online on sustainability topics.

**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 the replies to the questionnaires submitted to customers, the results of the meetings with them either at the company's premises or at the specialized trade fairs.

The performance of the main suppliers is communicated in business meetings, but also by their assessment carried out and transmitted monthly. TMK-ARTROM GROUP replied to the questionnaires submitted by interested parties.

## 6. REPORTING PRACTICE



API:  
5CT-0440  
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LR:  
ISO 9001  
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## 102-45 Entities included in the consolidated financial statement

The companies included in the consolidated financial statements and in this report are TMK–ARTROM S.A., TMK–REȘIȚA S.A., TMK–ITALIA srl and TMK Industrial Solutions LLC (USA).

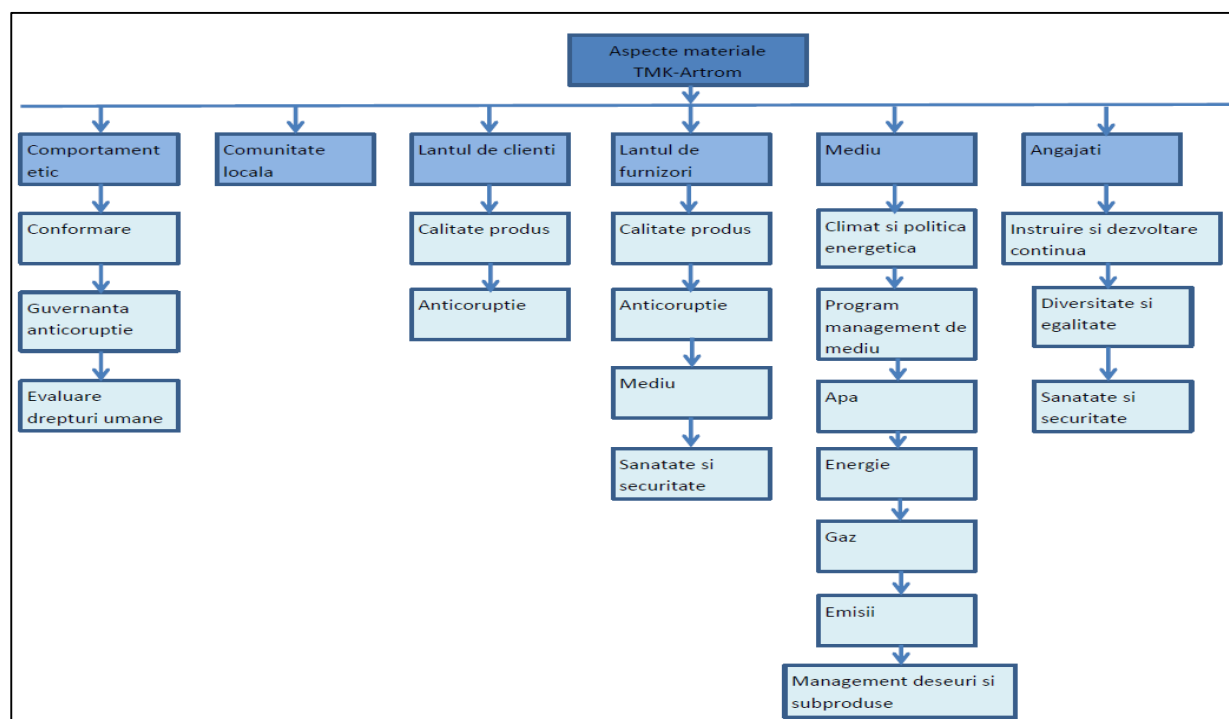
## 102-46 Defining report content and topic Boundaries

During the preparation of the GRI report, TMK-ARTROM GROUP identified topics in connection with sustainability reporting that are of particular importance to the company. Various sources of information were analyzed so that the subjects were chosen according to their importance.

The most important principle for collecting topics was the discussion with stakeholders. Sustainability officials collected answers and information from specialists in sales, procurement, environment, health & security departments receiving information about the topics concerned. The result was a long line of important topics for stakeholders identified during collaboration with selected customers, suppliers, state bodies and benchmark analysis of selected suppliers, competitors and customers.

Finally, the "material topics " for sustainability performance in TMK-ARTROM S.A. were identified.

## 102-47 List of material topics



**102-48 Restatements of information:** Not applicable

**102-49 Schimbări în raportări:** Not applicable

**102-50 Reporting period:** 2019.

**102-51 Date of most recent report:** 2018

**102-52 Reporting cycle:** The reporting cycle is annually.

**102-53 Contact point for questions regarding this report:** Contact:  
office.slatina@tmk-ARTROM.eu

**102-54 Claims of reporting in accordance with the GRI standards:** The report is prepared in accordance with the CORE option.

**102-55 Content of GRI report (pag. 2)**

**102-56 External assurance**

This report refers to a support of external audit in changing internal control systems to ensure the integrity and fairness presented in the reports.

### **103-1 Explanation of the material topic and its Boundary**

The following aspects were identified as having high materiality for the company: ethical behavior, customer chain, supplier chain, compliance with environmental requirements, employees. These aspects can be major contributors to the material results of the company, they can negatively or positively influence the economic-financial results and they can generate losses if not properly managed.

The chain of customers and suppliers has a significant impact on the business and compliance of the company with various regulations. This is why their selection is made through assessments, monitoring and audits that reduce risks and negative impact.

The environmental aspects have a significant impact on the stakeholders through the effects generated by the non-compliance with the rules imposed by legal norms. That is why the company has permanently and periodically identified (as the case may be) what these effects are, the impact on the stakeholders and has implemented regulations, internal procedures or measures that control the effects on the stakeholders and the compliance with the legislation in the field.

Ethical behavior is essential and has a significant impact in terms of the fact that it represents the company's business card in relations with suppliers, customers, authorities, employees and determines a rating of the morality of the business of the company. That is why TMK-ARTROM GROUP has imposed internal regulations in compliance with a code of ethics and periodically evaluates the ethical level of the activity of the business partners and their employees.

The local community does not have a significant impact and is not a critical aspect, which is why no policies and regulations have been implemented to analyze and evaluate the impact of this aspect on the company. In turn, the company does not have an essential effect on the community because its impact



is minor due to the geographical position of the operational activity and due to the stability of the company (which has never stopped its activity since its establishment). However, the interaction with the local community is done indirectly and within the limits of the generally accepted rules as normal.

## **103-2 The management approach and its components**

### **1) THE INTEGRATED MANAGEMENT SYSTEM**

TMK-ARTROM GROUP has implemented an integrated quality, environment, occupational health and safety (SMI) management system according to international standards ISO 9001:2015; ISO 14001:2015; ISO 45001:2018, system certified by the Lloyd's Register certification body.

The Quality, Environment, Health and Occupational Safety policy, is an integral part of our business and it ensures the stakeholders that it will continue to maintain and develop the business in line with international, regional and national standards, mandatory legal requirements and regulations, ensuring the environment protection, employee protection and rational use of energy resources.

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

For 2019 targets have been set related to the quality of products delivered to the client, reduction of consumption, the increase of equipments productivity, the increase of the knowledge level of the employees, competence and involvement of the personnel in the production process, the increase of the recycling grade and waste and packing waste recovery, reducing the risk factors for injury and professional illness.

In order to achieve these, management programs are established, that include the necessary measures/actions, responsible persons and related resources. The measures to achieve these goals use statistical analysis methods such as the 8D, SIX SIGMA, FMEA or RFMEA methodologies. The responsibilities for the achievement of management programs are assigned to senior managers and top management which also provide the needed resources to implement the established measures in order to achieve the objectives.

### **2) RESPONSIBILITY FOR THE ECONOMIC AND FINANCIAL PERFORMANCE**

The responsibility for the economic and financial performance is achieved by management at the highest level by the Board of Directors and the Management Board.

TMK-ARTROM GROUP has defined its economic and financial targets in line with the investors (shareholders) interest and in the spirit of achieving banking conventions. These targets include net sales, profit, cash flow return, liquidity and indebtedness.

The target of 2019 as regards the achievement of a saleable production has been achieved in a proportion of 92% being a good level given the conditions of a year marked by the beginning of a crisis in the metallurgical products market.

## **3. STRATEGY**



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LR:  
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TMK-ARTROM S.A. has a five-year strategy, and the investments made in the past years will lead to a change in production structure in order to increase the share of PREMIUM-type high value added products. Our long-term strategies refer to the EDIDTA and operational cash-flow increase.

#### 4. COST MANAGEMENT

TMK-ARTROM GROUP has developed the necessary policies, procedures and documentation for cost-effective planning, management, collection and control.

#### 5. INVESTMENT POLICY

In its development policy, TMK-ARTROM GROUP has pursued and aims at strengthening existing capacities and achieving strategic targets as follows:

- Increasing the quality of its products;
- Increasing the share of Premium products with high added value;
- Rapid and secure recovery of the investments made;

In order to ensure that its strategic goals are achieved through the investment projects implemented, within the investment project approval process, TMK-ARTROM GROUP performs TECHNICAL AND ECONOMIC ANALYSIS with internal or external specialists subject to corporate approval (Management Board, Board of Directors, GMS).

#### 6. RISK MANAGEMENT

Within **TMK-ARTROM GROUP** risks and opportunities are managed based on a formalized process, having as main objectives:

- ♦ keeping threats within acceptable limits;
- ♦ making appropriate decisions to exploit the opportunities;
- ♦ improving the company's performance.

The process of risk management is a continuous process, integrated at the level of each of the company's structure and it involves the identification, assessment and control of the risks that could affect the achievement of the set general objectives and sub-objectives. The results of the risk assessment are recorded through the Risk Records Register, periodically reviewed (half-yearly, annually or whenever significant changes occur).

In order to respond to changes in the economic area, environmental and social environment, within TMK-ARTROM S.A. there is a department that coordinates the process of identification, assessment, monitoring and reporting of risks. The risk committee of TMK-ARTROM S.A., made up of the members of the senior management, ensures the supervision and control of the risks, including, without limitation to: establishing the risk reactions and the management options, the control measures / actions and the implementation deadlines to them, but also the control of their achievement.

Successfully managing the risks and opportunities and developing a long-term sustainable business ensures the TMK-ARTROM GROUP strategy and objectives, as a global provider responsible for efficient solutions for consumers of billets and steel pipes with various applications.

In the case of TMK-REȘIȚA S.A., periodic reports regarding the internal audit activity during the reporting period are provided to the senior management and the CEO of TMK-REȘIȚA S.A. by the audit department within TMK-ARTROM S.A.





## 7. HUMAN RESOURCES MANAGEMENT

TMK-ARTROM GROUP is aware of the fact that 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 human resources are considered a major chapter of TMK-ARTROM GROUP activity and bases on the following principles, namely:

- Respect towards employees' work;
- Active participation of employees in major decisions through their elected representatives;
- Correct and timely remuneration of labor provided by the human resource;
- Providing all benefits and remuneration agreed with social dialogue partners without discrimination or limitation, strictly based on the assessment of the importance of the workplace, the professional training and dedication of the employees to the work done;
- It pays special attention to the professional training of employees and encourages multidisciplinary qualifications;
- Encourages employee stability in the company and the traditionalism of intergenerational transfer of professional knowledge;
- 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 (SMI)

At the beginning of each year, the top management conducts the "Integrated Management System Analysis", which analyzes the relevance of the Policy with the business strategy, the applicable laws, the degree of achievement of the objectives and measures set.

The Policy is maintained or, if applicable, is updated, and new targets for the coming year are set. The integrated system certifications are available at [www.tmk-artrom.eu](http://www.tmk-artrom.eu).

TMK-ARTROM GROUP prepares at the end of each year the internal and external audit plan for the following year.

Internal IMS audits refer to checking the compliance of the integrated management system with ISO 9001, ISO 14001 and ISO 45001, process, product audits or SMC audits performed according to IATF 16949 (auto).

External audits are carried out by TMK-ARTROM GROUP's representatives to the major suppliers of raw materials, materials, manufacturing tools and spare parts, services.

At the same time, an increasing number of clients have conducted audits at TMK-ARTROM S.A., according to quality requirements, environmental and occupational health requirements. In recent years, TMK ARTROM S.A. has also been evaluated by major external customers according to the Social Responsibility Standard (ISO 26000).



Client audits often involve auditing TMK ARTROM S.A.'s management systems and also TMK REȘITA's raw material supplier. The management systems of the two companies are unified and certified at Division level.

In all cases, audits performed by the client have resulted in positive results, resulting in further collaboration or receipt of new orders. Audit results are analyzed to determine their effectiveness, achievement of indicators for the audit process, downward trend, or even lack of non-compliance. Depending on the results of audits, the frequency and the requirements of the following audits are determined, managerial decisions are taken, the identified risks are reassessed.

Environmental and occupational health and safety compliance is also one of TMK ARTROM GROUPS's objectives. All employees support the ISO 14001/ISO 45001 management system that includes legal requirements and requirements to ensure the internal and external control mechanisms in relation to the environment and occupational health and safety. The annual management review ensures that no problems have arisen or that the issues have been addressed, the way in which environmental and occupational health and safety laws have been complied with, what new standards or laws have emerged at national or European level in the past year.

## **Evaluating economic and financial indicators and complying with compliance and conduct policies**

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

### **External financial audits**

On a half-yearly basis a financial audit is performed by an external audit team (appointed by the General Meeting of Shareholders). The economic and financial results included in the financial statements are audited by the statutory auditor. In 2019 the economic and financial audit was carried out by Ernst & Young Romania. The Audit Report is published on the TMK-ARTROM S.A. website ([www.tmk-artrom.eu](http://www.tmk-artrom.eu)) and on the Bucharest Stock Exchange and the FSA website.

### **Internal financial audits**

The internal audit department of **TMK-ARTROM S.A.** supports TMK-ARTROM GROUP in achieving the objectives set by a systematic and methodical approach that evaluates and improves the efficiency of risk management, control and governance process. The role of the internal audit department is to enhance and protect the organizational value by offering assurance, counseling and deep knowledge based on risk-based objective principles.

The internal audit activity is carried out on the basis of the approved internal audit plan. The risk-based audit plan is developed taking into account factors such as: the company's key strategy and objectives, the results of risk analysis and assessment, the materiality of the subject to audit, etc.

Periodic reports on the internal audit activity during the reporting period are provided both to senior management and the Audit Committee. The **TMK-ARTROM S.A.** Audit Committee as a collegial advisory body of the Board of Directors, ensures the preliminary review of the issues related to the audit and control of the financial and operational activity of the company, as well as regarding the efficiency of the internal control and risk management system.

**TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019**



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## 2. Evaluation of management activity CEO

The activity and performance of management at all levels is measured and analyzed based on a set of Key Performance Indicators (KPIs) set for each manager by its hierarchical superior. KPIs include both economic and financial indicators as well as quantitative, operational or qualitative indicators. The assessment of management's activity is carried out annually in close correlation with the revenue and expenditure budget approved by the GMS.

**CONCLUSION:** TMK-ARTROM GROUP acts with responsibility in achieving excellence in all aspects of business and is constantly committed to improving the quality of our products and services to provide them with the highest degree of professionalism under the motto " INTEGRITY AND CORECTNESS IN PERFORMANCE ".

## GRI 200 ECONOMIC

### GRI 201 Economic performance

#### 201-1 Economic value generated and distributed

TMK-ARTROM has decided to apply the consolidation method by grouping interests named in IFRS "pooling of interests" for the entities under common control. Following the acquisition of the majority shares of TMK Reșița on 21 December 2018 and TMK Italy on 5<sup>th</sup> of February 2019, were restated the consolidated financial statements under IFRS for the years 2017, 2018 and 2019.

	Separate 2019	Separate 2018	Consolidated 2019	Consolidated 2018
<b>1 Direct value generated:</b>				
<b>revenues</b>				
Net sales	1,196,926,713	1,385,787,328	1,164,600,291	1,430,787,785
Revenues from financial investments	10,147,700	3,494	240,004	8,654
Sales of assets	232,577	4,028,169	11,093,753	5,172,694
<b>Total</b>	<b>1,207,306,990</b>	<b>1,389,818,991</b>	<b>1,175,934,048</b>	<b>1,435,969,133</b>
<b>2 Economic value distributed:</b>				
Operating costs	1,030,047,323	1,160,558,738	941,420,966	1,103,801,763
Employee wages and benefits	128,806,527	117,292,412	197,211,432	181,193,632
Payment to providers of capital	15,542,912	10,600,444	17,415,683	13,325,720
Payments to government by country	27,407,390	38,199,853	31,316,633	43,515,610
Community investments	690,244	344,178	777,067	397,517
<b>Total</b>	<b>1,202,494,396</b>	<b>1,326,995,625</b>	<b>1,188,141,781</b>	<b>1,342,234,241</b>
<b>3 Economic value retained</b>	<b>4,812,594</b>	<b>62,823,366</b>	<b>-12,207,733</b>	<b>93,734,892</b>



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

Within the TMK-ARTROM GROUP, following the assessments it was considered that due to climate changes there may be risks regarding the increase of the ambient temperature level during the spring-summer season and the existence of a very low temperature level during the winter season compared to the specific climate situation from ROMANIA, which necessitated additional expenses to ensure the following:

- Air conditioning of the enclosures in which the electrical, electronic, automation and hydraulic equipment are installed;
- Air conditioning the control units of the equipments within the production workshops;
- Planting trees to create a curtain between the plant and the neighboring residential area

These measures protect the equipment that must function properly but also the health of the employees.

## 201-3 Defined benefit plan obligations and other retirement plans

TMK-ARTROM GROUP has an employee benefit plan in place. The employee benefits assessment is presented in an actuarial report prepared by Pricewaterhouse Coopers Audit SRL in accordance with the requirements of 'IAS 19 Employee Benefits'. Estimates of employee benefits are updated annually since actuarial projections depend on future events and are based on assumptions that may change over the projected period.

The company employees benefit from 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 performed and the professional training (monthly salary; salary increases for various specific conditions; monthly premiums; paid holiday and holiday premium for all employees; paid overtime, paid Saturday and Sunday or night hours, paid legal holidays).
  - b. Benefits of an extra-salary nature in accordance with the provisions negotiated between the Employer and the Unions and created through the execution of the Collective Bargaining Agreement: meal vouchers for all employees at the maximum value allowed by law; treatment vouchers, tourist and transport services provided by the unit for all employees whose value is indexed annually; paid free days for special events (births, baptism, etc.).

To the persons dismissed by collective redundancies - a number of compensatory average salaries are granted and the retired employees receive a retirement allowance.

Benefits are granted at the birth of each child and material support in the case of the death of a 1<sup>st</sup> degree relative or in case the employee suffered a first and second degree disability work accident; on the occasion of anniversaries and religious holidays, festive days, children's days, women's day and Christmas.



The employees receive nutrition to strengthen and protect the body's resistance and free individual protective equipment.

Upon employment, a periodic medical examination paid by the company is performed. TMK-ARTROM S.A. and TMK-REȘIȚA S.A. employees benefit from additional (private) health insurance that also covers the costs of medical treatments as well as long-term loyalty bonuses for key staff and specialists.

## 201-4 Financial assistance received from the Government

In 2019, TMK-ARTROM benefited from exemption from the payment of 60% of the number of green certificates, totaling 2,144,012 LEI, out of the total required quota according to the Government Decision no. 495/2014 on the establishment of a state aid scheme for exempting certain categories of final consumers from the application of Law no. 220/2008 establishing a system for the promotion of energy production from renewable energy sources.

