

# Sustainability Report 2016

**vimetco**  
alro



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## UN TEN PRINCIPLES

Human Rights	Labour	Environment	Anti-corruption
<b>Principle 1</b> Business should support and respect the protection of internationally proclaimed human rights;	<b>Principle 3</b> Business should uphold the freedom of association and the effective recognition of the right to collective bargaining	<b>Principle 7</b> Business should support a precautionary approach to environmental changes;	<b>Principle 10</b> Business should work against all forms of corruption, including extortion and bribery
<b>Principle 2</b> Make sure that they are not complicit in human rights abuses.	<b>Principle 4</b> The elimination of all forms of forced and compulsory labour;	<b>Principle 8</b> Undertake initiatives to promote greater environmental responsibility; and	
	<b>Principle 5</b> The effective abolition of child labour;	<b>Principle 9</b> Encourage development and diffusion of environmentally friendly technologies	
	<b>Principle 6</b> The elimination of discrimination in respect of employment and occupation		

## General Information

### Alro

Company's name	Alro S.A.
Company's address	No. 116 Pitesti Street, Slatina, Olt County
Telephone number	0249-431 901/ 902/ 903/ 904
Fax number	0249-437500
Registration number in the Trade Register	J28/8/1991 at 31.01.1991
Fiscal code	RO1515374
Class, type, number and main features of the financial instruments issued by the company	Registered dematerialized and ordinary shares
Subscribed share capital, fully paid up	356.889.568 RON
Organized market on which shares and stocks are traded	Bucharest Stock Exchange - Regulated Market
Total market value for each class of shares	Standard Category – 835.121.588 <sup>1</sup> RON

### Alro Group – entities

Company	Parent	Shareholding (%)
Alro S.A.	Vimetco NV	84.19
Alum S.A.	Alro S.A.	99.40
Conef S.A.	Alro S.A.	99.97
Vimetco Extrusion SRL	Alro S.A.	100.00
Global Aluminium Ltd.	Alum S.A.	100.00
Bauxite Marketing Ltd.	Global Aluminium Ltd.	100.00
Sierra Mineral Holdings I Ltd.	Global Aluminium Ltd.	100.00

Alro Group is registered at ASF as per Decision no. A/632/ 26 November 2013.

<sup>1</sup>Calculated based on the BSE quotation available at 30 December 2016 - the last day of 2016 when Alro's were traded (713,779,135 shares \*1.1700 RON/ share)

## Corporate governance statement

Alro is committed to implement and comply with high standards of corporate governance, as the management believes that a good practice in this regard ensures clarity to relations between shareholders, Board members and executive management, and involves a higher level of transparency and thus the communication of Alro activity to the interested third parties is improved. Providing an organized working framework based on firm principles means on a long term to maximize the value for both shareholders and the interested public. Therefore, Alro tried to give a greater importance to permanent improvement of corporate governance rules and uses as a foundation the principles stipulated in the Code of Corporate Governance issued by BSE.

In the context of strategic and specific goals of the Group's activity, the implementation and development of corporate governance principles is a measure to ensure a rigorous framework of functioning.

According with the provisions in article 94 from Title II and in article 4 from Title VI – Book I from BSE Code – market operator, updated edition in September 2015, the Group includes the Statement of Corporate Governance within the Annual Report.

As a support for the Statement of Corporate Governance, the Company is based on the following documents:

- The Company's articles of association, updated in November 2016 approved by the EGSM Resolution no. 564/16.11.2016, published on the website [www.alro.ro](http://www.alro.ro), in the Investor Relations section, sub-sections Shareholder Meeting and Corporate Governance;
- Organization and Operation Rules of the Board approved by GSM Decision no. 35/19.12.2014 containing detailed information about the Board's activity.

Alro has chosen an unitary management system; if a dual system will be adopted, the Company will appropriately adapt and apply the provisions of the Code.

The Company does not have securities that allow for special control rights and there are no voting rights restrictions except the legal ones resulting from conflicts of interest.

