



Inspired by nature

Inspired
by nature

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Message from the CEO

Dear Stakeholders,

It gives me great pleasure to share with you KMG International's 2018 Sustainability Report, "Inspired by nature". Our vision has always been to provide society with energy developed in a safe, responsible and efficient manner so that we can create economic, social, and environmental value for all our stakeholders.

I am proud to say that our company applies innovative approaches and solutions focused on long-term results, and that allows us to set the bar higher and higher, setting an example for other players in the region. Our core mission is to be trusted stewards of valuable natural resources. Guided by our comprehensive QHSE Policy and through operational excellence, we strive to manage and minimize impacts on the environment and improve performance.

The KMG sustainability report "Inspired by nature" focuses on the priorities that the Group sets for itself in the field of environmental protection. We take inspiration in the surrounding nature to expand our activities and take measures to reduce possible carbon emissions.

2018 was a year of both remarkable operational results and significant improvement in sustainability performance for KMG International. This edition of the report shows how sustainable business practices are integrated into our short-term goals and long-term strategy, while focusing on our efforts to reduce our environmental footprint and protect the communities and natural habitats where we conduct our operations.

Following the corporate principles of transparency and openness, we have been publishing our results in a comprehensive manner, to show all stakeholders our work in achieving the UN sustainable development goals and our progress based on the principles set forth by the Global Reporting Initiative. For this year's report, we have made the switch from the G4 Guidelines to the GRI Sustainability Reporting Standards, in line with global reporting requirements.

Despite the fact that the reporting period could be characterized as a time of work in complex and constantly changing external economic conditions, KMG international managed to maintain its financial stability and achieve growth in operational indicators beyond any expectations, surpassing the previous year's overall records.

It is safe to say that, in terms of key production indicators, 2018 was our best year yet. Nevertheless, we always try to have a holistic view on our activities and in doing so, we have successfully improved in all aspects our operations across the Group. More specifically, Petromidia drove its environmental commitments further than ever before, recording its lowest technological loss in history, along with its lowest energy intensity index - 96.1% and lowest energy consumption - 2.97 GJ/mt. Vega refinery also managed to break several records, registering the highest levels of processed feedstock, a new record for hexane production, as well as ecological solvents and bitumen production, all these with the lowest energy consumption ever recorded, namely 2.43 GJ/mt.



Yellow-legged gull
Larus michahellis

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

Thus, not only were there no cases of safety incidents related to operational activities and those carried out during the planned maintenance period, along with no accidental pollution or fuel quality complaints, but the Group's overall environmental performance showed significant improvement compared to the previous years. For instance, this was our fourth consecutive year that CO2 emissions for the Refining Business Unit (Petromidia and Vega platforms, along with the Petrochemical Division) continued to follow the same downward trend, with an additional decrease by 1.4% in 2018 compared to the previous year, while energy production increased significantly.

Additionally, we believe sustainable performance and operational excellence begin with our unwavering dedication to safety. Regarding personal safety, our employees, suppliers and contractors share a goal of reaching zero safety incidents, through our "100% safety" program. KMG International is committed to the total compliance with safety standards as one of the company's core values and we are glad to announce that no fatal incidents were recorded in 2018.

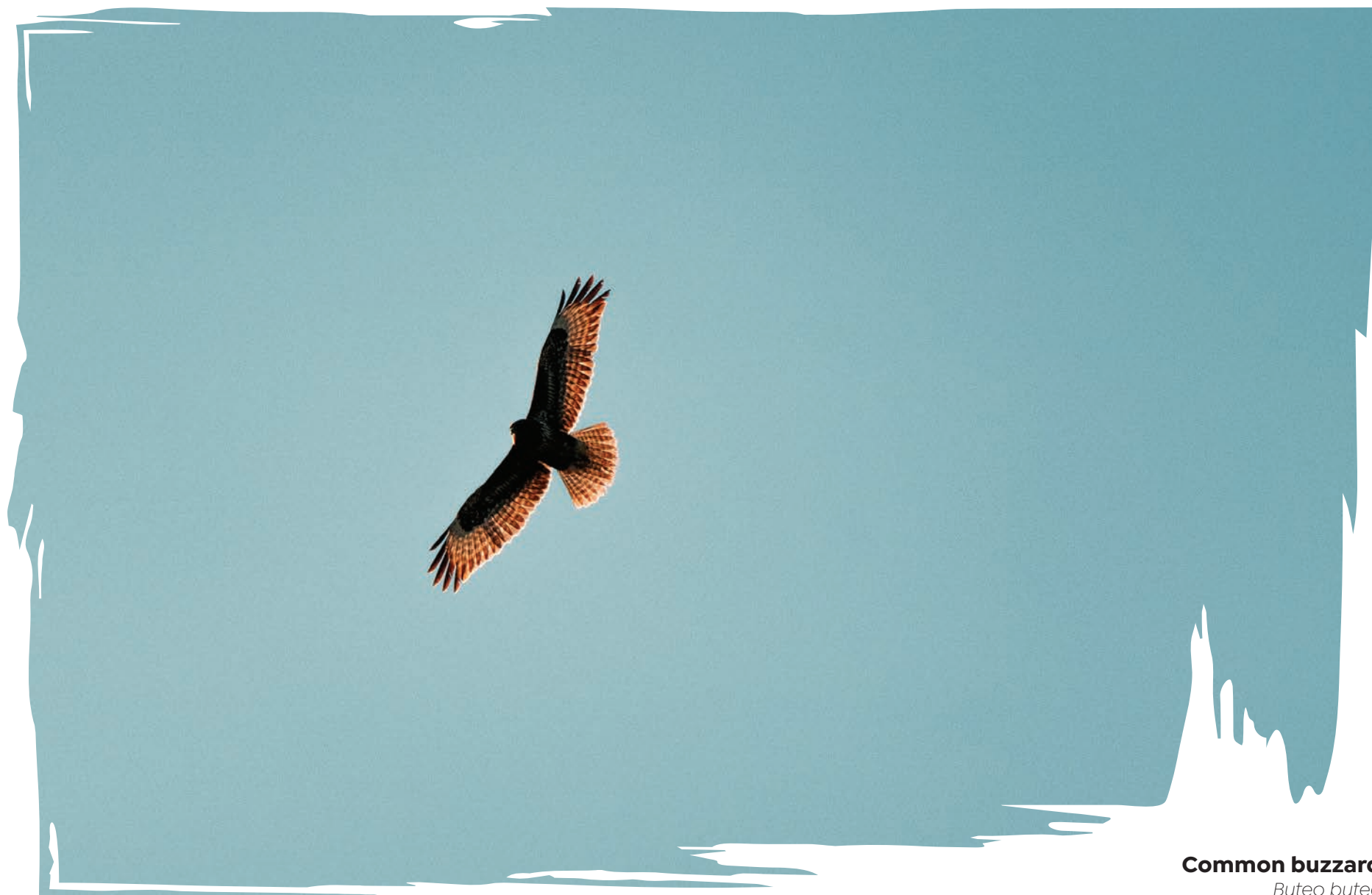
Last but not least, we constantly seek to understand and respond to any potential impacts our activities may have on biodiversity or ecosystem services and we work hard to make sure our impact on the surrounding environment is minimal. In 2018, KMG International kept a stable trend, with no risks imposed to species whose habitats are in our areas of operations.

We strongly believe and contend that we have demonstrated through the results presented in this report, that there is a real correlation between sustainability performance and value creation for shareholders. This requires unceasing discipline and innovation in our investment decisions and operations, and we are committed to leave a positive mark on our communities and surroundings.

We are proud of the progress made in driving our company's growth, considering the challenging business environment, and excited to continue building a sustainable enterprise that makes a positive difference for our stakeholders and the world around us. This report is proof of this progress and our commitment to sustainable development.

Thank you all for your ongoing support and partnership,

Zhanat Tussupbekov
Chief Executive Officer, KMG International



Common buzzard
Buteo buteo

Approach

Eurasian hoopoe

Upupa epops



The species is highly distinctive, with a long, thin tapering bill that is black with a fawn base. Its characteristic undulating flight, like that of a giant butterfly, is caused by the wings half closing at the end of each beat. It has two basic requirements for habitat: bare or lightly vegetated ground on which to forage and vertical surfaces with cavities (such as trees, cliffs or even walls) in which to nest.

Hoopoes are known to sunbathe and even enjoy an occasional dust or sand bath.

Lake Taşaul

Lake Corbu

Petromidia
Refinery

Midia Port

Black Sea

Marine
Terminal

Approach to Sustainability and Reporting

About this Report

This sustainability report serves as KMG International's 2018 Annual Communication of Progress under the United Nations Global Compact (UNGC) to its wide variety of stakeholders. This report is meant to solidify our commitment to transparency and our continuous improvement. Even though KMG International became a signatory to the UN Global Compact in 2015, the Group has been reporting its non-financial performance ever since 2013.

Moreover, our commitment to environmental sustainability, economic development and social fairness is firmly established into 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 Agenda¹.

The 2018 edition of KMG International's sustainability report was prepared in accordance with the Comprehensive option of the Global Reporting Initiative (GRI) Standards and presents overall indicators of the activities we have carried out in 2018 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 year reflected in the reporting.

The Global Reporting Initiative (GRI) is an independent, international organization dedicated to helping businesses and governments report effectively and publicly disclose the impact of their activities on key environmental, social, and governance (ESG) sustainability topics. The Sustainability Reporting Standards, launched in late 2016, are an evolution of the GRI G4 Sustainability Reporting Guidelines, which were released in 2013, and have since been widely adopted.

Starting with July 2018, sustainability reporting under the GRI principles is conducted in line with the set of Standards which provide greater flexibility and increased responsiveness to developments in reporting practices, due to their new modular structure.

While the previous reports were prepared in accordance with the Core option of the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines and associated Oil and Gas Sector Supplement, the current report follows the comprehensive set of Standards, maintaining, at the same time, the specific indicators pertaining to the oil and gas sector, which have yet to be adapted and included in the GRI Standards. For increased transparency and understanding reasons, the GRI Annex included in this edition of the report, will also integrate the previous corresponding G4 Guidelines. Moreover, the new indicators were also included in the materiality assessments which represents the foundation for this year's sustainability report, along with the matching clarifications regarding the necessary alterations and adjustments.

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.

Report Concept

Our successful performance is inspired by the surrounding nature, which serves as both initial driver in our activity and final goal in our efforts to reduce our impact and preserve the natural habitats. This year's report stands to reflect not only the solid bond we have with our community, but also our commitment to foster the well-being of this community.

We take great pride in our sustainable practices and we use this report to show our stakeholders how our strong values and solid principles are reflected in our daily operations. Our dedication to preserving biodiversity and contributing to the development of local communities and ecosystems is undeniable, seeing how we can all witness the harmonious development of the natural habitats where our primary operations are being conducted.

Petromidia platform, the Group's main asset, the largest refinery in Romania and one of the largest refineries in Eastern Europe, is located in close proximity of the Danube Delta Biosphere Reserve, the third largest biodiversity in the world acknowledged by UNESCO as a World Heritage Site. To paraphrase an old saying, "with great benefits, come great responsibilities", as a responsible corporate citizen, KMG International is not only aware of the responsibilities which stem from this, but it also truly devoted to preserving the balance required for the continuous growth of the communities in which we operate.



| Material Issues in a Global Context

In order to continue to grow, we have to meet the needs of our diverse stakeholders. And the best way to learn about these needs is to have an open dialogue with them. Inherently, cooperative and intensive communication is essential for us to tailor our efforts so that they can achieve their maximum potential and meet the various stakeholders' expectations.

As a major player in the oil & gas sector, we face the challenge of addressing a wide range of external stakeholders with often diverging requirements, from regulatory bodies and state authorities to shareholders, employees, labor and trade unions, clients, opinion shapers, such as the media, and members of the community, either as individuals or as members of various organizations and associations.

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

Materiality Assessment

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

MATERIAL TOPIC IDENTIFICATION AND PRIORITIZATION

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

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

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

STAKEHOLDER ENGAGEMENT

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

Social: employees, unions, NGOs, local communities

As one of the top employers in the country and an important investor in the Romanian economy, we proud ourselves with maintaining a constant and open dialogue with our employees, local communities and partner organizations where we operate, so that both our sustainability and business plan also consider their needs.

Thus, we have developed various initiatives in order to ensure the needs of our employees, from equal pay and freedom of association and collective bargaining, to diverse trainings, professional and personal skill development or transfer of know-how. Furthermore, we have several mechanisms in place to make sure all potential grievances, as well as suggestions for improvement from our employees reach company decision-makers, they are assessed and implemented into company operations accordingly.

We also apply the same principles of transparency to our local communities as we believe we have a responsibility towards them, and it is important for us to integrate their vision in our approach towards a sustainable business model. This is why we engage our

local communities in constant consultations on relevant and sensitive issues while we also encourage them to raise any potential concerns regarding topics such as safety and environment. Furthermore, we are always open to discussions with relevant actors from the civil society in order to address issues aligned with our values. In this regard, we have developed strong partnerships with local as well as national NGOs that have a profound impact, in order to contribute to the sustainable development of all aspects of life for our communities.

Industry: trade associations, suppliers, other operators

As part of our operations, we constantly engage with our suppliers, trade associations and other operators from the industry, in order to adhere to the best practices in the field, as well as to implement the most efficient solutions and deliver high quality services to our customers. The principles of these interactions are set forward in our Code of Ethics and Business Conduct, alongside the Group's Corporate Governance Policy. Moreover, KMG International's Supplier Code of Conduct traces the general directions of our collaboration with third parties, from the pre-screening of new suppliers, to the extensive questionnaires and forms which are periodically submitted to their review in order to identify any arising material issues or concerns.

To leverage both our expertise in business best practices and that of our industry peers, we are members of several industry associations including: American Chamber of Commerce (AmCham Romania), Conservation of Clean Air and Water in Europe, Romanian Association of Petroleum Exploration and Production Companies (ROPEPCA) and United Nations Global Compact, just to name a few.

Regulatory: regulatory bodies, state authorities, local authorities, European Commission

Considering the complex political climate and the high emphasis on environmental issues in today's world, we continue to have an open and constant communication on relevant topics in our collaboration with regulatory bodies and authorities.

We use various mechanisms to engage with government representatives and regulators – both directly or through other organizations, whether it's official institutional communication on topics such as emissions or environmental compliance, or formal and informal communication on several economic or policy-related topics, from interviews and one-to-one meetings, to dedicated events and happenings addressing said topics.

Market: shareholders, business partners, customers, large corporate clients, advertising agencies, media

In our communication with relevant market actors, we value transparency, integrity and quality. Customer health and safety, customer privacy, interactions with business partners and shareholders or media communication are all aspects encompassed in our Group's corporate policy and development strategy, to ensure that our activities, brands, products and services are in compliance with applicable norms and regulations and that they respond to the needs of our stakeholders in terms of utility, marketing and labeling, environmental and social impact, etc. We do this through direct consultation or through extensive annual market research and satisfaction surveys, to make sure we cover all grounds.

INTERNAL AND EXTERNAL VALIDATION

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

REPORTING

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

Material Topics

In 2018, the broad range of sustainability-related topics included greenhouse gas emissions, occupational health and safety, environmental and socioeconomic compliance, fair labor practices or customer health and safety, to name only a few. They 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.

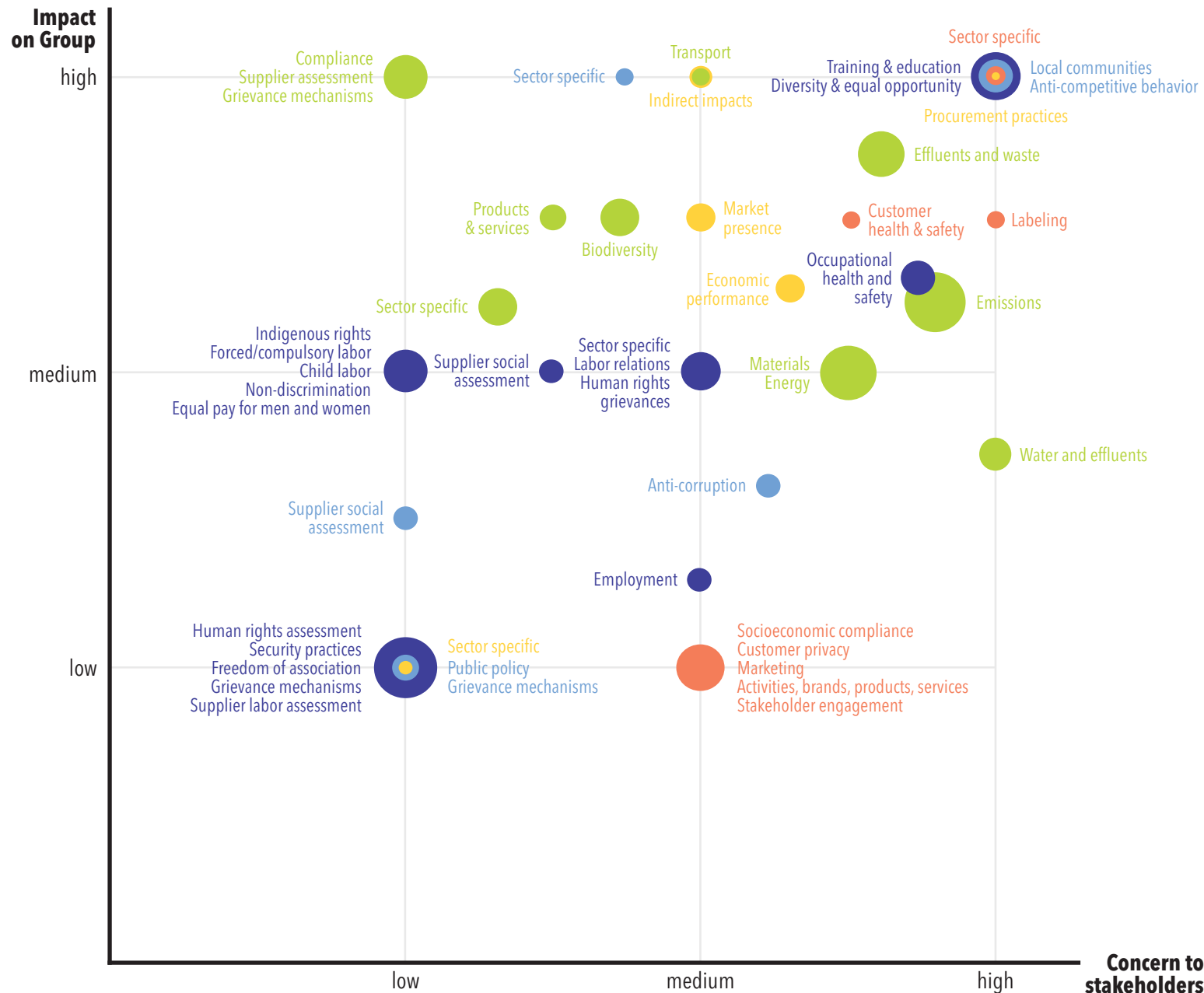
For more clarity, given the switch to GRI Standards from the G4 guidelines previously used in KMG International sustainability reporting, we have also included the corresponding guidelines in the GRI Annex at the end of this report.



Eurasian hoopoe
Upupa epops

The materiality matrix plots aspects based on their score from one-on-one surveys with stakeholders.