In 2019 TMK-ARTROM S.A. benefited from the exemption from payment of excise duties for electricity and natural gas in the amount of 1,187,866 lei, according to Section 13 art. 394, art. 355 paragraph 3, respectively art. 358 of the Fiscal Code.

TMK-REȘIȚA benefited in the year 2018 and 2019 from the exemption from the payment of 85% of the number of green certificates related to the mandatory quota, according to Government Decision no. 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.

The value obtained at the exemption in 2019 is higher than in 2018 due to the increase of the value of the Green Certificates in the electricity market. The total amount of electricity consumed in 2019 is with 8% lower than in 2018.

In 2018 and 2019, the company benefited from the excise duty exemption for electricity and natural gas according to Section 13 art. 394, art. 355 paragraph 3, respectively art. 358 of the Fiscal Code.

## GRI 202 MARKET PRESENCE

The company's employee ratio by sex and age compared to the local one cannot be established at this time because both our company and other companies have any information about employment contracts subject to strict confidentiality and personal data protection rules stipulated by GDPR at European level and by specific national laws.



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

In 2019, the national minimum wage is 2,080 lei according to the Romanian laws. TMK-ARTROM GROUP offers a minimum wage much higher than the local one.

Within TMK-ARTROM GROUP there is no employee paid at the level of the minimum wage stipulated in the Romanian legislation in 2019. To this salary are added salary increases and other financial benefits provided by the Collective Bargaining Agreement. All the benefits are granted to all employees without gender exceptions ("by gender").

TMK-ARTROM GROUP has no daily employees ('workers'). All employees are hired under a contract of employment ('employees').

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

People from the local community and senior management positions within TMK ARTROM ('senior management') as defined below are 77%. and in TMK REȘIȚA the ratio is 67%.

By "senior management" we included:

- Board of Directors - see [http://www.TMK-ARTROM.eu/tmkARTROM\\_board\\_of\\_directors](http://www.TMK-ARTROM.eu/tmkARTROM_board_of_directors)
- Management Board, Executive Managers, Chiefs of Departments - see [http://www.tmk-ARTROM.eu/tmkARTROM\\_management](http://www.tmk-ARTROM.eu/tmkARTROM_management)

Through „senior management” TMK-ARTROM S.A. from the local community, we defined Romanian citizens with stable residence in Romania (residents), in the town of Slatina, OLT county, respectively senior management in TMK REȘIȚA S.A. - Romanian citizens with stable residence in the city of Reșița, Caraș Severin County.

## GRI 203 INDIRECT ECONOMIC IMPACTS

### 203-1 Infrastructure investments and services supported

During 2019, the main investment in TMK-ARTROM S.A. was the purchase of a pipe cutting complex, an investment that is part of a program of development of the dimensional range produced, as well as to ensure the operational safety. TMK-ARTROM S.A carried out several investments in infrastructure: a new parking lot; a buss station; a courier building; locker buildings for employees of the plant, implementation of an access control system, for pedestrians and cars.

In TMK-REȘIȚA S.A. the main investment reffers to the improvement of the energy quality, respectively, the purchase of a Power Factor Compensation Station for all the power lines of the plant.

TMK-REȘIȚA S.A. carried out two investments in infrastructure, respectively closing a hall and starting to build another open hall to reduce dust and steam emissions in these locations.





Other investment projects carried out in both companies had as their main purpose equipment for securing IT data as well as major works capitalized in order to ensure the safety in operation of the machines in the rolling lines as well as a series of investments of energy efficiency and environmental protection.

The plants TMK-ARTROM S.A. and TMK-REȘIȚA S.A. are the main contributors to the local budgets and through cooperation with local companies it brings added value to contributions. Major maintenance, construction and mechanical building works for the 2019 investments and much of the company's services have been subcontracted with local companies, with payment records for these over EUR 6,4 million for companies within Slatina City and EUR 2 million for companies within Caras-Severin area.

During 2019, both TMK-ARTROM S.A. and TMK-REȘIȚA S.A. provided conditions and production facilities for practical work for students from local vocational schools and also for other higher education establishments.

## 203-2 Significant indirect economic impacts

In 2019 investment payments totaling EUR 8,2 million were recorded, most of this amount for new equipments as well as for modernization and safety works in operation.

TMK-ARTROM S.A. has a continuous development to increase the dimensional range produced and with new products, which includes additional added value which together with the increase of the production level and the reduction of the manufacturing costs, generates the increase of the income

TMK-REȘIȚA S.A. carried out in 2019 activities with direct impact in maintaining the quality of products and for operating safety, but also investments through energy efficiency programs: efficient LED lighting; heating systems for steel casting pots based on oxygen surplus as well as power factor compensation stations.

## GRI 204 PROCUREMENT PRACTICES

### 204-1 Proportion of spending on local suppliers

TMK-ARTROM GROUP makes its own purchases of raw materials, materials, and services through its own domestic services. The main raw material, the billets, used for pipe production, is purchased from TMK-REȘIȚA S.A., which has the same top management as TMK-ARTROM S.A.. The other materials and services used in the production process are purchased from domestic or foreign manufacturers that 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 only available from international suppliers and must be imported. Where there are quality products at competitive prices, they are purchased from local suppliers (from Romania). There are no cases where purchases are made on a preferential basis, the only way to analyze the products is the quality-price ratio and the supplier's existence in the Approved Suppliers List. The use of



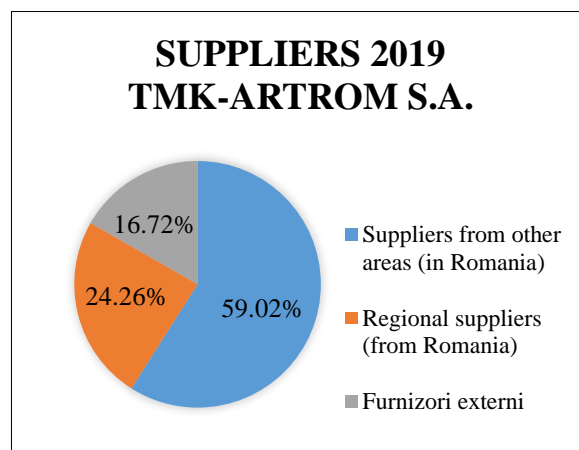
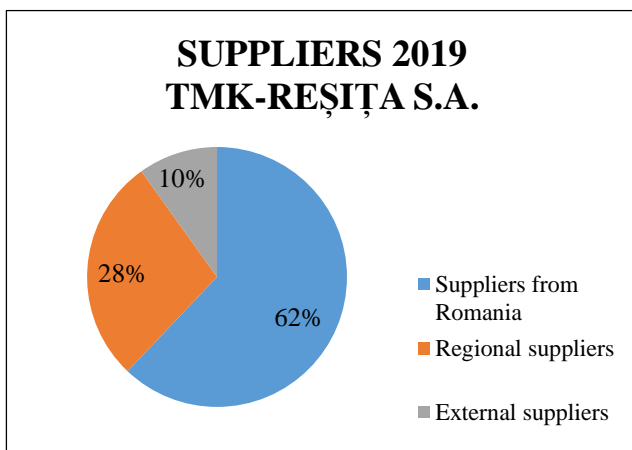
local suppliers has the advantage of reducing the purchase time, cost and time of transport and increasing the availability of quality control at the supplier.

**For TMK-ARTROM S.A.**, the proportion of local suppliers (in Romania) to total suppliers at the end of 2019 is of 83.28%.

Total suppliers existing at 31.12.2019 on the Approved Suppliers List	Romanian suppliers		External suppliers (outside Romania)
	Suppliers from other areas (in Romania)	Regional suppliers (from Romania)	
	305	51	
	180	74	
	Suppliers from Romania =254		

**For TMK-REȘIȚA S.A.** the proportion of local suppliers (from România) to total suppliers at the end of 2019 is of 90.11% . Out of the 164 Romanian suppliers, there are 51 regional suppliers (suppliers from Caras-Severin county and neighboring counties: Timiș, Hunedoara and Mehedinți) which represents 28.02 % of the total suppliers.

Total suppliers existing at 31.12.2019 on the Approved Suppliers List / Pending approval	Suppliers from Romania	Regional suppliers (from Romania)	External suppliers
182	113	51	18
	164		



## GRI 205: ANTI-CORRUPTION

**TMK-ARTROM GROUP** has created and maintains an atmosphere of intolerance towards corrupt behavior. We do NOT tolerate the tacit offering or acceptance of any form of bribery or corruption, both in relation to business partners, and in relation to public / governmental institutions and their employees.



Starting with our objectives, vision and values, we have developed a set of normative documents which presents the corporate principles and rules of behavior to which TMK-ARTROM GROUP adheres:

- ◆ Code of Conduct;
- ◆ The procedure for preventing and reporting the acts of corruption;
- ◆ Transparency policy in recruiting staff;
- ◆ Regulation on conflict of interest;
- ◆ Risk Management Procedure.

As part of the anti-corruption policy, the corruption risk is regularly and systematically assessed, both within all structural units of the company as part of the risk management process, as well as in relation with our business partners. Our business relations are built and managed using a risk based approach, the associated risks being evaluated both at the start of the business and subsequently through the audits performed to the suppliers and customers.

Anti-corruption principles and **ZERO TOLERANCE** regarding corruption acts are communicated:

- ➔ to the employees - through internal means of communication and through regular training (and to the potential employees through the Transparency Policy in recruiting staff);
- ➔ to the business partners - as part of the contractual policy, the contracts concluded with business partners include the "anti-corruption clause", whereby the parties undertake to comply with the provisions of anti-corruption legislation and not to be involved in corruption acts.

Our employees and business partners are encouraged to communicate any corruption acts using the available communication channels.

In 2019 there have not been any:

- ◆ confirmed corruption incidents;
- ◆ Confirmed corruption incidents leading to dismissal or disciplinary sanction of employees;
- ◆ confirmed incidents leading to termination or interruption of contractual relations with business partners due to corruption facts;
- ◆ legal actions or public prosecutions regarding corruption acts brought against the company or its employees.

## 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 the anti-corruption culture of TMK-ARTROM GROUP, but also the main measures for the prevention, detection and reporting of corruption.

The corruption risk is regularly and systematically assessed by all structural units of the company as part of the risk management process of TMK-ARTROM GROUP as well as through the internal audit function that performs regular checks of the company's operations, inclusively in order to identify any corrupted or unbiased information.



## 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 Procedure on Preventing and Reporting Corrupt Practices (documents available in both Romanian and English) and are brought to the attention of employees through both through internal means of communication (intranet), as well as through periodic training.

The management of TMK-ARTROM GROUP 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: the members of the Board of Directors, the General Manager and the Board of Directors.

The zero tolerance for corruption acts is communicated to potential employees through the Transparency Policy in recruiting staff, and they are informed about the anti-corruption principles and on the existence of a system of reporting of potential violations of Transparency Policy principles in recruiting staff.

In addition, as part of contractual policy, contracts with commercial partners include the "anti-corruption clause", whereby the parties undertake to comply with anti-corruption laws and not to be involved in acts of corruption.

## 205-3 Confirmed incidents of corruption and actions taken

Corruption acts may be reported and identified within TMK-ARTROM S.A. and TMK REȘIȚA S.A. by persons from inside or outside the company (whistleblowers) and / or audits (internal and external) performed during the reporting period. Their analysis and solution is carried out accordingly to the internal procedure in force (the final decision on the actions undertaken by the Board of Directors and the CEO).

In 2019 there were no confirmed corrupt incidents in which the company and / or its employees.

## GRI 300 ENVIRONMENT

### GRI 301 – MATERIALS

#### 301-1 Materials used

One of the main objectives of the company is the supply of high quality products, respecting the delivery times. The procurement activity ensures the raw materials and materials necessary for the continuous and safe operation of the production process.

TMK-ARTROM GROUP purchases products only from accredited suppliers, evaluated according to their technical and managerial capacity. For the supply of raw materials and goods, contracts with reliable suppliers are concluded. The highest quality oils and emulsions are used, environmentally friendly. The quantities of oil and emulsion used for machine maintenance decreased in 2019 compared to 2018 in the

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context in which the production of goods decreased, but also as a result of the specific consumption of oil and emulsion / tonne of product.

Materials supplied / consumed ( tons)	Year 2018 (tons)	Year 2019 (tons)
Oil	196	105.48
Emulsion	92	57.86
Platband	320	322
Billets	241172	229.109



The materials used in the packing process are made from recyclable materials such as steel, paper and cardboard, plastic and wood. Depending on the requirements of customers, from the materials used in packaging, the high percentage is the platband: 322.1 tons used in the reporting year;



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The consumption of platband has increased in 2019 as a result of the increase in customer requirements regarding the way of packing the pipes.

The TMK-REŞİTA S.A. the main raw material used is scrap iron. In 2019, an amount of raw material was used, of which 99.18% represents old iron, and 0.82% represents bark recovered from its own slag dump or purchased from the market.

The efficient use of resources, such as: energy, water, raw materials, occupies an important place in the list of priorities. The list of priorities also includes other areas such as metal waste management and recycling, water quality, air, soil, reducing CO2 emissions.

We were constantly trying to improve the production process from a technological point of view, but also as an impact on the environment and human health. In this sense, one of the goals is to minimize the waste generated in the process of steel making and continuous casting, but also to ensure the best functioning of the machines used in the production. Maintenance of the technological equipment uses oils and greases friendly with the highest quality environment.

### 301-2 Inputs of used recyclable materials

In TMK-ARTROM S.A., the packing materials (connecting wire, wooden spacers) received with the raw material are reused in the auxiliary processes, respectively in the process of transport and storage of raw material and finished product.

In the technological process of steel making, the main raw material is recyclable materials, respectively the old iron.

The packaging materials received with the raw materials and the auxiliary materials, respectively the metal, plastic or wood packaging, are reused when possible to extend their service life. Finally, the metal packaging is recycled in the electric oven and for the wooden packaging and the plastic packaging are signed contracts with authorized companies where they are delivered for recycling.

The legislation requires radiological monitoring of recyclable metal materials and finished metal products. As a result, all the recyclable metal materials purchased by TMK-REŞİTA S.A. they are accompanied by a radiological monitoring report. Materials with a higher level of radioactivity than natural or materials that are radioactively contaminated are not accepted.

At the entrance and exit of TMK-REŞİTA S.A. own monitoring of the purchased materials is carried out by passing all the means of transport loaded with raw material or with the finished products through the two portal installations to determine the level of radioactivity. For situations that require a quantitative measurement, the portable contaminometer is used. The entire activity of radiological monitoring, including the alarming mode and intervention in case of radiological incident, are performed and periodically exercises are performed to simulate and test the knowledge of the employees in the field. TMK-ARTROM S.A. monitors the level of radioactivity of pipes delivered to customers with the help of portable devices.

### 301-3 Reclaimed products and their packaging materials

At TMK-ARTROM S.A., in 2019 the value of the pipe claimed was of **0.1%** compared to the value of the material sold.





The quantity of packaging related to the claimed material was half compared to the previous year.

Year of reference	Quantity of packaging that accompanied the claimed pipe ( kg )
2018	241
2019	128

At **TMK-REȘIȚA S.A., in 2019** the value of the billets claimed was of **0,62%** from the value of the billets sold.

## GRI 302 – ENERGY

TMK-ARTROM S.A. and TMK-REȘIȚA S.A. have a continuous improvement in their energy efficiency, so this year there has been a slight improvement even in the conditions of smaller and more fragmented production.

### 302-1 Energy consumption within the organization

acquires electricity from electricity suppliers accredited by RERA( Romanian Energy Regulatory Authority) and who in turn purchases electricity through the trading platforms on the wholesale market, OPCOM.

At TMK-ARTROM S.A., the purchased electricity is transported through the lines of the national carrier TRANSELECTRICA and is distributed through the networks of the zonal distributor "DISTRIBUTION OLTENIA", and in the case of TMK-REȘIȚA S.A. the distribution is done both through its own networks and through E-Distribution Banat networks.

According to the energy label of the supplier, in 2019 it is estimated that over 31.4% of the electricity consumed came from renewable sources: hydroelectric, wind, solar, biomass and others, a percentage that is higher than the national average of electricity consumption. from renewable resources.

The total electricity consumption for the year 2019 realized by TMK-ARTROM S.A. is 217 152 GJ, and the consumption of natural gas was 1 289 913 GJ, and at TMK-REȘIȚA S.A. the total electricity consumption was 633 045 GJ and for natural gas 151 715 GJ.

Total energy consumption within TMK-REȘIȚA S.A. distributed on energy fluids is shown below:



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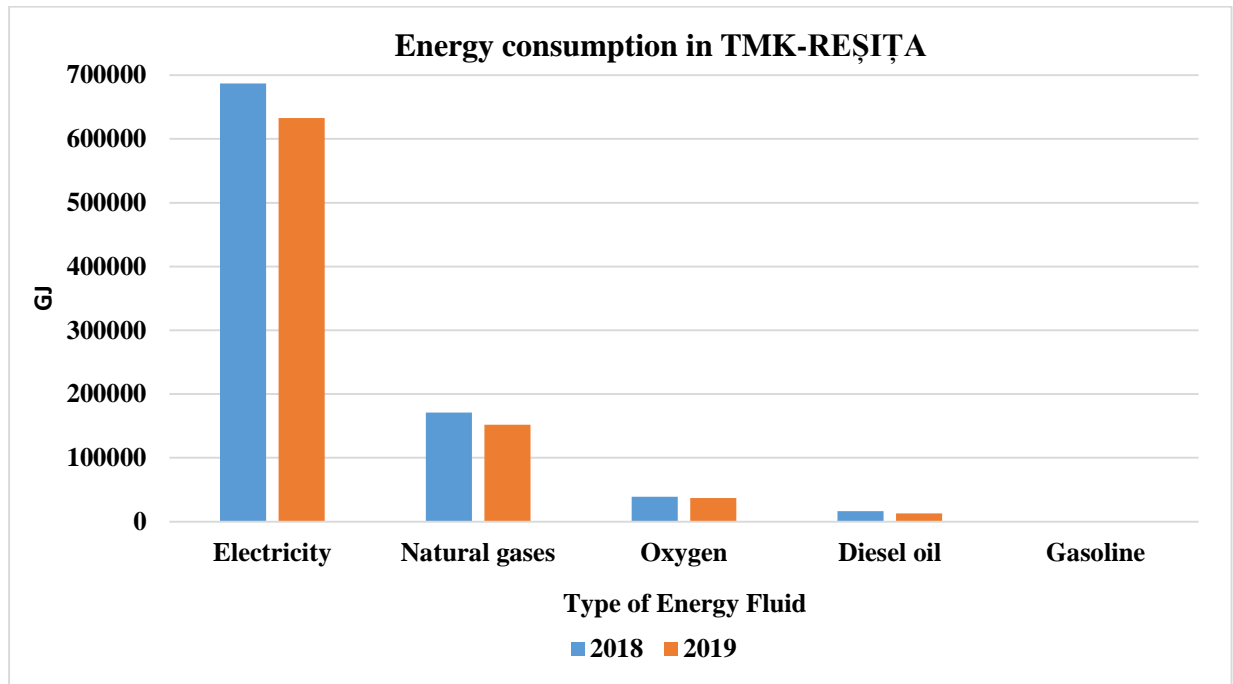
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### 302-2 Energy consumption outside of the organization

TMK-ARTROM S.A. does not use electricity or gas outside the company.

TMK-REȘIȚA S.A. uses a part of the energy outside the society for recreational activities. Thus, the consumption of natural gas used outside the company is less than 0.65% of the total natural gas consumption of TMK-REȘIȚA S.A. and the electricity consumption used outside the company is 0.18% of the total electricity consumption of the company (1 542 GJ).

