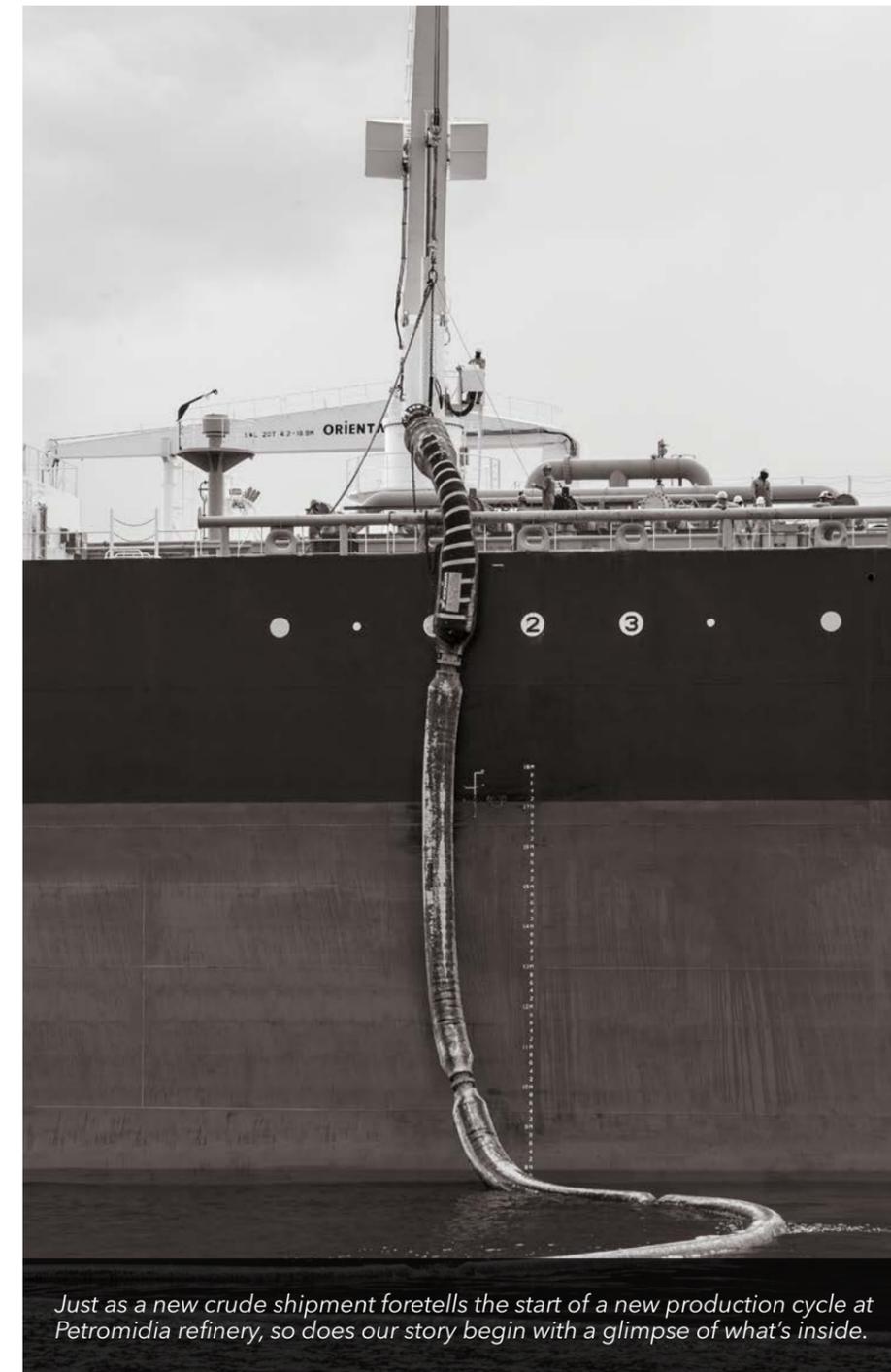


**PEOPLE  
OF GREAT  
ACHIEVE  
MENTS**  
Sustainability Report  
**2017**





*Just as a new crude shipment foretells the start of a new production cycle at Petromidia refinery, so does our story begin with a glimpse of what's inside.*

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**ZHANAT  
TUSSUPBEKOV**  
Chief Executive Officer



*I am proud of the efforts of all of our employees, our people of great achievements, who make us better and stronger every day through their creativity, passion and dedication.*



Dear Stakeholders,

It gives me great pleasure to share with you KMG International's Sustainability Report for 2017, a milestone year for the Group's progress in terms of operational performance and a stepping stone in our future development in the benefit of our stakeholders and the communities we are present in.

As major regional payer in the oil and gas industry we strive for excellence every day and we are aware of the inherent role sustainability has to play in our operations across the Group. This is why working sustainably is our primary focus in carrying out our activities in a responsible manner, creating value for all our stakeholders and providing benefits for current and future generations.

**In 2017, KMG International reached the highest level of operational and financial indicators since the establishment of Rompetrol and Petromidia Năvodari refinery, and 10 years after its takeover by Kazakhstan's national oil and gas company KazMunayGas.**

It was a year of constant improvement and great results, Petromidia refinery obtaining the lowest production cost for the past 10 years, along with significant operational and mechanical availability while reducing its energy consumption and processing costs, with a decrease by approximately 14% in its energy intensity index (EII) and a drop by 44% in its processing cost. Vega Refinery also recorded an all-time-high in bitumen production, namely 96KTons/year, as well as its lowest technological loss ever in its 113-year history - 1.04% wt.

While the Group's Petrochemicals Division, the only unit of its kind in Romania, started the development of a new grade of polymers, the companies in Retail and Trading business units followed the same positive trend in terms of environmental efficiency, with a drop by 34.2% in power consumption for Rompetrol Gas, the Group's LPG trading division and a decrease by 4% in overall consumption for Rompetrol Downstream, KMG International's retail division which includes the Groups network of gas stations.

No accidental spills or grievances were recorded in 2017 and the CO2 emissions for the Refining Business Unit (Petromidia and Vega platforms, along with the Petrochemical Division) decreased by 5% compared to the previous year.

These excellent results increased our sense of pride and also pushed us to look beyond our operational footprint into the value chain, to integrate efficiency-generating mechanism and sustainable procedures for an all-round durable transformation. These were applied to all areas of operation- production, distribution, financial or support services, and contributed positively to the improvement of the organizational culture. Each employee was actively involved and had an input through various initiatives and proposals, aimed at improving activities and performance, these benefits being closely linked to the results which were achieved at Company and Group level.

More importantly, as a result of the implementation of increased safety measures following the unfortunate incident on Petromidia platform the previous year, there were no

fatal incidents recorded in 2017. Moreover, LTI dropped from 12 to 1 and Loss Time Injury Frequency was reduced by over 90%. More than 30,000 hours were put into health & safety trainings across the Group in 2017 alone, and our employees were also provided with the opportunity to attend specific development programs adapted to their position level and talent pool segmentation category.

Furthermore, our aim is to contribute to the balanced development of all facets of human life, including health and well-being, culture and education, skill development and leadership, or social and environmental stewardship. Our community engagement projects stand proof of that. And with the help of our dedicated employees, who continued to contribute their time and skills to the Group's initiatives in 2017, we were able to go beyond awarding one-time support or relief and instead provide a sustainable framework for future advancement.

We have a unique opportunity to demonstrate our leadership as we constantly try to find new ways to improve our performance while delivering game-changing solutions to our stakeholders for a more sustainable future. This is why we have made it our long-term commitment to continuously improve our performance in the areas of environmental, social and economic commitments through the delivery of superior products and services, safe operations and active engagement with our stakeholders.

Our company's strong culture and performance are a reflection of our people. Their talent and dedication are

further enhanced by the Group's core values and principles which foster teamwork and continuous improvement to overcome challenges, eliminate wasteful operational processes and create value.

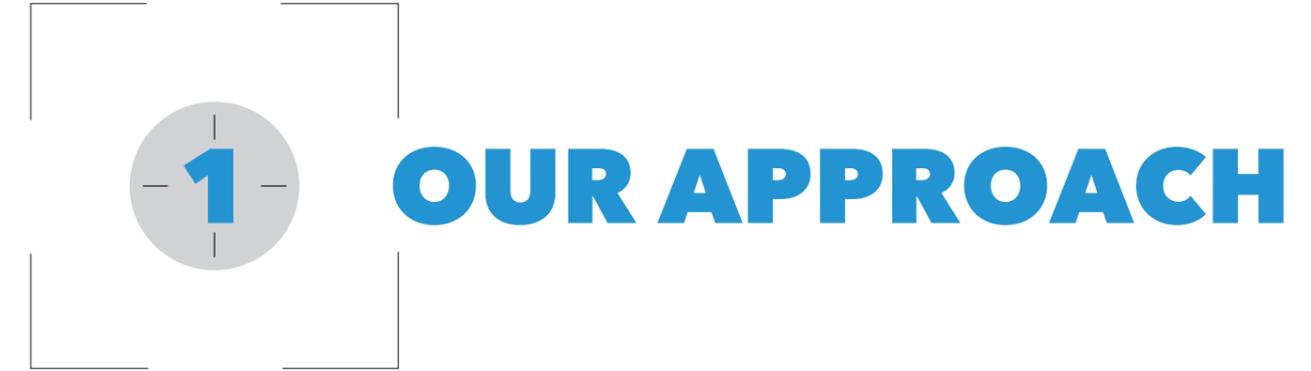
**I am proud of the efforts of all of our employees, our people of great achievements, who make us better and stronger every day through their creativity, passion and dedication.**

Our sustainability program is a source of pride for all of us here, at KMG International, as it underscores not just our values, but also our ambitions to positively impact the markets we serve, the communities where we operate and the lives of all of our employees. This report is dedicated to acknowledging the Group's growth and performance just as much as that of our people, our main focus and the key drivers of our success.

I invite you to review the report to learn the many examples of our sustainability progress over the past year and discover the faces beyond our achievements.

Very best wishes,

Zhanat Tussupbekov  
Chief Executive Officer  
KMG International



**LAURENȚIU COLȚĂNEL**

**Operations Director**  
Rompetrol Rafinare

“  
Vega is a special refinery which stands out through its rich history and tradition, its unicity in the Romanian market of niche products and, most of all, through the dedication and commitment of its people and their constant strive to drive excellence. To us, working on the Vega platform is more than a job. We are a family here and it is both our individual and collective mission to better ourselves and the products we provide to our customers.



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## ABOUT THIS REPORT

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This sustainability report serves as KMG International’s Annual Communication of Progress under the United Nations Global Compact to its wide variety of stakeholders, from regulatory bodies and state authorities to shareholders, employees, labor and trade unions, clients, opinion shapers, such as the media, and members of the community, either as individuals or as members of various organizations and associations.

This sustainability report was prepared in accordance with the Comprehensive option of the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines and associated Oil and Gas Sector Supplement and presents overall indicators of the activities we have carried out in 2017 in the countries with significant operations where we have a social, environmental or economic impact, and the management of which is under our control. The reported indicators may include information from previous years that we deemed relevant for understanding information from the current year.

Although KMG International became a signatory to the UN Global Compact in 2015, the Group has been reporting its non-financial performance under the GRI G4 Sustainability Guidelines ever since its first annual sustainability report, reflective of the Group’s performance in 2013.

Moreover, our commitment to environmental sustainability, economic development and social fairness is deeply-rooted in our global and local operations, as we understand our key role and valuable contribution towards achieving the United Nations Sustainable Development Goals (SDGs) for the 2030 Agenda<sup>1</sup>.

## Report concept

This year’s report shows not only how sustainable business practices are integrated into our short-term goals and long-term strategy, but also how we draw inspiration from our people to push our limits.

As part of our Values, we are committed to fostering a workplace that values diversity and inclusion, learning and development, engagement and innovation. As such, our great achievements are a reflection of our people’s ambition and talent, as well as their constant dedication to overcome challenges and create value.

- 
1. The United Nations Sustainable Development Goals (SDGs) are an internationally recognized framework that aims to address the three elements of economic growth, social inclusion and environmental protection as part of a broader endeavor to eradicate poverty and strengthen peace and freedom. There are 17 goals, accompanied by 169 specific targets.
-

**MARIAN GRIGORAŞ**  
**Production Unit Manager**  
 Petromidia Refinery

*What started as an internship turned into a dream job Marian continues to be just as passionate about as on his first day. He served as project manager in the construction of the Hydrogen Plant and Mild Hydrogen Cracking Unit at Petromidia and soon took over as manager of both installations. All this led to him being part of KMG International's talent pool of specialists, managers and leaders. His other job, which he is equally dedicated to is that of a father to his four beautiful children.*



## MATERIAL ISSUES IN A GLOBAL CONTEXT

### Stakeholders

We are committed to nurturing our people's development both professionally and personally, a principle that we infuse in every aspect of our actions. In turn, we have the great honor to be able to drive their creativity, passion and dedication into extraordinary performance.

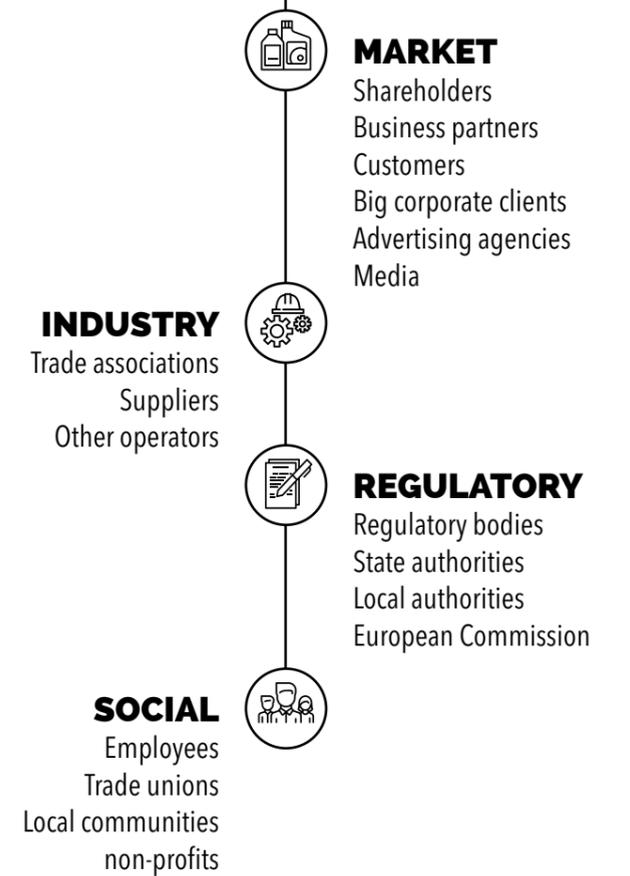
We have acknowledged and took pride in the exceptional results of KMG International, breaking record after record with every year passing. However, this wouldn't have been possible without our people's know-how and great passion for their work, as behind every achievement of our Group lie the hard work and dedication of our truly exceptional employees.

This report is as much a showcase of their achievements as is the Group's results and we invite you to be a part in the recognition of their merits.

The needs and interests of the different groups of KMG International stakeholders that make up our ecosystem play a big part in our sustainable development strategy. Our strong belief is that trust is the foundation of mutually respectful and beneficial relationships. As such, we carefully listen to the voice of our stakeholders and we diligently work to ensure their respective needs are being met to the best extent possible, incorporating them into the strategy and management of our material matters.

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

As part of our most recent Materiality Assessment process, and in line with the GRI Principle of Stakeholder Inclusion, we have identified four broad stakeholder groups with views and perspectives relevant to our activities:



# Materiality

In drafting the content of this report, KMG International considered not only the Group's values and experience, but also the expectations and interests of its stakeholders, collected through comprehensive consultation and surveys.

A broad range of sustainability-related topics were evaluated for their relative significance and our ability to positively influence our value chain, which in turn made up the basis for a materiality assessment and prioritization of our focus towards sustainable approach and development.

We review our Materiality Assessment each year to make sure we continue to focus on the issues of most interest to our stakeholders and relevance to our business success. In preparing this edition of the report, in the majority of instances, the results of the materiality assessment did not differ significantly from the sustainability topics that were already being addressed. However, we can now move forward with confidence that we are focusing our efforts in the right areas.

Consistent with GRI G4 materiality guidance, we prioritized issues important to our stakeholders when developing the content for our sustainability report, using a high-medium-low type of scale that reproduced the stakeholders' view on the following indicators.

## PEOPLE

- LA 5-8** Occupational health & safety
- LA 9-11** Training and education
- LA 12** Diversity & equal opportunity
- LA 4** Labor relations
- OG 9** Sector specific
- HR 10-11** HR supplier assessment
- LA 1-3** Employment
- LA 13** Equal pay for men and women
- HR 3** Non-discrimination
- HR 5** Child labour
- HR 6** Forced/compulsory labor
- HR 8** Indigenous rights
- HR 12** Human rights grievances
- LA 14-15** Labor supplier assessment
- LA 16** Labor grievance mechanisms
- HR 1-2** Investment
- HR 4** Freedom of assoc. & collective bargaining
- HR 7** Security practices
- HR 9** Internal assessment

## COMMUNITY

- SO 1-2** Local communities
- SO 7** Anti-competitive behavior
- SO 8** Compliance
- OG 10-13** Sector specific
- SO 3-5** Anti-corruption
- SO 9-10** Supplier assessment
- SO 6** Public policy
- SO 11** Grievance mechanisms

Aspects are listed in descending order of their score

## ECONOMIC

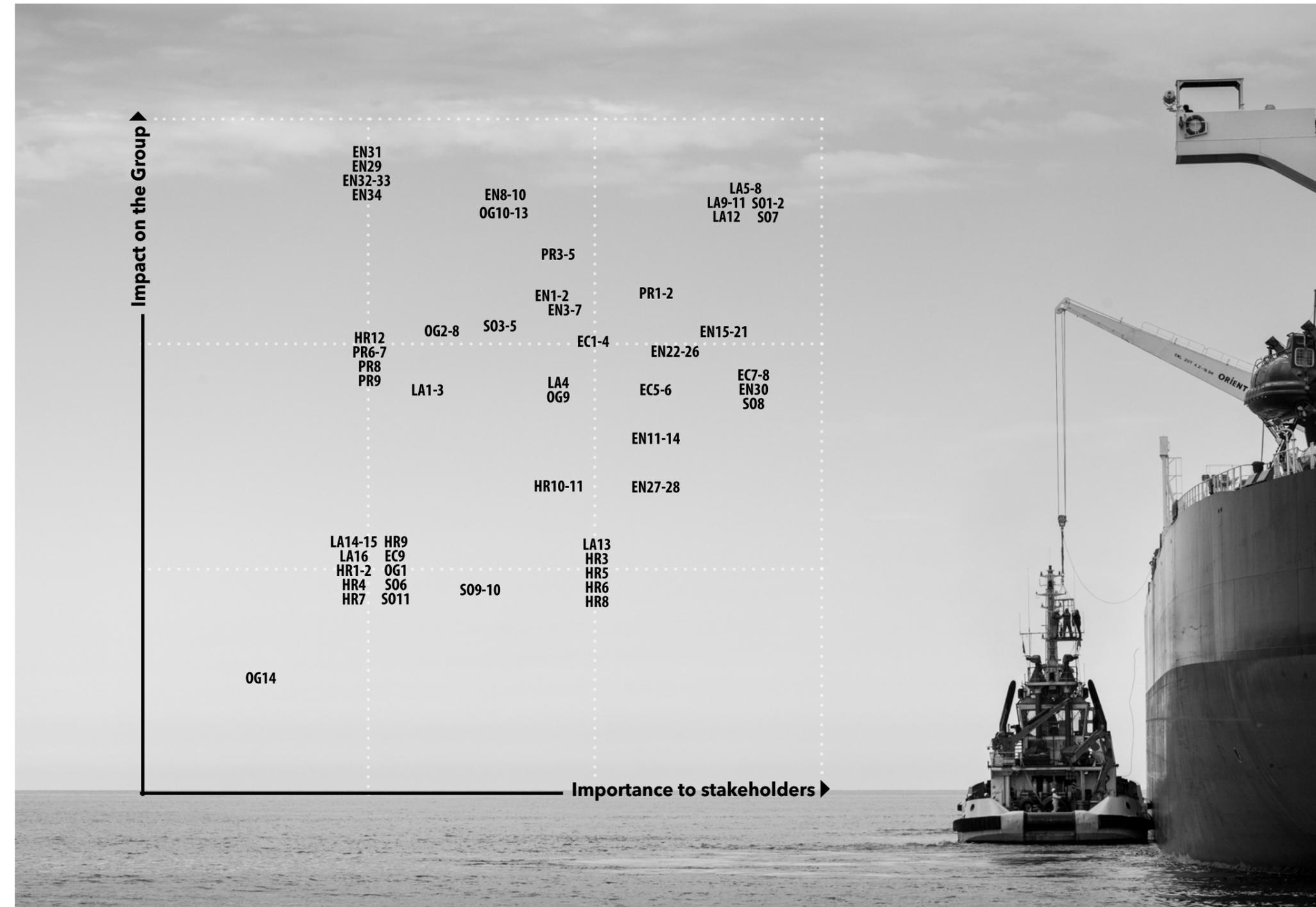
- EC 7-8** Indirect economic impacts
- EC 1-4** Economic performance
- EC 5-6** Market presence
- EC 9** Procurement practices
- OG 1** Sector specific

## ENVIRONMENT

- EN 15-21** Emissions
- EN 30** Transport
- EN 22-26** Effluents and waste
- EN 8-10** Water
- EN 1-2** Materials
- EN 3-7** Energy
- EN 11-14** Biodiversity
- EN 27-28** Products and services
- EN 31** Overall
- EN 29** Compliance
- EN 32-33** Supplier assessment
- EN 34** Grievance mechanisms
- OG 2-8** Sector specific

## MARKETPLACE

- PR 1-2** Customer health and safety
- PR 3-5** Product and service labeling
- PR 6-7** Marketing communications
- PR 8** Customer privacy
- PR 9** Compliance
- OG 14** Sector specific



## SUSTAINABLE DEVELOPMENT GOALS

In late 2015, the United Nations adopted 17 sustainable development goals, which build on the preceding Millennium Development Goals and seek to tackle the world's economic, social and environmental issues by 2030.