The table to the right lists all material aspects in descending order of importance.



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

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

Sustainable Development Goals

Late in 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.

Obiectivele evidențiate mai jos sunt strâns legate de aspectele identificate ca fiind cele mai relevante sau pentru KMG International în 2017, abordate în acest raport în conformitate cu matricea noastră de materialitate.

When developing our target sustainability vision for 2018, we reviewed the priorities to date and reconfirmed KMG International's sustainability goals and commitments. The following SDGs remain particularly relevant to our company:



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

Chapters: Community, People



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

Chapters: Community, People



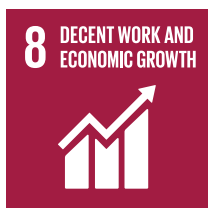
Our sustainable development plans place high emphasis on preserving water and managing its use in a responsible and sustainable way. We invest in new technologies and constantly improve our processes to use this valuable resource more efficiently. Reducing water consumption, wastewater outputs and discharge,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

Chapter: Environment



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

Chapter: Environment



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

Chapter: 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: Introduction



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

Chapters: Environment, Marketplace



We continue to work to manage 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.

Chapter: Environment



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

Chapter: Environment



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

Chapters: Approach, Introduction

Introduction

Mute swan

Cygnus olor



The species lives around salt- and fresh-water bodies: lakes, ponds, coastal waters, lagoons, estuaries, wetlands. They are common across Europe, but their habitats are quite small. Some populations are sedentary, though they could still migrate to Southeast Europe and the Middle East during harsh winters.

Several families are known to winter on the lakes to the West and North of Petromidia Refinery. They feed by partially dunking in the water, or splashing the surface. Its diet includes aquatic plants, seeds and insects.

Operations Overview

Countries of Main Operations

Kazakhstan

KazMunayGas JSC

The Netherlands

KMG International NV

Romania

Rompetrol Rafinare
Rompetrol Downstream
Rompetrol Gas
Byron Shipping

France & Spain

Dyneff France & Spain (49%)

Switzerland

KMG Trading

Bulgaria

Moldova

Georgia

Turkey

Libya

Singapore



Sole producer
of bitumen
in Romania



Sole producer
of n-hexane
in Romania



Leading exporter
of petroleum
products in Romania



Full compliance
on marketing &
communication



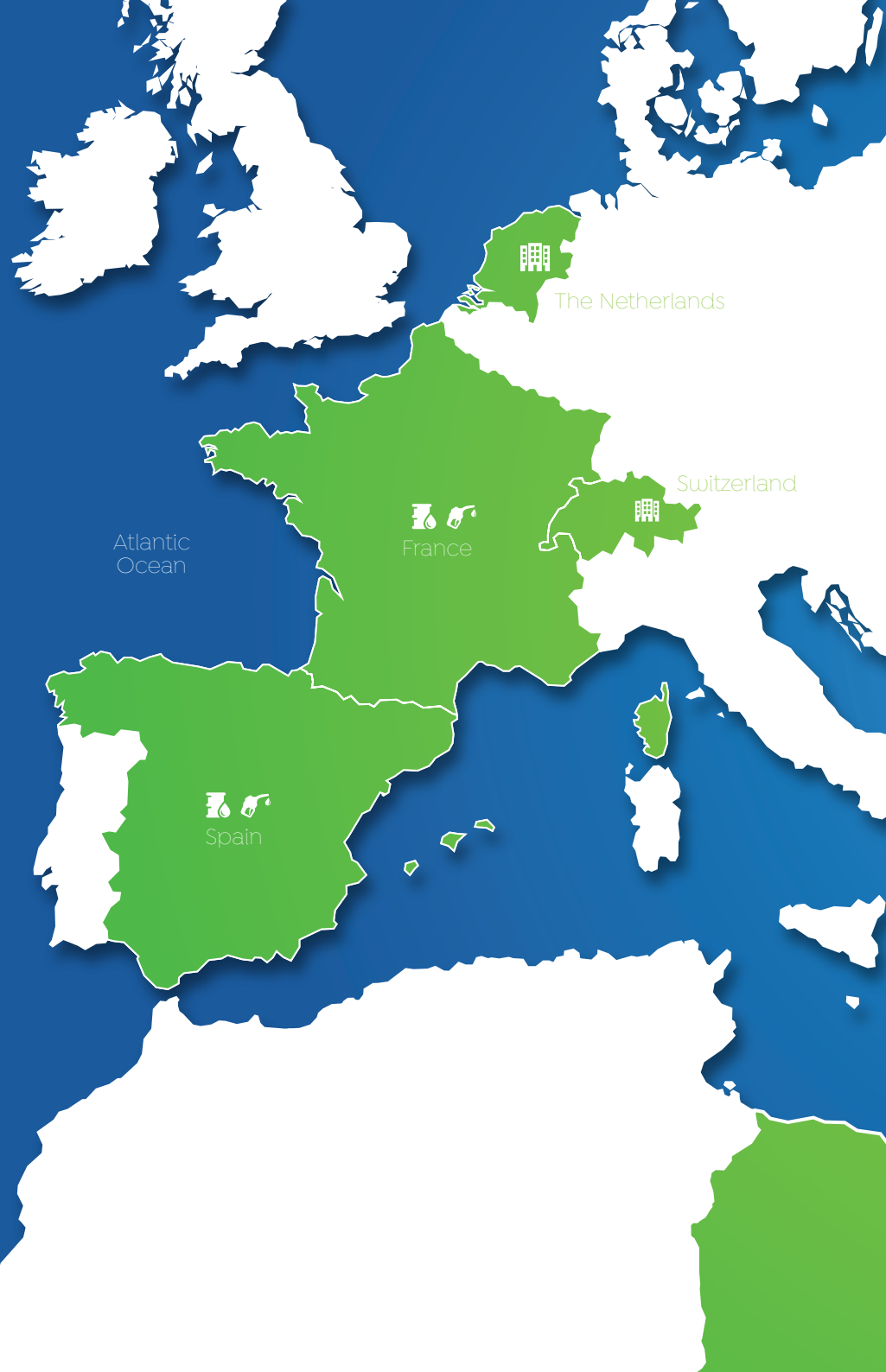
Fully
RAR-certified
fuels & additives

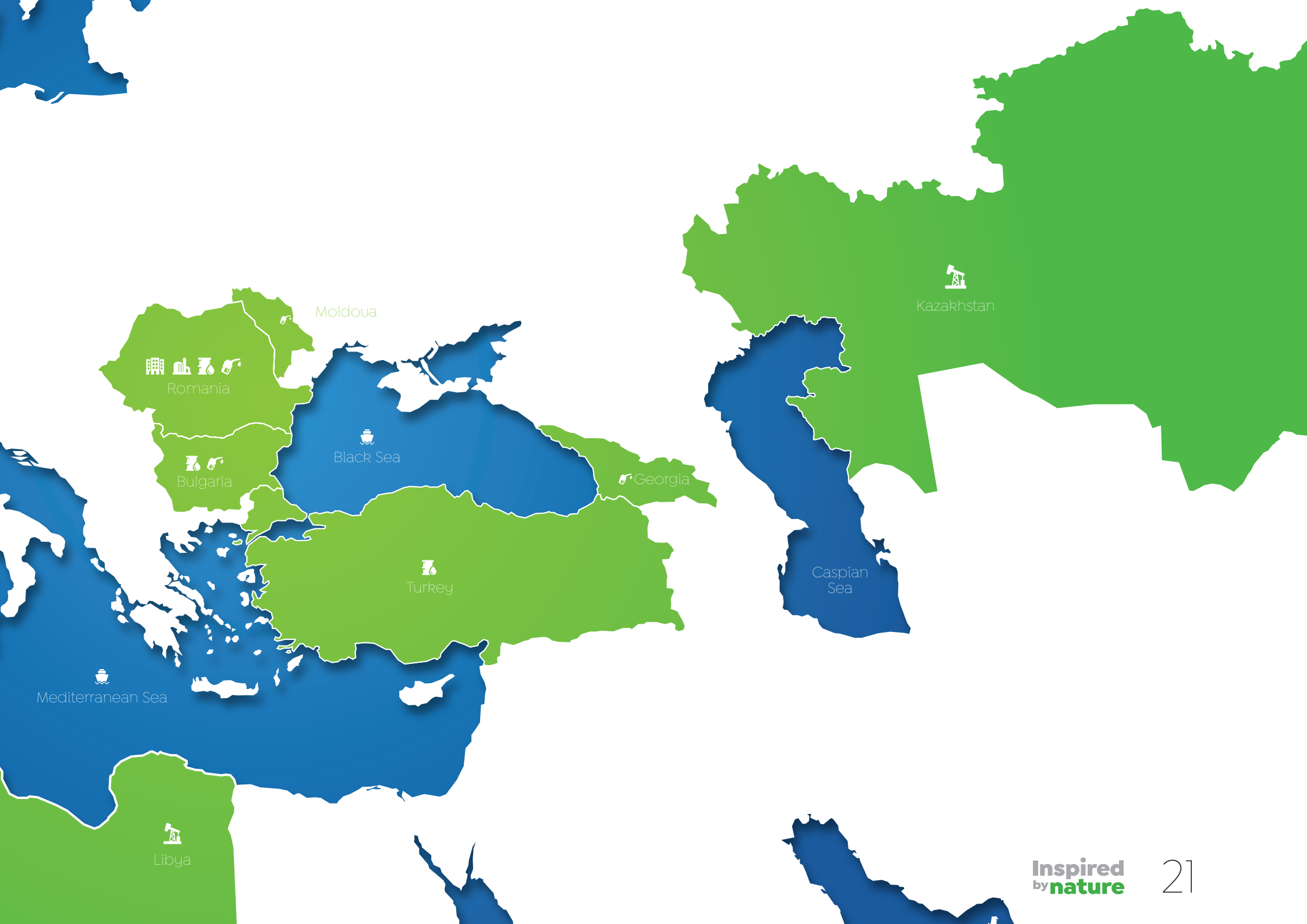


Full
health & safety
compliance



Fully
REACH
compliant





Romania



Bulgaria

Moldova



Black Sea



Georgia



Turkey



Kazakhstan

Caspian Sea



Mediterranean Sea



Libya

Romania: Our Base of Operations



700+ points of sale

● Rompetrol Downstream & Rompetrol Gas network

Rompetrol Rafinare

Petromidia
refinery



GASOLINE



DIESEL



JET



N-HEXANE



BITUMEN



SOLVENTS



**HEATING
OILS**



ADDITIVES



HDPE



LDPE



PP

Vega
refinery

Petrochemical
Division

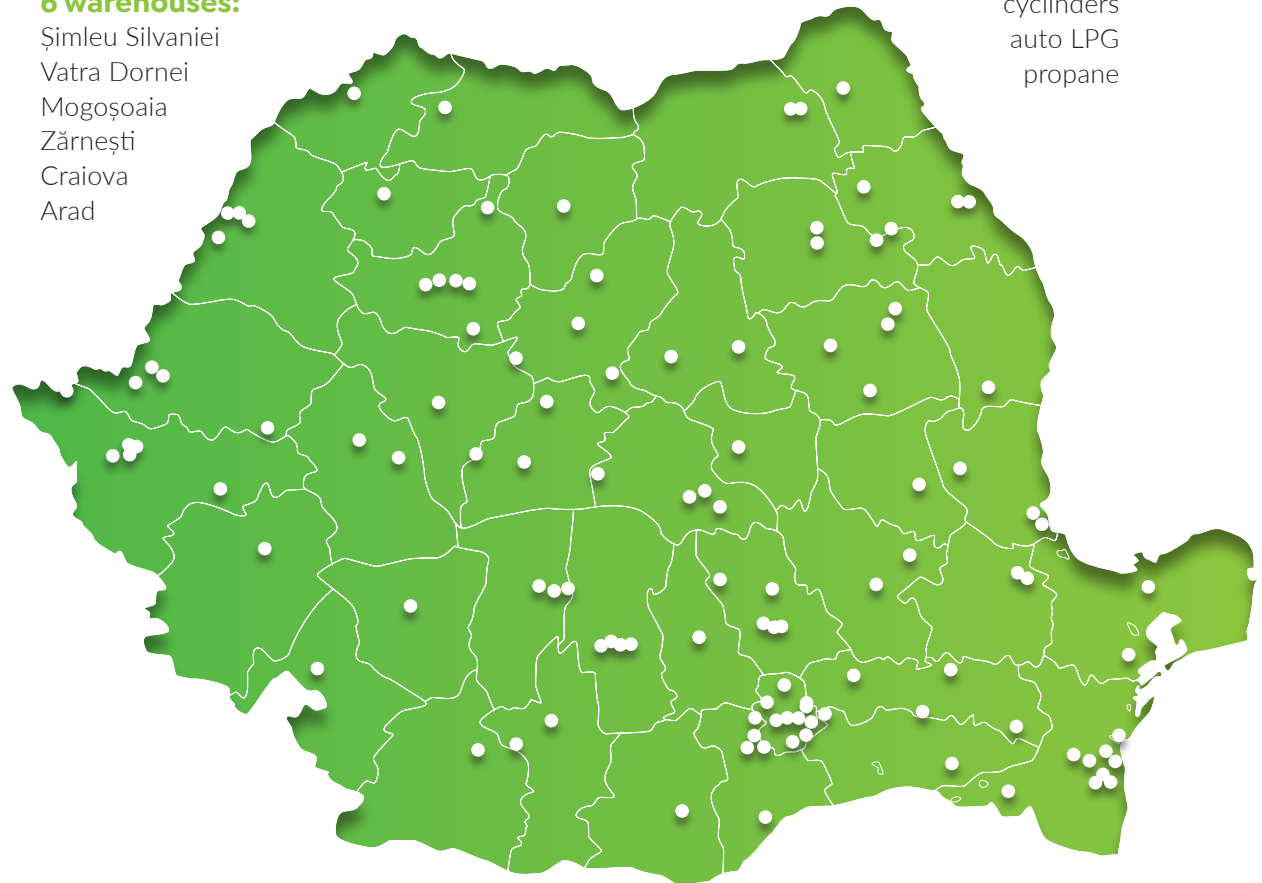
Rompetrol Downstream

6 warehouses:

Șimleu Silvaniei
Vatra Dornei
Mogoșoaia
Zărnești
Craiova
Arad

Rompetrol Gas

cylinders
auto LPG
propane



Corporate and Commercial Brands

KMG International unifies all our foreign assets under one recognizable trademark, which is present across all the 12 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.



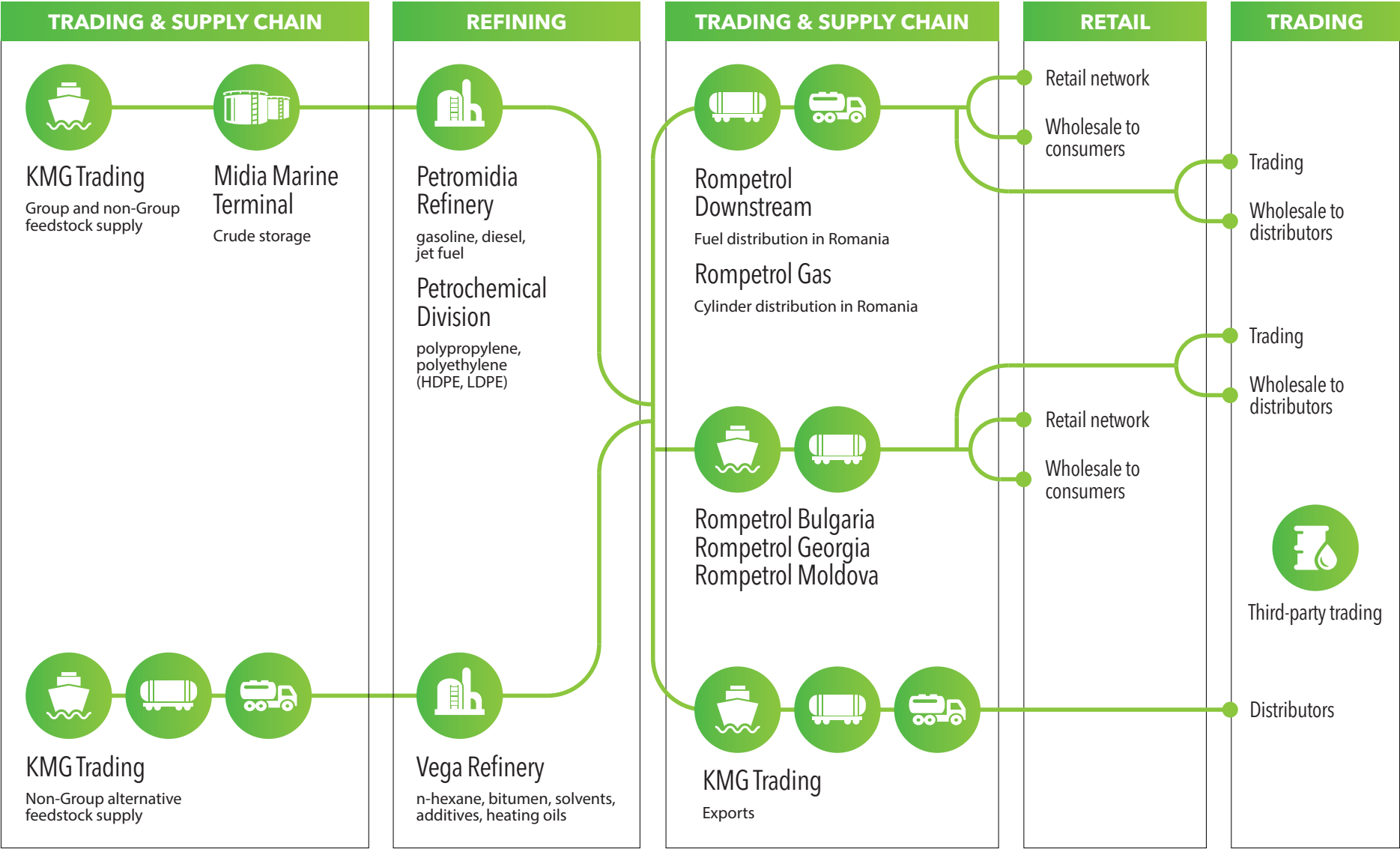
Under the **Rompetrol** brand we distribute and promote our retail products & services on 4 European markets – Romania, the Republic of Moldova, Bulgaria and Georgia.