### 302-3 Energy intensity

The energy intensity in 2019 was in TMK-ARTROM S.A. of 8 GJ compared to the year 2018 when it was 7.9 GJ / to, given that the production in 2019 was lower and in a structure with smaller sequences than in 2018, but at the same time a number of energy efficiency measures have been implemented.

At TMK-REȘIȚA S.A. the energy intensity in 2019 was of 3,56 GJ/t. Compared to 2018 when was of 3,55 GJ/t.

The methodology for calculating the energy intensity is the ratio between the energy consumed (electricity and natural gas) during the year in GJ and the production of pipes measured in tons.

### 302-4 Reduction of energy consumption

In 2019 at TMK-ARTROM S.A. it was continued the replacement of traditional luminaires with the LED ones, in most sectors of the plant, with a positive impact on energy consumption.



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This investment has estimated a reduction of electricity consumption for industrial lighting by approximately 15%, respectively of 8 364 GJ / year.

In 2019 TMK-REȘIȚA S.A. has carried out energy efficiency projects such as:

- Replacing the air-gas burner from the pot heater installation with the oxy-gas burner; was obtained a reduction of natural gas consumption in 2019 of 78.6 thousand m<sup>3</sup>, respectively 2,726.2 GJ.



*The equipment for regulating the oxy-gas burner from installation no.3*

- Restoration of lighting installation in the production workshop (in four months of operation, it was obtained a reduction of energy in 2019 of 0,269 GWh , respectively 969,13 GJ.)

The total electricity savings achieved in 2019 is 32 065 GJ by applying the above energy efficiency measures.

### **302-5 Reductions in energy requirements of products and services**

TMK-ARTROM GROUP carries out on-line monitoring of energy consumption by activity sectors and in detail on equipments, and unit energy consumption is monitored, so that energy consumption can be efficient through organizational measures.

In order to reduce the consumption of natural gas, in 2019 the old heat treatment furnaces were no longer used, these being replaced in production by the Heat Treatment Complex (HTP) put into operation in 2018.

Through the investments made at TMK-REȘIȚA S.A. as energy efficiency projects the reduction of electricity consumption as well as that of natural gas has been obtained.

## **GRI 303 WATER**

By the authorization of water management issued by the OLT Water Administration, limits are imposed on the quantities of water captured and discharged, both for technological water and for domestic water, taking into account the consumption and discharges of other companies on the industrial platform as well as the city consumption.



### 303 -1 Water withdrawal by source

TMK-ARTROM S.A. it supplies its water needs from its own source having within the company nine wells drilled to a depth of 120 m. The wells have an operating flow of 3 l / s.

In the area near the site there are no areas of interest for nature conservation or bird species, the quantity of water extracted and used by the company does not affect the water supply of the local community which is located about 5 km from the company site.

The water is used for technological purposes when cooling machines, furnances, roller tracks, in pipe heating installations and then collected in the basins of the pump stations where it is filtered and then pumped into the cooling towers and re-introduced into the circuit.

The evacuation of the domestic wastewater is done in the city sewerage network and the technological wastewater resulting from the chemical preparation process of the pipes is internally neutralized and then discharged into the Milcov creek together with the rainwater collected from the company's platform.

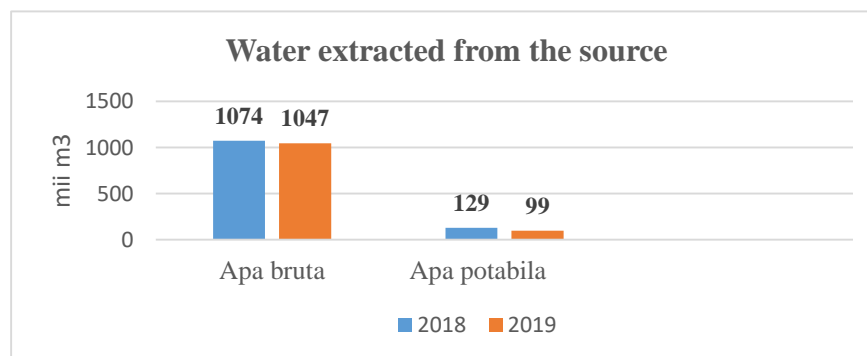
TMK-REȘIȚA S.A. insures its water needs from the surface water source in Secu Dam for industrial activities, as well as from the drinking water supplier in the locality Aquacaras S.A., for drinking water consumed.

From the Secu Dam the fresh water, by free fall on a pipe, reaches the joint room where it joins when necessary with the water pumped from the clearing lake of the Grebla power station, through the pump station. From the joint room the water reaches at the supply room of the water purification plant of AQUACARAS S.A From the Water Plant, on a length of 2040,37 m, continue adduction path (pipeline) to the basin belonging to the company.

The quantities of raw water taken from the Secu Dam by TMK-REȘIȚA SA in 2019:

Name of water consumer	UM	Quantity
TMK-REȘIȚA S.A.	thousand m <sup>3</sup>	1 046,764
S.C. AQUACARAS S.A.	thousand m <sup>3</sup>	5 912,887
Messer Romania Gaz	thousand m <sup>3</sup>	64,511
<b>TOTAL</b>	thousand m <sup>3</sup>	<b>7 024,161</b>

The company is supplied with drinking water from the drinking water supplier for the population from the town of Reșița. In 2019, a quantity of 99,023 thousand cubic meters of drinking water were purchased.



TMK-REȘIȚA S.A. being connected to the sewerage network of the city, it discharges the wastewater that results in this network.

The cooling system that ensures operation in the optimal parameters for TMK-REȘIȚA SA's technological equipment ensures, through the related water supply, the complete recirculation of the water used in the production process. Cooling of the electric furnace, steel treatment in ladle, de-dusting plant, vacuuming plant and continuous casting machines, is an indirect cooling and is performed only through closed circuits with interposed cooling towers

The industrial water used is only for refreshing and filling the water lost through the evaporation process in the technological process and in the cooling towers.

### 303-2 Water sources significantly affected by withdrawal water S



At TMK-ARTROM S.A., both technological and domestic wastewater are evacuated according to the authorization of water management, respecting the limits imposed on the quality and quantity of water discharged in the natural emissary and in the city sewerage.

The determination of the water quality is performed by weekly analyzes with its own laboratory and monthly with an accredited external laboratory, making an analysis of the physico-chemical characteristics of the quality indicators followed, according to a program of measures aiming their framing within the limits imposed.

The water quality indicators and the imposed limits were established by the Olt basin water administration based on the analysis of the production process that has an impact on the quality of the discharged water taking into account the local facilities.

TMK-REȘIȚA S.A. also owns two ways to evacuate the rainwater from the company's site. The evacuated water is monitored both by our company and by the representatives of Romanian Waters - Resita Water Management System.

At TMK-REȘIȚA S.A. were replaced and the process of replacing the main routes of industrial water pipelines is continued and the one on drinking water has been completely restored in previous years.

In the area near the site of our company there are no areas of interest for nature conservation or bird species. The plant that supplies the local community with water, located about 4.5 km from the company site, is not affected by the activity carried out by TMK-REȘIȚA S.A..



### 303-3 Water recycled and reused

Within TMK-ARTROM S.A., the water supply for drinking purposes is achieved through 3 capture facilities, and the technological water supply through 6 capture facilities at 120 m deep, the source-underground Milcov creek.

For each well there is mounted a measuring device, which measures the volume of water extracted.

The focus is on reducing the technological water consumption through its recirculation, through closed water circuits, using cooling towers, the percentage of industrial water recirculation at the level of 2019 being 98.18%.

The quantity of groundwater extracted in 2019 is 656070 cubic meters. This quantity was used as follows:

- a) 221476 cm for drinking purposes                      b) 434594 cm for technological purposes.

Access to water in the industry of rolling pipes is important in the process of cooling the metallic elements of the machines and furnances, of the rolling ways and especially in the process of the direct quenching and cooling of the pipes.



All the activity is performed according to the legal regulations.

Quantity of water used (cubic meters)	2018	2019
drinking purposes	202477	221476
technological purposes	460817	434594

The quantity of water used for household purposes and discharged into the city sewerage network in 2019 was 221 thousand cubic meters, compared to the maximum allowed quantity of 274 thousand cubic meters.

The determination of the water quality is performed by weekly analyzes with its own laboratory and monthly with an accredited external laboratory, making an analysis of the physico-chemical characteristics



of the quality indicators followed, according to a program of measures aiming their framing within the limits imposed.

At **TMK-REȘIȚA S.A.**, Access to water is very important for the cooling of metallic metallurgical units (electric furnace, steel treatment in ladle, vacuuming plant) and especially for the cooling of continuous casting equipment by which the flowing steel is solidified. All cooling circuits are closed, so the water used in the production process is recirculated. All the activity is performed according to the legal regulations.

### 303-4 Water discharge

The technological waste water at **TMK-ARTROM S.A.**, resulting from the technological process of chemical pickling is purified by decanting and neutralized with lime milk, then it is discharged through the sewerage network in the Milcov creek.

The pluvial waters on the site are also collected in the technological and pluvial water sewerage network made of concrete pipes, with a length of approx. 3300m.

Monitoring and counting of flows discharged are made through a measurement system for measuring and counting the flows in open channels, mounted in the company premises.

Technologically waste water from **TMK-REȘIȚA S.A.** it is conventionally clean because it comes from the closed cooling circuits of the production unit. The rainwater collected from the platform is discharged on the two ERUGA and LAMINOARE discharges. There is also a hydrocarbon separator on the Laminoare discharge.

Domestic water is discharged into the city sewer.

The reference year	Regulatory limit for domestic waste water discharged (thousands cm)	Quantity of domestic waste water discharged, (thousands cm)	Regulatory limit for technological waste water discharged , (thousands cm)	Quantity of technological waste water discharged (thousands cm)
<b>TMK-ARTROM S.A.</b>				
2018	274,000	202,000	438,000	290,000
2019	274,000	222,000	438,000	301,000
<b>TMK-REȘIȚA S.A.</b>				
2018	240,000	128,884	524,410	139,663
2019	240,000	99,023	524,410	114,252

The mode of internal management and reporting of data on the collection, consumption and disposal of domestic and industrial water is processed, and the volumes and flows of water authorized for the supply of drinking and industrial water, as well as for their discharge, are established by the authorization of water management.



### 303-5 Water consumption

In TMK-ARTROM S.A. industrial water distribution to domestic consumers as well as water recirculation are ensured through 3 water basins.



The water extracted for drinking purpose from the 3 wells is transported through pipes to the above-ground storage tank. For the technological water there are 6 storage tanks, within the 3 water basins.

The water for extinguishing the fires is provided by the industrial water tank type castle existing on the company platform.

The mode of internal management and reporting of data on the collection, consumption and disposal of domestic and industrial water is processed, and the volumes and flows of water authorized for the supply of drinking and industrial water, as well as for their discharge, are established by the authorization of water management.

In 2019, the quantity of groundwater extracted from TMK-ARTROM S.A. was 656070 m<sup>3</sup>, used as follows:

Quantity of water extracted in 2019 = 656070 m <sup>3</sup>		the volume of technological water used in 2019 = 7900 thousand m <sup>3</sup> insured as follows:	
221476 m <sup>3</sup> for drinking purposes	434594 m <sup>3</sup> for technological purposes	434 thousand m <sup>3</sup> from the addition water collected from the wells drilled	degree of water recirculation =98.18%.

In 2019 the quantity of industrial water at TMK-REȘIȚA S.A. was of 1145787 m<sup>3</sup>

Industrial water is used for technological purposes for cooling some elements from the Electric Furnace, the Steel Treatment Plant in the Pot, the Vacuum Installation and the Continuous Casting Machine, the direct cooling of the steel bars continuously cast in closed type circuits.

Quantity of water extracted in 2019= 1145787 m <sup>3</sup>		the volume of technological water used in 2019 = 1046764 thousand m <sup>3</sup> insured as follows:	
99.023 m <sup>3</sup> for drinking purposes	1.046.764 m <sup>3</sup> for technological purposes	degree of water recirculation =98.700%. In TMK-REȘIȚA S.A. 29308117 m <sup>3</sup> is recirculated, the addition water being 376117 m <sup>3</sup>	

## GRI 304 BIODIVERSITY

TMK-ARTROM S.A. and TMK-REȘIȚA S.A. they are located near Slatina municipality, respectively Reșița municipality. There are no areas of interest for nature conservation or bird species in the area near the sites.



### **304-1 Operational sites owned, leased, managed in or adjacent to protected arias or arias of high biodiversity value outside protected aria**

Entire activity of TMK-ARTROM S.A. and TMK-RESITA S.A. is carried out on the same site, in the area near the site there are no areas of interest for nature conservation.



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## GRI 305 EMISSIONS

### 305-1 Direct CO<sub>2</sub> emissions

Company	Type of products	The origin of the emission	CO <sub>2</sub> DIRECT EMISSIONS 2018 [tCO <sub>2</sub> ]	CO <sub>2</sub> DIRECT EMISSIONS 2019 [tCO <sub>2</sub> ]	SPECIFIC CONSUME 2018 [tCO <sub>2</sub> /t of liquid steel or pipe]	SPECIFIC CONSUME 2019 [tCO <sub>2</sub> /t of liquid steel or pipe]
TMK-REȘITA S.A.	rectangular bars 260x340 mm or round bars diameter 177, 220, 280 or 350 mm	- natural gas combustion (used for the production of thermal energy needed to melt the metal load, in technological activities including heating of work spaces). - oxidation of the carbon found in the composition of various raw materials, auxiliaries or other materials used in steel making (scrap iron, ferroalloys, slag foam material, powders for coating the pot, distributor or lubricant in crystallizer, etc.).	28046	22663	0,1065	0,0937
TMK-ARTROM S.A.	Seamless pipe	the process of heating and heat treatment of the pipes, as well as of the process of heating the workspaces	70065	65057	0,350	0,347



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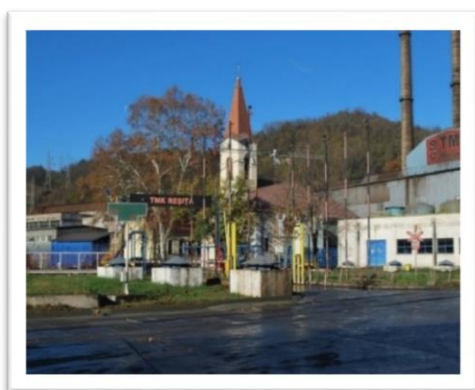
TMK-ARTROM S.A. receives natural gas through the gas regulating station.

In 2019, the direct CO<sub>2</sub> emissions resulting from the heating and heat treatment of the pipes, as well as from the heating process of the workspaces was 65057 tons CO<sub>2</sub>, at a production of 187667 tons the pipe produced.



*Entry in the company*

*Dedusting installation*



### 305-2 Indirect CO<sub>2</sub> emissions from electricity, respectively from purchasing

Year	Average of CO <sub>2</sub> emission in Romania  [gCO <sub>2</sub> /KWh]	TMK-ARTROM S.A.		TMK-REȘIȚA S.A.	
		Electricity consumed,  [MWh]	CO <sub>2</sub> emissions from purchased electricity and raw material transport railway	Quantity of electricity consumed,  [MWh]	CO <sub>2</sub> emissions from purchased electricity,

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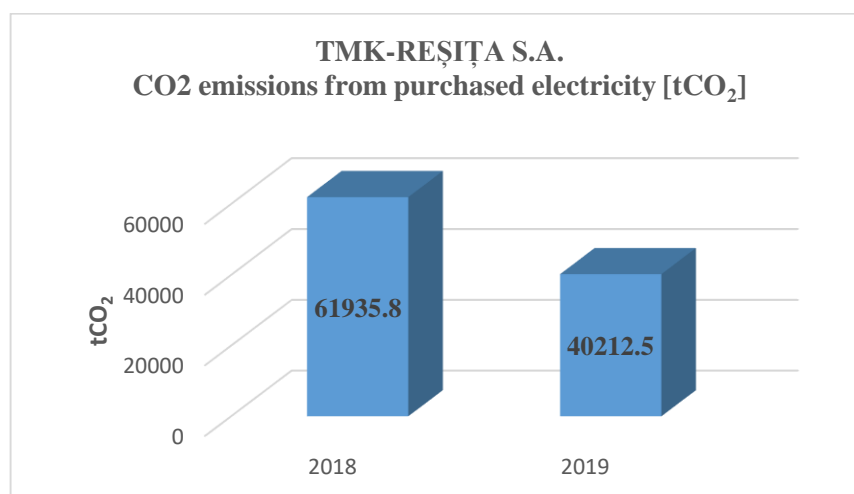
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			[tCO <sub>2</sub> ]		[tCO <sub>2</sub> ]
2018	324,47	60942	19037	190883	61935,8
2019	228,68	60320	14190	175846	40212,5

To achieve production in 2019 TMK-ARTROM S.A. consumed a quantity of 60320 MWh of electricity. Calculating for our company, the level of indirect CO<sub>2</sub> emissions from the purchase of energy is 13794 tons of CO<sub>2</sub> and from the electricity consumed for the transport of raw materials from the supplier, through the Romanian Railways Company, the indirect emissions were 396 tonnes of CO<sub>2</sub>, taking into account the quantity of energy on the electrified railway and the CO<sub>2</sub> level at the level of Romania for 2018.

To achieve production in 2019, TMK-REȘIȚA S.A. consumed a quantity of 175846 MWh of electricity. In Romania, at the level of 2019 for the production of KWh of electricity, the level of CO<sub>2</sub> generated was 0,22868 kg CO<sub>2</sub> / KWh. Calculating for our company, the level of CO<sub>2</sub> emissions related to the purchased electricity is 40212,5 t CO<sub>2</sub>.



### 305-3 Other indirect CO<sub>2</sub> emissions

Emissions were calculated using the GHG methodology, which distinguishes between direct emissions, indirect emissions from electricity, and respectively indirect emissions from other energy sources.

At TMK-ARTROM S.A. the indirect CO<sub>2</sub> emissions resulting from the consumption of diesel for the transports carried out by the company was 860 tons CO<sub>2</sub>, calculated for the consumption of diesel for the transport of the raw material from the supplier and of the metallic waste and by-products sent to recycled by partner companies, and from the consumption of own diesel made with TMK-ARTROM SA vehicles.







To reduce the indirect CO<sub>2</sub> emissions in the air, from the diesel consumption of the vehicles and CFU owned by the company, the company has a monitoring program for these.

Thus, periodically every vehicle is checked, if it is found that it does not work in normal parameters, it is taken out of circulation until the problem is remedied.

To reduce the indirect CO<sub>2</sub> emissions from the transports carried out with other companies, TMK-ARTROM S.A. performed for part of the freight production delivered in Europe multimodal transport.



In this way, in 2019 our company, working in partnership with LKW Walter Austria transport company, reduced CO<sub>2</sub> emissions by 727.4 tonnes (665 transports).

TMK-ARTROM S.A. receives certificates for CO<sub>2</sub> reduction in transport, for its involvement in the reduction of noxious, from some business partners on transport.

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CO2 emission due to traffic within TMK-REŞİTÂ S.A. it does not have a big impact on the indirect emissions, for the year 2019 resulting from the calculation a value of 1212,2 t CO2. However, to reduce air emissions of vehicles and diesel equipment owned by the company, the company has implemented a program of inspections and repairs. Thus, every vehicle is checked periodically, and if it is found not to work under normal parameters, it is taken out of circulation until the problem is remedied.