Achieving the sustainable development goals (SDGs) will require action by governments, non-governmental organizations and the private sector. Companies can contribute to the achievement of the SDGs by reducing the negative impact of their operations and seeking to contribute positively to the environments and communities in which they operate. As a responsible corporate citizen, KMG International is committed to leave its mark, by harmonizing the 2030 Agenda principles with its long-term sustainable development strategy.

The goals highlighted below are closely related to the topics that were identified as most relevant or prominent for KMG International in 2017, which are covered in this report, in line with our Materiality Assessment.



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

**Chapter: Community**



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

**Chapters: Community, Our People**



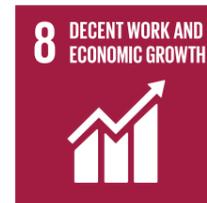
Our sustainable development plans place high emphasis on preserving water and managing its use in a responsible and sustainable way. We invest in new technologies and constantly improve our processes to use this valuable resource more efficiently. Reducing water consumption, wastewater outputs and discharge,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

**Chapter: Environment**



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

**Chapter: Environment**



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

**Chapters: Our People**



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

**Chapter: Who We Are**



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

**Chapter: Environment, Marketplace**



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

**Chapters: Environment**



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

**Chapter: Environment**

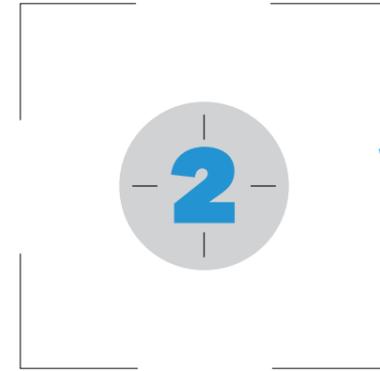


The principles for sustainable development set in the 2030 Agenda have been undertaken by the Group and they are embedded into its business principles and strategy. Moreover, KMG International is one of the founding members of the United Nations Global Compact local network, whose president for a two-year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

**Chapter: Who We Are, Our Approach**



*A diver jumps from tugboat Astana to connect the unloading pipes to a tanker bringing Kazakh crude to Petromidia refinery.*



## **WHO WE ARE**

## OPERATIONS OVERVIEW

### Countries of main operations

**Kazakhstan**  
KazMunayGas JSC

**France & Spain**  
Dyneff France & Spain (49% share)

**The Netherlands**  
KMG International NV

**Switzerland**  
KMG Trading

**Romania**  
base of operations  
Rompetro Rafinare  
Rompetro Downstream  
Rompetro Gas  
Byron Shipping

**Bulgaria**  
**Moldova**  
**Georgia**  
**Turkey**  
**Libya**  
**Singapore**



### Refining & Petrochemical

**5.66 mn tons** of feedstock processed by Petromidia refinery  
**373,000 tons** of feedstock processed by Vega refinery  
**198,500 tons** of feedstock processed by the Petrochemical Division

**USD 15.8/mt** Petromidia processing cost  
**USD 38.5/mt** Vega processing cost  
**USD 247/mt** Petrochemical conversion cost

**4.88 mn tons** of white products  
**1.46 mn tons** of auto gasoline  
**2.74 mn tons** of Diesel fuel  
**251,000 tons** of jet fuel  
**147,000 ton** of polymers  
**133,000 tons** of propylene  
**20,000 ton** of polymer-grade propylene



Fully REACH compliant



Fully RAR-certified fuels & additives



Full health & safety compliance



100% customer satisfaction



Full compliance on marketing & communication



The preferred fuel of 63 out of 100 drivers



### Trading & Supply Chain

**19.3 mn tons** of feedstock shipped  
**1.55 mn tons** of products exported  
**420 shipments** processed by MMT

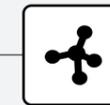


### Retail & Wholesale

**2.6 mn tons** of gasoline, Diesel & LPG sold  
**243** LPG stations  
**215** distribution stations in near-abroad



**Leading exporter** of petroleum products in Romania



**Sole producer** of n-hexane in Romania



**Sole producer** of bitumen in Romania

**SADUOKHAS  
MERALIYEV**

**Chief Production  
& Industrial  
Services Officer**



*In my 10 years with KMG International I have had the privilege to work with highly talented and dedicated people and I am confident to say that the Group's significant achievements over the past years can largely be attributed to our people, whose team effort helped us get further.*



## Romania: Base of operations

### Rompetrol Rafinare

#### Petromidia Refinery

gasoline  
Diesel  
jet fuel

#### Vega Refinery

n-hexane  
bitumen  
solvents  
heating oils  
additives

#### Petrochemical Division

HDPE  
LDPE  
PP

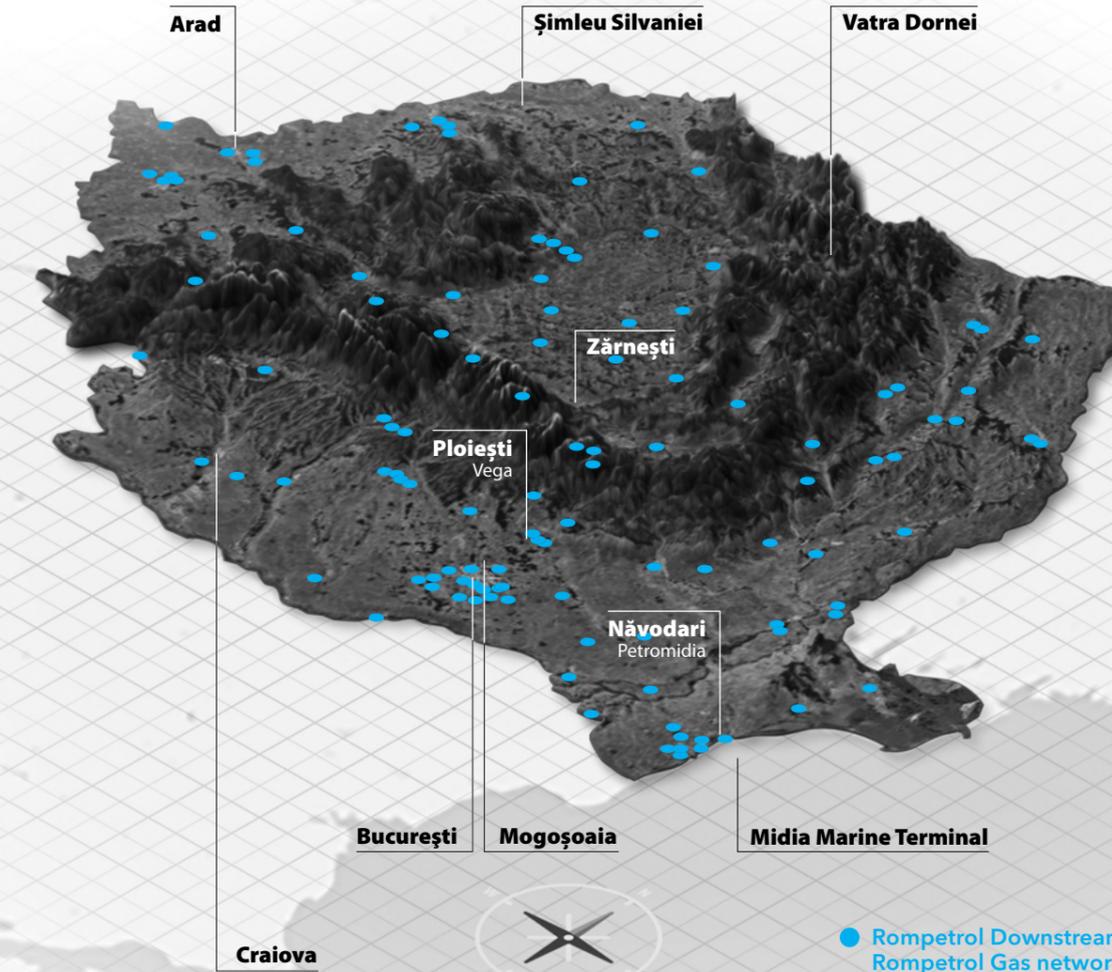
### Rompetrol Gas

cylinders  
auto LPG  
propane

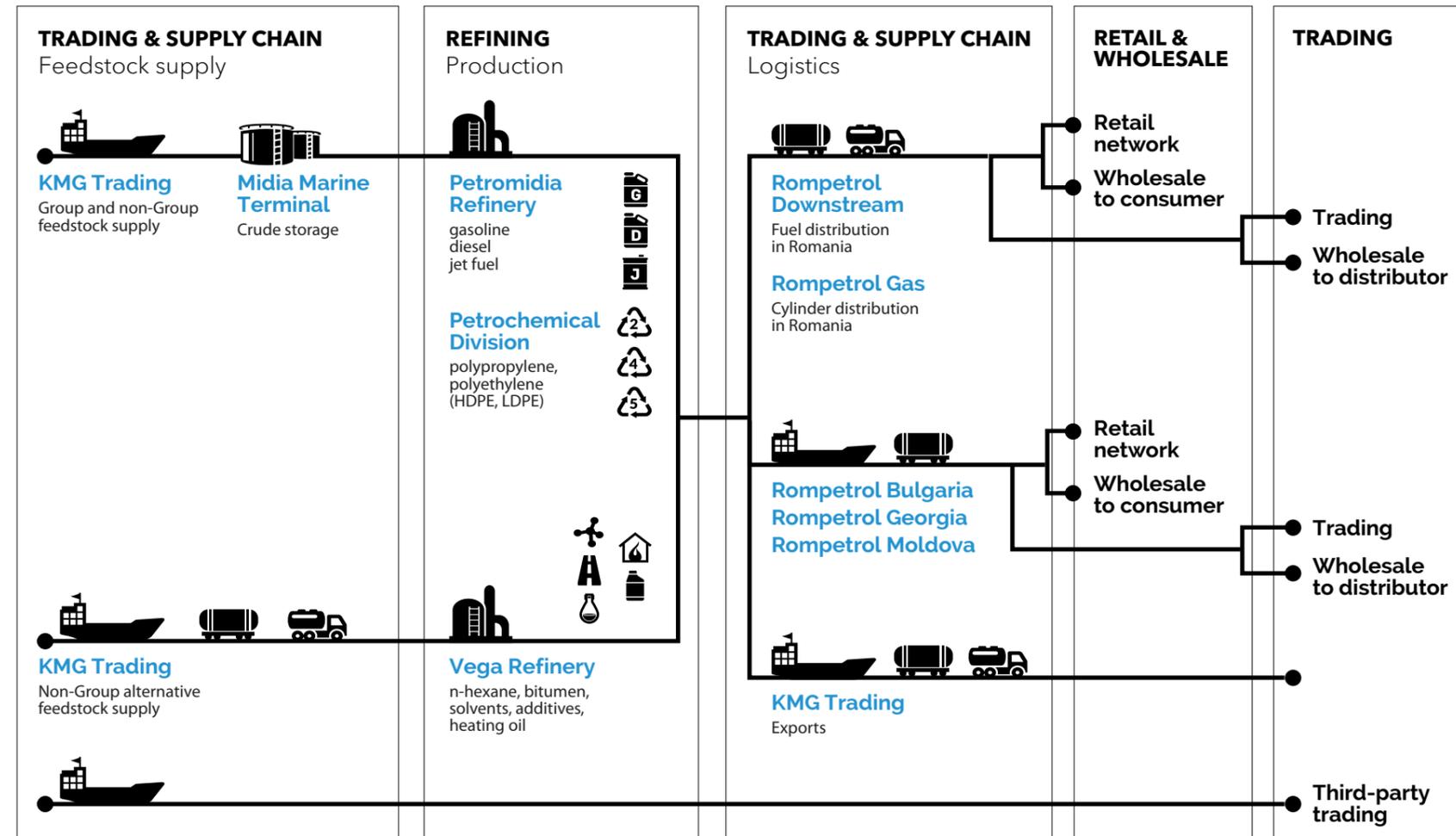
### Rompetrol Downstream

#### Warehouses

Șimleu Silvaniei  
Vatra Dornei  
Mogoșoaia  
Zărnești  
Craiova  
Arad



## Business units and companies



## Corporate and commercial brands

**KMG International** unifies all our foreign assets under one recognizable trademark, which is present across all the 11 main markets we operate on.

**Rompetrol** is the main brand of KMG International, used for the refining and petrochemicals operations, retail activities in Romania, Moldova, Bulgaria, Georgia and also for well services in the upstream area.

**Rominserv** is above all a solution provider. Technical and operational advantages establish Rominserv as:

- leading turn-key contractor for oil & gas investment projects.
- Leading turn-key multidiscipline company managing technological upgrade, turnarounds and plant maintenance.



Under the **Rompetrol** brand we distribute and promote our retail products & services on 4 European markets - Romania, the Republic of Moldova, Bulgaria and Georgia.

**Efix** is Rompetrol's advanced range of fuels, with outstanding engine performance properties. The products were designed with an optimum combination of additives ensuring not only the cleaning of valves and injectors, but also the reduction in fuel consumption and increase in engine performance. Efix fuels are produced at Petromidia and distributed in Romania, Bulgaria, Moldova and Georgia.

**Fill & Go** offers innovative pay-at-the pump services, fuels and shopping in the Hei stores, being the first identification system at the pump, available in different versions for both individual and corporate clients.

**hei** is the shop & gastro concept in our Romanian filling stations, created to improve customers' experience and interaction with our retail products and services. hei is a place where you can relax and recharge your batteries, with a freshly brewed coffee or a variety of delicious sandwiches, pastry and desserts.

**STAFF OF A  
ROMPETROL  
GAS STATION**

**ADRIAN CORBU**



**BOGDAN JIGLEA**



**FLORIN MAICAN**



**GABRIEL OLEA**



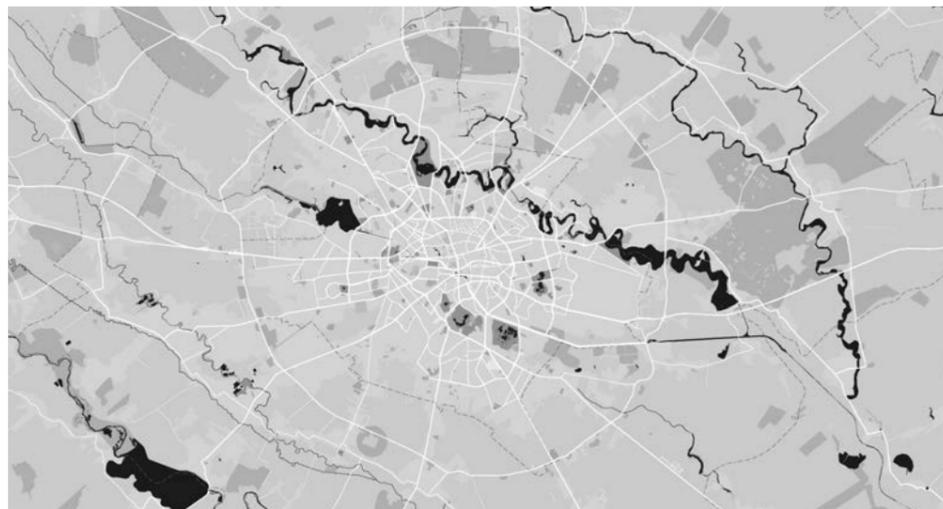
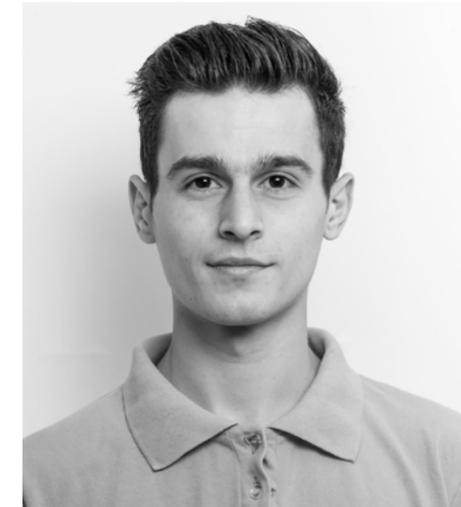
**MARIUS BĂNICĂ**



**RADU ROTARU**



**ALEXANDRU GEORGESCU**



**396 Șoseaua Mihai Bravu | Bucharest**



**CONSUELA SCAFARU**



**CRISTINA COSTACHE**



**DANIELA PUPĂZĂ**



**NADIA ARMEANU**



**GABRIELA DOCHIȚĂ**



**VALENTINA SIMICI**

## CORPORATE GOVERNANCE

### Operational profile

**Corporate governance plays a critical role in our culture and our ability to execute on our business strategy.**

**Strong corporate governance promotes accountability and transparency throughout the Group.**

**Moreover, as we believe conducting our business in accordance with good corporate governance principles strengthens our stakeholder relations and contributes to our reputation and continued success, we review our policies annually to ensure alignment to global and local benchmarks and best practices, while ensuring shareholder and stakeholder accountability.**

KMG International N.V. (formerly named The Rompetrol Group N.V.) is a company incorporated and operating under Dutch laws, having its headquarters located in Amsterdam, The Netherlands. The company was incorporated in November 1999, its entire issued capital being 100% held by National Company 'KazMunayGas' JSC since 9 May 2016.

KMG International N.V. and its subsidiaries, altogether referred to as the KMG International Group, represent a major worldwide player in the oil field carrying out operations in 16 countries throughout Europe, Central Asia and North Africa. The KMG International Group's activities are primarily concentrated in the refining, retail, marketing and trading areas. The Group conducts additional operations in the exploration and production segments, as well as other oil industry services (such as upstream services, industrial services, drilling etc.), business and management consulting services being also performed as support function.

As of December 2017, the KMG International Group comprised 63 entities (sub-divided into 50 legal entities – joint stock or limited liability companies/partnerships and 13 branches, representative offices and joint ventures), headquartered in 16 countries (i.e. Romania, The Netherlands, Republic of Kazakhstan, Switzerland, Bulgaria, Republic of Moldova, Georgia, Turkey, Ukraine, France, Spain, Singapore, Libya, Iraq, Oman, Gibraltar). The four Albanian companies, KMG Trading Singapore Pte. Ltd. and Rompetrol Well Services S.A. Kazakhstan Branch are undergoing liquidation.

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

### Major corporate changes

#### Divestment of 51% share in KMG International N.V. and its subsidiaries to China Energy Company Limited (CEFC)

On December 15, 2017 the Conditional Deed of Transfer, signed at the end of 2016 between 'KazMunayGas' JSC ('KMG'), headquartered in Kazakhstan, and China Energy Company Limited ('CEFC') to divest 51% of KMG International shares to CEFC, extended its completion to June 30, 2018.

#### Incorporation of Rominserv SRL Branch in Bulgaria and a permanent establishment in Georgia

On August 30, 2017, Rominserv SRL established a branch in Bulgaria. On September 21, 2017 a permanent establishment of Rominserv SRL was also established in Georgia.

#### Incorporation of two new companies where Dyneff holds 50% interest, namely:

- Boissonnade Combustibles SAS on July 28, 2017
- Combustibles de Cerdagne SAS on August 1, 2017

### Management

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

- Sole Shareholder
- Board of Managing Directors
- Chief Executive Officer ('CEO')

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

The Board of Managing Directors comprises 6 (six) managing directors, of which 1 (one) executive managing director (CEO) and 5 (five) non-executive managing directors, of which three independent.

Independent members are of paramount importance from the Corporate Governance perspective, as they provide well-grounded opinions in their area of expertise in support of management decisions, while also offering an increased protection of the interests of shareholders and other stakeholders, and an adequate guarantee for third parties.

In accordance with KMG International N.V. Articles of Association and Board Regulations, the CEO, being the sole executive member of the Board, is responsible for the day-to-day management of the company, being also in

### The composition of KMG International N.V. Board of Managing Directors, as of December 2017, is:

**Mr. Daniyar Berlibayev**  
Chairman of the Board

**Mr. Zhanat Tussupbekov**  
Chief Executive Officer

**Mr. Azamat Zhangulov**  
Non-Executive Managing Director

**Mr. Johan Frederik Lodewijk Frowein**  
Independent Non-Executive Managing Director

**Mr. Emile Eduard Wolff**  
Independent Non-Executive Managing Director

**Mr. Ramon Diego Mendes de Leon**  
Independent Non-Executive Managing Director

**RALUCA  
LAINER**

**Production Planning &  
Optimization Director**  
Petromidia Refinery

*Raluca started her career with KMG International in the Group's first edition of the internship program and is now in charge of production planning at Petromidia and Vega refineries, which cover nearly 50% of Romania's total refining capacity, Raluca oversees production processes in the two refining units, constantly adapting and optimizing the activity of her team to the rapidly-changing market conditions of the industry.*



charge of reviewing, defining and submitting strategic options that may contribute to the development of the company and its subsidiaries. The CEO is authorized to independently represent KMG International N.V., with the possibility to delegate his managing function for certain operations/categories of operations to certain third parties.