For details in respect of Alro's Corporate Governance Regulation, please see the following link: [http://www.alro.ro/sites/default/files/alro/2011/Regulament\\_guvernanta\\_corporativa\\_ALRO\\_final.pdf](http://www.alro.ro/sites/default/files/alro/2011/Regulament_guvernanta_corporativa_ALRO_final.pdf)

# Alro in a snapshot

## Information about the Group

Alro ("the Company" or "the Parent-company") is a listed company established in 1991 in Romania and is part of an integrated group that produces aluminium, which covers the entire technological process, from bauxite to obtaining processed products. Alro is the largest aluminium producer in Continental Europe (excluding Russia and Scandinavia). The shares of Alro S.A. are traded on the Bucharest Stock Exchange under the symbol "ALR".

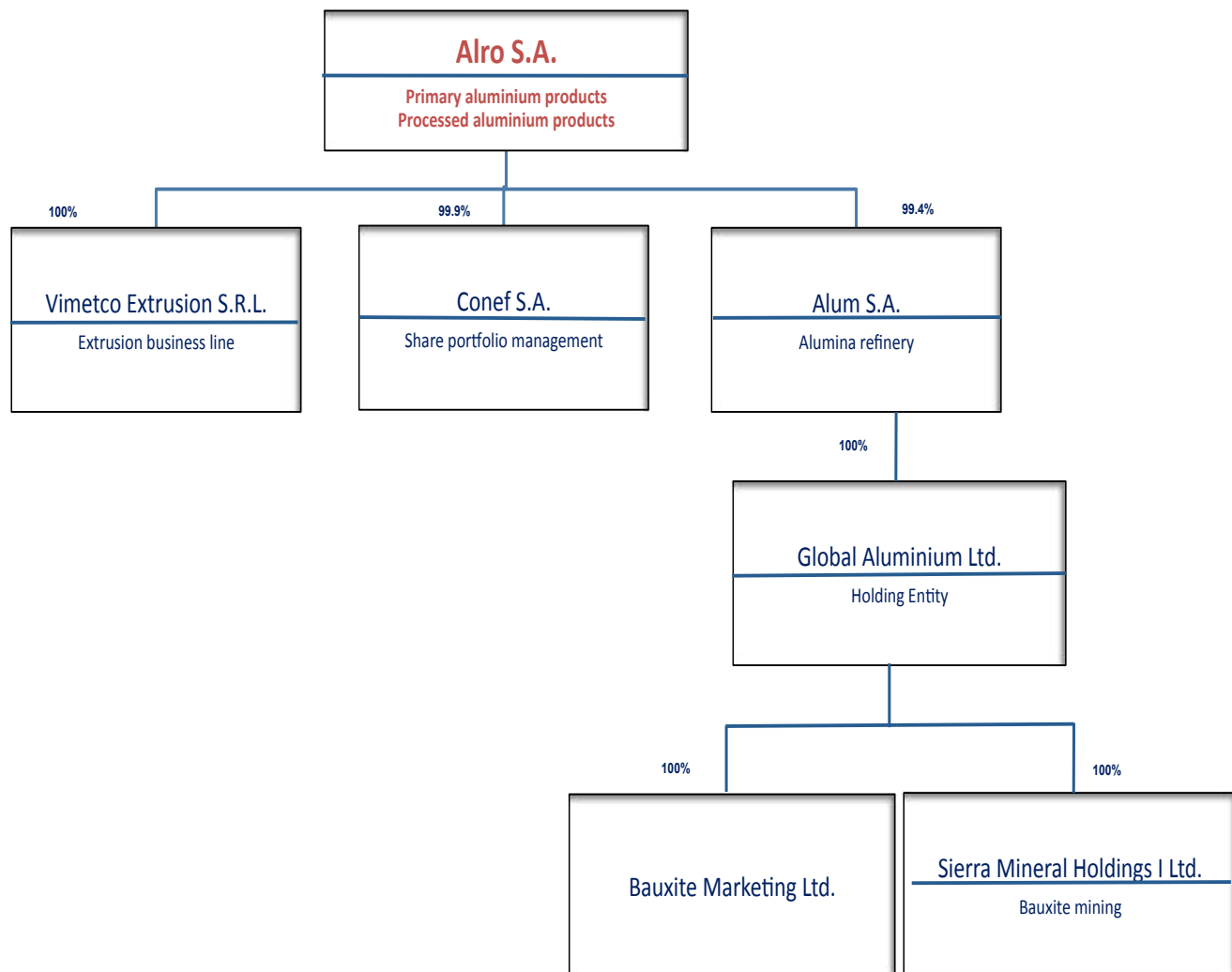
The major shareholder of Alro is Vimetco N.V. (the Netherlands), which holds 84.19% of the Company's share capital. Vimetco N.V. is a company listed on the London Stock Exchange and its registered office is at 403 Strawinskyiaan, World Trade Center, A Tower, 4<sup>th</sup> floor, 1077 XX Amsterdam, The Netherlands. The Company's ultimate controlling entity is Maxon Limited (Bermuda).