Reference year	CO2 emission due to traffic in the company ( tCO <sub>2</sub> )	
	TMK-ARTROM S.A.	TMK- REŞİTÂ S.A.
2018	776	1362.8
2019	860	1212.2

TMK-REŞİTÂ S.A. act actively to reduce emissions. In this regard, together with our beneficiaries, we have chosen to transport our products as much as possible on the railways, to the detriment of the more polluting car transport.

### 305-4 Intensity of CO2 emissions

In 2019 TMK-ARTROM S.A. has generated direct and indirect CO2 emissions from natural gas combustion, from purchased electricity used to transform raw materials into finished products, including transports carried out by the company, according to the table below:

Year of reference	Total emissions intensity, [tCO <sub>2</sub> /t pipe]	Intensity of direct emissions, [tCO <sub>2</sub> /t pipe]	Intensity of indirect emissions, [tCO <sub>2</sub> /t pipe]
2018	0,446	0,349	0,097
2019	0,425	0,345	0,080

In 2019 TMK-RESITA S.A. generated direct emissions (from raw and auxiliary materials, natural gas) and indirect emissions (electricity used to convert raw material into finished products, including fuel used to make transport).

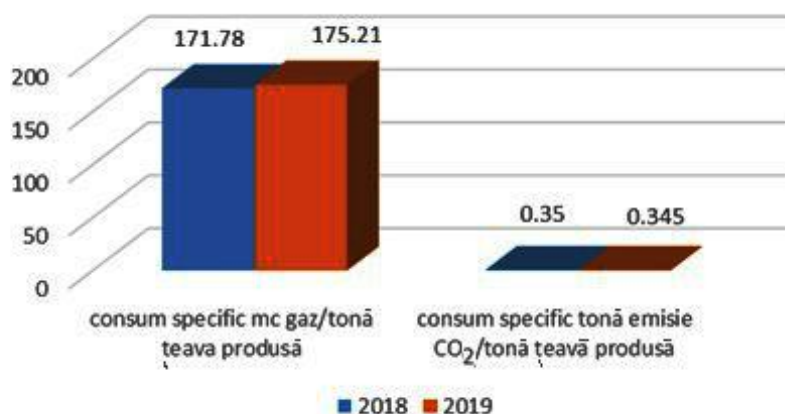
Year of reference	Total emissions intensity, [tCO <sub>2</sub> /t liquid steel]	Intensity of direct emissions, [tCO <sub>2</sub> /t liquid steel]	Intensity of indirect emissions, [tCO <sub>2</sub> /t liquid steel]
2018	0,3468	0,1065	0,2403
2019	0,2651	0,0937	0,1714

### 305-5 Emissions reduction

In 2019, at TMK-ARTROM S.A. a specific consumption of 175.213 cubic meters gas / ton produced pipe, and a specific consumption of certified CO2 tonnes / ton pipe produced 0.345 tons CO2 / ton pipe.

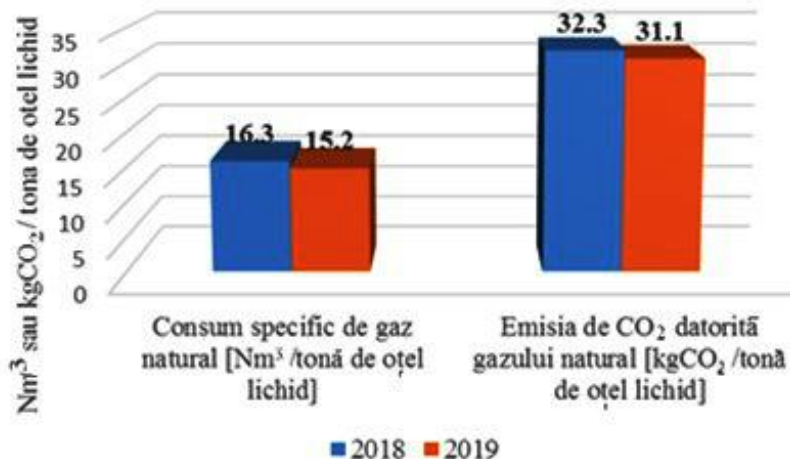


### TMK-ARTROM Emisii CO<sub>2</sub> rezultate din arderea gazului natural



At TMK-REȘIȚA S.A. it was carried out in 2019 a specific consumption of 15,2 Nm<sup>3</sup> gas / ton of liquid steel, resulting in the consumption 31,1 kg CO<sub>2</sub> / ton of liquid steel produced.

### TMK-REȘIȚA Emisii de CO<sub>2</sub> datorită gazului natural



## 305-6 ODS emissions from ODS import and export production

TMK-ARTROM GROUP does not produce, import or export substances that deplete the ozone layer

## 305-7 Emissions of NO<sub>x</sub>, SO<sub>x</sub>, powders

The activity carried out within the company TMK-ARTROM S.A., respectively TMK-REȘIȚA S.A. leads to emissions of pollutants into the atmosphere, through direct and diffused emission sources.

Conscious of the impact that its activity has on the environment, TMK-ARTROM GROUP controls and monitors the level of emissions into the atmosphere, through monthly measurements at the treatment furnaces, made by its own laboratory, but also by annual measurements, carried out by the accredited laboratory.







The activity carried out within the company TMK-ARTROM S.A., respectively TMK-REȘIȚA S.A. leads to emissions of pollutants into the atmosphere, through direct and diffused emission sources.

Conscious of the impact that its activity has on the environment, TMK-ARTROM GROUP controls and monitors the level of emissions into the atmosphere.

In both companies, techniques are used in accordance with BAT requirements for the main production activity, according to the Commission Implementation Decision of 28 February 2012 and drawing conclusions on the best techniques available under Directive 2010/75 / EU.

At TMK-ARTROM S.A., monthly measurements are made on the heating and treatment furnaces, made by their own laboratory, but also by annual measurements, carried out by the accredited laboratory, for the NO<sub>x</sub>, SO<sub>2</sub> and powder indicators..

TMK-REȘIȚA S.A. monitors semi-annually with an accredited external laboratory, indicators such as: NO<sub>x</sub>, SO<sub>2</sub>, powders, etc. at the chimney of the flue gas disposal plant. For the dust indicator there is also continuous monitoring in the chimney. The 88 and 89 of the BAT are respected: "the capture of the gases generated in the electric furnace using the combined technique of direct capture of the waste gases through the 4th hole in the vault and hood system respectively the post-combustion technique of the gases resulting in the primary circuit ".

As a result of the monitoring at both companies, there were no exceedances compared to the maximum values allowed according to the Integrated Environmental Authorizations and BATs.

The average values of the indicators monitored by an accredited laboratory are presented in the table below:

Year of reference	TMK-ARTROM S.A.			TMK-REȘIȚA S.A.		
	NO <sub>x</sub> , [mg/Nmc]	SO <sub>2</sub> , [mg/Nmc]	Powders, [mg/Nmc]	NO <sub>x</sub> , [mg/Nmc]	SO <sub>2</sub> , [mg/Nmc]	Powders, [mg/Nmc]
2018	89,48	16,65	3,71	28	2,93	0,86
2019	91,73	4,18	3,98	26	2,93	0,85

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## GRI 306 EFFLUENTS AND WASTE

### 306-1 The quality of the water discharged and the place of discharge

Within TMK-ARTROM S.A. and TMK-REȘIȚA S.A. the determination of the water quality is carried out by analysis with its own laboratory and with an accredited external laboratory, making an analysis of the physico-chemical characteristics of the quality indicators tracked, in accordance with a monitoring program, following their framing within the imposed limits.

Monitoring frequency at TMK-ARTROM S.A. it is weekly with its own laboratory and monthly with an accredited external laboratory. The clean technological waste water is discharged into the Milcov creek, after it has been purified by decanting and neutralization with lime milk.

The water quality indicators and the imposed limits were established by the Olt / Banat Water Basin Administration based on the analysis of the production process that has an impact on the quality of the discharged water, taking into account also the local facilities.



Technologically waste water from TMK-REȘIȚA S.A. it is conventionally clean because it comes from the closed cooling circuits of Electric Furnance, Steel Treatment Plant in Pot, Vacuum Installation and Continuous Casting Machine.

The rainwater collected from the platform is discharged on the two ERUGA and LAMINOARE discharges in the Bârzava river. On the Laminoare discharge is also a hydrocarbon separator before the discharge.

The new slag warehouse is located outside the central platform and has its own system for collecting and decanting rainwater before evacuation, the rainwater dichaging in the Țerova creek. The frequency of water monitoring is monthly with its own laboratory and quarterly with accredited

laboratory.

The reference year	Quantity of technological waste water discharged, [thousand cm]	Quantity of substances discharged into technological waste water, [tons]
TMK-ARTROM S.A.		
2019	301	141,3
TMK-REȘIȚA S.A.		
2019	114	30,4

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### 306-2 Waste by type and disposal methods

TMK-ARTROM GROUP manages the waste resulting from its activity, in accordance with the legal provisions. In this sense, a monthly record of the waste is made and annually a statistics of the quantities generated. Based on this statistic, if an unmotivated increase in the quantities of waste generated is observed, a program of minimization of the generated waste is prepared and the verification of the measures is carried out by audit.

The office activity does not generate significant quantities of waste and they are managed in accordance with the environmental legislation and the operational procedures in force: waste paper, plastic, batteries, luminaires are delivered on contract basis to the authorized operators and the household waste is taken over by the municipal sanitation operator.

Regarding the waste resulting from the production activity, dangerous and non-hazardous, they are collected selectively, labeled and stored in specially arranged places, for the purpose of recovery / disposal. In the photo below you can observe oil waste labeled preparation for recovery.



In case of construction / demolition works, the inert waste is recycled, the concrete waste is provided to the third parties that use it for the consolidation and / or the arrangement of roads.

TMK-ARTROM GROUP collaborates with authorized companies for the collection of the generated waste, and produces internal operational documents (procedures / instructions) that optimize the way the waste is managed, from production, disposal or recovery.

Reference year	Quantity of non-hazardous waste generated [tons]	Quantity of hazardous waste generated [tons]	Quantity of waste recovered [tons]	Quantity of waste disposed [tons]
<b>TMK-ARTROM S.A.</b>				
2018	5464	425	3945	385

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2019	2843	229	2056	275
<b>TMK-REȘITA S.A.</b>				
2018	6990	50	1374	168
2019	6865	87	3526	70

In addition to waste, from the production activity carried out within TMK-ARTROM S.A. it also results in by-products - pipe ends, scrap pipes, slag, scale, collected in warehouses arranged and sent to recovery.



Scale according to the Regulation 1907/2006 REACH registered with the registration number 01-2119458865-23-xxxx is considered to be a very rich material in iron oxides having a minimum of impurities. That is why it is sold for various applications in the industry, being a non-hazardous product and a valuable raw material.

TMK-REȘITA S.A. applies the principles of the circular economy that are based on increased recycling of steel scrap and any waste resulting from the production process, including focusing on emission control technologies.

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During the steelmaking process, including its continuous casting, slag results, and as waste, scale and dust collected from flue gas purification.

**The processing of the fresh slag** is performed by a company providing services with which the company has a contract; the metal fraction separated from the slag is partially recycled internally and the rest is marketed to third parties, and the slag aggregates are marketed for use in road and building constructions.

In 2019, fresh slag has been fully processed and sold.

**The scale** is a waste very rich in iron oxides having a minimum content of impurities; that's why it is sold for various applications in the industry (primary steel industry, iron and steel production, metallurgical pellets, cement and clinker industry, as a catalyst in the chemical industry, etc.) being considered a non-hazardous waste and a valuable raw material.

**The dust** resulting from the combustion of the flue gas is a non-hazardous waste that is temporarily stored in a covered and concrete hall until it is delivered to authorized companies. In the previous years sales contracts were concluded for the delivery to recyclers, but which materialized to a small extent. As a result, over time, significant stock accumulated. At present, the company has concluded a dust sale contract.

Reference year	BY-PRODUCT TYPE	TMK-ATROM S.A.		TMK-REȘIȚA S.A.	
		GENERATED QUANTITY (TONS)	RECOVERED QUANTITY (TONS)	GENERATED QUANTITY (TONS)	RECOVERED QUANTITY (TONS)
2019	Pipe ends / billet / bloom	26201	26653	2539	2539
	Slag billet cutting	362	372	-	-
	Steel slag	-	-	54442	54442
	Turnings	3536	3635	71.70	71.70
	Scale	8195	7685	-	-
	Pipes scrap	3507	5331	-	-
	Rest distributor	-	-	2690	2690
	Billet / bloom scrap			935	992
	Samples			165	160
	Accidental losses			702	702

### 306-3 Significant pollution

Based on the monitoring program and in accordance with the legal requirements, TMK-ARTROM S.A. and TMK-REȘIȚA S.A. performs annual monitoring of environmental factors, both by self-monitoring - with own laboratory, and with accredited laboratory, for all indicators.

In the reference year TMK-ARTROM S.A. and TMK-REȘIȚA S.A. they did not exceed the permitted limits for the measured indicators and there were no accidental pollution affecting the environment.



### 306-4 Transport of hazardous waste

The waste generated during the production process is selectively collected and stored in specially arranged places, according to the environmental legislation. TMK-ARTROM S.A. and TMK-REȘIȚA S.A. have concluded contracts with environmentally authorized companies for the collection, recovery and transport of the hazardous waste generated. The transport of these hazardous waste is carried out according to the legal provisions.



### 306-5 Watercourses affected by spills and overflows

Technological waste water from TMK-ARTROM S.A. resulting from the technological pickling process is evacuated to the emissary after a neutralization and decanting process. The pH value of the technological waste water is continuously monitored at the source, and the values of the pollutants emitted in the water are monitored weekly at the discharge point in the emitter. In 2019, there were no exceedances of the limits admitted to the monitored indicators.

Technological waste water at TMK-REȘIȚA S.A. it is conventionally clean. The new slag warehouse (outside the central platform) has its own system for collecting and decanting rainwater before evacuation.

The values of the pollutants emitted in the water are monitored monthly by the own laboratory or quarterly by an accredited laboratory.

In 2019, there were no exceedances of the limits admitted to the monitored indicators.

There are no protected areas for historical or cultural reasons, nor for plant species protected by the legal regulations in force on or near the company site.

## GRI 307 COMPLIANCE WITH THE ENVIRONMENT

For their activity, TMK-ARTROM S.A. and TMK-REȘIȚA S.A. have obtained all necessary permits and approvals from environmental authorities and take measures to minimize the impact in the area where they operate.

All environmental reports are prepared and transmitted according to the environmental legislation in force, to the competent authorities.

The assessment of compliance with the legislation is procedural, the new legislation is analyzed through the conformity assessment process and measures, persons responsible for implementation and implementation deadlines are established. The activity is carried out in accordance with the requirements of international regulations and directives, the company providing, upon request, REACH, RoHS, ELV, LEED, Conflict Minerals statements.

### 307-1 Non-compliance with environmental laws and regulations

In 2019, in TMK-ARTROM S.A. and TMK-REȘIȚA S.A. no pecuniary or non-pecuniary fines were recorded and there were no disputes over breach laws and / or environmental regulations.

## GRI 308 – SUPPLIERS, ENVIRONMENTAL ASSESSMENT

### 308-1 New suppliers that were screened using environmental criteria

Supplier evaluation within TMK-ARTROM GROUP is performed annually. In the procedure of evaluating the suppliers, one of the indicators analyzed (monitored) through the annual evaluation questionnaire is also the “Environmental Responsibility” of the supplier.

This indicator analyzes whether the supplier holds the environmental legal permits, if it is ISO 14001 certified, if its products are REACH registered. The evaluation questionnaire requests information related to the supplier's availability to withdraw its packaging for the delivered goods or the resulting waste by processing / using the delivered goods / products.

Suppliers TMK-ARTROM S.A. and suppliers TMK-REȘIȚA S.A. must have implemented the ISO 9001 quality management system, ISO14001 certification representing an advantage in order to obtain a higher score, as a supplier.

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

In the annual evaluation of the suppliers TMK-ARTROM S.A. and TMK-REȘIȚA S.A. assesses the impact of the supplier on the supplier channel. If this impact was negative (suppliers identified with significant environmental problems), the supplier is asked for a plan of measures to eliminate the environmental problem identified with real terms and take responsibility or it may be decided to discontinue the collaboration with that supplier.





## Labeling

From the point of view of the REACH regulation 1907/2006 the pipe, the billets and the bloom are considered articles. No dangerous elements were identified in their composition. As a result, there are no labeling requirements.

However, the company monitors its suppliers and distributors of products covered by REACH Regulation 1907/2006 so that the labeling of these products is made according to the regulation "CLP 1272/2008 of the European Parliament and of the Council on the classification, labeling and packaging of substances and mixtures".

## GRI 400 SOCIAL

### GRI 401 HUMAN RESOURCES

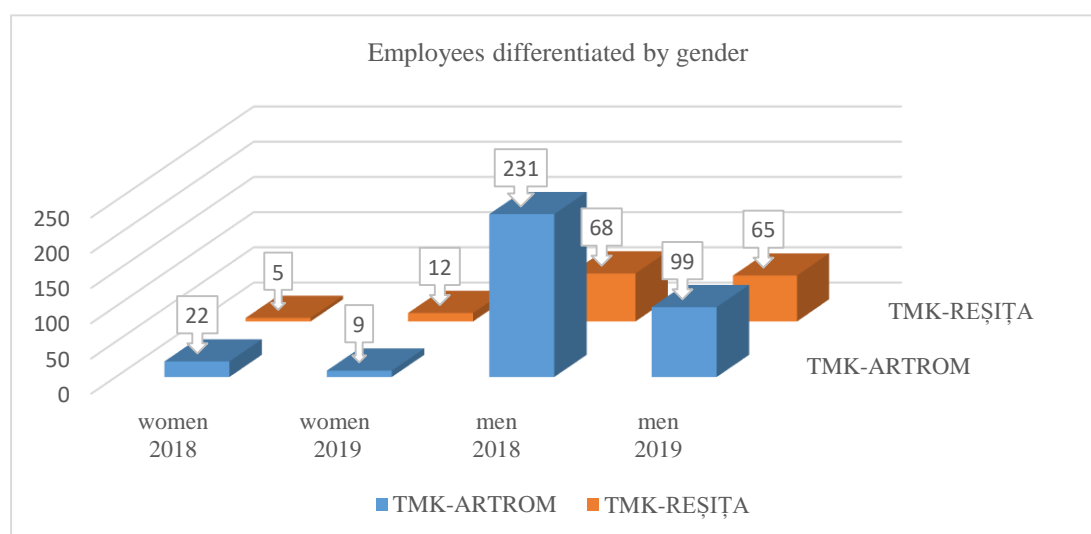
#### 401-1 New employee hires and employee turnover

In 2019, in TMK-ARTROM S.A. a total of 108 people were employed, 99% of them from Olt county, while at TMK-REȘIȚA S.A. a total of 77 persons were employed, coming from Caraș-Severin county in 100% proportion.