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

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

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

**General Assembly of Shareholders/Sole Shareholder**

Board of Directors	Sole Director
General Manager and Chief Financial Officer	

**AUDIT COMMITTEE**

(As of December 2017)

MR. RAMON DIEGO MENDES DE LEON (CHAIRMAN)  
MR. JOHAN FREDERIK LODEWIJK FROWEIN  
MS. ANARGUL KAIRULLA (TO BE REPLACED)

**APPOINTMENT & REMUNERATION COMMITTEE**

(As of December 2017)

MR. JOHAN FREDERIK LODEWIJK FROWEIN (CHAIRMAN)  
MR. RAMON DIEGO MENDES DE LEON  
MS. SIMONA POPOVICI

**STRATEGY & INNOVATION COMMITTEE**

(As of December 2017)

MR. AZAMAT ZHANGULOV (CHAIRMAN)  
MR. JOHAN FREDERIK LODEWIJK FROWEIN  
MR. EMILE EDUARD WOLFF  
MR. ALEXEY GOLOVIN

**FINANCE & INVESTMENT COMMITTEE**

(As of December 2017)

MR. RAMON MENDES DE LEON (CHAIRMAN)  
MR. AZAMAT ZHANGULOV  
MR. ALMAS LEPESBAYEV  
MR. ALEXEY GOLOVIN

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

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

The Appointment and Remuneration Committee established by the Board of Managing Directors at the level of KMG International N.V. is responsible for advising the Board and the General Meeting (i.e. Sole Shareholder) generally in matters related to remuneration policy, terms of employment and total compensation, as well as performance criteria mainly for Top Management, creation and implementation of any compensation plans, monitoring and assistance in implementation of remuneration policies and plans at Group level in a consistent manner. The decision-making powers of any remuneration policies and plans applicable at Group level would rest upon the KMG International N.V. Board of Managing Directors.

## Code of Ethics & Business Conduct

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

### Code of Ethics

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

The Code of Ethics establishes norms of behavior in interaction with colleagues, government bodies, our shareholders, affiliates, business partners, communities and the media. In this regard, we employ various advice seeking and grievance mechanisms so that every employee, business partner and stakeholder can feel confident in sharing any non-compliance incident, environmental concerns or social injustices with our corporate ethics and human resources departments. Concerns about unethical or unlawful behavior and matters related to integrity can also be reported directly to our Compliance Department.

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

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

### Code of Conduct

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

#### Health, safety and security

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

#### Risk management

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

#### Respect for our employees

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

#### Continuous involvement

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

#### Education and leadership

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

#### Respect for the local community

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

#### Best practices

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

## GEORGIAN FLOREA

Deputy General Manager  
Rompetrol Well Services



*I would like to walk in the footsteps of my wiser and more experienced colleagues, who have shaped the activity of the company and the Group, which is why I try to make the most of their knowledge and know how, while trying to find new ways to adjust to the fast-changing environment and market challenges.*



In addition to our Code of Conduct, we have a well defined set of values that guides our actions.

### Our people

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

### Care, integrity and responsibility

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

### Determination

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

### Environmental protection

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

### Sustainability

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

### High quality

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

### Commitment to leadership

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

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

**KMG International also has a Supplier Code of Conduct in place, detailing the company's values and approach with regard to integrity, human rights, labor standards and environmental responsibility. All suppliers and partners that wish to do business with us must comply with this Code.**

## MEMBERSHIPS AND AFFILIATIONS

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

### American Chamber of Commerce (AmCham Romania)

Operating different working committees and task forces on environment, energy, corporate governance, taxations, competition, labor market etc.

### Conservation of Clean Air and Water in Europe (CONCAWE)

Managing all petroleum products, based on REACH regulations (the European Community Regulation on chemicals and their safe use), within ECHA – European Chemicals Agency. Rompetrol Rafinare has been a member since 2008.

### Foreign Investors Council (FIC)

Committed to facilitating the dialogue between policy makers and the foreign investment community.

### International Advertising Association (IAA)

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

### Kazakhstan Chamber of International Commerce (KAZCIC)

A branch of the Kazakhstan National Chamber of Entrepreneurs, its mission is to contribute to the development of Kazakhstan through the support of domestic companies in foreign trade.

### KazEnergy

Promoting the creation of favorable conditions for the dynamic and sustainable development of the fuel and energy sector in the Republic of Kazakhstan.

### National Agency of Exporters and Importers (ANEIR)

Acting to create a legislative economic, financial and banking framework, likely to expand the export-import volume of Romania.

### Romanian Advertising Council (RAC)

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



### Romanian Association of Drilling Contractors (ACFR)

Member of the International Association of Drilling Contractors – IADC, the International Society of Oil Engineers – SPE, both of them with headquarters in Houston-USA, as well as a member of the Association of Oil and Gas Engineers.

### Romanian Petroleum Association (ARP)

Aiming to provide the framework required to facilitate cooperation between oil companies in Romania.

### Romanian Petroleum Exploration and Production Companies Association (ROPEPCA)

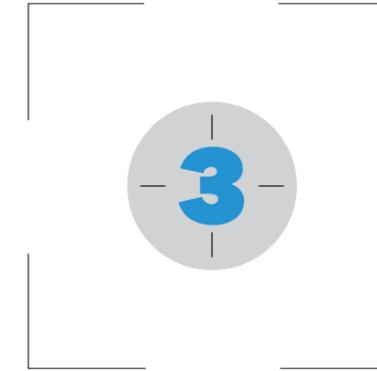
Aimed at achieving a transparent working environment in the upstream oil and gas sector in Romania and maintaining the highest standards and latest technology.

### The Petroleum Club of Romania

Romania's most exclusive gathering of energy professionals, allowing industry players to explore new opportunities as well as to provide a conduit for dialogue with authorized Romanian and international entities.

### United Nations Global Compact

KMG International is a signatory of the UNGC and founding member of its Romanian branch, acting as active supporter towards the achievement of the Sustainable Development Goals set forth in the 2030 Agenda.



## ENVIRONMENT



**CONSTANTIN  
ANGHELACHE**  
Production Manager  
Vega Refinery

“

*The best part of my job is working with people. For the past 35 years, my pride and joy were being able to leave a mark on the generations of operators, engineers and unit managers who came through the gates of Petromidia refinery. All talented people who were hungry and eager to learn. This is my legacy within KMG International and I am proud to carry it with me.*

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## OVERVIEW

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Operating in the oil & gas industry, we are aware of the major role we play in driving environment and community protection, while responding to the world's increasing energy demand as population grows and economies develop.

Beyond that, we understand the need to evaluate and reduce our environmental footprint, as major player in the industry, and we are committed to undertaking our operations in an environmentally responsible and sustainable manner, in strict compliance with local, national and international laws and regulations.

Our people-centric approach, reflected in our core values and business conduct, goes beyond looking after the health, safety and well-being of our employees but also those of the communities we operate in. Whilst we have expert staff dealing with environmental protection issues, we also encourage our employees to pitch innovative ideas on how we can have an increasingly positive impact on the environment. And we take pride in the commitment and involvement of so many of our staff setting a positive example in this sector. We share our great achievements with those of our people.

The efficient and responsible management of our resources is a key component of our operational drive for excellence and an important aspect of our way of doing business, embedded into our business strategy and practices. As such, we constantly develop and maintain programs to manage air emissions, preserve water and reduce waste, while minimizing habitat disturbance and preventing spills. We also dedicate significant staff and resources to help ensure compliance with environmental laws and regulations, international standards and voluntary commitments.

As founding member of the local United Nations Global Compact branch in Romania, KMG International has pledged to lead by example in its strive towards achieving the 2030 SDGs, including goals 6 (Clean water and sanitation), 7 (Access to affordable, reliable, sustainable and modern energy), 12 (Responsible consumption and production), 13 (Climate action), and 14 (Life below water).

To track our environmental performance and drive improvement over time, we use key performance metrics at local and global level and we apply permanent monitoring and regular reporting, in compliance with the applicable legislation. Moreover, the investment programs carried out by the Group place high emphasis on the alignment with the best technologies and processes available in the industry.

**ANDRA  
ECXARCU**

**Performance Analyst**  
Rompetrol Downstream



*Having started my career with KMG International as an intern, I now work with a passionate team, in a business area which is exceptionally dynamic and full of challenges. There is a certain sense of pride in being rewarded with the trust and confidence of your team, especially at such an early stage of your career and this only motivated me to push my limits.*



Year on year, we revise and amend our environmental strategy, in line with internal and external best practices. Making use of our experience and lessons learned, we follow the major objectives set by our Group policy:

- Align activities and facilities with national and international environmental regulations and requirements
- Minimize environmental incidents and consumption of natural resources through proper training, improved processes and advancements in technology
- Reduce various pollutant emissions and greenhouse gases by optimizing our operations and technologies for greater energy efficiency
- Reduce the amount of waste generated in our core and non-core business operations, especially hazardous waste
- Provide regular training for our employees on ways to reduce our environmental impact
- Improve the certified environmental management system (ISO 14001) implemented in all of our facilities
- Ensure transparent communication and encourage feedback from all relevant stakeholders that might be impacted by our activity and operations.

**Through these efforts, we continuously strive to reduce the amount of water and energy we use, limit our emissions to air and prevent spills and other unplanned releases.**



**IOAN  
TAUS**

**General Manager**  
Midia Marine Terminal



*I have had the privilege to witness the incredible growth of the Group over the years and I am proud to be a part of the flagship that is KMG International, a pioneer of an East-West bridge of cultures and resources that will benefit us all. This wouldn't have been possible without the visionary courage of our shareholders, combined with the dedication of our highly-skilled people.*



## MAJOR 2017 ACHIEVEMENTS

The comprehensive revamping process of the Group's refining facilities continued in 2017. In its efforts to increase production, minimize technological losses and eliminate accidental shut-downs in the industrial process, KMG International also invested in the maintenance and continuous improvement of its integrated QHSE management system, with special focus on reducing its environmental footprint.

In consequence, the Group did not only register record operational and financial results for the 5th consecutive year since the upgrade and processing capacity increase of Petromidia Refinery in 2012, but it also showed impressive improvements in its overall environmental performance indicators.

2017 was a time of historical records for Petromidia refinery, in terms of both volume of processed feedstock and production of fuels (gasoline, diesel) and other petroleum products (jet fuel). Against the backdrop of continuing the internal programs aimed at improving the production activity and energy efficiency, the unit obtained the lowest production cost for the past 10 years.

Moreover, the refinery continued the improvement of its operational and mechanical availability while reducing its energy consumption and processing costs, with a decrease by approximately 14% in its energy intensity index (EII) and a drop by 44% in its processing cost.

Vega Refinery also recorded an all-time-high in bitumen production, namely 96KTons/year, as well as its lowest technological loss ever in its 113-year history - 1.04% wt.

While the Group's Petrochemicals Division, the only unit of its kind in Romania, started the development of a new grade of polymers, companies in its Retail and Trading business units followed the same positive trend in terms of environmental efficiency, with an impressive drop by 34.2% in power consumption for Rompetrol Gas, the Group's LPG trading division and a decrease by 4% in overall consumption for Rompetrol Downstream, KMG International's retail division which includes the Groups network of gas stations and warehouses.

No accidental spills or grievances were recorded in 2017 and the CO2 emissions for the Refining Business Unit (Petromidia and Vega platforms, along with the Petrochemical Division) decreased by 5% compared to the previous year.

Furthermore, as part of the Group's strategy to preserve biodiversity and water resources and to reverse land degradation, Lagoon no. 2 and Lagoon no. 3 at Petromidia Refinery were fully emptied and in October 2017 the Group began to empty the historical sludge from Lagoon no. 1, as well.

**MIHAI NEAGU**

**Turnaround & Maintenance Director**  
Petromidia Refinery



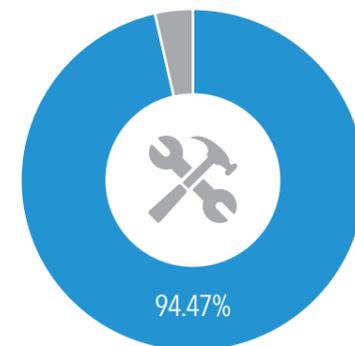
*To paraphrase a famous saying, with great responsibility comes great reward. I believe this is the best way to describe my job with KMG International as Turnaround and Maintenance Director at Petromidia Refinery. My team and I take every challenge as an opportunity, always looking to improve our results. And year by year, we get to grow along with one of the most modern refineries in South Eastern Europe and proudly represent our trade.*



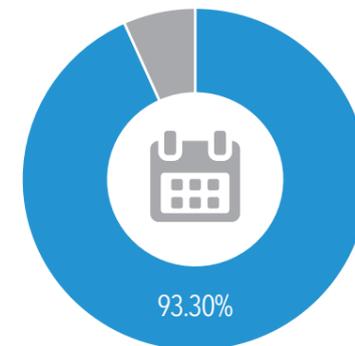
**OPERATIONAL PERFORMANCE**

In 2017, KMG International reached its highest operational performance in the 40 years since the establishment of Rompetrol and Petromidia Năvodari refinery, and 10 years after its takeover and integration into the Kazakhstan’s national oil and gas company KazMunayGas, due to measures like the increase in processed raw materials, processing optimization, increased logistics efficiency.

The volume of processed raw materials increased by 5% as compared to 2016, up to 6.23 million tons, as a result of the Group’s extensive program designed to increase the processing capacity of Petromidia refinery, carried out throughout 2008-2012.



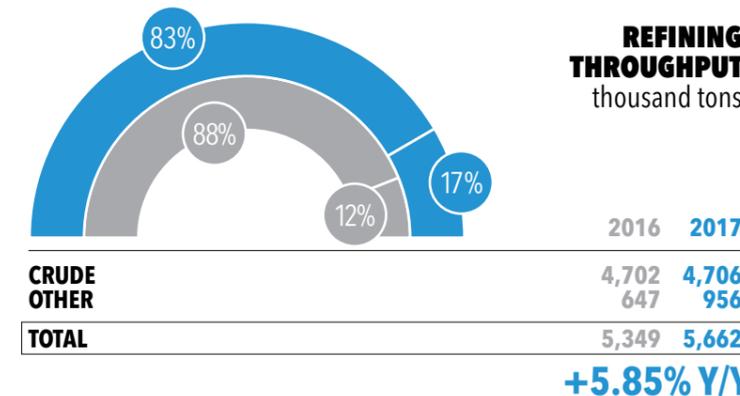
**PETROMIDIA MECHANICAL AVAILABILITY**

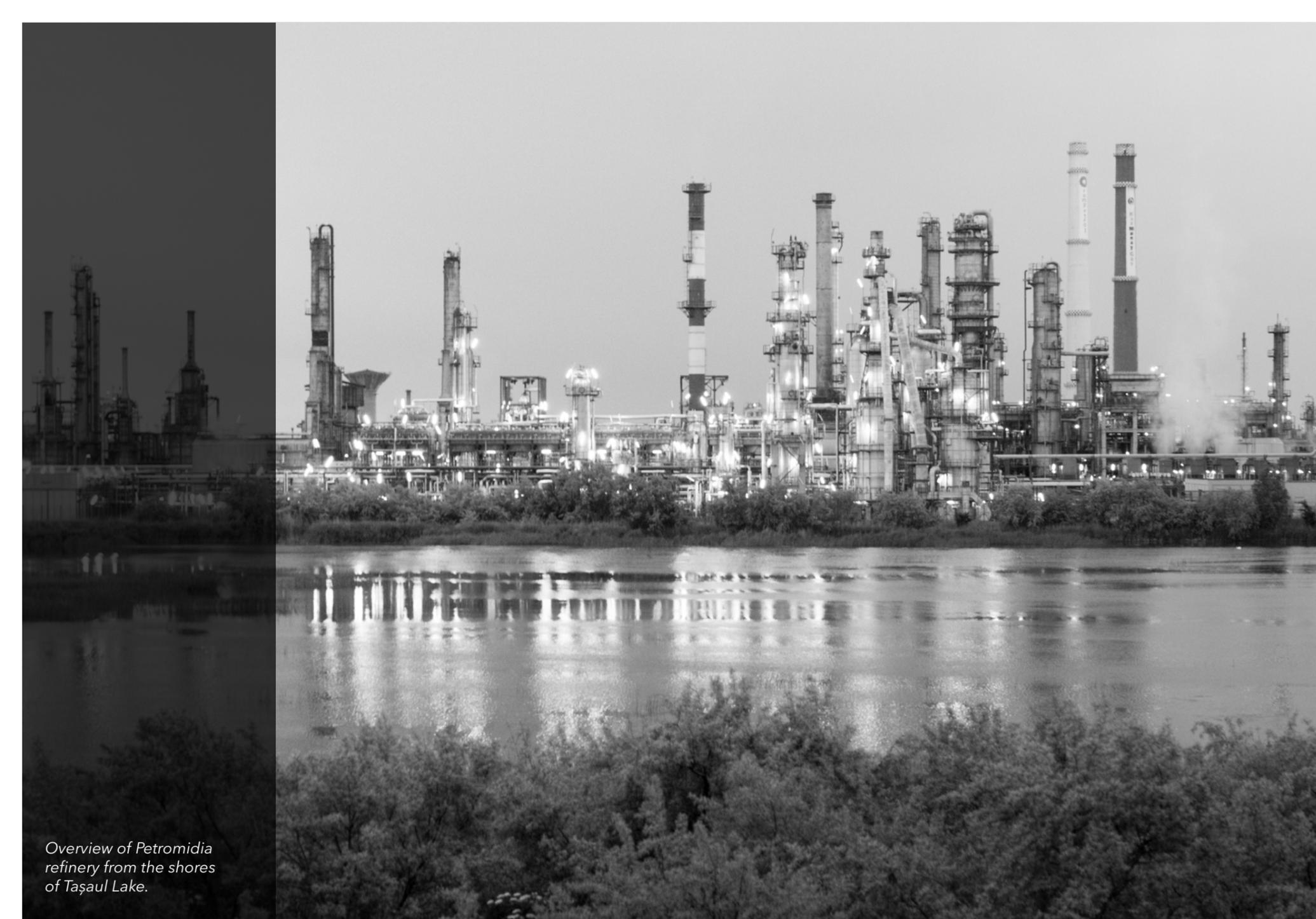


**PETROMIDIA OPERATIONAL AVAILABILITY**

**Refining and Petrochemicals**

While the production plan for Rompetrol Rafinare for 2017 was designed with a total processing of 5,652,205 tons, total throughput processed in 2017 was 5,662,487 tons, of which 4,706,412 tons of crude oil and 956,075 tons of other raw materials, representing 100% of the program set up for the overall 2017 budget.





Overview of Petromidia refinery from the shores of Taşaul Lake.

## Petromidia Refinery

As a result of its ample modernization, the volume processed by the Petromidia refinery has increased from 3.8 million tons in 2007 to 5.66 million tons in 2017 (up by 5% as compared to 2016). Moreover, the daily quantity of processed raw materials has constantly increased, from an average of 10,800 tons in 2007 to 16,763 tons in 2017. For example, in December 2017, the refinery reached an average daily quantity of approximately 19,100 tons of raw material - the highest level attained in its 41-year history.

2017 was a year of historical records for Petromidia refinery, regarding both processed feedstock and production of fuels (gasoline, diesel) and other petroleum products (jet fuel), reflecting a constant improvement in operational and mechanical availability throughout the years, which positively impacted the refinery's energy efficiency and processing costs, with a decrease in its energy intensity index (EII) by 14% and a drop by 44% in its processing costs.

## Petrochemical Division

The Group's Petrochemical Division, the only unit of its kind in Romania, processed more than 1 million tons of raw materials (propylene and ethylene) between 2012 and 2017. In 2017, the Division processed circa 193,000 tons, surpassing 2016 production by approximately 7%.

**5.66 mn tons** feedstock processed (+255,000 tons y/y)  
**16,700 tons/day** feedstock processed (10,000 over budget)  
**4.88 mn tons** (86.3%wt) of white products (new record)  
**1.46 mn tons** of auto gasoline (new record)  
**2.74 mn tons** of Diesel fuel (new record)  
**251,000 tons** of jet fuel (4.4% yield)  
**133,000 tons** of propylene (new record)  
**96.47%** mechanical availability  
**93.3%** operational availability  
**15.8 USD/mt** processing cost (10-year low)

**198,500 tons** feedstock processed (mostly lower ethylene)  
**147,000 tons** of polymers  
**20,000 tons** of polymer-grade propylene  
**247 USD/mt** conversion cost  
**New grade** of polymers under development

## CRISTIAN BOLOHAN

Process & Engineering Director  
Petromidia Refinery

*Cristian is one of the most promising KMG International engineers and a skilled young manager. In his 15-year career with the Group, he went from field operator to process and engineering director, being responsible for the construction and revamping of several Petromidia refinery units. Not only is he a great team leader, he is also an excellent team player, giving his all in every project he is involved, while motivating his colleagues, bringing out the best in them.*



## Vega Refinery

Currently the oldest operational processing unit in Romania (established in 1905), Vega refinery is the sole producer of a series of specific products like normal hexane, ecological solvents and bitumen. From 2012 to 2017, in synergy with the Petromidia refinery, Vega Ploiești refinery has processed a quantity of approximately 1.9 million tons of raw materials, from 305,000 tons in 2012 to 373,000 tons in 2017.

Production schedule of Vega refinery was designed with a total processing of 340,525 tons in 2017, but the refinery's total through processed in 2017 reached 372,954 tons. Given the raw material supply provided by Petromidia refinery, the processing capacity budgeted for 2017 (28,377 tons) was surpassed by more than 9%, at 31,080 tons.

## Trading & Supply Chain

In 2017, the total volume of raw materials and oil products handled by the Trading division of the Group amounted to 19.3 million tons, 18% more than the result of 2016. These volumes include raw materials supplied to the Group's production units, as well as the supply / sale of oil products to its own regional subsidiaries and external partners.

Export sales of the Group's crude oil products to the subsidiaries of the Group and to other regional partners are carried out by the trading and supply chain division of the Group called KMG Trading.

The export of petroleum products sold by KMG Trading (KMGT) in 2017 reached 1.55 million tons, 15% higher than the volumes exported in 2016. KMGT improved its operating costs by 5% in 2017, operating 420 vessels in the Midia Marine Terminal.

**373,000 tons** feedstock processed  
**96,000 tons** of bitumen (new record)  
**41,000 tons** of ecological solvents (new record)  
**38.5 USD/mt** processing cost (historic low)  
**1.04% wt** technological loss (historic low)

**19.3 mn tons** feedstock and products handled  
**1.55 mn tons** of products exported  
**420** shipments processed by MMT



Rompetrol filling station in Otopeni.



## Retail & Wholesale

As part of the strategy initiated by the Group in 2012, the retail segment has recorded constant growth, both in Romania and in the Black Sea region. Locally, fuel sales (petrol, diesel, LPG) increased from 1.6 million tons, in 2012, to approximately 2 million tons in 2017, an increase by 7% compared to 2016.