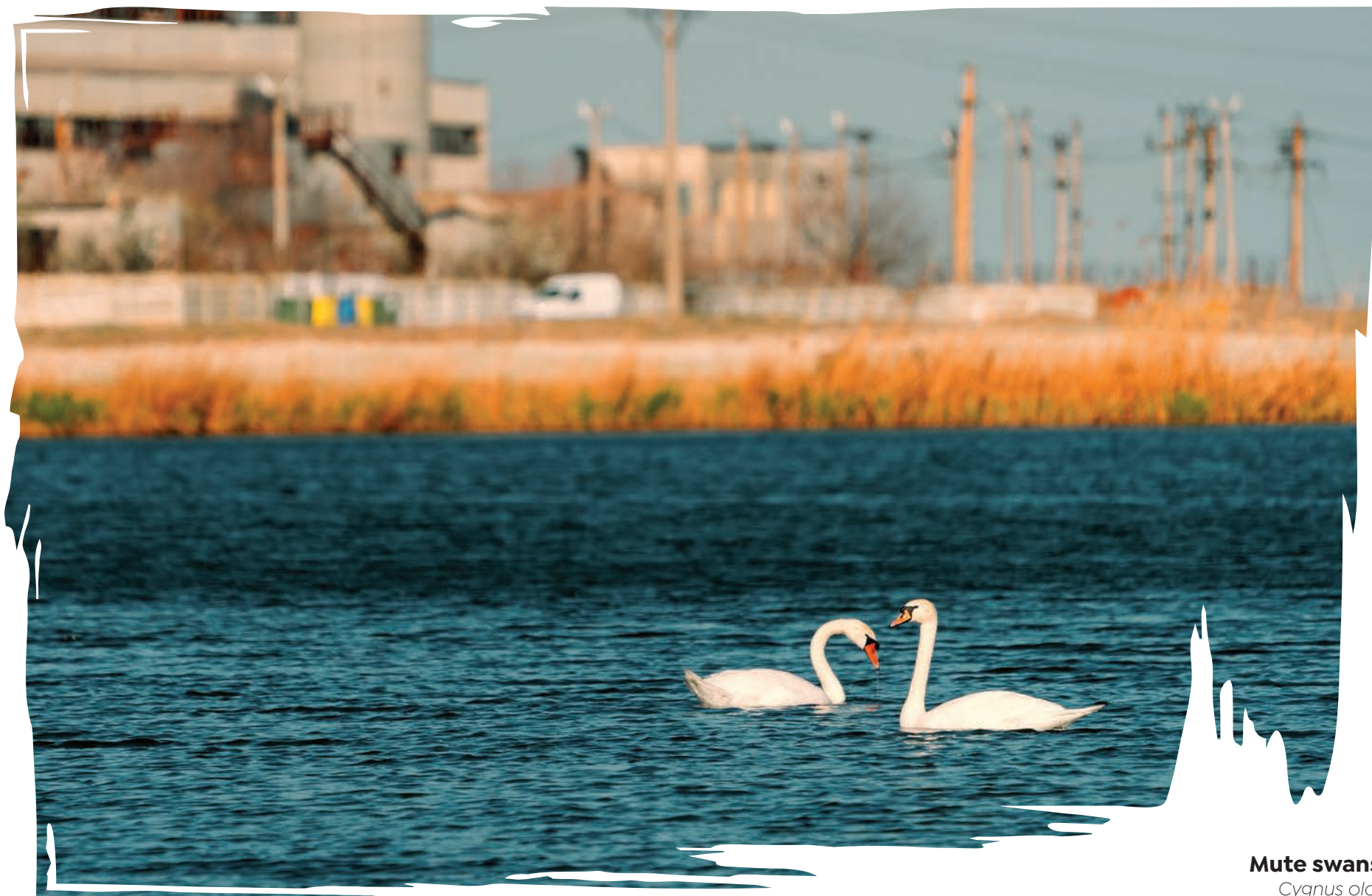
Efix is Rompetrol's advanced range of fuels, with outstanding engine performance properties. The products were designed with an optimum combination of additives ensuring not only the cleaning of valves and injectors, but also the reduction in fuel consumption and increase in engine performance. Efix 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.

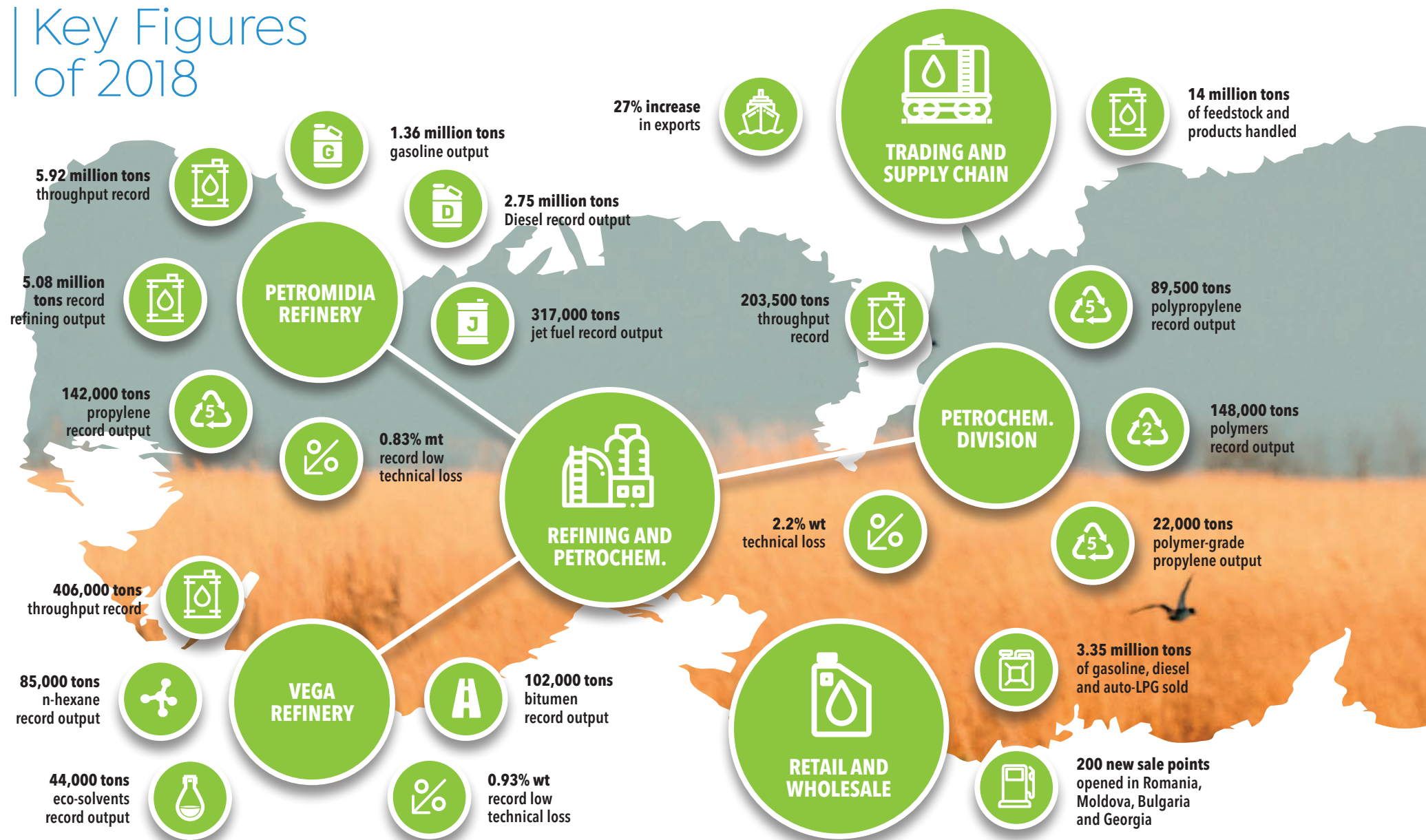
Business Units

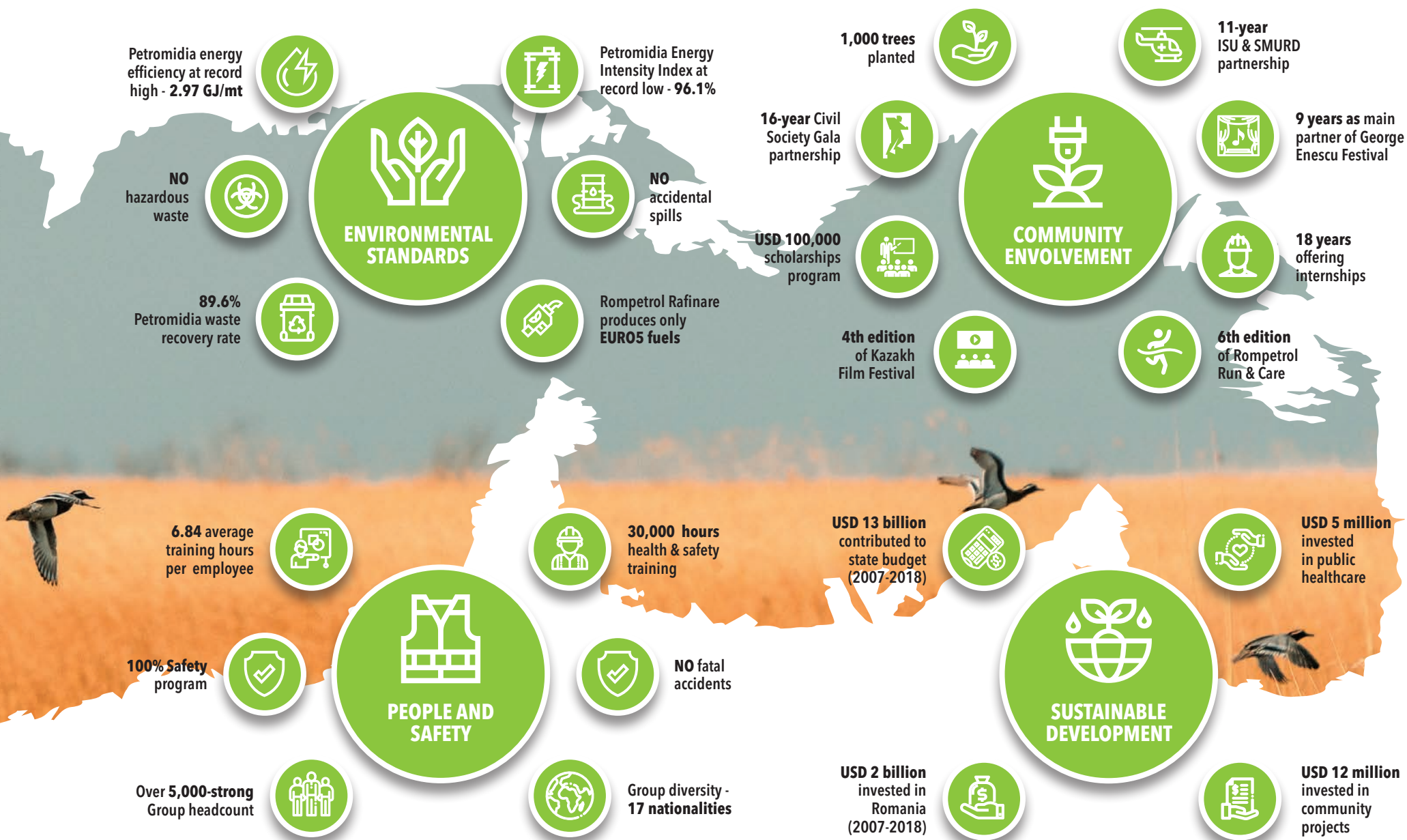




Mute swans
Cygnus olor

Key Figures of 2018





Corporate Governance

Corporate Governance is deeply rooted in our culture, being one of the key elements that drive our business strategy and, inherently, our operational performance and success.

Not only does this promote accountability throughout the Group, but it also contributes significantly to increasing transparency across all our operations, as well as to strengthening our stakeholder relations and consolidating our reputation.

As such, our corporate governance policies are being reviewed annually to ensure alignment to global and local benchmarks and best practices.

Operational Profile

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



KMG International N.V. and its subsidiaries, altogether referred to as **KMG International Group**, represent a major worldwide player in the oil & gas sector, carrying out operations in 14 countries throughout Europe, Central Asia and North Africa.

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

As of December 2018, the KMG International Group comprised 65 entities (sub-divided into 52 legal entities – joint stock or limited liability companies/partnerships and 13 branches, representative offices and joint ventures), headquartered in 14 countries (i.e. Romania, The Netherlands, Republic of Kazakhstan, Switzerland, Bulgaria, Republic of Moldova, Georgia, Turkey, Ukraine, France, Spain, Singapore, Libya, Gibraltar), with the four Albanian companies, KazMunayGas Trading Singapore Pte. Ltd. and Rompetrol Well Services S.A. Kazakhstan branch undergoing liquidation.

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

Major Corporate Changes in 2018

Incorporation of the Kazakh-Romanian Energy Investment Fund

The Kazakh-Romanian Energy Investment Fund is a joint stock company established with the Energy Investment Management Company (Societatea de Administrare a Participațiilor în Energie S.A.), a Romanian legal entity owned entirely by the Romanian state.

It was registered with the National Trade Register Office (ONRC) on November 8, 2018, after its establishment was announced on October 26.

Incorporation of one new company where Dyneff holds 50% interest, namely ETS ROSSIGNOL SAS, on November 9, 2018.

Rebranding Combustibles de Cerdagne SAS into “Paul Orriols” Combustibles de Cerdagne SAS

Rompetrol Drilling SRL suspended its activity from 24 Aug. 2018 until 24 Aug. 2021

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 the 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.

The composition of KMG International N.V. Board of Managing Directors, as of December 2018, is the following:

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

There are 3 independent members in the Group's Board of Managing Directors. They 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 charge of reviewing, defining and submitting strategic options that may contribute to the development of the company and its subsidiaries. The CEO is authorized to independently represent KMG International N.V., with the possibility to delegate his managing function for certain operations or categories of operations to certain third parties.

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

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

Audit Committee

AS OF DECEMBER 2018

Mr. **Ramon Diego Mendes de Leon** (Chairman)
Mr. **Emile Eduard Wolff**
Ms. **Anargul Kairulla** (to be replaced)

Appointment & Remuneration Committee

AS OF DECEMBER 2018

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

Strategy & Innovation Committee

AS OF DECEMBER 2018

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

Finance & Investment Committee

AS OF DECEMBER 2018

Mr. **Ramon Mendes de Leon** (Chairman)
Mr. **Azamat Zhangulov**
Mr. **Almas Lepesbayev**
Mr. **Alexey Golovin**
Mr. **Johan Frederik Lodewijk Frowein** or Mr. **Emile Eduard Wolff** (alternatively)

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

General Assembly of Shareholders
SOLE SHAREHOLDER

Board of Directors	
General Manager & Chief Financial Officer	Sole Director

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 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.



Code of Ethics and Business Conduct

Our Code of Ethics and Code of Business Conduct reflect the Group's set of values, principles and ethical regulations that we observe in our day-by-day activities and we also expect our business partners to align with.

Being engaged in almost all the operations pertaining to the Oil & Gas Industry, our success is possible only if our business is based on a clear and long-term strategic orientation towards integrity, honesty and responsibility.

Code of Ethics

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

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

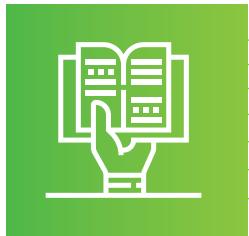
In this regard, we employ various advice seeking and grievance mechanisms so that every employee, business partner and stakeholder can feel confident in sharing any non-compliance incident, environmental concerns or social injustices with our corporate ethics and human resources departments. Concerns 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.



Pallas's leaf warbler
Phylloscopus proregulus



Code of Conduct

We are a dynamic leader in the regional oil field and believe that our success is possible because it stems from and is shaped by a well-defined set of values and principles that 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.



Great tit
Parus major

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



OUR PEOPLE

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



CARE, INTEGRITY & RESPONSIBILITY

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



DETERMINATION

The strength of our business stems from our strong 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. By developing profitable business operations and by actively engaging 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.



Eurasian magpie
Pica pica

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 consistent with our 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 ENERGY CENTER (CRE)

CRE groups over 20 representative energy companies in Romania, covering all areas - extraction, production, transport and distribution of electricity, oil and gas, energy services and design. Its objectives are to ensure a business-friendly environment and to boost competitiveness for the Romanian energy sector, while developing dialogue and cooperation between member companies and relevant national and European authorities and institutions active in energy policy.

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

Black-crowned night heron

Nycticorax nycticorax

Specific to wetlands, both salt- and fresh-water, very common in the Danube Delta, it has been spotted on the lakes near Petromidia Refinery.

They have a nocturnal lifestyle, as their name suggests, and can be spotted at dawn or at dusk. They feed on small fish, insect larvae, amphibians, leeches and even field mice.



I Overview

As a major player in the regional oil & gas sector, our goal is to conduct operations in a safe, ethical and socially responsible way while minimizing our environmental impact. These considerations are integral to our strategy and are embedded throughout our planning, decision-making and operational processes. Moreover, our track record of innovation and continuous progress strongly underpins these goals as it drives continuous efficiency and sustainability across our business.

The activities carried out by KMG International comply with the environmental legislation for each country where the Group operates. In each of these markets we strive to develop a sustainable business respecting the environment, being part of it, while pursuing economic performance. The commitments and measures adopted by KMG International are set by the environmental strategy the Group developed and adopted with the aim of ensuring a predictable and successful long-term approach towards the environment. Therefore, we develop and maintain programs to manage air emissions, prevent and respond to spills, minimize habitat disturbance and protect water across diverse ecosystems and regulatory requirements.

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

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.

As a result, the investments in maintenance and the integrated QHSE management system has brought us great results in the past years. Petromidia refinery's energetic efficiency has witnessed improvements, leading to lower levels of energy consumption. Energy consumption for both Vega refinery and the Petrochemical Division have been on a downward slide. Water management has also been tackled in our QHSE strategy and we have successfully managed to develop a lifecycle approach to managing this natural resource, from sourcing through disposal.

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 principles set forward in our Group environmental policy, which include:

- Compliance with legislation and other applicable requirements;
- Usage of the environmental management system in order to integrate performance criteria as well as criteria regarding air, water, soil and natural resources protection;
- Continuance of investment programs in order to comply with the legislation in the field of environment protection;
- Assessment of company environmental performance and communicate with the interested organizations as well as with the local communities, with regard to the continuing improvement of the former;
- Promotion of information and awareness among employees about measures to prevent and reduce emissions into the atmosphere, water and soil, including waste management for the activities which may have an impact on the environment;
- Encouragement of participation in voluntary and social responsibility projects in the neighboring communities.

Nevertheless, while we are proud of our accomplishments, we continually strive to better our performance and adhere to strong policies and practices which you can learn about here.



Dice snake
Natrix tessellata



Major 2018 Achievements

2018 was a year of all-round records for KMG International despite a volatile market environment. In its efforts to increase production, minimize technological losses and eliminate accidental shutdowns in the industrial process, KMG International also continued to invest in the maintenance and continuous improvement of its integrated QHSE management system, with special focus on reducing the environmental footprint of its operations.

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

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

Petromidia Refinery, KMG International Group's main asset in Romania, continued to impress in terms of technological and production parameters in 2018, with a new historic record of 5.92 million tons of feedstock and other production levels which exceeded the 5-million-ton threshold for the first time in the history of the refinery. At the same time, Petromidia drove its environmental commitments further than ever before, recording its lowest technological loss in history, 0.83% wt below the level of 2017, along with its lowest energy intensity index - 96.1% and highest energy efficiency - 2.97 GJ/mt.


Vega Refinery, Romania's oldest crude processing unit still in use, boasted similar performances, as 2018 brought the highest levels of processed feedstock, a new record for n-hexane production, as well as ecological solvents and bitumen production. Despite all these operational peaks, the refinery managed to reach its lowest technological loss - 0.93% wt and its lowest energy consumption ever recorded - 2.43 GJ/mt.