Compared to the year 2018, the structure of the employees employed in 2019 in terms of gender differentiation is presented as follows:

Employees differentiated by gender

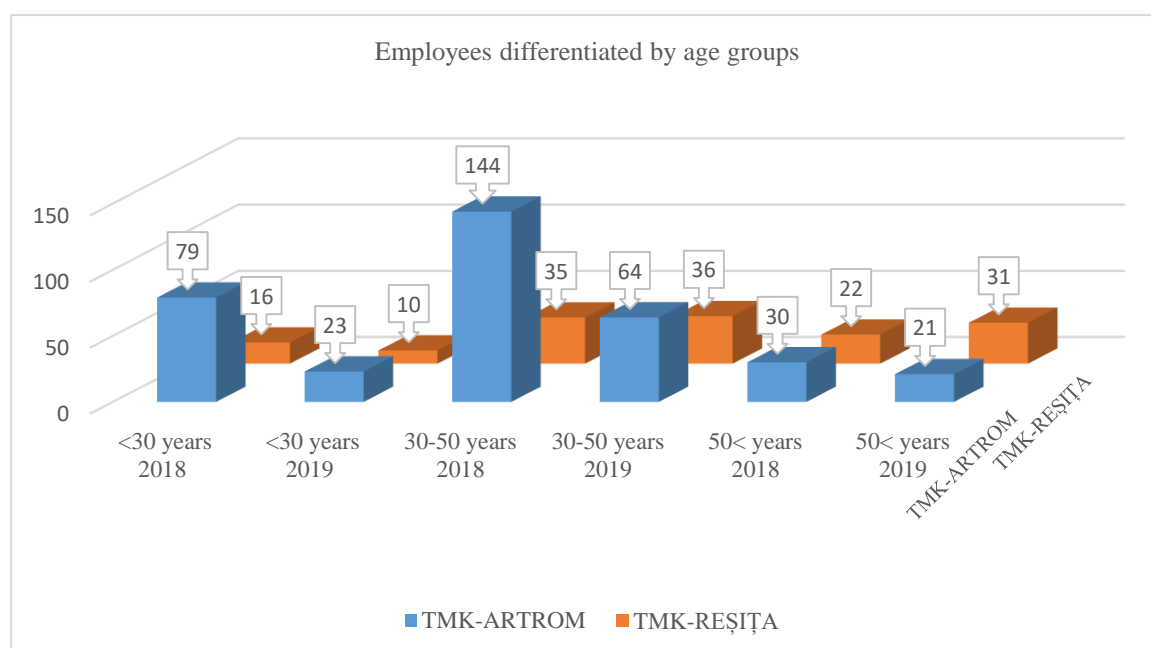
GENDER	WOMEN				MEN			
	2018		2019		2018		2019	
	number	percent	number	percent	number	percent	number	percent
TMK-ARTROM	22	8,7%	9	8,33%	231	91,3%	99	91,67%
TMK-REȘIȚA	5	6,85%	12	15,6%	68	93,1%	65	84,4%



Regarding the differentiation by age groups of the employees employed in 2019 and compared to 2018, the situation is presented as follows:

#### Employees differentiated by age groups

YEAR	2018						2019					
	< 30		30-50		50 <		< 30		30-50		50 <	
	number	percent	number	percent	number	percent	number	percent	number	percent	number	percent
TMK-ARTROM	79	31,2	144	56,9	30	11,8	23	21,3	64	59,3	21	19,4
TMK-REȘIȚA	16	21,9	35	47,9	22	30,2	10	13	36	46,7	31	40,2



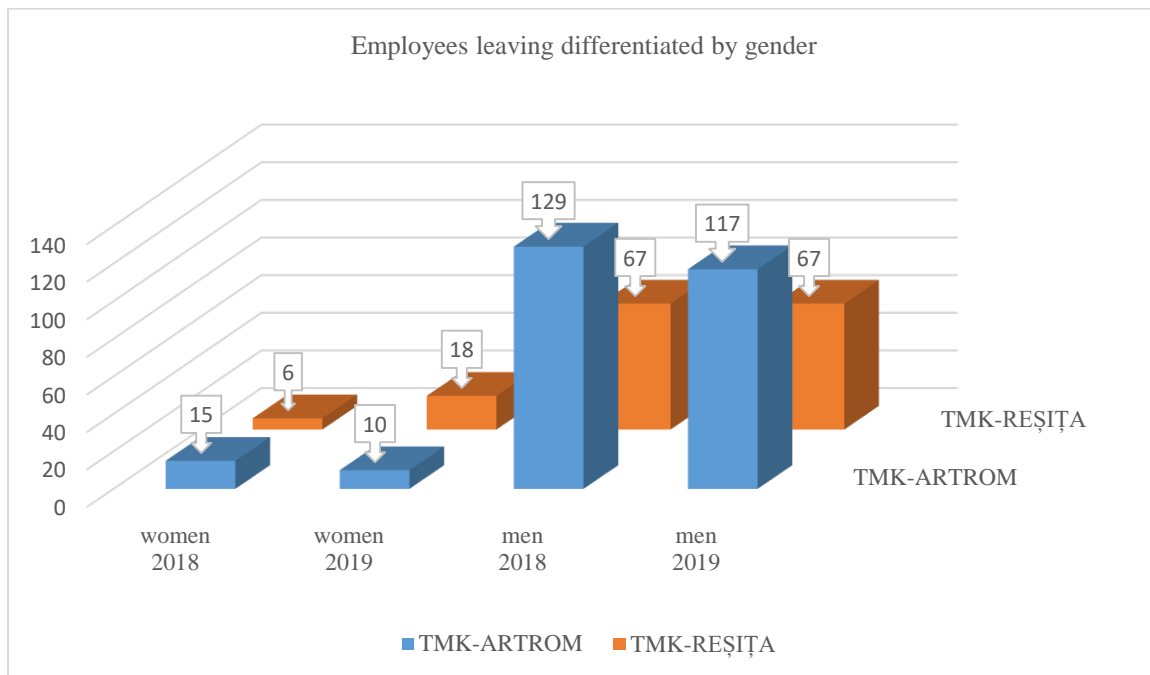
In the same time (2019) a number of 127 employees from TMK-ARTROM S.A., respectively 85 employees from TMK-REȘIȚA S.A. left company.

Structure of employees who left in 2019 compared to 2018, in terms of gender differentiation:

#### Employees leaving differentiated by gender

GENDER	WOMEN				MEN			
	2018		2019		2018		2019	
	number	percent	number	percent	number	percent	number	percent
TMK-ARTROM	15	10,4	10	7,8	129	89,5	117	92,2
TMK-REȘIȚA	6	8,2	18	21,2	67	91,8	67	78,8

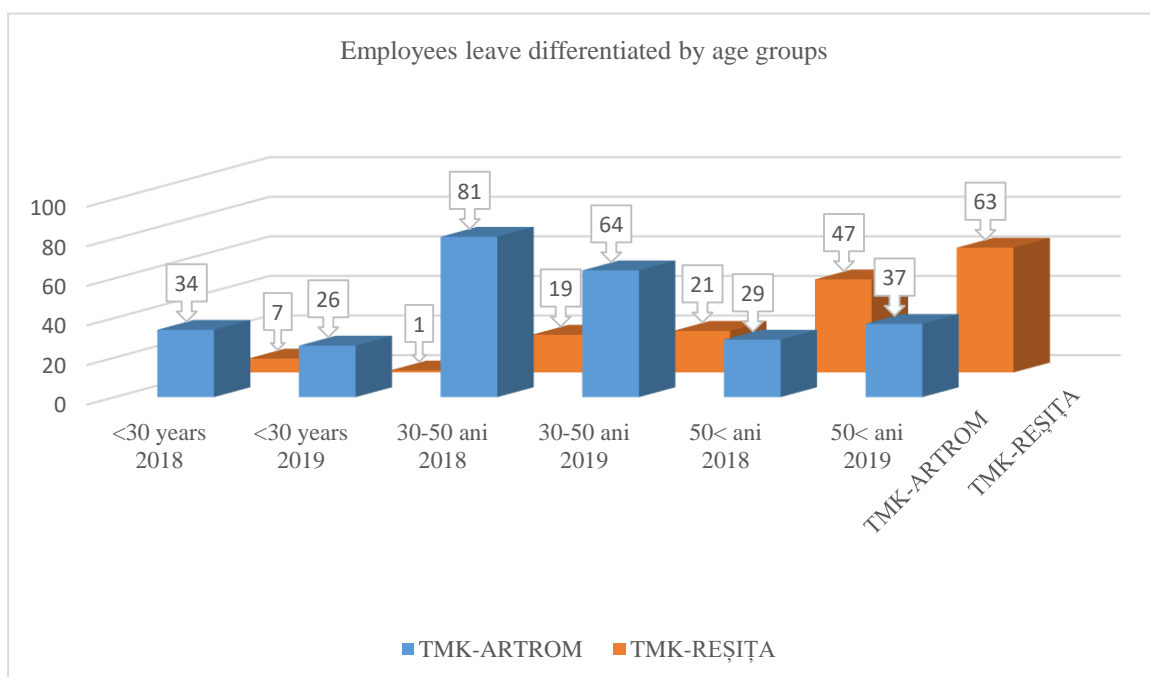




Regarding the differentiation by age groups of the employees left in 2019 compared to 2018, the situation is presented as follows:

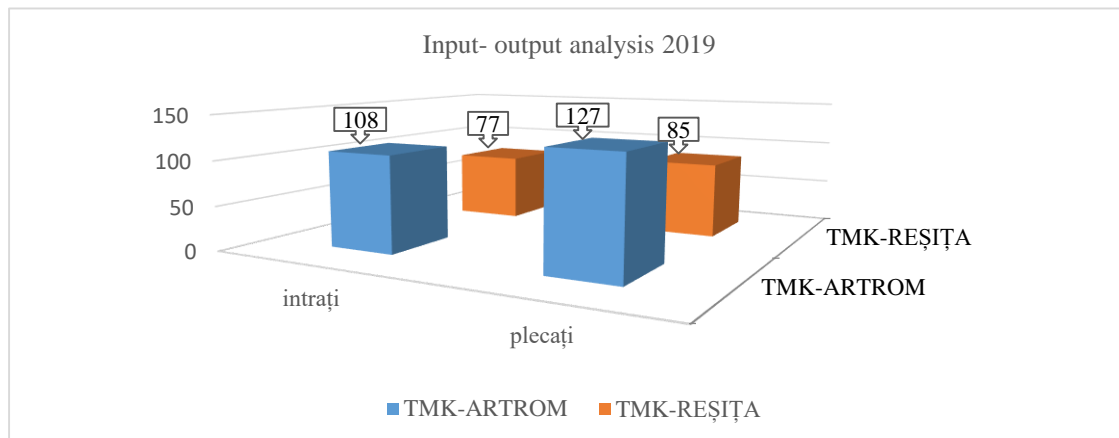
Employees leave differentiated by age groups

YEAR AGE	2018						2019					
	< 30		30-50		50 <		< 30		30-50		50 <	
	number	percent	number	percent	number	percent	number	percent	number	percent	number	percent
TMK-ARTROM	34	23,6	81	56,2	29	20,1	26	20,5	64	50,4	37	29,1
TMK-REȘITA	7	9,6	19	26	47	64,4	1	1,2	21	24,7	63	74,1



The ones shown above can be viewed in the following table:

Inputs / outputs 2019								
WORKERS			WOMEN			MEN		
			< 30	30-50	50 <	< 30	30-50	50 <
TMK-ARTROM	INPUTS	108	1	5	3	20	61	18
	OUTPUTS	127	1	4	5	18	67	32
TMK-REȘIȚA	INPUTS	77	1	7	4	9	29	27
	OUTPUTS	85	1	6	11	0	15	52



Analyzing the above table it can be observed that most of the employed persons are aged between 30-50 years, while the highest number of outputs was registered to the employees who exceeded the age of 50 years. In conclusion, we can say that, during the year 2019, a rejuvenation of the TMK-REȘIȚA S.A. and TMK-ARTROM S.A. staff took place.

Another indicator analyzed is the fluctuation rate, which refers to the ratio between the number of employees leaving within a period of time and the average number of employees of the company in the same period.

The fluctuation of personnel can generate a series of negative effects such as the decrease of the productivity, additional costs determined by the expenses that a company makes for bringing a new employee in the team, starting from the recruitment, employment documents, continuing with the related training and until upon termination of the employment contract, but may also bring benefits to the company in terms of reducing the average age of the employees.

Over time TMK-REȘIȚA S.A. and TMK-ARTROM S.A. carried out a personnel policy to maintain specialized employees for the longest time in the company. The technological flow of the plant has aspects of uniqueness, which is why the company has paid special attention to avoiding departures from the personnel trained for our technology. The training of new generations has become a priority as the average age of specialized personnel has increased.

Staff turnover rate in TMK-REȘIȚA S.A. and TMK-ARTROM S.A. is low, falls within acceptable limits and includes departures following the agreement of the parties or resignations and old-age retirement, medical retirement.

TMK-REȘIȚA S.A. and TMK-ARTROM S.A. In 2018, they developed a loyalty plan through the application of which key and loyal employees are expected to remain in the company until retirement. This plan will continue throughout 2019 and 2020 as well.

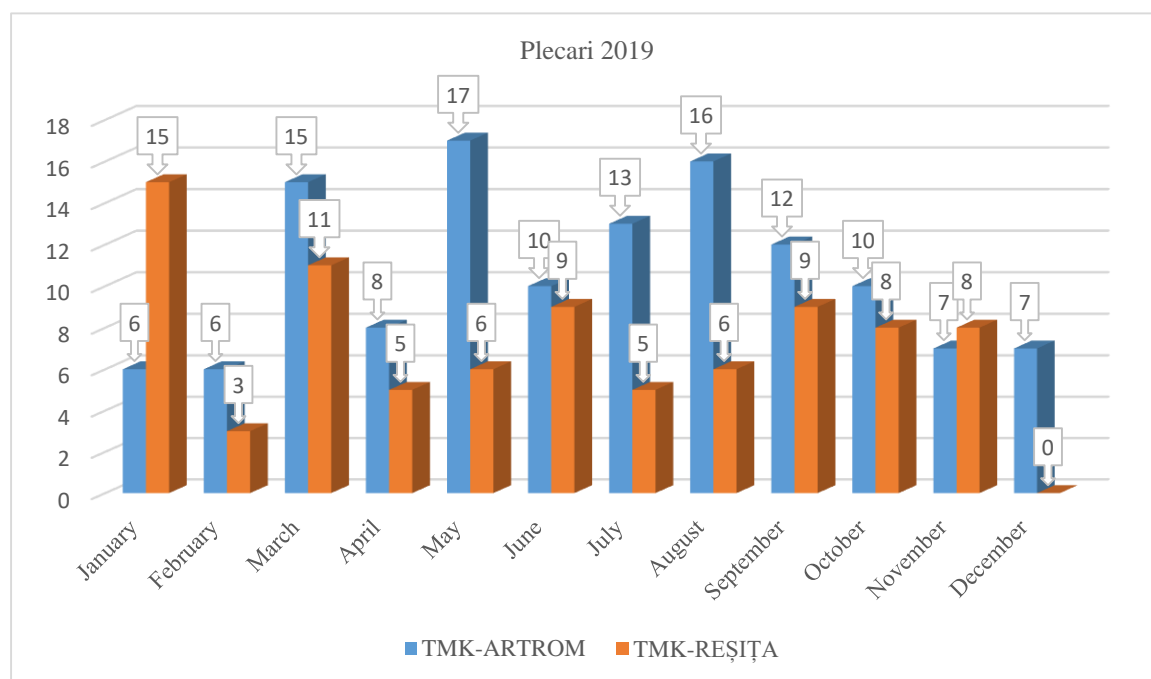
## SEMESTER I-2019

2019		January	February	March	April	May	June
TMK-ARTROM	Departures	6	6	15	8	17	10
	Personal fluctuation	0.40	0.40	1.00	0.53	1.13	0.66
TMK-REȘIȚA	Departures	15	3	11	5	6	9
	Personal fluctuation	1,93	0,38	1,42	0,62	0,75	1,14

## SEMESTER II-2019

2019		July	August	September	October	November	December
TMK-ARTROM	Departures	13	16	12	10	7	7
	Personal fluctuation	0.86	1.06	0.80	0.66	0.47	0.47
TMK-REȘIȚA	Departures	5	6	9	8	8	0
	Personal fluctuation	0,63	0,76	1,15	1,03	1,03	0

Graphically the above are presented as follows:



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

Within TMK-ARTROM S.A. and TMK-REȘIȚA S.A. there are no temporary employees. All salary and extrasalary rights are granted to all employees equally without discriminatory differentiation, according to the 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 also uses temporary workforce.

### **401-3 Parental leave**

The total number of employees who were entitled to parental leave and expressed their intention to benefit from this right to TMK ARTROM for 2019 is of 6 persons (5 men and 1 woman).

In TMK-ARTROM S.A. at this time a number of 7 persons are in parental leave (5 men and 2 women).

In TMK REȘIȚA S.A., the total number of employees entitled to parental leave is 3 persons, 2 women and 1 male.

At the end of 2018 in TMK REȘIȚA S.A. there were also 2 persons on parental leave (2 women).

After ending parental leave, both companies reintegrate all the employees into the same job with the same salary rights. This is guaranteed by the Romanian laws and by the provisions of the Collective Bargaining Agreement. According to the Romanian laws, parental leave can last up to 2 years, depending on the employee's option. At the request of the employee, he can start the work earlier than the 2 year term.

Both companies have accepted all employees' demands for granting parental leave.

The return to work rate is 100%.

The acceptance rate of requests to return to work is 100%.

TMK-ARTROM S.A. and TMK-RESITA S.A provides money support to employees for the birth of the child and free days paid on the birth and baptism of the children born.

TMK-ARTROM S.A. and TMK-REȘIȚA S.A. offer in exceptional cases also the reduction of working time with the maintenance of salary rights for breastfeeding mothers or in case of children's medical problems. Both companies also offer accommodation leave for adopted children

## **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 employers' and trade union representatives. Bargaining of Employers' - Trade unions are held annually or whenever needed.

Management decisions that relate to individual issues are subject to confidentiality rules laid down in the Labor Code and national laws 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 within the company.

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API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

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

TUV CPR:  
EN 10210-1,2  
EN 10255

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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 collective negotiations on the Collective Bargaining Agreement.

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

1. The professional interests of the employees, including: the professional 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 salary level negotiated with the company, the level of existing salary increases, the level of overtime payment, the level of monthly and annual salary bonuses for attendance and performance existing in the Collective Bargaining Agreement.
3. Technical and production aspects: the level of production for the current and following year, the structure of production by product categories, technological flows, technological changes in the production flows due to investments in new machinery and technological lines.
4. Aspects of social, humanitarian, cultural - sporting aspects. All social, humanitarian, cultural and sporting actions are made in partnership with trade unions existing in the company.

In the event of unforeseen circumstances requiring changes in work schedules (operational) as accidental situations (missing orders, accidents, orders requiring work over normal work schedule, etc.) Management and Unions have a real-time dialogue as soon as the exceptional situation occurs and by mutual agreement, 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**

### **403-1 Occupational health and safety management system**

Occupational safety and health management is an integrated part of TMK-ARTROM GROUP. Employee safety at the workplace is integrated from the early stages of the production process, namely from the design phase. Developing a culture of safety at work is an advantage for us.

In 2019 TMK-ARTROM S.A. and TMK-REȘIȚA S.A. participated in the "Steel Safety Day" International Campaign. Together with the "World Day for Safety and Health at Work", this action promotes the prevention of accidents at work and occupational diseases worldwide trying to create a safer working environment in the steel and metallurgical products industry. This action identifies the danger areas, analyzes the causes of these hazards, and acts to eliminate them.







Since nothing is more important than the safety and health of the people working in the company, the performance in occupational health and safety is transposed into management objectives and programs related to reducing the level of occupational illness and reducing the number of accidents or incidents.