The positive evolution was generated by the 9% increase of the network - up to 1,028 distribution points and 243 LPG stations, as well as by the consolidation of Hei and Fill&Go brands and the completion of Rompetrol stations' rebranding process. Furthermore, sales volumes in Bulgaria, Moldova and Georgia also recorded an upward evolution compared to 2016, with an increase by 9%, as a result of the overall alignment with Group standards, introduction of Rompetrol station concept to the three countries of operations and the expansion of the network in the region, to 215 stations, a 20% increase compared to 2012.

As such, KMG International is currently the largest petroleum product supplier in the Republic of Moldova, with an estimated market share of 48%, being at the same time an important market player in Georgia (19%) and Bulgaria (16%).

Total sales of petroleum products in 2017 reached 2.6 million tons in 2017, up by 3% from 2016, while direct sales of refinery petroleum products reached 482,000 tons, a similar volume to the one in 2016. At the same time, internal delivery of petroleum products by Vega Ploiești refinery and the petrochemicals division recorded a positive evolution, up to 206,000 tons, a 9% increase from 2016, while direct exports in the Black Sea region increased by approximately 18% in 2017, as compared to the 2016 volume (429,000 tons).

**2.6 mn tons** of gasoline, Diesel and LPG sold  
**482,000 tons** direct sales of petroleum products  
**1,028** fuel distribution points (network increase)  
**243** LPG stations  
**215** stations in Bulgaria, Moldova and Georgia  
**Complete** rebranding of retail network

## ENVIRONMENTAL PERFORMANCE

### Energy and water mgmt.

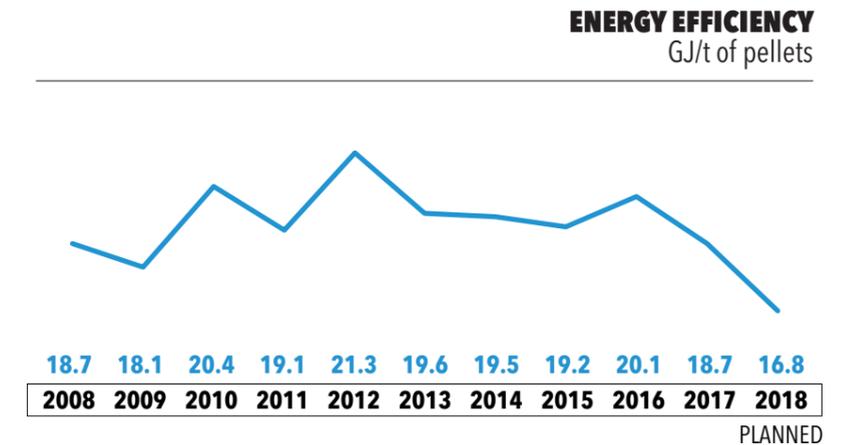
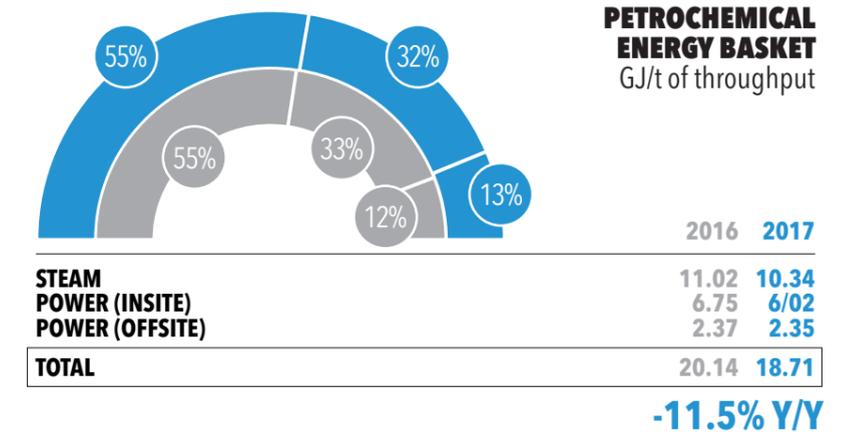
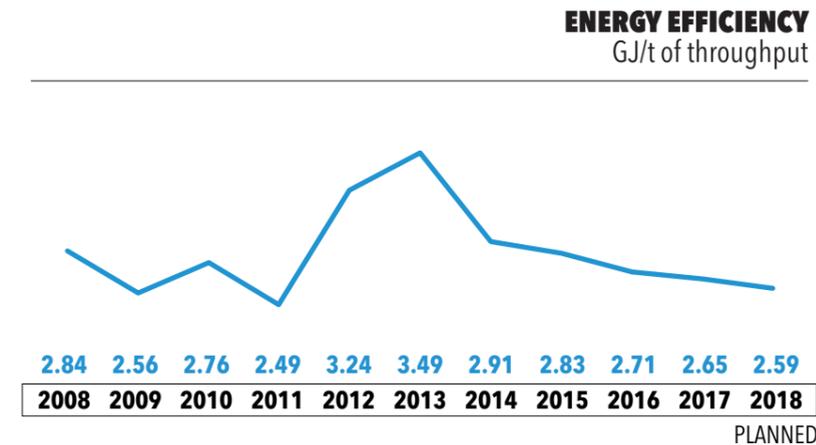
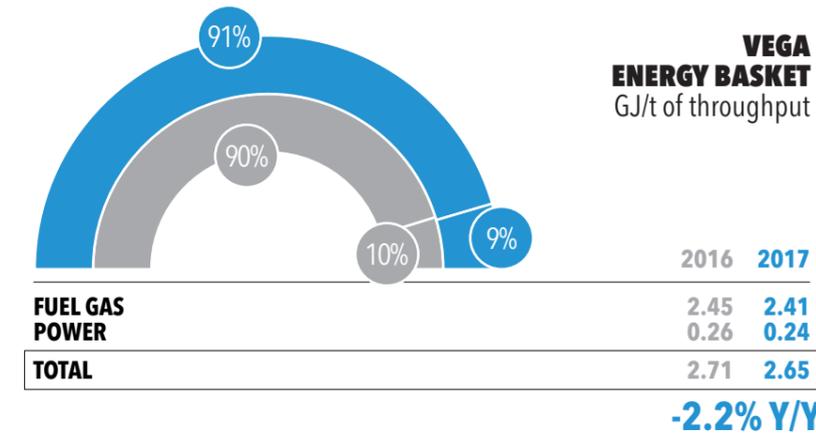
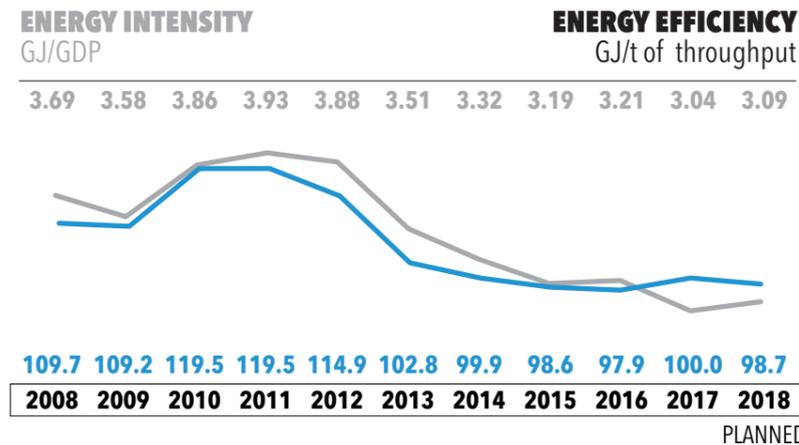
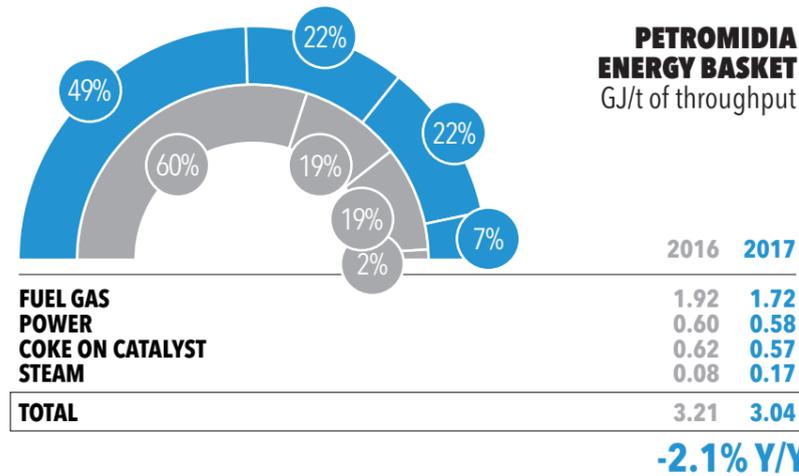
#### Energy input and consumption

Reducing our energy use has the dual benefit of lowering costs and GHG emissions, and it is a central focus of our approach to managing the business.

The improvement of Petromidia refinery's energetic efficiency, as well as operational concentration to enhance energetic performance, led to a lower energy consumption by 3.04 GJ/t in 2017 compared to the previous year. Energy consumption for both Vega refinery and the Petrochemical Division also saw a decrease in 2017, with a 2% drop in both energy and steam consumption at Vega refinery followed by 1.3% decrease in power consumption and 0.6% decrease in steam consumption recorded by the Petrochemical unit.

As a result of energetic efficiency and operational performance improvements carried out at the level of the Group's refining operations, both Petromidia and Vega refineries recorded a lower total energy input in 2017 compared to the previous year.

Our Retail Business Unit also recorded impressive results in terms of energy efficiency, with Rompetrol Gas reducing its energy consumption by more than 34% from 956.69 MW in 2016, to 629.34 MW in 2017. Furthermore, Rompetrol Downstream (gas stations and warehouses) registered a



12% decrease in its electricity consumption, according to the total number of transactions (calculation of specific electricity consumption in correlation with the number of transactions recorded) and a 4% decrease in overall power consumption, from 25.561 MW in 2016 to 24.522 MW in 2017 despite our network expansion.

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

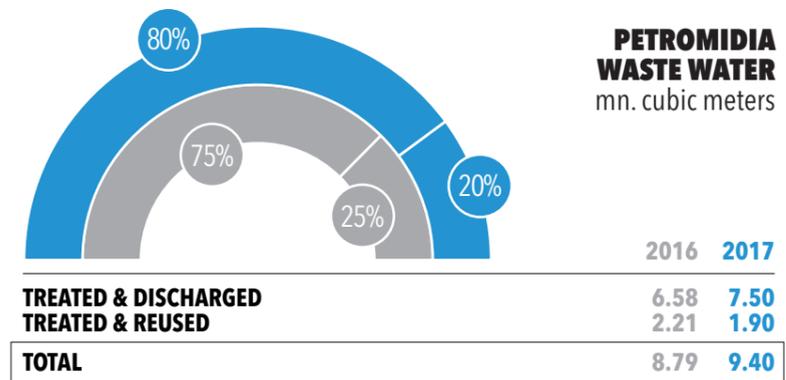
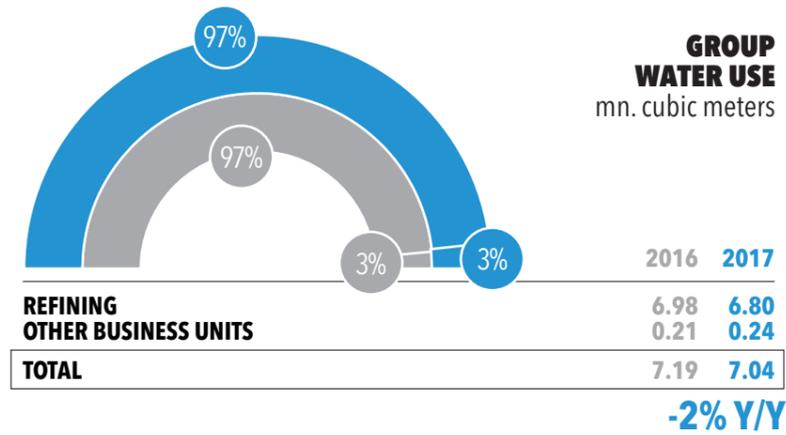
Additionally, the implementation of several measures aimed at generating higher throughput, lower costs and increased mechanical and operational availability drove an overall positive evolution of energy indicators throughout the Group in 2017. For example, compared to 2012, the year Petromidia refinery's modernization was completed, when the unit had an Energy Intensity Index (EII) of nearly 115, in 2017, the refinery's EII was 99.98.

## Water input and consumption

While we rely on water in many of our operations, we also understand its importance to society and ecosystems. As part of our commitment to achieving the 2030 Agenda for sustainable development, we strive to preserve water across our operations and ensure that wastewater is properly treated prior to discharge to avoid degradation to the surrounding environment.

Seeing how water management is one of our material issues and a key element of our QHSE strategy across the Group, we developed a lifecycle approach to managing this natural resource, from sourcing through disposal.

In 2017, total water input to our facilities was 7.04 million cubic meters, down by 0.2% from 2016, despite the drought that year. With 42 units in the Group's Refining Business Unit using industrial water, of which 25 units at Petromidia refinery (6 in conservation), 13 units at Vega refinery (2 in conservation) and



4 units in the Petrochemical Division, a total volume of 6.8 million cubic meters was supplied to the refining operations.

However, while overall water consumption decreased, due to the abovementioned factor, some of the Group's units recorded a slightly upward input. For instance, Petromidia refinery's total water input was set at 5,883 thousand m<sup>3</sup>, a drop by nearly 3.5% from 2016. At opposite poles, total water consumption increased in Vega refinery operations, along with those of the Group's Retail Business Units, with a 0.8% increase for Rompetrol Downstream and nearly double for Rompetrol Gas.

As for the Groups' Upstream Business Unit, water consumption values remain flat, Rompetrol Well Services and Oilfield Exploration Business Solutions using drilled well water and local network water with a stable water consumption over the years, namely 143 m<sup>3</sup>/year and 3,650 m<sup>3</sup>/year for the Timisoara and Ploiești working points and cca. 300 m<sup>3</sup>/year, respectively.

Our wastewater discharge was 7.5 million cubic meters, for Petromidia refinery, and 1.1 million cubic meters at Vega refinery. More precisely, of the 9,407,621 m<sup>3</sup> of treated waste water at Petromidia refinery, 7,507,019 m<sup>3</sup> were discharged at VADU, while 1,900,602 m<sup>3</sup> being reused, namely 25.3% of the total water withdraw. The recycled water at Vega refinery was the same as last year, while the discharge of sewage water for the Retail Business Unit in 2017 reached 145,023 m<sup>3</sup>.

All Group operations closely follow the requirements of water and environmental permits and have monitoring systems in place water quality. In 2017, values set forth in the integrated environmental authorization regarding groundwater quality were not exceeded, just as the LEVs for land industrial use (7 monitoring points inside Petromidia refinery and 2 proof sample points at Vadu and Năvodari) recorded no exceeding values.

## Emissions and waste

Given the industrial nature of our operations, greenhouse gas (GHG) emissions and air pollutants, including nitrogen oxide (NO<sub>x</sub>) and sulfur dioxide (SO<sub>2</sub>) are closely monitored. Recognizing their impact on the environment, we are continuously looking for ways to reduce these emissions, in line with our commitment to the UNGC 2030 Agenda.

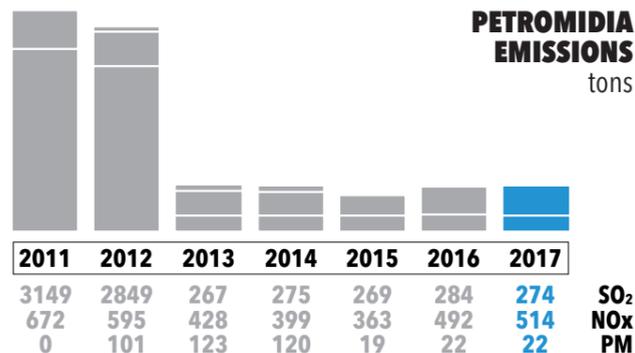
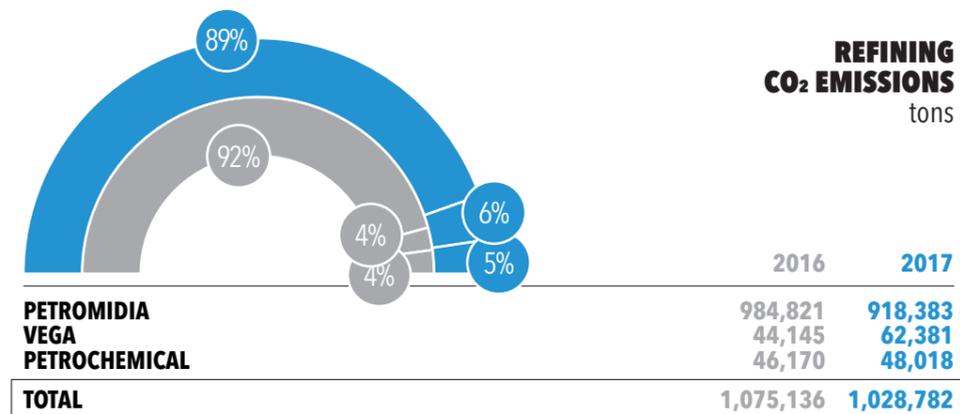
GHG permits, valid until the end of 2020 (Phase III), were issued in 2013 for both Petromidia and Vega refineries, with annual external audits being conducted in order to verify CO<sub>2</sub> calculations for the previous year.

All conformity obligations were fulfilled in 2017, the Refining Business Unit registering a 5% decrease in its CO<sub>2</sub> emissions from 2016.

As for sulfur dioxide and nitrogen oxide emissions, although within legal limits, there were fluctuations registered by the Group's refining units. For instance, Petromidia refinery (including the Petrochemical plant) reduced its SO<sub>2</sub> emissions by 3.5% from 2016 but recorded a hike in its NO<sub>x</sub> emissions, from 492 tons in 2016, to 514 tons in 2017.

On the opposite side, Vega refinery recorded higher SO<sub>2</sub> emissions, with 242 kg in 2017, compared to 201 kg in 2016, as well as slightly higher NO<sub>x</sub> emissions, from 60,81 tons in 2016 to 63,47 tons in 2017.

Regarding other waste generation, our waste recovery rate for Petromidia refinery in 2017 was 91%, with a waste generation rate of 3 kg of waste/ton of raw



material processed. Total waste recorded by Vega refinery was 980.08 tons, while the Group's Retail Business Unit recorded total generated waste in the amount of 4,808.52 tons, split between Rompetrol Downstream (4,738.91 tons) and Rompetrol Gas (69.61 tons).

Furthermore, no accidental spills were recorded in 2017 and no hazardous waste was transported in, imported or treated in the Refining Business Unit.

## Biodiversity

We recognize the potential impacts oil and gas development can have on habitats and biodiversity and, in our commitment to preserve the Black Sea Biosphere, located in close proximity to Petromidia refinery, our environmental strategy provides specific actions and measures to prevent ground and underground pollution and avoid the use of any raw materials throughout refining operations that might be toxic to the environment.

Additionally, aside from the permits issued by the competent authorities and the annual certifications issued by Lloyds Register, KMG International analyzes and assessed the impact of the refining activity on biodiversity for each new project. In 2017, KMG International kept a stable trend, with no risks imposed to species with habitats in our areas of operations. Furthermore, through our wastewater treatment operations carried out by the Rompetrol Rafinare Wastewater Treatment Plant (treating both the wastewater from the Petromidia platform and the domestic waters of the city of Năvodari) we have contributed to the improvement of habitat development in the plant's two ponds (natural purification of wastewater before being discharged in the Black Sea), which host an increasing number of animal species, becoming a real refuge for birds, especially in winter time.

## Compliance & investments

KMG International has developed its environmental strategy in line with the applicable legislation and constantly improves its provisions through regular monitoring and reporting of compliance and investment programs aimed at aligning operations with the best techniques available in the industry (BAT BREF).

All fuels produced by Petromidia refinery are EURO 5 compliant and have RAR certifications. On the same note, all LPG sorts meet the national and regional requirements on product quality. Distribution of KMG International products is carried out by road and rail internally and through the Media port and/or road and rail for exports.

Due to the strict requirements and high standards implemented by the Group in its trading and retail operations, no significant environmental impact of transporting products and other goods and materials were registered, and no significant environmental penalties were applied by the relevant authorities in 2017.

However, while Petromidia was in full compliance in this regard in 2017, Vega received a USD 27,000 penalty from the environmental authorities, while another USD 625 penalty was applied by SEVESO to Vatra Dornei Depot.

Nevertheless, the Group pays great attention to the prevention and control of the impact resulting from the activities it carries out and considerable financial resources are allocated on a regular basis in this respect.

In 2017, the costs of environment compliance and activities targeting environmental footprint reduction totaled nearly 4.3 million USD, addressing issues like waste disposal, packaging, VOC checks, environmental analysis, sludge collection from lagoons, cleaning works on refining platforms, etc.