Alro S.A. and its subsidiaries ("Alro Group" or "the Group") include the following companies: Alro – manufacturer of aluminium (a company listed on the Bucharest Stock Exchange), Alum – producer of alumina (a company listed on BSE, ATS

market, AeRo category) SMHL – manufacturer of bauxite, Vimetco Extrusion – producer of extruded products, Conef, Global Aluminium Ltd. and Bauxite Marketing Ltd. In this way, the Group has managed to provide an integrated production chain, securing the raw materials for Alro.

The Group is vertically-integrated, being organized in four segments: Bauxite, Alumina, Primary Aluminium and Processed Aluminium. For an efficient resource allocation and to evaluate segments performance in a proper manner, this is the basis on which the Group reports information to its management.

The Bauxite segment is located in Sierra Leone (Africa). The alumina segment uses bauxite to produce alumina, the main raw material for electrolytic aluminium. The Primary aluminium segment manufactures and sells products like wire, rod, slabs and occasionally ingots. The Processed Aluminium segment develops and sells sheets, coils, plates and extruded products. Both smelting and processing mills are located in Slatina, while the alumina refinery is located in Tulcea, Romania (Europe).



## Information about Alro

Alro is the largest aluminium producer in Continental Europe (excluding Russia and Scandinavia). The main markets for the aluminium manufactured by Alro are within the European Union (Germany, Italy, Poland, Czech Republic and Romania). The Company also sells its products in USA and Asia.

Alro is structured in two divisions:

- Primary Aluminium, with Anode plant, Aluminium Smelter, Casting House, Eco - scrap smelting facility, repairs and spare parts production units, road and rail transport and other additional sectors. After investing in modernizing its equipment and in new technology, Alro reached a production capacity of 265,000 tonnes of primary aluminium and 340,000 tonnes of cast aluminium. All necessary anodes for the electrolysis of alumina are internally produced;
- Processed Aluminium has a processing capacity of 96,000 tonnes of processed aluminium, depending on the production mix. An increasing capacity program is running to reach a capacity up to 120,000 tonnes by 2021;

Alro is ISO 9001 certified for quality management and has NADCAP, as well as EN 9100 certifications for aerospace production, and also the ISO TS/IATF 16949 certification for automotive industry, its products being certified by the international standards for quality assurance for primary aluminium as set by the London Stock Exchange and those for flat rolled products, as well.

Alro produces a diversified range of products, as detailed below:

- rolled aluminium and aluminium alloys wire rod;
- homogeneous aluminium and AlMgSi billets;
- aluminium and aluminium alloy slabs;
- aluminium and aluminium alloy ingots;
- aluminium and aluminium alloy plates (heat treated and not heat treated);
- aluminium and aluminium alloys sheets and coils;
- clad aluminium alloy sheets and coils.

The Company receives alumina from Alum, its own alumina refinery with an installed capacity of 600,000 tonnes per year which is obtained by using the bauxite extracted in Sierra Leone. Alro produces value added primary aluminium products for its customers and the primary aluminium is also used as raw material by the processed aluminium production facilities. Moreover, the Company sells aluminium alloys billets to its subsidiary, Vimetco Extrusion that further produces extruded products.

## Alro Group – goals and strategy

The main goals of the medium and long term development strategy implemented by Alro are:

- investments in state-of-the-art technology which allows the Company to expand its range of products, improving the quality and decreasing the delivery time and, also to

increase the operational efficiency and to decrease the production costs;

- focus on high value added aluminium production, like sheets and coils and the continuous development of products range for high-strength alloys and heat treated plates, for the aerospace and automotive industries;
- increase the energy efficiency within its entire production chain by investments in technology and also by investments in research and development;
- vertical integration, thus ensuring the availability of the necessary raw materials, in order to decrease the production costs and to increase the operational efficiency;
- continuous compliance with the environment protection regulations.