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

TMK-ARTROM S.A. and TMK-REȘIȚA S.A. ensure that each worker receive sufficient and appropriate training in health and safety at work, particularly in the form of information and work instructions, specific job and his work.

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## 403-2 Hazard identification, risk assessment and incident identification

In 2019, risk assessments for occupational safety and health were carried out, both in TMK - ARTROM S.A. as well as in TMK-REȘIȚA S.A.

Each job is evaluated taking into account the elements of the work system: means of production, working environment, work task.

The risk assessment includes an analysis based on which the accident risk factors, potential existing in each type of workplace, the qualitative and quantitative quantification of the risk level for each job as well as the technical, organizational measures were identified and nominated and hygienic-sanitary and other nature included in the prevention and protection plan.

The organizational measures concern medical and psychological testing, personnel authorization, risk assessment, certification of technical equipment and protective equipment, manuals, work safety standards, and the purchase of protection equipment.

The protection food is granted free of charge by the employer to the persons working in working conditions that require this and is established by the collective labor contract and / or the individual employment contract.

In order to maintain the health status of the employees during periods of high external temperatures, the work program and facilities are ensured according to the legislation in force.

To improve the activity of safety and health at work in 2019 at TMK-ARTROM S.A. and TMK-REȘIȚA S.A. various measures have been implemented (technical, organizational and sanitary) which can be grouped as follows:

- Installation of electronic access system for employees;
- Radiant tube mounting to ensure optimum working microclimate;
- Major repairs to the roofs of production workshops;
- Construction of changing rooms equipped with all facilities (shower, sinks, toilets, cabinets) for over 800 workers;
- Making a "Curtain" type gas barrier along the entire length of the Otelarie workshop;
- Purchase of ergonomic control booths equipped with air conditioning and air filtration system on overhead cranes;
- Measures to reduce the level of vibration of the cabins of overhead cranes;
- Supplementing the number of safety signaling indicators - warning, prohibition and propaganda of work safety;
- Arrangement of new parking spaces for employees' cars;
- Installation of acoustic and optical signaling devices on all vehicles and transport equipment as well as on the access doors in the workshops.
- The training and awareness of the personnel regarding the wearing of headphones with antifoams and antifoams were carried out in places where there was a risk of increased noise.



### 403-3 Occupational health services

The supervision of the state of health and safety at work of the employees of our company, the monitoring of the work places, the medical check-up at the employment and periodically annual of the persons exposed to the professional risks are carried out according to the legislation in force.

The medical services within the medical office are provided by professional staff, being accredited annually following the continuous medical training courses. The medical activity of the personnel is carried out in compliance with the provisions of the legislation regarding the confidentiality of information and the patient's private life, as well as the protection of personal data according to the GDPR.

The monitoring of the health status of the workers is carried out following the periodic medical checks by detecting new cases of patients who are registered in the medical office and referred to specialist doctors and family doctor for dispensing and medical treatment according to the diagnosis.

The report of the analysis of the state of health is made to the management of the company and to the Health and Safety Committee in quarterly and annual work with the purpose of evaluating the health status of the employees of the company in order to establish the measures of detection and elimination of the risk factors of illness in the workplace.

### 403-4 Workers' participation, consultation and communication on occupational health and safety

At the level of TMK-ARTROM S.A. and TMK-REȘIȚA S.A. it is constituted by the decision of the CEO the Occupational Health and Safety Board consisting of representatives of the management, representatives of the workers, as well as representatives of the union.

The Occupational Health and Safety Board is a parital body, with an advisory role, made up of representatives of the employer and workers' representatives..

The role of OHSB is to plan, participate and carry out actions aimed at improving the safety and health in the work in the unit, as well as to monitor their implementation.

The board analyzes and monitors work in the field of occupational safety and health and issues recommendations. It also analyzes the risks regarding safety, health and occupational diseases, the board's reports being communicated to the authorities in confidence.

The minimum number of workers' representatives in the Occupational Health and Safety Board is established by the collective labor contract, the internal regulations or the organization and functioning regulations.

Consultation and participation of workers are confined to their legal right to health protection and safety at work.

Practically, workers and / or their representatives have the opportunity to express their views on safety and health aspects at work and to make proposals aimed at improving the level of protection at work.





Workers are one of the best sources of information on deficiencies and issues that can be improved on working conditions.

The actions of the company management regarding the implementation of good practices and the improvement of working conditions lead to a decrease in the number of accidents and occupational diseases.

### **403-5 Training of workers in the field of occupational health and safety**

Training in the field of occupational safety and health is aimed at acquiring knowledge and training in occupational safety and health skills.

The workers are trained according to the topics approved by the management of the company, based on a program of training and verification of knowledge by the manager of the workplace and verified by the Internal Service of Prevention and Protection.

The training of workers in the field of occupational safety and health at the enterprise level is carried out during the work program.

The period during which the training of the workers is carried out is considered as working time.

Staff training in health and safety at work are used means, methods and training techniques, such as exposure, demonstrations, case studies, film, slide projections, computer assisted instruction.

We always aim to provide specific training for the workplace and the employee's position.

### **403-6 Promoting workers' health**

TMK – ARTROM S.A. as well as TMK – RESITA S.A. put great emphasis on employee health, so that both companies have concluded private health insurance for employees.

Through this type of insurance the employees of the company can also insure dependent persons, respectively family members (spouse, child).

The private health insurance brings an added value to the health of the employees of the company, who can carry out investigations, treatments, surgeries both in private clinics and in state hospitals based on it.

Each new employee is issued a private health card, which is valid as long as the person is an employee of the company. Employee dependency is provided only on the basis of its written request.

All information regarding access to this health insurance of the insured / employee of the company is confidential, this information does not influence the attitude of the employer towards the employee.

### **403-7 Preventing and mitigating the impact on occupational safety and health**

In accordance with Law 319 of July 14, 2006 on occupational safety and health, in order to prevent accidents at work, occupational diseases, fires and explosions, to ensure the safety of personnel and



installations, as well as for the proper application of the provisions of the internal regulation, legislation on safety and health at work, fire protection, civil protection, environmental protection, ISCIR requirements, natural gas, transport, distribution - use of electricity, movement of persons and means of transport, (of the normative acts in force at the date of activities) are elaborated annexed documents between the service companies and TMK-ARTROM SA / TMK-REŞİTA S.A. when they perform various activities on the territory of companies.

### 403-8 Workers subject to occupational safety and health

In 2019 at TMK-ARTROM S.A. 46 internal audits were carried out on occupational safety and health issues. At TMK-REŞİTA S.A. 27 internal audits were carried out in 2019. These audits aim to respect the legislation in the field of occupational safety and health, to respect the working procedures related to this aspect.

In July 2019 at TMK-REŞİTA S.A. and in September 2019 at TMK-ARTROM S.A. the Lloyd Register audit was carried out for the supervision of the Integrated Management System according to ISO 9001: 2015, ISO 14001: 2015 and ISO 45001: 2018. No inconsistencies were detected.

TMK- ARTROM S.A. and TMK-REŞİTA S.A. are certified according to the standard of occupational health and safety ISO 45001: 2018 (see website [www.tmk-artrom.eu](http://www.tmk-artrom.eu) ).

### 403-9 Work-related injuries

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

In 2019 at TMK-ARTROM S.A. there were 2 (two) accidents with temporary incapacity for work: an accident with "trauma by crushing the foot" and an accident with "thermal burns by contact with hot liquid". The two people who suffered accidents are two men.

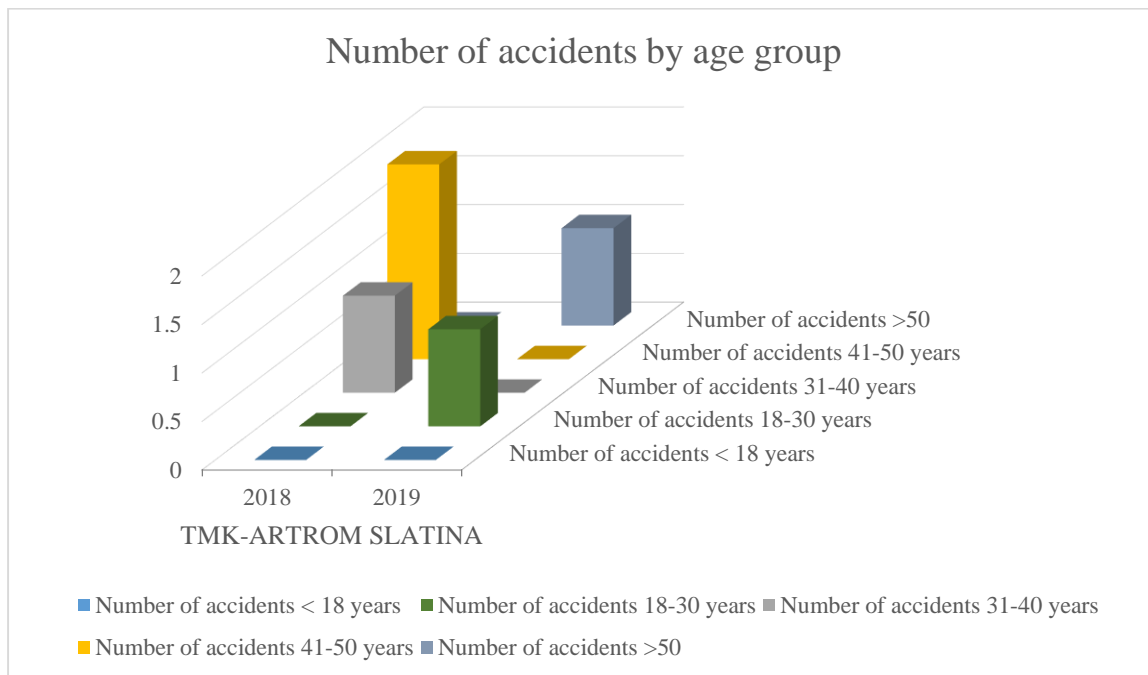
At TMK-REŞİTA S.A. in 2019, no work accident occurred.

By age groups, the situation is as follows:

PLANT	Number of accidents					
	YEAR	< 18 years	18-30 years	31-40 years	41-50 years	>50
TMK-ARTROM	2018	0	0	1	2	0
	2019	0	1	0	0	1
TMK-REŞİTA	2018	0	0	0	0	0
	2019	0	0	0	0	0







Therefore, we find that the elderly consider that they know everything about labor protection being less attentive than the young ones and that is why they need to be trained more in order to pay more attention to this aspect.

**The calculation of the indicators on the state of health and safety at work was performed according to the standard GRI 403: OCCUPATIONAL HEALTH AND SAFETY namely:**

#### **1. Injury Rate: IR (Injury Rate)**

IR= Number of recordable accidents x 200000) / number of hours worked in the unit.

TMK-ARTROM S.A.:  $IR = (2 \times 200000) / 2903596 = 0,137$ ;

TMK-REȘIȚA S.A.:  $IR = (0 \times 200000) / 1398904 = 0$ .

PLANT	IR (injury rate)
TMK-ARTROM S.A. 2018	0.146
TMK-ARTROM S.A. 2019	0.137
TMK-REȘIȚA S.A. 2018	0,000
TMK-REȘIȚA S.A. 2019	0,000

As a result, for every 100 employees of TMK-ARTROM S.A., 0.137 employees were involved in an accident with temporary disability, which represents an extremely low rate.

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



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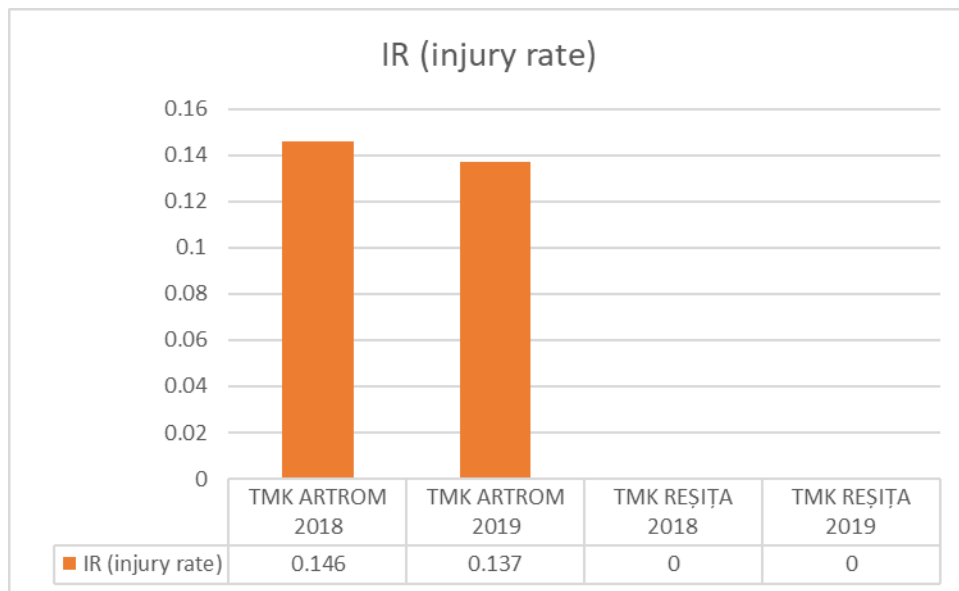
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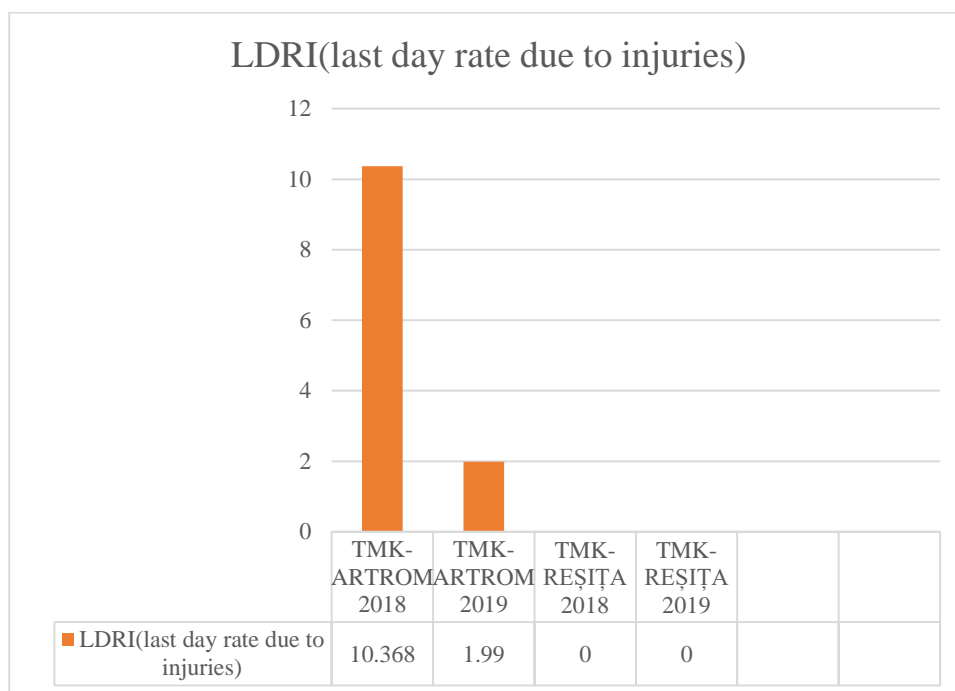
## 2. Rate of lost days due to accidents: LRDI

LDRI= Number of days lost with accidents x 200000) / number of hours worked in the unit

TMK-ARTROM S.A. LDRI= (29x200000) / 2903596=1,99;

TMK-REȘIȚA S.A. LDRI = (0x200000) / 1398904 = 0

PLANT	LDRI(last day rate due to injuries)
TMK-ARTROM S.A. 2018	10.368
TMK-ARTROM S.A. 2019	1,99
TMK-REȘIȚA S.A. 2018	0,00
TMK-REȘIȚA S.A. 2019	0,00



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### 3. Rate of occupational diseases ODR

ODR= total cases of occupational diseases per total hours worked

At TMK-REȘIȚA S.A.:  $ODR=0,00000214$  ( 3 cases of occupational diseases / 1398904 = 0,00000214)

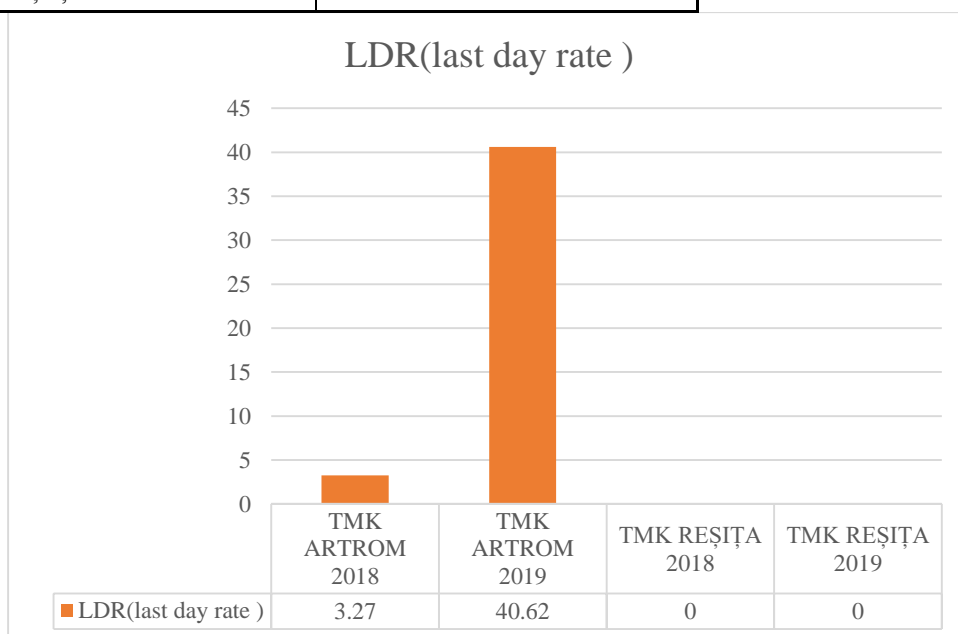
### 4. Rate of lost days: LDR

LDR= total lost days / total hours worked) x 200000 / number of days lost with accidents

TMK-ARTROM S.A.:  $LDR=17102 \times 200000/2903596 \times 29=40,62$

TMK-REȘIȚA S.A.:  $LDR=3923/1398904 \times 200\ 000/0 = 0$

PLANT	LDR(last day rate )
TMK-ARTROM S.A. 2018	3.27
TMK-ARTROM S.A. 2019	40.62
TMK-REȘIȚA S.A. 2018	0.00
TMK-REȘIȚA S.A. 2019	0.00