BUSINESS UNIT	INVESTMENT	2017 (USD)
Petromidia refinery	environmental charges	2,312,000
Vega refinery	environmental compliance	201,688
	environmental charges	869,380
Rompetrol Downstream	environmental charges	1,124,292
Rompetrol Gas	environmental charges	25,772
Upstream	environmental charges	24,674
Non-core	environmental charges	146,298

**THREE  
GENERATIONS,  
ONE BIG HAPPY  
FAMILY**

**Left to right:**

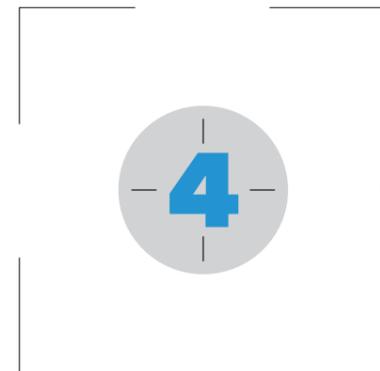
Tudorel  
Olimpia  
Adriana  
Claudiu  
Mihail  
Ionica

**CLAUDIU CIOARĂ**

**Production  
Field Operator**  
Rompetrol Rafinare

“

*Growing up with exciting stories about working in the refinery and seeing the dedication of my grandparents and my parents to their trade, I always knew I wanted to join them in this path. I can honestly say that KMG International is like my second home and I am proud to be the third generation in my family to build a career within the Group.*



**OUR PEOPLE**



**GINA  
CRUCERU**

**Deputy Group  
HR Director**

“

*I believe great results can be achieved only by inspiring, engaging and helping people grow both personally and professionally. Together with my colleagues, we share the Group's people forward strategy and contribute every day to the well-being of our people, as well as to the recognition and rewarding of their professional achievements.*

## OVERVIEW

**Our people are at the core of our operations. As such, our growth and success are inevitably linked to the development of each individual that drives the gears of the complex mechanism that is KMG International.**

Moreover, experience has shown us that we cannot grow as a corporate player unless we encourage our employees to step into their continuously expanding roles, in response to the rapidly changing environment in which we carry out our activity.

That is why we have used our rich background in the oil & gas industry and mixed it with the know-how, maturity and learning skills amassed over the years to develop an organizational culture that emphasizes the full potential of our people, who are fundamental to our success.

And we are proud to be able to say that we have built a diverse and balanced work environment based on values like inclusion,

equality, mutual trust and cooperation, integrity, determination and team work. Because we believe the shared commitment to the Group's values represents the solid foundation for both personal and professional growth which, in turn, translates into the way we do business, we deliver performance for our stakeholders and shareholders, we contribute to the betterment of the communities we operate in.

Our dedicated culture and approach have proven to deliver enduring results, true to the needs of our customers and of our diverse mix of stakeholders. Our efforts in this direction have been awarded with excellent operational results year on year. And we feel obliged to reward the people driving our accomplishments beyond our usual recognition.

Because our people make us better, stronger and more committed, this report is dedicated to the faces beyond our success, the people of great achievements within KMG International.

## WORKFORCE STRUCTURE AND EVOLUTION

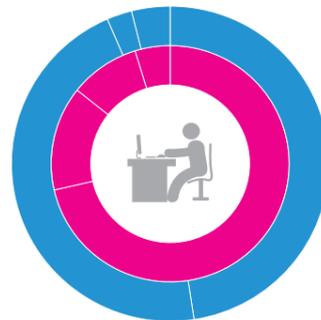
In our efforts to maintain an effective and healthy organization, we resort to resourcing talented people, accelerating the development of our people, growing and strengthening our leadership capabilities and managerial effectiveness, and enhancing employee performance.

Our total headcount, as of December 2017, was 5,628, a decrease by approximately 8% from the previous year, due to the changes in the Group's business model regarding retail network administration - switch from company to dealer operated gas stations.

However, different fluctuations in the countries where we operate are directly linked to the specific of our individual operations and to the individual projects developed by the Group.

### RETURN TO WORK RATE

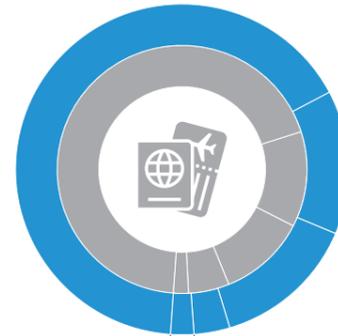
	F	M
ROMANIA	15	0
GEORGIA	3	1
BULGARIA	2	0
MOLDOVA	0	2
SWITZERLAND	1	0



**GROUP TOTAL** 21 3

### HEADCOUNT BY COUNTRY

	2016	2017
ROMANIA	4,293	3,724
GEORGIA	774	792
MOLDOVA	708	790
KAZAKHSTAN	328	196
OTHER	121	127



	2016	2017
BULGARIA	66	74
SWITZERLAND	26	26
LIBYA	10	10
SINGAPORE	6	6
THE NETHERLANDS	6	6
TURKEY	4	5
UKRAINE	3	5



**GROUP TOTAL** 6224 5629

## Diversity and inclusion

While the majority of our employee community is located in Romania (66%), given the Group's extensive operations here, it includes 17 different nationalities, like Georgian, Moldovan, Kazakh, Bulgarian, among others, a reflection of our commitment to fostering diversity and inclusion.

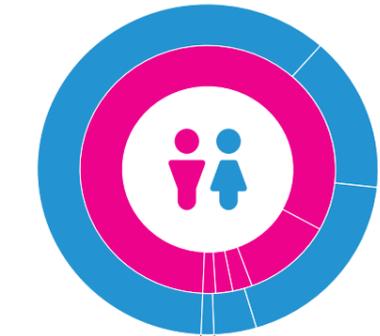
We are committed to providing a respectful, inclusive workplace free from harassment, discrimination, violence and intimidation. We do not discriminate based on gender, race, color, age, national origin, religion, disability, sexual orientation, marital status or any other characteristic protected by applicable laws. Moreover, we embrace diversity and equal opportunity as a means to access a broader talent pool and foster innovation.

In being true to our commitment to provide opportunities for female employees to build a successful career within KMG International, we continued to support the improvement of gender diversity within our operations. Despite the drop in the overall percentage of female employees from 34%, recorded in 2016, to 27,5% in 2017, resulted from the structural changes inside the Group, the Romanian operations of the Group, which entail the majority of the Group's workforce, are carried out by 40% female employees.

Furthermore, our pledge is to continue to improve gender diversity within our global operations and, in that respect, we are making every effort to attract qualified female employees across all areas and functions of our business. In 2017, 25% of new hires were female, while in Kazakhstan and Romania the percentages rose above the Group median, to 41% and 35% respectively.

### HEADCOUNT BY GENDER

	FEMALE	MALE
ROMANIA	1,263	2,461
GEORGIA	175	615
MOLDOVA	38	755
KAZAKHSTAN	33	163
OTHER	42	85



	FEMALE	MALE
BULGARIA	25	49
SWITZERLAND	10	16
LIBYA	1	9
SINGAPORE	5	1
THE NETHERLANDS	1	5
TURKEY	0	5



**GROUP TOTAL** 1,550 4,078

Accounting for age diversity, 140 of our new hires, namely 11% of the total new hires in 2017, were over the age of 50, with 39% between the ages of 30 and 50 and 50% under 30. The highest percentages were recorded in Romania, Moldova, Georgia and Kazakhstan, with 15% new hires over the age of 50 in Romania and, at the opposite end, 69% new hires under 30, in Kazakhstan, of a total of 1268 new hires in the respective countries.

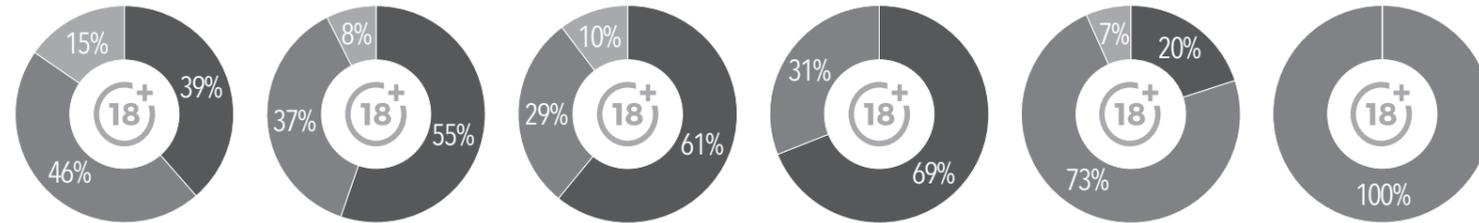
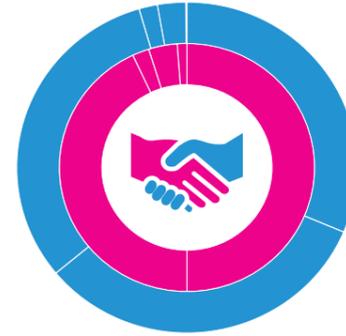
Furthermore, we employ a high number of local nationals in our international operations, including senior managers. By hiring locally, we demonstrate our long-standing policy to support the growth of our host communities and provide an inclusive environment and multiple opportunities for cultural and organizational exchanges. For example, in Romania, there is a balanced mix of nationalities in senior management, with 40% national representatives.

### NEW HIRES BY GENDER

FEMALE MALE

ROMANIA	165	304
GEORGIA	142	316
MOLDOVA	7	305
KAZAKHSTAN	12	17
BULGARIA	4	26
SWITZERLAND	0	1

GROUP TOTAL 330 969



NEW HIRES BY AGE	ROMANIA	GEORGIA	MOLDOVA	KAZAKHSTAN	BULGARIA	SWITZERLAND
UNDER 30 YO.	181	253	190	20	6	0
30-50 YO.	216	171	90	9	22	1
OVER 50 YO.	72	34	32	0	2	0
<b>TOTAL</b>	<b>469</b>	<b>458</b>	<b>312</b>	<b>29</b>	<b>30</b>	<b>1</b>

## Employee turnover and retention

In 2017, KMG International's overall employee turnover was 1,514, the highest number of departures being recorded in Romania, with 703 employees who left the Group, due mostly to retirement and the change in the Group's business model, namely the shift in focus from company owned and operated to the Company Owned Dealer Operated (CODO) model. The highest turnover was recorded in Georgia - 47%, while the highest volatility was recorded in the "under 30" age group, with the highest rates in Georgia and Moldova, 77% and 75%.

At Group level, 78 employees were entitled to parental leave in 2017, of which 66 (60 women and 6 men) took

the leave, a downward trend compared to the previous years: 141 in 2016 and 93 in 2015. The total number of employees who returned to work after parental leave ended (in 2017) was 82, considering legal provisions which, depending of the country of operations, allow variations in parental leave, such is the case of Romania, for example, where employee can opt between a 1-year and 2-year parental leave.

The total number of employees who returned to work after parental leave ended and who were still employed 12 months after their return to work was 24, of which 21 women and 3 men.

While the return-to-work was 100% for both 2016 and 2017, the overall retention rate of employees who took parental leave (calculated for 2016 taking into consideration the number of employees who worked more than 1 year after return to work) was 29%, with an average of 29% for female employees and 27% for male employees from the analyzed representative countries.



TURNOVER BY AGE	ROMANIA	GEORGIA	MOLDOVA	KAZAKHSTAN	BULGARIA	SWITZERLAND
UNDER 30 YO.	183	219	215	13	2	0
30-50 YO.	347	121	103	37	14	1
OVER 50 YO.	173	32	37	11	6	0
<b>TOTAL</b>	<b>703</b>	<b>372</b>	<b>355</b>	<b>61</b>	<b>22</b>	<b>1</b>

## ECONOMIC PERFORMANCE

### Remuneration policy

We are committed to ensuring all our employees have their basic needs met to live a healthy and productive life. So, our global pay positioning is at or above the market median. We do not discriminate by gender, age, nationality or any other factor that has no bearing on how employees can perform their job. Our pay packages are generally composed of base salary and variable pay and they are linked to employee and management performance and business results.

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

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

### Rewards and recognition

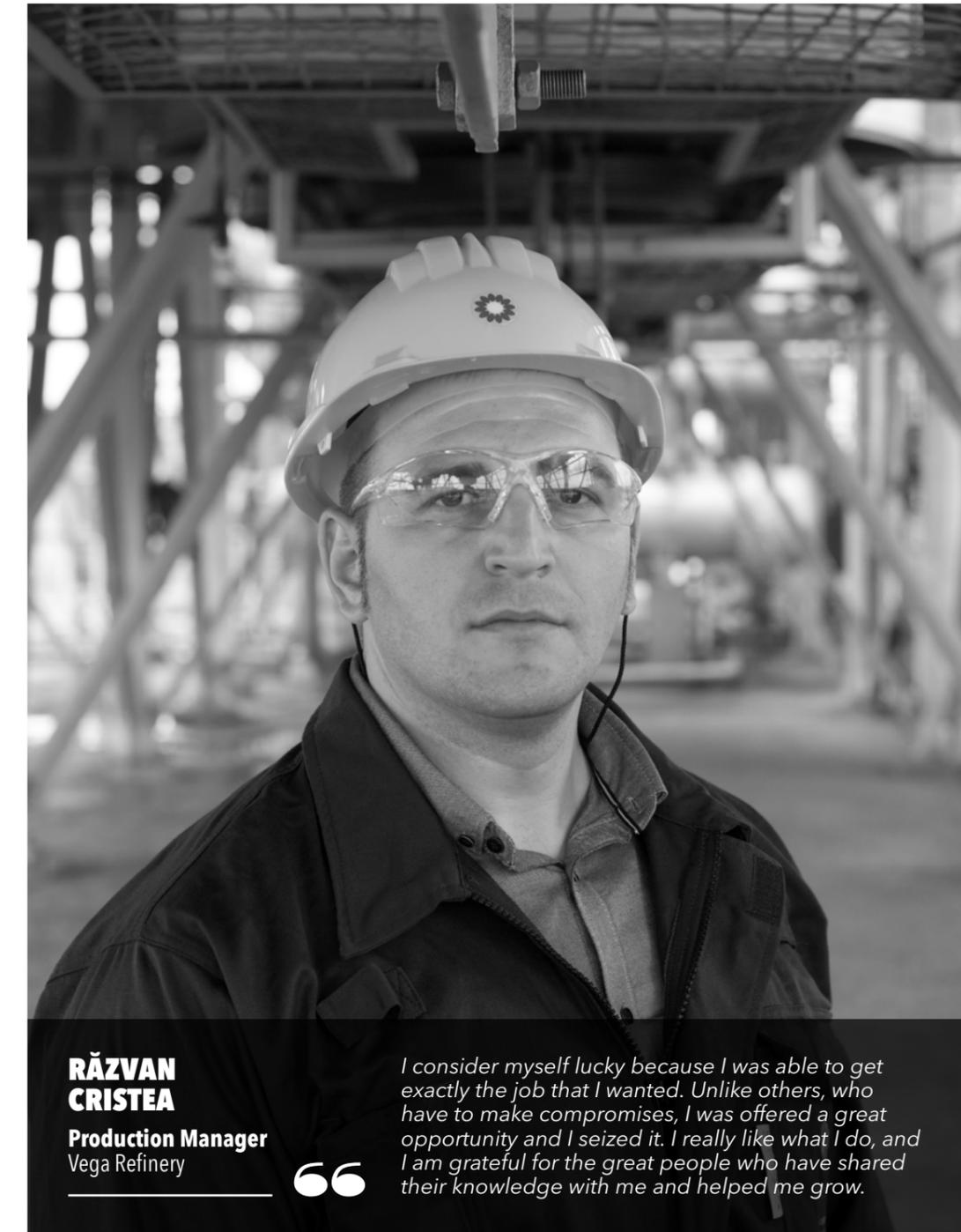
KMG International's Compensation program intends to support the company's commitment to develop as a successful and profitable enterprise and reinforces employee performance by aligning their rewards with their achievements and contribution.

For us, motivated and engaged employees are the key drivers of individual and company performance. Across all locations, our goal is to provide our team with one of the most competitive compensation and benefits packages in the markets where we operate.

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

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

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



**RĂZVAN CRISTEA**

**Production Manager**  
Vega Refinery



*I consider myself lucky because I was able to get exactly the job that I wanted. Unlike others, who have to make compromises, I was offered a great opportunity and I seized it. I really like what I do, and I am grateful for the great people who have shared their knowledge with me and helped me grow.*

## Employee contribution and market presence

As major regional oil & gas player, KMG International also has great responsibilities in safeguarding more than 5,000 jobs, while ensuring its operations are environmentally friendly and the community at large benefits from the overall economic activity and social involvement of the company. Its considerable social contributions reflect both the Group's constant growth and investment in the well-being and development of its people and the community.

The majority of KMG International's workforce is employed under full-time contract (99%). However, the Group offers the same benefits to its employees, regardless of their contract type, be it part-time or full-time.

Of the total Group headcount, 79.94% are covered by collective bargaining agreements, with the highest percentage in Romania (99.55%) and no employee covered by collective bargaining agreements in Bulgaria. The percentage of employees represented in trade unions at Group level is 48.37%.

In each region where we have operations the notice period typically provided to employees and their elected representatives to the implementation of significant operational changes that could substantially affect them is as per the local legislation. In most of the regions the notice period is 4 weeks. Where we have collective bargaining agreements, the notice period is mentioned as the minimum period regulated by local legislation.

With the exception of three countries in which KMG International has operations where there is no minimum wage established by national legislation (Georgia, Singapore, Switzerland), throughout 2017 there were employees earning minimum wage only in Moldova and Romania, in line with their experience and specific line of operations.

CONTRIBUTIONS	2015	2016	2017
<b>Employer Social Contributions</b> Unemployment Fund, Labour Accidents Fund, Disabled Persons Employment Fund, Wages Guarantee Fund	11,514,719	12,505,210	12,638,750
<b>Employer Health Contributions</b> Accident Fund, Medical Insurance Fund	5,915,576	5,063,311	4,943,964
<b>Total</b>	17,430,294	17,568,520	18,582,714

MINIMUM WAGE EMPLOYEES BY GENDER / MONTH													
COUNTRY	G	1	2	3	4	5	6	7	8	9	10	11	12
Romania	F	91	123	118	81	79	55	28	20	20	17	17	11
	M	102	249	244	220	197	68	48	43	41	43	42	39
Moldova	F	-	-	-	-	-	-	-	-	-	-	-	-
	M	7	7	7	7	7	7	7	7	7	7	7	7

Minimum wage in Romania was USD 330 in January and USD 382 as of February.  
Minimum wage in Bulgaria was USD 140.



**GEORGIANA BÎRLIGĂ**  
QHSE Coordinator  
KMG Rompetrol

*Georgiana is one of the people responsible for the seamless flow of activities in the KMG International offices, ensuring employee health and safety. Her strong organizing and coordination skills are matched by her passion for yoga, which she takes refuge in whenever she has the chance. Her attention to details and well-balanced personality make her one of the best Health & Safety Coordinators with the Group.*

## EMPLOYEE WELL-BEING AND ENGAGEMENT

We protect the rights of our employees, care for their well-being and provide opportunities for personal development and improvement. Understanding how critically important employee engagement is to developing and maintaining a sustainable workforce we have developed specific projects and programs to help our employees feel passionate, energetic and committed to their work.

### KMG International Well Station

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

#### Well Station consists of three pillars:

- **Emotional and social well-being**
- **Physical well-being**
- **Financial well-being**

Under the three pillars, we mapped programs such as: family and care events, stress management and mindfulness, hobbies and cultures, themed workshops, health education and prevention, nutrition and hydration, financial coaching and education, financial contribution for extraordinary life circumstances.

### Sports Academy

Sports Academy is KMG International leading internal event, with about 10% of all employees in the Group taking part in the competition. With a 7-year tradition, Sports Academy registered a record-breaking number of participants in 2017, over 700 employees from all countries and the Group's companies enrolled in the over 20 competitions in the preliminary and final stages of the Sports Academy tournament.

The sports included in the competition are: football, ping-pong and chess, swimming, double tennis and badminton, for the preliminary stages, followed by weightlifting, arm-wrestling, tennis, basketball and volleyball in the finals. The countries represented in the competition include Romania, Moldova, Bulgaria, Georgia, France, Switzerland, Kazakhstan,

Over the years, not only the number of employees increased, but also that of the sports included in the competition, from only 3 in 2010, to 10 sports, engaging 721 participants in 2017.

#### HIGHLIGHTS

<b>2010</b>	First edition. Sports: chess, tennis, football.
<b>2011</b>	A tradition is born.
<b>2012</b>	First time all competitions are held in one day. Table tennis is added.
<b>2013</b>	The competition goes international. Swimming, weightlifting and volleyball are added. 500 employees take part in the competition.
<b>2014</b>	Record number of participants - for the first time it reaches 10% of KMG International employees.
<b>2015</b>	More athletes join the Sports Academy.
<b>2016</b>	New competition is added: doubles tennis.
<b>2017</b>	New competition is added: badminton. 721 employees take part in the competition.

## SKILL MANAGEMENT & LIFELONG LEARNING

We understand the importance both for employees and the Group to continuously develop professional skills across the workforce. By providing resources to develop employee knowledge and skills, we offer our people opportunities for advancement, enhance value for our customers and stakeholders and retain talent to strengthen our leadership position.

## Skill upgrade programs

KMG International has various programs in place to ensure the continuous upgrade in employee professional skills, including:

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

- Knowledge sharing through job shadowing;
- Increases employee flexibility and readiness to switch to a new role;
- Develops the technical skills of employees with operational roles and improves their operating efficiency.

#### Management and Leadership Skills

In 2017, within all the Group's entities, the main development focus was on employee potential, management abilities and skills, providing employees with tools to drive continuous improvement. Moreover, every year, all Group managers undergo courses on management skills and leadership competencies, and the 2017 management curricula included Situational Leadership, addressed to all middle managers within the Group.

#### Management Practices

Within the Shared Services Organization, we created a management practices program which describes what the managerial practices specific for a shared service organization. All team leaders and managers attended workshops to understand how to implement the specific practices and how to be more effective in managing their operational teams.

#### Continuous Improvement

KMG International created an internal pool of trainers to educate all employees on specific Lean tools and concepts and sustained them in driving continuous improvement projects.



**LIGIA  
BOLINU**

**Personnel  
Administration  
Specialist**  
Shared Services Center

*Ligia has been with KMG International for more than 30 years, assisting countless employees with orientation, enrollment in company programs, implementation of internal policies and procedures or merely kind words and good advice when needed.*

### Stakeholder Management

Within the Shared Services Organization, we created a stakeholder management matrix together with stakeholders, employees and managers. The matrix defined the practices ensuring successful interactions when managing stakeholders. The process managers were educated on how to drive the behaviors throughout their teams and operations.

### Unlock employee potential

A program meant to support employees in identifying their talents, transforming their potential into strengths and creating awareness on how to be more engaged and productive at work.