On short term, Alro focuses on:

- **Diversifying the products portfolio** by focusing on high and very high value added products for key-industries, such as:

- **aerospace industry** – Alro holds the EN 9100 certification (for the aerospace and defence industries) awarded by the German certification organization DQS GmbH for the Company's quality management system. The Company is NADCAP certified for special processes (heat treatments, lab tests and non-destructive testing) for the aerospace and defence industries, awarded by the Performance Review Institute within the Society of Automotive Engineers (USA). Airbus, the leading aircraft manufacturer selected Alro as a provider for aluminium. The agreement is for a multi-year period, starting 2017. Under the terms of the Contract, Alro will supply Aluminium Flat Rolled Products for aircraft manufacturing;

- **automotive industry** – the Company has obtained the certification of quality management system in accordance with the international standard ISO TS 16949 (for automotive industry) awarded by the German certification organization DQS GmbH. The Company is an accredited supplier for the production and mechanical processing of aluminium and aluminium alloys for the automotive industry;

- **construction industry** - the Company holds the European quality brand certification for its products designed for the construction field, awarded by TUV Rheinland and TUV South (Germany) organizations;

- **shipbuilding industry** - Alro's products designed for shipbuilding industry are certified by organizations such as Det Norske Veritas, Bureau Veritas and Germanische Lloyd.

- **Energy efficiency**

Alro is permanently investing in increasing the energy efficiency, by decreasing the energy consumption and also by optimization of its production processes, an important role being held by the Company's research and development team. Alro is counting

on increasing the consumption efficiency of industrial water, hot air and heating and also on decreasing the specific energy consumption and ensuring the availability of the necessary raw materials of natural gas.

In 2016, Alro continued its investment programme in this field, replacing the traditional lighting system with a high efficiency one, LED type – a project running during 2016 – 2018. At the end of this project it is estimated a decreased level of electricity consumption for lighting by 60%. In addition, the Company upgraded the burning installations G5 - G6, which further led to gas and electricity savings of 18%, respectively of 9%.

Furthermore, Alro started the construction project of a water recycling station for Anode section, having the deadline in 2017. The estimated reduction of the energy consumption is of 220 MWh/year. Moreover, in 2017 a new anode cutting equipment will start to be used, which will result in a decreased level of energy consumption in the aluminium fabrication process by approximately 3,000 MWh/year.

Additionally, Alro continued its investments in the aluminium recycling section, increasing the aluminium scrap used for the production of aluminium alloys slabs and billets. In this way, the energy consumption is significantly decreasing as for the scrap aluminium production less than 10% of the amount of electricity used for electrolytic aluminium production being used. Besides a lower electricity consumption level, also the CO2 emissions and the raw materials consumption levels are reduced.

#### • **Research and development activity**

The Company is permanently working on upgrading its production processes, through his own Research Center established in 2012 and through the Project Management teams, as well.

The research and development activity has the following strategic objectives:

- Reducing specific consumption rates;
- Increasing products quality;
- Expanding the products portfolio;

In 2016, as well, the Company registered positive results in:

- Emissions reduction caused by the used anodes in the production facilities, by covering them with alumina in a fluid layer, in a special device built for this purpose, thus ensuring a significant decrease of the CO2 emissions that are captured by alumina and subsequently reused in this way;
- Upgrading the pots design; testing will continue, aiming to reduce the electricity consumption rates by a minimum of 100 Kwh/tonne;
- Reduction of heat losses from the casting metal equipment of their specific installations by profile and thermal insulation optimisation of these equipments, with good results in gas consumption rates reduction;
- Optimising the heat treatment diagrams in the homogenisation process of slabs from hard alloys, for obtaining processed products (plates) with commercial purpose, aiming the natural gas consumption reduction and quality improvement;

- Reducing with a minimum of 20% the technological waste for aluminium alloys by optimising the burnishing operation for the slabs of hard alloys;
- Realization of an energy situation study for the plates from hard alloys continuous heat-treating oven used in the pressure vessels industry;
- Alloys diversification for clad sheets production used in the auto and heat exchangers industry.