On a correspondingly positive note, the Group's Petrochemical Division also improved its energy consumption, recording an energy efficiency index of 18.1 GJ/mt, down by 0.6 GJ/mt compared to 2017, as well as technological losses of 2.2% wt in 2018, 0.5% lower than the previous year.

Companies in the Group's Retail and Trading business units followed the same trend in terms of environmental efficiency. Rompetrol Downstream, KMG International's retail division that includes the Group's network of gas stations and warehouses, exceeded its 1% targets for water and energy usage by 1.95% and 2.90% respectively.

Major activities carried out in 2018 to achieve the Group's environmental objectives included:

- Issuing, approving and communicating QHSE Policy aligned with the strategic direction of the KMG Group and in accordance with the requirements of the ISO & OHSAS standards in force;
- Maintaining/developing/revising/reviewing system documents (procedures/work instructions/ regulations, etc.) in compliance with the requirements of the KMG International Group Policy no 1 and new ISO 9001 & 14001 standards, OHSAS 18001 and ISO 50001;
- Active involvement in the implementation and certification of the energy management system according to the ISO 50001 standard;
- Internal audits, safety audits, inspections in accordance with operational planning, in order to identify both weak points and improvement opportunities;
- Specific statistics and reports with various frequencies (weekly/monthly/quarterly/half-yearly/annual/upon request), in order to meet both internal and external requirements;
- Maintaining certifications on vehicle fuels and bitumen in compliance with the legal requirements / regulations of the European Union;
- Securing ISCC Certification for fuels with biocomponent;
- Monitoring operations for environment protection pursuant to the Integrated Environment and Water Management Authorizations, as well as the compliance requirements under the Greenhouse Gas Authorization.



Furthermore, CO2 emissions for the Refining Business Unit (Petromidia and Vega platforms, along with the Petrochemical Division) kept on a downward trend, with a decrease by 1.4 % compared to the previous year, while the Group continued to empty the historical sludge from Lagoon no. 1, process which was initiated in 2017, as part of the Group's strategy to preserve biodiversity and water resources and to reverse land degradation.

◀ **White wagtail**
Motacilla alba

Common kestrel ▲
Falco tinnunculus

Operational Performance

While back in 2017 KMG International had reached the highest operational performance in the 40 years since the establishment of Rompetrol and Petromidia Refinery, and marked 10 years since its takeover and integration into Kazakhstan's national oil and gas company, KazMunayGas, the main highlight of KMG activity for 2018 was the achievement of new production records in all business segments - refining, retail and trading.

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

Refining and Petrochemicals

The company's financial results were positively influenced by production process optimization programs (increase of processing capacity and increase of white products yields) and also influenced by the optimization of operating costs, programs that started in the year 2014 and successfully continued in the following years (of which reduction in steam and power consumption are the most significant).

PETROMIDIA REFINERY

In 2018, Petromidia Refinery - the biggest asset of the Group and one of the most technologically advanced crude processing unit in the Black Sea region - reached new maximal operational efficiency. The total volume of raw materials processed in 2018 by Petromidia Refinery was 5.9 million tons, 1 million tons higher than planned, and it represents the highest annual level of feedstock processed in its history.

The production plan for 2018 was designed with a total processing of 5,445,849 tons, of which 4,846,000 tons crude oil and 599,849 tons other feedstock. This program formed the basis for the preparation of the 2018 income and expense budget.

The volume of finished products obtained in the three KMG production units in Romania - Petromidia and Vega refineries, as well as the Petrochemical Division - reached a record level of 5.8 million tons during the reporting period. An increase in the production of marketable petroleum products - gasoline, diesel and jet fuel - was also recorded at the end of 2018. Moreover, new records were also reached in the production of the Group's main petrochemicals - polypropylene, bitumen and n-hexane.

The feedstock processed in 2018 eventually stood at 5,924,876 tons, of which 5,027,556 tons crude oil and 956,075 tons other raw materials. This figure accounts for 108.8% of the capacity provisioned in the 2018 budget.

In operational terms, the refinery worked at full output of 17,332.6 tons of raw materials per day, reported to actual working time, registering record performances.

The yields for diesel stood at 46.49% in 2018, while the yields for white products (gas, diesel, Jet, automotive LPG) reached the level of 75.5% in 2018. Petromidia Refinery produced 2.75 million tons of diesel in 2018, the highest level it has ever reached since its commissioning in 1979.

1. New historic peak level

2. First time to exceed the 5-million-ton threshold

3. Record yield of 5.4% wt

4. New historic low level



Feedstock Processed¹

5.92 million tons
263,000 tons above 2017



Crude Unit Production²

5.08 million tons



Gasoline Production

1.36 million tons
92,000 tons above 2017



Diesel Production

2.75 million tons
16,000 tons above 2017



Jet Fuel^{1,3} Production

0.317 million tons
66,000 tons above 2017



Polypropylene Production¹

142,000 tons
10,000 tons above 2017



White Finished Products

86.20% wt
record yield



Technical Losses⁴

0.83% wt
record low technical loss



Energy Intensity Index⁴

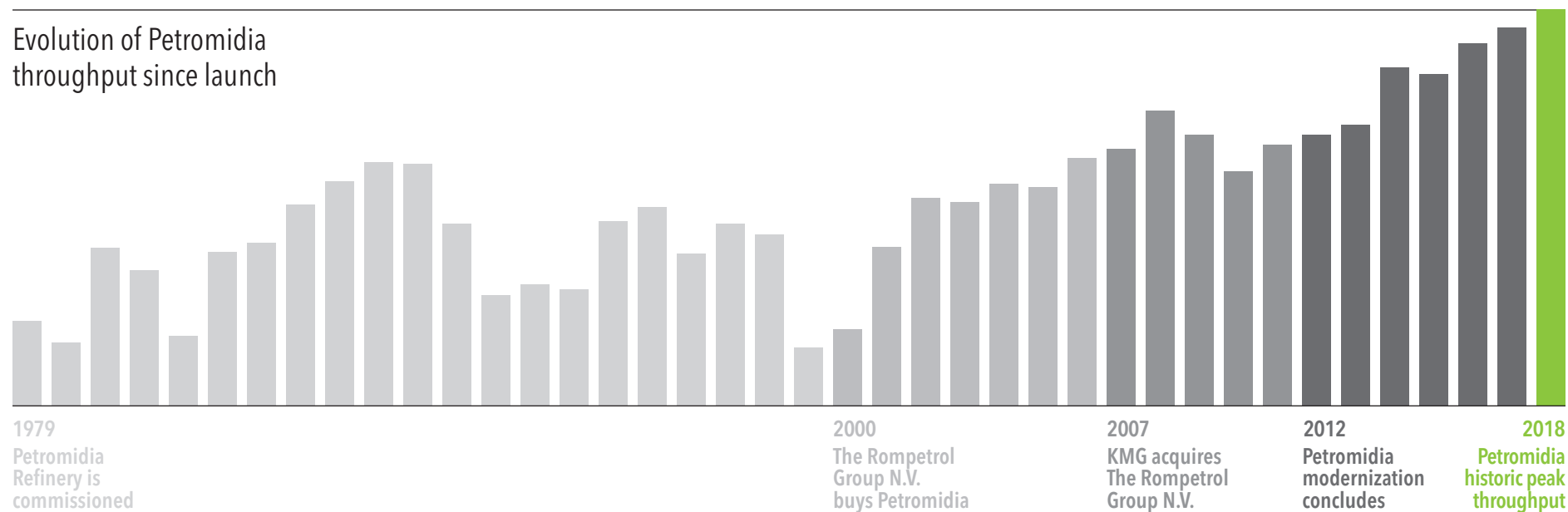
3 points lower than 2017



Energy Consumption⁴

2.97 GJ/mt

Evolution of Petromidia throughput since launch



VEGA REFINERY

The only domestic bitumen and hexane producer also registered impressive operational results in 2018, reporting a total feedstock of 406 Kt (up 9%). This is the first time in its history when the 400 Kt threshold was exceeded.

The 2018 production schedule of Vega Refinery was designed for a total processing output of 387,095 tons, of which 387,025 tons raw materials of KMG International Group and 70 tons raw materials acquired outside the Group. The processing carried out in 2018 amounted to 406,004 tons, of which 405,959 tons from KMG International Group and 45 tons non-Group. The processing represents 104.88% as compared to the schedule established for the 2018 budget, according to the available raw materials from Petromidia Refinery and correlated with the market demand.



N-Hexane Production

85,000 tons
historic peak



Bitumen Production

102,000 tons
historic peak



Eco-Solvents Production

44,000 tons
historic peak



Processing Cost

40.1 USD/mt



Technical Losses

0.93 %wt
historic low

PETROCHEMICAL DIVISION

The Petrochemical Division of the refinery managed to increase its total feedstock (propylene, ethylene) by about 3% in 2018 compared to the previous year. The Petrochemical segment thus recorded a new year with very good operational performance.

The petrochemical segment is the only polypropylene and polyethylene producer in Romania, constantly increasing its market share and the secondary products categories. Its dynamic development strategy provides the company with a competitive position both on the domestic market and on the regional market - the Black Sea and the Mediterranean, Central and Eastern Europe. The polymer production achieved in 2018 amounted to 147,953 tons, of which PP - 89,533 tons, LDPE - 51,691 tons and HDPE - 6,730 tons.



Feedstock Processed

203,500 tons
historic peak



Polypropylene Production

89,500 tons
higher than 2017



Polymers Production

148,000 tons
22,000 tons polymer-grade PP



Energy Intensity Index

18.1 GJ/mt
0.6 GJ/mt lower than 2017



Conversion Cost

276 USD/mt
products



Technical Losses

2.2 %wt
0.5% lower than 2017

Retail and Wholesale

Retail sales volumes also experienced the overall growth characterizing Group operations throughout 2018. Internal and external wholesale and retail channels amounted to 3.35 million tons for the period under review, 59,000 tons higher than 2017 and 1.25 million tons more than volumes registered in 2012. Herewith, the profits from non-fuel retail sales rose to USD 21 million, which stands 28% (USD 6.3 million) higher than the previous year and more than double compared to 2012 indicators.

Since part of the Group's development projects for 2018 were aimed at expanding the regional distribution network in Romania, Moldova, Bulgaria and Georgia, about 200 new sale points were opened (including fuel stations, express stations, skids and reservoirs).

ROMPETROL GAS

Rompetrol Gas placed a wide range of products in the market in 2018, totalling 405,242 tons across several segments:

Retail	87,455 tons
auto LPG	69,814 tons
cylinders	15,086 tons
propane	2,555 tons
Wholesale	111,979 tons
Export	205,807 tons

Trading and Supply Chain

Following the same direction, crude sales to third parties reached new records as well. Exports of raw materials and petroleum products sold through trading channels amounted to 14.9 million tons, 2.7 million tons more than in 2017 and 10.3 million tons higher than 2012.

Thus, KMG International continued to be the largest exporter of petroleum products in Romania, with quantities delivered by the refining and petrochemical divisions to KMG International subsidiaries in Bulgaria, Moldova and Georgia and to partners in the Black Sea region standing 27% higher, at USD 1.7 billion.

Furthermore, starting October 2018, KMG International has become the first company in Romania to be awarded the "Standard" accreditation level by CIPS (Chartered Institute of Procurement and Supply). The Certification of this level attests the Group has robust and professional procurement practices/systems in place and performs world-class services in procurement and supply.

The achievement of high operational results in 2018 reflects the constant implementation of internal programs aimed at the progressive development and further diversification of the business. Due to the company's internal financing, the projects implemented focused on optimizing and improving the cost-effectiveness of processing, logistics and sales activities, as well as on transforming current activities to reduce operational expenses and increase profitability.

| Energy & Water Management

Energy Input and Consumption

All Group entities monitor power usage and constantly revise and propose improvements to the Group's strategy, in line with legal requirements and operational evolutions, 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 2018, breaking the previous year's records or even registering historical ones.

As a result of energy efficiency and operational performance improvements carried out at the level of the Group's refining operations, both Petromidia and Vega refineries recorded lower total energy inputs in 2018 compared to the previous year, thus maintaining the trend that was recorded in the past.

Following the general overhaul of Petromidia Refinery performed in 2015 and the implementation of the initiatives within the "Dolphin" project, the equipment functioned in 2017 and 2018 at a high level of safety, with a low maintenance cost, boasting 96.95% mechanical availability. The reduction of operating costs, along with the increase in the mechanical and operational availability allowed an improvement of the Energy Intensity Index, which reached 96.1 points.

The lowest energy consumption of Petromidia Refinery (~2.97 GJ/ton) was recorded in 2018, related to the ton of throughput, value which was lower by approximately 2.2% compared to 2017. The utilities cost increased by USD 1.5/ton from USD 7.6/ton in 2017 to USD 9.2/ton in 2018, correlated with an increase in the prices of utilities, the internal production of refinery gas, and with the operation of internal steam sources.

In 2018, the energy consumption of Vega Refinery reported to throughput marked a decrease by approximately 3% compared to 2017, operational result stemming from the asynchronous functioning of the plants, as well as measures to reduce consumption.

Correspondingly, the Petrochemical Division also reduced its overall energy consumption, lowering both power and steam consumption, to an energy index of 18.18, compared to the 18.71 recorded the previous year. This was mainly influenced by unit pellet production (quantity and grades), polymer grade propylene production and the continuous operation (utilities consumed during non-operation increase the EIP).

Given the growth of the Group's retail network, Rompetrol Downstream saw an increase in overall power consumption compared to the previous year, from 24,522 M^W in 2017 to 25,458 MW in 2018. As for Rompetrol Gas, the company maintained a steady power consumption, with a total of 630 MW in 2018.

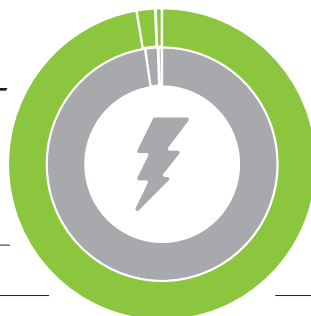
In the Trading Division, Midia Marine Terminal's power consumption in 2018 reached 612 MW, while the division's total energy usage for the year was 701,713 MW.

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

PETROMIDIA ENERGY BASKET (GJ/T)

Fuel gas
Power
Coke on catalyst, PSA off-gases
Steam

Total energy used



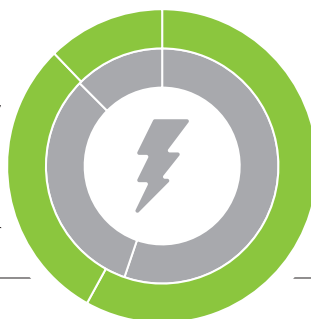
2017 2018

Fuel gas	1.72	1.74
Power	0.58	0.56
Coke on catalyst, PSA off-gases	0.57	0.58
Steam	0.17	0.10
Total energy used	3.04	2.98

PETROCHEMICAL ENERGY BASKET (GJ/T)

Steam
Power (onsite)
Power (offsite)

Total energy used



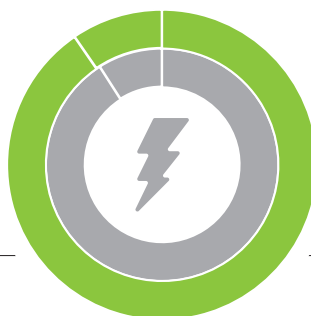
2017 2018

Steam	10.34	10.56
Power (onsite)	6.02	5.40
Power (offsite)	2.35	2.23
Total energy used	2.65	2.40

VEGA ENERGY BASKET (GJ/T)

Fuel gas
Power

Total energy used



2017 2018

Fuel gas	2.41	2.17
Power	0.24	0.23
Total energy used	2.65	2.40

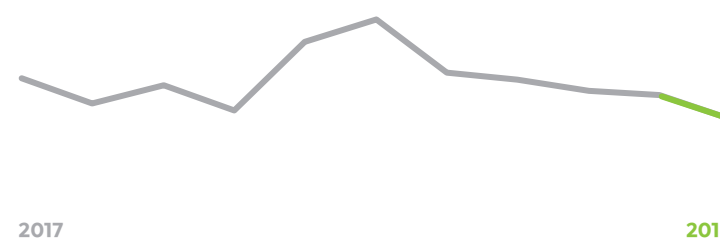
PETROMIDIA ENERGY EFFICIENCY INDEX (GJ/T) PETROMIDIA ENERGY INTENSITY INDEX (GJ/GDP)



PETROCHEMICAL ENERGY EFFICIENCY INDEX (GJ/T)



VEGA ENERGY EFFICIENCY INDEX (GJ/T)





Water Input and Consumption

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

All Group operations closely follow the requirements of water and environmental permits and have water quality monitoring systems in place. In 2018, values set forth in the integrated environmental authorization regarding groundwater quality were not exceeded at Petromidia or Vega refineries, just as the LEVs for land industrial use (7 monitoring points inside Petromidia Refinery and 2 test sample points at Vadu and Năvodari) did not record values above limits. Moreover, monitoring systems are in place for both the Retail and Trading Business Units of the Group, in conformity with legal requirements on water and environmental protection.

Petromidia Refinery's total water input increased to 5,906 thousand m³ in 2018, from 5,883 thousand m³ in 2017, thus following an opposite trend to the nearly 3.5% drop from 2016, while Vega Refinery's total water input decreased, from 920.18 thousand m³ to 902.87 thousand m³ in 2018.

Regarding the Group's Retail Business Unit, an increase in water input was recorded in 2018, due to the expansion of the Group's retail network, from 148,762 m³ in 2017 to 157,355 m³ in 2018, respectively a 6,065 m³ water consumption level for Rompetrol Gas in 2018, compared to 5,043 m³ in 2017.

As for the Groups' Upstream Business Unit, water consumption values remained 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 m³/year and 3,650 m³/year for the Timișoara and Ploiești working points and cca. 300 m³/year, respectively.

Our wastewater discharge was 7.2 million m³ for Petromidia Refinery. More precisely, of the 9,443,704 m³ of treated wastewater at Petromidia Refinery, 7,222,786 m³ were discharged at Vadu, while 2,220,918 m³ were reused. The reused water (recycled) on Petromidia platform was 23.5% of total water withdrawn. The percentage of recycled water at Vega Refinery was the same as in previous years.

Emissions and Waste

In 2013, GHG permits were issued for both Petromidia and Vega refineries, valid until the end of 2020 (Phase III), while annual external audits were conducted to verify CO₂ calculations for the previous year.

All conformity obligations were fulfilled in 2018, the Refining Business Unit registering an overall 1.4 % decrease in its CO₂ emissions from 2017.

As for sulfur dioxide and nitrogen oxide emissions, although within legal limits, there were fluctuations registered by the Group's refining units compared to the previous year. For instance, opposite to the evolutions recorded throughout the previous year, Petromidia refinery (including the petrochemical plant) reduced its NO_x emissions, from 514 tons in 2017 to 492 tons in 2018. However, an increase in SO₂ emissions was recorded, from 274 tons in 2017 to 291 tons in 2018.

On a similar trend, Vega Refinery recorded higher NO_x emissions in 2018, 86.51 tons, while SO₂ emissions were lower, at 26.21 tons. For Rompetrol Gas, the same values as the previous year were kept.