The workshop “Discover your potential” offered managers and their employees a perspective on what their Top 5 Strengths are, how to make best use of them and how to maximize their potential. It gave support and tools to identify the opportunities to use the strengths daily and identify the roadblocks and struggles in their daily work and personal lives. The workshop was developed with the help of Gallup and Design Thinking instruments.

### Employees development initiatives

- Develop new skills and capabilities;
- Expand and deepen existing skills and competencies;
- Training curriculum for specific jobs.

## Transition programs

Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment in 2017 included:

### Knowledge Transfer

- Keep key information & skills within the organization through knowledge transfer from future Retirees to nominated Disciples;
- Ensure a smooth generational exchange;
- Extend knowledge and expertise area of employees and prepare them for taking on new roles;
- Facilitate knowledge and technical skills transfer.

### Internship & Long-Term Internship

- Develop students according to the business needs and priorities and increase their employability;
- Ensure generations exchange;
- Ensure business continuity & discover hidden potential.

**In 2017, 160 interns were enrolled in KMG International's internship program, with 20 long-term internship participants and 42 hires following the completion of the program.**

## Trainings and assessments

We believe it is our corporate responsibility to ensure that our employees have a clear vision of their career path within the group and we are intent in providing them with the means to reach their goals. To facilitate this objective, each of our employees participate in various trainings, as well as annual performance reviews. This is their opportunity to share their aspirations and desires with their leaders, but also to receive constructive feedback on how they can improve and reach their professional objectives.

In 2017, nearly 100% of our employees participated in this annual review. All locations, all genders and all levels of management get this opportunity and we look forward to continuing this in the future. Following performance assessment, based on employees' development needs, customized development programs are designed and implemented.

During 2017, our development programs covered both professional and personal development, such as leadership, communication, potential discovery etc.

One of the strategic directions within the Group, driven and sponsored top down, was to focus on programs to support unlocking employee potential, Talent Management being one of the processes sustaining this direction.

Within the Group's 2-year talent development cycle, approximately 120 employees had the opportunity to attend specific development programs adapted to their position level and talent pool segmentation category. The programs addressed topics such as: Innovation, Business Communication, Business Ethics, Strategic Management, Stakeholder Management. The programs were in collaboration with the Group's learning partners and customized for the specific needs and contexts of every participant.

AVERAGE NUMBER OF TRAINING HOURS	GROUP	ROMANIA	BULGARIA	NEAR-ABROAD
Average number of training hours per employee	12.04	15.62	36.28	5.04
Female employees	13.14	14.92	27.24	5.32
Male employees	11.62	15.97	40.83	4.99
Managers	27.65	29.92	16.77	18.82
Execution-level employees	10.75	14.17	45.71	4.37

## OCCUPATIONAL HEALTH & SAFETY

We continually strive to provide the safest work environment. We are determined to create a work environment in which the risks could be avoided at most times, if not eliminated. This aim is met through a constant risk evaluation and the implementation of strict safety measures, which are diligently applied throughout our entire value chain, to our employees, suppliers, contractors and subcontractors.

Regardless of formal agreements with trade unions in specific regions where we operate, the "safety first" principle represents the main pillar supporting each of our decisions. Where we have formal agreements with trade unions, several health and safety topics are covered to underline their critical importance.

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

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

To strengthen Top Management direct involvement and commitment we have established a Safety Committee at the group level as well. The sessions are chaired periodically by the Group CEO with the participation of the Vice Presidents and Chief officers. The Group Safety Committee is a permanent consultative body created with a role in reviewing the matters raised by group and subsidiaries management in relation with the QHSE strategy and activities.

The Group Safety Committee offers financial and managerial support to Group entities for a proper implementation of the Policies and standards. As well, it is analyzing the safety performance indicators (of each Business Unit Block/ SO), informs about the ongoing Safety Programs and about the results of QHSE Group inspections findings. It reviews and submits proposals upon issues related to safety regulations breaches and makes QHSE related improvement recommendations to the industrial facilities of the Group. It makes recommendations regarding QHSE targets and provides consultative opinion on annual QHSE programs and action plans after analyzing the Integrated QHSE Management System.

**Speaking about safety relevant performance indicators, 2017 was the best year so far, counting 234 days without incidents by year end.**

QHSE KPIs	UNIT	2017
FTL	cases	0
FTR	%	0
LTI	cases	1
LTIF	%	0.07
TRI	cases	3
TRIR	%	0.22
DAWC	cases	1
FR	cases	0.07
RWDC	cases	0
MTC	cases	2
FAC	cases	4
SR	%	0.07
MVCR	%	0.14
Distance travelled by company cars	km	16,171,538
Work hours	h	13,333,401

## LABOUR PRACTICES

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

### Anti-bribery and anti-corruption

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

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

### Business ethics & compliance

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

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

Concerns about unethical or unlawful behavior and matters related to integrity are also to be reported directly to our Compliance Department. In this regard, trainings are performed on regular basis on the matters to be reported and how to access the reporting mechanism.

### Freedom of association and collective bargaining

At KMG International, we fully acknowledge our employees' legal right to form trade unions and join other third-party organizations without fear of coercion and during our 2017 operations we did not identify any operations or suppliers in which the right to exercise freedom of association and collective bargaining was violated or at significant risk. In 2017, the degree of unionized employees was 95.74% (944 employees are members of the Trade Union) in the Refining Business Unit and 82% in the Trading Business Unit (Sindicatul Liber Petrochimistul=25%, Sindicatul Liber Vega -10%, SLPMN- 46%).

### Child labor

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

### Forced or compulsory labor

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

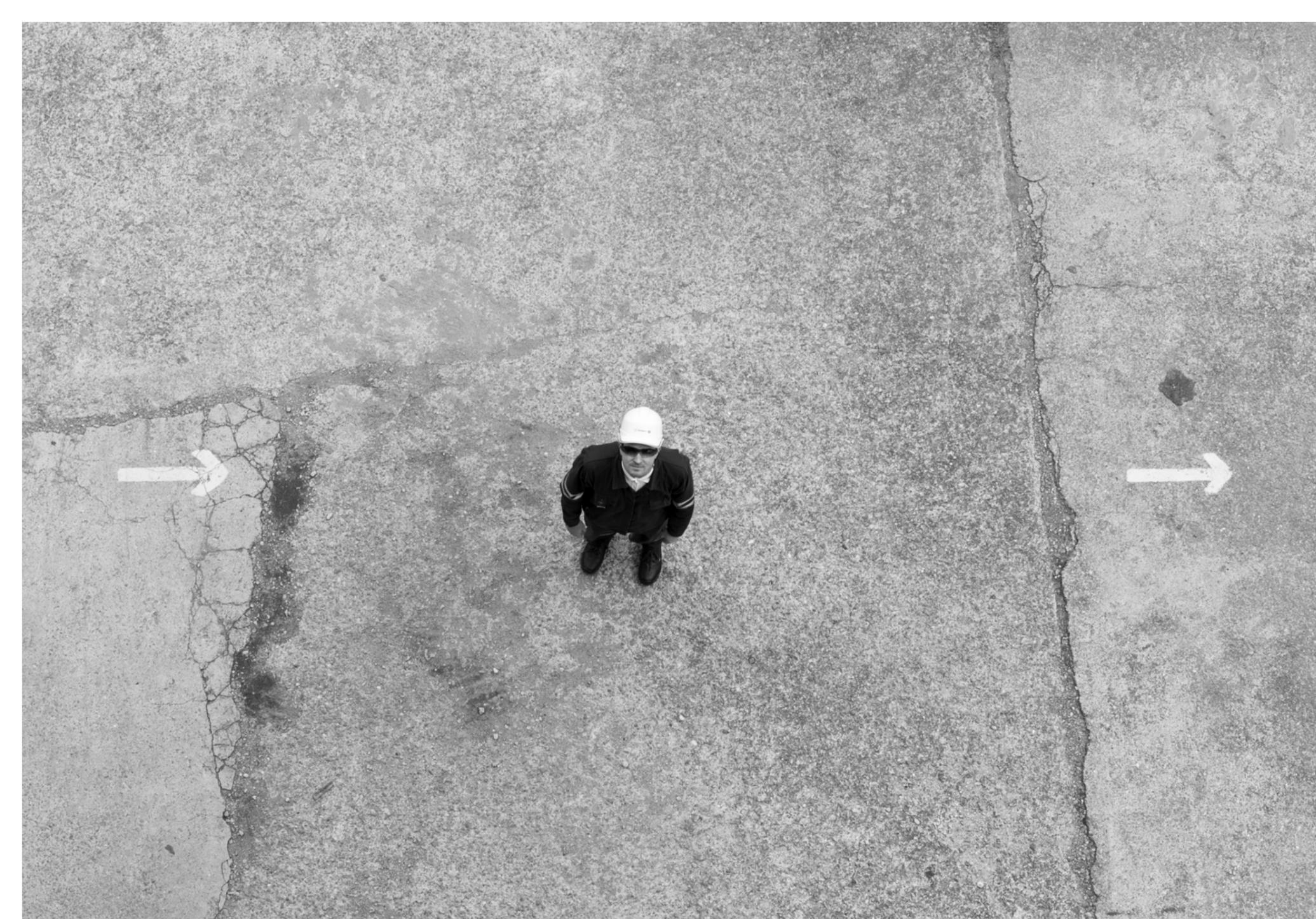
### Advice and grievance mechanisms

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

#### These mechanisms include:

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





**5** **COMMUNITY**

## OVERVIEW

People represent the core of our business, whether it is our employees or the communities we operate in. We are committed to being their trusted partner and contribute to their growth, as we recognize that thriving and resilient people are essential for a sustainable future.

Education improvement and work skill development are fundamental to sustainable economic growth, which is why we constantly invest in our people and, in return, we are rewarded with dedication, creativity and great achievements, which help KMG International “get further”. We pride in being good listeners and facilitators in this respect. As a result, we have the opportunity to grow together and use our resources to apply our knowledge and know-how in contributing to community development as well.

Proactively engaging with communities where we operate maximizes our business value and helps us manage social risks and impacts, while also supporting our mission to be a responsible industry leader and good corporate citizen.

We understand the value of partnering with the communities in which we operate, and our aim is to contribute to the balanced development of all facets of human life, including health and well-being, culture and education, skill development and leadership, or social and environmental stewardship.

Our community engagement projects stand proof of that. And with the help of our dedicated employees, who contribute their time and skills to the Group’s initiatives, we are able to go beyond awarding one-time support or relief and provide a sustainable framework for future advancement.



**ARETINA  
RACHIERU**

**Corporate  
Attorney**

“

*As in-house legal counsel of one of the major players in the regional oil & gas market, my job is both very demanding and rewarding at the same time. Working with a highly-skilled legal team, in an extremely challenging industry, I have to opportunity to constantly improve my know-how and expand my expertise. As they say, the bigger the challenges, the greater the satisfaction.*

## PROJECTS

### Health and well-being

#### 10 years of SMURD & ISU Partnership

KMG International has been actively involved in supporting the Romanian healthcare system, through its long-standing partnership with the Mobile Emergency Service for Resuscitation and Extrication (SMURD) & the Inspectorate for Emergency Situations (ISU). Over the 10 years of solid partnership, KMG International has invested more than USD 4 million in the public healthcare system, so that members of the communities where the Group operates in to benefit from quality medical services.

Throughout the years, the Group has provided JetA1 fuel for aero-medical helicopters, uniforms for volunteers, medical equipment, as well as investments in the rehabilitation and endowment of various medical facilities across the country and Emergency Situations training centers in Romania.

#### RECENT HIGHLIGHTS:

- Medical mannequin for first aid training in offering birth assistance donated to ISU Dobrogea;
- Mobile ECMO device (Extracorporeal Membrane Oxygenation) donated to Floreasca Emergency Hospital in Bucharest, a valuable asset used by emergency and intensive care services. The medical equipment improves cardiac and pulmonary functions for patients in the intensive care unit and it is also very useful when being transported by SMURD ambulances or helicopters;
- Regional training center for qualified first aid and extrication in Constanța, set up by KMG International, where paramedics from Constanța, as well as Călărași, Tulcea and Ialomița counties, are being trained;
- Equipping the ISU / SMURD Bihor crews with a unique IT system in Romania to help with the decision-making process during emergency and extrication missions;
- Refurbishing the space where the Integrated Dispatch Center of ISU/ Neamț County Ambulance operates and equipping it with furniture, electronic equipment, modern IT and communication systems for dispatching emergency calls and coordinating intervention actions;
- Financial support from KMG International for the construction of the Oradea Emergency Hospital heliport.

**PAUL  
VĂDUVA**

**Rominserv  
Branch Manager**  
Vega Refinery

*Paul has a vast experience in industrial services and has worked on KMG International sites in Turkmenistan, Sochi and even put the basis for Rominserv Kazakhstan projects at Atyrau refinery. For more than a decade now he has been the Manager of the Rominserv unit coordinating both investments and maintenance projects for the Vega Refinery. However, what most of his colleagues don't know about him is that he almost had a career in the movie industry as well, playing an extra in a Romanian historical film.*



## Culture

### “George Enescu” International Festival

KMG International, under the brand of „Rompetrol”, continued to be the main partner of the “George Enescu” International Festival, one of the most awaited events that promotes classical music and the cultural values of Romania. The 23rd edition of Festival took place throughout September 2017 in various concert halls in Bucharest, as well as in other major cities of Romania, with over 3 000 artists from over 80 countries performing on stage.

The activities supported by „KMG International” within the 2017 edition of the Festival included its closing gala and the concert of the Royal Concertgebouw Orchestra Amsterdam which took place on September 24th. Part of the „Great Orchestras of the World” series, the Royal Concertgebouw Orchestra Amsterdam is considered one of the best orchestras worldwide due to its unique sound made possible with the help of the 120 artists from over 20 countries.

The partnership signed by „KMG International” and the organizers of the „George Enescu” International Festival and Competition in 2010 represents a commitment to sustain the evolution of culture in Romania with the help of local and international virtuoso musicians.

### Kazakh Film Festival

The third edition of Kazakh Film Festival, largest event of its kind in Europe, was extremely well received by film enthusiasts and history buffs altogether. Co-organized by KMG International and the Embassy of the Republic of Kazakhstan in Romania, the Kazakh Film Festival took place from October 23rd through October 25th, at Cinema Elvire Popesco (The French Institute).

Already in its third edition, the festival continued to bring the rich history and traditions of Kazakhstan closer to the Romanian audiences through the silver screen, highlighting the similarities and fascinating differences between the two nations, defined by their struggles for independence and strive for modernity and success. The program of the festival included 5 screenings of films by Kazakh directors, among which “The Diamond Sword”, “The returnee”, “Road to Mother”, “The foreigner”, “The Nut Tree”.

The films depicted over 500 years of Kazakhstan’s history and culture playing upon various themes such as family ties, love, loneliness, heroism, solidarity and the fight for freedom. Moreover, to the fans’ excitement, actresses Alтынay Nogerbek (“A Road to Mother”) and Ingkar Abdirash (“Diamond Sword”) joined the audience for a questions and answers session at the end of the movies, while the well reputed movie critic Irina Margareta Nistor took part in the opening of the Festival.



**MIHAELA  
BILECA**

**Production Area Manager**  
Petromidia Refinery

*Mihaela has been with the Group for 37 years. Over the course of her career with KMG International, she has served as a mentor for many young generations who, in turn, started successful careers in refining, petrochemicals or utilities. Very dedicated to the company, she has used her know-how to constantly improve the work processes of the AFPE installation, being the most experienced refinery employee in this field.*

## Education and skill development

### Internship program

The internship program is part of KMG International's strategy to invest in human resources, not only within the company, but also for the community in which we operate. Running on the two industrial platforms - Petromidia and Vega, and the Groups' headquarters, the program supports know-how transfer from our experts to young engineers or merely students interested to start a career in the oil & gas industry.

Since its launch, back in 2002, more than 1,000 university and high-school graduates completed the Internship program and the best ones started their career at KMG International. Over 500 interns were employed with Group companies and more than 50 managers within the companies operating on the Vega and Petromidia platforms have started their careers as interns in the program.

The annual program runs from August to September on the platforms of Petromidia and Vega refineries and in April and October in the Group's Bucharest headquarters. Participants are selected from universities and high schools in Constanța, Ploiești and Bucharest - "Lazar Edeleanu" Technical College in Ploiești, "Ovidius" University in Constanța, the Oil and Gas University in Ploiești, the Polytechnic University in Bucharest, the Maritime University in Constanța, "Lazar Edeleanu"

Technical High School in Năvodari - with which the Group partners to offer internships to high-schoolers, students, university graduates and masters students.

Throughout the program, interns are trained by Group professionals in business segments such as oil processing and petrochemicals, laboratory, maintenance, planning, risk management, work safety, environmental protection, finance and accounting, commercial, human resources, procurement and marketing.

The selection process consists in the assessment of technical and behavioral competencies, such as field of studies, involvement in extracurricular activities, energy & enthusiasm, desire to grow & develop as part of a team, initiative and creativity. When the program is completed, the students have the opportunity to continue with the company as employees, pending available vacancies.

The 2017 edition saw more than 160 university and high-school students enrolled to develop their professional skills and technical expertise for a successful career in the oil industry.

Additionally, KMG International granted 10 scholarships for students with outstanding results from the Oil & Gas Universities in Constanța and Ploiești.



**CRISTIAN  
ZAHARESCU**  
Head of Turnaround  
Department  
Rominserv

*Cristian started his career with KMG International as an intern and quickly went from engineer/ supervisor to project manager on the modernization project of Pavlodar Refinery implemented by Rominserv in Kazakhstan. In Romania, he has worked on the biggest projects implemented by Rominserv in both Petromidia and Vega refineries.*

## Social & environmental stewardship

### Rompetrol Run & Care

Rompetrol Run and Care is the charitable cross organized by KMG International as part of the Group's approach to encourage an active and healthy lifestyle, while instilling strong volunteering principles among its employees.

In 2017, KMG International employees, their families, along with our partners dedicated time and effort to participate in the fourth edition of the event, to raise funds for "HOSPICE Casa Speranței" Foundation and the "Association for Dravet and other Rare Epilepsies".

More than 300 employees from different Group companies ran alongside families and business partners on distances of 5, 10 and 15 km, USD 5 being donated by the Group for each kilometer.

All runners came together at the start line determined to finish a competition that would bring them the best reward: the thought of helping others. Amateurs or more experienced runners, children, adults or grandparents, participants from Bucharest or from every corner of the country supported each other and ran together many kilometers, in order for their good deeds to come true.

The USD 15,000 raised were donated to the two selected causes and allocated to the medical care of patients living with incurable diseases, social support and psycho-emotional counseling of patients and their families relying on the palliative services provided by the

"HOSPICE Casa Speranței" Foundation, while the funds raised for the "Association for Dravet and other Rare Epilepsies" were used to support medical costs and specific activities for children in the day center.

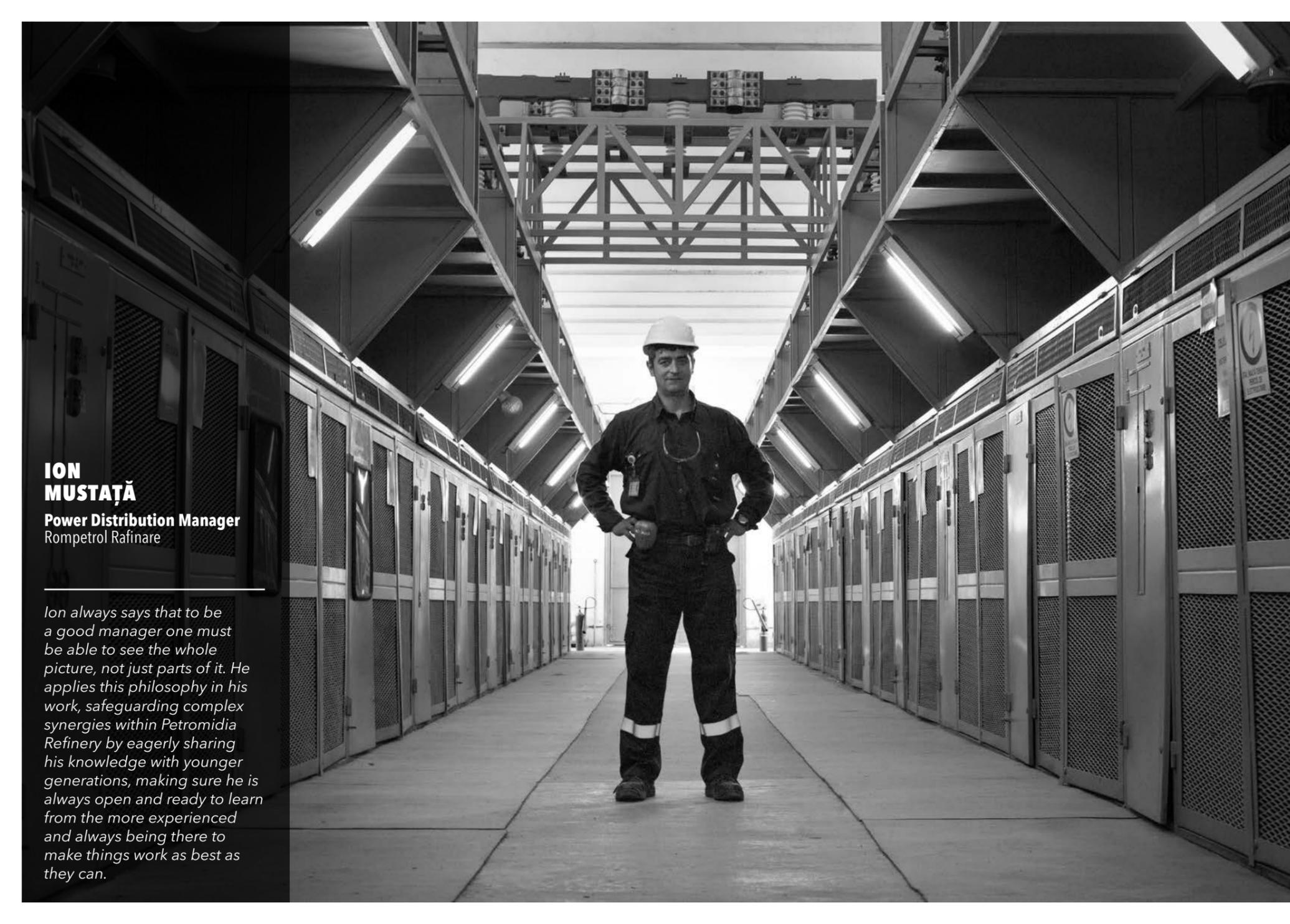
Throughout the years, more than 3,000 KMG International employees, namely more than half of the Groups' headcount, donated time and effort to support various social, environmental, health and educational initiatives for the benefit of the community, such as M.A.M.E. Association or MagiCamp, NGO's that improve the quality of life for children with cancer and other serious diseases.