Moreover, in September 2016 Alro signed the financing contract for implementing the project „Investments in Alro's Research and Development Department for the improvement of research infrastructure for the heat treated aluminium alloy plates with highly qualified industrial applications". The total value of this project is more than RON 115 million, out of which approximately RON 36 million represents the amount to be granted as non-refundable funds. This project will be implemented over a period of 24 months having as a main objective the research development, technological upgrade and innovation, with the purpose of increasing the Company's economic competitiveness through innovation, respectively enhancing the research and innovation infrastructure, excellence capacities, and also the scientific capacity in the Company's fields of intelligent specialisation.

#### • **Modernizing the maintenance system**

Alro is using the system "Total Productive Maintenance" which involves both operational and technical personnel in the maintenance of the production equipments. The Company uses both the predictive and proactive maintenance policies which allows it to obtain the best results in equipment maintenance process.

By implementing repairs planning in the SAP system used by the Group, the Company has a better cost control, with direct results in enhancing its operational efficiency.

Moreover, Alro continuous expands its level of computerization, installation of sensors, installation of meters, expanding the implementation of the periodic examination system etc.

## Marketing and Sales

In 2016, Alro was also focused on high and very high value added products sales, both in the primary and processed aluminium segments. While the aluminium market registered, last year, lower prices, Alro made substantial efforts for maintaining its market share and to mitigate the effects of these lower quotations by selling high valued added which have higher premiums.

Furthermore, Alro consolidated its clients' portfolio and its long term partnerships, counting on aluminium flat rolled products and also on aluminium plates with thicknesses between 15 mm and 100 mm. This approach consolidated its high quality aluminium producer position.

## Production

In 2016, Alro continued its competitiveness strengthening programs, developing the following strategic directions:

- Continuous improvement of the activities, processes and products;



- Decrease of production costs and of the production time/bottlenecks;
- Development of the actual technological processes, to obtain the best available technologies for the products quality and for their costs;
- Waste management measures;
- Optimisation of processes and technologies, to reduce the energy consumption and to use the available opportunities to improve the energy efficiency.

## Acquisition and Logistics

In the context of an aluminium market further marked by lower aluminium prices, the production costs efficiency mainly depends on the acquisition and logistics division. The Company's specialized department made efforts in 2016, as well for costs optimisation, with the following results:

- Reducing acquisitions prices with coke, aluminium, fluoride and tar and also with energy acquisitions on the specialized markets;
- Contributing to decreased production costs by aluminium scrap acquisitions, thus increasing the liquid aluminium production from scrap;
- Using the electronic auction system for acquiring raw materials and services;
- Providing GPS systems for its transportation vehicles with good results on fuel consumption and in maintenance costs reduction.

## Alro Group - evolution in 2016

Alro Group continued its production costs and specific consumption reduction programmes, while increasing the high and very high value added aluminium product sales, for maintaining its market share on an aluminium market which in 2016 continued to register lower LME levels, despite a positive trend. Thus, the average level of the LME was in 2016 of USD 1,605/tonne compared with USD 1,661/tonne, in 2015.

In these conditions, the Group recorded an operating profit (EBIT) of RON 166,666 thousand, as compared to an EBIT of RON 185,907 thousand, in 2015, while Alro reported a higher EBIT of RON 169,609 thousand compared to RON 157,330 thousand in 2015.

### • *Evolution of sales on local/international market and perspectives on medium and long term*

The Group reported in 2016 consolidated sales of more than RON 2,300 million down from sales of more than RON 2,400 million, in 2015. In 2016, the sales to third parties of the primary aluminium segment were of RON 1,016 million (in 2015: RON 1,065 million), while for the processing aluminium segment they amounted to RON 1,178 million (in 2015: RON 1,273 million).

## Sustainable development and Corporate Social Responsibility

### Sustainable development

The constant involvement in environmental protection activities is part of the Company's long-term development strategy. The Group permanently monitors the environment footprint and takes the necessary measures to comply with the specific environment rules. In addition, the specific investments in environment protection programs, the Group uses modern technologies, in line with the requirements in this field.

The Group holds in Romania the following environmental permits:

- Alro holds Integrated Environmental Authorization for both primary and processed aluminium sectors;
- Alum holds Integrated Environmental Authorization valid until October 2017 and other about 40 authorizations, certificates, attestations and accreditations; and
- Vimetco Extrusion holds Environmental Authorization which is periodically renewed (last renewal took place in May 2016).