BU REFINING CO₂ EMISSIONS (TH. TONS)

**Petromidia
Refinery**
**Petrochemical
Division**
Vega Refinery



	2016	2017	2018
Petromidia Refinery	984.82	918.38	906.20
Petrochemical Division	44.14	62.38	61.66
Vega Refinery	46.17	48.02	47.16

In terms of waste, our waste recovery rate for Petromidia Refinery in 2018 was 89.6%, with a waste generation rate of 1.6 kg of waste/ton of raw material processed. Total waste recorded by Vega Refinery was 736.97 tons, while the Group's Retail Business Unit generated waste in the amount of 6,425.93 tons, split between Rompetrol Downstream (5,253.93 tons) and Rompetrol Gas (1,172 tons). For the Trading Business Unit, total waste generated in 2018 reached 25.7 tons.

Moreover, in line with its commitment to environmental protection, Vega refinery started reclaiming the lagoons "inherited" by the Rompetrol Group following the refinery's privatization in 1999. In this respect, KMG International, through its refining unit in Ploiesti, started an extensive process of selecting a company with experience in the field, as well as identifying the best and safest technologies to neutralize and eliminate the acid tar and sludge generated by the years of crude processing and fuel production.

These measures are part of the complex environmental strategy of the Group, which saw the transformation of this unit from a classical refinery into a manufacturer and supplier of special products and solutions (environmentally friendly solvents, eco-friendly heating fuels etc.).

The complete reclamation of the lagoons is set for the upcoming year, which will involve increased safety measures and the ongoing collaboration with competent environmental authorities. Operations will be constantly monitored through on-line measurements of all required parameters, including the noise generated during 'greening' operations. The refinery is considering the possibility of displaying relevant environmental indicators on an electronic panel in real-time, for increased transparency.

Furthermore, no accidental spills were recorded in 2018 and no hazardous waste was transported, imported or treated at the Refining Business Unit. Moreover, CMA was not exceeded for the treated waste waters discharged from Pond 2 into the Black Sea, thus posing no risk to species with habitats in the areas of operation.

| Biodiversity

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

Additionally, aside from the permits issued by the competent authorities and the annual certifications issued by Lloyds Register, KMG International analyzes and assesses the impact of the refining activity on biodiversity for each new project. In 2018, 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 household waste waters from the city of Năvodari) we 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 and Investments

Rompetrol Rafinare (RRC), KMG International's refining division, only produces Euro 5 fuels and only processes sour crude oil. All RRC fuels and VEGA additives are certified by the Romanian Automotive Register according to GD no. 928/2012 on minimum requirements for market introduction of fuel. Furthermore, all biofuel volumes purchased by KMG International comply with sustainability criteria set out in the EU Legislation, being sourced from EU producers using mainly European feedstock.

Due to the strict requirements and high standards implemented by the Group in its trading and retail operations, no significant environmental impact of transporting products and other goods and materials were registered, and no significant environmental penalties were applied by competent authorities in 2018.

The Quality, Environment, Occupational Health and Safety Management System was recertified in 2018 and the Energy Management System was implemented and pre-audited to improve energy

efficiency. Also, to meet the Renewable Energy Directive (RED) provisions and to demonstrate compliance with sustainability criteria, Rompetrol Rafinare SA has a voluntary certification according to the ISCC-EU scheme, as trader with storage, the ISCC Management System also being recertified during the reporting period.

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

While Petromidia refinery was in full environmental compliance in 2018, USD 20,230 in environmental penalties were applied by Environmental State Authorities to Vega Refinery. Moreover, a USD 6,500 penalty was applied to one gas station in the Rompetrol Downstream network.

In 2018, the costs of environmental compliance and activities targeting environmental footprint reduction totalled nearly 4 million USD, addressing issues like waste disposal, packaging, VOC checks, environmental analysis, sludge collection from lagoons, cleaning works on refining platforms etc.

No grievances about environmental impacts were filed, addressed or resolved through formal grievance mechanisms in 2018.

Petromidia Refinery

Environmental compliance
Environmental charges

USD 0
USD 1,800

Vega Refinery

Environmental compliance
Environmental charges

USD 2,163,315
USD 505,771

Rompetrol Downstream

Environmental expenditures

USD 1,015,643

Rompetrol Gas

Environmental expenditures*

USD 91,025

Midia Marine Terminal

Environmental charges

USD 20,536

*Disposal of gas cylinders, waste disposal,
packaging, environmental analysis*



**European
ground squirrel**
Spermophilus citellus

People

White stork

Ciconia ciconia

It is one of the few mute birds, though it does produce clonking sounds with its powerful beak.

Breeding white storks prefer lowland open habitats like wet pastures, flooded meadows and shallow lakes and marches with scattered trees for roosting and nesting.

They have adapted to nest on man-made structures and have been known to forage in freshly plowed fields.

The oldest white stork observed in Romania was ringed in 1960 and was identified 12 and a half years later in Tanzania.



Our Approach

We have always stated that our people are what drives our success, they are the ones responsible for KMG International always getting further. And, as we are aware that we need to have thriving people in order to also have a thriving community and business altogether, our efforts are concentrated into developing and maintaining long-term, mutually beneficial relationships with our employees, our suppliers and the communities in which we operate.

Nevertheless, it all starts with the more than 5,000 employees, who are at the core of our operations. We believe that our success is built on their dedication, skills, experience, performance and overall wellbeing. As such, by providing an environment in which all employees are treated fairly and with respect, we aim to be an employer of choice that attracts the most talented employees, to have a diverse workforce that represents the diversity of our local communities and to provide training and development opportunities to enable staff to achieve their potential.

To show our commitment in this regard, we foster an organizational culture that builds on employee constant development while emphasizing our rich background in the oil & gas industry and our extensive know-how, maturity and learning agility.

Labor Practices

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

Anti-Bribery and Anti-Corruption

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

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

Business Ethics and Compliance

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

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



Black-tailed godwit

Limosa limosa

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

At the Group's headquarters, 5 induction sessions were organized for employees in 2018, cumulating 296 hours of trainings for 74 employees.

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

Our Company requires that all suppliers and their subcontractors with no exception comply with the Supplier Code of Conduct in order to carry out any business dealings.

Freedom of Association and Collective Bargaining

At KMG International, we fully acknowledge our employees' legal right to form trade unions and join other third-party organizations without fear of coercion. During our 2018 operations we did not identify any operations or suppliers in which the right to exercise freedom of association and collective bargaining was violated or at significant risk.

Advice and Grievance Mechanisms

The overall responsibility for seeking advice 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 hotline, Compliance Department advice for ethics, topics pertaining to conflicts of interests. The advice is treated in a confidential manner.

The whistleblower mechanism is managed by the 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.

Child Labor

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

Forced/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.



White storks
Ciconia ciconia

Workforce Structure and Evolution

Employment Breakdown

As of December 2018, our total headcount reached 5,619, with the majority of KMG International employees being located in Romania (66%), the largest base of operations for the Group.

In terms of workforce evolution, while a slight decrease in total headcount was noticeable in 2017 compared to the previous year, due to the switch from company-owned to dealer owned and operated gas stations), KMG International's workforce showed stability in 2018, more significant changes being recorded only in the Republic of Moldova and Kazakhstan, in line with the specific business directions of the respective KMGI entities.

All our employees have a labour contract and 99% of them have a full-time contract. Nevertheless, the Group offers the same benefits to its employees, regardless of their contract type, part-time or full-time.

With the exception of three countries in which KMG International has operations where there is no minimum wage established by national legislation (Georgia, Singapore, Switzerland), in 2018 there were employees earning minimum wage only in Moldova and Romania, in accordance with their experience and their specific line of operations, which mostly included activities pertaining to the fuel station networks in the two countries.

We employ a high number of locals in our international operations, including senior managers, Group CEOs, Chief Officers and Group Directors. 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, alongside 40% Kazakh and 20% Moldovan nationals.

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

2018 MINIMUM WAGE BY LAW	IN LOCAL CURRENCY	IN USD EQUIVALENT
Bulgaria	510 ^{BGN}	309.09 ^{USD}
Georgia	-	-
Kazakhstan	28,284 ^{KZT}	81.04 ^{USD}
Moldova	2,610 ^{MDL}	157.51 ^{USD}
The Netherlands	1,594 ^{EUR}	1,849.04 ^{USD}
Romania	1,900 ^{RON}	487.18 ^{USD}
Singapore	-	-
Switzerland	-	-
Turkey	2,030 ^{TRY}	426.37 ^{USD}

Diversity and Equal Opportunity

As part of our belief system and organizational culture, we do not discriminate by gender, age, nationality or by any other factor that has no bearing on how employees can perform their job.

Not only is diversity reflected in the various nationalities of our employees, but also in gender and role assignment within the Group, at all levels of our operations.

Our efforts towards fostering gender diversity and equal opportunity within the Group are relentless, with a stable percentage of female employees in 2018, namely 27.5% at Group level and over 30% female employees within the Group's Romanian operations.

While we are aware that there are still improvements to make, we strive to make the gap smaller every day, looking to encourage gender diversity and equal pay in our operations. In this regard, the evolution of the ratio of the base salary and remuneration of women to men has recorded an optimistic evolution in various of our regional operations, considering the absolute values of this indicator.

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

However, the specificity of the operations should also be considered when analyzing these values. For example, in Georgia average gross salaries for women are higher due to the fact that the most part of employees are men hired in gas stations with minimum salaries while the fewer women are hired in office jobs with higher level of the required skills.

Nevertheless, we are making every effort to attract qualified female employees across all areas and functions of our business. This can be easily observed in the percentages of our female new hires which reached 27% in 2018, an increase by 2% compared to the previous year.

Unlike 2017, when only in Kazakhstan and Romania female new hires exceeded the Group median, reaching 41% and 35% respectively, 2018 saw an increase in several Group regions of operations, with the highest values being recorded by Switzerland – 60%, Kazakhstan and Romania, both at 42%, an outstanding increase for Kazakhstan compared to the previous year. Even though the most prominent Group activity in Bulgaria and the Republic of Moldavia was represented by the expansion of its retail network, usually resulting in male new hires, the regions added 37% and 33% of female new hires to their local talent pool.

HEADCOUNT	WOMEN	MEN
Romania	1,223	2,504
Moldova	229	712
Georgia	31	756
Kazakhstan	16	17
Bulgaria	26	54
Switzerland	11	18
Singapore	5	-
Libya	-	7
The Netherlands	1	5
Turkey	-	5
TOTAL	1,542	4,077

NEW HIRES	WOMEN	MEN
Romania	154	216
Moldova	164	337
Georgia	-	318
Kazakhstan	5	7
Bulgaria	7	12
Switzerland	3	2
Singapore	-	1
TOTAL	333	893

In terms of age diversity, a stable trend can be noticed in recent years, with 122 of our new hires, namely 10% of the total new hires over the age of 50 in 2018, close to the 11% registered the previous year. Similarly, 49% of new hires were employees under 30, compared to the 50% in 2017 and 41% were in the 30-50 years-old category, compared to 39% in 2017.

The highest percentages of new hires were recorded in Switzerland, Kazakhstan and Georgia, with 100% in Switzerland and 75% in Kazakhstan, both percentages for the 30-50 years old category, alongside 67% new hired under 30 in Georgia.

NEW HIRES BY AGE	<30	30-50	>50	2018
Romania	150	173	47	370
Georgia	213	82	23	318
Moldova	231	220	50	510
Kazakhstan	2	9	1	12
Bulgaria	6	12	1	19
Switzerland	-	5	-	5
Singapore	-	1	-	1
TOTAL	602	502	122	1,226

Turnover and Retention Rates

In 2018, KMG International's overall employee turnover was 1,213, lower by nearly 25% compared to the previous year, with the highest number of departures being recorded in the Republic of Moldova, with 434 employees who left the Group. In total, 920 male and 293 female employees left the group, 496 of which were in the "under 30" age category, followed by 488 in the 30-50 bracket and 229 over 50.

The highest turnover rates were recorded in Libya - 57%, Georgia - 47% and the Republic of Moldova - 46%, while the highest volatility was recorded in the "under 30" age group, with the highest rates in Moldova and Georgia, namely 76% and 68%, respectively.

TURNOVER BY AGE	<30	30-50	>50
Romania	18%	10%	9%
Georgia	68%	37%	32%
Moldova	76%	38%	17%
Kazakhstan	-	22%	-
Bulgaria	30%	9%	31%
Switzerland	-	16%	-
Singapore	-	25%	-
Libya	-	57%	-

DEPARTURES	2018
Romania	382
Georgia	371
Moldova	434
Kazakhstan	5
Bulgaria	12
Switzerland	4
Singapore	1
Libya	4
Turkey	
TOTAL	1,213

TURNOVER	WOMEN	MEN	TOTAL
Romania	13%	9%	10%
Georgia	3%	49%	47%
Moldova	16%	15%	46%
Kazakhstan	12%	18%	15%
Bulgaria	16%	15%	15%
Switzerland	9%	17%	14%
Singapore	20%	-	20%
Libya	-	57%	57%

At Group level, 144 employees were entitled to parental leave in 2018, of which 64 (55 women and 9 men) took the leave, a downward trend compared to the previous years: 66, in 2017, 141 in 2016 and 93 in 2015. Another shift that can be noticed here is the slight increase in male employees taking parental leave as a result of changes in the specific legislation in various locations of operations.

PARENTAL LEAVE ENTITLED/TOOK	WOMEN		MEN	
Romania	38	35	57	4
Georgia	3	3	-	-
Moldova	13	12	21	3
Kazakhstan	5	1	-	-
Bulgaria	4	4	2	2
Switzerland	-	-	1	-
TOTAL	63	55	81	9

The total number of employees who returned to work after parental leave ended (in 2018) was 63, 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 40, of which 35 women and 5 men.

RETURNED FROM LEAVE	WOMEN	MEN
Romania	51	2
Georgia	2	-
Moldova	3	3
Kazakhstan	-	-
Bulgaria	1	2
Switzerland	-	-
TOTAL	56	7

STILL EMPLOYED 1 YR. AFTER RETURN	WOMEN	MEN
Romania	30	4
Georgia	2	-
Moldova	1	1
Kazakhstan	-	-
Bulgaria	1	-
Switzerland	-	-
Libya	1	-
TOTAL	35	5

While the return-to-work was 100% for the past consecutive years, namely 2018, 2017 and 2016, the overall retention rate of employees who took parental leave (calculated for 2018 taking into consideration the number of employees who worked more than 1 year after return to work) maintained itself at 29%, the same value recorded in 2017, with an average of 29% for female employees and 27% for male employees from the analyzed representative countries.



Occupational Health and Safety

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

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

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

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

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

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

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

Refining Committee

General Director (President of CSSM)

HS Coordinator (Secretary of CSSM)

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

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

Doctor of Medicine

Trading Committee

General Director (President of CSSM)

QHSE Manager (Secretary of CSSM)

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

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

Doctor of Medicine

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

As a result of the implementation of constantly updated and high-standard safety measures, there were no fatal incidents recorded in 2018.

Moreover, the employee absenteeism rate started seeing a decreasing trend in 2018, being addressed by constantly promoting health and employee well-being by improving medical care subscriptions and access to investigations to prevent health problems. While most cases can be attributed to employee medical leave, which recorded slightly higher rates in women compared to men, the indicator is also reflective of workforce ageing and the factors associated with the process.

ABSENTEEISM RATE	WOMEN	MEN	2018
Romania	2.84%	1.97%	2.26%
Near abroad	2.90%	1.10%	1.40%
Group	1.63%	2.85%	1.97%

ABSENTEEISM RATE	2014	2015	2016	2017	2018
Group	2.43%	3.10%	2.41%	2.54%	1.97%

Aside for the safety procedures and processes carried out by KMG International at all Group levels and in all its Business Units, the Group places high focus on health and safety training, with nearly 30,000 training hours of QHSE training in 2018 alone. Furthermore, defensive driving training continued to be provided to KMG International employees in order to reduce the number of motor vehicle crashes.

HSE PERFORMANCE INDICATORS		UNIT	2018
FTL	Fatalities	cases	0
FIR	Fatal Incident Rate	%	0.00
LTI	Lost Time Injury	cases	2
LTIFR	Lost Time Injury Frequency Rate	%	0.15
TRI	Total Recordable Injuries	cases	2
TRIFR	Total Recordable Injuries Frequency Rate	%	0.15
DAFWC	Days Away From Work Case	cases	2
FR	Frequency Rate	%	0.15
RWDC	Restricted Work Days Case	cases	0
MTC	Medical Treatment Case	cases	0
FAC	First Aid Case	cases	6
SR	Severity Rate	%	0.15
MVC-L	Motor Vehicle Accident - Light	cases	11
MVC-S	Motor Vehicle Accident - Serious	cases	3
MVC-M	Motor Vehicle Accident - Major	cases	0
MVC-C	Motor Vehicle Accident - Catastrophic	cases	0
MVAT	Motor Vehicle Accident Total	cases	14
MVCR	Motor Vehicle Accident Rate	%	0.10
DT	Distance Travelled (by company cars)	km	16,271,848
WH	Worked Hours	hours	13,112,733

Safety Projects

'Life' also continued to be woven into day-to-day business activities in an effort to build a culture of safety for all employees, contractors and subcontractors. Moreover, given the high risks entailed by our refining activity, a special training program addressing issuers of working permits was conducted in 2018, in order to provide

seamless implementation of control over work permits risks. Dedicated training was performed by Group specialists for own rescuers, in order to be prepared for any emergency situation and several Group employees took part in CPR and first aid training.

BETTER THAN
PREVIOUS MONTH
WORSE THAN
PREVIOUS MONTH
NOT APPLICABLE

DIVISION	ENTITY	HOC ISSUED	HOC CLOSED	TRAINING HOURS	FIRE/EMERG. DRILLS	AUDITS/CHECKS
Trading & Supply Chain	KMG Trading (fmr. Vector Energy)	N/A	N/A	N/A	N/A	N/A
	Rompetrol Turkey	N/A	N/A	N/A	N/A	N/A
	Midia Marine Terminal	142	133	1,588	37	126
	Byron Shipping	3	3	38	0	1
Retail & Marketing	Rompetrol Downstream (Romania)	120	97	8,740	384	1,921
	Rompetrol Gas (Romania)	34	32	394	50	6
	Rompetrol Bulgaria	5	7	5	58	49
	Rompetrol Georgia	189	61	895	3	137
	Rompetrol Moldova	232	225	3,850	736	162
Production	Petromidia Refinery	2,214	1,754	1,044	57	2,804
	Vega Refinery	590	586	391	25	439
Upstream	Rompetrol Well Services	3,273	3,273	672	24	34
	Oilfield Exploration Business Solutions	0	0	48	0	0
Industrial Services	Rominerv	1,566	1,550	1,658	4	1,963
	Rominerv IAI FO Zalău	67	65	471	1	314
	Palplast	32	32	314	11	57
Non-Core	KMG Rompetrol	0	0	2,731	1	0
	GSS	0	0	4,372	131	10
	Rompetrol Quality Control	140	140	886	31	217
KMG International (total) Total year to date		8,607	7,958	28,097	1,553	8,240



Greylag goose
Anser anser

Skill Management and Lifelong Learning

Dealers' Development Program (Romania - Retail Business Unit)

The "Dealers' Development Program" was developed to further strengthen the partnership between the Group and Dealers, in order to support the latter in ensuring a high-quality standard within all the gas stations network.