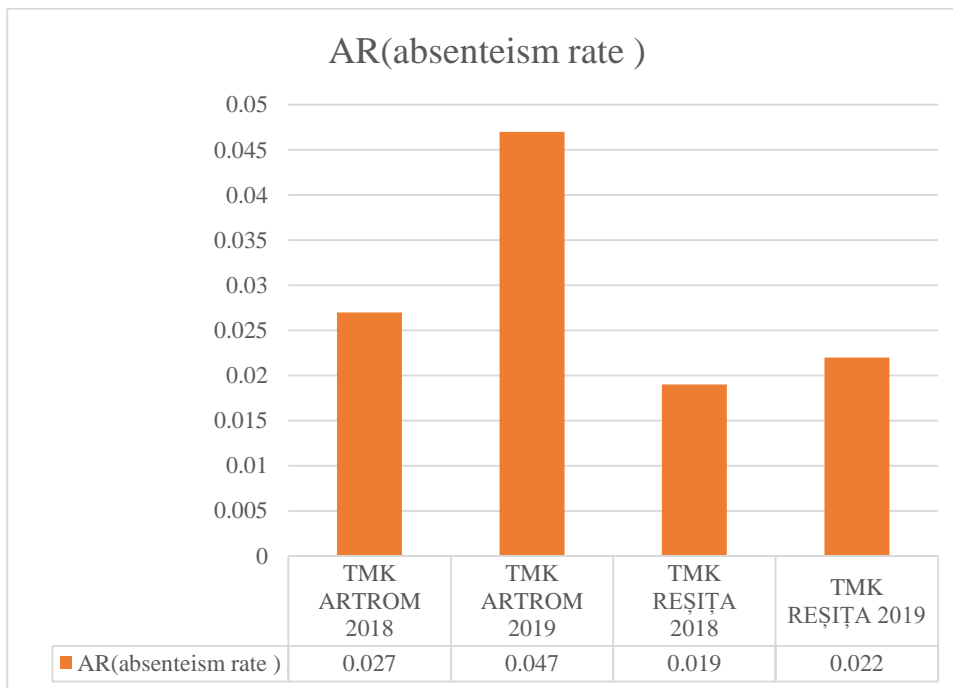
### 5. Rate of absenteeism: AR

AR= (total days lost or with absence during in the period / total working days of the workforce that worked on the same period)

TMK-ARTROM S.A.-  $AR=(17102/362950)= 0.047$ ;

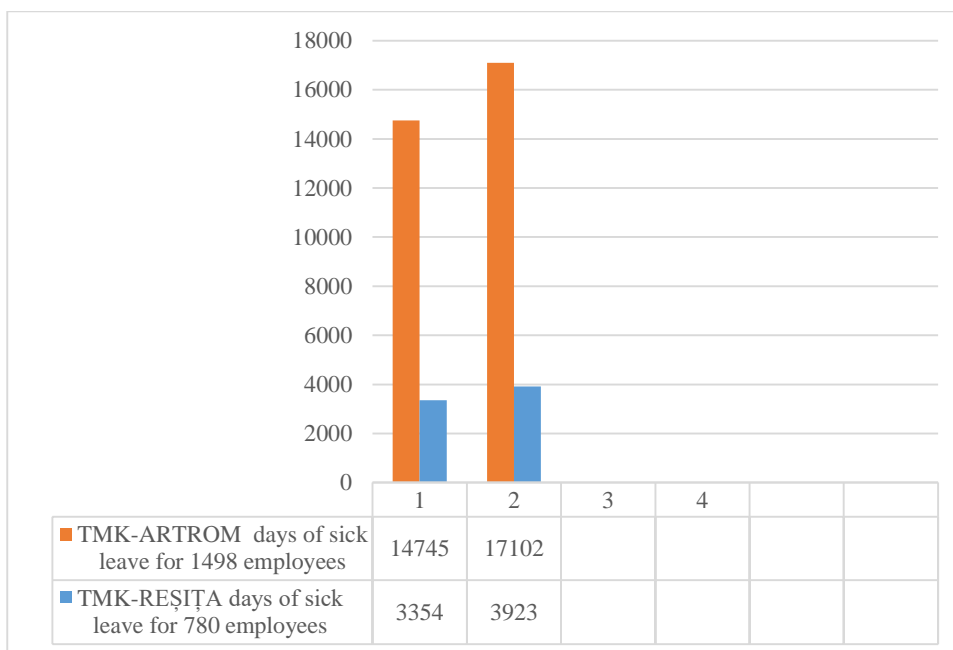
TMK-REȘIȚA S.A. -  $AR=3923 / 174863 = 0,022$ ;

PLANT	AR(absenteism rate )
TMK-ARTROM S.A. 2018	0,027
TMK-ARTROM S.A. 2019	0.047
TMK-REȘIȚA S.A. 2018	0.019
TMK-REȘIȚA S.A. 2019	0.022



### Analysis of the health status of TMK ARTROM and TMK REȘIȚA staff

Year	TMK-ARTROM S.A. days of sick leave for the average number of 1498 employees	TMK-REȘIȚA S.A. days of sick leave for the average number of 776 employees
2018	14745	3354
2019	17102	3923



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## 403-10 Occupational health

Within TMK-ARTROM S.A. and TMK-REȘIȚA S.A. noxious determinations were made (noise, vibration, CO-gas, CH<sub>4</sub>, HCl, O<sub>2</sub>), which resulted in the only risk of work-related illness being related to the noise level exceeding the allowed limit value (87dB ) at some jobs (8%, namely 19 jobs out of 249 have the value of noise over 85 dB).

Within TMK-REȘIȚA S.A. noxious determinations (noise, vibrations, respirable dust, lighting, microclimate and gases: CO, CO<sub>2</sub>, ferric oxide) made evidenced exceeding for noise, vibrations and dust in the OETC plant. As a result of these exceeding, workers in these areas are classified into special groups and receive monthly additional food under the collective bargaining contract.

To diminish and control the occupational diseases that may arise, TMK ARTROM SA and TMK REȘIȚA SA acquire for and supply all the personnel exposed with specific personal protective equipment, as well as the modernization of the technological process through the provision of high-performance technical equipment.

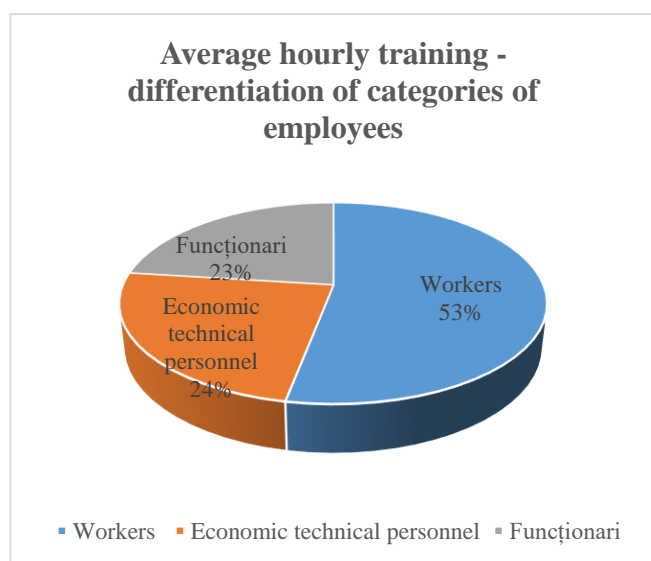
## GRI 404 TRAINING AND EDUCATION

### 404-1 Average number of training per year per employee

Within the TMK-ARTROM GROUP the training program involves improving the performances of the staff through initial and continuous professional training dedicated to professional development.

We offer our employees such training in all areas: integrated management system, vocational training courses in the technical field, courses in sales and marketing, courses in the field of human resources, technological changes, legislative changes. The training is performed both internally and externally.

Training programs in 2019:



- 53% from the total training hours for the personnel category “Workers” ;
- 24% from the total of the training hours for the personnel category "Technical-economic personnel";
- 23% from the total training hours for the staff category “Officers”;
- 70 000 hours of training for employees in 2019;
- 100 % internal training access rate and 37% training access rate per year;
- 53 number of external trainers;
- 30 number of internal trainers (trainers);
- 47 external training companies.

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The hourly average of employee training is presented as follows:

At TMK-ARTROM S.A.

- a) on gender:
  - 28,8 hours per female gender employee;
  - 19,5 hours per male gender employee;
- b) by categories of employees:
  - 22,74 hours per employee - workers;
  - 18,75 hours per employee - technical-economic personnel;
  - 15,1 hours per employee – officers.

At TMK-REȘIȚA S.A.

- a) on gender:
  - 11,53 hours per female gender employee;
  - 55,89 hours per male gender employee;
- b) by categories of employees:
  - 58,28 hours per employee - workers;
  - 20,78 hours per employee - technical-economic personnel;
  - 17,93 hours per employee – officers.

#### **404-2 Programs to improve employee skills and transition assistance programs**

Vocational training involves collecting the training needs of all departments, analyzing and approving them, which the hierarchical management structure. The training needs are centralized in the annual training plan. Training programs to improve knowledge workers typically include activities in the field:

- environmental protection;
- economic-financial activities;
- professional authorization / reauthorization activities;
- technical quality control activities;
- activities in the field of occupational safety and health.

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



- Seminars focused mainly on the theoretical part of the activities;
- Mixed courses (combining both theoretical and practical);
- Training for acquiring new skills or improving those already possessed;
- Training and meetings in the team for strengthening the social and communication aspects between the employees of the company.



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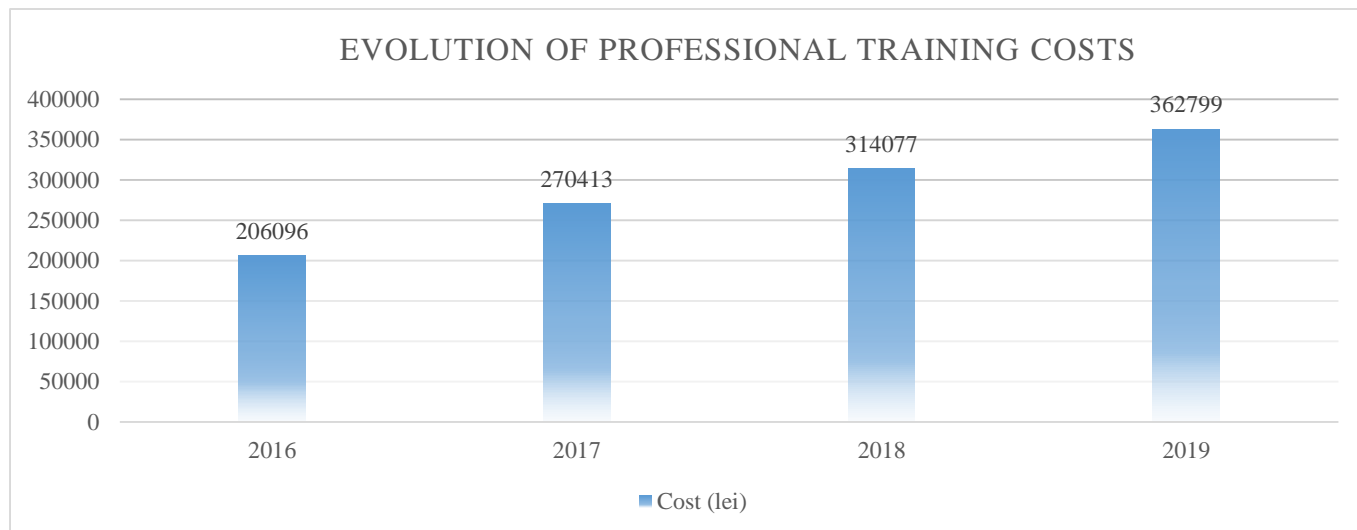
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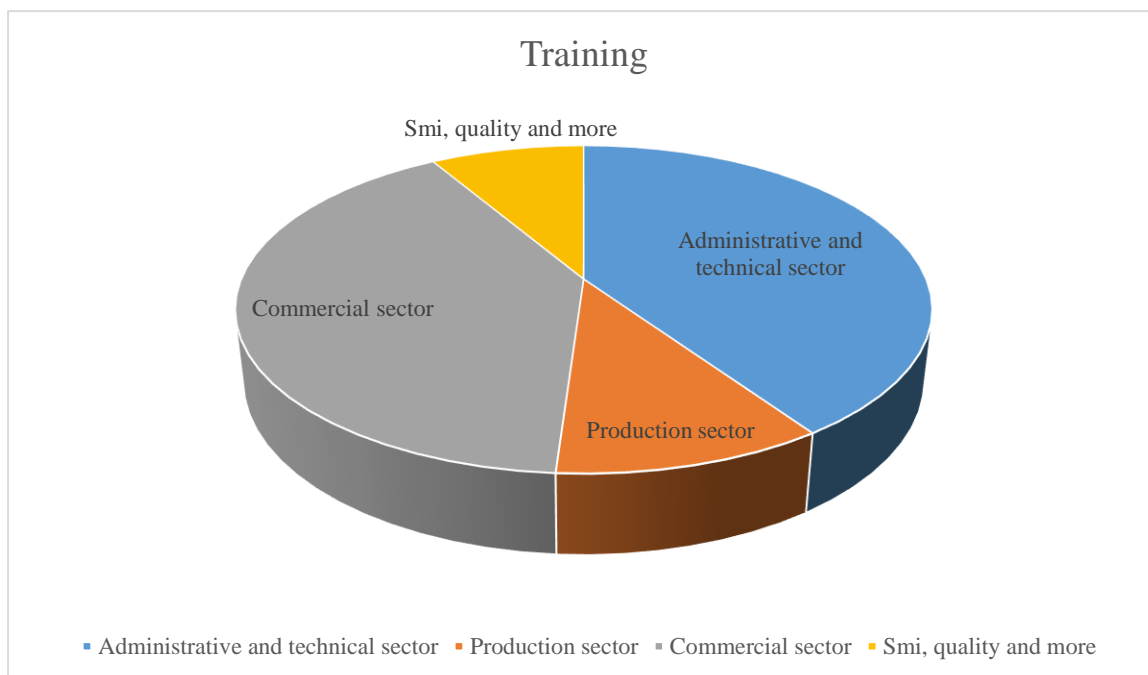
## WE INVEST INTELLIGENTLY:

By developing employee skills, the investment in training programs benefits the company in the long term by increasing efficiency and productivity.

The evolution of costs with vocational training is an upward one related to the needs of the company.



The number of providers of external vocational training services was 47 with a number of 53 trainers in 2019. The distribution by activity sectors was as follows.:



## Retirement

Retirement benefits, namely the amount of pension, represent information that is only available to persons who filed the retirement file at the date of the retirement decision. This information is confidential and the Territorial House of Pensions does not communicate it to the company. On 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.

The contract period ends according to the laws in force when the cumulative conditions for retirement are met, with the possibility of reducing the retirement age by 2 years due to the social protection laws for the persons in TMK-ARTROM S.A. due to historical pollution.

If the retirement occurs at the age limit and between the company and the employee there is a mutual agreement, the employee can continue his activity under a new employment contract.

## Termination of the employment contract

In the case of termination of the employment contract, regardless of the reason for termination of employment relationships, employees benefit from issuing legal documents proving their activity within the company. In case of termination of the employment contract, the employees benefit from the payment of all the daily wage rights.

### 404-3 Percentage of employees receiving regular performance and career development reviews

All employees of the company benefit from performance and career evaluation. The internal procedures and the legal regulations establish an annual frequency of evaluation of the employees' performance. The percentage of employee evaluation is 100%, regardless of professional category or gender.

Within this procedure, senior managers evaluate aspects of the activity to the extent that they influence the possibilities of developing the employee's career.

Aspects pursued through internal evaluation procedures refer to:

- quality of work done, positive and negative aspects (if any);
- work efficiency, speed and accuracy of the work done;
- the knowledge and skills that the employee acquired / perfected during the year;
- professional adaptation to technological, legislative, professional changes;
- the creativity and the spirit of initiative proven at different times throughout the year;
- discipline at work, seriousness, punctuality;
- integration into the collective, behavior, social aspects, of interpersonal relationship.

## GRI 405 DIVERSITY AND EQUAL OPPORTUNITIES

TMK-ARTROM S.A. and TMK-RESITA S.A. do not use labor force from other countries and the share of Romanian local employees is 99%. Thus, within TMK-ARTROM S.A. and TMK-REȘIȚA S.A. there are no ethnic groups or national minorities protected by special laws.

Regardless of citizenship, nationality or gender, all TMK-ARTROM GROUP employees enjoy the same rights conferred by law and social protection, professional, economic and social interests. Employees of citizenship other than Romanian benefit from the support and advice from the company in solving the problems related to perfecting the necessary documents in order to obtain the residence permit and the work permit in relation with the state authorities.

### 405-1 Diversity of governance bodies and employees

The management structure of the company includes the Board of Directors, the Management Board, the officers and managers of the company.

I. The percentage gender structure of the management is as follows:

TMK-ARTROM S.A.:

The structure by age and gender of the executive management of the plant (22 persons) is as follows:

Age categories	Men		Women	
	number	percent	number	percent
Under 30 years	0	0	0	0
30-50 years	6	27,27	3	13,63
Over 50 years	10	45,45	3	13,63

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Total	16	72,72	6	27,28
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TMK-REȘIȚA S.A.:

The structure by age and gender of the executive management of the plant (22 persons) is as follows:

Age categories	Men		Women	
	number	percent	number	percent
Under 30 years	0	0	0	0
30-50 years	7	31,81	3	13,64
Over 50 years	9	40,91	3	13,64
Total	16	72,72	6	27,28

## II. Other diversity indicators where relevant (eg minorities or disadvantaged categories)

Within the management of TMK-ARTROM S.A. and TMK-REȘIȚA S.A. there are no minority or vulnerable groups.

At the level of TMK-ARTROM S.A. the personnel structure is as follows:

At TMK-ARTROM S.A. an average number of 1498 workers are employed, of which 1303 (87%) are men and 195 (13%) are women.

The structure by age and sex of the staff from TMK-ARTROM S.A. is as follows:

Age categories	Men		Women	
	number	percent		number
Under 30 years	114	7,61	14	0,93
30-50 years	695	46,40	96	6,40
Over 50 years	494	32,99	85	5,67
Total	1303	87,00	195	13,00

At TMK-REȘIȚA S.A. an average number of 776 workers are employed, of which 675 (87 %) are men and 101 (13%) are women.

The structure by age and sex of the working personnel from TMK-REȘIȚA S.A. in number of 613 persons is:

Age categories	Men		Women	
	number	percent		number
Under 30 years	48	7,83	0	0
30-50 years	402	65,58	30	4,9
Over 50 years	113	18,43	20	3,26
Total	563	91,84	50	8,16

## III. Other diversity indicators where relevant (eg minorities or disadvantaged categories)

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In the TMK-ARTROM GROUP there are no minority or vulnerable groups.

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

In our company there is no discrimination regarding gender differences in determining the basic salary or other remuneration related to salary. Professional promotion and pay policy does not take gender difference into account. This is strictly forbidden by the provisions of the Collective Bargaining Agreement applicable at company level and by national laws in the field of combating discrimination against women. The salary level is given by the importance of the work and the level of professional training of each employee.

The average of the basic salary divided by men and women is different by staff category, but there are no differences in this respect between men and women.

By significant locations we have defined the locations in which the production capacities of the company are located, the management and administration of the company.

The production facilities, the management and the entire administration are located in the same place, in the Municipality of Slatina, OLT County, Str. Drăgănești nr. 30 (at the headquarters).

## **GRI 406 NONDISCRIMINATION**

### **406-1 Incidents of discrimination and corrective actions taken**

TMK-ARTROM S.A. and TMK-REȘIȚA S.A. pays particular attention to discrimination of any kind and does not tolerate such practices. The principle of equal opportunities and the principle of tolerance are promoted. The company does not tolerate any form of discrimination involving different, unfair treatment, exclusion or rejection of persons.