At the same time, the environmental protection investment programs allowed Alro to obtain ISO 14001 certification for environmental protection management. Investments in energy efficiency place Alro in the top of aluminium producers with the lowest specific consumption rates in the European Union. On their return, Alro's subsidiaries hold more certificates, among which we mention the following: Alum – certificate for quality management system according to SR EN ISO 9001:2015 and certificate for environmental management system according to SR EN ISO 14001:2015 and for Vimetco Extrusion – certificate ISO 9001:2008 for quality control and conformity certificate of products quality obtained within the company.

Alro implemented and continues to implement measures to reduce the energy consumption in the aluminium production process. Also, Alro operates a production facility that uses scrap aluminium, thus, additionally reducing the energy consumption and actively contributing to scrap reduction.

The Group took measures to reduce the emissions in all its activities in Romania and implemented complex upgrading processes with positive effects for the environment. Thus, in the alumina production sector, the Group upgraded its operations since 2007 when Alum was idled for two years for this purpose. Subsequently resuming the operations, the unit reported decreased production costs thanks to the optimized technological flow, as well as a significant decrease of the environmental footprint.

In respect of its subsidiary, Alum, this is actively involved in environment protection, considering its ecological footprint. Thus, Alro Group's management and especially Alum's management allocated significant investments to run projects that aim environmental protection and durable development. As recognition of its efforts, Alum was awarded the honorary diploma at the XXIIInd Conference "Aluminium of Siberia" held at Krasnoyarsk for its project "Bauxite residue safety disposal and possibilities to further utilization". This greening project of

bauxite residue safety disposal was realised in collaboration with specialists from Romania and abroad with the main objective to finalize the safety storage and disposal installation, which had as a direct result the partial closing of the old system used, while 35,000 trees were planted in the area.

More than this, Alum permanently invested in environment protection projects and searched for viable and optimized solutions that might have a positive impact on environment. During 2009-2012, Alum invested more than USD 10 million for modernization and refurbishment of red slurry dump and subsequently it had allocated half million of dollars every year for its maintenance in accordance with the environmental standards. Moreover, Alum announced the beginning of implementing its project "Endowment of Alum's Research and Development Department with independent installations, performances in research to support economic competitive growth and business development", purpose of the project is represented by the enhancement of the research, development and innovation capacity, in order to increase the level of innovation and market competitiveness of the company by purchasing and using research and development equipment with a positive indirect impact on the environment.

Also, Alro Group takes measures to carefully manage the resources at its bauxite mines in Sierra Leone.

Currently, the Group is not involved in lawsuits concerning the impact of its activities over the environment and does not expect any occurrence of such situations that might involve any violation of environmental protection legislation.

Alro takes permanent measures to prevent major labour accidents where dangerous substances could be involved. The Company monitors the implementation of the measures that lead to the elimination of the risks of events, which could have negative impact on the environment and agrees the action plan in case this might happen.

Alro Group major environmental goals are:

- compliance with the environmental law adopted under the European requirements and strictly respect all legal regulations applicable to the company;
- continuous improvement of activities, processes, products and environmental performance;
- preparation for emergency situations and the ability to respond, organizing and conducting simulation exercises for incidents involving dangerous substances;
- prevent pollution and combat the environmental factors through investments, organizational measures, maintenance and repairs and technological changes;
- continuous monitoring of environmental aspects of production activity through weekly environmental programs.

Alro Group continuously takes measures to operate in accordance with the highest environmental standards, which are applicable for its activity.

## Environment management

Alro constantly acts to reduce its emissions, which might affect the environment and takes measures to increase its energy efficiency to contribute to the sustainable development of the areas in which it operates.

### *Ways to minimize the ecological footprint*

During the past years, Alro has invested over USD 100 million to improve labour conditions and for environmental protection. The Company applies modern concepts of integrated waste management. Moreover, all employees are trained in order to bring their active contribution to environmental protection, while being compliant with the occupational health and safety obligations.

The Company recycles aluminium scrap that has the "end of waste" status. Alro invested in building an Eco Recycling Facility that uses modern technologies such as double chamber furnaces with ox gas burners. All the gases resulting from the burning process are collected and treated in dry scrubbing centers using as a base the active carbon.