The program was designed as a continuous learning process, consisting of dedicated training sessions and tools enabling our Dealers to further drive performance and manage their business effectively in the areas of Sales, Finance and People Management.

Management and Leadership Skills

In 2018, the focus within all the Group's entities was to improve the work environment, communication and interpersonal relations by helping people develop their potential through learning, coaching and behavioural change, personal and team transformation and collaboration in a cost-conscious environment.

Yearly, all the Group's managers undergo courses on management skills and leadership competencies, and the 2018 management curricula included Management Skills addressed to all middle managers within the Group. The main development focus was on developing strategic thinking and managerial skills by setting effective objectives to guide their teams and the organization forward.

Another essential growth factor that we developed was Innovation, by creating a central innovation team inside the company, formed by people from different areas of expertise with the main role of generating new ideas covering various business needs and ensuring everyone in the business is working towards better business practices, and improving business efficiency and performance.

Employee development initiatives

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

Cross-Training Inside the Refining Business Unit

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

Knowledge Transfer In Refining Business Unit

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

“Refinery Fundamentals“

The program was developed and implemented starting 2018 as a learning session facilitated by the Group’s Planning and Optimization Director and offers useful information about our refinery to help better understand the processes through which KMG International is producing its high-quality fuel under the Rompetrol band as well as the economics and operational aspects that make Petromidia one of the most profitable refineries in the region. Through this program, our employees can better understand the industry they are working in, the Group’s challenges throughout its history and the factors that bring added value to our products and business results.

Trainings and Assessments

We believe it is our corporate responsibility to ensure that our employees have a clear vision of where they want their career to advance and how they can get there. To facilitate this objective, each of our employees participate in an annual performance review. This is their opportunity to share their goals and desires with their leaders, but also hear constructive feedback on how they can improve and reach their goals.

In 2018, nearly 100% of our employees participated in this annual review. All locations, all genders and all levels of management have this opportunity and we look forward to continuing this in the future. Following performance assessment, based on employees’ development needs, customized

development programs are designed and implemented. During 2018, our development programs covered both professional and personal development, such as leadership, communication, potential discovery etc.

Within the Group’s 2-year talent development cycle, our ~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 delivered with the Group’s learning partners and customized for the specific needs and contexts of every participant.

AVERAGE NUMBER OF TRAINING HOURS	ROMANIA	BULGARIA	OTHER	GROUP
Overall employee average	6.84	7.90	6.15	4.31
Female employee average	6.49	6.32	0.93	7.15
Male employee average	6.98	9.02	8.66	3.73
Manager average	12.47	12.30	10.60	9.66
Execution level employee average	6.37	7.66	5.45	4.03

Economic Performance and Market Presence

Remuneration, Compensation and Benefits

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

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

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

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

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

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

- Days off paid by the company, in addition to annual bank holidays calendar
- Short Friday schedule
- Paid time off
- Significant life events support and allowances (marriage, child birth, illness, bereavement)
- Relocation assistance and allowances
- Kindergarten allowances
- Pregnancy and postpartum support and allowances

- Medical care support
- Rest and relaxation allowances/tickets
- Retirement planning and management services and allowances
- Health, life, illness and disability insurance
- Humanitarian aid - for significant damages further to calamities
- Transportation and commuting reimbursement
- Gifts for employees' children on Christmas and International Children's Day
- Discounts for company products or other third-party suppliers.

Furthermore, we have also developed the Well Station global platform, designed to integrate all our initiatives on the well-being area. Inspired by the company's profile, the gas stations being one of the most known symbols, Well Station is a program to inspire energy, a pit stop for all employees to refill with well-being, mindfulness & good information about health, a source of fuel for a better life. Well Station consists of three pillars: 1) Emotional and social well-being, 2) Physical well-being and 3) Financial well-being. Under the three pillars, we mapped and implemented throughout 2018 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.

Employer Contribution and Market Presence

KMG International is one of the greatest players in the regional oil & gas market, with significant investments and contributions to the local state budget. The Group's contribution to the Romanian budget since its acquisition by KazMunayGas NC in 2007 and until now has exceeded USD 15.8 billion.

In 2018, the percentage of employees covered by collective bargaining agreements was 66.01% at Group level, with a percentage of 44.65% of unionized employees out of the total Group headcount. In Romania, 99.55 employees are covered by collective bargaining agreements, with 2,509 employees from the Group's local operations included into 6 trade unions.

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.

CONTRIBUTIONS	2015	2016	2017	2018
Employer's Social Contributions (unemployment fund, labor accidents fund, disability fund, salaries guarantee fund)	11,514,719 ^{USD}	12,505,210 ^{USD}	13,638,750 ^{USD}	5,125,868 ^{USD}
Employer's Health Insurance Contributions (accidents fund, medical insurance fund)	5,915,576 ^{USD}	5,063,311 ^{USD}	4,943,964 ^{USD}	1,445,134 ^{USD}
Employer's Total Social Contributions	17,430,294 ^{USD}	17,568,520 ^{USD}	18,582,714 ^{USD}	6,571,003 ^{USD}

Community

Eurasian kingfisher

Alcedo atthis



A partially migratory but usually sedentary species, it lives near slow rivers or still waters rich in fish on which it feeds.

It nests by burrowing into steep muddy or clay cliffs clear of vegetation. Its galleries can span up to 90 cm. Sometimes the nest can be located hundreds of meters from any water source, as long as there is a cliff. They can travel extensively for food, especially in winter, when shallow waters freeze over.

Its double name comes from the Greek myth of Alcyone and Atthis, one of Sappho's lovers from Lesbos.



I Overview

Our daily activities and operations draw inspiration from both the versatility and resilience of the natural environment around Petromidia. Our refinery is located in the near proximity of the Danube Delta Biosphere Reserve, the second largest and best preserved of Europe's deltas.

With 2,200 square miles of rivers, canals, marshes, tree-fringed lakes and reed islands, the Danube Delta is a wildlife enthusiast's paradise and home of our Group's most prized asset.

Around 300 species of birds make the Danube's Delta their home, while there is also a rich variety of fishes and other animals. Altogether, 3,450 animal species can be encountered in the region, as well as 1,700 plant species, as the Danube Delta Biosphere Reserve has the third largest biodiversity in the world, exceeded only by the Great Barrier Reef in Australia and the Galapagos Archipelago in Ecuador.

We constantly seek to understand and respond to any potential impacts our activities may have on biodiversity or ecosystem services and we work hard to make sure our impact on the surrounding environment is minimal.



Bearded reedling
Panurus biarmicus

Therefore, it is easy to see how these local natural assets and their specificity are reflected into the various pillars of our sustainability policy, as we are committed to sustain a delicate balance with the environment and to preserve both the wildlife and landscape of our communities. We strive to mimic nature's champions, seeking qualities that we can encourage in our business, learning how to care for our employees and how to nurture their development. Just as nothing can survive alone in nature, we are steadfast in our commitment to foster the sustainable growth of our communities.

Their presence is a natural marker of our environmental protection efforts. We are inspired by these majestic creatures whose beauty, fierceness and intelligence strongly resonate with the values behind our main corporate responsibility program and inspire us in our internal projects.



Buff-tailed bumblebee
Bombus terrestris

Our CSR Projects

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

Environmental Stewardship

TREE PLANTING

Over 300 colleagues from Petromidia Refinery were engaged in a tree planting action in Navodari, in the proximity of the refining platform. The activity, which saw the planting of over 1,000 plane trees, was part of an extensive project aimed at contributing to the expansion of green areas in order to improve the quality of air, especially in the local communities where we have operations.

ENCOURAGING CUSTOMER E-VOICE ADOPTION

Rompetrol Downstream, the company operating the fuel distribution stations of KMG International, ran a campaign encouraging its customers to use electronic invoices instead of the printed versions.

The campaign was carried out under the slogan "The chainsaw sound is scary, just like deforestation", and aimed at informing customers on the importance of environment preservation and reduce billing with 120,000 invoices annually.

This approach is part of our sustainable development strategy, which includes

projects implemented by the gas stations network – electric power stations for EVs and hybrid vehicles, solar panels, LED bulbs only, etc.; and initiatives addressed to our clients to inform them and create responsibility around consumption.

SUPPORT FOR CHITUC RINGING CAMP

KMG International supported the fifth edition of the Chituc Ringing Camp, a project organized in the protected area of the Danube Delta Biosphere Reserve with the purpose of identifying, monitoring, researching and protecting the unique migratory birds crossing Romania and nesting there during summer.

Carried out by Milvus Group, a bird and nature protection association, the ringing camp was developed to protect the avifaunal population of Chituc Sandbank. During the 3 months of activity, from July to November, 10,292 specimens of 66 species were ringed (1,286 on average per week). Among the species with the highest numbers of ringed specimens registered were the sedge warbler

(2,441 specimens), the paddyfield warbler (1,969 specimens) and the reed warbler (1,954 specimens). Bird ringing is the oldest and most popular research method of migratory birds, research which allows gathering relevant demographic information.

Part of the educational component of the project, KMG International also organized a birdwatching camp at Vadu dedicated to children. Children took part in a series of activities carried out by the Milvus specialized staff, including the observation and ringing of bird species present at Vadu.

Environmental protection is one of the sustainable development objectives that we are committed to supporting through our projects. We operate the most modern refinery in Romania at the Black Sea, in the vicinity of Siutghiol Lake and the Danube Delta, and our concern for the environment is expressed not only by technological investments meant to reduce emissions and water consumption on the Petromidia platform, but also through initiatives for community development and protection, as is the project developed through the partnership with Milvus Group.



Health and Well-being

SMURD & ISU CONTINUED PARTNERSHIP

We continued to offer our support to the Romanian healthcare system throughout 2018, by consolidating the long-standing partnership with the Mobile Emergency Service for Resuscitation and Extrication (SMURD) & the Inspectorate for Emergency Situations (ISU).

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

Throughout the 11 years of partnership, KMG International has invested more than USD 5 million in aero-medical helicopters, uniforms for volunteers, medical equipment, rehabilitation and equipment supply for various medical facilities, so that members of the communities where the Group operates in to benefit from quality medical services.

2018 highlights:

- Two mobile training centers donated to the Mobile Emergency Service for Resuscitation and Extrication (SMURD) used to carry out training, extrication and emergency medical assistance programs for SMURD paramedics. The mobile training centers were presented for the first time, before their formal entry into service, to the 7th and 8th grade students in Blejoi, Prahova. 120 school students received a first-aid course offered by SMURD trainers at the inauguration.
- Endowment of the Regional Transfusion Center in Constanța with new equipment which has increased the technical capacity of the medical facility: a platelet agitator used in thrombocytes' storage and a hemo-mixer, mandatory equipment for a transfusion center, meant to ensure compliance of blood transfusion activities carried out by the center and preservation of blood components.



Social Support and Relief

ROMPETROL RUN & CARE

KMG International employees participated in the fifth edition of the Rompetrol Run and Care charitable cross, which took place in June, in Carol Park, Bucharest. More than 300 employees from different Group companies ran alongside families and business partners on distances of 5, 10 and 15 km, while the company donated 5 USD per kilometer to support the causes of the Edulier Association.

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

All funds raised at the 2018 edition of the Rompetrol Run & Care charitable cross were allocated to support the education of children with limited financial resources, as well as those with dyslexia, dyscalculia and dysgraphia. The Edulier Association provides 30 children aged 7-12 various learning programs and animal-assisted therapy, digital learning, music and art inspired therapy free of charge. Edulier also develops educational programs at national level, for the direct benefit of over 1,000 children annually.

Rompetrol Run and Care is part of the Group's approach to encourage a healthy lifestyle and a strong volunteering spirit among its employees. Throughout the years, more than 3,000 colleagues, half of the Groups' headcount, donated time and effort to support various social, environmental, health

and educational initiatives for the benefit of the community, such as M.A.M.E. Association, Hospice Casa Speranței, "Association for Dravet and other Rare Epilepsies" or MagiCamp, NGOs that improve the quality of life for children and adults with severe diseases.

CIVIL SOCIETY GALA

During our 16-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.

The 2018 edition of the Civil Society Gala celebrated "The Unknown Queen of the Civil Society". Under the umbrella of the Romanian Great Union's Centenary, a series of today's feminine personalities were celebrated, as well as their work in NGOs and charitable foundations. The winner of the 2018 edition was "Daruieste Viata" Association for its project dedicated to building the first Pediatric Oncology and Radiotherapy Hospital in Romania. 189 projects related to healthcare, education, human rights, economic & social development were included in the 2018 edition.

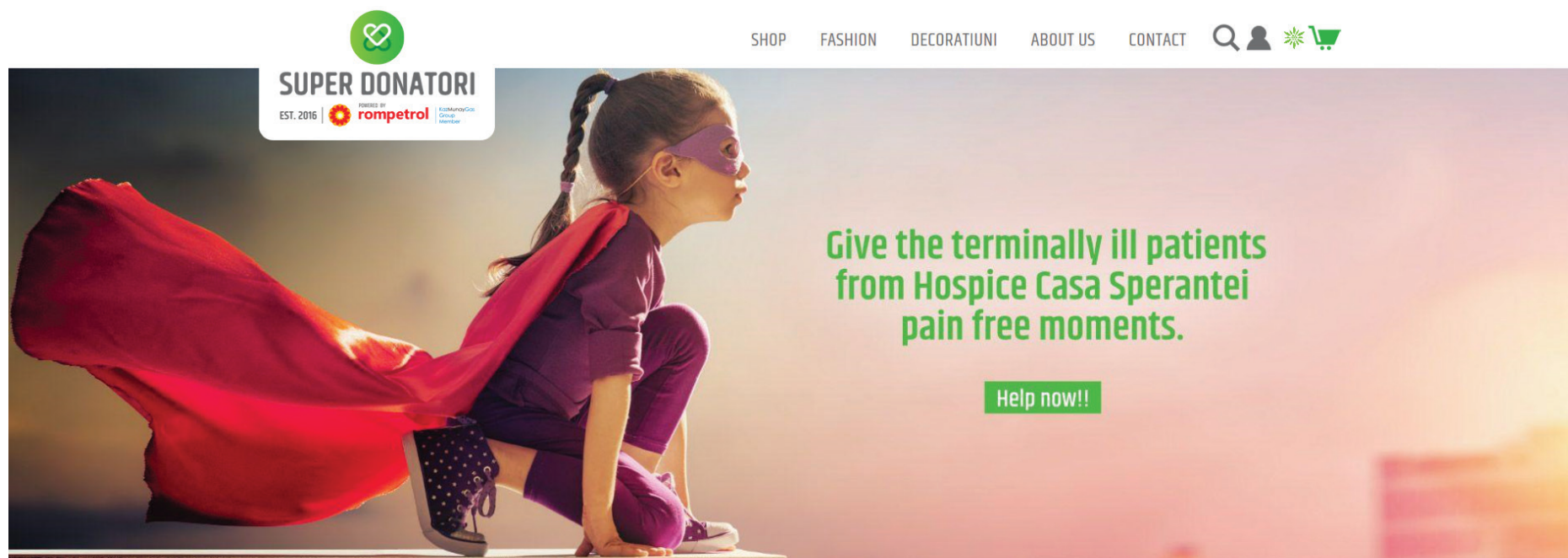
GTC MOTORSPORT

KMG International supported the GTC Motorsport Christmas Humanitarian Caravan, which traveled through isolated villages in Buzau in December 2018 to distribute Christmas gifts to 450 elderly and vulnerable children. Moreover, Rompetrol gas cylinders were donated to several people with low, isolated or no electricity capacities in the Nehoiu and Bozioru/Brătilești valleys, in order to get them through the winter more easily.

SUPER DONORS

Hospice Casa Speranței, in partnership with KMG International, launched Super Donors (www.superdonatori.ro), a charity shop and fundraising platform meant to support the free services provided to patients affected by life-threatening diseases which are cared for in Hospice centers. Social support and healthcare represent two of our major community involvement

pillars and our employees have always played an important role in deciding social issues to be addressed by the company. In 2018, we have started a large internal campaign in our Bucharest HQ through which KMG International employees were able to join the Super Donors program and donate objects for the online charity shop. They were able to significantly contribute to the fundraising activities of Hospice Casa Speranței and support the NGOs activity.



SUPERDONATORI.RO
 **rompetrol** KazMunayGas Group Member

Superdonatori.ro is a fundraising platform CREATED by HOSPICE Casa Sperantei Foundation, meant to raise funds in order to provide free services for aiding children and adult patients affected by incurable diseases.

This project is sponsored by **KMG International**.

Education and Skill Development

INTERNSHIP PROGRAM

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

The 2018 Internship Program included:

- Mentoring program for a successful integration of the interns and for the knowledge transfer to be acquired;
- Various workshops and courses for student professional development (soft and hard skills);
- Several fun activities to strengthen the work relationships between the senior and young generations.

General numbers for refineries (2-month internship):

141 students enrolled
126 graduated
48 won \$1,000 scholarship
25 are already hired (20%)

General numbers for headquarters (3-month internship):

17 students enrolled
16 graduated
5 won \$1,000 scholarship
5 are already hired (29%)

SCHOLARSHIP PROGRAM

In the context of the Romanian Union Centenary, KMG International developed a scholarship program, as a celebration of our commitment to invest in quality education and in the future generations of professionals.

The scholarships, amounting to a total value of USD 100,000, were granted through a rigorous selection process: 53 were awarded to students from the company's apprenticeship program, based on their performance evaluation, while the remaining 47 were allocated through the grant call to high school and university students. The jury included business and HR representatives, as well as university professors from the Petroleum-Gas University of Ploiești and Ovidius University of Constanța, with extensive expertise in the energy sector.

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

This program is part of the Group's strategy to foster performance and quality education in Romania by rewarding high-achieving students who plan to develop a career in the energy sector. We will continue to support the development of the next generation of Oil & Gas specialists by awarding scholarships to students with excellent results and a passion for the energy sector.

OTHER PROJECTS

KMG International has been actively involved in developing students' skills and competencies. We have a tradition of over 18 years in running internship programs, involving over 1,300 high-school and university students in all our main locations in Romania. Starting with 2018, we have increased the number of the impacted students by also including secondary school students in our initiatives, with the aim to increase their technical understanding and to guide them to choose the career path suitable to them.

Recent highlights:

- Partnered with several high-schools and universities to provide support in guiding and preparing students for the competitive labor market;
- Acted as compulsory practice partner for several high-schools and universities (over 150 students completed the compulsory practice objectives in our refineries in 2018);
- Organized a full-experience tour (offshore, refinery tour, gas station visits) for 30 future engineers from the Polytechnical University in Bucharest to provide them with the opportunity to better understand the industry;
- Sponsored career conferences and workshops organized by student organizations to support their projects addressed to students;
- Facilitated meetings and discussions between students and our experts to meet the questions and curiosities of the students;
- Organized "Make yourself employable" workshops in high schools and universities to prepare the young generation for a future career;
- Facilitated, organized and sponsored a student exchange program between two technological high schools from Ploiesti & Navodari to stimulate collaboration between both students and teachers;
- Organized "Open doors" events and technical visits within the refineries for hundreds of 8th grade to graduate and post-graduate students;
- Sponsored school competitions to stimulate student involvement.