### Civil Society Gala

During our 15-year partnership, the Civil Society Gala and KMG International have supported the implementation of projects that changed lives, mentalities, expectations and attitudes, improving the overall well-being of countless local communities.

In 2017, the focus of the projects submitted was education and health, important issues that have been inscribed into KMG International's sustainable practices. Alexey Golovin, Vice President of KMG International awarded the winner of the edition, "Dăruiește Aripă" Association for its project to build a Pediatric Onco-Hematology and Rheumatology Section within the Constanța County - Day Care Center for FOCUS children. This is the only unit of its kind serving South-East of Romania, where over 400 children were granted access to specialized treatment in 2016.

166 projects and programs implemented in previous years by 119 non-profit, non-governmental organizations, initiative groups and individuals were included in the 2017 edition of the Civil Society Gala competition. The budget of the projects and the participating programs was over 31 million euros.



## ION MUSTAȚĂ

**Power Distribution Manager**  
Rompetrol Rafinare

*Ion always says that to be a good manager one must be able to see the whole picture, not just parts of it. He applies this philosophy in his work, safeguarding complex synergies within Petromidia Refinery by eagerly sharing his knowledge with younger generations, making sure he is always open and ready to learn from the more experienced and always being there to make things work as best as they can.*

## Other projects

### Social Impact Award

KMG International, through its Rompetrol brand, is a partner of the Social Impact Award, an educational program for social innovation and a competition for young people who want to make a change in society in a constructive way. The mission of the project is to promote social entrepreneurship among students around the world. In 2017, special editions of the program took place in Ploiești and Năvodari.

### Save the Children

KMG International took part in the 2017 edition of the Christmas Tree Festival, bidding for a tree designed by Veronica Schmidt & Michael Schmidt Foundation. The funds raised went to Save the Children Romania to help children from disadvantaged backgrounds go to school.

### Green spaces for local communities

Our employees' dedication to bring their contribution and leave their mark on their communities never ceases to bring us pride. One such moment was provided to us by 70 employees working on the Petromidia platform who decided to take their time and test their landscaping skills for Năvodari inhabitants to benefit from a new green area in the heart of their town.

### 'Black Sea Therapy Center for People with Autism' Foundation

In 2017, KMG International provided support to the "Black Sea Therapy Center for People with Autism" Foundation in Constanța, for the development of the foundation's projects in the local community. The foundation provides recovery and rehabilitation, personal development and integrated socio-educational and socio-medical services to 82 people in their day care center.

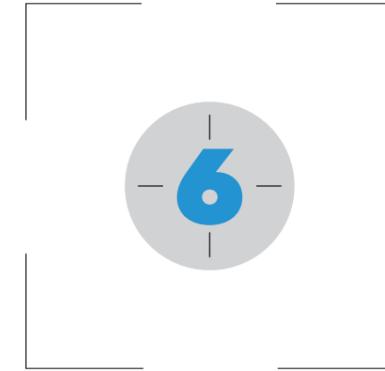
### Support for weightlifting federations

KMG International has been encouraging performance in sport, providing its support either through refurbishing or building sports centers for school children, or by supporting federations in sports like football, polo, tennis or judo. Although less known than the abovementioned, weightlifting is also on KMG International's radar, as the Group has been encouraging the development and high performance in this sport for several years now.

Stemming from the Group's belief in the close connection between business and sports, given the dedication and hard work required for success, KMG International decided to not only continue, but actually consolidate its support to the development and preparation of weightlifting athletes and coaches.

While KMG International, through its Rompetrol brand, has been a constant supporter of Romanian, Georgian and Kazakh Weightlifting Federations, in 2017, the Group extended its sponsorship to federations in Bulgaria, Moldova and Turkey.

Furthermore, starting May 2017, the CEO of KMG International and the president of Kazakh Weightlifting Federation, Zhanat Tussupbekov, was elected vice president of the International Weightlifting Federation.



# MARKETPLACE

**GEORGIA  
GHINEA**

**Planning &  
Performance  
Manager**  
BU Retail

*One of the best retail planning and performance managers with KMG International. She has turned her love of nature in both a hobby and a mission. While she is not escaping her daily routine gardening, she is involved in company initiatives targeting community development and environmental protection. She is one of those who contribute with their time and skills to the Group's initiatives, and takes every chance to lead by example, inspiring others along the way.*



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## OVERVIEW

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KMG International strives to continuously drive performance improvements and changes to positively impact its stakeholders, while aiming to meet and preserve marketplace responsibility. In this regard, the Group has developed a global strategy which provides complete directions to establish customer, supplier and operational priorities in acquiring and ensuring sustainable business operations.

Our internal policies, procedures, processes and initiatives are all aimed at promoting an organizational culture that is committed to ethical conduct and compliance with the law, while generating growth opportunities and benefits for our multiple stakeholders, in line with both our role as major regional player in the oil & gas industry and the 2030 Sustainable Development Goals. For example, over the past years, KMG International has implemented policies across its operations to eliminate waste, create value and drive reliability and improvement for communities, employees, business partners, shareholders and other stakeholders.

Moreover, our business partners, suppliers and contractors are critical to our overall success and our ability to maximize the efficiency of operations while minimizing operational risks. As such, we rely on our supply chain operations and people to improve performance and create shared value across the Group, whilst using the valuable feedback obtained throughout to constantly assess our policies and upgrade our processes and procedures.

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## SUPPLY CHAIN

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### Operating principles and business conduct

We place increased focus on sustainability throughout the supply chain by managing and optimizing our environmental, social and economic performance, in order to responsibly use resources, improve operations, save costs and increase productivity. Furthermore, our supply chain operational activities are conducted in accordance with our corporate policies and guidelines, in a professional, transparent and ethical environment.

This also applies to our network of suppliers, contractors and subcontractors, as we only work with third parties that constantly operate in line with our company values and in compliance with national and international legislation in the fields of environmental protection, work health & safety, quality management, ethics and anti-corruption, corporate social responsibility, including human rights and labor standards.

Thus, in 2017, we continued to develop and improve our Supplier Code of Conduct, detailing the company's values and approach towards integrity, human rights, labor standards, and environmental responsibility. Through our Supply Chain Monitor we conduct extensive screening when selecting suppliers and subcontractors and routinely monitor our business relationships and address any red flag that may arise.

All prequalified suppliers receive, review and sign that they respect the ethical principles stated in the KMG International Supplier Code of Conduct and take responsibility for the provided services and

## RĂZVAN NISTOR

**Project Manager**  
Romp petrol Downstream

*With extensive experience in oil & gas retail, Razvan has been with KMG International for the past decade, putting his experience and determination to very good work in helping to facelift the Group's network of fuel distribution stations. His care and thoroughness were a valuable contribution in the rebranding of Rompetrol retail network and he takes great pride in personally overseeing the process to its smallest details.*



products and all data communicated to KMG International, including their commitment to meeting the Group's environmental, labor, social and human rights standards.

Moreover, suppliers are subjected to follow-up, assessment and monitoring activities on a regular basis as part of the company's risk mitigation efforts, while potential suppliers and contractors go through a complex screening and selection process before any dealing is signed with the company. Any failed attempt to meet KMG International requirements may ultimately result in contract termination. As we are committed in conducting business with fully ethical and socially responsible suppliers, we have based our operations on competitive biddings, transparency, equal treatment and non-discrimination of bidders.

## Procurement and supply chain operations

KMG International procurement and supply chain operations are responsible for contract and material management, commercial strategies, procurement systems, logistics and indirect procurement.

Supply chain operational activities, which generate short and mid-term plans are based on production scenarios, forecasts, annual delivery plans and daily schedules, covering 3 major business areas: feedstock purchasing, planning & production optimization and volumes allocations & overall logistics for all the Group subsidiaries.

In 2017, crude oil acquisitions were slightly lower (4,669,513 tons) compared to the previous year (4,752,447 tons). While the acquired volumes were lower in 2017, the average acquisition price for crude was higher than in 2016 due to the increase of international quotations - in 2017 average for Brent was 54 \$/bbl. compared to 44 \$/bbl. in 2016. However, other feedstock acquisitions were made, given Petromidia refinery's major overhaul in May 2017. As such, overall feedstock volumes purchased in 2017 from external sources (5,469,452 tons) were higher than in 2016 (5,362,555 tons).

The main import market for crude oil is Kazakhstan and the purchased crude is traded through the Group's Midia Marine Terminal entity. The purchase of the other raw materials is ensured from both Romania, and external sources.

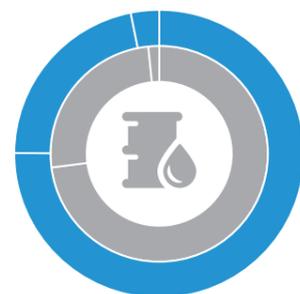
Processing alternative feedstock in 2017 (494 kt of SRGO and SRFO) delivered a benefit of 1.2 mln \$ vs the budget. Domestic acquisitions in 2017 amounted to 102,857 tons compared to 52,341 tons in the previous year. Added to these, there were also volumes transferred from Vega refinery in amount of 30,957 tons (27,692 tons in 2016).

The quantity of crude necessary to processing in 2017 was contracted with KazMunayGaz Trading A.G. (KMGT)-specialized in crude and oil product trading operations. The raw materials for the refinery are purchased based on certain firm import contracts, as well as on the domestic market. Crude oil - the main raw material of Rompetrol Rafinare S.A. is ensured only by import, based on annually concluded firm contracts that provide the refinery stability and security of operations in optimum conditions.

In conformity with the European Directive transposed into Romanian legislation by GD no.1121/2013 - regarding the use

of biofuels and bio liquids, starting January 1, 2017, Petromidia Refinery produces diesel with a biofuel content of no less than 6.5% by volume and gasoline with no less than 4.5%.

In 2017, the Group continued to reduce its impact on the environment by increasing the amount of bio fuels used in our processing. We purchased 67,637 tons of bio diesel, up from 66,890 tons purchased in 2016, 19,600 tons of bioethanol, compared to 18,439 in 2016, and 2,843 tons of Bio-ETBE, compared to 2,686 tons in the previous year.



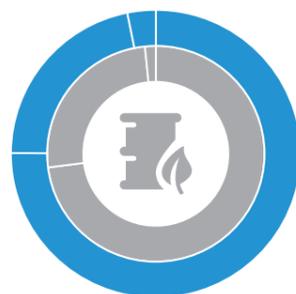
**PETROMIDIA  
FEEDSTOCK SUPPLY**

(th. tons)	2016	2017
<b>CRUDE</b>	4,759	4,737
<b>OTHER*</b>	440	582

\* Complementary feedstock includes gasoil and fuel oil

Rompetrol Rafinare (RRC), KMG International's refining division, only produces Euro 5 fuels and only processes sulfurous oil. All RRC fuels and VEGA additives are certified by the Romanian Automotive Registry according to GD no 928/2012 - minimum requirements for market introduction of fuel.

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



**PETROMIDIA  
BIOFUEL SUPPLY**

(th. tons)	2016	2017
<b>BIODIESEL</b>	52,790	67,637
<b>BIOETHANOL</b>	18,390	19,600
<b>BIO-ETBE</b>	1,160	2,843

## QUALITY AND CUSTOMER MANAGEMENT

As we are a people-oriented company, we place not only our employees, but also our customers at the center of our business. Customer and employee satisfaction, surveyed annually by KMG International through extensive market studies, always play a significant role in the development of the company's business plan, offer and marketing activities across business units.

### Market Research and Product Responsibility

We are aware that the environmental and potential health impacts of our products extend beyond the boundaries of manufacturing into how our customers and their customers use these products. Our vision of delivering performance that makes a difference is exemplified by products that provide health, safety, environmental and other sustainable benefits for our customers.

Moreover, we conduct extensive assessments of the health, safety and environmental risks of new products and maintenance of up to-date information on existing products in our efforts to reduce and mitigate impact on customers, employees, communities and the environment.

Our evaluation process addresses attributes such as environmental exposure, packaging and delivery systems or use of natural resources. As a result, sustainability factors are included throughout the development process to reduce the potential impacts of our products.

All companies in the Group comply with the best practice code whereby operators are required to provide details of marketed products in conformity with the NP 004/2003 technical standard (normative) on fueling station design and operation, Law no - 307/2006 on firefighting, Law no 319/2006 on occupational health & safety and GD no 928/2012, which sets the minimum requirements for fuel market introduction.

For all our products, we are diligent in conducting thorough hazard and regulatory assessments and developing comprehensive and publicly displayed Material Safety Data Sheets (MSDS), each containing 16 sections according to Regulation (CE) no.1907/2006 (REACH), amended and supplemented by Regulation No. 453/2010 (EU) and Regulation (EC)1272/2008 regarding classification, substances and mixtures amending and supplementing Directive 67/548/EC.

Furthermore, Standard Specifications (SS) are provided for all products of the companies, which are also documented

and publicly displayed. Each SS contains information on product description, properties, limits, test method, quality control, sampling, handling, storage, transport, while the Material Safety Data Sheet of each product contains safety, fire hazard, recycling and disposal information.

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

Fuels are designed and labeled according to EN 590:2014 (diesel), EN 228:2012 (gasoline), EN 589:2008 (LPG), as well as certified by the Romanian Automobile Registry according to GD no. 928/2012 - minimum requirements for market introduction of fuel amended by GD no. 644/2015.

Bitumen is designed according SR EN 1259:2009 (paving grade bitumen); SR EN 14023:2010 (polymer modified bitumen) and certified by Romanian Auto Registry according GD no. 622:2004

All KMG organizations are following our MSDS and safety labeling regulations. There has been no identified non-compliance to regulations and voluntary codes concerning health and safety impacts of products or product and service information and labeling in 2017, in line with the trend established in the previous years.

## Customer Satisfaction

We also rely on our customers' feedback to identify how we can support them in developing sustainable products and solutions beyond what complies with environmental and public health regulations. For this, we have procedures in place to rate customer satisfaction and claims across our business units, in accordance with international standards ISO 9001:2008 and ISO 14001:2004.

In 2017, the results of monitoring Rompetrol Rafinare customer satisfaction by an independent assessor showed that 94% were satisfied with the company and 96% with its products, while 97% of the customers interviewed stated that they would continue to use the products and services provided by the company.

In evaluating the performance of the Retail Business Unit through dedicated Customer Satisfaction studies or Usage & Attitudes where Customer Satisfaction Chapters were included, KMG International identified that the company's key assets as perceived by customers were the quality of the fuels provided, along with the technology used in both the refining process and the pump service. Variety of fuels and POS information about fuels also received high scores, compared to the Group's main competition in the market. In terms of customer service, staff promptness and courtesy were also highly appreciated, obtaining the highest scores, namely 67, compared to the lowest of 63 and 66, respectively.

The results obtained by Rompetrol Gas in the customer satisfaction survey conducted in 2017 demonstrated that the company had a strong relationship with its clients, for most of them (89%) Rompetrol Gas being a unique supplier, while Midia Marine Terminal recorded 0% claims in 2017.

## COMPLIANCE

Our ability to operate successfully relies on our ability to know and follow the laws, rules and regulations that apply to our business in the locations of our operations. Our Business Code of Conduct and supporting policies outline expectations to ensure our workforce is working in compliance with laws and regulations. Staff are required to review and sign off on their understanding and compliance with key policies on an annual basis and to declare any potential conflicts of interest that may impact the Group.

Furthermore, our operations include various projects to oversee compliance across all Group business units and departments, such as the CAPEX program, for example, regarding HSE compliance in Rompetrol Rafinare (RRC), Rompetrol Downstream (RPD) and Rompetrol Gas (RPG) depots and gas stations, which required an investment of USD 300,000 in RPD in 2017 alone.

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

### Litigation on Tax Assessments received by Rompetrol Rafinare S.A. in 2012

The action refers to a Decision by the National Agency for Tax Administration issued in 2012 and covering the 2007-2010 period, for the payment of RON 48 million (equivalent of USD 15 million at historical rate), of which half represented additional principal tax liabilities and the other late payment interest and penalties. While the Constanța Court of Appeal ordered an audit do-over and the decision was appealed by both parties involved, the Supreme Court of Justice rejected the appeals on October 12, 2017, leaving the decision of the first court unchanged, with the re-audit to take place in 2018.

### Litigation between Rompetrol Rafinare and Năvodari City Hall

Regarding the local tax audit of Rompetrol Rafinare for the period 2012-2014, conducted by Năvodari City Hall, with a non-compliant finding of roughly USD 5 million, of which the principal was approximately USD 3 million, and the penalties and accessories were approximately USD 2 million, several challenges were made by RRC and admitted by the Constanța Court of Appeals. Despite being appealed by the Năvodari City Hall, all appeals were rejected, the Court decision in this regard, issued on January 16, 2017, being final. Furthermore, as a result of RRC's request for suspension the enforceable effects of the imposing Decision, the court granted Rompetrol Rafinare claim and suspended the effects and the enforcement of the Tax Inspection Report and Tax Decisions issued by Năvodari City on November 19th, 2015. The solution was appealed

by Năvodari City Hall. The case is currently pending court investigation proceedings with the Supreme Court of Justice. The first hearing term before the Supreme Court is scheduled on March 22, 2018.

#### **Litigations between Rompetrol Rafinare and National Company - Constanța Maritime Port Administration S.A.**

In consideration of the violation by "Administrația Porturilor Maritime Constanța" (National Company of Constanța Maritime Ports Administration) of the legal provisions regulating its activity, in the sense that it does not ensure the maintenance in operational parameters of the Midia port found under its administration, so as to ensure the safety of navigation, the preservation of at least the technical features designed for the port, the assurance of safe access and operation, the company initiated several legal remedies against it, as follows:

a) Complaint against National Company "Administrația Porturilor Maritime" SA for violating the provisions of art. 9 of the Law no 21/1996 which caused to Rompetrol Rafinare SA damages consisting of USD 1.8 mil USD - dredging expenditures and 3.3 mil USD - commercial loss. The complaint led to an investigation launched in April 2016 by the Competition Council.

b) Court claim against the Constanța Port Administration for Rompetrol Rafinare damages related to lower port drafts during January - May 2015 (0.8 mil USD) and for restitution of dredging expenses (USD 1.7 million). On May 19, 2017, the Court partially admitted the claim of the plaintiff Rompetrol Rafinare SA against the defendant Constanța Port Administration and obliged the defendant to pay to the plaintiff:

- The amount of EUR 1.57 million, representing dredging expenditures paid by Rompetrol Rafinare SA, during the period 30 April 2015 - 11 May 2015;
- The amount of RON 0.079 million representing legal costs.

Both parties filed for appeal against the solution pronounced by first court. On December 27, 2017, Constanța Court of Appeal admitted the appeal filed by Constanța Port Administration, rejected the appeal filed by Rompetrol Rafinare SA and changed the sentence pronounced by the first court, so all the claims of Rompetrol Rafinare against APMC were rejected. Rompetrol Rafinare was to submit its appeal within 30 days since the communication of the decision issued by Constanța Court of Appeal.

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

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

On August 16, 2017 both Rompetrol Rafinare and Rominserv received fines set by the Constanța Territorial Labor Inspectorate (in cumulated amount of RON 0.028 million),

which were appealed by both entities. However, given the ongoing criminal case, the court suspended the subsequent proceedings pending resolution of the former.

#### **Vega residual pools remediation project**

On November 15, 2017, the Environmental National Guard (ENG) performed an inspection at Vega Refinery in order to determine the status of the Remedial Project implementation.

Following the inspection, a 100,000 RON fine would be applied for the Company's failure to send a notice to PEPA with respect to the commencement of the remedial works and to the identity of the contractor appointed in the Project, including for the failure to perform the works described in the remedial project and to comply with the deadlines specified in relation thereto.

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

On December 20, 2017 the Company submitted to PEPA notice for initiation of the project works (phase I- construction) and on December 21, 2017 details regarding the company to execute the construction works.

Up to this date no written confirmation was received from the environmental authorities regarding compliance of the company with the obligations mentioned in the EIA, related the execution of the remediation project.





7

**FINANCIAL**

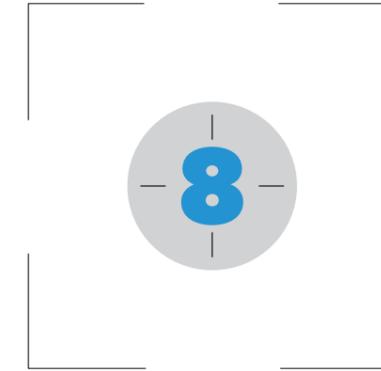
## IFRS BRIEF FINANCIAL STATEMENT

The abbreviated financial information is derived from the Consolidated Financial Statements as of and for the year ended 31 December 2017 and should be read in conjunction with these audited Consolidated Financial Statements.