Furthermore, Alro takes measures for the selective removal of all waste (metal, paper and cardboard, polyethylene, glass) by endowment with disposal bins accordingly to EU standards; has built two green waste dumps in each of Alro's locations; has completely removed the asbestos used as a construction material for the Company's buildings and fully recycles inert waste, such as crushed concrete generated from building demolishing works recovered/ supplied to third parties for road construction or consolidation purposes. Alro recycles the non-hazardous wastes such as scrap metal, paper and cardboard, polyethylene, but also waste from oils which, in its turn, is the subject to recycling by the relevant authorized recycling operators.

Besides the project that aimed at safe storage and usage possibilities of bauxite residues and therefore greening the red slurry system storage through partial closure of settling pond for red slurry simultaneously with planting trees, Alum has in progress other projects whose final aim is minimizing the ecological footprint of its activities. These include the project of reducing emissions through modernization of used equipment, for which at the time of this report the tenders analysis was finalized the stage of contract completion was started. This project is expected to be finalized by the end of 2017.

Also, at the date of this report it is expected the commissioning of the cooling tower which will result in a saving of about 100-150 m<sup>3</sup>/h of industrial water. Moreover, in 2016 the improvement works carried out at the heat recovery facilities and by selecting optimal operating parameters for the plant, a reduction in CO<sub>2</sub> emissions by approximately 29,000 tonnes compared to 2015 was achieved.

## Social responsibility

Social responsibility represents the management process, an integrated part of the Group's business strategy, through which it wants to contribute to the development of a sustainable and performing society in every area where it operates (namely Romania and Sierra Leone).

The Group identifies on a permanent basis the stakeholders that may be interested in its activities, recognizes their legal rights and encourages their cooperation with the companies within the Group, in creating wealth, jobs, and the sustainability of a financially sound enterprise.

The Group is constantly trying to be involved in solving social the problems of the community where it activates and takes into consideration the interests of the society, having responsibility to its employees, shareholders, community and environment. The Group, through its Parent-company, is actively involved in the life of the community by engaging in corporate responsibility programs, from the reconstruction of the homes destroyed by natural disasters to education, sports and health programs. Guidelines of measures related to social responsibility within Alro are published in the Social Responsibility section on page: [www.alro.ro](http://www.alro.ro)

During 2016, Alro has contributed to numerous supporting, cultural, sports, educational and social activities:

- sponsorships for supporting events and actions in fields such as: social-cultural, education and schools, health, religion, sports, associations and foundations with activities in cultural areas, educational and social-humanitarian;
- Alro was involved, as partner in various EU funded projects in a number of areas of mutual interest;
- several partnerships with high-schools, postgraduates and universities were signed (i.e. Technical Metallurgical High School, University Politehnica of Bucharest, Transilvania University of Brasov, University of Craiova etc.) to facilitate the specialized practice of students and in writing their final papers for bachelor, dissertation or doctoral thesis, on various research subjects etc.;
- partnership regarding organizing of some vocational classes through the professional school, in jobs of interest for Alro (i.e. rolling mill, caster, numerical control machine tools operator, electro mechanic for machines and industrial equipment);
- active participation of Alro's representatives at local social dialogue organizations, such as the Social Dialogue Commission with the Olt Prefecture or the Tripartite Consultative Council with Olt Labor Inspectorate;
- involvement with good results as a member in the organization UniRomSider;
- improving the communication means with mass-media and local community, materialized by planning and conduct of events such as The Guest Day, visits at the Company by groups of students and professors, with the occasion of various school and educational activities;
- In October 2016, Alro's team took part at the 9th edition of Raiffeisen Bank's Marathon in Bucharest, which is included in the international circuit of marathons, in this way Bucharest joining the other European capitals which annually host this kind of competitions. More than 14,000 persons (adults and children) took part at the 2016 edition of this marathon and Alro was represented by a mixed team which participated both at the individual and the relay races. The Company promotes and supports its employees to take part in such events, being a promoter of the healthy lifestyle, while maintaining a balance between professional and personal life.