Culture and Sports

ASTANA CITY FESTIVAL

KMG International supported the Astana City Festival at the end of June, which took place at the Dimitrie Gusti Village Museum and brought to the public a unique photo exhibition, a traditional yurt. This photographic project was a continuation of the cultural partnership between Romania and Kazakhstan, which KMG International has supported through innovative projects over the past year, such as the Kazakh Film Festival.

"GEORGE ENESCU" INTERNATIONAL CONTEST

KMG International, under the "Romp petrol" brand, has been the main partner of the "George Enescu" International Festival & Contest, key cultural events in the region, which promote classical music and Romanian cultural values.

In 2018, the G. Enescu International Contest gathered 270 young talents from 39 countries across the world in one of the most anticipated cultural events that celebrates classical music, on the stage of the Romanian Athenaeum.

The 16th edition of the competition took place throughout September 2018, while the opening concert – held on the 1st of September was supported by KMG International.

Since 2010, our company has been a solid partner for the George Enescu International Festival and Competition, as we are committed to support culture and artists all around the world.

Erzhan Kulibaev, Kazakh violinist and laureate of the George Enescu International Competition, performed in a recital with pianist Daniel del Pino. During his stay in Romania, he held two masterclasses at the National Art College “Regina Maria” in Constanța and the National College of Music “George Enescu”, with the support of KMG International.

THE BOOK OF WORDS BY ABAY KUNANBAEV

KMG International also supported the release of “The Book of Words” by Abay Kunanbayev, the first Romanian translation of the author. The Book of Words is one of the representative literature pieces of Kazakhstan’s culture. The release marked Romania’s 100-year anniversary, as well as the 27 years of independence of Kazakhstan, an acknowledgement of the shared cultural bond and values.

SUPPORT FOR THE WEIGHTLIFTING FEDERATIONS

KMG International continued its support for Weightlifting Federation throughout 2018. We continued our commitment by encouraging performance in sport, which stems from the Group’s belief in the close connection between business and sports, given the dedication and hard work required for success in both of the two fields.

KAZAKH FILM FESTIVAL

The fourth edition of the Kazakh Film Festival brought three cinema masterpieces depicting Kazakh culture and history to the Romanian cinephile public. The event, organized by the Embassy of the Republic of Kazakhstan in Romania, in collaboration with KMG International, took place at Cinema Elvire Popesco between December 11-12.

The three films with deep Kazakh roots presented during the Festival depicted values who are universal, no matter the cultural background, thus supporting our efforts to contribute to the development of the Romanian- Kazakhstan cultural partnership and develop relevant educational projects in the region.



Marketplace

Red-backed shrike

Lanius collurio

This migratory species is common accross Romania, from the mountains to the Danube Delta.

Opportunistic carnivore, it feeds mostly on large insects (orders orthoptera, coleoptera, odonata), and small vertebrates (frogs, rodents, lizards, small birds). In autumn, its diet also includes small berries.

It is the most common shrike in Romania and reproduces around May, when it builds elaborate nests in spiny bushes, which it lines with down and wool.



| Our Approach

KMG International continuously works towards developing new approaches to provide sustainable solutions to meet the needs and increase the satisfaction of our diverse stakeholders.

As a company that acts responsibly, we look beyond the use of materials and resources within the entire supply chain, an aspect which is anchored in our target vision of sustainability. As such, we also include our suppliers in our action towards this goal. Together we advocate for fair working conditions and competitive practices as well as respect for human rights, all principles being included in the KMG International Code of Ethics and Business Conduct as well as the Supplier Code of Conduct.

| Supply Chain

Operating Principles and Business Conduct

Our internal policies, procedures, processes and initiatives are 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. 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.

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.

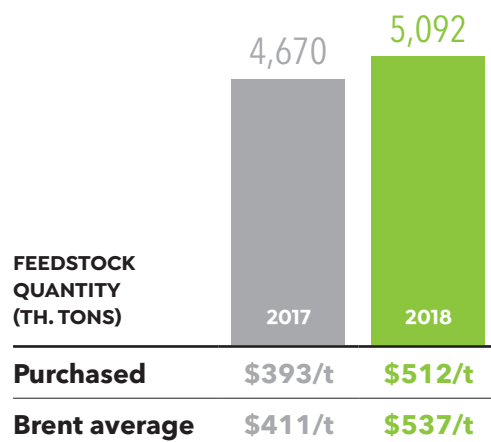
All prequalified suppliers receive, review and sign that they respect the ethical principles stated in the KMG International Supplier Code of Conduct and take responsibility for the provided services and products and all data communicated to KMG International, including their commitment to meeting the Group's environmental, labor, social and human rights standards.

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

Procurement and Supply Chain Operations

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

In 2018, crude oil acquisitions were higher than the previous year despite the general overhaul which took place in October. Average price of acquisition for crude was also higher in 2018 compared to 2017 due to increase of international quotations.

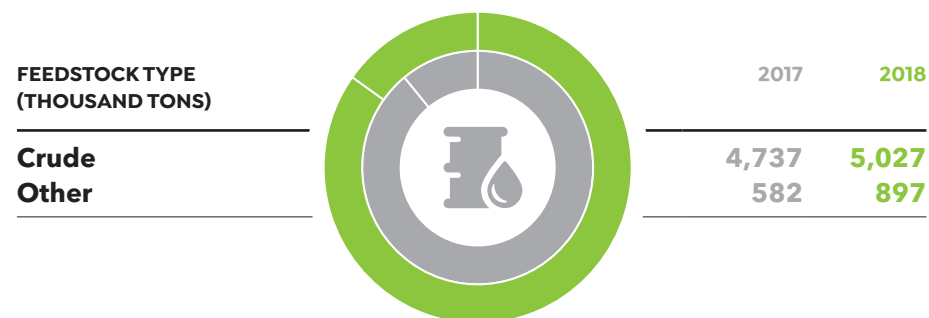


The main import market for crude oil is Kazakhstan and the purchased crude is traded through the Group's Midia Marine Terminal. The purchase of the other raw materials is ensured from both Romania, and external sources.

While all feedstock volumes purchased in 2018 from external sources were higher than in 2017, domestic acquisitions in 2018 also saw an increase from the previous year.



In a nutshell, 2018 was a new year of records for KMG International, with a total PEM feedstock of ~ 5.92 million tonnes, a historical record that exceeded the level reached in 2017 by 263 kt. Subsequently, a record production level was registered, 2018 being the first time in history when the 5 million tonnes threshold was exceeded, mostly due to the optimization of refining operations through the Dolphin program carried out throughout the Group.



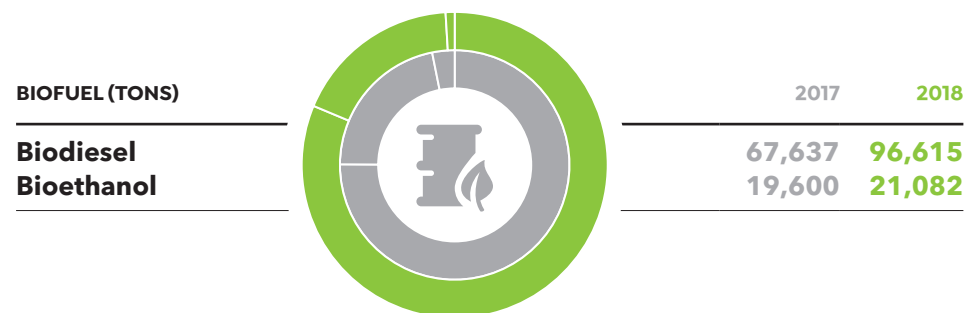
Furthermore, Vega Refinery, the oldest processing unit in Romania with 114 years of tradition, also reached major operational records. The only domestic bitumen and hexane producer reported a total feedstock of 406 kt in 2018, the first time in history when the 400 kt threshold was exceeded.

The petrochemical segment, the only polypropylene and polyethylene producer in Romania, has been constantly increasing its market share and the secondary product categories. In 2018, the its total feedstock was raised by 3% compared to the previous year, its dynamic development strategy providing the company with a competitive position both on the domestic and regional markets - the Black Sea and the Mediterranean, Central and Eastern Europe.

Given these accomplishments, Rompetrol Rafinare continued to be the largest exporter of petroleum products in Romania, the quantities delivered to the export by the refining and petrochemical divisions to the KMG International subsidiaries in Bulgaria, Moldova and Georgia and to the partners in the Black Sea region increasing last year by 27%, up to 1.7 billion dollars.

In conformity with the applicable legislation regarding the use of biofuels and bio liquids, during 2018 Petromidia Refinery produced diesel with a biofuel content of not less than 6.5% by volume and gasoline with max. 5%. From December 2018, the minimum requirement for Gasoline is minimum 8% by volume.

In 2018, the Group continued to reduce its impact on the environment by increasing the quantity of biofuels used in our processing. We purchased 96,615 of bio diesel, up from 67,637 tons in 2017 and 66,890 tons purchased in 2016, along with 21,082 tons of bioethanol, compared to 19,600 tons in 2017 and 18,439 in 2016.



Rompetrol Rafinare (RRC), KMG International's refining division, only produces Euro 5 fuels and only processes sulfurous oil. All RRC fuels and VEGA additives, along with the LPG distributed by Rompetrol Gas and fuels delivered by Rompetrol Downstream 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 refinery relies on raw materials purchased under important contracts concluded both on the import and on the domestic market. The main raw material used by Rompetrol Rafinare, crude, comes exclusively from import, based on firm contracts signed on an annual

basis. This ensures the stability and safety that the refinery needs to operate at maximum capacity. The main source of crude is Kazakhstan, reaching Romania through Midia Marine Terminal. Other raw materials come from both external and internal sources.

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

KazMunayGaz Trading A.G.
is the trader of the
KMG International Group.

Corn bunting
Emberiza calandra



Market Research and Product Responsibility

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

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

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

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



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Customer Satisfaction

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

Stemming from the results of the customer survey conducted the previous year, Rompetrol Rafinare focused in 2018 on increasing loyalty and strengthening customer confidence, gaining new customers and building stronger business relations by implementing projects and actions to improve delivery logistics. Moreover, the customer portfolio of products offered by the company increased by about 10%.

Monitoring customer perception and loyalty included customer data on delivered product quality, including quality claims, with the Customer Claim Indicator being calculated as no. of valid claims vs. no. of total claims:

Petromidia Refinery Customer Claim Indicator: 0.6
Vega Refinery Customer Claim Indicator: 0.00

The results obtained by Rompetrol Gas in the customer satisfaction survey conducted in 2018 demonstrated that the company had a strong relationship with its clients, for most of them (65%) Rompetrol Gas being a unique supplier, while Rompetrol Downstream (DWS) recorded 4 claims in 2018.

| Compliance

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 Constanta Territorial Labor Inspectorate (in cumulated amount of RON 28,000), which were appealed by both entities. However, given the ongoing criminal case, the court suspended the subsequent proceedings pending resolution of the former.

Following the decision of the court, the file was returned to the Prosecutor's Office attached to the Constanta Court of Appeal, during 2018 year procedural acts were carried out in the criminal prosecution and in December the file was submitted to the Constanta Court, the courts being notified by the indictment issued on December 20th 2018.

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

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

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.

During the year 2018, the Company initiated correspondence with the competent environmental authorities regarding the fulfillment of the environmental obligation in order to establish jointly the concrete modalities of implementation of the rehabilitation technologies.

Finance

Mallard

Anas platyrhynchos



One of the most common duck species in the northern hemisphere, the mallard's habitat ranges from the Arctic tundra to the subtropical regions, being attracted to both fresh- and salt-water wetlands such as ponds, shallow lakes, rivers and estuaries with aquatic vegetation.

They form pairs from around October until February, when the female lays eggs and the males leave the nest to await moulting period, which begins in June. They can become very aggressive during the breeding season.

Mallards are an omnivorous and opportunistic species, whose diet includes both plant matter (grass, leaves, roots, seeds) and animal matter (small vertebrates like insects and even frogs).

Financial Brief (IFRS)

Eurasian coot
Fulica atra
(foreground)

Ferruginous duck
Aythya nyroca
(middle)

Garganey ►
Anas querquedula
(background)

Consolidated Financial Position	2018 (USD)	2017 (USD)	2016 (USD)
Total assets	2,631,134,837	2,660,756,266	2,471,747,440
Total non-current assets	1,355,049,407	1,370,399,247	1,382,466,820
Total current assets	1,276,085,430	1,290,357,019	1,089,280,620
Total assets	1,127,664,575	1,086,335,229	1,710,325,399
Non-controlling interest	(251,491,655)	(246,226,690)	(278,850,774)
Total equity	876,172,920	840,108,539	761,422,041
Total non-current liabilities	349,127,882	173,666,783	422,035,603
Total current liabilities	1,405,834,035	1,646,980,944	1,288,289,796

Consolidated Income Statement	2018 (USD)	2017 (USD)	2016 (USD)
Revenue	11,669,147,774	8,322,706,699	5,706,141,433
Cost of sales	(11,267,370,278)	(7,886,317,048)	(5,339,380,432)
Gross profit	401,777,496	436,389,651	366,761,001
Operating profit	97,294,705	117,712,915	46,314,949
Income tax	(10,681,191)	(5,560,284)	216,508
Profit (loss) for the year	40,283,804	80,423,670	14,020,538
Profit (loss) before income tax	50,964,995	85,983,954	13,804,030

The abbreviated financial information is derived from the Consolidated Financial Statements as of and for the year ended 31 December 2018 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.



Appendices

Greater flamingo

Phoenicopterus roseus



The most common and largest of all flamingo species, its area spreads from Africa to southern Europe, with some populations migrating on short distances.

Recently, they are more often spotted in Romania as well, mostly in the coastal regions, but sometimes inland, as far as Ialomița and Argeș counties, most likely having lost their way.

They feed in salt waters by stirring the mud with their feet and dunking their head to filter nutrients from the water, which include shrimp, mollusks, seeds, and blue-green algae.

A peculiarity of their bill is the upper jaw not fixed to the skull.

Independent Opinion

Akin to previous KMG International (KMGI) sustainability reports, the 2018 report – Inspired by Nature – focuses primarily on the Romanian market and the company's operations in this market. This heightened focus is understandable given that Romanian operations represent the largest assets of KMG International. Nonetheless, the report also includes information on other company operations as well.

In accordance with the KMGI strategic statements of aiming to become a socially and environmentally responsible and sustainable company, Inspired by Nature provides a mixture of well-balanced quantitative and qualitative data, detailing (mainly) the company's performance in the context of the specific characteristics of the Romanian market.

In accordance with the materiality matrix¹ – the health and safety of KMGI's human resources, of its customers and of the communities in which the company operates in are at the forefront of the 2018 report. Emphasising both company's focus on these strategic sustainability areas,

1. The stylish design of the matrix is both visually stunning as well as highly informative, being a very useful tool in identifying material topics and their relative importance with ease.

but also key stakeholder's interest in these areas, the report covers extensively the specific indicators for these material topics. In addition, the report dully covers other HR related topics that are also high on the list of interests such as diversity and training, as well as environmental topics such as emissions, biodiversity, etc.

Examining the 2018 KMGI report, we can appreciate the effort made by the company to align the information presented with the stakeholders' areas of interest, and to provide concise yet comprehensive content on selected indicators. The company presents its progress over the years and looks at the challenges faced in a well-structured and succinct manner, each chapter providing valuable data and information regarding the company's approach to each relevant aspect and the progress made on relevant material aspects.

As a general overview of the report, we can state:

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

As potential improvements with respect to the quality of future reports, we suggest:

- A more specific disclosure on specific targets (including numerical data) set to improve the company sustainability practice. Such disclosure will provide future reports a benchmark to which performance can be compared;

- An increase in the amount of numeric data disclosed especially related to aspects that have been identified as highly material or relatively highly material by stakeholders (e.g.: 301-1, 2, 306-2, 306-4, 405-1);
- Including additional examples and data on company practice, challenges and opportunities from operations outside of Romania. While the heightened focus on Romania is both understandable and warranted, more information is required on operations and markets served in order to augment the balance of the report;
- Reflecting community partners' opinions and needs as they arise in company activity (case studies and quotes).

In our professional opinion the 2018 KMG International Sustainability Report is a fairly 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 and all strategic partnerships.

We recommend to KMGI to take into consideration each and every avenue for improvement suggested in this analysis, as improvement in the recommended areas would greatly strengthen the report, increasing clarity, reliability and credibility.

We consider that if KMGI takes into consideration the improvements suggested in this professional opinion, especially those related to transparency and data on key aspects, the overall quality of the report would be further improved.



Hope for everyone, strength from all

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I GRI Annex

GRI Standard No. & Title	G4 no.	Description	Chapter	Pages	Status
STRATEGY					
102-14 General Disclosures (Core)	G4-1	Statement from senior decision-maker about the relevance of sustainability to the organization and its strategy for addressing sustainability.	Message from the CEO	2-4	fully reported
102-15 General Disclosures	G4-2	Description of key impacts, risks and opportunities	Message from the CEO	2-4	partially reported
ORGANIZATIONAL PROFILE					
102-1 General Disclosures (Core)	G4-3	Name of the organization	Introduction	20, 23, 28	fully reported
102-2 General Disclosures (Core)	G4-4	Activities, brands, products, and services	Introduction	20-24	fully reported
102-3 General Disclosures (Core)	G4-5	Location of the organization's headquarters	Introduction	20, 28	fully reported
102-4 General Disclosures (Core)	G4-6	Location of operations	Introduction	20-21, 28	fully reported
102-5 General Disclosures (Core)	G4-7	Ownership and legal form	Introduction	28	fully reported
102-6 General Disclosures (Core)	G4-8	Markets served	Introduction	20-21	partially reported
102-7 General Disclosures (Core)	G4-9	Scale of the organization	Introduction People Finance	20-24, 28 62 96	fully reported
102-8	G4-10	Information on employees and other workers	People	62-65	fully reported
102-9 General Disclosures (Core)	G4-12	Supply chain. Description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services.	Introduction Marketplace	20-21, 24 89-91	fully reported
102-10 General Disclosures (Core)	G4-13	Changes during the reporting period regarding the organization's size, structure, ownership or its supply chain	Introduction	29	fully reported
102-11 General Disclosures (Core)	G4-14	Whether and how the precautionary approach or principle is addressed by the organization.	-	-	not reported

GRI Standard No. & Title		G4 no.	Description	Chapter	Pages	Status
102-12	General Disclosures (Core)	G4-15	External initiatives. A list of externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses.	Approach	16, 17	fully reported
102-13	General Disclosures (Core)	G4-16	Memberships of associations. A list of the main memberships of industry or other associations, and national or international advocacy organizations.	Introduction	38, 39	fully reported
REPORTING PRACTICE						
102-45	General Disclosures (Core)	G4-17	Entities included in the consolidated financial statements.	Introduction Finance	20-21, 28 96	partially reported
102-46	General Disclosures (Core)	G4-18	Defining report content and topic Boundaries.	Approach	8	fully reported
102-47	General Disclosures (Core)	G4-19	List of material topics	Approach	12-15	fully reported
103-1	Management Approach - G4-20 and G4-21 have been merged and combined with G4-DMA-a (Disclosure 103-1b and 103-1c)	G4-20 G4-21	Explanation of the material topic and its Boundary.	Approach	10-15	partially reported
102-48	General Disclosures (Core)	G4-22	Restatements of information. The effect of any restatements of information given - in previous reports, and the reasons for such restatements.		-	not reported
102-49	General Disclosures (Core)	G4-23	Changes in reporting. Significant changes from previous reporting periods in the list of material topics and topic Boundaries.	Approach	12-15	fully reported
102-50	General Disclosures (Core)	G4-28	Reporting period	Approach	8	fully reported
102-51	General Disclosures (Core)	G4-29	Date of most recent previous report (if any)	Approach	8	fully reported
102-52	General Disclosures (Core)	G4-30	Reporting cycle	Approach	8	fully reported
102-53	General Disclosures (Core)	G4-31	Contact point for questions regarding the report or its contents	Appendices	116	fully reported
102-54	General Disclosures (Core)	G4-32a	Claims of reporting in accordance with the GRI Standards	Approach	8	fully reported
102-55	General Disclosures (Core)	G4-32b	GRI Content Index	Appendices	100-114	fully reported
102-56	General Disclosures (Core)	G4-32c G4-33	External assurance. a. A description of the organization's policy and current practice with regard to seeking external assurance for the report; b. If the report has been externally assured.	Appendices	100, 101	partially reported