Any discrimination based on race, nationality, ethnicity, language, religion, social category, beliefs, gender, sexual orientation, age, disability, chronic noncontact illness, HIV infection, affiliation to a disadvantaged category, and any other criterion or the effect of restricting, removing the recognition, use or exercise on an equal basis of human rights and fundamental freedoms or rights recognized by law in the political, economic, social, cultural or other spheres of public life is not tolerated in the company. Human dignity, citizens' rights and freedoms, the free development of human personality are supreme values for the company

Any form of discrimination, without being limited to the ones listed above, is discouraged and harshly sanctioned by internal procedures but also by national and European legislation which attaches greater importance to this aspect.

No complaints about discrimination 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

Within TMK ARTROM there are 2 trade unions that together have a unionisation degree of 93% of the total number of employees. Within TMK RESITA there is a trade union, of which 99.5% of all staff are involved.

The trade unions benefit from material, logistical and financial support from the company according to the legislation in force. Thus, the trade unions benefit from living space for carrying out 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 training in the trade union field, budget for carrying out 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, Trade Unions and the Management meet and negotiate the provisions of the Collective Bargaining Agreement.

Beyond the annual, statutory, negotiation of the provisions of the Collective Bargaining Agreement, the parties to the Collective Bargaining Agreement inform each other about economic, social and professional aspects..

In 2019 the meeting between Trade Unions and Management was materialized by the signing of the Collective Bargaining Agreement regarding the collective wage increases and the rights of the employees, valid for the period 08.02.2019 - 08.02.2021.

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

The social dialogue did not mean only discussions, but the taking of common decisions. In this sense, there were no misunderstandings, strikes, stoppages of activity or legal actions between the Trade Unions and the Management of the company.

## GRI 408 CHILD LABOR

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

In the TMK-ARTROM GROUP there are no employees under the age of 18, the legal age of employment. The youngest employee is 18 years old at TMK-ARTROM S.A., respectively 21 years old at TMK-REȘITA S.A.



## GRI 409 FORCED OR COMPULSORY LABOR

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

The company's suppliers undergo a rigorous evaluation process. TMK-ARTROM S.A. and TMK-REȘIȚA S.A. does not purchase materials from the regions where there is a risk of using child labor or poorly regulated labor in this area. In addition, there are laws to abolish child labor in the countries where we procure our materials.

Most suppliers TMK-ARTROM S.A. (over 96%) and TMK-REȘIȚA S.A. (over 95%) are at least ISO 9001 certified and are therefore monitored by certification bodies.

There were no cases identified with providers who risk to use at work children or young workers, trafficked persons or modern slavery (persons whose documents were withheld, degrading living conditions, etc.).

TMK-ARTROM GROUP respects national and international legislation as well as human values. We do not have any supplier who has had any incidents of forced or compulsory labor.

By the notion of forced or compulsory labor TMK-ARTROM GROUP includes:

- people are forced to work under direct threat;
- the person is not free to leave or come as he wishes;
- personal threats or addressed to family members;
- lack of access to healthcare.
- 

## GRI 410 SECURITY PRACTICES

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

TMK ARTROM SA and TMK REȘIȚA SA have outsourced the guard and security services to a local company. The security company complies with national laws.

## GRI 411 RIGHTS OF INDIGENOUS PEOPLES

### 411-1 Incidents of violations involving rights of indigenous peoples

In the geographic area in which the company operates the indigenous population is represented by the Romanian citizens, which make up 99% of the total number of employees. All employees, irrespective of 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 other nationality (e.g. Russian, Spanish) are the same according to the Romanian and European laws in force.

Both international law and internal regulations confer the same rights to all employees.

## **GRI 412 HUMAN RIGHTS ASSESSMENT**

### **412-1 Operations that have been subject to human rights reviews or impact assessments**

Human rights in terms of labor law are complied within TMK-ARTROM GROUP.

There were never recorded penalties for infringement of fundamental rights and freedoms for accredited inspection bodies in the field of human rights (Labor Inspectorate Agency Unemployment Territorial Council to combat discrimination, immigration offices, police and court 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 between Employers and Trade Unions. The debates are concluded with the execution of the Employment Contract 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.

According to the Constitution, Romania is a state of law, democratic and social, in which the dignity of man, citizens' rights and freedoms, the free development of human personality, justice and political pluralism are supreme values in the spirit of the democratic traditions of the Romanian people and the ideals of the Revolution of December 1989, and are guaranteed.

### **412-2 Employee training on human rights policies or procedures**

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

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

There were not carried out any investments or trade contracts that underwent human rights screening.



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## GRI 413 LOCAL COMMUNITIES

Through the local activity TMK-ARTROM GROUP directly contributes to the social-economic development of the local community by providing jobs, security and a decent standard of living for employees. Through the suppliers of raw materials, materials and spare parts or services in the area of the company TMK-ARTROM GROUP supports thousands of jobs locally in the horizontal industry. TMK-ARTROM S.A. a sports club boxing in which young people from the locality activate. The expenses of the social sustainability projects in 2019 were directed towards supporting the traditional areas of involvement of the TMK-ARTROM GROUP, such as art, culture and heritage conservation, education and sports, humanitarian cases, health.

In 2019 TMK-ARTROM GROUP developed projects for students from underprivileged areas, for eminent students, mass-media projects, socio-cultural activities, helping old people's homes and equipping the county hospital with baby equipment.

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

The new Robotic Class at the Children's Palace "Adrian Baran" from Slatina was sponsored by TMK-ARTROM S.A.. TMK-ARTROM S.A. support STEM education and wants to encourage children to develop in this field.

On this occasion, robotics kits, a 3D printer, various measuring devices and work tools have been donated that will help the enthusiasts children about robotic to experience and discover the mysteries of robot design and manufacturing technology.

**Project value: 12.114,95 lei**



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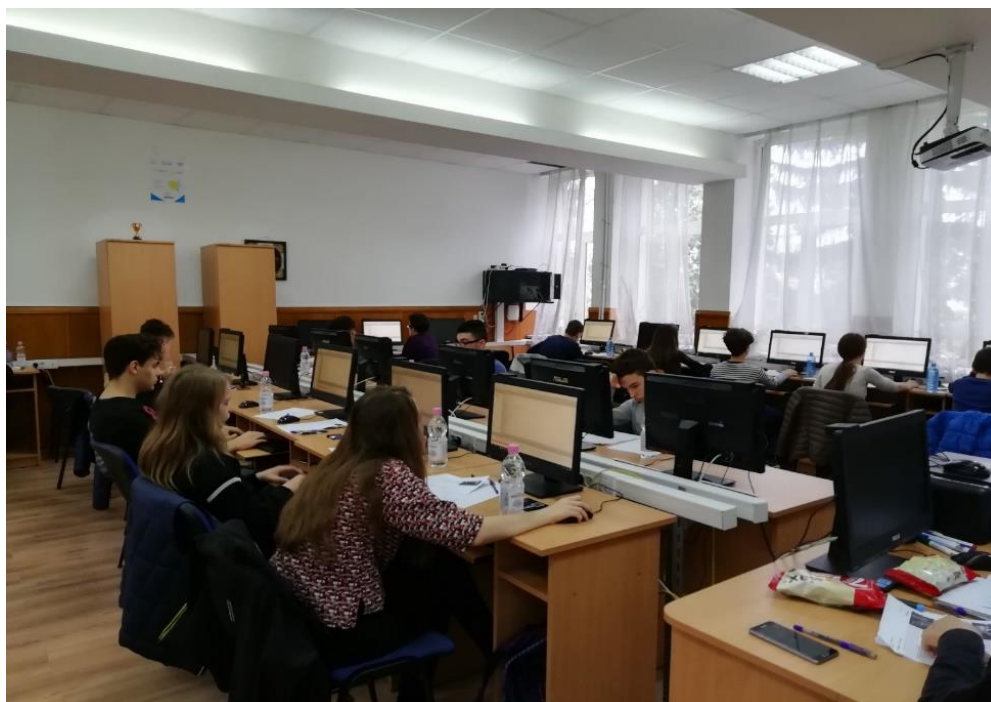
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“InfoMinulescu” Computer Science Competition for young students from „Ion Minulescu” National College from Slatina, an event supported by TMK-Artrom, as partner of this event, together with other private companies and County School Inspectorate. The competition, which attended by more than 150 young students of classes V-IX, aims to promote among the students the development of competition spirit, the upgrading of basic skills to solve problems at first sight, using the knowledge that they acquired at Computer classes as well as the development of logical thinking and computer work. By supporting such a competition, TMK-ARTROM S.A. wants to encourage among young students learning of computer science, especially as there is already a tradition of performance in this field at „Ion Minulescu” National College - the prestigious educational institution from Slatina: only this year the College had 5 awarded students at the National Olympiad ICT and Informatics.

**Project value: 4.500 lei**



During 22-26 April 2019, Slatina hosted the national phase of the Olympics of Mechanics, as well as the national competition for the students from professional schools, which took place at the "Metalurgical Highschool". TMK-ARTROM S.A supported as a partner both national competitions to which more than 150 students attended. In doing so, TMK-ARTROM S.A wishes to encourage youngsters towards technical disciplines, and also to facilitate their integration into the workforce market. TMK-ARTROM S.A believes that such competitions can stimulate students with high results, interested in sciences with technical applications, at the same time promoting friendly competition and communication, all in the fair-play spirit. These competitions also stimulate creativity and critical thinking, offer the motivation necessary for the learning process, and contribute to the development of talents, abilities and knowledge, all of these leading to a solid personal and professional development of the students.

**Project value: 20.000 lei**

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During 10-11 May 2019, the Politechnical University of Bucharest held the Scientific Communication Session for Students. TMK-ARTROM S.A. was a partner at this event, awarding prizes for the best works presented by the students within the Faculty of Material Science & Engineering – Section: Engineering & Environment Protection. This was a good opportunity for the students to come forth with relevant scientific information regarding environment protection.

The participants had the opportunity to present the results of their school and research activities undertaken during the year. The presentations were held in the presence of colleagues and professors, in an academic atmosphere and representatives of companies relating to the subjects were also present.

**Project value: 12.000 lei**



The robotics team from the National College "Radu Greceanu" of Slatina, won the first place out of 60 teams, in the section "Programming the robots" in the national phase of the competition "First Lego League". Due to its remarkable result, the winning team was designated to represent Romania at the "First Lego League International Open" which will take place in Uruguay between May 30 and June 1. Because we encourage performance and we are excited to have such valuable students and teachers in our local community, TMK-ARTROM S.A. was involved in this project as the main partner and financially supported their presence at this event. Prior to leaving for Uruguay, the winning team visited TMK-ARTROM S.A., exchanged impressions and toured the production lines. The main attraction of the tour was the heta treatment complex inaugurated last year, where the high level of automation is at the top of the line in this field.

**Project value: 41.000 lei**

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TMK-ARTROM S.A. organized in Slatina the first edition of the "TMK Box ARTROM".

Aside from the boxers from CS Box Artrom Slatina trained by coach Dumitru Badut, this gala was also attended by boxers from several clubs from Romania with a long tradition in this sport: CSM Targu Mures, CSM Zalau, CS Jiul Rovinari, Pantera Boxing Academy Craiova, Ring Box Targu Mures

This first edition of "TMK Box Artrom" Gala hosted 10 spectacular boxing matches, including a female match, ranging various weight classes, during which the sportsmen tried to give their best, to prove their worth and daily training.

**Project value: 55.000 lei**



For the second year TMK-ARTROM SA was a partner in the "Slatina Story" project together with the association Promedia Olt, a project in which was continued the editing of the SlatinaStory magazine, a magazine that reflects the history and traditions of the city, from the first documentary attestation until present.

Marking the second edition of the social responsibility project "A hand and a school bag", TMK-ARTROM gave over 440 school bags, completely equipped with supplies, to 4 schools in OLT county. Through our projects, we aim to be actively involved in education, which holds a vital importance in shaping and preparing the young generation for life. We truly believe that only by investing in youth, our community will develop and thrive.

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**Project value: 11 000 euro**



TMK-ARTROM S.A. was with the local community also investing in health so that the amount of 50,000 lei was directed to the Slatina Transfusion Center for the purchase of a centrifuge that separates the plasma from the blood elements and 24,000 lei at the Slatina County Hospital to help the premature babies from the Slatina County Hospital who still need breathing apparatus.

Also supported the Association for the Prevention of Cancer in order to organize seminars for the socio-cultural development of prevention with the amount of 25.000 lei.

TMK-ARTROM S.A. loves the gifts and that every year he has continued the projects related to the coming of "Santa Claus". Carolers from Slatina Schools and Children's Centers enjoyed sweets specific to the holiday season, and on Christmas Eve a team of carolers from TMK-ARTROM S.A. sang carols and gave presents to the elderly in the " Center for Elderly People Slatina ". Exciting messages were sent to senior citizens on this occasion. Also, together with "Santa Claus" team TMK-ARTROM S.A. went to 2 centers for children with disabilities in Slatina, where more than 50 children received sweets and toys, in the project "Waiting for Christmas".

**The project had a value of over 4000 Euro.**



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In 2019 TMK-REȘIȚA S.A. sponsored: the Sys Struc 19 conference organized by the Eftimie Murgu University of Reșița; women's soccer team from Reșița and developed projects for employees' children during the Christmas season by giving them sweets and watching a holiday themed movie.

In the last 8 years, including in 2019, many US companies have been a real support for the CAMP HOPE foundation. All TMK IS employees were involved in raising funds during an informal "Bar-B-Que" meeting. The money raised at this event with the help of TMK IS members (over 2500 USD) were donated to the war veterans within the foundation.



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

No such actions have been identified that have a negative impact or have a potential negative impact on the local community within TMK-ARTROM GROUP.



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## GRI 414 SUPPLIER SOCIAL ASSESSMENT

### GRI 414 SUPPLIER SOCIAL ASSESSMENT

#### 414-1 New suppliers that were screened using social criteria

In order to be included in the list of approved suppliers, all suppliers are evaluated at TMK-ARTROM S.A. and TMK-REȘIȚA S.A. based on the evaluation questionnaires. Depending on the impact the supplied product has, it may be decided to carry out an additional audit with the supplier. During the audits, besides the technological and quality aspects, the environmental, occupational health and safety aspects are audited.

Suppliers are selected on the basis of all the criteria listed above, following various evaluation criteria, such as: how to ensure the safety of employees, adequate working conditions, protective equipment specific to the type of activity, if the staff are trained and know their rights, if there are OSH and firefighting training, if environmental legislation, waste management, etc.

Thus we ensure that the provider we work with is a trustworthy one that complies with current environmental and health and safety laws. In accordance with ISO standards, job descriptions, employee contracts, trainings, hours worked are checked. In 2020 TMK-ARTROM S.A. and TMK-REȘIȚA S.A. intends to expand the evaluation of providers by focusing more on social criteria.

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

In 2019, TMK-ARTROM S.A. and TMK-REȘIȚA S.A. but they evaluated their suppliers as in the other years, asking them for more detailed information. Most of the assessments were based on the requirements related to the assessment of the risks on safety and health at work and the compliance with the legal requirements regarding the environment. Providers have demonstrated good practice in all of these assessments. 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 SA and TMK REȘIȚA SA are apolitical and do not engage in political activities. It has no deontology as political party sponsorship, has never interfered with political activities and did not exercise political influence. The members of the Board of Directors and the members of the Management Board do not engage in any active political activity

#### 415-1 Political contributions

TMK-ARTROM S.A. and TMK-REȘIȚA S.A. did not contribute directly or indirectly, financially or non-financially to supporting or sponsoring political or political lobbying, and has no such practices in its activity and deontology.



## GRI 416 CUSTOMER HEALTH AND SAFETY

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

TMK-ARTROM S.A. and TMK-REŞİTA S.A. assess all raw materials and finished products in terms of human health and safety and environmental impact including impacts on transport, storage, production, distribution and use.

TMK-ARTROM S.A. and TMK-REŞİTA S.A. verify on its suppliers chain whether chemical raw materials (acids, soda, oils) used in the manufacturing process are registered with REACH.

In addition, TMK-REŞİTA S.A. requires suppliers to verify and declare for the raw material supplied a level of radioactivity that must not be higher than that of the environment. This aspect is also verified during audits to suppliers but also by checking the radioactivity of the products delivered by the company.

Through our work we aim to improve our health and safety impact continuously by:

1. Establishing internal working procedures and adherence to them for hazardous materials;
2. Informing and educating users of these products through safety data sheets and job protection requirements at each job;
3. Reduce hazardous chemicals, solvents or volatile substances where possible;
4. Safe working devices and equipment.

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

There have been no incidents of non-compliance with legal requirements on the health and safety impact of the product and services over the reporting period. Regarding the REACH Regulation 1907/2006, the pipe and billet are considered articles.

## GRI 417 MARKETING AND LABELING

Pipe packaging and labeling is performed 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 tertiary packaging. Packaging management is done on packaging types and for a number of them (returnable packaging: barrels, cans, IBCs) there is a contractual clause with return suppliers at their expense. The rest of the packaging is handed over to specialized companies for recycling or disposal (as appropriate).



## 417-1 Requirements for product and service information and labeling

Council Regulation (EC) no. 1272/2008 on classification, labelling and packaging (CLP) based on the United Nations Global Harmonized System (GHS) aims to ensure a high level of protection of health and the environment as well as the free movement of substances, mixtures and articles. The CLP Regulation requires manufacturers, importers or downstream users of substances or mixtures to classify, label and package their dangerous chemicals properly before placing them on the market.

Since pipe is considered an article, it is not covered by the EC Regulation 1272/2008. The same applies to the materials produced by TMK-REȘITA S.A.

Labeling of pipes is carried out in accordance with the requirements of the standards in force as well as the requirements of the TMK brand. The adhesive label contains product-related information.

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

Not applicable.

## 417-3 Incidents of non-compliance concerning marketing communications

TMK-ARTROM S.A. and TMK-REȘITA S.A. did not record any incidents of non-compliance regarding marketing communications.

## GRI 418 CUSTOMER PRIVACY

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

We understand that personal data are important things that need to be protected. Loss of information can lead to company reputational problems, financial problems and legal consequences as well as loss of trust to our partners. We understand to protect the privacy of our partners, customers, employees and other stakeholders. This responsibility includes limiting the collection of information (example: name, address or other information related to individual identification) to what is absolutely necessary for business. We understand the importance of protecting personal information and we are committed to continuously improving our security system.

The Code of Conduct and Personal Data Policy are in line with our national laws and social values.

Like all companies managing personal data and / or customers, we have organized our work so that we 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 applies, starting with May 25, 2018, directly in all EU countries without the need for authorities to transpose it into Romanian law.

Within TMK-ARTROM GROUP data protection is done at the level of all services and departments that use confidential data in their current activity.

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All persons who use personal data of employees, financial data or any other kind of information that is subject to confidentiality have signed individual data privacy agreements that provide for drastic sanctions for confidentiality violations.

Employees who manage confidential data have computers secured by passwords, antivirus and firewall. Access to software is restricted on the basis of passwords and hardware restriction systems (hardware access keys).

In 2019 no privacy complaint was received from clients, staff, or organizations with which the company came into contact. no privacy complaint was received from clients, staff, or organizations with which the company came into contact.

## GRI 419 SOCIO-ECONOMIC COMPLIANCE

### **419-1 Failure to comply with legal issues (environmental, economic, financial). Reporting of fines and warnings received**

In 2019 TMK-ARTROM S.A. and TMK-REȘIȚA S.A did not register any significant monetary fines.

Chief Executive Officer

Popescu Adrian

Chief Economical – Accountancy Officer

Văduva Cristiana

Coordinated

Magdalena Popescu – Integrated Quality System-Environment-Health-Safety at Work Manager

Prepared,

Popescu Laura Cristina – certified in the Global Reporting Initiative ([GRI](#))



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