In 2016 its subsidiary, Alum, supported and was involved in social activities in the area where it operates, among which we can mention:

- the working conditions offered, respect the human rights, equality and welfare of employees. In this regard, recruitment, selection and hiring workforce is done mainly from the Tulcea County. Also, the percentage of the number of women employed in the company increased from 10% in 2010 to 16.43% in 2016.
- involvement in various projects initiated by the local community through voluntary actions: planting trees in parks, attending local competitions (e.g.: Championship "Rowmania" as supporters of the local football team, etc.), ensuring the participation of employees at theatre shows and concerts organized within the community.
- collecting funds for gifts offered during the winter and Easter holidays for the old people from the elderly persons home in Tulcea;
- collecting clothes, toys, food for the low-income families with several children;
- promoting actions organized by the local community by free posting in visible places of these events (like : "Tulcea Days," "Delta Rally", "Celebration of fish soup" etc.);
- signing a sportive-educational partnership for having Alum employees' children involved in sporting activities (e.g.: swimming), while supporting the organization and participation of children in sports competitions (e.g. :swimming, triathlon).

## Human Resources development

The Group encourages and promotes projects aimed to both personal and professional development of its employees, as well as the communities in which they operate. Within the Group are supported and encouraged transactions with local suppliers and thus it contributes to their development.

The Group implemented annual employee performance assessments and thus, certain performance indicators can be tracked on an annual basis regarding the employees' activity and subsequently those with outstanding performances can be encouraged and rewarded.

In general, within the Group, the employees' migration from one company to another is encouraged, but generally it is preferred to hire local staff from the geographical area where the company operates, in order to avoid the cultural, language and social differences.

Group's human resources policy has the following objectives:

- establishing the organizational framework and the related documents of human factor expression within the Company (i.e. organization chart, organizational and operational regulations, internal regulations, work and personnel norms, job descriptions, system and operational procedures, assessment forms etc.);
- quantitative and qualitative dimensioning of the necessary workforce by activity sectors, training and continuous development of professional skills, harmonizing the flow of personnel, inputs, outputs and internal mobility;

- knowing the external business environment in order to identify opportunities and threats which can determine, in a positive or negative way, the personnel recruiting and selection activity;
- optimizing the use of personnel by allocating employees on positions based on training, skills and professional competences in order for them to complete their tasks and duties in an efficient manner;
- training and professional development, professional assessment and career management;
- motivating the employees, in order to increase satisfaction and commitment in reaching goals and completing own tasks;
- developing an organizational culture based on harmonizing Company's interest with employees including competence, commitment, collaboration, respect, fidelity, order and discipline, cult value, non-discrimination, following labour law and internal norms;
- employers involvement in decision-making activities by developing horizontal and vertical communication, promoting a transparent and fair social dialogue with trade unions, conformation with the commitments assumed in the collective labour agreement;
- ensuring the conditions for employees to carry activities in full health and safety conditions;
- banning any form of direct or indirect discrimination against employees based on gender, sexual orientation, genetic characteristics, age, national origin, race, colour, ethnicity, religion, political beliefs, disability, family situation or responsibility, trade union membership or activity, as well as acts and deeds of exclusion, distinction, restriction or preference based on one or more of the above criteria, which have the purpose or effect of denial, restriction or elimination of recognition, use or exercise of rights stipulated in the labour legislation.

Alro promotes within its employees values like: responsibility of their own actions, respect between team members, priority of the common interest, appeal to honour, creative initiative, the right to a second chance, focus on solutions, practical approach, shared power (authority), continuous professional and personal development.

In the future, the Group aims to develop and implement in the company an organizational culture and business accountability regarding both the environment responsibility and the community in which it operates. The management considers that the implementation in the group of healthy principles of sustainable development and a strong policy of corporate social responsibility is meant to generate long-term positive and sustainable results. In this way the Group can get in the position to generate "win-win" situations for the Group, Alro and its shareholders, the environment and, last but not least for the communities in which it operates.

Within the Group there is a permanent dialogue between trade unions and the management. The key-elements of the framework that shows the relationship between management and employees are the collective labour agreement and available internal regulations. In practice all the activities started that may have an impact on employees are previously discussed and agreed by both parties.

The average number of employees of the Group in 2016 was 3,852 (2015: 3,810), out of which 2,449 (2015: 2,397) persons are working at Alro, while 98% of them are qualified workers.

The structure of Alro's employees by level of education is detailed in the below table:

Level of education	%
Postgraduate studies	1
University studies	17
Post-secondary studies	8
Secondary school	37
Professional schools	26
Gymnasium	11

The level of unionization of Alro's employees in 2016 was around 94%. During 2016, the relations between the company's executive management and employees represented by unions were fair, regulated by the Collective Labour Agreement and the current specific legislation. No conflicts were reported that could affect the normal activity or continuity of operations.