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

<b>CONSOLIDATED FINANCIAL POSITION</b>	<b>2017 (USD)</b>	<b>2016 (USD)</b>
<b>Total assets</b>	<b>2,660,756,266</b>	<b>2,471,747,440</b>
Total non-current assets	1,370,399,247	1,382,466,820
Total current assets	1,290,357,019	1,089,280,620
<b>Total assets</b>	<b>1,086,335,229</b>	<b>1,710,325,399</b>
Non-controlling interest	(246,226,690)	(278,850,774)
Total equity	840,108,539	761,422,041
Total non-current liabilities	173,666,783	422,035,603
Total current liabilities	1,646,980,944	1,288,289,796

<b>CONSOLIDATED INCOME STATEMENT</b>	<b>2017 (USD)</b>	<b>2016 (USD)</b>
<b>Revenue</b>	<b>8,322,706,699</b>	<b>5,706,141,433</b>
Cost of sales	(7,886,317,048)	(5,339,380,432)
Gross profit	436,389,651	366,761,001
Operating profit	117,712,915	46,314,949
Income tax	(5,560,284)	216,508
<b>Profit (loss) for the year</b>	<b>80,423,670</b>	<b>14,020,538</b>
Profit (loss) before income tax	85,983,954	13,804,030



## **APPENDICES**

## INDEPENDENT OPINION

### Introduction

This qualified assessment and opinion is based on a comprehensive assessment of the 2017 KazMunayGas International Sustainability Report, and it provides an overall appraisal, highlighting both strengths and potential avenues for improvement.

It is important to mention that the present assessment does not constitute an audit of the report, and by no means does it claim to be more than a professional opinion. In the preparation of this opinion, ARC experts have compared the 2017 KMGI Sustainability Report against the G4 general sustainability report guidelines, and against G4 Oil and Gas sector specific disclosure guidelines. This process was paired with a rigorous open source search meant to appraise the national and industry specific context in which the company operates. The latter was necessary for the evaluation of the extent to which both positive and negative aspects were presented in the report. Based on these analyses, ARC has determined the extent to which the sustainability report follows the G4 guidelines, but has also identified aspects of the report that require improvement. In addition, ARC has formulated both general and specific recommendations that are provided below.

### Analysis & recommendations

The 2017 KMG International Sustainability Report - People of Great Achievements represents a well-structured and materiality-based description of KMGI's performance in terms of sustainability.

Considering the complexity of the company and the type of operations it performs, ARC understands the challenges faced in obtaining complete, comparable data in order to correctly reflect the overall performance. We noticed the focus KMGI sustainability report has on environmental and social issues and the thorough information, both quantitative and qualitative, including steps taken by KMGI in order to improve its performance.

As reflected in the report, 2017 was a fruitful year for the company in some areas – such as economic performance, production, energy efficiency, waste management and zero rate of spills or accidents and also there are areas for improvement such as employee turnover, especially in younger age groups or residual pools remediation. All these emphasize the complex governance policies that are needed to address all aspects in relationship with all involved parties, and the most pressing directions to follow in the years to come.

Overall, the report forms a comprehensive whole, and finds a balance between informing on positive and negative aspects that need to be presented in the report. Some aspects can be strengthened, but they do not retract from the value of People of Great Achievements.

These aspects include:

- Increasing transparency of the stakeholder engagement process and include a better account of the selection and engagement process methodology;
- Increasing the amount of numeric data disclosed especially related to aspects that have been identified as highly material (E.g.: LA5-8 was identified through the stakeholder engagement process as being of utmost importance to stakeholders and having a powerful impact on the group, yet two out of the four aspects were not reported, or were reported sparingly elsewhere in the report);
- Including additional examples and data on company practice, challenges and opportunities from all operations and markets served;
- Reflecting partners' opinions and needs as they arise in company activity (case studies and quotes);
- Defining clearer targets on all sustainability pillars, considering the business development, expected shifts in environmental, social and economic contexts.



### Conclusion & recommendations

In conclusion, it is our professional opinion that the 2017 KMG International Sustainability Report is a balanced, clear document that is focused on relevant material aspects encountered over the year. The advancements made from year-to-year in the quality of the report underlines the companies' journey in sustainability reporting as a rich, rigorous and honest process, which allows it to explore new directions to grow, together with all its stakeholders, in all communities where the company has a significant presence.

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## GLOSSARY OF TERMS

**BAT BREF** – Best Available Techniques reference documents  
**bbl** – barrel  
**bn** - billion  
**BU** - Business unit  
**CAPEX** – Capital expenditure  
**CLP** – Classification, Labeling and Packaging  
**CONCAWE** - Conservation of clean air and water in Europe  
**CO2** – Carbon dioxide  
**CSSM** - Workplace health and safety committee  
**DAFWC** - Days away from work cases  
**EIA** – Integrated Environmental Authorization  
**EII** – Energy Intensity Index  
**EIP** – Energy Intensity Polymer  
**E&P** - Exploration & Production  
**ECHA** - European Chemicals Agency  
**EPA** - Environmental Protection Agency  
**EU-ETS** - European Union-Emissions Trade Scheme  
**EUTL** - European Union Transaction Log  
**FAC** - First Aid Case  
**FIR** - Fatal Incident Rate  
**FR** - Injury Frequency Rate  
**FTL** - Fatalities  
**GD** – Government Decision  
**GHG** - Greenhouse Gas  
**GJ** – Giga Joule  
**GRI** - Global Reporting Initiative

**HDPE** – High-density polyethylene  
**HS** - Health & Safety  
**HSE** - Health, safety, environment  
**KMG** - KazMunayGas  
**KMGI** – KMG International  
**KMGT** - KMG Trading  
**Kt/Kton** – Kiloton  
**LDPE** – Low-density polyethylene  
**LEV** – Local Exhaust Ventilation  
**LPG** - Liquefied Petroleum Gas  
**LTI** - Lost Time Injury  
**LTIF** - Lost Time Injury Frequency  
**mn** – million  
**mt** - metric ton  
**MSDS** - Material Safety Data Sheets  
**MTC** - Medical Treatment Cases  
**NGO** – Non-Governmental Organization  
**NOx** - Nitrogen Oxides  
**OECD** - Organization for Economic Cooperation and Development  
**OEG** - Ethylene oxide glycols  
**PEM** – Petrochemicals  
**PEPA** - Petroleum Exploration and Production Authority  
**PM** – Particulate matters  
**PSA of gases** - Pressure swing absorption of gases  
**QHSE** - Quality, Health, Safety, Environment  
**RAR** – Romanian Automotive Registry

**REACH** - Registration, Evaluation, Authorization and Restriction of Chemicals  
**RPD** – Rompetrol Downstream  
**RPG** – Rompetrol Gas  
**RPP** – Rompetrol Petrochemicals  
**RRC** - Rompetrol Rafinare  
**RWS** - Rompetrol Well Services  
**SO2** - Sulfur Dioxide  
**SR** - Injury Severity Rate  
**SRFO** – Straight Run Fuel Oil  
**SRGO** – Straight Run Gas Oil  
**SS** - Standard Specifications  
**TRI** - Total Recordable Incidents  
**TRIR** - Total Recordable Injury Rate  
**UNGC** – United Nations Global Compact  
**wt%** – percentage by weight  
**WWTP** - Waste Water Treatment Plant

## STAKEHOLDER FEEDBACK FORM

Please take a few minutes to fill out this questionnaire on the 2017 Sustainability Report.

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

### Which of the following interests you the most?

(multiple choice)

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

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

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

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



CODE	DESCRIPTION	CHAPTER	STATUS
G4-13	Report any changes during the reporting period regarding the organization's size, structure, ownership or its supply chain, including: <ul style="list-style-type: none"> <li>changes in the location of, or changes in operations, including facility openings, closings and expansions;</li> <li>changes in the share capital structure and other capital formation, maintenance and alteration operations;</li> <li>changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination.</li> </ul>	Who We Are - Corporate Governance	fully reported
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	-	not reported
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Our Approach - Sustainable Development Goals	fully reported
G4-16	List memberships of associations and national or international advocacy organizations in which the organization: <ul style="list-style-type: none"> <li>holds a position on the governance body;</li> <li>participates in projects or committees;</li> <li>provides substantive funding beyond routine membership dues;</li> <li>views membership as strategic.</li> </ul>	Who We Are - Memberships & Affiliations	fully reported
<b>STAKEHOLDER ENGAGEMENT</b>			
G4-24	Provide a list of stakeholder groups engaged by the organization Examples of stakeholder groups are: <ul style="list-style-type: none"> <li>civil society;</li> <li>customers;</li> <li>employees,</li> <li>other workers and their trade unions;</li> <li>local communities;</li> <li>shareholders and providers of capital;</li> <li>suppliers.</li> </ul>	Our Approach - Material Issues in a Global Context	fully reported
G4-25	Report the basis for identification and selection of stakeholders with whom to engage (Describe the organization's process for defining its stakeholder groups and for determining the groups with which to engage and not to engage)	-	not reported
G4-26	Report the organization's approach to stakeholder engagement (Include frequency of engagement by type and by stakeholder group and an indication of whether any of the engagement was undertaken as part of the report preparation process)	Our Approach - Material Issues in a Global Context	partially reported

CODE	DESCRIPTION	CHAPTER	STATUS
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	Our Approach - Material Issues in a Global Context	partially reported
G4-28	Reporting period for information provided	Our Approach - About This Report	fully reported
G4-29	Date of most recent previous report (if any)	Our Approach - About This Report	fully reported
G4-30	Reporting cycle	Our Approach - About This Report	fully reported
G4-31	Provide the contact point for questions regarding the report or its contents	Our Approach - About This Report	fully reported
G4-32	GRI Content Index: <ul style="list-style-type: none"> <li>report the 'in accordance' option the organization has chosen;</li> <li>report the GRI Content Index for the chosen option;</li> <li>report the reference to the External Assurance Report, if the report has been externally assured</li> </ul>	Our Approach - About This Report	fully reported
G4-33	Assurance: <ul style="list-style-type: none"> <li>report the organization's policy and current practice with regard to seeking external assurance for the report if not report the scope and basis of any external assurance provided,</li> <li>report the relationship between the organization and the assurance providers,</li> <li>report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.</li> </ul>	Appendices - Independent Opinion	partially reported
<b>GOVERNANCE</b>			
G4-34	Report the governance structure of the organization, including committees of the highest governance body	Who We Are - Corporate Governance	fully reported
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	Who We Are - Corporate Governance	fully reported
G4-36	Report whether the organization has appointed an executive level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	-	not reported
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics.	-	not reported
G4-38	Report the composition of the highest governance body and its committees	Who We Are - Corporate Governance	fully reported
G4-39	Report whether the Chair of the highest governance body is also an executive officer	Who We Are - Corporate Governance	fully reported
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	Who We Are - Corporate Governance	partially reported

CODE	DESCRIPTION	CHAPTER	STATUS
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed, whether conflicts of interest are disclosed to stakeholders	Who We Are - Corporate Governance	fully reported
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	Who We Are - Corporate Governance	partially reported
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	-	not reported
G4-44	Report the process for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics; report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics	-	not reported
G4-45	Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities.	Who We Are - Corporate Governance	partially reported
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	-	not reported
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	Who We Are - Corporate Governance	partially reported
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	-	not reported
G4-49	Report the process for communicating critical concerns to the highest governance body	Who We Are - Corporate Governance	fully reported
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism used to address and resolve them	Who We Are - Corporate Governance	fully reported
G4-51	Report the remuneration policies for the highest governance body and senior executives; report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	-	not reported
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management.	Our People - Economic Performance	fully reported
G4-53	Report how stakeholders' view are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	Our People - Economic Performance	partially reported
G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees in the same country.	-	not reported

CODE	DESCRIPTION	CHAPTER	STATUS
G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees in the same country.	-	not reported
<b>ETHICS AND INTEGRITY</b>			
G4-56	Describe the organization's values, principles, standards and norm of behavior such as codes of conduct and codes of ethics.	Who We Are - Corporate Governance	fully reported
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	Who We Are - Corporate Governance Our People - Labour Practices	fully reported
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	Who We Are - Corporate Governance Our People - Labour Practices	fully reported
<b>ECONOMIC PERFORMANCE</b>			
G4-EC1	Report the direct economic value generated and distributed on an accurate basis including the basic components for the organization's global operations as listed below	Financial - IFRS Brief Financial Statement	fully reported
G4-EC2	Report risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue or expenditure	-	not reported
G4-EC3	Coverage of the organization's defined benefit plan obligations	Our People - Economic Performance	fully reported
G4-EC4	Financial assistance received from government	-	not applicable
<b>MARKET PRESENCE</b>			
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Our People - Economic Performance	fully reported
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	Our People - Workforce Structure & Evolution	fully reported
<b>INDIRECT ECONOMIC IMPACTS</b>			
G4-EC7	Development and impact of infrastructure investments and services supported	Who We Are - Operational Overview	fully reported
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Who We Are - Operational Overview	fully reported

CODE	DESCRIPTION	CHAPTER	STATUS
<b>PROCUREMENT PRACTICES</b>			
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	-	not reported
<b>SECTOR SPECIFIC</b>			
G4-OG1	Volume and type of estimated proved reserves and production	Marketplace - Supply Chain	partially reported
<b>ENVIRONMENTAL PERFORMANCE</b>			
<b>MATERIALS</b>			
G4-EN1	Materials used by weight or volume	Environment - Operational Performance	fully reported
G4-EN2	Percentage of materials used that are recycled input materials	Environment - Operational Performance	fully reported
<b>ENERGY</b>			
G4-EN3	Energy consumption within the organization	Environment - Energy & Water Management	fully reported
G4-EN4	Energy consumption outside the organization	Environment - Energy & Water Management	fully reported
G4-EN5	Energy intensity	Environment - Energy & Water Management	fully reported
G4-EN6	Reduction of energy consumption	Environment - Energy & Water Management	fully reported
G4-EN7	Reductions in energy requirements of products and services	Environment - Energy & Water Management	fully reported
<b>WATER</b>			
G4-EN8	Total water withdrawal by source	Environment - Energy & Water Management	fully reported
G4-EN9	Water sources significantly affected by withdrawal of water	Environment - Energy & Water Management	fully reported
G4-EN10	Percentage and total volume of water recycled and reused	Environment - Energy & Water Management	fully reported
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Environment - Energy & Water Management	fully reported
G4-EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Environment - Energy & Water Management	fully reported
G4-EN13	Habitats protected or restored	Environment - Energy & Water Management	fully reported

CODE	DESCRIPTION	CHAPTER	STATUS
G4-EN14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	-	not reported
<b>EMISSIONS</b>			
G4-EN15	Direct and indirect greenhouse gas emissions (scope 1,2&3)	Environment - Emissions & Waste	fully reported
G4-EN16			
G4-EN17			
G4-EN18	Greenhouse gas emissions intensity	-	not reported
G4-EN19	Reduction of greenhouse gas emissions	Environment - Emissions & Waste	fully reported
G4-EN20	Emissions of ozone-depleting substances	-	not reported
G4-EN21	NO x, SO x, and other significant air emissions	Environment - Emissions & Waste	fully reported
<b>EFFLUENTS AND WASTE</b>			
G4-EN22	Total water discharge by quality and destination	Environment - Emissions & Waste	fully reported
G4-EN23	Total weight of waste by type and disposal method	Environment - Emissions & Waste	fully reported
G4-EN24	Total number and volume of significant spills	Environment - Emissions & Waste	fully reported
G4-EN25	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention 2 Annex I, II, III, and VIII and percentage of transported waste shipped internationally	Environment - Emissions & Waste	fully reported
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habits significantly affected by the organization's discharges of water and runoff	Environment - Emissions & Waste	fully reported
<b>PRODUCTS AND SERVICES</b>			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	-	not applicable
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	-	not applicable
<b>COMPLIANCE</b>			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Environment - Compliance and Investments Marketplace - Compliance	fully reported

CODE	DESCRIPTION	CHAPTER	STATUS
<b>TRANSPORT</b>			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operation's, and transporting members of the workforce	Environment - Emissions and Waste	partially reported
G4-EN31	Total environmental protection expenditures and investments by type	Environment - Compliance and Investments	fully reported
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	-	not reported
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	-	not reported
G4-EN34	Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms	Environment - Major 2017 Achievements	fully reported
<b>SECTOR SPECIFIC</b>			
G4-OG2	Total amount invested in renewable energy and total amount of renewable energy generated by source	-	not reported
G4-OG3			
G4-OG4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored	Environment - Biodiversity	partially reported
G4-OG5	Volume and disposal of formation or produced water	Environment - Energy & Water Management	fully reported
G4-OG6	Volume of flared and vented hydrocarbon	-	not applicable
G4-OG7	Amount of drilling waste and strategies for treatment and disposal	-	not reported
G4-OG8	Benzene, lead and sulfur content in fuels	-	not reported
<b>SOCIAL PERFORMANCE: LABOUR PRACTICES AND DECENT WORK</b>			
<b>EMPLOYMENT</b>			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Our People - Workforce Structure & Evolution	fully reported
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Our People - Economic Performance	fully reported
G4-LA3	Return to work and retention rates after parental leave, by gender	Our People - Workforce Structure & Evolution	fully reported
<b>LABOUR/MANAGEMENT RELATIONS</b>			
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Our People - Economic Performance	fully reported

CODE	DESCRIPTION	CHAPTER	STATUS
<b>OCCUPATIONAL HEALTH AND SAFETY</b>			
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Our People - Occupational Health & Safety	fully reported
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Our People - Occupational Health & Safety	partially reported
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	-	not reported
G4-LA8	Health and safety topics covered in formal agreements with trade unions	Our People - Occupational Health & Safety	partially reported
<b>TRAINING AND EDUCATION</b>			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Our People - Skill Management and Lifelong Learning	fully reported
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Our People - Skill Management and Lifelong Learning	fully reported
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Our People - Skill Management and Lifelong Learning	fully reported
<b>DIVERSITY AND EQUAL OPPORTUNITY</b>			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Our People - Workforce Structure & Evolution	fully reported
<b>EQUAL REMUNERATION FOR MEN AND WOMEN</b>			
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Our People - Economic Performance	fully reported
<b>SUPPLIER ASSESSMENT FOR LABOUR PRACTICES</b>			
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	-	not reported
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	-	not reported
<b>LABOUR PRACTICES GRIEVANCE MECHANISMS</b>			
G4-LA16	Number of grievances about labor practices field, addressed, and resolved through formal grievance mechanisms	Our People - Labour Practices	fully reported

CODE	DESCRIPTION	CHAPTER	STATUS
<b>SOCIAL PERFORMANCE: HUMAN RIGHTS</b>			
INVESTMENT			
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Our People - Labour Practices Marketplace - Supply Chain	fully reported
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Our People - Skill Management and Lifelong Learning; Labour Practices	fully reported
NON-DISCRIMINATION			
G4-HR3	Total number of incidents of discrimination and corrective actions taken	-	not applicable
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	Our People - Labour Practices	fully reported
CHILD LABOUR			
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Our People - Labour Practices	fully reported
FORCED OR COMPULSORY LABOUR			
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	Our People - Labour Practices	partially reported
SECURITY PRACTICES			
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	-	not applicable
INDIGENOUS RIGHTS			
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	-	not applicable
ASSESSMENT			
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	-	not reported

CODE	DESCRIPTION	CHAPTER	STATUS
SUPPLIER HUMAN RIGHTS ASSESSMENT			
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Marketplace - Supply Chain	fully reported
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	-	not applicable
G4-HR12	Number of grievances about human rights filed, addressed, and resolved through formal grievance mechanisms	Our People - Labour Practices	fully reported
SECTOR SPECIFIC			
G4-OG9	Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place	-	not applicable
<b>SOCIAL PERFORMANCE: SOCIETY</b>			
LOCAL COMMUNITIES			
G4-S01	Percentage of operations with implemented local community engagement, impact assessments and development programs	Community	fully reported
G4-S02	Operations with significant actual or potential negative impacts on local communities	Community	partially reported
ANTI-CORRUPTION			
G4-S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	-	not reported
G4-S04	Communication and training on anti-corruption policies and procedures	Our People - Labour Practices Marketplace - Supply Chain	fully reported
G4-S05	Confirmed incidents of corruption and actions taken	Our People - Labour Practices Marketplace - Supply Chain	partially reported
PUBLIC POLICY			
G4-S06	Total value of political contributions by country and recipient/beneficiary	-	not applicable
ANTI-COMPETITIVE BEHAVIOUR			
G4-S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Marketplace - Compliance	fully reported

CODE	DESCRIPTION	CHAPTER	STATUS
<b>COMPLIANCE</b>			
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Marketplace - Compliance	fully reported
<b>SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY</b>			
G4-S09	Percentage of new suppliers that were screened using criteria for impacts on society	-	not reported
G4-S010	Significant actual and potential negative impacts on society in the supply chain and actions taken	Environment - Emissions and Waste Marketplace - Supply Chain	partially reported
<b>GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY</b>			
G4-S011	Number of grievances about impacts on society filed, addressed, and through formal grievance mechanisms -	-	not applicable
<b>SECTOR SPECIFIC</b>			
G4-OG10	Number and description of significant disputes with local communities and indigenous peoples	-	not applicable
G4-OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned -	-	not applicable
G4-OG12	Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process	-	not applicable
G4-OG13	Number of process safety events, by business activity	-	not applicable
<b>SOCIAL PERFORMANCE: PRODUCT RESPONSIBILITY</b>			
<b>CUSTOMER HEALTH AND SAFETY</b>			
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Marketplace - Quality & Customer Management	fully reported
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	Marketplace - Quality & Customer Management	fully reported
<b>PRODUCT AND SERVICE LABELING</b>			
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	Marketplace - Quality & Customer Management	fully reported

CODE	DESCRIPTION	CHAPTER	STATUS
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling by type of outcomes	Marketplace - Quality & Customer Management	fully reported
G4-PR5	Results of surveys measuring customers' satisfaction	Marketplace - Quality & Customer Management	fully reported
<b>MARKETING COMMUNICATIONS</b>			
G4-PR6	Sale of banned or disputed products	-	not applicable
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	Marketplace - Quality & Customer Management	fully reported
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Marketplace - Quality & Customer Management	fully reported
<b>COMPLIANCE</b>			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Marketplace - Quality & Customer Management	fully reported
<b>SECTOR SPECIFIC</b>			
G4-OG14	Volume of biofuels produced and purchased meeting sustainability criteria	Marketplace - Supply Chain	fully reported

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