GRI Standard No. & Title	G4 no.	Description	Chapter	Pages	Status
STAKEHOLDER ENGAGEMENT					
102-40 General Disclosures (Core)	G4-24	List of stakeholder groups	Approach	11, 12	fully reported
102-41 General Disclosures (Core) G4-11 was moved to the Stakeholder engagement section of GRI 102	G4-11	Percentage of total employees covered by collective bargaining agreements	People	73	fully reported
102-42 General Disclosures (Core)	G4-25	Identifying and selecting stakeholders	Approach	10, 11	partially reported
102-43 General Disclosures (Core)	G4-26	Approach to stakeholder engagement.	Approach	10, 11	partially reported
102-44 General Disclosures (Core)	G4-27	Key topics and concerns that have been raised through stakeholder engagement.	Approach	10-12	partially reported
GOVERNANCE					
102-18 General Disclosures (Core)	G4-34	Governance structure. a. Governance structure of the organization, including committees of the highest governance body. b. Committees responsible for decision-making on economic, environmental, and social topics.	Introduction	28-31	fully reported
102-19 General Disclosures	G4-35	Delegating authority. Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees.	Introduction	29-31	fully reported
102-20 General Disclosures	G4-36	Executive-level responsibility for economic, environmental, and social topics	Introduction	29-31	partially reported
102-21 General Disclosures	G4-37	Consulting stakeholders on economic, environmental, and social topics	-	-	not reported
102-22 General Disclosures	G4-38	Composition of the highest governance body and its committees	Introduction	29-31	partially reported
102-23 General Disclosures	G4-39	Chair of the highest governance body	Introduction	31	fully reported
102-24 General Disclosures	G4-40	Nominating and selecting the highest governance body	Introduction	30, 31	partially reported
102-25 General Disclosures	G4-41	Conflicts of interest	Introduction	31	partially reported
102-26 General Disclosures	G4-42	Role of highest governance body in setting purpose, values, and strategy.	Introduction	30, 31	partially reported
102-27 General Disclosures	G4-43	Collective knowledge of highest governance body. Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	-	-	not reported

GRI Standard No. & Title	G4 no.	Description	Chapter	Pages	Status
102-28 General Disclosures	G4-44	Evaluating the highest governance body's performance	-	-	not reported
102-29 General Disclosures	G4-45	Identifying and managing economic, environmental, and social impacts	Introduction	30, 31	partially reported
102-30 General Disclosures	G4-46	Effectiveness of risk management processes	-	-	not reported
102-31 General Disclosures	G4-47	Review of economic, environmental, and social topics	Introduction	30, 31	partially reported
102-32 General Disclosures	G4-48	Highest governance body's role in sustainability reporting	-	-	not reported
102-33 General Disclosures	G4-49	Process for communicating critical concerns to the highest governance body.	-	-	not reported
102-34 General Disclosures	G4-50	Nature and total number of critical concerns	Introduction	31	partially reported
102-35 General Disclosures	G4-51	Remuneration policies	-	-	not reported
102-36 General Disclosures	G4-52	Process for determining remuneration	People	70	partially reported
102-37 General Disclosures	G4-53	Stakeholders' involvement in remuneration	-	-	not reported
102-38 General Disclosures	G4-54	Annual total compensation ratio	-	-	not reported
102-39 General Disclosures	G4-55	Percentage increase in annual total compensation ratio	-	-	not reported
ETHICS AND INTEGRITY					
102-16 General Disclosures (Core)	G4-56	Description of the organization's values, principles, standards and norms of behavior.	Introduction	32-36	fully reported
102-17 General Disclosures - G4-57 and G4-58 have been merged into one disclosure (now 102-17) on mechanisms for advice and concerns about ethics	G4-57 G4-58	Mechanisms for advice and concerns about ethics	Introduction People	32-36 58, 60	fully reported
ECONOMIC					
201-1 Topic-specific disclosures - Economic performance	G4-EC1	Direct economic value generated and distributed.	Finance	96	partially reported
201-2 Topic-specific disclosures - Economic performance	G4-EC2	Financial implications and other risks and opportunities due to climate change.	Environment	42-45, 54, 55	partially reported
201-3 Topic-specific disclosures - Economic performance	G4-EC3	Defined benefit plan obligations and other retirement plans.	People	72, 73	partially reported

GRI Standard No. & Title		G4 no.	Description	Chapter	Pages	Status
201-4	Topic-specific disclosures - Economic performance	G4-EC4	Financial assistance received from government.	-	-	not applicable
202-1	Topic-specific disclosures – Market presence	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage.	People	62	partially reported
202-2	Topic-specific disclosures – Market presence	G4-EC6	Proportion of senior management hired from the local community.	People	62	fully reported
203-1	Topic-specific disclosures – Indirect economic impacts	G4-EC7	Infrastructure investments and services supported	Introduction	20, 21, 26, 27	fully reported
203-2	Topic-specific disclosures – Indirect economic impacts	G4-EC8	Significant indirect economic impacts	Introduction	26, 27	fully reported
204-1	Topic-specific disclosures – Procurement practices	G4-EC9	Proportion of spending on local suppliers	-	-	not reported
SECTOR SPECIFIC						
N/A	No corresponding GRI indicator available yet for sector specific guidelines	G4-OG1	Volume and type of estimated proved reserves and production	Marketplace	89-91	partially reported
ENVIRONMENTAL						
301-1	Topic-specific disclosures – Materials	G4-EN1	Materials used by weight or volume	Environment	46-49	partially reported
301-2	Topic-specific disclosures – Materials	G4-EN2	Percentage of materials used that are recycled input materials	Environment	46-49	partially reported
302-1	Topic-specific disclosures – Energy	G4-EN3	Energy consumption within the organization	Environment	50, 51	fully reported
302-2	Topic-specific disclosures – Energy	G4-EN4	Energy consumption outside the organization	Environment	50, 51	fully reported
302-3	Topic-specific disclosures – Energy	G4-EN5	Energy intensity	Environment	50, 51	fully reported
302-4	Topic-specific disclosures – Energy	G4-EN6	Reduction of energy consumption	Environment	50, 51	fully reported
302-5	Topic-specific disclosures – Energy	G4-EN7	Reductions in energy requirements of products and services	Environment	50, 51	fully reported
-	-	G4-EN8	Total water withdrawal by source	-	-	not applicable

GRI Standard No. & Title		G4 no.	Description	Chapter	Pages	Status
-	-	G4-EN9	Water sources significantly affected by withdrawal of water	-	-	not applicable
-	-	G4-EN10	Percentage and total volume of water recycled and reused	-	-	not applicable
303-1	Topic-specific disclosures – Water and Effluents	N/A	Interactions with water as a shared resource	Environment	52	partially reported
303-2	Topic-specific disclosures – Water and Effluents	N/A	Management of water discharge-related impacts.	Environment	52	partially reported
303-3	Topic-specific disclosures – Water and Effluents	N/A	Water withdrawal	Environment	52	partially reported
303-4	Topic-specific disclosures – Water and Effluents	N/A	Water discharge	Environment	52	partially reported
303-5	Topic-specific disclosures – Water and Effluents	N/A	Water consumption	Environment	52	fully reported
304-1	Topic-specific disclosures – Biodiversity	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Environment	54	partially reported
304-2	Topic-specific disclosures – Biodiversity	G4-EN12	Significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Environment	54	fully reported
304-3	Topic-specific disclosures – Biodiversity	G4-EN13	Habitats protected or restored	Environment Community	54 78, 79	partially reported
304-4	Topic-specific disclosures – Biodiversity	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
305-1	Topic-specific disclosures – Emissions	G4-EN15	Direct (Scope 1) GHG emissions	Environment	53	partially reported
305-2	Topic-specific disclosures – Emissions	G4-EN16	Energy indirect (Scope 2) GHG emissions	Environment	53	partially reported
305-3	Topic-specific disclosures – Emissions	G4-EN17	Other indirect (Scope 3) GHG emissions	-	-	not reported
305-4	Topic-specific disclosures – Emissions	G4-EN18	Greenhouse gas emissions intensity	-	-	not reported

GRI Standard No. & Title		G4 no.	Description	Chapter	Pages	Status
305-5	Topic-specific disclosures – Emissions	G4-EN19	Reduction of greenhouse gas emissions	Environment	53	fully reported
305-6	Topic-specific disclosures – Emissions	G4-EN20	Emissions of ozone-depleting substances (ODS)	-	-	not reported
305-7	-	G4-EN21	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Environment	53	fully reported
-	-	G4-EN22	Total water discharge by quality and destination	Environment	52	fully reported
306-2	Topic-specific disclosures – Water and Effluents	G4-EN23	Total weight of waste by type and disposal method	Environment	53	partially reported
306-3	Topic-specific disclosures – Water and Effluents	G4-EN24	Total number and volume of significant spills	Environment	53	fully reported
306-4	Topic-specific disclosures – Water and Effluents	G4-EN25	Transport of hazardous waste	Environment	53	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	54	fully reported
N/A	Discontinued to avoid duplication	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	-	-	not applicable
301-3	Topic-specific disclosures – Materials	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	-	-	not applicable
307-1	Topic-specific disclosures – Materials	G4-EN29	Non-compliance with environmental laws and regulations	Environment	54, 55	fully reported
N/A	Discontinued to avoid duplication	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	53	partially reported

GRI Standard No. & Title	G4 no.	Description	Chapter	Pages	Status
several The content of G4-EN31 has been incorporated into the following topic-specific Standards as management approach guidance (i.e. this is no longer required): <ul style="list-style-type: none"> • GRI 103: Management Approach • GRI 305: Emissions • GRI 306: Effluents and Waste • GRI 307: Environmental Compliance 	G4-EN31	Total environmental protection expenditures and investments by type	Environment	55	fully reported
308-1 Topic-specific disclosures – Supplier Environmental Assessment	G4-EN32	New suppliers screened using environmental criteria	-	-	not reported
308-2 Topic-specific disclosures – Supplier Environmental Assessment	G4-EN33	Negative environmental impacts in the supply chain and actions taken	-	-	not reported
103-2 Management Approach	G4-EN34	Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms	Environment	44, 45	fully reported
SECTOR SPECIFIC					
-	-	G4-OG2 G4-OG3 Total amount invested in renewable energy and total amount of renewable energy generated by source	-	-	not reported
-	-	G4-OG4 Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored	Environment	54	partially reported
-	-	G4-OG5 Volume and disposal of formation or produced water	Environment	52	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

GRI Standard No. & Title	G4 no.	Description	Chapter	Pages	Status
SOCIAL					
401-1 Topic-specific disclosures – Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	People	62-65	fully reported
401-2 Topic-specific disclosures – Employment	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	People	62, 72	fully reported
401-3 Topic-specific disclosures – Employment	G4-LA3	Return to work and retention rates after parental leave, by gender	People	64, 65	fully reported
402-1 Topic-specific disclosures – Labor/ Management Relations	G4-LA4	Minimum notice periods regarding operational changes	People	73	fully reported
-	-	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	People	66	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	People	67	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	People	66-68	partially reported
403-1 Topic-specific disclosures – Occupational Health and Safety	N/A	Occupational health and safety management system	People	66-68	fully reported
403-2 Topic-specific disclosures – Occupational Health and Safety	N/A	Hazard identification, risk assessment, and incident investigation	People	66-68	partially reported
403-3 Topic-specific disclosures – Occupational Health and Safety	N/A	Occupational health services	People	66-68	partially reported
403-4 Topic-specific disclosures – Occupational Health and Safety	N/A	Worker participation, consultation, and communication on occupational health and safety	People	66-68	fully reported
403-5 Topic-specific disclosures – Occupational Health and Safety	N/A	Worker training on occupational health and safety	People	67, 71	fully reported
403-6 Topic-specific disclosures – Occupational Health and Safety	N/A	Promotion of worker health	People	66-68	fully reported

GRI Standard No. & Title		G4 no.	Description	Chapter	Pages	Status
403-7	Topic-specific disclosures – Occupational Health and Safety	N/A	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	People	66-68	fully reported
403-8	Topic-specific disclosures – Occupational Health and Safety	N/A	Workers covered by an occupational health and safety management system	People	66-68	partially reported
403-9	Topic-specific disclosures – Occupational Health and Safety	N/A	Work-related injuries	People	67	fully reported
403-10	Topic-specific disclosures – Occupational Health and Safety	N/A	Work-related ill health	People	67	fully reported
404-1	Topic-specific disclosures – Training and Education	G4-LA9	Average hours of training per year per employee	People	71	fully reported
404-2	Topic-specific disclosures – Training and Education	G4-LA10	Programs for upgrading employee skills and transition assistance programs	People	70, 71	fully reported
404-3	Topic-specific disclosures – Training and Education	G4-LA11	Percentage of employees receiving regular performance and career development reviews	People	71	fully reported
405-1	Topic-specific disclosures – Diversity and Equal Pportunity	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	People	66	partially reported
405-2	Topic-specific disclosures – Diversity and Equal Pportunity	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category	People	63	fully reported
414-1	Topic-specific disclosures - Supplier Social Assessment	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	-	-	not reported
414-2	Topic-specific disclosures - Supplier Social Assessment	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	-	-	not reported
103-2	Management Approach	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	People	58-60	fully reported
412-3	Topic-specific disclosures – Human Rights Assessment	G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	People	58-60	fully reported
412-2	Topic-specific disclosures – Human Rights Assessment	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	People	58-60	fully reported

GRI Standard No. & Title		G4 no.	Description	Chapter	Pages	Status
406-1	Topic-specific disclosures – Non-Discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	-	-	not applicable
407-1	Topic-specific disclosures - 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	People	58-60	fully reported
408-1	Topic-specific disclosures – Child Labor	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	-	-	not applicable
409-1	Topic-specific disclosures – Forced or Compulsory Labor	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	-	-	not applicable
410-1	Topic-specific disclosures – 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
411-1	Topic-specific disclosures – Rights of Indigenous People	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	-	-	not applicable
412-1	Topic-specific disclosures – Human Rights Assessment	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	-	-	not applicable
414-1	Topic-specific disclosures – Supplier Social Assessment	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Marketplace	88	fully reported
414-2	Topic-specific disclosures – Supplier Social Assessment	G4-HR11	Negative human rights impact in the supply chain and actions taken	-	-	not applicable
103-2	Management Approach	G4-HR12	Number of grievances about human rights filed, addressed, and resolved through formal grievance mechanisms	People	58-60	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
413-1	Topic-specific disclosures – Local Communities	G4-S01	Percentage of operations with implemented local community engagement, impact assessments and development programs	Community	76	fully reported
413-2	Topic-specific disclosures – Local Communities	G4-S02	Operations with significant actual or potential negative impacts on local communities	Community	76	partially reported

GRI Standard No. & Title		G4 no.	Description	Chapter	Pages	Status
205-1	Topic-specific disclosures – Anti-Corruption	G4-S03	Operations assessed for risks related to corruption	-	-	not reported
205-2	Topic-specific disclosures – Anti-Corruption	G4-S04	Communication and training about anti-corruption policies and procedures	People Marketplace	58 88	partially reported
205-3	Topic-specific disclosures – Anti-Corruption	G4-S05	Confirmed incidents of corruption and actions taken	People Marketplace	58 88	partially reported
415-1	Topic-specific disclosures – Public Policy	G4-S06	Political contributions	-	-	not applicable
206-1	Topic-specific disclosures – Anti-Competitive Behavior	G4-S07	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Marketplace	93	fully reported
419-1	Topic-specific disclosures – Socioeconomic Compliance	G4-S08	Non-compliance with laws and regulations in the social and economic area	Marketplace	93	fully reported
414-1	Topic-specific disclosures – Supplier Social Assessment	G4-S09	Percentage of new suppliers that were screened using criteria for impacts on society	-	-	not reported
414-2	Topic-specific disclosures – Supplier Social Assessment	G4-S010	Negative impacts on society in the supply chain and actions taken	Environment Marketplace	53 88-92	partially reported
103-2	Management Approach	G4-S011	Number of grievances about impacts on society filed, addressed, and through formal grievance mechanisms	-	-	not applicable
SECTOR SPECIFIC						
-	-	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
416-1	Topic-specific disclosures – Customer Health and Safety	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Marketplace	91, 92	fully reported

GRI Standard No. & Title		G4 no.	Description	Chapter	Pages	Status
416-2	Topic-specific disclosures – Customer Health and Safety	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	91, 92	fully reported
417-1	Topic-specific disclosures – Marketing and Labeling	G4-PR3	Requirements for product and service information and labeling	Marketplace	91, 92	fully reported
417-2	Topic-specific disclosures – Marketing and Labeling	G4-PR4	Incidents of non-compliance concerning product and service information and labeling	Marketplace	91, 92	fully reported
102-43 102-44	General Disclosures	G4-PR5	Approach to stakeholder engagement. Key topics and concerns raised	Approach	10-12	partially reported
102-2	General Disclosures	G4-PR6	Activities, brands, products, and services	Introduction Marketplace	20-24 91, 92	fully reported
417-3	Topic-specific disclosures – Marketing and Labeling	G4-PR7	Total number of noncompliance incidents related to marketing and labeling	Marketplace	91, 92	fully reported
418-1	Topic-specific disclosures – Customer Privacy	G4-PR8	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Marketplace	91, 92	fully reported
419-1	Topic-specific disclosures – Socioeconomic Compliance	G4-PR9	Non-compliance with laws and regulations in the social and economic area	Marketplace	91, 92	fully reported
SECTOR SPECIFIC						
-	-	G4-OG14	Volume of biofuels produced and purchased meeting sustainability criteria	Marketplace	90	fully reported



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Stakeholder Feedback Form

Which of the following interests you the most?

(multiple choice)

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

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

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

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

Please take a few minutes to fill out this questionnaire on the 2018 Sustainability Report.

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

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

(choose five)

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

To which of these groups of stakeholders do you belong?

(single choice)

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

How was your opinion of KMG International influenced after reading the 2018 Sustainability Report?

(single choice)

- ☐ Positively influenced
- ☐ Not influenced
- ☐ Negatively influenced

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

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

FIRST NAME

LAST NAME

OCCUPATION

COMPANY

POSITION

PHONE

E-MAIL

WEBSITE

ADDRESS

Please specify any issues not included in the 2018 Sustainability Report and which you want featured in the next report:

